



Manulife US Reit to acquire properties in Arizona and Oregon for US\$201.6m; proposes private placement to raise US\$80m

Acquisitions mark the Reit's pivot to high-growth tech and healthcare tenants and markets.

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Diablo Technology Park is a 5-building collaborative office campus made up of flex-office buildings, while Park Place comprises 2 class A office buildings. PHOTO: MANULIFE US REIT

MANULIFE US Real Estate Investment Trust (Manulife US Reit) **ManulifeReit USD: BTOU +0.74%** announced on Tuesday (Nov 30) that it is acquiring 3 properties in the United States for US\$201.6 million, as it increases its exposure to high-growth markets and tenants to drive returns.

Jill Smith, chief executive officer of Manulife US Reit's manager, said in a briefing on Nov 30: "Having built our trophy and Class-A traditional office portfolio painstakingly over these last few years, from today we are embarking on Manulife US Reit's next phase of growth by entering into the Sun Belt city of Phoenix, Arizona, and the magnet city of Portland, Oregon.

"We're positioning for growth through these accretive acquisitions. The 3 acquisitions will propel exposure to high-growth tenants, especially in the tech and healthcare sectors," she added.

The purchase price comprises US\$61.75 million for Diablo Technology Park in Tempe, Arizona, US\$106 million for Park Place in Chandler, Arizona and US\$33.85 million for Tanasbourne Commerce Center in Hillsboro, Oregon. The purchase considerations for these properties are lower than their valuations by 5 per cent, 0.8 per cent and 1.6 per cent, respectively.

"These properties will not only complement the existing portfolio, but also drive our returns," Smith said. "Perhaps the most important to unitholders is that this portfolio will be enhancing unitholders' return with a 4.4 per cent distribution per unit (DPU) accretion - the highest from us to date."

For illustrative purposes, the H1 FY2021 DPU of Manulife US Reit would have been 2.82 US cents instead of 2.70 US cents, assuming that the acquisitions were completed on Jan 1, 2021, and that the Reit held and operated the properties through to end-June, 2021.

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Under the same conditions, pro forma net asset value (NAV) for the same period would have been US\$1.2 billion instead of US\$1.13 billion, resulting in a NAV per unit of 0.70 as opposed to 0.71.

Post completion of the acquisitions, Manulife US Reit's exposure to tenants in the tech and healthcare sectors will be increased to 12.8 per cent by gross rental income, from 9.5 per cent currently.

Meanwhile, the proportion of its assets under management that are located in the growth cities will rise to 28.4 per cent, from 21 per cent currently.

Manulife US Reit intends to fund its proposed acquisition through a combination of loans and proceeds from a private placement.

Diablo Technology Park is a 5-building collaborative office campus made up of flex-office buildings; Park Place comprises 2 class A office buildings, and Tanasbourne Commerce Center is a 3-building office campus, with each building fully occupied.

Manulife US Reit said these acquisitions are in line with its post-Covid-19 themes and will enhance its portfolio while giving it access to properties with higher occupancies, longer weighted average lease expiry (WALE) and growth in technology and health sectors.

Post-acquisition, Manulife US Reit's portfolio occupancy will increase from 90.9 per cent to 91.3 per cent. The enlarged portfolio's WALE will go up from 5.1 years to 5.2 years.

The manager expects positive rental reversions from the properties post-acquisition, as in-place rents are currently below market rents.

To partially finance the acquisition, Manulife US Reit's manager on Tuesday proposed a private placement to raise gross proceeds of no less than US\$80 million.

Of the gross proceeds, US\$73.9 million will go towards partially financing the total acquisition cost; US\$6.1 million will be used to pay fees incurred in connection to the acquisition and private placement. The balance, if any, will be used for general corporate and/or working capital purposes.

The Reit plans to issue 154.1 million new units, representing an increase of 9.6 per cent over the total number of units in issue.

The new units will have an issue price of between US\$0.649 and US\$0.676 (both figures inclusive). This represents a discount of 5.1 per cent and 8.9 per cent to the volume weighted average price (VWAP) of US\$0.7124 per unit for trades done on the preceding market day on Nov 29, up to the time the placement agreement was signed. It also represents a discount of 2 per cent and 5.9 per cent to the adjusted VWAP of US\$0.6898.

The new units constitute 9.7 per cent of the base figure. Their offer will be made to eligible institutional, accredited and other investors.

The Reit expects the new units will be issued and commence trading on the Singapore Exchange (SGX) on or around Dec 9.

To ensure fairness to holders of existing units, an advanced distribution will occur on Feb 17, 2022, for unitholders for the period between Jul 1 and Dec 8, at an estimated quantum range of 2.16 US cents to 2.36 US cents.

Units of Manulife US Reit ended at S\$0.71 on Monday (Nov 29), down S\$0.01 or 1.4 per cent, before its manager called for a trading halt on Tuesday morning prior to the announcement.

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