



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)

**ANNOUNCEMENT**

**ACQUISITION OF HOTEL BROOKLYN IN MANCHESTER, UNITED KINGDOM**

**1. INTRODUCTION**

**1.1 Information on the Acquisition**

M&C REIT Management Limited, as manager of CDL Hospitality Real Estate Investment Trust (“**H-REIT**”, and as 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 as trustee-manager of HBT, the “**HBT Trustee-Manager**” and together with the H-REIT Manager, the “**Managers**”, and H-REIT and HBT together, “**CDLHT**”) are pleased to announce that CDL HREIT Investments (II) Limited (the “**Purchaser**”), a wholly-owned subsidiary of H-REIT, has today entered into a share purchase agreement (the “**Share Purchase Agreement**”) and completed the indirect acquisition of Hotel Brooklyn located at 57 and 59 Portland Street, Manchester, United Kingdom (the “**Property**”).

The Property is presently held by Roundapple Hotel Partners III Limited (the “**Target**”) and the acquisition of the Property by the Purchaser will be carried out by way of acquiring 100% of the issued share capital of the Target (the “**Acquisition**”) from RAHoldingsUK Limited (the “**Vendor**”). Upon completion of the Acquisition (“**Completion**”), the Target will continue to hold the Property.

**1.2 Information on the Property**

The Property is a 4-star, upscale lifestyle hotel located in Manchester, United Kingdom (“**UK**”). It is centrally located within the heart of Manchester and within walking distance to the central business district as well as popular tourist attractions.

The Property commenced operations in February 2020<sup>1</sup> and offers a total of 189 rooms (weighted average room size of 26 square meters). The Property has two food & beverage outlets, three meeting rooms (which can be combined, forming over 220 square metres of meeting space, and can accommodate up to 140 people theatre-style), as well as a casino with a restaurant and bar.

The Target holds a long leasehold interest in the Property with a lease term commencing on 7 May 2021 and expiring on 26 June 2218 (approximately 196 years remaining as at the date of this announcement) (the “**Head Lease**”). There is a superior lease above the Head Lease that was granted by the freehold owner of the Property, The Council of the City of Manchester, for a term commencing on 30 June 2016 and expiring on 29 June 2218 (the “**Superior Lease**”).

<sup>1</sup> Due to the COVID-19 situation, the Property opened and closed for business intermittently between February 2020 and April 2021. The Property has been operational since May 2021.

which is now vested in Honeycourt GP Limited (the “**Head Lessor**”).

The Target, as landlord (“**Landlord**”), leases out the whole of the Property to HLD (Manchester) Limited, as tenant (the “**Occupational Tenant**”<sup>2</sup>, and the lease between the Landlord and the Occupational Tenant, the “**Occupational Lease**”). The Occupational Tenant is part of a group under Marshall Holdings Limited. The group's principal activities are in commercial development and construction, with notable hotel projects which include the Hotel Brooklyn, Hotel Gotham Manchester, De Vere Glasgow, De Vere Edinburgh and Ramada Encore Gateshead. Hotel Brooklyn Limited, as the guarantor under the Occupational Lease, guarantees the Occupational Tenant's covenants in the Occupational Lease.

The Occupational Lease, which is a full repairing and insuring lease<sup>3</sup>, is for a 60-year lease term commencing on 7 May 2021 and expiring on 6 May 2081. The Occupational Lease contains a break option exercisable by the Occupational Tenant on 15 January 2045, and then on every fifth anniversary from that date, by providing at least six months' prior notice to the Landlord. Pursuant to the Occupational Lease, the Occupational Tenant pays a fixed rent of £2.3 million per annum to the Landlord, subject to upward-only rent review provisions broadly based on inflation.

The rental obligations of the Occupational Tenant are backed by a bank guarantee from National Westminster Bank plc until May 2024, followed by a cash deposit of £1.5 million until May 2026, which has been placed into an escrow account.

The Occupational Tenant has granted Hotel Brooklyn Limited, as licensee, the right to occupy the hotel portion of the Property and to licence and permit the hotel operator, BH Central Services Limited (also known as Bespoke Hotels), to manage the hotel pursuant to a separate hotel management agreement. Bespoke Hotels is one of the UK's largest independent hotel groups. The Occupational Tenant also sub-leases the basement and ground floor of the Property to a casino operator, The Players Club UK Limited (trading as Napoleans).

### 1.3 Purchase Consideration and Valuation

Pursuant to the terms of the Share Purchase Agreement, the purchase consideration for the Acquisition (the “**Purchase Consideration**”) is based on the net asset value (“**NAV**”) of the Target and is subject to certain deduction and retention amounts as described below.

