

Business News

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Analysts still upbeat about KLCCP outlook

PETALING JAYA: The slump in the price of crude oil is hurting tenants at Petronas Twin Towers and Menara ExxonMobil, but for owner KLCC Property Holdings Bhd (KLCCP), the buildings' full occupancy rates and long-term leases mean its outlook is secured. Maybank Investment Bank Research said in a report that it was positive on KLCCP's near to mid-term outlook as earnings were still largely backed by its offices' long-term and triple net leases.

"In view of the recent crude oil price slump and KLCCP's sizeable exposure to the oil and gas sector via its major office tenants, Petronas and ExxonMobil, we believe KLCCP's office occupancy rates would remain at 100% going forward.

"We understand that ExxonMobil has recently committed to renew its long-term lease in Menara ExxonMobil, as the current lease will expire in Jan 2017," it said yesterday, following a briefing with KLCCP.

The research house emphasised, however, that details of the new lease agreement were yet to be known as the agreements had yet to be finalised and signed.

"Meanwhile, lease expiries for Petronas Twin Towers, Menara 3 Petronas and Kompleks Dayabumi would only take place in 2027, 2026 and 2019 respectively."

CIMB Research said KLCCP remained fairly positive on the outlook for its office segment as more than 90% of tenants are on a triple-net-lease agreement (of up to 15 years).

"We gather that this would shield the group from the incoming new office supply in the market," it said.

“Meanwhile, the conversion of atrium spaces of levels two, three and four of Menara Dayabumi into office space is on track for completion by the first quarter of 2016.

“The group has also stepped up its rental rates by 8.9% to RM9.92 for its Petronas Twin Tower asset.”

The 29-storey Menara ExxonMobil, which is next to the Petronas Twin Towers, had been leased to ExxonMobil Exploration and Production Malaysia Inc since 1997.

Based on reports, various O&G players were looking to downsize their operations in Malaysia in light plunging oil prices, which had affected their business.

According to KLCCP’s 2014 annual report, the lease agreement with ExxonMobil was for a five-year term, expiring on Jan 31, 2017. It was reported that ExxonMobil had moved its business support centre to India.

Reports claimed that the company had planned to downsize its Malaysia operation due to the current low oil prices.

Kenanga Research also said it was optimistic about KLCCP’s prospects in the office sector, having secured long-term leases with existing tenants of Menara ExxonMobil.

“The details of lease agreement have yet to be finalised.

“However, we are positive on this update as this means that the group will be able to maintain its occupancy stability from Menara ExxonMobil, and as such we make no changes to our estimates.”

UOBKayHian said it expected the company’s office, retail and management services segments to continue delivering solid performances, adding that it anticipated the hotel segment to show a gradual recovery post renovation works.

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