



# ESR Group Sponsor & REITs Day

Presentation by ARA US Hospitality Trust

27 June 2023



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# ARA US Hospitality Trust

Profile



# ARA US Hospitality Trust – An Overview


First pure-play U.S. upscale select-service hospitality portfolio listed on the SGX-ST




**37**  
upscale  
hotels



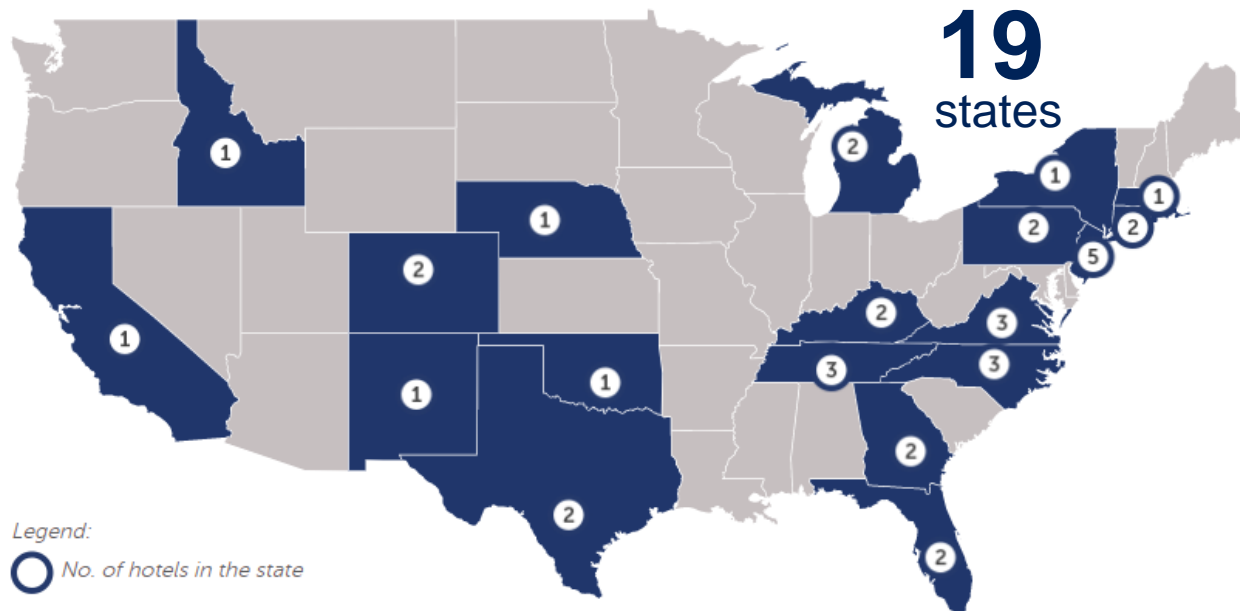
**4,826**  
rooms



**>90%**  
Freehold  
Title



**>90%**  
rooms-  
focused  
revenue




**6**  
hotel  
brands



**4**  
hotel  
operators

**Tax Efficient Structure**  
Attractive REIT platform to invest in U.S. hotels for non-U.S. investors



**Backed by APAC's  
Largest Real Asset  
Manager**

# Key Investment Strategies of ARA US Hospitality Trust

In pursuit of long-term income growth in U.S. real estate



# Efficient Investment Structure

Attractive platform to invest for non-U.S. investors

## AII-USD FX

Cashflows, Assets and Liabilities denominated in USD

## U.S. Withholding Tax-exempt

Profits repatriated from U.S. to Singapore are exempted from 30% Withholding Tax under applicable US laws

