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

Manulife US REIT Outperforms; 1H 2020 Distributable Income +20.0% YoY to US$48.0 m

- **DPU of 3.05 US cents for 1H 2020 anchored by resilient portfolio**
- **High occupancy of 96.2% and long WALE of 5.7 years**
- **Executed ~217,300 sq ft of leases with strong reversion of +7.9% in 1H 2020**
- **Secured maiden green loan of US$100.0 million for Peachtree's refinancing with no further refinancing for 2020**
- **Substantial rental collection of 96% for 2Q 2020**
- **Minimal 3.4% expiries in 2020 and 5.7% expiries in 2021**
- **Ability to ride through pandemic with high quality and well-diversified tenant base**

Singapore, 3 August 2020 – Manulife US Real Estate Investment Trust ("MUST" or "the REIT"), the first pure-play U.S. office REIT listed in Asia, today reported its gross revenue of US$98.6 million and net property income of US$62.2 million for the first half ended 30 June 2020 ("1H 2020"), recording year-on-year (YoY) increases of 18.3% and 18.8% respectively. The robust growth in income is largely due to contributions from Centerpointe and Capitol acquired in FY 2019, partially offset by lower rental income mainly from Michelson and lower portfolio carpark income. For 1H 2020, the REIT reported a 20.0% YoY increase in distributable income to US$48.0 million. This translated to a DPU of 3.05 US cents, 0.3% higher as compared to the same period a year ago.

SUMMARY OF MANULIFE US REIT RESULTS

	1H 2020 (US$'000)	**1H 2019 (US$'000)**	**Change (%)**
Gross Revenue	98,630	83,339	18.3
Net Property Income	62,173	52,342	18.8
Distributable Income	47,978	39,967	20.0
Distribution per Unit ("DPU") (US cents)	3.05	3.04	0.3

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the “Manager”) said, **“As the world continues its battle with COVID-19, MUST’s fortified portfolio powered on, delivering a 20% YoY increase in distributable income to US$48.0 million for 1H 2020. Over this first half, we worked hard to sign ~217,300 sq ft of leases achieving a +7.9% rental reversion. Our 2020 refinancing was completed with a new loan at a lower interest rate of 1.85% p.a. and we obtained an additional US$50.0 million revolving credit facility to store up financial flexibility, bringing our total undrawn credit facilities to ~US$135 million. Rental collections remained strong averaging 96% for April, May and June. We are confident that MUST’s portfolio is well-positioned to weather the ongoing economic turmoil anchored through its high occupancy of 96.2%, long WALE of 5.7 years, minimal expiries in 2020 and 2021, competitively positioned rents and a superior tenant base. As always, we are intent on protecting MUST’s portfolio, preserving DPU and to that end, we are working with our tenants to emerge stronger together.”**

Prudent Capital Management

As at 30 June 2020, MUST’s balance sheet remained stable with a NAV per Unit of US$0.76. The REIT’s gearing ratio of 39.1% was mainly due to the fair value change in the investment properties. The Manager has also mitigated near-term interest rate risk with 92.7% of outstanding loans on a fixed rate basis, resulting in a weighted average interest rate of 3.26% and weighted average debt maturity of 2.3 years.

On 9 July 2020, MUST refinanced US$95.1 million of loans due in 2020, including Peachtree’s US$73.1 million loan, via a Trust-level green loan of US$100.0 million due in 2025. Following the refinancing, the REIT’s weighted average interest rate was reduced to 3.21%, with 41.8% of the portfolio by AUM unencumbered. In addition, the REIT’s weighted average debt maturity lengthened to 2.8 years, while fixed rate loans increased to 96.1%.

Moving forward, the Manager will continue to be proactive but disciplined and prudent in the REIT’s capital management. Following the expiry of a US$10.0 million committed revolving credit facility on 14 July 2020, the REIT has obtained a US$50.0 million committed revolving credit facility on 23 July 2020 for general corporate and working capital purposes.

Strong and Diversified Portfolio

As at 30 June 2020, the REIT recorded a high occupancy of 96.2% and long WALE by NLA of 5.7 years. MUST enjoys rental escalations averaging 1.9% per annum with no break clauses in its leases. 55.1% of the portfolio’s leases by NLA will only expire in 2025 and beyond.

Despite ongoing macroeconomic uncertainties, the Manager achieved strong leasing momentum in 1H 2020 by signing long leases with high-quality tenants from Finance and Insurance, Legal, Real Estate and Tech sectors. Approximately 217,300 sq ft of leases (4.7% of portfolio) were executed with a WALE of 6.9 years, rental reversion of +7.9% and rental escalations of 2.4% per annum. Following the execution of these leases, only 3.4% and 5.7% of leases by NLA will be expiring in

2020 and 2021 respectively. Majority of our properties have rents below their respective markets, which will likely provide a buffer during a downturn.

