

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

TABLE OF CONTENTS

Item No.	Description	Page No.
-	Introduction	2
-	Summary of Manulife US REIT Group Results	3 - 4
1(a)(i)	Consolidated Statement of Comprehensive Income and Distribution Statement	5 - 7
1(b)(i)	Consolidated Statements of Financial Position	8 - 9
1(b)(ii)	Aggregate Amount of Loans and Borrowings and Debt Securities	9 - 11
1(c)	Consolidated Statement of Cash Flows	12 - 13
1(d)(i)	Consolidated Statements of Changes in Unitholders' Funds	13 - 16
1(d)(ii)	Details of Any Changes in the Units	16
1(d)(iii)	Total number of issued Units	16
1(d)(iv)	Sales, transfers, cancellation and/or use of Treasury units	17
1(d)(v)	Sales, transfers, cancellation and/or use of Subsidiary holdings	17
2 & 3	Audit Statement	17
4 & 5	Changes in Accounting Policies	17
6	Earnings per Unit and Distribution per Unit	18
7	Net Asset Value per Unit and Net Tangible Asset per Unit	18
8	Review of the Performance	19 - 20
9	Variance between Actual and Projection	20
10	Outlook and Prospects	20 - 21
11 & 12	Distribution	22 - 24
13	General Mandate relating to Interested Person Transactions	24
14	Confirmation pursuant to Rule 705(5) of the Listing Manual	24
15	Confirmation pursuant to Rule 720(1) of the Listing Manual	25

MANULIFE US REAL ESTATE INVESTMENT TRUST

Unaudited Financial Statements Announcement

For the Second Quarter and Half Year Ended 30 June 2019

Introduction

Manulife US Real Estate Investment Trust (“**Manulife US REIT**” or the “**Group**”) is a Singapore real estate investment trust constituted by the Trust Deed dated 27 March 2015 (as amended and restated) between Manulife US Real Estate Management Pte. Ltd. as the Manager of Manulife US REIT (the “**Manager**”) and DBS Trustee Limited as the Trustee of Manulife US REIT (the “**Trustee**”).

Manulife US REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 20 May 2016 (the “**Listing Date**”). Manulife US REIT’s strategy is to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States of America (“**U.S.**” or “**United States**”), as well as real estate-related assets. Manulife US REIT’s key objectives are to provide unitholders of Manulife US REIT (“**Unitholders**”) with regular and stable distributions and to achieve long-term growth in distribution per unit (“**DPU**”) and net asset value (“**NAV**”) per Unit, while maintaining an appropriate capital structure for Manulife US REIT.

Manulife US REIT portfolio comprises of the following eight office properties (the “**Properties**”) in the United States, with an aggregate net lettable area of 4,163,799 square feet (“**sq ft**”), as follows:

- Figueroa (acquired on Listing Date) is a 35-storey Class A office building with 702,621 sq ft of net lettable area (“**NLA**”), located in the South Park district of Downtown Los Angeles, two blocks away from a variety of entertainment venues;
- Michelson (acquired on Listing Date) is a 19-storey Trophy office building with 532,933 sq ft of NLA, located in Irvine, Orange County, within the Greater Los Angeles market;
- Peachtree (acquired on Listing Date) is a 27-storey Class A office building with 557,560 sq ft of NLA, located in the heart of Midtown, Atlanta;
- Plaza (acquired on 19 July 2017) is an 11-storey Class A office building with 461,525 sq ft of NLA, located in Secaucus, New Jersey;
- Exchange (acquired on 31 October 2017) is a 30-storey Class A office building with 736,383 sq ft of NLA, located in Jersey City, Hudson County, New Jersey;
- Penn (acquired on 22 June 2018) is a 13-storey Class A office building with 277,597 sq ft of NLA, located in Washington, D.C.;
- Phipps (acquired on 22 June 2018) is a 19-storey Trophy office building with 475,199 sq ft of NLA, located in the heart of Buckhead, Atlanta; and
- Centerpointe (acquired on 10 May 2019) is a 2-tower, 11-storey Class A office building with 419,981 sq ft of NLA, located in Fairfax, Virginia.

The most recent acquisition on 10 May 2019, Centerpointe, was financed by a combination of debt financing and issuance of 114,078,000 new Units through a private placement. The private placement new Units were issued at a price of US\$0.824 per new Unit and raised gross proceeds of approximately US\$94.0 million (the “**Private Placement**”). This acquisition increased the NLA by approximately 11.2% and provides diversification benefits to the portfolio.

Manulife US REIT is presenting its financial results for the second quarter ended 30 June 2019 (“**2Q 2019**”) and for the financial period from 1 January 2019 to 30 June 2019 (“**1H 2019**”).

Distribution Policy

Manulife US REIT intends to make distributions to the Unitholders on a semi-annual basis. Manulife US REIT’s distribution policy is to distribute at least 90% of its annual distributable income. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

SUMMARY OF MANULIFE US REIT GROUP RESULTS

	2Q 2019	2Q 2018	Change	1H 2019	1H 2018	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Gross Revenue ⁽¹⁾	43,314	32,521	33.2	83,339	63,674	30.9
Net Property Income ⁽²⁾	27,258	20,377	33.8	52,342	40,027	30.8
Net Income for the period ⁽³⁾	2,920	19,007	(84.6)	16,644	30,541	(45.5)
Income available for distribution to Unitholders	20,624	16,505	25.0	39,967	32,138	24.4
Distribution per Unit ("DPU") (cents)	1.53	1.30 ⁽⁴⁾	17.7	3.04	2.53 ⁽⁴⁾	20.2
For information only						
Adjusted DPU⁽⁵⁾ (cents)	1.53	1.53 ⁽⁶⁾	-	3.04	3.03 ⁽⁶⁾	0.3

2Q 2019 and 1H 2019 Distribution Breakdown

On 9 May 2019, Manulife US REIT issued 114,078,000 new Units to partially fund the acquisition of Centerpointe. The Manager declared an advanced distribution for the period from 1 January 2019 to 8 May 2019 ("**Advanced Distribution**"), being the day immediately prior to the date on which the new Units were issued. This was to ensure that the total amount available for distribution, accrued by Manulife US REIT up to the day immediately prior to the date on which the new Units were issued, was only distributed to the existing Unitholders.

