



MANULIFE US REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 27 March 2015 under the laws of the Republic of Singapore)

DIVESTMENT OF PROPERTY KNOWN AS CAPITOL LOCATED IN SACRAMENTO, CALIFORNIA

Capitalised terms used herein, but not otherwise defined, shall have the meanings ascribed to them in Manulife US Real Estate Investment Trust's Circular to Unitholders dated 29 November 2023 (the "Circular").

1. INTRODUCTION

Manulife US Real Estate Management Pte. Ltd., as manager of Manulife US Real Estate Investment Trust ("**Manulife US REIT**", and the manager of Manulife US REIT, the "**Manager**") refers to the Circular pursuant to which a Disposition Mandate (as defined in the Circular) was obtained for the disposal of Existing Properties.

Pursuant to the Disposition Mandate, the Manager is pleased to announce that Manulife US REIT, through its indirect wholly owned subsidiary, HANCOCK S-REIT SACRAMENTO LLC (the "**Seller**"), is selling the property known as Capitol (the "**Divestment**") located at 400 Capitol Mall, Sacramento, California, United States 95814 (the "**Property**") to 400 CM OWNER, LLC, an unrelated third-party purchaser (the "**Purchaser**"), at a sale price of US\$117.0 million.

2. INFORMATION ON THE PROPERTY

The Property, located in Sacramento, California, is a freehold 29-storey Class A office building with net lettable area ("**NLA**") of 501,308 square feet as at 30 June 2024. As at 30 June 2024, the Property is 89.9% occupied with a weighted average leased to expiry of 4.8 years (by NLA).

3. PRINCIPAL TERMS OF THE DIVESTMENT

3.1 Consideration and Valuation

The consideration of US\$117.0 million (the "**Consideration**") is subject to the Seller's credit and customary closing prorations and adjustments. The Consideration of US\$117.0 million, less the estimated Seller's credit of approximately US\$6.2 million for outstanding tenant improvement allowances, free rent and lease commissions (subject to closing adjustments), was arrived at on a willing-buyer willing-seller basis, taking into account the independent valuation of the Property. DBS Trustee Limited, in its capacity as trustee of Manulife US REIT (the "**Trustee**") and the Manager commissioned an independent property valuer,

CBRE, Inc. (the “**Valuer**”), to value the Property. Using the income capitalisation approach which consists of the discounted cash flow method and direct capitalisation method, the Valuer valued the Property at US\$118.0 million as at 1 September 2024.

In accordance with the trust deed constituting Manulife US REIT dated 27 March 2015 (as amended, supplemented and/or restated from time to time) (the “**Trust Deed**”), the Manager is entitled to a divestment fee of approximately US\$0.6 million, being 0.5% of the net Consideration of US\$110.8 million.

The Divestment is expected to complete within 4Q 2024. Upon completion, Manulife US REIT will own nine properties in the U.S. with an aggregate NLA of approximately 4.6 million square feet.

3.2 Principal Terms of the PSA

Pursuant to the purchase and sale agreement (the “**PSA**”) entered into between the Seller and the Purchaser, the Seller agreed to sell, and the Purchaser agreed to purchase the Property. The principal terms of the PSA include, amongst others, the following:

- (i) the Purchaser depositing an initial US\$2.0 million deposit and an additional US\$3.0 million following the expiration of the due diligence period;
- (ii) the Purchaser has the right to terminate the PSA during the due diligence period, and in this regard, the due diligence period has expired on 27 September 2024 (Pacific time) and the Purchaser has delivered written notice approving its due diligence review of the Property to the Seller. Following its delivery of such approval notice, the Purchaser shall forfeit its aggregate deposit of US\$5.0 million should it not proceed with the acquisition of the Property, subject to customary termination rights of the Purchaser, including non-satisfaction of the conditions precedent to the Purchaser’s obligation to close the acquisition or the Seller’s covenants, representations and warranties;
- (iii) customary provisions relating to the Divestment, including customary representations and warranties, indemnities and pre-completion covenants;
- (iv) the Property is sold subject to, among others, existing licences, leases and the Permitted Exceptions (as defined in the PSA) for the Property, and with the Property in its “as-is, where is” condition subject to the express terms of the PSA; and
- (v) to the extent that the Seller’s representations, covenants and warranties under the PSA survive the closing, they will survive for a period of nine months, and Purchaser shall have the right to assert claims against the Seller arising out of any and all misrepresentations or breaches of any covenant or warranty by the Seller under the PSA or in any closing document if the actual losses or damages sustained by the Purchaser exceed US\$100,000, up to a maximum aggregate amount of 2.0% of the Consideration.

