



A Member of
CapitaLand Investment

ASCOTT RESIDENCE TRUST

A stapled group comprising:

Ascott Real Estate Investment Trust

(A real estate investment trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Managed by

Ascott Residence Trust Management Limited
(Company Registration No. 200516209Z)

Ascott Business Trust

(A business trust constituted on 9 September 2019 under the laws of the Republic of Singapore)

Managed by

Ascott Business Trust Management Pte. Ltd.
(Company Registration No. 201925299R)

ANNOUNCEMENT

ACQUISITION OF FOUR STUDENT ACCOMMODATION PROPERTIES IN NORTH CAROLINA, PENNSYLVANIA AND OHIO

1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Reit Manager**”), as manager of Ascott Real Estate Investment Trust (“**Ascott Reit**”), and Ascott Business Trust Management Pte Ltd (the “**BT Trustee-Manager**”), as trustee-manager of Ascott Business Trust, (the “**Managers**”) wish to announce that wholly owned subsidiaries of Ascott Reit have entered into two conditional sale and purchase agreements (each a “**Sale and Purchase Agreement**” and collectively the “**Sale and Purchase Agreements**”) to acquire four student accommodation properties (each a “**Property**” and collectively the “**Properties**”) for an aggregate consideration of US\$213.0 million (equivalent to approximately S\$291.2 million¹) (the “**Aggregate Purchase Consideration**” and the acquisition, the “**Acquisition**”) from third parties unrelated to Ascott Reit (the “**Vendors**”).

The particulars of the Properties (located in Philadelphia, Pennsylvania (the “**Philly Property**”), Wilmington, North Carolina (the “**Wilmington Property**”), Kent, Ohio (the “**Kent Property**”) and Raleigh, North Carolina (the “**Raleigh Property**”)) are set out in the Appendix.

¹ Unless otherwise stated in this announcement, all references to S\$ where applicable are based on an exchange rate of US\$ / SGD = 1.367

2. RATIONALE FOR THE ACQUISITION

2.1 Rationale for the Acquisition

The Managers believe that the Acquisition will bring, among others, the following benefits to Ascott Residence Trust (“**ART**”) and its stapled securityholders (“**Securityholders**”):

(i) **Quality assets that augment ART’s student accommodation portfolio**

The Properties all possess positive attributes that fulfil ART’s investment criteria for student accommodation properties.

The Properties serve academically reputable universities with a strong athletics programme. Membership in such athletic conference helps to boost the universities’ brand recognition and provides them with a profitable revenue source. The universities also have large student populations with a collective student population of more than 100,000 students. The demand-supply dynamics for the Properties are also favourable, as there is limited or no new upcoming supply of student accommodation assets in the vicinity.

The Properties are all well-located within walking distance to campus or close to amenities. They are also new, predominantly freehold properties which commenced operations in 2019 and 2020, and are well-leased with an average occupancy of approximately 94%² for Academic Year (“**AY**”) 2021.

(ii) **Building of a diversified student accommodation portfolio**

With this Acquisition, ART’s enlarged student accommodation portfolio will comprise about 4,400³ beds in total.

ART’s student accommodation properties are predominantly located in strategic locations within USA’s Sunbelt states, Ivy League and “Power 5 conference” markets. They serve more than 250,000 students from reputable universities with large student populations, steady enrolment growth and a strong athletics programme. The properties are also predominantly well-located within walking distance to the various campuses and lifestyle options or amenities. They are new with an average age of two years, offering students well-designed apartments equipped with best-in-class facilities.

Post-Acquisition, the level of portfolio concentration risk will be reduced through a more diversified geographical presence across seven USA states, with each state accounting for less than 23%⁴ of total beds in ART’s student accommodation portfolio, down from 36%.

² 93% if the Kent Property were to be excluded from the Acquisition

³ 4,000 if the Kent Property were to be excluded from the Acquisition

⁴ 26% if the Kent Property were to be excluded from the Acquisition

(iii) Riding the tailwinds of USA student accommodation sector recovery and performance

As most universities across USA have fully resumed in-person classes and on-campus activities, it is an opportune time to capture the fundamental recovery of the student accommodation sector.

