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'KLCCP has enough assets to weather weak market'

Group has no plan to acquire new assets for the time being

BY SYAHIRAH SYED JAAFAR

KUALA LUMPUR: KLCCP Stapled Group does not intend to acquire new assets for the time being as the market remains weak.

Datuk Hashim Wahir, group chief executive officer of the KLCC group of companies, said the group nevertheless is constantly on the lookout for opportunities to grow.

"We are looking. However we have not yet found a suitable one. The market is challenging. We also need to ensure the profile of the potential asset suits our requirement," Hashim said at a media briefing after KLCC Stapled Group's annual general meeting yesterday.

He said the group's parent, KLCC (Holdings) Sdn Bhd, has enough gross floor area (GFA) to sustain the group's operations moving forward.

KLCC Holdings currently has 25.7 million sq ft of GFA in the KLCC precinct area, of which only half has been developed to date, Hashim said.

"So we have enough reserved for now. We will hold it until the market improves," he added.

KLCCP Stapled Group, comprising KLCC Property Holdings Bhd and KLCC Real Estate Investment Trust, owns and manages offices, retail and hotel properties and has a 60% stake in the Suria KLCC retail mall.

(From left) Hashim, KLCCP Stapled Group chairman Datuk Ahmad Nizam Salleh, and chief financial officer and chief investment officer Annuar Marzuki Abdul Aziz at a press conference of the group's annual general meeting in Kuala Lumpur yesterday. Photo by Sam Fong

On the general outlook ahead, Hashim said as the property market environment is expected to remain challenging in 2019, the group also remains cautiously optimistic about its prospects for the year.

He said in such challenging market conditions, the group remains focused on growing its core competencies in its key market segments.

"Our high-quality office portfolio, reinforced by long-term tenancies, will continue to drive stable growth for the group," he said.

The group's office segment, which contributed 43% to overall revenue for the year ended Dec 31, 2018 (FY19), remains stable with a 100% tenancy enjoyed by Petronas Twin Towers, Menara ExxonMobil and Menara 3 Petronas.

"The office segment will be the mainstay for the group because the tenancies are on a long-term triple-net lease. We have also just had a rental reversion for the Twin Towers last year. The rates will step up every three years by 10%. So this will provide us a stable growth," said Hashim.

In the retail segment, which contributes 35% to the group's top line, Suria KLCC currently has a 98% tenancy rate.

"The retail segment is also challenging. However, we managed to get a 4% revenue and profit before tax growth in FY18 from higher occupancy and rents, so this is encouraging," he said.

For FY18, the group recorded a net profit of RM724.91 million, down 17% compared with RM877.9 million a year ago, on higher depreciation costs in its hotel segment following the refurbishment of its Mandarin Oriental Hotel rooms. Revenue rose 3% to RM1.41 billion from RM1.37 billion in FY17.

However, with the completion of the refurbishment of hotel rooms, Hashim said the group expects the hotel segment, which contributes 12% to top line, to compete better with new competitors moving forward, supporting the group's performance for the year ahead.

KLCCP Stapled Group's share price closed four sen or 0.51% lower at RM7.76 yesterday, with a market capitalisation of about RM14 billion.

(Source: The Edge, Home Business, 4 April 2019, Thursday)