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Success Criteria for Commercial Property

For retailers, the ability to identify superior properties to set up shop is crucial for their long-term business success. *Malaysia Retailer* talks to Dato' Danny Goh, Managing Director of B&G Capital Resources Berhad, for his insights into the topic.



When it comes to evaluating a commercial property and its location, there's no better person to talk to than Dato' Danny Goh Meng Keong, Managing Director of B&G Capital Resources Berhad, who is an experienced developer himself and has, over the past six years, performed detailed research and analysis on numerous such commercial properties (particularly malls) in the Klang Valley.

Dato' Danny recommends a proprietary 6-step approach to evaluating a mall, namely 1) Location; 2) Integrated development; 3) Good design & layout; 4) Developer's commitment; 5) Unique design & sizeable; and 6) Content, retailers' branding & management.



#01 Location

In property it is common to hear the old adage “Location, location, location” and this holds true, especially for a commercial one. How do you identify a commercial development with hotspot potential? According to Dato’ Danny, for location, you’ll need to consider the three factors below:

i) **Matured crowd.** There are four types of crowds; namely business, living, university/college students and outsiders. “Downtown KL has a huge business crowd compared to its living crowd. Most people are in KL to work or to do business and not many people stay there. For example, at One City here in USJ (an integrated development by MCT Consortium Berhad, of which Dato’ Danny was an Executive

Director), the living crowd is more than the business crowd. The business and living crowds are the two most important types of crowds for a commercial property, while the student crowd comes in third,” he explains.

The student population, as defined by Dato’ Danny, comprises only college and university students, and not secondary school students because of their limited spending power. “The student crowd only comes in third after the business and living crowds because no matter how, students are still being supported by their parents and hence, how much can they spend?” he rationalises. Two of the vibrant and popular student hotspots are Subang Jaya and Bandar Sunway due to the numerous colleges and universities within the vicinity.

Lastly, the outsider crowd, as its name suggests, is made up of people who are not from the locality. They are visitors/tourists who only come in if the development is a landmark or tourist attraction.

ii) **Easy accessibility via highways/main roads.** Once you ascertain that the development has a matured crowd, the next thing you need to look for is accessibility. The location must be easily accessible via highways, main roads and public transport such as KTM, LRT and MRT. However, convenient access via highway and main roads is more important than via public transportation. Dato' Danny points out that many people have this misconception that a development must be successful if it has MRT or LRT connection. "Because in Malaysia, 80% of us drive as it is more convenient, while our public transportation system is utilised by only the other 20%. Hence, if a location has good highway access but no LRT, it is still okay. But if it has both, then that's even better," he says.

iii) **Quality/type of crowd.** The type of crowd can be segregated according to their income level and profession, i.e. low-middle/middle/middle-high income and blue/white collar. When it comes to offices, you must consider the potential tenants. "Most office tenants are MNCs (multi-national corporations) as the local SMEs prefer to buy their own offices. MNCs in our Greater KL are concentrated in only a handful of locations, namely KL city centre (which includes MidValley and Bangsar South), Cyberjaya (established by the government for 18 years), Petaling Jaya (e.g. One World has IBM and KPMG, while The Curve has Nestle)," he observes.

According to Dato' Danny, One City has also managed to attract many MNCs because the development is neighbouring Shah Alam which has a lot of big factories. "After 40-50 years in operation, these factories cannot accommodate their office workers anymore and need to relocate their admin and sales & marketing functions to corporate offices. Furthermore, the young generation does not want to work in a factory. Other than these four places, there are no major MNC office concentrations," he says.

