



 **Manulife**

| **US REIT**

Acquisition of
400 Capitol
Sacramento, California

19 September 2019

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Contents

- ① Overview of 400 Capitol
- ② Rationale and Key Benefits of the Acquisition
- ③ Conclusion
- ④ Appendix

Overview of 400 Capitol, Sacramento, California

Top Class A Asset

Tallest in Sacramento, instantly recognisable office tower with best-in-class features

Iconic Location

Close to California State Capitol and government buildings, set in desirable Live, Work, Play Environment

94.9% High Occupancy¹

44 premier tenants in diversified sectors: legal, finance, state government, co-working, business and consulting services

Platinum LEED Status

Efficient building system maintained to highest institutional standards



Description	29-storey top Class A office building, located in Sacramento's CBD
Location	400 Capitol Mall, Sacramento, California
Land Tenure	Freehold
NLA	500,662 sq ft.
Parking Lots	1,094 parking spaces (6-storey garage)
Year of Completion	1992 (>US\$12 m capital expenditures and tenant improvements since 2016)
Purchase Price ²	US\$198.8 m (US\$397.0 per sq ft.)
Valuation ³	US\$200.5 m
Implied Cap Rate ³	7.2%
Occupancy Rate ¹	94.9%
WALE by NLA	5.9 years
Tenants	44

Data as at 11 Sep 2019

- (1) Committed occupancy has taken into account the renewal of certain tenant's lease effective 1 Oct 2019 and excludes a tenant who has vacated the Property
- (2) Subject to closing and post-closing adjustments in the ordinary course of business
- (3) Based on valuation as of 27 Aug 2019 by Cushman & Wakefield
- (4) Implied cap rate is calculated based on first year net operating income over appraised fair value in the valuation

"THE KAY"

PROXIMITY TO THE CALIFORNIA STATE
CAPITOL

NEARBY EAST SAC AND
LAND PARK
NEIGHBORHOODS

GOLDEN 1 CENTER

400 Capitol

DOWNTOWN COMMONS



CLOSE BY THE R STREET
CORRIDOR

OLD SACRAMENTO

PROMINENT LOCATION ON
CAPITOL MALL

Rationale and Key Benefits of the Acquisition

Rationale and Key Benefits of the Acquisition

- 1 Entry into California's Capital – Flourishing Economy and Thriving Office Market**
- 2 Prime Location, Top Class A Tower, 5-Star Amenities Attracting Multiple High-Quality Tenants**
- 3 Improve Tenant and Net Property Income Diversification**
- 4 Accretive Acquisition Enhances Unitholders' Returns**
- 5 Possible Entry into FTSE EPRA Nareit Index at Next Review**

1 Sacramento: Capital of World's 5th Largest Economy¹, California

Flourishing Economy and Live Work Play Environment

- One of the strongest economies in California – average Gross Metropolitan Product annual growth rate of 3.2% (2013 – 2018), exceeding U.S. average of 2.3% (same period)
- 1.5-hr to San Francisco by car
- Cheaper alternative to San Francisco – lower business and living costs
- Economy driven by healthcare, government agencies and tech
- Abundant young and highly-educated workforce

Extensive Connectivity

- 15-min drive to Sacramento international airport
- Easy access to major highways, trains and downtown light rail system
- Inland port carrying commodities to Pacific Ocean
- Accessibility to lifestyle/tourist destinations – Napa Valley, Lake Tahoe

	Sacramento	United States
Population	1,540,975	327,167,434
Median Age (years)	35.9	37.8
Median Household Income (US\$)	60,239	57,652

Located in the Heart of California



Source: Valuation as of 27 Aug 2019 by Cushman & Wakefield, State of California – Department of Finance, United States Census Bureau – 2013 – 2017 American Community Survey 5-year estimates

1 >US\$2.0 b Investment Rejuvenating Sacramento

Healthcare Hub, Residential, Hospitality and Retail Projects Driving Economy and Office Market

