Manulife US REIT

PRESS RELEASE

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

Rewarding Year for Investors; Manulife US REIT FY 2019 DPU grew 7.0% YoY

- **Long WALE of 5.9 years and high occupancy of 95.8%**
- **Strategic acquisitions resulted in strong NPI growth of 22.2% YoY**
- **Included in FTSE EPRA Nareit Index on 23 December 2019**
- **Total shareholder return of 42.1% YoY; Ranked 6th out of 40 SREITs**
- **Ranked 3rd out of 12 listed U.S. office REITs for GRESB 2019**

Singapore, 5 February 2020 – 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 the REIT's fortified portfolio continued to deliver robust income growth for the full year ended 31 December 2019 ("FY 2019"). Gross revenue and net property income for FY 2019 grew 23.0% to US$177.9 million and 22.2% to US$110.8 million respectively, largely due to contributions from Centerpointe and Capitol that were acquired in FY 2019, and first full-year contributions for FY 2019 from Penn and Phipps that were acquired in FY 2018.

For the latest full-year, the REIT recorded distributable income of US$83.3 million, an increase of 17.4% from a year ago, largely due to the higher NPI which was partially offset by higher finance expenses, other trust expenses and current taxes. This led to a DPU of 5.96 US cents for FY 2019, which was higher by 7.0% YoY, compared to the DPU of 5.57 US cents a year ago.

SUMMARY OF MANULIFE US REIT RESULTS

	4Q 2019 (US$'000)	**4Q 2018 (US$'000)**	**Change (%)**	**FY 2019 (US$'000)**	**FY 2018 (US$'000)**	**Change (%)**
Gross Revenue	48,782	40,501	20.4	177,853	144,554	23.0
Net Property Income	30,311	25,491	18.9	110,776	90,665	22.2
Distributable Income	22,621	19,586	15.5	83,341	70,981	17.4
Distribution per Unit ("DPU") (US cents)	1.44[1]	1.53	(5.9)	5.96	5.57[2]	7.0
For information only **Adjusted DPU[3] (US cents)**	1.46	1.53	(4.6)	5.96	6.04	(1.3)

1 DPU for 4Q 2019 was calculated based on an enlarged Unit base, a result of the private placement under which 91,325,000 Units were issued on 30 September 2019 (the "**Capitol Private Placement Units**") and preferential offering where 72,855,530 Units were issued on 18 October 2019 (the "**Capitol Preferential Offering Units**"). As such, there was a drag on 4Q 2019 DPU due to issuance of the Capitol Private Placement Units and Capitol Preferential Offering Units to partially fund Capitol acquisition while income contribution from Capitol was only from 29 October 2019.

2 DPU for FY 2018 was calculated based on an enlarged Unit base, a result of the preferential offering to partially fund Penn and Phipps acquisitions where 227,935,981 Units were issued on 20 June 2018 (the "**Penn and Phipps Preferential Offering Units**"). As such, there was a drag on FY 2018 DPU due to issuance of the Penn and Phipps Preferential Offering Units while income contribution from Penn and Phipps was only from 22 June 2018.

3 Adjusted DPU was calculated based on the weighted average number of Units in issue. Adjusted DPU normalises the impact of enlarged Unit base resulting from the Capitol Preferential Offering Units, and Penn and Phipps Preferential Offering Units.

For the fourth quarter ended 31 December 2019 ("4Q 2019"), the REIT recorded an 18.9% YoY growth in net property income to US$30.3 million, while distributable income grew 15.5% YoY to US$22.6 million. Due to the enlarged Unit base from the issuance of private placement and preferential offering in relation to the Capitol acquisition, DPU for 4Q 2019 was 1.44 US cents, which was lower by 5.9% YoY, compared to the DPU of 1.53 US cents for the same quarter a year ago.

During the year, Manulife US REIT completed its US$122.0 million acquisition of Centerpointe on 10 May 2019 and US$198.8 million acquisition of Capitol on 29 October 2019. Centerpointe is a 2-tower, 11-storey Class A office building in Fairfax, Virginia, while Capitol is a 29-storey top Class A office building in Sacramento, California.

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the "Manager") said, **"2019 was the best year ever for Manulife US REIT. Over the one-year period, we delivered a total shareholder return (TSR) of 42.1% and ranked 6th among the 40 REITs in Singapore by TSR. The REIT registered a 22.2% and 7.0% growth in FY 2019 NPI and DPU YoY to US$110.8 million and 5.96 US cents respectively. Our strategic acquisitions of four high-quality office properties in strong U.S. growth markets in the past two years not only diversified our NPI but also made a positive contribution to our growth. With our top 10 tenants made up of HQs or listed entities, combined with a long WALE of 5.9 years and high occupancy of 95.8%, we remain confident to ride through volatility in the global economy. Since our entry into the FTSE EPRA Nareit Global Developed Index in December 2019, more global funds have been attracted to MUST which will promote stability, enabling greater agility in our growth strategy over the new decade."**

Strong and Diversified Portfolio

As at 31 December 2019, the REIT's nine high-quality Trophy/Class A office properties recorded a high occupancy rate of 95.8% and long WALE by NLA of 5.9 years. The Manager continued to lengthen WALE through proactive leasing of its properties in strong growth markets with limited supply, and approximately 54.4% of the portfolio's leases by NLA will only expire in 2025 and beyond.

