



# Ascott Residence Trust

Development of Student Accommodation Property in Columbia, South Carolina, USA

16 June 2021

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# Content

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- Market Overview
- Rationale and Benefits
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# Overview of Development Project



# Recap: Investment & Portfolio Reconstitution Strategy

Virtuous cycle to enhance yield for Stapled Securityholders

**Investments** in  
longer-stay  
asset classes



**Divestments**  
at premium to  
book value



**Development**  
projects



- Recycling capital into **higher-yielding investments** with a focus on **increasing proportion of stable income**
- **c.\$570 million in net proceeds from divestments** that were completed in FY 2020 and year-to-date 2021
- **Development projects** to rejuvenate the portfolio and enhance returns

# Overview of Transaction

## Joint development of freehold student accommodation property in Columbia, South Carolina, USA



- **ART and Sponsor, The Ascott Holdings Limited (Ascott), to jointly invest in development project**
  - ART and Ascott to own 45% stake each
  - Third-party partner to own remaining 10% stake for alignment of interest
- Under the agreement, **ART and Ascott will acquire the third-party partner's 10% stake at fair market valuation** when the property stabilises, to subsequently own 50% stake each
- ART's total investment<sup>1</sup> for the 50% stake is expected to be **US\$55.2 million (c.\$\$73.4 million<sup>2</sup>)**
- ART has the **priority to fully acquire** the property from Ascott
- Property is a **678-bed student accommodation in walking proximity to University of South Carolina**
- **Target construction completion** in 2Q 2023

### Notes:

1. Comprises ART's investment in the initial 45% stake, estimated cost of the additional 5% stake which ART will acquire at fair market valuation, and other deal-related expenses
2. Based on the exchange rate of US\$1 to \$\$1.33, which is used throughout this presentation deck

# Overview of Development

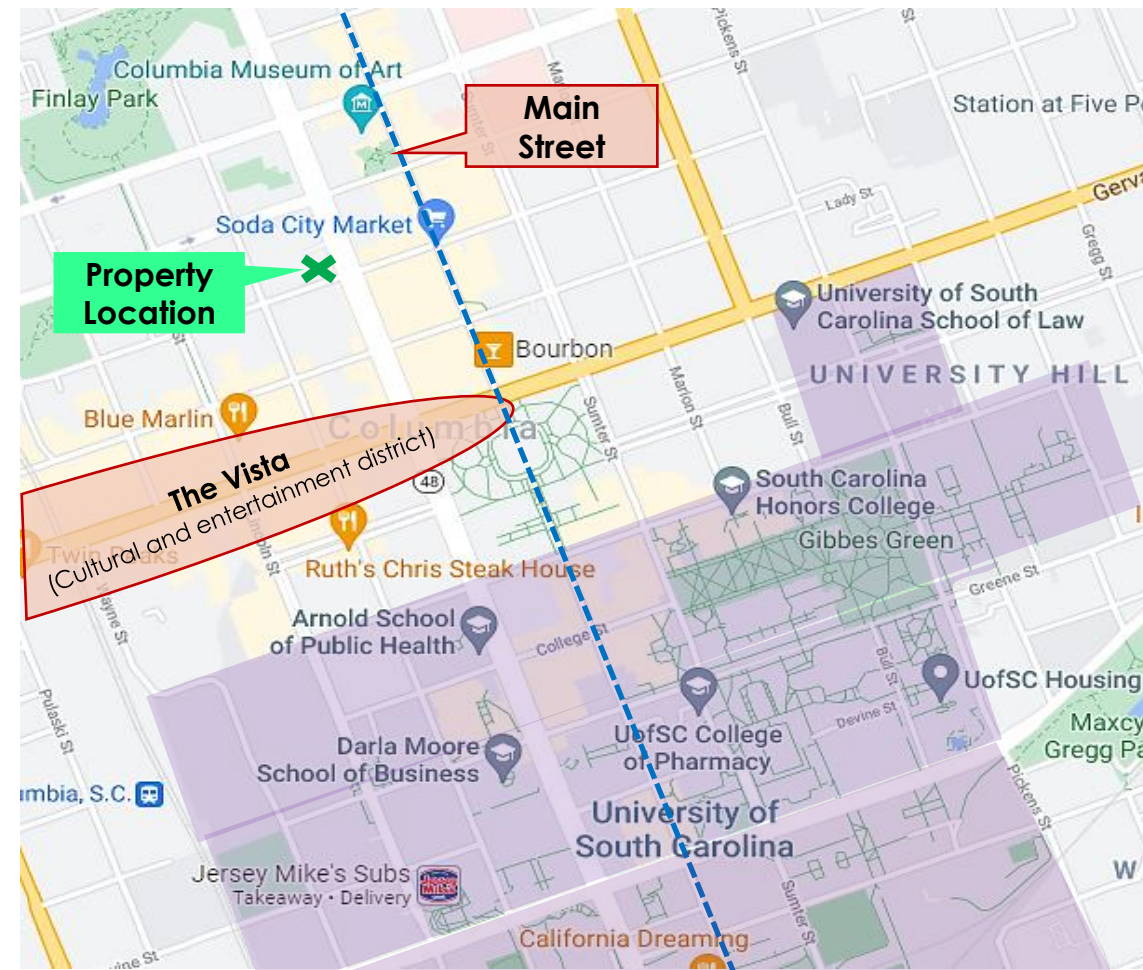
Quality, freehold property in downtown Columbia, South Carolina

