

PRESS RELEASE


(Left-Right: Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn and Phipps)

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Manulife US REIT's FY 2018 Adjusted DPU Grew 3.6%

- Strong growth of 55.4% in NPI due to 2017 and 2018 acquisitions
- 2H 2018 distribution of 3.04 US cents per Unit to be paid on 29 March 2019
- 16 leases signed in FY 2018 with positive rental reversions of 8.9%
- Renewed Hyundai's lease in Michelson¹
- Proposed US Tax Act, 267A Regulations no material impact on MUST

Singapore, 11 February 2019 – Manulife US Real Estate Investment Trust (“Manulife US REIT” or the “REIT”), the first pure-play U.S. office REIT listed in Asia, today announced a 3.6% year-on-year (“YoY”) growth in adjusted DPU to 6.05 US cents for the full year ended 31 December 2018 (“FY 2018”). NPI for FY 2018 grew 55.4% YoY to US\$90.7 million, while distributable income increased 51.9% YoY to US\$71.0 million, largely due to contributions from the four high-quality office properties acquired in 2017 ([Plaza](#) and [Exchange](#) in New Jersey) and 2018 ([Penn](#) in Washington D.C. and [Phipps](#) in Atlanta).

SUMMARY OF MANULIFE US REIT RESULTS

	4Q 2018 (US\$'000)	4Q 2017 (US\$'000)	Change (%)	FY 2018 (US\$'000)	FY 2017 (US\$'000)	Change (%)
Gross Revenue	40,501	29,264	38.4	144,554	92,040	57.1
Net Property Income (“NPI”)	25,491	18,418	38.4	90,665	58,351	55.4
Net Income	20,509	18,943	8.3	64,520	57,964	11.3
Distributable Income	19,586	14,641	33.8	70,981	46,716	51.9
Distribution per Unit (“DPU”) (US cents)	1.53	1.42	7.7 ²	5.57	5.77	(3.5) ³
For information only Adjusted DPU⁴ (US cents)	1.54	1.52	1.3	6.05	5.84	3.6

(1) Lease was signed in January 2019.

(2) 4Q 2018 DPU was higher than 4Q 2017 DPU largely due to income contribution from the properties acquired in 2018 and full quarter income contribution from Exchange acquired on 31 October 2017.

(3) FY 2018 DPU was lower than FY 2017 DPU largely due to the enlarged Unit base from the issuance of Preferential Offering to partially fund Penn and Phipps acquisitions, but income contribution from Penn and Phipps was only from acquisition date on 22 June 2018.

(4) For illustrative purposes, adjusted DPU was calculated based on the weighted average number of Units in issue. The adjusted DPU normalises the impact of enlarged Unit base from the Preferential Offering (Penn and Phipps) and Rights Issue (Exchange).

For the fourth quarter ended 31 December 2018 (“4Q 2018”), the REIT recorded a 38.4% YoY growth in net property income to US\$25.5 million, while distributable income grew 33.8% YoY to US\$19.6 million.

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the “Manager”) said, **“We rounded off a bountiful FY 2018 with a 55.4% YoY growth in our NPI and a 3.6% YoY growth in our adjusted DPU. The U.S. Tax Act debacle has largely been resolved with the issuance of the tax clarification issued on 20 December 2018. At its lowest of US\$0.695 in 4Q 2018, our unit price has recovered by 22.3% to US\$0.85 as at 8 February 2019. The stock is now trading at about 1.02X book, with a total shareholder return of 10.4% from the start of this year to 8 February 2019.”**

We remain confident of the growth in the world's largest real estate market, and are delighted to see U.S. REITs seeking SGX listing and Singapore corporates expanding into the U.S. alongside us. We continue to distinguish ourselves through our high-quality portfolio of Trophy and Class A assets, which will provide strong income in upcycles and remain resilient during down cycles as compared to Class B and lower class business park properties. Moving into 2019, we will drive leasing and seek acquisitions opportunistically in strong growth markets.”

Strong Portfolio Performance

Driven by the evolution of office work and competition over talent, office spaces in Trophy and Class A properties in good locations are increasingly sought after. The dynamic and open structure of modern layout encourages cross functional collaboration and idea sharing, which are highly valued by employees. Apart from office spaces, tenants have also increased their requirements for building amenities, improved sustainability and building technology. These changes in office preferences suggest that Trophy and Class A assets will continue to experience stronger demand and higher occupancies as compared to lower quality buildings.

As at 31 December 2018, the portfolio has a high occupancy rate of 96.7% and long WALE by NLA of 5.8 years. In addition, 60.7% of the portfolio’s leases by NLA will expire only in 2023 and beyond. Hyundai at Michelson with a NLA of ~ 97,000 sq ft has been renewed in January 2019. Excluding Hyundai, we have minimal 5.5% of leases by GRI expiring in 2019.