## SG Tax Exempt

Distributions to Stapled Securityholders are SG tax-exempted

## Alignment of Interest

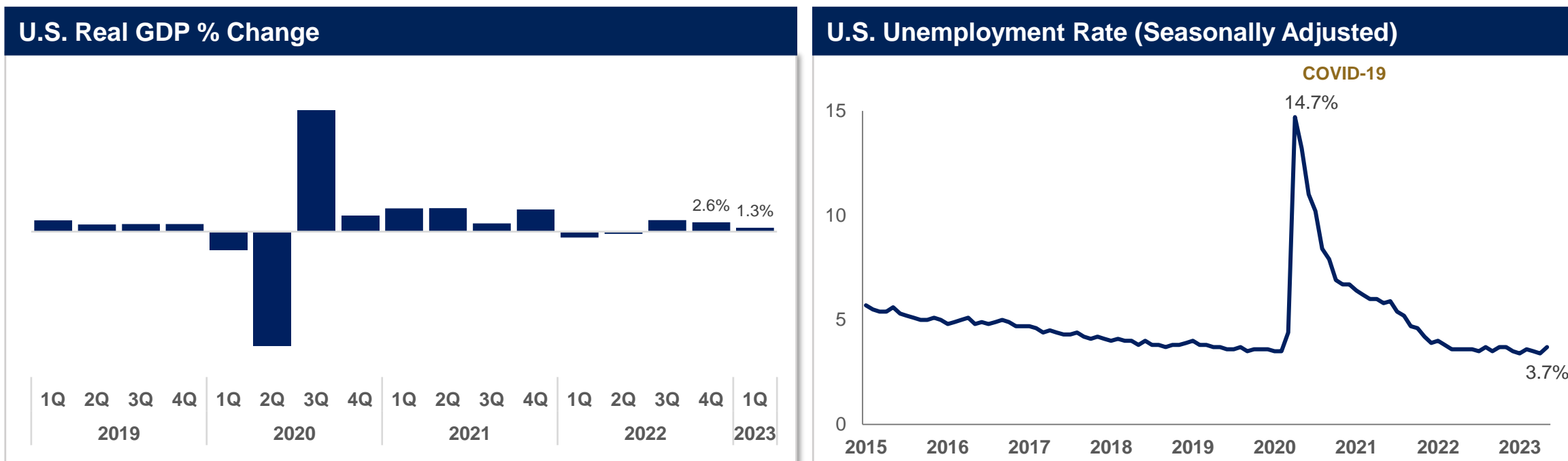
Management fee structure pegged to Distributable Income and growth in DPS

**Semi-annual distribution; at least 90% of distributable income**

# U.S. MARKET UPDATE

# Macro Market Uncertainty Due To Mixed U.S. Economic Indicators

U.S. economy growth slowed amidst ongoing interest rate hikes



- 1Q23 GDP growth of 1.3% reflected the Fed’s efforts to tame inflation by hiking interest rates in order to cool the economy.
- Inflation at 4.0% as at May 2023 compared to June 2022 peak of over 9% as rising interest rates taking effect.
- Unemployment rate of 3.7% in May 2023 continues to remain low; tight labor market conditions add wage pressures but also support consumer consumption, a main driver of the U.S. economy.
- U.S. Federal Funds Rate increased by 25 bps to 5% - 5.25% in May 2023



