Singapore Company Focus

# Manulife US Real Estate Inv

**Bloomberg: MUST SP | Reuters: MANU.SI**

**Refer to important disclosures at the end of this report**

DBS Group Research . Equity

4 Jul 2016

## BUY

(Initiating Coverage)

Last Traded Price: US$0.81 (STI : 2,846.37)

Price Target : US$0.91 (13% upside)

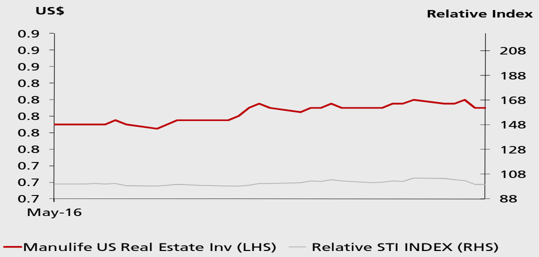
Potential Catalyst: Recovery in the US office market


**Analyst**

Mervin SONG CFA +65 6682 3715 mervinsong@dbs.com

Derek TAN +65 6682 3716 derektan@dbs.com


**Price Relative**




**Forecasts and Valuation**

| FY Dec (US$m) | 2015P | 2016F* | 2017F |
|---|---|---|---|
| Gross Revenue | 71.0 | 78.7 | 79.3 |
| Net Property Inc | 44.2 | 48.7 | 48.6 |
| Total Return | 26.0 | 26.3 | 29.7 |
| Distribution Inc | 34.3 | 34.5 | 37.4 |
| EPU (US cts.) | 4.15 | 4.18 | 4.68 |
| EPU Gth (%) | nm | 1 | 12 |
| DPU (US cts.) | 5.48 | 5.47 | 5.89 |
| DPU Gth (%) | nm | 0 | 8 |
| NAV per shr (US cts.) | 78.4 | 76.8 | 75.7 |
| PE (X) | 19.5 | 19.4 | 17.3 |
| Distribution Yield (%) | 6.8 | 6.8 | 7.3 |
| P/NAV (x) | 1.0 | 1.1 | 1.1 |
| Aggregate Leverage (%) | 36.6 | 37.7 | 38.7 |
| ROAE (%) | 10.6 | 5.4 | 6.2 |
| | | | |
| Consensus DPU (US cts.): | | 3.3 | 5.2 |
| Other Broker Recs: | B: 1 | S: 0 | H: 0 |

** Annualised.*

*** FY15 are proforma numbers, and FY16 and FY17 projections are DBS Bank estimates. All numbers are rounded up to the nearest decimal.*

*Source of all data: Company, DBS Bank, Bloomberg Finance L.P*

## From strength to strength

- **Unique exposure to US freehold office properties which are at the cusp of a sustained recovery**
- **Reputable Sponsor with a sizeable presence and proven track record in real estate in the US**
- **8% DPU growth in the midst of slowing SREIT market**
- **Initiating coverage with BUY with TP of US$0.91**

**Freehold properties leveraged to US office recovery.** Manulife US REIT (MUST) offers investors a unique opportunity to invest in high quality freehold properties in the US, where the real estate market outlook is favourable and the economy is recovering. The initial portfolio comprises three Class A or Trophy buildings – Figueroa, Michelson and Peachtree located in the prime areas of (1) Downtown Los Angeles, (2) Irvine, Orange County and (3) Midtown, Atlanta respectively. With 15.6% of leases due to expire over FY16-17F, MUST is well positioned to capture the improvement in market rents which according to Colliers is projected to rise by 1.5%-23.0% over 2015-2017 in the areas where MUST's properties are located.

**Long WALE with inbuilt growth.** MUST offers strong cashflow visibility with a weighted average lease expiry (WALE) by net lettable area (NLA) of 5.7 years. Beyond a stable income base, the initial portfolio also provides steady organic growth as c.80.2% of leases by NLA have annual rental escalations of between 2.5%-3.5%.

**Backed by strong sponsor with robust track record in the US.** MUST's Sponsor is Manulife Financial Group, whose real estate arm has over 70 years worth of experience managing multi-billion dollar global real estate portfolios with particular expertise in the US. Leveraging on its Sponsor's skill sets across the real estate value chain as well as strong acquisition track record, MUST is well placed to take advantage of acquisition/inorganic opportunities.

**Initiating coverage with BUY.** We initiate with a BUY recommendation with a DCF-based TP of US$0.91. MUST offers an attractive combination of high yield (6.8-7.3%) and growth. MUST is projected to deliver 8% DPU growth which compares favourably to the average 2% growth on offer by the S-REIT market.

**At A Glance**

| | |
|---|---|
| Issued Capital (m shrs) | 626 |
| Mkt. Cap (US$m/US$m) | 507 / 507 |
| Major Shareholders (%) | |
| Manulife International | 7.5 |
| Free Float (%) | 92.5 |
| 3m Avg. Daily Val (US$m) | 2.2 |

## INVESTMENT THESIS

| Profile | Rationale |
|---|---|
| Manulife US REIT (MUST) is the first pure-play U.S. office REIT listed in Asia. Its portfolio consists of three freehold, Class A or Trophy quality office properties in Atlanta, Los Angeles, and Orange County with aggregate net lettable area (NLA) of c.1.8m sqft. | Strong Sponsor in Manulife has over 70 years of experience in the U.S. real estate market. Subsidiary John Hancock, Manulife, with over 70 years of experience in the US property market, is able to offer the REIT a strong and fully integrated real estate platform. Manulife's deep expertise across the real estate value chain includes leasing, acquisitions, property financing and portfolio management.<br><br>Long WALE of 5.7 years with inbuilt growth. The long WALE of 5.7 years (by NLA), which is longer than the majority of Singapore office REITs, provides strong cashflow visibility. In addition, 80.2% and 18.9% of leases by NLA have annual rental escalations of between 2.5-3.5% and mid-term or period rent increases respectively. Thus, the REIT provides investors with an inbuilt growth platform.<br><br>Exposure to the U.S. property market which is in the early stages of recovery. With MUST's initial portfolio located in Atlanta and Los Angeles, the REIT is exposed to the segments of the property market which is in the early stages of recovery. Based on Colliers estimates, market rents where MUST's properties are located are projected to rise 1.5%-23.0% over 2015-2017. |

| Valuation | Risks |
|---|---|
| We initiate with a BUY recommendation with a DCF-based TP of US$0.91. Our DCF valuation is based on WACC of 6.3%, cost of debt of 2.8% and terminal growth rate of 2.5%. | Risk of non-renewal and non-replacement of leases. MUST's financial condition and results of operations and capital growth may be adversely affected by bankruptcy, insolvency or downturn in the businesses of one or more of the tenants, as well as the decision by one or more of these tenants not to renew its lease at the end of a lease cycle, or terminate its lease before it expires.<br><br>Foreign currency risks. All of the REIT's assets are located in the US and generate revenues in USD. Thus, investors who elect to receive distributions in SGD have exposure to volatility in the USD/SGD FX rate. This is mitigated should investors elect to receive distributions in USD.<br><br>Regulatory Risks. The tax efficiency of MUST relies in part on its Parent U.S. REIT and Sub-U.S. REITs being able to maintain their status as U.S. REITs as well as the REIT qualifying for U.S. Portfolio interest exemption when repatriating cashflows back to Singapore as interest.<br><br>Should there be any change in tax or REIT regulations in either the US or Singapore which affects the current REIT structure or ability to repatriate cash in a tax efficient manner, distributions paid to MUST's unitholders may be adversely impacted. Nevertheless, we understand the Manager will actively monitor the regulatory environment and make the appropriate changes to minimise the impact of any regulatory changes. |

*Source: DBS Bank*

## Investment Summary

Manulife US REIT offers investors a unique opportunity to gain exposure to the recovering US real estate market. Manulife US REIT offers investors a unique opportunity to invest in high quality properties in the US, where the real estate market outlook is favourable and the economy is recovering. The initial portfolio comprises three Class A or Trophy buildings – Figueroa, Michelson and Peachtree which are located in prime areas of (1) Downtown Los Angeles, (2) Irvine, Orange County and (3) Midtown, Atlanta respectively. The portfolio has a net lettable area (NLA) of 1.78m sqft with an appraised value of US$741m-799m, based on two independent valuations.

Real estate market on the recovery path. According to Colliers International (Colliers), the office market outlook for Downtown Los Angeles, Orange County and Atlanta are attractive given (i) rising demand due to projected falling unemployment rates on the back of a pick-up in business activities, and (ii) a deep pool of local talents and skilled workers which attract companies to set up and maintain their presence there. The sub-markets where the properties are located are also characterised by a lack of new competitive supply due to limited land availability and high construction costs. Given supportive market dynamics, Colliers expects Class A rents in the respective markets to improve by 1.5%-23.0% per annum over 2015-2017.

Through the initial portfolio and potential acquisitions in the future, we believe that Manulife US REIT offers a cyclical recovery story, with rents and capital values at or close to an upswing, underpinned by improved business activity in the US and real estate values that are off previous highs.

Long WALE with near term lease expiries to capture the improvement in market rents. The initial portfolio has a long weighted average lease expiry (WALE) of 5.7 years (by NLA) as at 31 December 2015. This provides a highly visible and steady income stream for Manulife US REIT. In terms of cash rental income as at 31 December 2015, income is derived from a wide spectrum of tenant industries including law firms (45.4%), financial institutions (23.1%), business services (11.9%), real estate (8.3%), personal services (5.1%) and engineers/architects (3.6%). With 15.6% of leases due to expire over FY16-17F, the initial portfolio is also well positioned to capture the improvement in market rents. In fact, the manager has already renewed the majority of leases expiring in FY17 for Michelson, which represents c.50% of the initial portfolio's expiring leases in FY17.

Tapping into the expertise of its Sponsor. Manulife US REIT's Sponsor is The Manufacturer's Life Insurance Company, which is part of Manulife Financial Group, a Canada-based financial services group with over US$676bn in assets under management as at 31 December 2015. The Sponsor has significant asset management capabilities across a broad range of public and private asset classes. Manulife US REIT is able to tap on its sponsor's real estate platform, Manulife Real Estate, to source deals, access local market expertise and gain assistance in securing financing.

Aligned Sponsor. The Sponsor holds 9.5% stake in Manulife US REIT and is aligned with unitholders' interests through the pegging of REIT management fees to the performance of the REIT. Fees are pegged to a base fee at 10% of distributable income and performance fee is based on 25% share of the y-o-y growth in DPU. Note that no performance fee is payable for FY16F.

Attractive 8% distribution growth; fixed-rate loans shield the REIT from interest rate risks over the next 3-5 years. Manulife US REIT offers an attractive 8% growth in distributions over FY16-17F, driven by in-built rental escalation clauses of 2.5%-3.5% and positive rental reversions. Additional upside could potentially come from acquisitions. The Manager intends to take three term debt facilities with a weighted average debt expiry profile of 4 years. Interest cost is estimated to be at a fixed rate of 2.8% which means that the REIT will be shielded from any interest rate hikes in the medium term. Any uplift in revenues from the initial portfolio will thus flow straight to distributions to unitholders. Gearing is estimated to be c.38%, which is within management's optimal range of 35%-40%.

Tax efficient vehicle to invest in US assets. Manulife US REIT offers Singapore/Asian based investors a tax efficient platform to invest in US office assets. Typically foreign investors are subject to 30% withholding tax on distributions/dividends. However, through the effective use of various existing REIT and tax structures, Manulife US REIT is able to largely avoid the withholding taxes at least for the first 10-11 years according to our estimates. Thus, Manulife US REIT's distributions are paid on a post tax basis and will not be subject to further Singapore withholding tax or Singapore income tax in the hands of unitholders, regardless of whether they are corporates or individuals, foreign or domestic.

Manulife US REIT is helmed by an experienced and committed team comprising Ms. Jill Smith as CEO, Mr. Jeffrey Wolfe as CIO and Mr. Jag Obhan as CFO. They each have more than 15-years of experience in real estate investment, portfolio management, asset and property management and finance in the US and Asia. We believe that Manulife US REIT will benefit from their extensive knowledge of the US property market and capital markets experience.

Initiating coverage with BUY. We initiate with a BUY recommendation with a DCF-based TP of US$0.91. Manulife US REIT offers an attractive combination of high yield (6.8-7.3%) and growth. MUST is projected to deliver 8% DPU growth which compares favourably to the average 2% growth on offer by the S-REIT market.

# Valuation

## Discounted Cash Flow Method

Manulife US REIT generates stable income from its long leases, with portfolio WALE of 5.7 years (by NLA) and in-built annual rental escalations of between 2.5-3.5% p.a.. As such, discounting its cashflows would be an appropriate valuation method. Our DCF analysis has factored in a normalised US risk free rate of 2.35%, US market return of 9.1%, beta of 0.9x (a premium to the average US office REITs beta of 0.82x to account for Manulife US REIT's smaller size), cost of debt of 2.8% and cost of equity of 8.4%. This translates to a WACC of 6.4%. Coupled with a terminal growth rate of 2.5%, we derive a DCF valuation of US$0.91 per unit.

In terms of sensitivity to changes in terminal growth, Manulife US REIT's valuation is more sensitive to changes in WACC. For every 0.5ppt movement in WACC, our DCF valuation would move by 20-22% while a similar absolute quantum shift in terminal growth would move the DCF valuation by 13-15%.

**Sensitivity of DCF Valuation to Changes in Terminal Growth and WACC**

| | | Terminal Growth Rate | | | | |
|---|---|---|---|---|---|---|
| | | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% |
| | | Value per unit (US$) | | | | |
| WACC | 5.4% | 1.17 | 1.27 | 1.38 | 1.52 | 1.68 |
| | 5.9% | 0.97 | 1.03 | 1.11 | 1.20 | 1.31 |
| | 6.4% | 0.81 | 0.86 | 0.91 | 0.98 | 1.05 |
| | 6.9% | 0.68 | 0.72 | 0.76 | 0.81 | 0.86 |
| | 7.4% | 0.58 | 0.61 | 0.64 | 0.67 | 0.72 |

*Source: DBS Bank estimates*

**DCF Analysis**

| FY Dec (US'm) | FY16F* | FY17F | Terminal Value |
|---|---|---|---|
| EBIT | 43.3 | 43.3 | |
| Non Cash Adjustment | 1.6 | 4.8 | |
| Tax | (1.3) | (1.3) | |
| Capex and Leasing Costs | (9.4) | (10.6) | |
| Chgs to Wkg Cap | (4.3) | (0.0) | |
| FCF to the Firm | 29.9 | 36.2 | 42.7 |
| | | | |
| PV of FCF | 288.8 | | |
| PV of Terminal Value | 577.5 | | |
| Net Cash /(Debt) | (269.4) | | |
| Equity Value (US$m) | 596.9 | | |
| Number of units | 654.5 | | |
| Value per unit (US$) | 0.91 | | |
| | | | |
| Risk Free Rate (Rf) | 2.3% | | |
| Equity risk premium | 6.8% | | |
| Beta | 0.9 | | |
| Cost of Equity (Ke) | 8.4% | | |
| % debt financing | 38.0% | | |
| Cost of debt | 2.8% | | |
| WACC | 6.3% | | |
| Terminal growth | 2.5% | | |

** Annualised*
*Source: DBS Bank estimates*

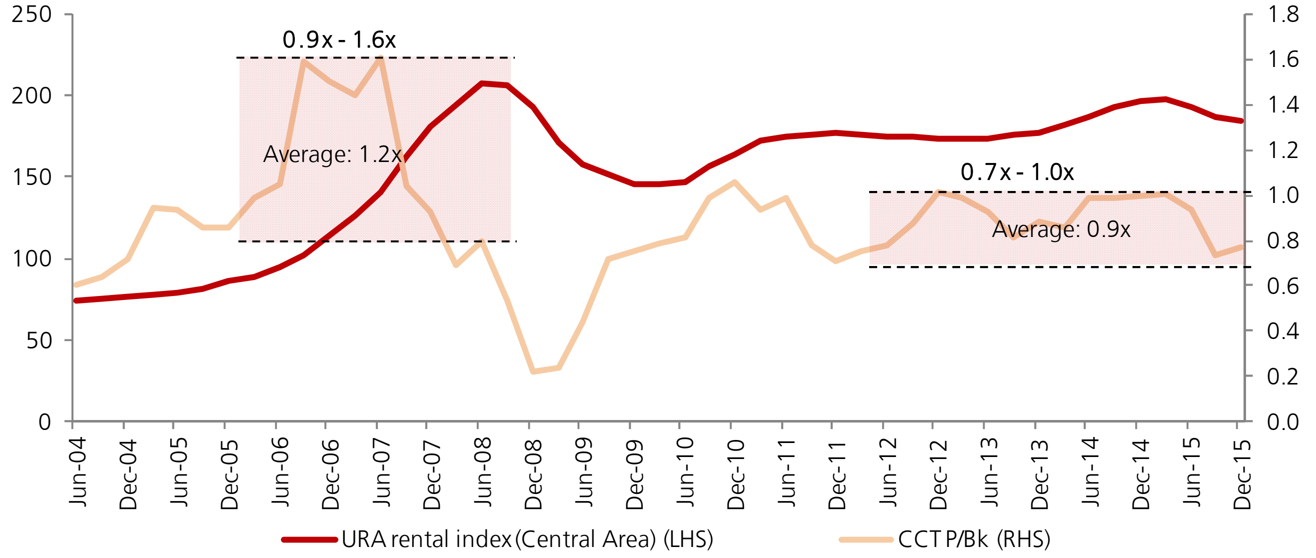
## Premium to book on upcycle in US office market

With the US office market on an upcycle, we believe there is an opportunity for Manulife US REIT to trade to P/Bk of 1.2x which is implied from our target price of S$0.91.

Looking at the historical performance for office REITs in Singapore and using CCT as a proxy, we note that the sector trades at a wide P/Bk valuation range of 0.7x – 1.6x across various market cycles. Over the past office market upcycles in 2005-2008 and 2013-current, we note that office REITs (CCT as a proxy) traded up to a high of 1.6x P/Bk and 1.0x P/Bk NAV respectively. We have not used the P/Bk experience of US office REITs as the US-based P/Bk is not a comparable metric. The US REITs do not mark to market the value of their properties but rather depreciate their properties which are recorded at cost.

Given that Manulife US REIT's growth prospects are bright, with potential upside from rental reversions and acquisitions as the US property market continues on its recovery path, we believe investors in Singapore will anticipate the potential increase in value of Manulife US REIT's properties. Thus in our view, Manulife US REIT has the potential to trade up to 1.2x P/bk which is pegged to a discount to the average P/Bk for office REITs over the past 2 upcycles.

**Office REITs P/Bk NAV vs market cycles**




*Source: Bloomberg Finance L.P., DBS Bank estimates*

## Tax efficiency warrants a premium

Manulife US REIT's distributions are paid on a post tax basis and will not be subject to further Singapore withholding tax or Singapore income tax in the hands of unitholders, regardless of whether they are corporates or individuals, foreign or domestic. In contrast, foreign investors are subject to 10% withholding tax on Singapore sourced income. Thus, given Manulife US REIT's tax efficiency and faster DPU growth (7.6% versus 1.7% average for Singapore office market) due to the fact that the US office market is on an upcycle versus a downcycle for the Singapore office market, we believe Manulife US REIT will re-rate to 6.6% FY17F yield (based on our TP of S$0.91) close to the current average FY17F yield for Singapore office REITs. Do note that the average yield for Singapore office REIT is currently elevated given the potential loss of a key tenant for FCOT and risks of further cuts in earnings given the downturn in the Singapore office market.

In comparison to the US market, we also think Manulife US REIT should trade at a yield similar to its listed peers (on a 100% payout ratio basis) given Manulife US REIT's more efficient tax structure, despite its smaller size. The US listed office REITs trade at a weighted average FY16-17F headline yield of 2.8-2.9%. While this seems low at first glance, we note that this is typically after cash is retained for capital adjustments (usually capital expenditure and tenant improvements) which implies that most US-listed REITs do not pay out 100% of their cashflows. This is unlike S-REITs which typically pay 90%-100% of distributable income. The payout ratio for the U.S. office REIT's calculated as a percentage of FFO stands at between 49-50%. On an adjusted basis (assuming 100% payout ratio), the FY16-17F pre-tax yield averages 5.7-6.0%. Post tax (after 30% withholding tax), the yield drops to 4.0-4.2%, which makes Manulife US REIT's current yield of 6.8-7.3% highly attractive.

**Yield Comparison of Singapore REITs (1 July 2016)**

| REIT | FY16F Yield | | FY17F Yield | | DPU growth |
|---|---|---|---|---|---|
| | Pre-tax | Post-tax* | Pre-tax | Post-tax* | FY16-17F |
| Singapore | | | | | |
| CCT | 6.0% | 5.4% | 6.3% | 5.6% | 4.4% |
| FCOT | 7.8% | 7.5% | 7.9% | 7.5% | 0.6% |
| KREIT | 6.3% | 5.8% | 6.3% | 5.7% | -0.3% |
| OUECT | 7.1% | 6.5% | 6.9% | 6.3% | -2.8% |
| Weighted Average | 6.4% | 6.2% | 6.5% | 5.9% | 1.7% |
| MUST | 6.8% | 6.8% | 7.3% | 7.3% | 7.6% |

** after 10% withholding tax for foreign non US investors*
*Source: Bloomberg Finance L.P., DBS Bank estimates*

**Yield Comparison against US Office REITs (1 July 2016)**

| REIT | FY16F Adj. Yield* | | FY17F Adj. Yield* | |
|---|---|---|---|---|
| | Pre-tax | Post-tax | Pre-tax | Post-tax |
| Alexandria Real Estate Equities | 5.3% | 3.7% | 5.7% | 4.0% |
| Boston Properties | 4.5% | 3.1% | 4.8% | 3.4% |
| Brandywine Realty Trust | 6.6% | 4.6% | 8.6% | 6.0% |
| Columbia Property Trust | 7.4% | 5.2% | 7.4% | 5.2% |
| Corporate Office Properties | 6.7% | 4.7% | 7.1% | 5.0% |
| Cousins Properties | 8.5% | 6.0% | 9.2% | 6.4% |
| Douglas Emmett | 5.0% | 3.5% | 5.3% | 3.7% |
| Highwood Properties Inc | 6.2% | 4.3% | 6.6% | 4.6% |
| Hudson Pacific Properties | 5.9% | 4.1% | 6.6% | 4.6% |
| Kilroy Realty Corp. | 5.2% | 3.6% | 5.6% | 3.9% |
| Mack-Cali Realty | 7.7% | 5.4% | 8.0% | 5.6% |
| Paramount Group Inc | 5.2% | 3.6% | 5.6% | 3.9% |
| Piedmont Office Realty Trust | 7.6% | 5.4% | 8.0% | 5.6% |
| PS Business Parks | 5.1% | 3.6% | 5.4% | 3.7% |
| SL Green Realty | 7.6% | 5.3% | 6.7% | 4.7% |
| Vornado Realty Trust | 5.0% | 3.5% | 5.5% | 3.8% |
| Weighted Average | 5.7% | 4.0% | 6.0% | 4.2% |

** Assume 100% distribution payout ratio. Post tax includes 30% withholding tax. The underlying US office REIT yields are based on consensus estimates*
*Source: Bloomberg Finance L.P., DBS Bank estimates*

**U.S. Office REIT Peer Comparison (1 July 2016)**

| REIT | FYE | Price | Mkt Cap | Yield | | DPU growth FY16-17 | Payout ratio – DPU/FFO | | Adj. yield** | | Adj. DPU growth FY16-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (S$) | US$'m | FY16F | FY17F | | FY16F | FY17F | FY16F | FY17F | |
| U.S. Office* | | | | | | | | | | | |
| Alexandria Real Estate Equities | Dec | 104.24 | 7,701 | 3.1% | 3.3% | 6.0% | 58% | 57% | 5.3% | 5.7% | 8.4% |
| Boston Properties | Dec | 132.03 | 20,281 | 2.3% | 2.3% | 1.8% | 50% | 47% | 4.5% | 4.8% | 8.0% |
| Brandywine Realty Trust | Dec | 16.55 | 2,897 | 3.7% | 3.9% | 4.7% | 56% | 45% | 6.6% | 8.6% | 30.0% |
| Columbia Property Trust | Dec | 21.52 | 2,657 | 5.6% | 5.6% | 0.0% | 75% | 75% | 7.4% | 7.4% | 0.3% |
| Corporate Office Properties | Dec | 29.51 | 2,793 | 3.8% | 3.9% | 3.2% | 56% | 54% | 6.7% | 7.1% | 6.5% |
| Cousins Properties | Dec | 10.35 | 2,175 | 3.1% | 3.4% | 7.8% | 36% | 36% | 8.5% | 9.2% | 7.7% |
| Douglas Emmett | Dec | 35.60 | 5,262 | 2.5% | 2.6% | 6.0% | 50% | 50% | 5.0% | 5.3% | 6.2% |
| Highwood Properties Inc | Dec | 52.67 | 5,131 | 3.2% | 3.3% | 2.1% | 52% | 50% | 6.2% | 6.6% | 6.6% |
| Hudson Pacific Properties | Dec | 29.34 | 2,938 | 2.7% | 3.4% | 23.5% | 46% | 51% | 5.9% | 6.6% | 12.3% |
| Kilroy Realty Corp. | Dec | 66.06 | 6,093 | 2.1% | 2.3% | 5.0% | 42% | 41% | 5.2% | 5.6% | 7.5% |
| Mack-Cali Realty | Dec | 27.04 | 2,424 | 2.2% | 2.2% | 0.0% | 29% | 28% | 7.7% | 8.0% | 4.5% |
| Paramount Group Inc | Dec | 15.84 | 3,374 | 2.5% | 2.6% | 7.2% | 47% | 47% | 5.2% | 5.6% | 8.3% |
| Piedmont Office Realty Trust | Dec | 21.36 | 3,100 | 3.9% | 4.2% | 6.7% | 52% | 53% | 7.6% | 8.0% | 4.5% |
| PS Business Parks | Dec | 105.76 | 2,864 | 2.8% | 3.0% | 4.7% | 56% | 55% | 5.1% | 5.4% | 5.2% |
| SL Green Realty | Dec | 104.18 | 10,443 | 2.8% | 3.1% | 8.6% | 37% | 47% | 7.6% | 6.7% | -12.6% |
| Vornado Realty Trust | Dec | 99.99 | 18,875 | 2.6% | 2.7% | 3.7% | 52% | 49% | 5.0% | 5.5% | 10.4% |
| | | | | **2.8%** | **2.9%** | **4.9%** | **50%** | **49%** | **5.7%** | **6.0%** | **6.4%** |

** Based on Bloomberg consensus estimates*
*** Assuming100% payout of FFO and before 30% withholding tax*
*Source: Bloomberg Finance L.P., DBS Bank*

**S-REIT Peer Comparison Table (1 July 2016)**

| REIT | FYE | Price (S$) | Rec | Target Price (S$) | Mkt Cap US$'m | Yield FY16/17F | Yield FY17/18F | DPU CAGR FY16-17F |
|---|---|---|---|---|---|---|---|---|
| Office | | | | | | | | |
| CCT | Dec | 1.50 | BUY | 1.61 | 3,296 | 6.0% | 6.3% | 4.4% |
| FCOT | Sep | 1.27 | BUY | 1.47 | 750 | 7.8% | 7.9% | 0.6% |
| KREIT | Dec | 1.05 | BUY | 1.11 | 2,545 | 6.3% | 6.3% | -0.3% |
| OUECT | Dec | 0.68 | HOLD | 0.70 | 653 | 7.1% | 6.9% | -2.8% |
| | | | | | | **6.4%** | **6.5%** | **1.7%** |
| MUST | Dec | 0.81* | BUY | 0.91* | 507 | 6.8% | 7.3% | 7.6% |
| Retail | | | | | | | | |
| CRCT | Dec | 1.50 | BUY | 1.69 | 950 | 7.3% | 7.5% | 1.4% |
| CMT | Dec | 2.10 | HOLD | 2.20 | 5,528 | 5.7% | 5.8% | 1.9% |
| CRT | Jun | 0.82 | BUY | 0.90 | 434 | 9.0% | 8.6% | -5.0% |
| FCT | Sep | 2.12 | BUY | 2.10 | 1,446 | 5.5% | 5.5% | 0.6% |
| SPH REIT | Aug | 0.93 | HOLD | 0.99 | 1,757 | 6.0% | 6.1% | 2.2% |
| | | | | | | **6.0%** | **6.1%** | **1.4%** |
| Commercial | | | | | | | | |
| MCT | Mar | 1.49 | BUY | 1.58 | 2,363 | 5.7% | 5.8% | 0.8% |
| MAGIC | Mar | 1.01 | BUY | 1.15 | 2,080 | 7.5% | 7.6% | 0.6% |
| SGREIT | Jun | 0.79 | BUY | 0.84 | 1,272 | 6.5% | 6.8% | 3.8% |
| Suntec | Dec | 1.78 | HOLD | 1.58 | 3,347 | 5.6% | 5.9% | 4.7% |
| | | | | | | **6.2%** | **6.4%** | **2.6%** |
| Industrial | | | | | | | | |
| AIMS | Mar | 1.39 | NR | 1.52 | 657 | 8.2% | 8.1% | -0.8% |
| AREIT | Mar | 0.98 | BUY | 1.02 | 676 | 6.1% | 6.7% | 10.0% |
| a-itrust | Mar | 2.46 | BUY | 2.50 | 4,889 | 6.0% | 6.0% | 0.0% |
| Cache | Dec | 0.865 | BUY | 0.93 | 575 | 9.4% | 8.9% | -5.3% |
| CREIT | Dec | 0.550 | HOLD | 0.56 | 533 | 8.1% | 8.2% | 1.3% |
| MINT | Mar | 1.705 | HOLD | 1.64 | 2,282 | 6.5% | 6.4% | -0.9% |
| SBREIT | Dec | 0.690 | BUY | 0.84 | 482 | 9.1% | 9.1% | 0.5% |
| | | | | | | **6.8%** | **6.8%** | **0.4%** |
| Hospitality | | | | | | | | |
| ASCHT | Mar | 0.68 | BUY | 0.80 | 566 | 8.2% | 8.1% | -0.6% |
| ART | Dec | 1.105 | BUY | 1.28 | 1,354 | 7.3% | 7.4% | 1.4% |
| CDREIT | Dec | 1.435 | BUY | 1.51 | 1,056 | 6.5% | 6.6% | 1.0% |
| FEHT | Dec | 0.61 | HOLD | 0.63 | 814 | 7.0% | 6.7% | -4.9% |
| FHT | Sep | 0.775 | BUY | 0.89 | 795 | 7.6% | 7.8% | 2.7% |
| OUEHT | Dec | 0.69 | BUY | 0.75 | 914 | 6.7% | 7.1% | 6.5% |
| | | | | | | **7.1%** | **7.2%** | **1.2%** |
| Healthcare | | | | | | | | |
| P-Life | Dec | 2.46 | BUY | 2.65 | 1,106 | 4.9% | 5.0% | 0.7% |
| RHT | Mar | 1.00 | HOLD | 0.95 | 603 | 7.7% | 8.3% | 7.7% |
| | | | | | | **5.9%** | **6.1%** | **3.2%** |
| Others | | | | | | | | |
| IREIT | Dec | 0.74 | BUY | 0.77 | 339 | 8.6% | 8.6% | 0.0% |
| KDCREIT | Dec | 1.13 | BUY | 1.14 | 738 | 5.9% | 6.6% | 10.5% |
| Sector Average | | | | | | 6.5% | 6.6% | 1.6% |

** In USD*

*Source: Bloomberg Finance L.P., DBS Bank estimates*

## Summary of Manulife US REIT and listed office REITs

There are five other office REITs listed on the SGX. Below are the salient differences between Manulife US REIT and the other Singapore office REITs. Details such as portfolio mix, lease expiry profile and balance sheet metrics are covered below.

