

Manulife US REIT's 1H 2017 DPU Surpassed Projection¹ by 8.0%

- Net property income of US\$25.6 million exceeded projection¹ by 3.2%
- Recorded 1H 2017 distributable income of US\$20.4 million while Distribution per Unit ("DPU") of 3.23 US cents outperformed projection by 8.0%
- Portfolio valuation increased by 2.8% since FY 2016 to US\$857.5 million

Singapore, 8 August 2017 – Manulife US Real Estate Investment Trust ("Manulife US REIT" or the "REIT"), the first pure-play U.S. office REIT listed in Asia, today announced that its distributable income of US\$20.4 million for 1H 2017 has exceeded projection by 7.1%, largely due to higher property income and lower interest costs. As a result, the REIT recorded a DPU of 3.23 US cents² in 1H 2017, which was 8.0% higher than the projected DPU for the same period. For 2Q 2017, DPU was 1.58 US cents and exceeded projection by 7.5%.

SUMMARY OF MANULIFE US REIT RESULTS

	1 April – 30 June 2017 ("2Q 2017")			1 January – 30 June 2017 ("1H 2017")		
	Actual US\$'000	Projection US\$'000	Change %	Actual US\$'000	Projection US\$'000	Change %
Gross Revenue	19,906	19,970	(0.3)	39,739	40,060	(0.8)
Net Property Income	12,789	12,337	3.7	25,552	24,768	3.2
Net Income for the period	21,245	7,434	>100	29,750	15,191	95.8
Income available for distribution to Unitholders	9,987	9,346	6.9	20,400	19,049	7.1
DPU (US cents)	1.58	1.47	7.5	3.23	2.99	8.0

¹ Projected results for 2Q 2017 and 1H 2017 were derived by pro-rating the projected figures for the year from 1 January 2017 to 31 December 2017 ("Projection Year 2017") as disclosed in the Prospectus.

² In connection with the private placement launched on 19 June 2017, the Manager had declared an advanced distribution of 3.20 US cents per unit for the period from 1 January 2017 to 28 June 2017, 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. The payment date is 31 August 2017.

DBS Bank Ltd. was the Sole Financial Adviser and Issue Manager for the initial public offering of Manulife US Real Estate Investment Trust ("**Offering**"). DBS Bank Ltd., China International Capital Corporation (Singapore) Pte. Limited, Credit Suisse (Singapore) Limited and Deutsche Bank AG, Singapore Branch were the Joint Bookrunners and Underwriters for the Offering.

For 2Q 2017, the REIT recorded net property income of US\$12.8 million which was 3.7% above projection, while gross revenue was 0.3% below projection due to lower recoveries income³ but partially offset by higher rental and other income mainly arising from rental escalations and higher car park income.

Commenting on the REIT's latest results, Ms Jill Smith, Chief Executive Officer of Manulife US Real Estate Management Pte. Ltd. (the "Manager") said, ***"We continue to deliver a strong set of results by outperforming our 1H 2017 DPU projection by 8.0%. Our latest portfolio valuation increase of 2.8% further affirmed the inherent strength of our initial portfolio underpinned by the strong fundamentals of the U.S. commercial real estate market. During this period, we announced our maiden acquisition of 500 Plaza located in New Jersey. This acquisition demonstrates growth and scalability, and will start to contribute from 3Q 2017 onwards. Post our first acquisition, we will continue to seek yield accretive deals to grow the REIT in a sustainable manner."***

Portfolio Updates

As at 30 June 2017, the REIT's portfolio valuation increased 2.8% from the previous valuation in 31 December 2016 to US\$857.5 million. With a high occupancy rate of 95.9% based on committed leases, weighted average lease expiry of 5.3 years and limited percentage of leases expiring in 2017, the Manager expects the portfolio to deliver a stable performance. Moving forward, the Manager will continue to manage the REIT's assets proactively to strengthen the performance of the portfolio.