# U.S. Lodging Market Continues its Recovery from Covid-19

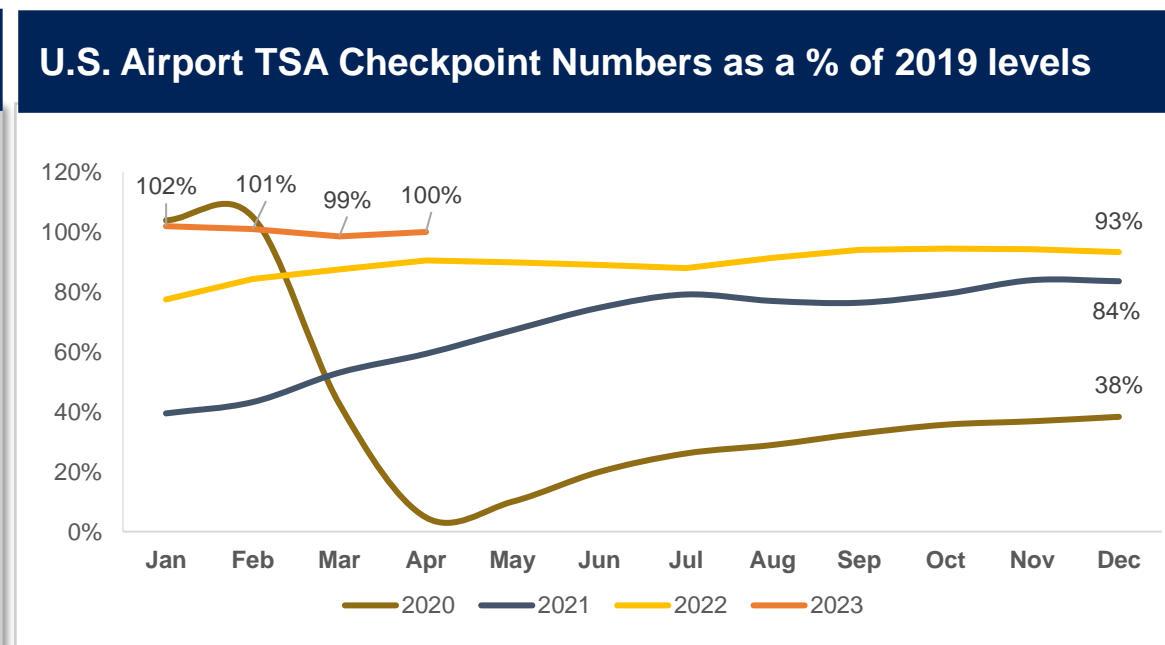
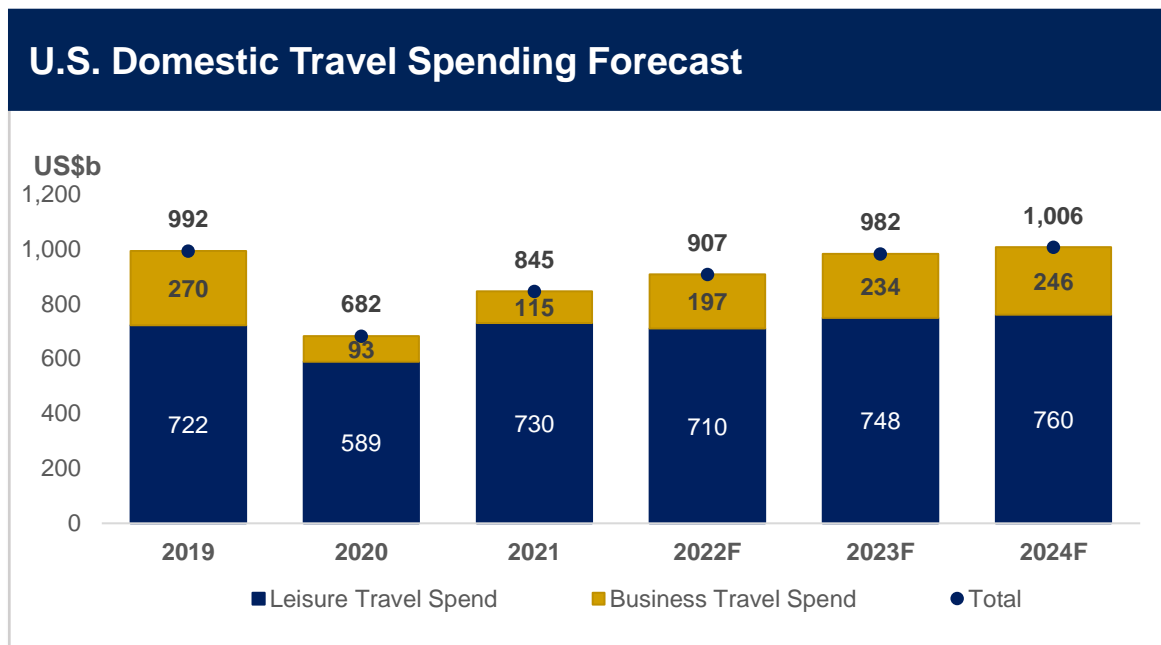
Double-digit growth in RevPAR vs 2019 levels expected for 2023-2025

