



# Greater Kuala Lumpur

Retail Sector  
January 2022

Z E R I N  
P R O P E R T I E S  
C O R P O R A T E V A L U E R S

## MARKET COMMENTARY

The Covid-19 pandemic continues to adversely impact the Malaysia retail landscape throughout the first 3 Quarters of 2021. Klang Valley retail market performance remained challenging with shopper footfall fluctuating across the varying degrees of restrictions imposed.

In the first quarter of 2021, the retail industry registered a negative growth of 9.9% sales as compared to a 11.4% decline in the same period of last year. These figures reflect weak consumer confidence and spending was focused on essential goods and services during that period.

The nationwide restrictions announced from 1 June 2021 under the National Recovery Plan (NRP) continued to impact the retail industry especially for the non-essential services. The recovery of retail industry is anticipated as Klang Valley enters towards Phase 3 of the NRP in October 2021, but consumers are expected to remain cautious. The retail industry is expecting 60% to 80% footfall compared to pre-pandemic levels in 2019.

The pandemic has accelerated retailer's adoption of e-commerce as more consumers shifted their spending behaviour to online shopping. The country's e-commerce transactions in 2Q 2021 recorded an increase of 23.3% year-on-year (y-o-y) to RM267.6 billion, according to Department of Statistics Malaysia (DOSM).



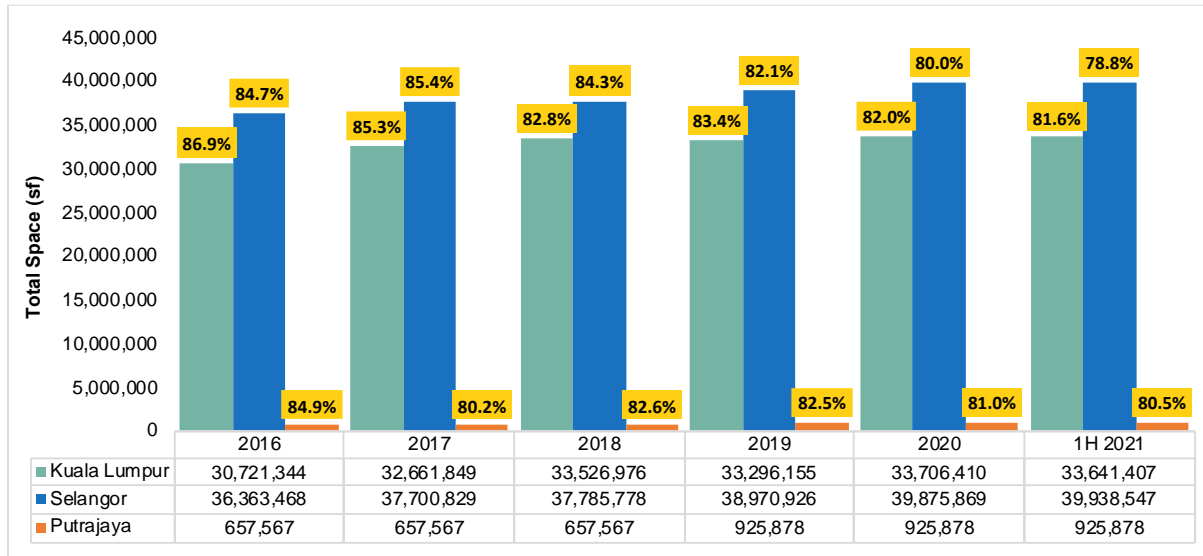
### Key Highlights

1. Malaysia's 2021 retail industry growth has been revised downwards to between 1% and 2% from an earlier forecast of 4% by Retail Group Malaysia
2. An additional 5.1 million sf retail space in Klang Valley is expected to enter the market by 2022 onwards
3. While consumers' spending and consumption rebound as vaccination rates rise above 90%, tourist-related businesses will take time to recover
4. Changes in work habits will also alter consumption patterns and full market recovery may be dragged to 2022

