



## MANULIFE US REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 27 March 2015 under the laws of the Republic of Singapore)

### DECLINE IN VALUATIONS

#### 1. Updated Asset Valuations

Manulife US Real Estate Management Pte. Ltd., as manager of Manulife US Real Estate Investment Trust (“**Manulife US REIT**”, and the manager of Manulife US REIT, the “**Manager**”), wishes to announce that the Manager has obtained independent valuations for the properties owned by Manulife US REIT as at 31 December 2023 (the “**Independent Valuations**”). The real estate valuation of the portfolio of Manulife US REIT (based on the year end 2023 valuations) has declined by 8.0% or US\$123.1 million to US\$1,411.8 million (versus US\$1,534.85 million as at 30 June 2023)<sup>1</sup>.

The decline in valuations is largely due to the following factors:

- (i) Higher discount rates and terminal capitalisation rates for certain properties reflecting risks posed by the volatile macroeconomic environment as well as idiosyncratic risks at the property level (i.e., higher vacancy or weak submarket fundamentals).
- (ii) Continued weakening of occupancy performance across the U.S. office market due to a slowdown in demand and leasing activity, which is leading to higher vacancy levels and higher concession package assumptions needed to attract new or retain tenants, giving rise to higher leasing costs.
- (iii) The four properties with the largest percentage valuation declines, namely, Figueroa, Plaza, Penn, and Diablo, comprised 54.2% of the overall portfolio valuation decline. Assumptions made by the independent valuers include:
  - (a) Figueroa – 20.1% decline half-on-half (“**HoH**”) (US\$35.0 million decline) due to the use of a higher discount rate, terminal capitalisation rate and vacancy levels.

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<sup>1</sup> The 30 June 2023 figure has been adjusted to remove the property known as Park Place which has been sold to John Hancock Life Insurance Company (U.S.A.) for US\$98.7 million. Please refer to the announcement on the completion of the divestment of Park Place dated 18 December 2023 for more information.

- (b) Plaza –13.6% decline HoH (US\$9.1 million decline) due to a decrease in market rent and increased vacancy levels.
  - (c) Penn – 12.9% decline HoH (US\$16.0 million decline) due to more stringent leasing assumptions around the anchor tenant, US Treasury, as well as the use of a higher discount rate and terminal capitalisation rate.
  - (d) Diablo – 11.3% decline HoH (US\$6.6 million decline) due to the use of a higher discount rate, a reduction in market rent and higher leasing costs.
- (iv) U.S. office valuations remain under pressure and may continue to decline further in 2024. Evidence from the public U.S. office real estate investment trust (“REIT”) market indicates that U.S. office REIT unit prices are priced at upwards of a 30% discount to net asset value. The National Council of Real Estate Investment Fiduciaries Office Subindex, which reflects private market values, reported valuation declines of 21.1% year-on-year (as at the third quarter of 2023). Private market performance typically lags public markets, and the prevailing market sentiment is that these declines may continue through 2024, and perhaps beyond. Lastly, the Greenstreet Commercial Property Price Index estimates that office values were down 27% over the last 12 months, for the period ended 30 September 2023.

## 2. Details of the Independent Valuations

Details on the valuation of each property as follows:

Property Name	Address	Valuation (US\$ million) (30 June 2023) <sup>(1)</sup>	Valuation (US\$ million) (31 December 2023) <sup>(1)</sup>	% Change
Figuroa	865 South Figuroa Street, Los Angeles, California	174.0	139.0	-20.1
Michelson	3161 Michelson Drive, Irvine, California	256.0	240.0	-6.3
Peachtree	1100 Peachtree Street NE, Atlanta, Georgia	175.0	171.0	-2.3
Plaza	500 Plaza Drive, Secaucus, New Jersey	67.1	58.0	-13.6
Exchange	10 Exchange Place, Jersey City, New Jersey	258.0	234.0	-9.3
Penn	1750 Pennsylvania Avenue NW, Washington, DC	124.0	108.0	-12.9
Phipps	3438 Peachtree Road NE, Atlanta, Georgia	178.15 <sup>(2)</sup>	176.0	-1.2

