



**Manulife**

US REIT



**GREEN**  
**DOT SERIES**  
A THOUGHT LEADERSHIP INITIATIVE



# Investor Day 2019

Wednesday, 27 March 2019, 10.00AM to 2.00PM  
NTUC Auditorium, Level 7, 1 Marina Boulevard, Singapore 018989

# Important Notice

This presentation shall be read in conjunction with Manulife US REIT's financial results announcement dated 11 February 2019 published on SGXNet.

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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.

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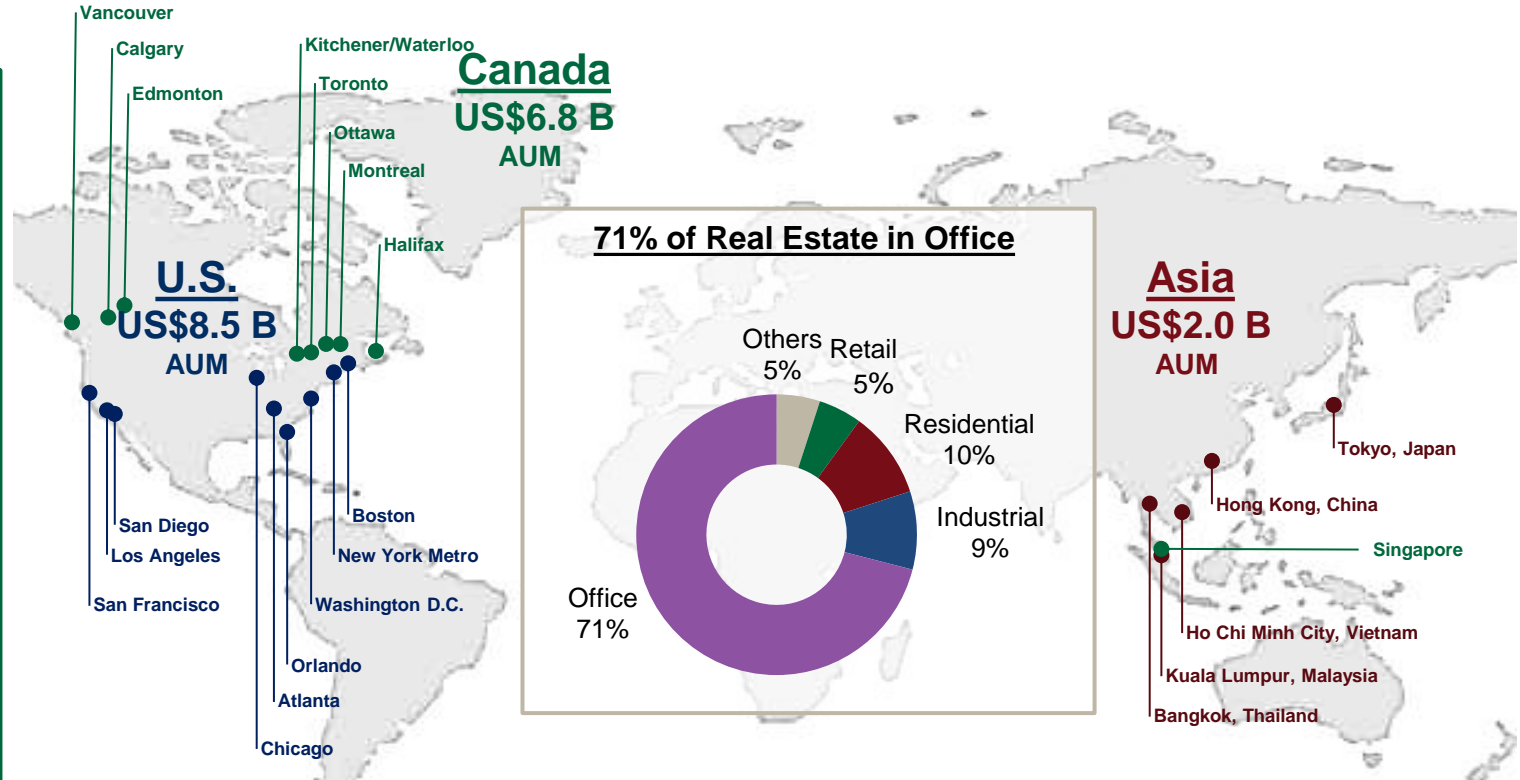
# Overview and About Manulife US REIT

