



# 3Q 2022 Operational Updates

2 November 2022



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Peachtree, Georgia

# Content

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We are a constituent of

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**FTSE  
Russell**

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German Index Engineering  
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Green REIT Index

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Solutions for customized property indices  
GPR General (World) Index

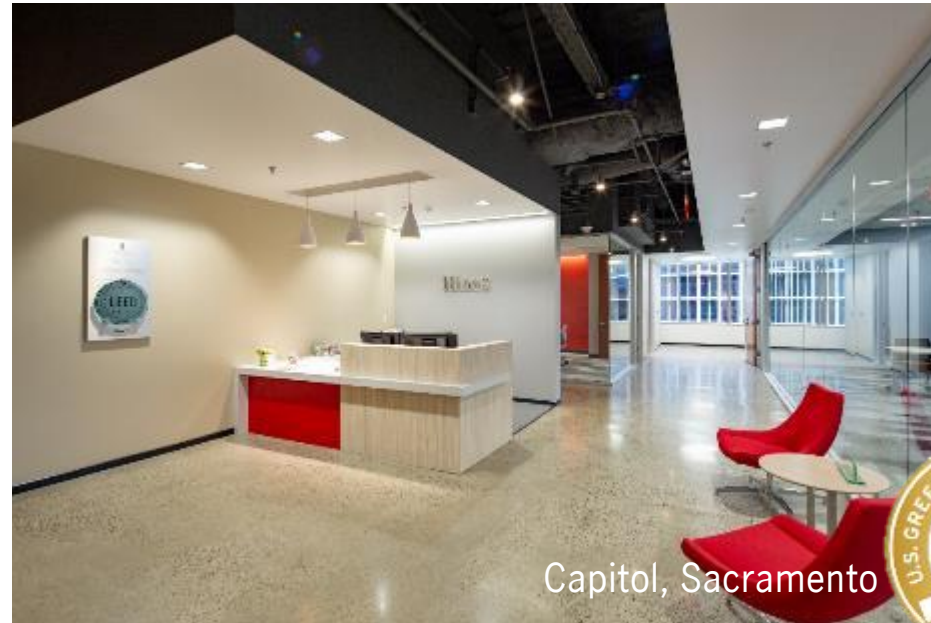
FTSE ST REITs Index,  
FTSE EPRA Nareit  
Developed Index and  
FTSE EPRA Nareit Green  
Real Estate Index series



01

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# 3Q 2022 Highlights



Capitol, Sacramento



# 3Q 2022 *highlights*



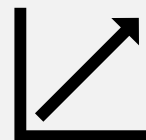
**88.1%<sup>1</sup> Occupancy**

Above U.S. Class A average ~**80.5%<sup>2</sup>**



**~61k sq ft Leases executed**

YTD: ~ **254k sq ft (4.7% of portfolio NLA)**



**+4.3% Rent reversion**



**4.9 years Portfolio WALE**

**GRESB  
2022**



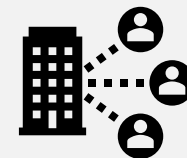
**Real Estate: 5 Star, score of 92**

**Public Disclosure: 'A', ranked 1<sup>st</sup> out of 10 U.S. listed offices**



**'Flight to quality'**

Peachtree modernisation/hotelisation



**Flexible space**

Flex by JLL at Plaza



# 02

## Operational performance



Penn, Washington



# Portfolio occupancy to hold *steady* for FY 2022

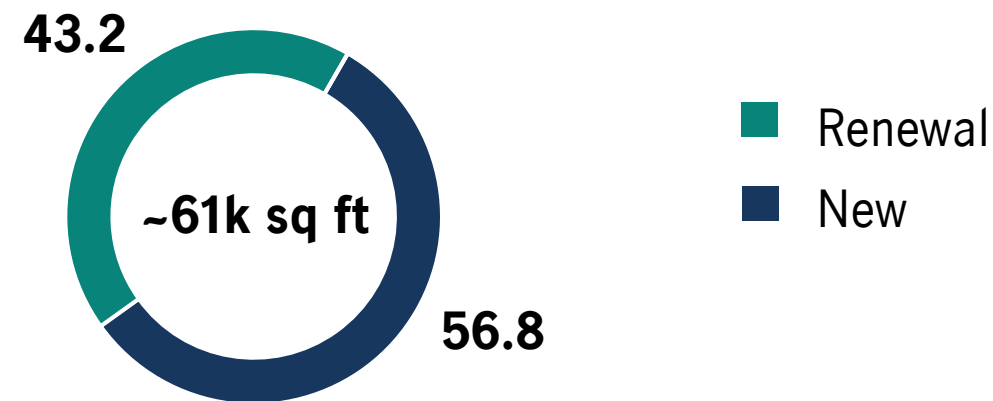
- 3Q occupancy 88.1%<sup>1</sup>: largely due to Quinn Emanuel’s downsizing ~71k sq ft at Figueroa



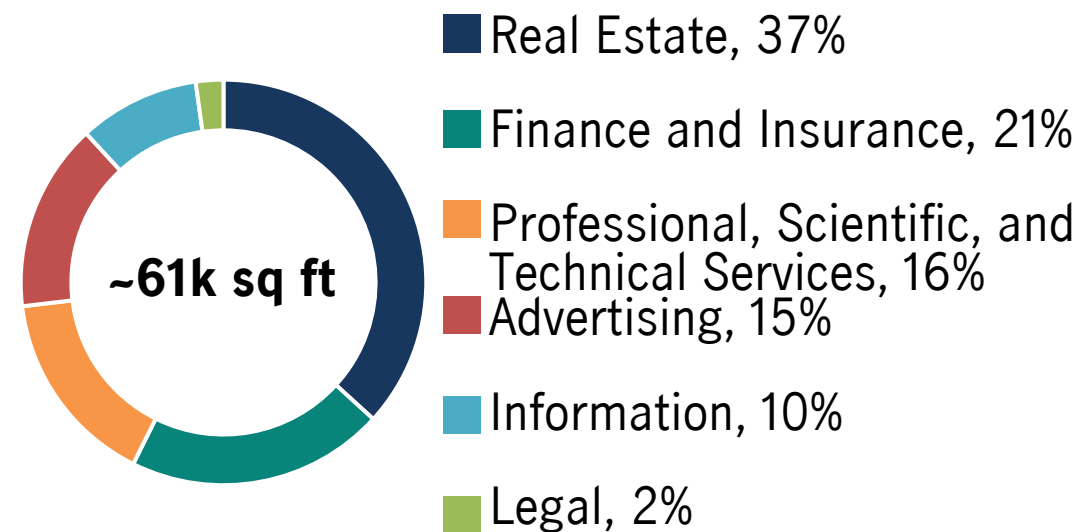
**Diablo’s occupancy: 85.7%<sup>2</sup> → 91.1%**

- 10-year lease with semi-conductor company
- **+7.3%** above passing rent
- WALE 3.7 years to **4.2 years**

## Breakdown of leases by NLA<sup>3</sup> (%)




## Industries of tenants by NLA<sup>3</sup> (%)



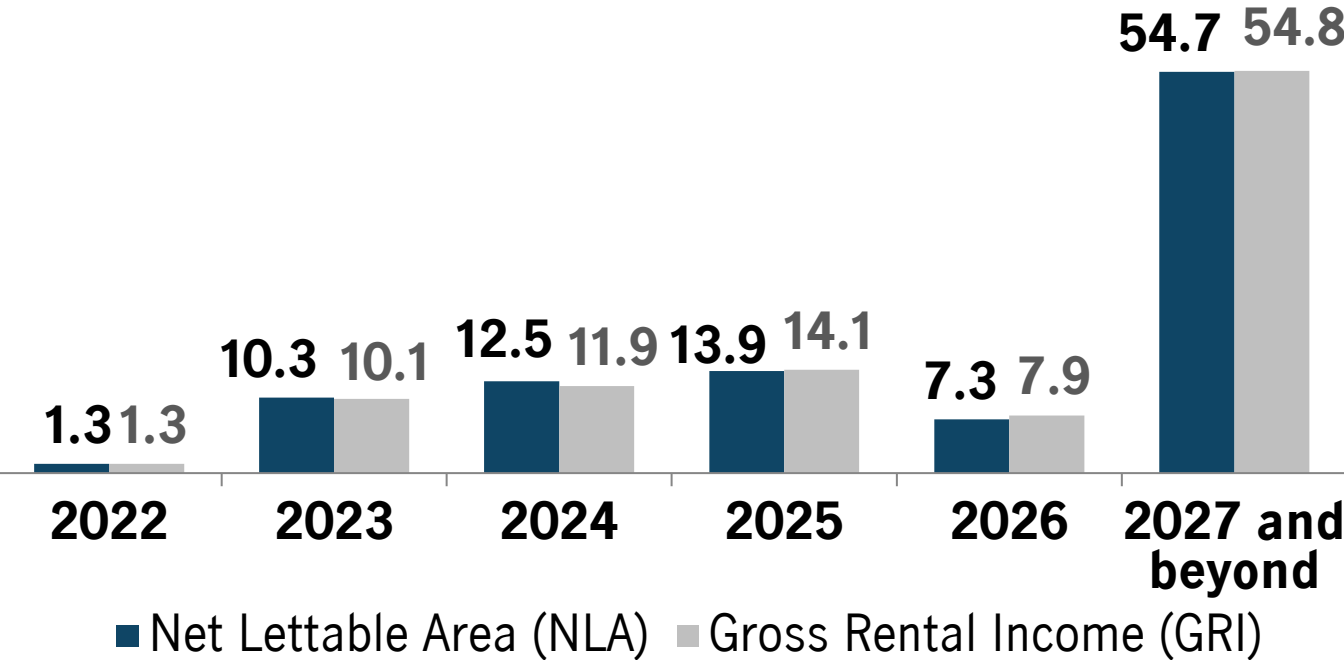
(1) Occupancy includes leases signed up till 18 Oct 2022.  
 (2) Diablo was acquired at 85.7% occupancy in Dec 2021.  
 (3) For leases executed in 3Q 2022.

Note: Amounts may not sum up to 100% due to rounding.

