



**Manulife**  
US REIT

# 3Q 2020 Operational Updates

1 Jul 2020 to 30 Sep 2020

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5 November 2020



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# 3Q 2020 Financial and Portfolio Updates



# YTD Sep 2020 Financial and Portfolio Updates

**Occupancy**

**94.3%**

**WALE**

**5.5 years**

**Gearing**

**39.9%**



Balance sheet remains strong with undrawn committed facilities of US\$134.5 m



Executed 217,300 sq ft of leases with +7.9% reversion YTD Sep 2020

- Working on leasing enquiries mainly from Legal, Financial & Insurance and Information
- Decline in portfolio occupancy from 96.2% to 94.3% largely due to known expiries unrelated to COVID-19 and a slow down in new leasing nationwide



Rental collection<sup>1</sup> of 98% YTD Sep 2020 and 94% for 3Q 2020; excludes deferment and abatement

- Provided rental deferment of 0.3% and abatement of 0.2% based on YTD Sep 2020 income; minimal impact on income
- Slow collections mainly from F&B, lifestyle and retail
- No increase in subleased space at 3.3%<sup>2</sup> during pandemic



Recognised for governance

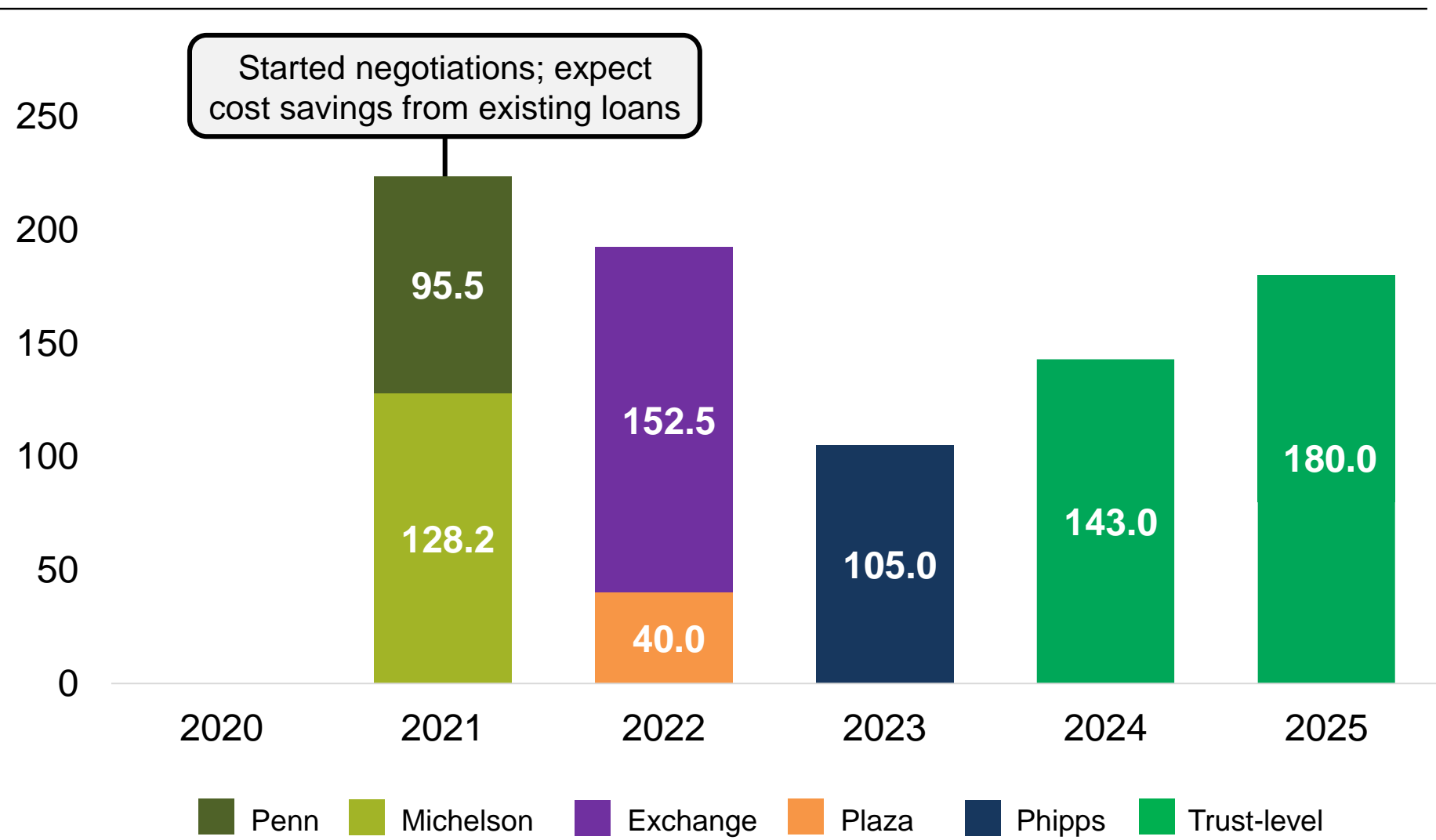
- 4<sup>th</sup> by Governance Index for Trust 2020 out of 45 REITs and Business Trusts
- 9<sup>th</sup> by Singapore Governance Transparency Index 2020 out of 45 REITs and Business Trusts

(1) Collections as at 23 Oct 2020

(2) By NLA

# Well-Spread Debt Maturity; Greater Financial Flexibility

Debt Maturity Profile as at 30 Sep 2020 (US\$ m)



Gross Borrowings  
**US\$844.2 m**



Gearing Ratio<sup>1</sup>  
**39.9%**



W.A. Interest Rate  
**3.21%**



W.A. Debt Maturity  
**2.6 years**



Interest Coverage<sup>2</sup>  
**3.7 times**

(1) Based on gross borrowings as percentage of total assets  
(2) Based on net income before finance expenses, taxes and net fair value change in investment properties and derivatives, over finance expenses

