

# Le Meridien owner buys Hilton KL for RM497m

BY VASANTHA GANESAN

KUALA LUMPUR: Japanese billionaire Katsumi Tada has sold his prized premium-class Hilton Kuala Lumpur Hotel (Hilton KL) in Kuala Lumpur Sentral (KL Sentral) here for ¥13.7 billion (RM497 million), to the owner of the hotel right next to it — the Le Meridien Kuala Lumpur.

Le Meridien is owned by a company founded by Tada in 1974 — Daito Trust Construction Co Ltd. Tada is said to have cut ties with Daito in 2011.

Last Friday, Daito informed the Tokyo Stock Exchange that it was buying Daisho Asia Development (M) Sdn Bhd, which owns the hotel, for ¥13.7 billion, confirming an article by *The Edge Malaysia* weekly in April that the asset had been put up for sale.

The price tag means Daito is paying RM988,000 per room for the 503-room hotel — which is far below market expectations. Industry experts were expecting the hotel sale to set a new all-time high record for a non-resort hotel in the country on a price per room basis.

It is unclear if Daito will assume any of Daisho Asia's debts. According to the latest available financial performance for the financial year ended Dec 31, 2015, Daisho Asia had RM45.98 million in accumulated losses and RM375.69 million in liabilities, of which RM91.65 million were current. Hilton KL raked in a revenue of RM151.09 million in financial year 2014 (FY14) and RM150.16 million in FY15, with a net profit of RM6.18 million and a net loss of RM45.49 million respectively.

As for Daito, in FY16, its accumulated losses stood at RM64.89 million and total liabilities were RM285.43 million, of which RM42.23 million were current liabilities. In FY15 and FY16, Le Meridien made RM90.83 million and RM100.44 million respectively.

*The Edge Malaysia* weekly article wrote, quoting sources, that the owner had placed the hotel up for sale and was looking to dispose of the property for RM780 million to RM880 million, or a whopping RM1.55 million to RM1.75 million per room. The hotel has been touted as one of the most successful hotels in Malaysia.

However, with the price Daito agreed to pay for Hilton KL, Ireka Corp will continue to hold the record for the sale of the Westin Kuala Lumpur for RM455 million or RM1.027 million per room in 2007, which was the highest-ever transacted price per room in Kuala Lumpur for a non-resort hotel.

Last March, Aloft Kuala Lumpur Sentral, located a stone's throw from Hilton KL, was sold to Prosper Group Holdings Ltd for RM418.7 million or RM879,000 per room by Aseana Properties

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Ltd. Ireka had a 23% stake in Aseana Properties.

The weekly report also revealed Savills Hotels and Savills (M) Sdn Bhd had been appointed the exclusive agent for the sale of Hilton KL, according to an investment memorandum (IM) the publication had got hold of.

The IM stated that the 35-storey hotel was a freehold property and occupies 12,342.4 sq m. Its gross area, exclusive car park, is 53,696 sq m. It has 10 food and beverage outlets and nine function rooms, offering 2,792.3 sq m of space.

The document also stated that the hotel "has a proven track record in delivering exceptional financial performance", with "clear evidence of sustainable growth in top and bottom lines". The hotel's yield is believed to be between 5% and 6%.

Daisho Asia is wholly-owned by Daisho Development Singapore Pte Ltd. The local outfit was incorporated on Dec 19, 1996, while Daito was incorporated the next day. The Daisho Group purchased the land on which the Hilton KL was to sit on in 1996. The hotel commenced operations on Sept 22, 2004, while Le Meridien opened its doors on Oct 4 the same year.

Daito owns Le Meridien via Daito Asia Development (M) Sdn Bhd, which is wholly-owned by Daito Asia Development Pte Ltd.

Hilton International has been operating Hilton KL since its opening under a 15-year contract. The management contract will come to an end in 2019. It would be interesting to find out what will happen to Hilton KL as Le Meridien and Hilton are two strong American-based competitors. The former hotel brand is owned by Marriott International Inc while the latter is under Hilton Worldwide.

It is also noteworthy that within KL Sentral, Marriott already operates two other brands — The St Regis Kuala Lumpur and Aloft Kuala Lumpur Sentral. Earlier this month, YTL Hotels & Properties Sdn Bhd signed a deal with Marriott to open the JW Marriott in KL Sentral.

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