Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Manulife US Real Estate Management Pte. Ltd.

Security: Manulife US REIT

Meeting details:
Date: 24 April 2019
Time: 10.00 a.m.
Venue: Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593

Company Description

Manulife US Real Estate Investment Trust is a real estate investment trust (REIT). It focuses on investing, directly or indirectly, in a portfolio of income-producing office real estate in markets in the United States, as well as real estate-related assets. Its portfolio consists of three office properties in the United States, with a net lettable area of approximately 1,783,080 square feet. The Company's office properties include Figueroa, which is a 35-story Class A office building with over 694,530 square feet of net lettable area, located in the South Park district of Downtown Los Angeles, two blocks away from a range of entertainment venues; Michelson, which is a 19-story, Trophy office building with approximately 532,600 square feet of net lettable area, located in Irvine, Orange County, within the Greater Los Angeles market, and Peachtree, which is a 27-story Class A office building with over 555,940 square feet of net lettable area, located in the heart of Midtown, Atlanta.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BTOU)

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1. Would the board/REIT manager provide unitholders with better clarity on the following operational matters? Specifically:

(i) **Occupancy rate:** In the 2017 annual report, the REIT manager reported a "high occupancy rate of 95.9%". In the latest annual report, the REIT manager disclosed a "committed occupancy" of 96.7%. **Would the REIT manager help unitholders understand why it has changed from "occupancy rate" to "committed occupancy? What was the average occupancy rate achieved in FY2018? Would the manager consider reporting both the occupancy rate and the committed occupancy rate?**

(ii) **Assets under management (AUM):** The REIT has more than doubled its assets under management from US$833 million as at FY2016 to US$1.7 million as at 31 December 2018. **Given the current stage of the market cycle (including interest rate trends), does the board think that it is prudent for the REIT manager to target the doubling of the AUM to US$2.6 billion?**

(iii) **Efficiency:** Total operating expenses as percentage of net assets has crept up from 3.8% (in FY2016) to 4.7% (in FY2017) to 5.9% (in FY2018) despite the larger scale of the trust. **Can the REIT manager help unitholders understand the reason(s) for the escalating operating expenses (as percentage of net assets)? What are the pro-active efforts by the REIT manager to better control its costs?**

2. In the Letter to unitholders, the REIT manager provided an overview of the tax system governing the REIT and stated the following:

> *On 20 December 2018, the U.S. Department of the Treasury released proposed regulations (Proposed 267A Regulations) under Section 267A of the U.S. Internal Revenue Code of 1986, as amended (Section 267A). Separately, on 20 November 2018, the Government of Barbados announced that Barbados will converge its local and international tax rates (Proposed Barbados Tax Changes). The Manager currently expects that the Proposed 267A Regulations together with the Proposed Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or DPU of MUST.*

The U.S. Department of the Treasury released proposed regulations under the new Section 267A of the U.S. Internal Revenue Code which were aimed at preventing the use of arrangements involving hybrid transactions or hybrid entities to affirmatively exploit differences in the tax laws across jurisdictions. This regulatory proposal follows the core principles outlined by the OECD in its recent publication in combatting so-called "hybrid mismatch arrangements."

(i) **Has the board evaluated the worst case scenario as a result of the changes in the tax code? What is the impact on the net asset and on the cash flow/distribution per unit in the worst case (should the Department of the Treasury further refine its tax code)?**

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(ii) What is the long term viability of the trust if all avenues of cross-border hybrid financing arrangements are closed?

3. The REIT manager has stated that it will proactively explore refinancing options for Figueroa's loan. The REIT's assets are all encumbered under the current loans.

(i) Will the REIT be able to obtain better financing terms in Singapore? Will there be significant currency risks if the REIT raises SGD-denominated borrowings?

(ii) Has the board set a target for the weighted average debt maturity? What would be the optimal debt maturity given the REIT's assets and lease profile?

(iii) What is holding the REIT back from creating a distribution reinvestment plan?

(iv) What are the advantages of unencumbering the REIT's assets?

(v) With an annual distributable income of US$71.0 million, does the REIT have the scale to start quarterly distribution?

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=Manulife%20US%20REIT&cid=6486,4546

The company's response could be found here: -----