



# Ascott Residence Trust

Partial sale of GFA and redevelopment of  
Somerset Liang Court Singapore

21 November 2019

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# Transaction Overview

# Transaction Overview

Ascott Reit joins CDL-CapitaLand consortium to redevelop Liang Court site<sup>1</sup> into a proposed integrated development with partial sale of its GFA for S\$163.3 mil<sup>2</sup>

## Partial sale of 15,170 sqm of GFA

Divestment at **S\$163.3 mil<sup>2</sup>**,  
**44% above book value<sup>3</sup>**

Total net gains of **S\$84.3 mil**

Divestment at  
**138% above acquisition price<sup>4</sup>**

Net proceeds for **redevelopment**  
and **distributions to unitholders**



## Redevelopment of 13,034 sqm of retained GFA

**Potential development upside**  
after completion

**Brand new Somerset serviced**  
residence with **hotel licence**

**Refresh lease to 99 years**  
(from 57 years)

Enabled by Ascott Reit's  
**enlarged balance sheet**

Notes:

1. Liang Court site comprises Somerset Liang Court Singapore, Liang Court mall and Novotel Singapore Clarke Quay
2. Based on existing land lease of 57 years
3. Book value of Somerset Liang Court Singapore as at 30 September 2019 of S\$211.0 mil
4. Original purchase price of Somerset Liang Court Singapore at IPO in March 2006 of S\$127.5 mil

# Site Location

At the heart of **Clarke Quay**, in the Central Region, between Fort Canning and the Singapore River



- **Clarke Quay – a vibrant and diverse public realm and lifestyle precinct along the riverfront**
- **Convenient access to the downtown area and a multitude of transportation options**
  - Minutes away from the CBD and Orchard Road
  - Direct access to Fort Canning Park
  - Direct link to Fort Canning MRT station and stone's throw away from Clarke Quay MRT station



Source: Google Maps



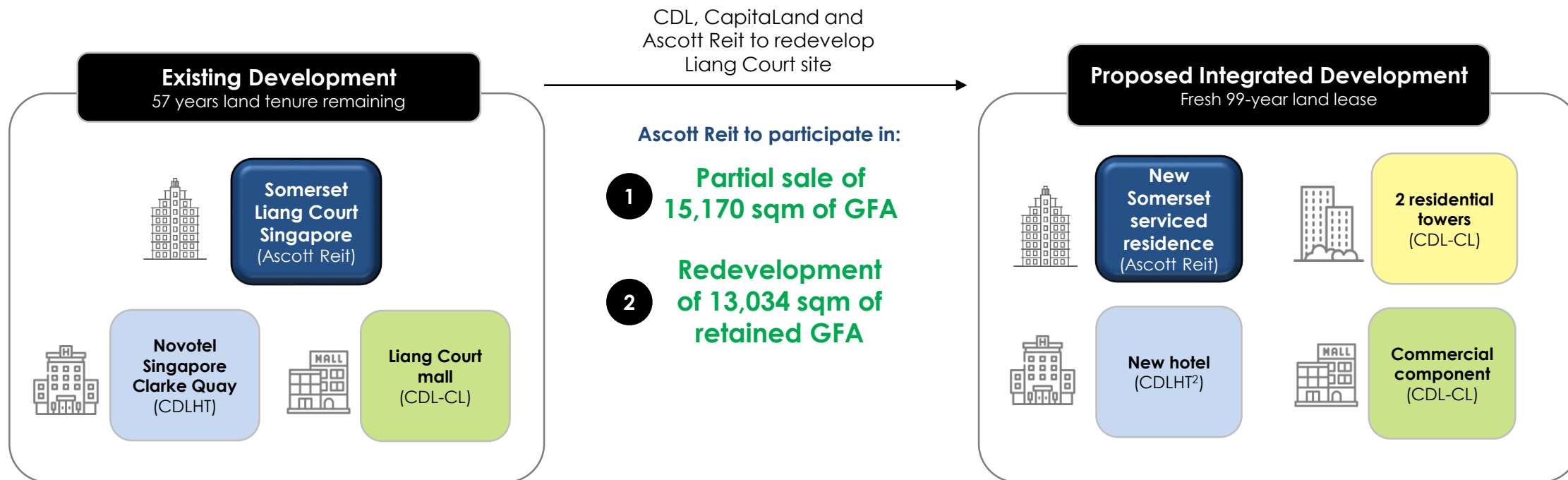
Somerset Liang Court Singapore



MRT Station

# Proposed Integrated Development

The proposed integrated development<sup>1</sup>, with a total GFA of 100,263 sqm, will comprise two residential towers, a commercial component, a serviced residence with a hotel licence and a hotel