**Comparison of listed office REITs in Singapore (as of 31 December 2015)**

| REIT | Manulife US REIT | CapitaLand Commercial Trust | Keppel REIT | Frasers Commercial Trust | OUE Commercial REIT | IREIT Global |
|---|---|---|---|---|---|---|
| Portfolio Details | | | | | | |
| Market Cap (S$'m)* | 682 | 4,435 | 3,425 | 1,009 | 879 | 456 |
| Market Cap (US$'m)* | 507 | 3,296 | 2,545 | 750 | 653 | 339 |
| No. of Properties | 3 | 10 | 9 | 6 | 3 | 5 |
| Total Asset Value (S$m) | 1,082# | 6,593 | 7,425 | 2,044 | 3,464 | 466 |
| Total Asset Value (US$m) * | 804# | 4,900 | 5.518 | 1,519 | 2,574 | 346 |
| Total Portfolio NLA ('m sq ft) | 1.8 | 3.2 | 3.5 | 2.6 | 1.5 | 2.2 |
| FY-end | Dec | Dec | Dec | Sep | Dec | Dec |
| Sponsor | Manulife | CapitaLand | Keppel Land | Frasers Centrepoint Limited | OUE Limited | Sella Holdings Pte Ltd |
| Geographical Exposure | U.S. | Singapore | Singapore, Australia | Singapore, Australia | Singapore, China | Germany |
| % Breakdown by NLA | | | | | | |
| Singapore | | 100% | 89% | 62% | 83% | |
| Australia | | | 11% | 38% | | |
| China | | | | | 17% | |
| Germany | | | | | | 100% |
| Atlanta | 31% | | | | | |
| Los Angeles | 39% | | | | | |
| Orange County | 30% | | | | | |
| Land Lease Tenure (Years) | Freehold | Mainly leasehold | Mainly leasehold expect free hold for Australia | Mainly leasehold | Mainly Leasehold | Freehold |
| Lease Details | | | | | | |
| WALE by NLA (Yrs) | 5.7 | 7.5 | 6.0 | n/a | 2.7 | n/a |
| WALE by CRI/GRI (Yrs) | 5.4 | n/a | n/a | 3.3 | 2.9 | 6.8 |
| Lease Expiry Profile by NLA** | | | | | | |
| 2016/17 | 6.1% | 10.0% | 13.6% | 14.1% | 17.8% | n/a |
| 2017/18 | 9.5% | 12.0% | 11.0% | 14.0% | 25.1% | |
| 2018/19 | 1.7% | 15.0% | 7.8% | 29.3% | 21.7% | |
| 2019/20 | 10.7% | 28.0% | 19.4% | 6.3% | 12.0% | |
| 2020/21+ | 72.0% | 35.0% | 48.2% | 36.3% | 23.4% | |
| Occupancy / Leased rate | 2015 : 96.5%, 2016 : 97.7% | 97.1% | 99.3% | 92.9% | 94.3% | 99.7% |
| Gearing (%) | 38.0% | 29.5% | 39.3% | 36.2% | 40.1% | 42.6% |
| Average Cost of Debt (%) | 2.8% | 2.50% | 2.50% | 3.07% | 3.45% | 2.00% |
| % of Debt Hedged | 100.0% | 84.0% | 70.0% | 81.0% | 63.8% | 88.0% |
| Debt Duration (years) | 4.0 | 4.2 | 3.7 | 3.1 | 2.3 | 3.8 |
| Debt Rating | n/a | A3 / A- | Baa2 / BBB | Baa3 | Ba1 | n/a |

**Market cap based on 1 July 2016 and exchange rate based on USD/SGD of 1.3456. Remaining data based on 31 December 2015.*
*** CapitaLand Commercial Trust only for office component*
*# Based on FY15 proforma balance sheet*
*Note: Percentages are shown to the nearest whole number*
*Source: Bloomberg Finance L.P., Various listed S-REITs, Manager, DBS Bank estimates*

## Summary of Manulife US REIT and listed office REITs

### Comparison of listed REITs in U.S. (as of 31 December 2015)

| REIT | Manulife US REIT | Alexandria Real Estate Equities | Boston Properties | Brandywine Realty Trust | Columbia Property Trust | Corporate Office Properties | Cousins Properties | Douglas Emmett | Equity Common' wealth |
|---|---|---|---|---|---|---|---|---|---|
| Portfolio Details | | | | | | | | | |
| Market Cap (S$m)* | 682 | 10,362 | 27,291 | 3,898 | 3,575 | 3,758 | 2,926 | 7,080 | 4,967 |
| Market Cap (US$m)* | 507 | 7,701 | 20,281 | 2,897 | 2,657 | 2,793 | 2,175 | 5,262 | 3,691 |
| No. of Properties | 3 | 168 | 209 | 28 | 190 | 18 | 62 | 168 | 65 |
| Total Asset Value (S$m) | 1,082# | 11,991 | 24,731 | 6,129 | 6,295 | 5,260 | 3,496 | 8,162 | 7,056 |
| Total Asset Value (US$m)* | 804# | 8,911 | 18,379 | 4,555 | 4,678 | 3,909 | 2,598 | 6,066 | 5,244 |
| Total Portfolio NLA (m sq ft) | 1.8 | 46.5 | 26.5 | 13.7 | 18.1 | 15.6 | 15.5 | 46.5 | 24.0 |
| % Breakdown by Income | | | | | | | | | |
| Philadelphia | - | - | - | - | - | - | - | - | 19% |
| Atlanta | 26% | - | - | - | 7% | - | 39% | - | - |
| Washington, D.C. | - | - | 19% | 21% | 8% | 50% | - | - | - |
| Los Angeles | 33% | - | - | - | 2% | - | - | 73% | - |
| Orange County | 42% | - | - | - | - | - | - | - | - |
| New York | - | 9% | 40% | - | 17% | - | - | - | - |
| San Francisco | - | 20% | 13% | - | 22% | - | - | - | - |
| Boston | - | 35% | 29% | - | 2% | - | - | - | - |
| San Diego | - | 16% | - | - | - | - | - | - | - |
| Chicago | - | - | - | - | - | - | - | - | 12% |
| Seattle | - | 5% | - | - | - | - | - | - | - |
| Canada | - | 1% | - | - | - | - | - | - | - |
| Asia | - | 1% | - | - | - | - | - | - | - |
| Other U.S. | - | 13% | - | 79% | 43% | 50% | 61% | 27% | 69% |
| Occupancy / Leased rate | 2015 : 96.5%, 2016 : 97.7% | 97.2% | 91.7% | 93.5% | 93.2% | 91.6% | 91.6% | 92.9% | 91.9% |
| Gearing (%)*** | 38.0% | 38.8% | 40.5% | 44.0% | 34.9% | 45.1% | 24.4% | 46.5% | 27.8% |
| Average Cost of Debt (%) | 2.8% | 3.3% | 4.3% | 4.9% | 3.5% | 4.1% | 4.1% | 4.0% | 5.1% |
| % of Debt Hedged | 100.0% | 88.0% | 100.0% | 100.0% | 65.0% | 90.5% | 82.0% | 100.0% | 76.3% |
| Debt Duration (years) | 4.0 | 5.6 | 4.3 | 7.0 | 4.8 | 6.1 | 4.6 | 3.9 | 5.7 |
| Debt Rating | n/a | Baa2 / BBB- | Baa2 / A- | Ba1 / BBB- | Baa2 / BBB | Baa3 / BBB- | n/a | n/a | Baa3 / BBB |

**Market cap based on 1 July 2016 and exchange rate based on USD/SGD of 1.3456. Remaining data based on 31 December 2015.*
*** For Douglas Emmett data is for office component only. CRI stands for Cash Rental Income*
**** US REITs based on total debt / gross assets. Gross assets = total assets plus accumulated depreciation*
*# Based on FY15 proforma balance sheet*
*Source: Bloomberg Finance L.P., Various listed REITs, Manager, DBS Bank estimates*

**Comparison of listed REITs in the US (as at 31 December 2015) (continued)**

| REIT | Manulife US REIT | High'wood Properties Inc | Hudson Pacific Properties | Kilroy Realty Corp. | Mack-Cali Realty | Paramount Group Inc | Piedmont Office Realty Trust | PS Business Parks | SL Green Realty | Vornado Realty Trust |
|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio Details | | | | | | | | | | |
| Market Cap (S$m)* | 682 | 6,904 | 3,953 | 8,199 | 3,262 | 4,541 | 4,171 | 3,853 | 14,052 | 25,398 |
| Market Cap (US$m)* | 507 | 5,131 | 2,938 | 6,093 | 2,424 | 3,374 | 3,100 | 2,864 | 10,443 | 18,875 |
| No. of Properties | 3 | n/a | 54 | 101 | 223 | 12 | 69 | n/a | 154 | 140 |
| Total Asset Value (S$m) | 1,082# | 6,046 | 8,415 | 7,992 | 5,467 | 11,833 | 5,968 | 2,943 | 26,721 | 28,450 |
| Total Asset Value (US$m)* | 804# | 4,493 | 6,254 | 5,939 | 4,063 | 8,794 | 4,435 | 2,187 | 19,858 | 21,143 |
| Total Portfolio NLA (m sq ft) | 1.8 | 30.5 | 14.0 | 13.0 | 24.2 | 10.4 | 18.9 | 28.3 | 66.1 | 38.3 |
| % Breakdown by Income | | | | | | | | | | |
| Atlanta | 26% | 19% | - | - | - | - | 9% | - | - | - |
| Washington, D.C. | - | - | - | - | 6% | 13% | 20% | 4% | - | 78% |
| Los Angeles | 33% | - | 23% | 20% | - | - | 6% | 22% | - | - |
| Orange County | 42% | - | - | 2% | - | - | - | - | - | - |
| New York | - | - | - | - | 17% | 72% | 12% | - | 100% | 22% |
| San Francisco | - | - | 70% | 40% | - | 15% | - | 15% | - | - |
| Boston | - | - | - | - | - | - | 8% | - | - | - |
| San Diego | - | - | - | - | - | - | - | - | - | - |
| Chicago | - | - | - | - | - | - | 11% | - | - | - |
| Seattle | - | - | 7% | 18% | - | - | - | - | - | - |
| Other U.S. | - | 69% | - | 21% | 77% | 0% | 43% | 59% | - | - |
| Occupancy / Leased rate | 2015 : 96.5%, 2016 : 97.7% | 93.2% | 90.1% | 95.1% | 86.2% | 95.3% | 91.5% | 94.2% | 94.2% | 84.8-96.4% |
| Gearing (%)*** | 38.0% | 45.4% | 34.8% | 32.3% | 39.0% | 32.5% | 37.9% | 7.6% | 47.7% | 45.2% |
| Average Cost of Debt (%) | 2.8% | 3.4% | 3.2% | 4.5% | 5.2% | 4.4% | 3.6% | 5.5% | 3.7% | 4.2% |
| % of Debt Hedged | 100.0% | 61.0% | n/a | 91.6% | 86.4% | 85.8% | 90.6% | 100.0% | 69.5% | 63.3% |
| Debt Duration (years) | 4.0 | 3.1 | n/a | 7.1 | 3.3 | 4.5 | 4.9 | n/a | n/a | n/a |
| Debt Rating | n/a | Baa2 / BBB | Baa3 / BBB- | Baa3 / BBB | Ba1 / BB+ | n/a | Baa3 / BBB | Baa2 / A- | Baa3 / BBB- | Baa3 / BBB+ |

**Market cap based on 1 July 2016 and exchange rate based on USD/SGD of 1.3456. Remaining data based on 31 December 2015.*
*** For Highwood Properties and Mack-Cali Realty data is for office component only. For SL Green Realty data is for Manhattan properties only.*
*CRI stands for Cash Rental Income*
**** US REITs based on total debt / gross assets. Gross assets = total assets plus accumulated depreciation*
*# Based on FY15 proforma balance sheet*
*Source: Bloomberg Finance L.P., Various listed REITs, Manager, DBS Bank estimates*

## A diversified portfolio with strong property attributes

**First Singapore REIT with exposure to the US office real estate market**. Manulife US REIT (MUST) offers investors a unique opportunity to invest in a quality portfolio of office assets in the US, one of the largest economies in the world. Each property within the portfolio is located in prime areas in key US cities. They are supported by well developed infrastructure and ample amenities.

The initial portfolio comprises three properties – Figueroa, Michelson and Peachtree which are located in Downtown Los Angeles, Irvine Orange County and Midtown Atlanta respectively. The portfolio has an NLA of 1.78m sqft with a total purchase consideration of US$777.5m.

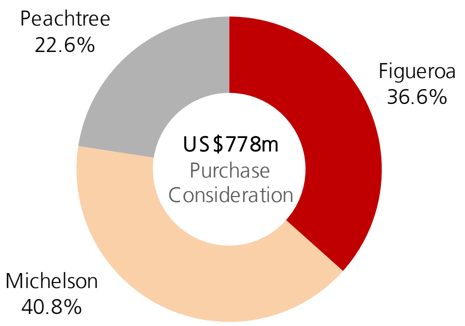
In terms of NLA, the largest property is Figueroa (39% of total NLA), followed by Peachtree (31%) and Michelson (30%). In terms of purchase consideration, the Michelson and Figueroa, given their larger NLA footprint, contribute 37% and 41% of total portfolio value respectively.

**Top quality properties with recent upgrades.** The initial portfolio consists of mainly "Class-A" or "Trophy" quality buildings, built to high quality standards. In addition, the properties are either modern or have been recently upgraded – Peachtree and Figueroa have seen periodic upgrades in the property, especially the common areas and lobbies over the years, to keep up with changing tenant preferences. Over several phases between 2007 and 2015, Peachtree completed various upgrades including new elevator controls, an additional "mini chiller", a new entrance hall at the main entrance, and corridors and bathrooms on almost every floor.

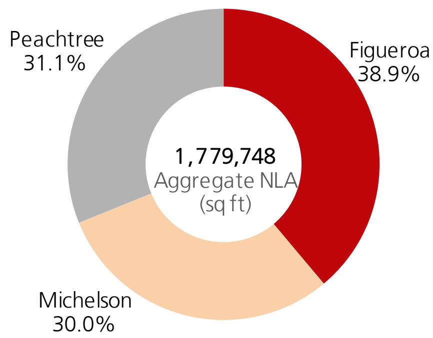
Recent capital improvements at Peachtree comprised of construction of a conference centre and a fitness centre in 2012 and 2015 respectively, as well as the replacement of all the original chillers in 2014. Meanwhile, Figueroa completed energy and operating efficiency upgrades designed to reduce expenses at the property in 2015. Michelson was completed in 2007, and given its modern specifications, does not require any upgrades in the immediate term. Looking ahead, we are of the view that there are minimal capex requirements in the next few years.

**Breakdown of Initial Portfolio**

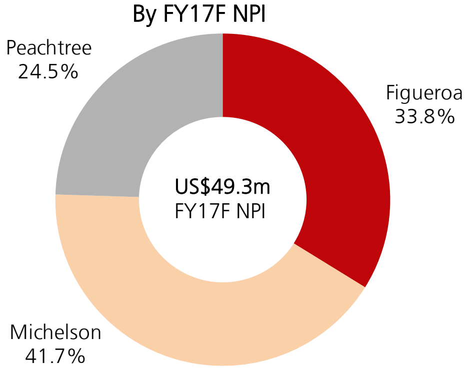
By Purchase Consideration




By Net Lettable Area (as at 31 December 2015)




By FY17F NPI




*Source: Manager, DBS Bank*

**Location of Manulife US REIT's Properties**


*Source: Manager, DBS Bank*

**Salient details for properties in the initial portfolio of Manulife US REIT**

| | Figueroa | Michelson | Peachtree | Initial Portfolio |
|---|---|---|---|---|
| Usage | Office | Office | Office | - |
| Property Quality | Class A | Trophy* | Class A | - |
| Land Tenure | Freehold | Freehold | Freehold | - |
| Completion Year | 1991 | 2007 | 1991 | - |
| NLA (sq ft) as at 31 December 2015 | 692,389 | 533,581 | 553,778 | 1,779,748 |
| Parking Stalls | 841 | 2,744 | 1,221 | 4,806 |
| Committed Occupancy as at 31 December 2015 | 98.2 % | 95.7% | 95.1% | 96.5% |
| Number of Tenants as at 31 December 2015 | 33 | 16 | 25 | 74 |
| WALE by NLA as at 31 December 2015 (years) | 5.2 | 4.6 | 7.4 | 5.7 |
| WALE by Cash Rental Income for the month of December 2015 (years) | 5.1 | 4.4 | 7.3 | 5.4 |
| Annualised Average Rent per sqft (US$) based on the month of December 2015 | 35.1 | 47.5 | 30.0 | 37.2 |
| Valuation by RERC as at 15 December 2015 (US$m) | 263.0 | 310.0 | 168.0 | 741.0 |
| Valuation by Colliers as at 15 December 2015 (US$m) | 296.0 | 324.0 | 179.0 | 799.0 |
| Purchase Consideration (US$m) | 284.7 | 317.8 | 175.0 | 777.5 |

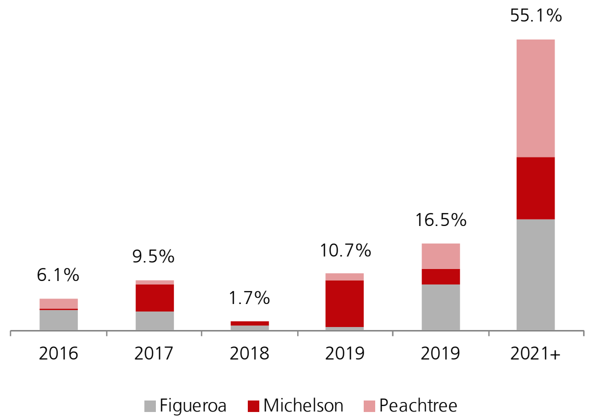
** "Trophy" refers to buildings that are either iconic in nature or built to the highest quality standards. They command the highest rents and sale prices in the market and are found in only the most prestigious locations*
*Source: Manager, DBS Bank*

**The initial portfolio is 96.5% occupied with a long weighted lease to expiry of 5.7 years as at 31 December 2015.** Leases are typically signed on tenures of between three to ten years, although large anchor tenants will often undertake longer tenures with terms in excess of ten years. As such, the initial portfolio has a long weighted average lease expiry of 5.7 years (by NLA as at 31 December 2015), supported by a high occupancy rate of 96.5% as at 31 December 2015.

**Strong tenant base with a good diversity in various sectors.** Given good property specifications and locations, Manulife US REIT's properties enjoy good tenant demand and serve a well-diversified group of tenants. Top tenants include Kilpatrick Townsend & Stockton (11.7% of cash rental income for the month of December'15), TCW (10.2%), Hyundai Capital America (9.8%) and law firms Quinn Emanuel Urquhart & Sullivan (8.8%) and Gibson Dunn (7.2%). A majority of leases are signed on a long term basis with a staggered maturity profile.

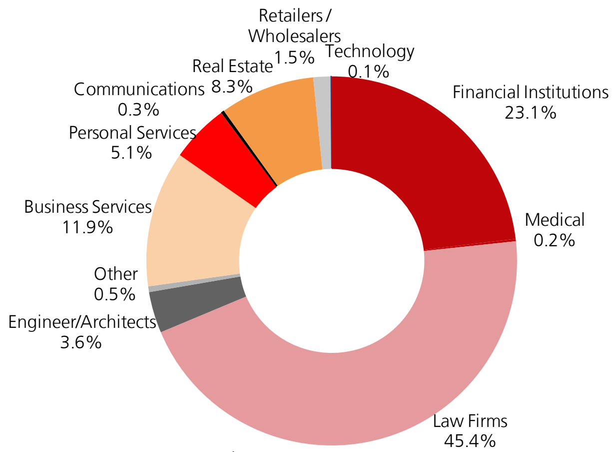
In terms of cash rental income for the month of December 2015, it is broken down into law firms (45.4%), financial institutions (23.1%), business services (11.9%), personal services (5.1%), real estate (8.3%) and engineer/architects (3.6%). The diversified tenant profile mix means that the portfolio is not totally dependent on the performance and outlook of any particular tenant sector. The top 10 tenants account for 67.5% of gross rental income (for the month of December 2015).

**Lease expiry profile by NLA (as at 31 December 2015)**




*Source: Manager, DBS Bank*

**Tenant Trade Sector (By cash rental income for the month of December 2015)**




*Source: Manager, DBS Bank*

**Top ten tenants (Rental income for the month of December 2015)**

| Tenant | Trade Sector | Lease Expiry | % of Cash Rental Income* |
|---|---|---|---|
| Kilpatrick Townsend & Stockton | Law Firms | 31-Jul-25 | 11.7% |
| TCW | Financial Institutions | 31-Dec-22 | 10.2% |
| Hyundai Capital America | Financial Institutions | 31-Oct-19 | 9.8% |
| Quinn Emanuel Urquhart & Sullivan | Law Firms | 31-Aug-20 | 8.8% |
| Gibson, Dunn & Crutcher | Law Firms | 31-Aug-17# | 7.2% |
| LA Fitness | Personal Services | 31-May-22 | 5.1% |
| Bryan Cave | Law Firms | 31-Aug-20 | 4.5% |
| Jones Day | Law Firms | 31-Dec-19 | 3.9% |
| Greenberg Traurig | Law Firms | 30-Sep-22 | 3.7% |
| Jacobs | Business Services | 28-Feb-23 | 2.7% |
| Top 10 Tenants | | | 67.5% |
| Other Tenants | | | 32.5% |
| Total | | | 100% |

**rounded to nearest %*

*# has already been renewed, lease extended to 2028*

*Source: Manager, DBS Bank*

## Riding on the wave of the US economic recovery

**Property portfolio located in key cities in the US; real estate market is at the cusps of recovery**. As the first pure-play US-focused REIT in Asia, we are excited about the unique attributes that Manulife US REIT offers to investors. With exposure to one of the world's leading economies, the REIT is poised to benefit from the recovery of the US economy and property market.

**United States is the world's leading economy**

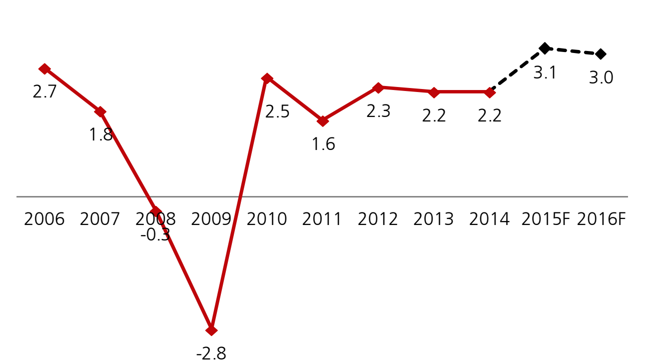
| Country | 2015 GDP (US$t) | World Rank | % |
|---|---|---|---|
| United States | 18.0 | 1 | 24.5% |
| China | 11.4 | 2 | 15.6% |
| Japan | 4.1 | 3 | 5.6% |
| Germany | 3.4 | 4 | 4.6% |
| Others | 41.0 | - | 49.7% |
| Global | 77.4 | - | 100.0% |

*Source: Colliers, DBS Bank*

### (i) Positive macro indicators supports growth in the real estate market

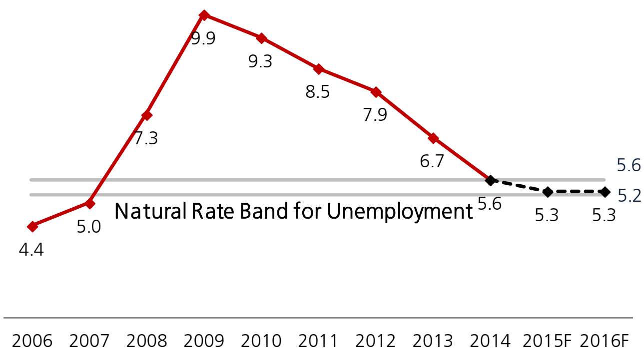
**US economy recovery is outpacing major developed economies in the West.** The US economy is one of the fastest growing economies among developed countries in the West, according to Colliers. Looking ahead, the US economy is expected to continue growing strongly, faster than the recovery in the United Kingdom and Europe. Colliers forecasts the US to deliver real GDP growth exceeding 3.0% and unemployment rate to normalize back towards the 5.2%-5.6% band in the coming years.