HUDSON RIVER

# Reputable Sponsor with Proven Track Record in Property Management

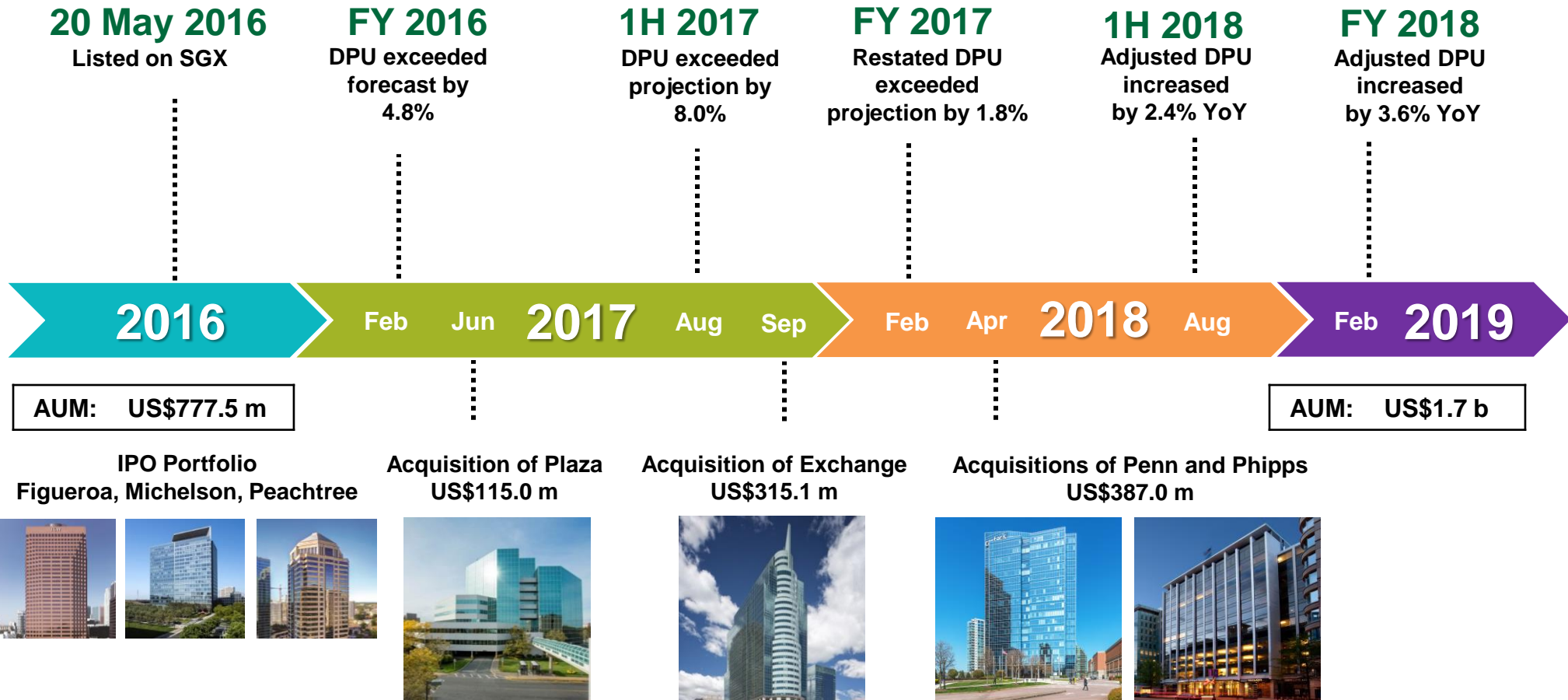
Vertically-Integrated Real Estate Platform: Global Real Estate AUM of US\$17.4 b

## Sponsor



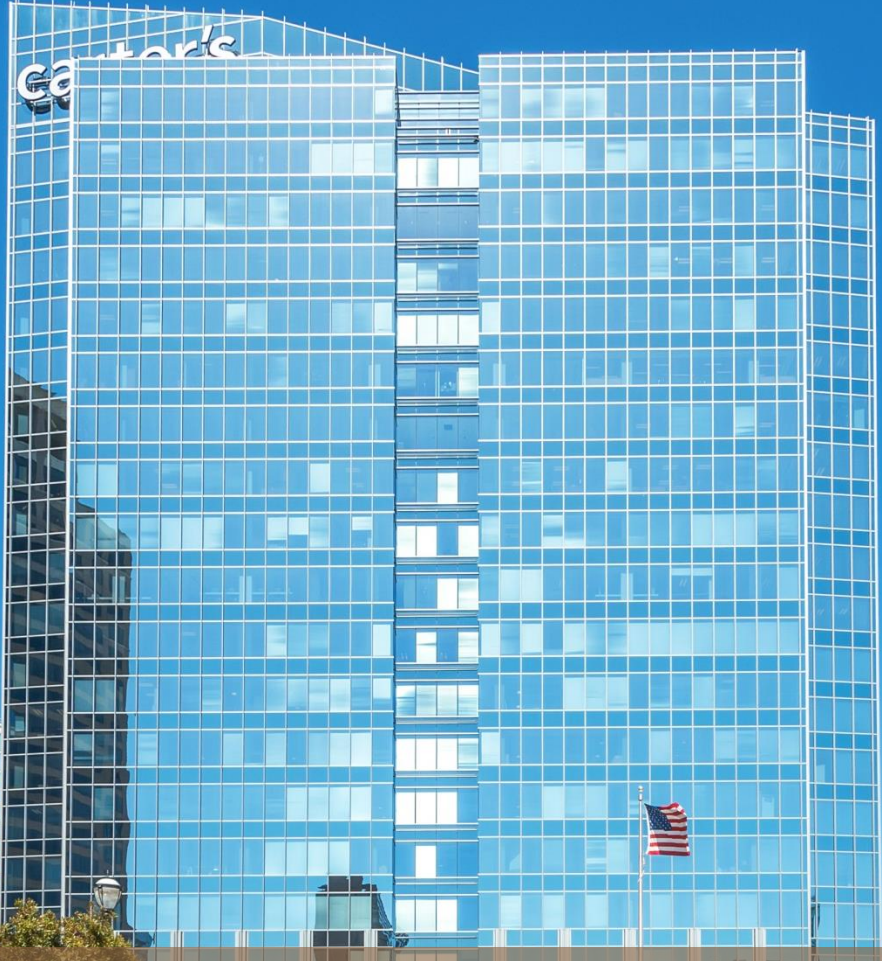
Note: All AUM in fair value basis as at 31 Dec 2018