MUST's portfolio boasts a high-quality and well-diversified tenant base comprising numerous multinational corporations across more than 17 different trade sectors. The REIT's top 10 tenants have a long WALE of 6.3 years, and majority of them are either public-listed companies, government agencies or corporate headquarters. As at 30 June 2020, there are no single tenant contributing more than 6.2% of the REIT's GRI.

Currently, MUST's nine office buildings remain open and are 10% – 20% occupied with most tenants working from home. As at 24 July 2020, the Manager has collected an average of 96% rents for 2Q 2020. For 1H 2020, 0.3% of rental deferment and 0.3% of abatement by GRI were provided to tenants. To prepare for tenants' gradual return to the office, the Manager has also upgraded the buildings' air filter, increased frequency of cleaning, and issued a comprehensive guidebook on health and safety.

Green Dot Series: The Future of Office

For 1H 2020, MUST's thought leadership programme focuses on the topic of Work from Home (WFH) trends in the U.S.

Unlike in Singapore, WFH was introduced to workers in the U.S. in 1990s. Based on Glassdoor economic research, up to 54% of U.S. workers are entitled to WFH benefits as at 31 Mar 2020. Even though more than half of the workers in U.S. benefitted from WFH entitlements even before the pandemic, a WFH survey conducted in May by Gensler Research Institute has indicated that only an incremental 2% of U.S. workers prefer to WFH full-time due to COVID-19. From an employer's perspective, a physical office space continues to be essential for the company's brand and culture, drives employee connectivity, engages/attracts talent, increases productivity and more.

Despite employers adopting WFH practices globally to combat the pandemic, the Manager expects minimal impact on MUST's portfolio for the following reasons:

- Urban suburban likely to outperform gateway CBD in near-term
- Limited supply in foreseeable future
- WFH established in U.S. for decades
- De-densification creates additional space

U.S. Market Outlook

On 30 July 2020, the U.S. reported an annualised real GDP growth rate decline of 32.9% for the second quarter of 2020, the largest decrease on record but slightly better than expectations. The growth rate reflected the response to the COVID-19 pandemic including stay-at-home orders and the closure of non-essential business for part of the period. Decreases in GDP inputs were recorded across the board with the exception of an increase in federal government spending. The U.S.

unemployment rate increased from the previous period at 3.5% in December 2019 to 11.1% in June 2020. The U.S. economy generated 4.8 million non-farm jobs in June 2020 from the continued resumption of economic activity that had been curtailed in March and April due to the COVID-19 pandemic and resulted in a high of 14.7% unemployment rate in April. Employment in leisure and hospitality rose sharply and notable job gains also occurred in retail trade, education and health services, and professional and business services.

Following the largest fall on record in March and April, the U.S. economy has entered recovery in May as increasingly number of counties lifted shutdown orders that were put in place to contain COVID-19 pandemic. Preliminary estimates show a surge in employment and a rebound in manufacturing activities starting in May. While most indicators point to continued growth in the near-term, the initial recovery will unlikely match the fall in the economy where a record 22.2 million jobs were lost and unemployment increased to 14.7%, the highest since The Great Depression. Continued social distancing requirements and business closures will weigh down on economic recovery over the remainder of the year and possibly through 2021. High level of government transfers, including stimulus checks and increased unemployment insurance benefits have helped cushion the blow to personal incomes from loss of employment income so far. Low interest rates will also be instrumental in maintaining growth in both consumer spending as well as business investment.

After a quiet Q1 that was only partially affected by the outbreak of COVID-19, the U.S. office market witnessed widespread disruption during the second quarter of 2020 reports JLL (JLL United States Office Outlook Q2 2020). Extensive work from home programs obscured future space requirements and state and local mandates effectively ceased tour activity, causing leasing volume to plummet. The nation’s vacancy rate increased to 14.8% at the quarter ended 30 June 2020. Year-to-date net absorption decreased by -8.4 million square feet, or -0.2% of inventory. Broken down by class and geographic segments, only suburban Class A product has seen expansion in 2020 (aided largely by flight to quality and expansion into new campuses), whereas a -0.8% rate of occupancy loss led to the most acute shift being in CBD Class B properties. Rent growth slowed to 2.9% year-over-year with concession packages and amenity demands expected to increase due to continued competition between landlords and an uptick in sublease space availability.

- END -

Manulife
US REIT

For queries, please contact:

Media
YAP Meng Lee
Email : myap@kreab.com
Phone : +65 3163 7476

Analysts
Caroline Fong, Head of Investor Relations
Email : carol_fong@manulifeusreit.sg
Phone : +65 6801 1066

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. and Virginia. The current portfolio valued at US$2.0 billion, has an aggregate Net Lettable Area of 4.7 million sq ft and an occupancy rate of 96.2% as at 30 June 2020.

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.