**US GDP forecast (y-o-y %)**




*Source: Manager, Colliers, DBS Bank*

**US unemployment rate to trend towards 5.2%-5.6%**



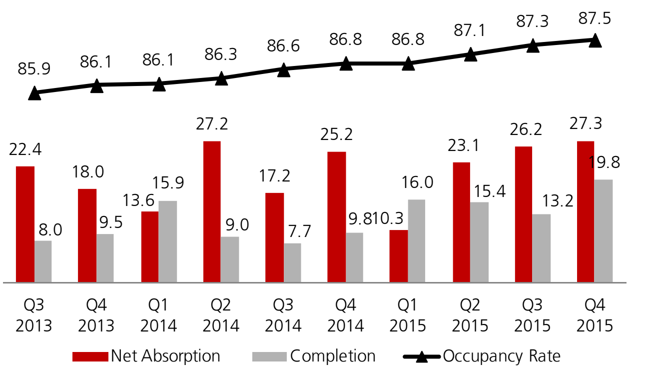

*Source: Manager, Colliers, DBS Bank*

With macroeconomic indicators turning positive, we believe that it will have positive implications for real estate demand. According to Colliers, the recovery in the office employment outlook is led by the professional and business services sector, which added nearly two jobs for every one lost during the recession.

In addition, in recent times, we have seen growing demand for office space within the fast growing technology sector – both from start-ups and from the rapid expansion of technology leaders such as Facebook and Amazon.

Supply has been generally restrained over the past few years. Based on Colliers, the total office construction currently underway of 105.9 m sqft is only now approaching the peak in 2Q08 of 121m sqft, and is up from 96.2m sq ft at the end of 2014. Despite the pickup in construction, we believe healthy demand should support rents and occupancy rates going forward.

**US office sector seeing positive net absorption (m sq ft) and occupancy rate (%)**




*Source: Manager, Colliers, DBS Bank*

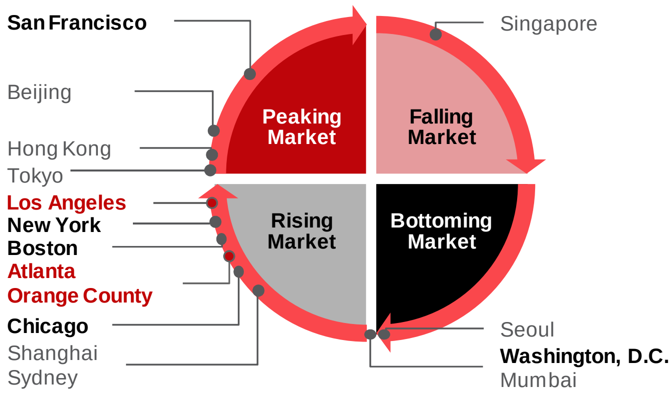
### (ii) Properties located in cities with improving market dynamics

**Strategically located in key business cities in the US.** Manulife US REIT's initial portfolio is strategically located across prime areas within Atlanta and Los Angeles which are among the top 15 US office markets by office inventory size, according to JLL. In addition, the REIT's property in Orange County, is located in a sub-market that has high household income and is expected to have above average potential for employment or rent growth. We believe this will position the REIT to benefit from expected rise in rentals and occupancy rates on the back of higher foreign direct investment (FDI) inflow, and demand for office space.

Moreover, according to Colliers, the outlook for the office sub-markets of Atlanta, Downtown Los Angeles and Orange County remain positive given supportive supply and demand dynamics in each submarket. As unemployment rates are expected to decrease gradually, the outlook for rentals and occupancy rates remains positive, given limited supply of and strong demand for high quality office space.

**Quality portfolio backed by a property manager with an extensive leasing network.** In our view, demand drivers for each of the cities are varied and growing, which allows Manulife US REIT to tap an extensive addressable pool of potential prospective tenants looking to grow their presence in each of the cities that their properties are located in. In addition, the REIT is able to benefit from Sponsor's strong real estate operating platform in the US (John Hancock Real Estate), strong tenant relationships, and extensive leasing network.

**Property Cycle for Key Cities in the US and Asia-Pacific**



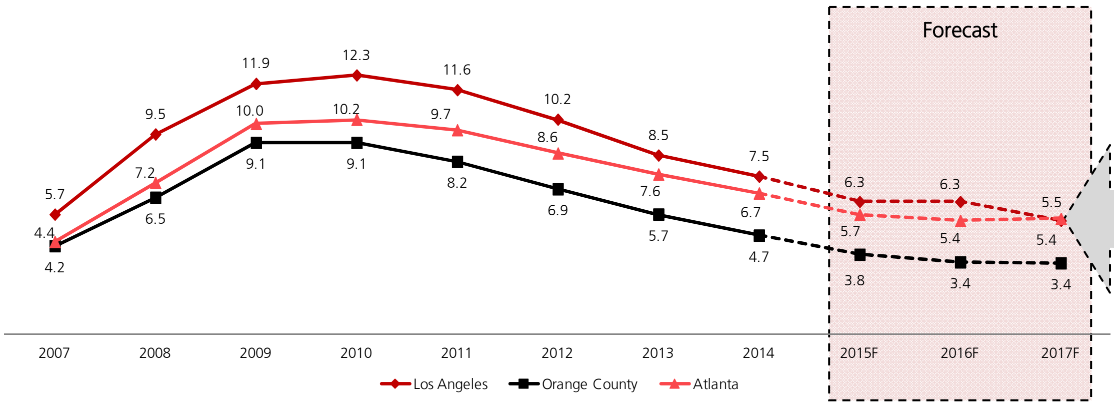

*Source: JLL, DBS Bank*

**Property Cycle for Key Cities in the US and Asia-Pacific**

| City | Property | Market Demand Drivers | Market Supply Outlook |
|---|---|---|---|
| Midtown, Atlanta | Peachtree | • Atlanta is regarded as a leading global logistics hub and centre for supply chain management, as well as home to the world's busiest airport. These factors draw tenants, as they can access 80% of the US consumer market within two travel days<br>• Broad mix of firms including logistics, construction and business services.<br>• Due to the diverse economy of Atlanta, companies have also been relocating to the area. | • Recent residential boom has resulted in most of the developable parcels being picked up by residential developers, leaving limited available land for development. |
| Downtown Los Angeles | Figueroa | • Large concentration of firms from legal, accounting and financial sectors<br>• Federal, state and local government agencies<br>• Firms in the bio-medical, digital information technology, new media and environment technology<br>• Firms in the creative, technology sectors have been expanding | • No Class A construction over the past 23 years due to lack of available space<br>• An integrated development (Wilshire Grand) with c.356,100 Class A office, expected to complete from 2017 is the only competing product within the submarket |
| Irvine, Greater Airport Area, Orange County | Michelson | • Broad mix of tenants primarily in the finance, insurance, telecommunications, technology, real estate, engineering and professional services sectors | • A fairly new and moderate density office market in Orange County, 27% of space are Class A buildings<br>• Lack of new competing new supply bodes well for rental outlook |

*Source: Manager, Colliers, DBS Bank*

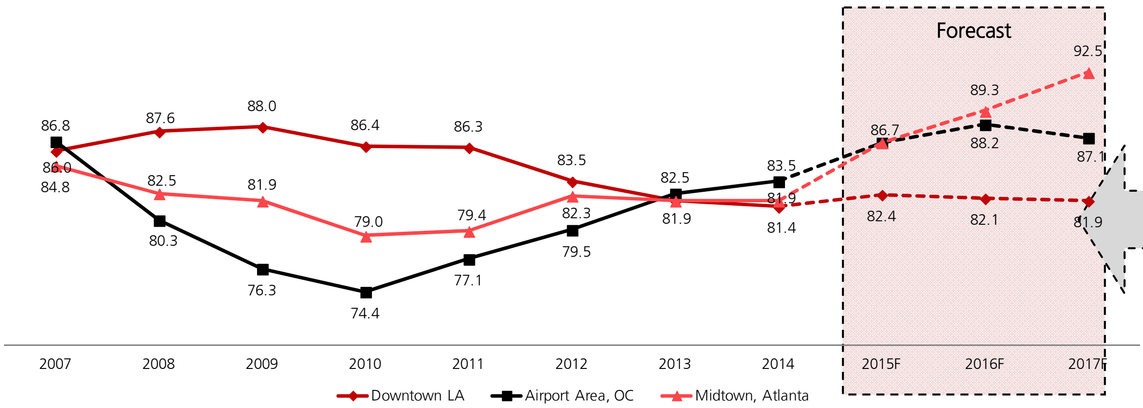
## Unemployment rates (%) in cities of Los Angeles, Orange County and Atlanta decreasing




Unemployment rates have been declining on the back of recovering economic prospects. Looking into 2016F-2017F, Colliers expects unemployment rate to dip further as economic growth gains momentum.

*Source: Manager, Colliers, DBS Bank*

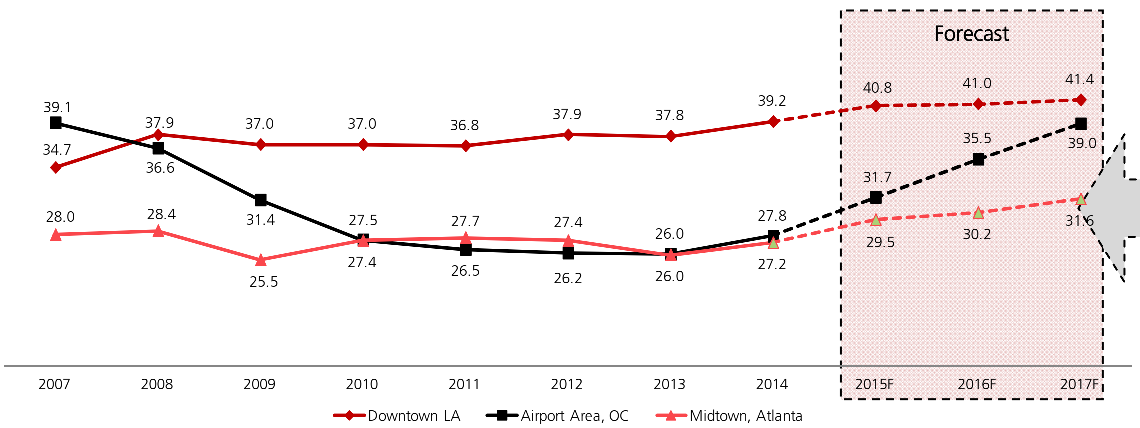
## Occupancy rates (%) - Los Angeles, Orange County and Atlanta on an uptrend




We believe that the lack of supply in an environment of expansionary demand is generally supportive of occupancies.

*Source: Manager, Colliers, DBS Bank*

## Average Class A rental rates (US$/sq ft p.a.) in cities of Los Angeles, Orange County and Atlanta increasing




Colliers project average market rental growth for Class A buildings in three cities to increase with the strongest growth in Orange County.

*Source: Manager, Colliers, DBS Bank*

## (iii) Superior portfolio

We believe that the initial portfolio's strong asset quality, location, and management under the enlarged umbrella of John Hancock Real Estate in U.S., ensures that the properties remain competitive and stand tall among competition in their respective micro-markets.

### Downtown Los Angeles - Figueroa

Class A building in Downtown Los Angeles. Figueroa is a Class A building located in a prime site in South Park, Downtown Los Angeles. Developed and owned by the Sponsor since 1991, the property has most recently undergone energy efficiency upgrades in order to reduce operating expenses. According to Colliers, Downtown Los Angeles is considered to be the financial and governmental hub of California. As such, Figueroa is be able to tap upon a deep pool of tenants which includes a large concentration of firms from the legal, accounting and financial sectors, as well as several federal, state and local government agencies which set up offices there. TCW is the largest tenant at Figueroa and an anchor tenant since 1991. It is one of Manulife US REIT's top 10 largest tenants in its initial portfolio.

In recent times, demand for office space has also been partially driven by the technology sector which includes bio-medical, digital information technology, new media technology and environmental technology. As a result, many traditional Silicon Valley companies have set up major offices in South Park/Los Angeles. We also understand South Park has recently attracted the young and educated demographic following the development of various entertainment venues and amenities such as Staples Center and L.A. Live.

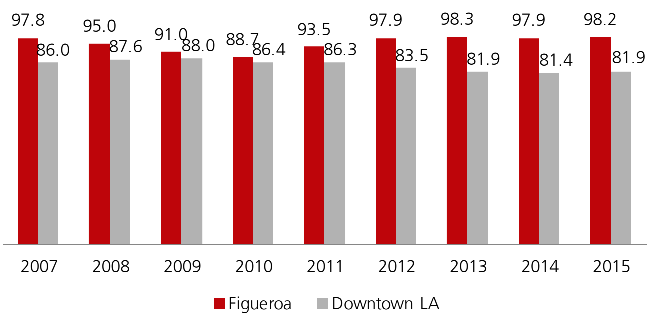
**Central location of Figueroa in Downtown Los Angeles**


*Source: Manager, Colliers, DBS Bank*

In terms of new office supply, the Downtown Los Angeles office market has not seen the construction of any major new office buildings for the past 10 years mainly due to lack of available land for new developments and high construction costs relative to acquisition costs. Looking ahead, according to Colliers and RERC, there is currently 1,224,500 sqft of office space either under construction or renovation. The new supply includes the Wilshire Grand Center which is being developed by Korean Air and consists of 356,100 sqft of Class A office space. The property is scheduled to be completed in 2Q17.

Having one of the most visible addresses in Downtown Los Angeles, Figueroa's performance has been resilient over time at 88.7%-98.2%, which is consistently above market levels on a comparable basis. As at end-3Q15, South Park Class A occupancy rate stands at 96.7%, which implies minimal vacancies in comparable properties in the vicinity.

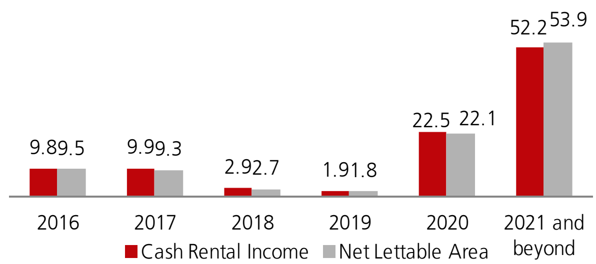
**Occupancy for Figueroa has outperformed Downtown Los Angeles office market (%)**




*Source: Manager, Colliers, DBS Bank*

Figueroa will be renewing close to 18.8% of its NLA over FY16-17F, of which c.6.6% has already been committed as the Manager has found a new tenant, Allen Matkins, to take up space vacated by McKool Smith Hennigan starting from 1 August 2016. With passing rents (in place) of c.US$35.10 psf per annum at a discount to Downtown Class A average rents of US$39.2 psf per annum, we expect positive rental reversions going forward. In addition, occupancies are expected to remain fairly high between 96-97%.

**Weighted Average Lease Expiry of Figueroa (%)**




*Source: Manager, Colliers, DBS Bank*

## Airport Area, Irvine, Orange County - Michelson

**Trophy building with top quality specifications.** Michelson is a state-of-the-art 19-storey, high-rise Trophy office building, located in Irvine, Orange County, within the Greater Los Angeles market. The building is well served with a café and penthouse sky garden, and a large parking garage with 2,744 parking stalls, an important characteristic in a car-oriented suburb of Los Angeles.

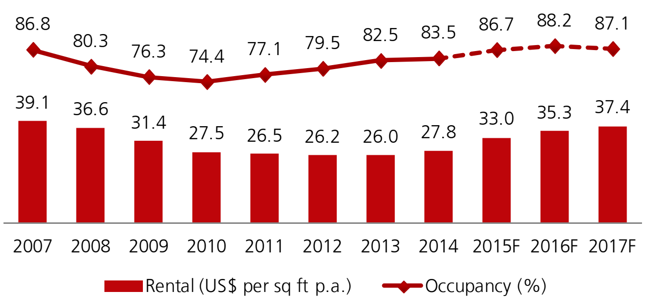
Orange County is one of South California's most diverse economies in terms of industry sectors, and a major manufacturing centre. It is a desirable coastal location with a high quality of life, attracting a young, well-educated and affluent population to the area. Key industries include finance, insurance, telecommunications, technology, real estate, engineering and professional services.

According to Colliers, the Airport Area submarket is a relatively new and moderate density office market in Orange County with 27% of the space in Class A buildings. Irvine, where the Michelson is located offers workers a highly desirable work-live balanced lifestyle, and is served by highly rated public schools, which makes it a preferred location for the majority of professional business services and technology sector firms. According to Colliers, occupancy rate increased from 83.5% in 4Q14 and is expected to inch up higher to 87.1% by end-2017. Rents are projected to grow by 35% from 2014 to 2017.

The Michelson was completed in 2007 and remained resilient through the financial crisis back in 2009. Post acquisition by the Sponsor back in 2012 and through an active leasing and marketing process through the Sponsor's extensive marketing network, the property is 95.7% leased as at December 2015, and boasts tenants such as Hyundai Capital, law firm Gibson, Dunn & Crutcher, Jacobs Engineering and gym operator LA Fitness.

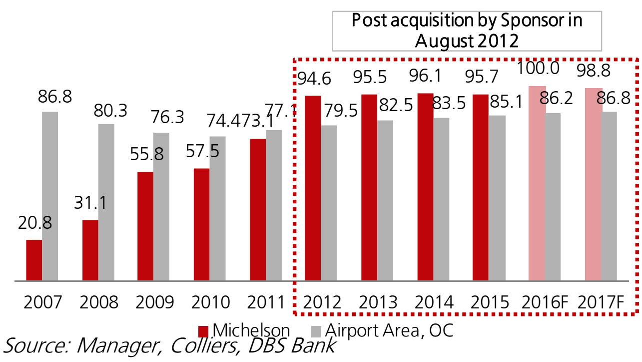
With top quality property specifications, we expect tenants to remain sticky. In fact, we understand the Manager has forward renewed the majority of leases that are up for renewal in 2017 (17.1% of NLA). We forecast occupancy rates to remain high, between 98-100% over FY16-17F. Passing rents (in place) of US$47.50 psf per annum are at a premium against market comparables. However, we expect the premium to be maintained given Michelson's superior specifications a minimal competition of similar quality in the submarket.

### Strong take-up of space




*Source: Manager, Colliers, DBS Bank*

### Michelson's occupancy rates continue to improve post acquisition by Sponsor, Manulife Financial

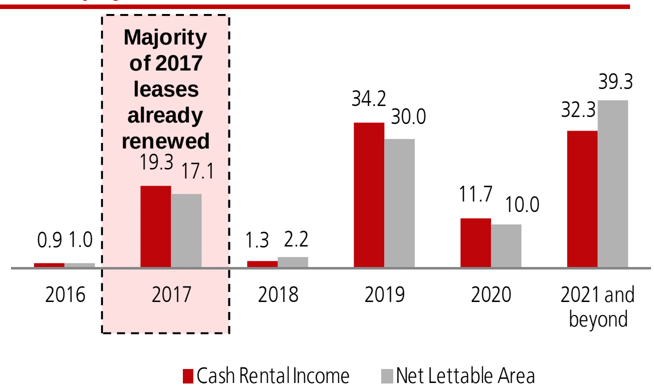



*Source: Manager, Colliers, DBS Bank*

### Location of Michelson


*Source: Manager, Colliers, DBS Bank*

### Lease Expiry Profile of Michelson (%)




*Source: Manager, Colliers, DBS Bank*

## Atlanta - Peachtree

**Prominent building in an international gateway.** Peachtree is a 27-storey Class A office building, with NLA of 553,778 sqft, located in Midtown, Atlanta. Atlanta is the ninth largest metropolitan area in the US and is the headquarters for 18 Fortune 500 companies including Coca-Cola, Delta Airlines and UPS. Home to the world's busiest airport based on Airport Council International's World Airport Traffic Report released on 31 August 2015, Atlanta Hartsfield Jackson International Airport, it is a leading global logistics hub and international gateway for Southeast United States.

Besides being only 20 minutes away from the airport, Peachtree is less than 0.5 miles east of Interstate 75 and Interstate 85 providing easy accessibility to and from surrounding business districts. Moreover, being located near two subway stations Midtown station and Arts Center Station, it is easily accessible for those using public transport.

Another key attraction of Peachtree is the strength of both onsite and nearby amenities. The building's facilities include: (1) 175-person conference centre, (2) a brand new fitness centre and (3) a high-end restaurant. Moreover, it is connected to an adjacent parking garage with 1,221 parking stalls which equates to an above average parking ratio at 2.2 spaces per 1,000 sqft. As Peachtree is located along the "Midtown Mile" a stretch of office, retail and multi-family developments, the onsite amenities are complimented by the numerous retail, restaurant and hotel offerings nearby.

A key feature of Peachtree to tenants is also the fact that it is located in Midtown. Midtown which sits in the centre of the urban core submarkets of Downtown Atlanta and Buckhead, is regarded as the new urban centre in Atlanta and is one of the most desirable submarkets. This is due to the mix of retail, entertainment and dining venues, which makes Midtown a preferred location to live, work and play for Generation Y and Millennials. Owing to the location and growth of both the technology industry and professional service firms, Midtown has been one of Atlanta's top performing office submarkets.

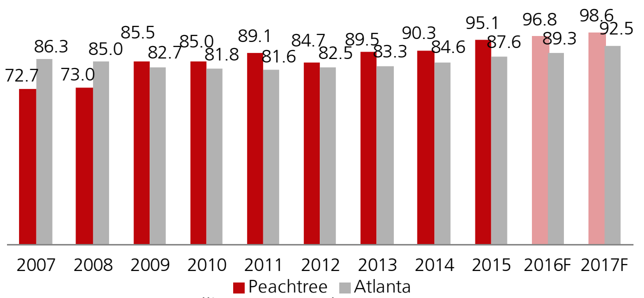
Peachtree's strong attributes has also resulted in its occupancy outperforming the general Atlanta market over the past few years. With healthy demand, occupancy has crept up to 95% at end December 2015. Furthermore, Peachtree provides for high cashflow visibility as 71% of current leases (by cash rental income) expire on or after 2021. This is underpinned by Kilpatrick Townsend & Stockton, a prominent international law firm being an anchor tenant (c.49.6% of cash rental income) with a lease that expires in 31 July 2025.

With 6.9% and 2.4% of leases up for renewal over in FY16 and FY17) Peachtree should also benefit from the projected rise in spot rents from US$31.7 per sqft in 2015 to S$39 per sqft in 2017. The growth in rents is underpinned by limited office supply. According to Colliers, Midtown has experienced a high rise residential boom which has resulted in a large proportion of available land being used for residential developments rather than new offices.

**Prominent Building in an International Gateway**

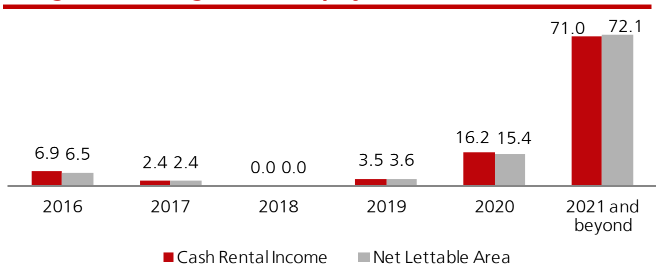

*Source: Manager, RERC, Colliers, DBS Bank*

**Occupancy for Peachtree and Atlanta (%)**




*Source: Manager, Colliers, DBS Bank*

**Weighted Average Lease Expiry of Peachtree (%)**

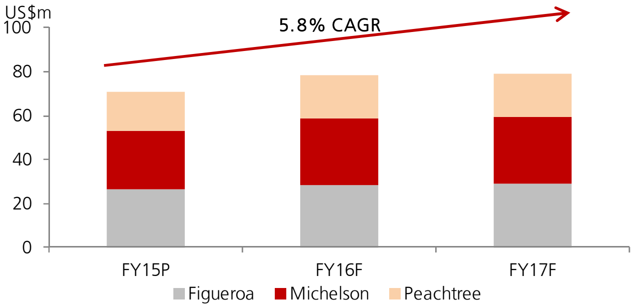



*Source: Manager, Colliers, DBS Bank*

## Growth Drivers

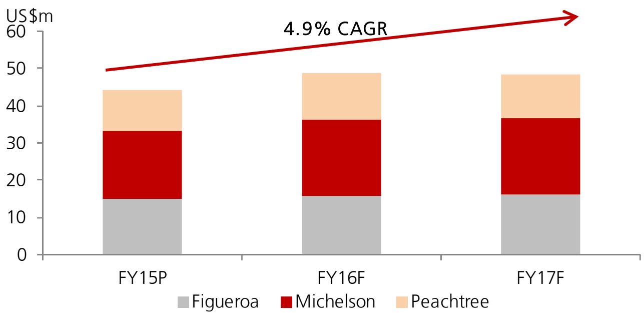
**Manulife US REIT has a double pronged growth strategy, derived from both organic and inorganic means.** Organic growth prospects are generated from in-built rental escalation clauses of 2.5%-3.5%, while inorganic growth can be achieved via acquisitions. We have projected gross revenue and net property income to increase by 5.8% and 4.9% p.a. between FY15 Proforma (FY15P) to FY17F.

### Projected Gross Revenue (US$'m)




*Source: Manager, DBS Bank estimates*

### Projected NPI Growth (US$'m)

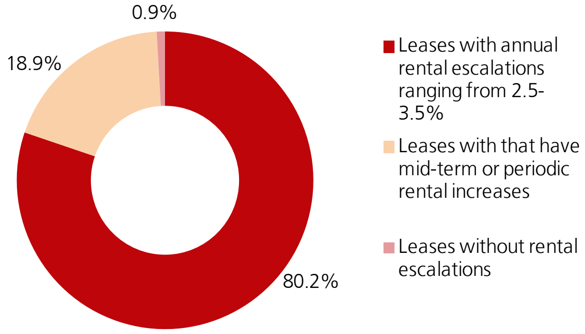



*Source: Manager, DBS Bank estimates*

### (i) Organic growth through built-in rental escalations

**Rental uplifts in a majority of leases ensures a steady growth profile.** The properties are well-positioned to experience strong organic growth delivered through built-in rental escalations embedded into their lease contracts. As at 31 December 2015, (1) approximately 80.2% of leases by NLA for the initial portfolio have built-in annual rental escalations, majority of which are between 2.5%-3.5%, and (2) 18.9% of leases by NLA have mid-term or period rent increases, thus providing a visible and growing rental income stream.

### 99.1% of leases by NLA in Manulife US REIT's initial portfolio have in-built rental escalation or periodic rental increases

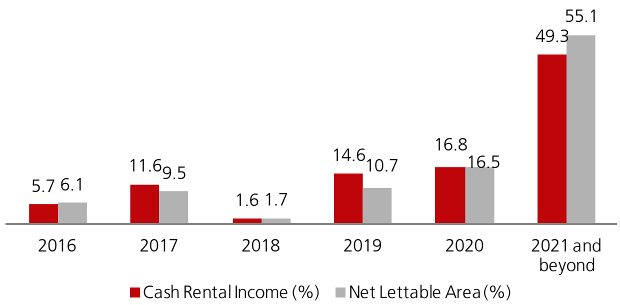



*Source: Manager, DBS Bank*

**A long WALE of 5.7 years offers strong income visibility.** With leases typically signed on a three to ten year lease and some signing on for leases in excess of 10 years, the initial portfolio enjoys a long WALE of 5.7 years (by NLA) as at 31 Dec 2015.

As such, the initial portfolio has minimal expiries in the following years - only 6.1% and 9.5% of its leases are expiring in 2016 and 2017, and we are expecting these leases to revert positively when leases are due for renewal.

### Lease Expiry Profile (%)



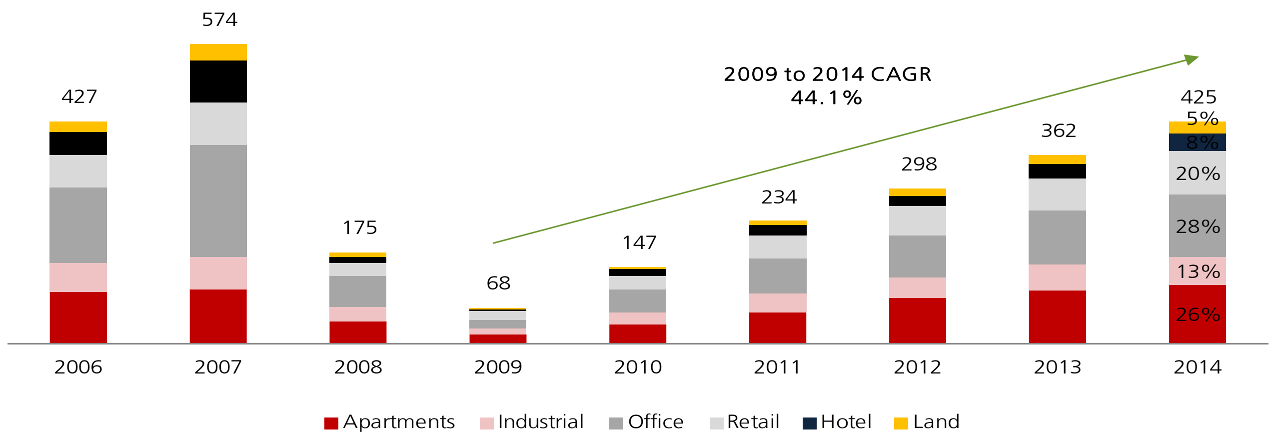

*Source: Manager, DBS Bank*

### (ii) Inorganic growth via acquisitions

**A real estate market with strong depth, transparency and liquidity.** The US real estate market is one of the leading investment destinations for both private and public global investors in our view given its depth, liquidity and transparent investment framework.