Year	2019	2020	2021	2022	2023F	2024F	2025F
Occupancy	66%	44%	58%	63%	64%	65%	66%
ADR	\$131	\$103	\$125	\$148	\$152	\$158	\$164
ADR Y-o-Y Change		-21%	+21%	+19%	+2%	+4%	+4%
RevPAR	\$87	\$45	\$72	\$93	\$97	\$103	\$108
RevPAR Y-o-Y Change		-48%	+60%	+29%	+5%	+7%	+5%
RevPAR compared w/ 2019	-	-50%	-17%	+8%	+12%	+19%	+25%

- Recovery outlook for U.S. hotel market remains intact despite economic uncertainty and geopolitical risks.
- Projected U.S. hotel market RevPAR growth to slow in 2023 but positive year-on-year for the next three years.

# Travel Demand remains Strong

Upward projections for leisure and business travel volumes and spend

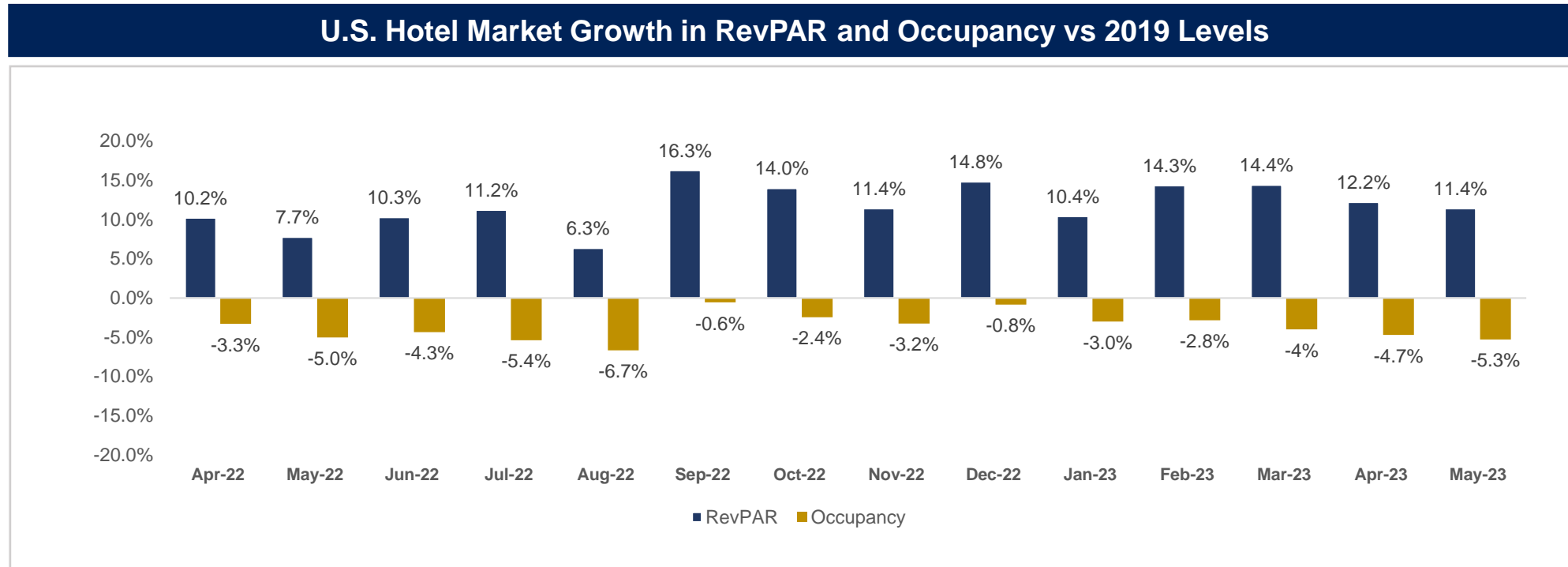


- Domestic travel is expected to drive the recovery in the U.S. travel industry.
- Leisure travel and business travel spending projected to reach 105% and 91%, respectively, of 2019 levels by 2024.
- Airline travel demand recovered to pre-COVID volumes in 2023.

