Manulife

US REIT

PRESS RELEASE

Manulife US REIT's Maiden Results Exceed IPO Profit Forecast[1]

- **Net property income of US$17.6 million ahead of forecast by 1.5%**
- **Distributable income of US$12.6 million and Distribution per Unit ("DPU") of 2.01 US cents outperformed forecast by 5.8%**
- **Valuation of portfolio increased by 4.6%**
- **High occupancy of 97.0% with strong rental reversions of 8.5%[2]**
- **Demand for office in U.S. continues to outstrip supply in key cities**

Singapore, 7 November 2016 – Manulife US Real Estate Investment Trust ("Manulife US REIT" or the "REIT"), the first pure-play U.S. office REIT listed in Asia, today announced that its financial results for the reporting period from its listing date of 20 May 2016 ("Listing Date") to 30 September 2016 ("Reporting Period") have exceeded the profit forecast for the same period.

SUMMARY OF MANULIFE US REIT RESULTS

20 May 2016 to 30 Sep 2016	**Actual US$'000**	**Forecast(1) US$'000**	**Change %**
Gross Revenue	28,196	28,508	(1.1)
Net Property Income	17,603	17,339	1.5
Net Income	33,720	9,468	256.1
Income available for distribution to Unitholders	12,594	11,909	5.8
Distribution per Unit ("DPU") (cents)	**2.01**	**1.90**	**5.8**

1 The Prospectus disclosed an 8-month profit forecast for the period from 1 May 2016 to 31 Dec 2016. Forecast results for the period from the Listing Date to 30 Sep 2016 were derived by pro-rating the forecast figures and adjusting the anticipated lease incentives of Manulife US REIT for the period from 1 May 2016 to 31 Dec 2016 as disclosed in the Prospectus.

2 From 1 Jan 2016 to 30 Sep 2016.

DBS Bank Ltd. was the Sole Financial Adviser and Issue Manager for the initial public offering of Manulife US Real Estate Investment Trust ("Offering"). DBS Bank Ltd., China International Capital Corporation (Singapore) Pte. Limited, Credit Suisse (Singapore) Limited and Deutsche Bank AG, Singapore Branch were the Joint Bookrunners and Underwriters for the Offering.

The REIT recorded distributable income of US$12.6 million for the Reporting Period, which outperformed the forecast by 5.8%. The higher distributable income was mainly due to higher net property income, lower interest expenses and other trust expense savings. As a result, the REIT recorded a DPU of 2.01 Singapore cents, which was 5.8% higher than the forecast DPU of 1.90 US cents[3].

For the Reporting Period, net property income was US$17.6 million and ahead of forecast by 1.5%, largely due to lower property operating expenses. Gross revenue was 1.1% below forecast due to lower recovery revenues[4].

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the "Manager") said, ***"We are delighted to present a strong set of results that validate the investment merits of Manulife US REIT which provides access to high quality office properties in key U.S. markets. We outperformed our DPU by 5.8% and our valuation increased by 4.6% due to increased investment demand and favourable leasing activities. Despite the gloomy global macroeconomic outlook, the U.S. real estate market remains a bright spot, attracting investors seeking yield and growth."***

Portfolio Updates

During the Reporting Period, the portfolio value increased by 4.6% over the acquisition cost, and a net fair value change in investment properties of US$32.9 million was recognised in income based on independent appraisals as at 30 September 2016. The valuation gains were largely due to increasing investment demand and favourable leasing activities.

Our portfolio's occupancy improved to 97.0% based on committed leases with a weighted average lease expiry of 6.1 years. The REIT registered positive rental reversions of 8.5% for the period 1 January 2016 to 30 September 2016.

Moving forward, the Manager aims to manage and enhance the assets proactively, as well as grow the portfolio by targeting to acquire one asset per year.

Proactive Financial and Capital Management

As part of the Manager's proactive and prudent capital management strategy, Manulife US REIT successfully refinanced its loans at lower interest rates in July 2016, which reduced financing costs and translated into higher distributable income to Unitholders. The loans have fixed interest rates over an average of four years, and remove any near term interest rate volatility.

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[3] Forecast results for the period from the Listing Date to 30 Sep 2016 were derived by pro-rating the forecast figures and adjusting the anticipated lease incentives of Manulife US REIT for the period from 1 May 2016 to 31 Dec 2016 as disclosed in the Prospectus.

[4] Recovery revenues from tenants are recognised when applicable recoverable property operating expenses are incurred. Since the recoverable property operating expenses were lower than forecast, the recovery revenues were also lower.