The NAV of the Target of £4.4 million (approximately S\$8.0 million<sup>4</sup>) takes into account the agreed value of the Property of £22.8 million (approximately S\$41.5 million) (the “**Property Consideration**”), bank and shareholder's loan amounts of £18.0 million (approximately S\$32.7 million) repaid by the Target at Completion, adjusted for estimated negative net working capital of the Target of £0.4 million (approximately S\$0.8 million) as at the time of Completion.

After certain deduction and retention amounts, the Purchase Consideration is £3.0 million (approximately S\$5.5 million) and was paid by way of transfer of immediately available funds to the Vendor's solicitors' account. The Purchase Consideration is subject to post-Completion adjustments as provided for in the Share Purchase Agreement.

Subject to the fulfilment of certain conditions in accordance with the Share Purchase

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<sup>2</sup> The Occupational Tenant was previously the proprietor of the Superior Lease until 7 May 2021, when the Occupational Tenant effected a sale and leaseback transaction by granting the Head Lease to the Target and thereafter the Target granted a lease back to the Occupational Tenant by way of the Occupational Lease. On the same day, the Occupational Tenant then transferred its interest in the Superior Lease to Honeycourt GP Limited, the current proprietor of the Superior Lease.

<sup>3</sup> Under a full repairing and insuring lease, the Occupational Tenant pays for all capital expenditure, insurance, Furniture, Fixtures and Equipment (FF&E) and council rates and taxes in respect of the Property.

<sup>4</sup> Unless otherwise indicated, all conversions between £ and S\$ are based on an assumed exchange rate of £1.00 = S\$1.8202.

Agreement, sums amounting to £1.3 million (approximately S\$2.4 million) which have been retained by the Purchaser will be paid to the Vendor. Upon release of these sums to the Vendor, the Purchase Consideration will amount to £4.3 million (approximately S\$7.8 million).

The Property Consideration has been arrived at on a willing-buyer and willing-seller basis taking into account the independent valuation of the Property. The H-REIT Manager and DBS Trustee Limited, in its capacity as trustee of H-REIT, has appointed an independent property valuer, Cushman & Wakefield Debenham Tie Leung Limited (the “**Independent Valuer**”), to provide an opinion of market value of the property interest owned by the Target. The Independent Valuer has valued the Property at £25.3 million (approximately S\$46.1 million) as at 31 December 2021 (the “**Independent Valuation**”)<sup>5</sup>, using the capitalisation method in arriving at its valuation of the Property. The Independent Valuation of the property interest is 10.9% higher than the Property Consideration of £22.8 million (approximately S\$41.5 million).

## 2. RATIONALE FOR THE ACQUISITION

The Managers believe that the Acquisition will bring the following key benefits to holders of stapled securities of CDLHT (“**Stapled Securities**”, and the holders of Stapled Securities, “**Stapled Security Holders**”).

### 2.1 Attractive Property Yield and Accretive Acquisition

The Acquisition is expected to be accretive to Stapled Security Holders based on the pro forma financial effects of the Acquisition on the distribution per Stapled Security (“**DPS**”) of CDLHT as set out in paragraph 4.2 below.

Based on the Property Consideration and net property income of £1.7 million<sup>6</sup>, the net property income yield of the Property is 7.4%. On a pro forma basis for the financial year ended 31 December 2021 (“**FY 2021**”), this translates to a DPS accretion of 1.1%.<sup>7</sup>

### 2.2 Enhanced Income Stability

This Acquisition is in line with the strategy of CDLHT to acquire assets with more stable income in order to increase CDLHT’s resilience and fixed rental base.

The Occupational Lease is a full repairing and insuring lease that will provide a fixed rental income stream for CDLHT, subject to upward-only rent review provisions broadly based on inflation. Post-Acquisition, this will increase CDLHT’s hotel portfolio fixed rent base by S\$3.1 million, or 7.8%.<sup>8</sup>

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<sup>5</sup> The Independent Valuer excludes all liability in respect of the Independent Valuation to any parties not named as addressees within the Independent Valuation.

<sup>6</sup> The net property income of the Property of £1.7 million (excluding adjustments for FRS 116/SFRS (I) 16 Leases) is based on the fixed rent of £2.3 million from the Occupational Tenant less the ground rent payable to the Head Lessor for the period of 7 May 2021 to 6 May 2022.

<sup>7</sup> Based on the change of the pro forma DPS for CDLHT’s enlarged portfolio over the DPS for CDLHT in FY 2021. For the purpose of the computations, the Total Acquisition Cost is assumed to be 100% pound sterling debt-funded.

