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Still in foreign investors' shopping list

By Vasantha Ganesan
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MALAYSIA'S shopping malls continue to be on the radar of foreign investors despite a global economic slowdown.

This is due to the fact that the Malaysian retail industry is mature, coupled with the likelihood of obtaining bargains during a slowdown, property consultants said.

"Retail centres are very good long-term investments. They provide the extra in terms of dynamism, the mall can be repositioned and (space) rejigged," Regroup Associates managing director Allan Soo said.

"Despite the onset of a worldwide recession and the pressure on funding, interest in retail centres is increasing," Soo told



IN DEMAND: The Malaysian retail industry is mature, coupled with the likelihood of obtaining bargains during a slowdown.

Business Times in an interview. "We (Regroup) continue to get enquiries (to buy). We have at least three foreign funds who are keen on retail centres in Malaysia," he said, adding that funds

Malaysian malls are attracting overseas interest despite the global recession and pressure on funding

start from RM100 million up to those with an unlimited budget.

Soo explained that during a recession, there are more sellers and less buyers.

"Therefore yield goes up as price comes down. Instead of the usual five per cent to seven per cent yield that one hopes to get from a purchase, buyers are now hoping for a nine per cent yield," he said.

Yield measures the return for a buyer. In this instance, it is income from the property relative to the value of the asset.

However, as fund raising becomes more difficult during an economic slowdown, some investors hold back their investment as they expect prices to come down further.

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Tenders for RapidKL LRT extension may be out in Q1

By Sharen Kaur
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SYARIKAT Prasarana Negara Bhd (SPNB), a unit of the Ministry of Finance Inc, may call for tenders to extend the RapidKL Light Rail Transit (LRT) system by as early as the first quarter of next year.

The LRT covers two lines, namely the Ampang Line (previously, Star LRT) and Kelana Jaya Line (formerly Putra LRT). The assets are owned by SPNB.

The tenders, worth over RM1 billion, is for track and civil works, fare collection, and systems work involving power supply, signaling and communication, industry players said.

Under the plan, the Ampang line will be extended from Bukit Jalil to Puchong, heading towards Subang Jaya, and linking up to the Kelana Jaya line.

The extension will involve 32km of double track and around 24 new stations, a source said.

Currently, the Ampang Line runs from Ampang to the city centre, and then from Sentul Timur towards the National Sports Complex in Bukit Jalil, while the Kelana Jaya Line starts from Terminal Putra Gombak up until Kelana Jaya.

"The extension will allow for a more complete integrated rail network. The project may be government-funded or implemented through private finance initiatives," the source added.

Key players like UEM Builders Bhd, IJM Corp Bhd, YTL Corp Bhd, Ho Hup Holdings Bhd, and Loh & Loh Construction Bhd are expected to bid.

It is learned that low-profile railway engineering firm Global Rail Sdn Bhd will make submissions for the systems work, in collaboration with its foreign technology partners. It is eyeing a portion which is worth RM80 million.

The government is also expected to pump prime part of the RM500 million allocation under the RM7 billion economic stimulus package announced by Deputy Prime Minister Datuk Seri Najib Razak on November 4, to kick-start the project.

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MAJOR TRANSACTIONS OF SHOPPING CENTRES