- City Developments Ltd ("CDL") and CapitaLand's 50:50 joint venture entities ("CDL-CL") will own the residential and commercial components, while Ascott Reit will own the Somerset serviced residence. CDL Hospitality Trusts ("CDLHT") will own the hotel under a forward purchase agreement with CDL<sup>3</sup>
- Targeted to open in phases from 2024

Notes:

1. Subject to approval from the relevant authorities
2. CDLHT will own the hotel under a forward purchase agreement with CDL
3. Subject to the approval of CDLHT's unitholders at its extraordinary general meetings

# Singapore Market Outlook





# Positive Singapore Market Outlook

Growing tourism demand, limited new supply



## Third consecutive year of record visitor arrivals

Visitor arrivals rose 6.2% in 2018

Visitor arrivals from major source markets continue to show growth in 2019



## Corporate demand to remain strong

Singapore continues to be a preferred destination for MNC headquarters and MICE events



## Limited new hotel supply in the next three years

CAGR of 0.7% from end-2019 to end-2022



## New and upcoming developments to support hotel performance in medium to long term

Including Jewel Changi Airport, expansion of integrated resorts, Mandai eco-tourism hub, Jurong Lake District and the Greater Southern Waterfront

Expansion of Changi Airport with Terminal 5, to increase current capacity from 82 mil to 135 mil



Artist's impression of Mandai wildlife parks  
(Image: URA)



Artist's impression of Sentosa and Pulau Brani,  
part of the Greater Southern Waterfront  
(Image: Sentosa Development Corporation)



Artist's impression of Jurong Lake Gardens,  
part of the Jurong Lake District  
(Image: National Parks Board)



Jewel Changi Airport  
(Image: CapitaLand)

# Revitalising Clarke Quay, Singapore River and Fort Canning Precincts

The property is well-situated in a location of strategic importance in the URA's Draft Master Plan 2019 initiatives

**Business Improvement District:**  
Developing Singapore River as the premier destination connecting Singapore's past to the present



Singapore River (Image: Singapore River One)

**Expanding Arts and Cultural Precinct:**  
To include Fort Canning Park




Arts and cultural precincts (Image: URA)

**Walk from Hill to Hill:**  
Connecting parks and open spaces to Fort Canning Park



Fort Canning Park (Image: National Parks Board)

