



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 HOUSE SHELTON, CONNECTICUT AND HYATT HOUSE PHILADELPHIA PLYMOUTH MEETING, PHILADELPHIA

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 8 May 2024¹ (U.S. time) entered into two conditional purchase and sale agreements (the “**PSAs**” and each, a “**PSA**”) with GHM Properties, LLC, (the “**Purchaser**”), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, respectively, (i) Hyatt House Shelton, Connecticut (“**HHS**”) and Hyatt House Philadelphia Plymouth Meeting, Philadelphia, Pennsylvania (“**HHPM**”, and together with HHS, the “**Hotels**” or the “**Properties**”) (collectively, the “**Proposed Sale**”) for a total consideration of US\$31.0 million (the “**Sale Consideration**”), each subject to closing adjustments in accordance with the respective PSAs.

2. Information on the Proposed Sale

Description of the Properties

HHS is an extended-stay hotel with 127 rooms, situated on freehold land located at 830 Bridgeport Avenue, Shelton, Connecticut, United States 06484. HHS commenced operations in 2010 and was last renovated in 2017.

HHPM is an extended-stay hotel with 131 rooms, situated on freehold land located at 501 East Germantown Pike, East Norriton, Philadelphia, United States 19401, which is approximately 20 miles from downtown Philadelphia. HHPM commenced operations in 2000 and was last renovated in 2016.

¹ Unless otherwise stated, all dates in this Announcement refer to Singapore time.

Sale Consideration and Valuation

In connection with the annual valuation exercise for the financial year ended 31 December 2023 (“FY 2023”), an independent valuation on each of the Properties 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 valuation of each of the Properties, as determined by the independent appraiser, Newmark Valuation & Advisory Services, LLC, as at 31 December 2023 (“Independent Valuation”), and the sale consideration for each Property is shown below:

	Independent Valuation as at 31 December 2023 (US\$ million)	Sale Consideration (US\$ million)
HHS	19.7	19.7
HHPM	11.7	11.3
The Properties	31.4	31.0

The Sale Consideration is negotiated on a willing-buyer and willing-seller basis, taking into account the Independent Valuation of each of the Properties as at 31 December 2023. The sale consideration for HHS is in line with the Independent Valuation of HHS while the sale consideration for HHPM represents a 3.4% discount to the Independent Valuation of HHPM. The Sale Consideration as a whole represents a 1.3% discount to the total Independent Valuation of the Properties. The Sale Consideration will be satisfied wholly in cash.

In accordance with the trust deed dated 24 September 2018 constituting ARA H-REIT, the trust deed dated 29 October 2018 constituting ARA H-BT and the stapling deed dated 17 April 2019, each as amended, supplemented and/or restated from time to time (the “Trust Deeds”), the Managers are entitled to a divestment fee of approximately US\$155,000, being 0.5% of the Sale Consideration.

Completion of the divestment of each of the Properties is expected to be in the third quarter of 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”):

(1) Hyatt House Philadelphia Plymouth Meeting is a non-core asset with outsized capital expenditure needs

The divestment of HHPM is in line with the Managers’ proactive portfolio optimisation strategy to divest non-core assets at or near valuation. HHPM ranks in the bottom quartile of the portfolio of ARA H-Trust in terms of contribution to both valuation and net property income (“NPI”). HHPM accounts for only 2% of the total portfolio valuation as at 31 December 2023 and represents the third lowest value in the portfolio. Its NPI margin for the financial year ended 31 December 2023 (“FY2023”) was 24% compared to the average NPI margin for the overall ARA H-Trust portfolio of 27%. The sub-optimal performance is attributed to poor competitive market conditions, where market RevPAR in the suburbs of Philadelphia has only recovered to 90% of 2019 levels. Moreover, the suburbs of Philadelphia has a difficult labour market with high turnover and wages that impair financial performance.

HHPM also consumes an outsized amount of capital maintenance relative to its low valuation. Since 2019, ARA H-Trust has spent US\$3 million in capital expenditure in maintenance and repair works, including a new roof and numerous mechanical upgrades — investments that did not produce a return on investment. In the near term, the Managers expect an increase in capital expenditure for this asset, including brand-required upgrades to the restrooms and public areas, as well as an elevator modernization.

(2) Realizing optimal pricing for Hyatt House Shelton, an asset that has limited upside with mounting capital expenditure needs

While HHS is a performing asset, the Managers believe that there is limited upside for future revenue growth and further value appreciation. Furthermore, HHS has a unique stone façade exterior and a subterranean car park which require outsized maintenance. Such capital investment does not provide a return on investment. To-date, ARA H-Trust has spent US\$2 million on total capital investments that include façade and car park repairs, and the Managers expect capital costs to rise in the near future given inflationary pressure. HHS will need to complete brand-required lifecycle renovations, and further repairs to the exterior and carpark will also be necessary.

