
MANULIFE US REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Half Year Ended 30 June 2020

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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 nine office properties (the “**Properties**”) in the United States, with an aggregate net lettable area of 4.7 million square feet (“**sq ft**”), as follows:

- Figueroa (acquired on Listing Date) is a 35-storey Class A office building, 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, located in Irvine, Orange County, within the Greater Los Angeles market;
- Peachtree (acquired on Listing Date) is a 27-storey Class A office building, located in the heart of Midtown, Atlanta;
- Plaza (acquired on 19 July 2017) is an 11-storey Class A office building, located in Secaucus, New Jersey;
- Exchange (acquired on 31 October 2017) is a 30-storey Class A office building, located in Jersey City, Hudson County, New Jersey;
- Penn (acquired on 22 June 2018) is a 13-storey Class A office building, located in Washington, D.C.;
- Phipps (acquired on 22 June 2018) is a 19-storey Trophy office building, located in the heart of Buckhead, Atlanta;
- Centerpointe (acquired on 10 May 2019) is a 2-tower, 11-storey Class A office building, located in Fairfax, Virginia; and
- Capitol (acquired on 29 October 2019) is a 29-storey top Class A office building, located in Sacramento, California.

Manulife US REIT is presenting its financial results for the financial period from 1 January 2020 to 30 June 2020 (“**1H 2020**”).

Distribution Policy

Manulife US REIT makes 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 as set out in the Trust Deed. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager.

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SUMMARY OF MANULIFE US REIT GROUP RESULTS

	1H 2020	1H 2019	Change
	US\$'000	US\$'000	%
Gross Revenue ⁽¹⁾	98,630	83,339	18.3
Net Property Income ⁽¹⁾	62,173	52,342	18.8
Net (Loss)/Income for the period ⁽²⁾	(35,616)	16,644	N.M.
Income Available for Distribution to Unitholders	47,978	39,967	20.0
DPU (cents)	3.05	3.04	0.3 ⁽³⁾
DPU (cents) (Restated for preferential offering)	3.05	3.03 ⁽⁴⁾	0.7

Footnotes:

- (1) Gross revenue of US\$98.6 million and net property income of US\$62.2 million for 1H 2020 was higher than 1H 2019 by 18.3% and 18.8% respectively, largely due to the contributions from Centerpointe and Capitol acquired on 10 May 2019 and 29 October 2019 respectively, partially offset by lower rental income from Michelson and lower carpark income.
- (2) Net loss of US\$35.6 million for 1H 2020, compared to net income of US\$16.6 million for 1H 2019, was primarily due to higher net fair value loss on investment properties and derivatives.
- (3) Higher income available for distribution to Unitholders translated to higher DPU of 0.3% after factoring in the enlarged unit base from 2019 equity fund raisings.
- (4) 1H 2019 DPU have been restated for the preferential offering where 72,855,530 Units were issued on 18 October 2019 to partially fund the acquisition of Capitol.

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

	Note	1H 2020 US\$'000	1H 2019 US\$'000	Change %
<u>Consolidated Statement of Comprehensive Income</u>				
Gross revenue		98,630	83,339	18.3
Property operating expenses		(36,457)	(30,997)	17.6
Net property income		62,173	52,342	18.8
Interest income		137	194	(29.4)
Manager's base fee	a	(4,797)	(3,997)	20.0
Trustee's fee		(144)	(129)	11.6
Other trust expenses	b	(1,704)	(1,344)	26.8
Finance expenses	c	(14,810)	(12,054)	22.9
Net income before tax and fair value changes		40,855	35,012	16.7
Net fair value change in derivatives	d	(14,092)	(924)	>100
Net fair value change in investment properties	e	(77,340)	(14,891)	>100
Net (loss)/income for the period before tax		(50,577)	19,197	N.M.
Tax income/(expense)	f	14,961	(2,553)	N.M.
Net (loss)/income for the period		(35,616)	16,644	N.M.
<u>Distribution Statement</u>				
Net (loss)/income for the period		(35,616)	16,644	N.M.
Distribution adjustments	g	83,594	23,323	>100
Income available for distribution to Unitholders		47,978	39,967	20.0

N.M.: Not meaningful

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 1H 2020.

b. Other trust expenses

Other trust expenses consist of audit, tax compliance and other expenses. The other trust expenses have increased compared to 1H 2019 mainly due to additional administrative and professional fees arising from newly acquired properties, as well as tax compliance expenses and restructuring fees incurred in relation to the restructuring pursuant to U.S. tax regulations. Please refer to the announcement made on 24 April 2020 on the completion of restructuring.