For the Reporting Period, interest expense of US$3.1 million was lower than forecast by 8.2%, due to the new loan facilities secured at lower interest costs and lower amortisation of financing costs. In addition, other trust expenses were 45.3% lower than forecast, largely due to disciplined expense management by the Manager.

The gearing for this period decreased to 34.7% due to an increase in fair value of the investment properties. The reduced gearing provides additional debt headroom.

Positive Outlook

Despite the gloomy global macroeconomic outlook and uncertainty around the U.S. election, the U.S. real estate market remains a bright spot attracting investors seeking yield and growth.

U.S. economic growth increased substantially in the third quarter of 2016, with the U.S. Department of Commerce Bureau of Economic Analysis reporting annualised real GDP growth of 2.9% for the quarter, compared with only 0.8% in Q1 and 1.4% in Q2. Employment continues to grow with a 12-month moving average of approximately 200,000 net new jobs created per month, which is supportive of sustained healthy absorption in the office market[5].

The U.S. commercial real estate market continues to experience strong demand as investors world-wide seek yield-generative investments. U.S office vacancy dropped by 10 basis points in the third quarter of 2016 and gross leasing activity increased to 59.9 million square feet[6].

With respect to the three markets that Manulife US REIT has invested in, JLL's 3Q 2016 "Office Outlook" report indicates the following:

- Los Angeles: Leasing activity in the third quarter pointed to strong tenant renewal activity, with a majority of tenants maintaining the size of their tenanted space and more tenants expanding their footprints than contracting. Year to date sales volume is more than double that recorded in 2015, as investors started to recognise Los Angeles as a gateway market due to its underlying strengths and affordability.

- Orange County: Leasing activity in the third quarter was concentrated in small and medium sized deals, but the market continued to generate positive absorption. Rental rates have also increased substantially over the past few years, although they remain below the market peak in 2007. Orange County also continues to generate new jobs, with job growth of 2.5% over the last year.

5 Based on U.S. Department of Labor Bureau of Labour Statistics.
6 Based on JLL's "Office Outlook" report for Q3 2016.

- <u>Atlanta:</u> Rental rates in Atlanta have reached an all-time high in the third quarter with direct vacancy reaching a 14-year low which was spurred on by strong absorption and a dearth of new construction. Job growth has been strong with much of the growth coming from the professional and business services sectors.

Distribution Policy

Manulife US REIT's distribution policy is to distribute 100% of its Annual Distributable Income up to the financial year ended 31 December 2017. Manulife US REIT's first distribution after its Listing Date will be for the period from 20 May 2016 to 31 December 2016 and will be paid by the Manager of Manulife US REIT on or before 30 March 2017.

The forecast distribution yield[7] disclosed in the prospectus for the Forecast Period 2016 is 6.6%[8], and the distribution is expected to grow by 7.3% to 7.1% in Projection Year 2017. These yields do not reflect the impact of lower financing costs from securing the new loan facilities on 15 July 2016.

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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 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 initial portfolio ("IPO Portfolio") comprises three prime, freehold and Class A or Trophy quality office properties strategically located in Los Angeles; Irvine, Orange County; and Atlanta. The IPO Portfolio, valued at US$813.2[9] million, has an aggregate Net Lettable Area of 1.8 million sq ft and an occupancy rate of 97.0% as at 30 September 2016.

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,

[7] Based on the Offering Price of US$0.83 per Unit and the forecast and projected DPU for Forecast Period 2016 and Projection Year 2017, together with the accompanying assumptions in the Prospectus of Manulife US Real Estate Investment Trust dated 12 May 2016 and registered by the Monetary Authority of Singapore on 12 May 2016. Such yield will vary accordingly for investors who purchase Units in the secondary market at a market price different from the Offering Price.

[8] Annualised.

[9] Based on the independent valuation conducted by CBRE as at 30 Sep 2016.

mutual funds and banking products. The Sponsor also provides asset management services to institutional customers. Assets under management and administration by Manulife and its subsidiaries were approximately US$718 billion as at 30 June 2016. 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.

For queries, please contact:

Media
CHIN May Nah / YAP Meng Lee
Email: mchin@kreab.com / myap@kreab.com
Phone: +65 6339 9110

Analysts
Caroline Fong
Head of Investor Relations
Email: carol_fong@manulifeusreit.sg
Phone: +65 6801 1066

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The value of units in Manulife US REIT ("**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. Holders of Units ("**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.