This recovery is evidenced by favourable performance metrics. Market-wide, occupancy rates have recovered to pre-COVID-19 levels, and the 2.3% year-on-year increase in rents for AY 2021 is the strongest rental growth rate across the USA since Fall 2016⁵. A quarter of universities⁶ recorded rent growth at or above 4% in AY 2021, a strong performance compared to previous years.

(iv) Increasing asset allocation in longer-stay assets to enhance income stability

The focus of ART's investment strategy is to enhance income stability by increasing ART's asset allocation in the longer-stay segment (student accommodation and rental housing), which has proven to be a resilient and high-performing asset class amidst challenging periods and headwinds.

With this Acquisition, ART is expected to invest in 11 longer-stay assets, successfully replacing the distributable income from ART's divested assets at higher yields.

Post-Acquisition, student accommodation and rental housing properties will make up approximately 16%⁷ of ART's total portfolio value, surpassing the initial target of 15%. ART continues to build a sizeable stable income base for resilience and remains on track to grow the longer-stay portfolio to 20% of total portfolio value in the medium-term.

(v) Driving returns for Securityholders

This yield-accretive Acquisition is set to increase ART's pro forma distribution per stapled security ("DPS") for the financial year ended 31 December 2020 ("FY 2020") by approximately 3.0%⁸, and the EBITDA⁹ yield is expected to be approximately 4.9%.

The Acquisition portfolio is made up of stabilised properties which will contribute immediately to ART's earnings and drive returns for ART's Securityholders.

3. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENTS

3.1 Sale and Purchase Agreements

The Aggregate Purchase Consideration is based on the agreed value of the Properties at US\$213.0 million (equivalent to approximately S\$291.2 million) and will be fully satisfied in cash. The purchase consideration for each Property is set out in the Appendix.

⁵ RealPage, Student Housing Sees Highest Rent Growth in Years, September 2021

⁶ Refers to the 175 universities tracked by RealPage

⁷ 15% if the Kent Property were to be excluded from the Acquisition

⁸ Based on FY 2020 pro forma DPS. The pro forma is based on the audited financial statements of ART for the financial year ended 31 December 2020, assuming that (1) the Acquisition was completed on 1 January 2020 and ART held and operated the Properties through to 31 December 2020 and (2) the acquisition will be funded approximately 92% by debt and 8% by remaining proceeds from the private placement as announced on 10 September 2021 and 22 September 2021. If the Kent Property were to be excluded from the Acquisition, the pro forma FY 2020 DPS accretion is 2.4%.

⁹ Earnings before interest, tax, depreciation and amortisation

1% of the Aggregate Purchase Consideration was paid on execution of agreements granting access to the Properties and commencement of due diligence. A further 1.0% of the Aggregate Purchase Consideration will be paid within 2 days from execution of the Sale and Purchase Agreements.

The remainder of the Aggregate Purchase Consideration, which is subject to adjustments as at completion (the “**Completion**”) will be paid as follows:

- (i) US\$179.8 million (equivalent to approximately S\$245.8 million) for the Philly Property, Wilmington Property and Raleigh Property; and
- (ii) US\$28.9 million (equivalent to S\$39.5 million for the Kent Property,

on the date of Completion of (i) and (ii) respectively (each a “**Completion Date**”).

Unless otherwise extended in accordance with the Sale and Purchase Agreements, (i) Completion for the Philly Property, the Wilmington Property and the Raleigh Property (which are inter-conditional) is expected to take place in December 2021; and (ii) Completion for the Kent Property (which is conditional on Completion on the Philly Property, the Wilmington Property and the Raleigh Property having taken place) is expected to take place in February 2022.

