

Sunway sells hotel property to Sunway REIT

BY ADELA MEGAN WILLY

KUALA LUMPUR: Sunway Bhd is disposing of its Sunway Clio property to Sunway Real Estate Investment Trust (Sunway REIT) as it wants to eliminate any conflict of interest with regard to the property.

Sunway said its wholly-owned subsidiary, Sunway Forum Hotel Sdn Bhd, will receive RM340 million for the property, which comprises the Sunway Clio Hotel, a three-storey retail space and a multistorey car park.

In a filing with Bursa Malaysia, Sunway explained that the property is located near Sunway Resort Hotel & Spa and Sunway Pyramid Hotel, which are owned by Sunway REIT. It also pointed out that Sunway Clio Hotel is currently leased to Sunway Resort Hotel Sdn Bhd (SRH), which is also the lessee of Sunway Resort Hotel & Spa and Sunway Pyramid Hotel.

"Although the Sunway Clio property was developed as a long-term investment asset by the vendor (Sunway Forum) on a parcel of land it [had] owned since 2001, in view of the circumstances above, the proposed disposal was undertaken to eliminate any potential conflict of interest situations or any perceived conflict of interest," Sunway said.

Sunway REIT, meanwhile, said in a statement that the proposed acquisition of the property will be fully funded by its existing debt programme.

According to Sunway, Sunway Forum plans to use the proceeds from the proposed disposal to repay its existing borrowings and for working capital.

The exercise is not expected to have any material effect on its earnings and distribution per unit for the financial year ending June 30, 2018, and will generate positive yield accretive to its asset portfolio.

Following the proposed acquisition, Sunway Clio Hotel will be leased to SRH for an initial term of 10 years, with an option of renewal by SRH for an additional 10 years.

Additionally, Sunway REIT has also entered into a conditional car park tenancy agreement with Sunway Leisure Sdn Bhd, which is also wholly-owned by Sunway, for a period of three years, commencing from the date of completion of the acquisition, with an option of renewal for a further three years.

Pursuant to the exercise, Sunway City Sdn Bhd (SunCity), which is the holding company of Sunway REIT, Sunway Forum and Sunway Leisure, will provide Sunway REIT a guaranteed net property income (NPI) of RM20.23 million per annum for a period of four years.

Should there be any shortfall, SunCity said, it will pay the amount equivalent to the difference between the actual total annual NPI achieved and the guaranteed NPI.