

Presentation – Daniel Sweet

MWHF Portfolio

Sydney CBD B/V : \$244million 48% of portfolio

Sydney Marriott

- 241 accommodation rooms
- One restaurant and one bar

B/V : \$89m
Term cap rate 8.4%

- Eight functions rooms
- 4,569m2 of commercial office space

Citigate Central Sydney

- 255 accommodation rooms
- One restaurant and one bar

B/V : \$84m
Term cap rate 8.9%

- Fourteen functions rooms
- 600 space commercial car park

Sebel Parramatta

- 194 accommodation rooms
- One restaurant and one bar
- Nine functions rooms

B/V : \$41m
Term cap rate 9.5%

Courtyard North Ryde

- 196 accommodation rooms
- One restaurant and one bar
- Nine function rooms

B/V : \$31m
Term cap rate 9.5%

Cairns B/V \$41million 8% of portfolio

Sebel Cairns

- 321 accommodation rooms
- One restaurant and one bar

B/V : \$41m
Term cap rate 9.0%

- Eleven function rooms
- 2,940 sqm of commercial space

Brisbane B/V \$145million 28% of portfolio

Sebel & Citigate King George Square

- 438 accommodation rooms
- One restaurant, one bar one cafe

B/V : \$145m
Term cap rate 8.75%

- Thirteen function rooms
- 1,300 sqm of commercial space

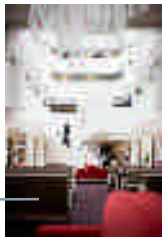
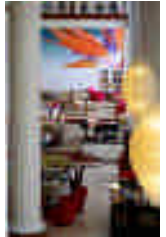
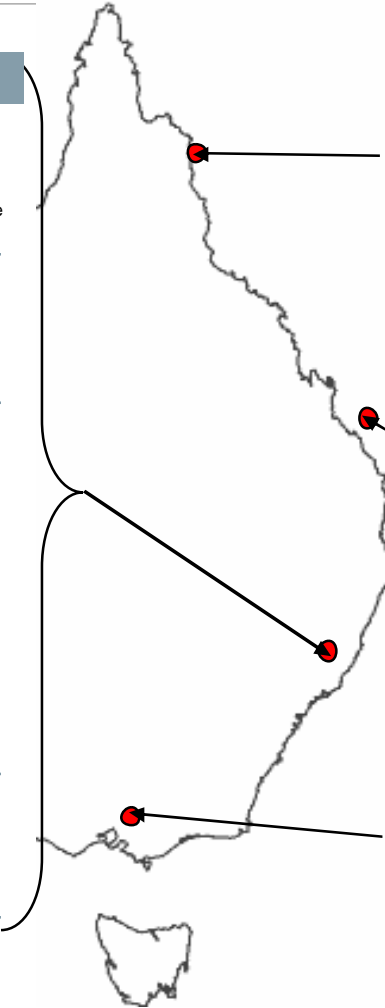
Melbourne B/V : \$84million 16% of portfolio

Sebel & Citigate Albert Park

- 379 accommodation rooms
- One restaurant, one bar and cafe

B/V : \$84m
Term cap rate 9.0%

- 29 functions rooms
- 560 space commercial car park



Travelodge Group Portfolio

| Hotel | Rooms | Location |
|-----------------------------|--------------|----------------------|
| Travelodge Wentworth Avenue | 406 | CBD Sydney |
| Travelodge Phillip Street | 86 | CBD Sydney |
| Travelodge Wynyard | 277 | CBD Sydney |
| Travelodge Bankstown | 108 | Suburban Sydney |
| Travelodge Blacktown | 120 | Suburban Sydney |
| Travelodge Manly | 120 | Suburban Sydney |
| Travelodge North Ryde | 120 | Suburban Sydney |
| Travelodge Newcastle | 131 | Regional NSW |
| Travelodge Southbank | 275 | CBD Melbourne |
| Travelodge Garden City | 120 | Suburban Brisbane |
| Travelodge Rockhampton | 74 | Regional Qld |
| Travelodge Perth | 123 | CBD Perth |
| Travelodge Palmerston North | 85 | Regional New Zealand |
| Total | 2,045 | |

Sustainability Triple Bottom Line

Not just feeling good about saving trees.....

- **Economic**

 - Costs
 - Market shift

- **Environmental**

 - Hotels are big consumers of everything

- **Social**

 - Potential for harm to our people and customers



Sustainability

Why are we interested in Sustainability?

