



## CDL HOSPITALITY TRUSTS

FOR IMMEDIATE RELEASE

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### CDL HOSPITALITY TRUSTS MAKES MAIDEN ENTRY INTO THE BUILD-TO-RENT SECTOR IN MANCHESTER, UK

- First investment in the adjacent lodging space under the revised principal investment strategy
- Strategic pivot aimed at promoting growth through the revision of mandate which will also bring about asset class diversification and enhanced income stability
- Forward-funding deal with project completion expected in 2024
- New Property expected to experience annual income growth and capital appreciation, supported by favourable demand-supply dynamics and increasing institutional investment interest in the build-to-rent sector
- Transaction expected to deliver pro forma FY2020 DPS accretion of 2.2%



*The Castings, Manchester, UK  
(Concept drawing – subject to change)*

**Singapore, 31 August 2021** – CDL Hospitality Trusts<sup>1</sup> (“**CDLHT**”) have today entered into a land purchase agreement and a development funding agreement to invest into a residential build-to-rent (“**BTR**”) forward-funding scheme in Manchester, UK for a purchase consideration of £73.3 million (S\$136.0 million<sup>2</sup>) (the “**Transaction**”).

#### TRANSACTION PARAMETERS

This Transaction is a forward-funding arrangement which allows CDLHT to invest in a residential BTR property at a fixed-cost, with cash flows managed over the duration of development. Pursuant to the land purchase agreement, CDLHT has today acquired certain land and buildings located on the south east side of Longacre Street, Ancoats, Manchester, UK, from Packaged Living (FREOF V Heyrod) LLP (the “**Vendor**”), for a consideration of £9.5 million (S\$17.6 million). In connection with the land acquisition and under a development funding agreement, the Vendor will redevelop the land into a residential BTR building

<sup>1</sup> A stapled group comprising CDL Hospitality Real Estate Investment Trust (“**H-REIT**”), a real estate investment trust, and CDL Hospitality Business Trust (“**HBT**”), a business trust.

<sup>2</sup> Unless otherwise stated in this press release, all conversions between £ and S\$ are based on an assumed exchange rate of £1.00 = S\$1.857.



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to be known as “The Castings” (the “**New Property**”), for a price of £63.8 million (S\$118.4 million), of which £58.2 million (S\$108.1 million) will be paid out periodically over the development period and the remaining £5.6 million (S\$10.4 million) will be paid shortly after practical completion of the New Property. The fixed-cost model under the forward-funding scheme allows CDLHT to limit the development risk associated with the Transaction as it is structured with payment mechanisms to safeguard the interest of CDLHT (*please refer to Section 1 of the Announcement on the structuring details*).

Savills (UK) Limited, an independent valuer, has valued the New Property on a forward-funding basis at £76.1 million (S\$141.3 million), which is higher than the purchase consideration of £73.3 million (S\$136.0 million).

Practical completion is expected to be around May 2024, subject to extensions permitted under the development funding agreement. The New Property will be ready to welcome residential tenants shortly after the building development and furnishing and fit-out are completed. Including the estimated furnishing and fit-out expenses of £3.1 million (S\$5.8 million) to be funded by CDLHT, the total project cost is estimated to be £76.4 million (S\$141.9 million) (“**Total Project Cost**”). The total transaction cost including all other transaction expenses and professional fees is £78.9 million (S\$146.5 million)<sup>3</sup> (“**Total Transaction Cost**”). The post-Transaction pro forma gearing ratio of 42.3% as of 30 June 2021 assumes that the Transaction was completed on 30 June 2021 and the Total Transaction Cost was 100% GBP debt-funded. As debt will be progressively drawn down to meet payment obligations during the development period, the actual gearing ratio will not reach 42.3% immediately.

The pro forma stabilised net property income yield of the New Property is estimated to be 5.1% and this translates to a 2.2% accretion on the FY2020 DPS on a pro forma basis<sup>4</sup>.

Mr Vincent Yeo, Chief Executive Officer of CDLHT’s Managers, commented on the investment, “The Castings marks our maiden foray into an adjacent lodging space. We are executing on our revised principal investment strategy whereby we are pivoting to amplify our growth by increasing our addressable market. We aim to both achieve enhanced income stability and asset class diversification, which takes us beyond geographical diversification of hospitality assets.”

### KEY PARTIES TO THE TRANSACTION

The Vendor is a joint venture between FROEF V (General Partner) LLP and Packaged Living (FROEF V Heyrod PM) LLP, ultimately owned by Fiera Capital Corporation (“**Fiera Capital**”) and Packaged Living Ltd (“**PL**”) respectively. PL is a vertically integrated business established for the direct investment and development of BTR assets across the UK, with a development pipeline of over 4,000 BTR homes<sup>5</sup>. PL’s senior management team has a collective track record of bringing forward approximately 5,000 BTR homes, investing more than £1 billion into the sector. PL is backed by Fiera Real Estate UK Limited (“**Fiera Real Estate**”), which manages over US\$5.3 billion of commercial real estate. Fiera Real Estate is wholly owned by Fiera Capital.

