



*Pro-invest*  
group

Australian Hospitality Opportunity

Q2 2018 Quarterly Newsletter

## Dear Investors and Friends,

It is with pleasure that Pro-invest Group presents you with our Australian Hospitality Opportunity Quarterly Newsletter for the second quarter of 2018. This Newsletter highlights the attractive investment opportunity the Australia and New Zealand hotel sector provides and how, through the roll-out of two hotel Funds, Pro-invest is bringing this opportunity to investors.

Key takeaways of this edition include:

- An A\$76 billion opportunity exists in the 12 years to 2030, uplifting **domestic and international overnight visitor spending combined to A\$181 billion**.
- The traditional market composition to Australia will continue to shift, **as the Eastern market progressively takes a larger share of international travel**.
- The release of the Australian Federal Budget 2018-19 announced a **commitment of A\$45 million over a 10-year period to tourism infrastructure** across Australia.
- **New Zealand's hotel sector was the biggest beneficiary** of the record guest night figures calculated for the month of May 2018, bringing in **1.05 million nights (+3.6%)**.
- Nationally, the Australian hotel market performed well during year ending June 2018 with uplifts in occupancy and ADR, **resulting in a RevPAR boost of 3.2% to A\$144**.

Over the past three years, Pro-invest has brought the Holiday Inn Express® (HIE) brand to the ANZ market and set the foundations for the brand's expansion and positioning as market leader in the mid-scale select service hotel space through the Australian Hospitality Opportunity Fund I ('Fund I').

HIE Sydney Macquarie Park continued to perform strongly during Q2 2018, achieving a rate premium amongst its competitive set. Overall guest satisfaction rates continued to build up on Q1 2018 with HIE Brisbane Central recording higher overall guest review ratings, while HIE Adelaide City Centre continued to perform well in the second quarter with occupancy growth from the transient segment.

With respect to assets under development, HIE Newcastle is set to become operational by December 2018, while HIE Melbourne Southbank is scheduled for completion in September 2019. HIE Melbourne Little Collins underwent significant planning and design progress. HIE Queenstown's

assessed value by CBRE indicated a strong uplift relative to the assessment initially performed during the due diligence process. HIE Auckland City Centre received Resource Consent, while demolition for the newest Fund I addition, HIE Sydney Airport, was completed.

Given the sizeable opportunity, with c. 50 prime target sites identified, the continued strength and positive outlook for the region's hotel sector as well as the high level of investor interest, Pro-invest established the Australian Hospitality Opportunity Fund II ('Fund II') in 2017. Fund II will build onto the existing portfolio, continuing the expansion of the HIE brand and anchoring it as market leader in the region. In addition, the Fund will bring InterContinental Hotels Group's (IHG) wellness-focussed lifestyle brand, EVEN® Hotels, to the market, allowing it to capitalise on rapidly growing travel trends. Fund II has already secured its first site in Auckland's CBD and further opportunities are being assessed throughout the region. It is expected the dual-branded Fund will ultimately comprise of c. 15 hotels across the ANZ region.

The uniqueness of the investment opportunity, being the only hotel fund in the region to own, develop and operate internationally branded select service and lifestyle hotels, is receiving good traction from investors. The interest is reinforced by the continued strength of the region's hotel sector, as well as Pro-invest's successful roll-out of its first portfolio, now comprising nine assets (over 2,200 rooms).

Fund II continues to receive strong interest from a number of large institutional investment groups currently undertaking due diligence on the opportunity. Following the first close in Q3 2017, it is expected that the Fund's next close will occur in Q3 2018 while a final close is anticipated to occur in Q4 2018, with commitments of A\$500 million.

We hope you enjoy the read.

With kind regards,

**Ronald Stephen Barrott FRICS,**  
**CEO Pro-invest Group**  
 On behalf of Pro-invest Group

For more information about Pro-invest Group and the Australian Hospitality Opportunity, please visit:

[www.proinvestgroup.com](http://www.proinvestgroup.com)

## Economic Update

### Australia and New Zealand Economies

In June 2018 reports, the Australian Bureau of Statistics (ABS) highlighted that Australia continued its economic growth streak in the first quarter of 2018, growing by 3.1% year-over-year (y-o-y). To date, the Australian economy has experienced 27 consecutive years without recession, which the ABS attributes to plentiful exports and uplifts in business investment. Additionally, Savills conveyed that the sustained growth is partly due to the materially stronger population growth of Australia in comparison to the nation's developed peers. Accordingly, Savills anticipate the Australian population is set to rise to 25 million during 2018, marking a 1.2% uplift and being c. 30 years ahead of official forecasts made in 1998 by the Australian Bureau of Statistics. The nation's economic performance and population growth has aided international investors sentiment.

Looking forward, it is expected that gross domestic product (GDP) growth will gradually strengthen over the next year, as the drag from mining investment comes to a closure while the accommodative monetary policy continues supporting the growth of household income and consumption, and non-mining business investment. Looking further ahead, the May 2018 updated forecasts by the Reserve Bank of Australia (RBA) project that GDP growth will slow slightly towards the end of the forecast period, as liquefied natural gas production will have reached its steady state. Thus, ceasing to contribute to largely to GDP growth post 2019.

On a state level, the previously underachieving economies of Queensland, South Australia and Western Australia (WA) have profited from a resurgence in the mining sector, with WA posting an annual growth rate of 0.7% (quarter on quarter to March 2018). The increase marks WA's first growth at domestic level after 17 consecutive quarters of decline. Moreover, in the 12 months to March 2018, GDP in New South Wales increased by 3.6% while Victoria gained 4.9%.

Moreover, The Economist indicate that the Australian economy will be highly dependent on the forecasted positive economic activity in China. Additionally, inflation is expected to return to the target range of 2% to 3%, and average at c. 2.3% in 2018-2022. Low interest rates are predicted to

continue stimulating the service industry by encouraging consumption, while external demand for tourism and international education will remain high.

Tourism is New Zealand's largest export industry, narrowly exceeding the country's former top earner, dairy, gaining c. NZ\$99 million per day and delivering c. NZ\$40 million in foreign exchange each day of the year during year ending (YE) March 2017. Correspondingly, domestic tourism contributes an additional NZ\$59 million in economic activity per day of the year. According to Tourism Industry Aotearoa (TIA), tourism is a significant sector for employment in New Zealand, representing 14.5% (339,150) of people directly and indirectly working in tourism.

The OECD project a 3.0% GDP growth for New Zealand in 2018 and 2019. It is expected that the growth in exports will slow, while overall gains will continue to be driven by strong tourism demand from Asia coupled with uplifts in dairy exports. Additionally, The Economist indicates consumer inflation price to grow from 1.7% in 2018, to 2.6% in 2022, achieving an average of 2.3% in the 2019-2022 period.

### Australian Tourism & Travel Industry

According to a June 2018 presentation by Tourism Australia, international and domestic overnight visitor spend totalled to A\$105 billion in 2017. In the three years to 2020, this figure is estimated to rise by 18% to A\$124 billion, followed by a further 46% increase to A\$181 billion between 2020 to 2030. Subsequently, the nation has the potential to generate A\$76 billion in both domestic and international overnight visitor spend in the 12 years to 2030.

