



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 PITTSBURGH AIRPORT

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 27 November 2023 (U.S. Time) entered into a conditional purchase and sale agreement (the “**PSA**”) with Bacall Companies, (the “**Purchaser**”), pursuant to which the Vendor has agreed to sell to the Purchaser, Hyatt Place Pittsburgh Airport (“**HPPA**”, the “**Hotel**” or the “**Property**”) (the “**Proposed Sale**”), for a consideration of US\$7.7 million (the “**Sale Consideration**”), subject to closing adjustments in accordance with the PSA.

2. Information on the Proposed Sale

Description of the Property

The Hotel, which commenced operations in 1998, with 127 rooms, is located on southern side of Lincoln Highway off I-376. The neighbourhood is a mix of retail, commercial, industrial and hospitality properties. The hotel is 8 miles from Pittsburgh International Airport and 12 miles from downtown Pittsburgh. The Hotel commenced operations in 1998 and was last renovated in 2016.

Sale Consideration and Valuation

For the purposes of the Proposed Sale, an independent valuation on HPPA was commissioned by DBS Trustee Limited, as trustee of ARA H-REIT (the “**Trustee**”). The independent appraiser, Newmark Valuation & Advisory, valued the Hotel at US\$7.7 million (the “**Independent Valuation**”) as at 31 August 2023, based on the income capitalization approach and the sales comparison approach. The Sale Consideration is negotiated on a willing-buyer and willing-seller basis and will be satisfied wholly in cash.

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 “**Trust Deeds**”), the Managers are entitled to a divestment fee of approximately US\$38,500, being 0.5% of the Sale Consideration.

Completion of the divestment is expected to be in 1Q 2024.

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 is the smallest within our portfolio, accounting for 1.0% of total valuation as at 31 December 2022. In addition, with the impact of new supply growth, the market has been very slow to recover. In fact, market room demand was negative at a compounded annual growth rate of -7.3% from 2019 to 2022. The Hotel’s RevPAR Index (“RPI”) (competitive index) continues to struggle at 80% in 2023. As a result of the market conditions and continuing underperformance, the property value has declined 9.0% since 2019. Coupled with revenue underperformance, the Hotel is one of the bottom three performers, with a Gross Operating Profit margin of 21.6% in September 2023 trailing twelve months vs the Hyatt Portfolio average of 33.0%.

Furthermore, the Hotel is one of the older assets in our portfolio and will require sizable capital expenditure outlay relative to its value. Capital investment in this Hotel is considered dilutive to distributable income. By selling this asset, the Trust saves capital expenditure dollars that are better redeployed to higher performing assets in the portfolio.

Strengthen Balance Sheet

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. An initial deposit of US\$100,000 shall be payable by the Purchaser to an escrow agent under the PSA (the “**Deposit**”). Save in accordance with the terms of the PSA, the Deposit is non-refundable and will be applied towards the Sale Consideration payable at completion of the Proposed Sale (“**Completion**”). The due diligence period of the Proposed Sale for the Purchaser to conduct due diligence on the Property commenced on the date of signing of the PSA and shall continue until 5.00 P.M. (Central Time) on the date that is 60 days following the date of signing of the PSA, and Completion shall take place on the date that is 30 days after the expiration of the due diligence period unless otherwise extended according to the PSA (the “**Completion Date**”).

- ii. The PSA is subject to the fulfillment (unless otherwise waived) of certain conditions precedent, including but not limited to, the following:
- (a) completion of the Purchaser's due diligence on the Property, the results of which are satisfactory to the Purchaser;
 - (b) 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 Completion Date as though such representations and warranties were made on and as of the Completion Date, (in respect of the representations and warranties made by the Vendor) subject to the Vendor's right to amend and supplement the representations, warranties and schedules to the PSA from time to time prior to Completion in accordance with the terms of the PSA;
 - (c) the covenants and obligations of the respective parties required to be performed or complied with on or before Completion having been performed or complied with in all material aspects;
 - (d) the Vendor having terminated the existing management agreement between Aimbridge Hospitality, LLC (the "**Manager**"), as the manager of the Property and the Vendor (or its affiliate), with respect to the Property;
 - (e) the Vendor having received (a) evidence acceptable to it that the Purchaser has obtained consent from Hyatt Place Franchising L.L.C., the franchisor of the Hotel (the "**Franchisor**"), to the transfer of the franchise rights granted under an existing franchise agreement (the "**Existing FA**") to the Purchaser (the "**Franchisor Consent**") by way of a replacement franchise agreement being entered into by the Purchaser to assume the obligations of the Existing FA or (b) (if the Franchisor requires a new franchise agreement to be entered into with the Purchaser) a termination of the Existing FA from the Franchisor without being required to pay any termination fee, penalty, damages or other similar charges, and the Vendor, together with any of its affiliates that are directly or indirectly obligated under the Existing FA, having been released by the Franchisor from any obligations under the Existing FA and/or any guaranty(ies) thereof, pertaining to the period on and after Completion;
 - (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 Completion which restrains, materially delays or prohibits the Proposed Sale or the consummation of any other transaction contemplated hereby;
 - (g) the Vendor having delivered the relevant completion deliverables required to be delivered by the Vendor under the PSA;
 - (h) the Vendor having received from the Purchaser the Sale Consideration and other relevant completion deliverables in accordance with the PSA (or the same having been deposited with the escrow agent); and
 - (i) subject to the payment of all title insurance premiums as provided under the PSA, the title insurer being prepared to issue a title insurance policy without endorsements insuring the Purchaser's title to the Property, save for permitted exceptions under the PSA, in an amount equal to the portion of the Sale Consideration allocated to the real property pursuant to the allocation set out in 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 in the near term 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 audited financial statements of ARA H-Trust for the financial year ended 31 December 2022 ("**FY 2022**").

Pro Forma DPS

The pro forma financial effects of the Proposed Sale on ARA H-Trust's DPS for the year ended 31 December 2022, as if ARA H-Trust had completed the Proposed Sale on 1 January 2022, are as follows:

	Before the Divestment	After the Divestment
Distributable income ⁽¹⁾ (US\$'000)	17,508	17,488
Total number of Stapled Securities ⁽²⁾ ('000)	576,862	
DPS (US cents)	3.054	3.051

Notes:

- (1) The figures set out are purely for illustrative purposes only and assumes the corresponding reduction in reserves set aside for HPPA capital expenditure for FY2022, the repayment of loan and borrowings using the net proceeds from the Proposed Sale as if it was completed on 1 January 2022.
- (2) Number of Stapled Securities in issue and to be issued as at 31 December 2022.

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 2022, as if the Proposed Sale was completed on 31 December 2022, are as follows:

	Before the Divestment	After the Divestment
NAV (\$'000)	459,656	459,157
Total number of Stapled Securities ⁽¹⁾ ('000)	576,862	
NAV per Stapled Security (US\$)	0.80	0.80

Notes:

- (1) Number of Stapled Securities in issue and to be issued as at 31 December 2022.

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 898,000 Stapled Securities. The Managers are wholly-owned subsidiaries of ARA Asset Management Limited, a controlling Stapled Securityholder.

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 Securityholders 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
28 November 2023

For enquiries, please contact:

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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. As at the date of this announcement, ARA US Hospitality Trust’s portfolio comprises 36 select-service hotels with a total of 4,700 rooms across 18 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 (“**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 approximately US\$150 billion in total assets under management (“**AUM**”), its 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. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across its 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\$46 billion. ESR’s purpose – Space and Investment Solutions for a Sustainable Future – drives it to manage its business sustainably and impactfully, and ESR considers the environment and the communities in which it 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.

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.