The Manager actively managed the leases and for the full year, 16 leases amounting to 4.9% of the portfolio by NLA were signed, resulting in positive rental reversions of 8.9%. Overall, portfolio valuation has also increased by 2.3% YoY to US\$1.7 billion as at 31 December 2018.

As at year-end, approximately 94% of the portfolio’s leases by gross rental income have built-in rental escalations. 55.3% have annual rental escalations averaging about 2.5% per annum, while the remaining 38.8% have mid-term or periodic rental increases.

Following the acquisitions of Penn and Phipps in June 2018, the REIT’s portfolio now comprises seven Trophy and Class A assets across the U.S. with a total NLA of 3.7 million sq ft. As at 31 December 2018, the tenant base continues to be well-diversified across multiple trade sectors, with no single tenant contributing more than 7.5% of gross rental income.

Asset Enhancement Initiatives Update

To future-proof our properties and leases, the Manager has commenced Asset Enhancement Initiatives (“AEI”) to rejuvenate and excite tenants in Figueroa and Exchange, which are expected to be completed in 4Q 2019/1Q 2020.

Approximately US\$8.0 million has been allocated for Figueroa’s AEI, mainly to refresh the lobby, install new gantries, seating areas, modernise the exterior entrance, and to add a café in the lobby to enhance amenities. Separately, approximately US\$12.0 million was allocated for Exchange’s AEI which will include new flooring, security desk, glass features, LED lighting, as well as exterior and interior painting of the building.

Disciplined and Prudent Capital Management

As at 31 December 2018, the REIT has a healthy balance sheet with a NAV per unit of US\$0.83. The REIT’s gearing of 37.2% is also well below the regulatory limit of 45.0%, while its weighted average debt maturity is 2.7 years, and debt expiry is well spread across the REIT’s seven properties from 2019 to 2023. In addition, 98.6% of the REIT’s debt are fixed rate loans which mitigate any near term interest rate risk on existing debt.

The Manager is exploring various options to refinance the upcoming Figueroa loan maturing in July 2019. One of the options is an initiative to secure a bank club to refinance Figueroa loan and provide flexibility to fund future capital and leasing cost requirements and acquisitions.

U.S. Tax Regulations

On 20 December 2018, the United States Department of the Treasury released proposed regulations (“Proposed 267A Regulations”) under Section 267A of the United States Internal Revenue Code of 1986, as amended (“Section 267A”). Separately, on 20 November 2018, the Government of Barbados has announced that Barbados will converge its local and international tax rates (“Proposed Barbados Tax Changes”).

The Manager currently expects that the Proposed 267A Regulations together with the Proposed Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or Distributions per Unit of Manulife US REIT.

The Manager will update Unitholders if there is any material impact on Manulife US REIT and/or its Unitholders arising from the issuance of final regulations, additional guidance, or other application of tax laws in the tax jurisdictions that Manulife US REIT operates.

Positive U.S. Market Outlook

On 21 December 2018, the U.S. reported an annualised real GDP growth rate of 3.4% for the third quarter of 2018. Strength in consumer spending and improvements in business investments are expected to help the American economy achieve growth close to 3.0% in 2018, the fastest rate among all developed countries. The U.S. unemployment rate increased 0.2% from the previous quarter to 3.9% in December 2018. The U.S. economy generated 312,000 non-farm jobs in December 2018, primarily in health care, food services, construction, manufacturing and retail trade. During the fourth quarter of 2018, over 760,000 jobs were created.

While domestic demand remains on a healthy footing, continued trade tensions between the US, China, and possibly Europe, broader geopolitical uncertainties, and a slowing global economy could all weigh on growth.

The Federal Reserve (Fed) increased the rate by 25 bps in December 2018, marking the fourth increase in 2018. Given that the Federal Reserve's dual mandates of full employment and price stability are currently being met, the Central bank has signaled its intent to be patient.

Office absorption during the fourth quarter of 2018 more than doubled from the previous quarter, with JLL (JLL United States Office Outlook Q4 2018) reporting absorption of 19.8 million square feet in the period, despite skilled talent shortages and rightsizing. The nation's vacancy rate decreased slightly to 14.9% at the quarter ended 31 December 2018. Leasing activity continues to be broad based across the industry sectors with several very large leases occurring in the quarter. Rents increased nearly 3.0% over the last twelve months, however concession packages continue to increase due to greater competition between landlords and increased construction costs.

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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 96.7% as at 31 December 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.

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of Manulife US REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of units in Manulife US REIT (“Units”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of Manulife US REIT) or any of their respective affiliates.

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