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## Suria KLCC breaches RM2.5 bil in sales turnover

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SURIA KLCC is the first Malaysian shopping mall to breach the RM2.5 billion level in gross sales turnover as at end-March, according to Suria KLCC Sdn Bhd CEO Andrew Brien.

“High single-digit [increase] in specialty sales over the last four months and for the first time ever, we exceeded RM2.5 billion in gross sales turnover (moving annual turnover). Suria KLCC has never hit that number and I can tell you now that neither has any other shopping centre in Malaysia,” Brien tells The Edge in an exclusive interview.

Suria KLCC is 60% owned by KLCCP Stapled Group. Comprising KLCC Property Holdings Bhd and KLCC REIT, the group owns and manages office, retail and hotel properties. In its first quarter ended March 31, 2017 (1QFY2017), the group saw 10% growth in the retail segment's moving annual turnover (MAT) year on year, mainly contributed by the luxury fashion, houseware, and beauty and skincare segments.

MAT refers to the total sales over a rolling 12-month period.

Brien says the record sales are a testament to the retail remixing exercise that is ongoing within the mall, which has seen occupancy of over 97% (excluding the retail podium at Menara 3 Petronas) in Suria KLCC in 1Q2017. The retail remixing exercise includes a dedicated precinct of luxury men's and women's zones.

The occupancy rate in Suria KLCC is way above the average seen in other malls in the Klang Valley, according to Brien. A study conducted by Malaysia Retailers Association (MRA) has the average occupancy rate in Greater KL at about 86% at the end of last year.

Despite a strong sales performance in Suria KLCC, KLCC Property Holdings recorded weaker results for its retail segment in 1QFY2017, which saw revenue and profit before tax slipping by 1.35% and 1.83% to RM121.8 million and RM92.8 million y-o-y respectively. A filing with Bursa Malaysia indicates that the retail property investment segment recorded lower revenue and profit before tax as a result of lower occupancy of 95%, compared with 97% in 1QFY2016.

While earnings from rentals have slipped, Brien thinks the emphasis should be on how to generate more sales and value for retailers, which would be earnings accretive in the long run.

"A lot of our competitors are in the rate maximisation game, but we're in the sales maximisation game. If we could generate great sales, the rates will take care of themselves," Brien says, highlighting that retailers look at sales growth.

Brien shares that the record MAT is also an indication that consumer sentiment has improved.

Most retail malls were affected following the introduction of the Goods and Services Tax in 2015. According to Brien, Suria KLCC was not spared the impact of weak sentiment at that time as it saw flattish sales in the year the GST was implemented, but sentiment

is a lot better since then. As at Dec 31 last year, Suria KLCC registered a 10% increase in its MAT to RM2.5 billion.

The group will release its 2QFY2017 results in August.

On the increased competition from the growing number of malls, especially in the Klang Valley, Brien says that an understanding of customers' needs and partnership with retailers will see Suria KLCC through this challenging period.

"I'm not saying that retail is as easy as it was a decade ago, but the right understanding of what the customers want and how we could use that to deliver value for our retailers will drive retailers to choose us," he adds.

On whether Suria KLCC intends to reduce its rental rates to entice retailers, Brien says that the key factor is not rents but the ability of the mall to drive traffic and eventually sales.

"It's not about cheap rents; it's about curating the malls in the best possible manner," he says.

In that regard, Suria KLCC may have a leg-up on the competition, with exclusive brands such as Chanel, Brioni, Harrods, Kinokuniya, Coach Men, Giorgio Armani and Calvin Klein Platinum Accessories to target higher-end customers.

Its strategic location next to the iconic landmark of the Petronas Twin Towers, a perennial tourist hotspot, ensures a steady footfall in the mall, which is sure to rise this year with higher tourist arrivals as Malaysia plays host to the 2017 Southeast Asian Games and Asean Para Games.

But Suria KLCC benefits from the location also because of an office crowd of about 25,000 to 30,000 that surrounds it.

Other pluses for the mall are conveniences such as the light rail transit, different entry points to the mall and the upcoming mass rapid transit line.

In a sneak peek of what is new in Suria KLCC in the coming months, Brien shares that there will be a double-storey Fendi, a high-end retailer with Italian roots selling designer apparel, accessories and leather goods. Occupying about 3,915 sq ft, it will be the second double-storey shop in Suria KLCC after Tiffany & Co and is expected to open in early December.