## Property Information for Student Accommodation<sup>1</sup>

<b>Location</b>	Situated in heart of downtown Columbia 0.8 km from University of South Carolina
<b>Land tenure</b>	Freehold
<b>Construction period</b>	3Q 2021 – 2Q 2023
<b>Net rentable area</b>	232,748 square feet
<b>Units / beds</b>	247 units / 678 beds
<b>Unit mix</b>	Studio: 36 beds 1-Bedroom: 36 beds 2-Bedroom: 70 beds 3-Bedroom: 141 beds 4-Bedroom: 280 beds 5-Bedroom: 115 beds  All units come with ensuite bathrooms
<b>Common area amenities</b>	Fitness centre, coffee bar, study lounges, jumbotron TV on elevated amenity deck with swimming pool and cabanas
<b>Key educational institution</b>	University of South Carolina (USC)
<b>ART's total investment<sup>2</sup></b>	US\$55.2 million (c.\$73.4 million)
<b>Stabilised EBITDA yield<sup>3</sup></b>	c.6.2%
<b>DPS accretion<sup>3,4</sup></b>	c.2.1%

Notes:

1. Details are subject to change
2. Comprises ART's investment in the initial 45% stake, estimated cost of the additional 5% stake which ART will acquire at fair market valuation, and other deal-related expenses
3. Based on ART's total investment
4. Based on ART's pro forma FY 2020 distribution per Stapled Security (DPS)

