



PRESS RELEASE

## Manulife US REIT Acquires Flagship Office Building in New Jersey, U.S. for US\$313.2<sup>1</sup> million

- Acquisition of Sponsor's Class A freehold office building minutes from Manhattan, New York City ("NYC") – click [here](#) to view video
- Strongest office market in Northern New Jersey<sup>2</sup>
- Purchase price represents discounts of 6.8% and 5.1% to appraised values<sup>3</sup>
- Accretive acquisition increases DPU yield by 2.2%
- Rights issue to raise approximately US\$208.0 million

Singapore, 2 September 2017 – Manulife US Real Estate Investment Trust ("Manulife US REIT" or the "REIT"), the first pure-play U.S. office REIT listed in Asia, today announced that it has entered into a sale and purchase agreement with John Hancock Life Insurance Company (U.S.A.) ("JHUSA") for the proposed acquisition of **10 Exchange Place**, a 30-storey Class A office building in Jersey City, New Jersey, U.S. ("Exchange" or the "Property"), at a purchase price of US\$313.2 million<sup>1</sup> (the "Acquisition").

To finance the Acquisition, Manulife US Real Estate Management Pte. Ltd. (the "Manager") has proposed to undertake an underwritten and renounceable rights issue (the "Rights Issue") of 299,288,423 new units (the "Rights Units") at the issue price of US\$0.695 per rights unit in Manulife US REIT to raise gross proceeds of approximately US\$208.0 million.

The estimated total cost of the Acquisition, comprising the purchase consideration, acquisition fee and professional and other fees and expenses, is approximately US\$332.0

<sup>1</sup> The purchase consideration is US\$317.2 million comprising of purchase price US\$313.2 million and settlement adjustments estimated at US\$4.0 million. Settlement adjustments include, among other items, purchase price impact of new leases at the Property under negotiation, and capital improvements (if any) and leasing costs that have been paid by JHUSA and are to be reimbursed by Manulife US REIT to JHUSA, which will be paid at the closing of the Acquisition. The settlement adjustment of US\$4.0 million is based on estimates as at the Latest Practicable Date. The final settlement adjustments may differ from the estimates provided above.

<sup>2</sup> See Independent Market Research Report by C&W in Appendix C of the Circular dated 2 September 2017 for more details.

<sup>3</sup> Valuation for the property is based on the independent valuations by RERC and Colliers as at 11 July 2017 and 18 July 2017 respectively. These discounts exclude estimated settlement adjustments.

DBS Bank Ltd. was the Sole Financial Adviser and Issue Manager for the initial public offering of Manulife US Real Estate Investment Trust ("**Offering**"). DBS Bank Ltd., China International Capital Corporation (Singapore) Pte. Limited, Credit Suisse (Singapore) Limited and Deutsche Bank AG, Singapore Branch were the Joint Bookrunners and Underwriters for the Offering.

million which will be funded through debt financing and proceeds from the Rights Issue. The Manager's acquisition fee will be paid in the form of units of Manulife US REIT ("Units").

The final decision regarding the proportion of equity and debt financing for funding the Acquisition will be made at the appropriate time taking into account the then prevailing market conditions and interest rate environment, availability of alternative funding options, the impact on Manulife US REIT's capital structure, distribution per Unit ("DPU") and debt expiry profile and the covenants and requirements associated with each financing option.

### **EXPOSURE TO PRIME OFFICE SUBMARKET MINUTES FROM NYC**

Located on the Hudson River waterfront in New Jersey, the freehold Class A, 30-storey office tower has unobstructed views of the Manhattan, NYC skyline and the Statue of Liberty. With its glass façade, bowed front and tall spire, Exchange is one of the most recognisable buildings along the Hudson River waterfront. It offers a "live, work, play" environment that provides around-the-clock amenities, street life, and attractive residential developments.

According to independent market research consultant, Cushman & Wakefield, the Hudson Waterfront District is considered to be the strongest office market within Northern New Jersey, having historically outperformed the greater regional market in terms of occupancy levels and rental rates. The Hudson Waterfront District is a highly desirable location for world-class financial institutions that seek close proximity and accessibility to Manhattan at substantially lower rents. In recent years the market has continued to mature and attract other types of businesses, including technology firms.

