

Sunway REIT to sell Penang hotel to parent, to build new hotel atop Sunway Carnival Mall

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Dayang Norazhar

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SUNWAY Real Estate Investment Trust (Sunway REIT) plans to sell back a Penang hotel to its parent Sunway Bhd as part of what it deems as 'strategic capital recycling initiative' and to partially fund the construction of a new hotel atop of Sunway Carnival Mall.

The trustees for Sunway REIT had on Oct 28 entered into a conditional sale and purchase agreement (SPA) with Sunway Medical Centre Penang Sdn Bhd for the sale of Sunway Hotel Seberang Jaya and the land it occupies for RM60 million.

The selling price was 9.1% above the market value of RM55 million as appraised by appointed independent registered valuer Knight Frank Malaysia Sdn Bhd.

Net proceeds from the proposed disposal will be deployed to finance the construction of a new hotel atop Sunway Carnival Mall with targeted completion in the fourth quarter of 2027, it said in an exchange filing yesterday.

On the proposed sale, it said it was part of Sunway REIT's strategic capital recycling initiative aimed at optimising portfolio quality and long-term value creation, allowing Sunway REIT to monetise the aging property at a capitalisation rate of 5.3% for a higher yielding investment.

"Instead of refurbishing the aging Property, net proceeds from the Proposed Disposal will be deployed to partially fund the construction of a new hotel atop of Sunway Carnival Mall.

"The new hotel will feature upgraded facilities including a bigger hotel ballroom and a new infinity swimming pool, and direct connectivity to the mall," it said.

It said the Seberang Perai Tengah district and land office has issued a letter dated July 25, 2024 to approve the extension of leasehold period of the land to 99 years. Sunway REIT has paid the premium for the lease extension pending surrender of the original title for issuance of a new title.

In a separate exchange filing, Sunway REIT said undertaken the two property development activities with a combined property development costs of around RM602.0 million, representing 5.57% of Sunway REIT's total asset value based on its latest audited financial statements as at Dec 31, 2024.

The first is the redevelopment of Sunway Pier in Port Klang, Selangor into a seafront retail-centric tourist destination, at an estimated development cost of up to RM462.0 million.

The second project is the development of a new hotel on top of Sunway Carnival Mall in Seberang Jaya, Penang, at an estimated development cost of up to RM140.0 million.