



ARA US HOSPITALITY TRUST

A stapled group comprising:

ARA US HOSPITALITY PROPERTY TRUST
(a real estate investment trust constituted on 24 September 2018 under the laws of the Republic of Singapore)
managed by
ARA Trust Management (USH) Pte. Ltd.

ARA US HOSPITALITY MANAGEMENT TRUST
(a business trust constituted on 29 October 2018 under the laws of the Republic of Singapore)
managed by
ARA Business Trust Management (USH) Pte. Ltd.

DBS Bank Ltd. ("**DBS**") was the Sole Issue Manager for the initial public offering of ARA US Hospitality Trust (the "**Offering**") (the "**Sole Issue Manager**"). DBS, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited were the Joint Financial Advisers and Joint Global Coordinators for the Offering (collectively, the "**Joint Financial Advisers and Joint Global Coordinators**"). DBS, Oversea-Chinese Banking Corporation Limited, United Overseas Bank Limited and Credit Suisse (Singapore) Limited were the Joint Bookrunners and Underwriters for the Offering (collectively, the "**Joint Bookrunners and Underwriters**").

Acquisition of a Portfolio of Three Premium Marriott-Branded Upscale Select-Service Hotels in United States

1. Introduction

ARA Trust Management (USH) Pte. Ltd., as manager of ARA US Hospitality Property Trust ("**ARA H-REIT**"), and ARA Business Trust Management (USH) Pte. Ltd., as trustee-manager of ARA US Hospitality Management Trust ("**ARA H-BT**") (collectively known as the "**Managers**"), wish to announce that ARA US Hospitality Trust, through its indirectly wholly owned subsidiaries, ARA AC Raleigh North Hills LLC, ARA CY San Antonio Rim LLC, ARA RI San Antonio Rim LLC and ARA USH Blue Runner Tenant LLC (the "**Purchasers**"), have today entered into a conditional purchase and sales agreement (the "**PSA**") with Concord Hospitality Enterprises Company (the "**Vendor**") to acquire a portfolio of three premium Marriott-branded upscale select-service hotels (the "**Portfolio**" or "**Acquisition**") in the United States of America (the "**US**") for US\$84.5 million.

2. Information on the Portfolio

The Portfolio consists of three freehold select-service hotels totalling 390 keys located in North Carolina and Texas.

i. **AC by Marriott Raleigh North Hills ("ACR")**

ACR is a six-storey hotel with 135 rooms, located at 101 Park at North Hills Street, Raleigh, North Carolina, USA, 27609. ACR is the newest hotel in the Raleigh/Durham's thriving market and is located within the heart of a notable submarket called North Hills and the premier 100-acres North Hills live-work-play development.

ACR commenced operation in 2017 and is franchised under AC brand (under Marriott). ACR achieved a revenue per available room (“RevPAR”) of US\$134 for historical trailing 12-months performance through to June 2019.

ii. **Courtyard San Antonio at The Rim (“CSA”) and Residence Inn San Antonio at The Rim (“RSA”)**

CSA is a five-storey hotel with 124 rooms, located at 5731 Rim Pass, San Antonio, Texas, USA, 78257. RSA is a six-storey hotel with 131 rooms, located at 5707 Rim Pass, San Antonio, Texas, USA, 78257. CSA and RSA are located adjacent to each other.

CSA and RSA are located in one of the most desirable submarkets in San Antonio. They are situated within attractive residential, retail and office areas and close to popular leisure attractions.

CSA commenced operation in 2009 and is franchised under Courtyard brand (under Marriott). CSA achieved a RevPAR of US\$104 for historical trailing 12-months performance through to June 2019.

RSA commenced operation in 2009 and is franchised under Residence Inn brand (under Marriott). RSA achieved a RevPAR of US\$102 for historical trailing 12-months performance through to June 2019.

3. Valuation and Purchase Consideration

Subject to independent valuation being commissioned on the Portfolio as described below, the purchase consideration (“**Purchase Consideration**”) payable for the Acquisition of US\$84.5 million was negotiated on a willing-buyer and willing-seller basis.

In connection with the Acquisition, an independent valuation on the Portfolio will be commissioned in accordance with the requirements of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore during the Due Diligence Period (as defined below). The Managers will announce the valuation on or prior to the expiry of the Due Diligence Period.