According to Colliers, real estate investors have typically focused on major markets, such as Boston, New York, Los Angeles, Chicago, Washington, D.C. and San Francisco. These six markets account for 23 of the 25 largest office transactions and nearly two-thirds of US office transaction volume in 2014.

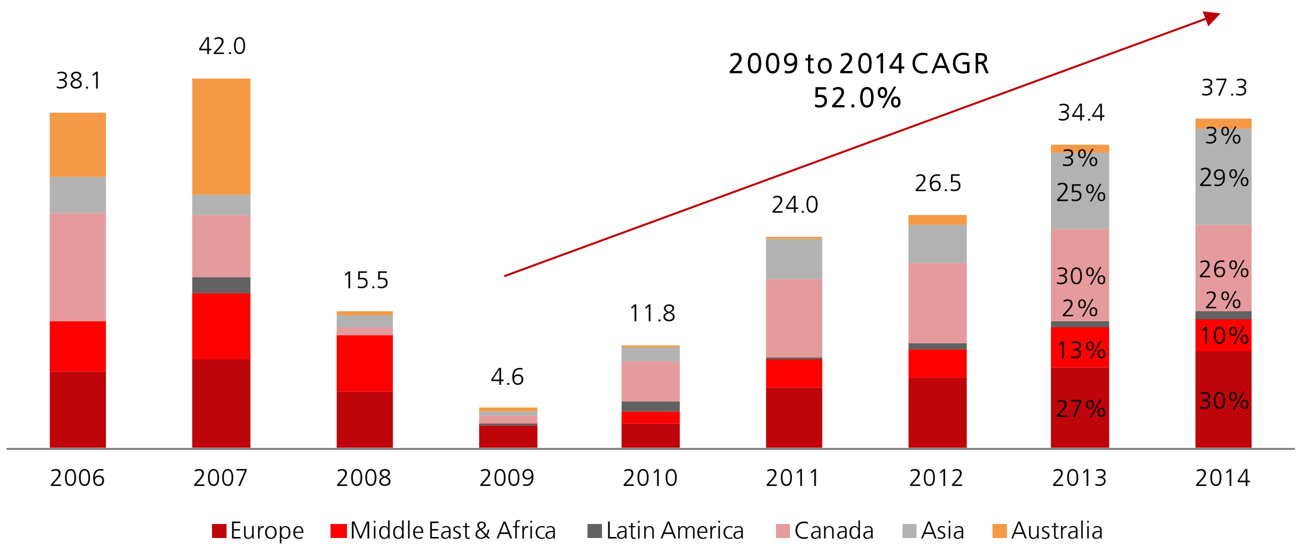
**US Real Estate transaction volume by property type (US$bn)**




*Source: Manager, Colliers, DBS Bank*

**Over the past few years, Asian investors have been taking an increasing interest in the US real estate commercial market.** According to Colliers, in 2014, total investments from Asian investors accounted for c.29 % of the total foreign investment into the US commercial real estate sector, becoming the second largest group of investors in commercial real estate in the US.

**Foreign Investment in U.S. Commercial Real Estate Investment (US$bn)**



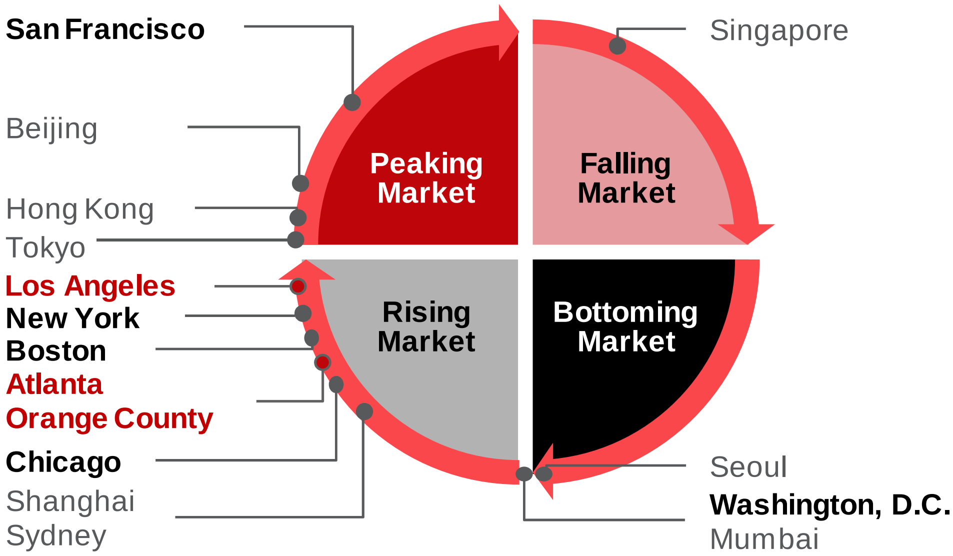

*Source: Manager, Colliers, DBS Bank*

**Manulife US REIT will be entering the U.S. office investment cycle at an opportune time in our view.** Higher demand for stable income-producing offices, and expectations of a sustained recovery in the US commercial market, has resulted in compression of net yields for office assets in the US.

Tapping on the experience, expertise and network of its Sponsor, Manulife Financial Group, and through its established John Hancock franchise in the US, Manulife US REIT has the flexibility and exposure to tap market opportunities when they come by, and to acquire high quality office assets where capital values have not risen as quickly relative to similar assets in other cities.

Given the depth of the US property market, we believe that there are ample acquisition opportunities for the REIT.

**Real Estate markets of Atlanta, Los Angeles and Orange County expected to continue rising**



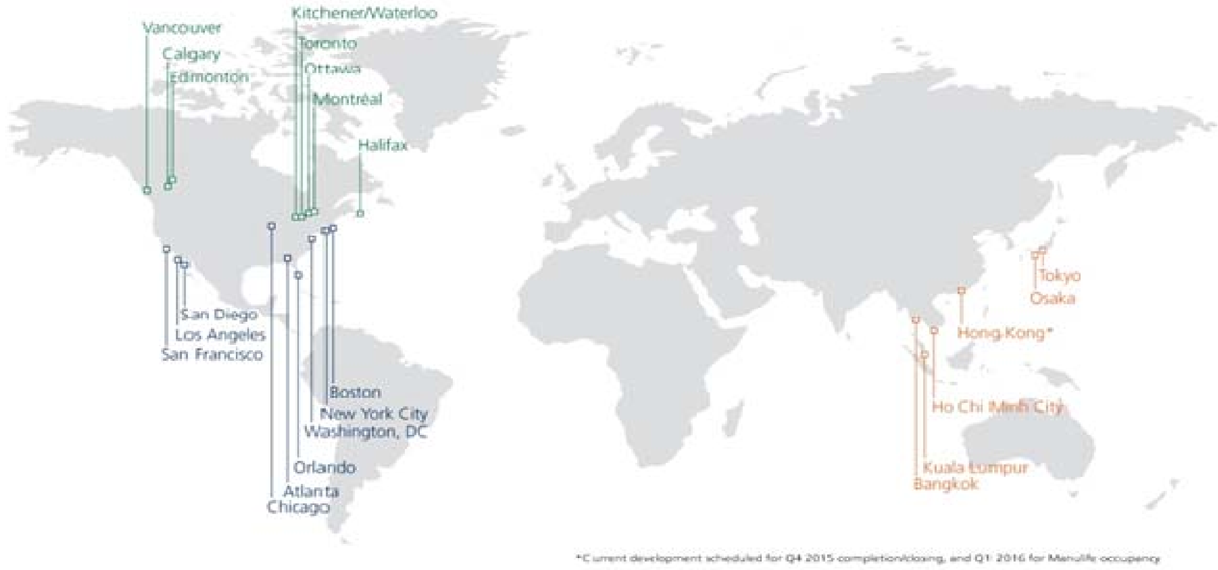

*Source: Colliers, JLL, DBS Bank*

## Reputable Sponsor with strong real estate management capabilities

**Manulife US REIT's Sponsor is The Manufacturers Life Insurance Company,** which is part of Manulife Financial Corporation (Manulife). Manulife is listed on the Toronto Stock Exchange, New York Stock Exchange, the Hong Kong Stock Exchange, and the Philippines Stock Exchange.

Founded in 1887, Manulife and its various subsidiaries provide a wide range of financial protection and wealth management products, such as life and health insurance, group retirement products, mutual funds and banking products across Canada, the US and Asia. In the US, the Sponsor operates as John Hancock, which celebrated its 150th anniversary in 2012. John Hancock's core retail products in the U.S. focus on providing financial solutions such as 401(k) retirement plans, mutual funds, college savings plans, life insurance and long term care.

**Strong global presence with regional offices in North America and Asia**




*Source: Manulife Real Estate, DBS Bank*

**Extensive asset management capabilities.** The Sponsor has significant asset management capabilities across a broad range of public and private asset classes. As at 31 December 2015, Manulife Financial Corporation had US$676bn of assets under management (AUM) of which roughly 60% is managed for third parties. The remainder are Manulife's own assets, invested on behalf of its general account.

Manulife Asset Management is the global asset management arm of the Sponsor and provides asset management solutions for institutional investors and investment funds across a broad range of public and private asset classes. As at 31 December 2015, under the public markets, Manulife Asset Management's AUM was US$301bn.

Meanwhile, Manulife Asset Management Private Markets brings together many of the Sponsor's private securities investment management capabilities that were initially developed to manage its General Account assets. Manulife Asset Management Private Markets' investment expertise spans across several private asset classes, including commercial real estate, timberland and farmland, biomass renewable energy, oil and gas, private equity and mezzanine debt. Manulife Asset Management Private Markets also partners with Manulife's specialised private fixed income investment teams to invest in private placement debt and commercial mortgages.

The private market investments of the Sponsor and its subsidiaries as at 31 December 2015 include approximately: (i) US$21.1bn of private placement debt, (ii) US$19.8bn of commercial mortgages, (iii) US$11.2bn of timberland, (iv) US$15bn of real estate, (v) US$6.4bn of private equity and mezzanine debt, (vi) US$2.6bn of farmland, (vii) US$1.2bn of oil and gas producing assets, and (viii) US$0.4bn of renewable energy assets.

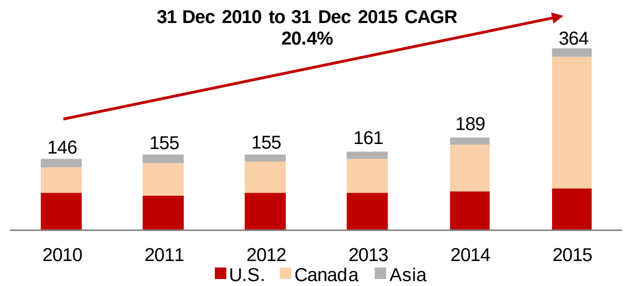
**Fully integrated real estate management platform especially in the US office market.** The Sponsor also has deep expertise in the real estate market. Manulife Real Estate (MRE), the real estate investment and management arm of the Sponsor, has over 70 years worth of experience managing multi-billion dollar global real estate portfolios and has skill sets across the real estate value chain including deal sourcing, strategic asset management, leasing and property management. MRE has over 520 real estate professionals in 22 regional offices in North America and Asia. As at 31 December 2015, the Manulife Real Estate portfolio totalled more than 64.0m sqft across North America and Asia. The Sponsor also has significant expertise in the US office market. As at 31 December 2015, MRE had US$15bn of real estate AUM globally, with US$8.0bn located in the US, out of which office properties represent 82.2%.

**Strong acquisition track record.** MRE has a strong acquisition capability and track record, demonstrated by the acquisition of 85 properties worth US$6.2bn since 2010. This has resulted in a compound annual growth rate of 17.5% p.a. in the value of MRE's AUM. The majority of the group's acquisitions have been made in the US office market. Recent notable transactions include the acquisition of 1 South Wacker Street in Chicago, 1750 Pennsylvania Avenue in Washington and 5000 Birch in Newport Beach, California as well as an arrangement with Allianz to co-invest up to US$1bn in US real estate.

## US$15.0bn of assets under management

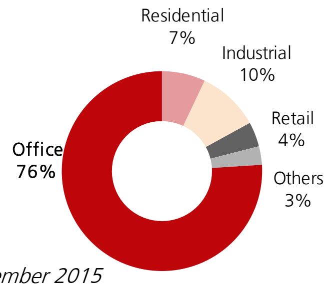

*Source: Manulife Real Estate, DBS Bank*

## Growing number of properties under MRE management




*Source: Manulife Real Estate, DBS Bank*

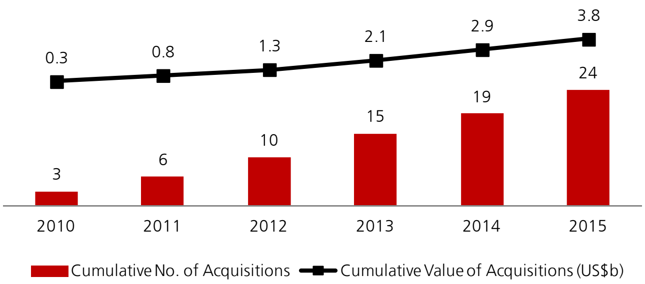
## Greater than 75% of Global portfolio in office*




** As at 31 December 2015*

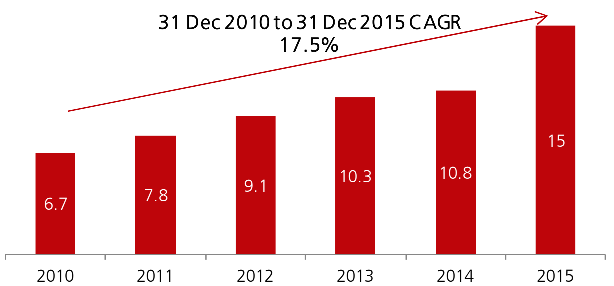
*Source: Manulife Real Estate, DBS Bank*

## MRE US office cumulative acquisitions



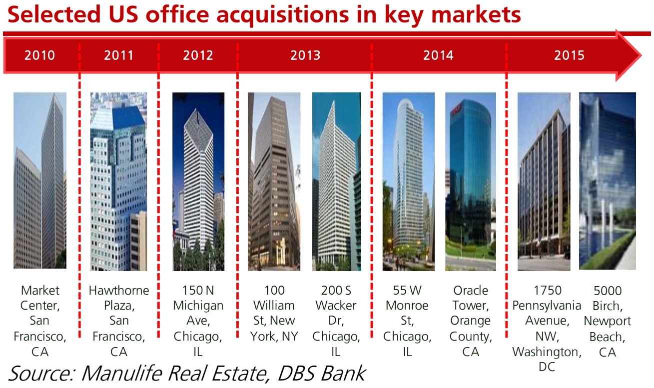

*Source: Manulife Real Estate, DBS Bank*

## MRE Global AUM as at 31 December 2015 (US$bn)




*Source: Manager, DBS Bank*

## Selected US office acquisitions in key markets




*Source: Manulife Real Estate, DBS Bank*

## SWOT Analysis

Our SWOT analysis of Manulife US REIT is as follows:

<table>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>
<ul>
<li>Strong Sponsor in Manulife which has over 70 years of experience in the US real estate market. Via its subsidiary John Hancock, Manulife, with over 70 years of experience in the US property market, is able to offer the REIT a strong and fully integrated real estate platform. Manulife's deep expertise across the real estate value chain includes leasing, acquisitions, property financing and portfolio management.</li>
<li>Long WALE of 5.7 years with inbuilt growth. The long WALE of 5.7 years (by NLA) is longer than the majority of Singapore office REITs, and provides strong cashflow visibility. In addition, 80.2% and 18.9% of leases by NLA have annual rental escalation of between 2.5-3.5% and mid-term or period rent increases respectively. Thus, the REIT provides investors with an inbuilt growth platform.</li>
<li>Class A office assets in key US cities. Manulife US REIT's property portfolio consists of freehold Class A assets in prime locations in key cities of Atlanta and Los Angeles. The location and quality of the portfolio provides earnings resilience.</li>
<li>Exposure to the US property market which is in the early stages of recovery. With Manulife US REIT's initial portfolio located in Atlanta and Los Angeles, the REIT is exposed to the US property market which is in the early stages of recovery.</li>
<li>Tax transparency. Through its tax structure, the REIT is able to distribute its cashflows in a tax efficient manner. As compared to other REITs, the distributions are on an after tax basis, i.e. unitholders do not have to pay any additional tax.</li>
<li>Limited medium term interest rate risks. Manulife US REIT is expected to enter into three loan facilities on fixed interest rates of 3.1%. With an average weighted debt maturity of 4 years, the REIT is insulated from an increase in interest rates over the medium term.</li>
</ul>
</td><td>
<ul>
<li>Small property portfolio. While Manulife US REIT is exposed to both the US West Coast and Atlanta which provides some diversification benefits, its portfolio of three properties is small.</li>
<li>Some short term tenancy risks. The REIT faces some short term tenancy risk at the Figueroa property with occupancy expected to fall to 96.7% in 2016 from 98.2% in 2015.</li>
<li>Lack of right of first refusal. As the Sponsor has not given a right of first refusal over Manulife's existing property portfolio or potential acquisitions, there may be some doubt over the REIT's acquisition pipeline. Nevertheless, this weakness is minimised due to the depth of the US property market, significant deal flow the Sponsor has access to, visible acquisition process and track record of growing third party funds.</li>
</ul>
</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>
<ul>
<li>Tapping on the enlarged network from its Sponsor to further diversify its portfolio. With its Sponsor's extensive relationships with brokers, tenants and banks, as well as its large network of property professionals across the US, the REIT is exposed to significant deal flow, which provides acquisition opportunities to further diversify its portfolio out of the initial three markets of Atlanta, Los Angeles and Orange County.</li>
<li>AEI potential in the medium term. While the REIT's assets are well specified and maintained, there is some AEI potential in the medium term, in particular the lobby of the Figueroa building.</li>
</ul>
</td><td>
<ul>
<li>Rise in capital values could result in unfavourable acquisition prices for the Manulife US REIT. The US real estate market has seen an increase in investment activity and among international investors, pushing up prices and lower returns. As demand for high quality assets increases, Manulife US REIT could face keen competition for its targeted assets, resulting in higher capital values and non-DPU accretive yields.</li>
<li>Currency risk if investors elect to receive distributions in SGD. Manulife US REIT intends to distribute its earnings in SGD but leaves an election option for unitholders to receive in USD. Therefore, investors distribution might be impacted by any shifts in the USD-SGD exchange rate if they elect to received distributions in SGD.</li>
</ul>
</td></tr>
</table>

*Source: DBS Bank*

## Key Risks

Country risks. Manulife US REIT is exposed to country risks including economic changes, political changes or policy changes in the US where its properties are located. As the US economy is affected by global economic conditions, a change in the strength of the global economy might result in a downturn in the US economy. This may negatively affect tenant demand for space at Manulife US REIT's properties. This in turn could negatively impact rental income and distributions to unitholders.

In addition, Manulife US REIT will be impacted by changes in the real estate market conditions in US. Any changes in supply or reduced demand for real estate assets will have an impact on tenant demand and the attractiveness of their properties to investors.

Interest rates risks. Our DBS economists expect US rates to increase by the end of 2016. As such, Manulife US REIT may face higher borrowing costs and increased interest rate risk going forward, and these will have a negative impact on distributions. However, we note that the Manager intends to enter into a fixed-interest rate facility for a period of between 3-5 years in order to mitigate such risks.

There is however no assurance that such facility will be obtained, although discussions with a lender are underway. Pending such a facility with a third party, a fixed rate bridge facility for two years will be provided by an affiliate of the Sponsor, which will be refinanced as soon as the third party facilities are obtained.

Risk of non-renewal and non-replacement of leases. Manulife US REIT's financial condition and results of operations and capital growth may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of one or more of the tenants, as well as the decision by one or more of these tenants not to renew its lease at the end of a lease cycle, or terminate its lease before it expires.

Lack of operating history for Manulife US REIT and the Manager. As neither Manulife US REIT nor its Manager has sufficient operating history as a listed entity, it may be more difficult for investors to assess the REIT's future performance. However, we are of the view that this is mitigated by the Sponsor's long term track record in the US property market and ability to increase total assets under management in its real estate business from US$6.7b in 2010 to US$15b at the end of December 2015.

Foreign currency risks. All of the REIT's assets are located in the US and generate revenues in USD. Thus, investors who elect to receive distributions in SGD have exposure to volatility in the USD/SGD FX rate. This is mitigated if investors elect to receive distributions in USD.

Regulatory Risks. The tax efficiency of the Manulife US REIT relies in part on its Parent U.S. REIT and Sub-U.S. REITs being able to maintain their status as U.S. REITs as well as a REIT qualifying for U.S. Portfolio interest exemption when repatriating cashflows back to Singapore as interest income.

Should there be any change in tax or REIT regulations in either the US or Singapore which affects the current REIT structure or ability to repatriate cash in a tax efficient manner, distributions paid to Manulife US REIT unitholders may be adversely impacted. Nevertheless, we understand the Manager will actively monitor the regulatory environment and make the appropriate changes to minimise the impact of any regulatory changes.

Ownership limits. Unitholders are subject to the Unit Ownership Limit, that is, they are prohibited from directly or indirectly owning in excess of 9.8% of the outstanding Units. This is to ensure the REIT's favourable tax status. Should a unitholder exceed the 9.8% threshold, the trustee has the right and power to dispose of any units in excess of the ownership limit.

## REIT Structure

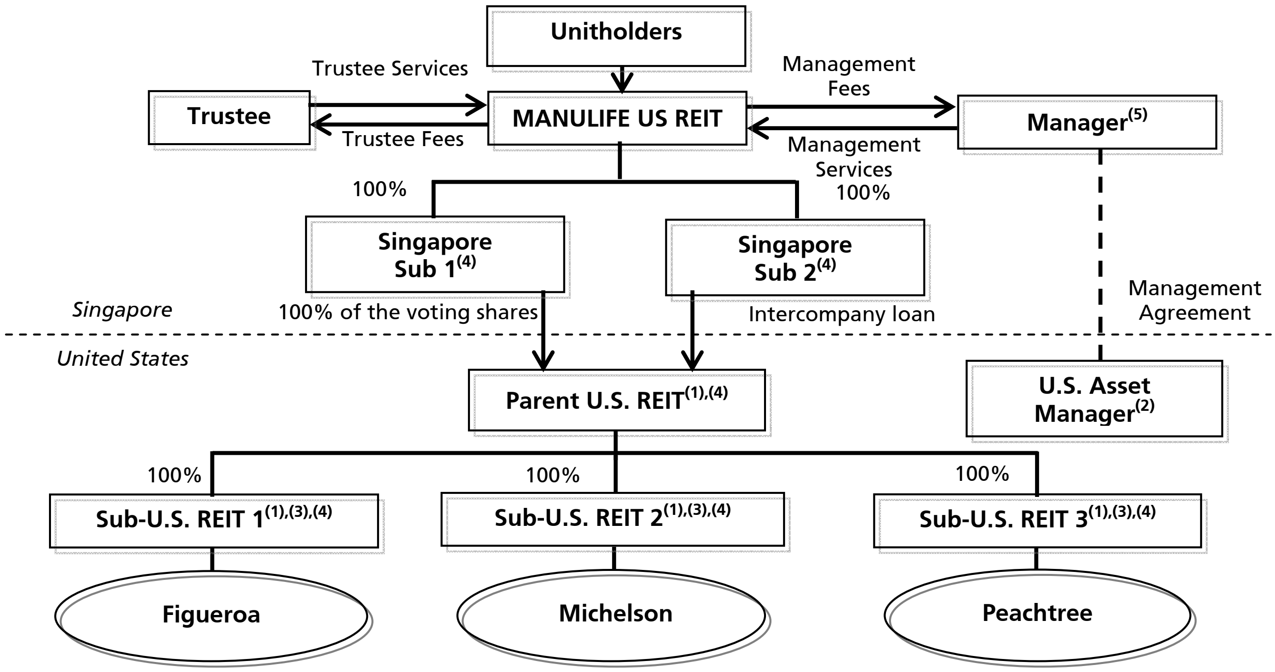
Manulife US REIT is a Singapore-based REIT established with a principal strategy to invest in a portfolio of income-producing office real estate in the US, directly or indirectly. The Manager and Property Manager of Manulife US REIT are Manulife US Real Estate Management Pte Ltd and John Hancock Life Insurance Company (U.S.A.) respectively, which are both subsidiaries of the Sponsor.

For tax efficiency purposes, Manulife US REIT will invest in US properties through special purpose vehicles ("Sub-U.S. REITs") that are wholly-owned subsidiaries of a Parent U.S. REIT and organised so as to qualify as a U.S. REIT. Each US property acquired will be held in a separate Sub-U.S. REIT. Cashflows from the U.S. Parent REIT are then streamed back to Singapore through two entities (Singapore Sub 1 and Singapore Sub 2) as dividends and interest from shareholders' loans. The majority of cashflows will flow to Singapore as interest and are exempt from US withholding tax, as the cashflows qualify for favourable tax treatment under the U.S. Portfolio Interest Exemption.

To ensure that the Parent U.S. REIT and Sub-U.S. REIT's maintain their U.S. REIT status, any unitholder cannot own, directly or indirectly in excess of 9.8% of the outstanding units in the REIT.

Investors should note that the unit ownership limit is computed pursuant to the rules of the United States Internal Revenue Code of 1986, as amended (the "IRC") which includes rules relating to Beneficial Ownership (through the application of Section 544 of the IRC, as modified by Section 856(h) of the IRC) and Constructive Ownership (through the application of Section 318(a) of the IRC, as modified by Section 856(d)(5) of the IRC). Investors who intend to invest in Manulife US REIT should give due consideration, and consult their own legal and tax advisers, where necessary, regarding the application of the rules of the IRC in relation to the restriction on ownership in 9.8% of the outstanding units in Manulife US REIT and the consequences of automatic forfeiture arising from any breach of such limit.