The main contractor for the development, Midgard Limited (“**Midgard**”), was formed in 2006 and provides main contractor services with a specific focus towards residential properties. Midgard, who has been appointed by the Vendor under a fixed-sum building contract, is a wholly owned subsidiary of JRL Group Limited (“**JRL Group**”), a managed integrated construction solutions company with an annual turnover in excess of over £500 million. Midgard is the turnkey contracting division of JRL Group and is able to leverage on JRL Group’s resources and offer real value engineering opportunities and certainty of delivery of the New Property.

<sup>3</sup> Total Transaction Cost includes the Total Project Cost and other transaction expenses and professional fees of £2.5 million (S\$4.6 million).

<sup>4</sup> Based on the change of the pro forma FY2020 DPS of the enlarged portfolio over the FY2020 DPS of CDLHT. For purpose of the computations, the Total Transaction Cost is assumed to be 100% GBP debt-funded.

<sup>5</sup> Packaged Living Ltd



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### ABOUT THE NEW PROPERTY

The freehold 352-unit BTR block will comprise a mix of studios, one, two and three bedroom units, with a total residential floor area of approximately 219,600 sq ft. The New Property will also comprise internal and external common amenity spaces, which may include a gym, a cinema, resident lounge areas, a roof terrace and ground floor retail spaces (subject to design and changes), spanning approximately 17,300 sq ft. In addition, there will also be 20 car parking spaces and approximately 350 bicycle storage spaces.

### PROMISING LOCATION WITH GREAT ACCESSIBILITY

The Castings is located in Piccadilly East, a developing neighbourhood situated close to the Manchester Piccadilly Station and the tram stop. The site is located within 2 kilometres from the Manchester CBD and boasts convenient accessibility, being within a 9-minute walk to Manchester Piccadilly Station, the main train station in Manchester which has direct access to the airport and links Manchester to London and other major cities across the UK. The Manchester Piccadilly Station is served by the local Manchester Metrolink and bus lines, offering ease of travel to Spinningfields (a 6-minute tram ride), the biggest commercial district in the city, Manchester Arndale shopping centre (a 5-minute tram ride) and the Old Trafford football stadium (a 14-minute tram ride).

Piccadilly East is a rapidly emerging mixed-use neighbourhood focused on providing a high quality public realm, vibrant ground floor activity and some of the best connectivity, working and living environments in the city. The Piccadilly East neighbourhood, which is currently undergoing large scale rejuvenation as part of the Portugal Street East Strategic Redevelopment Framework<sup>6</sup>, will be transformed into a new vibrant mixed-use, pedestrian community, which complements the arrival of High Speed 2 railway (“HS2”) (est. 2035 to 2040)<sup>7</sup>.

The future integration of HS2 and the Northern Powerhouse Rail (est. 2040)<sup>8</sup> into the existing Manchester Piccadilly Station is expected to transform the station into a world class intermodal transport facility. HS2 line will provide high-speed connectivity between Manchester, London, Birmingham and other key cities. When completed, the journey time from Manchester to London will be reduced by more than half to 1 hour and 7 minutes from the current journey time of approximately 2 hours and 20 minutes.

In addition, the New Property is minutes from the highly popular districts of Ancoats, The Northern Quarter and New Islington. Ancoats is renowned for its distinct heritage and character, eclectic bars, food and coffee and public realm. The Northern Quarter has long been known as the ‘creative quarter’ of Manchester and is home to a variety of bars, restaurants, cafés, creative agencies, art galleries and independent businesses, while New Islington is another emerging mixed-use district, which will comprise residential apartments, town houses and office space.

### RATIONALE AND INVESTMENT HIGHLIGHTS

This Transaction in the BTR space marks CDLHT’s first investment in the adjacent accommodation/lodging space under the revised principal investment strategy. On completion of the development, The Castings is expected to be leased out to a mix of individual residential tenants or families for periods of typically about one year or more. Tenant concentration risk is reduced with multiple tenants leasing the apartments. The New Property is expected to provide stable and resilient income following gestation with longer underlying average length of stay, high rent collection and lease renewal rates that are typical of BTR assets. Furthermore, BTR assets rely on different demand drivers to hospitality and may respond differently to macro risk events. The New Property will hence strengthen CDLHT’s rental income base and provide meaningful portfolio diversification, meeting the objectives of CDLHT’s revised principal investment strategy.