	2Q 2019			1H 2019		
	1 Apr 2019 to 8 May 2019	9 May 2019 to 30 Jun 2019	1 Apr 2019 to 30 Jun 2019	1 Jan 2019 to 8 May 2019	9 May 2019 to 30 Jun 2019	1 Jan 2019 to 30 Jun 2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross Revenue ⁽¹⁾	17,272	26,042	43,314	57,297	26,042	83,339
Net Property Income ⁽²⁾	10,769	16,489	27,258	35,853	16,489	52,342
Net Income for the period ⁽³⁾	6,495	(3,575)	2,920	20,219	(3,575)	16,644
Income available for distribution to Unitholders	8,075	12,549	20,624	27,418	12,549	39,967
DPU⁽⁷⁾ (cents)	0.63 ⁽⁸⁾	0.90 ⁽⁹⁾	1.53	2.14 ⁽⁸⁾	0.90 ⁽⁹⁾	3.04

Footnotes:

- (1) Gross revenue of US\$43.3 million for 2Q 2019 and US\$83.3 million for 1H 2019 was higher than 2Q 2018 and 1H 2018 by 33.2% and 30.9% respectively, largely due to the revenue contribution from Centerpointe acquired in May 2019 and the revenue contribution from the Penn and Phipps properties for the entire 2Q 2019 and 1H 2019 period, while revenue for these properties were only included from 22 June 2018 (acquisition date) to 30 June 2018 in 2Q 2018 and 1H 2018.
- (2) Net property income of US\$27.3 million for 2Q 2019 and US\$52.3 million for 1H 2019 was higher than 2Q 2018 and 1H 2018 by 33.8% and 30.8%, respectively, largely due to net property income contribution from the acquisitions of Centerpointe, Penn and Phipps.
- (3) Net income for 2Q 2019 and 1H 2019 was lower than 2Q 2018 and 1H 2018, respectively, largely due to the net fair value loss on investment properties resulting from the capital expenditures and leasing costs increasing more than the increase in appraised fair values. The net fair value change in investment properties has no impact on the distributable income to the Unitholders. In addition, the finance expenses were higher than same period last year due to new loans secured to partially fund the acquisitions in 2018 and 2019.
- (4) The distributable income for 2Q 2018 and 1H 2018 was paid out based on the enlarged Unit base of 1,269,858,052 Units, which resulted from the preferential offering of which 227,935,981 Units were issued on 20 June 2018 (the "**Preferential Offering**"). As such, there was a drag on 2Q 2018 and 1H 2018 DPU due to issuance of the Preferential Offering Units to partially fund Penn and Phipps acquisitions while income contribution from Penn and Phipps properties was only from 22 June 2018 to 30 June 2018.
- (5) Adjusted DPU was calculated based on the weighted average number of Units in issue.
- (6) Adjusted DPU normalises the impact of enlarged Unit base resulting from the Preferential Offering Units on 2Q 2018 and 1H 2018 DPU.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

- (7) Manulife US REIT announced the Advanced Distribution on 29 April 2019 for the distribution period from 1 January 2019 to 8 May 2019. The next distribution following the Advanced Distribution will comprise distributable income for the period from 9 May 2019 to 30 June 2019. Calendar year semi-annual distributions will resume thereafter.
- (8) DPU was calculated based on 1,280,114,375 Units (excluding Private Placement new Units).
- (9) DPU was calculated based on 1,397,573,469 Units (including Private Placement new Units).

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

1 (a)(i) Consolidated Statement of Comprehensive Income and Distribution Statement

	Note	2Q 2019 US\$'000	2Q 2018 US\$'000	Change %	1H 2019 US\$'000	1H 2018 US\$'000	Change %
<u>Consolidated Statement of Comprehensive Income</u>							
Gross revenue		43,314	32,521	33.2	83,339	63,674	30.9
Property operating expenses		(16,056)	(12,144)	32.2	(30,997)	(23,647)	31.1
Net property income		27,258	20,377	33.8	52,342	40,027	30.8
Interest income		129	18	>100	194	20	>100
Manager's base fee	a	(2,063)	(1,651)	25.0	(3,997)	(3,214)	24.4
Trustee's fee		(66)	(55)	20.0	(129)	(108)	19.4
Other trust expenses	b	(776)	(622)	24.8	(1,344)	(1,115)	20.5
Finance expenses	c	(6,223)	(3,766)	65.2	(12,054)	(7,496)	60.8
Net income before tax and fair value changes		18,259	14,301	27.7	35,012	28,114	24.5
Fair value change in derivative	d	(924)	-	N.M.	(924)	-	N.M.
Net fair value change in investment properties	e	(14,483)	10,783	N.M.	(14,891)	9,837	N.M.
Net income for the period before tax		2,852	25,084	(88.6)	19,197	37,951	(49.4)
Tax income/(expense)	f	68	(6,077)	N.M.	(2,553)	(7,410)	(65.5)
Net income for the period		2,920	19,007	(84.6)	16,644	30,541	(45.5)
<u>Distribution Statement</u>							
Net income for the period		2,920	19,007	(84.6)	16,644	30,541	(45.5)
Distribution adjustments	g	17,704	(2,502)	N.M.	23,323	1,597	>100
Income available for distribution to Unitholders		20,624	16,505	25.0	39,967	32,138	24.4

N.M.: Not meaningful

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

Notes to Consolidated Statement of Comprehensive Income and Distribution Statement

a. Manager's base fee

The Manager's base fee is based on 10% of distributable income. The Manager has elected to receive 100% of its base fee in the form of units for 2Q 2019.

b. Other trust expenses

Other trust expenses consist of audit, tax compliance and other expenses. The other trust expenses have increased compared to last year due to additional audit and tax compliance costs resulting from acquisitions.

c. Finance expenses

Finance expenses comprise of the following:

	2Q 2019 US\$'000	2Q 2018 US\$'000	Change %	1H 2019 US\$'000	1H 2018 US\$'000	Change %
Interest expense on loans and borrowings	5,882	3,522	67.0	11,386	6,796	67.5
Amortisation of upfront debt-related transaction costs ⁽¹⁾	327	240	36.3	637	461	38.2
Dividends on preferred units	4	4	-	8	8	-
Redemption of preferred units ⁽²⁾	-	-	-	-	218	(100.0)
Commitment fees	10	-	N.M.	23	13	76.9
Finance expenses	6,223	3,766	65.2	12,054	7,496	60.8

N.M.: Not meaningful

Footnotes:

(1) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.

(2) The preferred units issued by each of Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL LLC, Hancock S-REIT SECA LLC and Hancock S-REIT JCITY LLC were redeemed on 1 January 2018 as part of restructuring required to address the effect of new U.S. Tax Act rules.

d. Fair value change in derivative

The Group has drawn a five-year term loan of \$33.0 million under the Trust-level Credit Facilities to partially finance Centerpointe acquisition. This term loan was on a floating interest rate basis. As such, the Group entered into an interest rate swap derivative to fix the interest rate at 3.77% p.a. over the loan tenor. For accounting purposes, the derivative is carried at fair value on the balance sheet with changes in fair value recognised in profit or loss. No hedge accounting has been elected on the derivative. The fair value change in derivative will not be taxable or tax-deductible and has no impact on the distributable income to the Unitholders.

e. Net fair value change in investment properties

Manulife US REIT obtains independent appraisals on a semi-annual basis and recognises change in fair value gains or losses in profit or loss. The investment properties are carried at fair value based on 30 June 2019 appraisals. The net fair value change in investment properties is determined based on difference between the appraised fair value and carrying value as at 30 June 2019. The carrying value is comprised of fair value based on 31 December 2018 appraisals plus capital expenditures, leasing costs (including tenant improvement allowances), acquisition costs and straight line rent accounting adjustments incurred in 1H 2019.

