

CEFC and Pro-invest aim to deliver five star green treatment for new hotels

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Hotel accommodation will get a new twist on the concept of five stars with Australia's first hospitality real estate fund to integrate energy sustainability in its investment criteria. Pro-invest's Australian Hospitality Opportunity Fund II (Fund II) is backed by a \$50 million equity investment from the CEFC and will build hotels shooting for a 5-star rating under the National Australian Built Environment Rating System (NABERS).

With a minimum 25 per cent energy saving on new developments, the Pro-invest Fund II will aim to deliver lower emissions while dramatically reducing energy costs in up to 15 new hotels across Australia.

The new properties will have their own clean energy plans and the latest energy efficiency innovations to further reduce emissions, including low carbon construction techniques, such as cross laminated timber, energy efficient building management systems and heating and cooling equipment.

Pro-invest is also investigating the purchase of green power as well as carbon offset schemes across its hotel portfolio to help achieve its Carbon Neutral 2030 agenda.

The Pro-invest Fund II will develop, operate and manage Holiday Inn Express and IHG lifestyle hotels in strategically selected CBD hubs.

Development is underway on Holiday Inn Express hotels in Parramatta in Sydney and Maroochydore on the Sunshine Coast. The Fund is also considering developing new Holiday Inn Express hotels in Sydney, Canberra and Wollongong, as well as several hotels under the IHG lifestyle brand.

Pro-invest is one of the largest hotel investment platforms in Australia and the only hotel developer, owner and manager in Australia to require NABERS Energy ratings for all its hotels.

The Fund will draw on the lessons learned from Pro-invest's first hotel fund (Fund I), which is drawing on CEFC debt finance to incorporate low emissions techniques in the Holiday Inn Express Melbourne Southbank development. When built, the 345-room hotel will feature high performance glazing, high efficiency air-cooled chillers and condensing boilers, rooftop solar and regenerative lift drives.

Clean Energy Finance Corporation Property Lead Chris Wade said: "Buildings produce more than 20 per cent of Australia's total emissions, so it's critical we put low carbon at the centre of new investment and development decisions. The office sector has made tremendous progress on energy efficiency. With this investment, we want to see this progress adopted right across the hospitality sector.

"Sustainable design and construction can make hotels more attractive to energy-conscious guests, as well as improve their value by making them more resilient to climate change and, in the face of rising energy prices, more energy efficient."

Mr Wade said that the hotel sector's split owner-operator model presented an obstacle to low emissions adoption. The owner-operator model can result in the operator largely benefitting from energy efficiency initiatives through lower energy bills, even though it is the owner who has made the capital investment in the improvements.

“With the Pro-invest Fund II developing, owning and operating the hotels, the energy savings will be passed onto investors,” Mr Wade added.

Pro-invest CEO Ronald Barrott said the company's experience with Fund I, in which assets are designed to achieve a baseline 4.5-stars NABERS Energy, demonstrated that investment in energy efficiency initiatives could provide positive returns for investors.

“There is a misconception that energy efficiency is not economical. But as we have seen through our first Fund, investing in sustainability measures is value accretive and will drive investor returns,” Mr Barrott said.

“Walking the extra mile today on energy efficiency, by designing and developing our assets in the most environmentally friendly manner, means additional rewards later, including lower costs and higher guest satisfaction and employee engagement.”

NABERS Managing Director Carlos Flores said: “Government and corporate procurers are starting to look for accommodation that aligns with their sustainability commitments. Hotels taking real action to reduce carbon emissions will benefit from this trend. The hotel sector has a huge opportunity to cut emissions and use water more responsibly.

“We celebrate Pro-invest for setting the bar in the hotel sector by setting a portfolio target of 5-stars NABERS Energy, up half a star on its existing baseline. This will serve as a beacon for the entire sector.”

About the CEFC

The CEFC has a unique role to increase investment in Australia's transition to lower emissions. We invest to lead the market, operating with commercial rigour to address some of Australia's toughest emissions challenges – in agriculture, energy generation and storage, infrastructure, property, transport and waste. We're also proud to back Australia's cleantech entrepreneurs through the Clean Energy Innovation Fund. In investing \$10 billion on behalf of the Australian Government, we work to deliver a positive return for taxpayers across our portfolio.

About Pro-invest Group

Pro-invest Group is an asset manager and investment firm established in 2010. With close to AUD 2 billion assets under management, Pro-invest operates as a locally established, integrated private equity real estate business combining active asset management, development and operational capabilities, providing investors with above industry risk-adjusted returns in the hospitality, commercial and retail space. Pro-invest's unique structure ensures full control of the entire value chain, allowing for effective sustainability management, risk mitigation and return optimisation.

About NABERS

NABERS (National Australian Built Environment Rating System) is a sustainability rating system which rates the operational performance of existing buildings on a one to six-star scale and is managed by the NSW Department of Planning, Industry and Environment. Buildings can be rated on energy efficiency, emissions, water efficiency, waste performance, and indoor environment quality. Measuring and managing operational performance is a foundation stone for action; informing investment and driving upgrade activity. Since it began in 1998, NABERS has enabled the property sector to save approximately 6 million tonnes of CO2 from being emitted.