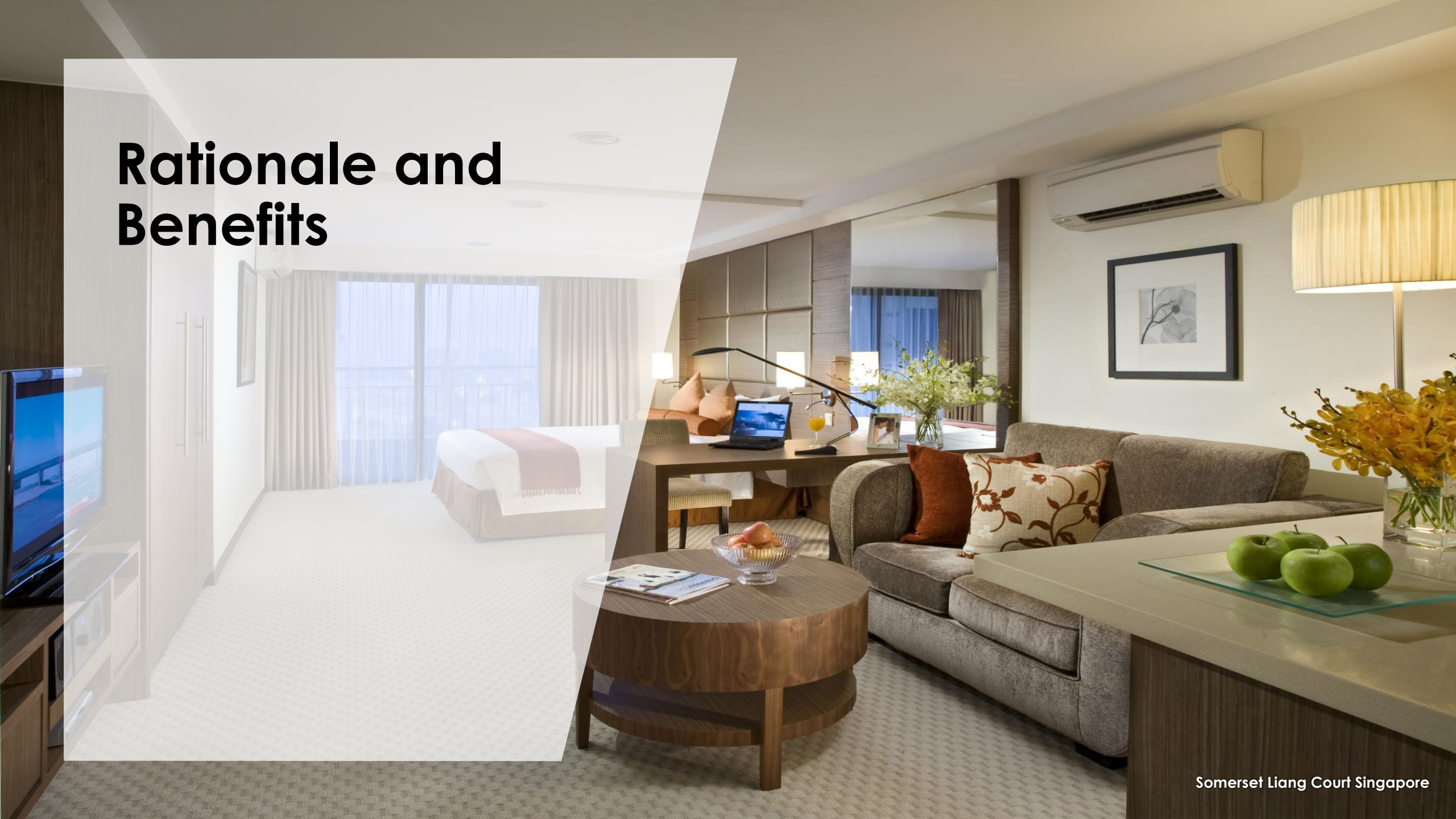
**Fort Canning Jubilee Park:**  
More family-friendly venues for arts and culture in a garden setting



Fort Canning Jubilee Park (Image: URA)

- In line with URA's initiatives to enhance the area's vibrancy, the consortium comprising CDL, CapitalLand and Ascott Reit, plans to rejuvenate the river promenade flanking the integrated development, generating social activities, increasing footfall and improving pedestrian accessibility

# Rationale and Benefits



# Rationale and Benefits

Enhance returns to unitholders

1



## Realise Gains and Unlock Value

- Attractive divestment price at 44% above book value<sup>1</sup> and 138% above acquisition price<sup>2</sup>
- Immediate recycling of divestment proceeds into growth opportunity
- Fair value gain on retained GFA

2

## Rejuvenate Ageing Property

- Brand new serviced residence with hotel licence
- Improve real estate efficiency
- Refresh remaining lease from 57 years to 99 years



3



## Potential Development Upside after Completion

- Estimated project development expenditure of S\$300 mil<sup>3</sup>
- Target EBITDA yield of c.4%<sup>4</sup>

Notes:

1. Book value of Somerset Liang Court Singapore as at 30 September 2019 of S\$211.0 mil
2. Original purchase price of Somerset Liang Court Singapore at IPO in March 2006 of S\$127.5 mil
3. Based on land value of S\$140.3 mil and estimated total redevelopment cost of S\$157.3 mil
4. After stabilisation and based on project development expenditure of c.S\$300 mil