The net fair value loss in 2Q 2019 was largely due to the capital expenditures and leasing costs increasing more than the increase in appraised fair values. The fair value change in investment properties has no impact on the distributable income to the Unitholders.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

f. Tax income/(expense)

Tax expense consists of current tax and deferred tax expenses. Current tax expense comprises mainly of withholding tax and income tax paid or payable.

Deferred tax is recognised in respect of temporary differences between the carrying amounts used, mainly derived for financial reporting purposes, and the amounts used for taxation purposes. Tax income in 2Q 2019 is mainly due to deferred tax income arising from net fair value loss in investment properties.

g. Distribution adjustments

	2Q 2019 US\$'000	2Q 2018 US\$'000	Change %	1H 2019 US\$'000	1H 2018 US\$'000	Change %
Property related non-cash items ⁽¹⁾	(975)	(794)	22.8	(1,383)	(1,740)	(20.5)
Amortisation of upfront debt-related transaction costs ⁽²⁾	327	240	36.3	637	461	38.2
Manager's base fee paid/payable in Units	2,063	1,651	25.0	3,997	3,214	24.4
Property Manager's management fee paid/payable in Units	1,017	798	27.4	1,985	1,556	27.6
Trustee's fee	66	55	20.0	129	108	19.4
Fair value change in derivative	924	-	N.M.	924	-	N.M.
Net fair value change in investment properties	14,483	(10,783)	N.M.	14,891	(9,837)	N.M.
Deferred tax (income)/expense	(401)	5,808	N.M.	1,935	6,822	(71.6)
Redemption of preferred units	-	-	-	-	218	(100.0)
Other items ⁽³⁾	200	523	(61.8)	208	795	(73.8)
Distribution adjustments	17,704	(2,502)	N.M.	23,323	1,597	>100

N.M.: Not meaningful

Footnotes:

- (1) This includes straight line rent adjustments and amortisation of tenant improvement allowances, leasing commissions and free rent incentives.
- (2) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
- (3) This includes non-tax deductible items and other adjustments including rent free reimbursements. The rent free reimbursements were in relation to the vendor of Exchange and Centerpointe that had granted rent free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisitions, the vendors reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent free reimbursements are applied towards the distributable income.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

1 (b)(i) Consolidated Statements of Financial Position

	Note	Group		Trust	
		As at 30 Jun 2019 US\$'000	As at 31 Dec 2018 US\$'000	As at 30 Jun 2019 US\$'000	As at 31 Dec 2018 US\$'000
Current assets					
Cash and cash equivalents		63,041	54,093	6,117	4,224
Prepaid expenses		590	998	-	8
Trade and other receivables		7,116	9,074	24,967	25,105
		70,747	64,165	31,084	29,337
Non-current assets					
Investment properties	a	1,875,470	1,738,700	-	-
Investment in subsidiaries		-	-	1,030,320	921,048
Other asset	b	4,501	-	-	-
		1,879,971	1,738,700	1,030,320	921,048
Total assets		1,950,718	1,802,865	1,061,404	950,385
Current liabilities					
Trade and other payables	c	57,447	16,826	28,781	802
Loans and borrowings	d	115,292	109,889	-	-
Security deposits		242	489	-	-
Rent received in advance		4,423	1,662	-	-
		177,404	128,866	28,781	802
Non-current liabilities					
Loans and borrowings		604,310	557,311	32,506	-
Derivative financial liability	e	924	-	924	-
Security deposits		2,266	1,619	-	-
Preferred units		102	102	-	-
Deferred tax liabilities		52,839	50,904	-	-
		660,441	609,936	33,430	-
Total liabilities		837,845	738,802	62,211	802
Net assets attributable to Unitholders		1,112,873	1,064,063	999,193	949,583
Represented by:					
Unitholders' funds		1,112,873	1,064,063	999,193	949,583
Net assets attributable to Unitholders		1,112,873	1,064,063	999,193	949,583

Notes to Consolidated Statements of Financial Position

a. Investment properties

Investment properties are stated at fair value based on 30 June 2019 appraisals. Colliers International Valuation & Advisory Services, LLC was the appraiser for all properties (including Centerpointe which was acquired on 10 May 2019, U.S. Time) except for Exchange, which was appraised by Newmark Knight Frank Valuation & Advisory, LLC.

As at 31 December 2018, appraisals for all properties were conducted by Colliers International Valuation & Advisory Services, LLC.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

	Group	
	As at 30 Jun 2019	As at 31 Dec 2018
<u>Investment properties</u>	US\$'000	US\$'000
Figueroa	329,870	329,300
Michelson	345,000	345,000
Peachtree	205,900	203,700
Plaza	119,800	119,800
Exchange	344,700	340,700
Penn	189,000	189,000
Phipps	218,400	211,200
Centerpointe	122,800	-
	1,875,470	1,738,700

b. Other asset

This relates to the funds held in escrow specifically to reimburse a certain tenant in Centerpointe for tenant improvement costs incurred by the tenant in accordance with the lease agreement.

c. Trade and other payables

This includes distribution payable as at 30 June 2019 for Advanced Distribution announced on 29 April 2019.

d. Loans and borrowings

As at 30 June 2019, the Group was in a net current liabilities position due to the mortgage loan facility related to Figueroa property which matured in July 2019. On 12 July 2019, the Group refinanced the Figueroa mortgage loan with a term loan drawn under the Trust-level Credit Facilities.

e. Derivative financial liability

This relates to the fair value of interest rate swap entered into by the Group for hedging purposes.

1 (b)(ii) Aggregate amount of loans and borrowings, and debt securities for Manulife US REIT Group

As at 30 June 2019, the Group had gross borrowings of US\$723.1 million comprising of (i) non-current term loans of US\$607.8 million drawn from mortgage facilities and Trust-level Credit Facilities, and (ii) a current mortgage facilities of US\$115.3 million on Figueroa property which matured in July 2019. On 12 July 2019, the Group refinanced the Figueroa mortgage facilities of US\$115.3 million by drawing on the Trust-level Credit Facilities (US\$110.0 million on term loan plus US\$5.3 million revolving credit facility) on a floating rate basis. The Group entered into plain vanilla interest rate swaps to fix the interest rate on the US\$110.0 million term loan drawn from the Trust-level Credit Facilities at 3.25%.

As at 30 June 2019, the average interest rate on borrowings was 3.32% and aggregate leverage (as defined in the Property Funds Appendix) was 37.1%. 96.1% of the gross borrowings had fixed interest rates, which reduces short-term cash flow volatility from floating interest rate movements.

After refinancing the Figueroa mortgage, 24.1% of the Group's properties are unencumbered, providing additional financial flexibility to Manulife US REIT. In addition, after the Figueroa mortgage refinancing, the Group has unutilised committed facilities of US\$107.6 million. The Group also has access to an uncommitted facility of US\$200.0 million to provide bridge financing for acquisitions.

