RIDING OUT THE STORM – PITFALLS TO AVOID

Investing in retail - shoplots or shophouses?

Allan Soo

savills.com

savills

Outlook - economy

Outlook - retail and office market

How to choose a location

Growth trends

Infrastructure development

Shophouses and shoplots in Greater KL

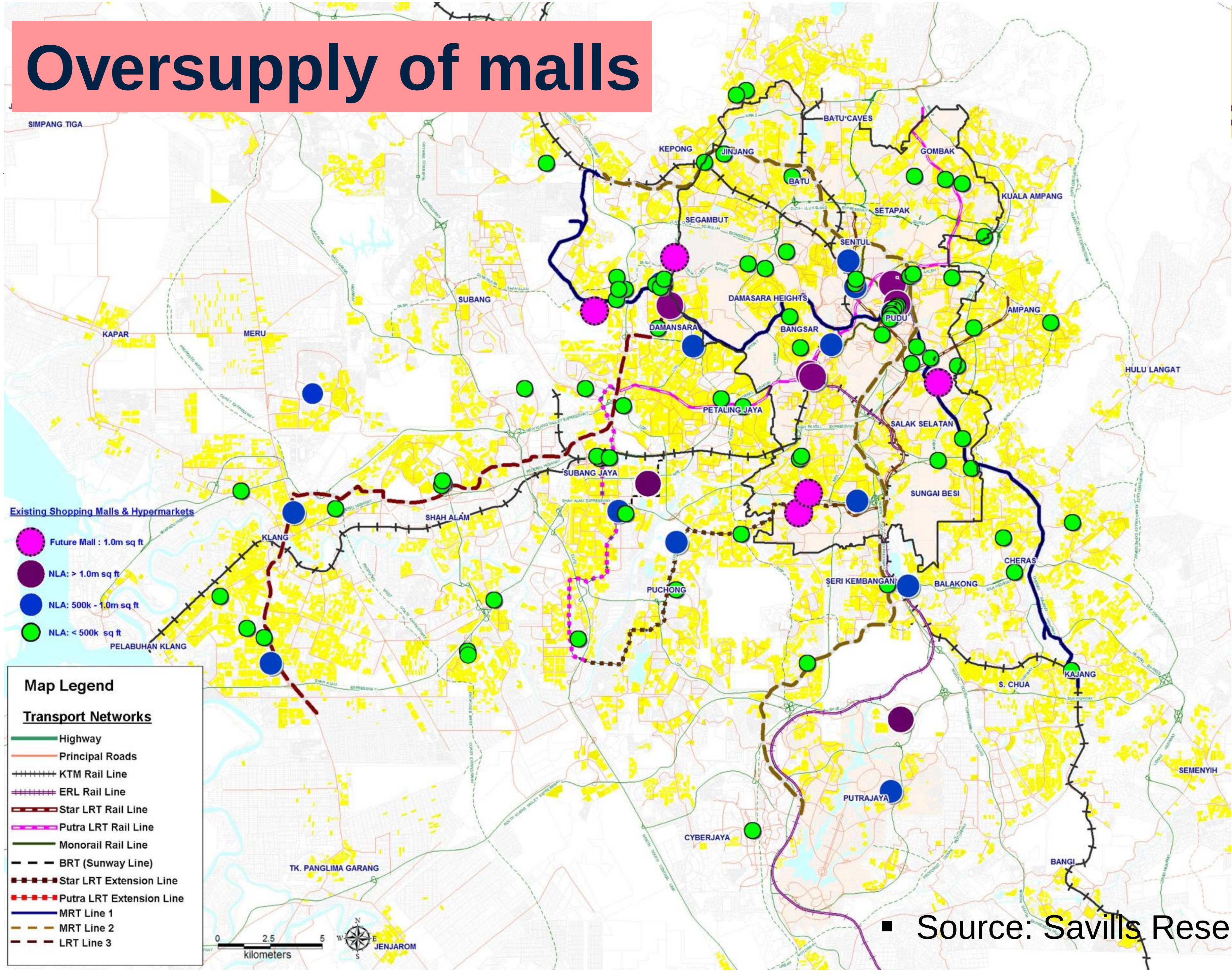
Comparative trends

Hotspots

Outlook - economy

Outlook - retail and office market

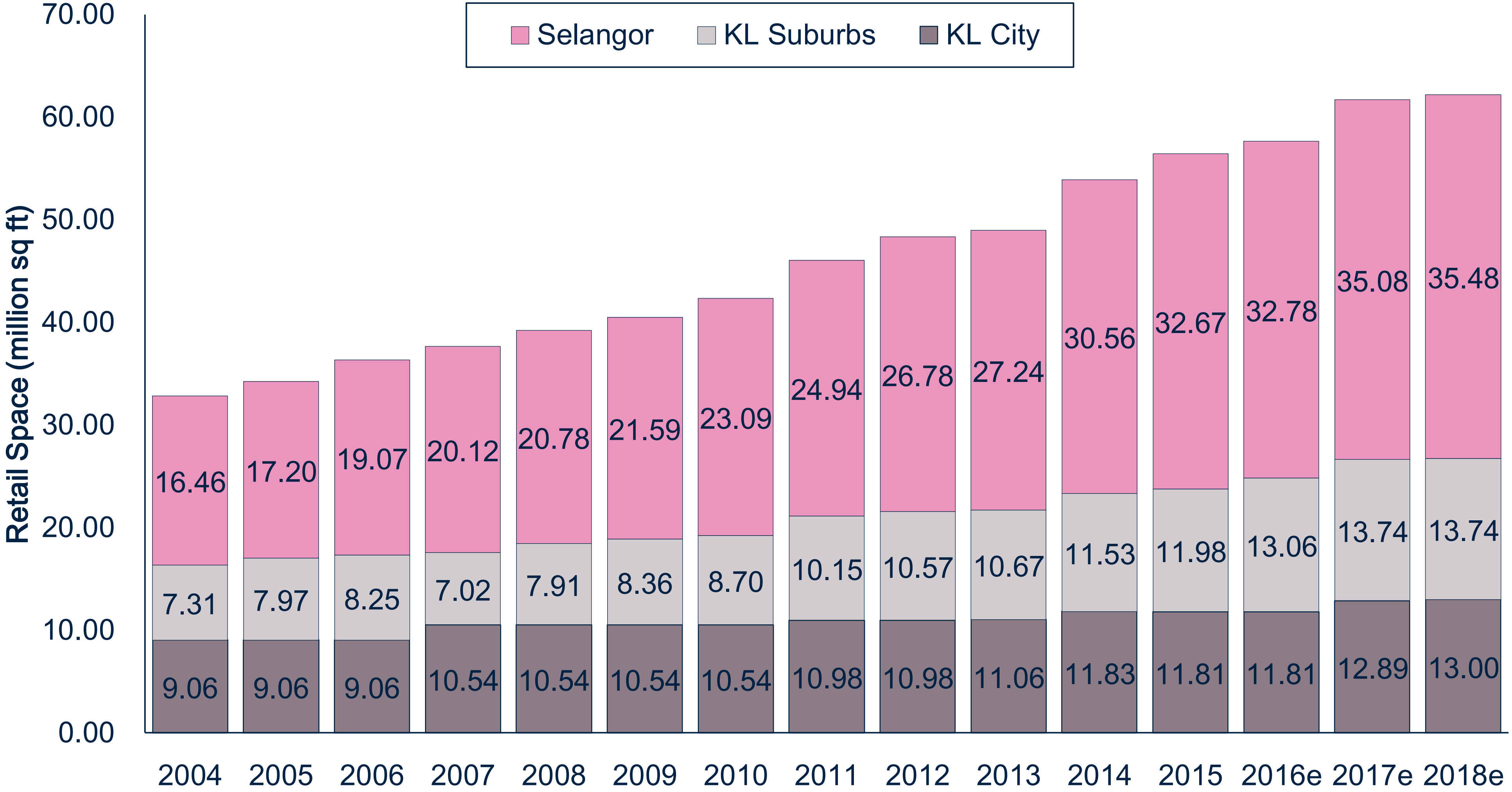
Oversupply of malls



- Source: Savills Research

Greater KL retail space expected to exceed 60 million sq ft by end-2017

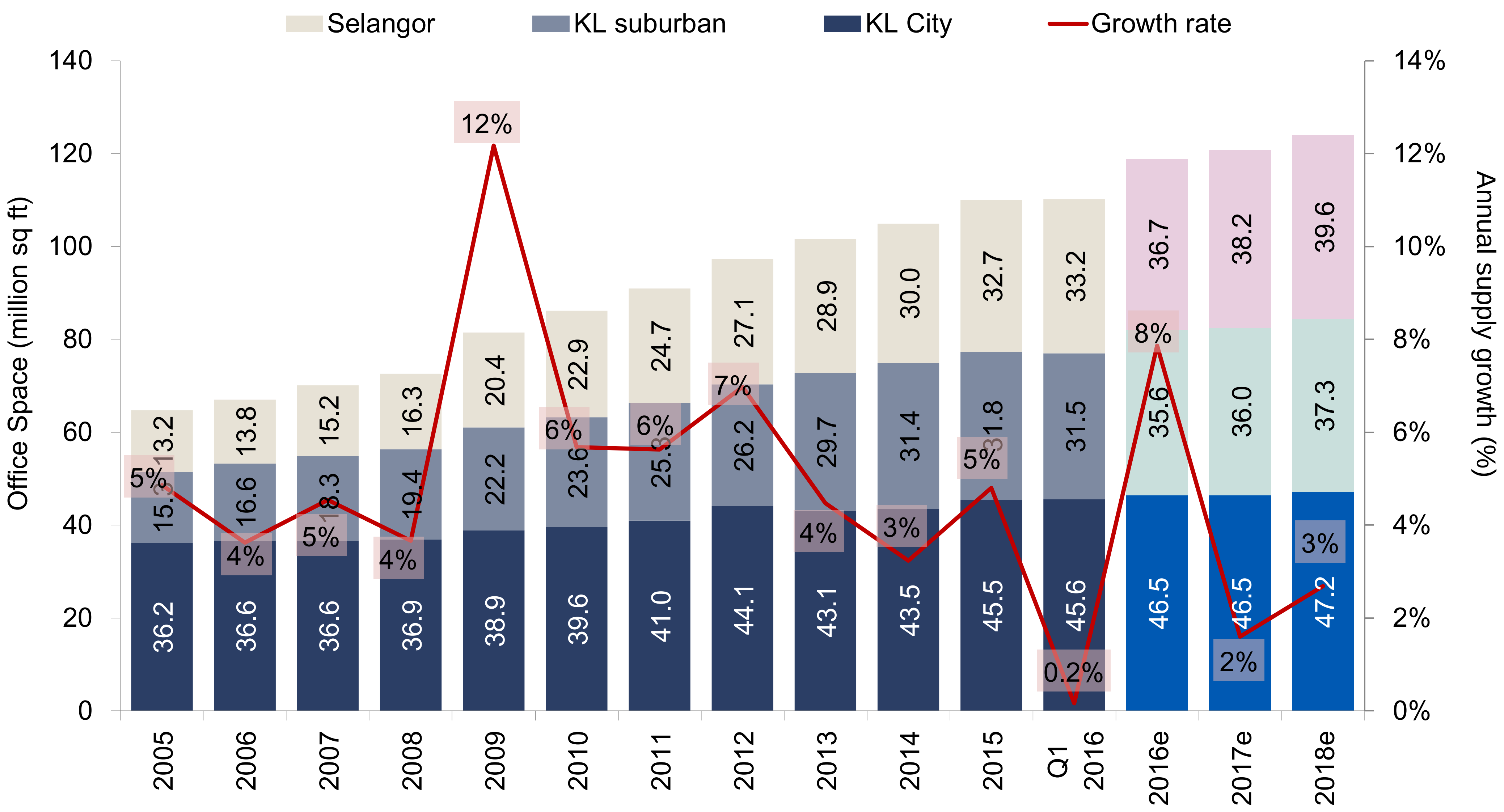
Cumulative Retail Supply in the Greater KL



