U.S. Office Research Presentation

Manulife US REIT
May 19, 2021

U.S. office and economy barometer

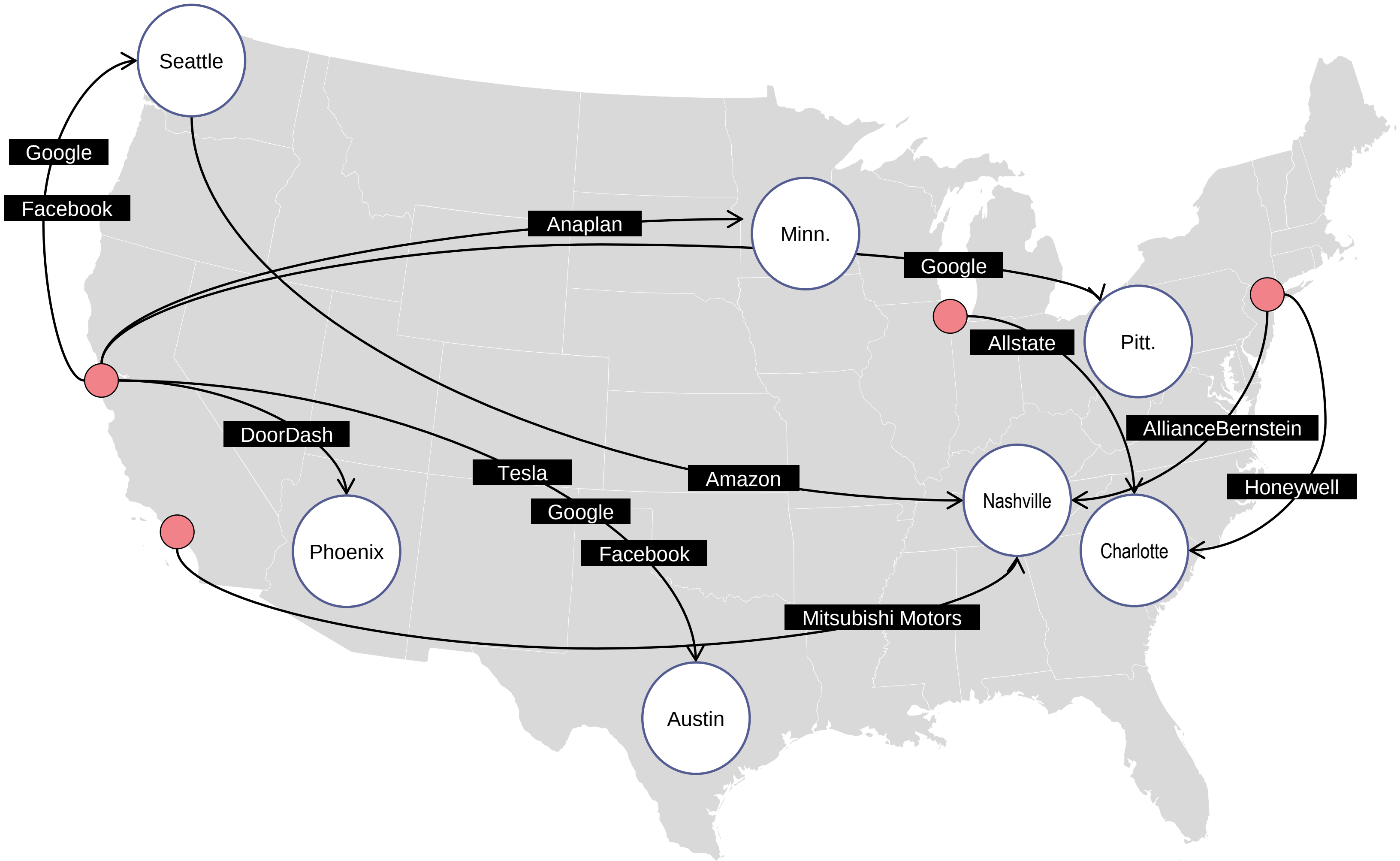
Indicator	Sentiment	Commentary
Employment growth		Job growth accelerated in March, with 916,000 jobs added and unemployment falling to 6%
Economic growth		GDP growth forecasts call for very robust (6% - 8%) expansion by Q4 2021
Equity markets		NASDAQ up > 40% and S&P 500 up > 15% in 2020, and continued gains seen throughout Q1 2021
Debt markets		Interest rates and credit spreads remain accommodative to business with overall liquidity abundant
Tour activity		Up 28% in March and 160% quarter-over-quarter in Q1 2021, indicating pent-up leasing demand
Face rent		Down moderately as landlords use concession packages and termination/contraction options to lure tenants
Sublease space		Sublease availability climbed to 151 million square feet in Q1, exceeding the previous peak seen during the dot-com bubble
Sales volume		Office sales volume fell 23% relative to Q1 2020, but liquidity continues to improve as investment volume outperformed Q2 and Q3 2020
Cap rates		Holding relatively steady and a lack of investment alternatives will continue to underpin values
REIT pricing		Although down approximately 20% in 2020, office REITs have rallied since vaccine approval
Concessions		Free rent and tenant improvement allowances surging, driving net effective rents approximately 15% below pre-COVID levels
Leasing activity		Leasing volume down 55% vs. pre-pandemic norms, with sparse expansionary activity aside from mega-cap tech companies
Net absorption		U.S. office occupancy dropped by 38 million s.f. in Q1, slowing somewhat after record losses in 2020