### International Visitation

International visitation to Australia has been on a steep growth trajectory in recent years, with the trend anticipated to continue well into the future. In the YE March 2018, Australia received a record 8.3 million visitors, marking an 8% increase. During the period, nights spent by international visitors reached 269 million on the back of a 3% gain, while spending grew by 6% to A\$42.3 billion.

Figure 1: Year Ending March 2018 National Visitor Survey Overview<sup>1, 2</sup>



Source: Tourism Research Australia, July 2018

Over the long-term, Savills indicate that Australia will continue attracting international visitors, with forecasts expecting the nation to welcome 14.2 million international visitors by calendar year 2027, representing a 10-year growth of 75% or Compound Average Annual Growth (CAAG) of 5.8%.

Tourism Australia have underlined the potential for Australia to attract over 15.3 million international visitors by 2030, along with A\$90 billion in international visitor spending. The opportunity for Australia to reach these figures are anticipated to be driven from the United States (US), China and India. Accordingly, by 2030, trips from China will intensify by 99% to c. 2.7 million, while trips from the US to Australia will see a 76% expansion to c. 1.3 million and trips from India expand by 106% to c. 0.6 million.

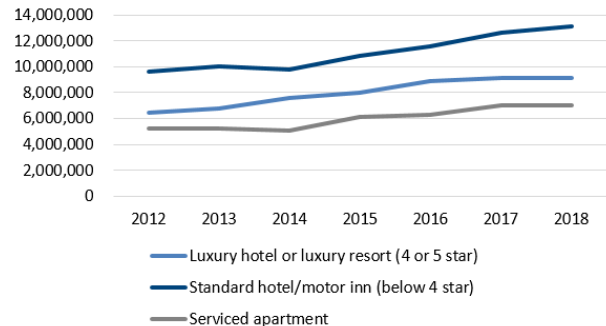
During YE March 2018, out of the top five international markets to Australia, China has continued driving growth in visitation, accounting for 52% (A\$1.3 billion) of total growth in international visitor spend. The significant share was achieved through Chinese visitors boosting both the count and spending by 13%, while nights climbed 8%. The US continued to perform well following a 10% increase in visitation to a record 751,000. Spending by the US market gained 4% to A\$3.8 billion during the period. Japan too experienced positive results in the YE March 2018, as visitor numbers improved by 3%, while nights rose by 11% and spending elevated by 2% reaching A\$1.8 billion. Moreover, the United Kingdom (UK) sustained steady growth with a 4% increase in visitor numbers and spending gaining a modest 1% to A\$3.5 billion in YE March 2018. The New Zealand market experienced a modest 1% increase in visitation, although spending fell by 6% due to shorter trip durations.

In terms of accommodation, of the 269 million visitor nights spent in Australia during YE March 2018, 57% were spent in commercial accommodation establishments. During the period, hotels and similar

<sup>1</sup> Please note that TRA identified quality issues for the data relating to the purpose of international visitation YE March 2018. Therefore, this edition will not report on purpose of travel (i.e. Business or Holiday travel). Pro-invest Group have been assured that the remaining data

accommodation accounted for 19% (c. 29 million) of all commercial accommodation visitor nights following a 1.6% uplift on the year prior.

Figure 2: International Visitor Nights (YE March)



Source: Tourism Research Australia, July 2018

As demonstrated in Figure 2: International Visitor Nights (YE March) in the six years to YE March 2018, nights spent in luxury hotel or luxury resort accommodation grew by a Compound Average Growth Rate (CAGR) of 6.1% p.a. to c. 9.1 million nights. Similarly, nights spent in standard hotel and motor inn, and serviced apartment accommodation recorded a CAGR of 5.3% p.a. and 5.2% p.a. respectively.

In the 12 months to March 2018, the standard hotel and motor inn segment gained 3.5% to c. 13.1 million nights, accounting for 45% of all international visitor nights spent in hotels. During the period, nights spent in luxury hotel or luxury resorts recorded c. 9.1 million following no growth on the year prior. Nevertheless, the segment represented a 31% share of all international visitor nights spent in hotels.

While there has been uplifts in both visitors and nights, Tourism Research Australia (TRA) highlighted that the average trip duration by international travellers declined by 4% during YE March 2018 and 8% since 2016. Nevertheless, visitor numbers and nights continue strong growth in capital cities as well as in the Gold Coast, while regional areas lag behind. TRA conveyed that the two core contributing factors to the discrepancies in growth relate to firstly, Asian markets demonstrating the largest growth during the period and commonly, markets from Asia have a low geographic dispersal

published by TRA during this quarter presents no issues and is of high quality.

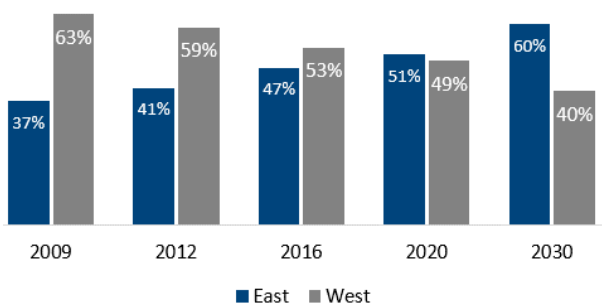
<sup>2</sup>Tourism Australia have released YE May 2018 visitation data (excluding spending) indicating that in the 12 months to May 2018, international visitation increased by 6.2% to 9 million.

rate. Secondly, a large portion of the traditional markets (i.e. New Zealand and the US) which have a greater probability of travelling beyond the city regions have in recent years demonstrated a trend towards short trips.

TRA attribute the trend of shorter trip durations to the strong growth of visitors aged 45 years and more, which climbed by 12% in YE March 2018 relative to visitors aged under 45 which recorded a growth of 4%. Accordingly, the average length of stay in Australia for visitors aged 45 years and over is 20 nights compared to visitors under 45 years being 44 nights.

Furthermore, Tourism Australia demonstrate that a substantial shift in the composition of Australia's international tourism structure is occurring. Traditionally, the international tourism market in Australia was dominated by Western travellers. For instance, in 2009 the Western market represented a 63% share of international visitation, however by 2016 this retracted to 53%. Simultaneously, the Eastern market advanced its 37% share recorded in 2009 to 47% in 2016. By 2020, Tourism Australia anticipates the rise of the Eastern market to account for a 51% share, continuing its growth well into 2030 to represent 60% of all international visitors travelling to Australia.

Figure 3: Changing Dynamic of Australian Tourism



Source: Tourism Australia, May 2018

Due to the shifting composition of international travellers, Tourism Australia have stressed the importance of considering and planning for the varying demands and interests of Eastern travellers, and accordingly the need for the Australian travel industry to evolve. Reportedly, the emerging trends and demands for the Eastern travel market include shorter stays, experience-oriented travel and unique, authentic stays and experiences, which is in line with recent publications by TRA.

