PRESS RELEASE

(Left-Right: Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn, Phipps and Centerpointe)
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Manulife US REIT's 1H 2019 Net Property Income Powers On, Increasing by 30.8% YoY to US$52.3 million

- **1H 2019 DPU grew 20.2% YoY to 3.04 US cents**
- **Long WALE of 6.2 years and high occupancy of 97.2%**
- **Refinanced US$117.0 million[1] Figueroa loan at trust level**
- **FTSE EPRA NAREIT Index inclusion in sight**

Singapore, 13 August 2019 – Manulife US Real Estate Investment Trust ("Manulife US REIT" or "the REIT"), the first pure-play U.S. office REIT listed in Asia, today reported a DPU of 3.04 US cents for the first half ended 30 June 2019 ("1H 2019"), an increase of 20.2% YoY. This comprises an advanced distribution of 2.14 US cents[2] for the period from 1 January 2019 to 8 May 2019 paid to existing Unitholders on 30 July 2019, and an upcoming DPU of 0.90 US cents[3] for the period from 9 May 2019 to 30 June 2019 which will be paid to the enlarged Unit base on 27 September 2019.

SUMMARY OF MANULIFE US REIT RESULTS

	2Q 2019 (US$'000)	2Q 2018 (US$'000)	Change (%)	1H 2019 (US$'000)	1H 2018 (US$'000)	Change (%)
Gross Revenue	43,314	32,521	33.2	83,339	63,674	30.9
Net Property Income ("NPI")	27,258	20,377	33.8	52,342	40,027	30.8
Income available for distribution to Unitholders	20,624	16,505	25.0	39,967	32,138	24.4
Distribution per Unit ("DPU") (US cents)	1.53	1.30[4]	17.7	3.04	2.53[4]	20.2
<u>For information only</u> Adjusted DPU[5] (US cents)	1.53	1.53[6]	-	3.04	3.03[6]	0.3

(1) The US$117.0 million drawdown under the Trust-level credit facilities comprised of US$115.3 million drawn to refinance Figueroa mortgage term loan and good news facilities and US$1.7 million additional drawdown to fund professional and bank upfront fees on 12 Jul 2019.
(2) Advanced Distribution of 2.14 US cents calculated based on 1,280,114,375 Units (excluding Private Placement new Units).
(3) Upcoming DPU of 0.90 US cents calculated based on 1,397,573,469 Units (including Private Placement new Units).
(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 the 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.

For 1H 2019, NPI increased 30.8% YoY to US$52.3 million, while distributable income increased 24.4% YoY to US$40.0 million, largely due to contributions from Centerpointe acquired on 10 May 2019 and Penn and Phipps acquired on 22 June 2018. For the second quarter ended 30 June 2019 ("2Q 2019"), the REIT reported a 33.8% YoY increase in NPI to US$27.3 million, as well as a 25.0% YoY increase in distributable income to US$20.6 million.

Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the "Manager") said, **"At mid-year, our fortified portfolio of Trophy and Class A assets is powering along. It has delivered NPI of US$52.3 million, an increase of 30.8% YoY and an adjusted DPU of 3.04 US cents for 1H 2019. During this period, we renewed close to 367,000 sq ft of leases with long tenures averaging 8.6 years and 2.8% rental escalations per annum. We are convinced that our diversified and high-quality tenant base will enable us to ride through property cycles. With an established track record and institutionalised investor base, we remain the U.S. REIT of choice and look forward to entering the FTSE EPRA NAREIT Index in due course."**

Disciplined and Prudent Capital Management

As at 30 June 2019, Manulife US REIT's balance sheet remained strong with gearing improving from 37.6% in 1Q 2019 to 37.1% in 2Q 2019, thereby providing additional debt headroom. The REIT has also mitigated near-term interest rate risk with 96.1% of outstanding loans on a fixed rate basis, resulting in a weighted average interest rate of 3.32%.

In May 2019, the REIT secured US$193.0 million 5-year committed Trust-level Credit Facilities with a Singapore-based bank club consisting of a term loan of US$33.0 million for the Centerpointe acquisition, a term loan of US$110.0 million to refinance Figueroa, and a US$50.0 million revolving credit facility. The term loan of US$33.0 million to partly fund the Centerpointe acquisition had a fixed rate of 3.77%. On 12 July 2019, the Figueroa mortgage term loan, good news facility and other costs totaling US$117.0 million was financed with a term loan of US$110.0 million and a US$7.0 million drawdown under the revolving credit facility. The REIT benefitted from the low interest rate environment by locking in the US$110.0 million term loan at a fixed rate of 3.25%.

Post refinancing, the weighted average debt maturity lengthened from 2.3 years as at 30 June 2019 to 3.1 years. The debt maturity profile was also well-staggered with no more than 30.9% of debt maturing in any year. Furthermore, the weighted average interest rate after refinancing Figueroa was 3.45% and 24.1% of the REIT's portfolio was unencumbered.

Strong Portfolio Performance

As at 30 June 2019, MUST recorded a high occupancy rate of 97.2% and long WALE by NLA of 6.2 years. 61.3% of the portfolio's leases by NLA will only expire in 2024 and beyond.

Across the portfolio, the Manager achieved strong leasing momentum with high-quality tenants signing long leases in 1H 2019. Two of Michelson's largest leases totalling approximately 151,000 sq ft were renewed at market rents with 11-year tenures and rental escalations of 3.0% per annum – demonstrating that the Trophy asset is still the preferred choice among tenants with its premier location, abundant amenities and excellent transportation connectivity.

Manulife US REIT

Including the renewals, leases amounting to approximately 367,000 sq ft (10% of the portfolio by NLA) were executed in 1H 2019. These new/renewed leases have long tenures averaging 8.6 years and rental escalations of 2.8% per annum. The portfolio registered rental reversion of +0.3%, mainly due to leases from Michelson that were marked to market.

Overall, the portfolio enjoys rental escalations of 2.0% per annum. The tenant base remains well-diversified across multiple trade sectors, with no single tenant contributing more than 6.7% of gross rental income as at 30 June 2019. Further, the top 10 tenants have a long WALE of 7.5 years, and the majority of them are either public-listed companies or HQ locations.

Case Study on U.S. Leases for Office Buildings[7]

As part of Manulife US REIT's "Green Dot Series" (a thought leadership initiative), the Manager provides regular insights on the U.S. economic outlook and commercial real estate market. In its latest results presentation, the Manager shared details on how U.S. and Singapore leases for office buildings differ in terms of tenant improvements ("TIs"), free rent and leasing commissions.

In the U.S., agents are paid commissions for both new and renewed leases. The structure of leasing commissions incentivises them to sign longer leases. However, in Singapore, agents are usually paid a standard 1-month fee for new leases regardless of tenure, and no commissions are paid for renewals.

Unlike Singapore, where office buildings may be demolished after 30 years, buildings in the U.S. may stand for many decades. In order to keep U.S. office assets evergreen, they tend to be well-maintained and can be improved through ongoing TIs which are funded by both the REIT and its tenants. This allows the portfolio to maintain its valuation and Trophy/Class A status as the assets age.

Positive U.S. Market Outlook

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

(7) For illustrative purposes only. Information from Company sources and broker reports. May not represent the entire U.S. or Singapore market.

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 sq ft 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.

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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 eight 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$1.9 billion, has an aggregate Net Lettable Area of 4.2 million sq ft and an occupancy rate of 97.2% as at 30 June 2019.

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

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

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

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

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