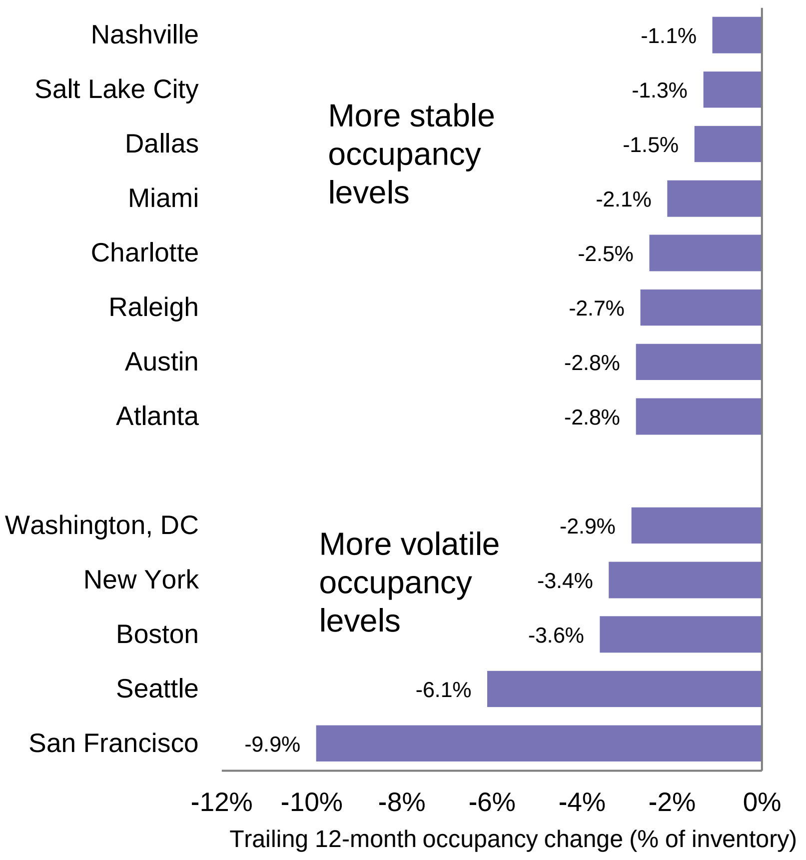
Economic and office market indicators

Market	5-year job growth (%)	Unemployment rate (%)	Vacancy rate (%)	5-year rent growth (%)	Average annual sales ($ million) trailing 5Y	Cap rate (%)
Austin	13.6%	5.3%	14.6%	51.0%	$1,974.6	6.1%
Boston	0.4%	5.9%	15.9%	23.7%	$8,028.9	5.9%
Charlotte	6.2%	4.6%	13.3%	39.2%	$1,910.5	6.0%
Columbus	2.7%	5.0%	22.1%	6.7%	$336.9	7.1%
Minneapolis	0.1%	4.3%	17.9%	16.4%	$1,474.6	6.7%
Nashville	9.2%	4.2%	17.4%	39.6%	$963.3	6.3%
Phoenix	9.7%	6.1%	19.5%	18.6%	$2,360.0	6.6%
Pittsburgh	-0.5%	7.5%	20.6%	15.2%	$402.8	7.2%
Salt Lake City	9.4%	3.0%	14.2%	9.3%	$463.7	6.9%
Seattle	3.4%	5.9%	17.8%	20.7%	$5,843.8	5.5%