Commenting on the Acquisition, Ms Jill Smith, Chief Executive Officer of the Manager said, ***"We are delighted to acquire this flagship asset a stone's throw from New York City. This acquisition demonstrates our ability to grow inorganically through the addition of another yield accretive property at the right price. In just over one year, our assets under management have grown by 68.1% from US\$777.5 million to US\$1.3 billion. This acquisition also reconfirms the commitment to, and synergy between Manulife US REIT and its Sponsor."***

Strategically located with outstanding transportation links through interstate highways and three major airports, Newark, LaGuardia and John F. Kennedy, Exchange allows tenants to step out of the building and travel directly to NYC through:

- Exchange Place Station (PATH) - access into NYC in 10 minutes, 24-hours a day, seven days a week. The World Trade Center Station is just one stop away.
- New York Waterways Ferries terminal - access to NYC in 8 to 10 minutes.
- Hudson-Bergen Light Rail System - linking all Waterfront projects to the PATH and New Jersey Transit train systems.
- Holland Tunnel - vehicular access to NYC in 20 minutes.

## HIGH-QUALITY WATERFRONT PROPERTY AT AN ATTRACTIVE DISCOUNT

With a NLA of approximately 730,598 sq ft, Exchange will be Manulife US REIT's largest acquisition to date. As at 31 July 2017, the Property was 93.1% leased with a weighted lease expiry ("WALE") of 5.7 years by NLA. It has a total of 25 tenants and the top five tenants (by Cash Rental Income) are Amazon Corporate LLC; ACE American Insurance Company; Rabo Support Services, Inc.; Kuehne & Nagel, Inc. and Opera Solutions, LLC.

The agreed-upon purchase price of the Property of US\$313.2 million represents a discount of 6.8% to RERC, LLC's appraised value of US\$336.0 million and a discount of 5.1% to Colliers International Valuation & Advisory Services, LLC's appraised value of US\$330.0 million. These discounts exclude estimated settlement adjustments.

## SOLIDIFY GEOGRAPHICAL DIVERSIFICATION AND EXPAND TENANT BASE

Upon completion of the Acquisition, Manulife US REIT's aggregate Appraised Value and NLA will be enlarged by 34.2% and 32.5%, respectively. Exchange will also further improve the tenant diversification. With this inclusion, the exposure to law firms would be reduced from 44.0% at IPO to 27.8% by cash rental income as at 31 July 2017. Furthermore, as a result of the acquisitions of Exchange and Plaza, the REIT has added four trade sectors to the portfolio.

## ACCRETIVE ACQUISITION FUNDED BY RIGHTS ISSUE

Assuming the Acquisition was completed on 20 May 2016 (the date of listing of Manulife US REIT) and the REIT held and operated the Property in FY2016, the pro forma DPU yield of the Enlarged Portfolio would increase by 2.2% to approximately 6.23% compared to the pro forma DPU yield of the current portfolio<sup>4</sup> of approximately 6.10%.

Pursuant to the Rights Issue, 299,288,423 Rights Units will be offered at the rights ratio of 41 Rights Units for every 100 existing units in Manulife US REIT held by eligible Unitholders as at the books closure date for the Rights Issue.

At an issue price of US\$0.695 per Rights Unit, the Rights Issue provides an opportunity for Unitholders to subscribe for their *pro rata entitlement* to the Rights Units at a discount of approximately 28.0% to the closing price of US\$0.965 per Unit on the SGX-ST on 31 August 2017, being the last trading day of the Units prior to the announcement of the Rights Issue, and approximately 21.6% to the theoretical ex-rights price ("TERP") of US\$0.886 per Unit<sup>5</sup>. In addition, the Rights Entitlements are renounceable, and Eligible Unitholders who do not wish to subscribe for their Rights Entitlements may sell their "nil-paid" rights and crystallise the value of the rights discount.

<sup>4</sup> Based on the Closing Price of US\$0.965 per Unit as at 31 August 2017.