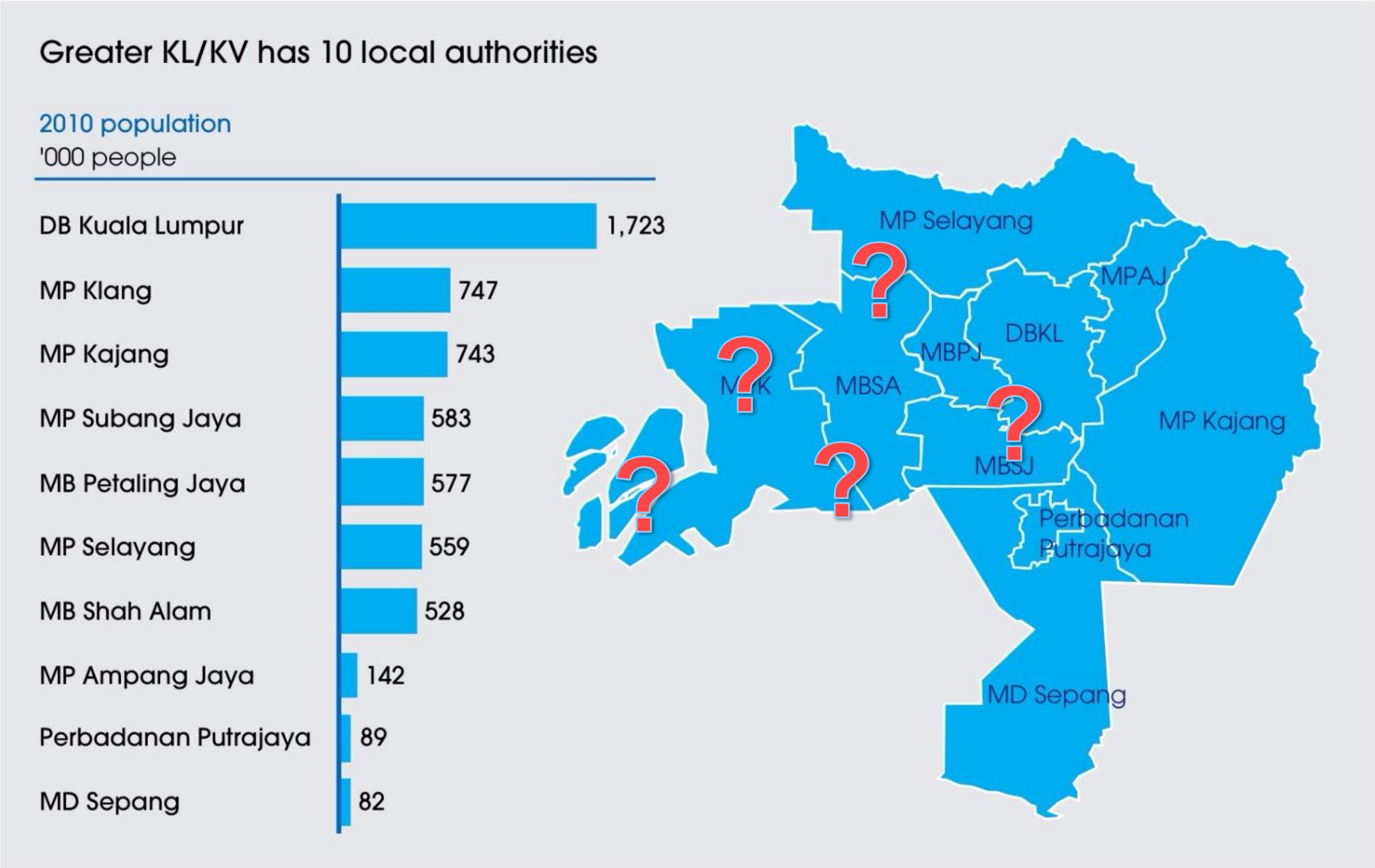
Source: Savills Research

Office Space in Greater KL reached 110 million sf

8.67 million sf expected to be completed by 2016

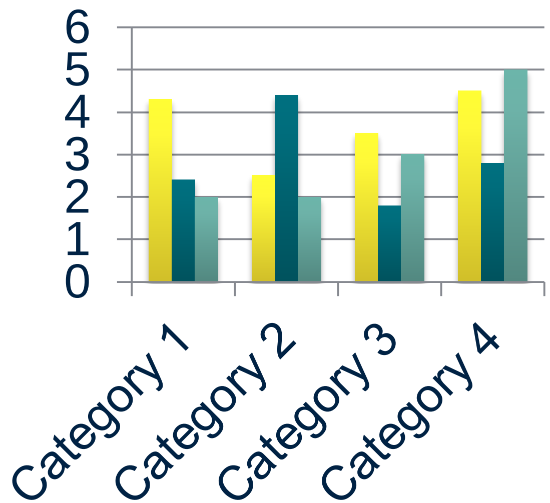


How to choose a location



Analysis

Investment strategy, exit strategy, yields compressed, capital growth



Analysis

Understand market trends

location

where is demand coming from

survey neighbourhood

ratio of shops to houses

new township

what are developers' plans?

Activity generator or critical mass?

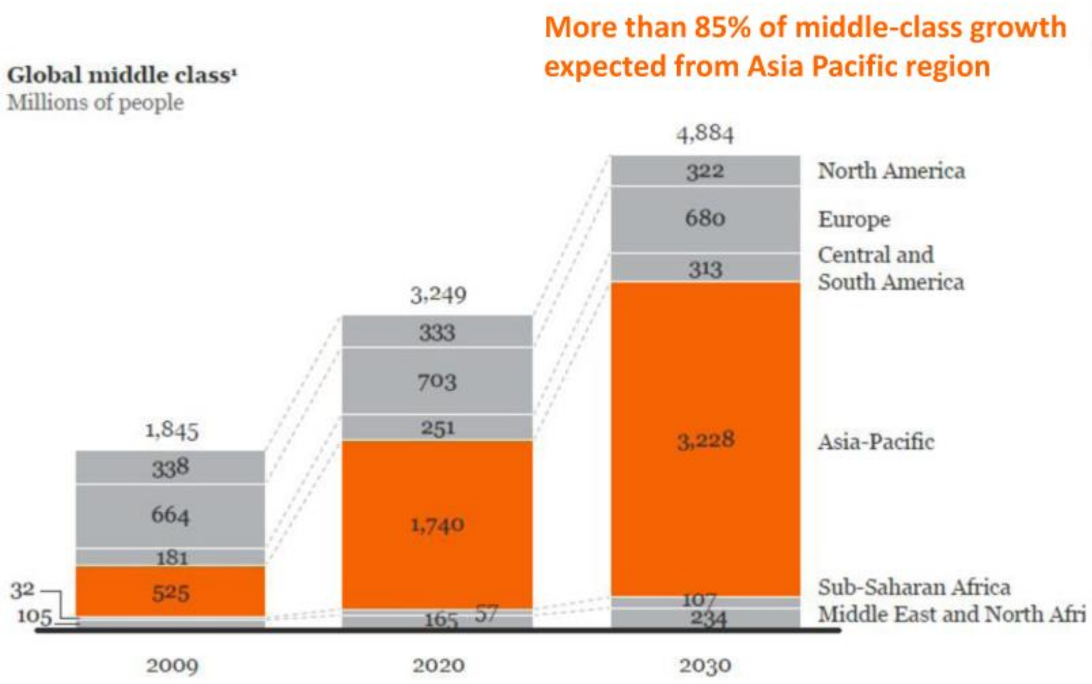
Pricing and rents

Mega Trends

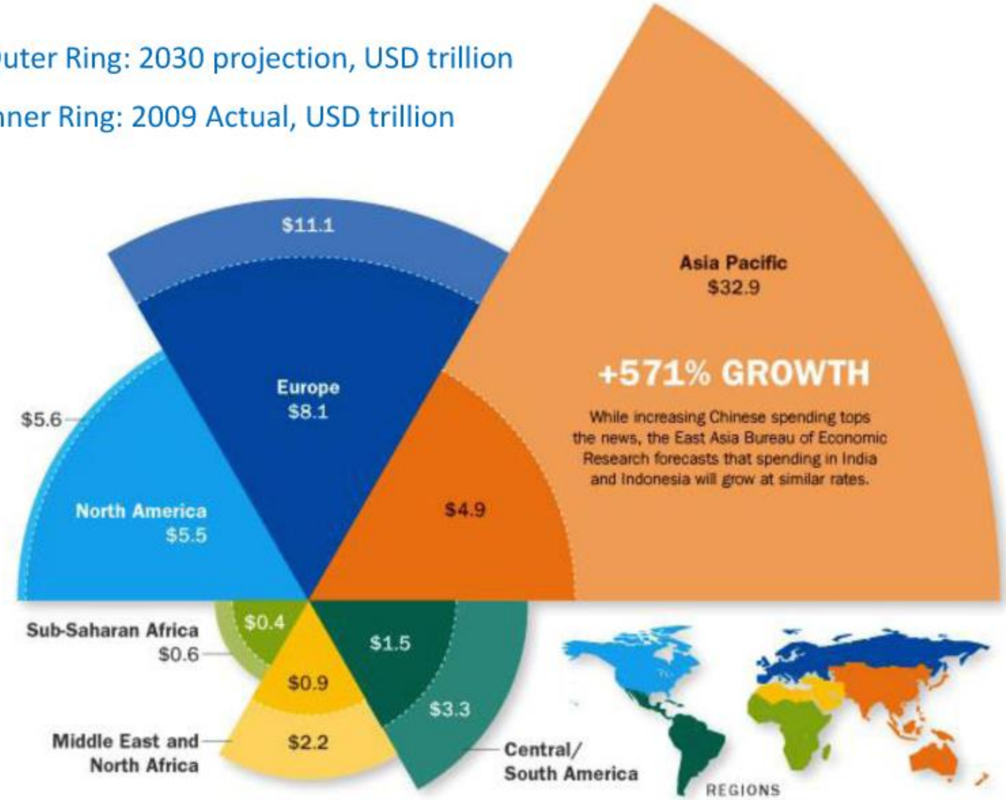
The global middle-class^ will swell to nearly 5 billion by 2030 with most spending power in Asia Pacific

savills

Global middle-class population, breakdown by region



Global middle-class consumer spending by region



^ *Global middle-class defined by OECD as daily expenditures between U$10 and $100 per person in purchasing parity terms.*

Source: Organization for Economic Co-operation and Development (OECD) Development Centre

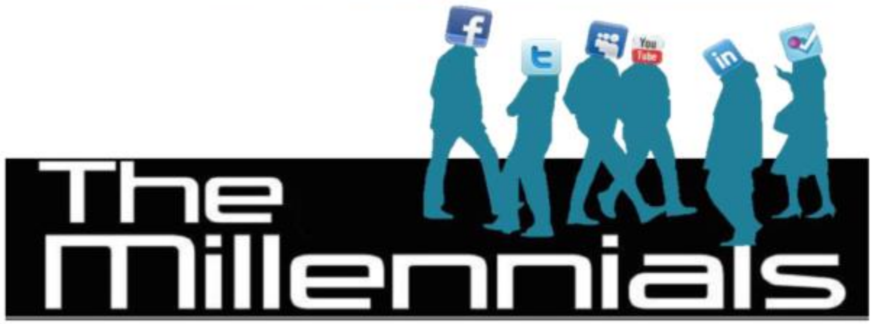
Analysis

Future trends - retail and work disruptors

Analysis - Mega Trends

The Millennials – who are they?