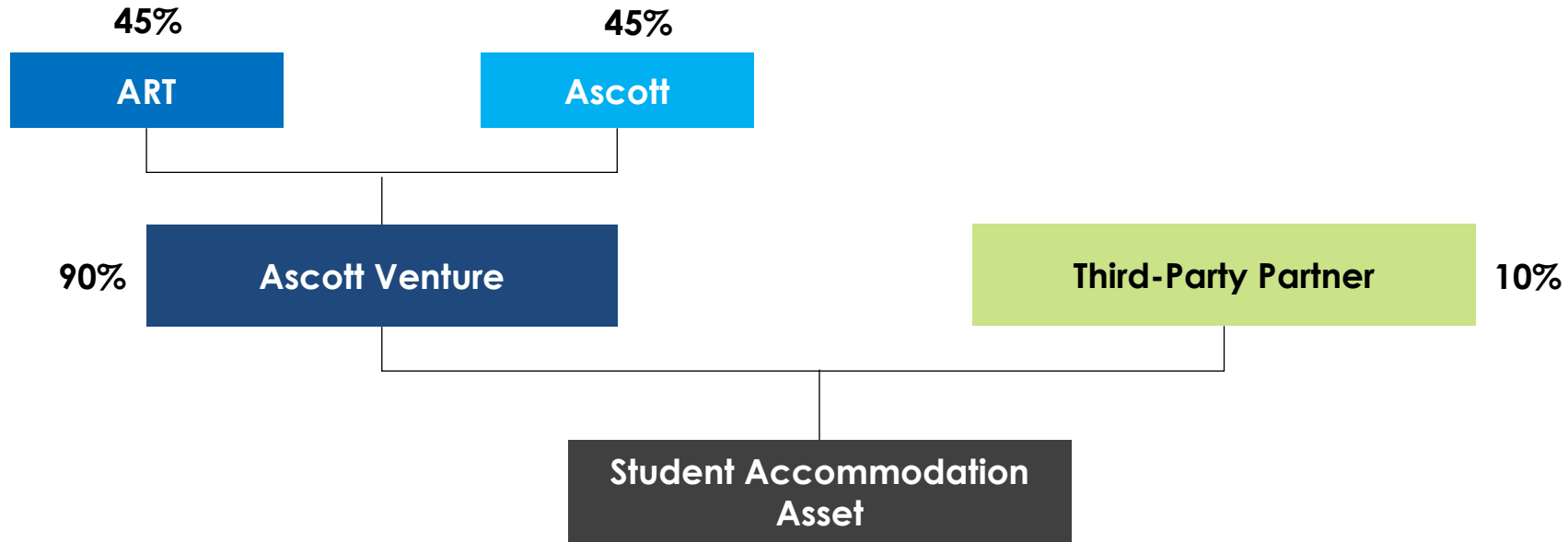


Legend: USC campus (rough outline)

Source of image above: Google Maps

# Structure of the Partnership

Partners with deep expertise in development and long-stay accommodation



## About the Third-party Partner

Joint venture between:

- One of the largest student housing developers in the USA, and
- A large national real estate developer and contractor based in the USA

## Third-party Partner Responsibilities

- Management of development scheme throughout construction process to ensure cost control and delivery timeliness
- Overall day-to-day property management when property is operational



# Market Overview



# About Columbia, South Carolina

Capital of South Carolina and thriving metropolis with diverse economy

## Capital and Second Largest City of South Carolina



South Carolina is the 4<sup>th</sup> fastest growing state in the USA with a 1.2% compounded annual growth in population from 2010-2020<sup>1</sup>

## Transport Hub Anchored by Stable Industries



Strategically located between 2 fastest growing manufacturing centres in the USA



Over 70 foreign affiliated companies and 14 Fortune 500 companies in the region<sup>2</sup>

## Home to a Dozen Universities and Colleges



Columbia has 12 universities and tertiary colleges, of which USC is the largest<sup>2</sup>

## Urban Redevelopment in the City



City areas where projects were recently completed include:

- **Main Street District**, home to popular attractions and events, including the Soda City Market, a vibrant producer-only market with up to 5,000 visitors on a regular Saturday
- **The Vista**, cultural and entertainment district where the South Carolina State Museum and a wide range of F&B outlets are located



Soda City Market

### Notes:

1. Source: Census Bureau, Annual Estimates of Resident Population for Nation and States 2020
2. Source: ColumbiaSouthCarolina.net

# About University of South Carolina (USC)

Largest university in the state, primarily domestic students

## Reputable University with Elite College Athletics Status



Largest university in the state, with over 35,000 students enrolled in flagship campus in Columbia<sup>1</sup>



Ranked 2<sup>nd</sup> in state, 54<sup>th</sup> in USA and 1<sup>st</sup> in First-Year Experiences<sup>2</sup>



Home to Darla Moore School of Business, ranked 1<sup>st</sup> for undergraduate international business degree for 22 consecutive years<sup>2</sup>



Competes in the Southeastern Conference, one of the "Power 5" athletics conferences in the National Collegiate Athletic Association

## Potential in Enrolment Growth



1.8% 10-year compounded annual growth in enrolment<sup>1</sup>

## Predominantly Domestic Students



c.96% domestic students resulting in market demand remaining strong even through COVID-19

## Limited Impact of COVID-19 on School Activities



USC announced full return to normal campus operations beginning in the Fall 2021 semester<sup>3</sup>

### Notes:

1. Source: University of South Carolina – Institutional Research, Assessment and Analytics Enrolment Data 2020
2. Among public universities in USA; Source: US News and World Report, 2021 rankings
3. Source: "University of South Carolina returns to normal operations", wltx.com

