



ASCOTT RESIDENCE TRUST

A stapled group comprising:

Ascott Real Estate Investment Trust
(A real estate investment trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Managed by
Ascott Residence Trust Management Limited
(Company Registration No. 200516209Z)

Ascott Business Trust
(A business trust constituted on 9 September 2019 under the laws of the Republic of Singapore)

Managed by
Ascott Business Trust Management Pte. Ltd.
(Company Registration No. 201925299R)

ANNOUNCEMENT

(1) ACQUISITION OF STUDENT ACCOMMODATION PROPERTY IN ATLANTA AND (2) EXPANSION OF INVESTMENT STRATEGY

1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Reit Manager**”), as manager of Ascott Real Estate Investment Trust (“**Ascott Reit**”), and Ascott Business Trust Management Pte Ltd (the “**BT Trustee-Manager**”), as trustee-manager of Ascott Business Trust, wish to announce that a wholly owned subsidiary of Ascott Reit has today entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) to acquire a student accommodation property (the “**Property**”) located at 800 Marietta Street NW, Atlanta, Georgia, USA for a consideration of US\$95.0 million (equivalent to approximately S\$126.3 million¹) (the “**Purchase Consideration**” and the acquisition, the “**Acquisition**”).

The Property is a mid-rise building with an aggregate of 183 units / 525 beds. The vendor (the “**Vendor**”) is Atlanta Student LL LLC, a party unrelated to Ascott Residence Trust (“**ART**”).

2. RATIONALE FOR THE ACQUISITION & EXPANSION OF INVESTMENT STRATEGY

2.1 Rationale for the Acquisition

The Managers believe that the Acquisition will bring, among others, the following benefits to ART and its stapled securityholders (“**Securityholders**”):

(i) **Enhancing returns to Securityholders**

In 2020, ART divested three properties, Somerset Liang Court Singapore, Ascott Guangzhou and Somerset Azabu East Tokyo. The divestment of two more

¹ Unless otherwise stated in this announcement, all references to S\$ where applicable are based on an exchange rate of US\$ / SGD = 1.3298

properties, Citadines Didot Montparnasse Paris and Citadines City Centre Grenoble, is expected to complete in the first quarter of 2021. In line with ART's portfolio reconstitution strategy, by way of the Acquisition, the Managers have reinvested the divestment proceeds at higher yields to enhance returns to Securityholders, and partially replaced the lost income from the divestments.

On a pro forma basis, the Acquisition is expected to contribute additional annual earnings before net interest expense, tax, depreciation and amortisation (EBITDA) of US\$4.9 million (S\$6.8 million) and increase distributable income by S\$4.2 million for the financial year ended 31 December 2020 ("FY2020"), translating to an increase in pro forma distribution per stapled security ("DPS") of approximately 4.4%.

(ii) **Attractive opportunity to acquire a quality student accommodation asset**

The Property is a new purpose-built, freehold student accommodation that is located within walking distance to Georgia Institute of Technology ("**Georgia Tech**"), a "Power 5²" tier 1 university that is ranked 35th in the USA and 2nd in Georgia.

Since its opening in 2019, the Property has enjoyed high occupancies, in tandem with the strong enrolment growth at Georgia Tech. In the years ahead, the Property is also expected to benefit from Georgia Tech's plan to add an additional 2.2 million square feet of research, industrial, office and commercial space to its Technology Enterprise Park³. With the expansion, the Technology Enterprise Park is poised to be a state-of-the-art biosciences and health innovation district. When fully completed in 2029, it is set to revitalise the district and create some 5,000 new jobs, driving up economic activities and general rent levels around West Midtown, Atlanta.

(iii) **Pivoting towards longer-stay accommodation for income stability**

The Managers plan to increase ART's asset allocation in longer-stay accommodation properties, to enhance the income stability of the portfolio. Post-acquisition, rental housing and student accommodation properties will comprise about 7% of ART's total assets.

The Property, which has an average length of stay of approximately one year, offers resilience even during uncertain times. Serving the students of Georgia Tech, of whom about 80% are domestic, the Property registered a high average occupancy of approximately 95% in 2020 despite COVID-19.

(iv) **Enhancing diversification and adding a new platform for growth**

As the outlook for the hospitality sector is expected to remain challenging in the near term, the countercyclical nature of student accommodation serves to mitigate the headwinds faced by traditional hospitality asset classes.

