



## MANULIFE US REAL ESTATE INVESTMENT TRUST

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

### ACQUISITION OF PROPERTY IN NEW JERSEY, THREE MILES FROM NEW YORK CITY

#### 1. INTRODUCTION

Manulife US Real Estate Management Pte. Ltd., in its capacity as manager of Manulife US Real Estate Investment Trust (“**Manulife US REIT**”, and the manager of Manulife US REIT, the “**Manager**”), is pleased to announce that Manulife US REIT, through its indirect wholly owned subsidiary, has entered into a purchase agreement (“**Purchase Agreement**”) with PMP 500 Plaza, LLC (the “**Vendor**”) to acquire the property located at 500 Plaza Drive, Secaucus, New Jersey (the “**Property**”) (the “**Acquisition**”).

#### 2. INFORMATION ON THE PROPERTY

The Property is one of the premier properties in Northern New Jersey and consists of an 11-storey freehold quality office building located within the mixed-use amenity base of Harmon Meadow which is surrounded by hotels, restaurants, leisure and sport facilities, movie theatres, shopping malls and apartments. The Property is connected to Midtown Manhattan via bus and train and is approximately three miles to Manhattan, New York City via Lincoln Tunnel.

<b>Purchase Consideration</b>	US\$115.0 million
<b>Building Size</b>	461,525 square feet
<b>Year Built</b>	1985
<b>Year Renovated</b>	2015/2016 (at estimated cost in excess of US\$16 million)
<b>Occupancy (as at 31 March 2017)<sup>(1)</sup></b>	98.9%
<b>Number of Tenants</b>	7
<b>WALE (as at 31 March 2017)</b>	9.2 years

**Note:**

(1) Based on committed leases.

DBS Bank Ltd. was the Sole Financial Adviser and Issue Manager for the initial public offering of Manulife US Real Estate Investment Trust (the “**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.

### **3. DETAILS OF THE TRANSACTIONS**

#### **3.1 Valuation and Purchase Consideration**

The purchase consideration payable for the Acquisition is US\$115.0 million and was negotiated on a willing-buyer and willing-seller basis. The independent valuation conducted by Cushman & Wakefield (“**Valuer**”) concluded a market value for the Property of US\$116.0 million as of 2 June 2017.

The Valuer has valued the Property primarily based on the income capitalisation approach to value and supported by the sales comparison approach. The income capitalisation approach consisted of a discounted cash flow analysis and a direct capitalisation methodology.

#### **3.2 Estimated Total Acquisition Cost**

The estimated total cost of the Acquisition (the “**Total Acquisition Cost**”) is approximately US\$120.4 million, comprising:

- 3.2.1 the purchase consideration of US\$115.0 million;
- 3.2.2 the acquisition fee payable to the Manager for the Acquisition pursuant to the Trust Deed dated 27 March 2015 constituting Manulife US REIT (as amended and restated) of approximately US\$1.2 million, which the Manager has elected to be paid in cash; and
- 3.2.3 estimated professional and other transaction fees and expenses incurred, or to be incurred, in connection with the Acquisition (inclusive of financing and equity fund raising related expenses, due diligence cost, land transfer taxes and costs to be incurred in relation to the valuation) of approximately US\$4.2 million.

#### **3.3 Establishment of Subsidiaries**

In connection with the Acquisition, Manulife US REIT has established the following entities:

- 3.3.1 Manulife US REIT Beta 2 (Singapore) Pte. Ltd., which has an issued and paid up capital of US\$2.00; and
- 3.3.2 Hancock S-REIT SECA Corp, which has an issued and paid up capital of US\$3,001,000<sup>1</sup>.