Centerpointe I & II	4000 & 4050 Legato Road, Fairfax, Virginia	79.0	75.8	-4.1
Capitol	400 Capitol Mall, Sacramento, California	165.0	158.0	-4.2
Diablo	2900 South Diablo Way, Tempe, Arizona	58.6	52.0 <sup>(3)</sup>	-11.3
<b>Total</b>		<b>1,534.9</b>	<b>1,411.8</b>	<b>-8.0</b>

**Notes:**

- (1) Valuation by JLL Valuation & Advisory Services, LLC.
- (2) Average of Valuation by JLL Valuation & Advisory Services, LLC and Colliers International Valuation & Advisory Services, LLC.
- (3) Valuation by Colliers International Valuation & Advisory Services, LLC.

Copies of the abovementioned independent valuation reports will be available for inspection at the Manager's registered office at 8 Cross Street, #16-03, Manulife Tower, Singapore 048424 during normal business hours, for three months from the date of the announcement of the full year financial results for the financial year ended 31 December 2023 ("FY 2023")<sup>2</sup>. Holders of units in Manulife US REIT ("Units", and the holders of Units, the "Unitholders") who wish to inspect the said reports are requested to contact us to make an appointment prior to your attendance at our office.

### 3. Financial Impact

As a result of the fair value losses for the properties owned by Manulife US REIT arising from a decline in valuations, the Manager expects Manulife US REIT to report a loss for FY 2023. Notwithstanding that, taking into account the property rental income, Manulife US REIT is expected to be able to pay its interest payments and expenses as they fall due since fair value losses are non-cash items in profit or loss. Given that the valuation of the portfolio is a key determinant of Manulife US REIT's net asset value as at 31 December 2023, this decline in valuations would result in Manulife US REIT's net asset value decreasing by approximately US\$123.1 million or US\$0.07 per Unit.

Manulife US REIT's expected aggregate leverage will be approximately 58% (taking into account repayment of loans, fair value changes in investment properties and certain projections in the value of other total assets as of 31 December 2023). Appendix 6 to the Code on Collective Investment Schemes (the "Property Funds Appendix") states that the aggregate leverage limit is not considered to be breached if exceeding the limit is due to circumstances beyond the control of the Manager. A depreciation in the asset value of Manulife US REIT has occurred, which has resulted in the aggregate leverage exceeding 50%. Accordingly, while Manulife US REIT's aggregate leverage exceeds 50%, there is no breach of the aggregate leverage limit as defined by the Property Funds Appendix. Based on these updated valuations, the ratio of

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<sup>2</sup> The valuation reports are subject to audit review by Manulife US REIT's auditors. Accordingly, the valuation reports would only be available from the date of the announcement of the full year financial results for FY 2023.

consolidated total unencumbered debt to consolidated total unencumbered assets (the “**Unencumbered Gearing Ratio**”) is approximately 63:100 which is well within the temporary relaxation of financial covenants till 31 December 2025 by all existing lenders of Manulife US REIT of 80:100. Pursuant to the recapitalisation plan set out in the circular to Unitholders dated 29 November 2023, Manulife US REIT is to utilise its cash holdings to pay down an additional US\$50.0 million of debt by 31 March 2024. Factoring in the US\$50.0 million debt repayment by 31 March 2024, the aggregate leverage and Unencumbered Gearing Ratio are approximately 57% and 60:100 respectively.

Unitholders are reminded to exercise caution when dealing in the Units. The Manager expects to release the unaudited financial results of the Manulife US REIT and its subsidiaries for FY 2023 in February 2024.

BY ORDER OF THE BOARD

William D. Gantt III  
Chief Executive Officer

**Manulife US Real Estate Management Pte. Ltd.**

(Company Registration No. 201503253R)

As manager of Manulife US Real Estate Investment Trust

5 January 2024

### **IMPORTANT NOTICE**

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of Manulife US REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of Manulife US REIT) or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Manulife US REIT is not necessarily indicative of the future performance of Manulife US REIT.