Source: JLL Research, Real Capital Analytics, Bureau of Labor Statistics

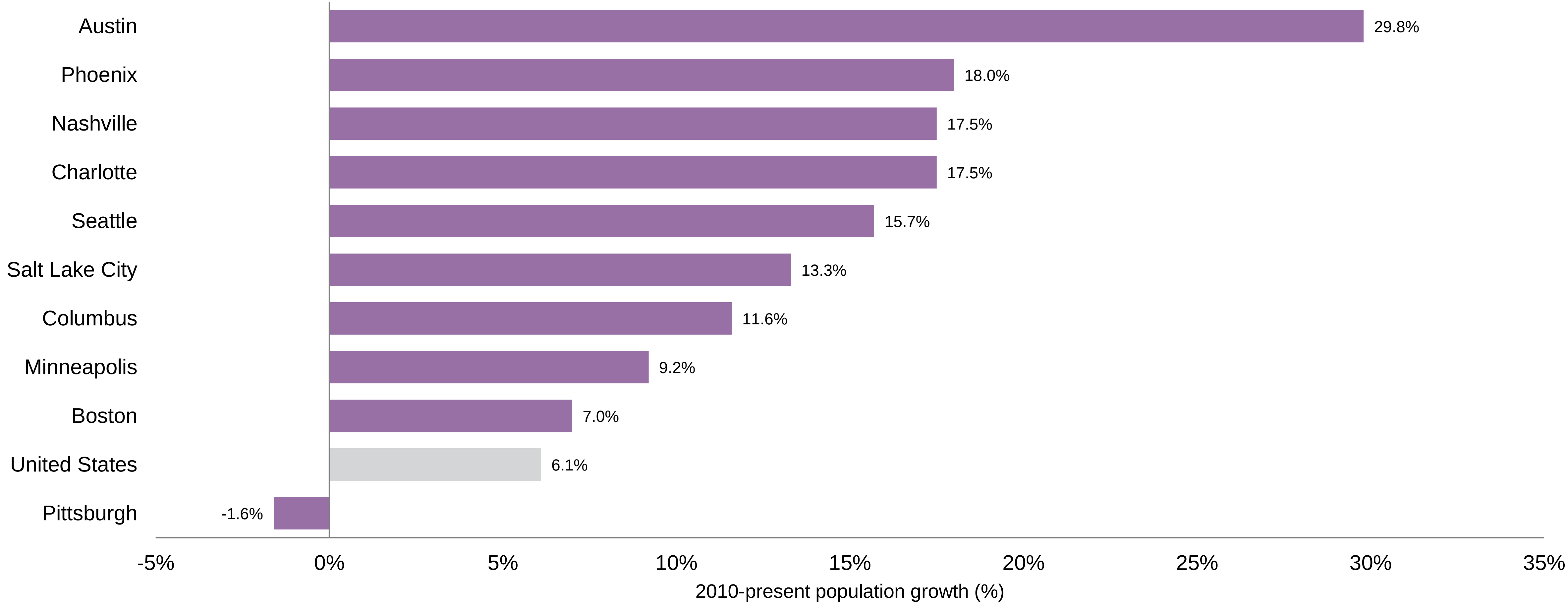
Emerging office markets are benefitting from spillover demand among high-growth tenants





Emerging markets have generally outperformed gateway cities throughout the pandemic

Population growth across most emerging markets exceeds the U.S. average



Select cities throughout the U.S. are thriving, in part due to cost advantages vs. more established markets

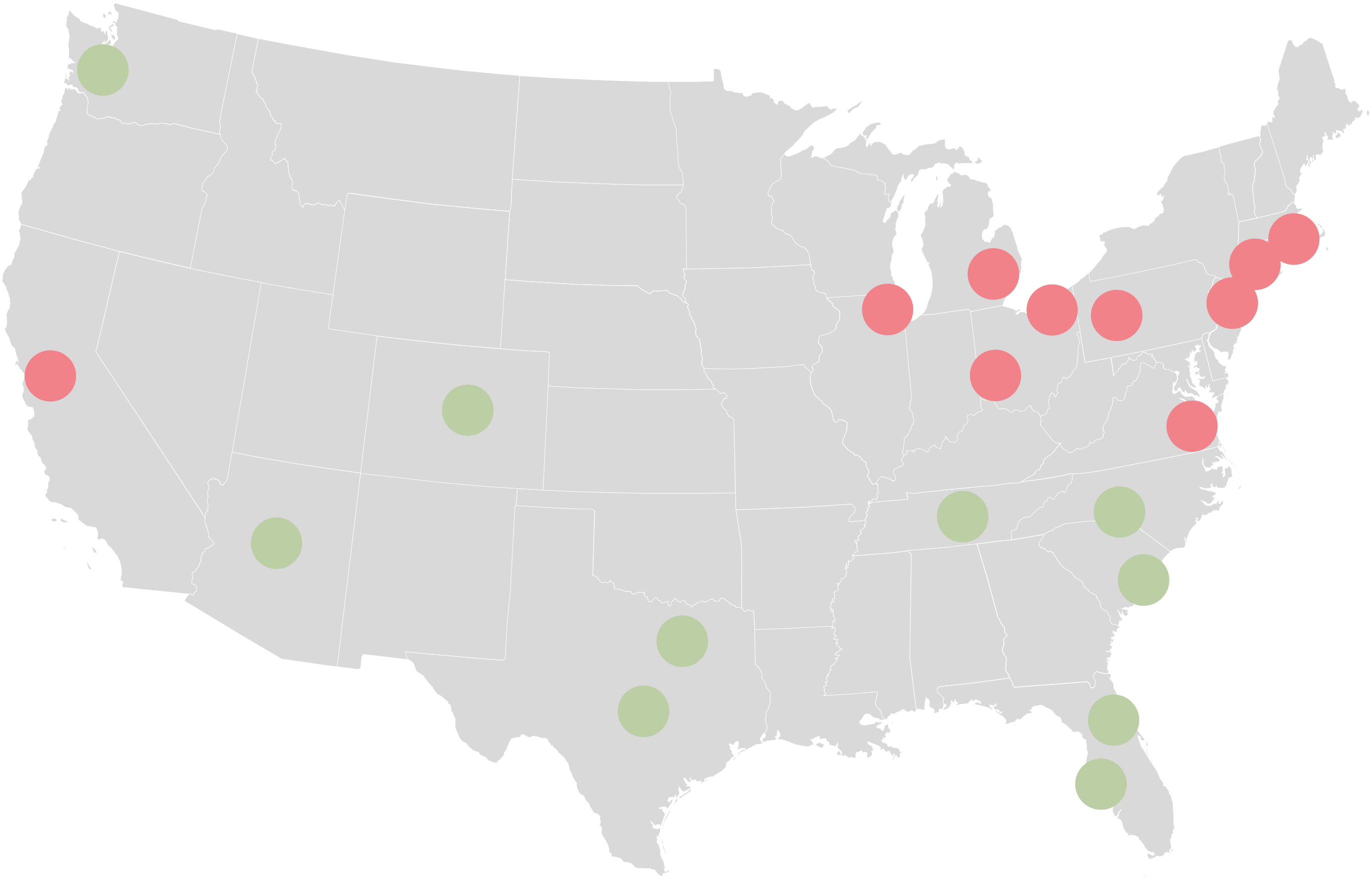
Source: JLL Research, Bureau of Labor Statistics

