

The IMG Monthly Bulletin serves as a comprehensive review of developments in the real estate industry, bringing together insights, news, and updates on the property market. Each week, we publish focused snapshots on the month's main theme, offering timely perspectives on key trends shaping the sector. At the end of every month, these insights are consolidated into the IMG Monthly Bulletin, providing readers with an in-depth overview of industry movements, emerging opportunities, and strategic considerations for stakeholders across the property market.

# The Mall Blueprint : Decoding Valuation, Management and The Future of Retail

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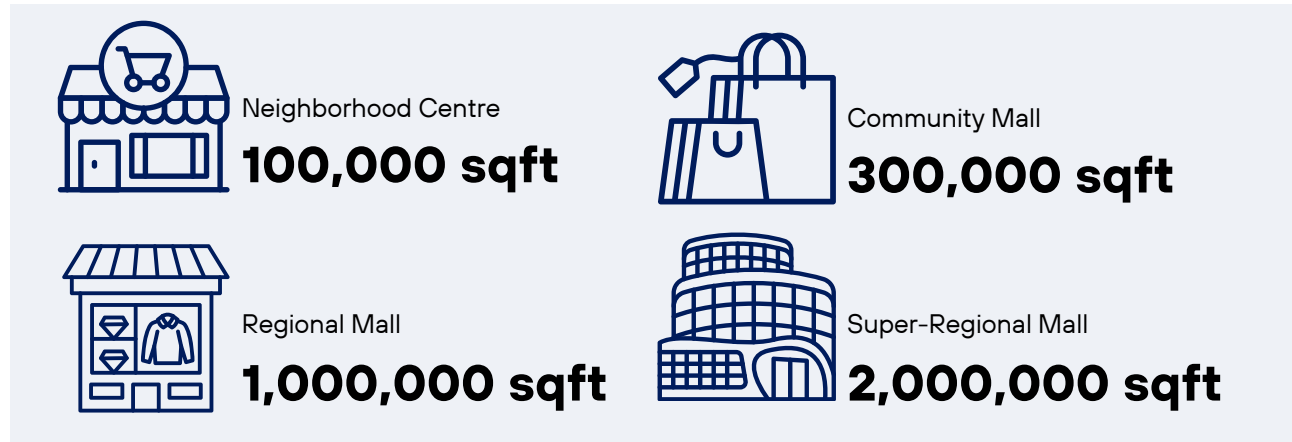
- Part 1 The Retail Hierarchy and The Classification of Shopping Malls
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- Part 3 How ESG is Reshaping Retail Assets
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# Part 1: The Retail Hierarchy and The Classification of Shopping Malls

## Understanding Retail Segmentation

In the complex ecosystem of Malaysian real estate, shopping malls are not a monolith. They are distinct asset classes defined by Size (NLA) and Catchment. Net Lettable Area (NLA) is the primary determinant of a mall's classification. It dictates the tenant mix depth and the trade area radius.

### Comparing Typical Maximum Net Lettable Area (Sq. Ft.)



### The Primary Catchment



**Did you know?** Have you ever wondered why we define the primary catchment for a Neighbourhood Centre as a 5–10 minutes drive, while a Super-Regional Mall commands a catchment of 30–60 minutes?

### Consumer Willingness to Travel

**Neighborhood Centres (Convenience)**

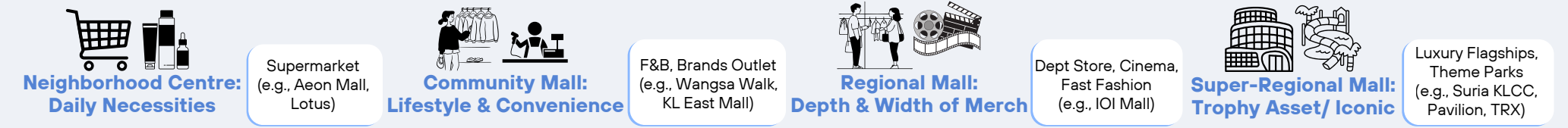
These rely on high-frequency visits for daily necessities (low-order goods). A shopper will not travel 30 minutes just to buy a loaf of bread or visit a pharmacy; they will simply choose a closer alternative. Hence, the catchment is tight.