# Key Milestones since IPO



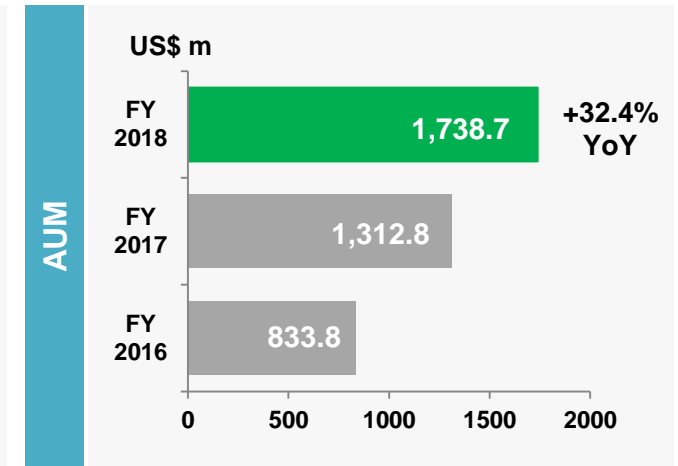
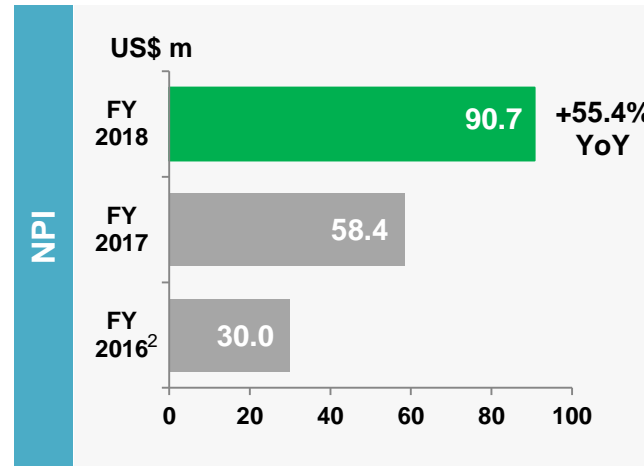
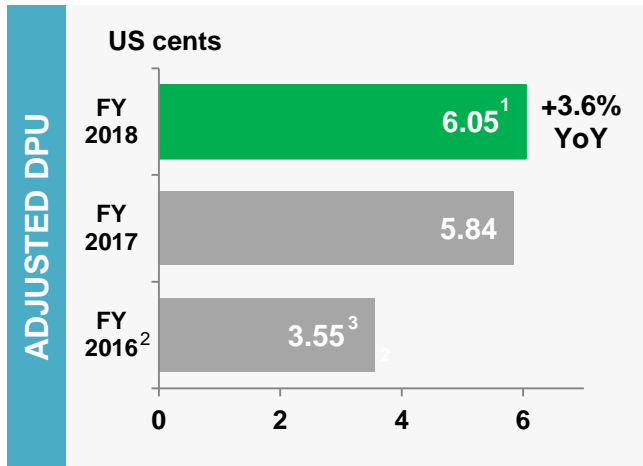
Note: For more information, please refer to [http://investor.manulifeusreit.sg/investor\\_relations.html](http://investor.manulifeusreit.sg/investor_relations.html)

*Phipps, Atlanta, Georgia*



# Financial and Portfolio Performance

# Growing from Strength to Strength in FY 2018



Committed Occupancy  
of **96.7%**



Portfolio valuation **+2.3%**



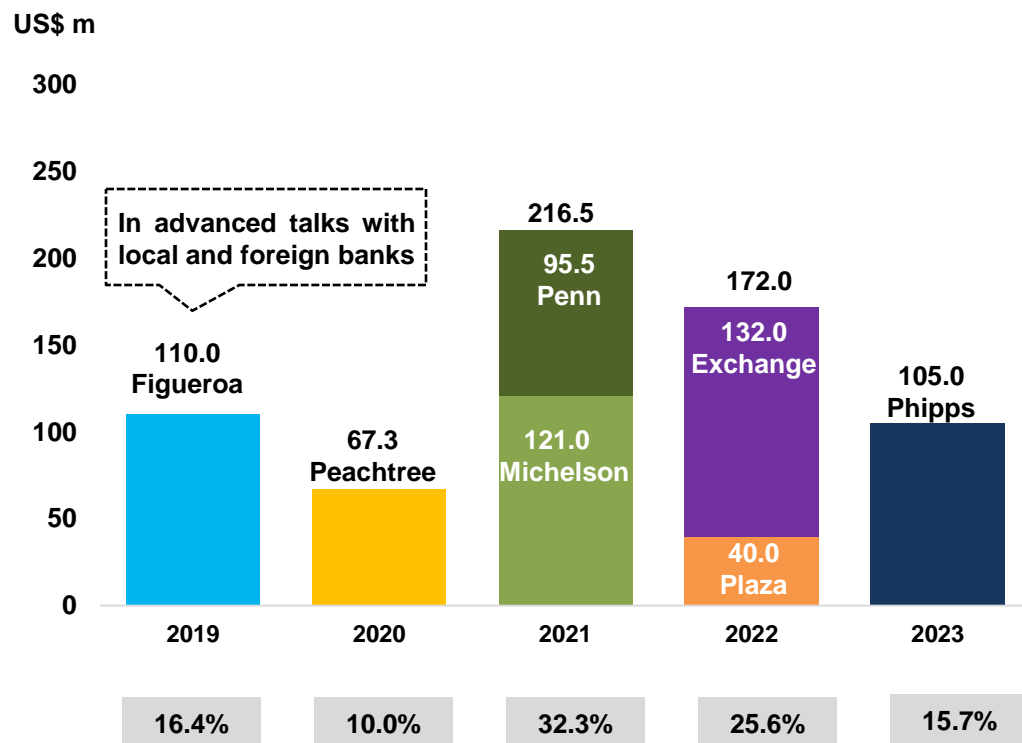
Acquisitions of Penn and Phipps for **US\$387.0 m** contributed from 2Q 2018