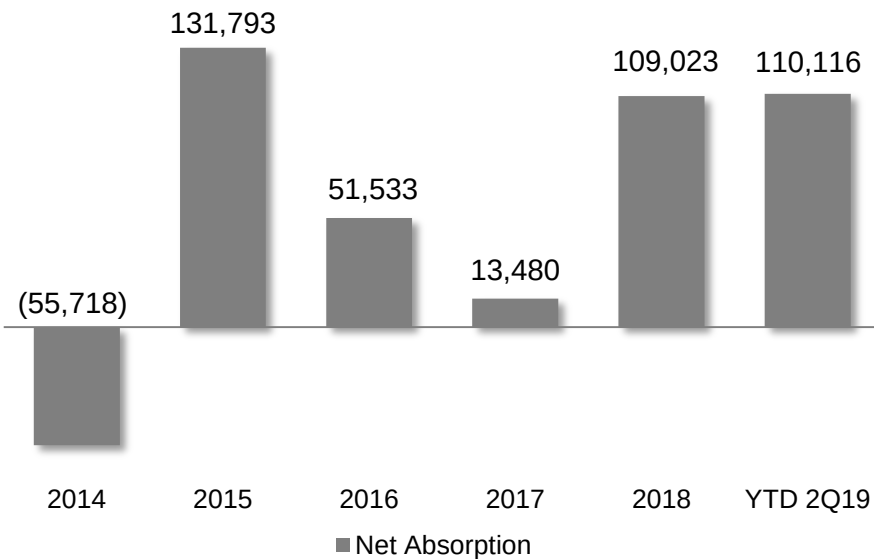


Source: Independent Market Research Report (IMR) as of 1 Sep 2019 by Cushman & Wakefield, City of West Sacramento, Downtown Sacramento

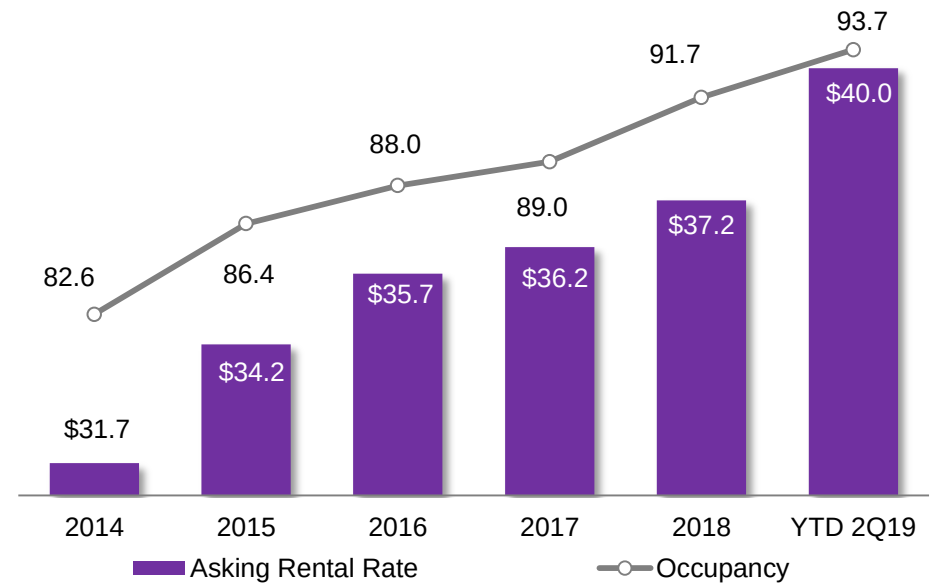
1 Thriving Office Market – High Barriers to Entry

- Limited CBD supply with high Class A replacement cost of ~ US\$700 per sq ft
- Competitive micro market has average vacancy of 6.3%¹ vs Class A average vacancy of 11.3%²
- Strong growth in economy leading to office demand and robust rent growth

Historical Net Absorption¹ (sq ft)



Historical Asking Rent¹ (US\$ per sq ft) and Occupancy Rate¹ (%)



Source: IMR as of 1 Sep 2019 by Cushman & Wakefield

(1) Based on average 400 Capitol's competitive micro market, which comprises 12 properties (including 400 Capitol) as identified by the Valuer to be the most comparable to 400 Capitol

(2) For Sacramento Downtown/Midtown submarket Class A properties

2 Top Class A Tower with 5-Star Amenities and Spectacular Views

Distinctive Design

Designed by the renowned architectural firm Hellmuth, Obata & Kassabaum and recently renovated lobby



