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## Malls see footfall recovery a month into RMCO, tenant occupancy rate unaffected by March MCO



SHOPPING malls that were deserted when the Movement Control Order (MCO) was implemented in March are starting to see a buzz of activity again. All the mall operators that The Edge reached out to say activity picked up noticeably a month into the Recovery MCO (RMCO).

They note that the tenant occupancy rate has been unaffected by the MCO.

HC Chan, CEO of Sunway Malls & Theme Parks, says the seven malls under the group are currently “seeing a recovery of 60%-70% in footfall” and that Sunway Malls is “looking at an average of 30% to 40% recovery” in sales. The seven malls are Sunway Pyramid, Sunway Carnival, Sunway Giza Mall, Sunway Putra Mall, Sunway Velocity Mall, Sunway Big Box Retail Park and Sunway Valley City.

“Certainly, recovery and sentiments have improved,” he says, adding that data and observations reveal improvements week on week as a sense of normalcy returns with standard operation procedures (SOPs) and conditions under the new normal.

The occupancy rate has been largely unaffected, remaining at between 92% and 98%. “This is within a controlled and healthy level for our malls. We are forecasting a recovery of 75% to 85% in footfall by end-2020, and tenants’ sales are projected to recover 50%-60%,” Chan reveals.

The challenge here, he points out, is to find ways to accelerate the recovery, especially when disposable income is expected to see some changes once the loan moratorium ends in September.

SUNWAY MALLS & THEME PARKS



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“Barring any unforeseen circumstances, the recovery rate should remain resilient throughout 2021,” he says, adding that during the Conditional MCO (CMCO) phase, Sunway Malls started to see footfall recover and grow in May.

Datuk Joyce Yap, CEO (Retail) of Pavilion KL, tells of a similar experience. “The MCO, CMCO and RMCO periods have undoubtedly had an effect on retail businesses.

“However, our occupancy rate remains stable and we have even welcomed new stores to the mall during this RMCO period, including the new Adidas flagship store, Brunello Cucinelli and Calia in June, and Dior and Karl Lagerfeld in July,”

she says, but acknowledges that the retail sector will “certainly take some time to recover”.

She foresees an increase in vacancies at existing malls because retailers will consolidate their non-performing stores.

“However, the quality shopping malls will maintain good occupancy rates. Some of the credible retailers are even leveraging the pandemic situation to get better locations and more favourable terms from the premium shopping malls,” she notes.

### **F&B sees strongest recovery**

Of all the retail segments, food and beverage (F&B) has seen the strongest recovery in footfall since the relaxation of restrictions, observes an OSK Property group spokesperson. The property arm of OSK Holdings Bhd is the owner of Atria Shopping Mall in Damansara Jaya.

“Since dine-in has been allowed and seating limits per table removed, footfall in restaurants and F&B outlets has returned to near pre-MCO levels while operators continue to comply with the SOPs of the Ministry of Health,” he adds.

The spokesperson opines that the Covid-19 pandemic has quickened the progression of ongoing trends in the retail industry, including the gradual evolution of tenant mix.

“Recent statistics show that consumer purchasing patterns have changed radically since the MCO, with majority spending focused on essentials such as food and household items. This means that retailers will need to adapt to the new paradigm post-crisis and adopt new strategies to continue to deliver added value and the right experience to their customers. We see this trend as having a tangible effect on the mall’s tenant mix going forward.”

KLCC Property Holdings Bhd (KLCCP) says the occupancy rate at Suria KLCC has remained at 98%. A spokesperson notes “a steady pick-up in footfall” one month into the RMCO at the mall, particularly over the weekends.

Footfall is expected to increase once the surrounding offices return to work at full strength.

“We anticipate the retail sector to remain challenging moving forward, taking into consideration the potential changes in consumer behaviour and sentiment. Nevertheless, Suria KLCC and its

retail partners have been working towards regaining shopper confidence to visit the mall, highlighting the experience shoppers get when visiting the mall and rewarding them when they shop at Suria KLCC.

“Though we will continue to feel the impact of Covid-19 for several months to come as the consumer sentiment is expected to remain cautious across all business segments, we endeavour to distribute at least 90% of our distributable income to our holders of stapled securities,” the spokesperson adds.