- Generation Y (born between 1980 – 2000)
- Tech savvy with a digital lifestyle
- “YOLO” (You Only Live Once) – mocked acronym represents the desire for a unique shareable experience
- Act fast, quick to change
- Individualism is important, like personalisation and customization
- Not influenced at all by advertisements, but rely on social media to guide purchasing decisions

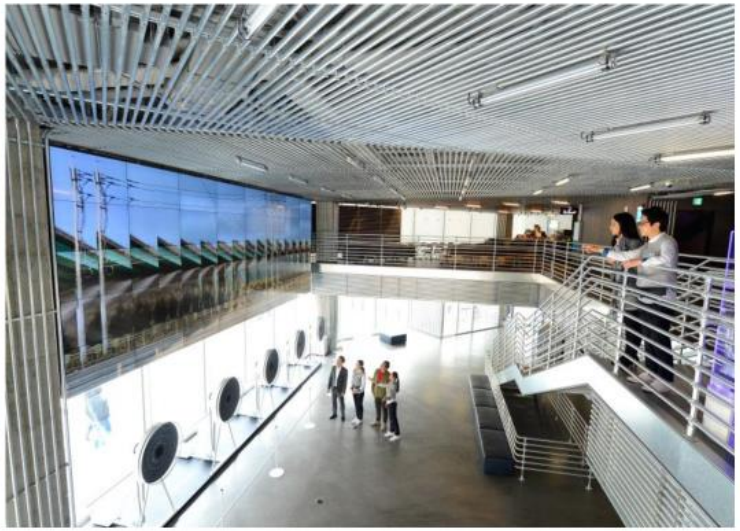


Analysis - Mega Trends

Stores will become an event destination and a place to experience the brand culture and philosophy





Growth trends

POPULATION

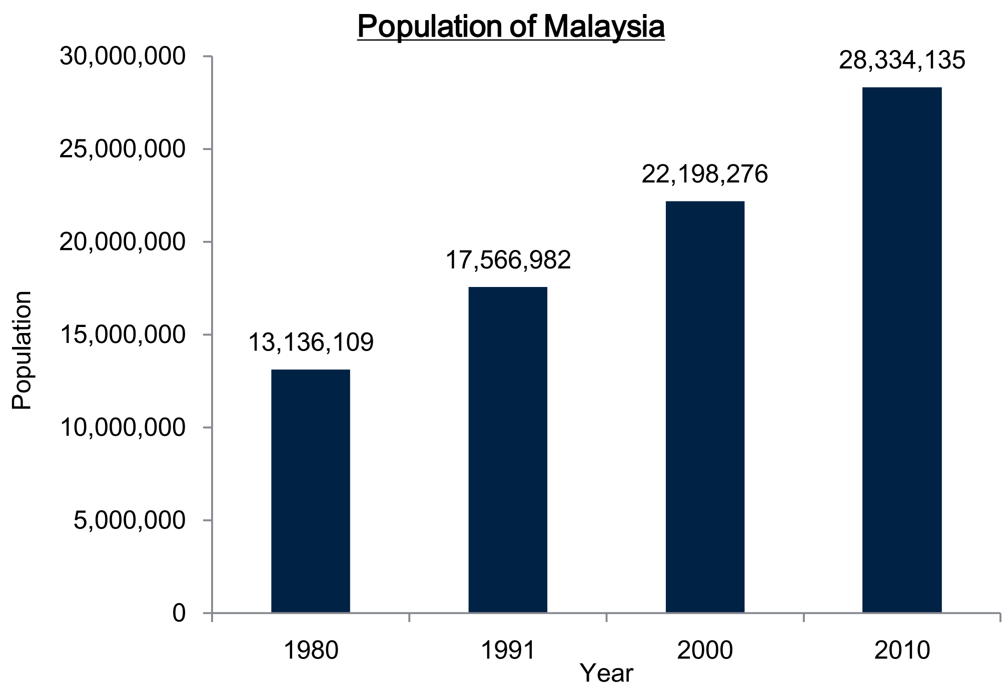
- KL & Selangor: 7.73 million residents 4.0% growth
- One of the youngest populations in Asia
  - Malaysia: 27.7
  - Singapore: 39.3
  - Thailand: 36.2
  - Indonesia: 29.2
  - Hong Kong: 43.2
  - Japan: 46.1

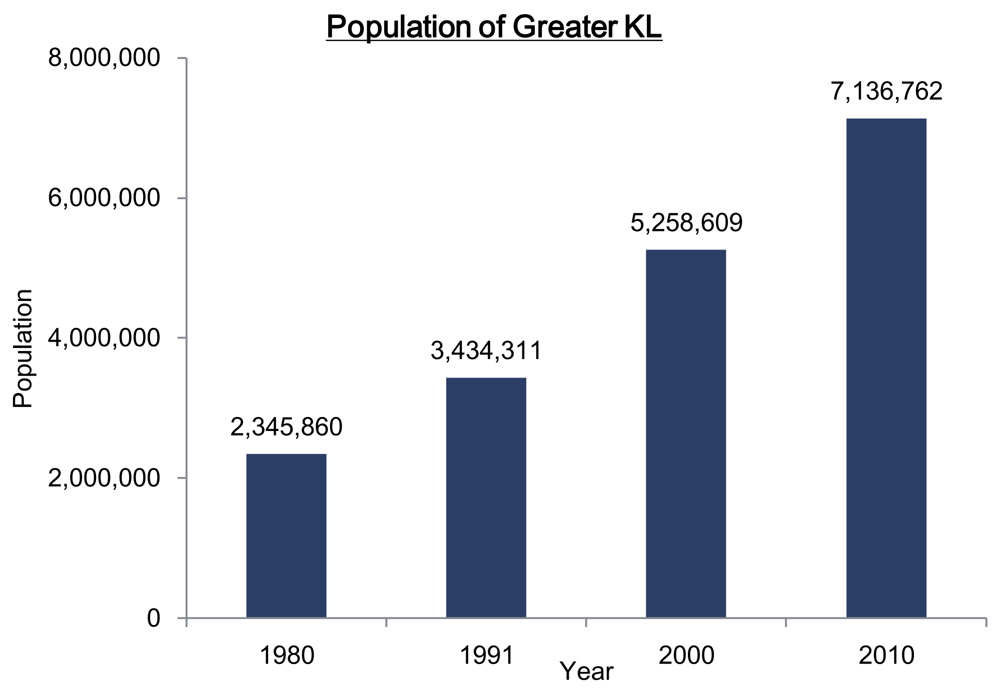
Source: Department of Statistics (DOS) and Central Intelligence Agency (CIA)

Population Growth Trends

- Malaysia - 2.60% p.a. between 1980 and 2010.
- Greater KL - 3.81% p.a. between 1980 and 2010

.