#### **3.4 Purchase Agreement**

The key terms of the Purchase Agreement include the following:

- the conditions precedent to the buyer’s obligation to proceed with the closing are that (i) all of the Vendor’s representation and warranties set forth in the Purchase Agreement shall be true and correct in all material respects as of the closing date, as if made on the closing date, except to the extent they relate to an earlier date, (ii) the title company shall be irrevocably committed to issuing its title insurance

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<sup>1</sup> Hancock S-REIT SECA Corp will form a taxable REIT subsidiary, Hancock S-REIT SECA TRS Corp, prior to the completion of the Acquisition.

policy insuring that title to the Property is vested in the buyer, (iii) the buyer shall have received tenant or Vendor estoppel certificates from tenants occupying no less than 90% of the area leased by tenants, including tenant estoppel certificates from the three largest tenants, as well as estoppel certificates under certain of the governing agreements for Harmon Meadow; and (iv) the Vendor shall have delivered all required closing documents and shall have performed all of its other material obligations under the Purchase Agreement; and

- the long stop date for completion of the Acquisition is 18 August 2017.

### **3.5 Structure of the Acquisition and Transfer of the Purchase Agreement**

John Hancock Life Insurance Company (U.S.A.) (the “**Sponsor Affiliate**”) had on 7 June 2017 entered into the Purchase Agreement with the Vendor. Under the terms of the Purchase Agreement the purchaser had until 19 June 2017 to conduct due diligence (the “**Due Diligence Date**”) and to indicate whether it intends to complete the Acquisition. The Sponsor Affiliate issued a notice to the Vendor that it intends to complete the Acquisition and it transferred the Purchase Agreement to Manulife US REIT on 19 June 2017.

## **4. RATIONALE FOR AND BENEFITS OF THE ACQUISITION**

The Acquisition is in line with Manulife US REIT’s principal investment mandate, strategy and business model. The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

### **4.1 Expand geographical footprint via best-in-class office building minutes from New York City**

#### **4.1.1 Acquisition of prime property in New Jersey**

500 Plaza Drive is an 11-storey Class A office building with 461,525 sqft of leasable area, located in Secaucus, New Jersey. The Property underwent major refurbishment in 2015 and 2016, with improvements to the amenities and substantial upgrades to the finishes and grounds. Onsite amenities in the Property include a 5-storey atrium lobby, a café and lounge, executive conference centre, high end fitness centre and building wide Wi-Fi connectivity.

#### **4.1.2 Excellent location and transportation connectivity**

The Property benefits from close proximity to New York City, minutes away via the Lincoln Tunnel and within 10 miles from Newark Liberty International Airport and the Port of New York and New Jersey. The Property offers direct connectivity to Midtown Manhattan and all of New Jersey through mass transit via New Jersey Transit bus as well as shuttle service to Secaucus Junction Train Station. The location also offers excellent accessibility by car within the regional location with easy linkage to interstate highways.

#### **4.1.3 Desirable submarket 3 miles from Manhattan**

The Meadowlands office submarket, where the Property is located, has a total inventory of 8.9 million sq ft, with Class A properties representing approximately 3.7 million sq ft. The Property stands out as a recently renovated premium building

in the submarket combining high quality improvements and amenities. As such, the Property competes against a limited subset of similar higher quality properties in the submarket, which enjoy lower vacancy rates and command higher asking rents compared to the many older buildings in the submarket. Numerous redevelopments are also transforming the submarket into a vibrant mixed-use environment, attracting younger and more affluent residents, making it well-positioned to benefit from the national trend towards urban living with a focus on highly amenitised, mixed-use transit-oriented environments.

#### **4.1.4 Preferred headquarters location, cost-efficient alternative to Manhattan office submarket**

The Meadowlands office submarket is an affordable office location just across the Hudson River and has seen growth as companies seek high quality, lower-cost alternatives to Manhattan, New York. It's attractiveness as an office market is reinforced by its ability to provide regional connectivity through public transportation infrastructure and interstate highways, while offering urban conveniences at suburban prices. As such, the Meadowlands office submarket is regarded as a prime headquarters location for corporates because of its proximity to Manhattan. Tenants who have relocated their headquarters to the Meadowlands submarket include Quest Diagnostics, The Children's Place, Safilo and Vitamin Shoppe. Major U.S. companies with a significant presence in Meadowlands include Citigroup, Ernst & Young, National Basketball Association, Major League Baseball, Polo Ralph Lauren Corp and AXA.

