MANULIFE US REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted on 27 March 2015 under the laws of the Republic of Singapore)

DECLINE IN VALUATIONS RESULTING IN BREACH OF FINANCIAL COVENANTS AND IMPACT ON DISTRIBUTIONS

1. Updated Asset Valuations

Manulife US Real Estate Management Pte. Ltd., as manager of Manulife US REIT (the "**Manager**"), wishes to announce that the Manager has obtained independent valuations for the properties owned by Manulife US REIT as at 30 June 2023. The real estate valuation of the portfolio of Manulife US REIT has declined by 14.6% or US$279.95 million to US$1,633.55 million (versus US$1,913.5 million as at 31 December 2022)[1].

The decline in valuations is largely due to the following factors:

(i) Higher discount rates and terminal capitalisation rates for certain properties reflecting risks posed by the volatile macroeconomic environment as well as idiosyncratic risks at the property level (*i.e.*, higher vacancy and/or weak submarket fundamentals).

(ii) Continued weakening of occupancy performance across the U.S. office market due to a slowdown in demand and leasing activity, which is leading to higher vacancy levels and higher concession package assumptions needed to attract new tenants or retain tenants, giving rise to higher leasing costs.

(iii) 60.3% of the decline was from five properties, namely, Figueroa, Michelson, Exchange, Penn and Phipps. Assumptions used by appraisers include:

(a) Figueroa – 13.2% of portfolio decline; US$37.0 million decline (-17.5%) due to the use of a higher discount rate, terminal capitalisation rate, vacancy levels and increased transfer tax upon sale.

(b) Michelson – 12.9% of portfolio decline; US$36.0 million decline (-12.3%) due to the use of a higher discount rate, terminal capitalisation rate and vacancy levels.

1 The 31 December 2022 figure has been adjusted to remove Tanasbourne which has been sold on 12 April 2023.

(c) Exchange – 11.4% of portfolio decline; US$32.0 million decline (-11.0%) due to the use of a higher discount rate and vacancy levels.

(d) Penn – 11.4% of portfolio decline; US$32.0 million decline (-20.5%) due to more stringent leasing assumptions around US Treasury as well as the use of a higher discount rate and terminal capitalisation rate.

(e) Phipps – 11.4% of portfolio decline; US$31.85 million decline (-15.2%) due to the use of a higher discount rate, terminal capitalisation rate and vacancy levels.

(iv) U.S. office valuations remain under pressure and are likely to decline further in 2023. Evidence from the public U.S. office REIT market indicates that unit prices are priced at upwards of a 30% discount to net asset value. The NCREIF Office Subindex, which reflects private market values, reported valuation declines of 12.7% year-on-year (as of Q1 2023). Private market performance typically lags public markets, and the prevailing market sentiment is that these declines will continue through 2023, and likely beyond. Lastly, the Greenstreet Commercial Property Price Index (CPPI) estimates that office values were down 27% over the last 12 months, for the period ended 30 June 2023.

(See paragraph 4 below for the details of valuations.)

The Manager decided to obtain new asset valuations because pursuant to Rule 705(3)(b) of the Listing Manual, Manulife US REIT is required to issue interim financial statements of Manulife US REIT for the six months ended 30 June 2023. The interim financial statements of Manulife US REIT will be prepared in accordance with the International Financial Reporting Standards ("**IFRS**"). Under IFRS, an issuer whose investment property accounting policy is a fair value model (which is true in the case of Manulife US REIT), should ensure that the fair value measurement of investment properties in the financial statements is appropriate. Accordingly, the Manager must carefully assess the appropriateness of the fair values of investment properties to be reported in its balance sheet (and the corresponding change in fair values to be reported in profit or loss) as it issues interim financial statements. This may include assessing whether the inputs and assumptions used in its valuation techniques are still appropriate, whether they reflect current market conditions, and whether these need to be updated. In light of current market conditions and the downward pressure on U.S. commercial office values, the Manager determined that it is prudent to seek expert advice from independent valuers to determine the fair value.

2. Financial Impact

Manulife US REIT has exceeded its aggregate leverage limit which, as explained below, is not a breach or default of the Property Funds Appendix. However, Manulife US REIT has breached a financial covenant in some of its financing documents relating to the ratio of unencumbered debt to unencumbered assets. Its net asset value has decreased as a result of the decrease in property values as noted above. Each of these developments is described in greater detail below.

(i) **Aggregate Leverage Limit:** Manulife US REIT's aggregate leverage will be approximately 57% (taking into account fair value changes in investment properties and certain projections in the value of other total assets as of 30 June 2023), while its adjusted interest coverage ratio (as computed based on the Property Funds Appendix) as at 30 June 2023 is approximately 2.6 times. As described below, the Property Funds Appendix and certain financing documents of Manulife US REIT impose an aggregate leverage limit of 50%.