3.2 Conditions Precedent to the Completion

Completion is subject to and conditional upon, among other conditions:

- (i) All of Vendors’ representations and warranties set forth in the respective Sale and Purchase Agreements shall be true and correct in all material respects as of the Completion Date;
- (ii) Vendors shall have in all material respects performed all of their obligations and complied with all of their respective covenants in the Sale and Purchase Agreements and all deliveries to be made at Completion by Vendors shall have been tendered;
- (iii) There shall exist no pending or threatened action, suit or proceeding with respect to Vendors before or by any court or administrative agency which seeks to restrain or prohibit, or to obtain damages or a discovery order with respect to, the Sale and Purchase Agreements or the consummation of the transaction contemplated hereby;
- (iv) First American Title Insurance Company shall have irrevocably committed to issue an owner’s policy of title insurance containing no exceptions other than matters in the title documents that are not objected to by Ascott Reit;
- (v) Concurrent completion on the Raleigh Property, Wilmington Property and Philly Property; and
- (vi) In addition, for the Kent Property: (a) the ground lease estoppel and waiver of right of first offer, duly executed by the ground lease landlord, shall have been delivered; and (b) completion on the Philly Property, Wilmington Property and Raleigh Property having taken place.

4. VALUATION

DBS Trustee Limited, in its capacity as trustee of Ascott Reit, has commissioned an independent property valuer, Newmark Knight Frank Valuation & Advisory, LLC (“**Newmark**”), to value the Properties. Newmark has conducted the valuation using the income, sales comparison and cost methods.

The Aggregate Purchase Consideration takes into account the agreed aggregate property value of the Properties, which was arrived at on a willing-buyer and willing-seller basis and derived based on the independent valuation of the Properties by Newmark dated 10 December 2021 at an aggregate of US\$222.6 million (equivalent to approximately S\$304.3 million). The breakdown of the independent valuation per Property is set out in the Appendix.

5. COST OF THE ACQUISITION

The estimated aggregate costs of the Acquisition are approximately US\$219.9 million (equivalent to approximately S\$300.6 million), comprising:

(a) for the Philly Property, Wilmington Property and Raleigh Property:

- (i) total acquisition fees of approximately US\$1.8 million (equivalent to approximately S\$2.5 million) (being 1.0% of the Enterprise Value (as defined in the Ascott Reit Trust Deed) of US\$183.5 million (equivalent to approximately S\$250.9 million) payable to the Reit Manager pursuant to the Ascott Reit Trust Deed; and
- (ii) aggregate associated costs of approximately US\$4.3 million (equivalent to approximately S\$5.9 million) incurred or to be incurred by Ascott Reit in connection with the Acquisition; and

(b) for the Kent Property:

- (i) total acquisition fees of approximately US\$0.3 million (equivalent to approximately S\$0.4 million) (being 1.0% of the Enterprise Value (as defined in the Ascott Reit Trust Deed) of US\$29.5 million (equivalent to approximately S\$40.3 million) payable to the Reit Manager pursuant to the Ascott Reit Trust Deed; and
- (ii) aggregate associated costs of approximately US\$0.5 million (equivalent to approximately S\$0.6 million) incurred or to be incurred by Ascott Reit in connection with the Acquisition.

The Managers propose to fund the aggregate costs of the Acquisition with a combination of debt and the remaining proceeds from the private placement of 152,594,100 new stapled securities in ART which raised gross proceeds of S\$150.0 million as announced on 10 September 2021 and 22 September 2021 (the “**Placement**”).

The Managers may also consider funding the Acquisition by a combination of debt, remaining proceeds of the Placement and equity.

The final decision regarding the method of financing the Acquisition will be made by the Managers at the appropriate time, taking into account the then prevailing market conditions, interest rate environment, and availability of alternative funding options.

6. PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Certain Financial Information Relating to the Acquisition

The pro forma financial effects of the Acquisition presented below are strictly for illustration purposes only and do not reflect the actual position of ART after completion of the Acquisition.

They have been prepared based on the audited consolidated financial statements of ART for FY 2020 (“**2020 Audited Consolidated Financial Statements**”), and taking into account the purchase consideration for each Property.