Factors influencing migration trends

- Sun Belt and Mountain West markets have emerged as drivers of population growth and tenant demand
- The COVID-19 pandemic has accelerated migration trends, with new “work-from-anywhere” policies spurring a rapid reshuffling of the U.S. population
    - Drivers of population migration are mixed, but roughly 90% of post-pandemic migration has involved savings on taxes and housing costs
    - New York, San Francisco and Chicago have suffered the most acute outflows since the onset of the pandemic
- As population growth, corporate site selection and investment trends maintain momentum, growth markets are being validated in a way that make them formidable competitors to gateway cities

Gateway cities have struggled as site-selection and demographic shifts benefit emerging markets

Recent population migration data underscores the shift in living preferences



Source: LinkedIn Workforce Report

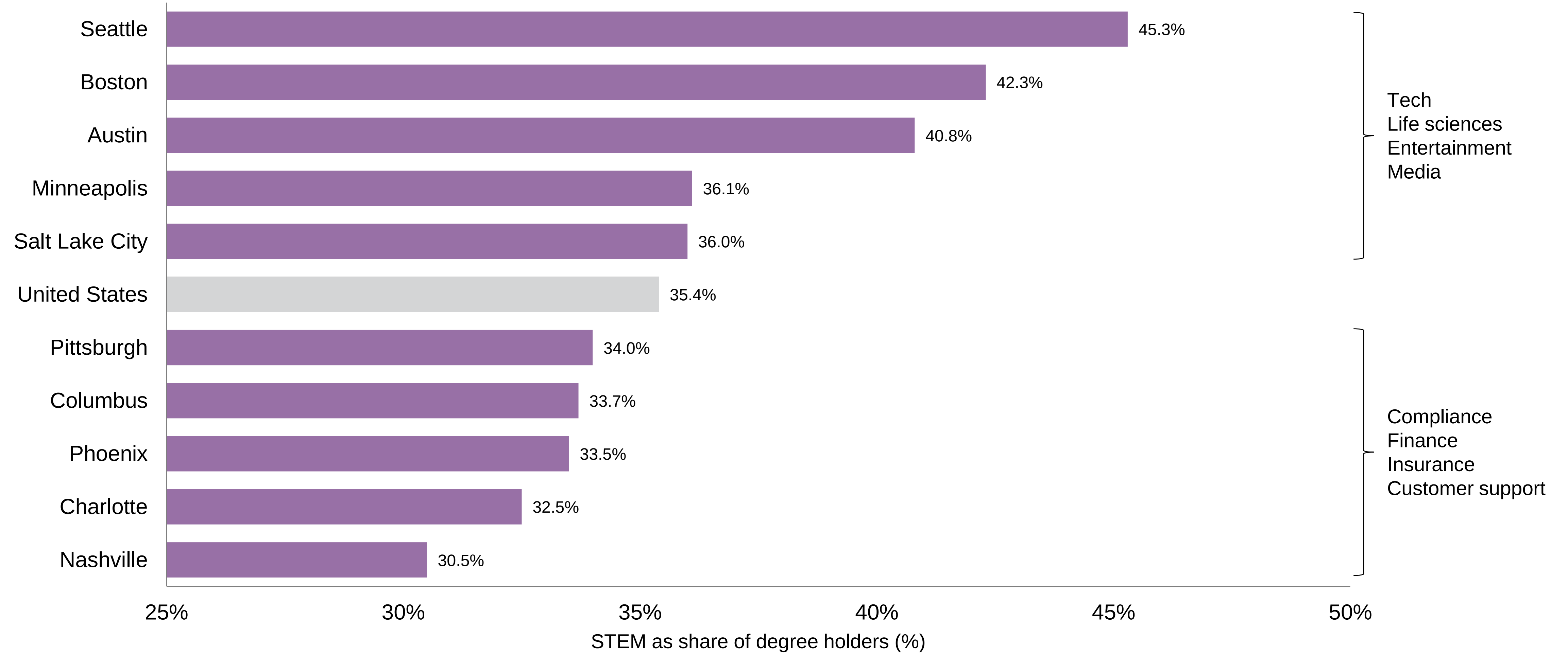
Most popular migration routes since the onset of COVID		
Inbound market	Change per 10,000 residents	Outbound market
Austin	16.7	San Francisco
Austin	11.6	New York
Seattle	10.9	San Francisco
Denver	9.1	New York
Nashville	8.7	Chicago
Miami	8.7	New York