(ii) **No breach of Aggregate Leverage Limit in the Property Funds Appendix**: Appendix 6 to the Code on Collective Investment Schemes (the "**Property Funds Appendix**") states that the aggregate leverage limit is not considered to be breached if exceeding the limit is due to circumstances beyond the control of the Manager. A depreciation in the asset value of Manulife US REIT has occurred, which has resulted in the aggregate leverage exceeding 50%. Accordingly, while Manulife US REIT's aggregate leverage exceeds 50%, there is no breach of the aggregate leverage limit as defined by the Property Funds Appendix.

The financial covenant in Manulife US REIT's financing documents that tracks the aggregate leverage limit as set out in the Property Funds Appendix is also not considered to be breached. In line with the Property Funds Appendix, the covenant in the financing documents also includes the exception that the aggregate leverage limit is not considered to be breached if due to circumstances beyond the control of the Manager. A depreciation in the asset value of Manulife US REIT has occurred, which has resulted in the aggregate leverage limit exceeding 50%. Therefore, no breach of the covenant has occurred.

(iii) **Financial Covenant**: The existing loans of Manulife US REIT contain a financial covenant which states that Manulife US REIT must at all times ensure and procure that the ratio of consolidated total unencumbered debt to consolidated total unencumbered assets for any measurement period (being a period of 12 months ending on the last day of each financial half-year of Manulife US REIT) is not more than 60:100.

Based on the updated valuations, the ratio of consolidated total unencumbered debt to consolidated total unencumbered assets is 60.2:100. The Manager has commenced discussions with its lenders to seek their waiver for the above-mentioned breach which involves exploring an option which would lower the ratio of consolidated total unencumbered debt to consolidated total unencumbered assets and to discuss plans to address the liquidity needs of Manulife US REIT to meet its operational, capital and tax needs as well as repay indebtedness.

The breach of the aforesaid financial covenant in respect of the loans would result in a cross default of Manulife US REIT's interest rate swaps. If the banks do not agree to waive the breach of the financial covenants, then as a result of the cross default provision, Manulife US REIT may not be able to rely on the interest rate swaps (which have fixed the interest rate), and Manulife US REIT would thereby be subject to higher interest rates for its loans.

(iv) **Interest Coverage Ratio**: The existing loans of Manulife US REIT contain a financial covenant which states that Manulife US REIT's interest coverage ratio (as defined in the loans) shall not be less than 2.0 times. If the banks do not agree to waive the breach of the financial covenant as mentioned in 2(iii), Manulife US REIT's interest coverage ratio may over time decline below 2.0 times (as the interest coverage ratio is computed based on a trailing 12-month period). If the banks waive the breach of the financial covenant, and the interest rate swaps are not in default, Manulife US REIT's interest coverage ratio should stay above 2.0 times.

Under the Property Funds Appendix, a REIT may exceed 45% aggregate leverage up to 50% if its adjusted interest coverage ratio (as defined in the Property Funds Appendix) is at least 2.5 times[2]. If the banks do not agree to waive the breach of the financial covenant, Manulife US REIT's adjusted interest coverage ratio may over time decline below 2.5 times (as the adjusted interest coverage ratio is computed based on a trailing 12-month period). Even if the banks waive the breach of the financial covenants, and the interest rate swaps are not in default, Manulife US REIT's adjusted interest coverage ratio may fall below 2.5 times in the near-term.

(v) **Impact on Net Asset Value:** Given that the valuation of the portfolio is a key determinant of Manulife US REIT's net asset value as at 30 June 2023, the decline in valuation would result in Manulife US REIT's net asset value decreasing by approximately US$279.95 million.

3 Profit Guidance on Unaudited Financial Results for the Financial Period from 1 January 2023 to 30 June 2023 ("1H 2023") and Impact on Distributions

As a result of the impact from the decline in the asset valuations, the Manager expects Manulife US REIT to report a loss for 1H 2023.

Under the Property Funds Appendix, if Manulife US REIT were to declare a distribution in excess of profits, the Manager should certify, in consultation with DBS Trustee Limited, in its capacity as trustee of Manulife US REIT (the "**Trustee**"), that it is satisfied on reasonable grounds that, immediately after making the distribution, Manulife US REIT will be able to fulfil, from the deposited property of the property fund, the liabilities of Manulife US REIT as they fall due. The Manager is in discussions with the lenders to determine whether Manulife US REIT can make distributions as a result of the breach of the financial covenants in the financing documents. It is also determining whether it is able to make the certification as required pursuant to the Property Funds Appendix.