- (1) For illustrative purposes, adjusted DPU was calculated based on the weighted average number of Units in issue. The adjusted DPU normalises the impact of enlarged Unit base from the Preferential Offering (Penn and Phipps) and Rights Issue (Exchange)
- (2) FY 2016 includes results from 20 May 2016 to 31 Dec 2016
- (3) Actual DPU for FY 2016



# Disciplined and Prudent Capital Management

## Well-Spread Debt Maturity Profile<sup>1</sup>



(1) Excludes undrawn good news facilities and revolving credit facilities  
 (2) Based on gross borrowings as percentage of total assets

As at 31 Dec 2018



Gross Borrowings  
**US\$670.8 m**



Gearing Ratio  
**37.2%<sup>2</sup>**



Weighted Average Interest Rate  
**3.27%**



Weighted Average Debt Maturity  
**2.7 years**



Net Asset Value per Unit  
**US\$0.83**

# Superior Quality of Trophy and Class A Assets

## Figueroa, Los Angeles

Boom in residential creates live, work, play environment

## Michelson, Irvine

Strong labour pool with senior executives

## Exchange, Jersey City

10 minutes from Manhattan across the Hudson River

## Plaza, Secaucus

Affordable alternative to Manhattan attracts leading firms

## Penn, Washington, D.C.

Capital, government hub, heart of CBD

## Peachtree & Phipps, Atlanta

Capital of the South-East of the U.S.– HQ for Fortune 500 Firms

| As at 31 Dec 2018          | Figueroa | Michelson | Peachtree | Plaza   | Exchange | Penn    | Phipps  | Portfolio |
|----------------------------|----------|-----------|-----------|---------|----------|---------|---------|-----------|
| NLA (sq ft)                | 702,861  | 532,663   | 557,560   | 461,525 | 732,169  | 277,315 | 475,199 | 3.7 m     |
| WALE (Years by NLA)        | 4.6      | 3.4       | 4.9       | 7.4     | 6.1      | 5.9     | 9.0     | 5.8       |
| Occupancy <sup>1</sup> (%) | 93.9     | 96.0      | 93.7      | 98.9    | 97.7     | 99.2    | 100.0   | 96.7      |

(1) Committed Occupancy

# Cap Rates Stable; Portfolio Valuation +2.3%

Increase in Valuation due to Proactive Leasing and Continued Strength of Submarkets

| Property                   | Valuation            |                      |               |                      |                |  | Implied Cap Rates <sup>2</sup> |
|----------------------------|----------------------|----------------------|---------------|----------------------|----------------|--|--------------------------------|
|                            | 31 Dec 2018 (US\$ m) | 30 Jun 2018 (US\$ m) | 6M Change (%) | 31 Dec 2017 (US\$ m) | YoY Change (%) | 31 Dec 2018 (US\$ per sq ft <sup>1</sup> ) | 31 Dec 2018 (%)                |
| <b>Figueroa</b>            | 329.3                | 328.0                | 0.4           | 326.0                | 1.0            | 469  | 4.5                            |
| <b>Michelson</b>           | 345.0                | 342.0                | 0.9           | 342.0                | 0.9            | 648  | 4.8                            |
| <b>Peachtree Plaza</b>     | 203.7                | 203.0                | 0.3           | 194.2                | 4.9            | 365  | 5.8                            |
| <b>Exchange</b>            | 119.8                | 119.6                | 0.2           | 118.0                | 1.5            | 260  | 6.8                            |
| <b>Penn</b>                | 340.7                | 336.9                | 1.1           | 332.6                | 2.4            | 465  | 4.9                            |
| <b>Phipps</b>              | 189.0                | 187.0                | 1.1           | 182.0 <sup>3</sup>   | 3.8            | 682  | 4.8                            |
| <b>Total/ Weighted Ave</b> | 211.2                | 207.2                | 1.9           | 205.0 <sup>3</sup>   | 3.0            | 444  | 5.8                            |
| <b>Total/ Weighted Ave</b> | 1,738.7              | 1,723.7              | 0.9           | 1,699.8              | 2.3            | 465  | 5.1                            |