In addition, the PSA contains, among others, the following conditions precedent to the Seller’s obligation to sell the Property:

- (i) approval of the Board of Directors of the Manager;
- (ii) approval of the Trustee of Manulife US REIT; and

- (iii) approval of the certain lenders to Manulife US REIT being The Manufacturers Life Insurance Company and certain other banks and financial institutions.

The above-mentioned approvals have been fully obtained on 28 September 2024.

4. RATIONALE FOR THE DIVESTMENT

The rationale for the Divestment is as follows:

4.1 Net proceeds from the Divestment of Capitol will contribute towards the full repayment of loans due in 2025, with no loans due until 2026

The Manager intends to utilise the net sales proceeds from the Divestment of Capitol as well as existing cash to fully repay approximately US\$130.7 million loans maturing in 2025. Post-repayment, there will be no debt maturities until 2026. This will enable Manulife US REIT to achieve its objective of paying down the upcoming loan maturities in 2025 as early as possible to mitigate risks amid an uncertain environment.

4.2 Manulife US REIT will achieve substantial progress towards the 2024 Net Proceeds Target¹ and significantly improve its aggregate leverage

The Divestment is a first major step towards the 'Recovery' phase of Manulife US REIT's strategic roadmap. Under the Master Restructuring Agreement ("MRA"), Manulife US REIT will achieve 47% of the 2024 Net Proceeds Target of US\$230.0 million and 33% of the 2025 Net Proceeds Target of US\$328.7 million following the completion of the Divestment.

Assuming the Divestment was completed and net sales proceeds and existing cash were used to repay approximately US\$130.7 million of outstanding loans as at 30 June 2024, Manulife US REIT's *pro forma* aggregate leverage is expected to improve to 54.2% from 56.3% and weighted average interest cost is expected to reduce to 4.16% from 4.58%. The *pro forma* weighted average debt maturity will also be extended to 3.4 years from 3.0 years.

4.3 Capitol is a non-strategic asset for Manulife US REIT given its location in a tertiary market and high future capital outlay

Capitol is located in downtown Sacramento, which is a small tertiary office market. Despite its Class A attributes, it was built in 1992 and the capital requirements to maintain the property are expected to be significant over the next 10 years. The Divestment will allow Manulife US REIT to use the capital that will otherwise be committed to the Property, to drive leasing activity and strengthen the quality of the other assets that it plans to hold. The Divestment is also in line with the Manager's portfolio optimisation strategy to support long-term sustainable risk-adjusted cash flows and returns.

4.4 Liquidity is the Manager's top priority amidst the challenging transaction and office market

¹ Under the MRA, Manulife US REIT is required to achieve a minimum cumulative net sale proceeds from the aggregate sale of up to four of the Tranche 1 Assets and/or the Tranche 2 Assets of: (a) US\$230.0 million by 31 December 2024 (on a best endeavours basis) ("2024 Net Proceeds Target"), and (b) US\$328.7 million by 30 June 2025 ("2025 Net Proceeds Target").

The ongoing challenges of the U.S. office market arising from remote/hybrid work arrangements and the lack of debt availability continues to hamper transactions. Office transaction volume is still more than 50% below 2022 levels (US\$25.8 billion in 1H 2024 vs US\$61.3 billion in 1H 2022)². In addition, there are continued uncertainties around future interest rate cuts and the U.S. economy.

The Manager believes that it would be in the interest of Unitholders to dispose Capitol to the Purchaser as the transaction will be fully funded by cash. The Divestment will provide Manulife US REIT with liquidity and the flexibility to make an early repayment of the upcoming debt maturities which would be beneficial to the REIT and its Unitholders.