If the distributions cannot be declared, this would have an impact on the structure of Manulife US REIT and would result in additional taxes being required to be paid. The Manager is seeking

2 Adjusted interest coverage ratio is defined in the Property Funds Appendix as a ratio that is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense, borrowing-related fees and distributions on hybrid securities.

advice from the U.S. tax advisor, and further details on any potential material impact will be announced in due course as required.

4. Details of the Valuation

Details on the valuation of each property as follows:

Property Name	Address	Valuation (US$ million) (31 December 2022) [1]	Valuation (US$ million) (30 June 2023) [1]	% Change
Figueroa	865 South Figueroa Street, Los Angeles, California	211.0	174.0	-17.5
Michelson	3161 Michelson Drive, Irvine, California	292.0	256.0	-12.3
Peachtree	1100 Peachtree Street NE, Atlanta, Georgia	205.0	175.0	-14.6
Plaza	500 Plaza Drive, Secaucus, New Jersey	92.0	67.1	-27.1
Exchange	10 Exchange Place, Jersey City, New Jersey	290.0	258.0	-11.0
Penn	1750 Pennsylvania Avenue NW, Washington, DC	156.0	124.0	-20.5
Phipps	3438 Peachtree Road NE, Atlanta, Georgia	210.0	178.15[2]	-15.2
Centerpointe I & II	4000 & 4050 Legato Road, Fairfax, Virginia	101.0	79.0	-21.8
Capitol	400 Capitol Mall, Sacramento, California	190.0	165.0	-13.2
Park Place	1650 and 1700 South Price Road, Chandler, Arizona	103.0	98.7	-4.2
Diablo	2900 South Diablo Way, Tempe, Arizona	63.5	58.6	-7.7
Total		**1,913.5**	**1,633.55**	**-14.6**

Notes:

(1) Valuation by JLL Valuation & Advisory Services, LLC.

(2) Average of valuations by JLL Valuation & Advisory Services, LLC and Colliers International Valuation & Advisory Services, LLC. is in connection with the proposed disposal to The Manufacturers Life Insurance Company.

Copies of the abovementioned independent valuation reports will be available for inspection at the Manager's registered office at 8 Cross Street, #16-03, Manulife Tower, Singapore 048424 during normal business hours, for three (3) months from the date of this announcement. Unitholders who wish to inspect the said reports are requested to contact us to make an appointment prior to your attendance at our office.

5. Options to Address Manulife US REIT's Liquidity

The Manager is continuing to work on a mid- and long-term strategy to address Manulife US REIT's liquidity needs to meet its operational, capital and tax needs and repay indebtedness, factoring in the latest conditions for U.S. office properties. While discussions and efforts on the proposed disposal of Phipps Tower (the "**Property**") to an affiliate of The Manufacturers Life Insurance Company (the "**Sponsor**") are still on-going, even if all the proceeds from the sale is used to repay loans, this will not bring the aggregate leverage below the limit of 50% set in the Property Funds Appendix. In light of the financial covenant situation, the Manager and Sponsor are also actively exploring a potential alternative method which may work to address Manulife US REIT's mid- and long-term liquidity needs. The Manager and Sponsor have commenced discussions with Manulife US REIT's lenders and have specifically included this potential alternative method in those discussions. Any outcome of these lender discussions may or may not result in lenders agreeing to provide relief on Manulife US REIT's existing financial covenant thresholds or to support the efforts of the Manager and Sponsor with respect to Manulife US REIT.

For the avoidance of doubt, no binding definitive agreements have been entered into, and there is no certainty or assurance that any definitive agreements will be entered into or that any transaction will materialise from the current discussions with the Sponsor on the proposed disposition of the Property or any other alternative. If and when definitive agreements are entered into, the Manager will release an announcement.

In addition to other options, the Manager is also considering seeking a disposition mandate from Unitholders. A disposition mandate, if pursued, would provide Manulife US REIT more flexibility to pursue the disposition of certain assets as long as the dispositions meet certain conditions. This would also eliminate the need for Manulife US REIT to convene separate general meetings on each occasion to seek Unitholders' approval (where required) as and when Manulife US REIT disposes a property. Purchasers of commercial properties in the U.S., particularly at this time of economic distress in the commercial office market, are less willing to subject their purchase of a property to the consent of Unitholders and wait for an extraordinary general meeting of unitholders ("**EGM**") to proceed with the purchase. The time required and uncertainty entailed in the EGM process makes the disposal of Manulife US REIT's properties extremely challenging to attract buyers.

Unitholders are reminded to exercise caution when dealing in the units of Manulife US REIT. The Manager will provide an update as and when there are any material developments in accordance with the Listing Manual.

BY ORDER OF THE BOARD
William D. Gantt III
Chief Executive Officer

Manulife US Real Estate Management Pte. Ltd.
(Company Registration No. 201503253R)
As manager of Manulife US Real Estate Investment Trust
18 July 2023

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.