

EPF mulls sale of Axiata Tower in KL Sentral

BY VASANTHA GANESAN

The Employees Provident Fund (EPF) has asked local and foreign real estate consultants to submit a request for proposal (RFP) for a planned sale of Axiata Tower in Kuala Lumpur Sentral, sources say. The Grade A office building may fetch as much as RM530 million on the market, industry experts estimate.

When contacted, EPF did not deny that it was mulling the sale of this prime property. "The EPF is constantly on the lookout for investment and divestment opportunities, and consistently monitors the portfolio to ensure that the assets meet our risk-return profile," EPF tells *The Edge*.

It did not divulge information on the building's occupancy level, the price it hopes to fetch nor the tenancy terms that come with its occupancy. However, it hinted that the plans to sell are at an early stage. "The EPF is unable to disclose further details at this point of time as it is still at a preliminary stage."

Based on reports, Axiata Tower, formerly known as Quill 7, is a 30-storey building with a total net lettable area of 355,096 sq ft. EPF is believed to have purchased the building in 2011 for about RM428 million. The retirement fund is said to have extended a loan to a special purpose vehicle to construct the building and, under the terms, EPF had an option to buy it. The building, before it was named Quill 7, was called Tower D and is located on Lot J at KL Sentral. It was developed by Quill Realty Sdn Bhd.

A valuer contacted by *The Edge* estimates that the building could fetch RM1,400 to RM1,500 psf, which translates into between RM497.13 million and RM532.64 million. However, pricing would depend on the yield the office block is able to earn.

Another valuer places the price at RM1,100 to RM1,400 psf. At this valuation, the asset may be worth RM390.61 million to RM497.13 million. "The market has been soft lately with occupancy levels dropping. Transactions have mainly been about RM1,200 to RM1,300 psf around KLCC due to stagnant rental rates," the valuer says of his back-of-the-envelope valuation.

He opines that it may be better for EPF to hang on to the asset. "It may not be the right time to sell. KL Sentral has long-term potential as a transit-oriented development hub. If they can hold on to it for longer, it may have potential for better returns as the entire development will be fully built-up."

Similarly, an estate agent feels that it might be better to defer the sale. "This is possibly one of their best office investments in Malaysia. The building has enjoyed high occupancy and provided a steady income to EPF," he says, adding that at best the building may be worth what it was purchased for in 2011, as many office buildings have opened in KL Sentral.

According to sources Axiata Tower enjoys 91% occupancy with Axiata Group taking up just over 30% of the space. Other major tenants include Perbadanan Insurance Deposit Malaysia, Ceo Suite (M) Sdn Bhd, Navis



The retirement fund purchased the building in 2011

Management Sdn Bhd, Google Malaysia and Bombardier (M) Sdn Bhd.

EPF, in its 2017 annual report, had stated that the fair value of assets held-for-sale of the group as at the date of statements of financial position amounted to RM637.99 million. The amount is based on valuations carried out between 2013 and 2017. This includes the fair value of assets held for sale of the EPF as at Dec 31, 2017, which amounted to RM592.10 million.

But it pointed out that the assets held for sale at EPF level include 38 properties of CIMB, one piece of land in Petra Jaya in Sarawak as well as its investment in its associate Columbia Asia Sdn Bhd. The carrying value of 38 units of investment properties of CIMB Group Holdings Bhd and the land at Petra Jaya, Sarawak, as at Dec 31, 2017, was RM62.77 million, where the process of sales is expected to be completed in 2018, the provi-

dent fund said in its report released in March.

There have been numerous commercial asset transactions within KL Sentral over the past few years.

Late last year, Hilton Kuala Lumpur Hotel was sold for ¥13.7 billion (RM497 million), to the owner of the hotel next to it — the Le Meridien Kuala Lumpur.

In 2016, Aloft Kuala Lumpur Sentral was sold by Aseana Properties Ltd to Prosper Group Holdings Ltd for RM418.7 million. Aseana Properties is a London-listed developer in which Ireka Corp Bhd has a 23% stake.

Prior to that, in 2015, KL Sentral saw several property deals, including the sale of Menara CIMB, Menara Shell and NU Sentral Tower 1.

Menara CIMB was sold to CIMB Group for RM646 million by CIMB-Mapletree Real Estate Fund 1 while Malaysian Resources Corp Bhd sold Menara Shell to MRCB-Quill REIT for RM640 million. In the same year, the Social Security Organisation bought Menara NU2 for RM574.71 million while the Malaysian Communications and Multimedia Commission bought Nu Tower 1 for RM283 million and MRCB sold the remaining 51% of Nu Sentral Mall Sdn Bhd to Pelaburan Hartanah Bhd for RM119.77 million.

Generally, once an RFP has been submitted, EPF can decide to choose one of the real estate firms as an exclusive agent to conduct the sale or chose joint agents. Following this, depending on the client's request, the real estate agent can conduct an open tender or a private tender. ■