



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.

PROPOSED SALE OF HYATT PLACE CHICAGO ITASCA

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 ("**ARA H-Trust**"), through its indirectly wholly-owned subsidiary, ARA USH Chicago, LLC (the "**Vendor**"), has today entered into a conditional purchase and sale agreement (the "**PSA**") with IHP Hospitality, LLC, (the "**Purchaser**"), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, Hyatt Place Chicago Itasca ("**HPCI**", the "**Hotel**" or the "**Property**") (the "**Proposed Sale**") for a consideration of US\$7.75 million (the "**Sale Consideration**"), subject to closing adjustments in accordance with the PSA.

2. Information on the Proposed Sale

Description of the Property

HPCI is a six-story hotel with 126 rooms, situated on freehold land located at 1150 Arlington Heights Road, Itasca, IL 60143, a suburb of Chicago. HPCI is approximately 12 miles and 27 miles from the O'Hare International Airport and downtown Chicago, respectively. The Hotel commenced operations in 1996 and was last renovated in 2015.

Sale Consideration and Valuation

In connection with the annual valuation exercise for the financial year ended 31 December 2021 ("**FY 2021**"), an independent valuation on HPCI was commissioned by DBS Trustee Limited, as trustee of ARA H-REIT (the "**Trustee**"), in accordance with the requirements of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. The independent appraiser, JLL Valuation & Advisory Services, LLC, valued the Hotel at US\$7.8 million (the "**Independent Valuation**") as at 31 December 2021, based on the income capitalization approach and the sales comparison approach. The Sale Consideration is negotiated on a willing-buyer and willing-seller basis, taking into account the Independent Valuation, and represents a slight 0.6% discount to the Independent Valuation. The Sale Consideration will be satisfied wholly in cash.

In accordance with the trust deeds dated 17 April 2019 constituting ARA H-REIT and ARA H-BT, as amended, supplemented and/or restated from time to time (the “**Trust Deeds**”), the Managers are entitled to a divestment fee of approximately US\$39,000, being 0.5% of the Sale Consideration.

Completion of the divestment is expected to take place in the second quarter of 2022.

3. Rationale for the Proposed Sale

The Managers believe that the Proposed Sale will bring the following key benefits to the stapled securityholders of ARA H-Trust (the “**Stapled Securityholders**”):

Portfolio optimization

The Hotel, which commenced operations in 1996, is amongst the oldest and smallest assets within ARA H-Trust’s portfolio, accounting for 1.1% of total portfolio value as at 31 December 2021, based on the aggregate of the independent valuations commissioned by ARA H-Trust on its entire portfolio as at 31 December 2021. As the Hotel is located in a market with declining economic conditions exacerbated by the COVID-19 pandemic, it is anticipated to have a longer road to recovery as compared to the other hotels in the portfolio. Being one of the oldest assets in the portfolio, the Property is also envisaged to require sizable capital expenditure outlays relative to its value over the next few years.

Strengthen Balance Sheet for growth

The Proposed Sale will free up capital which can be redeployed to either 1) acquire accretive, higher yield properties, with the objective of generating stable and growing distributions to Stapled Securityholders or 2) pare down existing bank borrowings to improve the portfolio’s average leverage ratio, and increase debt headroom.

4. Salient Terms of the PSA

The PSA contains provisions customary to the Property’s jurisdiction, including representations and warranties, indemnities and other commercial terms. The principal terms of the PSA include, amongst others, the following:

- i. A non-refundable deposit of US\$500,000 has been paid by the Purchaser to the Vendor under the PSA, which will be applied towards the Sale Consideration payable at closing. Completion of the Proposed Sale shall take place within 60 days from the signing of the PSA (“**Completion Date**”). The Purchaser may extend the Completion Date for up to two periods of 15 Business Days¹ each which will require the Purchaser to pay an additional non-refundable deposit of US\$200,000 in connection with the first extension and an additional non-refundable deposit of US\$50,000 in connection with the second extension.
- ii. The PSA is subject to conditions precedent, including but not limited to, the following:
 - that each of the representations and warranties made by each of the parties in the PSA be true and correct in all material aspects when made and on and as of the closing date as though such representations and warranties were made on and as of the closing date;
 - the covenants and obligations of the respective parties having been performed or complied with in all material aspects;

¹ Under the PSA, “**Business Day**” means any day other than a Saturday, Sunday or other day on which banks are authorized or required by law to be closed in the State in which the Property is located.

- the Vendor having caused the termination of (i) the existing management agreement between ARA USH Chicago Tenant, LLC (the “**Operating Lessee**”), as lessee of the Property and Ambridge Hospitality, LLC, as the manager of the Property, with respect to the Property, and (ii) the existing master lease agreement between the Vendor, as lessor, and the Operating Lessee, as lessee;
 - (a) the Vendor having received evidence that the Purchaser has obtained consent from the franchisor to the transfer of the franchise rights granted under an existing franchise agreement, (b) if the franchisor requires that the Purchaser enter into a new franchise agreement in connection with the granting of such consent, the Vendor having received a termination of such existing franchise agreement without being required to pay an termination fee, penalty, damages or other similar charges, and (c) the Vendor and the Operating Lessee having been released by the franchisor from any obligations under such franchise agreement and/or any guaranty(ies) thereof, pertaining to the period on and after closing;
 - 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 closing which restrains or prohibits the Proposed Sale;
 - title documents to the Hotel and other relevant completion deliverables having been delivered to the Purchaser in accordance with the PSA;
 - the Purchaser having received a Phase I Environmental Site Assessment report for the Property showing no recognized environmental conditions; and
 - the Purchaser having delivered the Sale Consideration (and all other amounts due to the Vendor from the Purchaser under the PSA) and other relevant completion deliverables in accordance with the PSA.
- iii. Representations and warranties customary to a transaction of this nature and in line with usual market practice in the U.S. have been given by the Vendor under the PSA.