Expanding into the student accommodation asset class also enables ART to tap on the sector's growth opportunities. University enrolment is expected to continue increasing, supported by the rising middle class and population growth⁴. As an

² A "Power 5" university is one which participates in the Power Five conferences, which are elite conferences in college football in the USA

³ Source: Atlanta Business Chronicle (Nov 2020), "Georgia Tech clears major hurdle for US\$750M Technology Enterprise Park expansion"

⁴ Source: Knight Frank (Global Student Property 2019) and CBRE (US Student Housing 2019)

asset class, student accommodation has proven to be resilient, with keen interest from institutional investors.

2.2 Expansion of Investment Strategy

Pursuant to clause 10.2 of the Amended and Restated Trust Deed dated 31 December 2019 (as amended) (the “**REIT Trust Deed**”), the REIT Manager wishes, by this announcement, to hereby give notice to all Stapled Securityholders that the principal investment strategy of Ascott REIT will be expanded to include investments in real estate and real estate related assets which are income producing and which are used, or predominantly used, as student accommodation.

The expanded principal investment strategy of Ascott REIT would be to invest primarily in real estate and real estate related assets which are income producing and which are used, or predominantly used, as serviced residences, rental housing properties, student accommodation and other hospitality assets in any country in the world, and such change in investment strategy shall be effected on 27 February 2021.

The REIT Manager believes that the expansion of Ascott REIT’s investment strategy to include student accommodation properties will allow Ascott REIT to enhance diversification of its portfolio and benefit from the exposure to the longer stay student accommodation market as an additional platform of growth for Ascott REIT.

3. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

3.1 Sale and Purchase Agreement

The Purchase Consideration is based on the agreed value of the Property at US\$95.0 million (equivalent to approximately S\$126.3 million) and will be fully satisfied in cash. 1.0% of the Purchase Consideration was paid on execution of the Sale and Purchase Agreement and the remainder of the Purchase Consideration, which is subject to adjustments as at completion of the acquisition (“**Completion**”), will be paid on the date of Completion (“**Completion Date**”).

3.2 Conditions Precedent to the Completion

Completion is subject to and conditional upon, among others:

- (i) All of Vendor's representations and warranties set forth in the Sale and Purchase Agreement shall be true and correct in all material respects as of the Completion Date;
- (ii) Vendor shall have in all material respects performed all of its obligations and complied with all of its covenants in the Sale and Purchase Agreement and all deliveries to be made at Completion by Vendor shall have been tendered;
- (iii) There shall exist no pending or threatened action, suit or proceeding with respect to Vendor before or by any court or administrative agency which seeks to restrain or prohibit, or to obtain damages or a discovery order with respect to, the Sale and Purchase Agreement or the consummation of the transaction contemplated hereby;
- (iv) Chicago Title Insurance Company or another reputable title company licensed to issue a title policy in the State of Georgia shall have irrevocably committed to issue an owner’s policy of title insurance containing no exceptions other than matters in the title documents that are not objected to by Ascott Reit;

- (v) Reinstatement of the master association and issuance of an estoppel certificate from the master association.

4. VALUATION

DBS Trustee Limited, in its capacity as trustee of Ascott REIT, has commissioned an independent property valuer, Colliers International, to value the Property. Colliers International has conducted the valuation using the direct capitalisation and discounted cash flow methods.

The Purchase Consideration takes into account the agreed property value of the Property, which was arrived at on a willing-buyer and willing-seller basis and derived based on the independent valuation of the Property by Colliers International dated 25 January 2021 at US\$97.5 million (equivalent to approximately S\$129.7 million).

5. COST OF THE ACQUISITION

5.1 Acquisition Fee and Associated Costs

The estimated total costs of the Acquisition are approximately US\$2.85 million (equivalent to approximately S\$3.8 million), comprising:

- (i) total acquisition fees of approximately US\$0.95 million (equivalent to approximately S\$1.3 million) (being 1.0% of the Enterprise Value (as defined in the REIT Trust Deed) of US\$95.0 million (equivalent to approximately S\$126.3 million)) payable to the REIT Manager pursuant to the REIT Trust Deed; and
- (ii) aggregate associated costs of approximately US\$1.9 million (equivalent to approximately S\$2.5 million) incurred or to be incurred by Ascott REIT in connection with the Acquisition.

The Manager proposes to finance the total acquisition costs and the Purchase Consideration relating to the Acquisition with debt financing and divestment proceeds.

6. PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Certain Financial Information Relating to the Acquisition

The pro forma financial effects of the Acquisition presented below are strictly for illustration purposes only and do not reflect the actual position of ART after completion of the Acquisition.

They have been prepared based on the unaudited consolidated financial statements of ART for the 12 months ended 31 December 2020 (“FY2020”, and the unaudited consolidated financial statements of ART for FY2020, the “**2020 Unaudited Consolidated Financial Statements**”), and taking into account the Purchase Consideration.