## MARKET OVERVIEW

- The retail sector has been heavily impacted by the Covid-19 outbreak in 2020. Faced with -16.3% contraction in retail sales recorded in 2020, it was one of the sector's worst performance ever recorded since the Asian Financial Crisis in 1998
- Footfall at the malls saw a significant drop during the various Movement Control Order (MCO) periods as shoppers were cautious of their spending besides being concern of Covid-19 infection
- At the start of the second quarter 2021, shopping malls saw increased foot traffic and sales, particularly during the Hari Raya festive season. However, with the MCO 3.0 total lockdown beginning in June, only essential services were allowed to operate with reduced operating hours which resulted in poor sales generation
- As at 1H 2021, the existing supply of retail mall in Kuala Lumpur stood at approximately 33.6 million sf with declining occupancy rate of 81.6% compared to 82.0% in 2020
- Selangor dominated the existing retail space in Klang Valley with a size of 39.9 million sf as at 1H 2021. Shopping complex occupancy rate in Selangor dipped to 78.8%, lower than 80.0 % recorded in 2020. The average occupancy of shopping malls in Selangor has been on downtrend since 2017 due to completion of new shopping malls
- Retail sector in Putrajaya saw no growth in supply since 2019 with 0.93 million sf as at 1H 2021 and occupancy rates fell to 80.5% from 81.0% recorded in 2020.
- The PEMERKASA+ package was introduced by the government to assist shopping malls by extending the 10% electricity discounts for three (3) months from July to September 2021
- Following the success in the past years, the "Buy Malaysia Product" campaign was re-launched by the government to encourage purchase of local products, collaborating with various retail partners such as AEON Big, 99 Speedmart, Econsave, Eco-Shop, Lazada and Shopee

## EXISTING SUPPLY & OCCUPANCY RATE OF RETAIL SPACE IN KLANG VALLEY (2016 – 1H 2021)



Note:      Occupancy Rate (%)

Source: National Property Information Centre (NAPIC)

