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KLCC Property expects its office segment to remain stable despite the pandemic



KLCC Property Holdings Bhd's (KLCCP) office segment is expected to remain stable despite a gloomy market, supported by the triple net lease (TNL) agreements and long-term leases.

On November 18, 2020, PETRONAS had exercised the option to extend the TNL period for Menara 3 and PETRONAS Twin Towers for another 15 years after the expiry of the current term in 2026 and 2027 respectively to 2041 and 2042.

The extension of the triple net lease by PETRONAS in both PETRONAS Twin Towers and Menara 3 has further reinforced the group's long-term tenancies and resilience in the office segment, KLCCP said in a filing with Bursa Malaysia.

It said in order to ensure that the extended TNL is fair and at arms' length for both KLCCP and PETRONAS, the rental rate for the extended term will be determined one year before the expiry of the current term after taking into consideration of valuation exercise by professional valuers.

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 comprises PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil, Menara Dayabumi, Suria KLCC, the retail podium of Menara 3 PETRONAS, and Mandarin Oriental Kuala Lumpur (MOKL), with a total gross floor area of 11.9 million square ft and worth RM15.9 billion.

KLCCP chief executive officer Datuk Hashim Wahir said despite this extremely difficult period, the group will continue to engage across its stakeholder group and collaborate with its partners, tenants, and business community to weather the crisis.

"With the acceleration of our digital journey, we will enable effective digital solutions in driving excellence in our operations and creating an experiential experience for our customers at KLCC The Place," he said.

For the year ended December 31, 2020, KLCCP Stapled Group recorded a revenue of RM1.2 billion and pre-tax profit excluding fair value adjustments and impairment of RM772 million.

Despite the challenging environment marred by the unprecedented Covid-19 pandemic, the group distributed 98 per cent of its distributable income to unitholders.

The office segment comprising PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil, and Menara Dayabumi remains the key contributor to KLCCP Stapled Group, contributing 48 per cent to the group's total revenue backed by the long-term tenancies and full occupancy of all the buildings.

Suria KLCC and the retail podium of Menara 3 PETRONAS which represents the retail segment, saw revenue contracting 19.6 per cent to RM413.8 million while pre-tax profit fell 26 per cent to RM290.4 million, compared to 2019.

The performance of MOKL Hotel remained adversely affected by the mandatory closure and pandemic restrictions between March and December 2020. The hotel suffered a 70.2 per cent decline in revenue compared to the previous year as a result of reduced occupancy, as well as food and event sales.

KLCCP Stapled Group said despite the uncertainties still looming, it remains hopeful and looks forward to a better year in 2021, given the availability of vaccines and the expected eventual roll-out in the year.

"Under the current climate, the hotel segment will continue to operate in a challenging environment," it said.

The group said the hotel will remain focused on the domestic market until the border reopens for international travels.

(Source: <https://www.nst.com.my/property/2021/01/661026/klcc-property-expects-its-office-segment-remain-stable-despite-pandemic>)