#### **4.1.5 "Live, Work and Play" amenities rich neighbourhood**

The Property is located within the 550-acre mixed-use amenity base of Harmon Meadow in Secaucus, New Jersey, which offers a vibrant live, work and play environment and access to a deep and highly educated labour pool. The Northern New Jersey region is home to many Fortune 500 companies including ADP, Celgene, Merck, Prudential and Toys R Us. The Meadowlands market is regarded as the premier entertainment destination in Northern New Jersey, with the Property surrounded by a plethora of work and lifestyle amenities including hotels, restaurants, leisure and sports facilities, apartments, movie theatres and shopping malls.

### **4.2 Freehold property with high occupancy, long WALE and high quality tenants**

#### **4.2.1 High quality credit-worthy tenant base**

The Property is 98.9% leased as at 31 March 2017 based on committed leases to high quality tenants such as AXA, Xerox Business Services, The Children's Place and Quest Diagnostics. These tenants represent a diverse range of industries including retail, healthcare and financial services, amongst others. The Children's Place (NYSE: PLCE) and Quest Diagnostics (NYSE: DGX) use the Property as their global corporate headquarters, while AXA and Xerox are investment-grade tenants, with S&P credit ratings of A+ and BBB- respectively.

#### 4.2.2 Long WALE, stable and quality cash flows

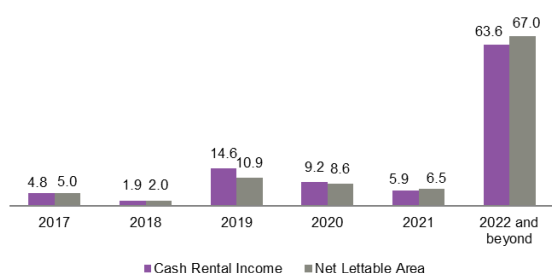
The Property's leases are long-tenured with a weighted average lease expiry ("WALE") of 9.2 years as at 31 March 2017. Approximately 77.0% of the existing Property's leases (by Cash Rental Income) will expire in FY2022 and beyond. Furthermore 99.9% of leases (by NLA) have built-in rental escalations providing, organic growth to the rental revenues.

#### 4.3 Strengthening overall portfolio

The addition of this Property will enhance the income stability and organic growth for the portfolio, increasing the WALE of Manulife US REIT's portfolio from 5.6 years<sup>2</sup> to 6.3 years.

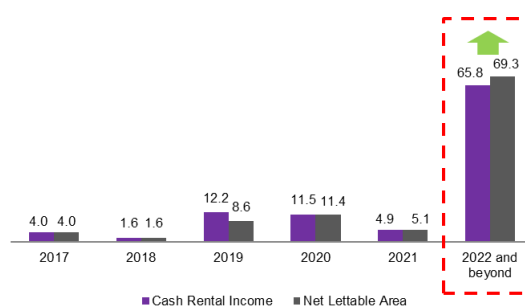
**Lease Expiry Profile of the Current Portfolio**

(%) (As at 31 March 2017)



**Lease Expiry Profile of the Enlarged Portfolio**

(%) (As at 31 March 2017)



The Acquisition will also enhance the diversification of Manulife US REIT's portfolio with respect to geographical spread and trade sectors. Portfolio diversification will also have a beneficial effect in terms of reducing risk across property cycles. The Acquisition will increase the NLA of Manulife US REIT's portfolio by 461,525 sq ft or 25.9% of the existing portfolio NLA.

With the addition of the Property, Manulife US REIT's total portfolio value<sup>3</sup> will increase by 13.9% from US\$834.2 million to US\$950.2 million.

With the addition of the Property, Manulife US REIT's pro forma net property income ("NPI") for FY2016 will increase by approximately 17.7% from US\$30.0 million to US\$35.3 million. Following the Acquisition, no single property will contribute more than 36.0% of Manulife US REIT's Enlarged Portfolio's NPI.

