



A Leader for Unlisted Real Estate Assets in the Australian Hospitality Marketplace



Hotels have become an established institutional grade asset class, forming a significant part of many investors' portfolios. Provided they are skilfully acquired and actively managed, investments in the sector can generate attractive yields, with the potential to outperform CBD office building investments on a risk-adjusted returns basis. The income returns of Australian institutional-grade hotels have demonstrated low volatility over past years when compared to their peers.

Hotels that target a range of segments, including both corporate and leisure, and have efficient cost structures with high variable components such as Select Service hotels which have a strong presence in Pro-invest Group's (Group) portfolio, are significantly more resilient to market downturns, as they have a large proportion of variable costs versus fixed costs. This is as Select Service hotels operate on a lean business model, thus keeping operating costs down by offering services and amenities in moderation, for instance through less expansive Food and Beverage services. Additionally, Select Service hotels typically feature a smaller overall building footprint, providing a hotel which has greater operational efficiency and is less expensive to develop, operate and manage.

Further, the Group actively manages its portfolio to ensure significant reductions in energy consumption, consequently reducing ongoing energy expenses for operating assets, which results in increased distributions and higher exit valuations. In an environment of rising energy costs, these initiatives also assist in de-risking the exposure to volatility in energy prices.

Pro-invest Group is one of the largest hotel investment platforms in Australasia, operating as a locally established, integrated private equity real estate business combining hotel investment, development and operational capabilities.

In line with strategic objectives, the Group is dedicated to optimising the financial and social returns of its hotel investment portfolio for its investors. The Group has an integrated Environmental Social Governance (ESG) approach engrained throughout its business operations and believes that ESG is a growing area of importance to all stakeholders involved. With the Group's unique structure, the Group has been able to actively respond and prepare for trends driving the improvement of ESG across unlisted real assets.

Transparency as a Core Consideration for Pro-invest Group

Since inception, the Group have operated in accordance with its guiding principles of Trust, Integrity and Commitment, driving a unique culture committed to exceptional service, performance and results. The Group aspires to become clients' preferred investment partner and recognises that trust can be achieved through open and honest communication, ensuring strong and transparent corporate governance is performed while always delivering on promises.

Evidence of the Group's commitment to transparency and global best practice compliance with respect to non-listed real estate vehicles, is the Group's active participation in INREV and ANREV. A strong partnership with the Clean Energy Finance Corporation (CEFC) has also been entered, enabling the Group to uplift asset performance through investing in energy efficient initiatives.



Membership with GRESB is another example of the Group’s commitment to ESG. Further, as part of the Group’s ESG agenda, the Group contracts Environmentally Sustainable Design consultants to perform National Australian Built Environmental Rating System (NABERS) assessments for the Group’s hotels.

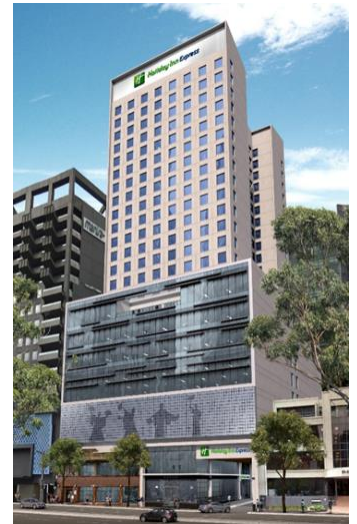
NABERS is a national rating system which calculates and rates the performance of an existing building, or part of one, on a particular environmental indicator at a certain point in time based on retrospective consumption using a 6-star rating scale, with 6-stars demonstrating market leading performance. NABERS tools have been developed for offices, hotels, residential and retail buildings. Although to date, the NABERS rating has most widely been adopted by office and residential developers, with some limited exceptions in the hospitality and retail space. This is partly as more passive asset classes are arguably easier to monitor in terms of following ESG best practice. In contrast, hotels require active management. Pro-invest is aiming to help drive the hotel sector in Australia to make NABERS a market standard, as it is in the office sector.

To date, the Group’s first operational asset HIE Sydney Macquarie Park has achieved a post-construction 4.5-Star NABERS rating for both Energy and Water. The Group strives to achieve excellence in sustainable design, with the typical base hotel design for HIE capable of achieving 4.5-Star NABERS in design rating.

Pro-invest Group & CEFC to Develop First 5-Star NABERS Hotel in Australia

CEFC is a statutory authority established by the Australian Government under the Clean Energy Finance Corporation Act 2012. As a specialist clean energy financier, CEFC invests in projects that demonstrate robust potential in decarbonation, ambitious energy efficiency such as infrastructure, manufacturing and property, and electrification and fuel switching. With Pro-invest Group’s portfolio firmly grounded in integrating market leading sustainable mechanisms, a partnership with CEFC was formed.