Top cities gaining	Cost of living rank
Austin	77
Phoenix	76
Nashville	121
Tampa	107
Jacksonville	196
Charlotte	62
Dallas	51
Denver	40
Charleston, SC	81
Seattle	6

Top cities losing	Cost of living rank
Hartford	39
New York City	1
San Francisco	3
Chicago	22
Cleveland	118
Norfolk	111
Boston	8
Detroit	66
Cincinnati	147
Pittsburgh	64

COVID has accelerated migration from high-cost cities and the Rust Belt to more economically attractive markets

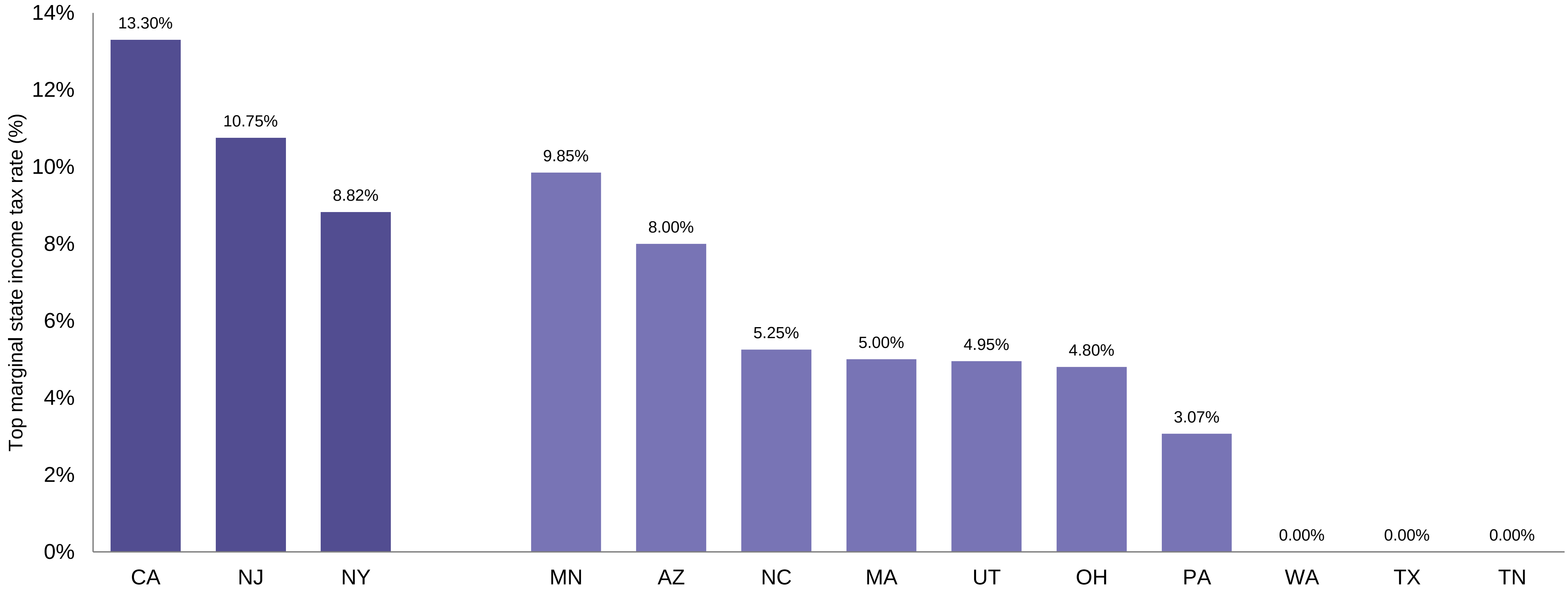
Science, technology, engineering and mathematics (STEM) talent is instrumental to growth potential