**Holding Structure of Manulife US REIT**



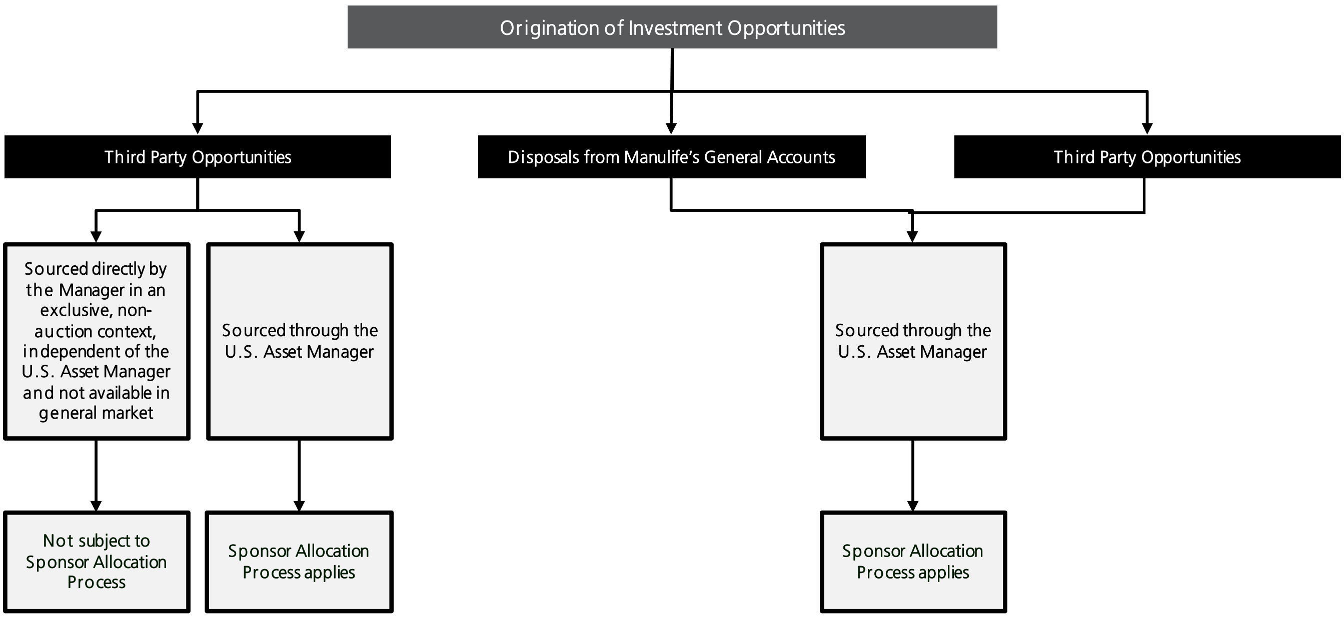

(1) Parent U.S. REIT and each Sub-U.S. REIT will issue preferred stock to at least 100 shareholders. The minimum of 100 shareholders after the first year is a U.S. requirement for the entity to qualify as a U.S. REIT. (See "Taxation – U.S. Federal Income Tax Overview – U.S. Federal Income Taxation of the Parent U.S. REIT and the Sub-U.S. REITs – Organisation Requirements" for further details.)
(2) The U.S. Asset Manager is a subsidiary of the Property Manager.
(3) Each Sub-U.S. REIT will form a TRS in order to qualify as a U.S. REIT. Each Sub-U.S. REIT and its TRS will enter into a Property Management Agreement with the Property Manager.
(4) Manulife US REIT wholly-owns Manulife US REIT Alpha (Singapore) Pte. Ltd ("Singapore Sub 1") and Manulife US REIT Beta (Singapore) Pte. Ltd ("Singapore Sub 2"); Singapore Sub 1 wholly-owns Parent U.S. REIT which in turn wholly-owns each of Sub-U.S. REIT 1, Sub-U.S. REIT 2 and Sub-U.S. REIT 3.
(5) To the extent activities of the Manager, including under the Management Agreement, would otherwise be required to be performed within the United States (and are not otherwise to be performed by the U.S. Asset Manager), those activities will be delegated to the Manager U.S. Sub.

*Source: Manager, DBS Bank*

## Sponsor Allocation Process

With the Sponsor having different funds investing in the US property market and to manage any potential conflicts of interest arising from future investment opportunities sourced through the U.S. Asset Manager, all potential acquisitions are subject to the Sponsor Allocation Process. All deals sourced directly in an exclusive, non-auction context independent of the US asset manager by Manulife US REIT are not subject to this process.

### Application of Sponsor Allocation Process




*Source: Manager, DBS Bank*

## Operation and Administration of the Sponsor Allocation Process

**1) Real Estate Pipeline Meetings**

On a weekly basis, all investment opportunities are presented by acquisition and origination personnel, and discussed at a weekly Real Estate Pipeline Meeting. The meeting is chaired by the Head of Real Estate Investments, with portfolio managers representing specific accounts, including Manulife US REIT, present.

## Administration of Sponsor Allocation Process

**Allocations Oversight Committee**

*Role: Oversees Sponsor Allocation Process and is responsible for periodic reviews of actual allocations of Investment Opportunities*

*Oversight*

**Allocations Administrator**

**Real Estate Pipeline Meetings (held weekly)**

- Investment Opportunities presented by acquisition officers and discussed with portfolio managers representing specific accounts / clients;
- Manulife US REIT will be represented by a portfolio manager in these meetings (this portfolio manager may not be exclusive for Manulife US REIT, but processes are in place to ensure that portfolio managers managing multiple accounts, if any, are overseen to ensure fair and equitable treatment of clients; members of the compliance team are invited to attend these meetings);
- Portfolio managers conduct suitability assessment by evaluating opportunities versus their respective portfolios' investment objectives and constraints;
- Suitability determined by factors such as (a) asset class type; (b) asset size; (c) investment return hurdle rates; (d) geographical location, and (e) accretive impact.

If Investment Opportunity is only pursued by one account, the Investment Opportunity is allocated to that account.

If Investment Opportunity is pursued by multiple accounts, allocation is subject to Priority Ranking described below.

**Transparency of Sponsor Allocation Process**

- Periodically reviewed by Allocations Oversight Committee to ensure fair allocation.
- Asset allocation decisions made at Real Estate Pipeline Meetings are documented.
- Documentation of allocation decisions is available for review by the Manager upon reasonable request.

*Source: Manager, DBS Bank*

**2) Selection of Investment Opportunities**
Should a portfolio manager believe that an investment opportunity is suitable for an account based on the predetermined investment guidelines, the portfolio manager will indicate his interest in pursuing the investment opportunity.

If only one account finds the investment opportunity suitable, then it will receive the allocation.

In the event there are competing accounts for an investment opportunity, the acquisition team may perform additional reviews of the potential acquisition to determine a narrower range of valuation and returns to better determine the suitability for each account. If more than one account continues to be interested, the property will be allocated to the account with the highest priority ranking.

Each portfolio manager will conduct a suitability assessment by evaluating the opportunity versus their respective portfolios' investment objectives and constraints using factors such as (i) asset class type, (ii) asset size, (iii) investment hurdle rates, (iv) geographical location and (v) accretive impact. Portfolio managers will inform the Allocation Administrator of the investment opportunities they deem suitable for the investment strategy of their specific Account, based on the established, predetermined investment guidelines.

**3) Priority Ranking**
Should more than one account is interested in pursuing an investment opportunity, the Allocation Administrator determines the Priority Ranking using a range of factors detailed in the table below to calculate the "Gap to Target Fill Percentage" and the "Percentage Unfilled Total Demand". These percentages are weighted equally to determine the Priority Ranking. In the event, that two or more accounts have the same Priority Ranking, the account with the largest outstanding dollar demand is given priority.

Upon the account receiving an allocation determination, its priority ranking is reduced to reflect the impact of the size of the transaction in question.

**Inputs impacting the priority ranking**

| No | Ranking Factors | Impact on Ranking |
|---|---|---|
| | Gap to Target Fill Percentage | |
| 1. | Relative demand of all Accounts(1) | Higher demand increases priority ranking |
| 2. | Actual allocations received to date by an Account | Higher actual allocations decreases priority ranking |
| 3. | Time remaining to complete an Account's annual target demand | Increases priority ranking as annual period approaches completion to the extent the Account's total demand for the annual period is not filled |
| | Percentage Unfilled Total Demand | |
| 4. | Aggregate outstanding demand of the Account if the current investment opportunity is allocated to the Account | Relative outstanding demand increases priority ranking |

(1) In the context of Manulife US REIT (an Account for these purposes), its "demand" would be determined based on the dollar amount for planned acquisitions in its annual business plan approved by the Board of the Manager.
*Source: Manager, DBS Bank*

**4) Oversight and Review of the Sponsor Allocation Process**
The Sponsor Allocation Process is overseen by an Allocations Oversight Committee, which includes senior staff members outside Manulife Real Estate, presenting Investment Management, Legal & Compliance and Finance. The Allocation Oversight Committee is responsible for periodically reviewing the actual allocations of investment opportunities. Furthermore, proceedings of each Real Estate Pipeline Meeting and subsequent asset allocation decisions are documented and maintained by the Allocation Administrator and the Manager will be able to periodically review the documents.

Members from the Sponsor's Asset Management, Compliance and Product Management groups are also invited to attend the Real Estate Pipeline Meetings to ensure that there is proper oversight over the process.

## Key Management Team

### Executive Officers

| Name (Age) | Position | Description |
|---|---|---|
| Ms Jill Smith (62) | Chief Executive Officer (CEO) | Role:<br>Works with the Board to determine the strategy for Manulife US REIT. Additionally, the CEO is responsible for planning the future strategic development of Manulife US REIT as well as the overall day-to-day management and operations of Manulife US REIT. He/she also works with the Manager's investment, asset management, financial and legal and compliance personnel in meeting the strategic, investment and operational objectives of Manulife US REIT.<br><br>Background:<br>Ms Smith is a senior financial executive and investment professional with over 30 years' experience in the investment management industry in Asia and Europe. She has extensive experience in portfolio management, business development and sales and marketing. She has held several senior executive positions with Manulife Asset Management. Prior to joining the Manager, she was Senior Managing Director, Chief Executive Officer and Chief Investment Officer for Manulife Asset Management Singapore.<br><br>Before joining Manulife Asset Management in 2007, she was Head of Operations for Western Asset Management (Singapore) from 2004 to 2007. Ms Smith was also Head of Marketing and Sales for Lazard Investors (London) and Managing Director of Lazard Investors (Singapore) and at Rothschild Asset Management (Singapore) from 1994 to 2004.<br><br>Ms Smith holds a Bachelor of Arts degree in Sociology and a Post-graduate Certificate of Education, both from Durham University, UK. She is a member of the Investment Management Association of Singapore Developmental Committee and a former member of the Executive Committee. |
| Mr Jagjit Obhan (42) | Chief Financial Officer (CFO) | Role:<br>The CFO will work with the CEO and the other members of the management team to formulate strategic plans for Manulife US REIT in accordance with the Manager's stated investment strategy. The CFO will be responsible for applying the appropriate capital management strategy, including tax and treasury matters, as well as finance and accounting matters, overseeing implementation of Manulife US REIT's short and medium-term business plans, fund management activities and financial condition.<br><br>Background:<br>Mr Obhan has more than 15 years of experience in audit, banking, corporate finance, real estate and regulatory reporting work. Prior to joining the Manager, he held the position of Managing Director and Head of Third Party Finance in Manulife Asset Management Private Markets, where he was responsible for all finance, treasury and debt financing, and reporting functions for real estate, private debt and commercial mortgages funds.<br><br>He joined Manulife in 2005 as Chief Accountant for Investment Division responsible for providing accounting advise on complex investments and derivatives transactions under IFRS, U.S. GAAP and regulatory reporting, and has led the external and board reporting function of Manulife Bank that required maintaining ongoing relations with the regulators. Between 2001 to 2004, he held managerial positions in Royal Bank of Canada corporate accounting policy, risk management and banking services groups. He has also previously worked with Ernst & Young where he led the audits of insurance companies and has been involved in various internal audit consulting projects. |

| Name (Age) | Position | Description |
|---|---|---|
| Mr Jagjit Obhan (42) | Chief Financial Officer (CFO) | Mr Obhan graduated from Carleton University with Bachelor of Commerce (Honours) and holds Chartered Professional Accountant and Chartered Accountant designations from Chartered Professional Accountants of Ontario. He also graduated from a joint J.L. Kellogg School of Management (Northwestern University) and York University programme with an Executive Master of Business Administration. |
| Mr Jeffrey Wolfe (52) | Chief Investment Officer (CIO) | Role:<br>The CIO of the Manager will work with the CEO and the other members of the management team to execute the investment programme of the Manager which, working with the U.S. Asset Manager, is responsible for identifying, researching and evaluating potential acquisitions and related investments with a view to enhancing Manulife US REIT’s portfolio, or divestments where a property is no longer strategic, fails to enhance the value of Manulife US REIT’s portfolio or fails to be yield accretive.<br><br>Background:<br>Mr Wolfe is a seasoned real estate investment professional with more than thirty years of experience in all aspects of real estate investment. He has significant transactions and third-party advisory experience, including establishing portfolio strategies for clients and managing investments to achieve portfolio objectives. Prior to joining the Manager, he was Managing Director of John Hancock Real Estate from 2012, where he acquired office and industrial properties throughout the United States on behalf of John Hancock and third-party investment clients.<br><br>Immediately prior to John Hancock, Mr Wolfe was the Director of Analytics for the Debt Exchange, where he provided loan valuation and consulting services to institutional clients from 2011 to 2012. From 2005 to 2009, he worked for subsidiaries of Munimae, including as a member of the management team that launched an investment advisory platform, MMA Realty Capital. Mr Wolfe was with Equitable Real Estate Investment Management and its successor Lend Lease Real Estate from 1988 to 2003, when the firms were the largest real estate investment managers in the United States.<br><br>Mr Wolfe is a graduate of Boston College. He is a Chartered Financial Analyst, holding the CFA designation from the CFA Institute. Mr Wolfe also holds the MAI designation, which is conferred by the Appraisal Institute to professional commercial real estate appraisers. |

*Source: Manager, DBS Bank*

## Manulife US REIT Board of Directors of the Manager

The Board of Directors of the Manager is entrusted with the responsibility for the overall management of the Managers.

| Name (Age) | Position | Description |
|---|---|---|
| Mr Hsieh Tsun-Yan (63) | Chairman and Non-Executive Director and Nominating and Remuneration Committee Member | Chairman of LinHart Group Pte. Ltd., a firm he founded in 2010 to provide leadership counselling to boards and CEOs, Mr Hsieh, a resident of Singapore, has extensive experience in international business, leadership development and corporate transformation. Mr Hsieh joined McKinsey & Company in 1980 and was elected as a director from 1990 to 2008 when he retired and, from 2008 to 2010, Mr Hsieh was retained by McKinsey & Company as a Special Advisor to clients.<br><br>Mr Hsieh is currently an Independent Director of Manulife Financial Corporation and Singapore Airlines and previously also served on the boards of Bharti Airtel and Sony Corporation. He is a member of the Management Advisory Board at the School of Business and a Provost Chair Professor (Practice) at the School of Business (where he is also a member of the Management Advisory Board) and the Lee Kuan Yew School of Public Policy, both at the National University of Singapore. He is a member of the Governing Council of the Singapore Institute of Management and a board member of its subsidiary company, Singapore Institute of Management Pte. Ltd.<br><br>Mr Hsieh has a Bachelor of Science in Mechanical Engineering from the University of Alberta, where we won double gold medals as a President and Colombo Plan Scholar, and a Master of Business Administration from Harvard Business School. |
| Mr Davy Lau (61) | Independent Non-Executive Director, Lead Independent Director and Chairman of the Nominating and Remuneration Committee | Mr Lau is the Founder and Chairman of DGL Group Inc., which was founded in 2006 and focuses on investing directly in businesses that help individuals, organisations and communities achieve a sustainable, delicious and gracious life. To date, companies Mr Lau invested in include Focus Media Network Ltd (8112: HKEX), Plastoform Ltd (PLAS: SGX), Global CyberSoft (Vietnam/US), Cima Nanotech (US/Japan/Singapore) and Tezzaron (US/Singapore).<br><br>From 1994 to 2011, Mr Lau was with Egon Zehnder International and was elected as global partner in 2000, where he recruited CEOs and their top management teams on behalf of global multinational and Asian clients. He was the firm’s Singapore Managing Partner for 10 years and later he focused on serving Japanese clients in Asia as well as board consulting.<br><br>Mr Lau holds a number of non-executive roles. He is an Advisory Board Member of Make-A-Wish Foundation Singapore and Hong Kong – ASEAN Economic Cooperation Foundation. He is also a member of the Board of Governors of United World College South East Asia as well as a few other private companies. Mr Lau is a member of advisory/resource panels of private equity and buy-out funds such as Credence Partners (Singapore) and ACA (Japan). He previously sat on the board of hiSoft Technology International Ltd. (NASDAQ: HSFT) as non-executive director and Chair of the Compensation Committee.<br><br>Mr Lau received a Bachelor of Arts from Tokyo University of Foreign Studies in 1979 and a Master of Economics from Hitotsubashi University in Tokyo in 1981. Mr Lau is trilingual in Japanese, English and Chinese (Mandarin and Cantonese). |

*Source: Manager, DBS Bank*

| Name (Age) | Position | Description |
|---|---|---|
| Mr Ho Chew Thim (64) | Independent Non-Executive Director and Chairman of the Audit and Risk Committee | Mr Ho served as the CFO of China Water Holdings Pte. Ltd. 2008 to 2009 and CNA Group Ltd. from 2006 to 2008. In both companies, he was responsible for the financial, treasury, corporate planning, investment evaluation, administration, and company secretariat functions.<br><br>He has also served in senior finance and management roles at Achieve Ltd, Poh Tiong Choon Logistics Ltd, China World Trade Centre Ltd, China-Singapore Suzhou Industrial Park Development Co. Ltd, DBS Bank, Deutsche Bank (Singapore Branch) L&M Group Investments Ltd, United Industrial Corporation Ltd and United Overseas Bank Limited.<br><br>Mr Ho is currently the Lead Independent Director of China Kunda Technology Holdings Limited and DeClout Limited. He has been a Director of China Kunda Technology Holdings Limited since 2008 and DeClout Limited since 2012. He is also an Independent Director of Yongmao Holdings Ltd since 2007, Mencast Holdings Ltd., since 2008 and Hengyang Petrochemical Logistics Limited since 2009. He has also served as an Independent Director and Lead Director of R H Energy Ltd between 2007 to 2014.<br><br>Mr Ho is a Fellow of both the Institute of Singapore Chartered Accountants and CPA Australia. Mr Ho graduated with a Bachelor of Accountancy (First Class Honours) degree from the then University of Singapore (now the National University of Singapore) in 1976. |
| Ms Veronica McCann (55) | Independent Non-Executive Director, Audit and Risk Committee Member and Nominating and Remuneration Committee Member | Ms. McCann is a senior financial executive with over twenty three years' experience in the finance sector of the Asia Pacific Region. Having a track record of leading organisational change and managing complex financial and regulatory risks during periods of rapid expansion and restructuring, Ms. McCann was most recently CFO Asia and Deputy Chief Executive, Singapore up to 2015 at Commerzbank AG, the second largest credit institution in Germany and one of Europe's major banks. She started with Commerzbank in 2006 where she was mandated to build and develop strong independent Finance, HR and Legal/Compliance functions. Ms. McCann then transitioned to the Head of Finance & HR for Asia Pacific in 2008 and transitioned to the CFO role in 2009.<br><br>Prior to joining Commerzbank, Ms. McCann was at Canadian Imperial Bank of Commerce ("CIBC") in various roles from 1989 to 2006, including Head of Management Accounting, Europe in 1989, where she was responsible for management accounting, budgeting and expense controls. Ms. McCann commenced her career in the financial services sector with UBAF UK as an Assistant Chief Accountant.<br><br>Ms. McCann is a Fellow of the Institute of Management Accountants, a member of the Chartered Global Management Accountants and a Member of the Singapore Institute of Directors. She also serves as the Treasurer of the British Chamber of Commerce Singapore andShe is currently involved with HRH the Prince of Wales, Accounting and Sustainability (A4S) charity rollout in Asia. |

*Source: Manager, DBS Bank*

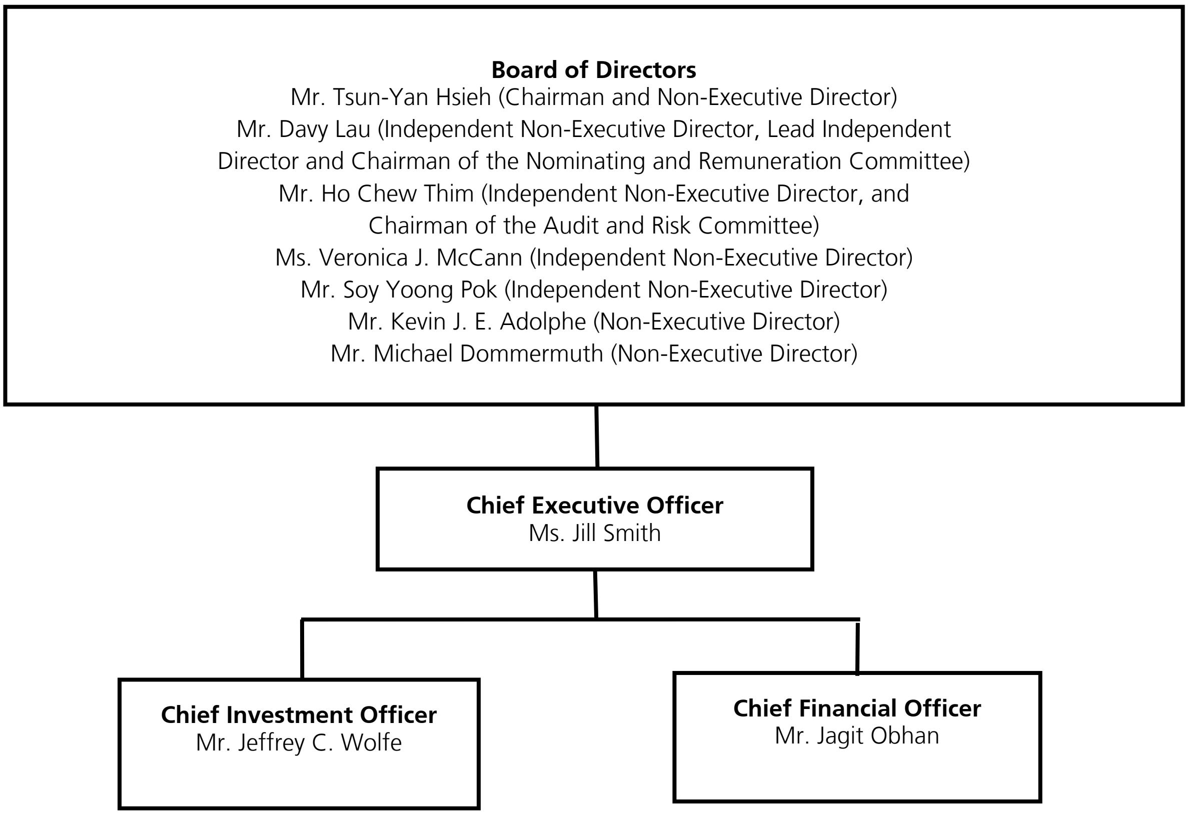
| Name (Age) | Position | Description |
|---|---|---|
| Mr Pok Soy Yoong (61) | Independent Non-Executive Director and Audit and Risk Committee Member | Mr Pok has over 30 years' working experience in the areas of Singapore direct tax and international tax. He is among the leading tax experts in Singapore on complex tax transactions and issues, and is particularly noted for his leading role in the creation of the taxation framework for real estate investment trusts. Prior to his retirement from professional practice in 2008, Mr Pok was the Head of Tax with Ernst & Young Singapore as well as a member of Ernst & Young Singapore Management Committee.<br><br>Mr Pok has been an Independent Director of Mapletree Logistics Trust Management Ltd, manager of Mapletree Logistics Trust since 2009. He is also a member of the board of directors of Perennial China Retail Trust Management Ltd, the trustee-manager of Perennial China Retail Trust, and its Chairman. He is currently an Independent Director of Pavilion Foundation Limited and a Member on the board of the Inland Revenue Authority of Singapore.<br>He was an Independent Director of UE E&C Ltd. from 2010 to 2013.<br><br>He was admitted to membership of both the Chartered Institute of Taxation, the United Kingdom, and the Association of Certified Accountants, the United Kingdom but surrendered those memberships in 2009, after retirement from active tax practice. He is currently a non-practicing member of the Institute of Singapore Chartered Accountants. |
| Mr Kevin Adolphe (53) | Non-Executive Director | Mr Adolphe holds several senior executive positions with Manulife Financial Corporation including President and Chief Executive Officer of Manulife Asset Management Private Markets and President and Chief Executive Officer, Manulife Real Estate the Company’s global real estate arm. As President and Chief Executive Officer of Manulife Asset Management Private Markets, Mr Adolphe has overall responsibility for origination and management of the company's real private assets classes, both for the company's general account and in additional private asset classes, for the benefit of third party investors. Collectively, private assets span across private placement debt, commercial mortgages, timberland, farmland, renewable energy, real estate, private equity and mezzanine debt, oil and gas and power and infrastructure assets. As President and Chief Executive Officer of Manulife Real Estate, Mr Adolphe has overall accountability for the strategic management and operations of Manulife’s extensive and diversified portfolio of prime commercial real estate properties in key metropolitan centres throughout Canada, the United States and Asia.<br><br>Mr Adolphe joined Manulife in 2006 and prior to his current role, was Chief Operating Officer of Investments, where he was responsible for all finance, market risk management, securities operations, mortgage administration, derivatives and middle office operations, systems and functions in offices spanning Toronto, Boston, Asia and the United Kingdom. Before joining Manulife, Mr Adolphe served as Chief Control Officer with CIBC, one of Canada’s major banks, playing a lead role in governance and internal control frameworks across the bank. During his career, Mr Adolphe has worked in Canada, England and Australia. |

*Source: Manager, DBS Bank*

| Name (Age) | Position | Description |
|---|---|---|
| | | Mr Adolphe is a graduate of the University of Toronto and holds designations from both the Canadian and Ontario Institutes of Chartered Accountants and is a member of the Canadian Institute of Certified Management Consultants. He is a member of the Institute of Corporate Directors, the Ontario Chapter of World Presidents' Organization (WPO), and a member of Real Property Association of Canada (REALpac). Mr Adolphe also serves on the Board of Directors of Rogers Bank. |
| Mr Michael Dommermuth (54) | Non-Executive Director | Located in Hong Kong since 2004, Mr Dommermuth is executive vice president, head of wealth and asset management, Asia. He is a member of Manulife Asset Management's Executive Committee and of Manulife's Asia Division Executive Committee.<br><br>Prior to his current appointment, Mr Dommermuth was president, international asset management for Manulife Asset Management. Previous to this, he headed Manulife Financial Corporation's investment operations in Asia (ex-Hong Kong). Before relocating to Asia, he was based in Boston, where he led the firm's institutional spread-based business product development efforts from 2001 to 2004. Prior to joining Manulife Financial in 2001, Mr Dommermuth was based in New York, London and Sydney as the head of various units of a global rating agency that covered leveraged finance and asset-backed securities.<br><br>Mr Dommermuth holds a Bachelor of Science in mathematics and management science from Carnegie Mellon University, Pennsylvania, U.S.. |

*Source: Manager, DBS Bank*

## Organization Structure of the REIT Manager




*Source: Manager, DBS Bank*

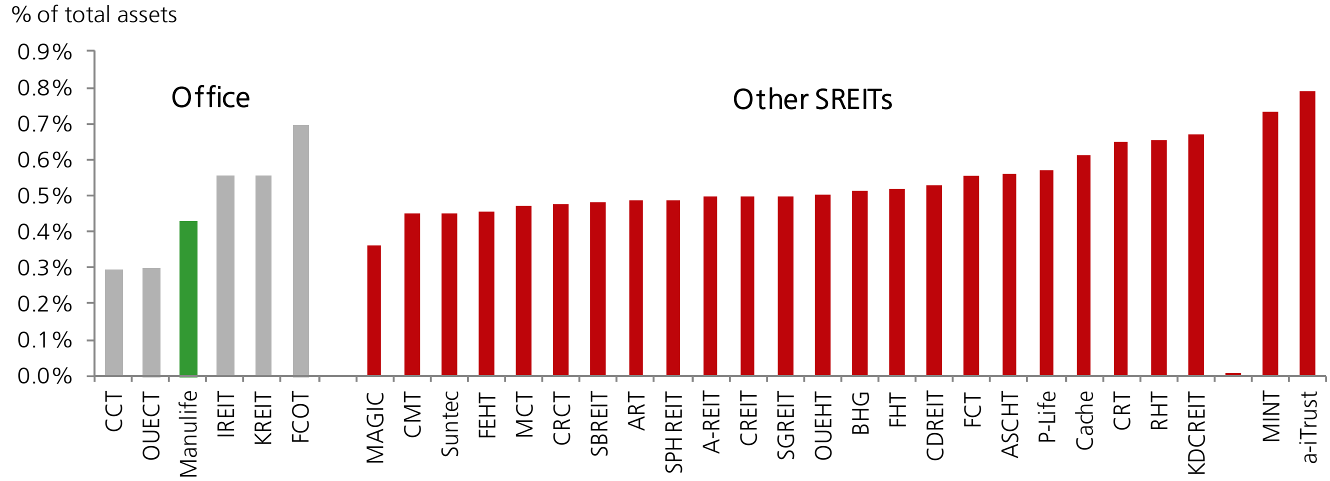
## Fee Structure

**Manulife US REIT is at the lower end of S-REIT industry peer range.** We believe that Manulife REIT's fee structure is highly aligned to unitholders' interests and is in line with those in the S-REIT space. The REIT Manager will take 10% of distributable income as base management fees and 25% of the growth in DPU vs the previous financial year, as performance fees. Other fees include trustee fees, acquisition and divestment fees as well as property management fees.