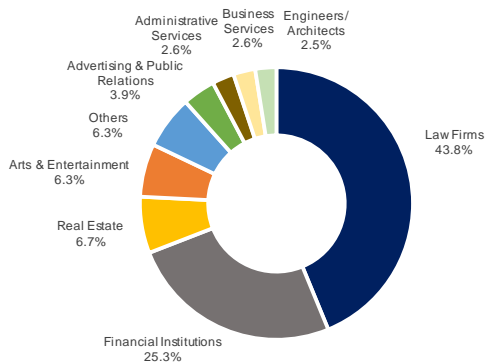
The Acquisition will also benefit Manulife US REIT with further income diversification arising from the enlarged tenant base. Following the Acquisition, no single trade sector will contribute more than 36.6% of Manulife US REIT's Enlarged Portfolio's cash rental income. The Acquisition will also improve Manulife US REIT's tenant diversification with the introduction of new tenants in two new trade sectors: (1) Medical & Diagnostics and (2) Retail Trade. Furthermore, post-Acquisition, no single tenant will contribute more than 9% of Income.

<sup>2</sup> As at 31 March 2017.

<sup>3</sup> Reported book values as at 31 March 2017 which are based on 31 December 2016 appraised values after capitalisation of capital expenditures, tenant improvement allowances and leasing costs. The value of the Property is based on independent valuation by the Valuer as at 2 June 2017.

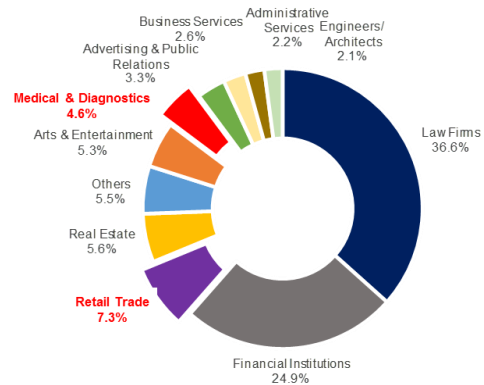
**Current Portfolio Cash Rental Income by Trade Sector**

**(as at 31 March 2017)**



**Enlarged Portfolio Cash Rental Income by Trade Sector**

**(As at 31 March 2017)**



**4.4 Capitalise on growth opportunities in line with long term strategy**

Consistent with Manulife US REIT's long term strategy of committing to growth, Manulife US REIT has demonstrated its ability to grow inorganically through the acquisition of a yield accretive property from a third party, enhancing Unitholders' returns. Through a proactive asset enhancement strategy, Manulife US REIT is able to achieve growth in Gross Revenue and NPI while maintaining optimal occupancy levels. Manulife US REIT is also able to demonstrate sound capital management, by employing an appropriate mix of debt and equity to optimise the risk-adjusted returns to Unitholders.

**4.5 Adding value to Unitholders through DPU accretion**

Unitholders are expected to benefit from a higher pro forma DPU as a result of the Acquisition. Assuming that the Acquisition was completed at the same terms on 20 May 2016, the listing date of Manulife US REIT, and held and operated through to 31 December 2016, the pro forma financial effects on Manulife US REIT's DPU for FY2016 would be 3.63<sup>3</sup> US cents instead of 3.55 US cents, representing an accretion of approximately 2.3%.

**5. METHOD OF FINANCING AND PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION**

**5.1 Method of Financing**

The Total Acquisition Cost will be funded by a combination of (a) loans, and (b) issuance of new units in Manulife US REIT ("Units"). (See the announcement titled "Launch of Private Placement" dated 19 June 2017 for further details of the placement where the Manager announced the proposed private placement of 73.6 million new units in Manulife US REIT ("New Units") to raise gross proceeds of no less than US\$ 60.1 million, subject

<sup>3</sup> For illustrative purposes, the Quest Diagnostics lease is assumed to commence on 20 May 2016 and that upon the assumed commencement, the lease would be income-producing and cash-generating.

to an upside option to issue up to 24.9 million additional New Units to raise an aggregate gross proceeds of up to approximately US\$80.5 million (the “**Private Placement**”).)

