



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 ACQUISITION OF HOME2 SUITES BY HILTON COLORADO SPRINGS SOUTH

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 H2CS, LLC (the “**Purchaser**”), has on 3 January 2023 (U.S. time)¹ entered into a conditional purchase and sale agreement (the “**PSA**”) with CH Tenderfoot Hill, LLC (the “**Vendor**”), pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase, the Home2 Suites by Hilton Colorado Springs South hotel (the “**Property**”) (the “**Proposed Acquisition**”) for a consideration of US\$29.0 million (the “**Purchase Consideration**”), subject to closing adjustments in accordance with the PSA.

2. Information on the Proposed Acquisition

Description of the Property

The Property is a recently-built select-service, extended-stay hotel with 119 rooms located at 1235 Tenderfoot Hill Road, Colorado Springs, Colorado 80906. Colorado Springs is at the center of the Rocky Mountain recreation activities and is a popular tourist attraction. In addition, it is a strong base for prominent U.S. aerospace and military establishments as well as higher education institutions. The growing sports and high-technology industries also offer strong support to the expanding sub-market.

Chartwell Hospitality, LLC is the current manager of the Property (the “**Hotel Manager**”). The Hotel Manager is a fully integrated platform specialising in the acquisition, development, and management of branded, limited and full-service hotels. Based in Nashville, Tennessee and founded in 2003, they manage a diverse portfolio of 27 Marriott and Hilton branded hotels across nine U.S. states.

The Property commenced operations in October 2019 and achieved a revenue per available room (“**RevPAR**”) of approximately US\$129 for its historical trailing 12-month performance through to October 2022.

¹ This took place on 4 January 2023 (Singapore time).

3. Purchase Consideration and Valuation

Subject to independent valuation being commissioned on the Property as described below, the Purchase Consideration was negotiated on a willing-buyer and willing-seller basis. In connection with the Proposed Acquisition, an independent valuation on the Property will be commissioned in accordance with the requirements of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. The Managers will announce the valuation on or prior to the expiry of the due diligence period, being 20 business days from the date of the PSA, subject to extension(s) pursuant to the PSA (the “**Due Diligence Period**”).

4. Total Acquisition Cost

The estimated total cost of the Proposed Acquisition (the “**Total Acquisition Cost**”) is approximately US\$30.0 million, comprising:

- i. the Purchase Consideration of US\$29.0 million;
- ii. the acquisition fee payable to the Managers for the Proposed Acquisition of approximately US\$0.3 million (representing 1% of the Purchase Consideration); and
- iii. the estimated professional, and other transaction fees and expenses incurred, or to be incurred, in connection with the Proposed Acquisition (inclusive of financing, transfer tax, franchise application fees, legal cost, due diligence cost, and valuation cost) of approximately US\$0.7 million.

Completion of the Proposed Acquisition (“**Completion**”) is expected to take place in the first quarter of 2023.

5. Rationale for the Proposed Acquisition

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

(a) Proposed Acquisition is expected to be yield accretive

The Proposed Acquisition is expected to be accretive to Stapled Securityholders on a historical pro forma basis. The pro forma distribution per stapled security of ARA H-Trust (“**Stapled Security**”) (“**DPS**”) for the financial year ended 31 December 2021 (“**FY2021**”) assuming the Proposed Acquisition and the sale of Disposed Hotels (as defined herein) were completed on 1 January 2021² would have increased by 121% from 0.355 US cents to 0.784 US cents.

The Property is expected to be acquired at a net property income (“**NPI**”) yield of approximately 9.0% based on its trailing 12-month NPI as at 31 October 2022. This is higher than the NPI yield that ARA H-Trust had derived from the five Hyatt Place properties which were sold in the third quarter of 2022 (namely, Hyatt Place Chicago Itasca, Hyatt Place Pittsburgh Cranberry, Hyatt Place Birmingham Inverness, Hyatt Place Cincinnati Northeast and Hyatt Place Cleveland Independence (collectively known as the “**Disposed Hotels**”). This is reflective of the ongoing portfolio optimisation and rebalancing strategy to re-deploy capital into core assets to increase returns, profits and distributions for ARA H-Trust and its Stapled Securityholders.

(b) Strong performing asset that is well-located in a growing sub-market

The Property is strategically located in the south end of Colorado Springs, near the Fort Carson military base and the Broadmoor Convention and Resort with over 200,000 square feet of meeting space. Situated in a multi-family, high-end residential enclave, the Property benefits

² Refer to section 8 Pro Forma Financial Effects for details.

from a consistent demand base well-supported by a dominant military and aerospace presence, nationally recognised universities, popular leisure attractions, premier Olympic training facilities, and high-tech corporations that are significant economic contributors to the local economy. RevPAR for the Colorado Springs market has shown resilience during the COVID-19 pandemic and has exceeded 2019 levels for the year up to 31 October 2022.

