



A Member of CapitaLand

(Constituted in the Republic of Singapore pursuant to  
a trust deed dated 19 January 2006 (as amended))

## ANNOUNCEMENT

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### ACQUISITION OF A HOTEL PROPERTY IN NEW YORK, UNITED STATES OF AMERICA

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#### 1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Manager**”), as manager of Ascott Residence Trust (“**Ascott REIT**”), wishes to announce that Ascott REIT has today through its indirect wholly-owned subsidiary, entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) to acquire the hotel property known as Element New York Times Square West located at 311 West 39th Street, between 8th and 9th Avenue, New York, New York, 10018, United States (the “**U.S.**”) and the leasehold interest in the land of the hotel property expiring in 2112 (collectively, the “**Property**”), for an aggregate purchase consideration of US\$163.5 million (equivalent to approximately S\$220.7 million<sup>1</sup>) (the “**Purchase Consideration**”, and the acquisition, the “**Acquisition**”).

The Property is a 40-storey building comprising an aggregate of 411 rooms. The vendor is LG-39 Ground Tenant LLC, a limited liability company incorporated in the U.S. which is an unrelated third party.

#### 2. RATIONALE FOR THE ACQUISITION

The Manager believes that the Acquisition will bring, among others, the following benefits to Ascott REIT and unitholders of Ascott REIT (“**Unitholders**”):

- (i) on a pro forma historical basis, the Acquisition is expected to contribute additional annual earnings before net interest expense, tax, depreciation and amortisation (EBITDA) of US\$10.1 million (equivalent to approximately S\$13.6 million) and increase distributable income by US\$0.8 million (equivalent to approximately S\$1.1 million) for the financial year ended 31 December 2014 (“**FY2014**”), translating to an increase in pro forma historical distribution per unit (“**DPU**”) by 0.07 cents or 0.8%;

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<sup>1</sup> Unless otherwise stated in this announcement, all references to S\$ where applicable are based on an exchange rate of US\$ / SGD = 1.35.

- (ii) the Acquisition provides a good foothold to enter into the high demand and highly contested hospitality market of New York in U.S. With the U.S. economy recovering and growing steadily in the past few years, recovery in the hospitality market in U.S. has also gained momentum on the back of improving revenue per available room, particularly in key gateway cities like New York;
- (iii) the Acquisition provides Ascott REIT an opportunity to be exposed to the growth of U.S. and enhances the diversification of Ascott REIT's portfolio. Post-completion of the Acquisition, Ascott REIT's portfolio will increase to 96<sup>2</sup> properties in 40<sup>2</sup> cities across 14 countries; and
- (iv) the Acquisition represents an attractive opportunity for Ascott REIT to acquire a quality asset which is centrally located in Times Square, Manhattan, New York, and is easily accessible by subway and bus. The Property is relatively new, having commenced operations only in November 2010.

### **3. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT**

#### **3.1 Sale and Purchase Agreement**

In connection with the Acquisition, Ascott REIT has established Ascott REIT Investment Pte. Ltd., a wholly-owned subsidiary in Singapore, to hold 100.0% of the total issued and paid up shares in Ascott REIT Eleven Pte. Ltd., an indirect wholly-owned subsidiary in Singapore ("**Ascott REIT Eleven**"). Ascott REIT Eleven will hold 100.0% of the capital contribution of USA Hotel REIT LLC, a private U.S. Hotel REIT ("**USA Hotel REIT**"), which will in turn establish two wholly-owned subsidiaries. The first subsidiary of USA Hotel REIT, SM Ascott LLC, will be a pure property holding entity which will ultimately hold the legal title to the Property pursuant to the entry into the Sale and Purchase Agreement. The second subsidiary of USA Hotel REIT, TRS LLC, will enter into a master lease agreement with the first subsidiary and appoint an unrelated third party professional hotel manager to manage the Property.

The Purchase Consideration is based on the agreed value of the Property at US\$163.5 million (equivalent to approximately S\$220.7 million) and will be fully satisfied in cash.

1% of the Purchase Consideration was paid on execution of the Sale and Purchase Agreement and 9% of the Purchase Consideration will be paid pursuant to the completion of the property investigation and due diligence on the Property. Remainder of the Purchase Consideration, which is subject to adjustments as at completion, will be paid on the date of completion of the Acquisition ("**Completion**").

#### **3.2 Conditions Precedent to the Completion of the Acquisition**

The completion of the Acquisition is subject to and conditional upon, among others:

- (i) the receipt by Ascott REIT or (as the case may be) its designated subsidiary of such evidences of termination of pre-existing agreements in relation to the Property;
- (ii) entry into a new management agreement for management of the Property;
- (iii) entry into a new franchise agreement to continue to operate the Property as an Element hotel;

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<sup>2</sup> Includes Ascott REIT's proposed acquisition of serviced residence properties in Australia and Japan, and rental housing properties in Japan (as announced on 25 June 2015) (collectively, the "**Announced Acquisitions**").

