

# Sim Lim Square up for en bloc sale with S\$1.25b reserve price

Mall sits on a 99-year leasehold site with a land size of 78,152 square feet and a remaining lease of 63 years

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ELECTRONICS shopping mall Sim Lim Square in Rochor Canal Road has been put up for collective sale via public tender at a reserve price of S\$1.25 billion, marketing agent SLP International Property Consultants announced on Monday.

Its initial asking price in March last year had been S\$1.1 billion.

The retail strata mall, one of Singapore's largest IT shopping centres, comprises six floors and two basements, housing 492 commercial units.

It sits on a 99-year leasehold site with a land size of 78,152 square feet and a remaining lease of 63 years.

The latest Urban Redevelopment Authority-approved (URA) gross floor area (GFA) is 391,000 sq ft, with the site zoned for commercial use with a plot ratio of 4:2 according to the URA's 2014 Master Plan, SLP said.

The site is square-shaped and fronts three roads with pedestrian access on all four sides.

Built in 1985, Sim Lim Square is known for its electronics and IT goods and services retailers, which are operated by individual shop owners and entrepreneurs. Some of the owners of the units have been in business since the 1980s.

Vikas Gupta, chairman of the mall's collective sales committee, said: "We are currently heavily un-

der-utilised and the strata system does not allow Sim Lim Square to use the spare space, so it's the ideal time to refresh (the mall)."

The mall is located near the commercial precinct in the Bras Basah-Bugis planning area and the historical district of Kampong Glam. As a result, it sees high volumes of footfall from tourists, foreign visitors and local shoppers, SLP said.

Given the mall's location at the apex of the Ophir-Rochor Corridor, which is part of the expanded downtown area, the new owner can sync its asset management strategy of the property with current urban upgrading plans, SLP said.

The marketing agent said that interested developers can explore converting the property for other uses, under the latest URA incentive scheme – the Strategic Development Incentive – announced on March 27. Under the scheme, applicants can apply for a change in land use, plot ratio and/or building height.

Although the URA circular stated that the scheme is intended for the amalgamation of two or more plots of land, exceptions can be granted if a single plot is large enough that it is able to exert a positive transformative effect on the surrounding urban environment after redevelopment. Sim Lim Square's collective sales committee is "confident" that the site is large enough to qualify for the scheme, SLP said.

The tender closes at 3pm on June 24.



The latest URA-approved gross floor area is 391,000 sq ft. The mall is currently heavily under-utilised and the strata system there does not allow use of the spare space, says the chairman of the collective sales committee. PHOTO: SIM LIM SQUARE

## Keppel Capital's fund buys 3 Grade A commercial buildings

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KEPPEL Capital's Alpha Asia Macro Trends Fund III fund (AAMTF III) is buying three Grade A commercial buildings in Seoul's business districts for KRW 430 billion (S\$504.7 million) from a Korean asset management company.

Keppel Investment Management, the asset management arm of Keppel Capital in South Korea, will be appointed the local asset manager for the three buildings, which are all freehold.

Yeouido Finance Tower is a 21-storey mixed-use development located in Korea's "Wall Street" equivalent, Yeouido business district (YBD), with 39,100 sq m of office space and approximately 3,200 sq m of retail space. Tenants mainly comprise the insurance, financial and information technology sectors and include Samsung Life Insurance and Tong Yang Asset Management.

Completed in 1994, it is a minute's walk away to the Yeouido station and Yeouido bus transfer centre. Keppel Capital said that a new rail line GTX B, expected to be completed by 2025, will improve the property's accessibility to Songdo international business

district and major stations in the CBD.

Nonhyun Building is a 20-storey office and retail mixed-use development in Gangnam business district (GBD) offering about 16,700 sq m of office space and approximately 1,900 sq m of retail space. It is next to Nonhyun station. Its tenants mainly comprise the insurance and manufacturing sectors. Examples are Hanwha Life Insurance and Fissler Korea.

The 15-storey Naeja Building in Gwanghwamun CBD spans 13,000 sq m in gross floor area (GFA), and is currently leased to local tenants. Global top-tier law firm, Kim & Chang, is its anchor tenant. Completed in 2000, the building is within within a three-minute and 10-minute walk away from Gyeongbokgung Palace station and Gwanghwamun station respectively.

Alvin Mah, chief executive of Alpha Investment Partners which manages AAMTF III, said: "The acquisition of the portfolio is in line with AAMTF III's strategy of creating value and driving returns for our investors. These prime commercial properties are well-located in major business districts of Seoul and have good connectivity and high accessibility to public transportation. Their addition to AAMTF III also aids in the diversification of the fund's portfolio."

