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KLCCP sees stable office segment but challenging times for hotel

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KUALA LUMPUR: KLCCP Stapled Group Bhd expects the office segment to remain stable on the back of locked-in long term tenancies with high quality tenants.

It said on Thursday the retail segment is also expected to remain stable with Suria KLCC continuing its tenant remixing exercises and complete the formation of luxury men's and women's zones, to enhance customer shopping experience.

As for the hospitality segment, it would continue to operate in challenging environment, though Mandarin Oriental will position itself with its high standards of service and relaunching of the Club Rooms and Suites by mid year.

"Amidst the adverse operating environment, KLCCP Stapled Group took cognisance of its collective strength and focused on creating differentiations.

"We reposition our assets and services to compete on our potential and quality to sustain and deliver results," said KLCCP Stapled Group CEO Datuk Hisham Wahir.

KLCCP Stapled Group recorded a marginal dip in the profit attributable to equity holders amidst a consistent top line revenue, for the year ended Dec 31, 2016.

It distributed 95% of its overall distributable income with a distribution per stapled security of 35.65 sen, a 2.9% increase from 2015.

The group's performance was underpinned by the resilient office and retail segments, which was offset by the significant decline in the hotel segment during a year of sluggish domestic consumption-led economic growth as well as weaker market demand in the hospitality sector.

The office segment comprising Petronas Twin Towers, Menara 3 Petronas, Menara ExxonMobil and Menara Dayabumi continued to provide strong asset stability underlined by the high occupancy and long term leases.

It remained the major contributor to the group's revenue with a 44% contribution.

Meanwhile, the retail segment, comprising Suria KLCC and the retail podium

of Menara 3 PETRONAS retained its 35% contribution to the group's revenue.

This was on the back of higher rental rates from new tenants and rent reviews becoming effective during the year.

Apart from that, the hotel segment, represented by Mandarin Oriental Kuala Lumpur saw a decline in its contribution to KLCCP Stapled Group's revenue, from 12% in 2015 to 11%.

This was mainly due to the significant impact of softer corporate demand, increased competition from new luxury or boutique hotels coupled with renovations to guest rooms.

Read more at <http://www.thestar.com.my/business/business-news/2017/04/06/klccp-sees-stable-office-segment-but-challenging-times-for-hotel/#W1sGZfwdPpYOL1oH.99>