



**Guest  
writer**

by  
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# Mall expansion within a limited space

**S**HOPPING Malls have grown in numbers and are now in convenient locations and near residential areas. The largest shopping mall developer and operator is Aeon with 27 outlets to date. The next Aeon Mall, which is slated to open in Kuching next year, would be its first shopping mall in Sarawak.

Insights from experts say the retail space now stands at 8 sq ft per capita while Singapore is reported to have 12 sq ft and Bangkok, nine.

However, the experts also say Petaling Jaya is already at 16 sq ft per capita.

The growth is driven by the aggressive building of retail spaces – either in the form of retail arcades or plazas, to the full-blown shopping malls of at least 500,000 sq ft of net lettable area (NLA).

New residential and commercial developments always include a retail component as a catalyst.

There is no law in the country to govern the number of retail properties or their size as yet.

Hence, shopping malls continue to be built. And, this will add further pressure on the yield of each property.

The onset of new shopping mall openings in the coming years is not likely to slow down as developers look at retail projects of such scale as catalysts to their overall development.

## Asset enhancement

Eventually, the supply may soon come to a breaking point if it outpaces demand by tenants, who would also have to strategise based on potential consumption.

This is where an existing shopping mall's asset enhancement initiatives or expansion would be an interesting option for tenants.

The risk of building a new shopping mall is not equal to retrofitting an existing one because the latter has the added benefit of

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what you see is what you get.

The shopping mall profile can be determined, and the potential forecast, based on situational and future analysis of the information at hand.

That is why well-managed shopping malls draw a strong average rental rate which is inclusive of sales turnover on a stable, common area maintenance charge.

It makes sense that an existing shopping mall would consider an Asset Enhancement Initiative exercise within each 10-year duration of its operation.

This improves the ageing facilities and overall external facade. The option of increasing NLA is also a good initiative.

The increase of NLA is not limited to size as there are various ways this can be done.

For example, some shopping malls are limited by their perimeters and can only build upwards while some malls have land on either side to expand.

Some would only be able to build within their current height and perimeter restrictions.

In increasing NLA, one must recognise that the following steps must be undertaken:

- Market research to understand consumer behaviour and demographics within the target market;
- Competition and gap analysis;
- Due diligence of existing structural, mechanical and electrical systems within the shopping mall; and
- Local government regulations on increasing the NLA.

## Market research

Market research is important as it provides base data on how a consumer behaves in your intended primary and secondary markets.

It also helps in understanding how the demographics and behaviours changed from the last research, if one was done earlier.

It also provides invaluable data on the market that the shopping mall trades in.

A competition and gap analysis provides data on the current level of competition and allows for the gaps to be identified.

This helps shopping malls to identify all of their strengths, weaknesses, opportunities

and threats so as to perform better.

An extensive due diligence must be conducted as this would allow the owner and operator to better understand what is possible and what needs to be done.

For example, if the NLA that is created requires different floor loads, mezzanine floors or mechanical and electrical requirements, the cost can then be determined.

This would affect the return on investment based on the market average of the rental rate that is used.

## Bylaws

There is also a compulsory need for shopping mall owners and operators to be familiar with local government bylaws.

The requirement for car parks is to have one bay for every 500 sq ft of gross floor area.

There is also a need to look at the plot ratio in which the property is located.

Some commercial areas can have a plot ratio of as low as 1:2 and up to 1:8.

It is important to understand that each local government may have a different set of restrictions, while some could also have height restrictions.

In addition, some shopping malls have an added challenge of Strata Laws or Land Code Laws.

The above steps are just basic ones which are needed to be followed to match what the future market potential holds for the existing shopping malls.

Today, such an exercise offers advantages to existing shopping malls. Tenants would normally choose a location or site which they are familiar with, especially if they tend to be more cautious than before. **FocusM**

*Anthony Dylan is a member of the Shopping Mall Association (PPK) Malaysia*

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The four double-storey retail extension of Tropicana City Mall is an example of maximising limited space within a developed mall.