# Positive U.S. Hotel Market Recovery since 2022



U.S. hotel market RevPAR above 2019 levels driven by ADR growth



- ADR growth mitigates ongoing inflationary cost pressures to protect GOP and NPI margins
- Occupancy nearing 2019 levels as business and group demand segments recover

# PORTFOLIO PERFORMANCE



AC Hotel Marriott Raleigh North Hills

# 1Q 2023 Key Performance Indicators

Continued improvement across all performance indicators



**61.7%**  
Occupancy ↑ 7.1 pp y-o-y



**US\$130**  
ADR ↑ 10.0% y-o-y



**US\$80**  
RevPAR ↑ 24.4% y-o-y

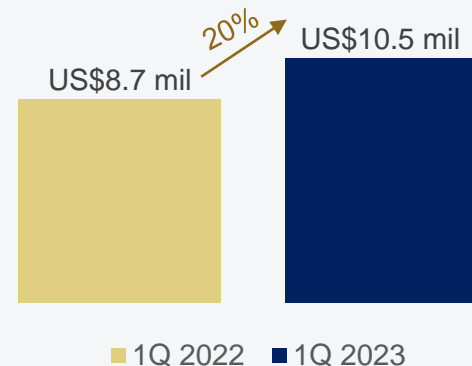


**29.0%**  
GOP Margin ↑ 2.4 pp y-o-y

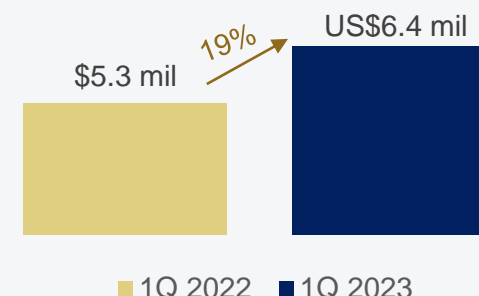
**Gross Revenue**  
**US\$36.2 mil**



**Gross Operating Profit**  
**US\$10.5 mil**



**Net Property Income**  
**US\$6.4 mil**



# Sound Financial and Liquidity Position



Debt Headroom of US\$148 mil based on 50% ALR limit

	As at 31 Dec 2022	As at 31 Mar 2023
NAV per Stapled Security	US\$0.80	US\$0.77
Cash Balance	US\$50.6 mil	US\$48.3 mil
Total Debt Outstanding	US\$325.9 mil	US\$334.7 mil
Aggregate Leverage Ratio	39.4%	40.9%
Interest Coverage Ratio	2.6x	2.6x
Weighted Average Debt Maturity	1.5 years	1.3 years <sup>*</sup>
Average Cost of Debt (p.a.)	3.8%	4.5%
% of Fixed Debt	82.0%	73.2%

\* Commenced discussions with SG-based relationship banks on refinancing maturing loans.