14,000 – 34,000 sq ft Column Free Floor Plates Attracting Larger Tenants



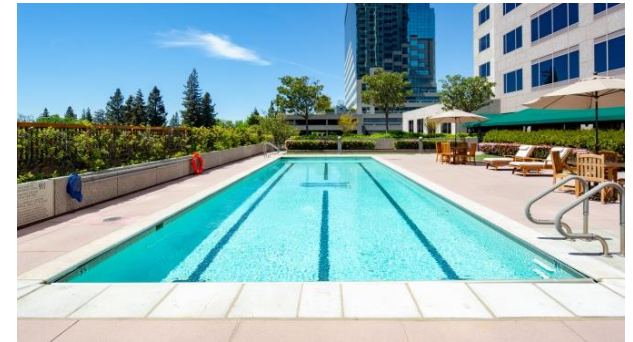
Highly Efficient Building Systems

One of the most efficient buildings in Sacramento with a LEED Platinum designation



5-star Onsite Amenity Base

Fitness center, heated lap pool, conference rooms, abundant parking, fine dining, gourmet takeaway, retail and hair salon



3-min Walk to Department Store

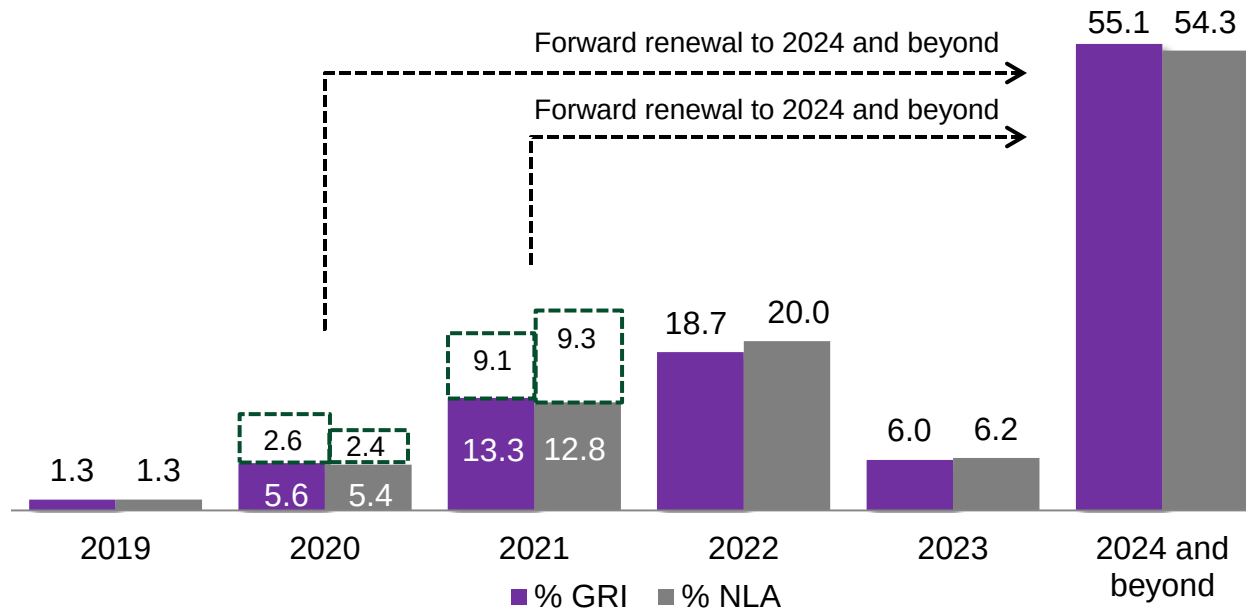
Wide selection of top retailers such as Ralph Lauren, Calvin Klein, Clinique, Estee Lauder and Levi's

2 Strong Occupancy and Long WALE with Upside Potential

- Occupancy of 94.9%¹ with average 2.3% rental escalations p.a.
 - ✓ Retention rate of > 80.0% for expiring leases for last 3 years
- Average in-place rent is up to 11.5% below potential asking rental rate of the property