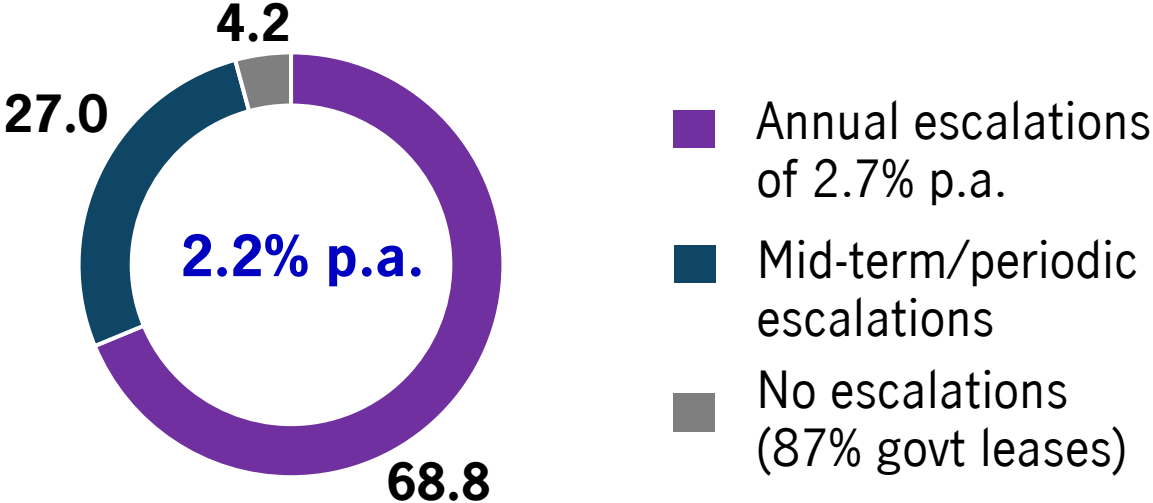
# Long WALE; *positive* rental reversion for FY 2022

 <b>4.9 years</b> Portfolio WALE	 <b>6.2 years</b> WALE of leases executed in 3Q	 <b>+1.7%</b> YTD rental reversion	 <b>+4.3%</b> 3Q rental reversion
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Lease expiry profile as at 30 Sep 2022 (%)



In-place rental escalations as at 30 Sep 2022 (%)



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

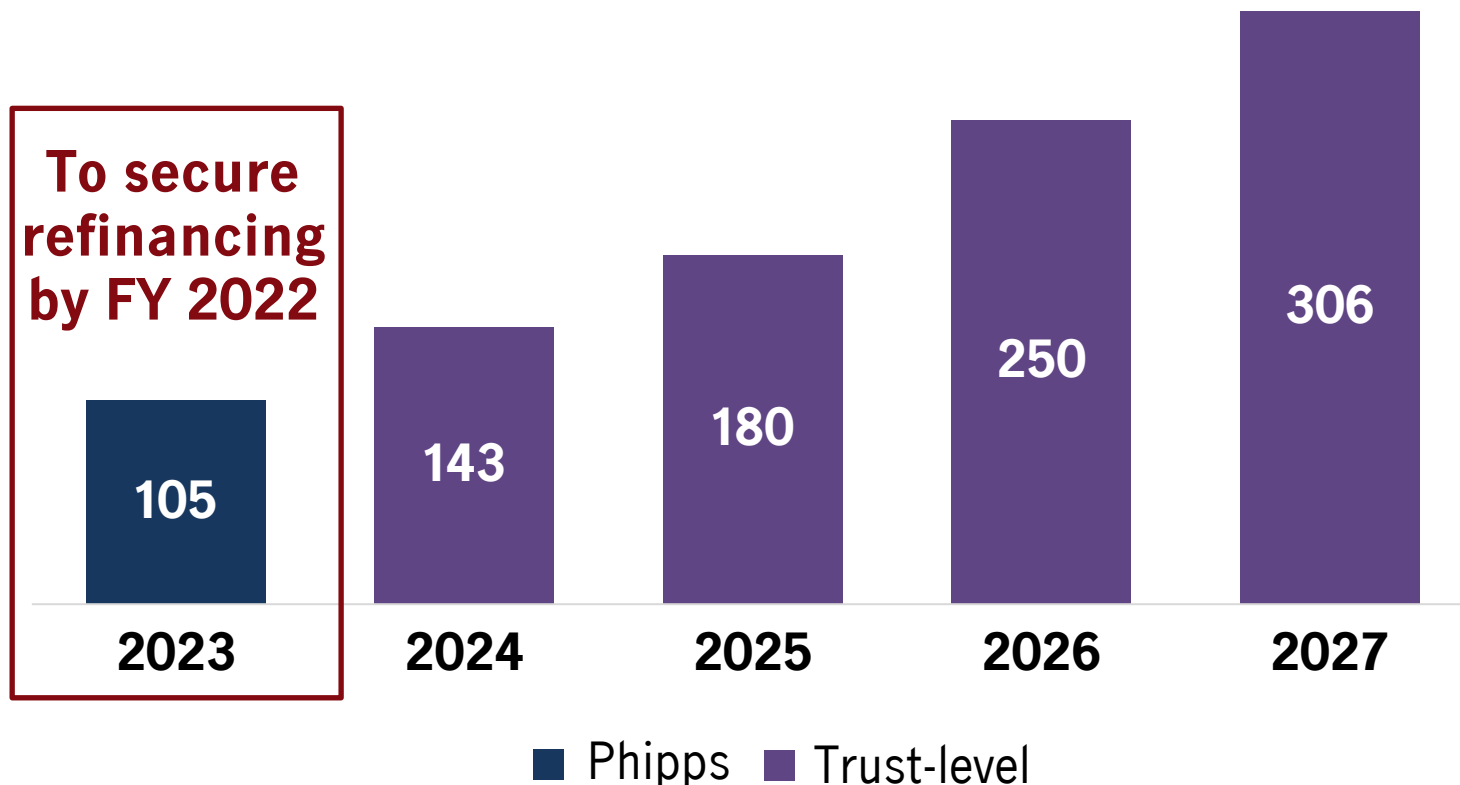


# Mitigating risk: high hedging position and well-spread maturity

Every 1% increase in interest rate will impact DPU by 0.105 US Cents

## Debt maturity profile as at 30 Sep 2022 (US\$ m)

To secure refinancing by FY 2022



## As at 30 Sep 2022



Gearing<sup>1</sup>  
**42.5%**



Interest coverage<sup>2</sup>  
**3.4 times**

Loan covenants in line with MAS 50% gearing limit and min. ICR 2.5x

Weighted avg. interest rate  
**3.34%**

Fixed rate loans  
**81.1%**

Portfolio unencumbered<sup>3</sup>  
**90.1%**

Weighted avg. debt maturity  
**3.1 years**

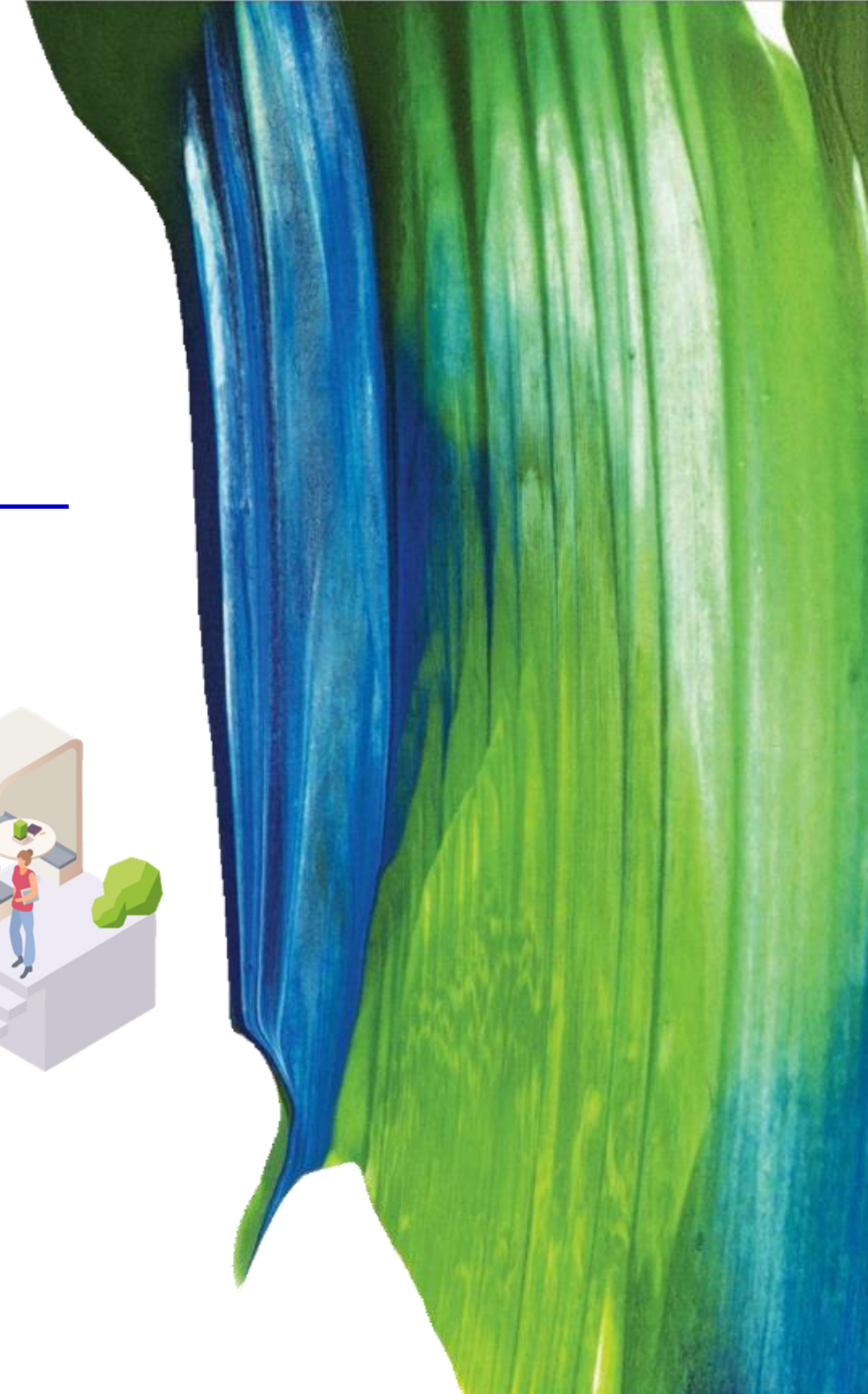
(1) Based on gross borrowings as a percentage of total assets.

(2) Computed by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees as set out in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

(3) Based on latest fair values as at 31 Dec 2021.

