



CDL HOSPITALITY TRUSTS

A stapled group comprising:

**CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST**

(a real estate investment trust constituted on 8 June 2006 under the laws of the Republic of Singapore)

**CDL HOSPITALITY BUSINESS TRUST**

(a business trust constituted on 12 June 2006 under the laws of the Republic of Singapore)

**REVISION OF PRINCIPAL INVESTMENT STRATEGY**

**1. INTRODUCTION**

M&C REIT Management Limited, as manager of CDL Hospitality Real Estate Investment Trust (“**H-REIT**”, and the manager of H-REIT, the “**H-REIT Manager**”), and M&C Business Trust Management Limited, as trustee-manager of CDL Hospitality Business Trust (“**HBT**”, and the trustee-manager of HBT, the “**HBT Trustee-Manager**”, and together with the H-REIT Manager, the “**Managers**”, and H-REIT and HBT together, “**CDLHT**”), wish to give notice to all holders of stapled securities of CDLHT (“**Stapled Securities**”, and the holders of Stapled Securities, “**Security Holders**”) that, in accordance with the trust deed of H-REIT and the trust deed of HBT, and with effect from 30 days following the date of this announcement, the principal investment strategy of CDLHT will be revised to include references to real estate which is primarily used for other accommodation and/or lodging purposes (including, without limitation, properties used for rental housing, co-living, student accommodation and senior housing). The revised principal investment strategy of H-REIT and HBT will be as follows:

(a) The revised principal investment strategy of H-REIT

*“CDL Hospitality Real Estate Investment Trust has the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is or will be primarily used for hospitality, hospitality-related and other accommodation and/or lodging purposes (including, without limitation, hotels, serviced apartments, resorts, motels, other lodging facilities and properties used for rental housing, co-living, student accommodation and senior housing), whether wholly or partially, and real estate-related assets in relation to the foregoing.”*

(b) The revised principal investment strategy of HBT

*“CDL Hospitality Business Trust has the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of real estate or development projects which is or will be primarily used for hospitality, hospitality-related and other accommodation and/or lodging purposes (including, without limitation, hotels, serviced apartments, resorts, motels, other lodging facilities and properties used for*

*rental housing, co-living, student accommodation and senior housing), whether wholly or partially, and real estate-related assets in relation to the foregoing, and shall also include the operation and management of the real estate assets held by CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust.”*

## **2. RATIONALE**

The Managers are of the view that the benefits of revising the principal investment strategy of CDLHT include the following:

### **2.1 Enhance income stability through diversification**

#### **2.1.1 Extend lodging exposure beyond hospitality**

The COVID-19 pandemic which has resulted in restricted international travel, has had severe repercussions on the transient short-stay hotel sector globally. The pandemic also illustrated that traditional geographical diversification of a portfolio of hospitality assets has its limitations.

The revised principal investment strategy which include references to rental housing assets (also known as build-to-rent (BTR), multi-family or single-family homes in some markets), are residential apartment block(s) and/or standalone houses, whose target tenants can be singles, couples or families. The other included asset classes such as student accommodation and senior housing assets, are assets purpose-built to target students and senior citizens as tenants respectively.

The inclusion of these adjacent lodging asset classes to CDLHT’s portfolio would enhance income stability through increased diversification. While rental housing, student accommodation and senior housing are also part of the accommodation/lodging real estate spectrum, they rely on different demand drivers to hospitality, which will be beneficial to CDLHT in the long run as the portfolio will be less susceptible to any adverse systemic changes caused by unforeseeable external events and developments to the hospitality sector. In addition, the different accommodation/lodging real estate sectors have varying cycles of rental and occupancy growth rates, and are likely to react differently to the same risk event. The diversification of demand drivers and behaviours to risk events will improve resilience of the portfolio.

A diverse portfolio with exposure to a more extensive and diversified tenant mix due to differing underlying lodging uses will reduce tenant concentration risk and provide more balanced and stable rental streams. This, in turn, will enhance CDLHT’s ability to deliver stable and sustainable distributions to Security Holders.