Robert Sung, chief executive of Keppel Investment Management, said that thanks to both foreign and domestic investors, real estate investments have been strong in Seoul, and the office sector is expected to see limited supply over the next few years while leasing demand is projected to remain steady.

He added: "We are confident that these favourable fundamentals, coupled with our experienced team, active asset management on the ground and robust value creation strategies, will enable us to generate good returns for AAMTF III's investors. We will continue to build on this traction and actively pursue quality opportunities to strengthen our product offerings in South Korea."

The acquisition of the three buildings is expected to be completed in the second quarter of 2019.

Keppel Capital is the asset management arm of Keppel Corporation, whose shares closed on Monday at S\$6.79, down S\$0.16 or 2.3 per cent, after the announcement was made.

AAMTF III announced its final closing in January this year after raising a total of about US\$1.1 billion, including co-investments. That exceeded its initial target of US\$1 billion. It is the third in a series of funds that focuses on mega trends driving long-term growth in the Asia-Pacific.

## Manulife US Reit's US\$122m office play

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MANULIFE US Reit is buying two office towers in Virginia for US\$122 million – funded mostly in equity, with about one-third to come from debt.

The pure-play office real estate investment trust (Reit) is buying the freehold Centerpointe I & II development from US-based Carr Properties, said the manager on Monday.

Manulife US Reit aims to raise US\$94 million in gross proceeds – or US\$89 million in net proceeds – from placing out up to 115.9 million new units to institutional and other investors, at an issue price of between US\$0.811 and US\$0.836 apiece.

This would make for a discount of between 4.4 per cent and 7.3 per cent to the volume-weighted average price of the counter on Monday, it noted.

The Reit's gearing would improve from 37.6 per cent, as at March 31, to 36.8 per cent, assuming that the trust gets a US\$33 million loan facility to cover the rest of the acquisition.

Besides paying for the Centerpointe acquisition, the placement is also likely to improve the Reit's trading liquidity, the manager said.

Centerpointe, built in 1987, has a

net lettable area of 419,981 square feet, across two 11-storey blocks. Its committed occupancy is 98.7 per cent, with a weighted average lease expiry (WALE) of 6.9 years, as at March 31. The deal is expected to raise Manulife US Reit's portfolio occupancy rate to 97.6 per cent – from 97.4 per cent, as at Dec 31, 2018 – and bump WALE up from six years to 6.1 years.

The manager added that the deal could raise pro forma distribution per unit for 2018 by 3.3 per cent, from 5.57 US cents to 5.76 US cents.

"There is no new supply of office product in the Fairfax Centre sub-market, given the high cost for new construction," the manager said, adding

that, "as a result, quality buildings like Centerpointe stand out".

Jill Smith, chief executive of the Manulife US Reit manager, highlighted – among other selling points – the Fairfax, Virginia property's proximity to tech giant Amazon's planned "HQ2" base in Crystal City, Virginia.

"We believe Centerpointe, which is a 30-minute drive from Amazon HQ2, could potentially benefit from a multi-sector office, residential, hospitality and retail boom that will follow this further injection of growth," she said.

Manulife US Reit added US\$0.01, or 1.15 per cent, to US\$0.88, before the announcements were made.

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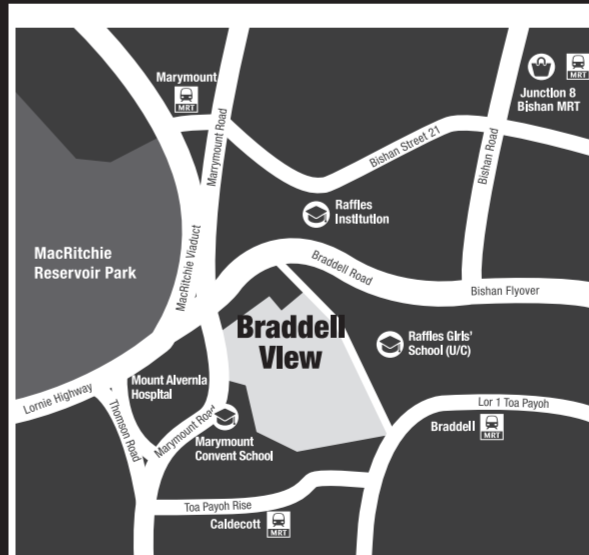
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