# 03

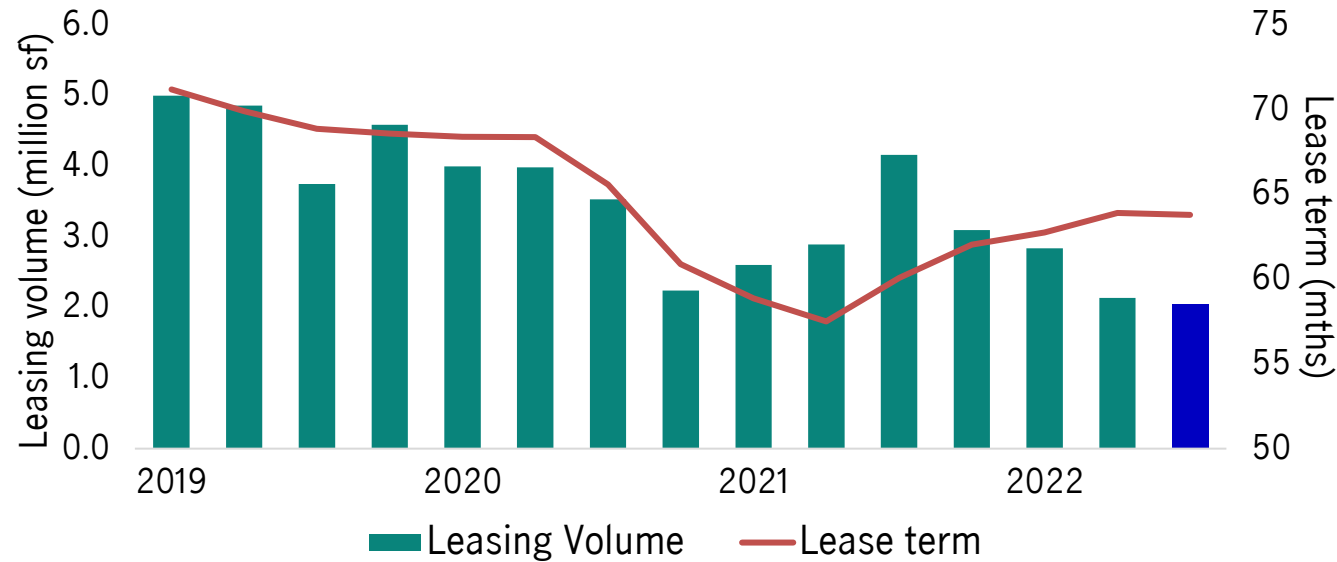
## Reimagining the future of office



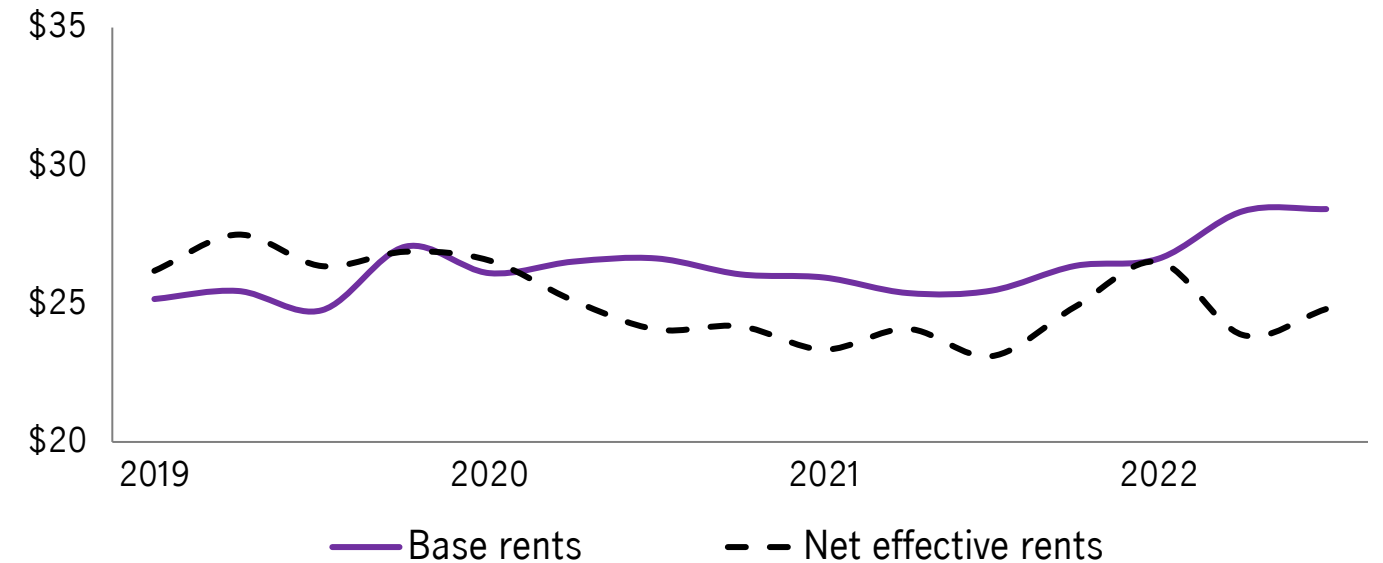


# Mixed signals in leasing in MUST's submarkets

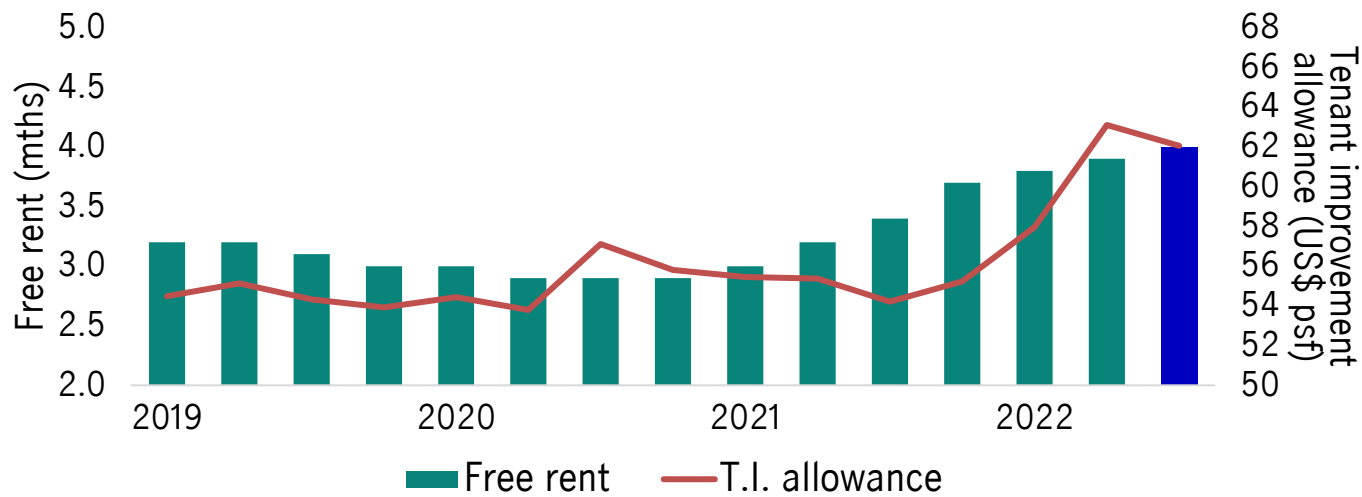
## Leasing volume sluggish; lease terms stable



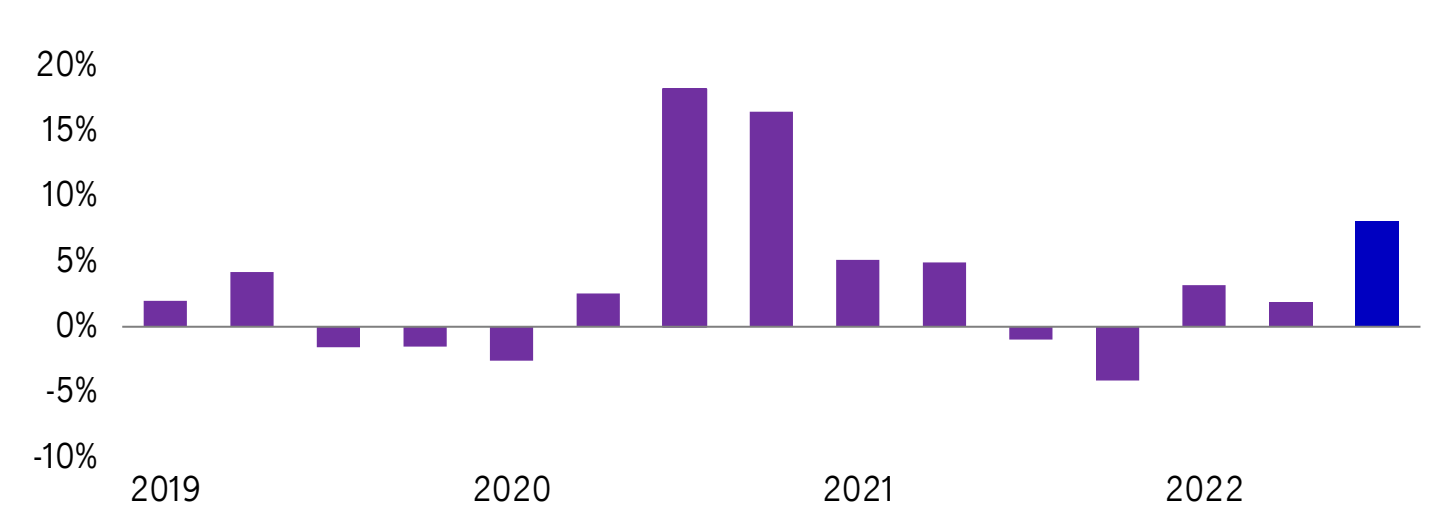
## Net effective rents rebounding...