## EXISTING SUPPLY & OCCUPANCY

### 1H 2021

**33.64 million sf**

**111 buildings**

AVERAGE

**81.6%**

OCCUPANCY

**KUALA LUMPUR**

**39.94 million sf**

**154 buildings**

AVERAGE

**78.8%**

OCCUPANCY

**SELANGOR**

**0.93 million sf**

**4 buildings**

AVERAGE

**80.5%**

OCCUPANCY

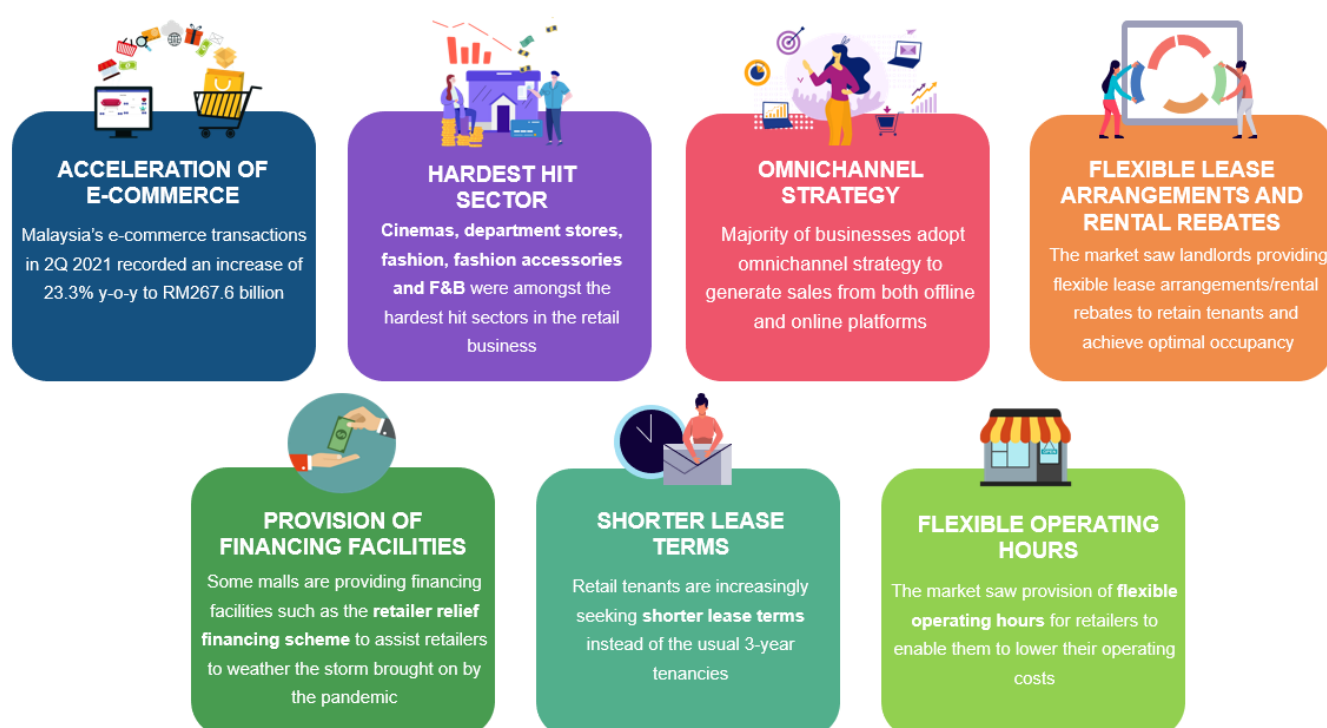
**PUTRAJAYA**

Source: NAPIC

## KEY TRENDS

- The closure of physical stores due to lockdown and social distancing measures have led consumers to resort to **online shopping**, pushing e-commerce transactions to spike to RM896.4 billion in 2020, an increase of 32.7% compared to 2019 (RM675.4 billion)
- Cinemas, department stores, fashion, fashion accessories and F&B were amongst the hardest hit sectors in the retail business
- The market saw the adoption of **omnichannel strategy** by a majority of businesses in achieving sales from both offline and online. Such new norms have resulted in landlords providing **flexible lease arrangements** in order to retain tenants and achieve optimal occupancy
- Throughout the challenging climate, mall landlords continue to provide **rental rebates/waivers to tenants** in order to sustain their businesses and survive the impact of the pandemic
- Some malls are providing **financing facilities** such as the **retailer relief financing scheme** to assist retailers to weather the storm brought on by the pandemic
- During the lockdown, the market saw provision of **flexible operating hours** for retailers to enable them to lower their operating costs
- Retail tenants are increasingly seeking **shorter lease terms** instead of the usual 3-year tenancies. The market sees **flexibility** as one of the emerging demands of the tenants
- More shopping malls are embarking on **digital transformation** by building an online presence such as **digital mall** or “**e-mall**” in line with changing consumer demands towards online shopping
- The future of retail will see more brick-and-mortar stores adopting elements of the **online experience to the retail stores**. This involves other trends such as artificial intelligence (AI), robotics, virtual reality (VR) and augmented reality (AR)
- **Self-checkout stores** have become more common and initiatives for consumers to order, pay in-store and have goods delivered to their homes will gain traction

- The pandemic has brought to the fore the importance of **open spaces** and **increased awareness of building ventilation**. Designing an environment with access to open air, ventilated spaces and less congested retail spaces will be key trends in the retail sector moving forward. The **al fresco trend** is expected to continue as many are still wary of indoor spaces
- Post-pandemic will see consumers craving for more social interaction. Already a powerful differentiation tool in pre-pandemic life, **experiential shopping** will become an even bigger factor in the future retail market. To entice shoppers in the future, shopping malls will be looking to provide interactive spaces such as short-term pop-ups, art exhibitions and community lounge spaces
- Preliminary indicators towards the end of 3Q 2021 have shown **60% - 80% mall's footfall** compared to the same pre-pandemic period in 2019, with shoppers returning to shopping malls in greater numbers
- To help achieve country's herd immunity, shopping malls were set up as **vaccination centres** in supporting government's effort to accelerate the retail industry vaccination programme (RiVAC)



## MAJOR TRANSACTIONS

The year 2020 and 2021 saw limited transactions in Klang Valley retail sector as investors' confidence remained muted and undermined by the Covid-19 outbreak.