(Please refer to paragraph 4 of the Letter to Unitholders in the Circular for further details on the rationale and benefits of the Divestment pursuant to the Disposition Mandate as part of the Recapitalisation Plan.)

5. USE OF SALE PROCEEDS AND FINANCIAL EFFECTS OF THE DIVESTMENT

5.1 Use of sale proceeds

After taking into account the Divestment related expenses, the net proceeds from the Divestment are approximately US\$108.8 million, resulting in an estimated net loss from the Divestment of approximately US\$51.1 million³. The net proceeds of the Divestment will be fully used to repay debt.

5.2 Pro forma financial effects

The *pro forma* financial effects of the Divestment on the income available for distribution to Unitholders per unit of Manulife US REIT (“Unit”, and the income available for distribution per Unit, the “DPU”) and the net asset value (“NAV”) per Unit presented below are strictly for illustrative purposes only and are prepared based on the latest unaudited financial statements of Manulife US REIT for the financial six-month period ended 30 June 2024 (“1H 2024”), the audited financial statements of Manulife US REIT for the financial year ended 31 December 2023 (“FY 2023”), and the respective assumptions set out below.

5.2.1 1H 2024 Pro Forma Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, and additional debt repayment of approximately US\$21.9 million from existing cash, are strictly for illustrative purposes only and were prepared based on the 1H 2024 Unaudited Financial Statements.

² Source: JLL Research

³ The estimated net loss on disposal is calculated by subtracting the net proceeds from the Divestment (after deducting the estimated divestment related expenses) from the book value of the Property of US\$159.9 million as at 30 June 2024.

(i) 1H 2024 Pro Forma DPU

The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, as well as additional repayment of approximately US\$21.9 million of debt, as if the Divestment and debt repayment were completed on 1 January 2024, are as follows:

	1H 2024 Unaudited Financial Statements	After the Divestment	After the Divestment and additional debt repayment
Income available for distribution to Unitholders ("DI") (US\$ '000)	22,853	20,928	21,379
Units in issue ('000)	1,776,565	1,776,565	1,776,565
DPU based on DI over Units in issue (US cents)	1.29	1.18	1.20
DPU dilution (%) ⁽¹⁾	-	(8.4)	(6.4)

Note:

(1) Subject to rounding difference.

(ii) Pro Forma NAV per Unit as at 30 June 2024

The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, as well as additional repayment of approximately US\$21.9 million of debt, as if the Divestment and debt repayment were completed on 30 June 2024, are as follows:

	1H 2024 Unaudited Financial Statements	After the Divestment	After the Divestment and additional debt repayment
NAV (US\$ '000)	624,489	573,042	572,967
Units in issue and to be issued ('000)	1,835,124	1,835,124	1,835,124
NAV per Unit (US\$)	0.34	0.31	0.31

(iii) Pro Forma Aggregate Leverage as at 30 June 2024

The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, as well as additional repayment of approximately US\$21.9 million of debt, as if the Divestment and debt repayment were completed on 30 June 2024, are as follows:

	1H 2024 Unaudited Financial Statements	After the Divestment	After the Divestment and additional debt repayment
Gross borrowings (US\$ '000)	875,700	766,913	745,014
Total assets (US\$ '000)	1,555,463	1,395,581	1,373,682

	1H 2024 Unaudited Financial Statements	After the Divestment	After the Divestment and additional debt repayment
Aggregate leverage (%)	56.3	55.0	54.2

5.2.2 FY2023 *Pro Forma* Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, and additional debt repayment of approximately US\$21.9 million, are strictly for illustrative purposes only and were prepared based on the FY 2023 Audited Financial Statements.

(i) FY 2023 *Pro Forma* DPU

The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, as well as additional repayment of approximately US\$21.9 million of debt, as if the Divestment and debt repayment were completed on 1 January 2023, are as follows:

	FY 2023 Audited Financial Statements	After the Divestment	After the Divestment and additional debt repayment
Income available for distribution to Unitholders ("DI") (US\$ '000)	74,292	68,051	68,914
Units in issue ('000)	1,776,565	1,776,565	1,776,565
DPU based on DI over Units in issue (US cents)	4.18	3.83	3.88
DPU dilution (%) ⁽¹⁾	-	(8.4)	(7.2)

Note:

(1) Subject to rounding difference.