## Concession packages elevated but stabilised



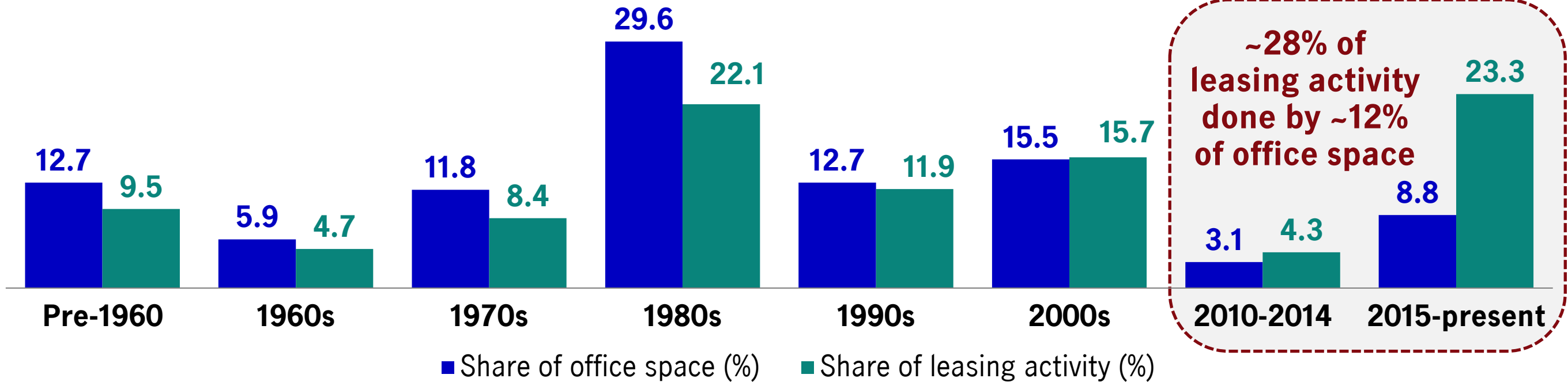
## Subleasing picking up but below 2020



# Flight to *quality* drives leasing activity in U.S.

- **Relocations** grew as a share of total leasing activity; renewals at historic lows<sup>1</sup>
- > **95%** of tenants who relocated moved to equal or better quality spaces; **+7.2%** rents<sup>1</sup>
- Despite downsizing, tenants are price agnostic, paying higher rents for modernised/productive spaces

Share of office space and leasing (sq ft) by year built (2Q 2020 to 3Q 2022)<sup>2</sup>



Note: Amounts may not sum up to 100.0% due to rounding.  
 (1) Source: JLL Research ([Flight-to-quality drives renewal rate to historical lows](#)); includes all office classes.  
 (2) Source: JLL Research



# Property *repositioning* strategy

1

Peachtree to embark on *hotelisation* in 1H 2023



Peachtree, Atlanta

2

Plaza introduced *flexible space* solution in 3Q 2022



Plaza, Secaucus



[Click to learn more about Peachtree's hotelisation and Plaza's flexible space](#)

# What does a *hotelised* office look like?

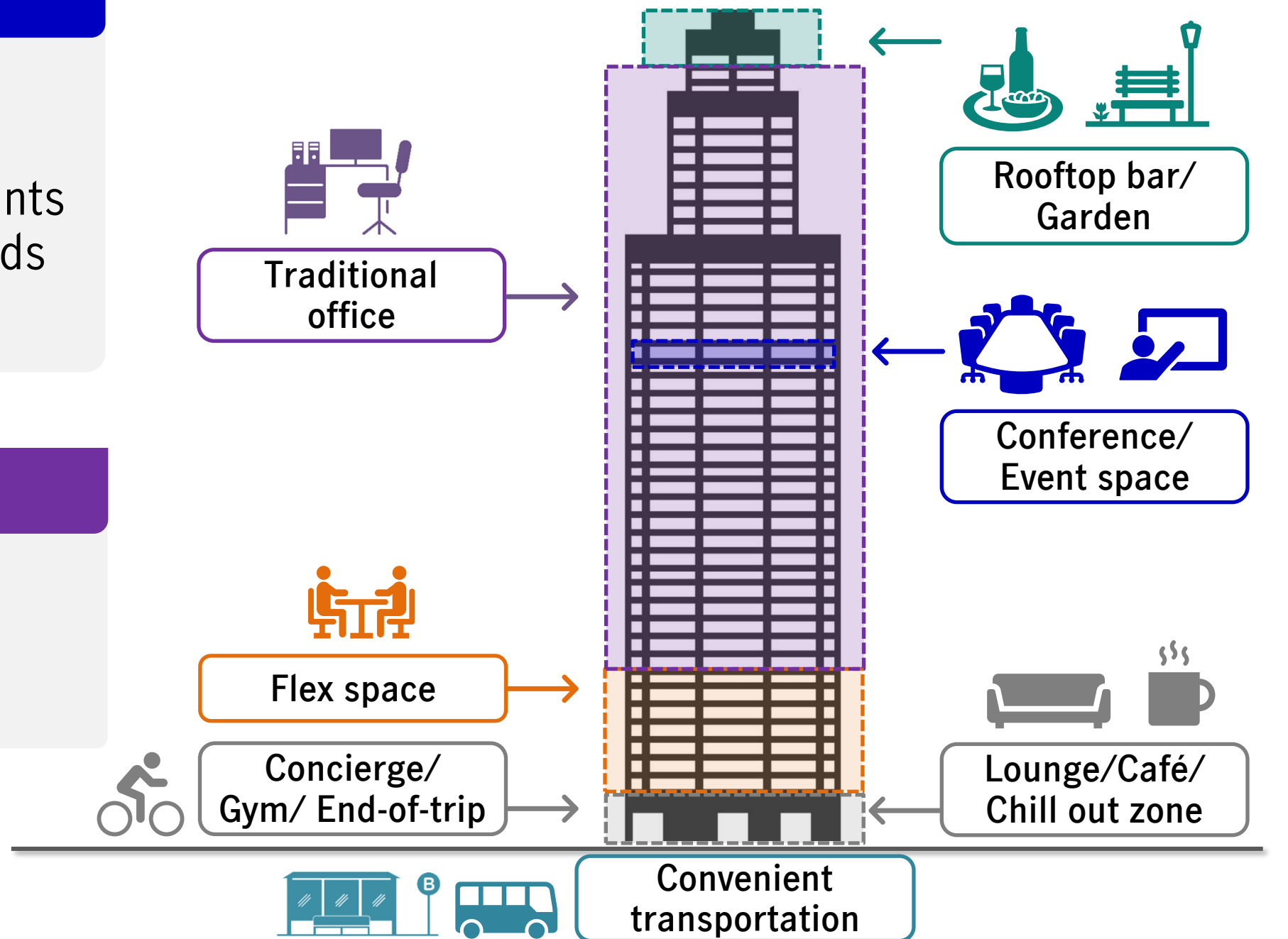
## Location/market fundamentals

- ✓ GDP/job/population growth
- ✓ Work-live-play environment
- ✓ High-growth and good quality tenants
- ✓ Rental growth, net absorption trends
- ✓ Potential rent upside

## Property attributes

- ✓ Outdoor/terrace/roof top space
- ✓ Sufficient floorplate for amenities
- ✓ Spaces for public/social events

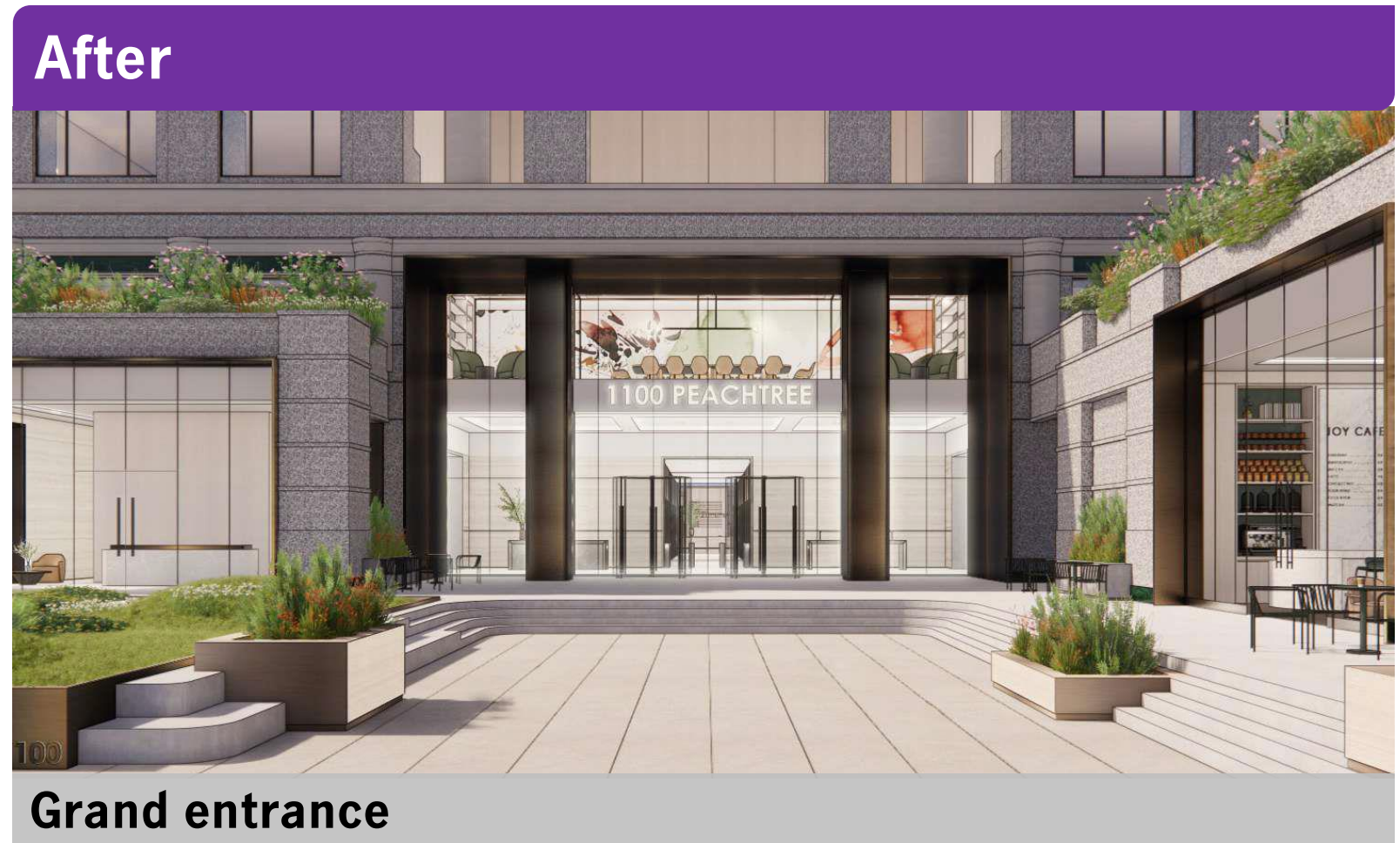
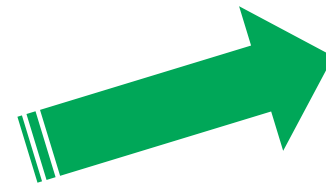
## Example of a hotelised office/building