Furthermore, the weighted average debt maturity has increased from 2.3 years, as at 30 June 2019, to 3.1 years after the Figueroa mortgage refinancing.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

	Group	
	As at 30 Jun 2019 US\$'000	As at 31 Dec 2018 US\$'000
<u>Secured loans and borrowings</u>		
Amount repayable in one year or less ⁽¹⁾	115,300	110,000
Less: Unamortised upfront debt-related transaction costs ⁽²⁾	(8)	(111)
	115,292	109,889
Amount repayable after one year ⁽³⁾	607,769	560,800
Less: Unamortised upfront debt-related transaction costs ⁽²⁾	(3,459)	(3,489)
	604,310	557,311
Total secured loans and borrowings	719,602	667,200

Footnotes:

- (1) US\$115.3 million comprises of initial loan of US\$108.0 million and US\$7.3 million of good news facilities drawn to fund capital expenditure and leasing costs. This mortgage loan facility is related to the Figueroa property and has been refinanced on 12 July 2019.
- (2) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
- (3) Includes US\$586.6 million (2018: US\$553.6 million) of fixed rate borrowings to fund acquisitions and US\$21.2 million (2018: US\$7.2 million) of floating rate good news facilities drawn to fund capital expenditure and leasing costs.

Details of loans and borrowings, and collaterals

1. Property Financing

As of 30 June 2019, Manulife US REIT has loan facilities of US\$747.4 million consisting of US\$661.6 million of fixed rate borrowings drawn to fund properties acquired, as well as good news facilities of up to US\$85.8 million ("**Mortgage Facilities**") available to fund future capital expenditures and leasing costs on a floating rate basis. Of the Mortgage Facilities of US\$747.4 million, the total amount drawn as at 30 June 2019 was US\$690.1 million.

The Mortgage Facilities are secured by, amongst other collateral: (i) a first mortgage on each of Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn and Phipps respectively (each, the "**Property**"); (ii) an assignment of each of the U.S. Subs' rights, title and interest in present and future leases, subleases, licenses and all other agreements relating to the management, leasing and operation of the respective Property; and (iii) an assignment of each of the U.S. Subs' rights to all goods, building and other materials, supplies, inventory, equipment, machinery, fixtures, furniture and other personal property, together with all payments and other rents and security deposits in respect of the relevant Properties.

The Mortgage Facilities related to the Figueroa property were refinanced on 12 July 2019 with credit facilities obtained by Manulife US REIT under the Trust-level Credit Facilities (please see below) and the corresponding collateral in respect of Figueroa property has been released. After refinancing the Mortgage Facilities related to the Figueroa property, the Mortgage Facilities decreased to US\$629.4 million comprising of drawn amount of US\$574.8 million and unutilised amount of US\$54.6 million.

2. Trust-level Credit Facilities

On 2 May 2019, the Trustee entered into a loan agreement with Bank of China Limited, Singapore Branch, BNS Asia Limited, DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and Standard Chartered Bank, Singapore Branch as lenders for an aggregate principal amount of up to US\$193.0 million consisting of:

- (i) a term loan facility of US\$110.0 million for the purpose of refinancing the Mortgage Facility related to Figueroa property. There are no amounts drawn under this facility as at 30 June 2019. This US\$110.0 million term loan facility has since been fully drawn on 10 July 2019 on floating rate basis. The Group entered into interest rate swaps to hedge the floating rate to fixed rate at 3.25%;

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

- (ii) a term loan facility of US\$33.0 million which has been fully drawn on 9 May 2019 on floating rate basis for the purpose of refinancing the loans utilised to part finance Centerpointe acquisition. The Group entered into interest rate swap to hedge the floating rate to a fixed rate at 3.77%; and
- (iii) a revolving loan facility of US\$50.0 million for general corporate and working capital purposes of Manulife US REIT and its subsidiaries of which there are no amounts outstanding as at 30 June 2019.

(collectively, the “**Trust-level Credit Facilities**”).

The Trust-level Credit Facilities mature on 9 May 2024. After refinancing the Figueroa mortgage facilities, the Trust-level Credit Facilities would be drawn by US\$150.0 million and have unutilised facility of US\$43.0 million available.

The Trust-level Credit Facilities are secured by, among others, share charges over the Singapore subsidiaries of Manulife US REIT, assignments of certain bank accounts, and assignments of (i) certain inter-company loans within the Group, and (ii) certain share pledges over shares in the relevant US Sub which holds Figueroa property (upon refinancing of the Mortgage Facility related to Figueroa property on 12 July 2019) and Centerpointe property.

Manulife US REIT also has a committed US\$10.0 million revolving credit facility with DBS Bank Ltd. (“**US\$10.0 million Revolving Credit Facility**”) and a separate 1-year uncommitted US\$200.0 million revolving credit facility with DBS Bank Ltd. (“**US\$200.0 million Revolving Credit Facility**”, together with the US\$10.0 million Revolving Credit Facility, the “**DBS Revolving Credit Facilities**”).

There are no amounts outstanding on the DBS Revolving Credit Facilities as at 30 June 2019.

The DBS Revolving Credit Facilities are secured by (i) share charges over certain of Manulife US REIT’s wholly owned subsidiaries, (ii) an assignment of all inter-company loans from the Trustee to any other subsidiaries of Manulife US REIT; (iii) an assignment of certain bank accounts by the Trustee; and/or (iv) an assignment of certain inter-company loans within the Group.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

1 (c) Consolidated Statement of Cash Flows

	Note	Group			
		2Q 2019 US\$'000	2Q 2018 US\$'000	1H 2019 US\$'000	1H 2018 US\$'000
Cash flows from operating activities					
Net income for the period before tax		2,852	25,084	19,197	37,951
Adjustments for:					
Amortisation		(975)	(794)	(1,383)	(1,740)
Interest income		(129)	(18)	(194)	(20)
Finance expenses		6,223	3,766	12,054	7,496
Manager's base fee paid/payable in Units		2,063	1,651	3,997	3,214
Property Manager's management fee paid/payable in Units		1,017	798	1,985	1,556
Fair value change in derivatives		924	-	924	-
Net fair value change in investment properties		14,483	(10,783)	14,891	(9,837)
Unrealised transaction losses/(gains) effect of foreign exchange		10	50	(1)	11
Operating income before working capital changes		26,468	19,754	51,470	38,631
Changes in working capital:					
Trade and other receivables		1,000	(1,644)	1,958	739
Prepaid expenses		142	842	408	399
Other asset		(4,501)	-	(4,501)	-
Trade and other payables		3,927	651	9,283	(1,732)
Security deposits		133	139	197	127
Rent received in advance		835	(808)	2,761	(322)
Cash from operating activities		28,004	18,934	61,576	37,842
Tax paid		(741)	(10)	(744)	(173)
Interest paid		(5,807)	(3,361)	(11,246)	(6,673)
Net cash from operating activities		21,456	15,563	49,586	30,996
Cash flows from investing activities					
Acquisition of investment properties and related assets and liabilities		(119,804)	(391,801)	(119,804)	(391,801)
Payment for capital expenditure and other costs related to investment properties	a	(12,070)	(2,039)	(26,374)	(4,619)
Interest received		129	18	194	20
Net cash used in investing activities		(131,745)	(393,822)	(145,984)	(396,400)
Cash flows from financing activities					
Redemption of preferred units	b	-	-	-	(687)
Proceeds from issuance of Units	c	94,000	197,165	94,000	197,165
Payment of transaction costs relating to issuance of Units	c	(1,621)	(4,566)	(1,621)	(4,566)
Proceeds from loans and borrowings	d	49,297	200,500	52,269	200,500
Payment of transaction costs relating to loans and borrowings		(504)	(1,195)	(504)	(1,195)
Distributions to Unitholders		-	-	(38,800)	(26,567)
Net cash from financing activities		141,172	391,904	105,344	364,650
Net increase/(decrease) in cash and cash equivalents		30,883	13,645	8,946	(754)
Cash and cash equivalents at beginning of the period		32,161	35,289	54,093	49,674
Effect of exchange rate fluctuations on cash held in foreign currency		(3)	(16)	2	(2)
Cash and cash equivalents at the end of the period		63,041	48,918	63,041	48,918