<sup>8</sup> Assuming CDLHT owned the Property from 1 January 2022 and computed based on CDLHT’s existing hotel portfolio fixed rent for FY 2022 (assuming Grand Millennium Auckland’s lease is renewed in September 2022) and the Property’s annual net rent of £1.7 million (before any increase pursuant to the upward-only rent review provision).

## 2.3 Newly Opened Lifestyle Hotel in an Excellent Location

The Property is a newly-opened upscale lifestyle hotel that has been built and finished to a high standard, with a distinctive New York lifestyle feel.

The Property appeals to both corporate and leisure guests being within walking distance to the central business district (Spinningfields), as well as popular tourist attractions such as the Manchester Art Gallery, retail areas such as Market Street and entertainment hubs such as the Manchester Arena. It is within a 8-minute walk to the Manchester Piccadilly, Manchester's main train station and approximately 13.4 kilometres (20-minute drive) from the Manchester Airport.

Together with CDLHT's other lifestyle hotels in Singapore, namely W Singapore – Sentosa Cove, Studio M Hotel and Moxy Singapore Clarke Quay (estimated practical completion in 2025), the acquisition of the Property allows CDLHT to further penetrate the lifestyle hotel market. These lifestyle hotels are designed to appeal to the next generation traveller with unique designs, strong identities and story-telling potential, and cater to the growing demand for distinct and curated experiences. With its growing stable of lifestyle hotels, CDLHT's hotel portfolio will be augmented with better alignment with prevailing trends in the global market of strong consumer appetite for such hotels.

## 2.4 Good Economic Prospects

UK is the fifth largest economy in the world by gross domestic product<sup>9</sup> with Greater Manchester being the second largest economic region in the UK after London.<sup>10</sup> Home to a growing number of global, European and national headquarters and featuring 80 of the FTSE 100 companies<sup>11</sup>, Manchester's economy grew by 8% in 2021, the second fastest out of 30 major European cities.<sup>12</sup> Manchester's economy is predicted to grow by 6.5% in 2022, compared to a ten-year pre-COVID-19 average of 3.4%.<sup>12</sup> Manchester has also undergone rapid population and employment growth in recent years and is a globally recognised city boasting a very strong local economy with an ever-expanding workforce.

## 2.5 Established Tourism and Strong Corporate Travel Demand

International visitor arrivals to the UK grew by 32.7% from 2011 to 2019, an 8-year compound annual growth rate ("CAGR") of 3.6%.<sup>13</sup> Manchester is the third most visited city in the UK behind London and Edinburgh, and is also the city with the largest growth in number of staying visitors for the period from 2011 to 2019 with an 8-year CAGR of 7.0%, as compared with London's and Edinburgh's CAGR of 3.8% and 6.3% respectively.<sup>14</sup> The UK government had forecasted visitor arrivals for full year 2022 to return to 52% of 2019's levels.<sup>15</sup>

Manchester is a highly attractive MICE<sup>16</sup> destination and has a bustling events scene. As one of the most vibrant and cosmopolitan cities in the UK, Manchester is filled with a rolling calendar of events, exhibitions and concerts in both the arts and sporting scene. Post-COVID-19, this is expected to continue and will boost business and corporate travel demand.

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<sup>9</sup> Source: World Bank, 2020

<sup>10</sup> Source: Office for National Statistics, "Regional gross domestic product: city regions", 26 May 2021

<sup>11</sup> Source: Select Property, "Why Manchester is such a high-demand location for investors and tenants", 23 June 2021

<sup>12</sup> Source: Avison Young, 2022 Forecast Manchester

<sup>13</sup> Source: Office for National Statistics, Overseas travel and tourism, monthly

<sup>14</sup> Source: Office for National Statistics, International Passenger Survey

<sup>15</sup> Source: VisitBritain, "2022 tourism forecast", 16 February 2022

<sup>16</sup> Meetings, incentives, conferences and exhibitions

In addition, Manchester has one of the most well-connected transport networks in the UK, with its world-class, multi-modal, integrated transport infrastructure providing connectivity across the Northwest and the nation. There are also numerous ongoing and planned infrastructure investment projects in Manchester, including the phased £1 billion expansion of the Manchester Airport<sup>17</sup> and the High Speed 2 rail project (estimated to complete around 2035) which will connect Manchester to London in just 63 minutes, cutting the current travel time by more than half.<sup>18</sup>

### 3. ESTIMATED TOTAL ACQUISITION COST

The total cost of acquisition (the “**Total Acquisition Cost**”) is estimated to be £24.1 million (approximately S\$43.8 million)<sup>19</sup> comprising:

- (i) the Property Consideration of £22.8 million (approximately S\$41.5 million);
- (ii) an acquisition fee of £0.2 million (approximately S\$0.4 million) payable to the H-REIT Manager for the Acquisition in accordance with the trust deed dated 8 June 2006 constituting H-REIT (as amended, varied or supplemented from time to time) (the “**H-REIT Trust Deed**”); and
- (iii) estimated stamp duty, professional and other fees and expenses of £1.1 million (approximately S\$1.9 million) incurred or to be incurred by H-REIT in connection with the Acquisition.

