Strata-title malls remain resilient

- **They** were built from the 1970s onwards due to financial necessity but are not the preferred choice for businesses today
- **From** early 2010, the strata mall concept evolved with the purchase of distressed ones which were then reinvented

Guest writer
by
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ACADEMICALLY speaking, the oldest retail strata format in the country is the traditional way of traders operating from shophouses, which has 100 years of history.

The term shophouses being "shop" and "houses" originates from the operational model where ground floors are typically where trading was carried out (shop), while the traders and their families lived in the floors above (house).

Any of these floors may or may not be occupied by single owners, and hence the idea of "multiple ownership" came into being.

By the 1980s, formalisation of such configuration was governed under strata title acts. To a certain extent, unofficially, this is the beginning of strata titles.

Financial necessity

In the 70s, purpose built strata-titled shopping malls began to surface. Some of the earlier ones are Pertama Kompleks (1976), Sungei Wang Plaza (1977) and Ampang Park (1973), which is the oldest in Klang Valley.

Developers in the 1970s had to build these malls as strata-titled ones due to financial necessity, although it is not favourable to retailers as a preferred choice for businesses today.

While it was not clear whether the developers had the financial capability to raise funds to build wholly-owned malls or not, definitely selling retail lots of a mall was a trend at the time.

This trend for strata titles was definitely well received. Funding to complete a mall was not a problem.

Putting this phenomenon in modern day mall terminology makes sense. First, funding was secured and the mall definitely can open.

Occupancies were also secured on the basis that buyers were operators themselves.

Once they received vacant possession, they opened the shops themselves, or likely could have closed their existing shops elsewhere and reopened at the new outlets.

This is especially so for family-operated shops with limited resources where owners treat the investments as new branches.

Lastly, the cutting edge mall facility – fully air conditioned buildings – can be enjoyed for free, including toilet facilities and covered parking bays, which were fantastic wow factors in the 1970s.

The strata mall frenzy did not stop there, and the industry grew from strength to strength. In the 1980s and 1990s, more mixed, wholly-owned and strata-titled malls emerged, such as KL Plaza, Super Kinta and Imbi Plaza.

It peaked in the 1990s and at the turn of the millennium which saw the pinnacle of strata malls' growth from 1-Stop Midlands Park Centre (1994), Kompleks Bukit Jambul (1997), Megamall Pinang (1997), Prangin Mall (1999), Summit USJ (1999) and AmCorp Mall (1998).

Perhaps still the last and largest scale strata-titled mall ever developed is Berjaya Times Square in 2003.

From early 2010, the strata mall was reinvented alongside the emergence of newer and larger shopping malls.

After the expansion of mega malls such as Sunway Pyramid Shopping Mall, One Utama Shopping Centre and Mid Valley Megamall, came a new business model – the purchase of distressed strata-titled malls which were then reinvented.

A few iconic ones are Kah Seng group's acquisition of majority units in the distressed UE3 complex which was then turned into Viva Home Mall, Pavilion's purchase of KL Plaza and reinventing it to become Fahrenheit 88, and MayLand's purchase of much distressed 30-year old Phoenix Plaza to become Cheras Sentral.

Breaking the strata taboo

Any layperson speaking of shopping complexes will usually stereotype stratified malls as bad when in reality, some of them are very resilient and strong.

Without a doubt, they may survive longer than most single-owned malls. Stratified malls (some of them, at least) are still owner-operated and less dependent on footfall as most have their loyal customers.

A mall filled with such tenants will usually guarantee minimum occupancy. The idea of the tenant mix being at the mercy of retail lot owners is double edged.

The downside is that it creates a chaotic, disorganised tenant mix, but that is the unique irreplaceable flavour of these malls.

Examples are Wisma Merdeka in Kota Kinabalu that started operations in 1985. Despite being surrounded by newer, larger and prettier malls, its unique tenant mix guarantees footfall.

Another unique example is Amcorp Mall which opened in 1998. It is surrounded by office and residential towers, is accessible by highways and within a mature township.

Despite being stratified, it has an efficient and cooperative Management Corporation makeup of owners, with occupancy close to perfect.

Strangely enough, the units are mostly sold to hundreds of owners, and although there are separate ownerships for the basement and open air car parks, all the components co-exist well.

Prangin Mall opened in 2001 in the heart of Georgetown. It is part of the development of Komtar, the tallest building in Penang.

The mall is again a stratified complex with a larger scale of tenant mix compared to AmCorp Mall.

It has a sizeable cinema, departmental store and supermarket, which is now unusual in modern stratified malls.

Its resilience was challenged nine years after its debut, when a brand new mall with a much more organised tenancy plan was built next to it.

First Avenue, which opened in 2010, has some of the leading international labels such as Uniqlo and H&M.

It makes for a unique case study of how a stratified mall with an absolutely chaotic tenant mix can exist next to a well-planned single owned mall in the heart of Penang. Time will tell which will survive.

Strata-titled malls are hardy and resilient. They are usually not mainstream or aspire to be so. Strata malls have survived for more than four decades and are still operating.

They can be surrounded by modern, best-of-its-kind retail formats, and yet are not phased out like Singapore's stratified Lucky Plaza which was top among most retail malls on Orchard Road.

An example is the existing Sungei Wang Plaza, which is just 400m away from top malls such as Pavilion Kuala Lumpur, Lot 10 and Starhill Gallery.

Survival risks

Some strata malls continue to survive, but for how long can their winning formula work? There are a few potential risks that may wipe out strata-titled malls, perhaps over the next one to two decades.

First, is the risk of them gradually losing occupancy as their owner-operators age and cannot continue the business.

Losing them means the very flavour of such malls will be lost. For instance, how many watch repairers will exist in the next 20 years?

Secondly, lawmakers could kill off the strata-titled malls. With the maturity and enhancement of the Strata Title Act, more governance and controls are in place to put strata-titled mall managements in order.

Unfortunately, law and order are double-edged. The more control is enforced, the more they retaliate and self-destruct, especially strata-titled retail formats which are so complicated, it is almost impossible to have a winning formula of governing acts on an equitable basis.

The final risk of strata-titled malls, and perhaps the most important one, is the gradually diminishing talent in the business as it slowly loses its old generals who fought the strata mall battles in the 1970s to 1990s.

Older strata mall managers have either left the industry or are now serving non-strata malls which are much better and easier to manage.

The newer generation who have no battle experience in strata malls have no clue of how to manage such assets. Given a choice, they will not want to work for such assets. FocusM

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ANWAR FAIZ AHMAD TAJUDIN/FOCUSM

Berjaya Times Square is one of the largest strata-titled malls ever developed

JONATHAN LOI/FOCUSM

Summit USJ is one of Selangor's many strata-titled malls