<sup>6</sup> Manchester City Council, Portugal Street East SRF April 2017

<sup>7</sup> BBC, “HS2: When will the line open and how much will it cost?”, 11 February 2020

<sup>8</sup> Transport For The North, Northern Powerhouse Rail



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Manchester is a major employment centre, home to a growing number of global, European and national headquarters, including 80 of the FTSE 100 companies, and the largest economic hub in the north of England. Key employers in Manchester are from a varied base of public and private sectors including law, banking, finance, insurance, public services, manufacturing, engineering as well as a thriving media presence and rapidly expanding life science and technology-based industries. The city has undergone rapid population and employment growth in recent years, and is a globally recognised city boasting a very strong local economy with an ever-expanding workforce and numerous infrastructure investment projects.

According to the 2017/18 English Housing Survey, the main renter cohort remains those aged between 25 to 34 years old<sup>9</sup>. The Manchester and Salford region has a relatively young population with 56% of people under the age of 35 and is still expected to have the highest proportion of the population in the 25 to 34 years age group in 2024, as compared to other key cities in the UK such as Leeds, London, and Birmingham<sup>10</sup>.

Over 100,000 students are enrolled across Greater Manchester's five universities, including the University of Manchester, which is a leading university and one of the Russell Group's 24 world-class universities<sup>11</sup>. The increasing supply of highly skilled residents continues to attract global businesses to the city. Good employment opportunities, coupled with a high graduate retention rate in Manchester, will continue to drive demand for rental housing as these young workers make up a large proportion of the local renter demographic.

Mr Yeo concluded "Build-to-rent markets in Manchester and across many cities globally are very resilient, backed by macro trends such as persistent housing shortage and increases in the house price-to-income ratio, which result in affordability becoming an impediment to home ownership. Growth in rental housing demand is a trend that we see continuing and especially for build-to-rent offerings, which are purpose-built with tenants in mind to promote a sense of community and with better amenities.

"We see a positive growth trajectory for this promising sector in the UK and believe that build-to-rent assets will gain market share from traditional landlords. Supported by strong demand and supply dynamics and the asset's superior location, we expect The Castings to achieve steady rental growth over time. Our attractive entry price will also position the asset for capital appreciation in the future, amidst voracious institutional investment demand."

– ENDS –

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<sup>9</sup> Gov.uk, "English Housing Survey, Private rented sector 2017-18", 17 July 2019

<sup>10</sup> UK CBRE market research report commissioned by the HBT Trustee-Manager

<sup>11</sup> Invest in Manchester, accessed 30 August 2021 (<https://www.investinmanchester.com/why-manchester/talent/universities>)



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### About CDL Hospitality Trusts

CDL Hospitality Trusts (“**CDLHT**”) is one of Asia’s leading hospitality trusts with assets under management of about S\$2.9 billion as at 30 June 2021. CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust (“**H-REIT**”), a real estate investment trust, and CDL Hospitality Business Trust (“**HBT**”), a business trust. CDLHT was listed on the Singapore Exchange Securities Trading Limited on 19 July 2006. M&C REIT Management Limited is the manager of H-REIT, the first hotel real estate investment trust in Singapore, and M&C Business Trust Management Limited is the trustee-manager of HBT.

CDLHT's principal investment strategy is to invest in a diversified portfolio of real estate which is or will be primarily used for hospitality, hospitality-related and other accommodation and/or lodging purposes (including, without limitation, hotels, serviced apartments, resorts, motels, other lodging facilities and properties used for rental housing, co-living, student accommodation and senior housing).

As at 30 June 2021, CDLHT owns 15 hotels and two resorts comprising a total of 4,631 rooms as well as a retail mall. The properties under CDLHT’s portfolio include:

- (i) six hotels in the gateway city of Singapore comprising Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King’s Hotel, Studio M Hotel and W Singapore – Sentosa Cove, as well as a retail mall adjoining Orchard Hotel (Claymore Connect);
- (ii) two hotels in Perth, Australia comprising Mercure Perth and Ibis Perth;
- (iii) two hotels in Japan’s gateway city of Tokyo comprising Hotel MyStays Asakusabashi and Hotel MyStays Kamata;
- (iv) one hotel in New Zealand’s gateway city of Auckland, namely Grand Millennium Auckland;
- (v) two hotels in United Kingdom, comprising Hilton Cambridge City Centre in Cambridge and The Lowry Hotel in Manchester;
- (vi) one hotel in Germany’s gateway of Munich, namely Pullman Hotel Munich;
- (vii) one hotel in the historic city centre of Florence, Italy, namely Hotel Cerretani Firenze - MGallery; and
- (viii) two resorts in Maldives, comprising Angsana Velavaru and Raffles Maldives Meradhoo.