

PNB Project 1194 to be completed after 13-year delay

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The redevelopment of the former MAS headquarters is 40% completed. Photo by Kenny Yap/The Edge

WHEN completed in 2021, the redeveloped former Malaysian Airline System Bhd (MAS) headquarters in Jalan Sultan Ismail, Kuala Lumpur, will comprise a 35-storey office block and 50-storey hotel, and be linked by an elevated walkway to the Kenanga building across the road.

To unlock the full value of the RM1 billion redevelopment, which is about 45% completed, project owner Permodalan Nasional Bhd also plans to extend the walkway to the KLCC-Pavilion link bridge.

In 2006, PNB paid RM130 million for MAS’ former 35-storey office building within the Golden Triangle and two years later revealed plans to turn the building into a hotel and serviced apartments. Although the fund manager had intended to quickly commence work on the redevelopment, progress was slow until fairly recently.

Named PNB Project 1194 after the lot number of the site, the redevelopment is expected to be completed in two years — after a 13-year delay — and involves the upgrading and refurbishment of the existing 35-storey office building and the construction of a new 50-storey hotel tower.

“Given the unique and complex nature of the redevelopment, the project requires careful planning and detailed enhancements as well as improvements to the infrastructure. This includes strengthening work for the foundations and relocation of the main distribution substation, as well as changes to the layout pertaining to the floor construction and M&E (mechanical and electrical) installation,” PNB executive vice-president for property and real estate Rizal Rickman Ramli tells The Edge when asked about the progress of the delayed project.

“Despite the extensive refurbishment work required, the project is progressing well and is already 45% completed. The redevelopment consists of two towers — a new 50-storey hotel rated platinum by the Green Building Index that will have more than 450 rooms, and a refurbished 35-storey Grade A office building that will cost around RM1 billion. The project has significant potential, given its strategic location in Kuala Lumpur’s central business district.”

Rizal adds that both the office building and hotel will be operational in 2021.

“PNB has appointed a reputable international hotel management company to operate the hotel. We signed a branding and management agreement with the hotel operator under a five-star luxury brand on May 25. An official signing ceremony is expected to take place soon and the details will be announced in due course,” he says in an email interview.

Industry sources say the operator is a US-based hospitality chain that will introduce a new brand to Malaysia.

It is worth noting that across the road from this yet-to-be-named building is the former headquarters of Kenanga International. Documents sighted by The Edge show that PNB plans to link the upcoming building to the Kenanga building.

In confirming the plans, Rizal says, “We see a great deal of synergy in linking the buildings, more so as much of central KL is already connected in this manner. Hence, by linking the current redevelopment to the Kenanga building via an elevated pedestrian walkway/link bridge, we will be able to unlock further value of the redevelopment.”

The proposed link bridge will also be extended to the KLCC-Pavilion link bridge in Jalan Perak. “We are in the midst of applying for approval from the relevant authorities for the construction of the link bridge. The plan for it was proposed by the management to provide hotel guests and office occupiers with a safe and comfortable connection to KLCC. It will also improve the pedestrian connectivity in the area,” Rizal adds.

The RM1 billion allocation for the project includes the cost of acquiring the old MAS headquarters as well as the construction of the link bridge.

Should PNB maintain the built-up of the office component, the 35-storey office building will have 679,994 sq ft of space.

This will not be the only hotel and office towers that PNB will be opening in 2021. It will also introduce the Park Hyatt brand to Malaysia via PNB 118. The hotel will occupy the top 17 floors of the 118-storey building, which is expected to feature 83 floors of office space as well, half of which is reportedly to be taken up by PNB.

When asked about the occupancy level at the Kenanga building, Rizal says there has been an improvement and that the management is in discussions with potential tenants. “The name of the building is also dependent upon securing an anchor tenant to take up most of the space.” Kenanga was the anchor tenant prior to vacating the premises.

Hotel Equatorial Melaka to be closed for makeover

The 22-year-old Hotel Equatorial Melaka owned by Permodalan Nasional Bhd in Bandar Hilir, Melaka, will cease operations on June 30, a sponsored message on Facebook shows.

The 496-room hotel located not far from the historical sites of A’Famosa and The Stadthuys is expected to undergo an extensive makeover.

“The hotel was last refurbished in 2008. PNB Management Services Sdn Bhd, the hospitality company owned by PNB, is undertaking a detailed study of a plan for the upgrading and refurbishment of the hotel,” PNB executive vice-president for property and real estate, Rizal Rickman Ramli tells The Edge when asked to confirm the sponsored message. He adds that more details will be provided once the plans are finalised.

“In the meantime, hotel operations continue as normal under the present management,” he says in an email interview.

The hotel is owned by Syarikat Malacca Straits Inn Sdn Bhd (SMSI), which, in turn, is owned by PNB. The fund manager became the sole owner of the hotel in 2016 when it bought out the previous owners — Sime Darby Bhd, Perbadanan Kemajuan Negeri Melaka and Hotel Equatorial (M) Sdn Bhd.

According to an announcement to Bursa Malaysia, PNB purchased Sime Darby’s 55% stake in SMSI, representing 18.7 million ordinary shares and 9.43 million redeemable preference shares, for RM55.36 million cash.

Sime Darby’s 2015 annual report shows that the lease on the property expires between 2072 and 2075.

A search on the Companies Commission of Malaysia website reveals that in the financial year ended Dec 31, 2017, SMSI suffered a net loss of RM1.09 million on revenue of RM56.15 million. As at FY2017, the company had accumulated losses of RM17.79 million and total liabilities of RM70.71 million, of which RM13.39 million were current.

It will be interesting to see if PNB signs a hotel management contract with the Equatorial group once the upgraded hotel is up and running.

This year, the Equatorial group is opening a hotel and office building called Equatorial Plaza directly opposite PNB’s upcoming hotel and office building in Jalan Sultan Ismail, Kuala Lumpur. It is unclear if there will be a conflict of interest as the parties will be competing in a tough hospitality and office space market.