

Wednesday, 6 May 2020

KLCCP hoping for better times ahead



KLCC Property Holdings Bhd Stapled Group invests, develops, owns and manages a portfolio of premium assets comprising office, retail and hotel properties in Kuala Lumpur. AFP Photo

KLCC Property Holdings Bhd (KLCCP) says 2020 started negatively for the group and earnings were impacted by the unprecedented Covid-19 crisis.

Its chief executive officer Datuk Hashim Wahir said the group is likely to feel the impact of Covid-19 for several months to come as consumer sentiment remains cautious across all business segments.

For the three months ended March 31, 2020, KLCCP's net profit dipped by 3.8 per cent to RM176.9 million year-on-year (YoY) mainly due to the adverse impact in the hotel segment arising from the travel restrictions imposed from the Covid-19 outbreak and movement control order (MCO).

However, revenue increased marginally by 0.3 per cent to RM354.6 million YoY, mainly supported by the resilience of the office segment and additional rent commencement from the new tenants in the anchor-to-specialty reconfigured space.

There were positive contributions from office (42 per cent), retail (37 per cent), and management services segments (13 per cent), which had offset the significant decline in hotel (eight per cent) revenues.

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.

Hashim said the group expects the performance of the office segment to remain stable backed by the triple net lease agreements and long term lease.

The hotel segment is expected to be adversely affected for the rest of the year, while for retail, the group remains cautious.

"Suria KLCC continues to operate in a challenging environment, taking into consideration the potential changes in consumer behaviour and sentiments post-MCO. In response to the conditional MCO enforcement, Suria KLCC resumed operations, albeit short business hours," said Hisham.

He said, despite the looming uncertainties, the group will strive to remain resilient and enhance tenants, shoppers, and hotel guest communications in complying with the new normal.

Office segment

KLCCP's office portfolio consists of the Petronas Twin Towers, Menara 3 Petronas, Menara ExxonMobil, and Menara Dayabumi (an integrated office and retail development located outside the KLCC precinct).

This segment reported stable performance with a marginal decrease in pre-tax profit arising from one-off repair and maintenance expenses recorded during the quarter. Revenue was up 0.5 per cent to RM149.6 million, while pre-tax profit fell 0.9 per cent to RM133.9 million.

KLCCP said these properties continued to anchor the performance of the group, backed by their long-term, locked-in leases.

The offices remain open for O&G tenants at the twin tower buildings.

ExxonMobil Exploration and Production Malaysia Inc, the anchor tenant at Menara ExxonMobil, renewed the lease in February 2020 for the next three-year term of the 18-year lease tenure.

KLCCP also improved the conditions at Menara Dayabumi, such as giving the facade a makeover. The group expects this will further boost visibility to retail offerings together with the 10-metre new pedestrian bridge connecting Menara Dayabumi to Central Market.

"Our office portfolio remains stable backed by its long-term leases which form the foundation to the group cash flow," it said.



Suria KLCC boasts one million square feet of retail space and is adjoining to the Petronas Twin Towers, Mandarin Oriental Kuala Lumpur and Kuala Lumpur Convention Centre.

NSTP/ASYRAF HAMZAH

Retail

The retail segment, represented by Suria KLCC and the retail podium of Menara 3 Petronas saw a 3.2 increase in revenue YoY to record RM130.9 million. Pre-tax profit also increased by 4.9 per cent to RM100.7 million.

KLCCP said this was mainly due to the increase in rental contributed by the new specialty tenants following the partial completion of the reconfiguration exercise at the mall.

Phase 1 of the reconfigured space was launched on January 24, 2020, and it had about 50 new tenants.

The opening of Phase 2 of the refurbishment which entails the second half of the food court is expected to be delayed in light of the MCO.

The group said the mall has been supportive of its tenants and retailers and has extended rental assistance on a case-to-case basis to ensure the retailers can weather the crisis, recover quickly and rebuild their loyal customer base.

Hotel

In the hotel segment, the group said that the quarterly performance of Mandarin Oriental Kuala Lumpur (MOKL) was severely impacted by the Covid-19 outbreak and the implementation of MCO with revenue declining by 33.8 per cent YoY to RM28.1 million.

Pre-tax profit fell 100 per cent YoY to minus RM8.8 million.

The hotel is practically closed except for the existing and long stay guests at apartments.

KLCCP said January performance saw a subsequent decline following the escalation of public health issues and halting of travels in mid-February 2020, impacting occupancy and the contribution from meetings, incentives, conferences, and exhibitions (MICE).

It said a series of cost containment measures have been implemented including suspending non-essential operating and capital expenditures, temporary closure of rooms and amenities by floors, including utility cost-saving, review of hotel's labour scheduling with minimal staffing, and review of operational contracts with third-party suppliers and external contractors.

With the CMCO enforcement, MOKL is partially open with its restaurants offering a smaller menu while all the spa and wellness facilities remain closed. The hotel rooms are also open but are restricted to only sectors outlined by the government.

(Source : <https://www.nst.com.my/property/2020/05/590394/klccp-hoping-better-times-ahead>)