#### **2.1.2 Increase underlying tenants’ length of stay and fixed rent base**

The inclusion of adjacent accommodation/lodging assets such as rental housing or student accommodation within CDLHT’s portfolio should also enhance income stability as tenants of such properties typically have longer lengths of stay as compared to the traditional transient hotel stay. The underlying tenure of these leases are typically for extended periods, ranging

from months to one to two years. Rental rates are also usually pre-determined and fixed over the course of the lease term with opportunity for rental increases at lease renewals or when new leases are being entered into. For instance, tenants of rental housing properties usually lease homes for periods of a year or longer, and renewal rates are high due to the inveterate nature of one's residence. The rental housing sector thus provides real estate investors with stable rental income that is less vulnerable to economic cycles. Likewise, for student accommodation, rental income from such properties is relatively more stable than hotel revenues as the lease term of a unit or bed space is usually one academic term or year. Hence, including the adjacent accommodation/lodging assets into the portfolio would not only increase the underlying length of stay but also increase the quantum and proportion of the current fixed rent base of CDLHT's portfolio.

## **2.2 Greater investment opportunities and optionality from a larger pool of investment targets for growth**

The revision of CDLHT's principal investment strategy will allow the Managers to explore asset classes beyond the hospitality sector, albeit within the wider accommodation/lodging spectrum, and hence avail CDLHT to a larger pool of investment targets to achieve inorganic growth. The experience and expertise of the Managers in the hospitality sector is applicable to these adjacent accommodation/lodging segments. The broader mandate will provide CDLHT with additional optionality and flexibility in its investments as these adjacent accommodation/lodging segments tend to exhibit different characteristics and may experience different growth cycles. This will drive CDLHT's future growth, enhance CDLHT's ability to grow its portfolio and increase long-term returns to Security Holders.

## **2.3 Leverage on City Developments Limited's expertise and capabilities in selected asset classes**

City Developments Limited ("CDL") is the parent company of CDLHT's sponsor, Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc). CDL is a leading global real estate company with a network spanning 112 locations in 29 countries and regions. Listed on the Singapore Exchange, CDL Group is one of the largest real estate companies by market capitalisation. Its income-stable and geographically-diverse portfolio comprises residences, offices, hotels, serviced apartments, shopping malls and integrated developments.

The revision of CDLHT's principal investment strategy would continue to allow CDLHT, in exploring potential future acquisition opportunities, to leverage on the expertise, network, experience and capabilities of CDL in the overall accommodation/lodging space.

## **3. CONCLUSION**

The Managers believe that the revision of CDLHT's principal investment strategy will provide CDLHT with better growth by increasing the diversification of its portfolio, enhancing income stability, as well as having more investment opportunities, and is therefore in line with the Managers' key financial objectives to maximise the rate of return to Security Holders and to make regular distributions.

The Managers will continue their disciplined evaluation of all acquisition opportunities, and keep Security Holders updated on material developments through announcements released via SGXNET and on CDLHT's website.

**BY ORDER OF THE BOARD**

Vincent Yeo Wee Eng  
Chief Executive Officer  
M&C REIT Management Limited  
(Company Registration Number 200607091Z)  
as manager of CDL Hospitality Real Estate Investment Trust

26 July 2021

**BY ORDER OF THE BOARD**

Vincent Yeo Wee Eng  
Chief Executive Officer  
M&C Business Trust Management Limited  
(Company Registration Number 200607118H)  
as trustee-manager of CDL Hospitality Business Trust

26 July 2021

## **IMPORTANT NOTICE**

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business). Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Managers on future events.

The value of 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, the H-REIT Manager, the HBT Trustee-Manager or any of their respective affiliates. An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request that the H-REIT Manager and the HBT Trustee-Manager or any of their respective affiliates redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that Security Holders may only deal in their Stapled Securities through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

The past performance of CDL Hospitality Trusts is not necessarily indicative of the future performance of CDL Hospitality Trusts.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.