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New tenants for Parkson KLCC space

KUALA LUMPUR: More than 50 new tenancies will take over the space previously occupied by the Parkson departmental store in Suria KLCC, a development which will boost income and yield for premier shopping destination Suria KLCC Sdn Bhd.

Chief executive officer Andrew Brien said the new tenants comprise mainly those in food and beverage, cosmetics and fashion businesses.

The asset enhancement exercise “will be around RM50mil, and would see a positive impact on its earnings due to higher net property income contributed by the new tenancies next year, said KLCC Property Holdings Bhd (KLCCP) group chief executive officer Datuk Hashim Wahir on the sidelines of the Invest Malaysia event last week.
In a subsequent interview, Brien said: “Around the world, departmental stores are closing down. We need to provide variety. We are not doing it in response to the retail mall being planned in Tun Razak Exchange (TRX).”

“Malaysia’s issue is not online shopping but too many retail malls. Online sales only account for 4% of retail sales,” said Brien.

The redevelopment will provide new customer experience which would satisfy the ever-changing and challenging retail landscape in the city, said Brien.

The three floors occupied by anchor Parkson totalled 12% or 124,435 sq ft of Suria KLCC’s net lettable area (NLA) but contributed about 3% to its total gross income. The breadth and depth of new tenants will help to pull up yield because anchor tenants enjoy a lower rental rate.

According to Brien, the retail scene in the Klang Valley is, and will be even more challenging this year, which makes it all the more important for established malls to keep evolving.Phase one of the redevelopment, to comprise mainly food and beverage outlets, is estimated to be completed by the fourth quarter of this year.

The redevelopment is expected to be completed by the second quarter of 2020.

Half of outlets in food court on second floor will be closed in a few months to expand the current 25 outlets to about 30. The other half will be closed in the first quarter of 2020.

New F&Bs and fashion labels will make their debut in the city at Suria KLCC.

Brien said 80% of Suria KLCC’s footfall are from locals; this has not changed over the years. The mall opened in 1998.

He said there are 30,000 office workers within a 10-minute walk. Suria KLCC has gross retail sales in excess of RM2.6bil per year and more than 45 million footfall annually.Both metrics are higher than its closest competitor the Pavilion KL, which has 1.37 mil sq ft of NLA versus Suria’s 1.1mil sq ft.

Going forward, he said new malls would face difficulties in an increasingly creative, critical and challenged market, which explains why established malls like Suria KLCC need to evolve. This is the second redevelopment of Suria KLCC’s food court, with the first being done in 2005/2006. Brien saw the reformatting of Isetan departmental store during the last 15 years.

Suria KLCC has 450 new tenancies over the last 15 years, he said. The flood of mall space is expected to increase with the opening of Australia’s property and infrastructure group Lendlease in TRX in 2021, Bukit Bintang City Centre (Eco World Development Group Bhd) and Permodalan Nasional Bhd’s PNB118.

Australia’s property and infrastructure group is planning a 1.33 million sq ft retail mall on TRX, about 5km from KLCC.

Suria KLCC reported a revenue of RM460mil in 2018, from RM442.3mil in 2017, according to KLCCP Stapled Group 2018 annual report.

Together with the retail podium of Menara 3 Petronas, they contributed RM491mil or 35%, to the KLCCP Stapled Group, an increase of 3.2% over 2017.

While KLCCP owns Suria, Mandarin Oriental hotel and other assets, a 2013 corporate exercise resulted in KLCCP shares being "stapled" with the units in KLCC Real Estate Investment Trust. Suria KLCC is 60% owned by the KLCCP Stapled Group.

(Source: https://www.thestar.com.my/business/business-news/2019/03/27/new-tenants-for-parkson-klcc-space/#XFIc7OJjYosYqAhl.99)