# Embarking on a *new* Peachtree experience in 1H 2023

- Works include grand entrance, lobby, conference centre, coffee bar/lounge, outdoor terrace
- In conjunction with securing/renewing anchor tenant
- Estimated project cost of US\$18 m over 2 years
- Expected IRR of ~9%

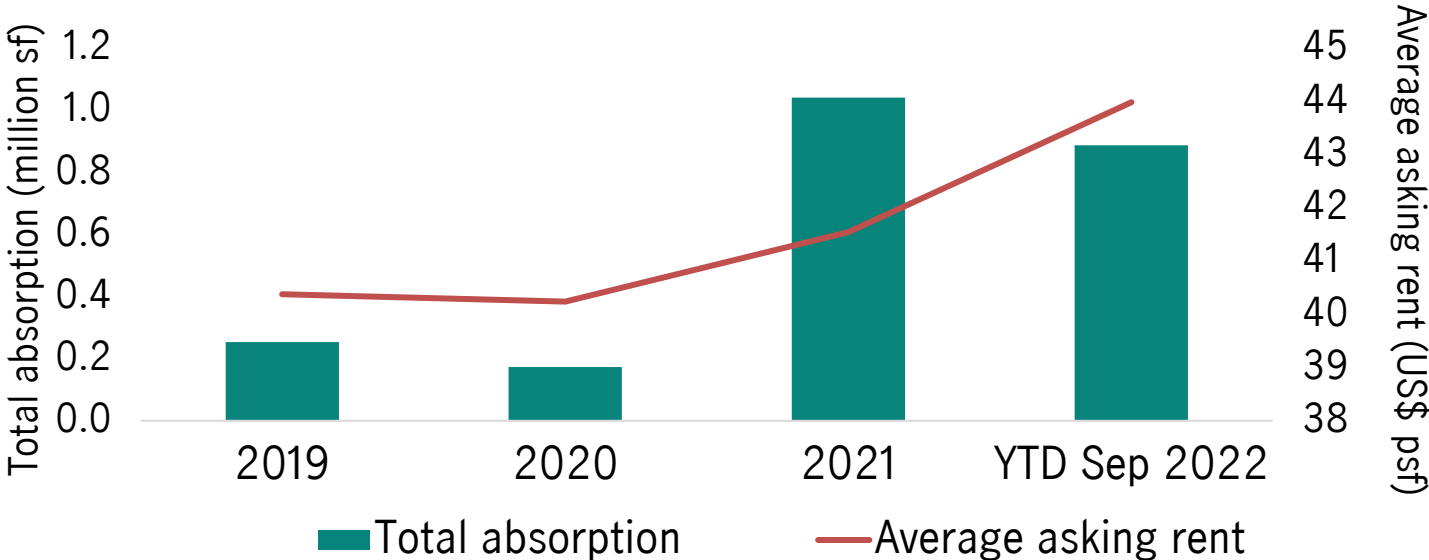


# Midtown Atlanta - one of the *strongest* U.S. submarkets

## Peachtree: 28-storey Class A office in the heart of Midtown Atlanta

- Proximity to two subway stations (Midtown and Arts Center)
- Surrounded by F&B, hotels, retail, residential
- LEED Gold / Energy Star certified

## Increasing rents, positive absorption for Class A office during COVID-19



**40%**  
population growth  
(2010-2020)<sup>1</sup>

**77%**  
(age 25+) have a  
bachelor's degree  
or higher<sup>1</sup>

**46%**  
tech, science, and  
management jobs  
centred in Midtown<sup>1</sup>

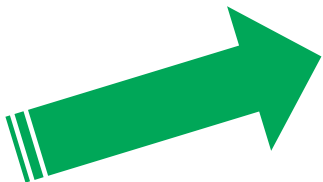
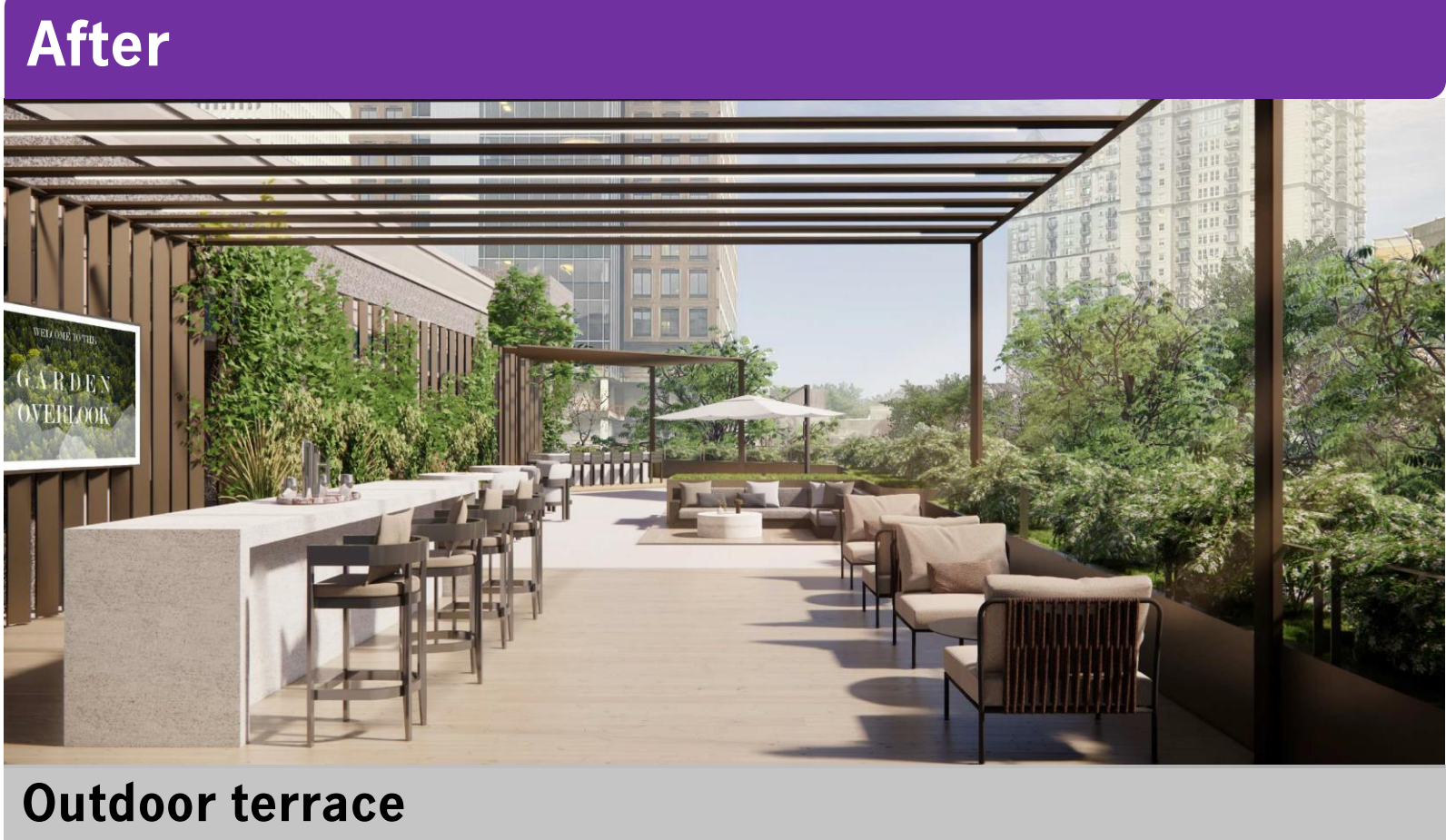
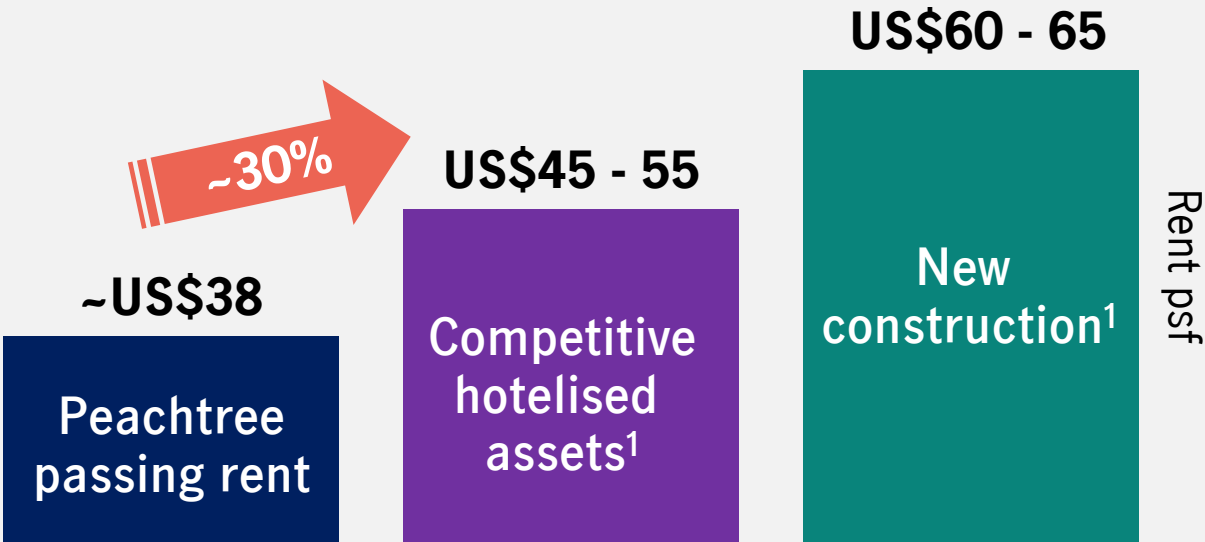
**31**  
Fortune 1000  
companies' HQ in  
Atlanta<sup>2</sup>

(1) Source: JLL Research  
(2) Source: Metro Atlanta Chamber



# Rents at hotelised assets are ~30% *above* Peachtree

## Potential rental uplift



(1) Based on proprietary market research from Atlanta office leasing brokers and market research providers; the data is backed by over a total of 9 properties in Midtown, Atlanta.

