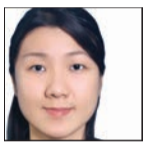


# 'Rejuvenation' for Subang Parade

- A new supermarket to be the latest anchor tenant
- Hektar REIT sees improvements with new tenants, and a focus on a more comfortable shopping experience



by  
**Sherilyn Pang**

A new anchor tenant in the form of a supermarket is the highlight of popular neighbourhood mall Subang Parade's ongoing extensive 'rejuvenation cycle.'

Since opening its doors in 1988 and once known as the 'longest shopping centre in Southeast Asia,' Subang Parade is still the main landmark for many Klang Valley residents who make their way to Subang Jaya.

Just 25 minutes from Kuala Lumpur at the intersection of Subang Jaya's main commercial area, Subang Parade's vicinity boasts excellent public transportation links and highway traffic flow.

It is at the hub of a hive of activity - LRT and KTM stations, the Ramsay Sime Darby Health Care centre, Grand Dorsett Hotel, office buildings, residential neighbourhoods, an industrial area, tertiary education institutions and shophouses.

Even though Empire Shopping Gallery behind it provides healthy competition, Subang Parade is still 'home' to locals and neighbouring residents who have matured along with the mall, transitioning through various stages of its life cycle for over 30 years.

Subang Parade's last major refurbishment was 12 years ago, aside from the introduction of an MBO cineplex in 2011. According to its owner, Hektar Real Estate Investment Trust (Hektar REIT), the refurbishing is therefore overdue.

This time, the work involves asset enhancement via the improvement of its tenant mix as well as replacing some of the older tenants with fresher entrants.

"Retail goes through a cycle because consumer trends are constantly changing, so shopping malls must adapt accordingly," says Hektar REIT CEO and executive director Datuk Hisham Othman.

"So, what we mean by 'rejuvenation' is to refresh the look of the mall on the exterior and interior as well as refresh the tenant mix.

"It can also mean renovation,



Subang Parade last had a refurbishment 12 years ago



**Hisham: We are taking a bit more time and are being more selective in creating the right tenant mix**

re-decoration or (improving) the food court, toilets, facilities or car park.

"And then, of course, tenancy mix means having better, more attractive and more varied tenants, comprising several features: F&B (food and beverage) outlets, fashion and entertainment, and bringing in the movies (theatres)," says Hisham.

According to Hektar's 2018 annual report, Subang Parade's occupancy dipped to 88% while



**Property value corresponds with improved footfall, says Teo**

its traffic dropped 21% due to the enhancement and improvement process, but Hisham says this is to be expected and is confident the footfall will rebound once it is done.

As of the first quarter this year, Subang Parade recorded 85.5% occupancy rate, but he is confident it will soon pick up again.

"It is lower than before, but that's because of our ongoing asset enhancement operations. We have deliberately let go of a few tenants to revamp the mall.

"But it should bounce back to more than 90% which is where it should be and has been for many years, as soon as we are finished doing what we are supposed to do. So, it should be much healthier than 85.5% very soon," Hisham says.

"We foresee this as just a temporary effect. Revamping is a much-needed exercise for Subang Parade despite its high occupancy in the last 10 years," he adds.

## Consumer analysis

Hektar REIT specifically focuses on neighborhood and community malls in growing towns. To select the right tenants for the locals it serves, Hektar places a lot of effort in understanding its customers.

In this regard, it conducted a number of market research including exit surveys, household surveys and focus groups. Based on the research it was found that for Subang Parade:

- The annual traffic in 2018 was 7.8 million, with a monthly average of 650,000.
- Shoppers' median age is 34, with the biggest group, 39.8%, comprising those aged 15-29.
- Ethnicity: 51% Malay, 38% Chinese, in line with the area's demographics
- Gender: 58% were female, 42%

male, in line with expectations.

- 53% of the respondents were married, living in a household with 4.2 persons.
- The average household income was RM11,390.
- Average dwell time was 1.46 hours and the average visit per month was 4.8 times.
- Average spending per person was RM150.25.
- Biggest occupation groups were professionals (19.7%) and students (19.7%), followed by housewives (12%)

"Our overall analysis, combined with our tenant feedback, shows that Subang Parade is well patronised by professionals due to its proximity to the commercial office area, students from the various colleges in the vicinity and housewives living in Subang Jaya," Hisham notes.

In terms of employment, Hektar REIT has created about 5,000 jobs across its six properties which make up two million sq ft of retail space in Selangor, Melaka, Johor and Kedah:

- Subang Parade.
- Mahkota Parade in Melaka.
- Wetex Parade in Muar.
- Central Square in Sungai Petani.
- Kulim Central in Kulim.
- Segamat Central.

Hektar REIT also employs more than 300 employees, who contribute towards ensuring the relevance of the shopping malls to its diverse community.

## Value appreciation

According to the president of the Malaysia Shopping Malls Association (PPKM), Tan Sri Teo Chiang Kok, it is a good move for shopping malls to enhance value via refurbishment exercises.

"All buildings need to be constantly maintained and refurbished to maintain and enhance their value. Similarly,

shopping malls have to undergo the same with the added need to do so to complement the retail shops' periodic refurbishment and updating," says Teo, who believes that the enhancements will eventually lead to increased valuation of the properties.

"If the refurbishment or reconstruction results in better shopper traffic and better business for the tenants, it will translate to rental increment and subsequently, the value of the property (in later part)," pointing out that the main objective of such a strategic move is to improve the footfall and business of the retailers before other benefits follow suit.

On his outlook for the retail sector, he says: "We are cautiously optimistic that the (property) industry will grow, based on the forecast growth of the retailers at 4.5% this year."

## No rush

Subang Parade remains as one of Hektar REIT's core assets, contributing 32% of gross revenue to the company's portfolio. The mall remains as Subang Jaya's dominant shopping centre rooted at an iconic location.

"Our tenants are made up of international and national chains, local brands and a number of entrepreneurs who we are happy to have on board," Hisham says.

"In the next few months, visitors will be able to see new brands with more visually appealing looks in Subang Parade.

"This will provide a more varied and comfortable shopping experience," says Hisham.

San Francisco Coffee, Halal Vietnamese restaurant Super Saigon Pho Café and The Tarik Place will soon take up space to complement existing new tenants such as Novacell, Liang Sandwich Bar, Old Town White Coffee, Dodo Dim Sum & Bowls, Penyet Express and Daiso.

Despite the growing excitement, Hektar REIT is not rushing the refurbishment exercise.

"Our team won't rush the job, though. We will plan carefully. Our current timeline is to take the whole of 2019 to complete the asset enhancement work. We decided to take a bit more time and be more selective in creating the right tenant mix," Hisham notes.

To Hektar REIT, finding the right mix is part science and part art. Moreover, it believes that staying flexible is vital in addressing the complex behaviour of consumers and the ever-changing shopping trends.

"The main news to watch out for is our (new) supermarket anchor," Hisham emphasises.

"Subang Parade is close to securing a new, upscale grocery chain which will act as a catalyst for our rejuvenation efforts for the whole mall. Hopefully, we can announce the deal within the next quarter," he adds. **FocusM**