The Property is also a recently-built asset which commenced operations in October 2019. The year-to-date Occupancy and Average Daily Rate as at October 2022 were 83.7% and approximately US\$164 respectively, with RevPAR of approximately US\$137, outperforming the Colorado Springs market, sub-market and its competitive set. The gross operating margin and NPI margin for the Property were over 55% and 45% respectively in the same period.

(c) Expand global brand affiliation to include Hilton Worldwide (“Hilton”) in addition to Hyatt and Marriott

The Property is branded under Hilton, a global hospitality company with a portfolio of 18 world-class brands comprising more than 7,000 properties and more than 1.1 million rooms in 123 countries and territories. Its award-winning loyalty program, Hilton Honors, has grown to 146 million members worldwide as at 30 September 2022.

The addition of a Hilton-branded hotel will improve the diversity of the existing portfolio of ARA H-Trust.

6. 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, among others, the following:

- i. A refundable deposit of US\$0.5 million (the “**Initial Deposit**”) payable by the Purchaser to the Vendor. A further US\$1.0 million (the “**Additional Deposit**” and together with the Initial Deposit, the “**Deposit**”) is payable at or prior to the expiration of the Due Diligence Period if the Purchaser has not elected to terminate the PSA in accordance with paragraph 6(iii) below, and the Deposit shall be thereafter non-refundable and will be applied towards the payment of the Purchase Consideration on Completion, unless the Purchaser is otherwise entitled to and exercises its right to terminate the PSA in accordance with its terms.

Completion shall take place within 10 business days from the expiration of the Due Diligence Period (“**Completion Date**”).

- ii. Completion of the PSA is subject to, among others, the following:
 - (a) completion of due diligence, the results of which are satisfactory to the Purchaser;
 - (b) that 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 to which such representation or warranty is expressly made);
 - (c) the covenants and obligations of the respective parties having been performed in all material aspects;
 - (d) the existing franchise agreement(s) between the Vendor and Hilton Franchise Holding LLC (the “**Franchisor**”) with respect, without limitation, to the branding and operation of the hotel (the “**Existing Franchise Agreement**”), shall have been terminated by the Vendor effective as of Completion at the Vendor’s sole cost and expense, and subject to the terms of the PSA, the Purchaser shall have obtained the approval of the Franchisor

to the transfer or relicensing of the franchise rights granted under the Existing Franchise Agreement to Purchaser at Purchaser's expense, and the Franchisor shall be ready, willing and able to enter into a new franchise agreement effective as of the Completion Date;

- (e) the Vendor having caused the termination of the existing management agreement(s) between the Vendor and the Hotel Manager with respect to the operation of the hotel at the Vendor's sole cost and expense, and the Hotel Manager shall be ready, willing and able to enter into a new management agreement to manage the hotel³;
 - (f) 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 Acquisition;
 - (g) there being no material default on the part of the Vendor in the performance of its obligations under the PSA, in the manner described in the PSA;
 - (h) the Purchaser having received the documents required to be delivered by the Vendor including title to the Property in the manner set out in the PSA and, subject to permitted exceptions set out in the PSA, the title company being irrevocably committed and ready, willing and able to issue the title policy (or policies); and
 - (i) the Purchaser having delivered the Purchase Consideration to the escrow agent in accordance with the terms of the PSA and having delivered other relevant completion deliverables in accordance with the PSA.
- iii. The Purchaser is entitled to carry on due diligence on the Property and is entitled to terminate the PSA for any reason or for no reason at all on or before the expiry of the Due Diligence Period and upon such termination, the Initial Deposit together with any interest earned thereon will be fully refunded to the Purchaser and no party shall have any further obligation in connection therewith except under those provisions that expressly survive a termination of the PSA.
- iv. 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.

7. Method of Financing

The Total Acquisition Cost is expected to be wholly funded by cash, using the net proceeds from the sale of the Disposed Hotels.

8. Pro Forma Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition 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 FY2021.