# Flex is *more* than just co-working...

## What is Flex by JLL?

- Provides flexibility and experiential workplaces
- Owners control space, tenants and revenue

## What does it offer tenants?

- Agile architecture
  - ❖ Team suites (50 pax)
  - ❖ Private offices (10 pax)
  - ❖ Co-working space (by membership)

## How will it benefit MUST?

- Direct relationships with tenants
- Command higher rent
- Receives majority of net profit





# Flex is the way to go

Partner JLL to provide tenants with flexible workspace at Plaza

## Details of flex space at 500 Plaza Drive

**Net lettable area (NLA)** Phase 1: 15,407 sq ft (3.3% of property NLA)  
Phase 2 & 3 options: 20,451 sq ft

**Potential rent premium** 30% to market

**Estimated cost** US\$6.8 m

**Completion** Phase 1: 2Q 2023  
Phase 2: 2H 2023  
Phase 3: 4Q 2023 / 1H 2024



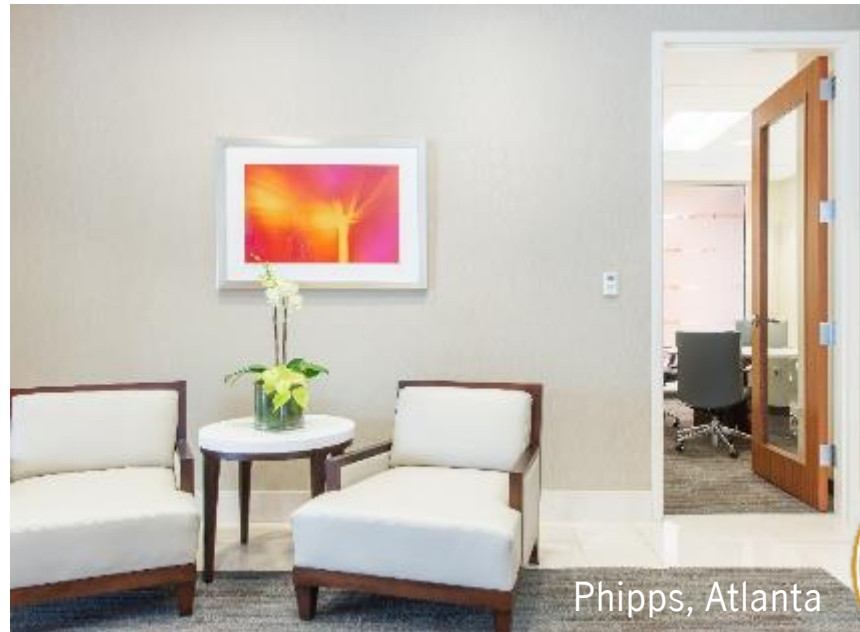
Artist impression of library



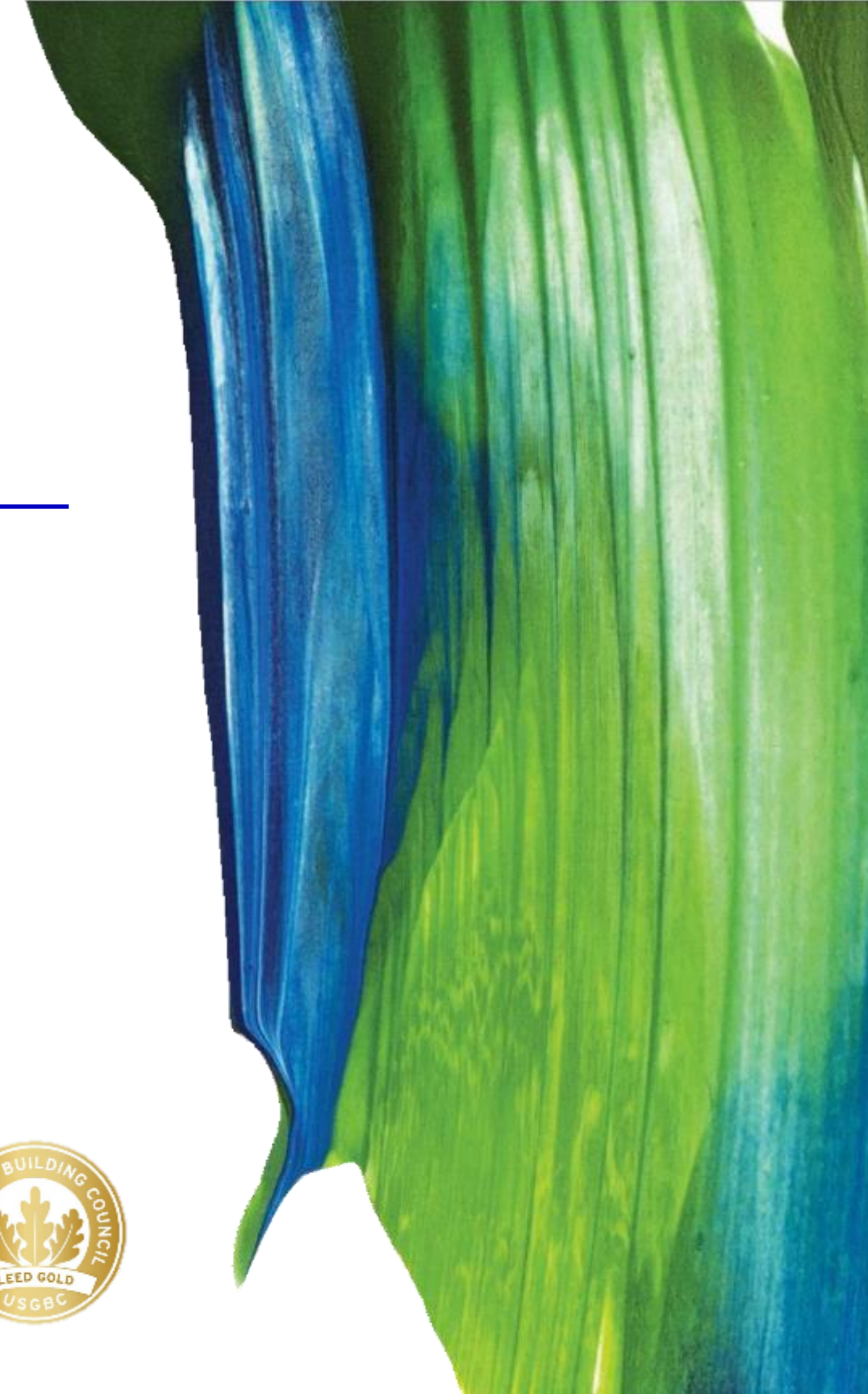
Artist impression of entrance



# Outlook



Phipps, Atlanta



# *Headwinds* continue to impact real estate sector



## U.S. economic outlook

- GDP rebounded to 2.6%<sup>1</sup> after two quarters of contraction
- Unemployment rate at record lows (Sep 2022: 3.5%<sup>2</sup>)
- Inflation rate remains high (Sep 2022: 8.2%<sup>3</sup>)



## Challenges

- Further rate hikes expected in 4Q 2022
- Lenders remain conservative amidst market volatility
- Post-COVID-19 work patterns continue to impact space demand and leasing activity



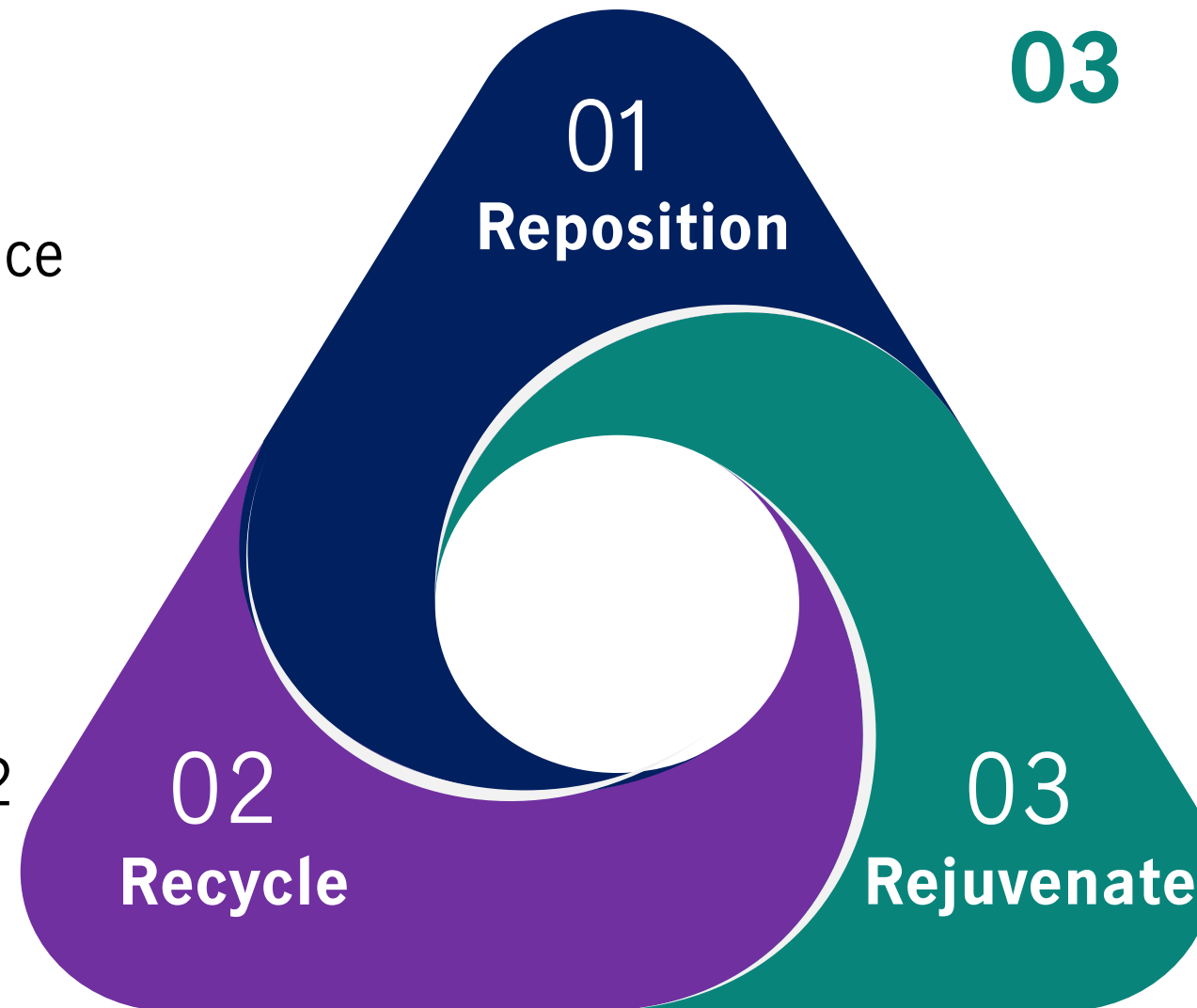
# Reposition, Recycle and Rejuvenate

## 01 Reposition

- Hotelised buildings and provide flex office solutions

## 02 Recycle

- Top priority - manage gearing
- Started disposition process in 2Q 2022 – ongoing
- Portfolio diversification



## 03 Rejuvenate

*6 years post IPO, what's next for MUST?*

- Formation of Strategic Working Group by Board and management team to explore opportunities
  - ❖ Business direction/pivot
  - ❖ Strategic partnerships, joint ventures and merger & acquisitions
- Stay tuned...