Talent underpins corporate site selection

Source: JLL Research, Bureau of Labor Statistics

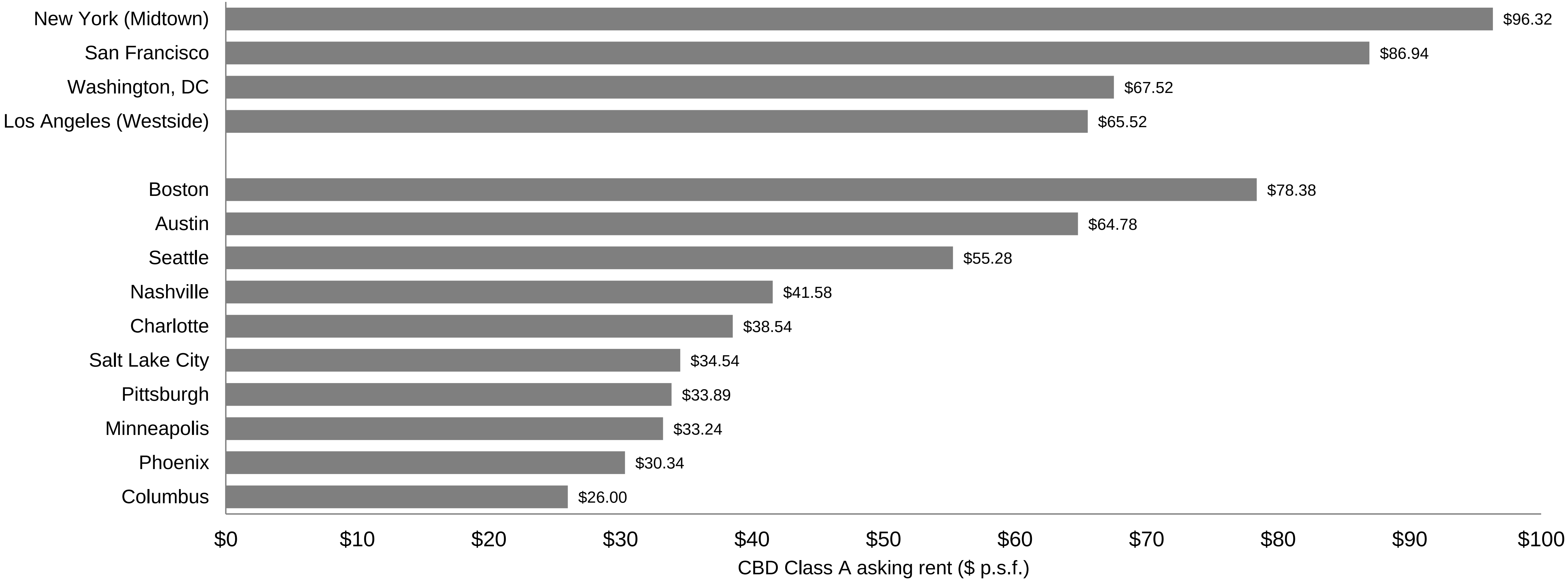
Lower tax liability is one of the greatest “push factors” from California, New York and New Jersey



Relative tax savings can be a strong motivation for domestic migration

Source: JLL Research, Tax Foundation

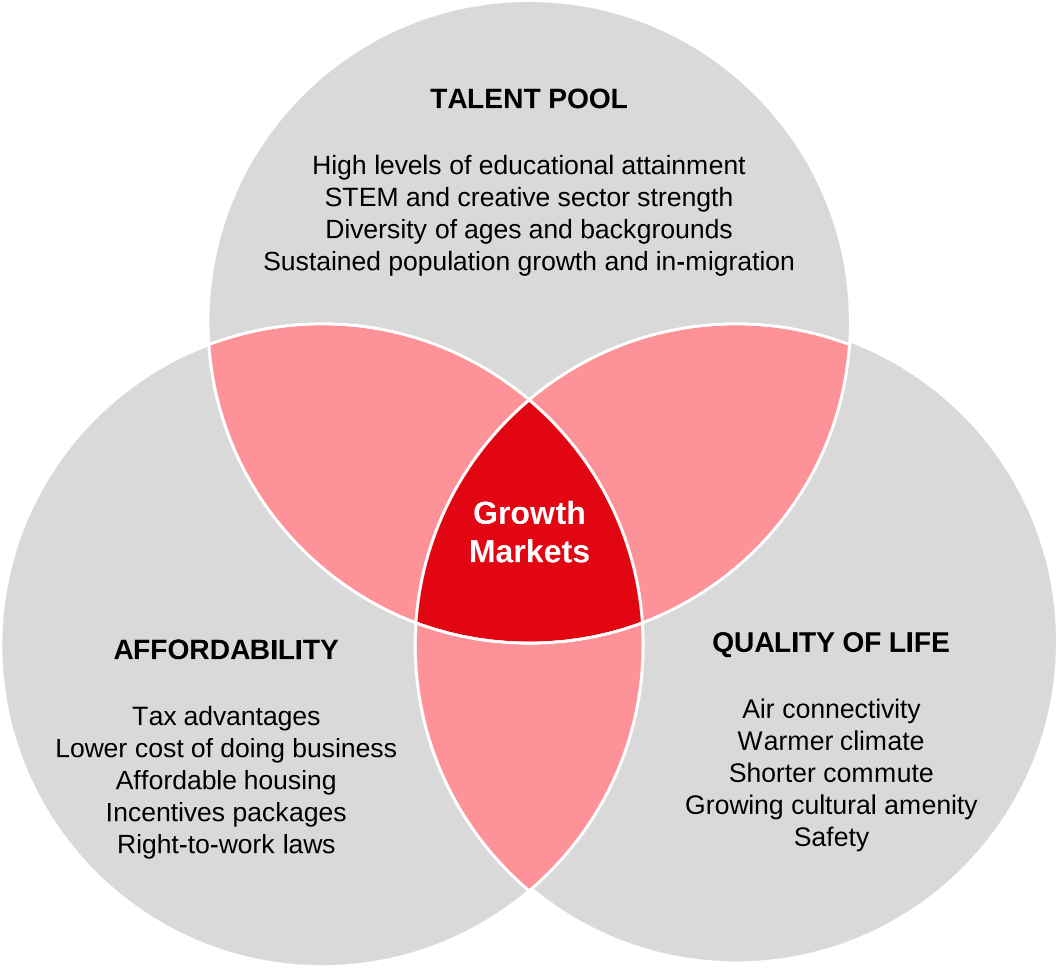
Affordability extends to office space, where tenants are drawn to potential cost savings