- The most notable transaction in 2020 was **Ampang Point Mall** in Jalan Mamanda 3, Ampang. The 4-storey neighbourhood shopping mall was acquired by Nadin Holdings Sdn Bhd for RM300 million or RM1,000 psf
- On 28 May 2019, Regal Path Sdn Bhd purchased Pavilion Bukit Jalil Mall to Regal Path Sdn Bhd for a consideration of RM1.48 billion which is analysed to RM822 psf on NLA. Slated to open in December 2021, **Pavilion Bukit Jalil** will be the largest fully integrated lifestyle mall in the southern corridor of Kuala Lumpur
- Other landmark transactions in the preceding years include Empire Shopping Gallery and Elite Pavilion Mall in 2017 as well as Intermark Mall and Tropicana City Mall (now known as 3 Damansara) in 2015

### SELECTED TRANSACTIONS OF SHOPPING MALLS

Property	Date of Transaction	Estimated Net Lettable Area (NLA) (sf)	Transaction Price	Analysis PSF	Vendor	Purchaser
Ampang Point Mall	10-Nov-2020	300,000	RM300,000,000	RM1,000 psf	Purple Boulevard Sdn Bhd	Nadin Holdings Sdn Bhd
Pavilion Bukit Jalil	28-May-2019	1,800,000	RM1,480,000,000	RM822 psf	Pioneer Haven Sdn Bhd	Regal Path Sdn Bhd
Empire Shopping Gallery	6-Feb-2017	350,000	RM570,000,000	RM1,629 psf	Mammoth Empire Holdings Sdn Bhd	Pelaburan Hartanah Bhd
Elite Pavilion Mall	27-Jul-2017	241,929	RM580,000,000	RM2,397 psf	Urusharta Cemerlang KL Sdn Bhd (UCKL)	Pavilion REIT
Intermark Mall	29-Dec-2015	225,014	RM160,000,000	RM711 psf	The Intermark Sdn Bhd	Pavilion REIT
Tropicana City Mall (3 Damansara)	15-Jan-2015	448,248	RM540,000,000	RM1,205 psf	Tropicana City Sdn Bhd	Capitamalls Malaysia Trust (CMMT)

Source: Corporate Announcements and Zerin Properties Corporate Valuers (ZPCV) Research

## NEW COMPLETION & IN-COMING SUPPLY

- The MCO period had halted the construction of shopping malls, resulting in completions and openings of malls being pushed to a later date. There were a total of 5 new completions in 2020 which added 2.2 million sf of retail space to the Kuala Lumpur and Selangor retail sector
- One of the most notable completions in 2020 in Klang Valley's retail market was the **KL East Mall** by Sime Darby Property Group in Taman Melati, Kuala Lumpur. The mall opened its doors in November 2020 after several delays partly due to the pandemic. The mall offers a variety of brands and goods across 4 floors with a net lettable area of 384,210 sf. One of the main features available for the public is an ice-skating rink, similar to Sunway Pyramid's. Among its anchor tenants include Jaya Grocer, Harvey Norman, H&M, BookXcess and Toys R' Us
- 2021 saw the completion of **Setia City Mall expansion (Phase 2)** offering 450,000 sf retail space in Setia Alam, Shah Alam. The mall now collectively offers 1.2 million sf of retail, F&B and wellness space, further elevating the lure of the mall to public. The mall's new anchor tenant includes the Middle Eastern hypermarket brand, LuLu Hypermarket and Departmental Store, occupying 150,000 sf of space. The mall also welcomes new brands such as MR DIY, D'Zi Kingdom, Dolly Dim Sum and KFry Urban Korean
- **Pavilion Bukit Jalil** is set to welcome shoppers in December 2021. With a total of 5 retail floors and space spanning 1.8 million sf, the mall will offer plenty of spacious event areas such as a 28,000 sf Piazza and a 47,000 sf Exhibition Centre. Confirmed tenants include Dubuyo Mini, Tianyue Teajoy, LOHAS, Habib Jewels, The Coffee Academics, HOHM, Christine's Bakery and Sushi Zanmai. Thailand's well-known mall operator Siam Piwat will also debut its own Thai brands known as Ecotopia, ICONCRAFT and Absolute Siam in the mall, occupying 11,000 sf of space
- Located in the heart of Kuala Lumpur, the **Mitsui Shopping Park Lalaport Mall** at Bukit Bintang City Centre (BBCC) is set to open by end of 2021. Upon completion, the mall will be the first Lalaport outlet in Southeast Asia. Offering a 1.2 million sf of retail space, the mall enjoys direct connectivity to the LRT and Monorail station as well as a pedestrian deck to the MRT station