In the coming years, it is anticipated that Australia will target international markets for business travel. Key target markets include the US, Canada, UK, Europe, Greater China and New Zealand. Strategies to achieve these objectives have already commenced with a A\$12 million bid fund launched in March 2018 to place Australia in a competitive position for business travel. The accelerated expansion of the business sector is expected to assist Australia's tourism growth strategy in attracting 10 million international travellers in the three years to 2020, an expected increase of c. 14% (+1.2 million) while achieving an overnight spend of A\$130 billion representing a c. 24% growth, or A\$25 billion, on 2017.

### Domestic Visitation

According to TRA, domestic travel continued to ramp up, with overnight trips reaching 97.8 million in YE March 2018, up 7% on the year prior. This increase resulted in overnight spending climbing 5% to A\$65.1 billion, while nights also grew 5%, reaching 350.6 million.

Figure 4: Year Ending March 2018 National Visitor Survey Overview



Source: Tourism Research Australia, 2018

Markedly, domestic business travel performed particularly well during the YE March 2018, with visitation increasing by 11% to 21.3 million while spending gained 6% to A\$16.3 billion. TRA attribute the growth in business travel to visitors aged between 35-49, as trips by this demographic climbed by 16% to 8.2 million during the period.

On a state level, for the 12 months to March 2018 TRA reported a 10% increase to 32.3 million domestic visitors and 15% gain to A\$19.2 billion in spending for NSW. An uplift of 7% in both domestic visitation and spending was recorded for Victoria, translating to 24.0 million visitors and A\$13.6 billion respectively. Following a 3% lift, domestic visitation in Queensland reached 21.8 million and spending increased by 6% to A\$16.2 billion. In the ACT, visitors climbed by 8% to 2.7 million, however spending declined by 4% to A\$1.5 billion. In South Australia, domestic visitation grew by 5% to record

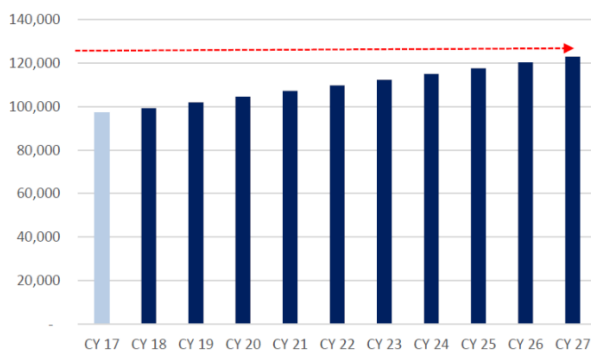
6.4 million visitors while spending experience no growth, remaining at A\$3.9 billion during the period.

Markedly, the South Australian Tourism Commission (SATC) conveyed that domestic visitation to South Australia reached 6.4 million following a 5% rise, resulting in a record A\$5.5 billion visitor expenditure for YE March 2018. The SATC reported that 23.5 million domestic nights were spent in South Australia following a 9% rise while over 3.9 million Australians spent c. A\$2.6 billion at pubs, hotels and local businesses. Moreover, the state’s visitor economy is reportedly well on track to achieve the 2020 target of A\$8 billion.

In YE March 2018, nearly half (46%) of domestic nights were spent in commercial accommodation, increasing by 5% y-o-y to 157 million nights. Nights spent in hotels, resorts and motels rose by 4% on the year prior to reach 87 million, representing the c. 56% share of all commercial accommodation nights by domestic travellers.

In terms of nights spent in hotels, resorts and motels during YE March 2018, domestic nights for the purpose of Holiday accounted for the largest share at 46% despite recording no growth. Following a 10% gain, Business accounted for a 36% share while Visiting Friends and Relatives (VFR) improved by 1% to a share of 11%.

Figure 5: Forecast of National Visitors



Source: Savills Market Update, 2018

Looking forward, Savills anticipate national visitor arrivals to surge by 27% to c. 123 million in the 10 years to 2027, representing a CAAG of 2.4%.

## Australian Hotel Fundamentals

Nationally, during YE June 2018 hotels performed well with occupancy reaching 76.4% following a 1.4% lift while Average Daily Rates (ADR) increased

by 1.7% to A\$188, translating to a Revenue per Available Room (RevPAR) gain of 3.2% to A\$144.

In terms of RevPAR, Darwin is crowned the best performing market in the 12 months to June 2018, as RevPAR grew by 8.2% to A\$113. The growth follows the strategy of Darwin hotel operators to significantly cut room rates to secure guest nights as reported by CBRE. Following the Commonwealth Games, Gold Coast’s RevPAR lifted by 49% in April 2018 relative to the year prior, with the momentum continuing throughout May and June resulting in a substantial increase across all key performance indicators (KPIs), with occupancy, ADR and RevPAR rising by 2.0%, 5.0% and 7.1% respectively.

Figure 6: Australian Key Markets Hotel Fundamentals

Location	Occ (%)	ADR (A\$)	RevPAR (A\$)	RevPAR Change* (%)
Australia	76	188	144	3.2
Adelaide	79	158	125	6.0
Brisbane	74	157	116	2.7
Cairns	85	152	128	5.7
Canberra	78	174	136	4.0
Darwin	75	150	113	8.2
Gold Coast	73	197	144	7.1
Hobart	79	177	140	-2.9
Melbourne	83	185	153	-0.3
Perth	75	167	125	-6.3
Sydney	85	230	197	2.3

\* Year ending June 2018 figures vs year ending June 2017 figures

Source: CBRE, 2018

In the YE June 2018, Sydney continued performing well, sustaining an occupancy of 85.3% following no growth, while ADR ascended by 2.4% to A\$230, resulting in RevPAR gaining an uplift of 2.3% to A\$197. Reportedly, Sydney is trading at c. 20% above the Australian room rate average, with CBRE signifying growth will continue well into the future. Due to Sydney’s popularity, it is plausible for hotel operators to increase room rates, causing limited impact on occupancy. Notably, hotel nights in Sydney by domestic travellers grew by 9% to c. 9.6 million, with Business representing a 53% share, while Holiday and VFR accounted for 31% and 10% respectively.

Melbourne concluded the YE June 2018 in a relatively neutral position with occupancy declining

by 0.5% to 83%, while ADR lifting by 0.2% to A\$185 resulting in RevPAR softening by 0.3% to A\$153. CBRE attributes Melbourne's muted hotel performance to the supply increases the market is seeing. Notably, CBRE reports that both domestic and international visitor nights are expected to continue growing. Domestic nights spent in hotels rose by 3% to c. 10 million with Business representing a 42% share, following by Holiday at 39% and VFR at 17%. For YE June 2018, nights spent in hotels by international VFR and Holiday travellers will rise pointedly, as international visitor nights over the next 5 years will gain 6.5%.

Continuing from a robust 2017, Adelaide demonstrated strong hotel performance due to increased visitation and a stable hotel supply. Occupancy lifted by 1.9% to 79% and ADR gained 4.1% to A\$158. Subsequently, RevPAR for YE June 2018 increased by 6.0% to A\$125. CBRE attribute Adelaide's well-performing hotel market to the region benefitting from several popular culture and sporting events hosted by the city which has boosted the market profile.