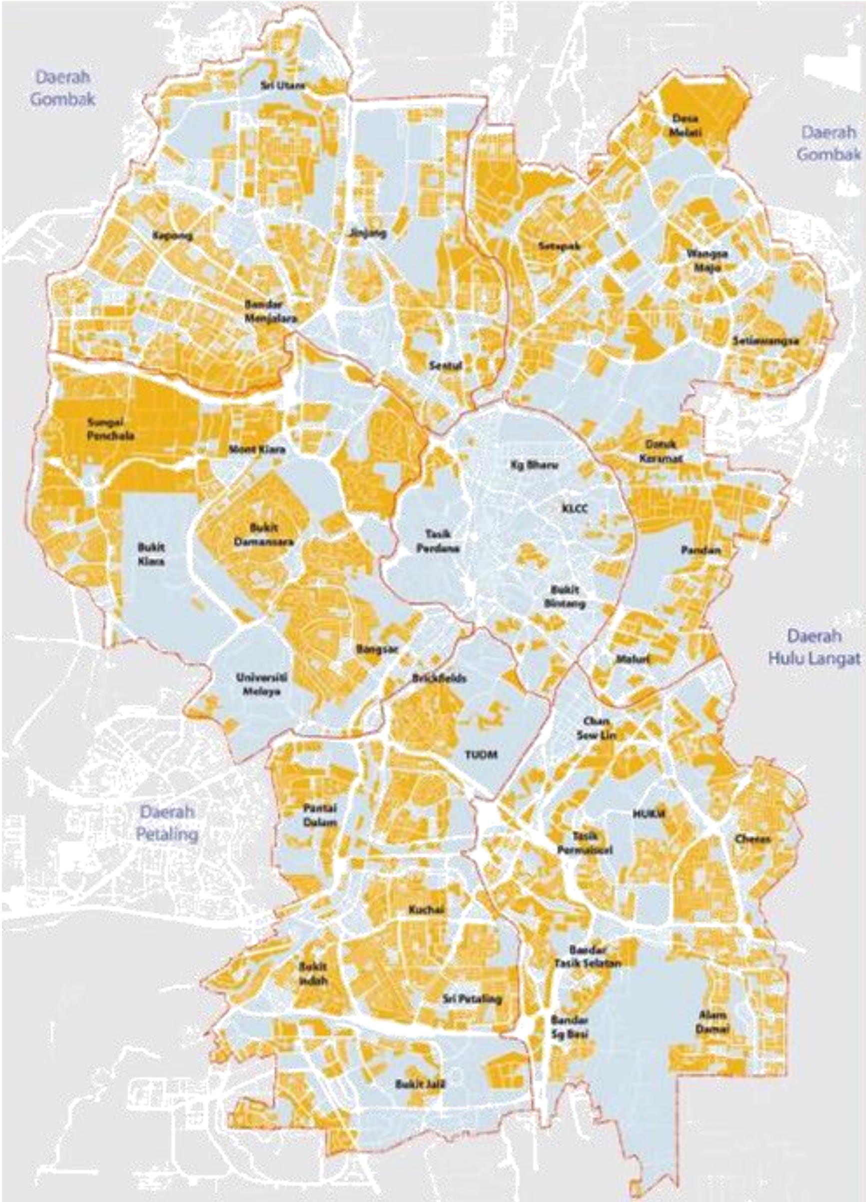




Source: Population and Housing Census, Department of Statistics

Draft Kuala Lumpur City Plan 2020

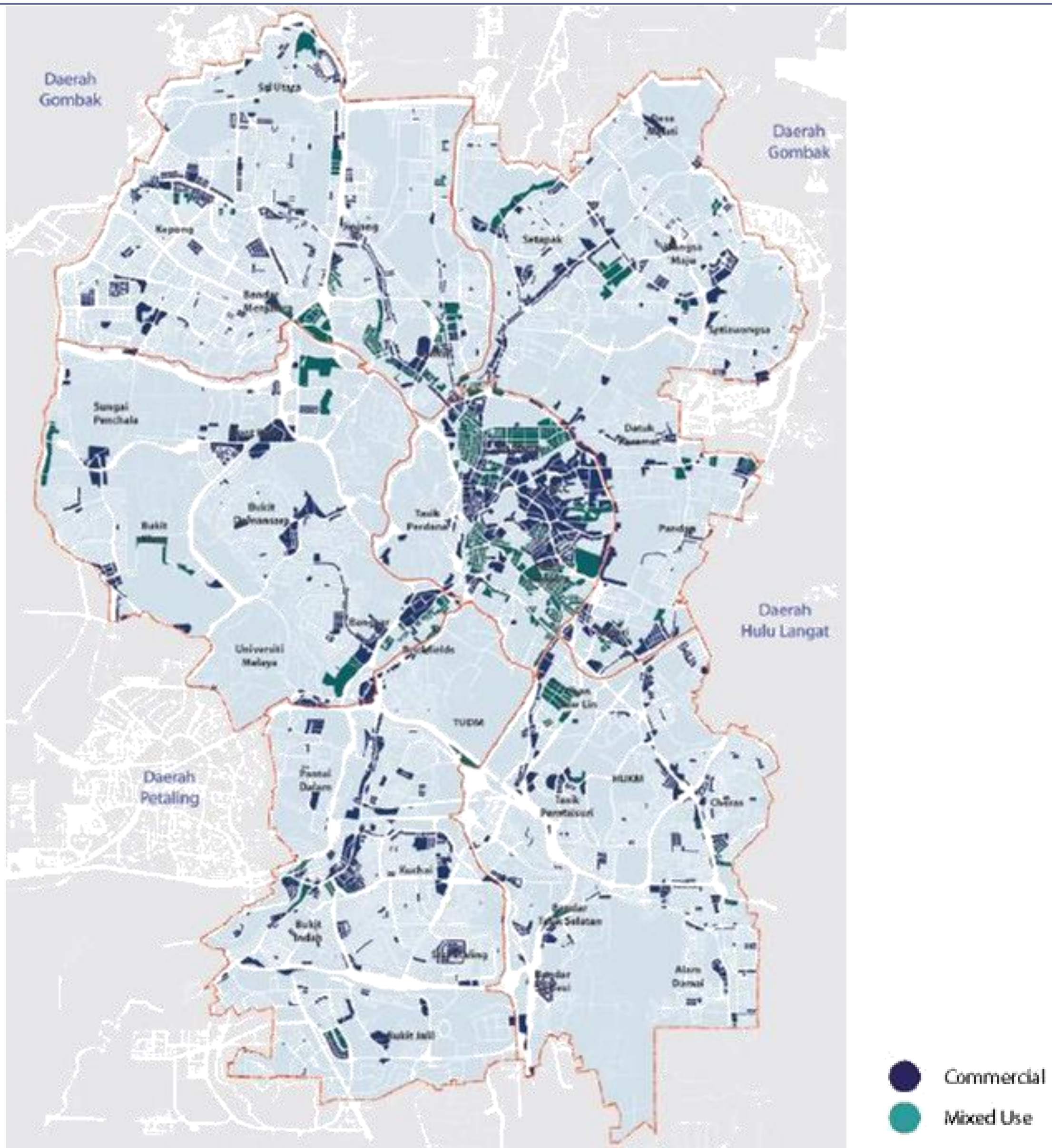
Distribution of Residential Zones, 2020



Source: Draft Kuala Lumpur City Plan 2020

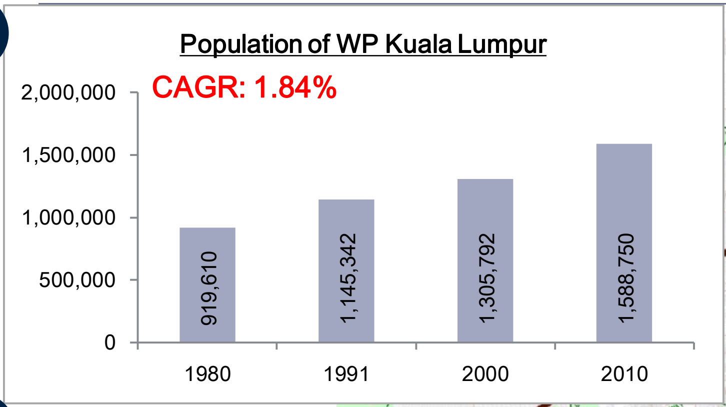
Draft Kuala Lumpur City Plan 2020

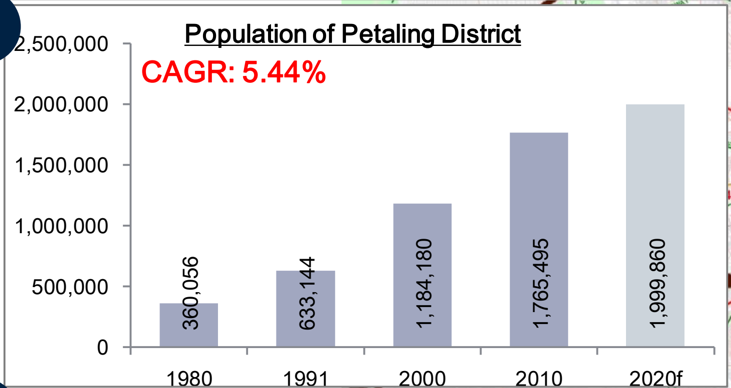
Distribution of Commercial & Mixed Use Zones, 2020

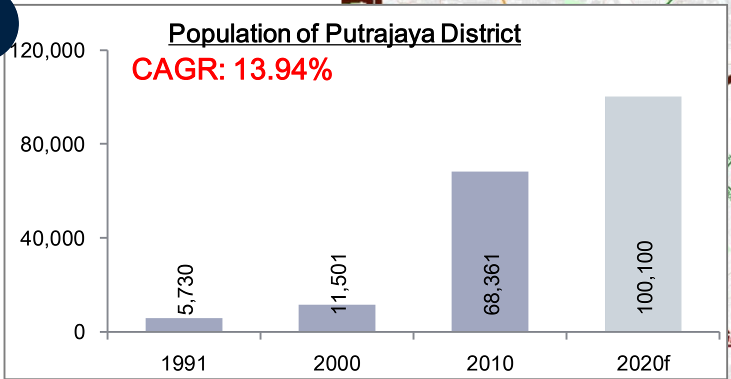


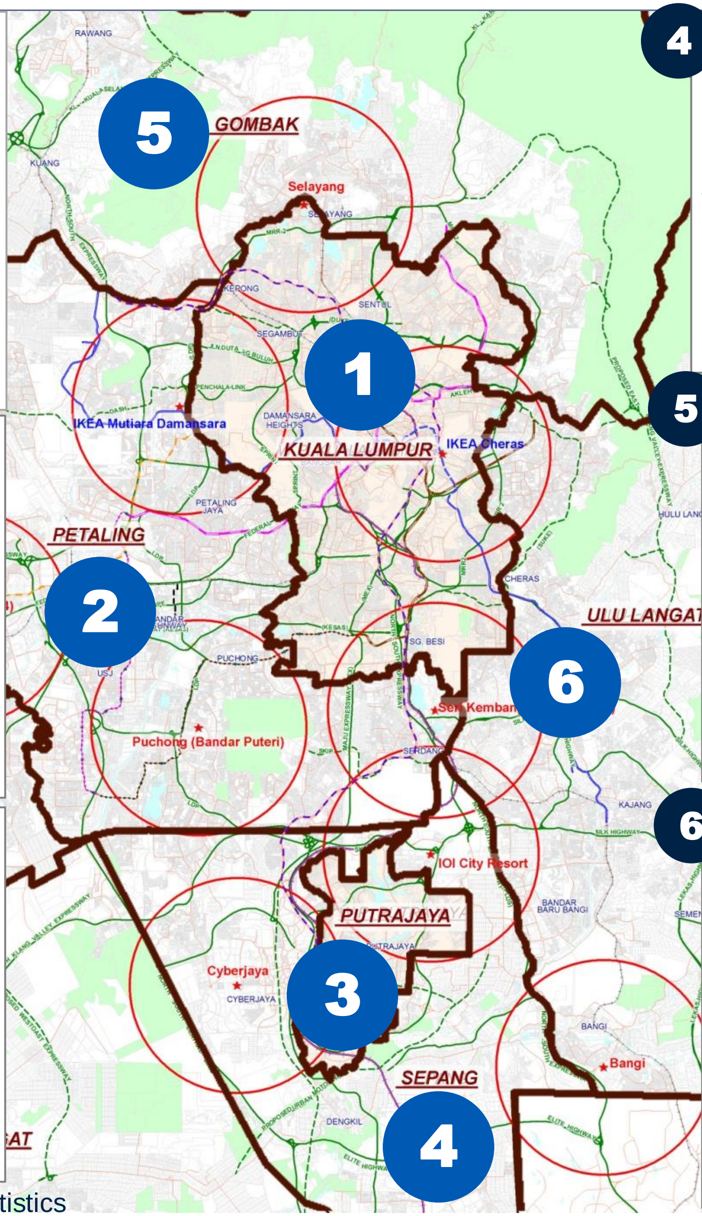
Source: Draft Kuala Lumpur City Plan 2020