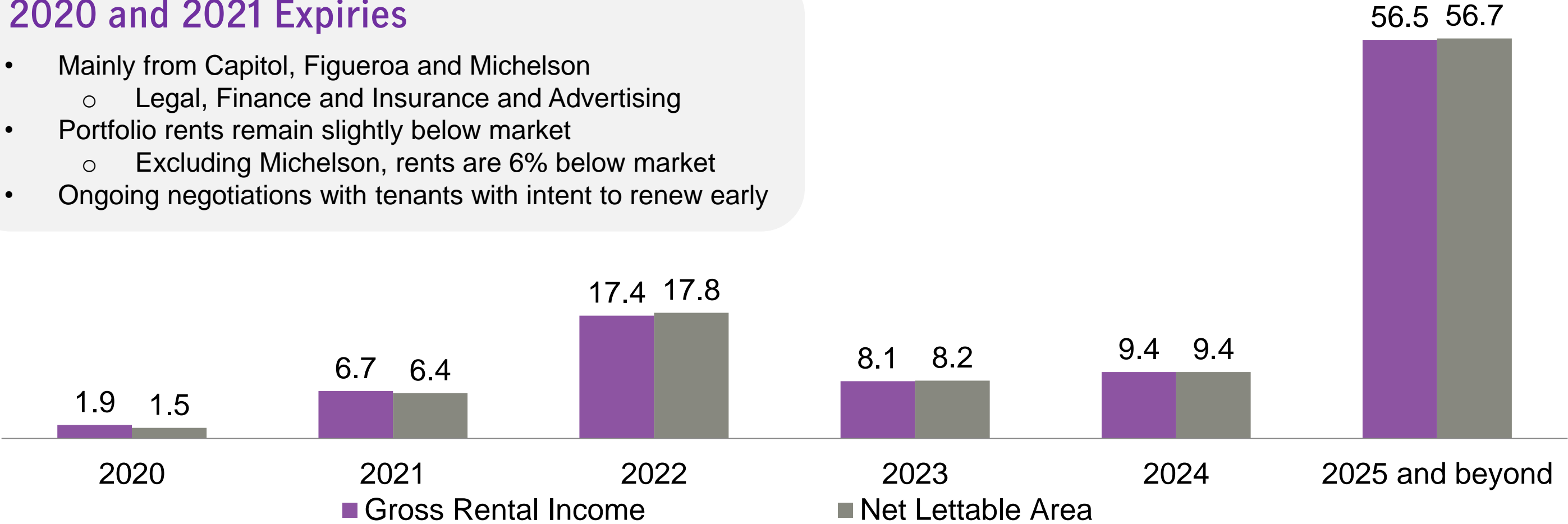
# Minimal Lease Expiries in 2020 and 2021

Resilient Portfolio with WALE of 5.5 Years

Lease Expiry Profile as at 30 Sep 2020 (%)

## 2020 and 2021 Expiries

- Mainly from Capitol, Figueroa and Michelson
  - Legal, Finance and Insurance and Advertising
- Portfolio rents remain slightly below market
  - Excluding Michelson, rents are 6% below market
- Ongoing negotiations with tenants with intent to renew early