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c. Finance expenses

Finance expenses comprise of the following:

	1H 2020 US\$'000	1H 2019 US\$'000	Change %
Interest expense on loans and borrowings	13,854	11,386	21.7
Amortisation of upfront debt-related transaction costs ⁽¹⁾	815	637	27.9
Dividends on preferred units	8	8	-
Commitment and financing fees	133 ⁽²⁾	23	>100
Finance expenses	14,810	12,054	22.9

N.M.: Not meaningful

Footnotes:

- (1) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
(2) This includes the financing fees on trust-level committed lines of credit.

d. Net fair value change in derivatives

The Group has entered into interest rate swaps to hedge against floating interest rates. For accounting purposes, the derivatives are 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 derivatives. The net fair value change in derivatives 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. The investment properties are measured at cost, including transaction costs, on initial recognition and subsequently at fair value with any change recognised in profit or loss. The investment properties are carried at fair value based on 30 June 2020 appraisals.

The net fair value loss in 1H 2020 was largely due to appraiser factoring in lower rental growth assumptions as a result of the COVID-19 pandemic, adjusted for capital expenditure and other costs related to investment properties. This net fair value change in investment properties has no impact on the distributable income to the Unitholders.

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 of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax income in 1H 2020 was mainly arising from net fair value loss in investment properties, partially offset by deferred tax expense from tax depreciation.

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g. Distribution adjustments

	1H 2020 US\$'000	1H 2019 US\$'000	Change %
Property related non-cash items ⁽¹⁾	(696)	(1,383)	(49.7)
Amortisation of upfront debt-related transaction costs ⁽²⁾	815	637	27.9
Manager's base fee paid/payable in Units	4,797	3,997	20.0
Property Manager's management fee paid/payable in Units	2,437	1,985	22.8
Trustee's fee	144	129	11.6
Net fair value change in derivatives	14,092	924	>100
Net fair value change in investment properties	77,340	14,891	>100
Deferred tax (income)/expense	(15,672)	1,935	N.M.
Other items ⁽³⁾	337	208	62.0
Distribution adjustments	83,594	23,323	>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 vendors of certain properties 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.

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

	Note	Group		Trust	
		As at 30 Jun 2020 US\$'000	As at 31 Dec 2019 US\$'000	As at 30 Jun 2020 US\$'000	As at 31 Dec 2019 US\$'000
Current assets					
Cash and cash equivalents		96,073	60,748	3,506	4,287
Prepayment		563	1,207	72	69
Trade and other receivables		9,347	7,614	35,432	18,459
Other asset	a	24	1,405	-	-
		106,007	70,974	39,010	22,815
Non-current assets					
Investment properties	b	2,034,500	2,095,000	-	-
Investment in subsidiaries		-	-	1,347,476	1,342,496
Financial derivatives	c	-	487	-	487
		2,034,500	2,095,487	1,347,476	1,342,983
Total assets		2,140,507	2,166,461	1,386,486	1,365,798
Current liabilities					
Trade and other payables		31,608	26,866	2,425	2,251
Loans and borrowings	d	190,427	78,945	22,000	7,500
Security deposits		211	274	-	-
Rent received in advance		5,298	4,829	-	-
		227,544	110,914	24,425	9,751
Non-current liabilities					
Loans and borrowings		643,041	733,079	220,806	220,538
Financial derivatives	c	15,180	1,575	15,180	1,575
Security deposits		3,549	2,900	-	-
Preferred units		102	102	-	-
Deferred tax liabilities		44,041	59,713	-	-
		705,913	797,369	235,986	222,113
Total liabilities		933,457	908,283	260,411	231,864
Net assets attributable to Unitholders		1,207,050	1,258,178	1,126,075	1,133,934
Represented by:					
Unitholders' funds		1,207,050	1,258,178	1,126,075	1,133,934
Net assets attributable to Unitholders		1,207,050	1,258,178	1,126,075	1,133,934

Notes to Consolidated Statements of Financial Position

a. Other asset

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

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b. Investment properties

Investment properties are stated at fair value based on 30 June 2020 appraisals conducted by CBRE, Inc.

