



A Member of CapitaLand

ASCOTT RESIDENCE TRUST

(Constituted in the Republic of Singapore pursuant to
a trust deed dated 19 January 2006 (as amended))

ANNOUNCEMENT

ACQUISITION OF A THIRD PROPERTY IN NEW YORK, UNITED STATES OF AMERICA

1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Manager**”), as manager of Ascott Residence Trust (“**Ascott REIT**”), wishes to announce that Ascott REIT has today through its wholly owned subsidiary, entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) to acquire the hotel property known as DoubleTree by Hilton Hotel New York – Times Square South located at 341 West 36th Street, New York, New York, 10018, United States of America (the “**U.S.**”) and the freehold interest in the land of the hotel property (collectively, the “**Property**”), for an aggregate purchase consideration of US\$106.0 million (equivalent to approximately S\$148.4 million¹) (the “**Purchase Consideration**”, and the acquisition, the “**Acquisition**”). The Acquisition is Ascott REIT’s third acquisition in the U.S.

The Property is a 25-storey building comprising an aggregate of 224 guestrooms. The vendor is CM-36 LLC, a limited liability company incorporated in the U.S. which is an unrelated third party (the “**Vendor**”).

1 Unless otherwise stated in this announcement, all references to S\$ where applicable are based on an exchange rate of US\$ / SGD = 1.40.

2. RATIONALE FOR THE ACQUISITION

The Manager believes that the Acquisition will bring, among others, the following benefits to Ascott REIT and unitholders of Ascott REIT (“**Unitholders**”):

- (i) on a pro forma historical basis, the Acquisition is expected to contribute additional annual earnings before net interest expense, tax, depreciation and amortisation (EBITDA) of US\$6.3 million (equivalent to approximately S\$8.7 million²) and increase distributable income by US\$0.9 million (equivalent to approximately S\$1.2 million²) for the financial year ended 31 December 2016 (“**FY2016**”), translating to an increase in pro forma historical distribution per unit (“**DPU**”) by approximately 0.8%;
- (ii) the Acquisition is in line with Ascott REIT’s principal investment mandate, strategy and business model, and will enhance the diversification of Ascott REIT’s portfolio in terms of geographical spread and across property and economic cycles. It will enlarge the U.S. portfolio to 12.3% of Ascott REIT’s total asset size³. In particular, the Acquisition will further expand Ascott REIT’s footprint in the Manhattan market and strengthen Ascott REIT’s presence in the U.S.;
- (iii) the Acquisition allows Ascott REIT to increase its investment in the high demand and highly contested hospitality market in New York, which is a global key gateway city with the highest revenue per available room (RevPAR) throughout the U.S. as of 31 December 2016; and
- (iv) the Acquisition represents an attractive opportunity for Ascott REIT to acquire a quality asset which is centrally located in Midtown Manhattan, New York. The Property is near key catchment areas and transport nodes such as Hudson Yards, Times Square, Penn Station and Port Authority Bus Terminal. Its freehold status provides potential for better capital appreciation in the long term. The Property commenced operations in 2008.

3. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

3.1 Sale and Purchase Agreement

In connection with the Acquisition, Ascott REIT Investment Pte. Ltd., a wholly owned subsidiary of Ascott REIT incorporated in Singapore, established Barrydale Pte. Ltd. (“**BPL**”) as a wholly owned subsidiary of Ascott REIT in Singapore. BPL holds 100.0% of the capital contribution of Barrydale Hotel REIT LLC (“**USA Hotel REIT**”), a private U.S. Hotel REIT, which in turn established two wholly owned subsidiaries in the U.S. The first subsidiary of USA Hotel REIT, Barrydale SM LLC, will acquire the legal title to the Property pursuant to the entry into the Sale and Purchase Agreement and will enter into a master lease agreement with the second subsidiary of USA Hotel REIT, Barrydale TRS LLC, over the hotel property. Barrydale TRS LLC

2 Based on average US\$ / SGD exchange rate for FY2016 of 1.38129.

3 Includes Ascott REIT’s acquisition of Citadines Michel Hamburg and Citadines City Centre Frankfurt as completed on 2 May 2017, the divestment of 18 rental housing properties in Japan as completed on 26 April 2017, as well as the acquisition of Ascott Orchard Singapore which is targeted to be completed in 4Q2017 (collectively, the “**Announced Acquisitions and Divestment**”).

will also enter into a property management agreement to engage an unrelated third party professional hotel manager to manage the Property.