# *Our ESG pillars*



## *Building Resilience*

Reducing the environmental impact of our properties and supporting the transition to a net zero economy



## *People First*

Ensuring the needs of our stakeholders are well-served is key to sustaining our business. This includes creating a safe and healthy environment, and safeguarding the well-being and interests of our employees, tenants and communities.



## *Driving Sustainable Growth*

Conducting our business activities responsibly to deliver long-term value for our stakeholders. This includes the sustainable allocation of capital, robust governance framework and proactive risk management practices.


# *Thank You!*

For enquiries, please contact:

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<https://www.manulifeusreit.sg>

# 05

# Appendix



Exchange, Jersey City



# Manulife US REIT supported by *reputable* sponsor

Global real estate AUM of US\$20.3 b



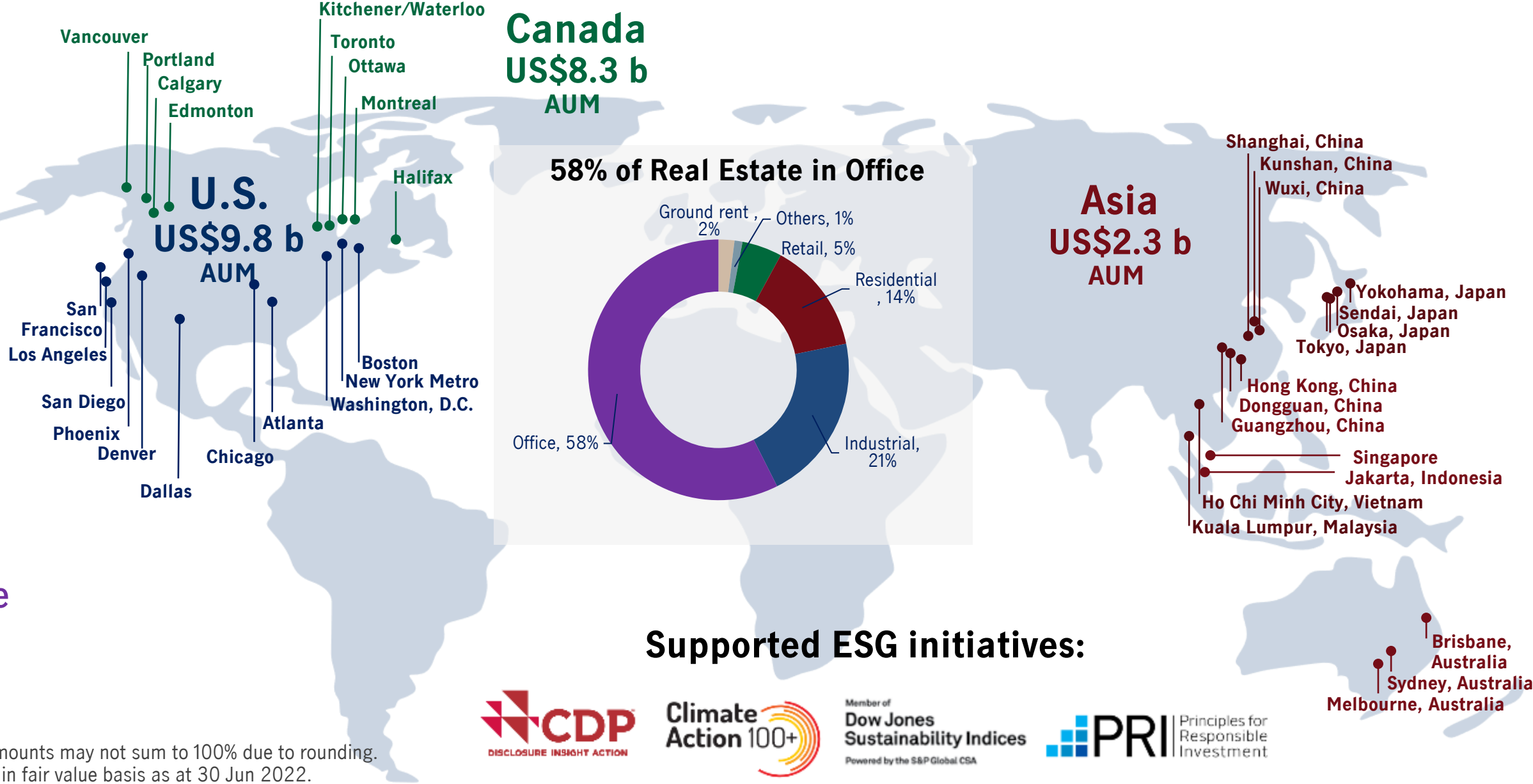
AUM US\$1.0 t



Private Markets  
AUM US\$118.1 b



Global Real Estate  
AUM US\$20.3 b



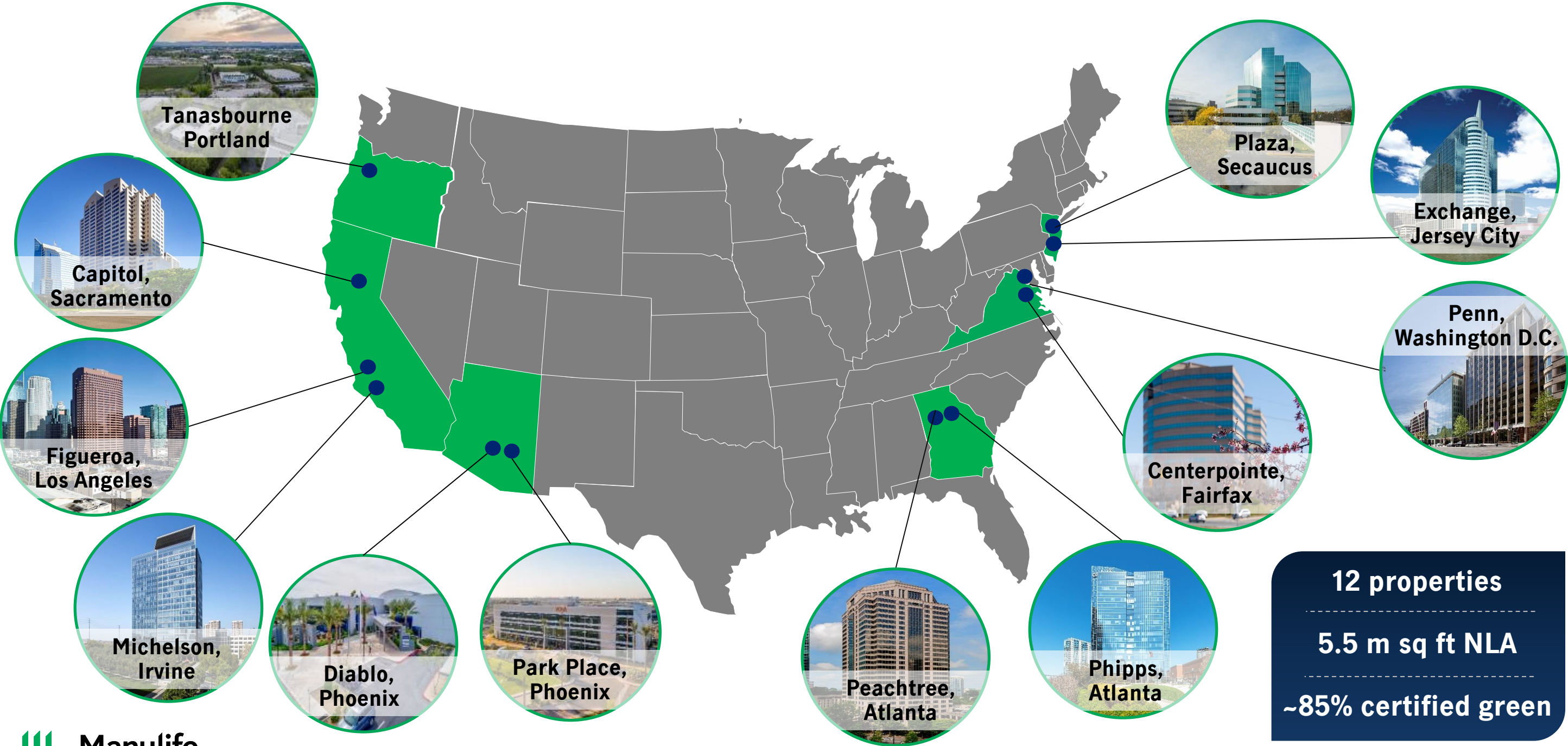
Supported ESG initiatives:



Note: Amounts may not sum to 100% due to rounding. All AUM in fair value basis as at 30 Jun 2022.



# Tripled AUM from US\$777.5 m at IPO to US\$2.2 b<sup>1</sup>



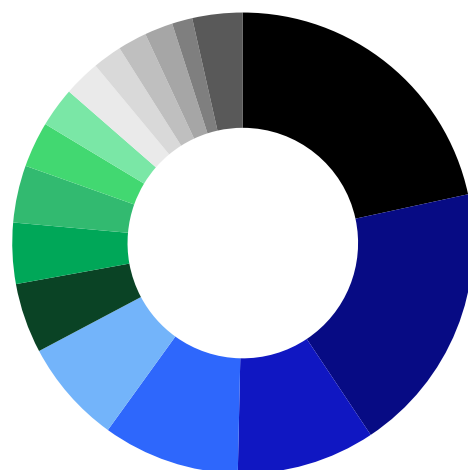
**12 properties**  
-----  
**5.5 m sq ft NLA**  
-----  
**~85% certified green**

(1) Data as at 30 Jun 2022.

