

From 'has-been' malls to REIT

Hektar Group aims to build up shopping-centre management in Malaysia

BY ALLISON LEE I

Many may not have known about the Hektar Group until recently, when it debuted its real estate investment trust (REIT) on the Main Board of Bursa Malaysia. The group owns Subang Parade in Subang Jaya and Mahkota Parade in Melaka and, to the delight of local shoppers, has been busy upgrading the two malls.

According to Hektar's founder and CEO Datuk Jaafar Abdul Hamid, people laughed at him when he purchased the two malls. "They said I was buying 'has-beens'," he recalls. Subang Parade was bought for RM223 million in August 2003 and Mahkota Parade for RM146 million in April 2004, both from the Lion Group.

"I saw potential in these malls and wanted to turn them around. They have historically had high occupancy rates because of their strategic locations, relevant tenant mix and large population catchments. I had already met Christopher Mears, the group's executive vice-president of asset management, and roped him in to help make the malls successful," Jaafar shares while introducing Mears.

Hektar Group was founded in 2002, with a focus on ownership, management and operation of shopping centres. It comprises Hektar Premier Sdn Bhd, Hektar Black Sdn Bhd and Hektar Klasik. The first two companies own and manage Subang Parade and Mahkota Parade respectively while Hektar Klasik has a landbank in Nusajaya, Johor, which it is developing into a new lifestyle shopping centre.

The Hektar REIT, which was listed on Bursa Malaysia last Dec 4 with the two malls in its portfolio, was formed to acquire and invest in income-producing real estate and is being managed by Hektar Asset Management, a subsidiary of Hektar Klasik.

Upgrading works

The group works constantly on improving its malls. At Subang Parade, which has a gross built-up area of 1.2 million sq ft and net lettable area of 472,709 sq ft, an internal refurbishment encompassing light-



Jaafar (right) and Mears see the Hektar REIT as the foundation for creating a retail management franchise in Malaysia

ing, painting and facilities has been carried out. Other upgrading works, such as rooms for mothers and improved accessibility for the physically challenged, will be completed in the near future.

At the 1.1 million sq ft Mahkota Parade, meanwhile, the toilets have been refurbished while a new mother's room, an upgraded surau and an autopay parking system have been introduced. A 50,000 sq ft food court has also been opened.

So far, these upgrading works seem to have paid off for the malls. "It's how we position ourselves as a group that's the key, not what our competitors think of us or what we think of them," says Jaafar, who is the former managing director of United Engineers Malaysia Bhd. "Our main concern is getting our brand promise right. The folks living in Subang Jaya and in Melaka have enjoyed what we have been doing for these centres and that has translated into increased traffic volumes for us."

Subang Parade had an occupancy rate of 98.5% while Mahkota Parade had 94.9% as at November 2006.

Future plans for Subang Parade include extending the car park and adding 150,000 sq ft of net lettable space on two acres of undeveloped land that currently houses a plant nursery. There are also plans for residential towers on the land.

"At Mahkota Parade, the three-acre car park has the potential to be developed into more retail space. So we have a total of five acres at the two malls to develop," Jaafar says.

The group has plans to inject the additional retail space into the Hektar REIT.

As for the 1.7 million sq ft mall in Nusajaya, Jaafar and Mears are reluctant to reveal any details, preferring to do so when the project nears completion in 2009.

However, Mears says the shopping centre will be called "Hilltop" because of its geographical characteristics. It will have environment-friendly designs, use natural ma-

terials, and boast energy-efficient services and extensive interior and exterior landscaping.

Jaafar adds that the group is looking forward to the implementation of the projects in the Iskandar Development Region as this will spur economic growth.

Shopping-centre management

Mears also shares that it is Jaafar's vision to build a shopping-centre management business in Malaysia in the near future, using as models the Australian and American companies of Westfield, Lend Lease, Stockland, and Simons & General Growth.

"Shopping-centre management is a science based on a clear set of principles, which is then adapted to the local culture and each centre, depending on where it is, its market, lifestyle or any of a number of issues," Mears explains, adding that there is a constant need to balance the needs of owners, tenants, shoppers and lenders.

Mears, who has 17 years of ex-

perience in property management, leasing and marketing experience in shopping centres in Australia and Asia, says that in the mature retail environment of the US and Australia, every aspect of the mall is examined minutely to provide more value to tenants and customers.

"We are confident this business concept, which has been effectively pursued by many international retail property groups, will prove just as successful in Malaysia," he says. Upon establishing itself in Malaysia, the group plans to selectively expand into the broader Southeast Asian markets, he adds.

To assess the performance of its malls, the group will be using modern shopping-centre management key performance indicators. "It is about more than the occupancy rate. You can have shopping centres with high occupancy levels but with declining rental rate growth. In other words, management is struggling to keep tenants and maintain occupancy by reducing rental rates," Mears says.

Foundation

Jaafar and Mears see the Hektar REIT as the foundation for creating a retail management franchise in Malaysia, similar to Westfield in Australia or CapitaMall in Singapore.

"The feedback from both shoppers and retailers has been tremendously positive and we have received significant satisfaction from our work. The REIT is a first step for us to expand our profile and create a platform for acquiring future projects," Mears shares.

Jaafar believes theirs is the only pure retail REIT in Malaysia. "Our target market is the whole of Malaysia. Where Malaysians live, they shop. Where they shop, we intend to provide them first-class retail environments. The REITs on Bursa have different business focuses and different markets. Starhill REIT is focused on high-end retail in the Golden Triangle of KL and hospitality."

Mears adds: "I believe Malaysia has its share of shopping centres. However, first-class shopping centres are concentrated in Kuala Lumpur. But outside of KL, outside of the Klang Valley, there are plenty of shoppers who are underserved." ■



Mahkota Parade (left) in Melaka and Subang Parade in Subang Jaya have seen increased traffic volumes since they were refurbished