The Purchase Consideration is based on the agreed value of the Property at US\$106.0 million (equivalent to approximately S\$148.4 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 9.0% of the Purchase Consideration will be paid pursuant to the finalisation of the form of the new franchise agreement to continue to operate the Property as a DoubleTree by Hilton-branded hotel (the “**New Franchise Agreement**”). 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.

3.2 Conditions Precedent to the Completion

Completion is subject to and conditional upon, among others:

- (i) the receipt by Ascott REIT or (as the case may be) its designated subsidiary of such evidences of termination of pre-existing agreements in relation to the Property;
- (ii) entry into a new management agreement with an unrelated third party professional hotel manager for management of the Property;
- (iii) entry into the New Franchise Agreement; and
- (iv) absence of any statute, ordinance, code, rule or regulation enacted or promulgated by any governmental authority which prohibits the consummation of Completion or the transactions contemplated hereunder, and absence of any injunction or other order of a court of competent jurisdiction in effect precluding the consummation of Completion or the transactions contemplated hereunder.

4. VALUATION

DBS Trustee Limited, in its capacity as trustee of Ascott REIT, has commissioned an independent property valuer, Jones Lang LaSalle Americas, Inc (“**JLL**”), to value the Property. JLL has conducted the valuation using the discounted cash flow and sales comparison approaches with effective date as of 8 May 2017.

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 JLL at US\$109.2 million (equivalent to approximately S\$152.9 million).

5. COST OF THE ACQUISITION

5.1 Acquisition Fee and Associated Costs

The estimated total costs of the Acquisition are approximately US\$5.9 million (equivalent to approximately S\$8.2 million), comprising:

- (i) total acquisition fees of approximately US\$1.1 million (equivalent to approximately S\$1.5 million) (being 1.0% of the Enterprise Value (as defined in the trust deed dated 19 January 2006 constituting Ascott REIT (as amended, varied and supplemented from time to time) (the “**Trust Deed**”)) of US\$106.0 million (equivalent to approximately S\$148.4 million)) payable to the Manager pursuant to the Trust Deed; and
- (ii) aggregate associated costs⁴ of approximately US\$4.8 million (equivalent to approximately S\$6.7 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/or the proceeds from an issuance of perpetual securities (“**Perpetual Securities**”).

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 Ascott REIT after completion of the Acquisition.

They have been prepared based on the audited consolidated financial statements of Ascott REIT for the 12 months ended 31 December 2016 (“**FY2016**”, and the audited consolidated financial statements of Ascott REIT for FY2016, the “**2016 Audited Consolidated Financial Statements**”), and taking into account the Purchase Consideration.

6.2 Assumptions

In preparing the pro forma historical DPU and NAV per Unit for FY2016, the exchange rates between USD and SGD are assumed to be as follows:

FY2016

	1 January 2016	Average rate for FY2016	31 December 2016
US\$/SGD	1.41355	1.38129	1.42505

6.3 Pro Forma Financial Effects for FY2016

(A) Pro Forma DPU

The table below sets out the pro forma financial effects of the Acquisition on Ascott REIT’s DPU and distribution yield for FY2016, as if the Acquisition was completed on 1 January 2016.

In addition to the assumption set out at paragraph 6.2 above, the following assumptions were made in preparing the pro forma DPU for FY2016:

- (i) the purchase consideration of the Acquisition was S\$149.8 million (based on the exchange rates as at 1 January 2016);

4 Includes due diligence fees, mortgage recording tax, and other transaction-related costs.

- (ii) bank borrowings of S\$92.4 million and proceeds of S\$65.7 million (based on the exchange rates as at 1 January 2016) from the issuance of Perpetual Securities were used to pay for the purchase consideration and associated costs of the Acquisition; and
- (iii) the Manager's management fees payable for the Acquisition were paid 50.0% in Units.