As at 31 December 2019, Colliers International Valuation & Advisory Services, LLC was the appraiser for all properties, except for Exchange, which was appraised by Newmark Knight Frank Valuation & Advisory, LLC, and Capitol, which was appraised by Cushman & Wakefield Western, Inc.

c. Financial derivatives

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

d. Loans and borrowings

The Group is in a net current liability position due to the mortgage loan facilities for Peachtree and Penn, which are due in July 2020 and June 2021 respectively. The Group has drawn down on a new term loan on 8 July 2020 to refinance the Peachtree mortgage loan, and has sufficient financing options to refinance the remaining borrowing that is maturing within the next 12 months.

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

As at 30 June 2020, the Group had gross borrowings of US\$837.5 million comprising of (i) US\$592.5 million drawn from property-level mortgage facilities, and (ii) US\$245.0 million drawn from Trust-level Credit Facilities (as defined herein).

The average interest rate on borrowings as at 30 June 2020 was 3.26% and aggregate leverage was 39.1%. 92.7% of the gross borrowings had fixed interest rates, which reduces short-term cash flow volatility from floating interest rate movements.

31.7% of the Group's properties (based on appraised values) are unencumbered. The Group has unutilised committed facilities of US\$74.9 million and an uncommitted facility of US\$200.0 million to provide bridge financing for acquisitions.

As at 30 June 2020, the weighted average debt maturity is 2.3 years.

	Group	
	As at 30 Jun 2020 US\$'000	As at 31 Dec 2019 US\$'000
<u>Secured loans and borrowings</u>		
Amount repayable in one year or less ⁽¹⁾	190,646	79,017
Less: Unamortised upfront debt-related transaction costs ⁽²⁾	(219)	(72)
	190,427	78,945
Amount repayable after one year ⁽³⁾	646,889	737,889
Less: Unamortised upfront debt-related transaction costs ⁽²⁾	(3,848)	(4,810)
	643,041	733,079
Total secured loans and borrowings	833,468	812,024

Footnotes:

- (1) The amount comprises:
- initial mortgage loan of US\$67.0 million (2019: US\$67.0 million) and US\$6.1 million (2019: US\$4.5 million) of good news facilities drawn down in relation to Peachtree. The mortgage loan has been refinanced in July 2020;
 - mortgage loan of US\$95.5 million drawn down in relation to Penn; and
 - US\$22.0 million (2019: US\$7.5 million) drawn down from Trust-level revolving credit facilities largely to fund capital expenditure and leasing costs.
- (2) Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
- (3) Includes US\$614.1 million (2019: US\$709.6 million) of fixed rate borrowings to fund acquisitions and US\$32.8 million (2019: US\$28.3 million) of floating rate good news facilities drawn to fund capital expenditure and leasing costs.

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Details of loans and borrowings, and collaterals

The loan facilities and borrowings of the Group are set out below:

Facilities	As at 30 Jun 2020			As at 31 Dec 2019		
	Facility Amount	Drawn Down	Un-drawn	Facility Amount	Drawn Down	Un-drawn
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Mortgage facilities	629,400	592,535	36,865	629,400	586,406	42,994
Trust-level term loans and US\$50.0 million committed revolving credit facility (together, the "Trust-level Credit Facilities")	273,000	245,000	28,000	273,000	230,500	42,500
US\$10.0 million committed revolving credit facility	10,000	-	10,000	10,000	-	10,000
US\$200.0 million uncommitted revolving credit facility	200,000	-	200,000	200,000	-	200,000

Mortgage Facilities

The Mortgage Facilities are secured by, amongst other collaterals, (i) a first mortgage on each of 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.

Trust-level Credit Facilities

The Trust-level Credit Facilities are secured by, amongst 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 U.S. Subs which hold Figueroa, Centerpointe and Capitol respectively.

DBS Revolving Credit Facilities

The DBS revolving credit facilities comprise the US\$10.0 million committed revolving credit facility and the US\$200.0 uncommitted revolving credit facility. They 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.

The US\$10.0 million committed revolving credit facility expired on 14 July 2020, and the Group obtained a US\$50.0 million committed revolving credit facility on 23 July 2020 for general corporate and working capital purposes.