Over in Brisbane, the market sustained the positive performance recorded in Q1 2018, showcasing further uplifts across all KPIs. Occupancy reached 74% on the back of a 1.5% improvement and ADR gained 1.1% to A\$157, increasing RevPAR by 2.7% to A\$116 in YE June 2018. Brisbane's continued growth can be attributed to business confidence improving, boosting the growth of business travel. Accordingly, domestic visitors for business trips demonstrated a 17% increase in the YE June 2018 compared to a 5% decline for domestic VFR travellers. During the period, the market indicated a 23% surge in nights spent in hotels by domestic travellers to c. 5.6 million. Subsequently, domestic business travellers accounted for a 45% share of hotel nights, while Holiday represented a 30% share followed by VFR at 13%.

Notably, Canberra reported sound performance across all KPIs in the 12 months to June 2018, with occupancy lifting by 1.9% to 78% and ADR gaining 2% to total to A\$174. Subsequently, RevPAR improved by 4% to reach A\$136. CBRE indicate that the city's strong performance was partly driven by international tourist growth which has in turn been supported by direct flights from Singapore.

Looking forward, supply in Sydney is anticipated to rise by 6% per annum over the next three years. However, due to Sydney being a prominent global

attraction, the city will absorb new supply with minimal impact on hotel performance. Markedly, it is anticipated that the Harbour city will benefit from the quality of new hotel supply, as rates across Sydney will likely increase further.

In terms of Melbourne, c. 1,200 new hotel rooms are projected to enter the market during 2018, while a further 4,000 hotel rooms are proposed to be completed by 2020. Melbourne will receive 483 rooms with the dual-branded Novotel and ibis Melbourne Little Lonsdale Street development set for completion in December 2018.

In terms of hotel supply, growth in Adelaide will be relatively muted for the remainder of 2018, with no major new additions. However, 2019 will be relatively more active with the additions of Atura Adelaide Airport at 165 rooms and Tribe Hotel Wakefield Street at 256 rooms.

In Queensland, the 312-room W Hotel entered the Brisbane market during June 2018, marking the city's first luxury hotel in c. 20 years and the return of the W Hotel brand to Australia. Moreover, the Westin Brisbane is due for completion late 2018. Currently, no major supply is expected to enter the Brisbane market in 2019. In the Gold Coast, construction has commenced on more than 2,000 hotels rooms, which are anticipated to enter the market throughout 2019 and 2020. The supply increase is likely to place further pressure on the market, with CBRE indicating that hotel operators are hopeful that the international coverage provided by the Commonwealth Games, coupled with the emerging medical precinct and screenplay, will generate a renewed interest for the city.

## Pro-invest Australian Hospitality Opportunity (AHO) Funds

### Overview

In early 2000, Pro-invest’s CEO, Ronald Barrott brought one of the largest and most renowned hotel brands, Holiday Inn Express® (HIE), to the European market. At the time, he developed a portfolio of HIE hotels across the UK, which he grew to become one of the largest franchised hotel portfolios outside of the US. **Over a period of 6 years, 15 HIE assets were developed and the portfolio was exited as a trade sale achieving an IRR in excess of 30%.**

In 2013, given his successful relationship with InterContinental Hotels Group (IHG) and a substantial market opportunity, Ronald launched the AHO Fund I to develop, own and operate a new portfolio of HIE hotels across Australia and New Zealand (ANZ). Fund I has laid the foundations for the HIE brand’s expansion in the market, in which c. 50 prime target areas have been identified.

The Fund is a widely held Managed Investment Scheme, allowing for a final withholding tax rate of 15%. Its portfolio now counts 9 hotels and close to 2,200 rooms, being rolled out under a Master Development Agreement.

### Pro-invest AHO Fund II (‘Fund II’)

In 2016, Pro-invest Group was granted exclusivity by IHG to roll-out their latest lifestyle brand, EVEN® Hotels, across ANZ. The brand is being brought to market by Fund II, which will comprise a portfolio of c. 15 HIE and EVEN® Hotel assets. Fund II will build onto Pro-invest’s existing portfolio, focusing on:

1. growing the HIE footprint in the region and continuing to position the brand as the market leader in the region’s upper-midscale select service space; and
2. capitalising on new travel trends and the high-yielding ‘wellness traveller’ by introducing the first wellness-focused brand ever created by a global hotel operator.

Fund II achieved a first close at A\$70 million in July 2017 and by the end of 2017, three large institutional investor groups were undertaking due diligence on the opportunity. Given the high level of investor interest, it is expected that Fund II’s next close will occur in Q3 2018 while a final close is expected to occur in Q4 2018, with commitments of A\$500 million anticipated by the end of 2018.



HIE Newcastle, Artist impression

## The 2018-19 Federal Budget & Tourism Infrastructure Projects in Australia

During the quarter, details of the Federal Budget of 2018-19 were released, with the Budget implementing several initiatives to support the Australian tourism industry. The Budget demonstrates the Government's commitment in strengthening relationships with Australia's Pacific partners, working together to support the region's stability, security and economic opportunities. Markedly, the region is set to benefit from over A\$1.3 billion in aid in 2018-19, marking Australia's largest contribution ever.

Indicating a commitment to a credible, decade-long pipeline of infrastructure projects focused of driving economic growth, boosting productivity and connectivity, while generating new employment opportunities, the Federal Budget 2018-19 will invest over A\$75 billion over the next 10 years for nationally significant transport infrastructure projects. Allocations include A\$20 million for Avalon Airport (c. 50 minutes from Melbourne), while A\$5 billion has been committed towards a forthcoming Melbourne Airport rail link. Additional funding includes A\$300 million for the Brisbane Metro project and A\$220 million for the electrification of the Gawler Line in northern Adelaide. A \$250 million Major Project Business Case Fund was recently established to assist with the development of land transport infrastructure.

Further provisions have been made for A\$50 million towards a business case for the Western Sydney Airport North-South Rail Link which will be jointly funded with the New South Wales State Government, forming part of the landmark Western Sydney City Deal. The Deal includes a range of projects which is part of a co-ordinated plan formulated to deliver long-term prosperity for the Western Sydney region. In addition to the North-South Rail Link, some of the projects include an Investment Attraction Office to draw further investment activity to the Western Parkland City and a new planning regime for Western Sydney to cut development costs and boost housing supply.

According to the Department of Regional Affairs, the Budget devoted A\$45 million to the Building Better Regions fund to assist tourists moving beyond major cities into the regional areas.

To address the congestion at airports, ports and freight locations, c. A\$1 billion has been allocated towards the Urban Congestion Fund. The 2018-19 Budget stressed that funding for this cause will not only improve the life for commuters but will additionally enable easier access for visitors to and from the transport hubs.

Launched on July 1, 2018, the Budget allocated A\$140 million to span over four years for the Location Incentive Funding Program. The Program is set to incentivise producers to film in Australia, reinforcing Australia's reputation as a world class filming destination and further attract tourists to the area.