The final decision regarding the proportion of equity and debt financing for funding the proposed acquisition will be made by the Manager at the appropriate time taking into account the then prevailing market conditions.

Upon completion of the Acquisition which is currently expected to be on 19 July 2017, the aggregate leverage ratio of Manulife US REIT will remain stable from 33.8%<sup>4</sup> to 33.6%.

DBS Trustee Limited, in its capacity as trustee of Manulife US REIT (the “**Trustee**”), has entered into a facility agreement for a US\$120.0 million revolving credit facility (“**RCF**”) with DBS Bank Ltd. (the “**RCF Lender**”) to fund acquisitions. The RCF contains a provision that states that it would be an event of default if any of the Manager, the property manager of Manulife US REIT or the U.S. asset manager is not or ceases to be directly or indirectly wholly-owned by The Manufacturers Life Insurance Company (the “**Sponsor**”) (the “**RCF Condition**”). The aggregate level of facilities which may be affected by a breach of the RCF condition is US\$457.8 million<sup>5</sup>. As at the date of this announcement, there has not been any breach of the RCF Condition. Neither the Sponsor nor Manulife Financial Corporation, the parent corporation of the Sponsor, has entered into any share pledging arrangements in relation to the shareholding interest in the Manager or the unitholding interest in Manulife US REIT.

## 5.2 Pro Forma Financial Effects of the Acquisition

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on the distribution per Unit in Manulife US REIT (“**DPU**”) and net asset value (“**NAV**”) per Unit presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of Manulife US REIT and its subsidiaries (the “**Manulife US REIT Group**”) for the financial period ended 31 December 2016 (the “**Manulife US REIT Group 2016 Audited Financial Statements**”) and unaudited management accounts for the Property to be acquired. The pro forma financial effects of the Acquisition is prepared based on the assumption that 98.5 million New Units would be issued by the Private Placement and the Private Placement would raise approximately US\$80.5 million. In the event that less New Units are issued, the pro forma financial effects of the Acquisition would differ.

The pro forma financial effects are for **illustrative purposes only** and do not represent Manulife US REIT’s DPU and NAV per Unit following the completion of the Acquisition.

## 5.3 Pro Forma DPU

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on Manulife US REIT’s DPU for the financial period ended 31 December 2016 (“**FY2016**”), as if the Acquisition was completed on 20 May 2016 (the date of listing of Manulife US REIT) and Manulife US REIT held and operated the Property in FY2016 are as follows:

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4 Based on Manulife US REIT’s aggregate leverage ratio as at 31 December 2016.

5 Assuming that all of the existing drawn and undrawn facilities of Manulife US REIT and its subsidiaries and the RCF have been drawn down in full.

	Effects of the Acquisition		
	Before the Acquisition	After the Acquisition <sup>(1)</sup>	After the Acquisition and adjusted for Quest Diagnostics lease <sup>(2)</sup>
Distributable Income (US\$'000)	22,306	24,045 <sup>(3)</sup>	26,314
DPU (US cents)	3.55	3.32 <sup>(4)</sup>	3.63 <sup>(4)</sup>

**Notes:**

- (1) One of the major tenants, Quest Diagnostics, commenced its lease on 1 November 2016. As such, the net property income of the proposed acquisition for the period from 20 May 2016 to 31 December 2016 only included two months of income in 2016. As a result, the DPU is lower after acquisition due to late commencement of the Quest Diagnostics lease. It has also been assumed that the new Units are issued at an illustrative price of US\$0.84 per Unit.
- (2) Assuming that the new units are issued at an illustrative price of US\$0.84 per unit. In addition, for illustrative purposes, it has been assumed that the Quest Diagnostics lease commenced on 20 May 2016, and would be income producing and cash generating from 20 May 2016. The Manager had elected to receive 100% of its base and property management fees in Units.
- (3) The Vendor had granted rent free periods to certain tenants of the Property under the existing lease arrangements and as part of the terms of the Proposed Acquisition, the Vendor had offered to reimburse the buyer (in this case, Manulife US REIT) for the amount of rent which would otherwise have been payable by the tenants to the landlord if such rent free periods were not granted ("**Rent Free Reimbursement**"). The aggregate amount of the Rent Free Reimbursement of approximately US\$315,000 is based on the already agreed rent free period incentives which the Vendor had contractually made available to the relevant tenants under the lease arrangements which were in place for the Property at the time of signing of the purchase agreement for the Property, in order to reflect the normalised cash flows of the Property. The Rent Free Reimbursement will be credited against the purchase consideration for the Property and will go towards the distributable income of Manulife US REIT. The pro forma distributable income for FY2016 includes Rent Free Reimbursement of US\$63,000.
- (4) Including existing Units issued as at 31 December 2016 and the new Units issued as payment of the Total Acquisition Cost as well as base and property management fees in respect of the Property for the period from 20 May 2016 to 30 September 2016.