# 4.6% of Portfolio Renewed YTD Sep 2020 with Positive Reversions

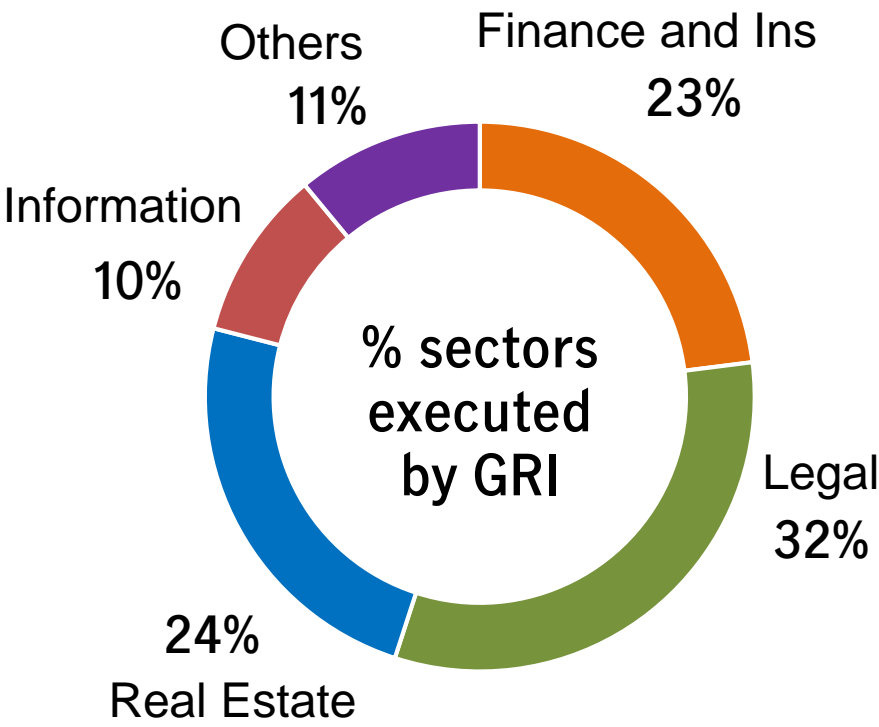
## Leases Executed YTD Sep 2020

**Net Lettable Area**  
~217,300 sq ft

**Rental Escalations**  
2.4% p.a.

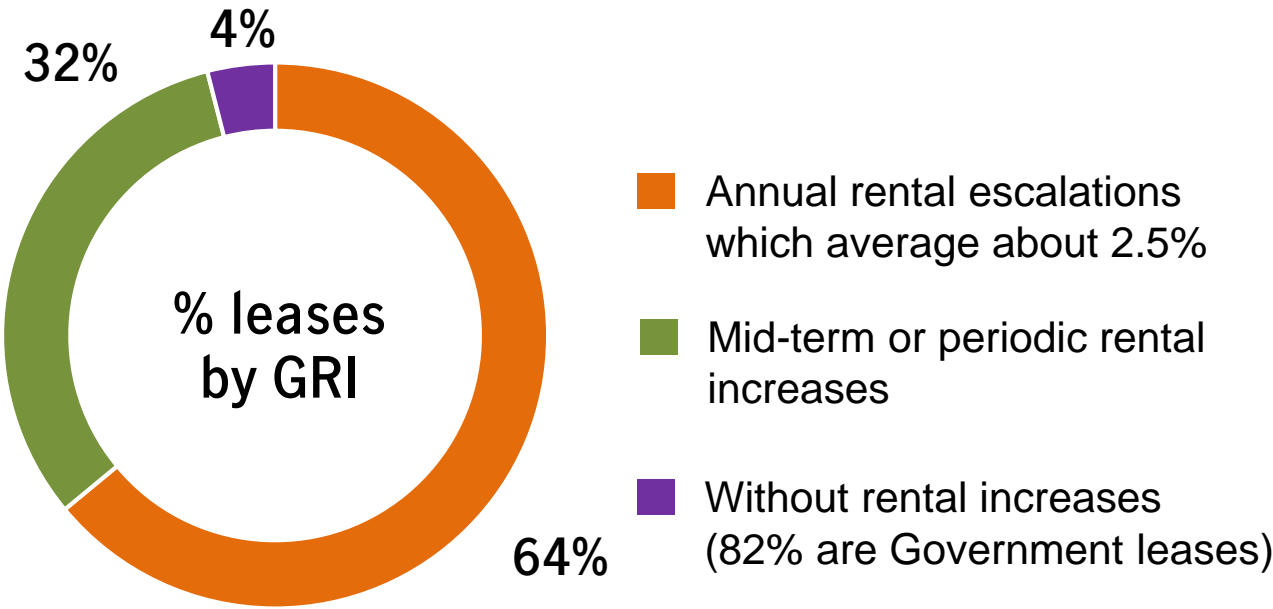
**Long WALE**  
6.9 Years

**Rental Reversion**  
+7.9%



## Portfolio Rental Escalations as at 30 Sep 2020

- Portfolio escalations of 1.9% p.a.
- 96% of leases by GRI have rental escalations





# 5.9 Years WALE by Top 10 Tenants; Majority Listed/Govt/HQ

Trade Sector by Gross Rental Income (GRI) (%)



Note: Amounts may not sum to 100.0% due to rounding

Top 10 Tenants by Gross Rental Income (GRI)

Tenant	Sector	NLA (sq ft)	% of GRI
The William Carter	Retail Trade	304,013	6.3
TCW Group	Finance and Ins	188,835	4.0
Kilpatrick Townsend	Legal	184,653	3.7
The Children’s Place	Retail Trade	197,949	3.6
US Treasury	Public Admin	120,324	3.2
United Nations	Grant Giving	94,988	3.2
Quinn Emanuel Trial	Legal	135,003	3.0
Amazon	Retail Trade	129,259	3.0
Hyundai Motor Finance	Finance and Ins	97,587	3.0
Quest Diagnostics	Health Care	131,612	2.4
<b>Total Top 10 Tenants</b>		<b>1,584,223</b>	<b>35.4</b>

# Limited Supply in Our Cities

Last 12 Months Rental Growth in MUST's Locations of 0.9% Stronger than U.S. Average of 0.2%

3Q 2020 Class A Market	RBA (mil sq ft)	Vacancy (%)	Gross Asking Rent (US\$)	Last 12 Months Rent Growth <sup>1</sup> (%)	New Properties Under Construction ('000 sq ft)	Delivery Year
Downtown Los Angeles	44.6	15.2	43.05	2.2	0	N/A
Irvine, Orange County	15.0	17.1	35.66	(3.4)	0	N/A
Buckhead Atlanta	16.5	15.7	39.11	0.5	340	Q2 2021
Midtown Atlanta	18.5	9.7	44.56	4.0	679	Q2 2021
Meadowlands <sup>2</sup>	3.5	18.9 <sup>3</sup>	37.06	(0.9)	0	N/A
Hudson Waterfront <sup>4</sup>	18.2	13.4	42.78	(1.3)	0	N/A
Washington, D.C.	29.8	17.0	57.73	0.0	469	Q2 2022
Fairfax Center	4.6	22.8	33.23	1.4	0	N/A
Downtown Sacramento	10.2	5.1	40.26	3.6	0	N/A

Minimal impact as Phipps  
100% leased with 6.9-year  
WALE by NLA

- 40% pre-leased  
(mainly Google)
- Not comparable as  
asking rent 80% higher

Not comparable as new  
supply are Trophy with  
asking rents 20% above  
Penn (Class A)

(1) All building classes

(2) Secaucus is within the Meadowlands submarket

(3) Vacancy and availability include old and incomparable buildings. Plaza's competitive set has ~5% vacancy rate. New construction is not comparative to Plaza