Further initiatives promoting tourism within Australia, such as the China Approved Destination Status (ADS) Scheme, were incorporated into the 2018-19 Budget. Focusing on Australia's most valuable inbound tourism market, China, the ADS Scheme devoted A\$2.6 million in funding to Austrade as part of this year's Budget to improve training and development. The scheme will ensure quality guided travel experiences for Chinese leisure tourists, while simultaneously playing a significant role in deepening Australia's economic and bilateral engagements with China.

Starting 1<sup>st</sup> July 2019, the Government will establish a level playing field for online hotel bookings through ensuring that offshore sellers of hotel accommodation located in Australia calculate their GST turnover in the same manner as local sellers.

The Cruise sector contributes A\$2.7 billion per annum to the Australian economy and has been undergoing continued growth. Thus, with Sydney serving as Australia's cruise gateway, the 2018-19 Budget will provide A\$0.3 million in funding to identify solutions to the lack of berthing infrastructure in the Harbour City. This will ensure sustainable growth for the cruise ship market.

The Budget's effort to continue facilitating tourism growth and addressing forecasted passenger gains at international air and sea ports has included the provision of A\$14.8 million in additional funding over the next five years for the cost of biosecurity clearances to address anticipated growth of passengers at international air and sea ports.

Finally, the 2018-19 Budget also marks record support for the Great Barrier Reef, one of Australia's most prized natural attractions. Recognising the economic, environmental, cultural and social value

of the Great Barrier Reef, the Budget has made a provision of c. A\$536 million to accelerate the delivery of the Reef 2050 Plan.

During the quarter, Queensland government announced updates to its 2018 State Infrastructure Plan with the intention to roll-out A\$45.8 billion worth of infrastructure over the next four years to keep up with its ever-growing population. Between 2018-19, an allocation of A\$11.6 billion (25%) is to be directed to infrastructure investments, with the Greater Brisbane region receiving a 35% share. Reportedly, the A\$11.6 billion infrastructure investment will support over 38,000 jobs through the roll out of 635 program items. Notably, the A\$5.4 billion Cross River Rail Project is the state's largest funded infrastructure commitment in over a decade and is set to be delivered in partnership with the private sector. The strategy will boost the confidence of the private sector to invest in their Queensland operations.

The Sunshine Coast made media headlines as the Airport continued its A\$347 million expansion in the second quarter of 2018. The new international standard runway and terminal is expected to be operational by 2020, with independent assessments valuing the economic benefit of the upgrade to be A\$4.1 billion in 2040, attracting up to 2 million additional passengers in the 20-year period. Additional investment projects for the Sunshine Coast include the A\$450 million integrated active lifestyle and tourist theme park, ACTVENTURE. The project will feature a waterpark, set to include the world's largest interactive kids play structure, conference facilities, hotel, retail, action sports and a surf wave pool. Proposals for a fast rail connection between the city and Brisbane, coupled with a light rail project linking the Sunshine Coast's main urban areas are also in review. According to Visit Sunshine Coast's CEO, Simon Latchford, the region is set for record tourism growth, both internationally and domestically.

## New Zealand Tourism & Travel Industry

In the year to May 2018, over 3.8 million international visitors travelled to New Zealand following a 5.3% increase on the year prior. During the period, the country's top five visitor markets (Australia, China, the US, UK and Germany) collectively accounted for c. 69% of all international visitors. Australia

continues to be the largest source of international visitors bringing in c. 1.4 million international travellers following a 2.5% uplift, while of the top five market sources, China experienced the most growth at 12.3% reaching 447,840 international visitors.

Figure 7: Annual Visitor Arrivals to New Zealand (YE May)



Source: Stats NZ, June 2018

For purposes of visitation, Holiday remained the primary reason accounting for a 53% share of total international visitor arrivals following a 6.5% gain on the year prior. VFR travellers followed with a share of 29% on the back of a 4.7% growth, while Business represented a share of 8% after gaining 2.8% on YE May 2017.

According to StatsNZ, Auckland sustained its position as the gateway city to New Zealand with Auckland Airport receiving over 2.7 million visitor arrivals, up 4.8% for YE May 2018. Notably, Auckland Airport accounts for nearly three quarters (71%) of New Zealand's international visitor arrivals. In the YE May 2018, Christchurch Airport received over 0.5 million international arrivals following a 9.6% growth, representing an international visitor arrival share of 15%, while Queenstown gained 10.9% during the period to represent a share of 7%.

Traditionally, May is one of the quieter months for accommodation providers in New Zealand as the country progresses into the cooler months of winter. However, StatsNZ reported record guest night figures for the month of May 2018. Total guest nights in New Zealand totalled to 2.54 million in May 2018, following a 1.6% uplift on May 2017. The record high was driven by more domestic guest nights being spent in accommodation across New Zealand and a rise in international guest nights in the South Island. The hotel sector was the biggest beneficiary of the May guest night boom, acquiring 1.05 million nights following a 3.6% rise. Motel stays gained 1.3% to reach 801,000, while holiday park nights totalled to 361,000 following an uplift of 1.7%.

## Pro-invest Australian Hospitality Opportunity (AHO) Funds Snapshot

	Fund I	Fund II
<b>Vintage Year</b>	2014	2017
<b>Status as of Q2 2018</b>	Fully Committed	81% Committed
<b>Geographic Distribution</b>	80% Aus / 20% NZ	80% Aus / 20% NZ
<b>Asset Class</b>	Select Service Hotels / REIT	Select Service & Lifestyle Hotels / REIT
<b>Brands</b>	Holiday Inn Express	Holiday Inn Express & EVEN Hotels
<b>Asset Target</b>	10	16
<b>Asset Quantity</b>	9	1

**Holiday Inn Express**

- GREAT LOCATION
- FREE WIFI
- FREE BREAKFAST
- COMFY BEDS
- POWER SHOWER

**EVEN HOTELS**  
 • Whole. Happy. Well.™

- keep active
- eat well
- rest easy
- accomplish more

*HIE Sydney Airport, Artist Impression*

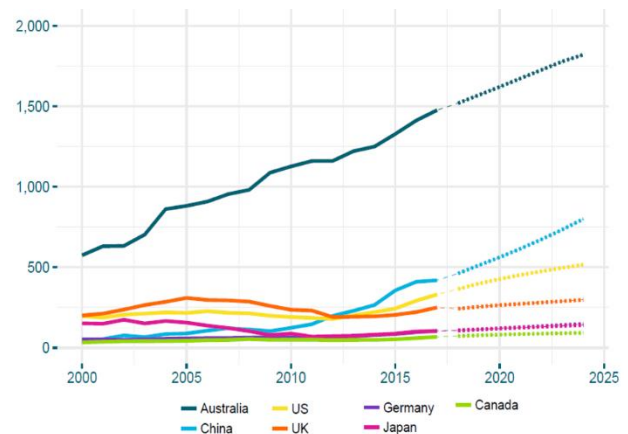
According to the Ministry of Business, Innovation and Employment (MBIE), using 2017 figures, international visitor arrivals are projected to rise by c. 37% to 5.1 million visitors in the 7 years to 2024. This translates into an Average Annual Growth Rate (AAGR) of 4.6%. The total annual international spend will follow suit, expected to reach NZ\$14.8 billion in 2024, representing a 39.7% rise from 2017 or 4.9% per annum. With the growth rate in spending slightly higher than visitor arrivals, the MBIE anticipate spend per visitor to intensify.