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

Notes to Consolidated Statement of Cash Flows

- a. This includes capital expenditures (renovations or improvements) and leasing costs (including tenant improvement allowances) largely from Figueroa, Michelson, Peachtree and Exchange.
- b. The preferred units issued by each of Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL LLC, Hancock S-REIT SECA LLC and Hancock S-REIT JCITY LLC were redeemed on 1 January 2018 as part of the restructuring required to address the effect of new U.S. Tax Act rules.
- c. On 9 May 2019, an aggregate of 114,078,000 new Units were issued at US\$0.824 per Unit and amounted to US\$94.0 million from the Private Placement. The use of proceeds raised from the Private Placement is in accordance with the stated uses as disclosed in the announcement made on 29 April 2019, and is set out below:

	Intended use of proceeds US\$ million	Actual use of proceeds US\$ million	Balance of proceeds US\$ million
To partially fund the acquisition of Centerpointe	89.0	89.4	(0.4)
To pay the estimated fees and expenses in connection with the acquisition of Centerpointe and the Private Placement	5.0	4.6	0.4
Total	94.0	94.0	-

Please refer to the announcement made on 13 May 2019 on completion of acquisition of Centerpointe and Private Placement use of proceeds.

- d. 1H 2019 proceeds from loans and borrowing of US\$52.3 million comprise US\$33.0 million from loan drawn under the Trust-level Credit Facilities used to partially fund the acquisition of Centerpointe and US\$19.3 million drawn from good news facilities to fund capital expenditure and leasing costs. 1H 2018 proceeds from Mortgage Facilities were used to partially fund the acquisitions of Penn and Phipps.

1 (d)(i) Consolidated Statements of Changes in Unitholders' Funds

Group	2Q 2019			2Q 2018		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
At beginning of the period Operations	928,963	112,926	1,041,889	754,714	84,680	839,394
Net income for the period	-	2,920	2,920	-	19,007	19,007
Net increase in net assets resulting from operations	-	2,920	2,920	-	19,007	19,007
Unitholders' transactions						
New Units issued ⁽¹⁾	94,000	-	94,000	197,165	-	197,165
Issuance costs ⁽²⁾	(1,621)	-	(1,621)	(4,566)	-	(4,566)
Manager's acquisition fee paid in Units ⁽³⁾	-	-	-	2,903	-	2,903
Manager's base fee paid/payable in Units	2,063	-	2,063	1,651	-	1,651
Property Manager's management fees paid/payable in Units	1,017	-	1,017	798	-	798
Distributions ⁽⁴⁾	(11,905)	(15,490)	(27,395)	-	-	-
Net increase/(decrease) in net assets resulting from Unitholders' transactions	83,554	(15,490)	68,064	197,951	-	197,951
At end of the period	1,012,517	100,356	1,112,873	952,665	103,687	1,056,352

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

1 (d)(i) Consolidated Statements of Changes in Unitholders' Funds

Trust	2Q 2019			2Q 2018		
	Units in issue and to be issued	Retained earnings/ (Accumulated losses)	Total	Units in issue and to be issued	Retained earnings/ (Accumulated losses)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of the period Operations	928,963	(17,624)	911,339	754,714	(9,562)	745,152
Net income for the period	-	19,790	19,790	-	14,186	14,186
Net increase in net assets resulting from operations	-	19,790	19,790	-	14,186	14,186
Unitholders' transactions						
New Units issued ⁽¹⁾	94,000	-	94,000	197,165	-	197,165
Issuance costs ⁽²⁾	(1,621)	-	(1,621)	(4,566)	-	(4,566)
Manager's acquisition fee paid in Units ⁽³⁾	-	-	-	2,903	-	2,903
Manager's base fee paid/payable in Units	2,063	-	2,063	1,651	-	1,651
Property Manager's management fees paid/payable in Units	1,017	-	1,017	798	-	798
Distributions ⁽⁴⁾	(11,905)	(15,490)	(27,395)	-	-	-
Net increase/(decrease) in net assets resulting from Unitholders' transactions	83,554	(15,490)	68,064	197,951	-	197,951
At end of the period	1,012,517	(13,324)	999,193	952,665	4,624	957,289

Footnotes:

- (1) In 2Q 2019, 114,078,000 Units were issued on 9 May 2019 from the Private Placement. In 2Q 2018, 227,935,981 Units were issued on 20 June 2018 from the Preferential Offering.
- (2) The issuance costs were for the underwriting fees and professional fees incurred as a result of the Private Placement and the Preferential Offering exercises which were completed on 9 May 2019 and 20 June 2018 respectively.
- (3) Manulife US REIT issued 3,341,968 new Units as full payment of acquisition fee to the Manager in respect of the acquisitions of Penn and Phipps from John Hancock Life Insurance Company (U.S.A.) ("**JHUSA**"), an indirect, wholly-owned subsidiary of The Manufacturers Life Insurance Company ("**Sponsor**"). The acquisition fee is based on 0.75% of the acquisition price of Penn and Phipps as the acquisitions constituted as an interested person transaction.
- (4) For 2Q 2019, the amount comprises of Advanced Distribution payable to Unitholders for the period 1 January 2019 to 8 May 2019.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

1 (d)(i) Consolidated Statements of Changes in Unitholders' Funds

Group	1H 2019			1H 2018		
	Units in issue and to be issued	Retained earnings	Total	Units in issue and to be issued	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of the period Operations	942,270	121,793	1,064,063	765,004	87,102	852,106
Net income for the period	-	16,644	16,644	-	30,541	30,541
Net increase in net assets resulting from operations	-	16,644	16,644	-	30,541	30,541
Unitholders' transactions						
New Units issued ⁽¹⁾	94,000	-	94,000	197,165	-	197,165
Issuance costs ⁽²⁾	(1,621)	-	(1,621)	(4,566)	-	(4,566)
Manager's acquisition fee paid in Units ⁽³⁾	-	-	-	2,903	-	2,903
Manager's base fee paid/payable in Units	3,997	-	3,997	3,214	-	3,214
Property Manager's management fees paid/payable in Units	1,985	-	1,985	1,556	-	1,556
Distributions ⁽⁴⁾	(28,114)	(38,081)	(66,195)	(12,611)	(13,956)	(26,567)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	70,247	(38,081)	32,166	187,661	(13,956)	173,705
At end of the period	1,012,517	100,356	1,112,873	952,665	103,687	1,056,352