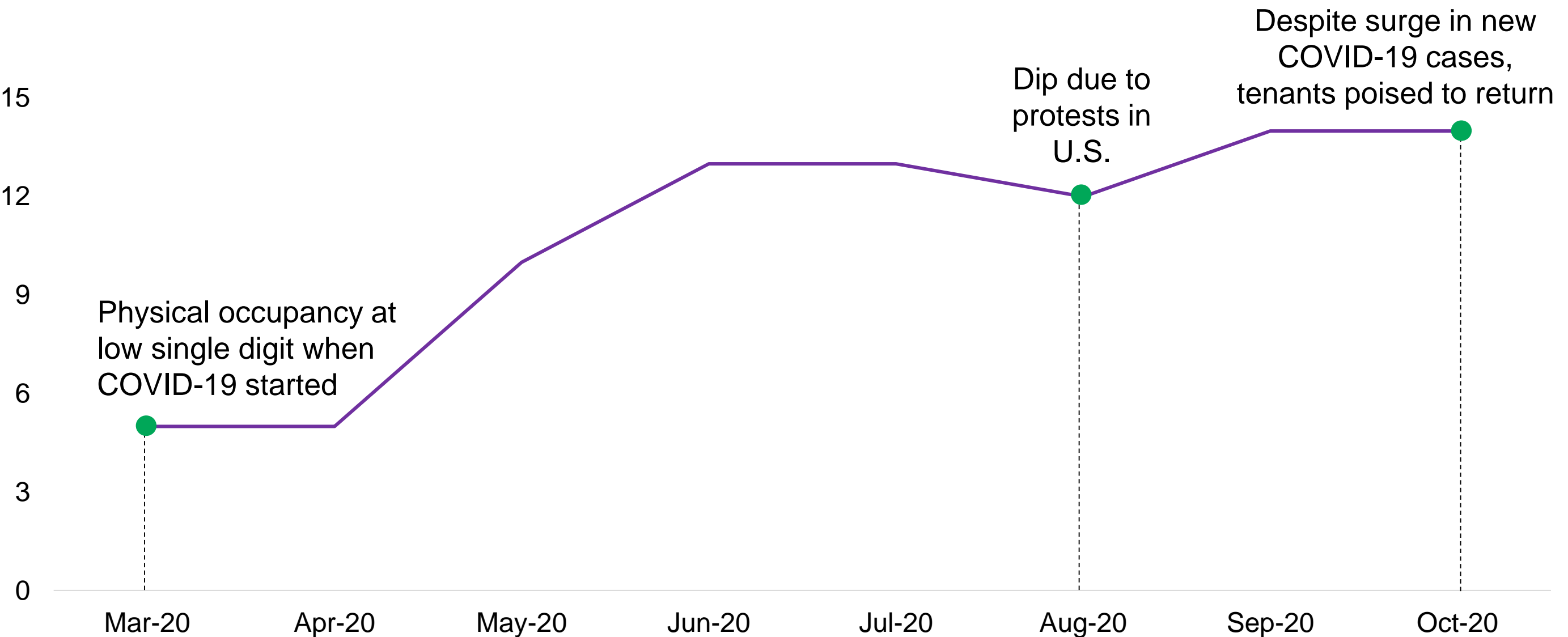
(4) Jersey City is within the Hudson Waterfront submarket

Source: CoStar Market Analysis & Forecast – As at 1 Oct 2020



# Gradual Return to MUST's Offices – Life Goes On...

Physical Occupancy (%)





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## Looking Forward



# Trophy/Class A Portfolio Anchored to Ride Out Crisis



- Started negotiations for 2021 loans (existing loan at 3.2%)
  - expect cost savings
- No direct impact on tax structure post U.S. elections
- Expect 100% distribution pay-out for FY2020



- Focus on 2021 expiries targeting high-growth sectors using variety of leasing options
- AEIs in Figueroa and Exchange expected to drive leasing
  - in time to reposition for market's reopening



- Acquisition landscape active – target desirable locations focusing on high growth sectors (tech, healthcare)

“ ... flight-to-quality is placing even greater strain on commodity and second-generation assets as tenants either relocate or place large amounts of space on the sublease market, with Class B occupancy losses occurring at triple the rate of those in Class A properties. ”

- JLL Research United States, Q3  
2020 Office Outlook, 14 Oct 2020





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*Exchange, Jersey City*



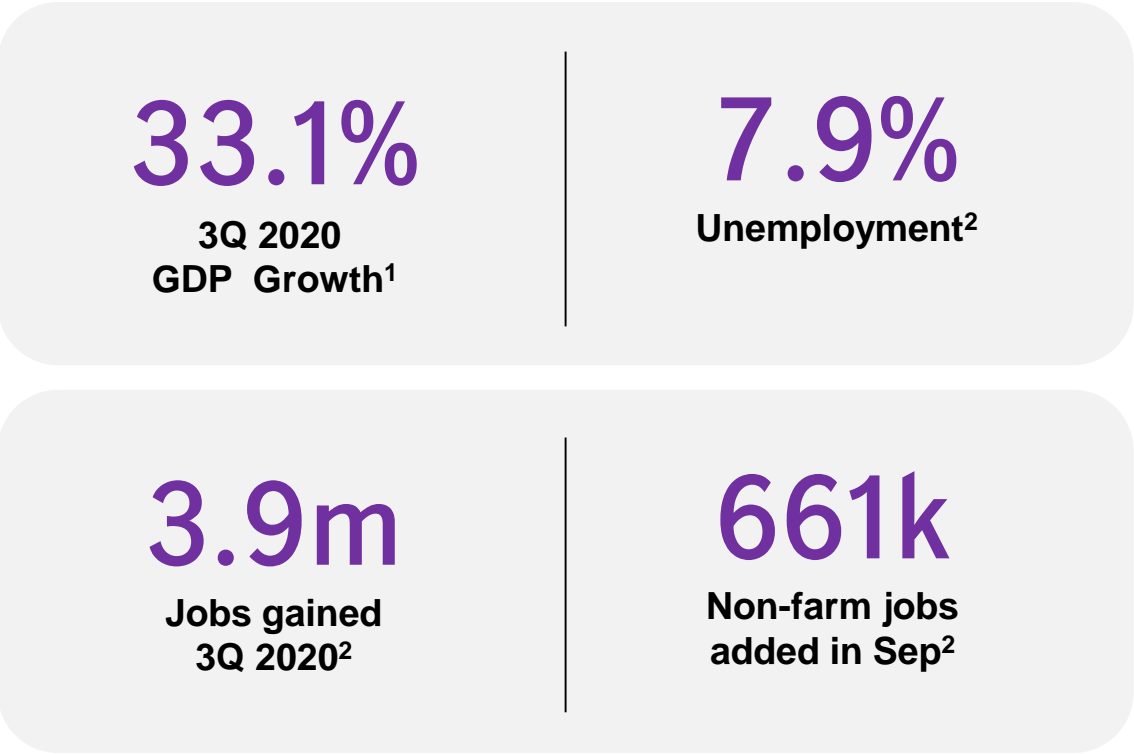
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## Appendix: U.S. Outlook