Regarding source markets, arrivals by US visitors to New Zealand are estimated to climb by 10% in 2018 with an additional 9.5% improvement expected for 2019. The MBIE expect favourable economic conditions to offset a 3% reduction in direct flight capacity during 2018. Similarly, Chinese visitors are expected to expand by 10% in 2018, followed by a further 11% rise in 2019 backed by a 7% increase in direct air capacity, which is reportedly an important driver. The growth of Chinese arrivals during 2019 are anticipated to benefit from the China-New Zealand Year of Tourism, with tourism being promoted and facilitated in both countries.

Looking further ahead, MBIE project the New Zealand market to undergo tremendous growth in the years to come. Accordingly, in the 7 years to 2024, China is predicted to become New Zealand's largest tourism market by spend, reaching NZ\$3.1 billion annual by 2024 following an AAGR of 11.1%, in comparison to the forecasted NZ\$3.0 billion for Australia which is expected to experience an AAGR of 2.4%. With the rise of the Asian travel market, China will contribute over a quarter (27.4%) of total international visitor growth and 38% of total visitor spending between 2017-2024. This can partly be attributed to the rapid increase in the length of stay Chinese visitors have been demonstrating, for instance in 2008 only 7% of Chinese visitors stayed one to two weeks in New Zealand versus the 40% recorded in 2017.

Nevertheless, Australia will continue to remain New Zealand's largest source of visitor arrivals, contributing over 1.8 million annual visitors by 2024, representing a 23% increase from 2017 (or 3.0% per annum). The continued short-term growth is projected to be supported by favourable economic conditions coupled with relatively low travel costs, while medium to long-term growth will eventualise, as long as economic indicators remain favourable.

Figure 8: International Visitor Arrival Forecasts 2000-2025 ('000's)



Source: Stats NZ & MBIE, May 2018

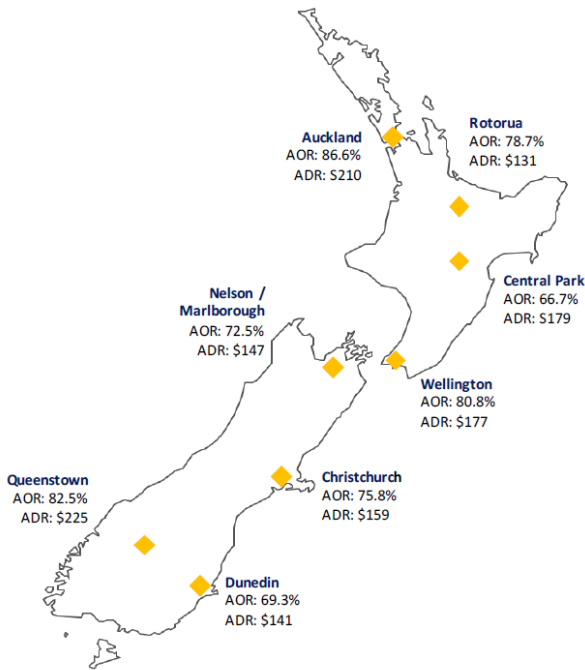
Moreover, short-term visitor growth from other Asian markets such as Singapore, India and Indonesia will be driven by increased connectivity and air capacity. According to the MBIE, increased air capacity and connectivity is predicted to be a key contributor to the rise of international visitation to New Zealand. Following an 8% increase in 2017, the non-stop flight capacity is anticipated to remain unchanged during 2018. The MBIE stressed this hold significance as the international visitation to a country can be substantially impacted should new routes to that country commence or be cancelled.

When looking at international visitation by purpose, those travelling for the purpose of Holiday have experienced the most growth and are anticipated to be the key driver in boosting international visitation figures. Between 2017 to 2024, Holiday visitor arrivals are projected to increase by 43% to c. 2.8 million, followed by VRF visitors rising by 33% to 1.4 million and Business visitors growing by 15% to reach 350,000 in 2024.

## New Zealand Hotel Fundamentals

According to a July 2018 report by Horwath HTL, in the YE 2017, hotels in the main city centres of New Zealand achieved strong rate growth, particularly in supply-constrained hubs such as Auckland and Queenstown. However, there are reportedly significant disparities between the occupancies and room rates achieved by location of hotel segments, with the highest occupancy being achieved by Auckland at 86.6%. However, 5-star hotels in Queenstown maximised on ADR, 24% higher than Auckland, despite occupancy 18% lower.

Figure 9: Occupancy & Room Rates by Region (YE 2017)



Source: TIA & HHTL, July 2018

Nevertheless, YE March 2018 data posted by Colliers International indicated the New Zealand market to be outperforming Australia in terms of RevPAR. Accordingly, the Queenstown and Auckland markets have been the highest performing RevPAR markets in the Australasia region, ranking numbers one and two respectively in the year to March 2018. Moving forward to the second quarter of 2018, due to a low supply and growing demand, New Zealand has had the financial power to drive ADRs and generate greater revenue growth.

Figure 10: New Zealand Key Markets Hotel Fundamentals

Location	Occ (%)	ADR (NZ\$)	RevPAR (NZ\$)	RevPAR Change* (%)
Auckland**	85	211	179	2.6
Christchurch	77	161	124	2.8
Queenstown	83	241	201	17.1
Wellington	79	175	139	0.9

\* Year ending June 2018 figures vs year ending June 2017 figures.  
 \*\* No national KPI data was provided for year ending June 2018.

Source: Colliers International 2018

According to Colliers International, in YE June 2018, Auckland and Queenstown continued operating in the mid 80's, recording occupancy rates of 85% and 83% respectively. With an ADR of NZ\$211 coupled

with high-performing occupancy, Auckland's RevPAR lifted by 2.6% to NZ\$179. Consistent with recent trends, Queenstown boosted RevPAR by 17.1% to NZ\$201, the highest RevPAR growth for the period, bringing in NZ\$22 more than the City of Sails.

Additionally, a shortage of hotel properties in the region continues to exist and few hotel projects are currently under construction. This serves as an indication that New Zealand will continue to lead in RevPAR growth in the following years. As a result, owners are choosing to hold onto their properties for the coming years to take advantage of high performing RevPAR.

As reported by Horwath HTL, by the end of 2018, nine hotels (1,345 rooms) will have opened in New Zealand's main visitor centres, with a further nine hotels (1,409 rooms) expected to open during 2019. These figures exclude two Queenstown hotels announced for opening in 2019, as Horwath HTL anticipate the openings to be delayed until 2020.

Auckland will receive half (49.9%) of the new hotel supply coming live during 2018 to 2019, with four hotels (1,375 rooms) opening in the City of Sails. Queenstown will receive c. 125 new rooms during 2018, with none anticipated for 2019. Horwath HTL project occupancy in Wellington to suffer the most on the back of 663 new hotel rooms entering in 2018 and 2019. It is reported that the supply increase will represent a 37% upsurge in Wellington's 4.5 to 5-star room supply during the period.