- (iv) the receipt by Ascott REIT or (as the case may be) its designated subsidiary of an estoppel certificate from the landlord in relation to the land demised pursuant to the ground lease on which the Property is situated; and
- (v) absence of any statute, ordinance, code, rule or regulation enacted or promulgated by any governmental authority which prohibits the consummation of Completion or the transactions contemplated hereunder, and absence of any injunction or other order of a court of competent jurisdiction in effect precluding the consummation of Completion or the transactions contemplated hereunder.

#### 4. VALUATION

DBS Trustee Limited, in its capacity as trustee of Ascott REIT, has commissioned an independent property valuer, Cushman & Wakefield, Inc. ("**Cushman & Wakefield**"), to value the Property. Cushman & Wakefield has conducted the valuation using the discounted cash flow approach as of 14 May 2015.

The Purchase Consideration takes into account the agreed property value of the Property, which was arrived at on a willing-buyer and willing-seller basis and derived based on the independent valuation of the Property by Cushman & Wakefield at US\$175.0 million (equivalent to approximately S\$236.3 million).

#### 5. COST OF THE ACQUISITION

##### 5.1 Acquisition Fee and Associated Costs

The estimated total costs of the Acquisition are approximately US\$4.0 million (equivalent to approximately S\$5.4 million), comprising:

- (a) total acquisition fees of approximately US\$1.6 million (equivalent to approximately S\$2.2 million) (being 1.0% of the Enterprise Value (as defined in the trust deed dated 19 January 2006 constituting Ascott REIT (as amended, varied and supplemented from time to time) (the "**Trust Deed**")) of US\$163.5 million (equivalent to approximately S\$220.7 million)) payable to the Manager pursuant to the Trust Deed; and
- (b) aggregate associated costs<sup>3</sup> of approximately US\$2.4 million (equivalent to approximately S\$3.2 million) incurred or to be incurred by Ascott REIT in connection with the Acquisition.

The Manager proposes to finance the total acquisition costs and the Purchase Consideration relating to the Acquisition with debt financing and the proceeds from the issuance of S\$250.0 million in aggregate principal amount of fixed rate perpetual securities which was announced on 23 June 2015 ("**Perpetual Securities**").

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3 Includes due diligence fees and other transaction-related costs.

## 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 Ascott REIT after completion of the Acquisition. They have been prepared based on the audited consolidated financial statements of Ascott REIT for the financial year ended 31 December 2014 (“**FY2014**”, and the audited consolidated financial statements of Ascott REIT for FY2014, the “**2014 Audited Consolidated Financial Statements**”), taking into account the Purchase Consideration.

### 6.2 Assumed Exchange Rates

In preparing the pro forma DPU and NAV per Unit for FY2014, the exchange rates between USD and SGD are assumed to be as follows:

	1 January 2014	Average rate for FY2014	31 December 2014
US\$	1.25577	1.26441	1.29935

### 6.3 Pro Forma DPU

In addition to the assumption set out at paragraph 6.2 above, the following assumptions were made in preparing the pro forma DPU for FY2014:

- the purchase consideration of the Acquisition was S\$205.3 million (based on the exchange rates as at 1 January 2014);
- bank borrowings of S\$119.3 million and proceeds of S\$91.0 million (based on the exchange rates as at 1 January 2014) from the issuance of Perpetual Securities were used to pay for the purchase consideration and associated costs of the Acquisition; and
- the Manager’s management fees payable for the Acquisition were paid 50.0% in Units.

The table below sets out the pro forma financial effects of the Acquisition on Ascott REIT’s DPU and distribution yield for FY2014, as if the Acquisition was completed on 1 January 2014.

	FY2014		
	Existing Portfolio <sup>(1)</sup>	Existing Portfolio and Announced Acquisitions	Enlarged Portfolio <sup>(2)</sup>
Distributable Income (\$’000)	125,624 <sup>(3)</sup>	129,532 <sup>(5)</sup>	130,600
Units in issue (’000)	1,535,023 <sup>(4)</sup>	1,538,399 <sup>(5)</sup>	1,538,766 <sup>(6)</sup>
DPU (cents)	8.20	8.44	8.51
Distribution yield (%)	6.5 <sup>(7)</sup>	6.6 <sup>(7)</sup>	6.7 <sup>(7)</sup>
Earnings per Unit (cents)	7.92	9.55	9.58

#### Notes:

- (1) “**Existing Portfolio**” means the existing portfolio of Ascott REIT, as disclosed in the annual report of Ascott REIT for FY2014.