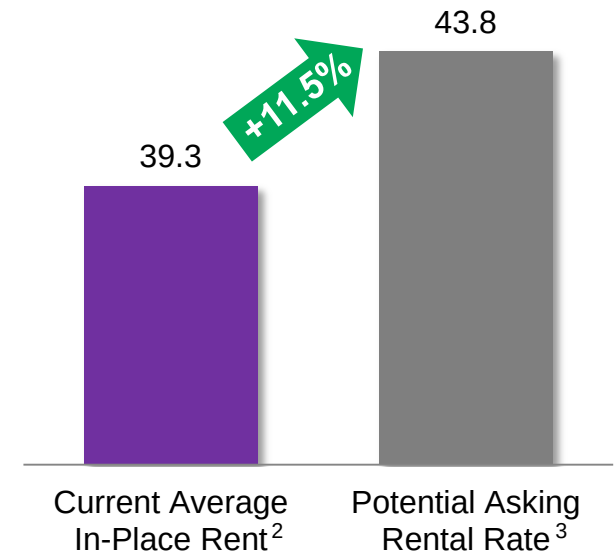
Long WALE by NLA of 5.9 Years²

Lease Expiry Profile of the Property (%)²



Rent Upside of 11.5%

Current Average Rent (US\$ per sq ft.)



(1) Committed occupancy has taken into account the renewal of certain tenant's lease effective 1 Oct 2019 and excludes a tenant who has vacated the Property

(2) Data as at 11 Sep 2019

(3) Potential asking rental rate of the Property is between US\$41.40 to US\$43.80 as per IMR as of 1 Sep 2019 by Cushman & Wakefield

2 Top 10 Tenants by GRI has Long WALE of 6.4¹ Years

Top 10 Tenants (% of GRI)

Tenant	Sector	NLA (sq ft)	% of GRI
Wells Fargo ²	Finance and Insurance	52,618	10.3
WeWork	Real Estate	47,316	10.0
Weintraub Genshlea & Chediak	Legal	44,900	9.1
Kronick Moskowitz	Legal	30,659	8.5
Orrick Herrington & Sutcliffe	Legal	34,849	7.8
Wilke, Fleury, Hoffelt, Gould & Birney	Legal	25,154	5.2
DLA Piper US	Legal	19,732	4.5
Morgan Stanley	Finance and Insurance	19,487	3.8
Crowe Horwath	Accounting	17,096	3.4
Jackson Lewis	Legal	16,010	2.9
Total Top 10 Tenants		307,821	65.5

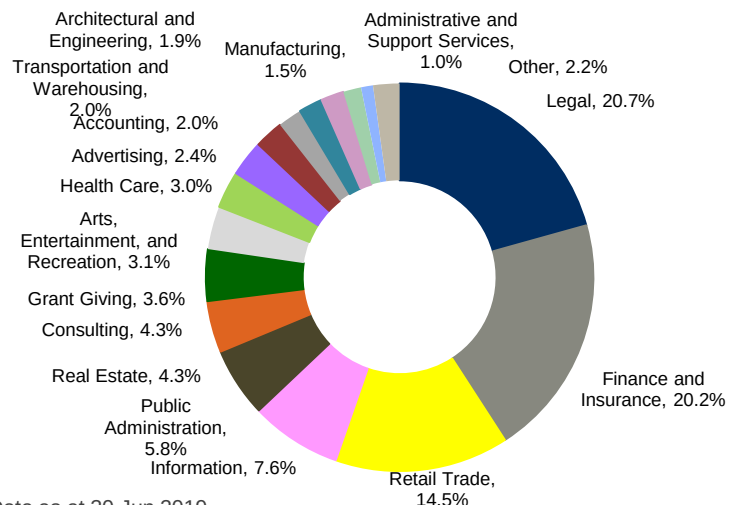
Data as at 11 Sep 2019

(1) Based on NLA

(2) Includes Wells Fargo Bank and Wells Fargo Advisors

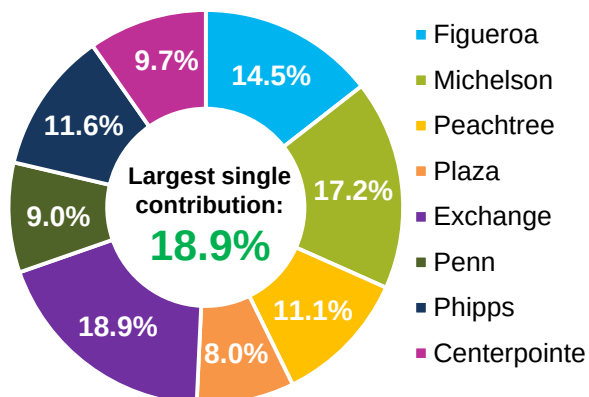
3 Tenant and Net Property Income Diversification