# Rationale and Benefits



# Rationale and Benefits



1. Expanding into USA Student Accommodation Market



2. Tapping into Strong Demand for Accommodation



3. Building Pipeline for Growth



4. Enhancing Returns to Stapled Securityholders

# 1 Expanding into USA Student Accommodation Market

In line with strategy to increase asset allocation in longer-stay properties

## Strong Market Fundamentals

World's largest student accommodation market

**US\$11 billion<sup>1</sup>**

Investment volume pre-COVID-19



**High occupancy despite COVID-19<sup>3</sup>**

**95%<sup>1</sup>**

of student population is domestic

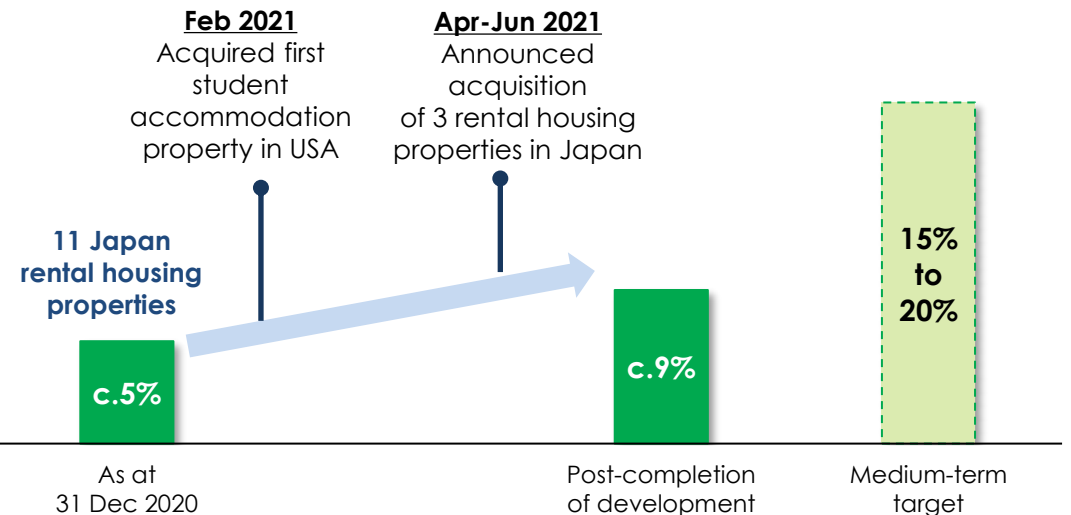
**Largest student population in the developed world**

**13%<sup>2</sup>**

Expected growth in undergraduates from 2020 to 2026

**80%<sup>1</sup> of undergraduates live in off-campus housing**

## Increasing Asset Allocation in Longer-stay Properties



- Post-completion of the development, longer-stay properties are expected to comprise c.9% of ART's total property value<sup>4</sup>
- ART's first student accommodation asset, Paloma West Midtown, acquired in Feb 2021, performing well with high occupancy (c.97%) and strong pre-leasing rates

### Notes:

1. Source: CBRE Research, "United States Student Housing 2019"
2. Source: Knight Frank, "Global Student Property Report 2019", May 2019
3. Source: Real Page, "Student housing pre-lease season ends just below last year's results", September 2020
4. Comprises ART's investment properties (based on valuations as at 31 December 2020), total property development expenditure of properties under development, and total acquisition costs of Paloma West Midtown (formerly Signature West Midtown) and the three rental housing properties in Japan

# 2 Tapping into Strong Demand for Accommodation

Meeting unfulfilled need for beds within vicinity of USC



## Robust demand for purpose-built assets within walking distance of top tier institutions and those with premier sports status

Student accommodations serving USC are:

- Ranked amongst RealPage's Top 10 for outperforming on pre-leasing and rent growth
- More than 50% pre-leased, with strong year-on-year rent growth of 5.3%, for Fall 2021 semester<sup>1</sup>



## Need for more beds to cater to growing student population

- Student population of >35,000 and growing, vis a vis existing supply of c.18,500 beds within 20-minute drive from USC<sup>2</sup>
- Demand for off-campus beds catalysed by the need to de-densify on-campus student accommodation in light of COVID-19<sup>3</sup>

Notes:

1. Source: "The Outperformance of Off-Campus Housing at Larger, Southeast Schools", Globe Street, April 2021
2. Source: RealPage University of South Carolina University Report, as of February 2021
3. Source: "Student Housing State of the Market", CBRE Roundtable Summary Recap, June 2020

