

## Guest writer

BY ANTHONY DYLAN

**SHOPPING** malls are always built with the community they serve in mind and as an investment by developers. They are also built based on a basic model of expected revenue and operational costs.

However, one has to keep in mind, that to optimise return on investment, the operational cost must be managed well. It is not about being stingy and getting the cheapest, but to understand the components and obtain the best in efficiency and effectiveness.

Operational costs would consist, in a broad perspective, of the following:

- Utilities: Electricity and water charges, sewerage cost and gas supply;
- Salaries of staff;
- Facilities management contracts: Cleaning and waste management, security, health and safety, pest control, landscaping and engineering;
- General repairs and maintenance; and
- Taxes to the authorities, licences and insurance.

Each component would vary in its percentage contribution to the overall operational costs.

However, it is the industry norm that the highest contributor to the percentage is the utilities cost. Utilities are primarily tariff-based. Thus, cost will go up if tariffs increase.

The second largest contributor to the percentage is staff salaries.

The efficient management of the operational costs would help ensure that costs are kept at a justifiable and feasible state throughout the duration of the shopping malls' lifecycle.

There are two situations which shopping malls are faced with – one is at the planning and development stage and the other is at the stage of existing operations.

If one is thinking of planning for and developing a shopping mall, considerations must be made for the materials and layout to ensure operational efficiency.

### Aesthetics

More often than not, shopping malls are designed with aesthetics in mind and leaving operational concerns until the very end.

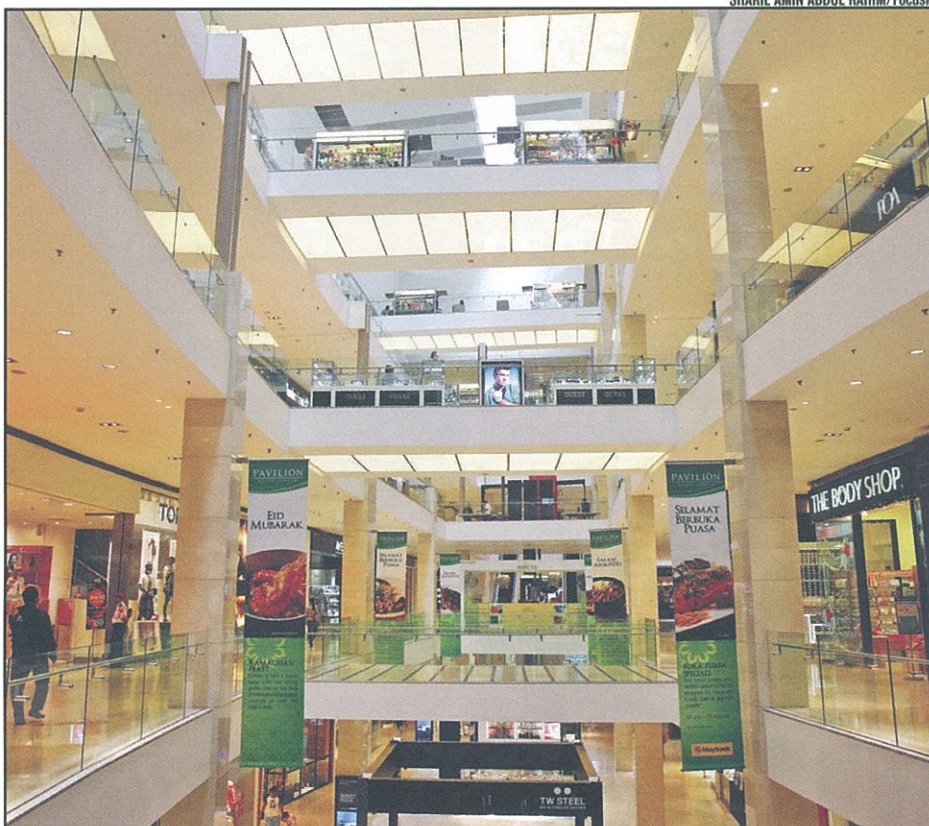
A good development would consider the orientation of the natural environment as well as tenants' requirements for back of house. The design and selection of materials at this stage would determine the impact on operational costs.