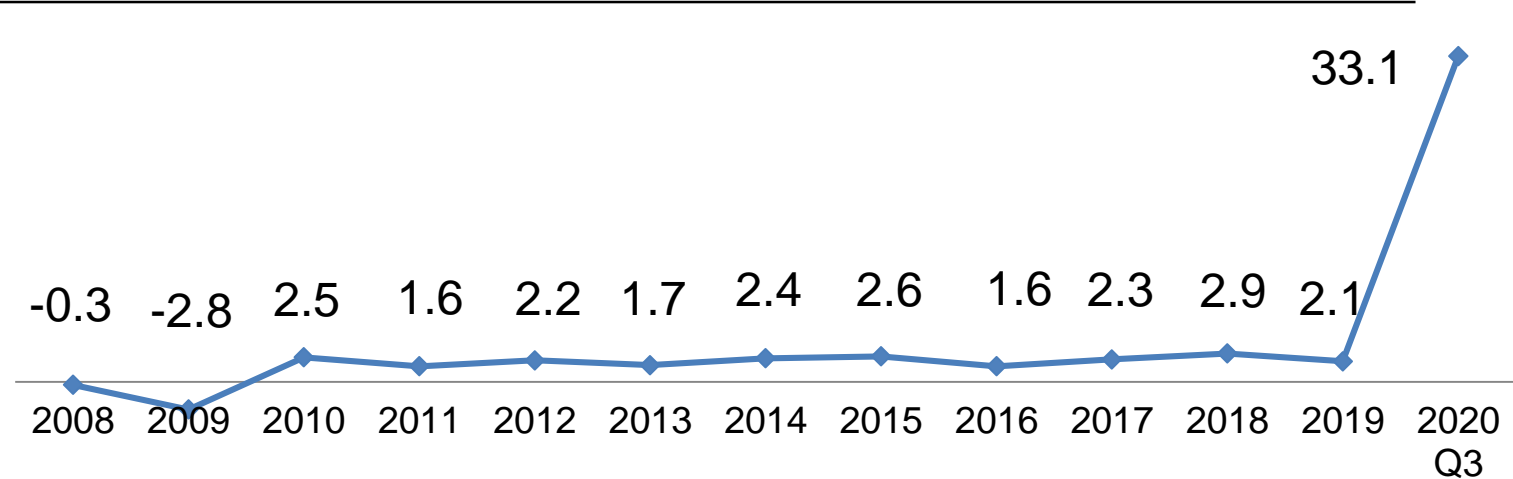


# World's Largest Economy Bouncing Back

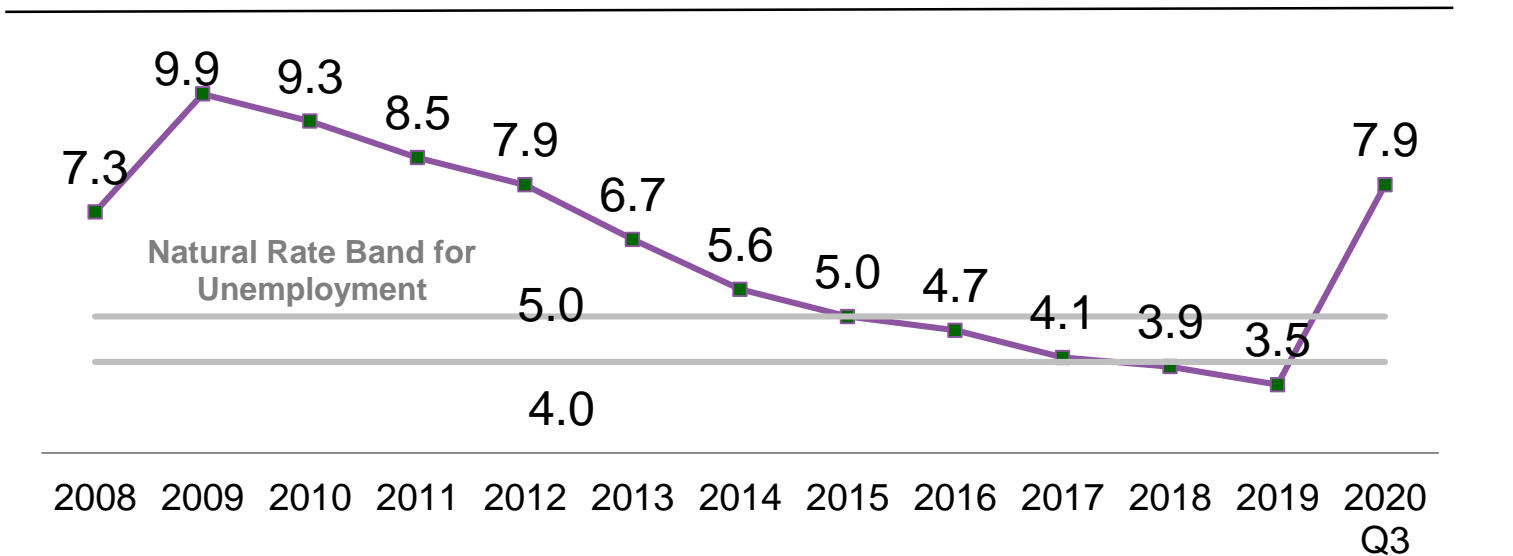
- September unemployment rate down from June's 11.1%
- Leisure and hospitality led September job gains



U.S. GDP Growth (%)<sup>3</sup>



U.S. Unemployment (%)<sup>4</sup>



(1) Source: U.S. Department of Commerce, Bureau of Economic Analysis as of Oct 29, 2020, annualised rate  
(2) Source: U.S. Department of Labor, Bureau of Labor Statistics as at Oct 2020  
(3) GDP Growth Rate Source: U.S. Department of Commerce, Bureau of Economic Analysis  
(4) Unemployment Rate Source: U.S. Department of Labor, Bureau of Labor Statistics as at Oct 2020