Trust	1H 2019			1H 2018		
	Units in issue and to be issued	Retained earnings/ (Accumulated losses)	Total	Units in issue and to be issued	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of the period Operations	942,270	7,313	949,583	765,004	6,299	771,303
Net income for the period	-	17,444	17,444	-	12,281	12,281
Net increase in net assets resulting from operations	-	17,444	17,444	-	12,281	12,281
Unitholders' transactions						
New Units issued ⁽¹⁾	94,000	-	94,000	197,165	-	197,165
Issuance costs ⁽²⁾	(1,621)	-	(1,621)	(4,566)	-	(4,566)
Manager's acquisition fee paid in Units ⁽³⁾	-	-	-	2,903	-	2,903
Manager's base fee paid/payable in Units	3,997	-	3,997	3,214	-	3,214
Property Manager's management fees paid/payable in Units	1,985	-	1,985	1,556	-	1,556
Distributions ⁽⁴⁾	(28,114)	(38,081)	(66,195)	(12,611)	(13,956)	(26,567)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	70,247	(38,081)	32,166	187,661	(13,956)	173,705
At end of the period	1,012,517	(13,324)	999,193	952,665	4,624	957,289

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

Footnotes:

- (1) In 1H 2019, 114,078,000 Units were issued on 9 May 2019 from the Private Placement. In 1H 2018, 227,935,981 Units were issued on 20 June 2018 from the Preferential Offering.
- (2) The issuance costs were for the underwriting fees and professional fees incurred as a result of the Private Placement and the Preferential Offering exercises which were completed on 9 May 2019 and 20 June 2018 respectively.
- (3) Manulife US REIT issued 3,341,968 new Units as full payment of acquisition fee to the Manager in respect of the acquisitions of Penn and Phipps from JHUSA. The acquisition fee is based on 0.75% of the acquisition price of Penn and Phipps as the acquisitions constituted as an interested person transaction.
- (4) For 1H 2019, the amount comprises of Advanced Distribution payable to Unitholders for the period 1 January 2019 to 8 May 2019 and distribution paid to Unitholders for the period 1 July 2018 to 31 December 2018. For 1H 2018, the amount comprises of distribution paid to Unitholders for the period 29 June 2017 to 31 December 2017.

1 (d)(ii) Details of any changes in the Units

	2Q 2019 Units	2Q 2018 Units	1H 2019 Units	1H 2018 Units
Units in issue:				
At beginning of the period	1,280,114,375	1,036,072,644	1,276,324,424	1,033,722,152
Manager's base fee paid in Units	2,253,311	1,689,003	4,857,070	3,274,037
Property Manager's management fees paid in Units	1,127,783	818,456	2,313,975	1,583,914
Manager's acquisition fee paid in Units ⁽¹⁾	-	3,341,968	-	3,341,968
Private Placement and Preferential Offering Units ⁽²⁾	114,078,000	227,935,981	114,078,000	227,935,981
Total issued Units as at end of the period	1,397,573,469	1,269,858,052	1,397,573,469	1,269,858,052
Units to be issued:				
Manager's base fee payable in Units ⁽³⁾	2,377,398	1,908,367	2,377,398	1,908,367
Property Manager's management fees payable in Units ⁽³⁾	1,171,891	922,851	1,171,891	922,851
Total issuable Units as at end of the period	3,549,289	2,831,218	3,549,289	2,831,218
Total Units issued and to be issued as at end of the period	1,401,122,758	1,272,689,270	1,401,122,758	1,272,689,270

Footnotes:

- (1) New Units issued to the Manager as payment for acquisition fee in respect of the acquisitions of Penn and Phipps.
- (2) Relates to the Private Placement and the Preferential Offering Units issued on 9 May 2019 and 20 June 2018 respectively.
- (3) There are 3,549,289 Units to be issued in satisfaction of the Manager's management fee and Property Manager's management fee for the 2Q 2019 based on the volume weighted average price for the last 10 Business Days immediately preceding 30 June 2019 of US\$0.8674. Actual Units from payment of property management fees may be different as it will be based on the higher of (i) volume weighted average price for last 10 Business Days immediately preceding 30 June 2019 or (ii) the closing price on the day of issuance of Units in payment of property management fees.

1 (d)(iii) To show the total number of issued units excluding treasury units at the end of the current financial period, and as at the end of the immediately preceding year

Manulife US REIT did not hold any treasury units as at 30 June 2019 and 31 December 2018. The total number of issued Units in Manulife US REIT as at 30 June 2019 and 31 December 2018 were 1,397,573,469 and 1,276,324,424, respectively.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

- 1 (d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury units as at the end of the current financial period reported on**

Not applicable.

- 1 (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which standard (e.g. the Singapore Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, or an equivalent standard)**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied**

The Group has applied the same accounting policies and methods of computation consistent with those used in the audited financial statements for the financial year ended 31 December 2018 in the preparation of the consolidated financial statements for the current reporting period except for the adoption of revised International Financial Reporting Standards (“IFRS”) (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 2019.

The Group uses derivative financial instruments such as interest rate swaps to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, which is in line with the Code on Collective Investment Schemes (“CIS”) issued by the Monetary Authority of Singapore (“MAS”), the Group does not hold or issue derivative financial instruments for trading purposes. The Group does not elect hedge accounting for its derivative financial instruments.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group adopted the revised IFRS and interpretations that are effective for application from 1 January 2019. The adoption of these revised IFRS and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

6. Earnings per Unit (“EPU”) and Distribution per Unit (“DPU”)

	2Q 2019	2Q 2018	1H 2019	1H 2018
EPU⁽¹⁾				
Weighted average number of Units in issue and issuable	1,347,783,367	1,076,054,490	1,312,942,282	1,060,002,918
Basic and diluted EPU (cents) ⁽²⁾	0.22	1.77	1.27	2.88
DPU⁽³⁾				
Number of Units in issue at end of the period	1,397,573,469	1,269,858,052	1,397,573,469	1,269,858,052
DPU (cents)	1.53 ⁽⁴⁾	1.30	3.04 ⁽⁴⁾	2.53

Footnotes:

- (1) The computation of basic EPU is based on the weighted number of Units for the respective reporting periods. This comprises of:
 - (i) the weighted average number of Units in issue for the respective reporting periods; and
 - (ii) the estimated weighted average number of Units issuable as payment of Manager’s base fees and Property manager’s management fees for the respective reporting periods.
- (2) The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue at the end of the respective reporting periods.
- (3) The computation of DPU is based on number of Units in issue as at end of the respective reporting periods.
- (4) 2Q 2019 DPU is comprised of distributable income for the period from 1 April 2019 to 8 May 2019 over 1,280,114,375 Units related to Advanced Distribution, and distributable income for the period from 9 May 2019 to 30 June 2019 over 1,397,573,469 Units. 1H 2019 DPU is comprised of Advanced Distribution for the period 1 January 2019 to 8 May 2019 over 1,280,114,375 Units, and distributable income for the period from 9 May 2019 to 30 June 2019 over 1,397,573,469 Units.