# 1 Realise Gains and Unlock Value

Immediate recycling of divestment proceeds into growth opportunity

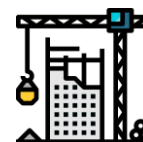
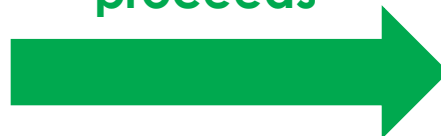


Partial sale of  
15,170 sq m of GFA  
(163,285 sq ft)

At **S\$163.3 mil**<sup>1</sup>,  
**44% above book value**<sup>2</sup>  
**138% above acquisition price**<sup>3</sup>

Realise **S\$41.5 mil** of  
net divestment gain

Net divestment  
proceeds



Redevelopment of  
13,034 sqm of retained GFA  
(140,299 sq ft)

Proceeds to fund  
**S\$157.3 mil**  
redevelopment and  
distribution to unitholders

**S\$42.8 mil** fair value gain  
on retained GFA

Total net gains of  
**S\$84.3 mil**

Notes:

1. Based on existing land lease of 57 years
2. Book value of Somerset Liang Court Singapore as at 30 September 2019 of S\$211.0 mil
3. Original purchase price of Somerset Liang Court Singapore at IPO in March 2006 of S\$127.5 mil

## 2 Rejuvenation of Ageing Property

Enhancing value and relevance amid competition and changing trends

### Existing Property

- **Ageing property**, >35 years in operation
- **Competition from newer hotels**
- **Changing business travel trends**



### Redeveloped Property

**Brand new property with hotel licence**

- Increased competitiveness and flexibility to take in short-stays

**Efficient layout and room configuration**

- Greater flexibility to cater to a wider spectrum of guest profiles

**Refresh land lease from 57 years to 99 years**

- Enhance value of real estate

## 2 Rejuvenation of Ageing Property

Strengthen presence in the vibrant Clarke Quay enclave, benefiting from URA's Draft Master Plan 2019 to revitalise the area

### Details<sup>1</sup> of the new Somerset serviced residence

<b>Year of Opening</b>	2H 2024
<b>Use</b>	Serviced residence with hotel licence
<b>Lease Tenure</b>	Refresh to 99 years (from 57 years)
<b>Gross Floor Area</b>	13,034 sq m (140,299 sq ft)
<b>Apartment Unit Mix</b>	192 units, comprising  Studio: 84 1-bedroom: 40 2-bedroom: 68
<b>Expected Project Development Expenditure ("PDE")</b>	Approximately S\$300 mil <sup>2</sup> (c.S\$2,100 psf GFA)
<b>Target EBITDA Yield<sup>3</sup></b>	c.4% (after stabilisation)