# BUILDING A RESILIENT PORTFOLIO



# Acquisition of Home2 Suites By Hilton Colorado Springs South

Property is the second asset in Colorado market for ARA H-Trust



**Completed: 18 April 2023**

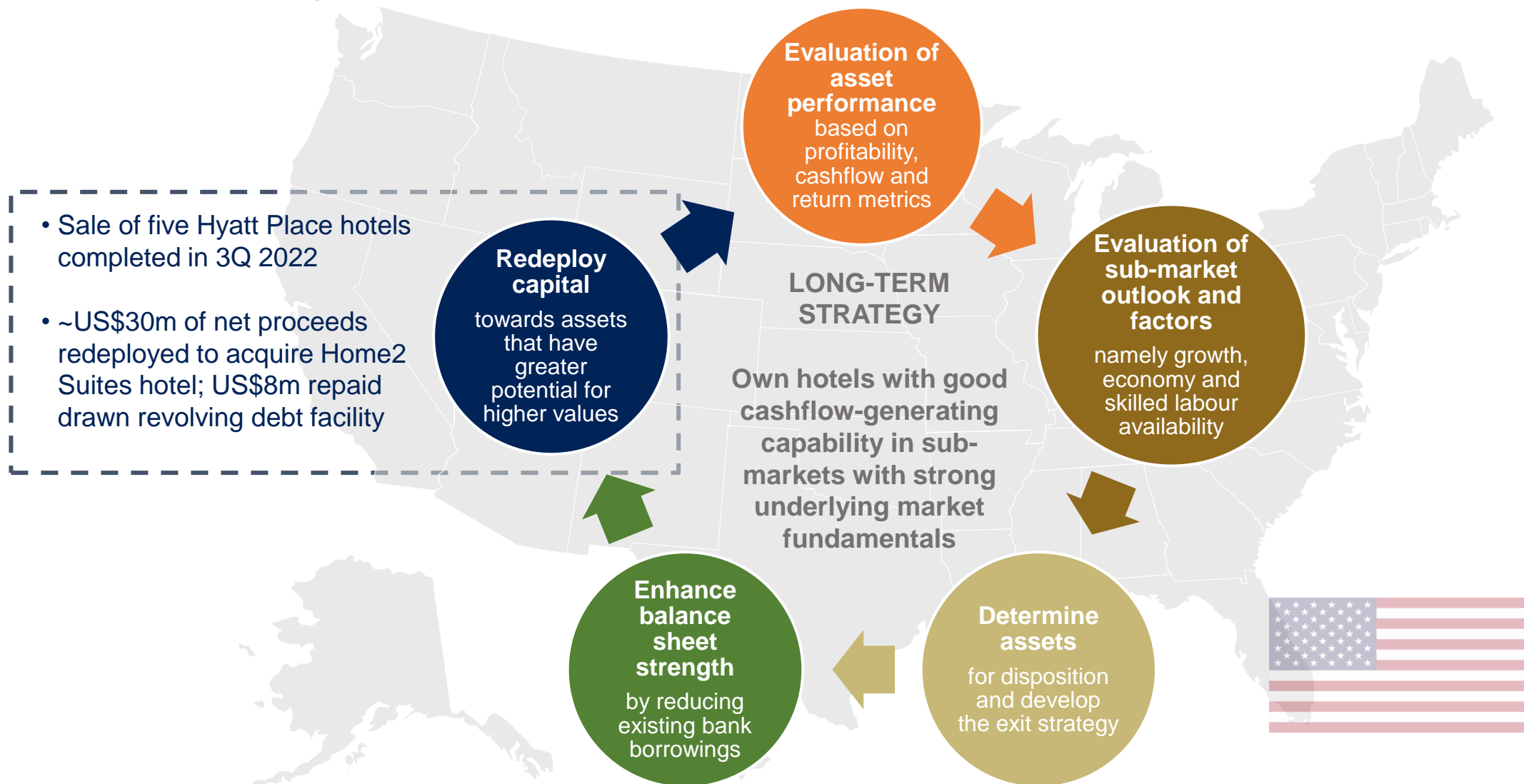


- ✓ Acquisition is expected to be immediately yield accretive
- ✓ Strong performing asset that is well-located in a growing sub-market
- ✓ Expand global brand affiliation to include Hilton, in addition to Hyatt and Marriott
- ✓ Funded from recycled disposition proceeds



# Portfolio Optimisation And Rebalancing

To build a stronger and more resilient portfolio



# ESG Initiatives for ARA US Hospitality Trust

Move towards sustainable hospitality



Environmental



Social



Governance



Sustainability practices incorporated into asset management



Contribute to the social and environmental well-being of stakeholders over the long term



Developed strong framework to engage, report and review ESG-driven policies



Close collaboration with Brand Partners and Hotel Managers to drive sustainability programs and initiatives

# Key Takeaways

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1

U.S. travel and hotel markets are continuing countercyclical recoveries despite the uncertain economic outlook

2

Continuing recovery in U.S. hotel market RevPAR; business and group travel continues to show improvement

3

Revenue growth, driven by robust ADR increases, outpacing operating cost increases

4

Proactive capital management to maximise cashflow, distributions and yield to Stapled Securityholders as interest rates stay elevated

5

Focused on building a resilient U.S. hotel portfolio for ARA H-Trust over the long term through portfolio optimisation, growth and asset management strategies

# Thank You

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