7. Net Asset Value (“NAV”) per Unit and Net Tangible Asset (“NTA”) per Unit

	Group		Trust	
	As at 30 Jun 2019	As at 31 Dec 2018	As at 30 Jun 2019	As at 31 Dec 2018
Number of Units in issue and to be issued at end of period	1,401,122,758	1,280,244,947	1,401,122,758	1,280,244,947
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.79	0.83	0.71	0.74
Adjusted NAV and NTA per Unit (excluding Distributable Income) (US\$)	0.79	0.80	0.70	0.71

Footnote:

- (1) NAV and NTA is the same as there is no intangible asset as at 30 June 2019 and 31 December 2018.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

8. Review of the Performance

Consolidated Statement of Comprehensive Income and Distribution Statement

	2Q 2019	2Q 2018	Change	1H 2019	1H 2018	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<u>Consolidated Statement of Comprehensive Income</u>						
Gross revenue	43,314	32,521	33.2	83,339	63,674	30.9
Property operating expenses	(16,056)	(12,144)	32.2	(30,997)	(23,647)	31.1
Net property income	27,258	20,377	33.8	52,342	40,027	30.8
Interest income	129	18	>100	194	20	>100
Manager's base fee	(2,063)	(1,651)	25.0	(3,997)	(3,214)	24.4
Trustee's fee	(66)	(55)	20.0	(129)	(108)	19.4
Other trust expenses	(776)	(622)	24.8	(1,344)	(1,115)	20.5
Finance expenses	(6,223)	(3,766)	65.2	(12,054)	(7,496)	60.8
Net income before tax and fair value changes	18,259	14,301	27.7	35,012	28,114	24.5
Fair value change in derivative	(924)	-	N.M.	(924)	-	N.M.
Net fair value change in investment properties	(14,483)	10,783	N.M.	(14,891)	9,837	N.M.
Net income for the period before tax	2,852	25,084	(88.6)	19,197	37,951	(49.4)
Tax income/(expense)	68	(6,077)	N.M.	(2,553)	(7,410)	(65.5)
Net income for the period	2,920	19,007	(84.6)	16,644	30,541	(45.5)
<u>Distribution Statement</u>						
Net income for the period	2,920	19,007	(84.6)	16,644	30,541	(45.5)
Distribution adjustments	17,704	(2,502)	N.M.	23,323	1,597	>100
Income available for distribution to Unitholders	20,624	16,505	25.0	39,967	32,138	24.4

N.M.: Not meaningful

Review of Performance for 2Q 2019 vs 2Q 2018

Gross revenue of US\$43.3 million for 2Q 2019 was 33.2% higher than 2Q 2018 largely due to the contributions from the newly acquired Centerpointe, and Penn and Phipps properties acquired on 22 June 2018. Property operating expenses of US\$ 16.1 million for 2Q 2019 was also 32.2% higher than 2Q 2018 due to the enlarged portfolio. As a result, the net property income of US\$27.3 million for 2Q 2019 was 33.8% higher than 2Q 2018.

Finance expenses of US\$6.2 million for 2Q 2019 were 65.2% or US\$2.5 million higher than 2Q 2018 largely due to additional borrowings incurred to partially finance the acquisitions of Centerpointe, Penn and Phipps properties. Other trust expenses of US\$0.8 million was also 24.8% or US\$0.2 million higher than 2Q 2018 due to additional audit and tax compliance costs incurred related to acquisitions.

Unrealised fair value loss on derivatives of US\$0.9 million was recognised in 2Q 2019 due to change in fair value resulting from movements in market interest rates.

Unrealised fair value loss on investment properties of US\$14.5 million was recognised in 2Q 2019 compared to unrealised fair value gain on investment properties of US\$10.8 million in 2Q 2018. The

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

unrealised fair value loss on investment properties was largely due to the capital expenditures and leasing costs increasing more than the increase in appraised fair values.

A tax income of US\$0.1 million was recognised in 2Q 2019 compared to tax expense of US\$6.1 million. The tax income recognised in 2Q 2019 was due to the reversal of deferred tax expenses resulting from the recognition of unrealised fair value loss on investment properties, partly offset by higher deferred tax expense from tax depreciation of investment properties and higher current taxes on Barbados entities resulting from the increase in corporate tax rates in Barbados effective 1 January 2019 (as disclosed in the announcement made on 27 December 2018).

Therefore, 2Q 2019 net income of US\$2.9 million was lower than 2Q 2018 due to the effects of the above. The income available for distribution to unitholders of US\$20.6 million was 25.0% higher than 2Q 2018 largely due to higher net property income, partly offset by higher finance expenses and other trust expenses.

Review of Performance for 1H 2019 vs 1H 2018

Gross revenue of US\$83.3 million for 1H 2019 was 30.9% higher than 1H 2018 largely due to the contributions from the newly acquired Centerpointe, and Penn and Phipps properties acquired on 22 June 2018. Property operating expenses of US\$ 31.0 million for 1H 2019 was also 31.1% higher than 1H 2018 due to the enlarged portfolio. As a result, the net property income of US\$52.3 million for 1H 2019 was 30.8% higher than 1H 2018.

Finance expenses of US\$12.1 million for 1H 2019 were 60.8% or US\$4.6 million higher than 1H 2018 largely due to additional borrowings incurred to partially finance the acquisitions of Centerpointe, Penn and Phipps properties. Other trust expenses of US\$1.3 million was also 20.5% or US\$0.2 million higher than 1H 2018 due to additional audit and tax compliance costs incurred related to acquisitions.

Unrealised fair value loss on derivatives of US\$0.9 million was recognised in 1H 2019 due to change in fair value resulting from movements in market interest rates.

Unrealised fair value loss on investment properties of US\$14.9 million was recognised in 1H 2019 compared to unrealised fair value gain on investment properties of US\$9.8 million in 1H 2018. The unrealised fair value loss on investment properties was largely due to the capital expenditures and leasing costs increasing more than the increase in appraised fair values.

A tax expense of US\$2.6 million was 65.5% lower than 1H 2018 due to the reversal of deferred tax expenses resulting from the recognition of unrealised fair value loss on investment properties, partly offset by higher deferred tax expense from tax depreciation of investment properties and higher current taxes on Barbados entities resulting from the increase in corporate tax rates in Barbados effective 1 January 2019 (as disclosed in the announcement made on 27 December 2018).

Therefore, 1H 2019 net income of US\$16.6 million was 45.5% lower than 1H 2018 due to the effects of the above. The income available for distribution to unitholders of US\$40.0 million was 24.4% higher than 1H 2018 largely due to higher net property income, partly offset by higher finance expenses and other trust expenses.