New Zealand is experiencing unprecedented demand from both offshore and onshore investors which recognise that the nation is undersupplied, with the future looking promising. The New Zealand hotel market is anticipated to experience more transactions and potential rebounds, as well as new product additions in the major market centres. Markedly, Auckland and Queenstown are key markets and pose ample room for expansion. Moreover, New Zealand Trade and Enterprise's Investment Manager indicated that international investors have continued to demonstrate solid interest and as such, a new target of generating c. 4,500 additional rooms across New Zealand by 2023 has been generated.

The outlook for New Zealand's hotel market is positive throughout 2018 to 2019, with overall room rate projections remaining optimistic despite increased competition may lead to occupancy declines. Looking ahead, further significant rises in

hotel supply are anticipated for 2020 and 2021. Therefore, Horwath HTL indicate that the response of hoteliers in respect to room rates following the increased competition will be crucial.

## Rates, Levies & Sustainability for New Zealand's Tourism Market

In 2017, New Zealand's first Accommodation Provider Targeted Rate was introduced in Auckland. Hotels and other commercial accommodation providers are now being charged additional rates to fund the Auckland Tourism, Events and Economic Development's (ATEED) budget which supports destination marketing and the promotion of major events. Reportedly, a group of leading hoteliers intend to initiate a judicial review of the rate which has caused significant increases in hotel rate charges.

However, in Auckland, residential property owners letting out their properties on web-based accommodation platforms, such as Airbnb, for more than 28 nights per annum will be subject to the targeted rate, starting July 2018. Queenstown Lakes District Council have passed legislations to introduce higher rates and tighter regulations on short-term accommodation. Councils in several other regional centres including Christchurch and Hawkes Bay are investigating similar rate increases. The implementation of additional rate charges is a strategic move towards establishing a level playing field for private accommodation providers such as Airbnb to compete with hotels, making the environment less attractive for homeowners to let their properties as holiday accommodation.

Moreover, the ATEED recently initiated the Destination AKL 2025 strategy to focus on sustainable growth within New Zealand. The initiative is proposed to address and accept responsibility for issues such as population growth, prosperity and environmental degradation. Destination AKL 2025 aims to proactively manage the impact of the visitor economy, and to sustain a balance between the economic, social and environmental setting within New Zealand.

In June 2018, the New Zealand government announced plans to introduce a levy between NZ\$25 to NZ\$35 on international visitors to ease the cost

burden on communities and ratepayers for tourism-related infrastructure. Notably, visitors from Australia and a large portion of the Pacific Island Forum countries would be exempt from the proposed levy. The levy will be collected through visa applications and a proposed Electronic Travel Authority process, collecting an estimated NZ\$57-\$80 million in its first year, depending on the rate selected. The collected funds will be split between tourism infrastructure and conservation activity.

The levy follows the rapid growth of tourism in New Zealand, with MBIE indicating that the surge in visitation has impacted on the costs and availability of publicly-provided infrastructure. Accordingly, many regions have struggled to cope and are in urgent need of improved infrastructure, spanning from toilet facilities to carparks. The proposed levy serves as an innovative collection model, avoiding disruption at New Zealand borders to deliver a long-term funding base which will support New Zealand's tourism and conservation sectors. According to MBIE, the levy will likely be introduced in the second half of 2019, due to having to progress through a legislative process.

## Regional Hotel Investment Market & Recent Transactions

As reported by CBRE, Australia's hotel sales volume for Q2 2018 eased to c. A\$270 million, indicating that 2018 could continue the investment activity experienced in 2017. According to CBRE, buyers have remained active however transaction activity is limited due to the lack of available stock, particularly at the top end of Australian CBD markets. CBRE indicate the softening of sales volume to be consistent with regional trends. Nevertheless, Australia continues to be perceived as a core market by foreign investors. Notably, a number of large assets are currently listed for sale in the Australian market.

The following tables illustrate selected Australian and New Zealand hotel transactions over A\$20 million, having occurred within the past 12 months. To be relevant to the Fund's rollout of the HIE brand, they exclude development sites, leisure or resort assets, as well as properties requiring significant capital expenditure.

Figure 11: Recent Australian Hotel Transactions

Hotel	Location	Date	Keys	Price [A\$m]	Price / Key [A\$000]	Initial Yield [%]	Comments
Quest Springfield Central	Springfield, QLD	JUL 2018	82	24	296	6.7	4.5-star hotel located directly opposite the A\$85 million Mater Private Hospital, while also being situated adjacently to the University of Southern Queensland and numerous other educational institutions.
BreakFree & Mantra Bell City	Melbourne, VIC	MAY 2018	828	157	190	undisclosed	Hotel, student accommodation and office complex located in Preston, Melbourne. Purchased by Gaw Capital Partners from Elanor Group with settlement expected in July.
Emporium Hotel	Brisbane, QLD	APR 2018	102	36	354	4.2	Multi-award full service 5-star hotel, located in the retail and dining precinct of Fortitude Valley, Brisbane. Acquired with vacant possession and will be rebranded to Ovolo Hotels.
Holiday Inn City Centre Perth	Perth, WA	MAR 2018	186	63	343	4.5	4.5-star hotel acquired by Singaporean company Legend Land Perth Pty Ltd. Located in Perth's CBD, the property's facilities include a restaurant fronting Hay Street, ground floor reception, gymnasium and 8 convention rooms.
Watermark Hotel & Spa	Gold Coast, QLD	MAR 2018	388	82	211	undisclosed	4.5-star hotel acquired by SP&G Group. The property's facilities include a function venue, day spa, hair salon, pool and gymnasium.
BreakFree on Clarence	Sydney, NSW	FEB 2018	52	30	577	4.3	3.5-star hotel located in Sydney CBD sold by Elanor Investors Group's 193 Clarence Hotel Fund to Plantation Hotels.
Ibis & Mercure Brisbane	Brisbane, QLD	JAN 2018	412	77	187	5.3	3 and 4-star hotels acquired on a triple net lease to Accor until 2021 and present refurbishment/repositioning opportunities. Transaction facilitated by Pro-invest Group.
Royce Hotel	Melbourne, VIC	DEC 2017	100	48	480	5.99	5-star hotel located c. 1.5kms of Melbourne's CBD. The hotel, purchased by Tabet Investment Group, features award-winning F&B facilities. A\$7 million of the total consideration (A\$55 million) to the office component, presenting a redevelopment opportunity.
Mercure & Ibis Styles Grosvenor Hotel	Adelaide, SA	DEC 2017	245	36	147	undisclosed	Centrally located in Adelaide's CBD, dual-branded hotel featuring a restaurant, bar, conference & function facilities. Purchased by Singapore-based Chip Eng Seng.
Adina Apartment Hotel on Flinders	Melbourne, VIC	NOV 2017	65	43	661	3.71	4-star property in Melbourne CBD. The hotel is leased to Toga Far East until 2021 and includes an associated ground floor retail (recently refurbished IGA supermarket and whiskey bar) with a major street frontage to Flinders Street. A\$10.5 million of the total consideration (A\$53.5 million) apportioned to retail, car parking and air rights.
Mercure Sydney International Airport	Sydney, NSW	OCT 2017	271	77	275	5.5	4-star hotel acquired by Australian-based Folkestone Funds Management. Folkestone intends to undertake extensive refurbishment (A\$12.5 million capital expenditure) to reposition the hotel.
Mercure Melbourne Treasury Gardens	Melbourne, VIC	SEP 2017	164	70	426	undisclosed	4-star hotel in centre of Melbourne overlooking Treasury Gardens and features restaurant. Purchased by Cbus Property from the Abu Dhabi Investment Authority.
Ibis Styles Canberra	Canberra, ACT	AUG 2017	207	27	132	8.0	4-star hotel located in Narrabundah featuring restaurant, conference and parking facilities. Hotel is within close proximity to city centre and major government offices. Purchased by Elanor Funds Management Limited.