#02 Integrated Development

The second criteria is integrated development. The best integrated development has an ideal mix of business and leisure outlets and offers a continuous stream of activities throughout the year. Dato' Danny stresses on the importance an integrated

development as a standalone shopping mall will normally have a lot of people only during weekends and public holidays. "You cannot be busy in only two days of the week. How about Monday to Friday? It is important to have a lot of offices in an integrated development to fill up the Monday-to-Friday crowd. Many people don't know

this and build a lot of serviced apartments instead, which are low density, where an 800-sqft unit has a maximum of only two occupants. Families with children will not usually stay above shopping malls. They are usually young single people or couples who are away at work during office hours on weekdays. However, a 1,000-sqft office can accommodate 10 workers. Office not only have more people than serviced apartments but they also help to bring in external visitors such as suppliers, customers, etc. However, offices are open only until 6pm.

How about night time? Retailers can not only be busy during the daytime as they are open from 10am to 10pm. So, in addition to offices, an integrated development should also have other outlets such as cinemas, fitness centres, karaokes, seminar/exhibition/ballroom/event space to attract people to stay back. This is called an integrated development," he elaborates.

#03 Good Design & Layout

Good quality design and layout is the third most important criteria for the success of a mall. Dato' Danny segregates a building's design into internal and external facades. In terms of external facade, first impressions count. A plain and boring-looking commercial centre will not be able to attract customers to go in. A building must look impressive but must also be accessible via major roads and highways. Once the building has managed to attract potential customers to enter the building, interior design is also very important.

In terms of interior design, the quality of parking spaces is crucial. Dato' Danny names The Curve and IKEA (in Mutiara Damansara) as having excellent parking spaces that serve as a benchmark. "Not only are their parking spaces good, they are also very bright. It is also easy to find the entrance of the mall from the car park. That



Dato' Danny Goh



is called design quality. If you get it wrong the first time, you can't change it anymore," he warns.

The layout of a mall is also an important factor. Dato' Danny favours a rectangular shape with a single corridor and high ceiling that allows you to see through the entire building. He gives the examples of Suria KLCC and Mid Valley Megamall as having very good layouts.

#04 Developer's Commitment

Dato' Danny stresses on the commitment of the developer as being a very important factor to the success of a commercial development. The commitment of a developer and the developer's branding are two completely different stories. For example, a developer that retains most or all of its floor space to be rented out to retailers would be committed to the success of the development. As the developer has a big interest in the development, it would be more committed to manage and supervise the property for appreciation purposes. On the other hand, a developer that sells all the units in its commercial development will no longer have any motivation or commitment to ensure its future success, no matter how reputable the developer is.

#05 Uniqueness of Design & Sizeable

For a mall to attract outsider crowd, it must have a unique design, something special that cannot be found elsewhere. The mall must also be sizeable as it will not create any impact if it is too small. A mall can already survive if it has criteria 1) to 4), but to attract outside visitors, it must have no. 5). Thinking out of the box is a must if you want to aim for uniqueness.

#06 Content, Retailers' Branding & Management

Lastly, point 6) is all about the retailers in a mall, the strength of their brand names and also the management of the mall. A developer needs to meticulously plan for a good tenant mix and mall theme/content. The tenants/retailers must have their own loyal followers and must have a strong brand name to attract both new and repeat customers. A good mall management is needed to ensure great customer satisfaction.

Intense Competition

Dato' Danny opines that the retail industry in Malaysia is very mature or in other words very competitive. Furthermore, the percentage of goods bought online is increasing. Hence, retailers need to think of what people cannot do or buy online, such as F&B, fitness, leisure (movies, singing and other entertainment), MICE (Meetings, Incentives, Conventions & Exhibitions), service line (hair, beauty, medicine, etc) and goods-related services (fashion alteration, electrical & electronics goods installation & repair, etc).

For retailers who are looking to buy or rent a property for their outlets, Dato' Danny stresses that they must understand that any investment or business is not 100% assured of success, there are risks involved, but risk can be minimised if they do their homework. "So, my advice to retailers, before looking to buy or rent a property for your outlets, spend a little time to study and learn. When buying or renting a property, don't be emotional. You'll need to make your decisions based on logical and professional thinking," he concludes. 🍷