

## **MANULIFE US REIT ON PATH TO RECOVERY WITH EARLY REPAYMENT OF 2025 DEBTS**

- *With divestment of Capitol in Sacramento completed, focus is on 2025 divestment target*
- *Evaluating all options to further reduce debt and resume distributions*
- *Exploring opportunities to diversify and expand portfolio*

**Singapore, 6 November 2024** – Manulife US Real Estate Management Pte. Ltd., the Manager of Manulife US Real Estate Investment Trust, said today that the divestment of an office property in California creates momentum to further reduce debt, grow the portfolio through diversification and resume distributions.

The recent sale of Capitol in Sacramento, California, for US\$117 million, along with existing cash has enabled it to fully repay US\$130.7 million of outstanding loans maturing in 2025 while lowering its gearing from 58.2% to 54.3%. It aims to cut borrowings by approximately US\$200 million next year. Two of its remaining nine properties are on the market and the Manager is exploring various opportunities, including transacting with off-market buyers and evaluating alternative transaction structures.

Chief Executive Officer and Chief Investment Officer of the Manager John Casasante said: “Capitol was a milestone deal for us. It gives us significant momentum and confidence to move ahead with plans to further reduce our indebtedness and exit from the Master Restructuring Agreement.

“Since the new management came onboard, we have hit the ground running and are actively evaluating opportunities that will set us on the path to recovery sooner rather than later.

“With our risk management strategy on track, we hope to position Manulife US REIT for growth by diversifying and reshaping our portfolio and leveraging our Sponsor’s investment pipeline.”

Mr Casasante, who took over the helm four months ago, explained that the all-cash sale of Capitol at a 26% discount to its 31 December 2023 valuation took into account all the uncertainties surrounding the US office market. Capitol was not only one of the few comparable office sales in California so far this year, it also achieved the highest per square foot sales price.

He added that the outlook for the US office sector is more positive compared to a year ago, supported by the rising trend of big companies mandating return-to-office, and recent cuts in interest rates.

However, the environment for selling office properties remains challenging, with limited debt availability and institutional investors staying on the sidelines. There are signs that buyers are becoming more active in some submarkets as lower valuations make acquisitions more attractive and economically viable.

Under a Master Restructuring Agreement (MRA) signed with lenders in December last year, the REIT is obliged to raise a minimum of US\$328.7 million through asset divestments by 30 June 2025.

“We have another two assets on the market and we are seeing off-market interest in other targeted properties in our portfolio. We are encouraged by the level of interest that we have received at this point and believe we should be in a position to achieve the milestones of the MRA.”

Year-to-date, over 689,000 square feet of leases were signed. For the third quarter ended 30 September, the REIT reported occupancy of 77% with 261,000 square feet of leases signed or 5.2% of its portfolio net lettable area. The weighted average term of leases signed in the third quarter remains long at 6.5 years although rent reversion in the quarter was -1.7% excluding leases in Capitol. Six of nine office leases were signed above market rents.

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**About Manulife US REIT**

Manulife US Real Estate Investment Trust (“Manulife US REIT” or “MUST” or the “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. MUST’s portfolio comprises 9 freehold office properties in Arizona, California, Georgia, New Jersey, Virginia and Washington D.C. The current portfolio has an aggregate net lettable area of 4.6 million sq ft and was last independently valued at US\$1.4 billion as at 31 December 2023.

**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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