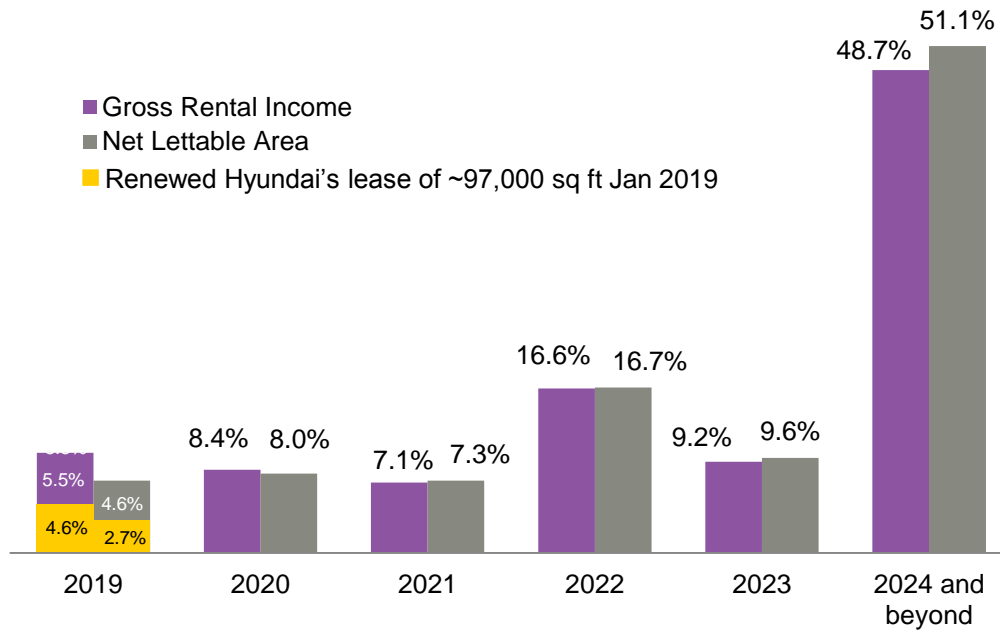
(1) Based on NLA as at 31 Dec 2018

(2) Based on valuation by Colliers

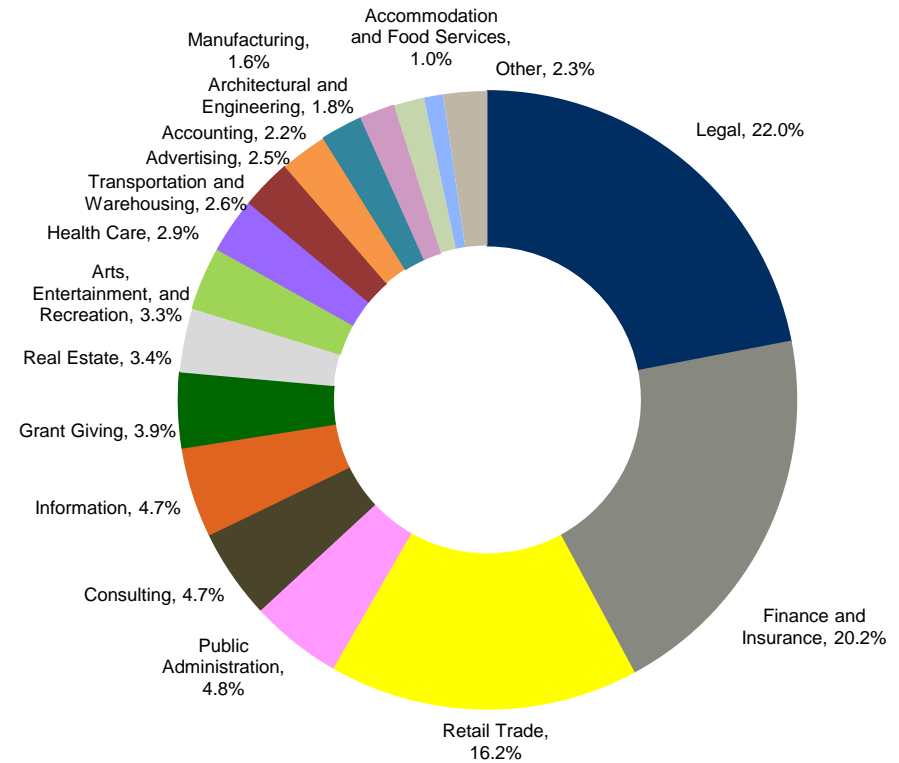
(3) Based on acquisition price announced on 13 Apr 2018

# Minimal Leases Due in 2019; Long WALE of 5.8 Years

## Lease Expiry Profile as at 31 Dec 2018<sup>1</sup> (%)



## Well-Diversified Tenant Base



Amounts may not sum to 100% due to rounding  
Data as at 31 Dec 2018

### Positive Rental Reversion

**+8.9%<sup>1</sup>**

+12.2% in FY 2017; +10.5% in FY 2016

### Annual Rental Escalations

**~2.0%**

94% of leases by GRI<sup>2</sup>

(1) Weighted by NLA. Excludes leases signed in suites vacant more than 12 months prior to execution. Rental reversions will only be disclosed when substantial and meaningful  
 (2) Annualised Annual and mid-term rental escalations

# Limited Supply in Our Cities

Majority of our Properties are 5% - 10% Below Market Rents

| Market                         | New Properties Under Construction ('000 sq ft) | Class A Inventory |                   |                                    | Manulife US REIT <sup>1</sup> |             |                           |
|--------------------------------|--|-------------------|-------------------|------------------------------------|-------------------------------|-------------|---------------------------|
|                                |  | RBA (mil sq ft)   | Vacancy (%)       | Gross Asking Rent per sq ft (US\$) | Properties                    | Vacancy (%) | Gross Passing Rent (US\$) |
| Downtown Los Angeles           | 0  | 39.1              | 14.5              | 43.70                              | Figueroa                      | 6.1         | 41.03                     |
| Irvine, Orange County          | 0  | 14.6              | 17.2              | 35.68                              | Michelson                     | 4.0         | 51.57                     |
| Midtown Atlanta                | 1,131 <sup>2</sup>                             | 15.9              | 9.2               | 38.93                              | Peachtree                     | 6.3         | 32.54                     |
| Meadowlands <sup>3</sup>       | 0  | 3.5               | 18.0 <sup>4</sup> | 30.11                              | Plaza                         | 1.1         | 30.74                     |
| Hudson Waterfront <sup>5</sup> | 0  | 18.7              | 17.1              | 45.28                              | Exchange                      | 2.3         | 40.18                     |
| Washington, D.C.               | 1,264 <sup>6</sup>                             | 30.5              | 10.7              | 55.61                              | Penn                          | 0.8         | 52.44                     |
| Buckhead Atlanta               | 0  | 16.1              | 13.9              | 38.10                              | Phipps                        | 0.0         | 35.58                     |

