

28 January 2025

ASX Code: URF
US Masters Residential Property Group (Group)

Update on Structure Review and Sales Target for 2025

The Board of Directors is pleased to announce that the Group has completed a review of the Group's US structure to ensure repatriations of net proceeds from the sales program are undertaken in the most tax efficient manner.

On 28 January 2025, the Trustees of US Masters Residential Property (USA) Fund (**US REIT** or **US Vehicle**) agreed to reclassify the US Vehicle from its existing REIT structure to that of a taxable Corporate (**C-Corp**) structure for US tax purposes with an effective date of 1 January 2025. At the same time, the Trustees agreed to adopt a formal plan of liquidation which is expected to be completed by 31 December 2028 (the 'Liquidation Period').

The changes in structure of the US Vehicle outlined in this announcement do not impact the ongoing operations of the Australian entities or of the Group as a whole.

Previous Structure: REIT

Structured as a REIT, the US Vehicle was generally not subject to US corporate taxes so long as REIT qualification rules continued to be met. The Group was, however, subject to a 15% withholding tax on taxable gains repatriated to Australia. As the Group executes the sell down of the portfolio and as the embedded capital gain in the portfolio is realized, future repatriations would have incurred a withholding tax obligation. Under the US/Australia tax treaty, historical losses were not available to reduce the amount of withholding tax payable under the previous REIT structure.

The Group has historically recognised a net deferred tax liability in respect of the structure as outlined above. At 30 June 2024, the net deferred tax liability recognised was US\$30.3 million.

Revised Structure: C-Corp & Plan of Liquidation for US Tax Purposes

Following the reclassification, the Group's US operations will be subject to US corporate taxes (both Federal and State) currently at an effective tax rate of approximately 32%. However, as a C-Corp historical losses are generally available to reduce the amount of corporate taxes that are expected to arise on the sell down of the portfolio. While historical losses are available to reduce taxable income under a C-Corp structure, losses incurred after the 2017 calendar year can be used to offset 80% of current year taxable income only.

The future repatriation of funds to Australia made in connection with the US Vehicle's plan of liquidation are considered 'liquidating dividends' and not subject to withholding tax provided such repatriations are made within the Liquidating Period. Any assets that remain on hand at the expiration of the Liquidating Period will be transferred to the Group (the Australian listed entity) and any taxable income resulting



from the sale of these assets will be subject to US corporate tax at a rate which is currently approximately 32%.

Outcome

The Group's total US tax exposure over the course of the sell down period will be impacted by several factors including the underlying operating results of US Vehicle, future movements in the value of the Group's portfolio and the time taken to sell down the portfolio.

The Group is currently in the process of finalizing the portfolio appraisal process at 31 December 2024, updating the tax basis of the portfolio as well as the taxable income for 2024 but estimates that the net deferred tax liability will be reduced to less than US\$5 million on the assumption all real estate assets are sold within the Liquidating Period.

Sales Target for 2025

As previously noted in the Investment and NAV Update as of 31 December 2024, released on 14 January 2025, the sales target for the 2025 calendar year is in the range of US\$200 to \$225 million. While this remains a targeted figure and not a forecast, it continues to signify the commitment to executing on the asset sales program to return capital to investors as efficiently and expeditiously as possible.

Investors may contact the Investor Relations team at URFInvestorRelations@usmprf.com or on (03) 9691 6110.

This communication has been prepared by US Masters Responsible Entity Limited (ACN 672 783 345, AFSL 553 794), the responsible entity of the US Masters Residential Property Group.

The US Masters Residential Property Group is a listed stapled entity consisting of US Masters Residential Property Fund (ARSN 150 256 161) and US Masters Residential Property Fund II (ARSN 676 798 468). For more information, visit: www.usmastersresidential.com.au.

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