

# Sunway REIT's RM275mil transformation of its prized assets in Sunway City Kuala Lumpur has raised expectations

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Sunway Resort Hotel and Sunway Pyramid Mall in Sunway City Kuala Lumpur, both prized assets of Sunway Real Estate Investment Trust (Sunway REIT), are being transformed for a total of RM275 million.

The REIT's six-star flagship property, Sunway Resort Hotel, is undergoing an RM260 million transformational refurbishment to raise Malaysian hospitality standards.

Sunway REIT Management Sdn Bhd CEO Datuk Jeffrey Ng Tiong Lip said that the hotel will open in the first half of this year (1H 2022) and will feature cutting-edge technology and sustainable eco-solutions for discerning guests.

In addition, Gordon Ramsay Bar & Grill, the celebrity chef's first-ever restaurant in Malaysia, will open at Sunway City Kuala Lumpur as a "premier tourist destination," providing local and international diners with an international gastronomic experience.

Ng told NST Property that Sunway REIT has allocated over RM20 million to renovate and convert the hotel's rooftop to commercial office space, to maximise the asset's potential and increase its office income base.

In addition, the REIT has set aside up to RM15 million to renovate the Sunway Pyramid Mall link bridge to the Sunway Resort Hotel, which will increase the net lettable area by 10,000 square feet.

Sunway REIT, according to Ng, has achieved 100 per cent occupancy for the new retail spaces.

"With the ongoing upgrades and improvements in tenancy mix and reconfigurations, we continue to attract new tenants with a strong customer base, which bodes well for footfalls and retail sales," he said.

As of September 30, Sunway REIT owned 18 assets totaling RM8.7 billion in property value, including four retail malls, six hotels, five offices, a medical centre, an industrial property, and an educational asset.

In Sunway REIT's maiden property development project, Sunway Carnival Mall in Seberang Jaya, Penang, it has invested more than RM450 million in expanding the mall, increasing the number of tenants from 220 to 350, which is set to open in 1H 2022.

Ng said that more than 90 per cent of the new retail space in the new wing had been committed, and the REIT is excited to welcome new tenants and further excite its customers' retail experience.

"As we continue to thrive in the retail landscape on Penang's Mainland, we will be able to contribute economic prosperity and social multipliers in the local community by creating an additional 1,500 job opportunities," Ng said.

Sunway Carnival Mall is the first property development project undertaken by Sunway REIT. It will be the largest and most modern mall on Penang's mainland, completely transforming the retail scene.



Sunway REIT Management Sdn Bhd chief executive officer Datuk Jeffrey Ng Tiong Lip believes that better times are ahead for M-REITs.

Meanwhile, Ng believes that better times are ahead for M-REITs, owing to an improved employment outlook, the festive season, pent-up local demand, and a "revenge-spending" pattern in the face of limited international travel.

"We are looking for better times ahead. We anticipate that uncertainty will persist in the first half of 2022 due to the development of the Omicron virus. However, the pandemic affects the majority, if not all, M-REITs. The impact varies depending on the asset concentration and focus of the portfolio.

"M-REITs with asset portfolios focused in sectors such as retail and hotel segments are severely impacted by consumer and business sentiments, as well as various movement restrictions owing to mall lockdowns and strict restrictions on travel-related activities."

"While still fighting the pandemic, the industrial and service sectors, including healthcare and education, have demonstrated relative resiliency due to their tenancy structures, which are typically long-term master leases with fixed step-up in rental rates," he said.

Overall, Ng expects the economy to strengthen in 2022 as major economic sectors recover, along with the gradual re-opening of international borders and international tourists' arrival.

Furthermore, he said that an accommodative monetary policy is required to support economic recovery.

According to Ng, the assets in the Sunway REIT portfolio have shown encouraging signs of business recovery as Malaysia moved into Phases 3 and 4 of the National Recovery Plan (NRP).

"Because humans are social animals, we believe that retail and tourism activities will continue to thrive because a retail experience, leisure entertainment, and social gathering are essential to healthy community living," he said.

According to Ng, Sunway REIT's asset locations would benefit from increasing "revenge spending" and "revenge travel" because they have a robust and large population and business catchment within mature townships with a synergistic business ecosystem in place.

Ng said that the expansionary fiscal Federal Budget 2022 has been commendable in prioritising economic and new sources of growth to accelerate economic recovery, strengthen economic resilience, and catalyse reforms, keeping businesses afloat and unemployment under control.

"Overall, we believe that the recent revision to the Malaysia My Second Home Programme (MM2H) requirements should be further relaxed rather than tightened. By attracting more international professionals, the MM2H Programme will generate significant social-economic spillover benefits and economic multiplier effects," Ng said.

He said that investors and business owners would be encouraged to stay, spend, tour, and educate their children in Malaysia.

According to Ng, spending will also benefit the retail, tourism, hospitality, education, and healthcare sectors.

Simultaneously, operating businesses such as F&B restaurants, learning centres, tour agencies, and sports and recreation hubs will benefit the local community by providing full-time employment opportunities for Malaysians and increasing the government's tax base.