	FY2016		
	Existing Portfolio ⁽¹⁾	Existing Portfolio, Rights Issue ⁽²⁾ and Announced Acquisitions and Divestment	Enlarged Portfolio ⁽³⁾
Distributable Income (\$'000)	134,991 ⁽⁴⁾	152,958 ⁽⁶⁾	154,195
Units in issue ('000)	1,653,471 ⁽⁵⁾	2,136,527 ⁽⁶⁾	2,136,680 ⁽⁷⁾
DPU (cents)	8.27	7.23	7.29
Earnings per Unit (cents)	7.62	6.65	6.82

Notes:

- (1) **"Existing Portfolio"** means the existing portfolio of Ascott REIT, as disclosed in the annual report of Ascott REIT for FY2016.
- (2) **"Rights Issue"** means the issuance of 481,688,010 new units in Ascott REIT as announced on 11 April 2017.
- (3) **"Enlarged Portfolio"** means the Existing Portfolio, the Rights Issue, the Announced Acquisitions and Divestment and the Property.
- (4) Based on the 2016 Audited Consolidated Financial Statements.
- (5) Number of Units in issue as at 31 December 2016.
- (6) Adjusted for the pro forma financial effects of the Rights Issue, the Announced Acquisitions and Divestment, as if they were completed on 1 January 2016.
- (7) Include adjustments to include 0.2 million new Units issued as payment of the Manager's management fees for the Acquisition for FY2016. 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 FY2016. The Manager's 1.0% acquisition fee for the Acquisition was assumed to be paid in cash.

(B) 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 2016, as if the Acquisition was completed on 31 December 2016.

In addition to the assumption set out at paragraph 6.2 above, the following assumptions were made in preparing the pro forma NAV as at 31 December 2016:

- (i) the purchase consideration of the Acquisition was S\$151.1 million (based on the exchange rates as at 31 December 2016);
- (ii) bank borrowings of S\$93.2 million and proceeds of S\$66.3 million (based on the exchange rates as at 31 December 2016) from the issuance of the Perpetual Securities were used to pay for the purchase consideration and associated costs of the Acquisition; and
- (iii) the Manager's management fees payable for the Acquisition were paid 50.0% in Units.

	As at 31 December 2016		
	Existing Portfolio	Existing Portfolio, Rights Issue, and Announced Acquisitions and Divestment	Enlarged Portfolio
NAV (\$'000)	2,200,625 ⁽¹⁾	2,657,322 ⁽²⁾	2,657,325 ⁽³⁾
Units in issue ('000)	1,653,471 ⁽⁴⁾	2,136,037 ⁽²⁾	2,136,037
NAV per Unit (\$)	1.33	1.24	1.24

Notes:

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Rights Issue, the Announced Acquisitions and Divestment, as if they were completed on 31 December 2016.
- (3) Based on Unitholders' funds.
- (4) Number of Units in issue as at 31 December 2016.

7. OTHER INFORMATION

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

A proposed acquisition by Ascott REIT may fall into any of the categories set out in Rule 1004 of the Listing Manual of Singapore Exchange Securities Trading limited (the "SGX-ST") depending on the size of the relative figures computed on the following applicable bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with Ascott REIT's net profits; and

- (ii) the aggregate value of the consideration given or received, compared with Ascott REIT's market capitalisation based on the total number of issued Units.

Where any of the relative figures computed on the bases set out above is 20.0% or more, the transaction is classified as a "major transaction" under Rule 1014 of the Listing Manual which would be subject to the approval of Unitholders, unless such transaction is in the ordinary course of Ascott REIT's business.

As the relative figures in relation to the Acquisition computed on the bases set out above exceed 5.0% but do not exceed 20.0%, the Acquisition is not a major transaction, but a discloseable transaction under Chapter 10 of the Listing Manual and is therefore not subject to the approval of Unitholders.

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

Criteria	Ascott REIT (S\$ million)	The Property (S\$ million)	Relative Percentage (%)
The net profits attributable to the assets acquired, compared with Ascott REIT's net profits	24.1 ⁽¹⁾	1.1	4.6
The aggregate value of the consideration given, compared with Ascott REIT's market capitalisation based on the total number of issued Units	2,401.8 ⁽²⁾	148.4	6.2

Notes:

- (1) Based on the unaudited financial statements of Ascott REIT as at 31 March 2017.
- (2) Based on the market capitalisation of Ascott REIT as at the market date preceding the date of entry into the Sale and Purchase Agreement.

7.2 Interests of Directors and Controlling Unitholders

None of the directors of the Manager or controlling Unitholders has any interest, direct or indirect, in the Acquisition.

7.3 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager 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.⁵ 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.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Ascott REIT continues to be in existence.

By Order of the Board
Ascott Residence Trust Management Limited
(Registration Number: 200516209Z)
As manager of Ascott Residence Trust

Karen Chan
Company Secretary
31 May 2017

Important Notice

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Ascott REIT is not necessarily indicative of the future performance of Ascott REIT.

⁵ Prior appointment with the Manager will be appreciated.

This announcement may contain forward-looking statements that involve 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. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.