

PRESS RELEASE


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Manulife US REIT's 2Q 2018 Net Property Income Increased 59.3% with Fortified Portfolio

- Adjusted 2Q 2018 DPU increased 5.5% YoY
- Valuation increased by 1.4%¹ bringing AUM to US\$1.7 billion
- Positive rental reversion of 7.2%; Rental escalations of 2.1% p.a.
- Acquisitions of Penn and Phipps contributing from 22 June 2018
- 1H 2018 Distribution of 2.53 US cents per Unit to be paid on 27 September 2018

Singapore, 6 August 2018 – Manulife US Real Estate Investment Trust (“Manulife US REIT” or the “REIT”), the first pure-play U.S. office REIT listed in Asia, today announced that its net property income for 1 April 2018 to 30 June 2018 (“2Q 2018”) has increased by 59.3% to US\$20.4 million compared to the same period last year. This was largely due to higher net property income contributions from [Plaza](#) and [Exchange](#) in New Jersey (acquired in 2017), as well as the newly acquired [Penn](#) in Washington D.C. and [Phipps](#) in Atlanta (acquired in 2018).

SUMMARY OF MANULIFE US REIT RESULTS

	2Q 2018 US\$'000	2Q 2017 US\$'000	Change (%)	1H 2018 US\$'000	1H 2017 US\$'000	Change (%)
Gross Revenue	32,521	19,906	63.4	63,674	39,739	60.2
Net Property Income	20,377	12,789	59.3	40,027	25,552	56.6
Net Income for the period	19,007	21,245	(10.5)	30,541	29,750	2.7
Distributable Income	16,505	9,987	65.3	32,138	20,400	57.5
Distribution per Unit (“DPU”) (cents)	1.30	1.57	(17.2) ²	2.53	3.22	(21.4) ²
DPU (Restated for Preferential Offering and Rights Issue)³	1.30	1.44	(9.7) ²	2.53	2.95	(14.2) ²
For information only Adjusted DPU (cents)⁴	1.53	1.45	5.5	3.03	2.96	2.4
Units Issued (million)	1,269.9 (As at 30 Jun 2018)	1,036.1 (As at 31 Mar 2018)	22.6%	-	-	-

(1) Increase in valuation for Penn and Phipps was based on acquisition price announced on 13 April 2018.

(2) 2Q 2018 and 1H 2018 DPU were lower than 2Q 2017 and 1H 2017 DPU largely due to the drag from the enlarged Unit base from the issuance of Preferential Offering and only 9 days of income contribution from the acquisitions of Penn and Phipps.

(3) DPU for 2Q 2017 and 1H 2017 have been restated for the preferential offering of which 227,935,981 Units were issued on 20 June 2018 and the rights issue, through which 299,288,423 Units were issued on 25 October 2017.

(4) Adjusted DPU was calculated based on the weighted average number of Units in issue, which normalises the impact of the enlarged Unit base from Preferential Offering.

For 2Q 2018, the REIT recorded gross revenue of US\$32.5 million, which was 63.4% higher than 2Q 2017. This was mainly due to contributions from the acquisitions of Plaza, Exchange, Penn and Phipps.

For 1H 2018, the REIT recorded gross revenue of US\$63.7 million and net property income of US\$40.0 million. In addition, distribution income for 1H 2018 increased by 57.5% to US\$32.1 million. This translates to a DPU of 2.53 US cents over the enlarged Unit base. The distributions will be paid to Unitholders on 27 September 2018.

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the “Manager”) said, ***“We are pleased to deliver a strong set of 2Q 2018 results with a 5.5% increase in our adjusted DPU YoY. The four top quality assets acquired post-IPO – Plaza, Exchange, Penn and Phipps – have fortified our overall portfolio and contributed significantly to the growth in the net property income. As at 30 June 2018, our portfolio has an annual rental escalation of about 2.1% and registered a positive rental reversion of 7.2%. In view of the rising rate environment, we intend to concentrate on our organic growth by proactively managing our leases and capital management.”***

Portfolio Performance

Based on committed leases, portfolio occupancy remained very strong at 96.0% as at 30 June 2018. In addition, the REIT has a favourable lease profile with weighted average lease expiry (WALE) by NLA of 6.3 years, with 60.4% of the leases by NLA expiring in 2023 and beyond.



Fortified Portfolio

Since the listing of Manulife US REIT, the Manager has proactively managed the assets and leases of its existing properties to increase gross revenue and net property income while maintaining optimal occupancy levels, as well as pursued inorganic growth through yield accretive acquisitions of only Trophy/ Class A assets.