- Investors
- Risk Management
- Statutory requirement
- Improves our hotels performance by helping to sell rooms and reduce costs



Sustainability – Triple Bottom Line

Ø **Economic**

- § Energy water and waste costs are forecast to increase rapidly in the coming years. The cost increases will be material and may affect the profit
- § Market shift is an opportunity and a risk for the portfolio. Preference for energy efficient tourism options and pressure for green credentials may drive customer decisions

Ø **Environmental**

- § Tourism investment has high potential for environmental impact
- § Hotels are generally high consumers of resources such as energy, water, food materials and waste

Ø **Social**

- § Tourism operations and hotels are considered as a medium to high risk work place and there is a potential for employees, visitors, contractors and external service providers to be harmed

Environmental Legislation

Ø Energy Efficiencies Opportunities Act 2006

- § Engages large energy users and asks them to report on energy consumption. Travelodge Group have reported the previous two financial years consumption
- § Requires energy users to undertake an assessment of energy efficiency opportunities to a minimum standard
- § Report publicly but necessarily make improvements

Ø National Greenhouse and Energy Reporting Act 2007

- § National framework for corporations to report greenhouse gas emissions and energy consumption – effective 1 July 2008
- § Registration and reporting is mandatory
- § Underpins emissions trading
- § Meets Australia's international reporting obligations

Carbon Pollution Reduction Scheme

Ø CPRS at a glance

- Ø Cap and trade scheme that puts a price on carbon in a systematic way through the economy
- Ø Australia has a minimum commitment of 5% reduction on 2000 emission levels, increasing to 25% if international agreements result in similar commitments from other emitters
- Ø Emitters must submit one Australian emission permit (AEU) for each tonne of carbon dioxide equivalent emitted. Carbon pollution permits will be tradeable and the price will be determined by the market
- Ø Liable entities are captured by NGERs, because they have obligations as an upstream supplier or because they have operational control over a facility with direct emissions in excess of 25,000t CO₂-e
- Ø CPRS is aimed at reducing consumption through a “down stream” approach where the end user is forced to change behaviour due to cost
- Ø All energy users will face cost increases
- Ø Emissions Intensity Trade Exposed and Strongly Affected Industries will have varying levels of free permit allocations so industry is not moved offshore. The price of permits has been fixed at \$10 for the first year with a forecast increase to \$25 in the second year with increases at 5% + CPI p.a. thereafter. A ceiling of \$40 per permit will be in place for the initial period

Sustainability

What have we done to date and why?

- **Sustainability Management Plan**
 1. Understand our properties and document it
 2. Snapshot
 3. Roadmap
 4. Tracking, reporting and analysing
 5. Data storage
 6. NABERS

- **Promote our sustainability credentials**

- **Mitigate Future Risks**

Carbon – The Big Issues

Ø Environmental Impact

§ Climate Change

Ø Carbon Liability

- § Increase in electricity, gas and water costs
- § Increase in waste management costs
- § Increased costs in supply chain dependencies
- § Energy consumption reduction and payback
- § Federal Schemes and Acts

Ø Consumer Behaviour

- § Market shift due to changes in consumer behaviour
- § Preference for energy efficient hotel rooms
- § Desire for green credentials
- § Change management culture



Climate Change

- ∅ Intergovernmental Panel on Climate Change (IPCC) is a scientific body established in 1988 by the World Meteorological Organisation and United Nations Environmental Programme to review the scientific basis and risk of human induced climate change
- ∅ What do the IPCC say about Climate Change?
- ∅ Is it real?
- ∅ **Warming of the climate is unequivocal. Eleven of the last twelve years (1995-2006) rank among the twelve warmest years in the instrumental record of global surface temperature (since 1850). Global average sea levels have risen since 1961 at an average of 3.1mm/yr**
- ∅ Is it human induced?
- ∅ **In scientific terms 90% confidence**
- ∅ What will be the temperature impact by 2100?
- ∅ **+0.3°– 6.4°**
- ∅ What will be the impact on sea levels by 2100?
- ∅ **+28 – 43cm**



Carbon Liability

- Ø **Carbon liability will change cost structures of many Australian companies with bottom line impacts inevitable and material**
- Ø **Increase in electricity costs due to CPRS – from 2011 prices will increase 10% with a further 25-40% over the next two years. Further increases of 5-10% p.a. will be experienced thereafter**
- Ø **Similar increases expected for water and gas**
- Ø **HMF POME database reports that hotel waste management costs have increased by 10% p.a. for the last 10 years. Price increases are driven by increased landfill costs. CPRS will significantly increase the costs of landfill and waste management**
- Ø **Suppliers will attempt to pass on increased energy costs to end markets**
- Ø **Under CPRS it is intended that building owners will pass on additional costs to the end users. This may not be possible in price sensitive industries such as the hotel industry. The lack of scope to pass on price increases will be compounded in a deteriorating economy. Reduced corporate activity and demand for hotel rooms in 2009 has seen downward pressure on room rates. It is highly unlikely in the current competitive environment that hoteliers would pass on 100% of increased costs**
- Ø **Carbon will effectively become a new currency. It is expected that companies will speculate on the future value of carbon**
- Ø **We may see a change in the top 100 companies in Australia and the emergence of green tech and sustainable energy companies**
- Ø **How will companies adapt and is this the beginning of the end for EITE and SAI**