Current Portfolio: Trade Sector by GRI



Data as at 30 Jun 2019

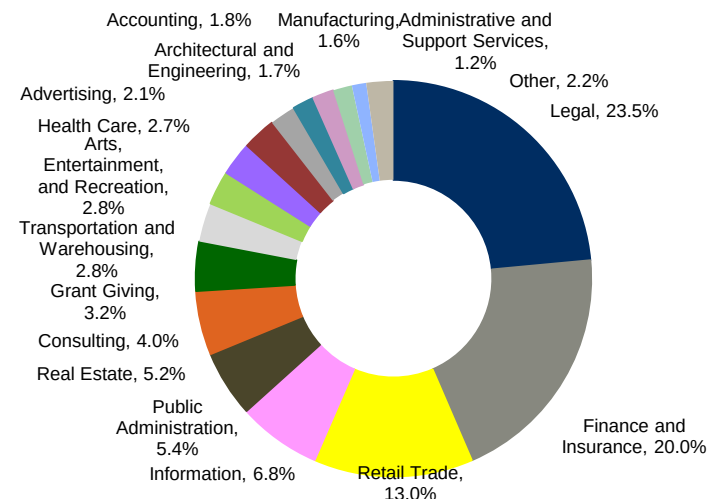
Current Portfolio: NPI by Property¹



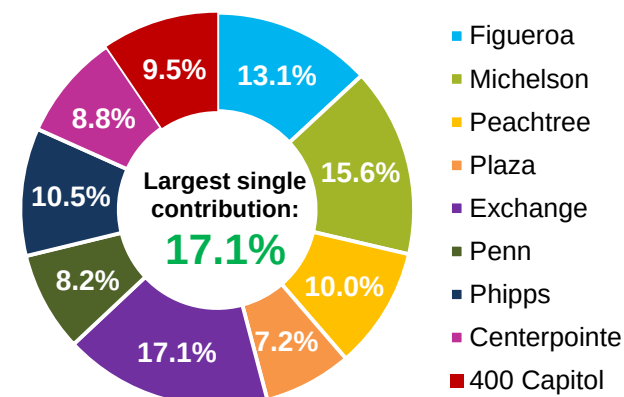
Data as at 30 Jun 2019

(1) Centerpointe was acquired on 10 May 2019. For illustrative purposes, NPI for Centerpointe was extrapolated based on actual results (for the period 10 May 2019 to 30 Jun 2019) to full period 1H 2019
 (2) NPI for 400 Capitol was based on 1H 2019 Pro Forma