On 22 June 2018, the REIT completed the acquisitions of Penn in Washington D.C. and Phipps in Buckhead, Atlanta at a total purchase price of US\$387.0 million. These acquisitions have not only increased the REIT’s exposure to key trade sectors of Public Administration (Government), Grant Giving and Retail Trade, but also improved the REIT’s overall expiry profile as the leases in Penn and Phipps are long-tenured.

Prudent Capital Management

As at 30 June 2018, the REIT’s gearing of 37.3% is well below the regulatory limit of 45.0%, and provides debt headroom to grow the portfolio. The weighted average debt maturity is 3.2 years, and

debt expiry is well spread across the REIT's seven properties from 2019 to 2023. In addition, 100%⁵ of the REIT's debt are fixed rate loans which mitigates any near term interest rate risk on existing debt.

To further strengthen the REIT's capital structure and increase financial flexibility over the medium term, the Manager aims to diversify its sources of funding in terms of equity, perpetual and debt. In particular, the REIT has established a US\$1.0 billion Multicurrency Debt Issuance Programme (the "Programme") in April 2018, and the net proceeds arising from the issue of Securities under the Programme are intended to be used for the refinancing of existing borrowings and financing of future acquisition opportunities.

Positive Outlook

On 27 July 2018, the U.S. reported an annualised real GDP growth rate of 4.1% for the second quarter and a revised 2.2% quarterly GDP growth rate for the first quarter of 2018. The GDP growth rate accelerated due to higher consumer spending, exports and government spending. The U.S. unemployment rate decreased 0.1% from the previous quarter to 4.0% in June 2018. However, the June unemployment rate increased from 3.8% in May, the lowest rate in 18 years. The rise in the unemployment rate was largely driven by a 0.2% increase in the labor force participation rate, which could support further GDP growth. The U.S. economy generated 213,000 non-farm jobs in June 2018, primarily in the professional and business services, health care, and manufacturing sectors. During the second quarter of 2018, over six hundred thousand jobs were created.

Overarching the positive economic data is another, greater uncertainty: US trade policy. While words have started being converted into actions and there continues to be threats for additional protectionist policies, the tangible impact on GDP data has been limited. Going forward, sector-specific risks are increasing, and the higher degree of uncertainty could ultimately be reflected in more modest business investment and consumer spending than expected.

The Federal Reserve (Fed) increased the Federal Funds rate by 25 bps in June 2018, marking the second increase in 2018 and following three hikes in 2017. Rates are expected to rise twice more in 2018 and three times in 2019. However, the impact of trade policy on growth or a flattening yield curve (even in the presence of robust growth) may well cause a more dovish tone and could temper the pace of rate increases.

Office absorption during the second quarter of 2018 has slowed vs. the previous year, with JLL (JLL United States Office Outlook Q2 2018) reporting absorption of 7.6 million square feet in the period, as a result of skilled talent shortages and rightsizing. The nation's vacancy rate remained stable at 14.9% at the quarter ended 30 June 2018. According to JLL, quarterly U.S. rent growth was flat and concession packages continue to increase due to greater competition between landlords. Rent growth varies across the different U.S. markets. Los Angeles, Orange County, and Atlanta have all achieved above average growth in the past twelve months, based on limited new supply and steady or growing demand, while rent growth in Northern New Jersey and Washington, D.C. have lagged the national average.

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(5) Exclude drawn "Good News Facilities" of US\$0.8 million.



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About Manulife US REIT

Manulife US Real Estate Investment Trust (“Manulife US REIT”) is the first pure-play U.S. office REIT listed in Asia. It is a Singapore REIT established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (“U.S.”), as well as real estate-related assets.

Manulife US REIT’s portfolio comprises seven prime, freehold and Trophy or Class A quality office properties strategically located in Los Angeles; Irvine, Orange County; Atlanta; New Jersey; and Washington D.C. The current portfolio valued at US\$1.7 billion, has an aggregate Net Lettable Area of 3.7 million sq ft and an occupancy rate of 96.0% as at 30 June 2018.

About the Sponsor – The Manufacturers Life Insurance Company (“Manulife”)

Manulife is part of a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. The Sponsor operates as John Hancock in the U.S. and as Manulife in other parts of the world, providing a wide range of financial protection and wealth management products, such as life and health insurance, group retirement products, mutual funds and banking products. The Sponsor also provides asset management services to institutional customers. Manulife Financial Corporation is listed on the Toronto Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange and the Philippine Stock Exchange.

About the Manager – Manulife US Real Estate Management Pte. Ltd.

The Manager is Manulife US Real Estate Management Pte. Ltd., an indirect wholly-owned subsidiary of the Sponsor. The Manager’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in DPU and NAV per Unit, while maintaining an appropriate capital structure.

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