NAME OF BUILDING	LOCATION	DATE	NLA (sq ft)	VALUE (RM mil)	PRICE (RM/sq ft)	VENDOR	PURCHASER
2004							
Igoh Parade	Perak	2004	594,434	161.63	272	Lian Igoh Parade Sdn Bhd	TW Uan Gebb (Primerica Real Estate Investors)
Serenban Parade	Negeri Sembilan	2004	316,487	64.62	204	Lian Serenban Parade Sdn Bhd	TW Uan Gebb (Primerica Real Estate Investors)
Klang Parade	Selangor	2004	696,045	107.63	155	Lian Industries Corp Bhd	TW Uan Gebb (Primerica Real Estate Investors)
City Square	Johor	2004	252,855	465	1,839	Johjays and Merit Properties	GIC Real Estate
2006							
City Square	Kuala Lumpur	2006	303,000	170.00	561	City Square Properties Sdn Bhd	Mitsui Inpact Sdn Bhd (Macquarie Australia)
Juzco	Negeri Sembilan	2006	-	-	-	RD Land Sdn Bhd	Race Homebuilder (M) Sdn Bhd (a sub of GC Realty)
Wisma CSM (Jaya Supermarket)	Selangor	2006	136,006	114.50	-	CSMB	CIMB Mortgage
2007							
Part of Plaza Mont' Kiara (with 1,499 car parks)	Kuala Lumpur	11/06/07	73,408	90.00	-	Surprise Bhd	CapitalLand Commercial & Integrated Development Ltd
Revolving of Properties within Vision City	Kuala Lumpur	16/07/07	-	*430.00	-	Vision City (M) Sdn Bhd	Quill Retail Malls Sdn Bhd
Miles Shopping Fair	Kuala Lumpur	18/08/07	650,000	432.00	-	Miles Shopping Fair Group Sdn Bhd	Mutual Success Sdn Bhd
Inland Plaza	Penang	-	230,000	-	-	CP Land & Bellevue Group	Arden Mall Private Ltd
Gurney Plaza	Penang	-	760,000	270.00	3,500	Gurney Plaza Sdn Bhd	CapitalLand Limited (Front Winners Sdn Bhd)

* Vision City - The acquisition includes a pre-approved order for the construction of a 7-level retail centre with a NLA of 762,000 sq ft, 1 35-storey office tower with NLA of 500,000 sq ft, 1 40-storey serviced apartment block with 450 units and 2,280 car parks.

Higher traffic will cushion fall in spending

YAP: During a downturn people tend to look for places to relax



MALAYSIAN malls are expected to grow their income further in 2009 with more visitors despite the anticipated slower economy.

President of the Malaysian Association for Shopping and Highrise Complex Management (PPK) Joyce Yap said a higher traffic would cushion the decline in spending.

"However, the extent at which they grow would depend on their tenant mix such as whether they are in fashion, food or if they retail home products," she told Business Times in an interview.

According to Yap, even during the 1997/1998 financial crisis, many shopping complexes had in fact recorded an increase in traffic.

This is because during a downturn, consumers tend to look for places to relax, Yap said.

"During the 1997/1998 crisis, business at food and beverage outlets (within malls) shot up. Visitorship continued on an uptrend in malls, although spend per person had declined," she said.

There is usually a shift in priority of what consumers spend on, but they hardly cut down on food.

Malls that tend to perform better are those that are well designed, offer variety and are well managed.

Shopping complexes that aggressively promote and have retailers who offer more than just discounts also do well. These include providing gifts with purchases, free services or have tie-ups with bank cards to offer additional value.

In the current environment, it is also best not to cut promotional budget. Rather, one should look at improving services and having cross promotions within shopping zones.

"Malls within Mutiara Damansara, or within Bandar Utama and those shopping complexes in the Golden Triangle can do cross-promotions," she said.

General manager for marketing at Pavilion KL Kung Suan Ai said she believes the Pavilion will do well in 2009 as it is always working on making the mall attractive.

"In 2009, we will improve our concierge service. We are working on retailers providing delivery services to hotels for purchases made by tourists," she said.

With all these in place and its recent Malaysia Property Award 2008 for Retail Development, given by the Malaysian Chapter of Fiabci, Pavilion hopes to increase the patronage level to 2.4 million a month in 2009 from 2.2 million a month this year.

SHOPPING CENTRE SPACE IN KLANG VALLEY

Supply likely to slow as developers delay projects

By Vasantha Ganesan
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THE supply of shopping centre space in the Klang Valley is expected to slow over the next three years as developers put projects on hold as it is now tougher to raise funds.

At the same time, some developers have stalled projects as a knee-jerk reaction due to fears of the slowing global economy while others are waiting for raw material prices to fall.

Regroup Associates has projected that in Klang Valley there may be only 1.47 million sq ft of net lettable area in 2009, down by 400,000 sq ft projected in the first half of the year.

