

Manulife US REIT's portfolio valuation declines by 8.0% to US\$1.41 bil

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The portfolio valuation of Manulife US REIT (MUST) has declined to US\$1.41 billion (\$1.87 billion) as at Dec 31, 2023, 8.0% lower than the US\$1.53 billion valuation as at June 30, 2023. The valuation decline would result in MUST's net asset value (NAV) by US\$123.1 million or 7 US cents per unit.

The valuation drop is largely attributable to several factors including higher discount rates and terminal capitalisation rates for certain properties reflecting the risks posed by the volatile macroeconomic environment.

The drop was also attributed to the continued weakening of occupancies across the US office market and a decline in the four properties with the largest percentage valuation within MUST's portfolio. The four properties are Figueroa, Plaza, Penn, and Diablo, which comprised 54.2% of the overall portfolio valuation decline.

Figueroa saw a 20.1% h-o-h valuation decline while Plaza saw a decline of 13.6% h-o-h. Penn fell by 12.9% while Diablo fell by 11.3%.

In addition, the REIT says that US office valuations continue to remain under pressure and may decline further in 2024.

"Evidence from the public US office REIT market indicates that US office REIT unit prices are priced at upwards of a 30% discount to NAV," adds MUST in its Jan 5 statement.

See also: [Lippo Mall Indonesia Retail Trust sees aggregate leverage increase to 44.3%](#)

Furthermore, the National Council of Real Estate Investment Fiduciaries Office Subindex, which reflects private market values, reported valuation declines of 21.1% y-o-y as at the 3Q2023. According to MUST, the performance in private markets usually lags public markets and the prevailing market sentiment is that these declines may continue through 2024.

Lastly, the Greenstreet Commercial Property Price Index also estimates that office values were down 27% over the last 12 months ended Sept 30, 2023.

Loss expected for FY2023

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Due to the fair value losses for the properties owned by MUST, the REIT expects to report a loss for the FY2023 ended Dec 31, 2023.

However, the REIT will still be able to pay its interest payments and expenses as they fall as fair value losses are non-cash items.

MUST's expected aggregate leverage will be around 58% as at Dec 31, 2023.

Units in MUST closed at 7.8 US cents on Jan 4.

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