Enlarged Portfolio: Trade Sector by GRI

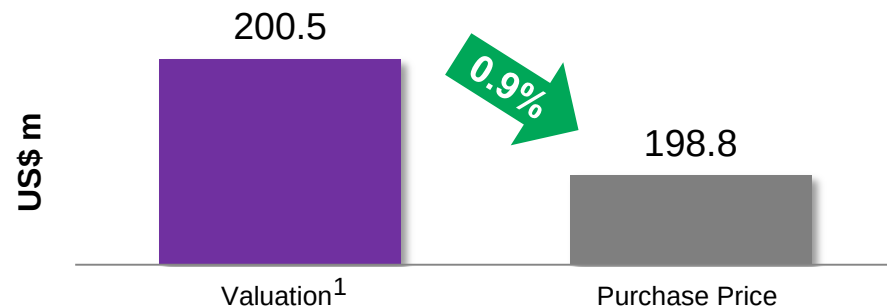


Enlarged Portfolio: NPI by Property²

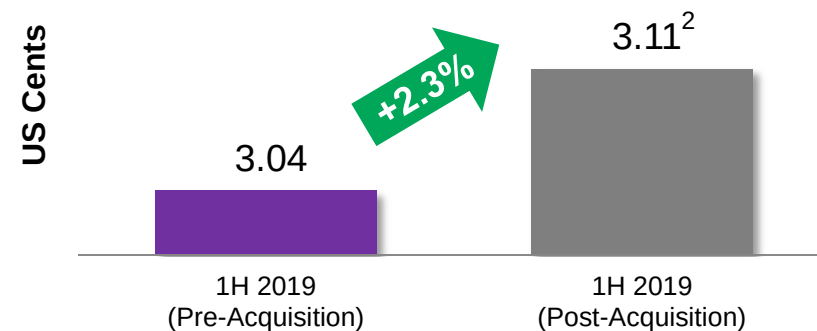


4 Accretive Acquisition Enhances Unitholders' Returns

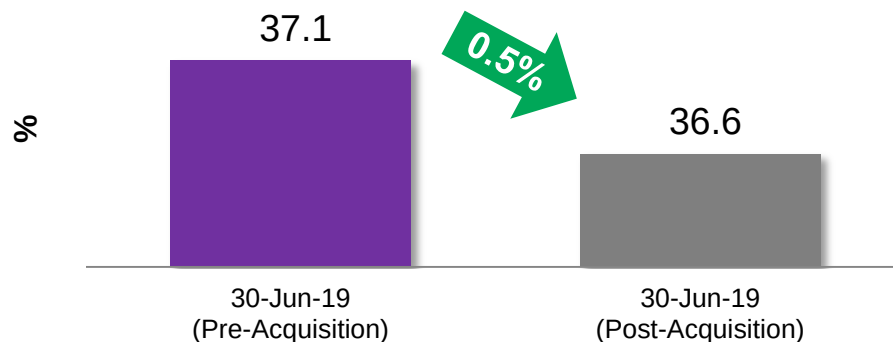
Purchase Price 0.9% below Appraised Value



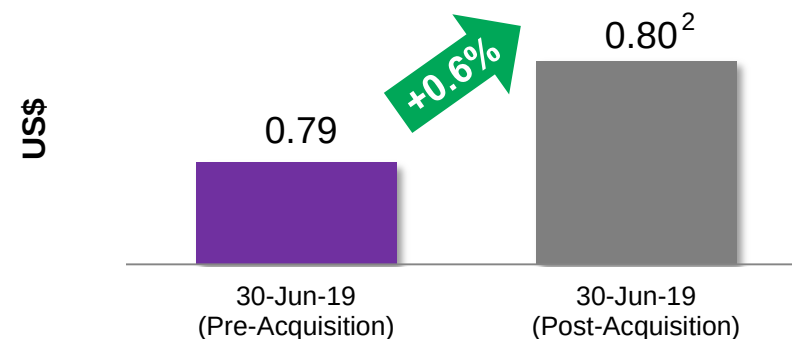
DPU Accretion of 2.3%



Gearing Reduced by 0.5%



NAV per Unit Accretion of 0.6%



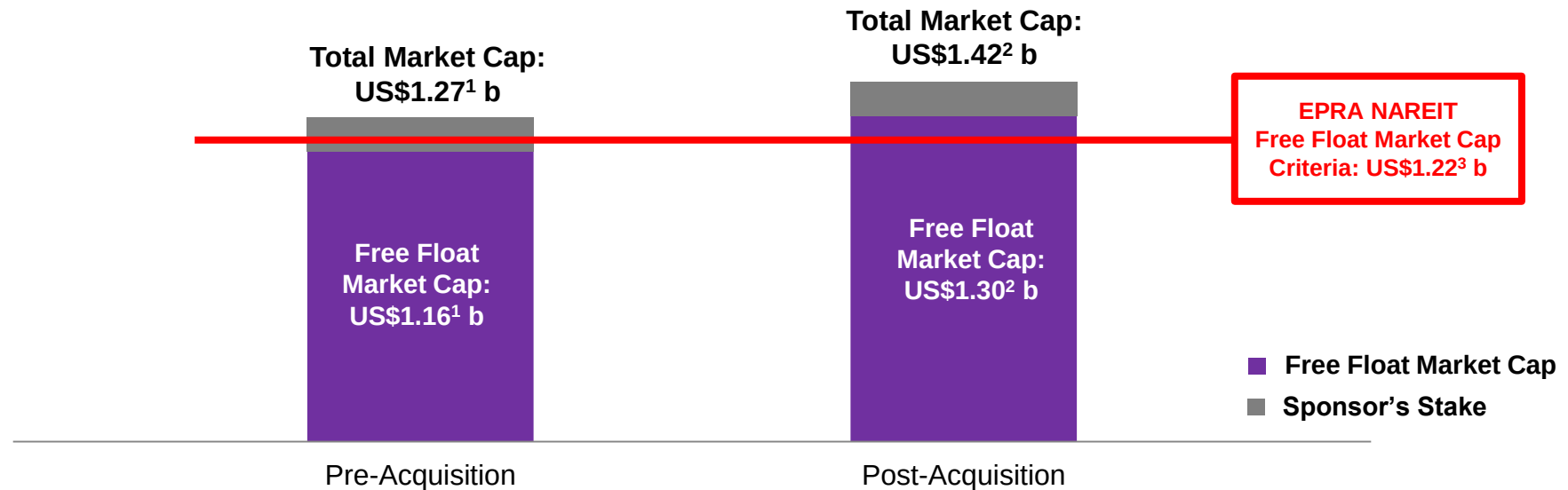
(1) Based on Valuation as of 27 Aug 2019 by Cushman & Wakefield