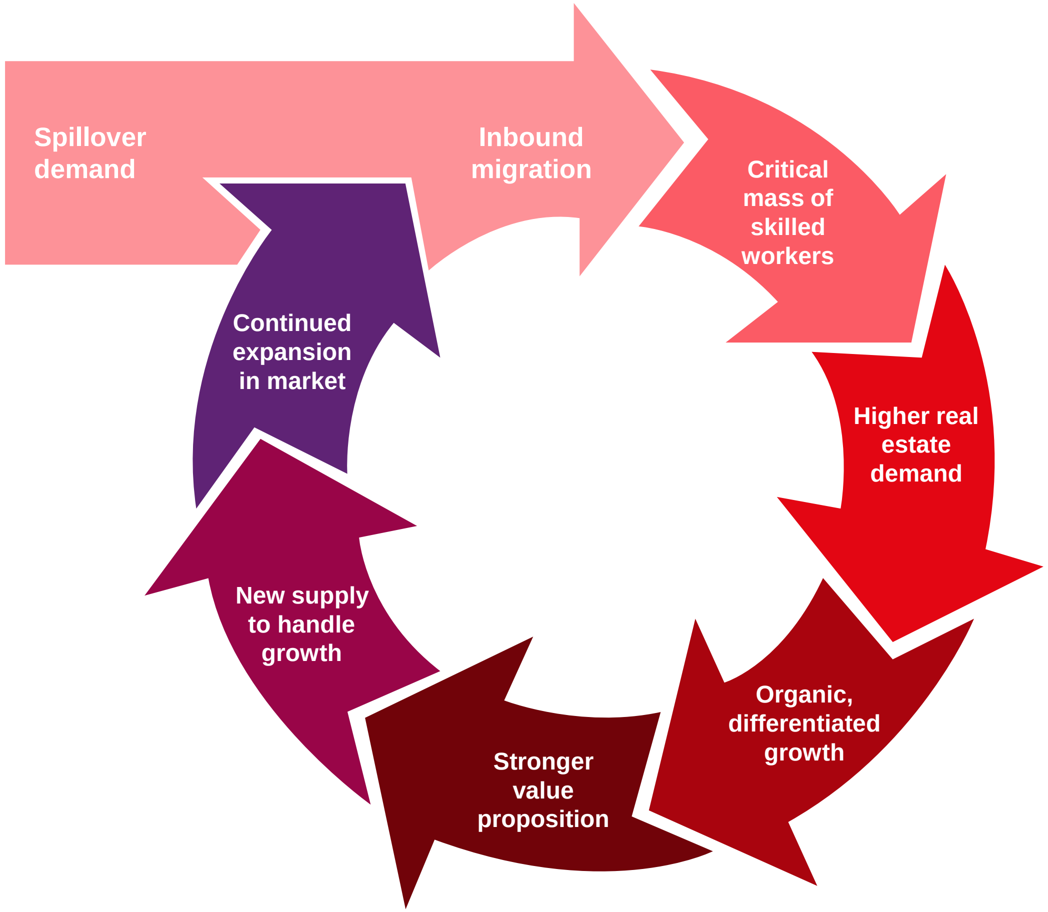


Emerging markets generally offer a superior value to gateway cities

Source: JLL Research

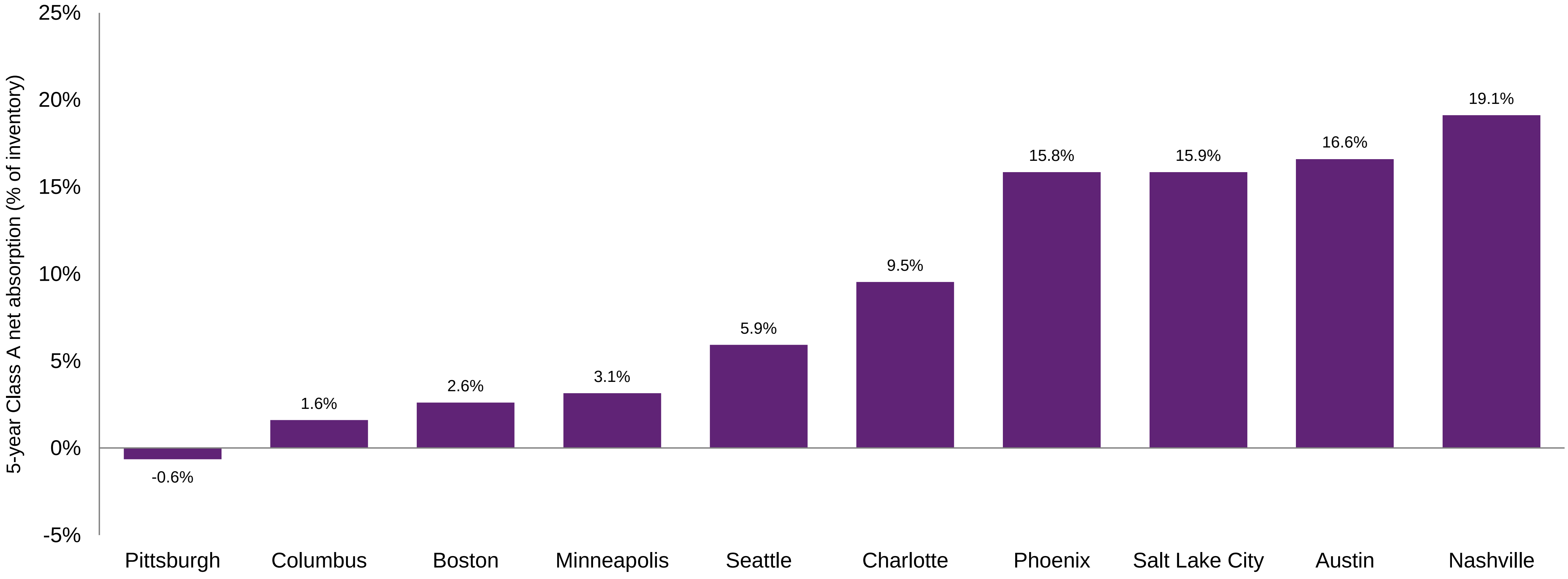
Convergence of talent, quality of life and costs are foundational elements of market attractiveness