4. Total Acquisition Cost

The estimated total cost of the Acquisition (the “**Total Acquisition Cost**”) is approximately US\$88.8 million, comprising:

- i. the Purchase Consideration of US\$84.5 million;
- ii. the acquisition fee payable to the Managers for the Acquisition of approximately US\$0.8 million (representing 1% of the Purchase Consideration); and
- iii. the estimated professional, and other transaction fees and expenses incurred, or to be incurred, in connection with the Acquisition (inclusive of financing, transfer tax, change in ownership capital expenditure, legal cost, due diligence cost, and valuation cost) of approximately US\$3.5 million.

5. Establishment of Subsidiaries

In connection with the Acquisition, ARA US Hospitality Trust has established the following entities.

- i. ARA USH Blue Runner LLC;
- ii. ARA AC Raleigh North Hills LLC;
- iii. ARA CY San Antonio Rim LLC;
- iv. ARA RI San Antonio Rim LLC; and
- v. ARA USH Blue Runner Tenant, LLC.

6. Purchase and Sale Agreement

On 5 November 2019, the Purchasers entered into a conditional PSA with the Vendor to acquire the Portfolio.

The key terms of the PSA include, among others, the following:

- i. A deposit of US\$1,000,000 (the “**Initial Deposit**”) has been paid by the Purchasers to the Vendor under the PSA. At or prior to the expiration of the Due Diligence Period (as defined below), if the Purchaser has not elected to terminate the PSA, the Purchasers shall pay an additional deposit of US\$1,000,000 to the Vendor (together with the Initial Deposit, the “**Deposit**”). The Deposit will be applied towards the Purchase Consideration payable at closing. The Initial Deposit will be fully refunded in the event that the Purchasers terminate the PSA for any reason whatsoever, during the Due Diligence Period (as defined below).
- ii. The PSA is subject to conditions precedent, including but not limited to, the following:
 - completion of due diligence, the results of which are satisfactory to the Purchasers;
 - that each of the representations and warranties made by the parties in the PSA be true and correct in all material aspects as of the closing date (and in the case of the Vendor, as such other date such representation or warranty is expressly made);
 - the covenants and obligations of the respective parties having been performed in all material aspects;
 - the Vendor having caused the termination of the existing management agreements between the Vendor and the hotel manager;
 - the Purchasers having obtained approval of the franchisor to the transfer or relicensing of the franchise rights granted under such existing franchise agreements, and each applicable franchisor being ready, willing and able to

enter into new franchise agreements which shall take effect on the completion date;

- no order or injunction of any court or administrative agency of competent jurisdiction nor any statute, rule, regulation or executive order promulgated by any governmental authority of competent jurisdiction shall be in effect as of the completion date which restrains or prohibits the Acquisition;
 - there being no material default on the part of the Vendor in the performance of its obligations under the PSA;
 - the Purchasers having received from the applicable governmental authorities approval for the transfer of the existing liquor licenses or the issuance of replacements (or temporary replacements) thereof¹;
 - title to the Portfolio having been delivered to the Purchasers in accordance with the PSA; and
 - the Purchasers having delivered the purchase price and other relevant completion deliverables in accordance with the PSA.
- iii. Under the PSA, the Purchasers are entitled to carry on due diligence on the Portfolio for a period of 25 business days from the date of the PSA (unless extended) (the “**Due Diligence Period**”) and are entitled to terminate the PSA for any reason or no reason at all and at any time during the Due Diligence Period and thereafter, the Deposit will be fully refunded to the Purchasers and the PSA will be terminated and no party shall have any further obligation in connection therewith except under those provisions that expressly survive a termination of the PSA.
- iv. Warranties customary to a transaction of this nature and in line with usual market practice in the US have been given by the Vendor under the PSA.
- v. Subject to the fulfilment of the conditions precedent, closing is scheduled on or before 25 business days following the end of the due diligence period.

¹ This condition precedent may be satisfied through (i) the Purchasers and the existing holder of the liquor licenses entering into an interim beverage service agreement or (ii) the hotel manager or its affiliate continuing to hold the applicable liquor license, in each case, to the extent that such arrangement permits the continued legal sale and service of alcoholic beverages at each hotel in a manner substantially consistent with past practice.

