



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 FOUR HYATT PLACE HOTELS

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 on 30 June 2022 entered into a conditional purchase and sale agreement (the "**PSA**") with Three Wall Capital, LLC (the "**Purchaser**"), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, a portfolio of four Hyatt Place hotels (the "**4-Property Hotel Portfolio**") (the "**Proposed Sale**") for a total consideration of US\$32.5 million (the "**Sale Consideration**"), subject to closing adjustments in accordance with the PSA.

2. Information on the Proposed Sale

Description of the Properties

The 4-Property Hotel Portfolio comprises Hyatt Place Pittsburgh Cranberry located in Pennsylvania, Hyatt Place Birmingham Inverness located in Alabama, Hyatt Place Cincinnati Northeast and Hyatt Place Cleveland Independence located in Ohio.

Sale Consideration and Valuations

The latest available valuation of the 4-Property Hotel Portfolio was conducted as part of the annual valuation exercise for the entire ARA H-Trust hotel portfolio for the financial year ended 31 December 2021 ("**FY2021**") and was commissioned by DBS Trustee Limited, as trustee of ARA H-REIT (the "**Trustee**"), in accordance with the requirements of Appendix of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. The collective independent valuation of the 4-Property Hotel Portfolio of US\$31.5 million (the "**Market Valuation**") was determined by the independent valuer, JLL Valuation & Advisory Services, LLC, as at 31 December 2021 based on the income capitalisation approach and the sales comparison approach. The Sale Consideration of US\$32.5 million represents a 3.2% premium above the Market Valuation. The Sale Consideration is negotiated on a willing-buyer and willing-seller basis, taking into account the Market Valuation, and will be satisfied wholly in cash.

Completion of the Proposed Sale ("**Completion**") is expected to take place in the third 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**”):

(a) Portfolio Optimisation and Rebalancing

One of the key investment strategies of ARA H-Trust is to optimise its portfolio by owning hotels with good cashflow-generating capability in sub-markets with strong underlying long-term market fundamentals. The Managers adopt a bottom-up approach to identify assets that rank lowest in profitability, cashflow and yield metrics, are in sub-markets with deteriorating demand and skilled labour availability and require a high amount of capital improvement cost relative to value. These assets are evaluated for potential disposition as an exit strategy.

In rebalancing, reinforcing and rejuvenating the portfolio, the Managers seek to:

- i. execute capital improvement plans to preserve value of the assets in its portfolio and allocate capital improvement and efforts towards assets with greater profitability and valuation growth potential;
- ii. undertake focused asset management to drive more revenue and cashflow from core assets; and
- iii. strengthen the balance sheet by reducing existing bank borrowings and/or redeploying capital to acquire new accretive assets in attractive sub-markets that ultimately enhance long-term yield for investors.

The 4-Property Hotel Portfolio are non-core assets with declining historical performance, located in sub-markets with declining demand exacerbated by the COVID-19 pandemic, and where asset enhancement is not expected to boost cashflow yield in the future years. As such, the Proposed Sale will allow the Managers to realise the value for the 4-Property Hotel Portfolio, freeing up capital to be potentially deployed towards asset management initiatives for core assets that will drive returns, profits and distributions for ARA H-Trust and the Stapled Securityholders.

(b) Long term focus on higher yields

The assets in the 4-Property Hotel Portfolio are ranked in the bottom quartile in terms of historical performance in key performance metrics in the hospitality industry, such as gross operating profit (“**GOP**”) margin, revenue per available room (“**RevPAR**”), average daily rate, earnings before interest, taxes, depreciation and amortisation, among others.

Further, based on key performance metrics of the assets as at 31 December 2021, if the 4-Property Hotel Portfolio and Hyatt Place Chicago Itasca¹ had been excluded from the ARA H-Trust hotel portfolio, ARA H-Trust would have had a stronger and more resilient earnings profile, and therefore higher cashflow and returns. As at 31 December 2021, the ARA H-Trust hotel portfolio (including the 4-Property Hotel Portfolio and Hyatt Place Chicago Itasca) had an occupancy rate of 57.1%, RevPAR of approximately US\$64, GOP margin of approximately 31% and 5.2% year-on-year growth in the market valuation of the portfolio (“**Valuation Growth**”). Excluding the 4-Property Hotel Portfolio and Hyatt Place Chicago Itasca, the ARA H-Trust hotel portfolio would have had an occupancy rate of 58.8%, RevPAR of approximately US\$66, GOP margin of approximately 32%, and 5.7% Valuation Growth as at 31 December 2021.

¹ Proposed sale of Hyatt Place Chicago Itasca was announced on 17 March 2022.

(c) Strengthen Balance Sheet for Long-term Growth

The 4-Property Hotel Portfolio accounted for approximately 4.4% of the total portfolio value of ARA H-Trust as at 31 December 2021. Net proceeds from the Proposed Sale may be used to reduce existing bank borrowings to further strengthen the balance sheet profile of ARA H-Trust and/or be redeployed towards acquiring new accretive assets that will drive higher yields for the portfolio of ARA H-Trust as a whole.

4. Salient Terms of the PSA

The PSA contains provisions customary to the properties' jurisdiction, including representations and warranties, indemnities and other commercial terms. The principal terms of the PSA include, among others, the following:

- i. A refundable deposit of US\$1.0 million (the "**Initial Deposit**") payable by Purchaser to the Vendor. A further US\$1.0 million (the "**Additional Deposit**" and together with the Initial Deposit, the "**Deposit**") is payable no later than 5.00 pm (EST) on the date that is 45 days from the date of signing of the PSA (the "**Due Diligence Period**"). The Deposit shall be non-refundable and will be applied towards part settlement of the Sale Consideration payable at closing unless the Purchaser is entitled to and exercises its right to terminate the PSA in accordance with the terms thereof. If the Purchaser has not obtained new franchise agreements in relation to the 4-Property Hotel Portfolio prior to the expiry of the Due Diligence Period, then the Purchaser may, for the sole purpose of obtaining such franchise agreements, extend the Due Diligence Period by 15 days.