(2) Including Units issued and to be issued as at 30 Jun 2019 and assuming that the new Units in relation to Private Placement and Preferential Offering were issued at an illustrative price of US\$0.863 and US\$0.847 per New Unit

5 Possible Entry into FTSE EPRA Nareit Index at Next Review

- Possible entry into FTSE EPRA Nareit Developed Asia Index
- May result in positive re-rating of Manulife US REIT upon index inclusion

Pro-forma Market Capitalisation



Source: Bloomberg, FTSE Russell, Company Information

- (1) Based on 1,401,067,898 Units in issue and the weighted average price of US\$0.9089 per Unit on the SGX-ST on 18 Sep 2019. Free float market cap excludes sponsor stake of 124,545,307 Units as at 18 September 2019
- (2) Enlarged market cap and free float based on Units issued and to be issued as at 18 Sep 2019 and assuming that 92.7 m and 73.3 m New Units will be issued at an illustrative price of US\$0.863 and US\$0.847 per New Unit for the private placement and preferential offering respectively. Enlarged free float excludes sponsor's stake in the New Units issued via preferential offering
- (3) Based on published fast track threshold for Sep cut-off of US\$1,632 m, which implies a regular entry threshold of US\$1,224 m



Conclusion

Accretive Acquisition Fortifies Portfolio

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- 2 Prime Location, Top Class A Tower, 5-Star Amenities Attracting Multiple High-Quality Tenants**
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Appendix

Appendix: Portfolio Overview

	Figueroa	Michelson	Peachtree	Plaza	Exchange	Penn	Phipps	Centerpointe	Capitol ²
Location	Los Angeles	Irvine	Atlanta	Secaucus	Jersey City	Washington, D.C.	Atlanta	Virginia	Sacramento
Property Type	Class A	Trophy	Class A	Class A	Class A	Class A	Trophy	Class A	Class A
Completion Date	1991	2007	1991	1985	1988	1964	2010	1987 / 1989	1992
Last refurbishment	2015	-	2015	2016	-	2018	-	2018	2016
Property Value (US\$ million)	329.9	345.0	205.9	119.8	344.7	189.0	218.4	122.8	200.5 ³
Occupancy (%)	93.1	96.0	99.4	98.9	95.8	99.1	100.0	98.7	94.9 ⁴
NLA (sq ft)	702,621	532,933	557,560	461,525	736,383	277,597	475,199	419,981	500,662
WALE by NLA (years)	4.2	6.1	5.1	6.9	7.0	5.3	8.6	6.7	5.9 ⁴
Land Tenure	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold ¹	Freehold	Freehold
No. of Tenants	28	15	26	7	23	10	10	21	44 ⁴

Data as at 30 Jun 2019

(1) The property is held in a leasehold until the end of 2020 to afford it certain real estate tax advantages but will be converted to a freehold for a nominal sum of US\$100.0 thereafter

(2) 400 Capitol's data as at 11 Sep 2019

(3) Property value of 400 Capitol based on Cushman and Wakefield's valuation of the Property as of 27 Aug 2019

(4) Based on committed leases as of 11 Sep 2019



Napa Valley, California

Manulife

US REIT

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