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## KLCCP remains cautious on its retail and hotel segments



KLCC Property Holdings Bhd said the unprecedented Covid-19 outbreak has significantly impacted the group's performance in the second quarter of 2020. NSTP/Photo

KLCC Property Holdings Bhd (KLCCP) remains cautious in its retail segment due to lower consumer spending power as a result of the increasing unemployment rate. Its chief executive officer Datuk Hashim Wahir said while the re-opening of Suria KLCC recorded a positive sales turnover in June, the surrounding offices have yet to fully reopen.

Suria KLCC gets most of its business on weekdays from the working crowd, and overall retail sales from local visitors and international tourists, especially from Europe, the Middle East, and China.

There have been global travel restrictions since the outbreak of Covid-19. The travel restrictions coupled with the enforcement of the Movement Control Order (MCO) effective March 18 this year led to a sharp decline in retail sales.



Suria KLCC gets most of its business from the working crowd, and overall retail sales from local visitors and international tourists, especially from Europe, the Middle East, and China. NSTP/Photo

KLCCP believes that the retail segment will remain challenging for the rest of the year.

"The unprecedented Covid-19 outbreak has significantly impacted the group's performance in the second quarter of 2020. We have been supportive of our affected tenants at Suria KLCC by extending rental assistance to ensure business continuity and sustainability.

"The full re-opening of our businesses is showing a positive trend towards recovery and we will continue our focus to regain the momentum to continue to create long-term value for our holders of Stapled Securities," Hashim said in a statement.

For the office segment, comprising the Petronas Twin Towers, Menara 3 Petronas, Menara ExxonMobil, and Menara Dayabumi, Hisham said KLCCP expects the performance to remain stable backed by the long term tenancies.

The hotel segment, encompassing Mandarin Oriental, Kuala Lumpur (MOKL Hotel) will continue to be affected as Malaysia's border remain closed with large gatherings and events still restricted.

Hisham said the group expects MOKL Hotel will continue to operate in a challenging environment in the second half of the year.

KLCCP and KLCC Real Estate Investment Trust (KLCC REIT), collectively known as KLCCP Stapled Group is Malaysia's largest self-managed stapled security that invests, develops, owns and manages a portfolio of premium assets comprising office, retail and hotel properties in Kuala Lumpur.

Its portfolio has seven properties with a gross floor area of 11.9 million square ft, and worth a total of RM15.9 billion.

KLCCP reported revenue of RM267.2 million for the second quarter of the financial year 2020. The revenue was lower by 24 per cent year-on-year (YoY) whilst pre-tax profit fell by 30 per cent to RM163.8 million due to the sharp decline in the performance of the hotel and retail segments, arising from the unprecedented Covid-19 pandemic and the MCO.

For the cumulative six-month period up to June 30, 2020, the group recorded a revenue of RM621.8 million, lower by 11.7 per cent as compared to the first half of 2019 while pre-tax profit fell 16.4 per cent to RM396.1 million.

The office segment remained resilient, underpinned by full occupancy of the four properties and long-term locked-in leases.

The segment recorded a marginal increase in pre-tax profit to RM121.1 million with stable revenue of RM149.1 million as compared to the corresponding quarter.

The retail segment, represented by Suria KLCC and the retail podium of Menara 3 Petronas were impacted by the prolonged MCO which resulted in a decline in revenue and pre-tax profit of 41.4 per cent and 50 per cent respectively.

"This was mainly due to the provision of rental assistance to tenants in response to the MCO and lower internal digital advertising income. To-date, Suria KLCC has fully resumed operations and is focusing on efforts in driving customer footfall and tenant sales," said Hisham.

He said through the various rewards programmes with active tenant participation, Suria KLCC is seeing a gradual but steady growth in footfall, in line with the market and anticipates the pick-up to further improve upon the return of all surrounding office tenants as well as the re-opening of the borders for international travel.

In the hotel segment, the severe impact from Covid-19 resulted in MOKL Hotel recording a YoY decline in revenue of RM38.4 million which led to a loss of RM20.4 million.

Hisham said, in compliance with the MCO, the hotel scaled down operations, limiting it to only essential services for existing guests.

He said the enforcement of the MCO, coupled with the global travel restrictions and cancellations and postponement of meetings, incentives, conferences and exhibition (MICE) events led to a sharp decline in occupancy and demand for event space.

(Source: <https://www.nst.com.my/property/2020/08/614525/klccp-remains-cautious-its-retail-and-hotel-segments>)