



(Left-Right: Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn, Phipps, Centerpointe and Capitol)
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FY 2020 distributable income increases 6.8% YoY

- DPU of 5.64 US cents for FY 2020
- High occupancy of 93.4% and long WALE of 5.3 years
- Executed 5.9% of portfolio’s leases with positive rental reversion and long WALE of 6.4 years
- Advanced negotiations on a sustainability-linked loan for 2021 refinancing; cost savings expected
- Enhance high-quality portfolio with at least 20% tenant base in high growth sectors
- U.S. to rebound – It’s all about the vaccine

Singapore, 8 February 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\$194.3 million and net property income of US\$115.8 million for the full year ended 31 December 2020 (“FY 2020”). Gross revenue and net property income rose 9.3% and 4.6% year-on-year (“YoY”) respectively, mainly due to contributions from [Centerpointe](#) and [Capitol](#), that were acquired in 2019. This translated to a distributable income of US\$89.0 million, an increase of 6.8%. The REIT announced a DPU of 5.64 US cents for FY 2020, 5.4% lower YoY mainly due to 2H 2020 lower property income and provision for expected credit losses largely from retail trade and F&B tenants.

Summary of Manulife US REIT Results

	2H 2020 (US\$'000)	2H 2019 (US\$'000)	Change (%)	FY 2020 (US\$'000)	FY 2019 (US\$'000)	Change (%)
Gross Revenue	95,628	94,514	1.2	194,312	177,853	9.3
Net Property Income	53,664	58,434	(8.2)	115,837	110,776	4.6
Distributable Income	40,989	43,374	(5.5)	88,967	83,341	6.8
Distribution per Unit (“DPU”) (US cents)	2.59	2.92	(11.3)	5.64	5.96	(5.4)

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the “Manager”) said, “**FY 2020 was a year like no other with MUST weathering the storm of the pandemic and now, in 2021, with that behind us, we are working to resume a positive track to growth. Overall, we are reporting a stable set of results for the year ended 31 December 2020. DPU was down 5.4% YoY. Out of prudence, we made a provision for expected credit losses mainly from retail and F&B tenants, but already this new year the retail tenant has reached an**

agreement to settle its arrears. Car parking revenue was down in 2020 as working from home temporarily became the norm, but we expect this to reverse as returning office-users will prefer to drive rather than take public transport. At 93.4%, our occupancy is higher than the U.S. Class A average of 84%, although sluggish leasing meant lower rental income. In 2020, we refinanced mortgages taking full advantage of the low interest rates and for 2021 we are in advanced negotiations for a sustainability-linked loan with expected cost savings. The fast-paced U.S. vaccine roll out will hasten the economic recovery, return to work and enable business leaders to start making decisions on office leases. Having built a well-diversified top-quality tenant base, we intend to boost growth with at least 20% of tenants in high growth sectors.”

Proactive Capital Management

As at 31 December 2020, MUST’s balance sheet remained stable with a NAV per Unit of US\$0.73. The REIT’s gearing ratio of 41.0% leaves a buffer under the regulatory gearing limit of 50.0%. The weighted average interest rate was reduced to 3.18% with 94.5% of gross borrowings secured on a fixed rate basis to provide cash flow stability.

The Manager is currently in advanced negotiations to sign a sustainability-linked loan for the upcoming refinancing of US\$233.8 million, with further cost savings expected. After the refinancing, approximately 67% of the portfolio will be unencumbered.

Strong and Diversified Portfolio

As at 31 December 2020, the REIT recorded a high occupancy of 93.4% and long WALE of 5.3 years. MUST’s portfolio boasts a high-quality and well-diversified tenant base comprising numerous multinational corporations across more than 16 different trade sectors. The REIT’s top 10 tenants have a long WALE of 5.6 years, and majority of them are either public-listed companies, government agencies or corporate headquarters. As at 31 December 2020, no single tenant contributed more than 6.3% of GRI.

In FY 2020, the REIT executed leases amounting to ~279,000 sq ft or 5.9% of the portfolio by NLA, at an average rental reversion of +0.1% and WALE of 6.4 years. New leases executed in FY 2020 were with tenants mainly from the Legal, Real Estate, Information, Finance and Insurance sectors.

Following the execution of 2020’s leases, just 5.7% of leases by NLA will expire in 2021 and 47.3% of the portfolio’s leases by NLA will expire in 2026 and beyond. Additionally, the portfolio’s rental escalations profile is 2.0% per annum, with 62% of leases having annual escalations averaging 2.6% per annum.

MUST’s nine office buildings remained open throughout the pandemic. As at 15 January 2021, the Manager has collected 97% of rents and provided 0.6% deferment and 0.5% abatement based on FY 2020 GRI. To prepare for tenants’ return to the office, the Manager has also upgraded air filters, increased frequency of cleaning, and issued a comprehensive guidebook on health and safety.

U.S. Market Outlook

After declining at an annualised rate of 32.9% in Q2 2020, real GDP grew at annualised rates of 33.4% and 4.0% in Q3 and Q4 2020, respectively. The real GDP growth reflects increases in exports, fixed investment (non-residential and residential), personal consumption expenditure and private inventory investment.

In early January 2021, the 7-day moving average of confirmed U.S. COVID-19 cases reached a high of 292K cases. Later in the month, the number declined to 152K, reflecting a 48% decline. In the first week of February, over 33 million doses of COVID-19 vaccine were administered in the U.S.

Unemployment in the U.S. during 2020 peaked at 14.8% and declined to 6.7% in December. Despite the improvement since April, unemployment still stands nearly double the pre-COVID-19 peak of 3.5%. During December, job losses in leisure and hospitality were offset by gains in professional and business services, retail trade and construction.

According to JLL, the U.S. office leasing market experienced 125.6 million square feet of leasing during 2020, representing a 47.3% decline relative to 2019's leasing volume. The decline in leasing market activity has been caused by COVID-19 induced lockdowns enforced at the state and/or local level, corporate mandated work-from-home policies, corporate delays on long term decision making, individual choices and an economic recession. 69% of lease transactions during 4Q were renewals, of which 43% were for five years or less in duration. As a result, for leases over 20,000 square feet, the average lease term signed during the quarter was 6.7 years, down from the pre-COVID-19 average of 8.5 years.

With committed occupancy of 93.4% and minimal 5.7% leases by NLA due in 2021, the portfolio remains in a solid position to weather the pandemic. The Manager continues to focus on asset, lease and capital management, in addition to its commitment to sustaining and enhancing environmental, social and governance (ESG), and will selectively seek investment opportunities that deliver long term value to Unitholders.

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For queries, please contact:

Media

Stella Tan

Email : stella.tan@baldwinboyle.com

Phone : +65 9177 4692

Analysts

Caroline Fong, Head of Investor Relations &
Chief Capital Market Strategist

Email : carol_fong@manulifeusreit.sg

Phone : +65 6801 1066

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 93.4% as at 31 December 2020.

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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