Hotels with strong financials embark on asset enhancement during low occupancy period

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Ng: This is an optimal time to renovate [five-star 442-room Sunway Resort Hotel & Spa]

Since the start of the Movement Control Order on March 18, many hotels have had to cut costs and resort to temporary or even permanent closure of their businesses. But some hotel owners are taking advantage of the current low occupancy and plan to invest heavily in upgrading their hotel assets.

At a California Lodging Investment Conference, many hoteliers related how the pandemic had affected them as they were hit by low demand, low rates and cancellations, GlobeSt.com reported on March 17.

But there was also a different perspective. Some hotels are making the best of the slowdown by completing necessary renovations while occupancy rates remain low.

Back home, Parkroyal Kuala Lumpur is one example (see "Parkroyal Kuala Lumpur to add more rooms, introduce Pan Pacific Serviced Suites").

In an internal memorandum that went viral two weeks ago, the hotel's general manager Benny Chung said it is bringing forward its renovation plans to mid-June instead of the latter part of the year as planned originally. The hotel will be closed for 15 months to minimise operating loss and the opportunity cost of doing a phased renovation. All employees were offered a voluntary separation scheme.

But to be able to invest hundreds of millions during a time of uncertainty would mean that the hotel is here for the long term and that its financials are strong.

"During this unprecedented time and with no clear and definite time when businesses will start to move towards normality, hotels may embark on upgrading or refurbishing the properties," Malaysian Association of Hotels acting president Halim Merican tells *The Edge*.

"This can happen if it is to cope with the needs of post-Covid-19 SOPs (standard operating procedures) ... This, of course, will depend on the financial strength of the company," he adds.

Zerin Properties CEO Previndran Singhe concurs. He says it is vital for hotels that are considering major renovation or refurbishment to ensure that they have a strong balance sheet and cash reserves "to ensure smoother business operation moving forward and to allow some level to buffer in an uncertain business environment".

As for those that want to embark on minor upgrades but have a "weaker" balance sheet, he says they may consider taking a loan as the cost of borrowing is cheaper now.

Alternatively, hotels may want to take advantage of the tax deduction of up to RM300,000 for expenditure incurred on renovation and refurbishment of premises used for business purposes, Previndran tells *The Edge*. The tax deduction was announced by the government on Feb 27 and is applicable for renovation or refurbishment expenditure incurred between March 1 and Dec 31.

"We do anticipate that other bigger companies or branded hotels with strong balance sheets that have not undertaken renovation or refurbishment for quite some years to follow suit. This measure will ensure their readiness for business post-Covid-19," Previndran says.

The five-star 442-room Sunway Resort Hotel & Spa, which forms part of the Sunway Real Estate Investment Trust portfolio, is also considering a makeover. When contacted, CEO Datuk Jeffrey Ng says, "Plans are ongoing. This is an optimal time to renovate the hotel. We are sorting out some of the details."

The hotel's current low occupancy rate provides the best opportunity to renovate with minimal disruption to guests. Ng adds that more details will be given once things are firmed up.

As for hotels that were just about to commence renovation and were hit by the Covid-19 crisis, it is not too late to redesign their plans. In Hong Kong, the Prince Hotel is amending its development plans in anticipation of changing guest behaviour. The hotel, which will rebranded as Marco Polo Prince Hotel after the upgrade, is looking at additional investments, including installing built-in thermal scanners, a mobile check-in system, non-touch control panels in elevators and "negative pressure" rooms, which are often used in hospitals to prevent cross-contamination between rooms.

In addition, it will incorporate easy-to-clean-and-sanitise material for seats and table tops and create more space in public areas.

Meanwhile, the Amari Watergate in Bangkok is removing carpets and rugs and opting for hard-surface floors, which are easier to clean.

And in Malaysia, Trinidad Group of Companies president and CEO Datuk Naresh Mohan is tweaking the renovation plans for his hotels and increasing investments by up to 30% or more to incorporate software and hardware for operating in the new normal. He was about to start renovations at two of his assets — the four-star Lisbon Hotel in Melaka and three-star Shahzan Inn in Kuantan, Pahang — when the MCO came into force. The original investment sum was RM10 million.

Cititel Hotel Management Sdn Bhd's 646-room Cititel Kuala Lumpur and 399-room The St Giles Boulevard Hotel in Mid Valley City were in the midst of a RM38 million renovation when the MCO was announced. The hotels, which will resume renovation work soon, will incorporate new elements and processes that will make guests feel safe when they reopen. "Hotels have to evolve. We will do whatever is necessary to meet the [requirements] of travellers in the new norm," CHM's CEO James Loo tells *The Edge*. CHM is the hospitality arm of IGB Bhd.