The CEFC has committed A\$39 million to a construction and term loan facility as part of a co-financing for the 345 room A\$140 million Holiday Inn Express (HIE) Melbourne Southbank and is supporting in lifting the hotel’s initial 4.5-Star NABERS target to a 5-Star Energy rating. With CEFC indicating the uplift to translate in a hotel energy consumption saving of approximately 25%, delivering substantial energy savings which will provide ongoing benefits for the hotel, carbon conscious guests and the environment.



To boost the project’s targeted NABERS rating to 5-Stars, HIE Melbourne Southbank is set to receive high performance glazing, high efficiency air-cooled chillers and condensing boilers and solar photovoltaic systems on the hotel’s roof. Further initiatives include regenerative lift drives rather than standard lift motors which will enable the hotel recycle energy, coupled with integrated building management and guestroom energy management systems to both monitor and drive building performance.

The Group will oversee the Southbank asset throughout its entire lifecycle, including development and operations phases. The involvement of CEFC marks the institution’s first investment into hotel real estate, enabling the Group to continue developing, operating and owning assets that are industry-leading in respect to sustainability.

A Wholistic Approach to Resilience through ESG

At the company-level, the Group recognises that human capital is instrumental to the overall success of the business. Thus, continuous investments in training and development are made. Specifically, regarding industry and ESG-related conferences and workshops which permit the Pro-invest team to remain informed of the latest industry and sustainability trends, coupled with compliance-related regulations. Additional measures taken include periodical Employee Engagement Surveys, as the Group recognises that ‘what doesn’t get measured, doesn’t get managed’ applies not only to environmental factors, but the overall input from people too.

By incorporating ESG practices, the Group and its portfolio assets 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.

In accordance with IHG's HIE Brand Standards, all HIE hotels under Pro-invest Group's management are designed and operated with considerations derived from Green Engage. Aligned to ISO Standards and LEED, Green Engage is a sustainable platform developed exclusively for IHG-branded hotels. Fundamentally, the platform performs the functions of a sustainability guide, offering c. 200 initiatives to implement throughout development, refurbishment and operation phases, and an Energy management System and Data Management System.

Subsequently, during the development phase, with the Green Engage guide and in-house expertise, the Group makes considerations for high-performance Insulated Glass Unit and Glazing for building envelopes, resulting in energy efficiency while improving natural light, safety, noise reduction and privacy for guests, along with strong LED lighting and sensor preferences. Further provisions include modular carpeting made of recycled content, permitting c. 85% less installation waste and reducing the overall impact on the environment through being made of 100% recycled yarn content.

Once operational, all assets under the Group's management partake in the Green Engage platform's monitoring and management system. Monitoring the assets' consumption in relation to factors such as energy, water and carbon and their respective waste generation permits the Group to monitor impact relative to occupancy and seasonality and respond appropriately.




Recognising that at all times, hotels have a duty of care in the management of risks pertaining to the safety and security of staff, guests, visitors and other

stakeholders, periodic measures are implemented and monitored across the Group's operational assets to ensure regular crisis and incident risk assessments are performed, striving and attaining high performing marks which are significant in reducing operational and financial risk to the portfolio.



Further, in collaboration with IHG, the Group introduced the "A Greener Stay" program to the APAC in December 2017. The program permits guests staying two or more nights to opt out of housekeeping services in exchange for 500 IHG member bonus points. This program therefore educates hotel guests on lowering their environmental footprint while rewarding them for doing so and reduces costs of laundering bed linen and towelling and generation of in room cleaning costs. To date, the program has proved popular, generating tens of thousands of dollars in savings across the three operational assets.

In closure, the Group follows a 'value-add' philosophy in line with ESG best practice, catering to investors' individual risk and return preferences by offering several investment options, including funds with a tailored investment strategy, separate accounts that are customized to an individual's investment preferences and select joint venture arrangements. Considering the uncertainty in the global markets, now seems a good time to take advantage of the opportunities that exist in the ANZ real estate markets for attractive, long-term income returns.

	
 <p>AN IHG® HOTEL</p>	 <p>AN IHG® HOTEL</p>
<p>EXISTING HOTELS</p> <ul style="list-style-type: none"> Holiday Inn Express Sydney Macquarie Park Holiday Inn Express Brisbane Central Holiday Inn Express Adelaide City Centre 	
<p>DEVELOPMENT PIPELINE</p> <ul style="list-style-type: none"> Holiday Inn Express Newcastle Holiday Inn Express Melbourne Southbank Holiday Inn Express & Suites Queenstown Holiday Inn Express Sydney Airport Holiday Inn Express Melbourne Little Collins Holiday Inn Express Auckland City Centre EVEN Hotel Auckland City Centre 	

For more information about Pro-invest Group, please visit: www.proinvestgroup.com