# U.S. Office Real Estate Activity Remains Muted

- Quarterly occupancy loss of 28.9 m sq ft largest on record
- Nearly 55% of Q3 leasing deals came in the form of renewals

**16.0%<sup>1</sup>**

3Q 2020  
vacancy

**+0.4%<sup>1</sup>**

Annual  
increase in rents

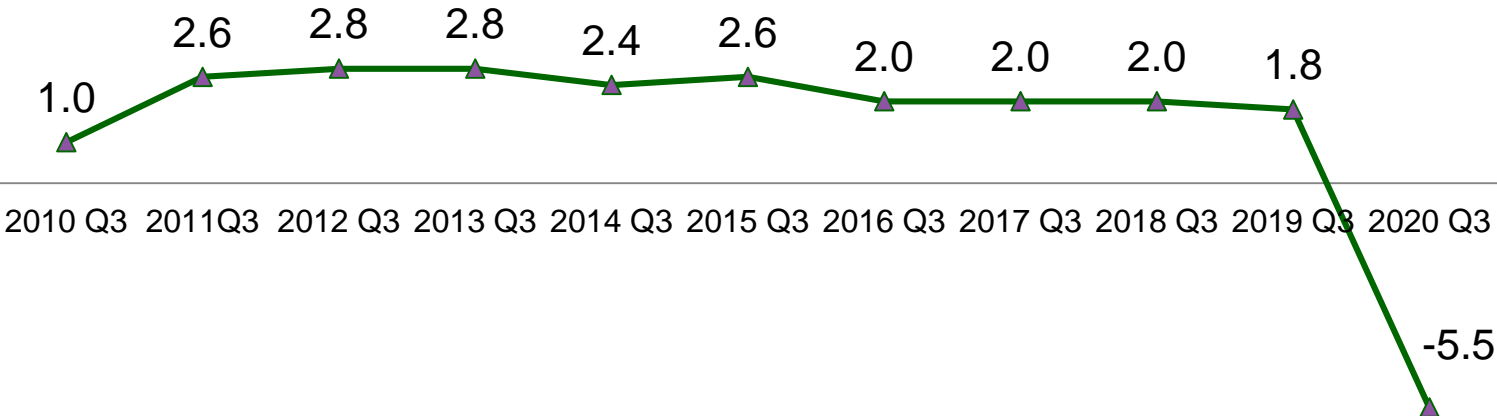
**-28.9 m<sup>1</sup>**

3Q 2020  
net absorption (sq ft)

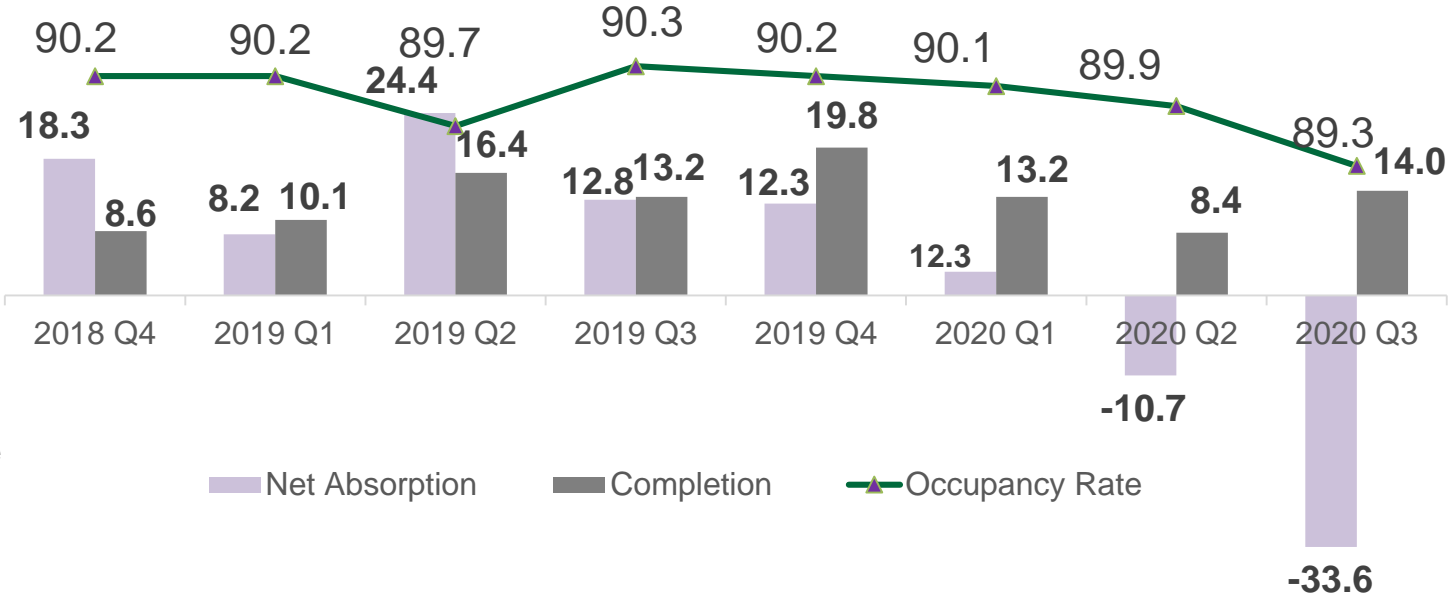
**12.8 m<sup>1</sup>**

New supply in  
3Q 2020 (sq ft)

## U.S. Office Employment YoY (%)<sup>2</sup>



## U.S. Office Net Absorption (m sq ft) and Occupancy (%)<sup>3</sup>



(1) Includes all office as at 30 Sep 2020. Source: JLL U.S. Office Outlook 3Q 2020  
(2) Office employment includes the professional and business services, financial and information service sectors; Source: CoStar Market Analysis & Forecast Reports. Amounts are 12 trailing months  
(3) Source: CoStar Market Analysis & Forecast Reports



# Classification of U.S. Markets

**Gateway:** New York, Boston, LA, Chicago, San Francisco and Washington, D.C.  
**Non-Gateway:** All Others e.g. Atlanta, Denver and Austin



## **CBD** Central Business District

Main business and commercial area of a city with tallest office towers. Densely populated with abundant amenities and strong public transportation network.