**100% of fee in units.** The Manager has elected to receive 100% of the base management fee and performance fee in FY16-FY17F in units. No performance fee is payable for FY16F.

Based on our estimates, Manulife US REIT's fees payable as a percentage of total property value is approximately 0.43%, which is slightly below the office and SREITs average of 0.5%.

**S-REIT Manager Fees as a % of Total Assets**




*Source: Various S-REITs, DBS Bank estimates*

**Office S-REIT Manager Fees comparison**

| REIT | Base Fee (% of deposited property) | Performance Fee | Source |
|---|---|---|---|
| Manulife US REIT | 10% distributable income | 25% of change in DPU | DPU |
| CCT | 0.10% | 5.25% | net income |
| KREIT | 0.50% | 3.5% | NPI |
| FCOT | 0.50% | 3.5% | NPI |
| OUECT | 0.30% | 25% of change in DPU | DPU |
| IREIT | 10% distributable income | 25% of change in DPU | DPU |

*Source: Various S-REITs, DBS Bank*

**Fees and charges in relation to Manulife US REIT**

| Fee Type | Payable To | Payment Mode | Description |
|---|---|---|---|
| Management Base Fee | Manager | Cash and/or Units | **Base Fee:** 10.0% per annum of Manulife US REIT's Annual Distributable Income (calculated before accounting for the Base Fee and the Performance Fee).<br>**Performance Fee**: 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the Performance Fee but after accounting for the Base Fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year.<br>Note: Manager has elected to elected to receive 100% of the Base Fee and 100% of the Performance Fee in the form of Units for FY16-17. No performance fee is payable for FY16. |
| Trustee's fee | Trustee | Cash | Trustee's fee shall not exceed 0.1% per annum of the value of the Deposited Property, subject to a minimum of S$10,000 per month, excluding out-of-pocket expenses and GST in accordance with the Trust Deed. The actual fee payable will be determined between the Manager and Trustee from time to time. The Trustee will also be paid a one-time inception fee as may be agreed between the Trustee and the Manager, subject to a maximum of S$60,000. |
| Acquisition Fee | Manager | Cash and/or Units | Fees are calculated as percentage of<br>(a) the acquisition price of any real estate purchased by Manulife US REIT, plus any other payments related to the acquisition;<br>(b) the underlying value of any real estate held either directly or indirectly by a SPV or entity, which is purchased by Manulife US REIT, plus any other payments made in connection to the acquisition; or<br>(c) the acquisition price of any investment by Manulife US REIT, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured by the rental income from real estate.<br>For related party transactions, the percentage is 0.75% and 1% for other acquisitions.<br>No acquisition fee is payable for the acquisition of the initial portfolio.<br>Any payment to third party agents or brokers in connection with the acquisition of any assets of Manulife US REIT shall be paid by the Manager to such persons out of the Deposited Property of Manulife US REIT or the assets of the relevant SPV, and not out of the acquisition fee received or to be received by the Manager. |

| Fee Type | Payable To | Payment Mode | Description |
|---|---|---|---|
| Divestment Fee | Manager | Cash and/or Units. | 0.5% of<br>(a) the sale price of any real estate sold or divested, whether directly or indirectly through one or more SPVs, by Manulife US REIT plus any other payments in relation to divestment;<br>(b) the underlying value of any real estate held by any vehicle, which is sold or divested by Manulife US REIT; or<br>(c) the sale price of any investment by Manulife US REIT, in any debt securities of any property corporation or other SPVs owning or acquiring real estate or any debt securities which are secured by the rental income from real estate.<br>Any payment to third party agents or brokers in connection with the disposal of any assets of Manulife US REIT shall be paid by the Manager to such persons out of the Deposited Property of Manulife US REIT or the assets of the relevant SPV, and not out of the divestment fee received or to be received by the Manager. |

*Source: Manager, DBS Bank*

**Fees and charges in relation to Manulife US REIT**

| Fee Type | Payable To | Payment Mode | Description |
|---|---|---|---|
| Property Management Fee | Property Manager | Cash and/or Units | Property management fee from each Sub-U.S. REIT for each property equal to the "Applicable Fee Percentage" multiplied by the gross income from such property.<br><br>The "Applicable Fee Percentage" is 2.5% for Properties with greater than 300,000 sq ft of NLA and 3.0% for Properties with up to 300,000 sq ft of NLA. The Applicable Fee Percentage for a Property shall be adjusted every five years to reflect market management fees paid by owners of properties similar to such Property in the same submarket to managers affiliated with owners.<br><br>For FY16 and FY17, the Sub-U.S. REITs hav elected to pay 100% of the property management fees in the form of units. |
| Leasing Fee | Property Manager | Cash | Equal to US$1.00 multiplied by the lettable square footage of any Lease or Lease Amendment during the term of the applicable Property Management Agreement |
| Construction Supervision Fee | Manager | Cash | Fee only applies if the construction cost is in excess of US$500k in any 12 month period. The is calculated as follows:<br>1. 5% of the Construction Cost for any construction project between US$500k and US$1m.<br>2. 3% of the Construction Cost or any construction project in excess of US$1m. |

*Source: Manager, DBS Bank*

## Financials – Income Statement

**Steady 5.8% p.a. growth in Gross Revenue.** We project Manulife US REIT's top line to grow at 5.8% p.a. over FY15 Proforma (FY15P) to FY17F underpinned by the in-built annual rental escalations of between 2.5-3.5% p.a. for 80.2% of its Initial Portfolio's leases and 18.9% of leases having mid-term or period rent increases. In addition, overall portfolio occupancy is expected to increase from 96.5% in FY15P to 97.7% in FY17F. With the Atlanta, Downtown LA and Orange County property market in the early stages or still in recovery phase, we have also assumed 2.5% p.a. growth in spot rents over the medium/long term.

**10% jump in NPI over the next two years.** On the back of steady growth in rental income, we project Manulife US REIT's NPI to jump 10% from US$44m in FY15P to US$49m in FY17F (two year CAGR of 4.9%). Over this period, NPI margins are expected to dip marginally from 62.2% in FY15P to 61.3% in FY17F. The fall in NPI margins are largely due to a dip in occupancy in Figueroa.

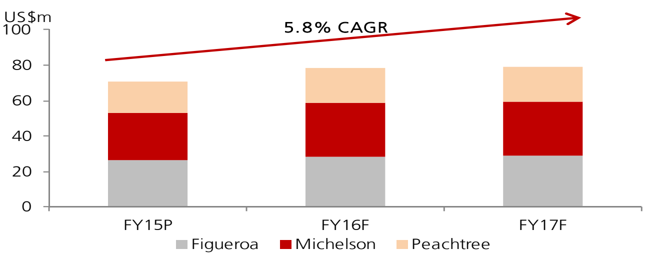
**Management fees – pegged to distributable income.** The base fees and performance fees of Manulife US REIT are structured to motivate the Manager to grow revenues and keep costs in check, ensuring that interests of the Manager are well aligned with that of unitholders. Annual base fees are paid based on 10% of distributable income. In addition, the Manager will only be paid an annual performance fees that is based on 25% of the growth in DPU in a financial year compared to the preceding year. For FY16F, no performance fee is payable. For FY17F, the performance fee is calculated on the different between actual DPU and Manulife US REIT's projections. The Manager has elected to receive the base and performance fees for FY16-17F in units.

**Interest cost fixed at 2.8%.** Interest expenses are expected to remain relatively stable as the REIT intends to enter into three debt facilities (duration of between 3-5 years) with estimated fixed all-in interest rate of 2.8%. Pending such a facility with a third party, a fixed rate bridge facility for two years will be provided by an affiliate of the Sponsor, which will be refinanced as soon as the third party facilities are obtained.

**Non-tax deductible expenses.** Largely consists of management fees payable to the Manager (100% of fees paid in units), a portion of property management fees payable in the form of units, amortisation of upfront debt issuance costs, amortisation of tenant improvement allowance and, leasing commissions and rent-free incentives, straight-line adjustments, fair value changes, deferred tax expense, Trustee's Fees and other adjustments related to non-cash or timing differences in income and expenses.

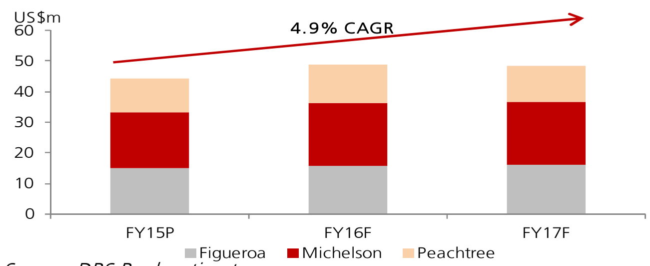
**Distribution income – 100% payout till FY17F.** Manulife US REIT's distribution policy is to distribute 100% of its annual distributed income to the end of FY17F. Thereafter, the REIT will have a distribution payout of at least 90% of its distributable income. Distributions will be made on a half-yearly basis. The first distribution will be paid on or before 30 March 2017 for period ending 31 December 2016. On the back of healthy growth in NPI, we project distributable income to increase by 8% over FY16-17F.

**Contribution to Gross Revenues (FY15P-17F)**




*Source: DBS Bank estimates*

**NPI CAGR of 4.9% over FY15P-17F**



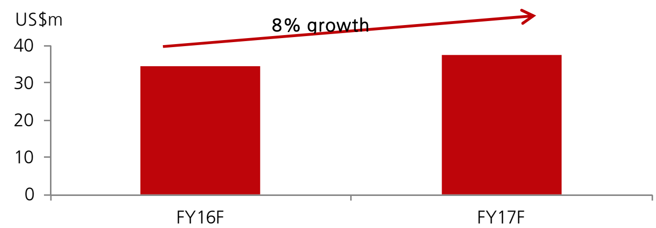

*Source: DBS Bank estimates*

**Projected increase in occupancy in FY16F**

| Occupancy Trend | FY15P | FY16F | FY17F |
|---|---|---|---|
| Figueroa | 98.2% | 96.7% | 96.2% |
| The Michelson | 95.7% | 100.0% | 98.8% |
| Peachtree | 95.1% | 96.8% | 98.6% |
| Portfolio | 96.5% | 97.7% | 97.7% |

*Source: DBS Bank estimates*

**8% growth in FY16-17F distributable income**




*Source: DBS Bank estimates*

## Income Statement*

| FY Dec (US$'m) | FY13P | FY14P | FY15P | FY16F** | FY17F |
|---|---|---|---|---|---|
| Gross revenue | 69.8 | 70.0 | 70.9 | 78.7 | 79.3 |
| Property expenses | (26.5) | (26.6) | (26.8) | (30.0) | (30.7) |
| Net Property Income | 43.4 | 43.5 | 44.2 | 48.7 | 48.6 |
| Other Operating expenses | (4.9) | (5.1) | (5.3) | (5.4) | (5.4) |
| Manager and trustee's Fees | (3.4) | (3.5) | (3.7) | (3.6) | (3.9) |
| Other trust expenses | (1.5) | (1.5) | (1.6) | (1.8) | (1.5) |
| EBIT | 38.5 | 38.4 | 38.9 | 43.3 | 43.3 |
| Interest expenses | (9.1) | (9.3) | (9.6) | (9.1) | (9.3) |
| Net Income before tax | 29.3 | 29.1 | 29.3 | 34.2 | 33.9 |
| Tax expense/Deferred taxes | (1.3) | (1.3) | (1.4) | (1.3) | (1.3) |
| Fair value change in investment properties | (5.1) | (3.6) | (1.5) | (6.6) | (2.9) |
| Net Income after Tax | 22.9 | 24.2 | 26.4 | 26.3 | 29.7 |
| Non-tax deductible Items | - | - | - | 8.1 | 7.7 |
| Net Inc available for Dist. | n/a | n/a | n/a | 34.5 | 37.4 |
| | | | | | |
| Revenue Growth (%) | n/m | 0% | 1% | 11% | 1% |
| N Property Inc Growth (%) | n/m | 0% | 2% | 10% | 0% |
| Distributable Inc Growth (%) | n/m | n/m | n/m | n/m | 8% |
| Dist. Payout Ratio (%) | n/m | n/m | n/m | 100% | 100% |
| | | | | | |
| NPI margin | 62% | 62% | 62% | 62% | 61% |
| EBIT Margin | 55% | 55% | 55% | 55% | 55% |

## Segmental*

| FY Dec (US$'m) | FY13P | FY14P | FY15P | FY16F** | FY17F |
|---|---|---|---|---|---|
| Gross Revenue | | | | | |
| Figueroa | 25.8 | 25.7 | 26.5 | 28.7 | 29.2 |
| Michelson | 27.3 | 27.1 | 26.7 | 30.0 | 30.2 |
| Peachtree | 16.8 | 17.2 | 17.7 | 20.0 | 19.9 |
| Total | 69.8 | 70.0 | 70.9 | 78.7 | 79.3 |
| | | | | | |
| Net Property Income | | | | | |
| Figueroa | 14.6 | 14.4 | 14.9 | 15.8 | 16.0 |
| Michelson | 18.9 | 18.8 | 18.4 | 20.7 | 20.7 |
| Peachtree | 9.9 | 10.2 | 10.9 | 12.2 | 11.9 |
| Total | 43.4 | 43.5 | 44.2 | 48.7 | 48.6 |
| | | | | | |
| NPI margin | | | | | |
| Figueroa | 56% | 56% | 56% | 55% | 55% |
| Michelson | 69% | 69% | 69% | 69% | 68% |
| Peachtree | 59% | 59% | 62% | 61% | 60% |
| Total | 62% | 62% | 62% | 62% | 61% |

** All numbers are rounded up to the nearest decimal. For FY16 and FY17, the projections are DBS Bank estimates.*

*** Annualised*

*Source: Manager, DBS Bank estimates*

## Financials – Balance Sheet

**Property consideration of US$778m**. The acquisition is priced at US$777.5m which implies a net property income yield of 6.3% p.a. in FY16-17F. In terms of contribution by value, the properties are well diversified across the three properties – Figueroa (36.6%), Michelson (40.8% of value) and Peachtree (22.6%).

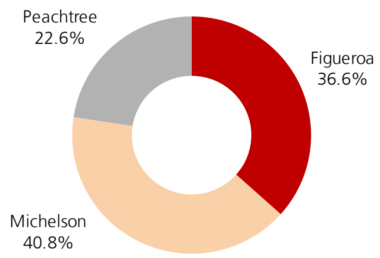
**Total loans of US$294m**. Manulife US REIT's intends to secure borrowing facilities which are spread out over 3, 4 and 5 year terms with no refinancing requirement until 2019. The borrowings are to be secured against the REIT's three properties. Pending such a facility with a third party, a fixed rate bridge facility of US$294m for two years will be provided by an affiliate of the Sponsor, which will be refinanced as soon as the third party facilities are obtained.

Furthermore, during the first three years, the REIT also intends to secure additional lending facilities to each of the Sub-U.S. REIT. The aggregate amount under this "Good News Facility" is targeted to be around US$25m. The Good News Facility will be used to finance the group's capex and leasing costs over three years (FY16-18F).

**Interest costs.** Interest expense is calculated based on an estimated blended average all-in fixed interest cost of 2.8%. The interest payable on any drawdown from the Good News Facility is also expected to be fixed at 2.8%.

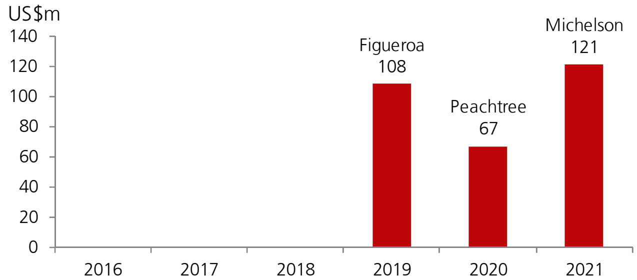
**Gearing level of 38%.** Based on our estimates, Manulife US REIT will have an initial gearing of 38%, which is expected to remain fairly stable over FY16-17F.

**Asset Breakdown (%) as at 15 December 2015**




*Source: Manager, DBS Bank*

**Proposed debt maturity profile**




*Source: Manager, DBS Bank*

**Balance Sheet***

| FY Dec (US$'m) | FY15P | FY16F | FY17F |
|---|---|---|---|
| Investment Properties | 777.5 | 780.3 | 788.0 |
| Cash and cash equivalents | 24.6 | 20.3 | 20.3 |
| Others | 2.3 | 3.8 | 3.9 |
| Total Assets | **804.4** | **804.5** | **812.2** |
| | | | |
| ST Debt | - | - | - |
| Other Current Liabilities | 15.0 | 12.2 | 12.3 |
| LT Debt | 294.0 | 303.4 | 314.0 |
| Other LT Liabilities | 5.1 | 5.1 | 5.1 |
| Unit holders' funds | 490.3 | 483.7 | 480.9 |
| Total Funds & Liabilities | **785.9** | **790.1** | **797.4** |
| | | | |
| Net Cash/(Debt) | (269.4) | (283.1) | (293.7) |
| Net Interest Cover (x) | 4.8 | 4.6 | 4.5 |
| Gearing Ratio | 36.6% | 37.7% | 38.7% |

** All numbers are rounded up to the nearest decimal. For FY16 and FY17, the projections are DBS Bank estimates.*
*Source: Manager, DBS Bank estimates*

## Financials – Cashflow Statement

Acquisition of initial portfolio. We have assumed the total acquisition costs (inclusive of fees) for the initial portfolio at US$769m. Acquired in FY15P, the acquisition will be funded through (i) new debt issuance and (ii) Unitholders' funds of US$491m.

Other Non-Cash Adjustments. Largely consists of management fees payable to the Manager (100% of fees paid in units), non cash property tax adjustments and the amortisation of upfront fees for loan disbursement.

Capex requirements. We have assumed US$0.6-2.1m of capex p.a. over FY16F-17F, given the properties are well maintained and the Figueroa (2015) and Peachtree (2015) properties were recently refurbished. In addition, the Michelson property was only built in 2007. In the long term we have pegged annual maintenance capex at 2% of top line. The REIT's capex is expected to be fully funded by debt. We have also assumed the drawdown of debt to fund US$8.4-8.8m of annualised leasing costs over FY16-17F.

### Cashflow Statement*

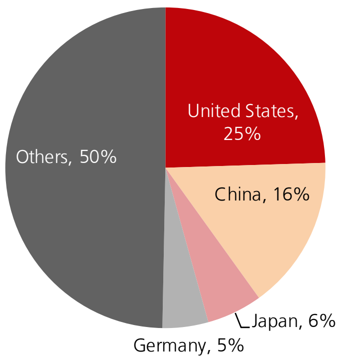
| FY Dec (US$'m) | FY15P | FY16F** | FY17F |
|---|---|---|---|
| Pre-Tax Income | 28.9 | 34.2 | 33.9 |
| Dep. & Amort. | - | - | - |
| Deferred tax (not paid) | - | (1.3) | (1.3) |
| Associates &JV Inc/(Loss) | - | - | - |
| Other Non-Cash adjustment | 17.6 | 1.6 | 4.8 |
| Chg in Wkg.Cap. | (14.6) | (4.3) | 0.0 |
| **Net Operating CF** | **31.8** | **30.2** | **37.4** |
| | | | |
| Net Invt in Properties / Capex | (769.4) | (0.6) | (2.1) |
| Div from Assoc. & JVs | - | - | - |
| Other Investing CF | - | (8.8) | (8.4) |
| **Net Investing CF** | (769.4) | (9.4) | (10.6) |
| | | | |
| Distribution Paid | (17.2) | (33.8) | (36.6) |
| Chg in Gross Debt | 304.4 | 9.4 | 10.6 |
| New units issued | 490.9 | - | - |
| Other Financing CF | (9.2) | - | - |
| **Net Financing CF** | **768.8** | **(24.4)** | **(26.0)** |
| | | | |
| Net Cashflow | 27.8 | 0.7 | (0.0) |
| Currency Adjustments | (0.1) | - | - |
| Starting Cash on Balance Sheet | - | 6.8 | 7.5 |
| Ending Cash on Balance Sheet | 27.7 | 7.5 | 7.5 |

** All numbers are rounded up to the nearest decimal. For FY16 and FY17, the projections are DBS Bank estimates.*
*** Annualised*
*Note FY15P end cash balance in the cashflow statement is different from the FY15P end cash balance in the balance sheet. This is because the cashflow statement is prepared on the basis of the acquisition occurring on 1 January 2015 whereas the balance sheet is prepared on the basis that the acquisition occurs on 31 December 2015. There is also some timing differences of when the distributions are paid.*
*Source: Manager, DBS Bank*

## United States Economy

The US is the largest economy in the world, with gross domestic product (GDP) of US$18.0tn in 2015, or 24.5% of the world's GDP. In terms of relative size, it is roughly equal to the combined GDP of China, Japan and Germany. Its leading economic status is entrenched by the dominance of the US dollar as the world's reserve currency, and as the unit of measure in the pricing of commodities in the international markets.

**Composition of global GDP (2015)**




*Source: Colliers, DBS Bank*

Key distinguishing features of the US economy include a world class higher education system, a skilled and productive workforce, a transparent regulatory environment, political and economic stability, and the largest private equity market in the world. The US is the second largest recipient of commercial real estate foreign direct investment (FDI), comprising 8.7% (or US$107bn) of global FDI in 2014, behind China at 10.5% (US$129bn).

The US has the third largest labour force in the world, with over 157m actively employed persons in October 2015. The unemployment rate hit a low of 5.0% in October 2015, which is the lowest rate the unemployment rate has been since 2007 and below FOMC's measure of full employment, which is 5.2-5.6%.

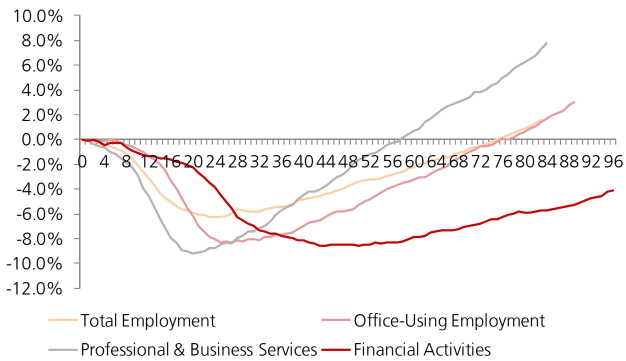
The Finance, Insurance, and Real Estate (F.I.R.E.) industry is the single largest component of US GDP, accounting c.20% of total value added for the economy, despite accounting for only 5.7% of overall employment. Other major contributors to the US economy by value added are: government (13%), manufacturing (12%), and professional & business services (12%) as well as education and healthcare (8%). Measured by the expenditure approach, personal consumption activities form the bulk of GDP at 68%, followed by government investment (18%) and private domestic investment (17%).

The economic growth in the US has outpaced the UK and Europe after the Global Financial Crisis (GFC). The US economy grew at 2.5% in 2015 and according to our DBS economists, the US economy should continue its upward trajectory growing at 2.1% in 2016. Risks to growth projection numbers include (a) foreign economic slowdown; (b) uncertainty about the timing and market reaction to the end of the Fed's easy monetary policies; and (c) competitive devaluations of currency by foreign central banks and the continued divergence of worldwide central banking leading to market volatility; (d) geopolitical unrest, which could slow down the global economy.

### US office outlook

Since the GFC, the financial activities sector, professional & business services sector, and informational service sector (which largely operate in traditional office environments) have experienced strong employment growth, with c.1.6 jobs recovered for every 1.0 job lost during the recession. Broken among the office-using sectors, we find that the finance industry has been one of the worst performers relative to all other sectors, with just 0.66 jobs added for every one lost – a reflection of the more difficult and costly post-recession regulatory environment. Jobs recovery for this sector looks to remain well below peak levels in 2008 in the near term.

**Change in employment by sector from cyclical peak**




*Source: Colliers, DBS Bank*

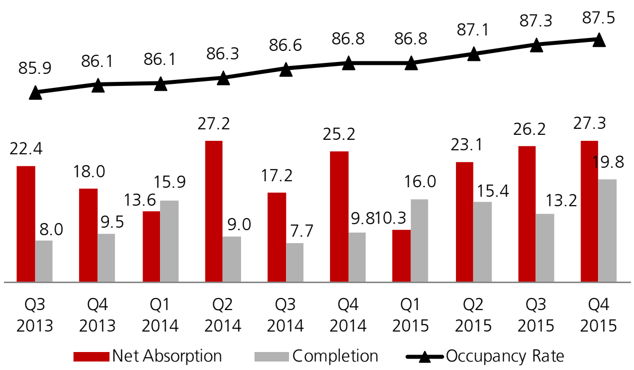
On the other hand, the professional & business services sector, comprising technology, engineering, consulting and other knowledge-based employment categories, has been driving the growth in office-using employment, having added close to two jobs for every one lost since the recession. Locations deemed to be appealing to potential and current employees have seen strong demand from both tech and non-tech firms, such as offices within residential and recreational amenity areas, and traditional tech enclaves.

In response to the strong growth in office-using employment, there has been a progressive increase in construction activity. According to Colliers, 105.9m sqft of commercial office space was under construction in the US national market in 3Q15, which is the highest since 116.9m sqft in 3Q08 and up from c.96.2m sqft at the end of 2014. The amount of space under construction in the US is now 3% less than the 121m sqft peak in 2Q08. Nearly half of the national office space under construction is located in seven markets namely Houston, Seattle, San Jose-Silicon Valley, Manhattan, Washington D.C., Dallas and San Francisco. Diving into more detail, a large portion of the new supply is concentrated in the suburban areas of these markets than in the CBD. This is due to the lack of available developments sites and the higher costs of land in the CBD.

As demand for commercial space outpaces supply, vacancy rates have declined 30bps to 12.7% in 3Q15, the lowest since 4Q08. According to Colliers, all regions have also posted declines in vacancy rates, led by the West and East, to 12.6%. Average rental rates in 3Q15 were US$48.62 psf pa full service gross (FSG), or +2% q-o-q for Downtown Class A, while Suburban Class A average asking rental rates were US$28.59 psf pa FSG, +1.5% q-o-q.

Office leases in the US are typically five to ten years, with larger users often securing tenures of up to fifteen years. Most leases are embedded with options to renew at market rate, or have pre-negotiated increases for structured extensions, usually in five year increments. Rental incentives are not uncommon, and landlords typically offer rent free periods or funds for fitting out, in order to incentivise tenants to sign or extend leases.

**Historical net office absorption trend (million sqft) and occupancy rate (%)**

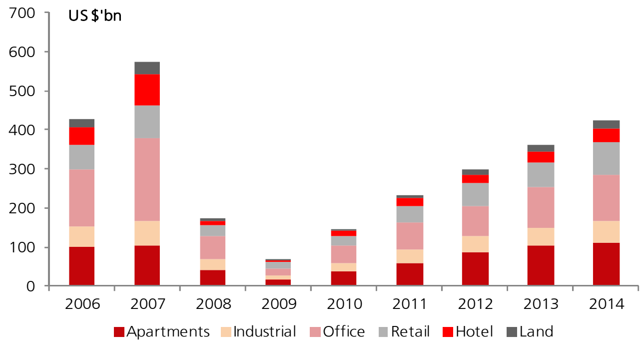



*Source: Colliers, Manager, DBS Bank*

**Real estate investment in the US**

The US commercial property market is the largest in the world, offering investors a wide range of products types and markets to investors through public markets (such as equity and debt instruments) or through private equity. According to Real Capital Analytics (RCA), investment activity for all property types reached US$425bn in 2014, with office properties accounting for US$119bn. Capital is largely focused on major gateway cities such as Boston, New York, Los Angeles, Chicago, Washington, D.C., and San Francisco, which accounted for nearly two-thirds of office transaction volume in the US during the year.