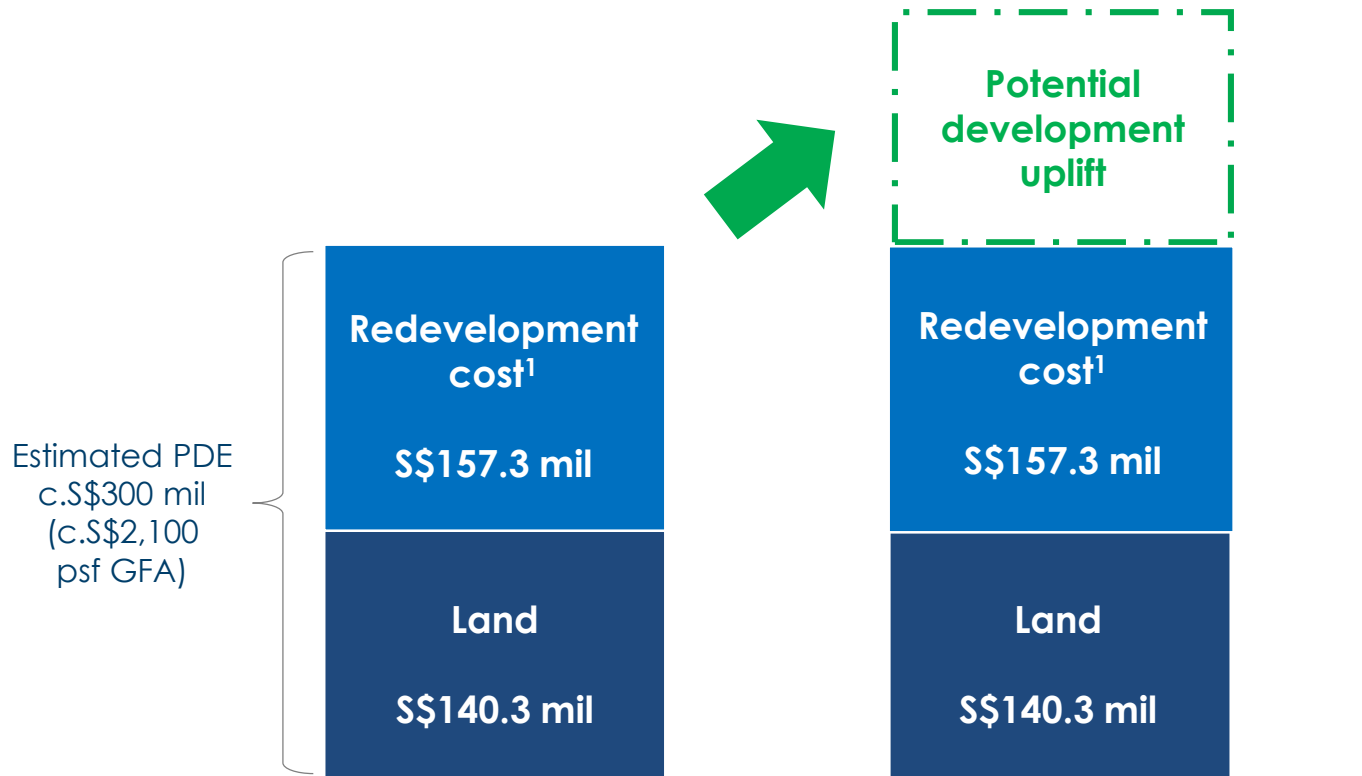
Existing Somerset Liang Court Singapore and surrounding area





Notes:

1. Details are subject to change
2. Based on land value of S\$140.3 mil and estimated total redevelopment cost of S\$157.3 mil
3. Based on PDE of c.S\$300 mil

# 3 Potential Development Upside after Completion

Leveraging strong financial position to create value for unitholders



- 
**Enlarged balance sheet**  
enabling Ascott Reit to undertake development/conversion projects
- 
**Within 10%**  
of development limit<sup>2</sup>
- 
**Minimal impact**  
on gearing as redevelopment mainly funded by net divestment proceeds
- 
**Target EBITDA yield of c.4%<sup>3</sup>**  
after stabilisation

Notes:

1. Redevelopment cost includes an amount to refresh the lease tenure from 57 years to 99 years
2. Based on Monetary Authority of Singapore's Property Funds Appendix
3. Based on PDE of c.S\$300 mil



# Indicative Timeline

# Indicative Timeline



Notes:

1. Refers to put and call option agreement for the partial sale of the GFA ("PCOA")
2. The joint development relates to the proposed integrated development that will comprise two residential towers, a commercial component, a serviced residence with a hotel licence and a hotel. Upon completion, CDL-CapitaLand joint venture entities will own the residential and commercial components, while Ascott Reit will own the new Somerset serviced residence and CDLHT will own the hotel under a forward purchase agreement with the CDL entity
3. CDLHT has entered into a separate put and call option agreement with a CDL entity and the CDL-CapitaLand joint venture entities for the sale of all of its interests in the land (the "Other Property")