## **US** Urban Suburban

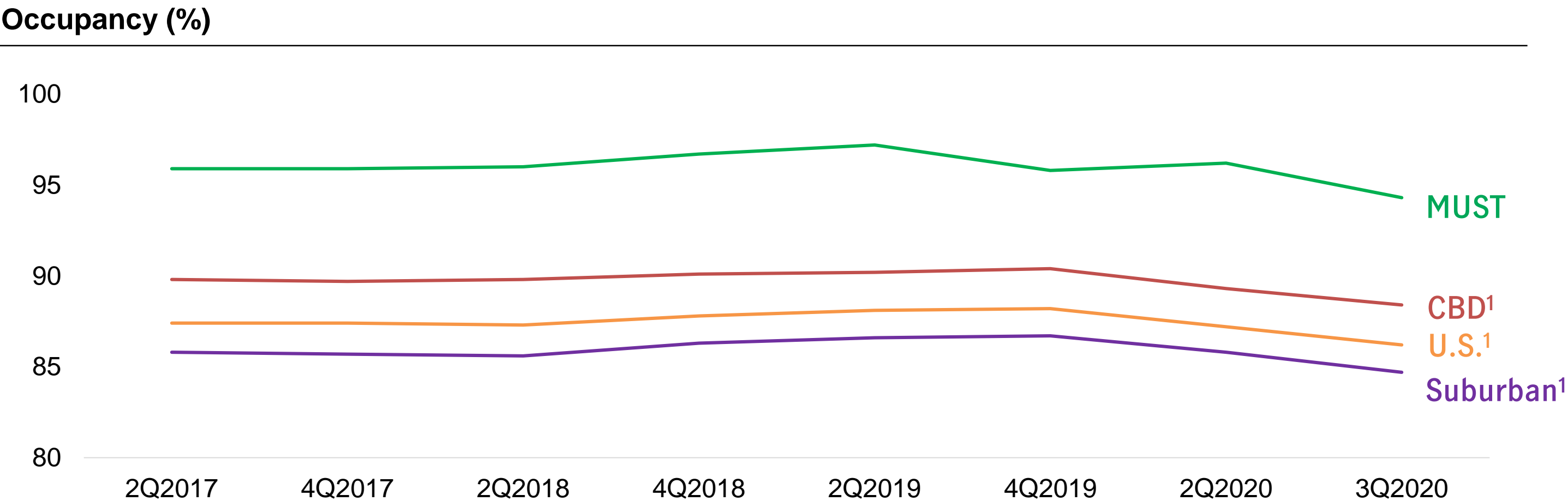
Offer live-work-play environments with ample walkable amenities. Usually have linkage to public transportation. Generally midrise office buildings.

## **S** Suburban

Less dense than neighboring urban areas, typically fewer amenities, free parking and little public transportation. Typically low to midrise office buildings.