6.2 Assumptions

In preparing the pro forma historical DPS and net asset value (“NAV”) per stapled security for FY 2020, the exchange rates between US\$ and S\$ are assumed as follows:

	Average rate for FY 2020	31 December 2020
US\$	1.38159	1.34786

6.3 Pro Forma DPS

The table below sets out the pro forma financial effects of the Acquisition on ART’s DPS for FY 2020, as if the Acquisition was completed on 1 January 2020.

	Pro Forma Financial Effects for FY 2020		
	Existing Portfolio	Enlarged Portfolio including the Kent Property	Enlarged Portfolio excluding the Kent Property
Income available for distribution to Stapled Securityholders (S\$’000)	94,226 ⁽¹⁾	97,836	97,266
Stapled Securities in Issue (’000)	3,108,048 ⁽²⁾	3,134,241 ⁽³⁾	3,134,136 ⁽⁴⁾
DPS (Singapore cents)	3.03	3.12	3.10
% change in DPS	-	3.0%	2.4% ⁽⁵⁾

Notes:

(1) Based on the 2020 Audited Consolidated Financial Statements.

(2) Number of Stapled Securities in issue as at 31 December 2020.

(3) Includes (a) approximately 25.4 million Stapled Securities issued in connection with the private placement in September 2021, and (b) approximately 0.8 million new Stapled Securities issued in aggregate as payment to the Reit Manager for the base management fee based on the volume weighted average price for all trades on the SGX-ST in the last 10 business days of each respective financial quarter.

(4) Includes (a) approximately 25.4 million Stapled Securities issued in connection with the private placement in September 2021, and (b) approximately 0.7 million new Stapled Securities issued in aggregate as payment to the Reit Manager for the base management fee based on the volume weighted average price for all trades on the SGX-ST in the last 10 business days of each respective financial quarter.

(5) Due to rounding.

6.4 Pro Forma NAV Per Stapled Security

The table below sets out the pro forma financial effects of the Acquisition on the consolidated NAV as at 31 December 2020, as if the Acquisition was completed on 31 December 2020.

	Pro Forma Financial Effects for FY 2020		
	Existing Portfolio	Enlarged Portfolio including the Kent Property	Enlarged Portfolio excluding the Kent Property
NAV (S\$'000)	3,567,251 ⁽¹⁾	3,591,901	3,591,901
Stapled Securities in issue ('000)	3,108,048 ⁽²⁾	3,133,480 ⁽³⁾	3,133,480 ⁽³⁾
NAV per Stapled Security (S\$)	1.15	1.15	1.15
% change in NAV per Stapled Security	-	-	-

Notes:

(1) Based on the 2020 Audited Consolidated Financial Statements.

(2) Number of Stapled Securities in issue as at 31 December 2020.

(3) Includes approximately 25.4 million Stapled Securities issued in connection with the private placement in September 2021.

7. OTHER INFORMATION

7.1 Relative Figures Computed on the Bases set out in Rule 1006 of the Listing Manual

The relative figures for the Acquisition using the bases of comparison under Rule 1006 are set out in the table below:

Criteria	ART (S\$ 'mil)	Acquisition (S\$ 'mil)	Relative Figures (%)
The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	45.1	3.5	7.6%
The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	3,276.5	291.2	8.9%

Notes:

(1) ART's market capitalisation was approximately S\$3,276.5 million, determined by multiplying the 3,276,546,639 Stapled Securities in issue as at 24 December 2021 (being the market day preceding the date of the Sale and Purchase Agreements), by the weighted average price of the Stapled Securities of S\$1.00 per Stapled Security based on trades done on Mainboard of the Singapore Exchange Securities Trading ("SGX-ST") on 24 December 2021 (being the market day in Singapore preceding the date of the Sale and Purchase Agreements).

7.2 Interests of Directors and Controlling Unitholders

None of the directors of the Managers or controlling Securityholders has any interest, direct or indirect, in the Acquisition (otherwise than through their stapled securityholdings (if any) in Ascott Residence Trust).

7.3 Directors' Service Contracts

No person is proposed to be appointed as a director of the Managers in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m. at the registered office of the Manager at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 from the date of this announcement up to and including the date falling three months thereafter:

- (i) the Sale and Purchase Agreements; and
- (ii) the valuation reports of the Properties.