In 2010, only half, or 2.16 million sq ft of net lettable area, will be ready as opposed to 2.63 million sq ft which was supposed to come on stream in 2010.

However, opportunities are still available even during an economic downturn, said Regroup Associates managing director Allan Soo.

"Developers should view things objectively and look for opportunities.

"Those who do so will see actual opportunities during a recession as retail demand can be created," Soo told Business Times.

According to Soo, there are still unserved communities and opportunities to create something new. He cited Cheras as an example where more malls can be developed and where funds are likely to come and buy these properties in the future.

Moreover, during difficult times, there is less competition in the markets and costs of construction are also lower.

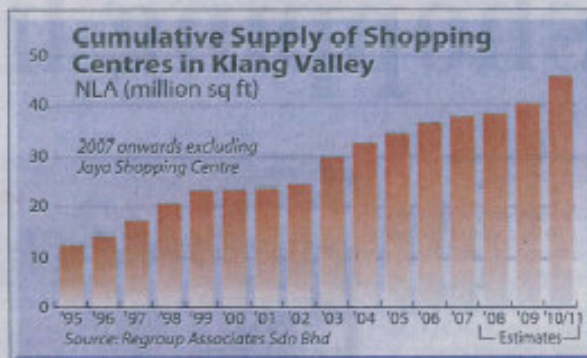
One could do something that caters to

trends of the future, Soo added.

"Consumers go for experience and a good time. This is called experiential retail. If developers continue to build yesterday's mall, it is bound to fail," he said.

Soo also pointed out that successful malls are not necessarily Grade A shopping malls.

"Success which is measured by traffic, rents and profits are even made by hypermarkets," he pointed out.



FUTURE SUPPLY IN KLANG VALLEY As at H2 2008

Zone	2009	NLA (sq ft)	2010	NLA (sq ft)	2011	NLA (sq ft)	2012	NLA (sq ft)
KL	1 Shamelin	322,000	Kenanga Wholesale City	500,000	Seri KICC Phase 2	160,000		
Suburban	BSC Extension	180,000	Citra	424,000			Vision City	764,000
	Giant Mall Putra Heights	200,000	Empire Subang	200,000			KL Sentral Shopping Mall	645,000
	Harbour Place Phase 1	280,000	Festival City	450,000				
	Subang Avenue Proviene	240,000	First Subang	150,000				
	Wangsa Walk	243,515	Paradigm	435,000				
Total NLA		1,465,515		2,199,000		160,000		1,469,000

NLA = Net Lettable Area. Note: Some malls are not quoted as date of completion is uncertain. Source: Regroup Associates Sdn Bhd

'Malaysian market will remain attractive'

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"Some funds are reviewing their strategy ... they are looking for the right time to purchase," he said.

He said that in 1998, foreign investors continued to be interested in Malaysia. There were "vulture funds" coming in to buy malls at huge bargains.

Real estate consultant Savills Rahim & Co's managing director Robert Ang feels that while interest in our malls will continue, Malaysia will face competition from other markets, especially those where prices have declined drastically.

"Yes, interest from foreign companies and foreign funds in our malls will con-

tinue ... (but) there are many other opportunities elsewhere in other countries too," Ang said.

He pointed out that at this point there are no "juicy malls" in prime locations available.

However, Soo contends that there is a lack of properties for sale in Southeast Asia, which means that Malaysia will remain attractive.

"In this region, there is not that much availability coming up. What is there available in Hong Kong and Singapore?" he asked.

"Compared to India and China, though these markets are growing, they are not as

matured. Malaysia has three decades of retail development," Soo said.

But is it good to sell most of our retail centres to foreigners?

According to Soo, it creates value for the asset as it brings in foreign investment.

"These investors cannot take away the asset. They may resell to a Malaysian or to another foreigner, but they can't take the property away," he pointed out.

Ang agreed, saying that there are still developer-managed malls which are poorly run. "When funds come in, they offer a different kind of expertise which keeps the level of management high," he said.