#### 5.4 Pro Forma NAV

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2016, as if the Acquisition was completed on 31 December 2016, are as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
NAV (US\$'000)	547,005	623,986
Issued Units ('000)	629,619 <sup>(1)</sup>	725,468 <sup>(2)</sup>
NAV per Unit (US\$)	0.87	0.86

**Notes:**

- (1) Number of Units issued and to be issued as at 31 December 2016.
- (2) Including existing Units issued and to be issued as at 31 December 2016 and new Units issued as payment of the Total Acquisition Cost at an illustrative price of US\$0.84 per new Unit (purely for illustrative purposes only).



## 6. OTHER INFORMATION

### 6.1 Disclosure under Rule 1010(13) of the Listing Manual

The relative figures for the Acquisition using the applicable bases of comparison in Rule 1006 of the Listing Manual are set out in the table below.

Comparison of	The Acquisition (US\$ million)	Manulife US REIT (US\$ million)	Relative figure (%)
<b>Rule 1006(b)</b> Net (loss)/ profits attributable to the assets acquired compared to Manulife US REIT's net profits	(1.1)	74.1	(1.5)
Net profits attributable to the assets acquired compared to Manulife US REIT's net profits (excluding fair value change in investment properties)	2.3	21.7	10.6
Net property income attributable to the assets acquired compared to Manulife US REIT's net property income	3.6	30.0	12.0
<b>Rule 1006(c)</b> Aggregate value of consideration <sup>(1)</sup> to be given compared with Manulife US REIT's market capitalisation <sup>(2)</sup>	115.0	564.4	20.4

**Notes:**

- (1) For purposes of computation under Rule 1006(c), the aggregate consideration given by Manulife US REIT is the purchase consideration for the Property.
- (2) Based on 631,365,359 units in issue and the weighted average price of US\$0.894 per unit on the SGX-ST on 16 June 2017, being the market day immediately prior to the date of this announcement.

The Manager is of the view that the Acquisition is within Manulife US REIT's ordinary course of business as it is within the investment mandate of Manulife US REIT and the Property is of the same class as Manulife US REIT's existing properties and within the same geographical markets that Manulife US REIT targets. Accordingly, Unitholders' approval for the Acquisition is not required.

### 6.2 Directors' Service Contracts

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

### 6.3 Interest of Directors and Controlling Unitholders

Save for the units in Manulife US REIT held by the Directors, none of the Directors has an interest, direct or indirect, in the Acquisition. There are no controlling unitholders in Manulife US REIT.

## 7. DOCUMENTS FOR INSPECTION

A copy of the following is available for inspection during normal business hours at the registered office of the Manager located at 51 Bras Basah Road, Level 11 Manulife Centre, Singapore 189554 for a period of three months commencing from the date of this announcement, prior appointment would be appreciated:

- (i) a copy of the Purchase Agreement; and
- (ii) a copy of the valuation report by the Valuer.

BY ORDER OF THE BOARD

Jill Smith

Chief Executive Officer

**Manulife US Real Estate Management Pte. Ltd.**

(Company registration no. 201503253R)

(as manager of Manulife US Real Estate Investment Trust)

19 June 2017

### 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.