As an example, a shopping mall is basically a building housing a unique shopping environment. It has a roof, walls and floors. It has lightings and public facilities like toilets and car parks. In all these areas, there are operational costs involved.

If the use of building material for the roof and walls take into consideration heat absorption and radiation, this would greatly aid in the control of electricity costs, especially when a mall is air-conditioned.

The selection of the type of glass and bricks or concrete panels used must have this in mind. Electricity costs are charged based on tariff and usage. In the industry, this forms the bulk of the operational costs.

As in the case of tenancy layouts, it would be wise to consider the creation of a service corridor surrounding the



# Keeping shopping malls' operational costs low

Controlling expenditure costs is important to maintain the feasibility of an investment

envelope of the perimeter. However, some designs would require a glazed facade, this can still be done on most parts of the perimeter.

This would help greatly with the heat load from the perimeter walls, creating an insulation, which would in turn help with the efficiency and effectiveness of the air-conditioning.

A service corridor would then not only act as an insulation but a primary corridor to lay all the building mechanical and electrical trunking lines and plumbing services.

This would minimise costs of repairs and man-hours as work can be done at any time behind the tenanted space. It also allows for less disruption to the tenant who pays rent, contributing to the revenue.

In the case of an existing shopping mall, a building management system which is automated would help with the efficiency and effectiveness of execution.



Security services can be outsourced to better-manage mall expenditure

A preventative maintenance programme can be built around a system to ensure that costs are managed well. This would help prioritise tasks and ensure that operational costs do not take in unnecessary outlays.

In the past, shopping malls had to depend on the experience and estimates of their personnel – this gave us a broad industry practice to base on.

### Technological improvements

Today, there are various technologies which one could use to help better localise the management. This improvement, together with experienced hands, has helped reduce unnecessary operational costs.

It is important to note that the air quality and conditioning would very much depend on the current air humidity and level of pollutants. All common areas from the delivery area to the car park facility, toilets, lobbies and general mall areas must be considered.



Regular servicing can help reduce operational costs resulting from a breakdown

The Pavilion shopping mall has a lot of space to cool. It is important that the air quality and conditioning is at comfortable levels while mitigating electricity cost

One of the fallacies of many shopping malls is the tendency to increase the ambient temperature from the expected standard of 24°C to 25°C.

It has a positive effect on the costs immediately but with this, it also increases the level of humidity. The temperature is not the main problem, but more so the level of humidity as discomfort stems from high humidity.

The main reason why most do not spend much on lowering humidity is because the costs involved is higher than reducing the air-conditioning to 24°C. Toilets which are air-conditioned at 24°C would have less humidity and also suppress odour.

There are other ways to reduce the costs of air-conditioning. An example is to look at both the efficiency of the chillers and the distribution.

It is not wise to just remedy a chiller without fixing the distribution. Both need to be looked at.

It is also a strategy to look at the tariff rates and consider the possibility of thermal storage to complement the chillers' efficiency.

### Outsourcing

Contract management would be one of the other tools to reduce operational costs. Areas in which work is routine and repetitive should be outsourced.

The benefits of outsourcing include warranties and service level agreements. It provides for the assurance that professionals are tasked with the job rather than generalists. Operational costs would then be better-managed.

Today, nearly all parts of facilities management have been outsourced. Permanent staffing would also be reduced as the quality of staff is improved and multi-tasked.

This would increase the individual's salary but this would be easily compensated with increased efficiency and effectiveness. Time is money as well, as this system would allow faster response.

The components of general repairs and maintenance plus the authority taxes, licences and insurance form the smallest but necessary percentage in the operational cost.

The operational costs in a shopping mall as mentioned earlier consist of five broad-based components. The costs are then accumulated and imposed as the service charge.

The service charge per square foot is then imposed by the landlord onto the tenant on top of the rental rate.

In most cases, any increase in the operational costs would drive up the gross payable by the tenant or would reduce the profit of the landlord. Either way, controlling the operational costs in a shopping mall is important to maintain the feasibility of an investment.

A shopping mall is a real estate investment by a landlord which is managed by keeping the community and tenants it serves in mind.

Hence, identification of the components of operational costs and strategy used when designing and building a shopping mall as well as maintaining it would help in keeping the operational costs as low as possible. **FocusM**

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