During the year, the Manager also saw strong leasing momentum with high-quality tenants signing long leases. Approximately 445,200 sq ft of leases (9.5% of the portfolio's leases by NLA) were executed in FY 2019, with a positive rental reversion of 0.5% for the renewals. The long leases included 15 new/renewed leases signed by tenants from the Finance and Insurance and Legal sectors with long WALE of 7.9 years and rental escalations of 2.6% per annum.

The portfolio enjoys overall rental escalations of 2.0% per annum, as 96% of leases by GRI have some form of rental escalations. The tenant base remains well-diversified across multiple trade sectors, with no single tenant contributing more than 5.9% of GRI as at 31 December 2019. Further, the top 10 tenants have a long WALE of 6.7 years, and the majority of them are either public-listed companies or HQs.

Separately, the US$8.0 million asset enhancement initiatives (AEI) at Figueroa for lobby renovation, café addition and exterior landscape are progressing well and are expected to be substantially completed in 1Q 2020. The US$12.0 million AEI at Exchange for lobby renovation, security/life safety system updates and new glass wall feature are expected to be completed in 1Q 2020.

Prudent Capital Management

As at 31 December 2019, Manulife US REIT's balance sheet remained strong with a NAV per Unit of US$0.80. The REIT's gearing ratio of 37.7% is well below the regulatory limit of 45.0%, and the Manager has also mitigated near-term interest rate risk with 95.1% of outstanding loans on a fixed rate basis, resulting in a weighted average interest rate of 3.37%.

Following the financing of Capitol with a Trust-level loan at an attractive rate of 3.04% in October 2019, the REIT's weighted average interest rate was reduced to 3.37%, with 31.6% of the portfolio by AUM being unencumbered. The REIT's weighted average debt maturity was 2.8 years. Moving forward, the Manager will continue to apply disciplined and prudent capital management.

Green Dot Series: Emerging ESG Trends

The theme for Manulife US REIT's thought leadership programme this quarter is environmental, social and governance (ESG) investing and trends in the U.S. real estate market. An effective sustainability strategy allows real estate investment managers to minimise environmental impact and create cost savings from energy, water and GHG. It also allows us to tap on investor preferences in the changing regulatory landscape for sustainability practices to support sustainable returns, as well as building a trusted brand. On this note, Manulife US REIT has made significant progress in its sustainability journey, having improved its 2019 Global Real Estate Sustainability Benchmark (GRESB) score to 93 and ranked 3rd out of 12 listed U.S. office REITs.

Ms Jill Smith said, **"At MUST, we believe that the long-term success of our business will be enhanced by our strong ESG focus. This includes improving sustainability practices in our properties, building effective stakeholders relations, developing human capital, as well as upholding ethical corporate behaviour. In FY 2019, we focused on these four areas and made significant progress in our ESG journey. With the growing investor demand for sustainable finance, we will continue to drive ESG practices forward."**

U.S. Market Outlook

On 30 January 2020, the U.S. reported an annualised real GDP growth rate of 2.1% for the fourth quarter of 2019, matching Q3's 2.1% growth rate. The growth rate was a result of positive consumer spending (albeit it continued to decelerate) and increased government spending, offset by a decrease in business investment. The U.S. unemployment rate remained stable from the previous quarter at 3.5% in December 2019. The U.S. economy generated 145,000 non-farm jobs in December 2019 with notable gains in employment in health care and retail sales. During the fourth quarter of 2019, over 550,000 non-farm jobs were created.

With the lagged effects of the U.S. Federal Reserve's (Fed's) monetary policy tightening and the impact of trade-related uncertainties expected to impact the growth in the first half of the year, 2020 is likely to start off on a soft note. However, we expect modest acceleration to take place in the second half of the year as the decline in mortgage rates, a reacceleration in business investment, and easier monetary conditions work their way through the broader economy. The healthy jobs market (unemployment rate is at 40-year low) went a long way in supporting consumer confidence and economic activities. Combined with a low interest rate environment, the stage is set for consumer spending to continue to grow at a healthy pace in 2020. We also expect 2020 to be a year of realignment in the United States in which the manufacturing sector improves to meet continued strength in U.S. household spending. Whilst recognising the coronavirus outbreak in China, it is too soon to know how deep the impact may be on the global and U.S. economies.

Office absorption during the fourth quarter of 2019 cooled slightly with JLL (JLL United States Office Outlook Q4 2019) reporting absorption of 13.0 million square feet in the period, as a result of a pause in Coworking demand. However, absorption for the year increased to a cycle high of 67.3 million square feet. The nation's vacancy rate increased slightly to 14.3% at the quarter ended 31 December 2019. Leasing activity continues to be solid across Technology, Professional Services and Finance and Insurance. Flight to quality remains evident with Class A space recording almost all of the national occupancy gains during the year. Rents increased a stable 0.6% over the quarter, however concession packages and amenity demands are showing no signs of deceleration due to competition between landlords and expectations of tenants.

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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 listed REIT established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States ("U.S."), as well as real estate-related assets.

Manulife US REIT's portfolio comprises nine prime, freehold and Trophy or Class A quality office properties strategically located in California, Atlanta, New Jersey and Washington D.C. Metro Area. The current portfolio valued at US$2.1 billion, has an aggregate Net Lettable Area of 4.7 million sq ft and an occupancy rate of 95.8% as at 31 December 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.