### NEW COMPLETIONS IN 2020 & 2021

Property	Location	Estimated Net Lettable Area (NLA) (sf)	Completion Year
Tropicana Gardens Mall	Kota Damansara	1,000,000	1Q 2020
Malakat Mall	Cyberjaya	350,000	1Q 2020
KIP Mall Desa Coalfields	Sungai Buloh	141,868	2H 2020
Quayside Mall @ Twentyfive7	Kuala Langat	328,000	2H 2020
KL East Mall	Taman Melati, KL	384,210	4Q 2020
Setia City Mall (Phase 2)	Setia Alam	450,000	1Q 2021
Pavilion Bukit Jalil	Bukit Jalil	1,800,000	4Q 2021
Mitsui Shopping Park Lalaport Mall @ BBCC	Bukit Bintang	1,200,000	4Q 2021
IOI City Mall 2	IOI Resort City, Putrajaya	1,000,000	4Q 2021
EcoHill Walk Mall	Semenyih	170,000	4Q 2021
Datum Jelatek Mall	Jalan Enggang, Ampang Hilir	317,000	4Q 2021

Source: ZPCV Research



*Pavilion Bukit Jalil (left) and Mitsui Shopping Park Lalaport Mall @ BBCC (right) are set to open their doors by end of 2021.*

- It is estimated about 5.1 million sf of retail space will be injected to Greater Kuala Lumpur retail sector in 2022 and 2023. KL will see a significant increase in retail space as a result of the future completion of large-scale mixed developments such as **Pavilion Damansara Heights**, **The Exchange @ Tun Razak Exchange (TRX)** and **118 Mall @ Merdeka 118**
- In the pipeline, Selangor and Putrajaya will be looking at a future injection of almost 1 million sf of new retail mall space into the market. The **KSL Esplanade Mall**, an upcoming mall in Klang will offer more than 300 shops and 3,000 parking bays. The 4-storey mal will is expected to open in 2022 and will be connected to the Johan Setia LRT3 Station, which is slated to be operational by 2024

### FUTURE SUPPLY OF SHOPPING MALLS

Property	Location	Estimated Net Lettable Area (NLA) (sf)	Expected Completion
The Exchange	Tun Razak Exchange	1,330,000	2022
118 Mall @ Merdeka 118	Jalan Hang Jebat	1,000,000	2022
SkyMall @ M101 Skywheel	Jalan Raja Muda Abd Aziz	200,000	2022
KSL Esplanade Mall	Bandar Bestari, Klang	650,000	2022
Pavilion Damansara Heights	Damansara Heights	1,100,000	2023
Oxley Tower	Jalan Ampang	257,800	2023
8 Conlay	Jalan Conlay	200,000	2023
Pier8 @ Gravit8	Kota Bayu Emas, Klang	150,000	2023
Terra Mall, Putrajaya	Precinct 8, Putrajaya	196,290	2023

Source: ZPCV Research

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## NOTABLE MARKET ACTIVITIES

The Covid-19 pandemic has taken a toll on retail stores, with many shuttering to endure its effects. A number of retailers had suffered from the sharp drop in consumer demand. In 2021, establishments had opted to exit amidst the challenging times or other strategic corporate decisions. Notable market activities observed include:

- Galeri Petronas has ceased its operations in May 2021 after 28 years of championing Malaysian contemporary arts
- Suria KLCC's food court, Rasa food Arena has been shuttered permanently from September 2021 after 22 years of operations
- Two outlets of Golden Screen Cinemas (GSC) in Berjaya Times Square and Cheras Leisure Mall have ceased operations in January 2021
- eCurve Mall in Mutiara Damansara was closed in March 2021 for refurbishment work in line with the company's urban rejuvenation plan
- In October 2021, Rubberex undertook a joint collaboration through Alliance Empire Sdn Bhd on the development and operation of **Empire City Mall** that is currently being constructed as part of the Empire City Damansara development



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