



## KLCCP Stapled Group rental income resilient

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**KUALA LUMPUR:** KLCC Property Holdings Bhd (KLCCP) Stapled Group has not been impacted by any cut in office space requirements by its main tenant, Petroliam Nasional Bhd (Petronas), despite the slowdown in the oil and gas sector, but continues to see resilient rental income backed by long-term lease agreements and triple net leases for its office segment.

KLCCP consists of KLCC Property Holdings Bhd (KLCCP) and KLCC Real Estate Investment Trust (KLCC Reit). The group derives its revenue mainly from the office segment that contributes 44% of its revenue.

The office segment will be primarily anchored by its triple net lease agreements for the Petronas Twin Towers, Menara 3 Petronas and Menara Dayabumi.

Its CEO Datuk Hashim Wahir said over 80% of its offices are on triple net lease basis or on long-term contracts with Petronas. The triple net lease contracts are for 15+15 years, while some of its contracts are 6+6+6 years.

"We've long-term tenancies. So far our major tenants have not come back to us for the negotiating of terms. Their terms are favourable in accordance to the market. We've yet to feel the impact (of tenants cutting cost in terms of office space). There are service companies having reduction but so far they've not impact us," he told a press conference after its AGM here.

KLCC Reit's assets comprising the Petronas Twin Towers, Menara ExxonMobil and Menara 3 Petronas, contributed 94% of the office segment revenue. The high occupancy rates and long-term leases underpin the recurring income and cashflow for these properties.

Hashim said the long-term leases showed a growth of 10% every three years or about 3% a year. "Unless we increase space physically, we can't have a bumped-up growth," he quipped.

KLCCP Stapled Group will see an addition of 45,000 sq ft of office space in Menara Dayabumi this year that is expected to boost its revenue by 1-2%. The new office space will be completed by mid-year and the group has secured tenants.

"We're always on the lookout for assets that are value-accretive, distribution-accretive and (that) match the profile of assets within KLCC," said Hashim.

The group has allocated RM100 million for the refurbishment of its properties for two years, including Mandarin Oriental Kuala Lumpur. The final phase of the hotel's renovation will begin this year.