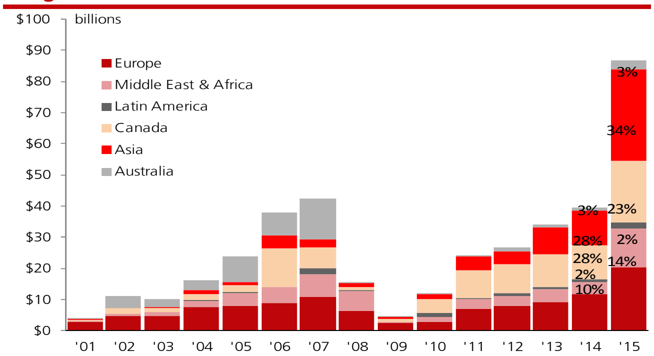
**US Investment transaction value by property type**




*Source: Real Capital Analytics, Colliers, DBS Bank*

According to the Association of Foreign Investors in Real Estate (AFIRE)'s annual survey, c.9% of total investment value in real estate assets have come from overseas investors. The US has gained the confidence of international investors due to the country's strong respect for the rule of law, independent judicial system, and free and fair elections. Foreign investment demand for US real estate remains strong and 95% of respondents intend to maintain or increase their US portfolio. In terms of capital appreciation, investors believe that the US offers the best opportunity in the world, well ahead of second and third placed Germany and Spain.

**Origin of overseas investment into US real estate**




*Source: Real Capital Analytics*

## Los Angeles County

Los Angeles County is the most populous county in the US, with median household income of US$54.5k p.a. and per capita income of US$45.5k. As the largest economic zone in the state of California, the county accounts for 26% of all jobs in the state of 10.1m people as of 2014. In addition to being the largest manufacturing market in the US, employing 366k workers, Los Angeles is well known for its entertainment industry, as well as its burgeoning technology-driven "new economy", which includes bio-medical, digital information technology, new media technology and environmental technology.

As at August 2015, the unemployment rate in Los Angeles county was 6.9%, a sharp decline from 8.1% recorded a year earlier. While this still lags the California and nationwide averages of 6.1% and 5.1% respectively, strident jobs gains have been made in the fields of Education & Health Services, and Trade Transportation & Utilities. Looking ahead, Moody's expects Gross Regional Product growth to range between 2% and 4% over the next few years.

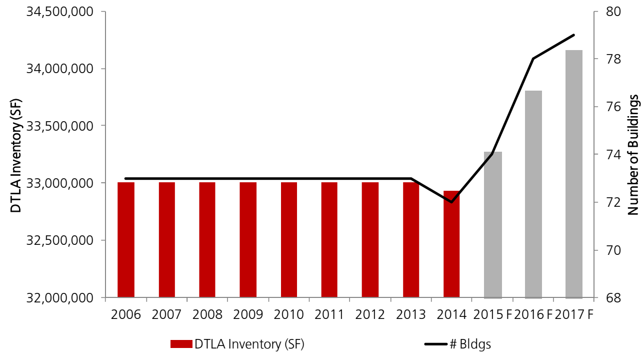
## Los Angeles County office market

### Supply

Colliers estimates that Los Angeles County has 199.8m sqft of multi-tenant office space spread across c.1.6k buildings which are >25k sqm in area. The LA office market is largely decentralised, with downtown LA only accounting for 16% of overall supply. The remainder is spread across seven key submarkets: Downtown Los Angeles, West Los Angeles, Tri-Cities, South Bay, Central Los Angeles, San Fernando Valley and Ventura County, and San Gabriel Valley.

Downtown Los Angeles has 32.3m sqft of office space. Due to a lack of available space, there have been no new Class A office developments since 1991-1992, although that is set to change in 2017, with the development of the 1.7m soft Wilshere Grand Center, which will feature 356k sqft of new office space. According to Colliers, another source of office supply will be via the conversion of Class C office properties into creative office buildings on the fringes of the Downtown Los Angeles market. However, these Class C office properties are not expected to compete with Figueora for tenants. Overall, there is around 1.2m sqft of office space under construction or renovation in Downtown Los Angeles. While this appears large, according to Colliers 4Q15 Downtown Los Angeles Market Report, over half of the supply is in the Greater Downtown area and in the Class B and Class Category. Overall Class A inventory in Downtown Los Angeles is only expected to rise c.2% from the current 18.1m sqft.

**Growth in Downtown LA office inventory concentrated in Greater Downtown and Class B & C properties**




*Source: Colliers, CoStar Group, DBS Bank*

**Various office sub markets in LA County**

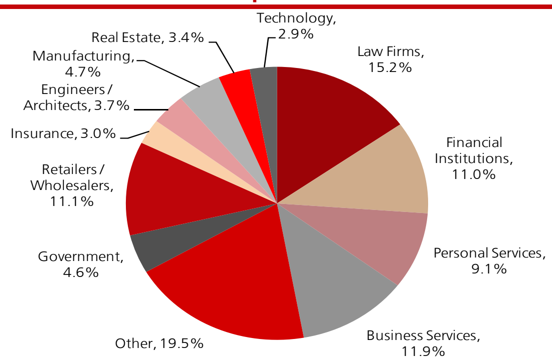
| Submarket | Office area ('m sqft) | % | Characteristics |
|---|---|---|---|
| Downtown Los Angeles | 32.3 | 16.2% | The CBD of LA County, with concentration of financial sector firms and government agencies |
| West Los Angeles | 56.0 | 28.0% | Most expensive market in Los Angeles, with concentration of high margin firms in the entertainment, digital media, software and finance sectors. |
| Tri-Cities | 23.6 | 11.8% | Premier location for firms in the entertainment, insurance, high tech/engineering, finance, and professional services sectors |
| South Bay | 30.6 | 15.3% | Concentration of firms in aerospace, automotive, telecommunications, information technology, healthcare, and business services, and is served by a highly educated labor force. |
| Central Los Angeles | 13.4 | 6.7% | Mid-Wilshire is attractive to small, entrepreneurial, and often Pacific Rim-owned businesses while Hollywood has a mix of firms from the professional services, high-tech and entertainment/ media sectors. |
| San Fernando Valley and Ventura County | 33.6 | 16.8% | Tenants are primarily from the professional, financial, high-tech, and insurance services sectors. |
| San Gabriel Valley | 10.3 | 5.2% | Most office tenants located in the San Gabriel Valley are firms predominantly in the information, finance, and professional services sectors. |
| Total | 199.8 | 100.0% | |

*Source: Colliers, DBS Bank*

**Demand**

The largest composition of office using tenants in Downtown LA are law firms, financial institutions, and personal services, which account for c.33% of total office demand.

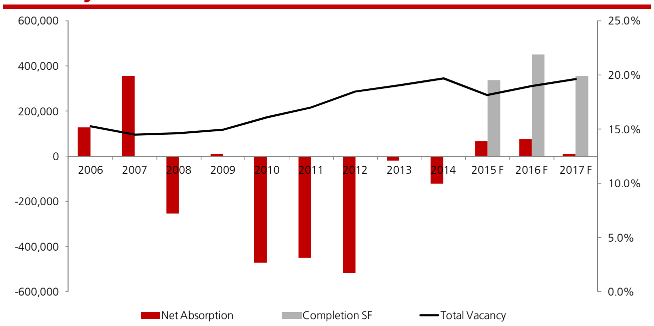
**Downtown LA tenant composition**




*Source: Colliers, CoStar Group, DBS Bank*

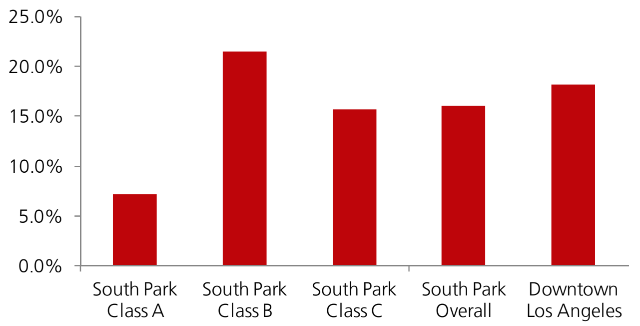
Since the GFC, the Downtown Los Angeles office sector has lagged other LA submarkets - net office absorption has been positive for only seven quarters out of the past four years. Vacany has improved by 0.2% from 2011 to 2015. However, leasing activity has picked up with vacancy decreasing 1.9% y-o-y.

**Downtown LA historical net absorption and total vacancy**




*Source: Colliers, CoStar Group, DBS Bank*

**Vacancy Rates**

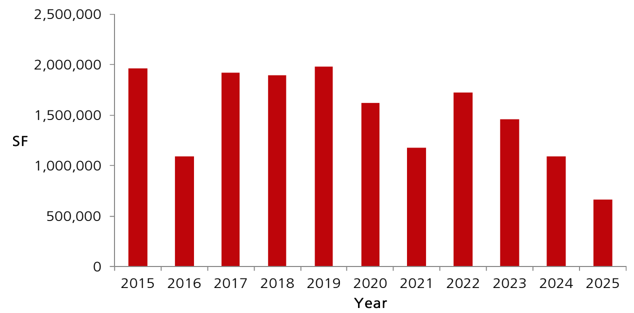



*Source: DCBID*

The South Park micro market where Figueroa is located has outperformed the rest of the Downtown Los Angeles market in terms of absorption and vacancy due to several factors. Besides leveraging on the improvement in the general economy, the South Park micro market is attractive to tenants in the creative and tech sectors who wish to attract the young, educated and affluent workforce that have settled in the area. This market has been driven by a residential boom - as of 2015, Colliers estimates that there are 4,911 new residential units under construction, with an additional 3,461 units proposed. These new residential areas, which are clustered around the Staples Center and LA Live developments, are marked by numerous entertainment and retail amenities which are attractive to a younger workforce.

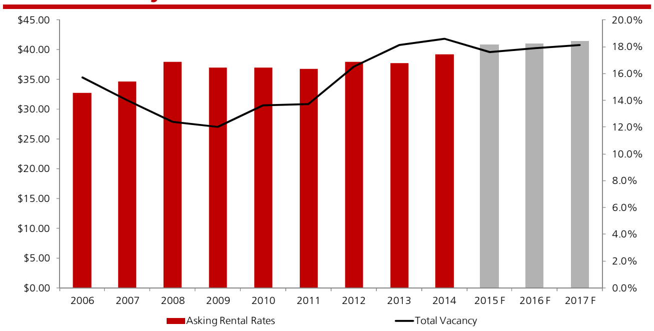
Coupled with favourable rental expiry profile for the market, where 26% of office space leases in Downtown Los Angeles is expected to expire before or during 2017, Colliers believes that demand for office space in the South Park area will be supported by relocation demand, expansionary demand, as well as demand from the fast growing tech sector. For the rest of Downtown Los Angeles, larger tenants looking to move in will have ample options to choose from, as there remain many large blocks of office spaces in excess of 50k sqft in the market.

**Lease expiry profile for offices in Downtown LA**




*Source: Colliers, CoStar Group, DBS Bank*

**Historical and Forecast Class A Asking Rental Rates & Total Vacancy**



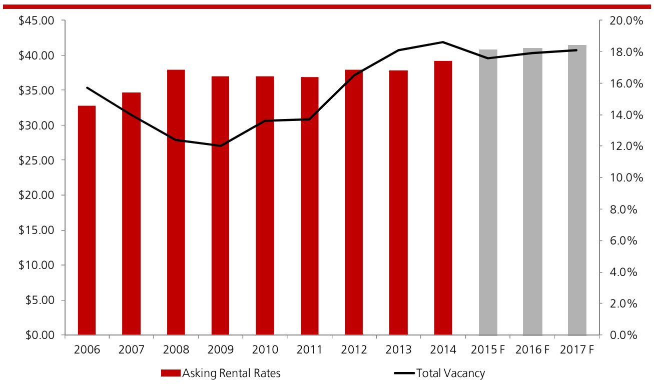

*Source: Colliers, CoStar Group, DBS Bank*

**Rents**

On the back of the economic recovery, asking rents for office landlords across all sectors has increased by 17.7% from US$32.04 psf per annum in 2007 to US$37.71 psf per annum in 3Q15. As at 3Q15, Class A asking rental rates averaged US$40.82 psf per annum and Class B rates averaged US$34.70 psf per annum.

Looking ahead, Colliers foresees landlords in Downtown Los Angeles holding their ground on rents as they position their buildings for sale. In addition, with 30% of leases expiring in the Downtown Los Angeles market before 2018 and the entrance of new tenants to the market, Colliers expects demand to increase in the short term. In their view, this is likely to result in landlords pushing rental rates higher as leases turn but in exchange offer higher tenant improvement allowances or rent abatement upfront.

**Downtown LA historical office rents and forecasts**

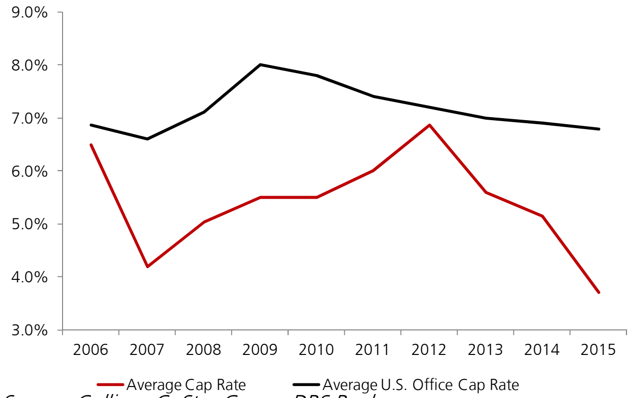



*Source: Colliers, CoStar Group, DBS Bank*

**Transactions**

The investment market for Downtown Los Angeles market has been strong due to the area's diverse economic base and prices being lower relative to other markets. Volume for office sales in 2015 was recorded at US$545m, with the average price per sqft at US$347 psf. While volume has lagged in comparison to the previous three years, the average sales price is at a 10-year high, surpassing the previous high of US$313 psf. Meanwhile, since 2013, the average sales price per sqft for Class A office buildings in Downtown Los Angeles increased from c.US$200 psf to nearly US$350 psf. This is on the back of in a compression in cap rates to sub-4% level. As ample liquidity continues to flow into the U.S. real estate market, Colliers expects that investment into the office sector will remain positive going forward.

**Downtown LA Historical Cap Rate and National Cap Rate-Office**




*Source: Colliers, CoStar Group, DBS Bank*

## Orange County

Orange County is the third largest county in California behind Los Angeles and San Diego, boasting a population of 3.14m in 2014. The median household income for the county in 2015 is US$72,856. The per capita income is US$34,057, the highest in Southern California. The county's major economic drivers are the manufacturing sector, which employs 158k workers, as well as the technology sector, which is renowned for its strong computer software, bio-technology and semiconductors segments. Unemployment has been trending downwards since the GFC, with the unemployment rates standing at 4% in September 2015.

### Orange County office market

**Supply**

There is approximately 81.6m sqft of office space in Orange County across the five submarkets of Airport Area, Central County, North County, South County and West County. According to Colliers, the city of Irvine, located in the Airport Area submarket, accounts for 48% of total office inventory in the County. Irvine consists of 409 buildings totalling 39.4m sqft. The Airport Area submarket is the most expensive market in Orange County as it comprises 56% of Class A office product.

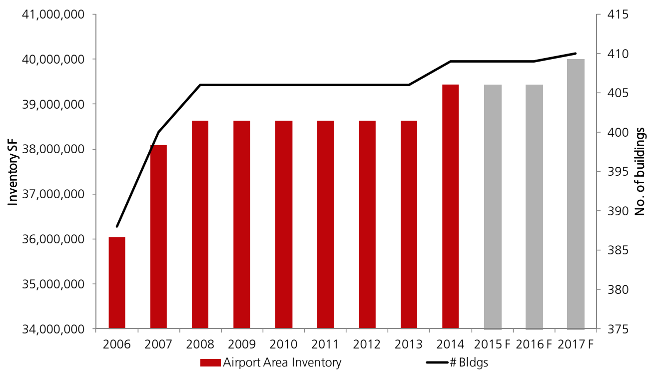
The Airport Area submarket where Michelson is located consists of 409 buildings totalling 39.4m sqft, and is considered a premium office location in Orange County due to its close proximity to a skilled workforce residing in Irvine. As such, the Airport Area houses the majority of professional business services and technology sector. The office market is fairly modern, with 56% of space considered Class A product. According to Colliers, there are currently no office developments under construction in the Airport Area submarket due to a lack of available land and high construction costs. However, there is approximately 1.6m sqft of proposed office development space which includes: (1) development site at 17850 Von Karman with potential 242k sqft of Class office space (no published break ground date yet), (2) Class A office building consisting of 550k sqft located of the corner of Jamboree & Dupont which is expected to start in 1Q16, and (3) Class A built-to-suit office building consisting of 400k sqft located in Park Place on Michelson Drive (no published break ground date yet).

Within Orange County, there are two office developments under construction in Orange County. These include: (1) the Irvine Company's development of a 425k sqft office building at 200 Specturm Center Drive in South Orange Countyand (2) Source Tower a 72k sqft office building located in Buena Park (North County).

**Orange County Submarket Map**


*Source: Colliers, DBS Bank*

**Office supply in Airport Area - Orange County**

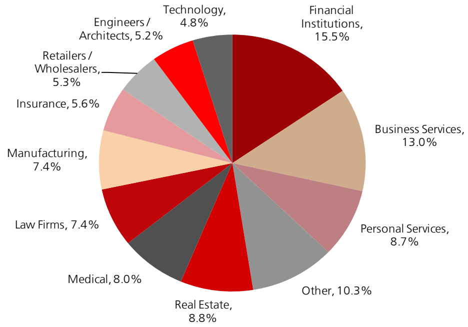



*Source: Colliers, CoStar Group, DBS Bank*

## Demand

Demand for office space in Orange County comprises finance, insurance, telecommunications, high-tech, real estate, engineering, and professional service sections. The Airport Area has shown the strongest growth in office demand within Orange County, with net absorption of 506k sqft in 3Q15. This compares to the 689k sqft of net absorption for the overall Orange County. As a result of the strong demand, office vacancy in the Airport Area declined 130bps from 13.8% in the previous quarter to 12.5% in 3Q15.

**Office tenant composition in Orange County**



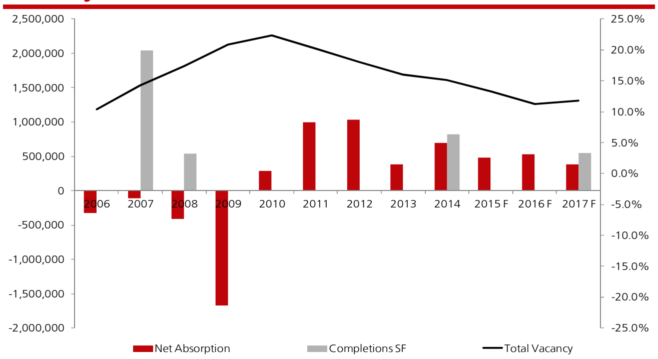

*Source: CoStar Group, DBS Bank*

As a result of strong demand, office rentals have picked up across all five submarkets. In 3Q15, within the Airport Area, Class A gross rental rates were US$31.68 psf per annum, Class B were US$27.36 psf per annum and Class C were US$22.08 psf per annum, with blended overall rental rate at US$29.52 psf per annum. Looking ahead, Colliers expects asking rentals to continue rising, driven in particular by the large number of lease expiries in the Airport Area over the next few years (43% of current leases expected to expire before 2017). Specifically Class A rental rates are projected to rise to US$39 psf per annum by FY17. With job growth in Orange County set to grow, increased consumer spending should support hiring in retail, wholesale, food services and leisure sectors. These positive economic fundamentals will underpin rental growth going forward.

## Transactions

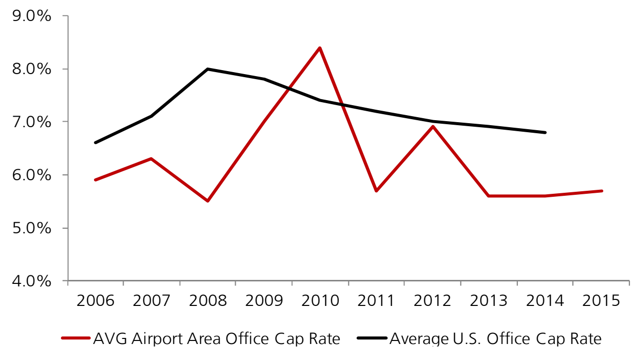
Driven by low interest rates and ample global liquidity, office investment in Orange County remains strong with 2015 year-to-date sales volume is approaching US$688m, compared with US$452m investment recorded in 2014. According to Colliers, low interest rates should continue to support strong transaction activity in the years ahead.

**Airport Area historical and forecast net absorption and vacancy**



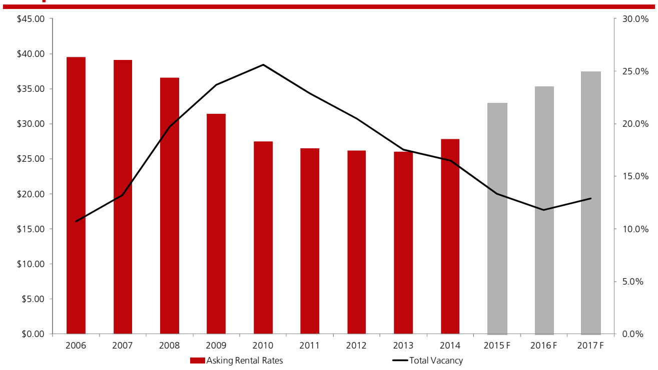

*Source: Colliers, CoStar Group, DBS Bank*

**Airport Area Historical Cap Rate and National Cap Rate- Office**



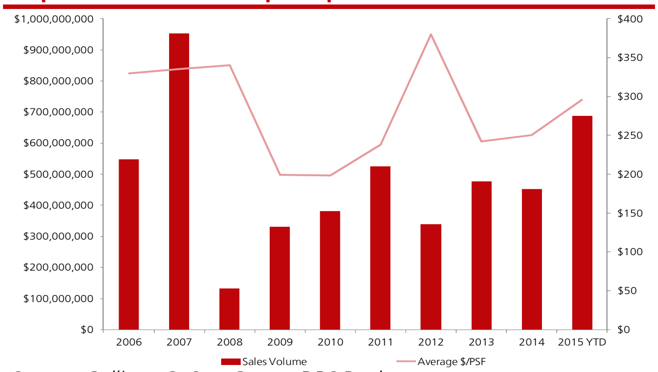

*Source: Colliers, CoStar Group, DBS Bank*

**Airport Area historical office rents and forecasts**




*Source: Colliers, CoStar Group, DBS Bank*

**Airport Area historical price psf and sales volume**




*Source: Colliers, CoStar Group, DBS Bank*

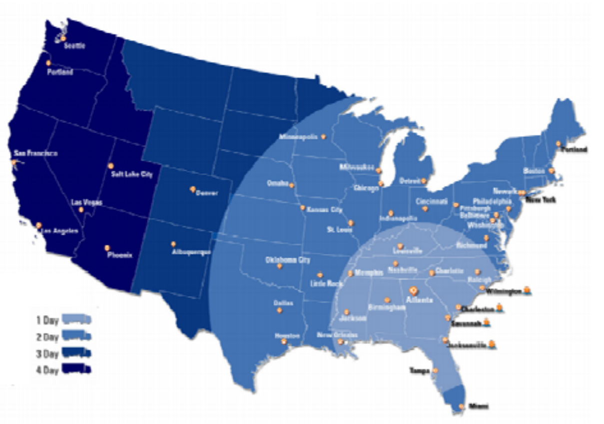
## Atlanta

Atlanta is the ninth largest metropolitan area in the US, with a population of 5.6m people. According to 2014 estimates, the area had a median household income of US$56.6k, exceeding the US national average by 5.5%. Metro Atlanta is recognised international gateway due to its strong transport links as well as being home to the world's largest airport, Hartsfield-Jackson International Airport. More than 80% of US consumers can be reached from Atlanta within two flight hours and two truckload-delivery days. In addition, Atlanta is the headquarters for 29 of the largest corporations in the US, of which 18 rank among the 2015 Fortune 500. These include Delta Air Lines, United Parcel Service, The Coca-Cola Co., The Home Depot and NCR.

While Atlanta suffered during the GFC, with 240,000 jobs lost during the period, the economy has since recovered. In particular, since March 2010 the metropolitan area has averaged 2.5% annual job growth and as of October 2015, employment levels are at a record 2.67m. The improvement has been broad based driven by gains in the logistics, high-tech, construction and professional/business services industries.

In addition, growth in employment (nearly 30% of net new jobs over the past 12 months) has been driven corporate relocations including several high profile headquarter wins such as State Farm, Mercedes-Benz USA, Porsche and Sage Software relocating to Atlanta. A factor in the incentivising corporations to relocate to Atlanta has been the pro-business environment and low cost of living.

**More than 80% of U.S. consumers within two flight hours or two truckload-delivery days**




*Source: Colliers, Georgia Power Economic Development*

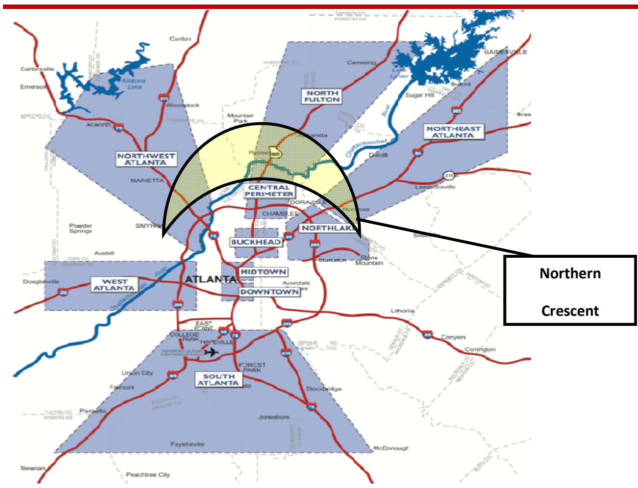
## Atlanta office real estate market

**Supply**

The Atlanta office market is the sixth largest in the US at 221m sqft consisting of 3,494 buildings of 10k sqft or greater. The key urban submarkets are Downtown, Midtown and Buckhead with the suburban markets being Central Perimeter, North Fulton, Northeast Atlanta, Northwest Atlanta, Northlake, South Atlanta and West Atlanta. The bulk of the Atlanta stock lies within the urban submarkets and northern crescent submarkets.

In Atlanta, 51% of the available space are Class A products while the remainder (40%) includes Class B offices. The majority of the Class A inventory is located in Downtown, Midtown and Buckhead. These three locations combined have 46.4m sqf (41%) of Class A office buildings. In contrast, most of Atlanta's Class B office markets are located in the suburban markets of Northeast Atlanta, Northwest Atlanta and Northlake (total 40m sqft of Class B office space).

**Atlanta Office Market**




*Source: Colliers*

**Atlanta Submarket Breakdown**

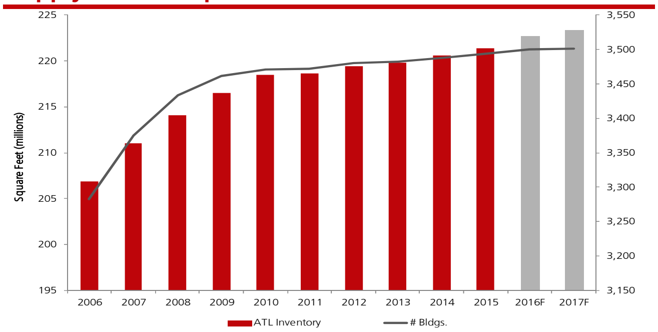
| Submarket | Total m sqft (>10k sqft) | Percentage |
|---|---|---|
| Northwest Atlanta | 35.5 | 16.0% |
| Central Perimeter | 29.6 | 13.4% |
| Downtown | 27.9 | 12.6% |
| North Fulton | 27.8 | 12.6% |
| Northeast Atlanta | 23.9 | 10.8% |
| Midtown | 22.5 | 10.2% |
| Buckhead | 21.2 | 9.6% |
| Northlake | 17.4 | 7.9% |
| South Atlanta | 13.2 | 6.0% |
| West Atlanta | 2.4 | 1.1% |

*Source: Colliers, DBS Bank*

From 1990 to 2008, Atlanta's office market grew by 67%. Over this period, the majority of space was built in the urban core and Central Perimeter; however, the emergence of North Fulton as an office submarket, and also sections of Northeast Atlanta contributed to the widespread growth as well.

The amount of space currently under construction is relatively low given the office demand experience over the past four years. This is largely due to the restraint by developers as they face several hurdles including: (1) rising construction costs, (2) a more prudent nature of the market, and (3) inability to land anchor tenants. In Midtown, where Peachtree is located, most of the developable parcels of land have been picked up by residential developers which have constrained supply. Nevertheless according to Colliers, close to 1.5m sqft of office space is currently planned/proposed in Midtown (c.7% of existing supply).