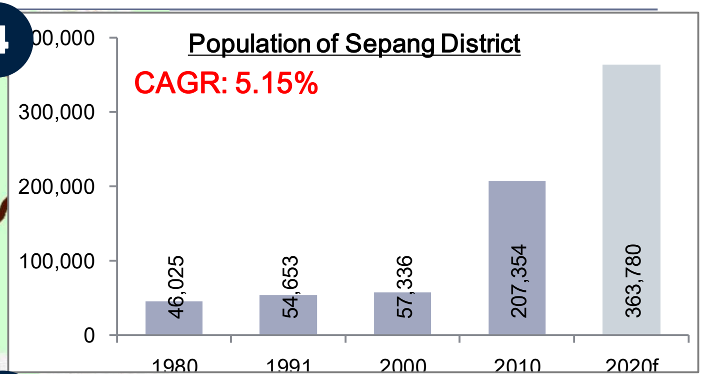
Population Growth by District

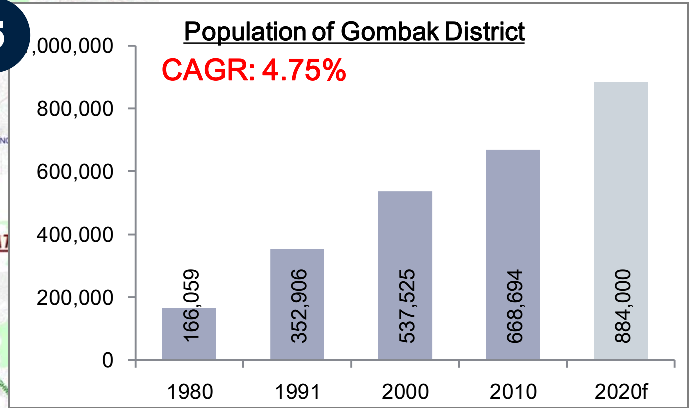


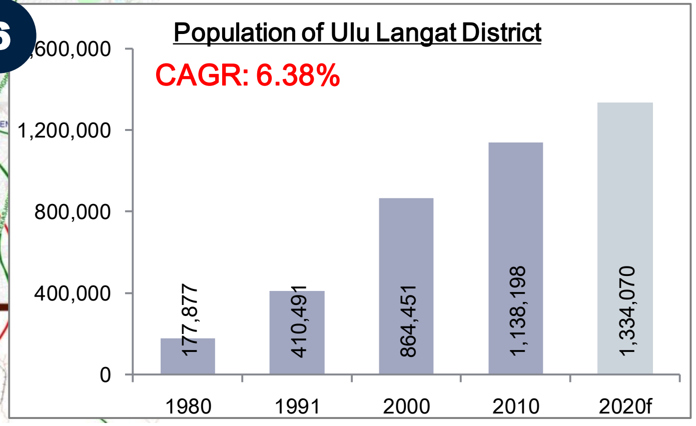








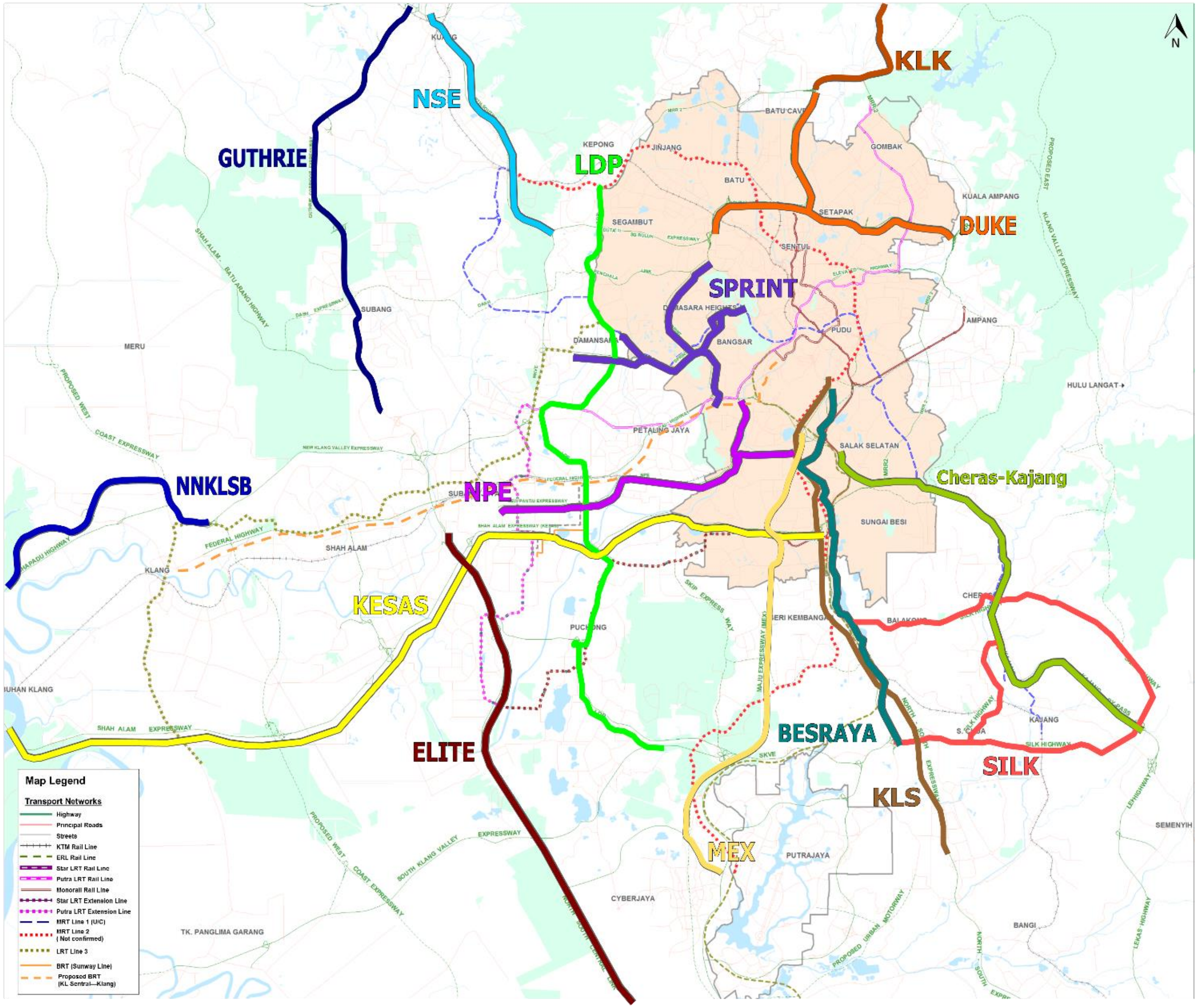




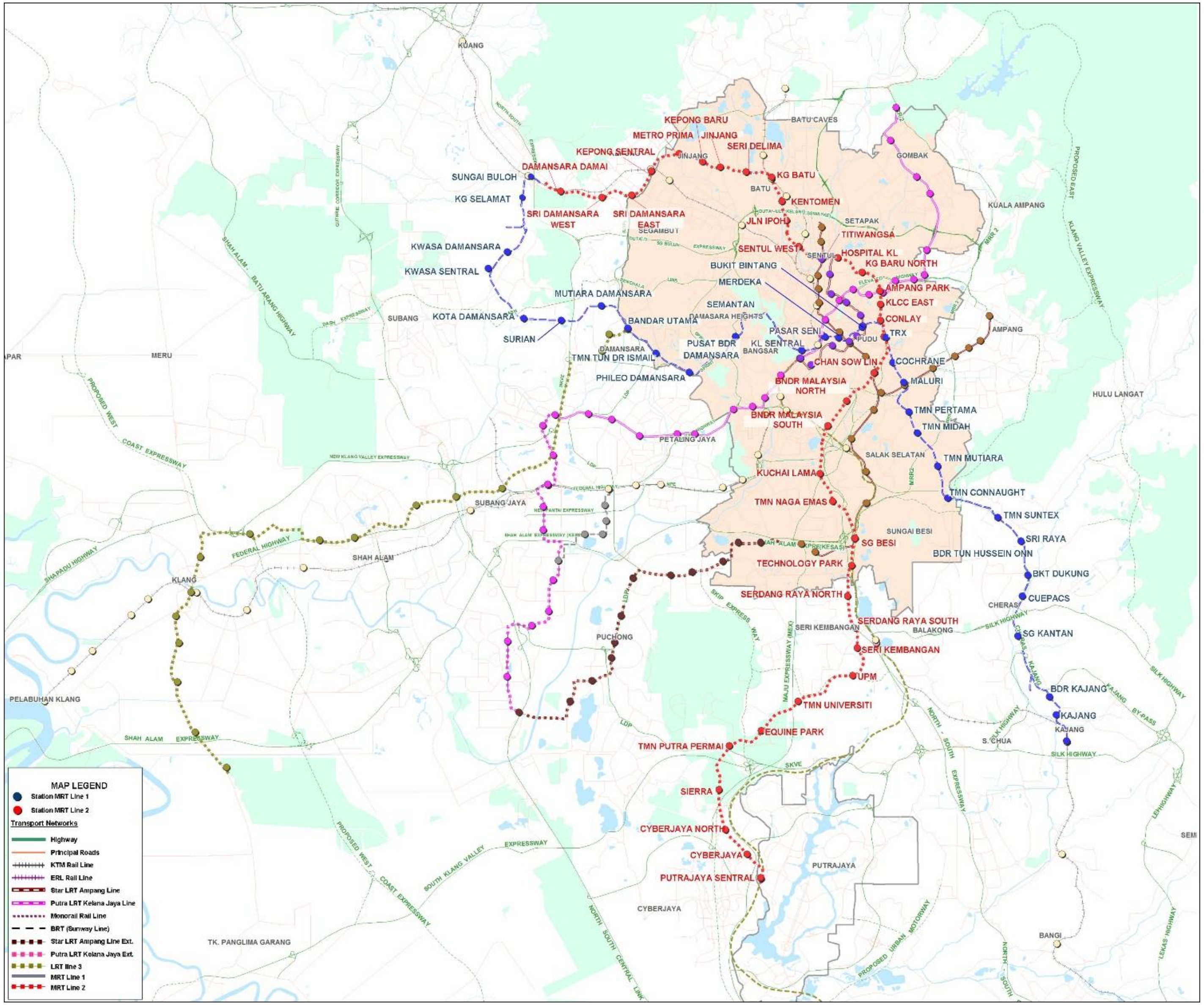
Source: Population and Housing Census, Department of Statistics

INFRASTRUCTURE DEVELOPMENT

Highways in Greater KL



Rail Lines in Greater KL

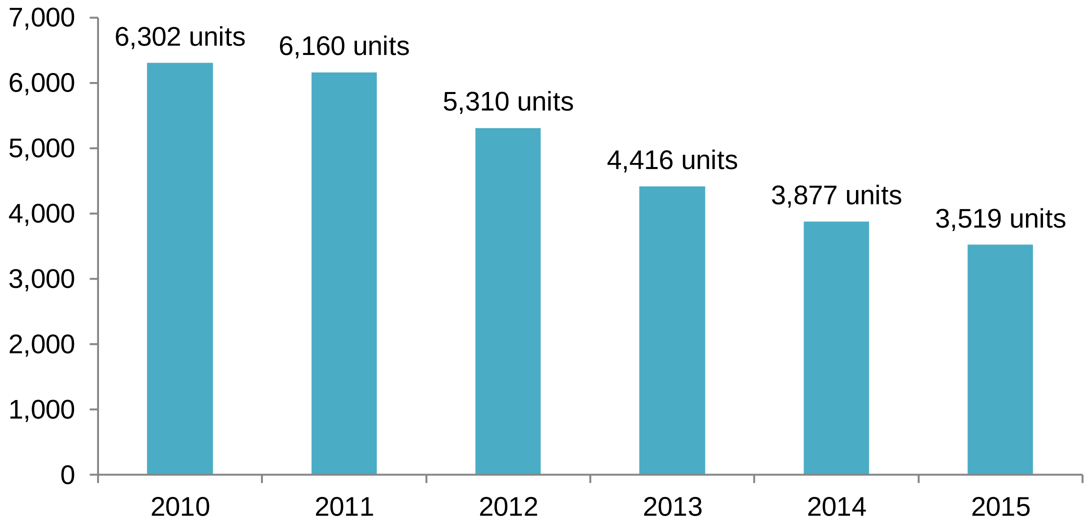


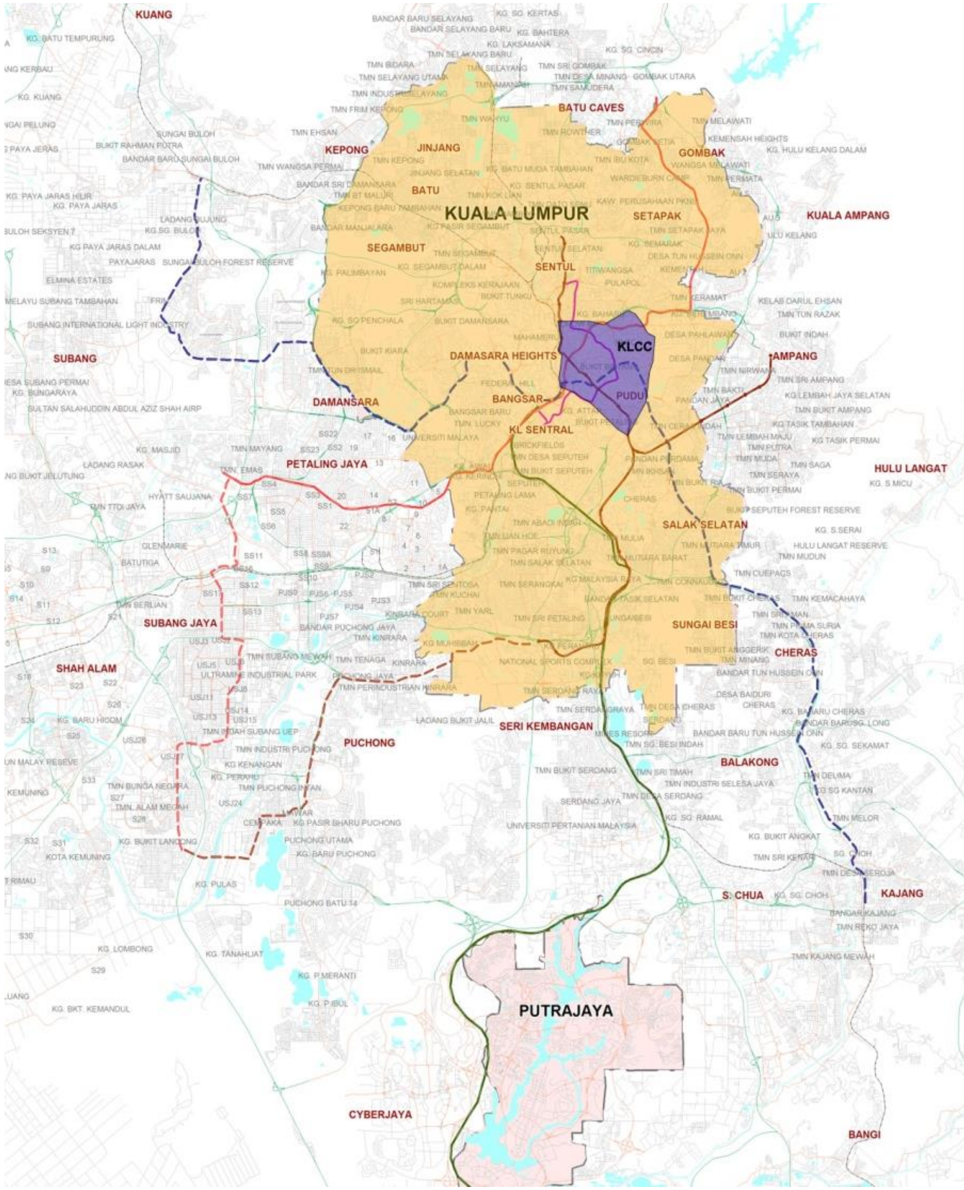
Shophouses and shoplots in Greater KL

Commercial Shops in Greater KL

Commercial Shop unit supply in Greater KL	
2005	114,467 units
2005 – 2010 supply growth	6.1% p.a.
2010 – 2015 supply growth	2.8% p.a.