# 3 Building Pipeline for Growth

Leveraging development expertise of Sponsor

## Rationale for Partnership



- Tapping on Sponsor's development expertise and experience in long-stay accommodation
- Smaller capital outlay
- Sharing of development risks
- Greater flexibility and headroom to take on other development projects

## Future Acquisition Opportunities

Ascott (Sponsor) has formed a **partnership** with the **third-party developer** to invest and develop student accommodation properties

Provides ART with a **potential pipeline** of student accommodation assets in the USA

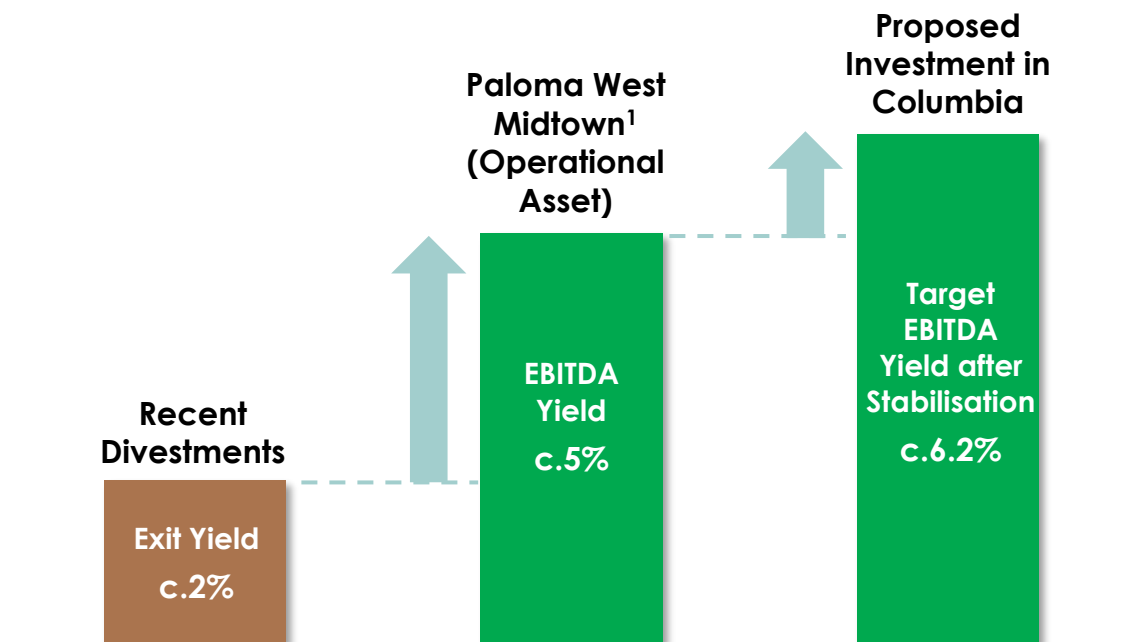


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# Enhancing Returns to Stapled Securityholders

## Redeploying divestment proceeds into higher-yielding investments

Attractive Yield on Cost + Potential Development Upside after Stabilisation



Assuming a funding structure of 65% debt and 35% divestment proceeds

**DPS accretion of c.2.1%<sup>2</sup>**  
based on ART's total investment<sup>3</sup>

**Target EBITDA Yield of c.6.2%<sup>4</sup>**  
after stabilisation

**Within 10%**  
MAS development limit<sup>5</sup>

**Gearing of 37.1%**  
post-completion of development

Notes:

1. Paloma West Midtown is ART's first student accommodation property in USA acquired in February 2021
2. Based on ART's pro forma FY 2020 distribution per Stapled Security (DPS)
3. Comprises ART's investment in the initial 45% stake, estimated cost of the additional 5% stake which ART will acquire at fair market valuation, and other deal-related expenses
4. Based on ART's total investment
5. Based on Monetary Authority of Singapore's (MAS) Property Funds Appendix

# Timeline



# Timeline

Date <sup>1</sup>	Milestone
June 2021	Completion of Transaction
3Q 2021	Commencement of Construction of Development
September 2022	Pre-leasing
2Q 2023	Construction Completion
August 2023	Start of Academic Year 2023-24 Term

Note:  
1. Timeline subject to change





# Thank you



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