**Supply of office space**




*Source: Colliers, CoStar Group, DBS Bank*

**Demand**

Due to the fact that the Atlanta office market took longer to recover than some other markets in the US post the last recession, the Atlanta metro region is now experiencing some of its best activity. Since 2012, net office absorption in Atlanta has averaged 3m sq ft and according to Colliers, Atlanta may see net absorption of upwards of 4m sqft in 2015 on the back of continued demand growth. The positive momentum can be attributed to several factors including corporate relocations and company expansions. Atlanta has also experienced new demand from technology companies which is transforming the region into a major technology hub.

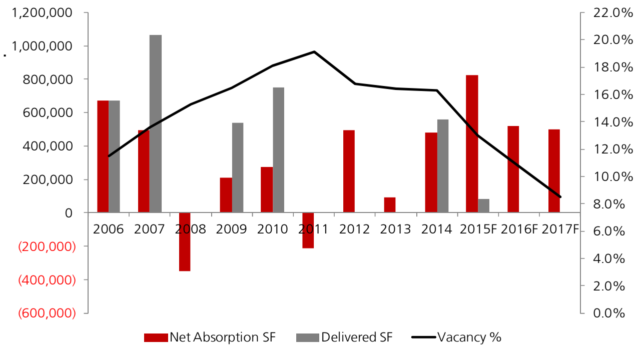
In addition, Atlanta has benefited from the growing importance of supply chain management underpinned by the increase in e-commerce transaction activity, pent up demand for regional warehouse and distribution facilities. In 2014, metropolitan Atlanta recorded the highest net absorption activity of industrial space in the country at 21.7m sqft, followed by 15m sqft absorbed in 2015.

The strong overall demand has resulted in vacancy rates for the Atlanta market falling 4.5% from its peak of 18.5% in 2011 to 14% currently. For Midtown itself the vacancy rate has dropped c.6-7% from its peak, with occupancy now at c.86%. The resurgence in Midtown has been due to the growth of technology and professional services firms. Several companies such as Kaiser Permanente, Frazier & Deeter, NCR, Worldpay and Jacobs Engineering have relocated or expanded their offices in the submarket.

The healthy demand has caused average asking rental rates across all buildings classes in the Atlanta office market to steadily climb from a low of US$19.05 psf per annum in 3Q12 to US$21.14 psf per annum at end 3Q15. Meanwhile, Class A rental rates which hit a trough of US$22.28 psf per annum following the recession have since increased by 14% to US$25.41 psf per annum at end 3Q15. For Class B rents they have also increased significantly from its low of US$15.52 psf per annum in 2Q12 to US$17.09 psf per annum currently. The improvement in Class B rents have been driven by the rise of technology startups switching to Class B space due to the inability to find enough Class A space and general rise in market rents. Going forward, Colliers expects rental growth to continue due to sustained demand and only a very limited amount of new supply coming in on the market in the next couple of years.

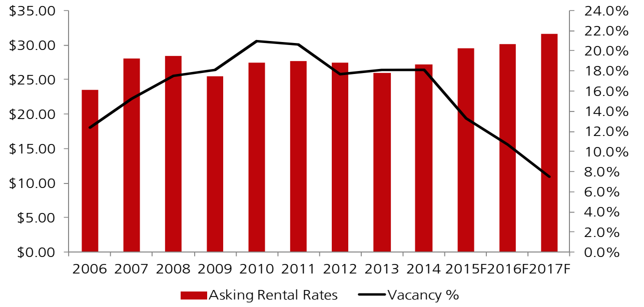
For Midtown, average Class A rents have risen to a historical high of US$29.28 psf per annum a historical peak from the trough of US$25.49 psf per annum in 2009. Colliers expects the positive momentum to continue resulted in Class A rents hitting US$31.55 psf per annum by 2017.

**Midtown Historical & Forecast Net Absorption & Vacancy**



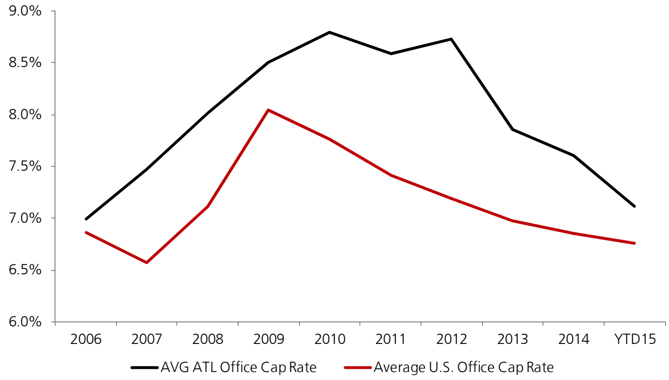

*Source: Colliers, CoStar Group, DBS Bank*

**Midtown Historical & Forecast Net Absorption & Vacancy**




*Source: Colliers, CoStar Group, DBS Bank*

**Atlanta Historical Cap Rate and National Cap Rate-Office**

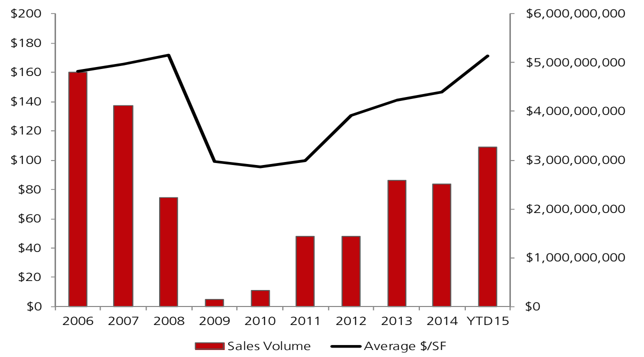



*Source: Colliers, Real Capital Analytics, DBS Bank*

**Transactions**

Due to the improvement in the Atlanta office market, interest from investors in the market has increased. While the total dollar volume of investments has remained consistent, the average deal size for core transactions has not. For 2014, the average totalled US$64m per transaction which was the highest Atlanta has experienced in ten years. Based on 2015 estimates, total investment volume is expected to hits its highest level in eight years. In addition, the average price per square foot is anticipated to increase around 17%. Cap rates have likewise have compressed since the recession from c.8% to sub-7%, approaching the peaks in 2007.

**Atlanta Historical Average Price per sqft & Sales Volume**




*Source: Colliers, CoStar Group, DBS Bank*

# Properties

## 865 South Figueroa, Los Angeles, California.

Figueroa is a 35-storey office tower totalling 692,389 sqft of NLA, located within the South Park submarket of Downtown Los Angeles, and two blocks away from a variety of entertainment venues such as LA Convention Center, Staples Center, and LA Live. The property was completed in 1991, and contains amenities such as a coffee shop, full service restaurant, and copy services. The building is located close to a Metro station and light rail station, and offers shuttle services to ferry tenants to the Union Station, which connects suburban communities to Downtown LA.

**Image of the asset**


*Source: Colliers, Cartifact, DBS Bank*

**Accessible via a Metro station and Light Rail station**


*Source: Colliers, Manager, DBS Bank*

At present, there are 33 tenants in the building, featuring law firms, real estate firms, as well as TCW, a financial institution that contributes to 27% of cash rental income. Average rental stands at US$35.10 psf per pa for the month of December 2015, which compares favourably to Downtown Class A average rents of US$40.80 psf pa. Top ten tenants, which account for 85.7% of cash rental income for the month of December 2015, are listed below.

**Top 10 tenants, Figueroa**

| Tenant | Trade Sector | Lease Expiry | % of Cash Rental Income |
|---|---|---|---|
| TCW | Financial Institutions | 31 December 2022 | 27.4% |
| Quinn Emanuel Urquhart & Sullivan | Law Firms | 31 August 2020 | 23.6% |
| McKool Smith Hennigan* | Law Firms | 31 January 2016 | 6.6% |
| AEG Worldwide | Communications | 31 May 2024 | 6.3% |
| Colliers Seeley International | Real Estate | 31 March 2017 | 5.5% |
| DavisElen Advertising | Communications | 30 June 2021 | 4.8% |
| LaFollette Johnson | Law Firms | 31 August 2023 | 3.3% |
| Swinerton Builders | Real Estate | 31 October 2021 | 3.2% |
| Oakmont Corporation | Financial Institution | 31 March 2024 | 2.7% |
| Duane Morris LLP | Law Firms | 30 June 2017 | 2.4% |
| Top 10 Tenants | | | 85.7% |
| Other Tenants | | | 14.3% |
| Total | | | 100.0% |

** The Property Manager has recently secured a new tenant, Allen Matkins, to take up the space vacated by McKool Smith Hennigan starting from 1 August 2016*

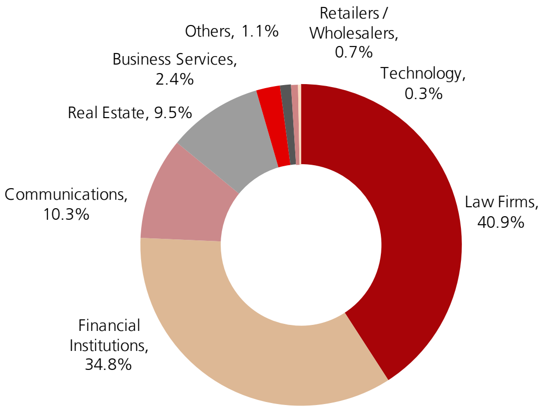
*Source: Manager, DBS Bank*

## Key Salient Details of Figueroa

| | |
|---|---|
| Address | 865 South Figueroa, Los Angeles |
| Land Tenure | Freehold |
| Net Lettable Area (NLA) in sq ft | 692,389 |
| Number of Floors | 35 |
| Parking Stalls | 841 |
| Building Completion | 1991 |
| Last Refurbishment | 2015 |
| Occupancy as of 31 December 2015 (%) | 98.2% |
| Number of Tenants as of 31 December 2015 | 33 |
| WALE by NLA as of 31 December 2015 (years) | 5.2 years |
| Valuation by RERC | US$263m |
| Valuation by Colliers | US$296m |

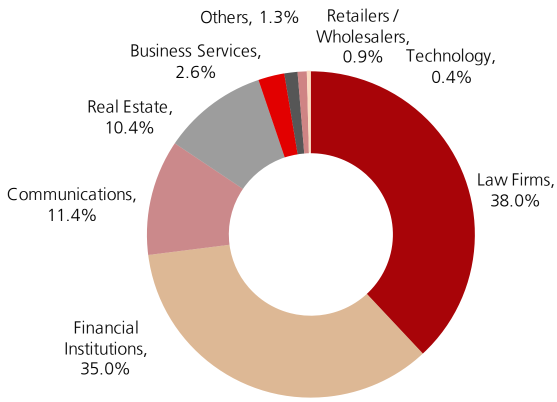
*Source: Manager, DBS Bank*

**Trade sector by NLA (for the month of December 2015)**



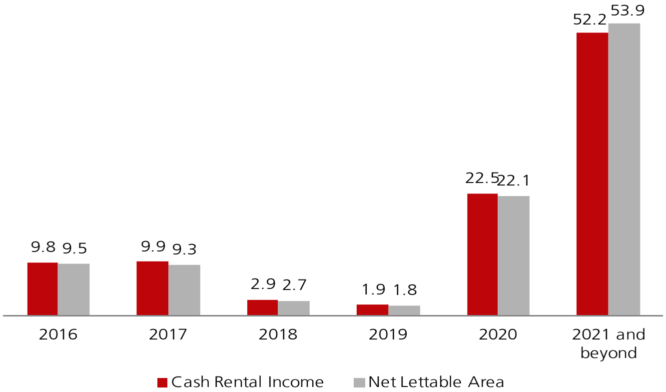

*Source: Manager, DBS Bank*

**Trade sector by cash rental income (as at 31 December 2015)**



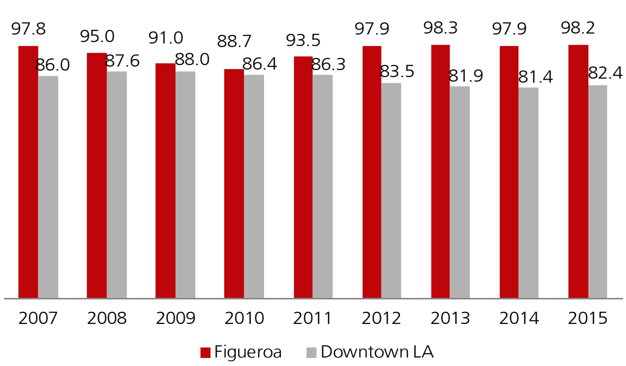

*Source: Manager, DBS Bank*

**Lease Expiry Profile (as at 31 December 2015)**




*Source: Manager, DBS Bank*

**Historical Occupancy vs Market (%)**




*Source: Colliers, DBS Bank*

**Figueroa Competitors**

| Development | Completion Year | Size (sq ft) | Occupancy (%) | Rent (US$/ sq ft) |
|---|---|---|---|---|
| 777 S Figueroa St | 1991 | 1,024,834 | 87.4 | Undisclosed |
| 555 S Flower St | 1971 | 1,335,342 | 94.5 | Undisclosed |
| 550 S Hope St | 1991 | 590,207 | 93.9 | Undisclosed |
| 725 Figueroa St | 1985 | 915,175 | 94.2 | Undisclosed |
| 801 Figueroa St | 1991 | 458,570 | 80.2 | 25.0 (Triple Net) |

** A triple net lease is a form of lease agreement on a property where the tenant or lessee agrees to pay, in addition to its base rent and utility expenses, its pro-rata share (based on square footage) of all operating expenses, real estate taxes and common area maintenance and repair costs relating to the property.*
*Source: Colliers, DBS Bank*

## Michelson

**Trophy high rise building.** Michelson is a 19-storey Trophy office with NLA of 533,581 sqft. The building was completed in 2007, making it one of the relatively new assets in the Airport Area. The property is located in the heart of Park Place Campus, which is a 105-acre mixed-use office campus in the City of Irvine, and is close to several residential developments.

### Picture of Michelson

*Source: Manager, DBS Bank*

### Location of Michelson


*Source: Colliers, Manager, DBS Bank*

**Diversified tenant base.** The building has 16 tenants in industries such as finance, law, and business services. Due to the asset's trophy status, it commands significantly higher rents than assets surrounding it. Average rentals as at December 2015 stand at US$47.50 psf pa, which is a significant premium over the US$36-42 psf pa range offered by Collier's selected competing assets and average Grade A office rents in the Airport area of US$31.70 psf pa. Top 10 tenants, which altogether account for 97.8% of cash rental income for the month of December 2015, are detail below.

### Top 10 tenants, Michelson

| Tenant | Trade Sector | Lease Expiry | % of Cash Rental Income |
|---|---|---|---|
| Hyundai Capital America | Financial Institutions | 31 October 2019 | 24.9% |
| Gibson Dunn* | Law Firms | 31 August 2017 | 18.3% |
| LA Fitness | Personal Services | 31 May 2022 | 13.0% |
| Bryan Cave | Law Firms | 31 August 2020 | 11.4% |
| Jones Day | Law Firms | 31 December 2019 | 9.9% |
| Greenberg Traurig | Law Firms | 30 September 2022 | 9.5% |
| Jacobs | Business Services | 28 February 2023 | 6.8% |
| Costar Group | Business Services | 31 July 2024 | 1.8% |
| System Source | Other | 31 March 2018 | 1.3% |
| Eastdil Secured | Real Estate | 30 June 2016 | 1.0% |
| **Top 10 Tenants** | | | **97.8%** |
| **Other Tenants** | | | **2.2%** |
| **Total** | | | **100.0%** |

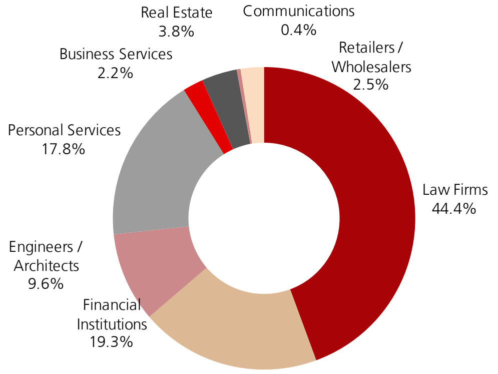
**The Property Manager has recently executed a lease renewal with Gibson Dunn, which extends their current lease term to 2028.*
*Source: Manager, DBS Bank*

## Key Salient Details of Michelson

| | |
|---|---|
| Address | 3161 Michelson Drive, Irvine, Orange County |
| Land Tenure | Freehold |
| Net Lettable Area (NLA) in sq ft | 533,581 |
| Number of Floors | 19 |
| Parking Stalls | 2,744 |
| Building Completion | 2007 |
| Last Refurbishment | - |
| Occupancy as of 31 March 2015 (%) | 95.7% |
| Number of Tenants as of 31 March 2015 | 16 |
| WALE by NLA as of 31 March 2015 (years) | 4.6 years |
| Valuation by RERC | US$310m |
| Valuation by Colliers | US$324m |

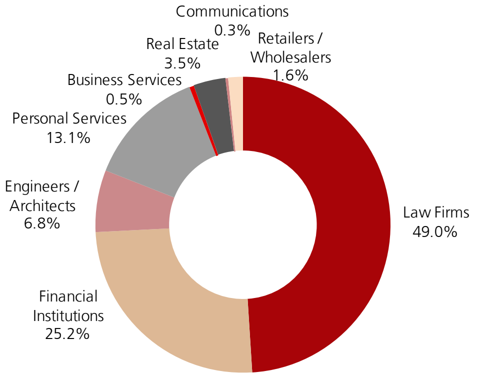
*Source: Manager, DBS Bank*

## Trade sector by NLA (for the month of December 2015)



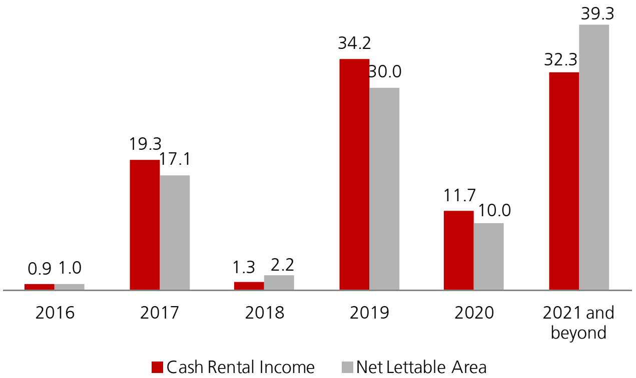

*Source: Manager, DBS Bank*

## Trade sector by cash rental income (as at 31 December 2015)



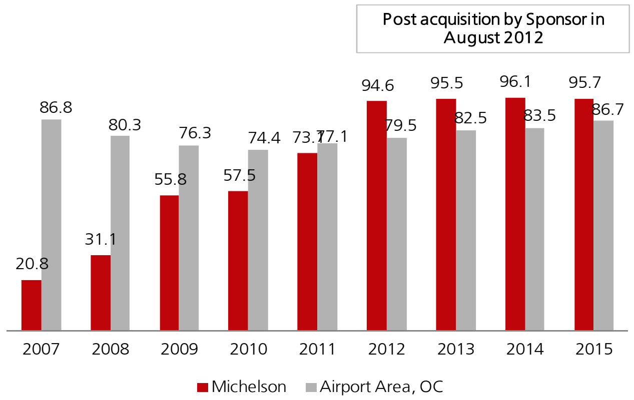

*Source: Manager, DBS Bank*

## Lease Expiry Profile (as at 31 March 2015)




*Source: Manager, DBS Bank*

## Historical Occupancy vs Market (%)




*Source: Colliers, DBS Bank*

**Competitors within sub-market**

| Development | Completion Year | Size (sq ft) | Occupancy (%) | Rent (US$/ sq ft) |
|---|---|---|---|---|
| 2211 Michelson Dr., Irvine | 2007 | 271,556 | 94.9 | 36.0 – 39.6 |
| 520 Newport Center Dr, Newport Beach | 2014 | 326,065 | 66.8 | 60.0 - 96.0 |
| 3 Park Plaza, Irvine | 1990 | 399,574 | 96.5 | 37.2 – 42.0 |
| 18101 Von Karman Ave, Irvine | 1990 | 407,789 | 93.4 | 36.0 – 38.0 |
| 2050 Main St, Irvine | 2007 | 312,585 | 90.3 | 34.2 – 36.0 |

*Source: Colliers, DBS Bank*

## 1100 Peachtree, Atlanta, Georgia

**Prominent Class A building in an International Gateway.** 1100 Peachtree is 27-storey Class A office building with 553,778 sqft of leasable area, with a prominent location within the Midtown submarket of metropolitan Atlanta. Constructed in 1991, the octagonal-shaped building is less than one-half mile east of Interstate 75 and Interstate 85, making it accessible from all surrounding business districts. Peachtree is within close proximity to two Subway stations, Midtown station and Arts Center station, which are both only a few blocks away. Atlanta Hartsfield-Jackson International Airport is also 20 minutes away from the Property by rail or car. The building's amenities include a high-end seafood restaurant, a sandwich cafe, news and sundries shop, a brand new fitness centre and a large conference centre.

### Prominent Class A building in Midtown Atlanta

*Source: Colliers; Cartifact, DBS Bank*

### Easy access to other parts of Atlanta


*Source: Colliers, Manager, DBS Bank*

**Diversified tenant base.** At present, there are 25 tenants occupying 95.1% of NLA spread across companies in the legal, real estate, business services and communication industries. Kilpatrick Townsend & Stockton, a prominent international law firm is the main anchor tenant. The building's average rental of US$30.0 psf pa as of December 2015 is in line with comparable buildings in the immediate vicinity, which range from US$28-40 psf pa and average Grade A asking rents in Midtown of US$29.52 psf pa. The top 10 tenants contributed to 92% of total cash rental income for the month of December 2015 are listed below.

### Top 10 tenants, 1100 Peachtree

| Tenant | Trade Sector | Lease Expiry (1) | % of Cash Rental Income (2) |
|---|---|---|---|
| Kilpatrick Townsend & Stockton | Law Firms | 31 July 2025 | 49.6% |
| Industrial Developments | Real Estate | 30 June 2020 | 10.2% |
| Grant Thornton | Business Services | 30 November 2020 | 7.6% |
| Triage Consulting Group | Business Services | 30 June 2023 | 7.2% |
| BDO USA* | Business Services | 31 December 2016 | 5.1% |
| HDR Engineering | Business Services | 31 October 2021 | 3.8% |
| M.J. Brunner | Communications | 29 February 2024 | 2.3% |
| Oceanaire Restaurant | Retailers / Wholesalers | 31 December 2019 | 2.1% |
| The HON Company | Business Services | 31 May 2016 | 2.0% |
| Offices at 1100 Peachtree | Others | 31 May 2023 | 2.0% |
| Top 10 Tenants | | | 92.0% |
| Other Tenants | | | 8.0% |
| Total | | | 100.0% |

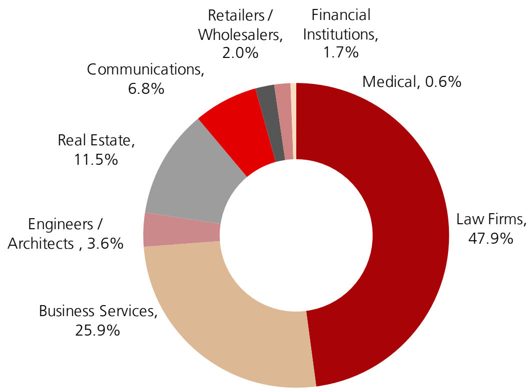
*(1) Some of the tenants above have signed for more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.*
*(2) Based on annualised base rent and reimbursement income, not including any free rent.*
** The Property Manager is in the process of negotiating a lease renewal with BDO USA which, if successful would extend the Lease term to the year 2026. There can be no assurance that the Property Manager will be successful*
*Source: Manager, DBS Bank*

## Key Salient Details of Peachtree

| | |
|---|---|
| Address | 1100 Peachtree, Atlanta |
| Land Tenure | Freehold |
| Net Lettable Area (NLA) in sq ft | 553,778 |
| Number of Floors | 27 |
| Parking Stalls | 1,221 |
| Building Completion | 1991 |
| Last Refurbishment | 2015 |
| Occupancy as of 31 December 2015 (%) | 95.1% |
| Number of Tenants as of 31 December 2015 | 25 |
| WALE by NLA as of 31 December 2015 (years) | 7.4 years |
| Valuation by RERC | US$168m |
| Valuation by Colliers | US$179m |

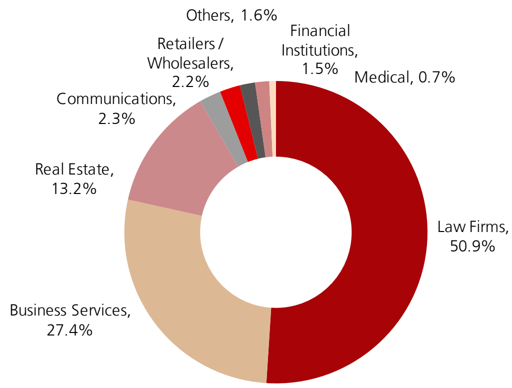
*Source: Manager, DBS Bank*

## Trade sector by NLA (for the month of December 2015)



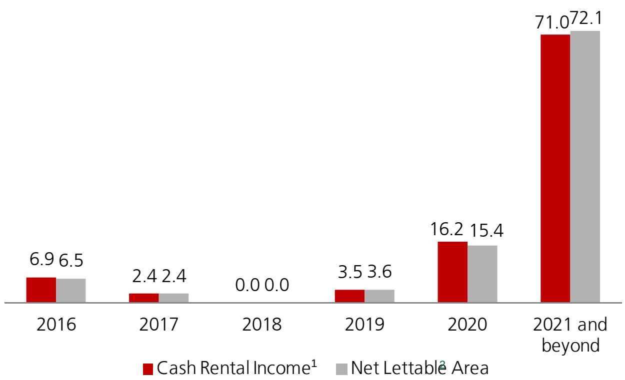

*Source: Manager, DBS Bank*

## Trade sector by cash rental income (as at 31 December 2015)



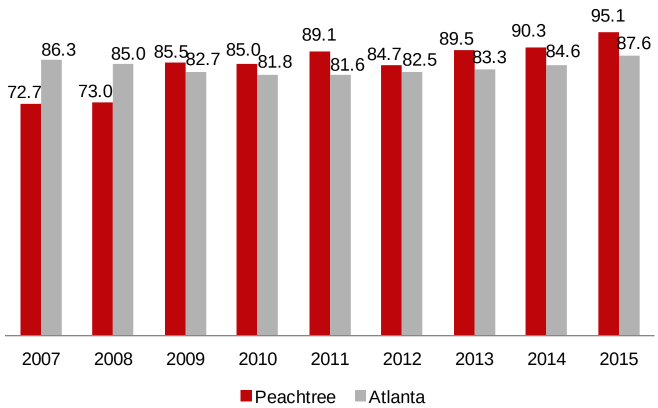

*Source: Manager, DBS Bank*

## Lease Expiry Profile (as at 31 December 2015)




*Source: Manager, DBS Bank*

## Historical Occupancy vs Market (%)




*Source: Manager, DBS Bank*

**Competitors within sub-market**

| Development | Completion Year | Size (sq ft) | Occupancy (%) | Rent (US$/ sq ft) |
|---|---|---|---|---|
| 171 17th Street | 2004 | 533,259 | 85.5 | 21.0 – 23.0 Triple Net |
| 271 17th Street | 2009 | 541,870 | 74.1 | 34.5 Full Service |
| The Proscenium, 1170 Peachtree Street | 2000 | 533,135 | 81.9 | 33.0 Full Service |
| 999 Peachtree Street | 1987 | 621,946 | 87.1 | 32.5 Full Service |
| 1075 Peachtree Street | 2010 | 752,710 | 84.4 | 24.0 – 26.0 Triple Net |
| 1180 Peachtree Street | 2006 | 670,443 | 92.7 | 40.0 Full Service |
| Promenade, 1230 Peachtree Street | 1990 | 774,535 | 91.5 | 21.0 – 22.0 Triple Net |
| Regions Plaza, 1180 W Peachtree Street | 2001 | 502,369 | 68.1 | 28.0 Full Service |

*Source: Colliers, DBS Bank*

| |
|---|
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| **HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps) |
| **FULLY VALUED** (negative total return i.e. > -10% over the next 12 months) |
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**DBS Bank Ltd**
12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
e-mail: equityresearch@dbs.com
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