

Property sector overweight with Mont'Kiara deal

Property sector

Maintain overweight: According to news reports, Aseana Properties is selling an office tower with a net lettable area (NLA) of 180,000 sq ft and retail mall of 250,000 sq ft — part of One Mont'Kiara — for RM333 million to ARA Asian Dragon Fund.

The property is located exactly opposite Sunrise's Plaza Mont'Kiara.

One Mont'Kiara, part of a mixed-use development with retail, office and residential components, is

50:50 owned by CapitaLand and London-listed Aseana Properties Ltd. The building is being developed by Ireka Corp Bhd, which also owns 20% of Aseana Properties.

Based on the NLA, the selling price works out to RM774 per sq ft.

Looking at Solaris Dutamas office suites currently selling at RM550 to RM570 per sq ft, One Mont'Kiara is selling at a 41% premium. This is also higher than the RM400 per sq ft Quill Capita paid to Sunrise for a retail lot and carpark bays at Plaza

Mont'Kiara in 2007.

We believe the premium can be explained by the fact that there are no proper retail malls in the vicinity of the Mont'Kiara, with the exception of Publika in Solaris Dutamas, though the focus there is more on art and al-fresco dining.

Also, the purchaser is banking on affluent households within the catchment area to drive its rental yield.

We reaffirm our overweight stance on the sector. We are espe-

cially bullish on the landed residential segment. Incremental demand growth for landed homes in established neighbourhoods continues to outstrip supply.

However, we see mixed responses to high-rise properties. While we are concerned over demand saturation in the KLCC and Mont'Kiara areas, other parts have done quite well.

An example is the take-up for Boustead's Surian Residences in Mutiara Damansara, which has reached

80% to 85% at a price of RM600 per sq ft with only bumiputera-reserved units left.

Similarly Desa Park City's West Side One condo is almost fully sold with average pricing at RM600 per sq ft to RM650 per sq ft.

We maintain our overweight stance on the sector with buy calls on IJM Land Bhd and S P Setia Bhd. We have hold ratings on Bandar Raya Development Bhd, Glomac Bhd, IGB Corp Bhd and Sunway City Bhd. — *AmResearch, July 29*