Transaction of Commercial Shops in Greater KL

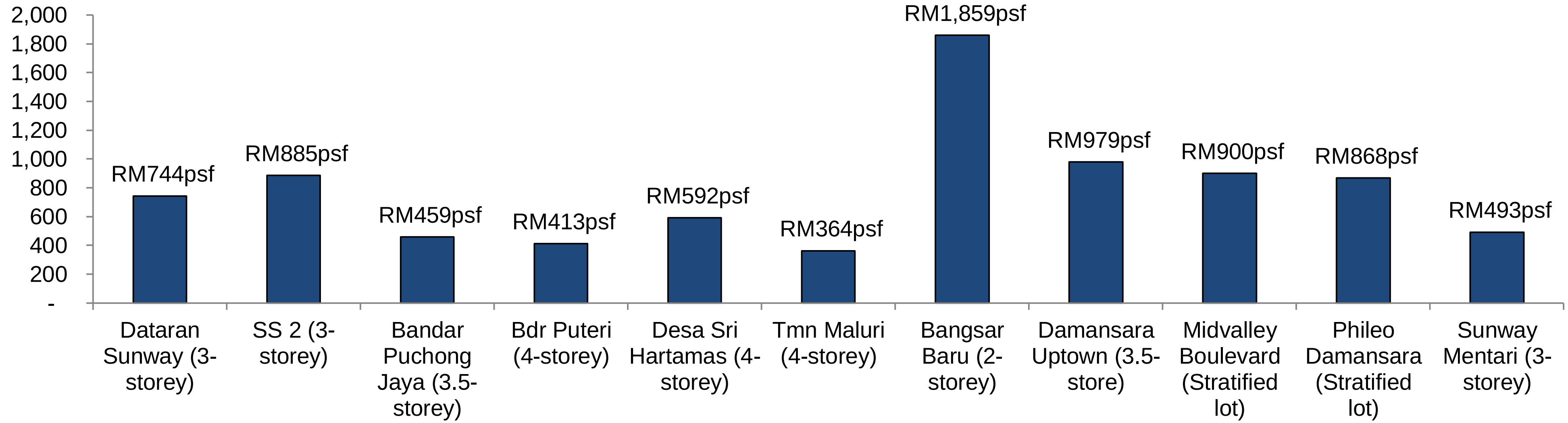




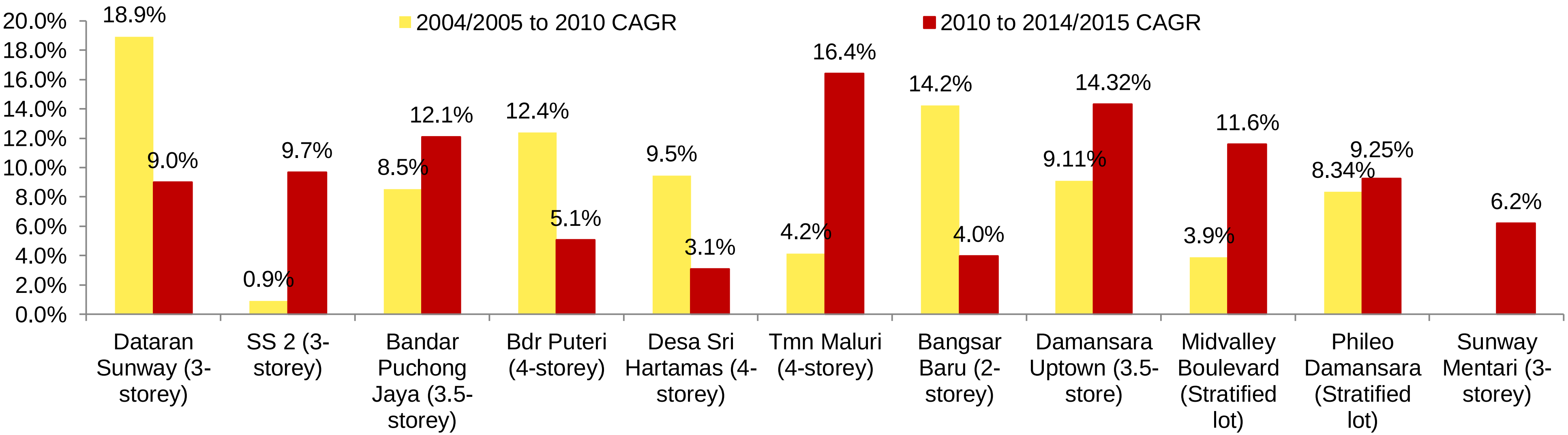
Value of Commercial Shops in Greater KL

Source: Savills Research

Price per sq ft, 2015



Price Growth



Commercial Shops in Greater KL

Source: Savills Research

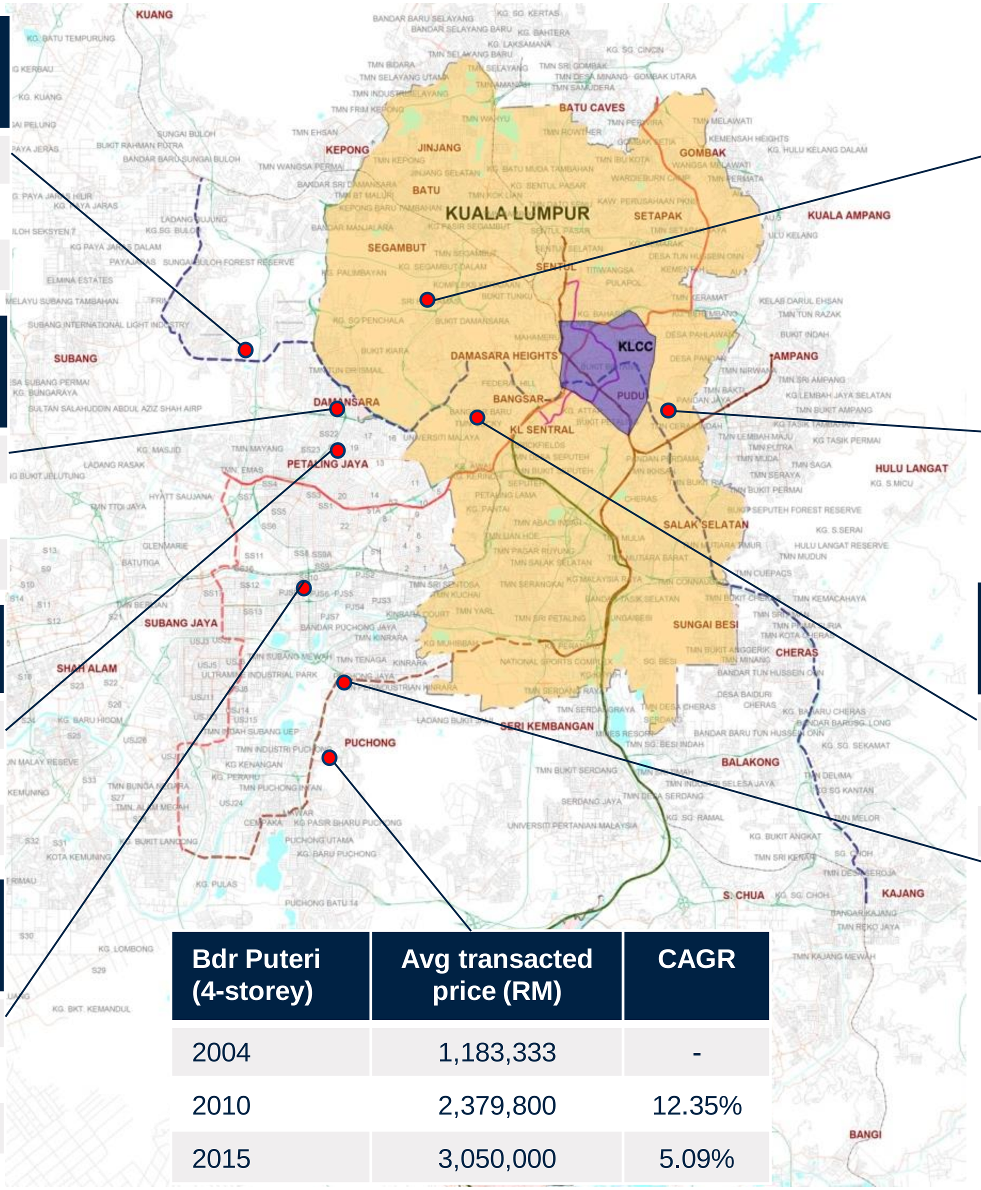
Dataran Sunway (3-storey)	Avg transacted price (RM)	CAGR
2004	819,983	-
2010	2,320,000	18.93%
2015	3,570,000	9.00%

Damansara Uptown (3.5-storey)	Avg transacted price (RM)	CAGR
2004	1,548,333	-
2010	2,612,000	9.11%
2015	5,100,000*	14.32%

SS 2 (3-storey)	Avg transacted price (RM)	CAGR
2004	2,800,000*	-
2010	2,980,000*	1.04%
2014	4,250,000*	9.28%

Sunway Mentari (3-storey)	Avg transacted price (RM)	CAGR
2008	1,257,500	-
2010	1,850,000*	21.29%
2015	2,500,000	6.21%

** Less than 3 transactions*



Bdr Puteri (4-storey)	Avg transacted price (RM)	CAGR
2004	1,183,333	-
2010	2,379,800	12.35%
2015	3,050,000	5.09%

Desa Sri Hartamas (4-storey)	Avg transacted price (RM)	CAGR
2005	2,185,000*	-
2010	3,433,333	9.46%
2015	4,000,000*	3.10%

Tmn Maluri (4-storey)	Avg transacted price (RM)	CAGR
2005	850,889	-
2010	1,052,917	4.35%
2015	2,221,000	16.10%