Source: CBRE Hotels and Knight Frank, 2017 and The Hotel Conversation and CBRE Hotels, 2018

Figure 12: Recent New Zealand Hotel Transactions

Hotel	Location	Date	Keys	Price [NZ\$m]	Price / Key [NZ\$000]	Initial Yield [%]	Comments
Best Western President Hotel Auckland*	Auckland, NZ	JUN 2018	120	undisclosed	undisclosed	<7	Brokered by Colliers International, the 3.5-star hotel centrally located and in close proximity to Auckland Sky Tower and Sky City Casino, marking the first freehold hotel to sell as a going concern in Auckland's CBD in five years. The record investment yield (<7%) reaffirms the strength of the hotel sector, which is supported by the country's continuing tourism boom. The asset includes a meeting suite, fitness centre and restaurant.
Ibis Wellington	Wellington, NZ	MAR 2016	200	34	170	undisclosed	Sold with a long-term management agreement in place. The asset is in an area prone to seismic risk.
Novotel Wellington	Wellington, NZ	FEB 2016	140	33	237	7.6	Recently refurbished 4.5-star hotel located in the heart of the CBD.

Source: CBRE Hotels and Colliers International 2016; Naumi Hotels 2018

\*According to Colliers International, settlement is to occur in Q4 2018.

## In-Focus: Resilience through ESG

### Pro-invest Group's Commitment to ESG

Pro-invest Group is dedicated to optimising the financial and social returns of its hotel investment portfolio for investors facilitated through a focus on Environmental Social Governance (ESG). By incorporating ESG practices, Pro-invest Group ensures that the Group and the assets within the portfolio are resilient in the face of the world's biggest changes such as climate change, demographic change, digital transformation, urbanisation and globalisation, which are influencing real estate portfolios world-wide.

Resilience, as defined by the Global Real Estate Sustainable Benchmarking organisation (GRESB), is "the capacity of real asset organisations to survive and thrive in the face of stressors and shocks". Stressors and shocks are physical, social, economic, environmental, technological and regulatory, all having the capability to impact asset value, employees, the environment, communities, businesses, tenants and supply chain. Institutions, government agencies, investors and asset managers are increasingly becoming aware of the importance of sustainability and resilience, particularly in times of social and environmental instability. Accordingly, it is crucial that long term resilience is considered in the design, construction and operation of assets, and the overall organisation.



### Environmental Initiatives

Pro-invest has been at the forefront of developing assets that have the highest environmental efficiency while ensuring assets, once operational, meet key stakeholder requirements through optimal performance. In time, this translates into operational savings and higher returns, all the while maintaining guest comfort and satisfaction.

On the development front, as an example, the Group secured a A\$39 million Term Debt Facility from Clean Energy Finance Corporation (CEFC) for HIE Melbourne Southbank, boosting the asset's

anticipated operational National Australian Built Environment Rating (NABERS) rating to 5 stars. Initiatives for the Southbank project comprise of high performance glazing, high efficiency air-cooled chillers and condensing boilers and solar photovoltaic systems on the hotel's roof. Other initiatives include regenerative lift drives rather than standard lift motors, which will enable the hotel to recycle energy. This announcement follows HIE Sydney Macquarie Park achieving a 4.5 Star Energy and Water NABERS Rating, demonstrating the asset's optimal performance, producing significant long-term energy, water and financing savings.



*Holiday Inn Express Melbourne Southbank (expected to achieve a 5-star NABERS rating) Artist Impression.*

Additionally, all assets operate on a lean business model ensuring sustainable outcomes such as food waste being kept to a minimum. Additional efforts include Pro-invest Group introducing the 'A Greener Stay' program to the Asia Pacific region. 'A Greener Stay' generates considerable energy, water and operational savings across the portfolio. The cost of laundering bed linen and towelling is reduced, generating financial savings in room cleaning expenses, with the added benefits of 'A Greener Stay' attracting (and enrolling) new IHG Reward

Members, as participating guests receive 500 IHG Bonus Points. Recognising the importance of “what gets measured, gets managed” hotel energy, water and waste consumption is tracked and monitored on a monthly basis, through utilising IHG’s Green Engage tool.



*Holiday Inn Express Sydney Macquarie Park, exterior*



### Social Initiatives

Pro-invest Group is an avid supporter of training and development. Throughout the period, Pro-invest Group employees attended training sessions and conferences hosted by institutions such as AHICE, GRESB, CompliSpace, Deloitte and Tourism Research Australia, ensuring the team remains informed of the latest industry trends and compliance-related regulations, while further enhancing their skills and expertise.

Recognising that Pro-invest Group is part of a broader community and contributes in affecting change globally, the Group strives to assist those in need in both developed and developing countries. Recent efforts include the SOS Children’s Villages Thailand Project through funding US\$25,000 which ensures that over 140 children and adults are supported through the construction and renovation

of 12 family houses along with sanitary ware, electricity and painting. Moreover, following on from Pro-invest Group’s involvement with the Movember Foundation, the Group donated A\$10,000 to the Australian Cancer Research Foundation to support the Foundation’s efforts in finding a cure for cancer.



### Governance Initiatives

Governance is evident at all levels and operations of Pro-invest Group, with the Group taking pride in its continuous efforts to ensure all stakeholders are compliant to the highest government and industry standards. Milestones for the year to Q2 2018 include the Group becoming members of INREV and ANREV, two leading member-driven associations for Investors in Non-listed Real Estate Vehicles. The associations act as pioneers in advocating professional standards and establishing benchmarks for corporate governance, sustainability, accounting and reporting. Accordingly, the Group performed a gap analysis of existing ESG policies and introduced a range of new policies to suit the Group’s growing business needs. Markedly, GRESB-commissioned auditors GBCI indicated that the Group has significantly strengthened its ESG framework relative to the year prior.

Moreover, Pro-invest Group completed its second GRESB Real Estate Assessment submission which will permit the Group to benchmark its performance against other real estate managers across the globe. The assessment covers the seven overarching themes of Stakeholder Engagement, Building Certifications, Performance Indicators, Management, Policy & Disclosure, Risks & Opportunities, and Monitoring & Energy Management Systems

[www.proinvestgroup.com](http://www.proinvestgroup.com)