**Super-Regional Malls (Experience)**

These rely on the "Scarcity Factor."

- **Locals:** People from Seremban or Klang might drive 1 hour just to shop at TRX or Pavilion because those specific luxury brands do not exist in their towns.
- **Tourists:** The catchment extends globally. A tourist from Indonesia or Singapore is part of the "catchment" because they specifically fly in to shop here.

### Key Tenant and Class Focus: The Hierarchy of Needs



# Analyzing Mall Occupancy & Supply in Klang Valley

## Average Klang Valley Occupancy

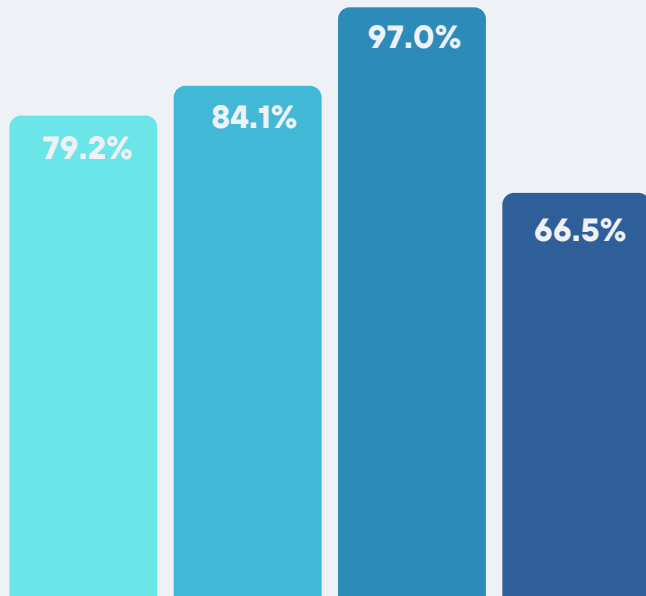
**84.1%** ▲ 0.7% (H1 2025)

Data Source: NAPIC Property Market Report H1 2025

## The Two-Tier Market

Prime vs. Secondary Assets Performance

- National Average
- Greater KL Average
- Prime Iconic Malls
- Secondary Malls



## Greater Kuala Lumpur Overview:

Occupancy edged up to 84.1% in H1 2025 (compared to 83.4% in 2024), reflecting a sustained economic recovery.

## The Gap:

Prime Mall occupancy surged to **97.0%** driven by the full return of tourists, whereas Secondary Malls declined to **66.5%**. This starkly illustrates the "Two-Tier Market" phenomenon.

## The Supply Wave 2026

**4.2 Million sq. ft.**

of new retail space entered the pipeline recently. The competition is shifting from "Space" to "Experience".

**Merdeka 118**

The new game changer on Q3 2026, ~850,000 sq.ft. NLA. Anchored by experiential retail & cultural hubs.

## Professional Verdict



**Flight to Quality:** Retailers are exiting aging malls to secure space in new, ESG-compliant buildings like TRX.



**F&B is the Anchor (Trends):** With occupancy hovering >83%, the malls filling up fastest are those allocating 30%+ Net Lettable Area to dining.