# Outperforming Market Occupancy

MUST Continues to Outperform Occupancies at both the Suburban and CBD Levels

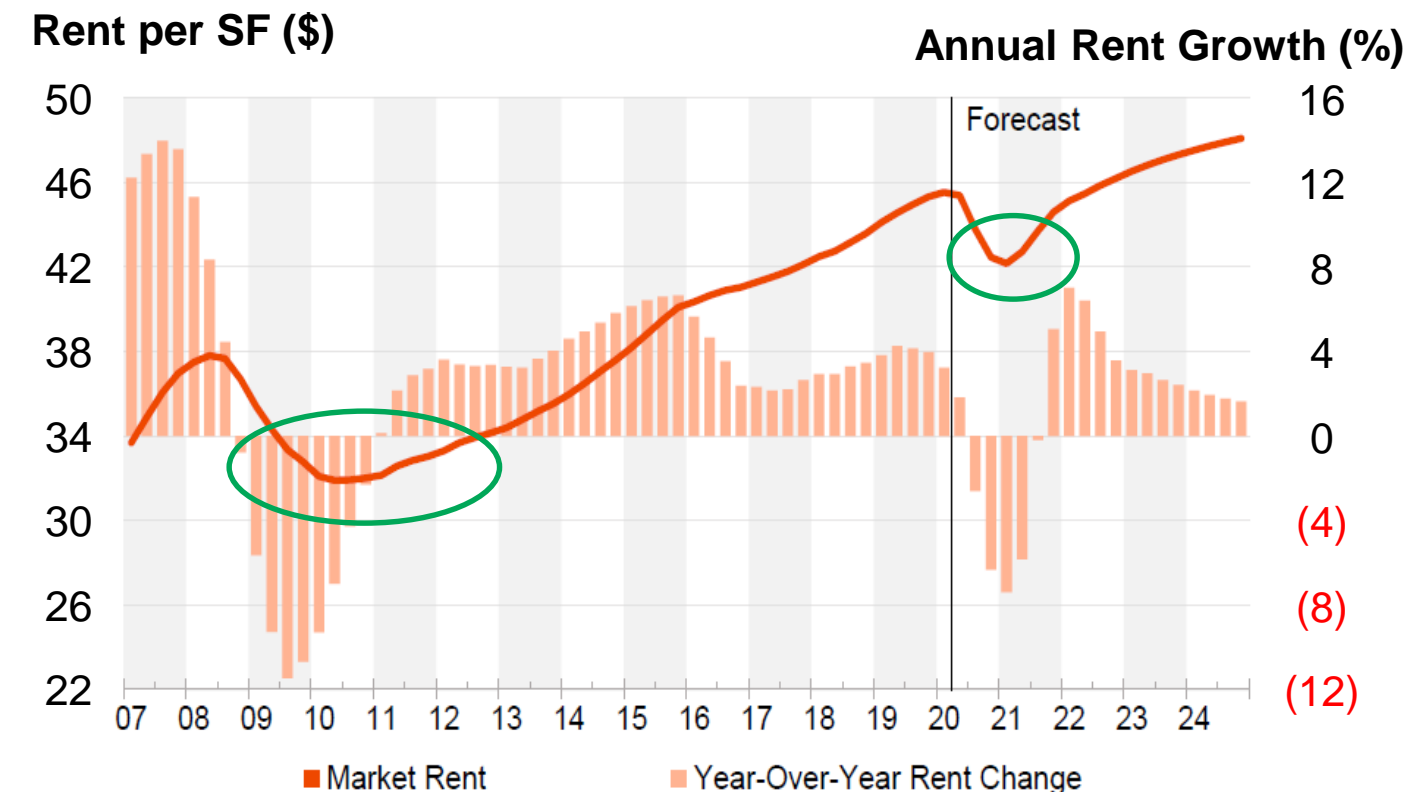
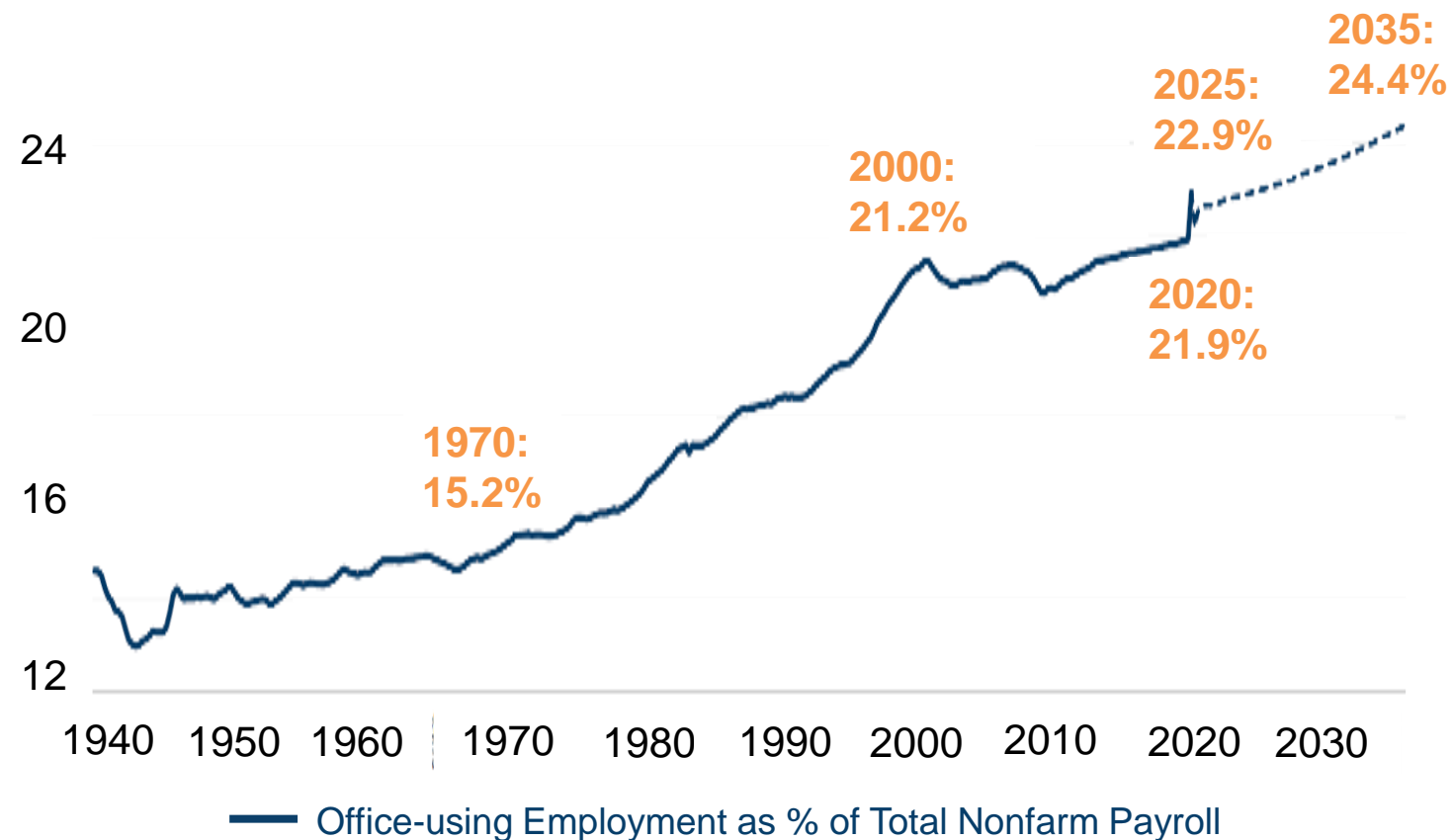


(1) CBRE Econometric Advisors as of Q3 2020, Class A Office Properties

# Future of U.S. Office – Strong Structural Demand Fuels Growth

Knowledge Economy<sup>1</sup> – Office-using Industries Take Disproportionate Share of Future U.S. Job Gains

## Office-using Employment (ex. government and medical)(%)<sup>2</sup> Rent Growth Forecast<sup>3</sup>



(1) Note: OECD's definition of Knowledge Economy – "The knowledge based economy" is an expression coined to describe trends in advanced economies towards greater dependence on knowledge, information and high skill levels, and the increasing need for ready access to all of these by the business and public sectors.

(2) Source: Cushman and Wakefield report dated 30 Sep 2020: U.S. Property Markets & the Economy, U.S. Bureau of Labor Statistics; Moody's Analytics Forecasted

(3) Source: CoStar Office Big Book – Jun 2020



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