theSundaily

Wednesday, 3 April 2019

OPR cut good news for REITs, says property firm

From left: Hashim, KLCCP chairman Datuk Ahmad Nizam Salleh and CFO Annuar Marzuki Abdul Aziz during a media briefing yesterday. – Adib Rawi Yahya/theSun

KUALA LUMPUR: The real estate investment trusts (REITs) industry will be among the winners if Bank Negara Malaysia (BNM) cuts interest rates this year, according to property company KLCCP Stapled Group.

KLCCP Stapled Group, comprising KLCC REIT and KLCC Property Holdings Bhd (KLCCP), is Malaysia's largest self-managed stapled security.
Some analysts recently viewed the central bank as likely cutting the Overnight Policy Rate (OPR) by 25 basis points sometime in May this year amid slowing economic growth.

"(OPR cut) is not only good news to us, but (also) to the industry as any lowering of OPR would give a better spread to the yield," KLCCP CEO Datuk Hashim Wahir told reporters at a media briefing yesterday.
"In terms of our (yield) distribution from the market it is about 4.7%, and that is a very small spread to Malaysia government securities (MGS)," he added.

MGS is a typical benchmark that investors use to compare REITs, which are seen as a comparatively riskier investment.

Meanwhile, Hashim said KLCCP's office segment will continue to be the main revenue driver for the group moving forward, supported by its long-term tenancies in particular with Petronas for the Petronas Twin Towers.

"Currently, all of our office spaces are fully tenanted and leased, mainly by Petronas. Last year, the Twin Towers just had a rental revision of 10% (from 9%) for every three years," he added.

The office segment contributed 43% to the group's overall revenue last year. The retail segment, represented by Suria KLCC and the retail podium of Menara 3 Petronas, made up 35%, while the remaining 12% and 10% were made up of the hotel and management services segments, respectively.

For the financial year ended Dec 31, 2018 (FY18), KLCCP's net profit declined 17.4% to RM724.91 million from RM877.9 million in FY17. Revenue was up 2.9% to RM1.4 billion from RM1.37 billion previously, driven by the contribution from office and retail segments.

Commenting on the impact of replacing the Parkson departmental store space at Suria KLCC with over 50 new tenancies, Hashim said the mall's occupancy rate would be decreased by 124,000 sq ft, representing about 10% of the mall's total retail area.

As at end of last year, he said the mall maintained an average occupancy rate of 98%.

"But the Phase 1 (of the redevelopment project) which is on the ground floor (area), is expected to be completed by end of this year, and the tenants will come in once (the project) is completed.

"Suria KLCC (management) is actively engaging with the potential retailers to make sure that the mix (of the retailers) is meeting what the consumers want," he added.

Suria KLCC Sdn Bhd previously said the new tenants will include mainly food and beverage, cosmetics and fashion businesses.

(Source : https://www.thesundaily.my/business/opr-cut-good-news-for-reits-says-property-firm-GE754954)