Pro Forma DPS

The pro forma financial effects of the Proposed Acquisition on ARA H-Trust's DPS for FY2021 as if the sale of Disposed Hotels and the Proposed Acquisition were completed on 1 January 2021, are as follows:

³ The terms of the management agreement will be negotiated in good faith during the Due Diligence Period.

| | Before the sale of the Disposed Hotels and the Proposed Acquisition | After the Sale of the Disposed Hotels and before the Proposed Acquisition | After the sale of the Disposed Hotels and the Proposed Acquisition |
|---|---|---|--|
| Net property income ("NPI") (US\$'000) | 24,884 ⁽¹⁾ | 24,134 | 26,928 |
| Distributable income (US\$'000) | 2,018 | 3,294 ^{(2),(3)} | 4,461 ⁽³⁾ |
| Total number of applicable Stapled Securities ⁽⁴⁾ ('000) | 568,188 | 568,722 ⁽⁵⁾ | 569,211 ⁽⁵⁾ |
| DPS (US cents) | 0.355 | 0.579 | 0.784 |
| DPS accretion (%) | | +63% over FY2021's actual DPS | +121% over FY2021's actual DPS |

Notes:

- (1) Refers to the audited NPI for FY2021.
- (2) The figures set out are purely for illustrative purposes only and assumes the corresponding movement in reserves attributable to the capital expenditure of the Disposed Hotels for FY2021 and the resultant repayment of loans and borrowings using the portion of the net proceeds received from the Disposed Hotels, as if the completion of the sale of the Disposed Hotels was completed on 1 January 2021.
- (3) It is assumed that the increase in management fees payable to the Managers (including the base and performance fees) for FY2021 resulting from higher pro forma distributable income were paid 50% in cash and 50% in new Stapled Securities.
- (4) Number of Stapled Securities issued and to be issued as at 31 December 2021.
- (5) It is assumed that 50% of the increase in management fees payable to the Managers (including the base and performance fees) for FY2021 resulting from higher pro forma distributable income were paid in new Stapled Securities at the issue price of US\$0.4847 per Stapled Security.

Pro Forma NAV and Aggregate Leverage

The pro forma financial effects of the Proposed Acquisition on ARA H-Trust's NAV per Stapled Security as at 31 December 2021, as if the sale of the Disposed Hotels and the Proposed Acquisition were completed on 31 December 2021, are as follows:

| | Before the sale of the Disposed Hotels and the Proposed Acquisition | After the Sale of the Disposed Hotels and before the Proposed Acquisition | After the sale of the Disposed Hotels and the Proposed Acquisition |
|--|---|---|--|
| NAV (US\$'000) | 399,745 | 399,126 | 398,126 |
| Total number of Stapled Securities ⁽¹⁾ ('000) | 568,188 | | |
| NAV per Stapled Security (US\$) | 0.70 | 0.70 | 0.70 |
| Aggregate Leverage | 44.3% | 41.3% | 43.7% |

Note:

- (1) Number of Stapled Securities issued and to be issued as at 31 December 2021.

9. Discloseable Transaction

Based on the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual, the Proposed Acquisition is a “Discloseable Transaction” within the meaning of Rule 1010 of the Listing Manual. The relative figures for the Proposed Acquisition using the applicable bases in Rule 1006(b) and (c) of the Listing Manual are set out in the table below.

| Comparison of | Proposed Acquisition | ARA H-Trust | Relative figure |
|--|----------------------|------------------------|-----------------|
| Rule 1006(b) Net property income ⁽¹⁾ attributable to the Property compared to ARA H-Trust’s NPI (US\$’000) | 2,794 | 42,226 ⁽²⁾ | 6.6% |
| Rule 1006(c) Aggregate value of consideration to be given compared with ARA H-Trust’s market capitalisation (US\$’000) | 29,000 | 199,049 ⁽³⁾ | 14.6% |

Notes:

- (1) Based on the NPI attributable to the Proposed Acquisition. In the case of a property trust, NPI is a close proxy to the net profits or loss attributable to its assets.
- (2) Based on net property income of US\$21.1 million for the 6-month financial period from 1 January 2022 to 30 June 2022 (taken from the unaudited consolidated financial account for the financial period) annualised to 12-months without adjusting for seasonality.
- (3) This figure is calculated based on 569,199,330 Stapled Securities in issue multiplied by the weighted average price of US\$0.3497 per Stapled Security on the SGX-ST as at 3 January 2023 (Singapore time), being the market day immediately prior to the date of the PSA.

10. 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 (part of the ESR Group), 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 Acquisition.

11. Directors’ Service Contracts

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

12. Document for Inspection

A copy of the PSA is 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.

13. Further Announcements

Completion of the Proposed Acquisition is subject to, among other things, completion of satisfactory due diligence and the fulfilment of the conditions precedent. There is no certainty and assurance as at the date hereof that the Proposed Acquisition will be completed.

Stapled Securityholders and investors are advised to exercise caution in the trading of their Stapled Securities. The Managers will make the necessary announcements when there are further material developments in respect of the Proposed Acquisition.

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

4 January 2023

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. As at the date of this announcement, ARA US Hospitality Trust’s portfolio comprised 36 select-service hotels with a total of 4,707 rooms across 19 states in the United States.

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 (“**ESR**”). ESR is APAC’s largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With over US\$140 billion in total 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 is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

For more information on ESR, please visit: 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.