(ii) *Pro Forma* NAV per Unit as at 31 December 2023

The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, as well as additional repayment of approximately US\$21.9 million of debt, as if the Divestment and debt repayment were completed on 31 December 2023, are as follows:

	FY 2023 Audited Financial Statements	After the Divestment	After the Divestment and additional debt repayment
NAV (US\$ '000)	608,635	558,867	558,758
Units in issue and to be issued ('000)	1,835,124	1,835,124	1,835,124
NAV per Unit (US\$)	0.33	0.30	0.30

(iii) Pro Forma Aggregate Leverage as at 31 December 2023

The *pro forma* financial effects of the Divestment with net proceeds used to fully repay debt, as well as additional repayment of approximately US\$21.9 million of debt, as if the Divestment and debt repayment were completed on 31 December 2023, are as follows:

	FY 2023 Audited Financial Statements	After the Divestment	After the Divestment and additional debt repayment
Gross borrowings (US\$ '000)	925,700	816,913	795,014
Total assets (US\$ '000)	1,588,270	1,430,270	1,408,371
Aggregate leverage (%)	58.3	57.1	56.4

6. OTHER INFORMATION

6.1 Interests of Directors and Controlling Unitholders

Save for the unitholding interests in Manulife US REIT held by certain directors of the Manager and the controlling Unitholders, and based on information available to the Manager as at the date of this announcement, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Divestment.

6.2 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Divestment or any other transactions contemplated in relation to the Divestment.

6.3 Disclosure under Rule 1006 of the Listing Manual

Chapter 10 of the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by Manulife US REIT. Such transactions are classified into the following categories: (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, *inter alia*, the following bases or comparison set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual:

- (a) NAV of the assets to be disposed of, compared with the issuer's NAV;
- (b) the net profits attributable to the assets disposed of, compared with the issuer's net profits; and
- (c) the aggregate value of the consideration received, compared with the issuer's market capitalisation.

The relative figures for the Divestment using the applicable bases of comparison described above are set out in the table below.

Comparison of:	Divestment (US\$ million)	Manulife US REIT (US\$ million)	Relative figure (%)
<u>Rule 1006(a)</u> NAV of the asset to be disposed of, compared with Manulife US REIT's NAV	159.9	624.5 ⁽¹⁾	25.6
<u>Rule 1006(b)</u> Net profits attributable to the asset disposed of, compared with Manulife US REIT's net profits	4.6	17.0 ⁽¹⁾	27.1
<u>Rule 1006(c)</u> Aggregate value of the consideration to be received, compared with Manulife US REIT's market capitalisation	110.8 ⁽²⁾	221.4 ⁽³⁾	50.0

Notes:

- (1) Based on the unaudited consolidated financial statements of Manulife US REIT Group for the half year ended 30 June 2024.
- (2) For the purposes of computation under Rule 1006(c), the aggregate consideration received by Manulife US REIT is the aggregate sale consideration for the Property less the estimated Seller's credit of approximately US\$6.2 million, excluding divestment related costs.
- (3) Based on 1,776,565 Units in issue and the weighted average price of US\$0.1246 per Unit on the Singapore Exchange Securities Trading Limited (the "SGX-ST") on the market day preceding the date of this Announcement when the PSA is effectively binding on the Seller and the Purchaser.

Based on the relative figures as computed on the bases set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual, the Divestment is classified as a major transaction under Chapter 10 of the Listing Manual. The prior approval of the Unitholders is not required as the Manager is relying on the Disposition Mandate for the Divestment.

6.4 Disposition Mandate

The table below sets out the compliance with the requirements of the salient terms of the Disposition Mandate as set out in paragraph 7.3 of the Letter to Unitholders in the Circular.

Terms	Compliance
(i) All the Existing Properties are subject to the terms of the Disposition Mandate, and not just the Tranche 1 Assets and the Tranche 2 Assets.	The Property is one of the Tranche 2 Assets.

