



12 August 2021

MEDIA STATEMENT: SHOPPING MALLS NEED CRITICAL LIFE SUPPORT !

The pandemic outbreak in Malaysia has resulted in numerous economic lock downs since March 2020 and it has been almost 18 months of constant interruption for businesses in shopping malls, with the latest suspension of more than 3 months causing untold damage to the entire mall and retail industry and their supply chain. It must be noted that the mall and retail sector had already suffered drastically in 2020 and the present impact is affecting businesses who have been trying to survive on whatever savings are still available and which has been desperately stretched and are now already depleted. It is heartbreaking that the shopping mall and retail industries had to bear the brunt of the financial sufferings when they merely contributed 0.8% of covid cases (May 2021). Therefore, to say that 2021 is an even worse year for businesses would be a gross understatement.

In the light of the above scenario, PPK Malaysia, together with Stratos Pinnacle SB, ran a survey to gather relevant data to ascertain the situation faced by malls due to the major disruptions to the shopping mall and retail industries to date.

A total of 94 malls across Malaysia participated, with the majority of 63% located in the Klang Valley and suburban areas. The survey ran from 23 to 30 July 2021 and included a fair representation of neighbourhood malls, mid-market malls and upper mid-malls. A large proportion of participating malls sampled had a net lettable area (NLA) of less than 1,000,000 square feet.

During the survey period, the majority of malls or 71% were placed under NRP Phase 1, while 19% were in NRP Phase 2, both of which had similar constrictive business restrictions of only allowing the 'essential' sectors to operate ie supermarkets, hypermarkets, departmental stores (partial operations), pharmacies, food & beverage (F&B – takeaways only), hardware, e-commerce, pet shops, optical trade and laundries and then only lately, books and stationery, computers and telecommunications.

➤ **BUSINESS OUTLETS OPEN AT MALLS**

Within the above circumstances, therefore, **the majority of malls had only between 10% and 20% of tenants that were still operating at their premises.** As at December 2020, nearly 60% of malls saw up to 10% of their tenants closing permanently but by December 2021, however, 66% of malls are now expecting 10% - 30% of their tenants to vacate.

➤ **FOOTFALL**

60% of malls currently had footfall decreases to less than 10% to 40% of pre-pandemic levels, indicating that footfall had dropped dramatically, ranging from 60-90%. This drop was seen to be relatively consistent across various shopping mall sizes.

Persatuan Pengurusan Kompleks Malaysia (PPK)

Malaysia Shopping Malls Association

A608, 6th Floor, Lobby 2, No. 1, Jalan SS20/27, Damansara Intan, 47400 Petaling Jaya, Selangor D.E. Malaysia

T +603 7727 6202/6232 **F** +603 7727 6203 **E** secretariat@ppkm.org.my **W** www.ppkm.org.my

➤ SALES TURNOVER

Of the malls surveyed, **65% of malls only achieved sales of less than 10% to 40% of pre-pandemic levels, indicating a drop of between 60-90%. Notably, the above included the business sectors deemed as 'essential' by the authorities, which means those shops not allowed to open would have suffered much higher drop in sales, basically zero sales whenever the shop is closed. The poor sales figure is further reflected by the drastic drop in footfall, fear and weak buying power.**

➤ RENTAL REBATES

Most malls have been offering rental rebates to their tenants who are taking the brunt from the pandemic and implementation of MCO/NRP, with **40% of them offering between 30% and 50% of rebates.**

➤ RENTAL PAYMENT

There is a significant increase in number of tenants who are unable to pay their rent due to the pandemic. **30% of malls are unable to collect rental from more than 70% of their tenants.** The pandemic and MCO/NRP SOP restrictions have inevitably caused adverse impact on the overall sales of tenants and their customer traffic. **Almost 50% of the total malls have up to a year of overdue payments owed by their tenants.**

➤ CASH FLOW

With such severe limitations in rental income collection, malls found it difficult to preserve cash flow and **32% of malls claimed that they could only sustain for a period of 3 months and less, with the current diminished cash flow under the pressure of MCO.**

➤ EMPLOYEE LAYOFFS

To assist in cash flow, **14% of the malls have already laid off their employees.** The majority have already reduced headcount by 10% to 20% and the percentage of cuts could grow if the current business closures were to persist any longer.

➤ SALARY CUTS

In addition to layoffs, **almost 80% of the companies have cut salaries as the economic impact of the pandemic begins to bite their bottom line, with majority implementing 10% to 20% salary cuts as well as withdrawing annual incentive bonuses and other benefits.**

OUR APPEAL

We hope the above dire statistics which indicate the grave injury inflicted on shopping malls up till now, will sound a loud warning bell to the authorities that the retail industry is in a very bad shape and has been so for many months now. The retail industry contributes 34.7% to the GDP (2018) and needs to re-open and revive, being a significant player in order for the national economy to recover.

The Government must re-strategise and accept that we are already in an ENDEMIC era and have to adopt to live with the virus safely. Vaccination privileges should be made immediately effective for all individuals who have been fully vaccinated allowing freedom to move and seek employment and work. Once again, we appeal and urge the government to hear our voices and allow shopping malls and retail businesses to reopen and resume operations URGENTLY as many are on the verge of closing down. Apart from the electricity discounts of 10% which will cease next month, we seem to have been forgotten when financial aid and assistance are being deliberated.

Now, 44% of the malls think their business could take up to one year to recover once the MCO has been lifted as they expect consumers would be most likely to continue staying at home – the longer the lockdown, the longer the recovery period and the less the chances of survival. This is a vast contrast with our previous survey conducted in July 2020, when more than half of shopping malls thought that it would take only 6 to 12 months before businesses returned back to normal.

Shopping mall operators have already taken a huge beating from the pandemic and lockdowns which have not been judiciously implemented and this has certainly resulted in less optimistic outlooks by mall operators currently.

To enable the mall and retail sector to even begin on the long journey of firstly, achieving mere survival, and then recovery, it will require much vital and critical government assistance and financial support to start on this revival journey.

The entire retail eco-system has already been fractured and we hope, and pray, that at this stage, we still have a chance at survival.

LIVES AND LIVELIHOODS MATTER, there is no life without livelihoods and vice versa.

Thank you.