ALL BUSINESS DAILY
The Malaysian Reserve

Wednesday, 13 March 2019

Pressure on malls to evolve

Shopping centres need to continuously refresh and reinvent their assets and offerings, suggests an expert

by FARA AISYAH / pic by HUSSEIN SHAHARUDDIN

Malls that fail to adapt to the changing retail trends face a gloomy future as about four million sq ft of new retail space is expected to be added to the already sizeable commercial footprint in the Klang Valley.

The new retail space, which is about the size of 76 football fields, will join the market by the middle of this year as developers in the past banked on a total living concept — retail and commercial — as one of their key selling points.

Laurelcap Sdn Bhd property valuer Kit Au Yong said the retail market is expected to face challenges due to the rapid changes in consumer spending behaviours.

“Many retail managers have started to adjust to a higher percentage of space with experiential elements such as food and beverages (F&B), recreational and greenery. Malls that are slow to change or unable to adapt due to the mismatch of supply and demand of space will face more pressure.

“The better managed malls will continue to perform well in filling up their space with stable rental rates. While the less favoured malls will face rental compression pressure, especially the new ones, as retailers have many choices,” he told *The Malaysian Reserve.*

The retail mall boom in the last few years had raised concerns of overhang in the property market, which is already facing pressure in both the office commercial and residential space, especially in the Klang Valley.

But mall owners have started to adjust to the new realities and consumer patterns, especially in allocating more space to the F&B segment.

Footfalls at some malls have dropped as consumers opt for online purchases for their needs, shunning the need to travel to retail outlets. The drop in footfalls at retail outlets means lower sales, which had forced some retailers to exit their business.

But the top malls in the Klang Valley had not lost their shine among consumers.

According to estimates, the occupancy rates for malls in Kuala Lumpur (KL) and Selangor continue to remain strong at 83.6% and 84.1% respectively.

Savills (M) Sdn Bhd deputy executive chairman Allan Soo said the impression that the retail property segment is generally facing a tough time due to the oversupply situation is not entirely reflective of the real situation.

“The top 10 malls in the country — including Pavilion KL, Suria KLCC and Mid Valley Megamall — continue to grow in terms of rental and occupancy rates. Retailers are queuing to get into these malls.

“More importantly, the retail market is changing everyday. Malls and businesses that are not keeping up with the trend will be irrelevant, and face more challenges in tough times,” he said.

Soo said retailers’ action to shun poorly maintained, less visible and difficult-to-access malls had contributed to the low occupancy at some of the malls in the country.

There is currently some 64 million sq ft of retail space in the Klang Valley, including 133 shopping malls and 31 hypermarkets.

According to the Knight Frank Real Estate Highlights report for the second half of 2018 (2H18), six new shopping centres or supporting retail components within integrated developments in the Klang Valley are expected to come onstream by 1H19.

Among the retail spaces are Star Boulevard, Queensville, Pinnacle, Central Plaza@i-City and Empire City Damansara Mall.

“With supply continuing to outstrip demand, lesser established and new shopping centres without high pre-committed take-up will continue to face challenges in the diluted retail market.

“Owners and operators of existing shopping centres need to continuously refresh and reinvent their assets and offerings by embarking on asset enhancement initiatives (AEIs), while retailers need to ensure that their stores remain relevant to cater to current shopping habits,” it noted.

It added that Mid Valley Megamall’s Lower Ground (LG) level underwent a layout repositioning in September, whereby partial space previously occupied by AEON Big was subdivided into smaller retail lots, and saw the entry of new tenants such as Ah Cheng Laksa, San Francisco Coffee Express and Marks & Spencer Food.

The Gardens Mall’s LG level also completed its AEI on an underutilised area, which is now home to 12 tenants including Yu by Yuri, Jinjja Chicken and Wendy’s.

A “Selfie Museum” was also opened in Fahrenheit 88 in August, which features nine different themes for photo fantasies, creating a multi-sensorial experience to match the contemporary “Insta-worthy” trend.

(Source : https://themalaysianreserve.com/2019/03/12/pressure-on-malls-to-evolve/)