The Sale Consideration for the two hotels is close to 99% of the Independent Valuations, which is compelling in light of the current capital market and transaction market conditions. Considering the favourable sale price, the Managers believe that it is an opportune time to dispose this asset and re-deploy the capital to either repay debt or fund future acquisitions or accretive asset enhancement initiatives at other hotels in the portfolio. The Proposed Sale would allow ARA H-Trust to unlock an optimal value for the property, while avoiding the need to incur substantial capital expenditure that may not provide accretive returns.

(3) Portfolio optimization and Strengthening Balance Sheet

While the Proposed Sale is slightly dilutive to the distribution per stapled security in ARA H-Trust (“**Stapled Security**”, and distribution per Stapled Security, “**DPS**”) and the Net Asset Value (“**NAV**”) per Stapled Security on a historical pro forma basis (see section 6 below for further details of the Proforma Financial Effects of the Proposed Sale), it would provide ARA H-Trust with additional debt headroom to embark on its long-term, accretive growth strategy.

By selling the Hotels and leveraging the Purchaser’s interest in HHS, the Managers are able to optimize the ARA H-Trust portfolio by disposing an underperforming asset and freeing 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 PSAs

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

- i. A refundable initial deposit of US\$150,000 shall be payable by the Purchaser to the Vendor under the PSA in respect of the Proposed Sale of HHS (the “**Shelton PSA**”) within one business day after the date of execution of the Shelton PSA (the “**Shelton Initial Deposit**”). A further US\$150,000 additional deposit shall be payable within one business day after the expiration of the Due Diligence Period (as defined herein) under the Shelton PSA (the “**Shelton Additional Deposit**”, and together with the Shelton Initial Deposit, the “**Shelton Deposit**”). The Shelton Deposit will become non-refundable to the Purchaser upon the

expiration of the Due Diligence Period under the Shelton PSA.

- ii. A refundable initial deposit of US\$100,000 shall be payable by the Purchaser to the Vendor under the PSA in respect of the Proposed Sale of HHPM (the "**Plymouth PSA**") within one business day after the date of execution of the Plymouth PSA (the "**Plymouth Initial Deposit**"). A further US\$100,000 additional deposit shall be payable within one business day after the expiration of the Due Diligence Period under the Plymouth PSA (the "**Plymouth Additional Deposit**", and together with the Plymouth Initial Deposit, the "**Plymouth Deposit**"). The Plymouth Deposit will become non-refundable to the Purchaser upon the expiration of the Due Diligence Period under the Plymouth PSA.
- iii. Save in accordance with the terms of each of the PSAs (particularly with respect to the due diligence periods described therein), each of the Shelton Deposit and the Plymouth Deposit is non-refundable and will be applied towards the respective sale consideration payable at completion of the proposed sale of the relevant Property. The due diligence period of the proposed sale of the relevant Property for the Purchaser to conduct due diligence on such Property shall commence on the date of signing of the relevant PSA and continue until 5.00 P.M. (Central Time) on the date that is 45 days from the date of signing of the relevant PSA (the "**Due Diligence Period**"), and completion of the sale of each relevant Property shall take place on the date that is 45 days after the expiration of the relevant Due Diligence Period applicable to such Property, or on such earlier date as may be designated by the Purchaser in writing with five business days' advance notice to the Vendor and the title company under the relevant PSA. For the purposes of this Announcement, the date of completion of the sale of each Property shall be referred to as a "**Completion Date**".
- iv. Each PSA is subject to the fulfilment (unless otherwise waived) of certain conditions precedent, including but not limited to, the following:
 - completion of the Purchaser's due diligence on each respective Property, the results of which are satisfactory to the Purchaser;
 - each of the representations and warranties made by each of the parties to the relevant PSA be true and correct in all material aspects when made and on and as of the relevant Completion Date as though such representations and warranties were made on and as of the relevant 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 relevant PSA from time to time prior to Completion of the relevant Property in accordance with the terms of the relevant PSA);
 - the covenants and obligations of the respective parties having been performed and complied with in all material aspects;
 - the Vendor having terminated the existing management agreement between Aimbridge Hospitality, LLC, as the manager of the Properties and the Vendor, with respect to the relevant Property;
 - (I) 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 Hotels (the "**Franchisor**"), to the transfer of the franchise rights granted under existing franchise agreement with respect to the relevant Hotel to the Purchaser (the "**Franchisor Consent**"), or (b) (if the Franchisor requires that the Purchaser enter into a new franchise agreement in connection with granting the Franchisor Consent with respect to the relevant Hotel) a termination of the existing franchise agreement with respect to the relevant Hotel from the Franchisor without being required to pay any termination fee, penalty, damages or other similar charges, and (II) the Vendor, together with any of its affiliates that are directly or indirectly obligated under the existing franchise agreement

with respect to the relevant Hotel, having been released by the Franchisor from any obligations under the relevant franchise agreement and/or any guaranty(ies) thereof, pertaining to the period on and after Completion of the Proposed Sale of the relevant Property;