On 20 July 2017, Manulife US REIT announced the completion of its maiden acquisition in New Jersey, 500 Plaza Drive ("Plaza"), for the purchase price of US\$115 million. Plaza is connected to Midtown Manhattan via bus and train and is approximately three miles to New York City via Lincoln Tunnel. This 11-storey Class A office building joins the ranks of the REIT's initial portfolio of high quality income-producing assets, Figueroa in Downtown Los Angeles, Michelson in Orange County and Peachtree in Midtown Atlanta, producing strong and visible income growth for the REIT. With 461,525 sq ft of Net Lettable Area ("NLA"), Plaza also significantly increase the REIT's NLA by approximately 25.9% to 2,245,473 sq ft. The acquisition of Plaza was partly funded by a private placement⁴ in which the Manager has declared an advanced distribution of 3.20 US cents⁵ per unit for the period from 1 January 2017 to 28 June 2017 to existing Unitholders.

³ Recoveries income from tenants is recognised when applicable recoverable property operating expenses are incurred. Since the recoverable property operating expenses were lower than projection, recoveries income was also lower than projection.

⁴ The acquisition of Plaza was partly funded by a private placement of 97,003,000 new units in Manulife US REIT at an issue price of US\$0.83 per new unit, representing a 3.5% discount to the adjusted volume weighted average price ("VWAP") of US\$0.8597 per unit.

⁵ In connection with the private placement launched on 19 June 2017, the Manager had declared an advanced distribution of 3.20 US cents per unit for the period from 1 January 2017 to 28 June 2017, 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. The payment date is 31 August 2017.

Plaza's contribution will be reflected in the REIT's financial results for the quarter ending 30 September 2017 ("3Q 2017").

Prudent Capital Management

Gearing of 34.2% as at 31 March 2017 was reduced to 30.4% as at 30 June 2017, as the cash proceeds of US\$80.5 million raised for Plaza was not deployed by 30 June 2017. Assuming that the Plaza's acquisition was completed by 30 June 2017 (including securing a US\$40.0 million mortgage), the adjusted leverage ratio would have been 33.1%. As at 30 June 2017, the REIT had a debt maturity profile of 3.1 years.

Continued Demand for Offices in the U.S.

The U.S. reported an annualised real GDP growth rate of 2.6% for the second quarter of 2017, up substantially from the 1.2% reported for the first quarter and 1.6% for calendar year 2016. Since January, the unemployment rate has declined by 40 basis points ("bps") to 4.4% in June 2017. The U.S. economy created 222,000 non-farm jobs in June, exceeding the 188,000 per month average year to date in 2017. This rate of employment growth is supportive of continued healthy absorption in the office market.

The Federal Reserve has increased interest rates by 25 bps three times in the last 12 months: in December 2016 and in March and June 2017. The REIT's current borrowings have not been impacted by the increases as all borrowings are at fixed interest rates with no refinancing required until 2019.

U.S. office absorption has been relatively strong during the current business cycle, but the amount of new office construction has been increasing. According to JLL, in the second quarter of 2017: net absorption was 8.4 million sq ft, new office completions totalled 11.7 million sq ft, resulting in a 10 bps increase in the national vacancy rate to 14.8%. Rent growth has decelerated recently but was still robust, with JLL reporting 3.7% rent growth over the last 12 months for Class A office properties as of 2Q 2017.

Market conditions continue to be generally favourable in the three markets that Manulife US REIT has invested in, with minimal new supply and rising market rents.

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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 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 three prime, freehold and Class A or Trophy quality office properties strategically located in Los Angeles; Irvine, Orange County; and Atlanta. The IPO Portfolio, valued at US\$857.5 million⁶, has an aggregate Net Lettable Area of 1.8 million sq ft as at 30 June 2017.

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. Assets under management and administration by Manulife and its subsidiaries were approximately US\$754 billion as at 31 March 2017. 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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⁶ Based on the independent valuation conducted by CBRE as at 30 June 2017.

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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.