(1) Data as at 31 Dec 2018

(2) Approximately 50% pre-leased

(3) Secaucus is within the Meadowlands submarket

(4) Vacancy and availability include old and uncomparable buildings. Plaza's competitive set has vacancy rate of only 6%. New construction is not comparable to Plaza

(5) Jersey City is within the Hudson Waterfront submarket

(6) Of the properties under construction, only ~154,000 is directly comparable to Penn and is approximately 100% pre-leased

Source: CoStar Market Analysis & Forecast – As at 3 Jan 2019

# Advantage of U.S. Trophy/Class A Office

**Trophy/Class A Assets Provide Strong Income in Upcycles and Remain Resilient during Market Turmoil as compared to Class B & Lower Class Business Park Assets**



**Trophy**



**Class A**



**Class B**

|                               |  |  |  |
|-------------------------------|--|--|--|
| <b>Description</b>            | Highest quality buildings  | High quality buildings   | Older buildings with basic design/materials  |
| <b>Age</b>                    | <10 years  | < 15 years, if older, has been renovated to maintain its status  | >15 years  |
| <b>Location</b>               | Best location and great accessibility  | Central location and great accessibility   | Location less identifiable   |
| <b>Features and amenities</b> | <ul style="list-style-type: none"> <li>• Timeless in architecture, renowned for quality</li> <li>• Abundant amenities</li> <li>• Proactive management and maintenance</li> </ul> | <ul style="list-style-type: none"> <li>• High quality building finishes</li> <li>• Abundant amenities</li> <li>• Proactive management and maintenance</li> </ul> | <ul style="list-style-type: none"> <li>• Outdated features, may require renovation</li> <li>• Limited amenities</li> <li>• Average management and maintenance</li> </ul> |
| <b>Typical Tenants</b>        | Multi-national companies   | Multi-national companies   | Small & medium enterprises   |
| <b>Rents</b>                  | Command highest rents  | Above market rents for area  | Discount to Class A  |

Source: Company. There are no formal or international standards established for building classes; each building's classification is relative to its own market, and criteria may vary from one market to another.