<sup>5</sup> TERP = (Market capitalisation of Manulife US REIT based on the Closing Price + Gross proceeds from the Rights Issue) divided by Units outstanding after the Rights Issue.

The Rights Units, when issued, are expected to increase Manulife US REIT's market capitalisation and free float of Units on the SGX-ST, potentially resulting in improved trading liquidity and benefiting Unitholders. For illustrative purposes, Manulife US REIT's market capitalisation would increase by 29.5% from US\$704.4 million<sup>6</sup> to US\$911.9 million at the TERP of US\$0.886 immediately following the completion of the Rights Issue<sup>7</sup> as at 31 August 2017.

## **CAPITALISE ON GROWTH OPPORTUNITY IN LINE WITH LONG TERM STRATEGY**

The Acquisition is consistent with Manulife US REIT's long term strategy to provide sustainable growth that will deliver greater distributions for Unitholders over the long run.

***“Our guiding principle in growing Manulife US REIT is to enhance Unitholders' returns. We aim to do so by demonstrating our ability to make accretive deals in high quality properties, thereby building the confidence of our investors and ensuring that our REIT grows from strength to strength.”*** added Ms Smith.

The proposed Acquisition and the Rights Issue is subject to the approval of Unitholders at an Extraordinary General Meeting to be held on 19 September 2017. The actual terms and conditions of the Rights Issue will be set out in an Offer Information Statement in connection with the Rights Issue.

- END -

**NOTE: This Press Release is to be read in conjunction with the SGXNET Announcement released by Manulife US REIT on the same date. All capitalised terms not otherwise defined herein shall have the meaning ascribed to same in the Circular dated 2 September 2017.**

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<sup>6</sup> As at 31 August 2017.

<sup>7</sup> Based on 730.0 million Units in issue and approximately 299.3 million new Units to be issued in connection with the Acquisition and TERP of US\$0.886 per Unit (assuming, for illustrative purposes, MIL's and MLRL's ownership percentage in Manulife US REIT remained constant before and after the Acquisition).

### **About Manulife US REIT**

Manulife US Real Estate Investment Trust (“Manulife US REIT”) is the first pure-play U.S. office REIT listed in Asia. It is a Singapore REIT established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (“U.S.”), as well as real estate-related assets.

Manulife US REIT initial portfolio (“IPO Portfolio”) comprises three prime, freehold and Class A or Trophy quality office properties strategically located in Los Angeles; Irvine, Orange County; and Atlanta. The IPO Portfolio, valued at US\$857.5 million, has an aggregate Net Lettable Area of 1.8 million sq ft as at 30 June 2017. In July 2017, Manulife US REIT completed the acquisition of Plaza, an 11-storey Class A freehold office building at 500 Plaza Drive, Secaucus, New Jersey, and the NLA for the enlarged portfolio increased by approximately 25.9% to an aggregate of 2.2 million sq ft. As at 31 July 2017, the enlarged portfolio has a valuation of US\$973.5 million.

### **About the Sponsor – The Manufacturers Life Insurance Company (“Manulife”)**

Manulife is part of a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. The Sponsor operates as John Hancock in the U.S. and as Manulife in other parts of the world, providing a wide range of financial protection and wealth management products, such as life and health insurance, group retirement products, mutual funds and banking products. The Sponsor also provides asset management services to institutional customers. Assets under management and administration by Manulife and its subsidiaries were approximately US\$780 billion as at 30 June 2017. Manulife Financial Corporation is listed on the Toronto Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange and the Philippine Stock Exchange.

### **About the Manager – Manulife US Real Estate Management Pte. Ltd.**

The Manager is Manulife US Real Estate Management Pte. Ltd., an indirect wholly-owned subsidiary of the Sponsor. The Manager’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in DPU and NAV per Unit, while maintaining an appropriate capital structure.

### **IMPORTANT NOTICE**

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of Manulife US REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of units in Manulife US REIT (“Units”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of Manulife US REIT) or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (“Unitholders”) have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “SGX-ST”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Manulife US REIT is not necessarily indicative of the future performance of Manulife US REIT.



**Annex: Pictures of Exchange**



**Exchange enjoys prominent frontage along the Hudson River waterfront**



**View of New York City from Exchange**