Completion shall take place within 30 days from the expiration of the Due Diligence Period ("**Completion Date**").

- ii. The PSA is subject to the fulfilment (unless otherwise waived) of the following conditions precedent:
 - completion of the Purchaser's due diligence on the 4-Property Hotel Portfolio, the results of which are satisfactory to the Purchaser;
 - each of the representations and warranties made by the parties in the PSA be true and correct in all material aspects as at the Completion Date (and in the case of the Vendor, as at 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 terminated the existing management agreements and franchise agreements (the "**Franchise Agreements**") in relation to each of the assets in the 4-Property Hotel Portfolio;
 - 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 Proposed Sale;
 - the Purchaser having received the documents required to be delivered by the Vendor including a pro forma of the owner's title insurance policies; and
 - the Vendor having received from the Purchaser the Sale Consideration and other relevant completion deliverables in accordance with the PSA.
- iii. 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 net proceeds from the Proposed Sale (“**Net Proceeds**”) are approximately US\$31.4 million, after taking into account the expenses associated with the Proposed Sale (including a divestment fee² of approximately US\$162,500 payable in cash to the Managers, real estate transfer tax customarily borne by the Vendor, legal and professional fees, and closing costs).

The Managers intend to use the Net Proceeds to reduce existing bank borrowings to improve ARA H-Trust’s aggregate leverage, and/or 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 (“**DPS**”) and Net Asset Value (“**NAV**”) per Stapled Security presented below were prepared based on the audited financial statements of ARA H-Trust for the FY2021.

Pro Forma DPS

The pro forma financial effects of the Proposed Sale on ARA H-Trust’s DPS for FY2021, as if ARA H-Trust had completed the Proposed Sale on 1 January 2021, are as follows:

	Before the Proposed Sale	After the Proposed Sale
Net property income (“ NPI ”) (US\$’000)	24,884 ⁽¹⁾	24,017
Distributable income ⁽²⁾ (US\$’000)	2,018	2,811
Total number of Stapled Securities ⁽³⁾ (‘000)	568,188	
DPS (US cents)	0.355	0.495
DPS accretion (%)		39.4

Notes:

- (1) Refers to the audited NPI for FY2021.
- (2) The figures set out are purely for illustrative purposes only and assumes the corresponding reduction in reserves set aside for the capital expenditure of the 4-Property Hotel Portfolio for FY2021 and the repayment of loans and borrowings using the Net Proceeds as if it was completed on 1 January 2021.
- (3) Number of Stapled Securities issued and to be issued as at 31 December 2021.

² In accordance with the trust deeds constituting ARA H-REIT and ARA H-BT, as amended, supplemented and/or restated from time to time, the Managers are entitled to a divestment fee of approximately US\$162,500, being 0.5% of the Sale Consideration.

Pro Forma NAV and Aggregate Leverage

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 Sale was completed on 31 December 2021, are as follows:

	Before the Proposed Sale	After the Proposed Sale
NAV (US\$'000)	399,745	399,645
Total number of Stapled Securities ⁽¹⁾ ('000)	568,188	
NAV per Stapled Security (US\$)	0.70	0.70
Aggregate Leverage	44.3%	41.9% ⁽²⁾

Note:

- (1) Number of Stapled Securities issued and to be issued as at 31 December 2021.
(2) Assuming that the Net Proceeds are used to repay bank borrowings

7. 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 "Discloseable Transaction" within the meaning of Rule 1010 of the Listing Manual. The relative figures for the Proposed Sale using the applicable bases in Rule 1006(a), (b) and (c) of the Listing Manual are set out in the table below.

Comparison of	Proposed Sale	ARA H-Trust	Relative figure
NAV (US\$'000)	31,500 ⁽¹⁾	399,745 ⁽²⁾	8%
NPI ⁽³⁾ (US\$'000)	867	24,884	3%
Consideration against market capitalisation (US\$'000)	32,500	267,389 ⁽⁴⁾	12%

Notes:

- (1) Refers to NAV of the 4-Property Hotel Portfolio.
(2) Refers to NAV of the portfolio of ARA H-Trust (the "ARA H-Trust Portfolio").
(3) In the case of a property trust, NPI is a close proxy to the net profits or loss attributable to its assets.
(4) This figure is calculated based on 568,187,610 Stapled Securities in issue multiplied by the weighted average price of US\$0.4706 per Stapled Security on the SGX-ST as at 29 June 2022, being the market day immediately prior to 30 June 2022, the date of the PSA.

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 840,000 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. Directors' Service Contracts

No person is proposed to be appointed as a director of the Managers in connection with the Proposed Sale or any other transactions contemplated in relation to the Proposed Sale.

10. Documents for Inspection

Copies of the PSA and the valuation reports for the Market 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 normal 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

30 June 2022

About ARA US Hospitality Trust

Listed on the Singapore Exchange on 9 May 2019, ARA US Hospitality Trust (“**ARA H-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 H-Trust invests in income-producing real estate assets used primarily for hospitality purposes located in the United States. ARA H-Trust’s hotel portfolio currently comprises 41 select-service hotels with a total of 5,340 rooms across 22 states in the United States, including the 4-Property Hotel Portfolio.

ARA H-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. We provide 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. ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – Space and Investment Solutions for a Sustainable Future – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR Group Limited 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.