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## **KLCCP could see higher rentals from transformed Parkson space**



KUALA LUMPUR: The reconfiguration of the Parkson space in Suria KLCC may unlock value for KLCC Property Holdings Bhd as smaller sized tenants generally command a higher rental per square foot, says RHB research.

The research house maintained a buy call on the stapled REIT and revised its earnings forecast on KLCCP Stapled higher by 1% to 2% to reflect the incremental rental from the reconfigured rental space.

"Correspondingly, our DDM-based TP is increased to MYR8.62 following our earnings revision," it said.

Following the closing of the Parkson outlet in March 2019, the space has been divided into smaller lots of under 10,000sqf each, which are suitable for speciality stores from a diverse mix of tenants in the fashion, cosmetics and F&B segments.

According to the RHB research, KLCCP's management guided that the mix will comprise 80 to 100 of local and exclusive, international "first-to-market" names.

The transformation of 80% of the net lettable area is expected to be completed by December while the remainder will be completed in mid-2020.

Meanwhile, RHB expects KLCCP Stapled's office segment to have minimal downside risk as three of its five prime Grade A office buildings are on a triple net lease with Petronas, with long-term leases and full occupancy. Another of the buildings, Menara ExxonMobil, is also 40% occupied by a Petronas subsidiary and also experiencing relatively stable tenancy.

The research house however is staying cautious on the hotel segment amid soft market conditions and increasing competition from new five-star hotels.

"Management has not seen a strong pick-up in average room rate (ARR) over the years for Mandarin Oriental. "KLCCSS plans to capitalise on the re-launch of its newly-refurbished rooms and further encourage growth for this segment with initiatives also in place for its F&B segment," it said.

(Source: <https://www.thestar.com.my/business/business-news/2019/09/24/klccp-could-see-higher-rentals-from-transformed-parkson-space#Ufg4jjZLilOgUuGM.99> )