Source: JLL Research

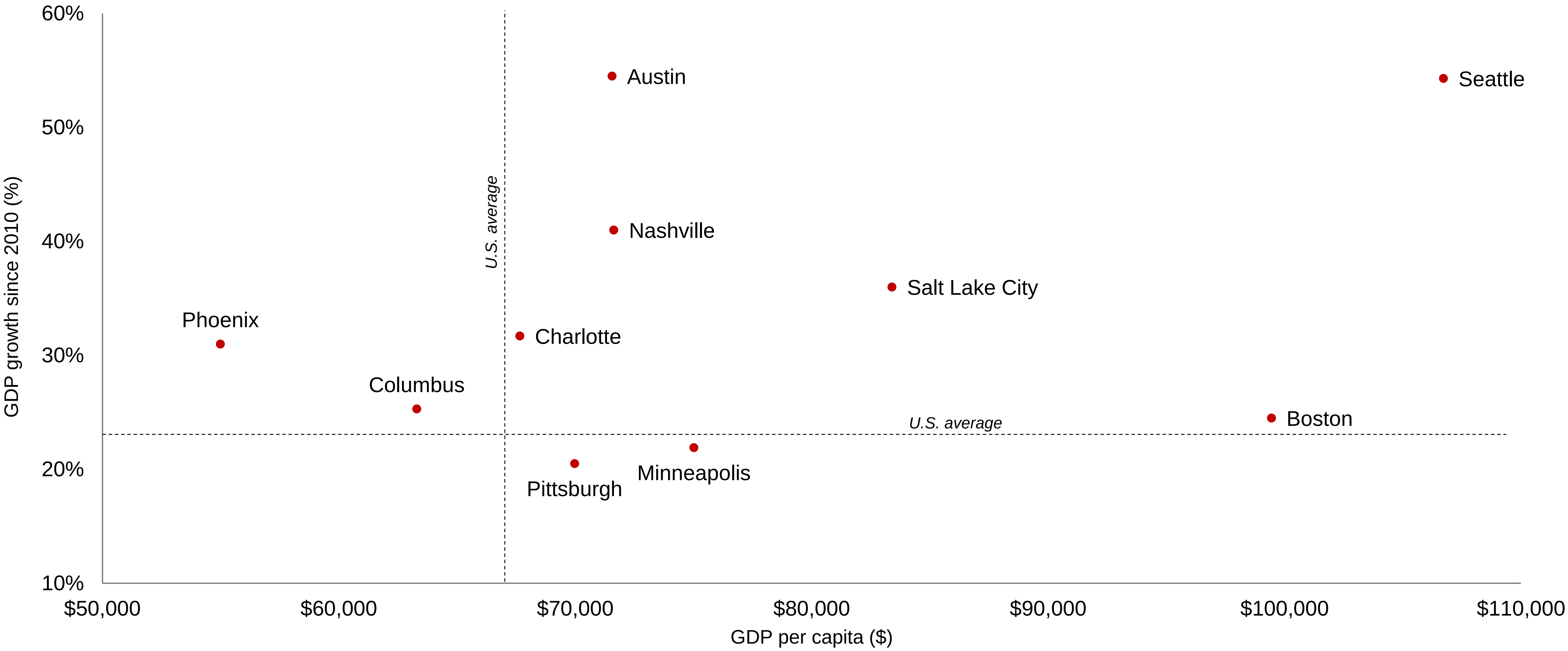
Office occupancy growth has been particularly strong throughout low-tax, low-cost markets



Emerging markets are capturing a disproportionate share of tenant demand

Source: JLL Research

These markets also exceed national averages in economic productivity and output



Economic strength varies across markets and benefits from clustering effects

Source: JLL Research

Quality impacts leasing and investment decisions

Bakery Square
Pittsburgh
792,444 s.f.

Google
Spaces
Autodesk

Design Center Tower
Charlotte
375,000 s.f.

Lowe’s

Grandview Yard
Columbus
338,937 s.f.

Nationwide

Foundry
Austin
236,436 s.f.

Unity
Perkins & Will

T3
Minneapolis
221,552 s.f.

Amazon
Industrious

5 Necco Street
Boston
87,163 s.f.

GE

Tenants are drawn to authentic, high-quality spaces and investors should focus on scarce assets

Source: JLL Research

Thank You

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