### 4. METHOD OF FINANCING AND FINANCIAL EFFECTS

#### 4.1 Method of Financing and Gearing

The Managers intend to finance the Total Acquisition Cost through debt. Assuming the Acquisition were 100% financed through debt and had been completed on 31 December 2021, the gearing ratio of CDLHT would be 40.0%<sup>20</sup> on a pro forma basis as at 31 December 2021.

#### 4.2 Pro Forma Financial Effects of the Acquisition

The pro forma financial effects of the Acquisition on the DPS presented below are strictly for illustrative purposes and were prepared based on the unaudited financial statements of CDLHT for the financial year ended 31 December 2021 (“**CDLHT FY 2021 Unaudited Financial Statements**”), taking into account the Total Acquisition Cost and assuming that the Acquisition is 100% financed through pound sterling-denominated borrowings.

##### Pro Forma DPS

The pro forma financial effects of the Acquisition on the DPS for CDLHT for the financial year ended 31 December 2021, as if the Acquisition was completed on 1 January 2021, and CDLHT had held the Property through to 31 December 2021, are as follows:

<sup>17</sup> Source: Manchester Airport, “Manchester Airport’s new Terminal Two welcomes first passengers”, 14 July 2021

<sup>18</sup> Source: Metro.co.uk, “HS2 travel times: Route, maximum speed and time you could save on your commute”, 19 November 2021

<sup>19</sup> Before deduction for estimated negative net working capital of the Target as at the time of Completion of £0.4 million (approximately S\$0.8 million) (which will be subject to post-Completion adjustments).

<sup>20</sup> Gearing ratio is derived based on the total assets (excluding the effect of FRS 116/SFRS(I) 16 Leases) and total gross borrowings, aggregated on a proportionate basis based on CDLHT’s share of each subsidiary.

	Before the Acquisition	After the Acquisition
Net Property Income (S\$'000)	86,110 <sup>(1)</sup>	89,208 <sup>(2)</sup>
Distributable Income (S\$'000) <sup>(3)</sup>	52,563	53,106
Stapled Securities entitled to distribution ('000)	1,231,266 <sup>(4)</sup>	1,231,348
DPS (Singapore cents) <sup>(5)(6)</sup>	4.27	4.32

**Notes:**

- (1) Based on CDLHT FY 2021 Unaudited Financial Statements.
- (2) Includes the net property income of the Property of S\$3.1 million which is calculated on the basis that the Head Lease and Occupational Lease commenced on 1 January 2021, and takes into account the fixed rent receivable from the Occupational Tenant and the ground rent payable to the Head Lessor (but excluding adjustments for FRS116/SFRS(I) 16 Leases) for the year.
- (3) The distributable income of CDLHT (after deducting income retained for working capital and including capital distribution) represents the aggregate of distributions by H-REIT and HBT.
- (4) Number of Stapled Securities entitled to distribution as at 31 December 2021.
- (5) DPS is derived based on the distributable income of CDLHT (after deducting income retained for working capital and including capital distribution) over the number of Stapled Securities entitled to distribution.
- (6) Figures rounded to two decimal places.

## 5. OTHER INFORMATION

### 5.1 Non-discloseable transaction

The Acquisition is classified as a non-discloseable transaction under Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited. In addition, the Managers are of the view that the Acquisition is in the ordinary course of CDLHT's business.

### 5.2 Incorporation of Subsidiary

In connection with the Acquisition, the following subsidiary has been incorporated:

Name	Country of Incorporation	Remarks
CDL HREIT Investments (II) Limited	England and Wales	Wholly-owned subsidiary of H-REIT

## 6. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Managers<sup>21</sup> at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619 from the date of this announcement up to and including the date falling three months after the date of this announcement:

- (i) the Share Purchase Agreement; and
- (ii) the full valuation report on the Property issued by the Independent Valuer.

The H-REIT Trust Deed and the trust deed constituting HBT dated 12 June 2006 (as amended, varied or supplemented from time to time) will also be available for inspection at the registered office of the Managers for so long as H-REIT and HBT are in existence.

<sup>21</sup> Prior appointment with the Managers is required.

**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

**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

22 February 2022

## 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 the Stapled 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 CDLHT is not necessarily indicative of the future performance of CDLHT.

Due to rounding, numbers presented throughout this announcement may not add up precisely to the totals and percentages may not precisely reflect the absolute figures.