**\*Subject to, among others, the following conditions:**

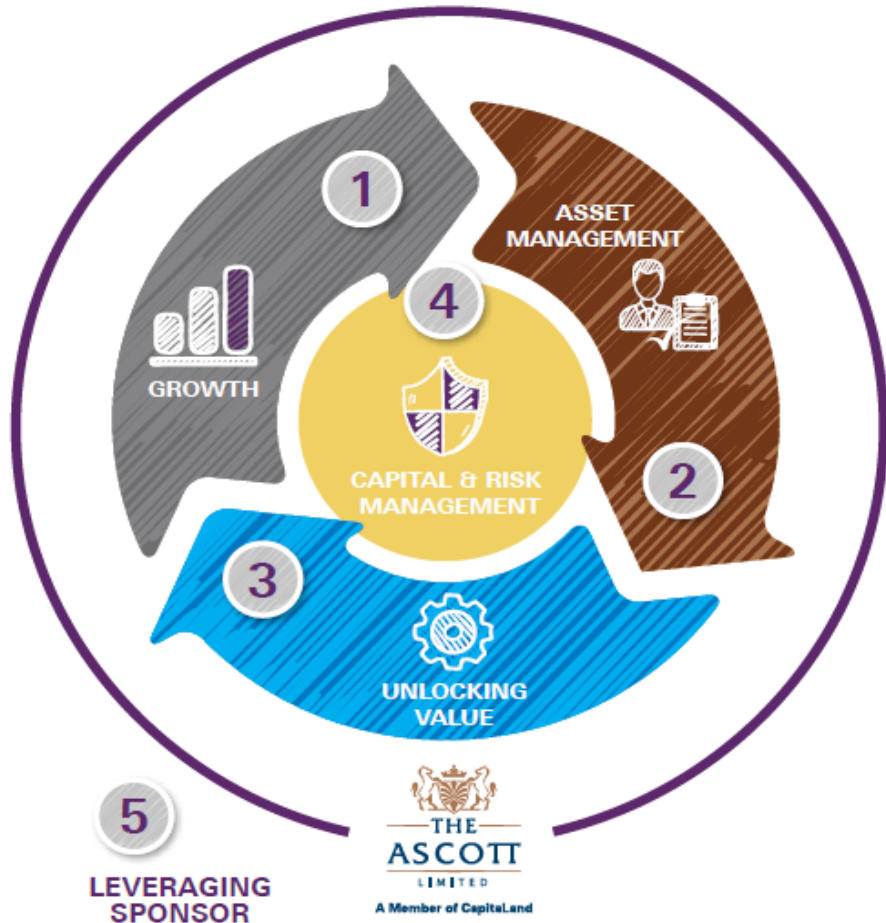
- ❖ Concurrent completion of the sale and purchase of the Other Property<sup>3</sup>
- ❖ In-principle approval for the extension of the existing land lease to a fresh 99-year land lease (which has been obtained)
- ❖ Relevant regulatory approvals/clearances

# Conclusion



# Creating Value for Unitholders

In line with strategy to optimise portfolio and unlock value



## 1 Growth

Asset rejuvenation as part of an iconic riverfront integrated development, with potential development upside after completion

## 2 Asset Management

Brand new property with efficient layout and room configuration to cater to wider spectrum of guest profiles  
Refresh land lease from 57 years to 99 years

## 3 Unlocking Value

Realise net gain of S\$41.5 mil on divested interest  
Recognise fair value gain of S\$42.8 mil on retained GFA

## 4 Capital and Risk Management

Minimal impact to gearing and within 10% MAS development limit

## 5 Leveraging Sponsor

Tapping on CapitaLand's project management expertise and The Ascott Limited's lodging brands and operating platforms

# Key Takeaways



## Partial sale of GFA of Somerset Liang Court Singapore

Divesting at **S\$163.3 mil<sup>1</sup>**, **44% above book value<sup>2</sup>** and **138% above acquisition price<sup>3</sup>**

Realise **net gain** of **S\$41.5 mil**  
on divested interest

Net divestment proceeds to fund redevelopment  
and distribution to unitholders

Recognise **fair value gain** of **S\$42.8 mil**  
on retained GFA



## Redevelopment of retained GFA leveraging Ascott Reit's enlarged balance sheet

**Potential development upside**  
after completion

Refresh land lease to **99** years  
(from remaining 57 years)

**New Somerset property with hotel licence**  
as part of the proposed iconic integrated  
development within vibrant Clarke Quay precinct

**Target EBITDA yield of c.4%<sup>4</sup>**  
after property stabilises



### Notes:

1. Based on existing land lease of 57 years
2. Book value of Somerset Liang Court Singapore as at 30 September 2019 of S\$211.0 mil
3. Original purchase price of Somerset Liang Court Singapore at IPO in March 2006 of S\$127.5 mil
4. Based on PDE of c.S\$300 mil



# Thank you



ASCOTT  
RESIDENCE  
TRUST

A Member of CapitalLand