Terms	Compliance
<p>(ii) The objective of the Disposition Mandate is to provide the Manager with the needed flexibility to execute business plans and asset dispositions that are essential to the Recapitalisation Plan but also essential to preserve long-term Unitholder value and to raise the minimum aggregate net sale proceeds of US\$328.7 million from the sale of the Existing Properties (on a cumulative basis, but for the avoidance of doubt, does not include the Divestment Consideration from the Proposed Divestment (as defined in the Circular as the proposed divestment of Park Place)) as required by the Lenders under the terms of the restructuring of the Existing Facilities.</p>	<p>The Manager is divesting the Property to fulfil the objectives of the Disposition Mandate.</p>
<p>(iii) At the relevant point of sale and prior to the signing of the definitive agreements in each disposition transaction relating to any Existing Property, the Manager and the Trustee shall arrange for a valuation of such asset by an independent valuer, with the valuation being no earlier than two months prior to the entry into the sale and purchase agreement for such asset, to ascertain the market value of such asset (or in respect of a Tranche 1 Asset, the Prevailing Market Price) (which is based on such formal valuation report). The independent valuer shall be appointed by the Trustee to maintain independence.</p>	<p>As stated in paragraph 3.1 above, the Valuer is appointed by the Trustee and the Manager to value the Property as at 1 September 2024, being no earlier than two months prior to the entry into the PSA.</p>
<p>(iv) Each of the Existing Properties may be sold at no less than 90% of the independent valuation obtained in accordance with sub-paragraph (iii) above.</p>	<p>The Property is being sold at no less than 90% of the Valuer's independent valuation of the Property (see paragraph 3.1 above).</p>

Terms	Compliance
<p>(v) If approved by the Unitholders at the EGM, the authority conferred by the Disposition Mandate will continue in force for a period commencing from and including the day following the day of the EGM until (whichever is earliest):</p> <p>(a) 31 December 2025;</p> <p>(b) the aggregate net sale proceeds from the sale of any of the Existing Properties (on a cumulative basis, but for the avoidance of doubt, does not include the Divestment Consideration from the Proposed Divestment (as defined in the Circular as the proposed divestment of Park Place)) exceed US\$328.7 million; or</p> <p>(c) if the Early Reinstatement Conditions are achieved.</p>	<p>The Divestment is authorised under the Disposition Mandate which continues to be in force before 31 December 2025, and the aggregate net sale proceeds have not exceeded US\$328.7 million nor have the Early Reinstatement Conditions been achieved.</p>
<p>(vi) If Manulife US REIT is not able to dispose of one or more of the Existing Properties in accordance with the terms of the Disposition Mandate, the Manager will revert to the Unitholders for a fresh mandate or a specific approval for the transaction if required pursuant to Chapter 10 of the Listing Manual.</p>	<p>The Divestment is being conducted pursuant to the terms of the Disposition Mandate.</p>

Terms	Compliance
(vii) Notwithstanding the rest of the terms of the Disposition Mandate, the Disposition Mandate does not cover a sale to interested person(s) of Manulife US REIT. If a transaction with interested person(s) of Manulife US REIT is equal to or exceeds the thresholds prescribed in Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, the Manager shall seek specific Unitholders' approval and/or make an immediate announcement in respect of such transaction in accordance with Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix.	The Purchaser is an unrelated third-party and not an interested person of Manulife US REIT.

6.5 Documents Available for Inspection

The PSA and the valuation report of the Valuer are available for in-person inspection with prior appointment during normal business hours at the registered office of the Manager at 8 Cross Street, #16-03, Manulife Tower, Singapore 048424 from the date of this announcement up to and including the date falling three months after the date of this announcement.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Manulife US REIT is in existence.

BY ORDER OF THE BOARD

John Casasante

Chief Executive Officer & Chief Investment Officer

Manulife US Real Estate Management Pte. Ltd.

(Company Registration No. 201503253R)

As manager of Manulife US Real Estate Investment Trust

30 September 2024

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 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, the Trustee 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. 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 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.