6.2 Assumptions

In preparing the pro forma historical DPS and NAV per Unit for FY2020, the exchange rates between USD and SGD are assumed as follows:

| | Average rate for FY2020 |
|------|-------------------------|
| US\$ | 1.38159 |

6.3 Pro Forma DPS

The table below sets out the pro forma financial effects of the Acquisition on ART's DPS for FY2020, as if the Acquisition was completed on 1 January 2020.

| | Pro Forma Financial Effects for FY2020 | |
|------------------------------------|--|--------------------------|
| | Existing Portfolio | After Acquisition |
| Distribution Income (S\$'000) | 94,226 ⁽¹⁾ | 98,392 |
| Stapled Securities in Issue ('000) | 3,108,048 ⁽²⁾ | 3,108,540 ⁽³⁾ |
| DPS (Singapore cents) | 3.03 | 3.17 |
| % change in DPS | - | 4.4% |

Notes:

(1) Based on the unaudited consolidated financial statements of ART for FY2020 ("2020 Unaudited Consolidated Financial Statements").

(2) Number of Stapled Securities in issue as at 31 December 2020.

(3) Include adjustments to include 0.5 million new Units issued as payment of the Manager's management fees for the Acquisition for FY2020. The Units issued were assumed to be issued at the same prices as those that were actually issued as payment for the management fees for the existing properties for FY2020. The Manager's 1.0% acquisition fee for the Acquisition was assumed to be paid in cash.

6.4 Pro Forma NAV Per Unit

The table below sets out the pro forma financial effects of the Acquisition on the consolidated NAV as at 31 December 2020, as if the Acquisition was completed on 31 December 2020.

| | Pro Forma Financial Effects for FY2020 | |
|------------------------------------|--|-------------------|
| | Existing Portfolio | After Acquisition |
| NAV (S\$'000) | 3,567,251 ⁽¹⁾ | 3,567,251 |
| Stapled Securities in issue ('000) | 3,108,048 ⁽²⁾ | 3,108,048 |
| NAV per Stapled Security (S\$) | 1.15 | 1.15 |
| % change in NAV | - | - |

Notes:

(1) Based on the 2020 Unaudited Consolidated Financial Statements.

(2) Number of Stapled Securities in issue as at 31 December 2020.

7. OTHER INFORMATION

7.1 Relative Figures Computed on the Bases set out in Rule 1006 of the Listing Manual

The relative figures for the Acquisition using the bases of comparison under Rule 1006 are set out in the table below:

| Criteria | ART (S\$ 'mil) | Acquisition (S\$ 'mil) | Relative Figures (%) |
|--|----------------|------------------------|----------------------|
| The net profits attributable to the assets acquired or disposed of, compared with the group's net profits. | 58.7 | 4.9 | 8.4% |
| The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares. | 3,201.3 | 126.3 | 3.9% ⁽¹⁾ |

Notes:

- (1) ART's market capitalisation was approximately S\$3,201.3 million, determined by multiplying the 3,108,047,703 Stapled Securities in issue as at 26 January 2021 (being the market day preceding the date of the Sale and Purchase Agreement), by the weighted average price of the Stapled Securities of S\$1.03 per Stapled Securities based on trades done on Mainboard of the Singapore Exchange Securities Trading ("SGX-ST") on 26 January 2021 (being the market day preceding the date of the Sale and Purchase Agreement).

7.2 Interests of Directors and Controlling Unitholders

None of the directors of the Managers or controlling Stapled Securityholders has any interest, direct or indirect, in the Acquisition (otherwise than through their stapled securityholdings (if any) in Ascott Residence Trust).

7.3 Directors' Service Contracts

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

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m. at the registered office of the Manager at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 from the date of this announcement up to and including the date falling three months thereafter:

- (i) the Sale and Purchase Agreement; and
- (ii) the valuation report of the Property.

By Order of the Board

ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED

(Company Registration No. 200516209Z)

As manager of Ascott Real Estate Investment Trust

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.

(Company Registration No. 201925299R)

As trustee-manager of Ascott Business Trust

Karen Chan

Company Secretary

27 January 2021

IMPORTANT NOTICE

The past performance of Ascott Residence Trust ("ART") is not indicative of future performance. The listing of the stapled securities in ART (the "**Stapled Securities**") on the Singapore Exchange Securities Trading Limited (the "SGX-ST") does not guarantee a liquid market for the Stapled Securities. The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, Ascott Residence Trust Management Limited as manager of Ascott Real Estate Investment Trust or Ascott Business Trust Management Pte. Ltd. as

trustee-manager of Ascott Business Trust (collectively, the “**Managers**”) 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. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed on the SGX-ST. It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Stapled Securities.