

MRCB puts Ascott Sentral KL up for sale

BY VASANTHA GANESAN

Malaysian Resources Corp Bhd (MRCB) is in the midst of appointing a party to administer the tender process for the sale of the Ascott Sentral Kuala Lumpur serviced apartments, as it is looking to unlock the value of the asset, say industry sources. The 21-storey building on Jalan Tun Sambanthan could fetch between RM150 million and RM180 million, they say.

The Edge has learnt that MRCB may hire a real estate agent or a bank to invite bids for the 157-unit serviced residence located in Kuala Lumpur Sentral, a well-connected transport hub.

"MRCB intends to sell the Ascott Sentral Kuala Lumpur, but the sale will be done via a tender. The best bid will be considered by the MRCB board," says a source, adding that the selection of the tender administrator has just commenced.

Ascott Sentral Kuala Lumpur's net book value in the financial year ended Dec 31, 2015 (FY2015) stood at RM90.36 million, down from RM96.83 million in FY2014. The difference is understood to be attributable to depreciation.

Market talk has it that the operator of the serviced apartments, The Ascott Ltd, may be keen to buy the building. The Ascott Ltd is a subsidiary of Singapore's CapitaLand Ltd.

The decision to sell the property follows MRCB's recent divestments as the conglomerate wants to focus on property development and construction. It is understood that the proceeds of the sale will mainly be used to pare down the group's debts.

Although analysts had previously identified the three-year-old Ascott Sentral Kuala Lumpur as a potential asset that could be injected into MRCB-Quill Real Estate Investment Trust (MQREIT), *The Edge* has learnt that the REIT is not keen on acquiring hospitality or retail assets. Rather, it prefers office buildings with a small retail component.

At RM150 million to RM180 million, the sale price works out to between RM955,414 and RM1.146 million per unit — in what would be one of the most-expensive deals for a hotel unit in Kuala Lumpur in recent years.

Last March, London-listed property developer Aseana Properties Ltd, in which Ireka Corp Bhd has a 23% stake, sold the 482-room Aloft Kuala Lumpur to Prosper Group Holdings Ltd for US\$104.6 million or RM418.7 million. The deal is hailed as a landmark divestment as the hotel was sold at about RM870,000 per room.

While a couple of analyst reports have put the value of Ascott Sentral Kuala Lumpur at RM120 million, it is understood that the market value has increased as the serviced residence has been performing well. A source says it is enjoying an occupancy rate of about 90%. According to the hotel's website, the rate for a studio executive room is more than RM400 per night for a mid-week stay from February to June.

MRCB's move is not surprising given

that it has been divesting other properties within Kuala Lumpur Sentral. Last year, it sold Menara Shell to MQREIT for RM640 million, translating into RM1,149 per sq ft over the net lettable area, which is considered a benchmark.

Menara Shell and Ascott Sentral Kuala Lumpur are located on Lot 348, which is within MRCB's Kuala Lumpur Sentral development. 348 Sentral Sdn Bhd, a wholly-owned subsidiary of MRCB, built the 33-storey Menara Shell and the Ascott Sentral Kuala Lumpur, which includes a five-storey podium and four-storey basement carpark.

In its announcement to Bursa Malaysia, MRCB said the sale of Menara Shell to MQREIT was in line with its broad strategy of increasing its focus on its core businesses of property development and construction. The net gain from the sale was estimated at RM138.97 million and a portion of it was to be used to pare down the group's borrowings, it said.

SUHAIMI YUSUF/THE EDGE



According to sources, the 21-storey Ascott Sentral Kuala Lumpur could fetch between RM150 million and RM180 million

In 2015, MRCB divested Sooka Sentral for RM90.8 million to Cardiac Vascular Sentral Kuala Lumpur Sdn Bhd, a subsidiary of Singapore-based TE Asia Healthcare Partners. In the same year, MRCB sold its 51% stake in Nu Sentral Mall Sdn Bhd to Pelaburan Hartanah Bhd for RM119.77 million. Both buildings are located in Kuala Lumpur Sentral as well.

In the nine months ended Sept 30, 2016 (9MFY2016), MRCB's net profit fell 73.9% to RM79.28 million from RM303.6 million the year before due to a one-off gain of RM239.7 million and the RM38.8 million received from disposal of assets in the previous year. Revenue increased 5.2% to RM1.38 billion in 9MFY2016 from RM1.31 billion in 9MFY2015. MRCB's gearing is at 0.76 times based on its total borrowings of RM2.06 billion and total equity of RM2.73 billion.

With the sale of Ascott Sentral Kuala Lumpur, MRCB will be left with one hospitality asset, The St Regis Kuala Lumpur, in which it holds a 30% stake. CMY Capital, which is wholly owned by prominent businessman Tan Sri Chua Ma Yu, holds a 60% stake and the remaining 10% belongs to Jitra Perkasa Sdn Bhd.