Manulife
US REIT

PRESS RELEASE

(Left-Right: Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn, Phipps, Centerpointe and Capitol)
Click image to watch property video or visit www.manulifeusreit.sg/portfolio.html

Manulife US REIT YTD Sep 2019 DPU grew 11.9% YoY to 4.52 US cents

- **Growing and diversifying responsibly to AUM US$2.1 billion with Capitol acquisition**
- **Long WALE of 6.0 years and high occupancy of 97.3%**
- **High quality diversified tenant base solidifies portfolio**
- **Majority of investors are institutions**
- **FTSE EPRA NAREIT Index inclusion in sight**

Singapore, 4 November 2019 – Manulife US Real Estate Investment Trust ("Manulife US REIT" or "the REIT"), the first pure-play U.S. office REIT listed in Asia, today reported net property income of US$28.1 million for the third quarter ended 30 September 2019 ("3Q 2019"), an increase of 11.8% YoY over the same quarter a year ago ("3Q 2018"). Distributable income for 3Q 2019 was US$20.8 million, which was 7.8% higher YoY, largely due to the higher net property income, partly offset by higher finance expenses, other trust expenses and current taxes.

For the year to date ended 30 September 2019 ("YTD Sep 2019"), the REIT's net property income grew 23.5% YoY to US$80.5 million, while distributable income increased by 18.1% YoY to US$60.7 million. DPU of 4.52 US cents for YTD Sep 2019 was higher by 11.9% YoY, compared to the DPU of 4.04 US cents for the same nine-month period a year ago.

SUMMARY OF MANULIFE US REIT RESULTS

	3Q 2019 (US$'000)	3Q 2018 (US$'000)	Change (%)	YTD Sep 2019 (US$'000)	YTD Sep 2018 (US$'000)	Change (%)
Gross Revenue	45,732	40,379	13.3	129,071	104,053	24.0
Net Property Income	28,123	25,147	11.8	80,465	65,174	23.5
Income available for distribution to Unitholders	20,753	19,257	7.8	60,720	51,395	18.1
Distribution per Unit ("DPU") (US cents)	1.48	1.51	(2.0)	4.52	4.04[1]	11.9
For information only **Adjusted DPU[2] (US cents)**	1.48	1.52	(2.6)	4.52	4.53[3]	(0.2)

(1) The distributable income for YTD September 2018 was calculated based on the enlarged Unit base, which resulted from the preferential offering to partially fund Penn and Phipps acquisitions under which 227,935,981 Units were issued on 20 June 2018. As such, there was a drag on YTD September 2018 DPU due to issuance of the Penn and Phipps Preferential Offering Units while income contribution from Penn and Phipps properties was only from 22 June 2018 to 30 September 2018.

(2) Adjusted DPU was calculated based on the weighted average number of Units in issue.

(3) Adjusted DPU normalises the impact of enlarged Unit base resulting from the Penn and Phipps Preferential Offering Units on YTD September 2018 DPU.

3Q 2019 DPU was 1.48 US cents[4], which comprises an advanced distribution of 1.47 US cents[5] for the period from 1 July 2019 to 29 September 2019, which will be paid on 29 November 2019, and remaining DPU of 0.01 US cents[6] for 30 September 2019 which will be paid with the 4Q 2019 DPU in the first quarter of 2020.

On 30 October 2019, Manulife US REIT announced the completion of the acquisition of 400 Capitol Mall ("Capitol") for purchase price of US$198.8 million. Capitol is a 29-storey top Class A office building with 500,662 sq ft of NLA, located in Sacramento, California. The acquisition was financed by a combination of loan and an equity fund raising comprising a private placement (the "Capitol Private Placement") and a preferential offering (the "Capitol Preferential Offering"). This acquisition increased the portfolio's NLA by approximately 12.0% and provides diversification benefits to the portfolio.

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the "Manager") said, **"At the 3Q 2019 mark, Manulife US REIT registered a 23.5% and 11.9% growth in its YTD NPI and DPU YoY to US$80.5 million and 4.52 US cents respectively. Backed by its strong sponsor, Manulife, the REIT now owns nine premier Trophy and Class A buildings. Including the recent acquisition of Capitol, Manulife US REIT's AUM has increased 20.4% YoY to US$2.1 billion. At every step, we have aimed to fortify the portfolio through diversification of income. We have maintained a long WALE of 6.0 years and a high occupancy of 97.3% by consciously increasing the trade sectors without compromising on the quality of the tenants. Our properties have been carefully selected for their location in capital cities and top MSAs that are expected to remain resilient through property cycles over the long term. Since its IPO, the REIT has steadily attracted a significant institutional investor base that will put it in good stead to remain the U.S. REIT of choice – especially with the FTSE EPRA Nareit Index inclusion in sight."**

Proactive Capital Management

As at 30 September 2019, Manulife US REIT's balance sheet remained strong with a gearing ratio of 36.3%. The REIT has also mitigated near-term interest rate risk with 95.5% of outstanding loans on a fixed rate basis, resulting in a weighted average interest rate of 3.43%.