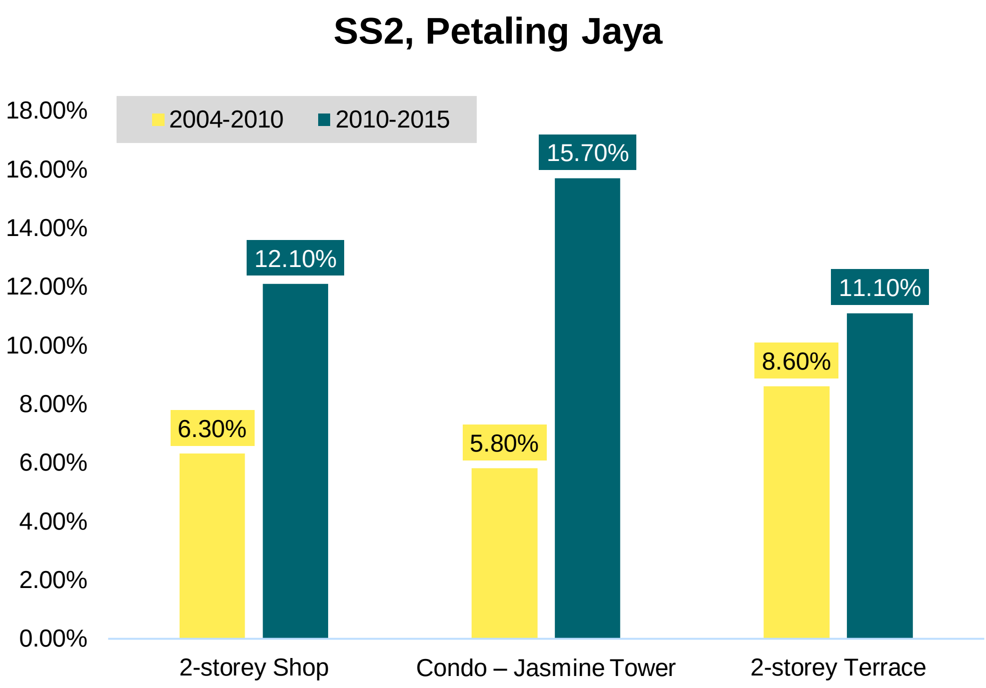
Bangsar Baru (2-storey)	Avg transacted price (RM)	CAGR
2005	2,700,000*	-
2010	5,125,000*	13.68%
2015	6,380,000*	4.48%

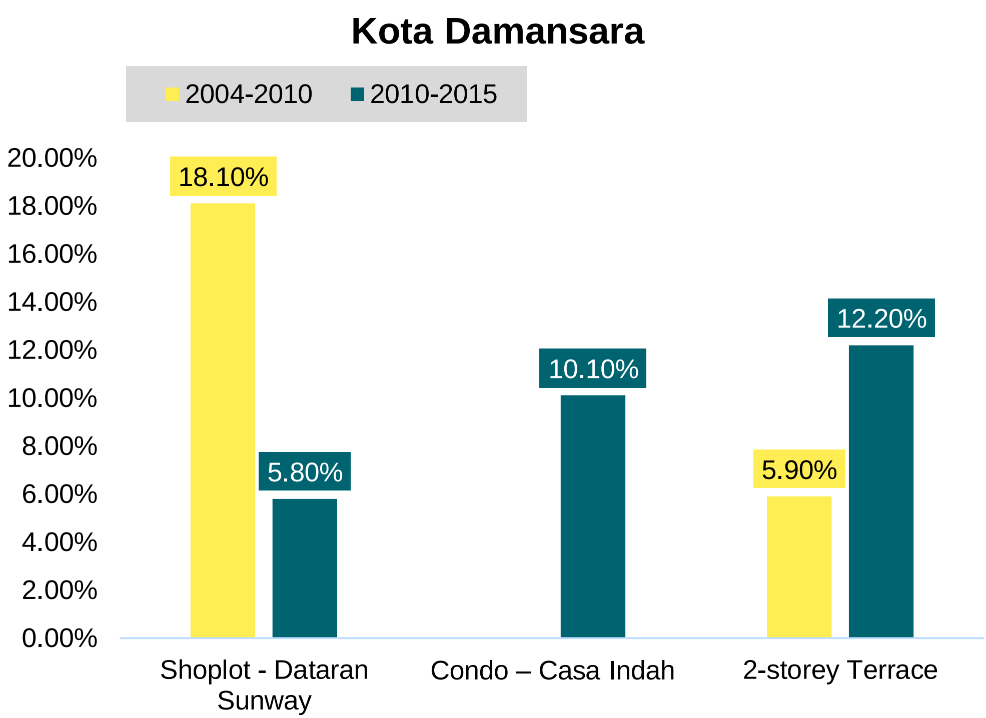
Bandar Puchong Jaya (3.5-storey)	Avg transacted price (RM)	CAGR
2004	920,500*	-
2010	1,471,500	8.13%
2015	2,705,714	12.95%

Comparative growth

Price Growth Comparison

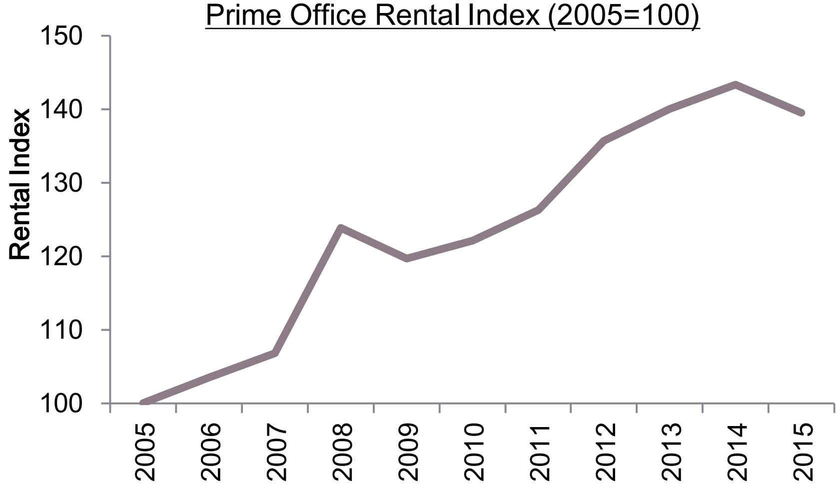
Commercial Shop, Condominium & Terrace Houses



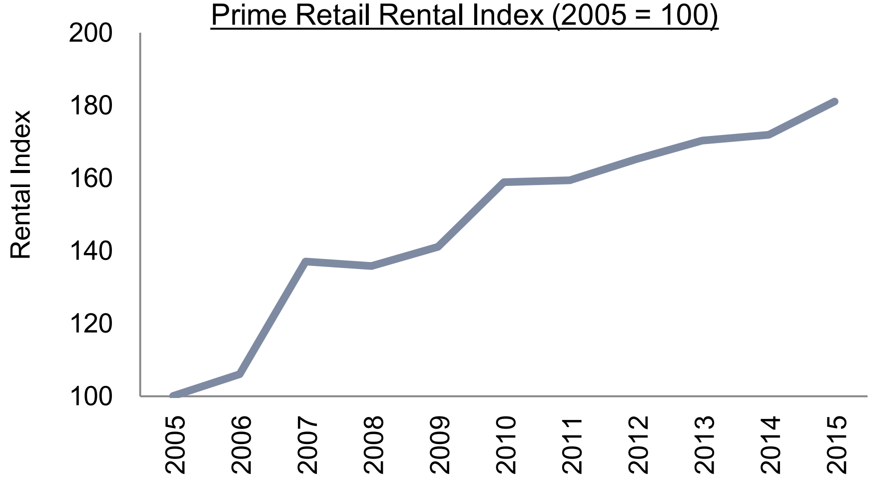


Prime Benchmark
Commercial & Residential

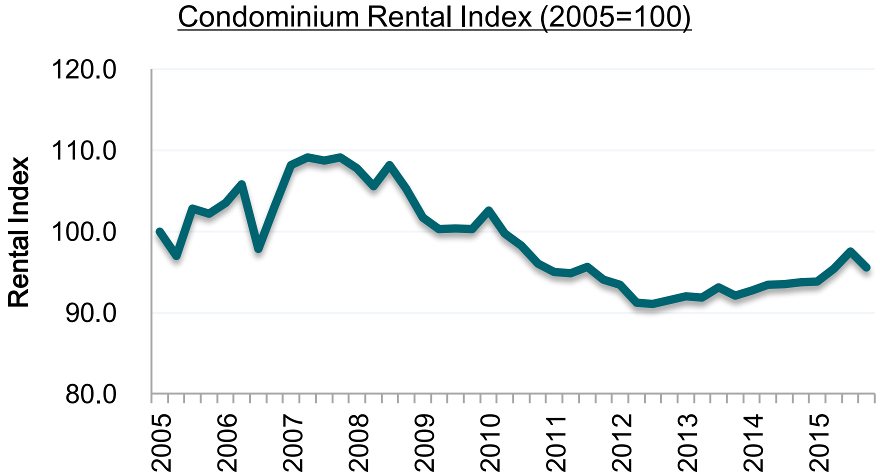
Prime office rent is on the rise, and dropped marginally Y-o-Y due to tenants movement.



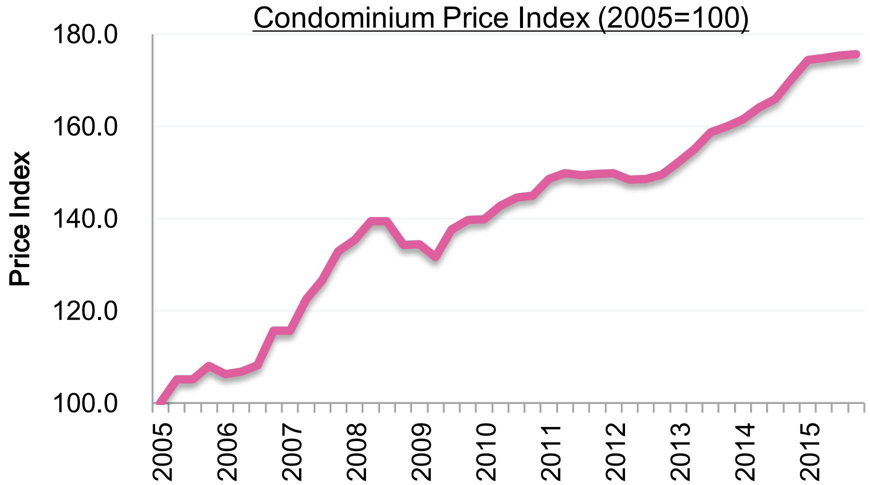
Prime retail rents reached its peak with Suria KLCC topping the list at RM200 psf.



The average condominium rents in KL is trending downhill, and this shows that the competition is intense.

