

Neighbourhood malls 'resilient' amid volatility



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Zalila Mohd Toon, chief financial officer Hektar Asset Management

HEKTAR real estate investment fund (Hektar REIT), the owner of Subang Parade in Selangor and Mahkota Parade in Malacca, believes that neighbourhood malls are more resilient in an economic downturn than their larger peers.

All recent economic data point to a deep world recession this year and Malaysia will not be spared the turmoil.

Most private-sector economists now expect Malaysia's economy to grow slower than the government's forecast 3.5 per cent this year, while some even predicted a contraction.

If the recession is prolonged, it will eventually have an effect on consumer spending and, ultimately, shopping, said Zalila Mohd Toon, chief financial officer of Hektar Asset Management Sdn Bhd, which manages Hektar REIT.

However, she believes the REIT is well-positioned to withstand the global turmoil.

"We are confident that Hektar REIT will sail through this financial meltdown because of our solid and resilient business model. Plus, our portfolio is neighbourhood shopping centres which provide the basic necessities for shoppers," Zalila said in an e-mail interview with Business Times.

Hektar REIT's RM700 million portfolio includes Wetex Parade in Johor.

Neighbourhood shopping centres are deemed to be resilient during market volatility as the tenants focus more on basic goods and necessities, not luxury products for which demand is reduced during recessions, she pointed out.

Subang Parade, for example, is just large enough to serve the consumers of Subang Jaya and USJ, with no direct competitors in the area. Its tenant mix is thus focused on the basic needs of the 700,000 people living within 15 minutes drive time, which may not be overly hit by an economic slowdown.

"Besides, we have a knowledgeable and competent shopping centre management team which has weathered the various market cycles and made sound decisions in the past," Zalila said.

Hektar REIT counts retailers such as Parkson, The Store, McDonald's, Toys'R'Us and MPH as tenants.

In 2007, its malls in Subang and Malacca recorded more than 16 million visits.

Hektar REIT's long-term aim is to develop and own world-class retail shopping centres that serve the needs of ordinary Malaysians.

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The findings of market researcher UrbisJHD in 2006 show that there is roughly 3 sq ft of shopping centre space for every Malaysian compared with about 7.5 sq ft in Australia.

As Malaysia moves towards developed country status within the next two decades, Zalila foresees the gap closing and reaching Australia's levels.

"That's a lot of potential and opportunity," she said.

HEKTAR REIT PORTFOLIO				
	Location	Gross Floor Area	Year Acquired	
	Subang Parade	Subang Jaya	1.2 million sq ft	2006
	Mahkota Parade	Malacca	1.1 million sq ft	2006
	Wetex Parade	Muar	290,200 sq ft	2008