



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

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Manulife US REIT Delivers 1Q 2019 Adjusted DPU¹ of 1.51 US cents

- Enlarged portfolio propelled NPI by 27.7% YoY to US\$25.1 million
- Strong leasing momentum increased portfolio occupancy to 97.4%
- Renewed 230,000 sq ft by NLA, extending WALE to 6.0 years
- In advanced negotiations with local banks for Figueroa's loan

Singapore, 25 April 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 0.7% year-on-year (“YoY”) growth in adjusted DPU to 1.51 US cents for the first quarter ended 31 March 2019 (“1Q 2019”). The enlarged portfolio boosted Net Property Income (“NPI”) for 1Q 2019 by 27.7% YoY to US\$25.1 million. This translated to a 23.7% YoY increase of distributable income to US\$19.3 million.

SUMMARY OF MANULIFE US REIT RESULTS

	1Q 2019 (US\$'000)	1Q 2018 (US\$'000)	Change (%)
Gross Revenue	40,025	31,153	28.5
Net Property Income	25,084	19,650	27.7
Net Income for the period	13,724	11,534	19.0
Income available for distribution to Unitholders	19,343	15,633	23.7
Distribution per Unit (“DPU”) (US cents)	1.51	1.23 ²	22.8
For information only			
Adjusted DPU (US cents)	1.51	1.50	0.7

(1) Adjusted DPU was calculated based on the weighted average number of Units in issue and has been restated for the preferential offering of which 227,935,981 Units were issued on 20 June 2018.

(2) The distributable income from 1 January 2018 to 31 March 2018 was paid out with 1H 2018 distribution based on 1,269,858,052 Units (including preferential offering). As such, there was a drag on 1Q 2018 DPU for the enlarged Unit base resulting from the preferential offering Units issued on 20 June 2018 to partially fund Penn and Phipps acquisitions while there was no income contribution from Penn and Phipps properties in 1Q 2018.

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the “Manager”) said, **“We are delighted to start 2019 on a positive note. MUST enjoyed strong leasing momentum of close to 230,000 sq ft by NLA and increasing the portfolio’s occupancy to 97.4% as at 31 March 2019. This increase was mainly attributed to Peachtree in Atlanta, off the back of the thriving environment and high employment growth. The strong leasing demand resulted in positive rental reversions and drove Peachtree’s occupancy from 93.7% to 99.4% QoQ. With the easing of interest rates, we should benefit when we refinance Figueroa’s loan due in July 2019. We remain confident in the world’s largest real estate market and will seek accretive acquisitions of Trophy/Class A buildings in desirable markets.”**

Strong Portfolio Performance

As at 31 March 2019, the portfolio has a high occupancy rate of 97.4% and long WALE by NLA of 6.0 years. In January 2019, Hyundai renewed its lease of ~97,000 sq ft by NLA at Michelson. Including this lease, a total of 7 leases amounting to 6.1% of the portfolio were signed in 1Q 2019. As a result, 56.0% of the portfolio’s leases by NLA will expire in 2024 and beyond.

The tenant base continues to be well-diversified across multiple trade sectors, with no single tenant contributing more than 7.3% of gross rental income as at 31 March 2019. Approximately 94% of the portfolio’s leases by gross rental income have built-in rental escalations. 55% have annual rental escalations averaging about 2.5% per annum, while the remaining 39% have mid-term or periodic rental increases.

Based on “CoStar Market Analysis & Forecast – As at 1 April 2019”, there is limited supply in the cities where the REIT’s properties are located. Apart from some new properties under construction in Midtown Atlanta and Washington, D.C., there is no new competitive supply in Downtown Los Angeles; Irvine, Orange County; Buckhead, Atlanta; Meadowlands, New Jersey; and Hudson Waterfront, New Jersey. In addition, the majority of the REIT’s properties are 5% to 14% below market rents in this cities and submarkets.

Nonetheless, to future-proof the REIT’s properties and excite tenants, the Manager is undertaking Asset Enhancement Initiatives (“AEI”) to rejuvenate Figueroa and Exchange at a cost of US\$8.0 million and US\$12.0 million, respectively. The AEI works are expected to be completed in 4Q 2019/1Q 2020.

Disciplined and Prudent Capital Management

As at 31 March 2019, the REIT has a healthy balance sheet with a NAV per Unit of US\$0.81, with gross borrowings of US\$673.8 million and a weighted average interest rate of 3.28%.

The REIT’s gearing of 37.6% is also well below the regulatory limit of 45.0%, and has a weighted average debt maturity of 2.5 years, including a well-spread debt maturity profile across the REIT’s seven properties from 2019 to 2023. In addition, 98.2% of the REIT’s debt are fixed rate loans which mitigate any near term interest rate risk on existing debt.

For the refinancing of the Figueroa loan maturing in July 2019, the Manager is in advanced negotiations with local banks. The Manager also plans to unencumber the REIT's properties in the near term.

Positive U.S. Market Outlook

On 28 March 2019, the U.S. reported an annualised real GDP growth rate of 2.2% for the fourth quarter of 2018 compared to 3.4% for the third quarter of 2018. The lower growth rate in the fourth quarter of 2018 was a result of lower spending by consumers and state and local governments, as well as reduced business investment. The U.S. unemployment rate decreased 0.1% from the previous quarter to 3.8% in March 2019. The U.S. economy generated 196,000 non-farm jobs in March 2019, primarily in health care and in professional and technical services. During the first quarter of 2019, over 540,000 jobs were created.

Some slowdown was expected since the impact of tax cut stimulus has largely played out and the Federal Reserve's move to raise interest rates last year has started to impact households as well as businesses. However, U.S. economic fundamentals remain solid driven by a productive workforce, flexible labor system and a leading technology sector. Also, the possible easing of trade tensions with China could benefit growth during the year.

The Federal Reserve (Fed) held the Federal Funds rate steady in March 2019, following four increases in 2018. Rates are now expected to remain stable in 2019 as the Central bank has signaled its intent to be patient in light of reduced expectations in GDP growth and inflation and a potentially higher unemployment rate outlook.

Office absorption during the first quarter of 2019 remained strong with JLL (JLL United States Office Outlook Q1 2019) reporting absorption of 14.0 million square feet in the period, despite skilled talent shortages and rightsizing. The nation's vacancy rate decreased slightly to 14.7% at the quarter ended 31 March 2019. Leasing activity continues to be robust across the top three sectors of Coworking, Technology, and Finance and Insurance, with several very large leases occurring in the quarter. Rents increased 2.9% over the last twelve months, however concession packages are showing no signs of deceleration due to greater competition between landlords.

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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\$1.8 billion, has an aggregate Net Lettable Area of 3.7 million sq ft and an occupancy rate of 97.4% as at 31 March 2019.

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

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

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

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

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