Insight - Sunway REIT sees benefits of diversification

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Setting the standard: Sunway Carnival Mall, situated in mainland Penang, will be one of the largest and most modern malls in Malaysia.

THE pandemic had left many retail-related business floundering; thus, Sunway Real Estate Investments Trust (REIT) is thankful that it had diversified from a retail-focused REIT to include industrial, healthcare and education assets into its portfolio.

That move has helped the group to mitigate the adverse impact of the pandemic on its retail and hotel segments which had been suffering since the beginning of the health crisis.

An all-time low footfall for its assets, on the back of movement restrictions and fear of the pandemic, had also battered the businesses of its tenants.

Various rental rebates, assistance programmes and third-party financing for affected tenants, cost containment and cash preservation initiatives were undertaken.

The trust and bond forged in this tumultuous period, had allowed the group to maintain a strong occupancy in its assets portfolio.

The group’s office segment remained resilient as its assets are strategically located with transit-oriented developments which benefitted from the surrounding business ecosystems.

“We are hopeful that a full recovery will take place in the second half of 2022, with the opening of international borders and arrival of international tourists,” said Sunway REIT CEO Datuk Jeffrey Ng.

Sunway REIT CEO Datuk Jeffrey NgIt bodes well for economic reopening that the adult population and adolescents aged between 12 to 17 have achieved more than 95% and 80% vaccinated, respectively.

From an initial portfolio of eight properties, Sunway REIT now has 18 properties comprising four retail malls, six hotels, four offices, a medical centre, an industrial property and a purpose-built campus.

Other than the major refurbishment of Sunway Resort Hotel, the group is excited over the prospects of its retail assets.

Sunway Carnival Mall, situated in mainland Penang, will be one of the largest and most modern malls in Malaysia; with over 750,000 sq ft, it will offer a range of international retailers, effectively transforming the retail scene of mainland Penang.

“Moving onwards to 2023, with the problems behind us, we are confident that after this time, we will be able to perform better than where we left off, pre-pandemic.

“We are beginning to see encouraging footfalls to our portfolio assets and retail sales are also seeing strong signs of recovery,” said Ng.

Business and consumer sentiment is also reinforced by the government’s efforts to stimulate growth through the 12th Malaysia Plan and Budget 2022.

“Human beings are social animals; retail and tourism will continue to be relevant as retail experience, leisure-tainment and social gatherings are paramount to healthy community living,” said Ng.

Despite this encouraging recovery amidst high vaccination rates, the group’s portfolio assets continue to ensure that strict standard operating procedures (SOPs) are adhered to, by its employees, tenants and shoppers.

The Sunway REIT group is taking this window of opportunity to relook and re-strategise to benefit from the uptick once the pandemic is over.

It is exploring the higher components of variable rent, as compared with fixed rent; this approach will allow the group to ride the business alongside its tenants and work together to enhance the overall performance of retail businesses.

Sunway Resort Hotel, which has not undergone major refurbishment for the past 25 years, will be remodelled and repositioned as part of the efforts to elevate Sunway City Kuala Lumpur into a premier tourist destination.

“The six-star hotel will also embody our commitment to sustainability, while offering an array of leisure facilities, exclusive themed rooms and world-class cuisine,” said Ng.

For the last quarter of 2021 and into 2022, the group is hopeful of better times ahead, underpinned by an improved employment outlook, the upcoming festive seasons, pent-up demand from local customers and ‘revenge spending’ amidst limited international travel.

The hotel segment is expected to gradually benefit from the progressive relaxation in travel restrictions and pockets of meetings, incentives, conferencing and exhibitions activities, albeit with limited capacity due to SOP restrictions.

Initiatives such as the Malaysia-Singapore Vaccinated Travel Lane and the opening of Langkawi to international travellers (as a pilot test for the international travel bubble), are sending a strong signal towards attempts to revive the tourism industry.

In the office segment, the group is looking to the return of the working crowd within its asset portfolios, especially in Sunway City.

The main issue faced in the short term, in its retail and hotel segment, is the capacity limitation to food and beverage joints and shops.

While adhering to SOPs, the group invests in health, safety, security and environment technologies to enhance screening, cleaning and disinfecting routines.

The closure of international borders is still preventing a full recovery to pre-pandemic levels; a full recovery will hinge on the full lifting of international border travel restrictions and the dissipation of anxiety on travel.

In terms of help from the government, the Malaysia My Second Home Programme (MM2H) should be relaxed rather than tightened, in the recent revision to the MM2H programme requirements.

The relaxation to the MM2H programme will generate significant social economic multiplier effects by attracting more international professionals, investors and business owners.

They would be encouraged to participate, stay, spend, tour, educate their children and receive private healthcare services in Malaysia.

We pray for the continued momentum in recovery, with vigilance and quick action on all sides, in the daily and hourly fight against Covid-19.

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