- 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 of the Proposed Sale of the relevant Property which restrains, materially delays or prohibits the Proposed Sale of the relevant Property or the consummation of any other transaction contemplated hereby; and
- the Vendor having received from the Purchaser the relevant sale consideration in respect of the relevant Property and other relevant completion deliverables in accordance with the relevant PSA.

- v. 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 each of the PSAs.

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. The proceeds may also be redeployed to acquire accretive, higher yield properties, should such opportunities be identified in time.

6. Pro Forma Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Sale on the DPS and NAV per Stapled Security presented below were prepared based on the audited financial statements of ARA H-Trust for FY 2023.

For the purposes of the Pro Forma Financial Effects of the Proposed Sale, it is assumed that (i) (for the purposes of computing the Pro Forma DPS) the sale of both Properties was completed on 1 January 2023, and (ii) (for the purposes of computing the Pro Forma NAV) the sale of both Properties was completed on 31 December 2023.

Pro Forma DPS

The pro forma financial effects of the Proposed Sale on the DPS for the year ended 31 December 2023, as if ARA H-Trust had completed the Proposed Sale on 1 January 2023, are as follows:

	Before the Proposed Sale	After the Proposed Sale
NPI (US\$'000)	47,671 ⁽¹⁾	44,848
Distributable income ⁽²⁾ (US\$'000)	19,835	18,954
Total number of Stapled Securities ('000) ⁽³⁾	580,103	
DPS (US cents)	3.430	3.278
DPS dilution (%)		4.4

Notes:

- (1) Refers to the audited NPI of the portfolio of ARA H-Trust for FY 2023.
- (2) The figures set out are purely for illustrative purposes only and assumes the corresponding reduction in reserves set aside for the Properties' capital expenditure for FY2023 and the repayment of loan and borrowings using the net proceeds from the Proposed Sale as if it was completed on 1 January 2023.
- (3) Number of Stapled Securities in issue and to be issued as at 31 December 2023.

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 2023, as if the Proposed Sale was completed on 31 December 2023, are as follows:

	Before the Proposed Sale	After the Proposed Sale
NAV (US\$'000)	427,555	424,449
Total number of Stapled Securities ('000) ⁽¹⁾	580,103	
NAV per Stapled Security (US\$)	0.74	0.73
Aggregate Leverage (%)	41.5	39.6 ⁽²⁾

Notes:

- (1) Number of Stapled Securities in issue and to be issued as at 31 December 2023.
- (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)	31,400 ⁽¹⁾	427,555 ⁽²⁾	7%
NPI ⁽³⁾ (US\$'000)	2,822	47,671	6%
Consideration against market capitalization (US\$'000)	31,000	162,081 ⁽⁴⁾	19%

Notes:

- (1) Refers to the NAV of the Properties.
- (2) Refers to the NAV of the portfolio of ARA H-Trust.
- (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 580,102,394 Stapled Securities in issue multiplied by the weighted average price of US\$0.2794 per Stapled Security on the SGX-ST as at 8 May 2024, being the market day immediately prior to 9 May 2024 (being the date of exchange of the PSA entered into on 8 May 2024 (U.S. time)).

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 798,000 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. 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 valuation reports for the Independent Valuation of each of the Properties as at 31 December 2023 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
9 May 2024

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 35 select-service hotels with a total of 4,573 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**”).

ARA Asset Management Limited is part of the ESR Group (“ESR”). ESR is Asia-Pacific’s (“APAC”) leading real asset manager powered by the New Economy and one of the largest listed real estate investment managers. With approximately US\$81 billion in fee-related assets under management² as at 31 December 2023, ESR’s fully integrated fund management and development platform extends across various APAC markets, comprising Australia/New Zealand, Japan, South Korea, Greater China, Southeast Asia and India, with a 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 the private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. 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. ESR is listed on the Main Board of The Stock Exchange of Hong Kong, and is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite and MSCI Hong Kong Indices.

² Fee-related AUM excludes AUM from Associates and levered uncalled capital. Based on foreign exchange rates as at 31 December 2023.

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.