



(Left-Right: Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn, Phipps, Centerpointe and Capitol)  
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## MUST positions for office recovery amid leasing momentum, improving U.S. fundamentals

- Distribution per unit (DPU) of 2.70 US cents for 1H 2021
- Robust occupancy of 91.7% and long WALE of 5.3 years
- Executed 6.5% of portfolio’s leases with positive rental reversion, with more to come
- Positive momentum as U.S. remains open
- Obtained maiden sustainability-linked loan of US\$250 million

**Singapore, 12 August 2021 – Manulife US Real Estate Investment Trust** (“MUST” or “REIT”), the first pure-play U.S. office REIT listed in Asia, today reported a gross revenue of US\$90.8 million and net property income of US\$56.1 million for the first half ended 30 June 2021 (“1H 2021”). Gross revenue and net property income decreased 7.9% and 9.8% year-on-year (“YoY”) respectively, mainly due to lower rental income from [Michelson](#), [Centerpointe](#) and [Capitol](#), arising from higher vacancies, rent abatements provided to tenants affected by COVID-19, and lower portfolio carpark income. This translated to a distributable income of US\$43.0 million, a decrease of 10.4% from the corresponding period a year ago. As a result, the REIT announced a DPU of 2.70 US cents for 1H 2021, 11.5% lower from a year ago. Unitholders can expect to receive their distributions on 27 September 2021.

### Summary of Manulife US REIT Results

	1H 2021 (US\$'000)	1H 2020 (US\$'000)	Change (%)
Gross Revenue	90,799	98,630	(7.9)
Net Property Income	56,069	62,173	(9.8)
Distributable Income	42,990	47,978	(10.4)
<b>Distribution per Unit (US cents)</b>	2.70	3.05	(11.5)

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the “Manager”) said, “**Our YoY occupancy and DPU levels suffered from the full brunt of the pandemic, given that the impact was only felt in the U.S. from April 2020. Having weathered the worst of the pandemic and with leasing accelerating, we have a clearer path towards the recovery of our office portfolio. As we look ahead, some 60 per cent of our tenants have indicated their plans to return to the office from September, lifting revenue such as car park income for MUST. Amid the COVID-19 environment in 1H 2021, we have focused on maximising leases and securing the future with forward renewals. We are confident of the**

**road ahead and are encouraged by the increased leasing volume and digital/physical tours we are seeing plus committed leases since the end of 1H. On the ESG front, we are galvanising activity towards being a responsible environmental steward, targeting net zero and 80% GHG emissions reduction by 2050.”**

## **Portfolio Review**

As at 30 June 2021, the REIT recorded a stable occupancy of 91.7% and long WALE of 5.3 years. MUST's well-diversified credit tenant base comprises multinational corporations across more than 16 different trade sectors. The REIT's top 10 tenants have a long WALE of 5.7 years, and majority of them are either public-listed companies, government agencies or corporate headquarters. As at 30 June 2021, no single tenant contributed more than 6.5% of GRI.

In 1H 2021, the REIT executed leases amounting to ~305,000 sq ft or 6.5% of the portfolio by NLA, at an average rental reversion of +1.3%. As at 30 June 2021, just 2.9% of leases by NLA will expire in 2021, down from 5.7% as at 31 December 2020. From 1 July to 10 August 2021, ~28,000 sq ft of leases were signed, which brings the 2021 lease expiry to 2.3%. In all, ~127,000 sq ft in leases are signed and expected to be signed in 3Q 2021. Additionally, the portfolio's in-place rental escalations profile stands at 2.1% per annum, with 62.5% of leases enjoying annual escalations averaging 2.7% per annum.

MUST's nine office buildings remained open throughout the pandemic and physical occupancy is now rising across the portfolio, with some reaching 50% in early August. As at 30 June 2021, the Manager has collected 99% of rents and provided 0.3% deferment, as well as 2.4% abatement mainly to retail and F&B tenants whose operations were restricted by the pandemic. With the U.S. remaining open and more office workers returning, such rent relief and provisions for expected credit loss are also projected to decline.

## **Proactive Capital Management**

As at 30 June 2021, MUST's balance sheet remained stable with a NAV per Unit of US\$0.71. The REIT's gearing ratio of 42.1% as at 30 June 2021 has reduced to 41.6% following a partial debt repayment of US\$15.0 million in July 2021. The Manager has also mitigated near-term interest rate risk with 96.3% of outstanding loans on a fixed rate basis. Following a successful refinancing of loans in 2021, this has reduced MUST's weighted average interest rate to 2.99% as at 30 June 2021, from 3.18% as at 31 December 2020. It has also extended MUST's weighted average debt maturity to 3.2 years, from 2.3 years at 31 December 2020. There are no outstanding loans due in 2021.

On 24 March 2021, MUST obtained a US\$250 million unsecured sustainability-linked loan, which presents opportunities for further cost savings from interest rate reductions linked to pre-determined sustainability performance targets. On 15 June 2021, MUST obtained a new US\$200 million unsecured and uncommitted revolving credit facility to replace the US\$200 million uncommitted revolving credit facility which expired in June 2021. This will be used as bridge financing for acquisition of properties. Moving forward, the Manager will continue to be proactive and prudent in the REIT's capital management.