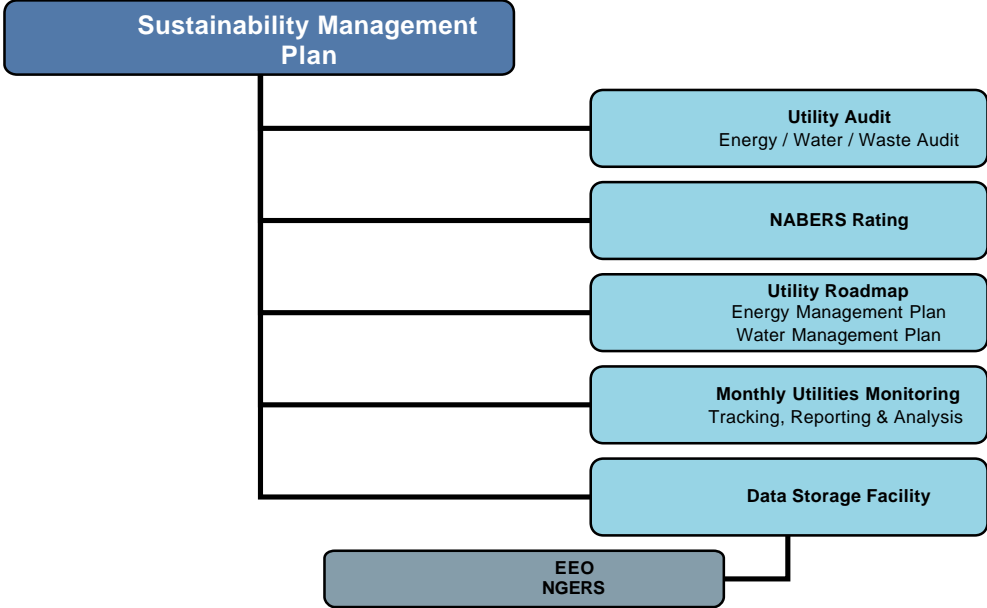
Consumer Behaviour

- ∅ **First mover advantage currently exists for those companies that can identify sustainability issues and reduce environmental impacts. The opportunity for promotion of green credentials exists for companies that voluntarily respond to the issue of global warming prior to enforced or regulated change**
- ∅ **Sustainability and environmental issues will change consumer behaviour and market conditions. Market shift is an opportunity and a risk for our portfolio. Preference for efficient hotel rooms and pressure for green credentials may drive future customer decisions**
- ∅ **Part of the sustainability strategy for Travelodge Group is to report publicly and show improvement**
- ∅ **Not all customers will take time to read about our initiatives or demonstrated improvement. However we are already seeing customers requesting credible and recognised brands**
 - **Department of Environment and Climate Change NABERS Rating**
 - **Green Globe**
 - **Disclosing highlights of the carbon inventory/footprint**

Sustainability Management Plan Objectives

- Ø **An accurate understanding of each properties energy and water consumption and establishment of a baseline**
- Ø **Utility “road map” establishes a detailed plan for cost effective / cost neutral energy, water and waste savings**
- Ø **A systematic review and action of current energy consumption and payback opportunities will reduce the Travelodge Group’s carbon liability and exposure to increased costs going forward**
- Ø **Monthly tracking and reporting for supervision of the “road map”**
- Ø **By regularly reporting energy, water and waste consumption it increases awareness amongst employees and leads to a change in culture**
- Ø **Creation of Key Performance Indicators to asses the progress of individual properties against their peers**

Sustainability Management Plan



Sustainability Targets

- Ø **Improve resource use performance. Travelodge Group has a commitment to achieve an average NABERS rating of 3 stars across the portfolio. Travelodge Group is targeting a minimum of 3 stars for energy and water for individual properties over a 5 year period**
- Ø **Commence monthly electricity, water, gas and waste consumption reporting in the 2009 calendar year**
- Ø **Carbon inventory (GHG Protocol and NABERS Scope 1 and Scope 2) to be reviewed annually**
- Ø **Integrate sustainability into strategic planning, decision making and business unit performance**
- Ø **Implement cost effective sustainable initiatives for properties**
- Ø **Sustainability to be minuted section for investment committee, acquisition due diligence and business unit meetings**
- Ø **Promote the sustainable principles applied to the portfolio. Promotion should be done via relevant media outlets and particularly Travelodge distribution and third party internet booking sites**

Value and Sustainability



2009 Toyota Prius
1.4t CO2e p.a. (14,000km)
\$46,900

2009 Toyota Corolla
2.8t CO2e p.a. (14,000km)
\$21,490

\$23.30 Green Credits
Approximate cost to offset 1.4t of CO2e p.a.

Changing 4 Globes at Home
CFL to LED x 4 = 1.4t of CO2e p.a.