Following the financing of Capitol with Trust-level loan at an attractive rate of 3.04% in October 2019, the REIT's weighted average interest rate was further reduced to 3.39%, with 31.4% of the portfolio being unencumbered. The REIT's weighted average debt maturity also increased to 3.1 years, while fixed rate loans increased to 96.8%. The Manager will continue to apply disciplined and prudent capital management.

(4) The DPU for 3Q 2019 comprises of distributable income for the period from 1 July 2019 to 29 September 2019 over 1,401,067,898 Units and distributable income for 30 September 2019 over enlarged Unit base of 1,565,248,428 Units, which was resulted from the issuance of Capitol Private Placement Units and Capitol Preferential Offering Units on 30 September 2019 and 18 October 2019 respectively, to partially finance the acquisition of Capitol.

(5) DPU was calculated based on 1,401,067,898 Units (excluding Capitol Private Placement Units and Capitol Preferential Offering Units).

(6) DPU was calculated based on 1,565,248,428 Units (including Capitol Private Placement Units and Capitol Preferential Offering Units).

Strong and Diversified Portfolio

As at 30 September 2019, the REIT recorded a high occupancy rate of 97.3% and long WALE by NLA of 6.0 years as the Manager continues to seek lease terms accretive to WALE. Approximately 62.3% of the portfolio's leases by NLA will only expire in 2024 and beyond.

Across the portfolio, the Manager achieved strong leasing momentum with high-quality tenants signing long leases in YTD Sep 2019. Including the renewals, leases amounting to approximately 400,000 sq ft (10% of the portfolio's leases by NLA) were executed in YTD Sep 2019 with positive rental reversion. They included 15 new/renewed leases led by tenants from the Finance and Insurance and Legal sectors with long tenures averaging 8.5 years and rental escalations of 2.7% per annum.

Overall, the portfolio enjoys rental escalations of 1.9% per annum. The tenant base remains well-diversified across multiple trade sectors, with no single tenant contributing more than 6.6% of GRI as at 30 September 2019. Further, the top 10 tenants have a long WALE of 6.9 years, and the majority of them are either public-listed companies or HQ locations.

With the completion of Capitol's acquisition on 29 October 2019 (U.S. time), the REIT has three Co-working tenants contributing to 1.9% of the portfolio by GRI. Going forward, the REIT believes that Co-working firms will continue to play a growing role in the office landscape and serve as a complimentary use to Manulife US REIT's portfolio.

Separately, the US$8.0 million asset enhancement initiatives (AEI) work at Figueroa for its lobby, gantries and new café, and US$12.0 million AEI at Exchange for its lobby, security desk and LED lighting, are progressing well and expected to be completed in 4Q 2019/1Q 2020.

U.S. Market Outlook

On 30 October 2019, the U.S. reported an annualised real GDP growth rate of 1.9% for the third quarter of 2019, above consensus expectations and in line with Q2's 2.0% growth rate. The growth rate was a result of positive consumer and government spending (albeit both decelerated), offset by a decrease in business investment. The U.S. unemployment rate decreased 0.2% from the previous quarter to 3.5% in September 2019. The U.S. economy generated 136,000 non-farm jobs in September 2019 as employment in health care and in professional and business services continued to trend up. During the third quarter of 2019, over 465,000 non-farm jobs were created.

Despite heightened trade tensions and elevated probabilities of a recession, U.S. consumer remains the bright spot of the U.S. economy. Healthy households' balance sheet, robust savings levels and near all-time low unemployment rate are supportive of sustained growth in consumer spending. The central banks easing monetary policy is also lending support to growth - the U.S. Federal Reserve (Fed) has cut interest rates by 75 basis points (bps) so far in 2019 and could cut rates further in the coming six months if an unfavourable economic outlook develops. However, increased global trade tensions is hampering business confidence and taking a toll on investments, particularly in manufacturing segments. Despite softening of the U.S. economy, the dollar continued to strengthen, as general uncertainty and search for yield fueled demand for dollar denominated assets.

Manulife US REIT

Office absorption during the third quarter of 2019 remained strong with JLL (JLL United States Office Outlook Q3 2019) reporting absorption of 16.2 million square feet in the period, despite skilled talent shortages and new supply. The nation's vacancy rate decreased slightly to 14.2% at the quarter ended 30 September 2019. Leasing activity continues to be solid across the top three sectors of Co-working, Technology, and Finance and Insurance, although Co-working has started to show signs of tapering demand. Flight to quality remains apparent with Class A space recording 90% of the national occupancy gains during the year. Rents increased a stable 0.9% over the quarter, however concession packages are showing no signs of deceleration due to competition between landlords.

For queries, please contact:

Media
YAP Meng Lee
Email : myap@kreab.com
Phone : +65 3163 7476

Analysts
Caroline Fong, Head of Investor Relations
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 eight prime, freehold and Trophy or Class A quality office properties strategically located in California, Atlanta, New Jersey and Washington D.C. Metro Area. The current portfolio valued at US$1.9 billion, has an aggregate Net Lettable Area of 4.2 million sq ft and an occupancy rate of 97.3% as at 30 September 2019.

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.