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Shopping complexes compete to remain profitable

THE retail sub-sector property market, one of the worst hit by the economic downturn has yet to be fully recovered. At the end of the year 2000, there were 76 shopping complexes (15.19 million sq ft) in Kuala Lumpur and 47 (10.55 million sq ft) in Selangor. In Kuala Lumpur, four complexes were completed in the year 2000.

Average occupancy levels of 79 per cent and 77 per cent were recorded for Kuala Lumpur and Selangor respectively, though the level varies widely in Selangor.

Various incentives and promotions implemented by the public and private sector to encourage retail industry include the nationwide Mega Sale Carnivals, which are held three times in a year.

To further contain the situation, the Government recently announced that new application for commercial developments are to be withheld. While this is a helpful method in cutting down future supply in a medium to long-term, the entry of those which are under various stages of construction, including the massive Times Square and KL Sentral, are unavoidable.

Last week Prime Minister Datuk Seri Dr Mahathir Mohamad unveiled a relaxation of the Foreign Investment Committee (FIC) guidelines to further foster foreign investments. Foreign parties are now allowed to purchase all types of properties costing more than RM250,000 without having to form a company with local participation. As property overhang involved mainly undesirable ones, this relaxation may only assist up to a certain level. Having said that, a powerful and innovative investor may be able to turn dead complexes into profitable and successful venture.

Shopping complexes have evolved tremendously since the introduction of the first complex, Ampang Park in the 1970s. A shopping complex was then accepted as a one-stop enclosed air-conditioned space accommodating a number of retail outlets. Over the years, these complexes had been transformed in response of modernisation, improved lifestyle, standard of living and higher expectation of discerning shoppers.

Modern complexes are now complemented with entertainment, leisure and cultural uses. Suria KLCC for instance has excellent tenants mix profile with fashion, food and beverage, jewellery, pharmacies, and travel agencies as well as cinema, theatres and galleries.

To house all these facilities, the sizes of these complexes are getting bigger. Suria KLCC and Mid-Valley Megamall have more than one million sq ft of retail space each. It is also common for a shopping complex to have more than five anchor tenants, usually two or more departmental stores, supermarket, food court and entertainment outlets.

The on-going 13 million sq ft Times Square (previously Berjaya Star City) will have 12 anchor tenants and 800 shops, which includes fashion, specialty shops, household furnishing store, electrical goods store and car show room. The complex is to be complemented with food and entertainment outlets, theatres and indoor theme park.

Competition between these shopping complexes coupled with the current soft property market, resulted in increased level of importance in management, operation and marketing of the complexes.

Relevant promotional activities targeted at the specific groups are emphasised and focussed. Excellent tenants mix profile which complement one another and quality services in terms of building facilities and human touch are essential.

In order to keep up with the current trend and to stay alive, the older shopping complexes for instance Bukit Bintang Plaza and Bangsar Shopping Complex, resorted to refurbishment programmes, ranging from upgrading the facade to providing better layout and facilities.