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

On 26 July 2019, the U.S. reported an annualised real GDP growth rate of 2.1% for the second quarter of 2019, beating consensus expectations of 2.0% but well below Q1's 3.1% growth rate. The growth rate was a result of strong consumer spending, offset by a decrease in business investment. The U.S. unemployment rate decreased 0.1% from the previous quarter to 3.7% in June 2019. The U.S. economy generated 224,000 non-farm jobs in June 2019, primarily in health care, professional services and

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

transportation and warehousing. During the second quarter of 2019, over 510,000 non-farm jobs were created.

Following robust growth in the first quarter, U.S. economic growth is set to stabilise near the average growth rate of just over 2% going forward. Job availability, record low unemployment and the resulting wage growth is supportive of stronger consumer spending that remains the key economic driver in U.S. The macro-environment is cautious, largely driven by geopolitical volatility and prolonged trade negotiations. The economy remains supported by low unemployment and rising incomes, but slowing global growth, a strong dollar and trade uncertainties are weighing on the outlook for the remainder of the year. The U.S. Federal Reserve has eased monetary policy by a rate cut of 25 basis points on 30 July 2019. This is the first rate cut in more than a decade, following four rate hikes in 2018. Guidance is also provided for further potential rate cuts subject to economic data and trade policy developments. The looser monetary policy and lower interest rate environment is expected to buffer the impact of the potential headwinds on the U.S. economy.

Office absorption during the second quarter of 2019 remained strong with JLL (JLL United States Office Outlook Q2 2019) reporting absorption of 12.6 million square feet in the period, despite skilled talent shortages and densification. The nation's vacancy rate decreased slightly to 14.5% at the quarter ended 30 June 2019. Leasing activity continues to be robust across the top three sectors of Coworking, Technology, and Finance and Insurance, with several large leases occurring in the quarter, including in secondary metros. Flight to quality remains as positive absorption for Class A space continues apace while Class B and C buildings absorption remains flat. Rents increased a healthy 3.6% over the last twelve months, however concession packages are showing no signs of deceleration due to competition between landlords.

With a committed occupancy of 97.2% and a weighted average lease expiry of 6.2 years by net lettable area as at 30 June 2019, the portfolio is well positioned. The Manager continues to be focused on asset, lease and capital management, in addition to its commitment to sustaining and enhancing environmental, social and governance (ESG) initiatives, and will be selectively seeking investment opportunities that deliver long term value to Unitholders.

Tax

On 20 December 2018, the United States Department of the Treasury released proposed regulations (the "**Proposed 267A Regulations**") under Section 267A of the United States Internal Revenue Code of 1986, as amended ("**Section 267A**"). Separately, with effect from 1 January 2019, all registered and incorporated entities in Barbados including domestic Societies will pay the same tax rates, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases (the "**Barbados Tax Changes**").

The Proposed 267A Regulations together with the Barbados Tax Changes are not expected to necessitate any further changes to Manulife US REIT's structure (including Barbados entities set-up on 1 January 2018) at this point in time in order to preserve the deductibility of interest paid on Manulife US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations together with the Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

Manulife US REIT cautions that the Proposed 267A Regulations are still in proposed form. Final regulations under Section 267A, expected to be effective for our 2018 taxable year, could differ materially from the Proposed 267A Regulations and could result in additional costs.

The United States Department of the Treasury has not provided a timeline on when it expects the final regulations to be released. The departure from the original timeline does not signal that there will be any meaningful changes from the Proposed 267A Regulations. Nevertheless, additional guidance or negative application of relevant tax laws related to Section 267A could have a material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

The Manager will update unitholders of Manulife US REIT once the final regulations under Section 267A are released and 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.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

11. Distribution

(a) Current financial period

Any distribution declared for the current period? Yes
 (i) US 2.14 cents per Unit for the period from 1 January 2019 to 8 May 2019

Distribution period	Advanced Distribution for the period from 1 January 2019 to 8 May 2019
Distribution type/rate	Distribution of US 2.14 cents per Unit comprising of two components: 1. Tax-exempt income: US 1.21 cents 2. Capital: US 0.93 cents
Tax rate	Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Manulife US REIT Units, the amount of capital distribution will be applied to reduce the cost base of their Manulife US REIT Units for Singapore income tax purpose.
Date payable	30 July 2019
Book closure date	8 May 2019

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

(a) Current financial period

Any distribution declared for the current period? Yes
(ii) US 0.90 cents per Unit for the period from 9 May 2019 to 30 June 2019

Distribution period	Distribution for the period from 9 May 2019 to 30 June 2019
Distribution type/rate	Distribution of US 0.90 cents per Unit comprising of two components: 1. Tax-exempt income: US 0.53 cents 2. Capital: US 0.37 cents
Tax rate	Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Manulife US REIT Units, the amount of capital distribution will be applied to reduce the cost base of their Manulife US REIT Units for Singapore income tax purpose.
Date payable	27 September 2019
Book closure date	21 August 2019

Unitholders who have not submitted the required U.S. tax forms completely and accurately will be subject to 30% withholding taxes on the distribution. The U.S. tax forms are required to be reviewed and validated by the appointed processing agent by Thursday, 5 September 2019. To ensure the forms can be validated by 5 September 2019, Unitholders are reminded to submit the completed tax forms to Manulife US REIT's Unit Registrar – Boardroom Corporate & Advisory Services Pte Ltd no less than seven (7) calendar days before the validation deadline of 5 September 2019.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

(b) Corresponding period of the immediately preceding financial period

Any distribution declared for the current period?

Yes – US 2.53 cents per Unit for the period from 1 January 2018 to 30 June 2018

Distribution period	Distribution for the period from 1 January 2018 to 30 June 2018
Distribution type/rate	Distribution of US 2.53 cents per Unit comprising of two components: 1. Tax-exempt income: US 1.25 cents 2. Capital: US 1.28 cents
Tax rate	Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Manulife US REIT Units, the amount of capital distribution will be applied to reduce the cost base of their Manulife US REIT Units for Singapore income tax purpose.

12. If no distribution has been declared/(recommended), a statement to that effect and the reason(s) for the decision

Not applicable.

13. If the Group has obtained general mandate from unit holders for Interested Person Transactions (“IPT”), the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Group has not obtained a general mandate from Unitholders for interested person transactions.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of Manulife US Real Estate Management Pte. Ltd. (as manager of Manulife US Real Estate Investment Trust) (the “Manager”) hereby confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited financial results of Manulife US REIT for the second quarter and half year ended 30 June 2019, to be false or misleading, in any material aspect.

MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Second Quarter and Half Year Ended 30 June 2019

15. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all its Directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

On behalf of the Board
MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)

Hsieh Tsun Yan
Director

Veronica Julia Mccann
Director

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of office rental revenue, changes in operating expenses, property expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

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.

By Order of the Board

Gwendolin Lee Soo Fern
Company Secretary
MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)
13 August 2019