Japanese owner looking to sell Hilton KL at above RM1.5m per room

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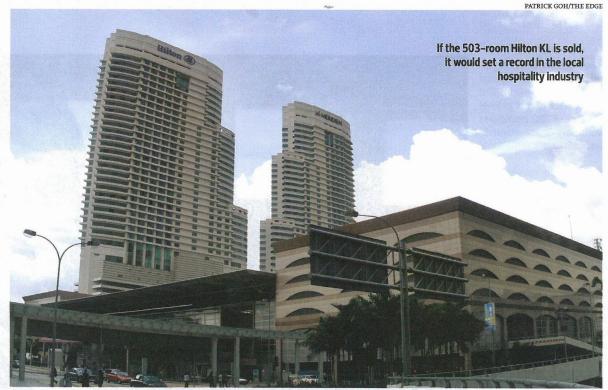
apanese billionaire Katsumi Tada is seeking a buyer for premium-class Hilton Kuala Lumpur Hotel in KL Sentral, documents show.Tada, who owns the prized asset via Daiso Group's Daisho Asia Development (M) Sdn Bhd, is believed to be looking at selling the hotel for as much as RM880 million, sources say.

Tada, whose net worth is estimated at US\$1.7 billion, according to Forbes' 2017 World's Billionaires list, has held the asset — touted as one of the most successful hotels in Malaysia — since it opened for business in September 2004

Should the 503-room inventory hotel be sold for RM880 million, it would be the largest-ever such deal in the country and the highest price per room paid for a non-resort hotel.

It is worth noting that another guest accommodation asset within KL Sentral — Aloft Kuala Lumpur Sentral — was sold last year. Yet another — Ascott Sentral Kuala Lumpur serviced apartments — is in the process of being sold.

An investment memorandum (IM) obtained by *The Edge* reveals that Savills Hotels and Savills (M) Sdn Bhd



have been appointed as the exclusive agent for the sale of Hilton Kuala Lumpur. When contacted, an official with Savills Malaysia declined to comment.

According to the IM, the hotel It adds that continued currency

is a freehold property and "has a proven track record in delivering exceptional financial performance. There is clear evidence of sustainable growth in top and bottom lines." It adds that continued currency

depreciation, deregulation of visa requirements for several key Asian countries and increasing tourist arrivals are contributing to the hotel's growth.

The IM also states that the hotel has benefited from being operated by Hilton International under a 15-year management contract and has consistently achieved high occupancy. "However, there is a rare opportunity in 2019 to either continue with the existing operator or to explore other management options," the memorandum notes.

The 35-storey Hilton Kuala Lumpur, which is located near the Nu Sentral shopping mall, occupies 12,342.4 sq m. Its gross floor area, excluding the car park, is 53,696 sq m. It has a total of 10 food and beverage outlets and nine function rooms, offering 2,792.3 sq m of space.

The asset is being offered for sale via an expression of interest, which means that the offer is generally non-binding.

It is unclear why Daisho Asia Development is selling the hotel but a description of the group states that "headquartered in Japan with offices in Malaysia, Singapore and Brisbane (Australia), Daisho Asia Development acquires and develops select properties for long-term returns". The group had purchased the Hilton Kuala Lumpur land in 1996.

The IM does not provide a reserve price but checks with industry players reveal that the figure is between RM1.55 million and RM1.75 million per room, which values the hotel at between RM780 million and RM880 million. One source says the yield at that price is between 5% and 6%.

No financial information was provided in the IM. "Detailed information on the property, including trading and financial information, building details and ownership structure, is available for review and can be obtained upon execution of a confidentiality agreement," the document reads.

A search on the Companies Commission of Malaysia's website shows that Daisho Asia Development posted a net loss of RM45.49 million in RM718,000 per room.

the financial year ended Dec 31,2015, on revenue of RM150.16 million. As at the same date, it had accumulated losses of RM45.98 million. Total liabilities accounted for RM375.69 million, of which RM91.65 million were current.

Daisho Asia Development is wholly owned by Daisho Development Singapore Pte Ltd. Apart from Tada, the directors of the company include his daughter Yuko Tada, Mamoru Kohda, Hiroshi Oishi and Wong Piang Yoong.

Incidentally, five-star hotel Le Méridien Kuala Lumpur, which is the immediate neighbour of Hilton Kuala Lumpur, is owned by Daito Asia Development (M) Sdn Bhd.

Daisho Asia Development was incorporated on Dec 19,1996, while Daito was incorporated the next day. Hilton commenced operations on Sept 22, 2004, while Le Méridien opened on Oct 4 the same year.

Daito is wholly owned by Daito Asia Development Pte Ltd, which in turn comes under Daito Trust Construction Co Ltd. The latter was founded by Tada in 1974 but according to reports, he cut ties with the company in 2011.

Other big deals

There have been several notable hotel transactions in Kuala Lumpur in recent times.

In August last year, after a decade of trying to sell Renaissance Hotel Kuala Lumpur, IGB Corp Bhd managed to find a buyer for its Jalan Sultan Ismail asset. The 910-room hotel was sold to Ventura International, a company linked to Bangladesh-based S Alam Group, for RM765 million or RM840,649 per room. This deal currently holds the record for the largest-ever of its nature in Kuala Lumpur and was the single largest in terms of value last year.

Another big-ticket sale was that of Aloft Kuala Lumpur Sentral — which is located within a stone's throw of Hilton Kuala Lumpur — in March last year. Aloft was sold by Aseana Properties Ltd to Prosper Group Holdings Ltd for RM418.7 million or RM870,000 per room. Aseana Properties is a London-listed developer in which Ireka Corp Bhd has a 23% stake.

It was also Ireka Corp that sealed the sale of Westin Kuala Lumpur for RM455 million or RM1.027 million per room in 2007, making it the highest-ever transaction price per room in Kuala Lumpur.

Meanwhile, Four Seasons Resort Langkawi continues to hold the title of "most expensive hotel" based on price per villa in the past 10 years. Based on the exchange rate in 2007, Kingdom Group — a company controlled by Saudi Arabia's Prince Al-Waleed Talal — purchased the 91 villas for RM435 million or RM4.97 million each from the then Malaysian Airline System Bhd.

In 2015, US-based BlackRock Inc sold DoubleTree by Hilton, a component of The Intermark in Jalan Tun Razak, to Hiranandani Hotels Sdn Bhd, which is a part of Royal Group. The hotel fetched RM388 million or RM718,000 per room.