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1 (c) Consolidated Statement of Cash Flows

Note	Group	
	1H 2020 US\$'000	1H 2019 US\$'000
Cash flows from operating activities		
Net (loss)/income for the period before tax	(50,577)	19,197
Adjustments for:		
Amortisation	(696)	(1,383)
Interest income	(137)	(194)
Finance expenses	14,810	12,054
Manager's base fee paid/payable in Units	4,797	3,997
Property Manager's management fee paid/payable in Units	2,437	1,985
Net fair value change in derivatives	14,092	924
Net fair value change in investment properties	77,340	14,891
Net unrealised foreign exchange losses/(gains)	34	(1)
Operating income before working capital changes	62,100	51,470
Changes in working capital:		
Trade and other receivables	(1,733)	1,958
Prepayment	644	408
Other asset	1,381	(4,501)
Trade and other payables	5,218	9,283
Security deposits	586	197
Rent received in advance	469	2,761
Cash from operating activities	68,665	61,576
Tax paid	(1,207)	(744)
Interest paid	(13,996)	(11,246)
Net cash from operating activities	53,462	49,586
Cash flows from investing activities		
Acquisition of investment properties and related assets and liabilities	-	(119,804)
Payment for capital expenditure and other costs related to investment properties	(16,144)	(26,374)
Interest received	137	194
Net cash used in investing activities	(16,007)	(145,984)
Cash flows from financing activities		
Proceeds from issuance of Units	-	94,000
Payment of transaction costs relating to issuance of Units	-	(1,621)
Proceeds from loans and borrowings	20,629	52,269
Payment of transaction costs relating to loans and borrowings	-	(504)
Distributions paid to Unitholders	(22,746)	(38,800)
Net cash (used in)/from financing activities	(2,117)	105,344
Net increase in cash and cash equivalents	35,338	8,946
Cash and cash equivalents at beginning of the period	60,748	54,093
Effect of exchange rate fluctuations on cash held in foreign currency	(13)	2
Cash and cash equivalents at the end of the period	96,073	63,041

Notes to Consolidated Statement of Cash Flows

- This includes capital expenditures (renovations or improvements) and leasing costs (including tenant improvement allowances) largely from Figueroa, Michelson, Peachtree and Exchange.
- On 9 May 2019, an aggregate of 114,078,000 new Units were issued at US\$0.824 per Unit via a private placement, raising gross proceeds of US\$94.0 million.
- 1H 2020 proceeds were mainly used to fund capital expenditure and leasing costs. 1H 2019 proceeds from loans and borrowings were mainly used to partially fund the acquisition of Centerpointe, as well as to fund capital expenditure and leasing costs.

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

Group	1H 2020			1H 2019		
	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	1,148,319	109,859	1,258,178	942,270	121,793	1,064,063
Operations						
Net (loss)/income for the period	-	(35,616)	(35,616)	-	16,644	16,644
Net (decrease)/increase in net assets resulting from operations	-	(35,616)	(35,616)	-	16,644	16,644
Unitholders' transactions						
New Units issued ⁽¹⁾	-	-	-	94,000	-	94,000
Issuance costs ⁽²⁾	-	-	-	(1,621)	-	(1,621)
Manager's base fee paid/payable in Units	4,797	-	4,797	3,997	-	3,997
Property Manager's management fees paid/payable in Units	2,437	-	2,437	1,985	-	1,985
Distributions ⁽³⁾	(7,059)	(15,687)	(22,746)	(28,114)	(38,081)	(66,195)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	175	(15,687)	(15,512)	70,247	(38,081)	32,166
At end of the period	1,148,494	58,556	1,207,050	1,012,517	100,356	1,112,873

Trust	1H 2020			1H 2019		
	Units in issue and to be issued	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	1,148,319	(14,385)	1,133,934	942,270	7,313	949,583
Operations						
Net income for the period	-	7,653	7,653	-	17,444	17,444
Net increase in net assets resulting from operations	-	7,653	7,653	-	17,444	17,444
Unitholders' transactions						
New Units issued ⁽¹⁾	-	-	-	94,000	-	94,000
Issuance costs ⁽²⁾	-	-	-	(1,621)	-	(1,621)
Manager's base fee paid/payable in Units	4,797	-	4,797	3,997	-	3,997
Property Manager's management fees paid/payable in Units	2,437	-	2,437	1,985	-	1,985
Distributions ⁽³⁾	(7,059)	(15,687)	(22,746)	(28,114)	(38,081)	(66,195)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	175	(15,687)	(15,512)	70,247	(38,081)	32,166
At end of the period	1,148,494	(22,419)	1,126,075	1,012,517	(13,324)	999,193

Footnotes:

- (1) 114,078,000 Units were issued in connection with the private placement on 9 May 2019.
- (2) The issuance costs relate to the underwriting fees and professional fees incurred as a result of the private placement which was completed on 9 May 2019.
- (3) For 1H 2020, the amount comprises of the distribution paid to Unitholders for the period 30 September 2019 to 31 December 2019. For 1H 2019, the amount comprises of the 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.

