



ARC New York City REIT Investors Should Brace for Impact with the Upcoming Valuation Update

On 10/24/16, the board of directors of ARC New York City REIT unanimously approved an estimated net asset value of \$21.25 per share. This net asset value was based on aggressive assumptions for their terminal cap rate and discount rate; however, the board did not disclose the projected rent growth, which is the other key assumption for their discounted cash flow valuation. Based on Summit's market value estimate for ARC New York City REIT shares as of 3/31/17, investors in ARC New York City REIT should brace for a valuation decline that exceeds the significant decline of Hospitality Investors Trust.

On 6/19/17, the board of Hospitality Investors Trust approved an estimated net asset value per share of \$13.20 as of 3/31/17, which is a sharp 39% decline from its previously reported \$21.48 as of 3/31/16. The board of Hospitality Investors Trust highlighted three factors for the significant valuation decline. First, they used less aggressive assumptions. Second, they pointed to higher terminal cap rates, which means that they project a lower liquidation price. Third, they highlight stock dilution, as Hospitality Investors Trust suspended its cash distribution in April 2016 and now pays a stock distribution.

Based on Summit's market value estimate as of 3/31/17, which is available by subscription, Hospitality Investors Trust's \$13.20 NAV at 3/31/17 is now a reasonable valuation. However, Summit's market value estimate as of 3/31/16 is nearly half of their previously reported \$21.48 NAV, and Summit can find no reasonable or supportable basis for the previous \$21.48 NAV. This result raises the critical question of how and why the "independent" board of Hospitality Investors Trust previously approved the clearly unsupported and inflated NAV. The inevitable shareholder lawsuits will likely answer this question.

With regards to ARC New York City REIT, Summit's market value estimate, which is also available by subscription, indicates that investors in ARC New York City REIT should brace for a valuation decline of 50%-70% depending on the reasonableness of the assumptions utilized in the updated valuation that will likely be completed this fall with a 6/30/17 effective date. Both ARC New York City REIT and Hospitality Investors Trust are controlled by AR Global, and the aggressive and unsupported initial valuations for both non-listed REITs raise significant concerns about board independence and oversight.