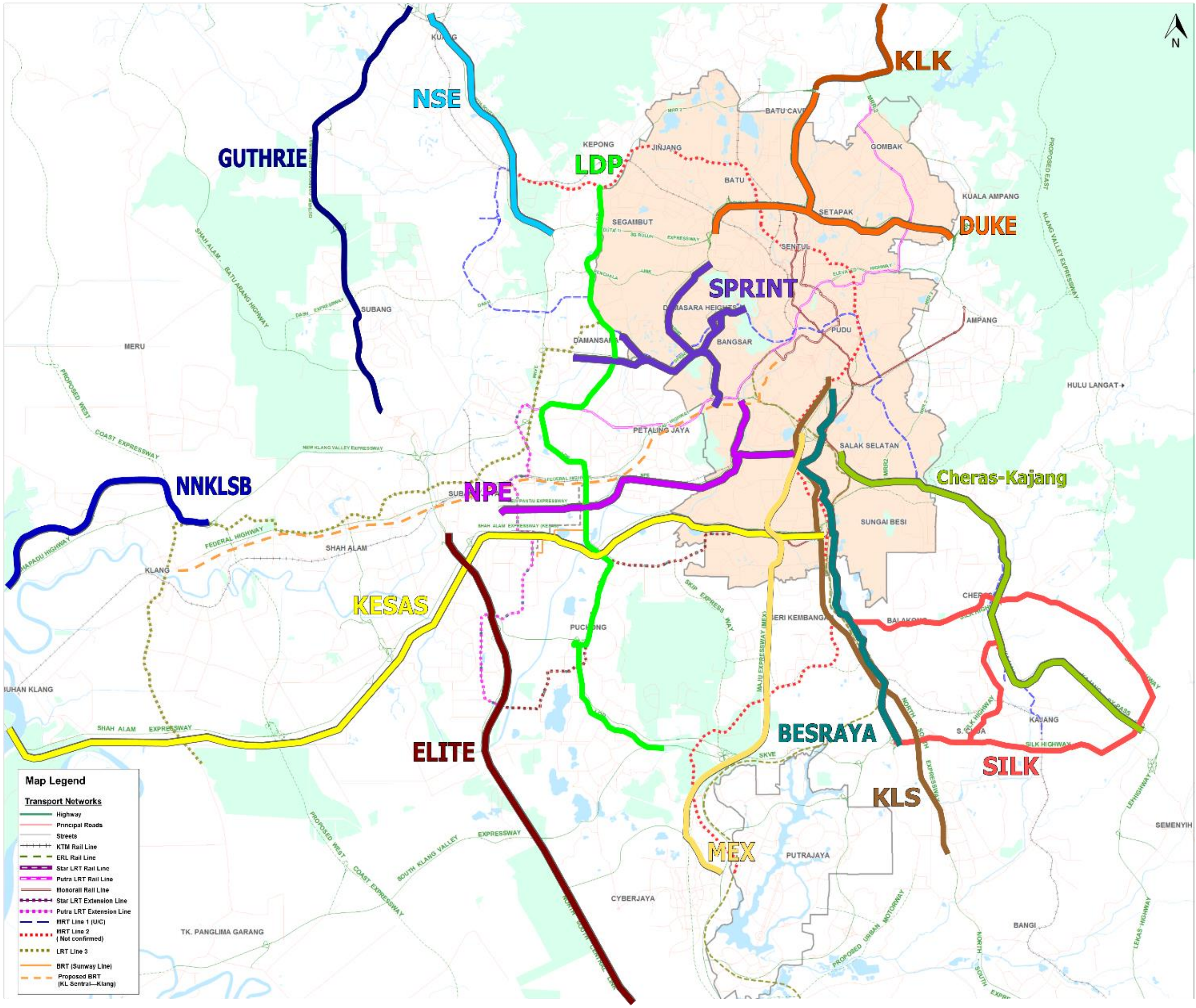


The average condominium prices is rising, and this signified an owner occupying market.

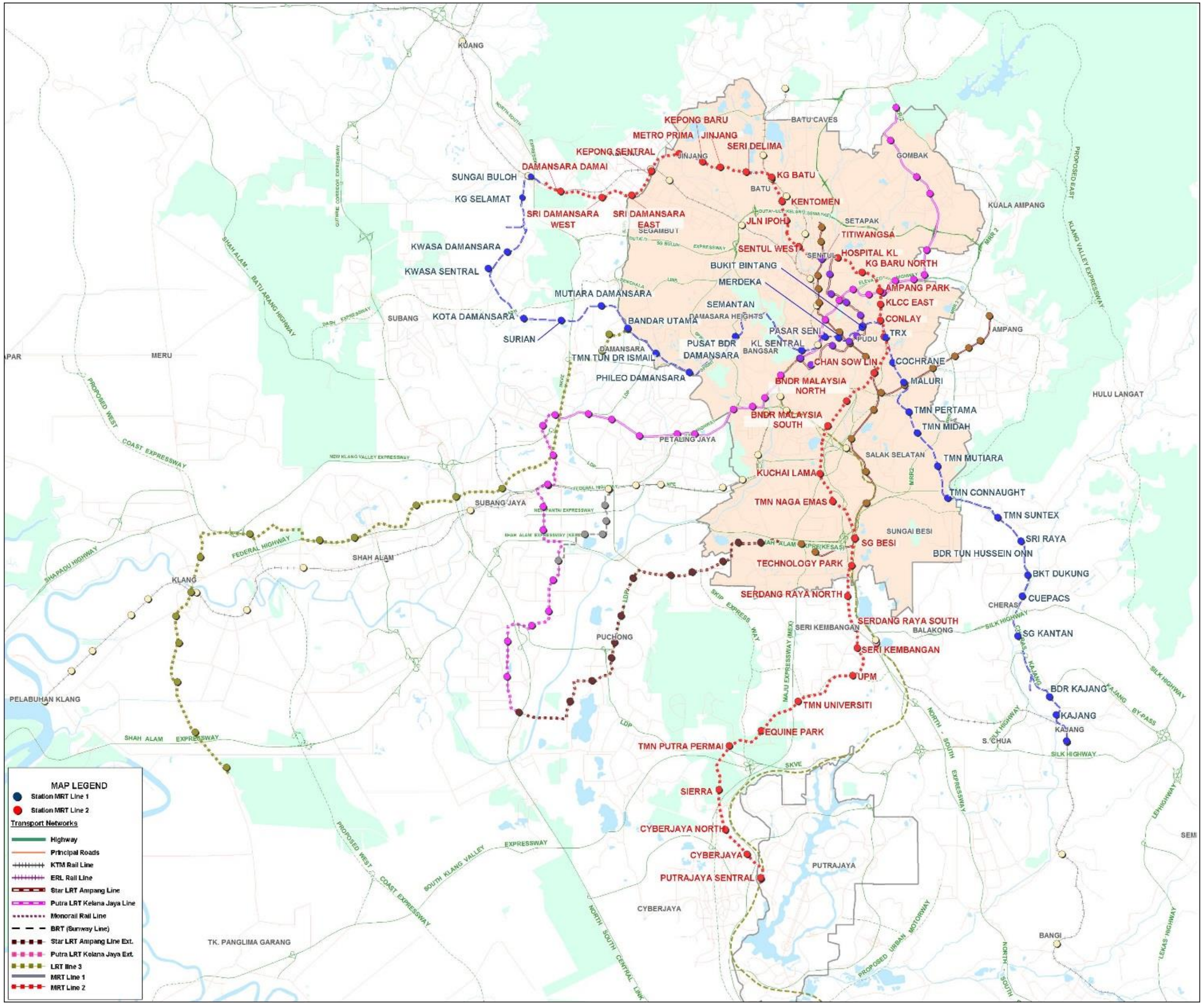


HOTSPOTS

Highways in Greater KL



Rail Lines in Greater KL



Commercial Shops in Greater KL

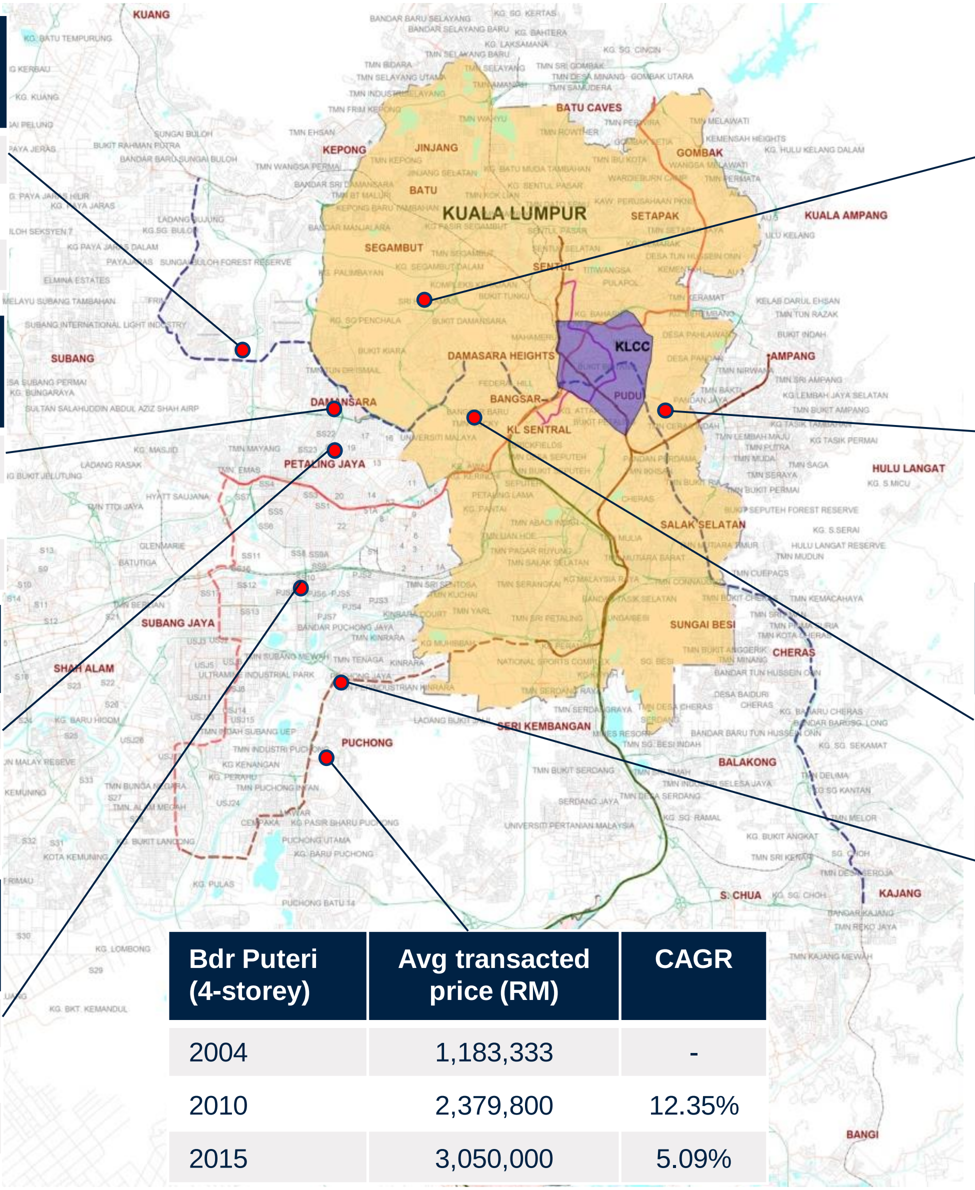
Source: Savills Research

Dataran Sunway (3-storey)	Avg transacted price (RM)	CAGR
2004	819,983	-
2010	2,320,000	18.93%
2015	3,570,000	9.00%

Damansara Uptown (3.5-storey)	Avg transacted price (RM)	CAGR
2004	1,548,333	-
2010	2,612,000	9.11%
2015	5,100,000*	14.32%

SS 2 (3-storey)	Avg transacted price (RM)	CAGR
2004	2,800,000*	-
2010	2,980,000*	1.04%
2014	4,250,000*	9.28%

Sunway Mentari (3-storey)	Avg transacted price (RM)	CAGR
2008	1,257,500	-
2010	1,850,000*	21.29%
2015	2,500,000	6.21%



Desa Sri Hartamas (4-storey)	Avg transacted price (RM)	CAGR
2005	2,185,000*	-
2010	3,433,333	9.46%
2015	4,000,000*	3.10%

Tmn Maluri (4-storey)	Avg transacted price (RM)	CAGR
2005	850,889	-
2010	1,052,917	4.35%
2015	2,221,000	16.10%

Bangsar Baru (2-storey)	Avg transacted price (RM)	CAGR
2005	2,700,000*	-
2010	5,125,000*	13.68%
2015	6,380,000*	4.48%

Bdr Puteri (4-storey)	Avg transacted price (RM)	CAGR
2004	1,183,333	-
2010	2,379,800	12.35%
2015	3,050,000	5.09%

Bandar Puchong Jaya (3.5-storey)	Avg transacted price (RM)	CAGR
2004	920,500*	-
2010	1,471,500	8.13%
2015	2,705,714	12.95%

** Less than 3 transactions*


THANK YOU
Savills Malaysia