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

	1H 2020 Units	1H 2019 Units
Units in issue:		
At beginning of the period	1,568,672,703	1,276,324,424
Manager's base fee paid in Units	2,250,000	4,857,070
Manager's performance fee paid in Units ⁽¹⁾	1,353,016	-
Property Manager's management fees paid in Units	1,183,370	2,313,975
Private placement ⁽²⁾	-	114,078,000
Total issued Units as at end of the period	1,573,459,089	1,397,573,469
Units to be issued:		
Manager's base fee payable in Units ⁽³⁾	6,282,716	2,377,398
Property Manager's management fees payable in Units ⁽³⁾	3,191,217	1,171,891
Total issuable Units as at end of the period	9,473,933	3,549,289
Total Units issued and to be issued as at end of the period	1,582,933,022	1,401,122,758

Footnotes:

- (1) New Units were issued as payment for FY 2019 Manager's performance fee.
(2) 114,078,000 Units were issued in connection with the private placement on 9 May 2019.
(3) There are 9,473,933 Units to be issued in satisfaction of the Manager's base fee and Property Manager's management fee for 1H 2020 based on the volume weighted average price for the last 10 Business Days immediately preceding 30 June 2020 of US\$0.7636. 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 2020 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 2020 and 31 December 2019. The total number of issued Units in Manulife US REIT as at 30 June 2020 and 31 December 2019 were 1,573,459,089 and 1,568,672,703 respectively.

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.

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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 2019 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 2020.

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 2020. 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.

6. Earnings per Unit ("EPU") and Distribution per Unit ("DPU")

	1H 2020	1H 2019
EPU⁽¹⁾		
Weighted average number of Units in issue and issuable	1,571,335,603	1,316,854,897 ⁽⁵⁾
Basic and diluted EPU (cents) ⁽²⁾	(2.27)	1.26 ⁽⁵⁾
DPU⁽³⁾		
Number of Units in issue at end of the period	1,573,459,089	1,397,573,469
DPU (cents)	3.05	3.04 ⁽⁴⁾
DPU (cents) (Restated for preferential offering)	3.05	3.03 ⁽⁵⁾

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) 1H 2019 DPU was comprised of:
 - (i) advanced distribution for the period from 1 January 2019 to 8 May 2019 over 1,280,114,375 Units; and
 - (ii) distribution for the period from 9 May 2019 to 30 June 2019 over 1,397,573,469 Units.
- (5) 1H 2019 figures have been restated to reflect the effect of the preferential offering, under which 72,855,530 Units were issued on 18 October 2019 to partially fund the acquisition of Capitol.

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

	Group		Trust	
	As at 30 June 2020	As at 31 Dec 2019	As at 30 June 2020	As at 31 Dec 2019
Number of Units in issue and to be issued at end of period/year	1,582,933,022	1,573,459,089	1,582,933,022	1,573,459,089
NAV and NTA per Unit ⁽¹⁾ (US\$)	0.76	0.80	0.71	0.72
Adjusted NAV and NTA per Unit (excluding Distributable Income) (US\$)	0.73	0.79	0.68	0.71

Footnote:

- (1) NAV and NTA are the same as there is no intangible asset as at 30 June 2020 and 31 December 2019.

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8. Review of the Performance

Consolidated Statement of Comprehensive Income and Distribution Statement

	1H 2020 US\$'000	1H 2019 US\$'000	Change %
<u>Consolidated Statement of Comprehensive Income</u>			
Gross revenue	98,630	83,339	18.3
Property operating expenses	(36,457)	(30,997)	17.6
Net property income	62,173	52,342	18.8
Interest income	137	194	(29.4)
Manager's base fee	(4,797)	(3,997)	20.0
Trustee's fee	(144)	(129)	11.6
Other trust expenses	(1,704)	(1,344)	26.8
Finance expenses	(14,810)	(12,054)	22.9
Net income before tax and fair value changes	40,855	35,012	16.7
Net fair value change in derivatives	(14,092)	(924)	>100
Net fair value change in investment properties	(77,340)	(14,891)	>100
Net (loss)/income for the period before tax	(50,577)	19,197	N.M.
Tax income/(expense)	14,961	(2,553)	N.M.
Net (loss)/income for the period	(35,616)	16,644	N.M.
<u>Distribution Statement</u>			
Net (loss)/income for the period	(35,616)	16,644	N.M.
Distribution adjustments	83,594	23,323	>100
Income available for distribution to Unitholders	47,978	39,967	20.0

N.M.: Not meaningful

1H 2020 vs 1H 2019

Gross revenue for 1H 2020 was US\$98.6 million, an increase of US\$15.3 million or 18.3% from 1H 2019. The increase was mainly due to contributions from newly acquired Centerpointe and Capitol on 10 May 2019 and 29 October 2019 respectively, partially offset by lower rental income mainly from Michelson and lower portfolio carpark income.