5. Use of Proceeds

The Managers intend to use the net proceeds from the Proposed Sale to pare down existing bank borrowings to improve ARA H-Trust’s aggregate leverage ratio, and/or for general working capital requirements.

6. Pro Forma Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Sale on the distribution per stapled security of ARA H-Trust (“**Stapled Securities**” and the distribution per Stapled Security, “**DPS**”) and Net Asset Value (“**NAV**”) per Stapled Security presented below were prepared based on the unaudited financial statements of ARA H-Trust for FY 2021.

Pro Forma DPS

The pro forma financial effects of the Proposed Sale on ARA H-Trust's DPS for the year ended 31 December 2021, as if ARA H-Trust had completed the Proposed Sale on 1 January 2021, are as follows:

	Before the Divestment	After the Divestment
Distributable income ⁽¹⁾ (US\$'000)	2,018	2,104
Total number of Stapled Securities in issue ('000) ⁽²⁾	567,342	
DPS (US cents)	0.355	0.371

Notes:

- (1) The figures set out are purely for illustrative purposes only, and assumes the corresponding reduction in reserves set aside for HPCI capital expenditure for FY2021, the repayment of loan and borrowings using the net proceeds from the Proposed Sale as if it was completed on 1 January 2021, and transaction costs payable on disposition.
- (2) Number of Stapled Securities in issue as at 31 December 2020 and 31 December 2021.

Pro Forma NAV

The pro forma financial effects of the Proposed Sale on ARA H-Trust's NAV per stapled security as at 31 December 2021, as if the Proposed was completed on 31 December 2021, are as follows:

	Before the Divestment	After the Divestment
NAV (\$'000)	399,745	399,225
Total number of stapled security in issue ('000) ⁽¹⁾	567,342	
NAV per Unit (US\$)	0.70	0.70

Notes:

- (1) Number of Stapled Securities in issue as at 31 December 2021.

7. Non-Discloseable Transaction

Based on the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual, the Proposed Sale is a "Non-Discloseable Transaction" within the meaning of Rule 1008 of the Listing Manual.

8. Interests 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 780,000 Stapled Securities. The Managers are wholly-owned subsidiaries of ARA Asset Management Limited, a controlling Stapled Securityholder. Save for the foregoing, ARA H-Trust does not have any controlling Stapled Securityholders.

Save as disclosed in this announcement and based on the information available to the Managers as at the date of this announcement, none of the directors of the Managers or the controlling Stapled Securityholder has an interest, direct or indirect, in the Proposed Sale.

9. Documents for Inspection

Copies of the PSA and valuation report for the Independent Valuation are available for inspection, by appointment, at the Managers' registered office located at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038985 during business hours for a period of three months commencing from the date of this announcement.

By ORDER OF THE BOARD
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)

Lee Jin Yong
Chief Executive Officer
17 March 2022

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About ARA US Hospitality Trust

Listed on the Singapore Exchange on 9 May 2019, ARA US Hospitality Trust is a hospitality stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and ARA US Hospitality Management Trust (“**ARA H-BT**”). ARA US Hospitality Trust invests in income-producing real estate assets used primarily for hospitality purposes located in the United States. ARA US Hospitality Trust’s portfolio currently comprises 41 select-service hotels with a total of 5,340 rooms across 22 states in the United States.

ARA US Hospitality Trust is managed by ARA Trust Management (USH) Pte. Ltd. and ARA Business Trust Management (USH) Pte. Ltd., (collectively known as the “**Managers**”). The Managers are indirect wholly-owned subsidiaries of ARA Asset Management Limited.

For more information, please visit www.araushotels.com.

About the Sponsor

The Sponsor, ARA Real Estate Investors 23 Pte. Ltd., is an indirect wholly-owned subsidiary of ARA Asset Management Limited.

ARA Asset Management Limited is part of the ESR Group (the “**Group**”), APAC’s largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (“**AUM**”), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S.. The Group provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by the Group and its associates, ESR Cayman Limited (“**ESR**”) is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. ESR’s purpose – Space and Investment Solutions for a Sustainable Future – drives the Group to manage sustainably and impactfully and we consider the environment and the communities in which the Group operates as key stakeholders of its business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

More information is available at www.ara-group.com, www.esr.com.

IMPORTANT NOTICE

The value of the stapled securities in ARA US Hospitality Trust ("**Stapled Securities**") (where each Stapled Security comprises 1 unit in ARA H-REIT stapled to 1 unit in ARA H-BT), 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, 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.