# Looking Forward

# U.S. – World's Largest Real Estate Market

## Investment Criteria



Long WALE



High Occupancy



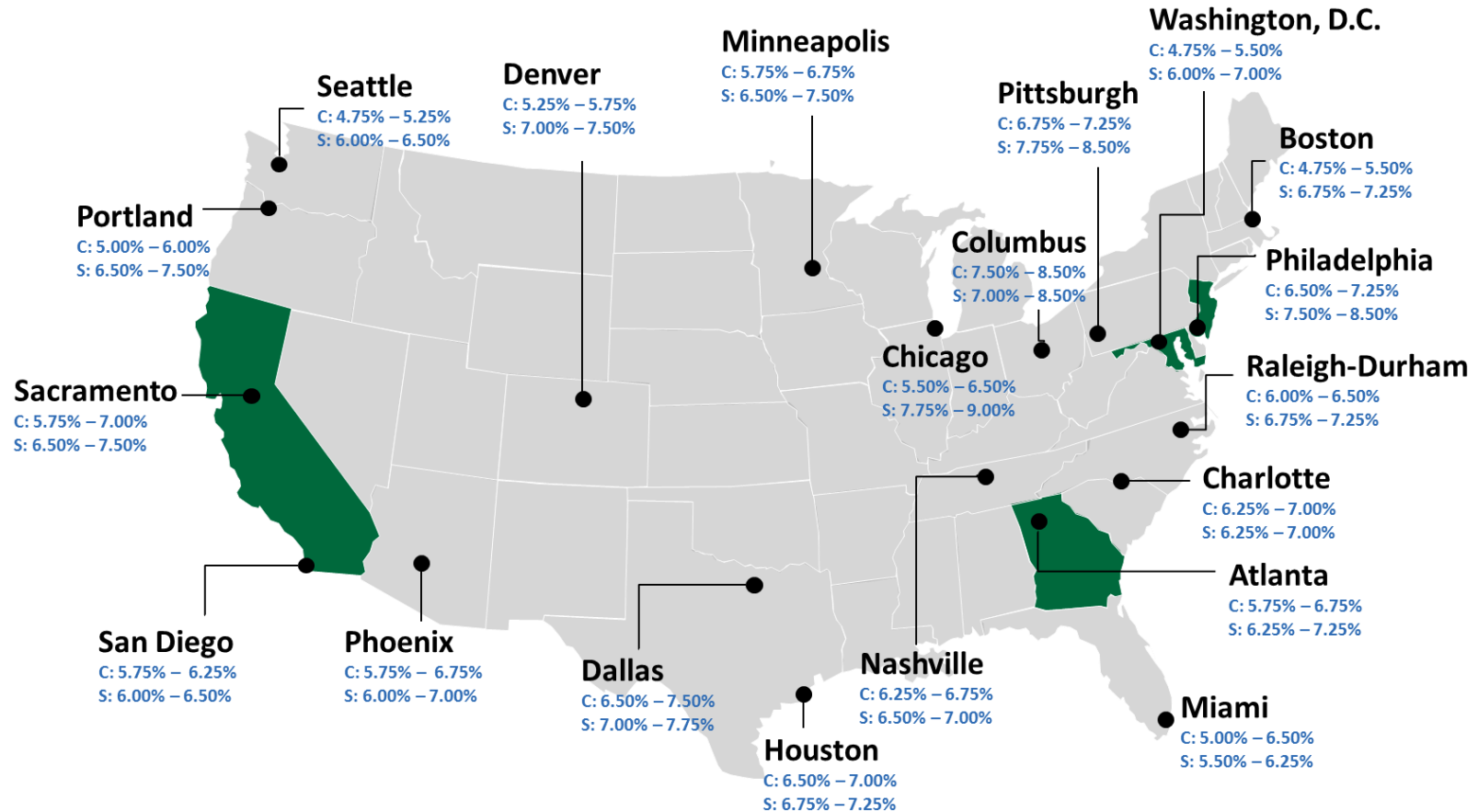
Live, Work, Play Environment



Strong Economic Fundamentals



Trophy/Class A Assets



Notes:  
 States MUST is in are highlighted in green  
 Class A cap rates highlighted in blue  
 C: CBD cap rates; S: Suburban cap rates  
 Source: CBRE Cap Rate Survey – Second Half 2018



# Poised for Growth

## Macro Environment

- ① Despite challenging global economic backdrop, U.S. economy remains bright spot
- ② Rate Hikes – Fed remains patient
- ③ Proposed US tax regulations and Barbados tax changes no material impact

## Micro Environment

- ① Continue to drive leasing and asset management
- ② Refinance Figueroa loan; target to unencumber
- ③ Opportunistic acquisitions in strong growth markets with desirable Live, Work, Play environment

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# FY 2018 Adjusted DPU<sup>1</sup> Increased 3.6% YoY

|  | 4Q 2018<br>(US\$'000) | 4Q 2017<br>(US\$'000) | Change<br>(%)      | FY 2018<br>(US\$'000) | FY 2017<br>(US\$'000) | Change<br>(%)        |
|--|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|----------------------|
| <b>Gross Revenue</b>                       | 40,501                | 29,264                | ▲ 38.4             | 144,554               | 92,040                | ▲ 57.1               |
| <b>Net Property Income</b>                 | 25,491                | 18,418                | ▲ 38.4             | 90,665                | 58,351                | ▲ 55.4               |
| <b>Net Income</b>                          | 20,509                | 18,943                | ▲ 8.3              | 64,520                | 57,964                | ▲ 11.3               |
| <b>Distributable Income</b>                | 19,586                | 14,641                | ▲ 33.8             | 70,981                | 46,716                | ▲ 51.9               |
| <b>DPU (US cents)</b>                      | 1.53                  | 1.42                  | ▲ 7.7 <sup>2</sup> | 5.57                  | 5.77                  | ▼ (3.5) <sup>3</sup> |
| <b>Adjusted DPU (US cents)<sup>1</sup></b> | 1.54                  | 1.52                  | ▲ 1.3              | 6.05                  | 5.84                  | ▲ 3.6                |

- (1) For illustrative purposes, adjusted DPU was calculated based on the weighted average number of Units in issue. The adjusted DPU normalises the impact of enlarged Unit base from the Preferential Offering (Penn and Phipps) and Rights Issue (Exchange)
- (2) 4Q 2018 DPU was higher than 4Q 2017 DPU largely due to income contribution from the properties acquired in 2018 and full quarter income contribution from Exchange acquired on 31 Oct 2017
- (3) FY 2018 DPU was lower than FY 2017 DPU largely due to the enlarged Unit base from the issuance of Preferential Offering to partially fund Penn and Phipps acquisitions, but income contribution from Penn and Phipps was only from acquisition date on 22 Jun 2018

# Tax Advantaged Tax Structure

## 1 MUST's tax advantage

- No US corporate taxes (21%)
- No US withholding taxes (30%)
- No Singapore corporate taxes on domestic institutions (17%) or Singapore withholding taxes (10%)
- Minimum taxes paid (1.5% to 2.5% of distributable income)

For illustrative purposes only

|                                       | US REIT           | S-REIT <sup>1</sup> | Manulife US REIT  |
|---------------------------------------|-------------------|---------------------|-------------------|
| DPU Yield                             | 3.2% <sup>2</sup> | 7.2%                | 7.2% <sup>3</sup> |
| U.S. Withholding Taxes                | (1.0%)            | -                   | -                 |
| Net Yield – Singapore Retail Investor | 2.2%              | 7.2%                | 7.2%              |
| Net Yield – Singapore Institutions    | 2.2%              | 6.0% <sup>4</sup>   | 7.2%              |
| Net Yield – Foreign Institutions      | 2.2%              | 6.5% <sup>5</sup>   | 7.2%              |