Property operating expenses for 1H 2020 was US\$36.5 million, an increase of US\$5.5 million or 17.6% from 1H 2019, mainly due to the newly acquired properties. As a result, the net property income for 1H 2020 was US\$62.2 million, an increase of US\$9.8 million or 18.8% as compared to 1H 2019.

Finance expenses for 1H 2020 was US\$14.8 million, an increase of US\$2.8 million or 22.9% from 1H 2019, due to additional borrowings to partially fund acquisitions, and to fund capital expenditures and leasing costs. In addition, interest cost was higher due to the Figueroa mortgage being refinanced at prevailing market rate in July 2019 at a higher interest rate.

Net fair value loss on derivatives of US\$14.1 million was recognised in 1H 2020 is attributable to the fair valuation of interest rate swaps entered into to hedge against interest rate exposures.

Net fair value loss in investment properties of US\$77.3 million in 1H2020 was largely due to appraiser factoring in lower rental growth assumptions as a result of the COVID-19 pandemic, adjusted for capital expenditure and other costs related to investment properties.

Tax income of US\$15.0 million was mainly due to deferred tax income arising from net fair value loss in investment properties, partially offset by deferred tax expense from tax depreciation.

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Due to the effects of the above, the Group recorded a net loss of US\$35.6 million, compared to the net income of US\$16.6 million in 1H 2019. After adjusting for net fair value loss and other distribution adjustments, income available for distribution to Unitholders for 1H 2020 was US\$48.0 million, 20.0% higher than 1H 2019 largely due to higher net property income, partially offset by higher finance 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 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.

With a committed occupancy of 96.2% and a weighted average lease expiry of 5.7 years by net lettable area as at 30 June 2020, the portfolio is well positioned, including in times of stress. 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 7 April 2020, the United States Department of the Treasury released the final regulations under Section 267A of the United States Internal Revenue Code of 1986, as amended (the "Final 267A Regulations"). The Final 267A Regulations allow Manulife US REIT to revert to a group structure largely similar to that adopted at the time of its listing. Please refer to the announcements made on 13 April 2020 and 24 April 2020 for further details.

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11. Distribution

(a) Current financial period

Any distribution declared for the current period?

Yes – US 3.05 cents per Unit for the period from 1 January 2020 to 30 June 2020

Distribution period	1 January 2020 to 30 June 2020
Distribution type/rate	Distribution of US 3.05 cents per Unit comprising of two components: 1. Tax-exempt income: US 1.99 cents 2. Capital: US 1.06 cents (being 100% of Manulife US REIT's Distributable Income for the period)
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	25 September 2020
Book closure date	12 August 2020

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, 3 September 2020. To ensure the forms can be validated by 3 September 2020, 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 3 September 2020.

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(b) Corresponding period of the immediately preceding 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
- (ii) US 0.90 cents per Unit for the period from 9 May 2019 to 30 June 2019

Distribution period	<ul style="list-style-type: none"> (i) Advanced Distribution for the period from 1 January 2019 to 8 May 2019 (ii) Distribution for the period from 9 May 2019 to 30 June 2019
Distribution type/rate	<ul style="list-style-type: none"> (i) Distribution of US 2.14 cents per Unit comprising of two components: <ul style="list-style-type: none"> 1. Tax-exempt income: US 1.21 cents 2. Capital: US 0.93 cents (ii) Distribution of US 0.90 cents per Unit comprising of two components: <ul style="list-style-type: none"> 1. Tax-exempt income: US 0.53 cents 2. Capital: US 0.37 cents
Tax rate	<p>Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.</p> <p>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.</p>

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 financial period ended 30 June 2020, to be false or misleading, in any material aspect.

MANULIFE US REAL ESTATE INVESTMENT TRUST
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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.

16. Additional information required pursuant to Rule 706A of the Listing Manual

Establishment of wholly-owned subsidiary

Manulife US REIT Beta 8 (Singapore) Pte. Ltd., a wholly-owned subsidiary of Manulife US REIT, was incorporated on 27 May 2020 with a paid-up capital of US\$2.

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

Ngiam May Ling
Company Secretary
MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
AS MANAGER OF MANULIFE US REIT
(Company registration no. 201503253R)
3 August 2020