7. Rationale for the Acquisition

The Managers believe that the Acquisition will bring the following key benefits to the stapled securityholders of ARA US Hospitality Trust (“**Stapled Securityholders**”):

i. **Accretive Acquisition enhances Stapled Securityholders returns**

The Acquisition at an NPI yield of 8.0%² is expected to be accretive to Stapled Securityholders on a distribution per stapled security (“**DPS**”) basis. The pro forma DPS for the period from the Listing Date to 30 September 2019 is expected to increase by 8.1% from 3.13 US cents to 3.38 US cents assuming the Acquisition was completed on the Listing Date. The Acquisition will be fully funded by available debt headroom and internal cash resources. After the Acquisition, the gearing would increase from 32% as at 30 September 2019 to 38%, well within the 45% regulatory limits³.

ii. **High quality assets with strong financial performance**

The Portfolio consists of young freehold assets averaging 7 years old and have recently undergone renovation⁴. The Portfolio achieved strong Occupancy and Average Daily Rate (“**ADR**”) performance with gross operating margins above 45%⁵.

iii. **Strategic locations in dynamics markets**

The properties are located within dynamic submarkets in their respective metropolitan statistical area with strong corporate and leisure demand drivers. They are strategically located with convenient access to downtown, the airport, universities and corporate parks.

iv. **World class franchise affiliation with an experienced hotel operator**

The Acquisition will expand brand affiliation with well-known Marriott select-service brands. Marriott is the largest hotel chain with 30 brands across 7,003 properties in 131 countries. Its loyalty program, Marriott Bonvoy has 125 million members worldwide. Members represent approximately 50% of the paid room bookings in Marriott-branded hotels⁶.

The Acquisition will also allow ARA US Hospitality Trust to broaden our network in sourcing for future acquisition pipelines. The Vendor, with over 30 years of operational expertise, is a premier operator managing 102 hotels across North America and has a current development pipeline of over 25 hotels. The Vendor is an approved hotel operator across most major franchisors: Marriott, Hilton, Hyatt and Intercontinental. The Portfolio will continue to be managed by the Vendor’s operational arm.

² Based on Purchase Consideration of US\$84.5 million, NPI is net of 4% of total revenue set aside for capital requirements.

³ Based on Property Fund Appendix Rules for REITs.

⁴ ACM commenced operation in 2017. CSA and RSA commenced operation in 2009 and were last renovated in 2017.

⁵ Based on historical trailing 12-months results through June 2019.

⁶ As at year-end 2018. Marriott Annual Report 2018.

8. Method of Financing

The Total Acquisition Cost is expected to be funded by debt and internal cash resources. The Manager will determine the proportion of the debt and internal cash to be employed to fund the Acquisition at the appropriate time, to provide overall DPS accretion to Stapled Securityholders while maintaining an optimum level of aggregate leverage.

9. Pro Forma DPS

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on ARA US Hospitality Trust's DPS are prepared based on the assumption that the Acquisition was completed on the Listing Date and ARA US Hospitality Trust held and operated the Portfolio from the Listing Date on 9 May 2019 (herein after referred to as "**Listing Date**") to 30 September 2019 and based on ARA US Hospitality Trust's unaudited financial statements for the period from the Listing Date to 30 September 2019 as announced on 6 November 2019, are as follows:

	Before the Acquisition	After the Acquisition ⁽¹⁾
Distributable Income (US\$'000)	17,754 ⁽²⁾	19,190 ⁽³⁾
DPS (US cents)	3.13	3.38
DPS Accretion (%)		8.1%

Notes:

(1) The figures set out are purely for illustrative purposes only. Depending on the market conditions, the proportion of debt financing and internal cash resources may differ, which may in turn affect the financial effects of the Acquisition.

(2) Based on the unaudited distributable income of the Initial Portfolio from the Listing Date to 30 September 2019.

(3) Based on the unaudited distributable income of the Initial Portfolio and the unaudited distributable income of the Acquisition from the Listing Date to 30 September 2019.

10. Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on ARA US Hospitality Trust's NAV per Stapled Security as at 30 September 2019, as if the Acquisition was completed on 30 September 2019 and based on ARA US Hospitality Trust's unaudited financial statements for the period from the Listing Date to 30 September 2019 as announced on 6 November 2019, are as follows:

	Before the Acquisition	After the Acquisition
NAV (US\$'000)	495,294	495,218
Stapled Securities in issue ('000)		566,971 ⁽¹⁾
NAV per Stapled Security (US\$) ⁽²⁾	0.87	0.87

Notes:

(1) Based on the total number of Stapled Securities issued and to be issued as at 30 September 2019.

(2) Subject to rounding.

11. Other Information

Disclosure under Rule 1010(13) of the Listing Manual

The relative figures for the Acquisition using the applicable bases of comparison in Rule 1006 of the listing manual of the SGX-ST (the “Listing Manual”) are set out in the table below.

Comparison of	Acquisition (US\$'000)	ARA US Hospitality Trust (US\$'000)	Relative figure (%)
Rule 1006(b) Net property income ⁽¹⁾ attributable to the assets acquired compared to ARA US Hospitality Trust’s net property income	2,872 ⁽²⁾	23,366 ⁽³⁾	12.3%
Rule 1006(c) Aggregate value of consideration to be given compared with ARA US Hospitality Trust’s market capitalisation	84,500 ⁽⁴⁾	489,579 ⁽⁵⁾	17.3%

Notes:

(1) Based on net property income of the Acquisition. In the case of a property trust, net property income is a close proxy to the net profits attributable to its assets.

(2) Based on the unaudited net property income of the Acquisition from the Listing Date to 30 September 2019.

(3) Based on the unaudited net property income of the Initial Portfolio from the Listing Date to 30 September 2019.

(4) Based on the Purchase Consideration.

(5) Based on 566,970,517 Stapled Securities in issue and to be issued and the weighted average price of US\$0.8635 per Stapled Security as at 05 November 2019, being the market day preceding the date of the PSA.

Rule 1006(d) does not apply as no Stapled Securities will be issued as consideration for the Acquisition.

Under Rule 1006 and 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the transaction will be regarded as being a disclosable transaction. Accordingly, Stapled Securityholders’ approval for the Acquisition is not required under Chapter 10 of the Listing Manual.

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.

Interest of Directors and Controlling Stapled Securityholders

As at the date of this announcement, certain directors of the Managers collectively hold an aggregate direct and deemed interest in 700,000 Stapled Securities. ARA US Hospitality Trust does not have any controlling Stapled Securityholders.

Save as disclosed above and based on the information available to the Managers as at the date of this announcement, none of the directors of the Managers has an interest, direct or indirect, in the Acquisition.

Documents for Inspection

A copy of the PSA is available for inspection during normal business hours at the registered office of the Managers located at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038985 for a period of three months commencing from the date of this announcement.

Further Announcements

The completion of the Acquisition is subject to, among other things, completion of satisfactory due diligence and the fulfilment of the conditions precedent. There is no certainty and assurance as at the date hereof that the Acquisition will be completed.

Stapled Securityholders and investors are advised to exercise caution in the trading of their Stapled Securities. The Managers will make the necessary announcements when there are further material developments in respect of the Acquisition.

Lee Jin Yong
Chief Executive Officer

ARA TRUST MANAGEMENT (USH) PTE. LTD.
(As manager of ARA US Hospitality Property Trust)
(Company registration no. 201829676W)

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.
(As trustee-manager of ARA US Hospitality Management Trust)
(Company registration no. 201829682G)

6 November 2019

For enquiries, please contact:

Aaron Goh
Assistant Manager, Investor Relations
Tel: +65 6601 9362
Email: aarongoh@ara-group.com

IMPORTANT NOTICE

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, the Managers, DBS Trustee Limited, in its capacity as trustee of ARA H-REIT, ARA Real Estate Investors 23 Pte. Ltd., as the sponsor of ARA US Hospitality Trust, the Sole Issue Manager, the Joint Financial Advisers and Joint Global Coordinators or the Joint Bookrunners and Underwriters 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. Stapled Securityholders have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that Stapled Securityholders 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.

This announcement may contain forward-looking statements that involve assumptions, 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. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of ARA US Hospitality Trust. The forecast financial performance of ARA US Hospitality Trust is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Managers’ current view of future events.