# Diversified and high-quality tenant base

## Trade sector by gross rental income (GRI) (%)

■ Finance and Insurance	21.3
■ Legal	17.5
■ Information	9.9
■ Retail Trade	9.9
■ Real Estate	7.5
■ Public Administration	5.2
■ Consulting	4.5
■ Health Care	4.1
■ Grant Giving	3.3
■ Administrative and Support Services	2.7
■ Accounting	2.6
■ Transportation and Warehousing	2.3
■ Advertising	2.1
■ Arts, Entertainment, and Recreation	2.0
■ Architectural and Engineering	1.5
■ Other	3.6



Note: Amounts may not sum to 100% due to rounding.  
Data as 30 Sep 2022; Amazon has been reclassified from Retail Trade to Information.

## Top 10 tenants by GRI – Mainly HQ/listed/government

Tenant	Sector	Property, Location	Lease Expiry	NLA (sq ft)	% of GRI
William Carter	Retail Trade	Phipps, Atlanta	Apr 2030	277,920	5.7
TCW Group	Finance and Insurance	Figueroa, Los Angeles	Dec 2023	188,835	3.9
United Nations	Grant Giving	Penn, Washington, D.C.	Dec 2028	94,988	3.3
The Children's Place	Retail Trade	Plaza, New Jersey	May 2029	197,949	3.2
Kilpatrick Townsend	Legal	Peachtree, Atlanta	Jul 2025	163,076	3.2
Hyundai Capital	Finance and Insurance	Michelson, Irvine	Apr 2030	97,587	3.0
US Treasury	Public Administration	Penn, Washington, D.C.	Aug 2025	120,324	3.0
Amazon	Information	Exchange, New Jersey	Apr 2025	129,259	2.9
ACE	Finance and Insurance	Exchange, New Jersey	Dec 2029	117,280	2.7
Quest Diagnostics	Health Care	Plaza, New Jersey	Oct 2029	131,612	2.4
<b>Total</b>				<b>1,518,830</b>	<b>33.3</b>

# U.S. economy *rebounded* in 3Q

- GDP rose 2.6% after two straight quarters of decline
- Jobs gained led by leisure & hospitality, healthcare sectors and professional & business services

**2.6%<sup>1</sup>**

**3Q 2022  
GDP growth**

**1.1m<sup>2</sup>**

**3Q 2022  
jobs gained**

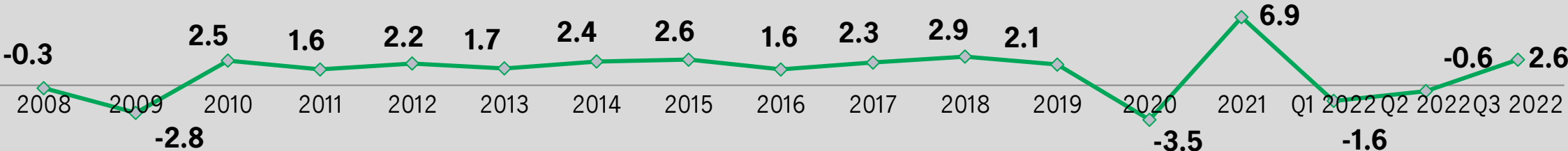
**3.5%<sup>2</sup>**

**Unemployment**

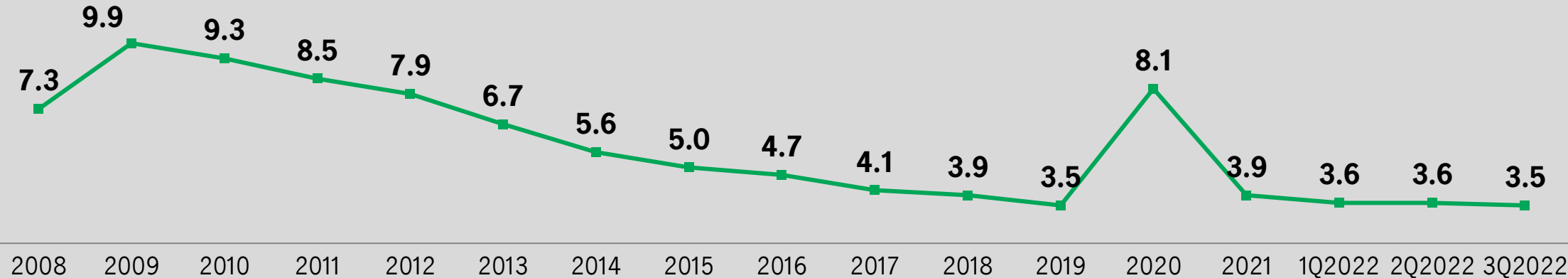
**263k<sup>2</sup>**

**Jobs  
added in Sep 2022**

**U.S. GDP growth (%)<sup>1</sup>**



**U.S. unemployment (%)<sup>2</sup>**



(1) U.S. Department of Commerce, Bureau of Economic Analysis as at 28 Oct 2022, annualised rate.  
 (2) U.S. Department of Labor, Bureau of Labor Statistics as at 28 Oct 2022; All numbers listed are non-farm jobs.



# U.S. office real estate activities remain *stable*

**19.5%<sup>1</sup>**

3Q 2022 vacancy

**+0.2%<sup>1</sup>**

QoQ direct average market base rent growth

**-1.3m<sup>3</sup>**

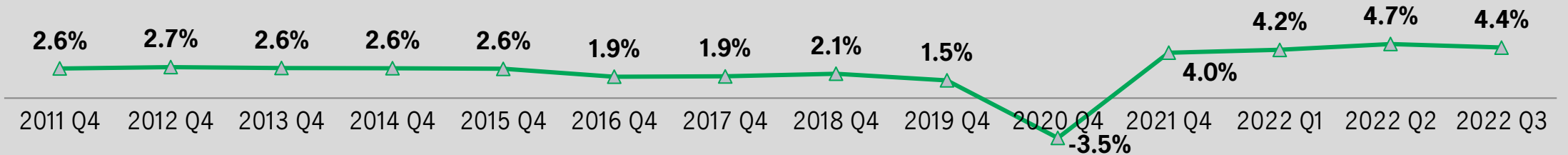
3Q 2022 net absorption (sq ft)

**10.1m<sup>3</sup>**

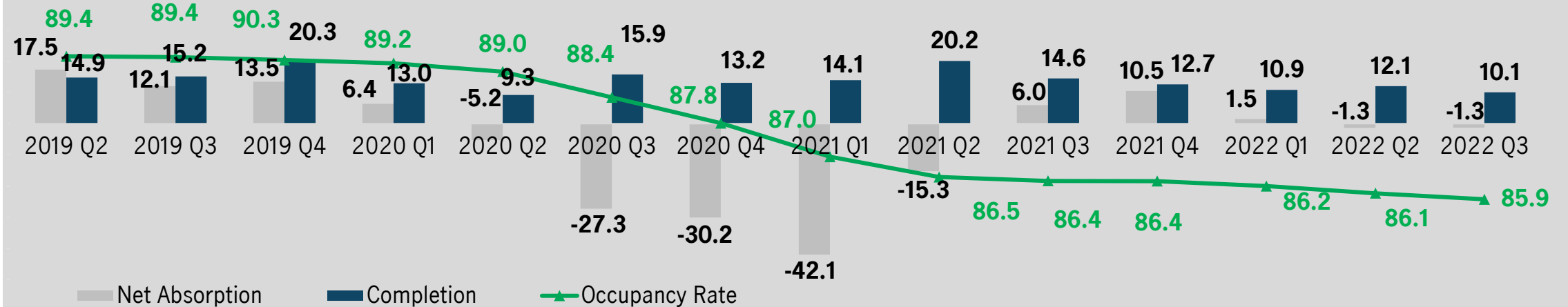
3Q 2022 new supply delivered (sq ft)

- Direct average market asking rents remain stable and showed modest gains of 0.2% QoQ<sup>1</sup>
- Class A net effective rents have improved, but still down 6% relative to pre-COVID-19 levels<sup>1</sup>

U.S. office employment YoY (%)<sup>2</sup>



U.S. class A & B office net absorption (m sq ft) and occupancy (%)<sup>3</sup>



(1) JLL U.S. Office Outlook 3Q 2022; includes all offices; vacancy rate, however, only for Class A.

(2) Office employment includes the professional and business services, financial and information service sectors; as per CoStar Market Analysis & Forecast Reports Amounts reflect YoY % change.

(3) CoStar Market Analysis & Forecast Reports for Class A & B Office.

# MUST's tax update and *advantage*

For illustrative purposes only

	US REIT	SREIT <sup>1</sup>	MUST
<b>DPU Yield</b>	9.8% <sup>2</sup>	13.4%	<b>13.4%</b> <sup>3</sup>
<b>U.S. Withholding Taxes</b>	(1.0%)	-	-
<b>Net Yield – Singapore Retail Investor</b>	8.8%	13.4%	<b>13.4%</b>
<b>Net Yield – Singapore Institutions</b>	8.8%	11.1% <sup>4</sup>	<b>13.4%</b>
<b>Net Yield – Foreign Institutions</b>	8.8%	12.0% <sup>5</sup>	<b>13.4%</b>

Announced on 18 Oct 2022

## No withholding tax in relation to Section 1446(f)

- A 10% withholding tax is imposed if a non-U.S. person transfers interests in a publicly traded partnership (PTP) that engages in a U.S. trade or business effective 1 Jan 2023
- MUST is a PTP that is not engaged in a U.S. trade or business. Hence the Section 1446(f) **withholding tax requirement is not applicable** for MUST's unitholders<sup>6</sup>

- No U.S. corporate taxes (21%)
- No U.S. withholding taxes (30%)
- No Singapore corporate taxes on domestic institutions (17%) or Singapore withholding taxes (10%)
- Subject to limited tax

Source: Bloomberg

(1) Singapore REIT with Singapore assets only. For illustrative purposes, the DPU yield for SREIT is assumed to be the same as Manulife US REIT.

(2) Weighted average of analyst consensus for FY 2022 distribution yield of 19 Office REITs listed in U.S. as at 28 Oct 2022.

(3) Based on 1H FY 2022 DPU of 2.61 US Cents and closing price of US\$0.390 as at 28 Oct 2022.

(4) Singapore institutions incur 17% corporate tax on the Singapore sourced income portion of the distribution.

(5) Foreign institutions incur 10% corporate tax on the Singapore sourced income portion of the distribution.

(6) For more details, refer to the [announcement dated 18 October 2022](#).



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