## ESG

Besides the environmental goals of achieving net zero and a 80% reduction in GHG emissions by 2050, MUST also aims to increase transparency by adopting more international frameworks and benchmarks including CDP, Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB), on top of the GRI framework that it already adheres to in its sustainability reporting. On the social front, MUST continues to support social enterprises through its corporate gifts and events and has embarked on a digital strategy to engage stakeholders through its upcoming LinkedIn platform and other thought leadership forums.

## U.S. Market Outlook

The U.S. real Gross Domestic Product (GDP) grew at annualised rates of 6.3% and 6.5% in 1Q and 2Q 2021, respectively, and is expected to achieve an overall growth of 7% for the full year<sup>1</sup>.

As at 8 August 2021, U.S. has fully vaccinated 166.5 million people, representing about half the total population. For people aged 12 or older, ~58% are fully vaccinated and ~68% have received one dose of vaccine.

Currently, with rising COVID-19 cases attributed to the Delta variant, more health safety measures are being introduced across the U.S. and the federal Equal Employment Opportunity Commission has also declared that employees could be barred from the workplace if they refuse the vaccine.

Unemployment in the U.S. during 2020 peaked at 14.8% and declined to 6.7% by year-end 2020. The unemployment rate continued to decline during 2021 and as of 31 July 2021, stands at 5.4%. The improvement in unemployment rate in July 2021 was most pronounced in the leisure and hospitality sectors.

According to JLL, the U.S. office leasing market saw overall transaction volume rise by 28.7% to 34.7 million square feet in Q2 2021 as tenants begin to execute long-awaited deals. This represents the first time it has surpassed 30 million square feet since the start of the COVID-19 pandemic. Additionally, average lease terms rose, with typical term length increasing by 4.2% to 7.4 years. Longer-term leasing deals became more common as occupiers took advantage of negotiations in a tenant-favourable market. If these improved trends continue as companies plan their post-COVID-19 needs, they should benefit MUST and lead to faster leasing momentum.

## The Way Ahead

With committed occupancy of 91.7% and only 2.9% leases by NLA due over the remainder of 2021, the portfolio remains well-positioned to weather any further uncertainty, and in good locations to ride the post-COVID-19 themes including acceleration of population and company migration, and attracting tenants from the growing tech sector as well as the healthcare and fast-developing

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<sup>1</sup> Reuters, "IMF raises U.S. 2021 growth forecast to 7%, assumes Biden spending plans pass", 2 July 2021

knowledge economy. MUST's two properties in Atlanta are examples of locations benefiting from these themes.

The uncertainties in the current pandemic present opportunities for MUST to renew its leadership in the REIT Industry. The Manager will do so through a three-pronged approach:

- i. **Reaffirming constants underlying MUST's success thus far:** The U.S. office sector will continue to be attractive post-pandemic and will remain a core part of MUST's portfolio. Scale matters to enable resilience and capacity to grow. The Manager will draw on its strong Sponsor support. MUST aims to deliver superior total returns to Unitholders.
- ii. **Strengthening core performance:** While keeping the recent momentum in leasing, MUST will sharpen its capital management to focus on essential spending and keep gearing at a reasonable level.
- iii. **Seizing growth imperative:** The pandemic has propelled differential growth in sectors such as tech, healthcare and the knowledge economy. These represent opportunities which MUST continues to pursue. COVID-19 and ESG have significantly impacted the way people work and use office space. This will bring new opportunities for different property mix and locational preferences.

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## **About Manulife US REIT**

Manulife US Real Estate Investment Trust (“Manulife US REIT”) is the first pure-play U.S. office REIT listed in Asia. It is a Singapore listed REIT established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (“U.S.”), as well as real estate-related assets.

Manulife US REIT’s portfolio comprises nine prime, freehold and Trophy or Class A quality office properties strategically located in California, Atlanta, New Jersey and Washington D.C. and Virginia. The current portfolio valued at US\$2.0 billion, has an aggregate Net Lettable Area of 4.7 million sq ft and an occupancy rate of 91.7% as at 30 June 2021.

## **About the Sponsor – The Manufacturers Life Insurance Company (“Manulife”)**

Manulife is part of a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. The Sponsor operates as John Hancock in the U.S. and as Manulife in other parts of the world, providing a wide range of financial protection and wealth management products, such as life and health insurance, group retirement products, mutual funds and banking products. The Sponsor also provides asset management services to institutional customers. Manulife Financial Corporation is listed on the Toronto Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange and the Philippine Stock Exchange.

## **About the Manager – Manulife US Real Estate Management Pte. Ltd.**

The Manager is Manulife US Real Estate Management Pte. Ltd., an indirect wholly-owned subsidiary of the Sponsor. The Manager’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in DPU and NAV per Unit, while maintaining an appropriate capital structure.

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