In its latest first quarter ended March, the KLCCP Stapled Group announced an 8.3 sen dividend per stapled security, down 5.7% from 8.8 sen in 1Q2019.

For the retail segment of KLCCP Stapled Group, segmental revenue rose 3.2% to RM130.9 million in 1Q2020.



In Mont’Kiara, 163 Retail Park is also seeing an uptick in activity. James Ng, general manager of YNH Property Bhd, which built the mall, says sentiment at the fairly new shopping complex a month into RMCO was “much better” than expected.

“Occupancy at 163 Retail Park was not affected by the MCO/RMCO, remaining above 90%. We are cautiously optimistic that the retail sector will recover in the longer term,” says Ng. YNH Property had completed 163 Retail Park in 4Q2018.

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### Effect of rental support felt in June quarter

Recent results released by mall owners reveal that the support they have given to their tenants have affected their quarterly earnings — a decline that had been foreseen by analysts.

IGB REIT, which has Mid Valley Megamall and The Gardens Mall in its portfolio, posted a 45.4% year-on-year drop in core net profit for 1H2020 (ended June 30), owing to the full impact of its rental support programme, according to CGS-CIMB Research. The research house expects the impact to diminish gradually in 2H2020F as the retail scene recovers.



PATRICK GOH/THE EDGE

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Pavilion KL's owner — Pavilion Real Estate Investment Trust (REIT) — saw its net property income for the April to June quarter decline 57.2% y-o-y to RM39.07 million, as revenue was impacted by rental rebates offered for tenant retention during the MCO period.

Pavilion REIT's management had indicated a stronger 2HFY2020 to analysts given the improved situation, according to AmResearch in a July 24 report, adding that Pavilion KL's occupancy rate remained strong at 96.4% in June versus last year's 95.6%.

As most economic activity came to a standstill during the MCO, malls had stepped in to help their tenants as shoppers stayed

home.

Sunway Malls was the first to grant a 14-day rent-free period to retail tenants under the non-essential services category for the first MCO period from March 18 to 31.

To support its tenants in getting their business back on track, Chan says the group was also the first to announce flexible operating hours with a minimum of eight hours a day, a flexible rental repayment scheme, and a waiver of late payment interest to qualified tenants.

"The strategic intent is to look at how to assist tenants in cash flow — both cost management and demand management. This has to go hand in hand," he explains.

Atria has provided rental rebates and a flexible rental payment scheme to eligible tenants. It has also allowed flexible operating hours whereby outlets can open after 10am and close before 8pm (until July 31) to help tenants manage their cost.

“Being supportive of our tenants’ needs throughout the pandemic has helped us maintain strong tenant relationships and operational resilience, which resulted in zero tenancy termination as a result of the MCO,” OSK Property’s spokesperson says, adding that it has actively rolled out a series of marketing initiatives, ranging from promotions to a drive-through pick-up service.

Pavilion KL offered rental rebates from March 18 until end-June to deserving retailers in the non-essential segment. “We have also provided retailers with marketing and advertising assistance to promote sales. The mall has allowed retailers to have flexi operating hours till July 31 to facilitate them in their cost-cutting exercise,” says Yap.

In May and June, the mall operator adopted marketing stimulus strategies with the aim of creating a multiplier effect to stimulate spending and drive sales. The stimulus plan included encouraging customers to purchase shopping and dining vouchers to promote repeat visitation, and event-planning assistance.

KLCCP points out that Suria KLCC has been supportive of its tenants and retailers too, and has extended rental assistance on a case-by-case basis to ensure the retailers are able to weather the crisis, recover quickly and rebuild their customer base.

YNH Property’s Ng says the company has provided some tenants with free promotional space or marketing support, based on the nature of their business. Rebates were also given to tenants from March to June.

These are unprecedented and difficult times. But malls are heartened to see Malaysians once again start to slowly indulge in one of their favourite pastimes.

(Source: <https://www.theedgemarkets.com/article/malls-see-footfall-recovery-month-rmco-tenant-occupancy-rate-unaffected-march-mco>)