- (2) **“Enlarged Portfolio”** means the Existing Portfolio, the Announced Acquisitions and the Property.
- (3) Based on the audited consolidated financial statements of Ascott REIT for the financial year ended 31 December 2014 (the **“2014 Audited Consolidated Financial Statements”**).
- (4) Number of Units in issue as at 31 December 2014.
- (5) Adjusted for the pro forma financial effects of the Announced Acquisitions, as if they were completed on 1 January 2014 and held for FY2014.
- (6) Include adjustments to include approximately 0.4 million new Units issued as payment of the Manager’s management fees for the Acquisition for FY2014. The Units issued were assumed to be issued at the same prices as those that were actually issued as payment for the management fees for the existing properties for FY2014. The Manager’s 1.0% acquisition fee for the Acquisition was assumed to be paid in cash.
- (7) Computed based on the closing unit price of S\$1.27 on 31 December 2014.

#### 6.4 Pro Forma Consolidated Net Asset Value (“NAV”)

In addition to the assumption set out at paragraph 6.2 above, the following assumptions were made in preparing the pro forma NAV as at 31 December 2014:

- (a) the purchase consideration of the Acquisition was S\$212.4 million (based on the exchange rates as at 31 December 2014); and
- (b) bank borrowings of S\$123.4 million and proceeds of S\$94.2 million (based on the exchange rates as at 31 December 2014) from the issuance of Perpetual Securities were used to pay for the purchase consideration and associated costs of the Acquisition; and
- (c) the Manager’s management fees payable for the Acquisition were paid 50.0% in Units.

The table below sets out the pro forma financial effects of the Acquisition on the consolidated NAV as at 31 December 2014, as if the Acquisition was completed on 31 December 2014.

	As at 31 December 2014		
	Existing Portfolio	Existing Portfolio and Announced Acquisitions	Enlarged Portfolio
NAV (\$'000)	2,106,078 <sup>(1)</sup>	2,120,576 <sup>(2)</sup>	2,130,893 <sup>(3)</sup>
Units in issue ('000)	1,535,023 <sup>(4)</sup>	1,537,481 <sup>(2)</sup>	1,537,481
NAV per Unit (\$)	1.37	1.38	1.39

**Notes:**

- (1) Based on the 2014 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Announced Acquisitions, as if they were completed on 31 December 2014.
- (3) Based on Unitholders’ funds.
- (4) Number of Units in issue as at 31 December 2014.

## 7. OTHER INFORMATION

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

A proposed acquisition by Ascott REIT may fall into any of the categories set out in Rule 1004 of the Listing Manual of Singapore Exchange Securities Trading limited (the “**SGX-ST**”) depending on the size of the relative figures computed on the following applicable bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with Ascott REIT’s net profits; and
- (ii) the aggregate value of the consideration given or received, compared with Ascott REIT’s market capitalisation based on the total number of issued Units.

Where any of the relative figures computed on the bases set out above is 20.0% or more, the transaction is classified as a “major transaction” under Rule 1014 of the Listing Manual which would be subject to the approval of Unitholders, unless such transaction is in the ordinary course of Ascott REIT’s business.

As the relative figures in relation to the Acquisition computed on the bases set out above exceed 5.0% but do not exceed 20.0%, the Acquisition is not a major transaction, but a discloseable transaction under Chapter 10 of the Listing Manual and is therefore not subject to the approval of Unitholders.

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

<b>Criteria</b>	<b>Ascott REIT (S\$ million)</b>	<b>The Acquisition (S\$ million)</b>	<b>Relative Percentage (%)</b>
The net profits attributable to the assets acquired, compared with Ascott REIT’s net profits	23.2 <sup>(1)</sup>	1.8	7.8
The aggregate value of the consideration given, compared with Ascott REIT’s market capitalisation based on the total number of issued Units	1,986.8 <sup>(2)</sup>	220.7	11.1

**Notes:**

- (1) Based on the unaudited consolidated financial statements of Ascott REIT for the period ended 31 March 2015.
- (2) Based on the market capitalisation of Ascott REIT as at the market date preceding the date of entry into the Sale and Purchase Agreement.

## **7.2 Interests of Directors and Controlling Unitholders**

None of the directors of the Manager or controlling Unitholders has any interest, direct or indirect, in the Acquisition.

## **7.3 Directors' Service Contracts**

No person is proposed to be appointed as a director of the Manager 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.<sup>4</sup> 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 Agreement; and
- (ii) the valuation report of the Property.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Ascott REIT continues to be in existence.

By Order of the Board  
Ascott Residence Trust Management Limited  
(Registration Number: 200516209Z)  
As manager of Ascott Residence Trust

Kang Siew Fong / Regina Tan  
Joint Company Secretaries  
2 July 2015

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<sup>4</sup> Prior appointment with the Manager will be appreciated.

**Important Notice**

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Ascott REIT is not necessarily indicative of the future performance of Ascott REIT.

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 similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.