By Order of the Board

ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED

(Company Registration No. 200516209Z)

As manager of Ascott Real Estate Investment Trust

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.

(Company Registration No. 201925299R)

As trustee-manager of Ascott Business Trust

Karen Chan

Company Secretary

27 December 2021

IMPORTANT NOTICE

The past performance of Ascott Residence Trust (“**ART**”) is not indicative of future performance. The listing of the stapled securities in ART (the “**Stapled Securities**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) does not guarantee a liquid market for the Stapled Securities. The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, Ascott Residence Trust Management Limited as manager of Ascott Real Estate Investment Trust or Ascott Business Trust Management Pte. Ltd. as trustee-manager of Ascott Business Trust (collectively, the “**Managers**”) or any of their respective affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed on the SGX-ST. It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Stapled Securities.

Appendix

<u>S/n</u>	<u>Property /Location</u>	<u>Description</u>	<u>Vendor</u>	<u>Purchase Consideration</u>	<u>Independent Valuation</u>
1.	<p><u>The Philly Property</u></p> <p>The Link University City, located at 3600 Lancaster Ave, Philadelphia, Pennsylvania, USA⁽¹⁾</p>	<p>A <u>freehold</u>, apartment-style, mid-rise student accommodation which was opened in 2019. The property consists of 126 units (251 beds) ranging from studios to 3-bedroom apartments with 95% bed-bath parity. The property is located at 3600 Lancaster Ave, Philadelphia, Pennsylvania, USA and primarily serves students attending University of Pennsylvania and Drexel University. The property is located less than 0.2 km from the campus boundary of University of Pennsylvania and Drexel University.</p>	CA Residential Drexel, LLC	US\$65.5 million	US\$68.5 million
2.	<p><u>The Wilmington Property</u></p> <p>Uncommon Wilmington, located at 2421 Playa Way, Wilmington, North Carolina, USA⁽¹⁾</p>	<p>A <u>freehold</u>, townhome, student accommodation which opened in 2020. The property consists of 150 units (493 beds) ranging from 1-bedroom to 4-bedroom apartments with 100% bed-bath parity. The property is located at 2421 Playa Way, Wilmington, North Carolina, USA and primarily serves students attending University of North Carolina, Wilmington. The property is located approximately 1.5 km from the campus.</p>	DRI/CA Wilmington, LLC	US\$54.0 million	US\$56.4 million

3.	<p><u>The Kent Property</u></p> <p>Latitude at Kent, located at 1450 E Summit St, Kent, Ohio, USA⁽¹⁾</p>	<p>A <u>leasehold</u>, apartment-style, mid-rise student accommodation which opened in 2019. The property consists of 126 units (384 beds) ranging from 1-bedroom to 4-bedroom apartments with 100% bed-bath parity. The property is located at 1450 E Summit St, Kent, Ohio, USA and primarily serves students attending Kent State University. The property is located on the edge of the boundary of campus and across the street from the university academic core.</p>	Residences at Kent State Property Owner, LLC	US\$29.5 million	US\$31.1 million
4.	<p><u>The Raleigh Property</u></p> <p>Latitude on Hillsborough, located at 5701 Hillsborough St, Raleigh, North Carolina, USA⁽²⁾</p>	<p>A <u>freehold</u>, townhome, student accommodation which opened in 2020. The property consists of 180 units (523 beds) ranging from 1-bedroom to 5-bedroom apartments with 100% bed-bath parity. The property is located at 5701 Hillsborough St, Raleigh, North Carolina, USA and primarily serves students attending North Carolina State University. The property is located approximately 2 km from the boundary of campus.</p>	Raleigh NP Property Owner, LLC	US\$64.0 million	US\$66.6 million

Notes:

(1) One Sale and Purchase Agreement has been entered into for the sale of the Philly Property, the Wilmington Property and the Kent Property with the Vendor set forth against each property named above.

(2) A separate Sale and Purchase Agreement has been entered into for the sale of the Raleigh Property with the Vendor set forth against the property named above.