## 2 MUST's tax structure supported by 4 strong pillars

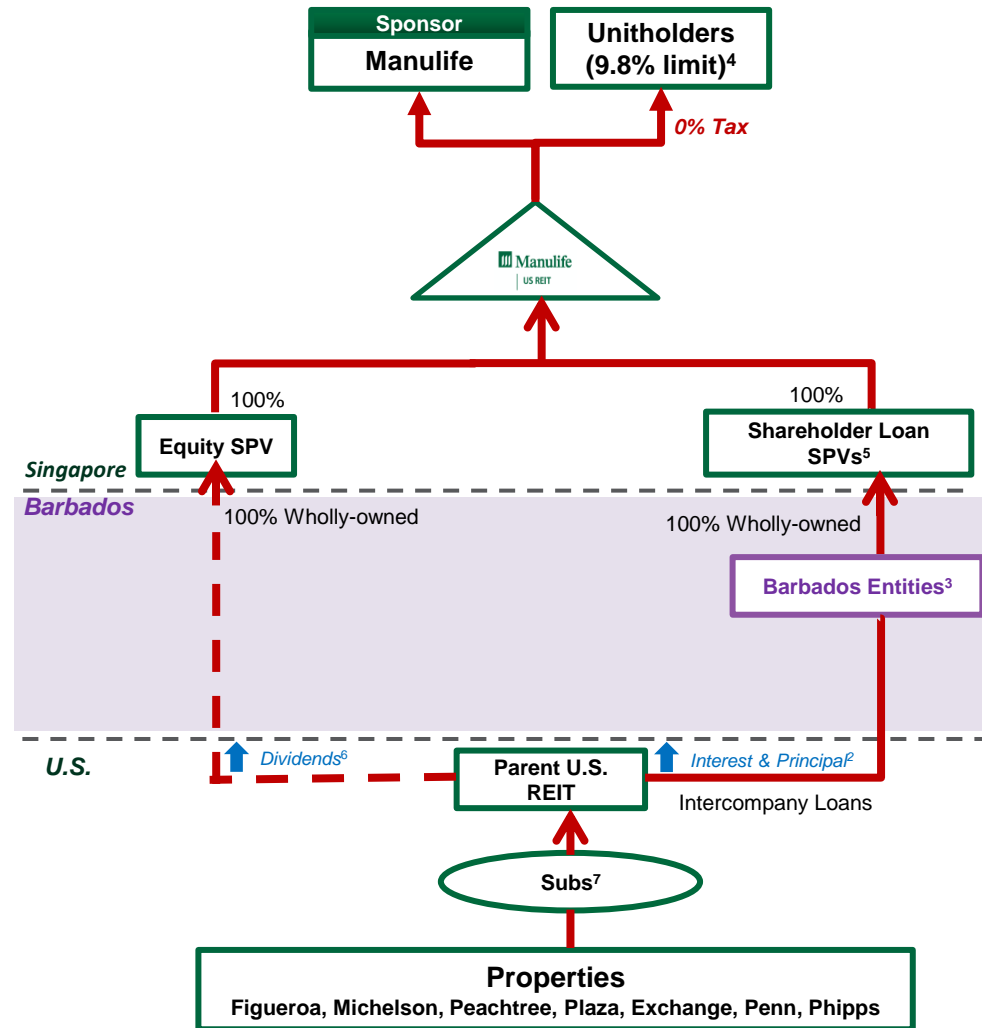
## 3 Stable U.S. tax jurisdictions

- (1) Singapore REIT with Singapore assets only. For illustrative purposes, the DPU yield for S-REIT is assumed to be the same as Manulife US REIT  
 (2) Weighted Average of analyst consensus for FY 2019 distribution Yield of 18 US Office REITs listed in US stock exchange as at 25 Mar 2019 (Source: Bloomberg)  
 (3) Analyst consensus for Manulife US REIT's FY 2019 distribution yield as at 25 Mar 2019 (Source: Bloomberg)  
 (4) Singapore institutions incur 17% corporate tax on the Singapore sourced income portion of the distribution  
 (5) Foreign institutions incur 10% corporate tax on the Singapore sourced income portion of the distribution

# MUST's Tax Structure<sup>1</sup>

## Predominantly Supported by Four Pillars

- 1 Parent US REIT Structure**
  - Tax transparency – Dividends distributed are deductible
  - Income shielded by interest expense and depreciation
- 2 US Portfolio Interest Exemption Rule**
  - No 30%<sup>2</sup> withholding tax on interest and principal on shareholder's loan
- 3 Barbados Entities (US Tax Act Dec 2017 Section 267A)**
  - Barbados limited partnerships<sup>3</sup> are “fiscally transparent”
  - Interest income on intercompany loans are taxed in Barbados and principal repayments are not subjected to tax
- 4 Foreign Sourced Income**
  - Zero tax in Singapore - Foreign sourced income not subject to tax



(1) As at 1 Jan 2018. Please refer to the SGX announcement dated 2 Jan 2018 titled “Redemption of Preferred Shares by U.S. REITs and Proposed Establishment of Wholly-Owned Entities” for details of the restructuring undertaken by MUST

(2) Principal repayments are not subject to U.S. withholding taxes. Interest payments are not subject to U.S. withholding taxes assuming Unitholders qualify for portfolio interest exemption and provide appropriate tax certifications, including an appropriate IRS Form W-8

(3) The Barbados Limited Partnerships have extended loans to the Parent U.S. REIT and the interest income on the loans is taxed in Barbados

(4) No single investor to hold more than 9.8% (including the sponsor) - ‘Widely Held’ (No more than 50% of shares can be owned by 5 or fewer individuals) rule for REITs in US – applies to pillars 1 and 2 above

(5) There are three wholly-owned Shareholder Loan SPVs, each of which has made equity investments in two wholly-owned Barbados entities which had formed a Barbados Limited Partnership

(6) Subject to 30% withholding tax

(7) Each Sub holds an individual property