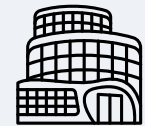


**Valuation Outlook:** Expect cap rate compression for Prime assets, but widening yields for older strata properties.

## Rental Reversion Trends

### Prime/ Regional Malls

High demand for flagship lots  
**Positive**



### Secondary Malls

Tenants resisting rent hikes  
**Flat/ Negative**



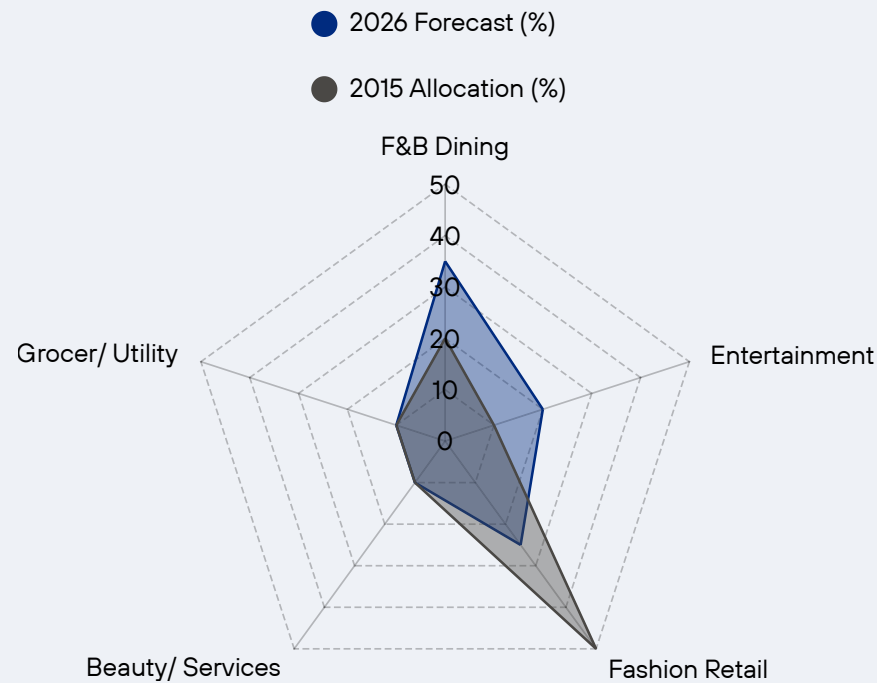
# Part 2: The Big Trend of "Retailtainment"

## Understanding Retailtainment

### What is Retailtainment?

A strategic blend of 'Retail' and 'Entertainment' that uses atmosphere, emotion and activity to transform a basic shopping task into an immersive adventure.

### Net Lettable Area (NLA) Allocation: 2015 vs 2026



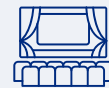
### The "Experience" Advantage

#### Beyond Online Shopping



Retailtainment offers social interaction, sensory engagement and emotional connections that pure E-Commerce cannot replicate.

### Trends



#### Multi-Purpose Event Space

- Concerts Venue
- Wedding Hall
- Training Hall
- Other Events



#### Active Lifestyle & Sport

- Indoor Ice-Skating
- Batu Climbing
- Pickleball Courts
- Escape Room



#### Family and Thematic Play

- Indoor Theme Park
- Children Amusement Centre
- Indoor Playgrounds



### Did you know?

Malls in Malaysia have increased their F&B and Entertainment allocation from 30% to nearly 40% of total NLA over the last decade.

## The Anatomy of Retailtainment



#### Gamification

Challenges, points and leaderboards to turn discovery into a quest.



#### Immersive Design

Themed environments appealing to five senses create memorable experiences (Instagrammable spots).



#### Activity & Events

Workshops, classes and active play (cooking, baking, DIY crafts, painting).



#### Phygital Integration

AR mirrors, virtual try-ons and interactive windows.

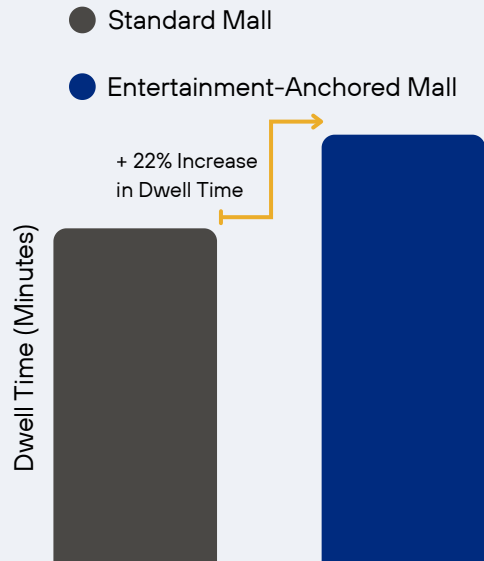


### Did you know?

Health and wellness spaces like climbing gyms, wellness cafes are becoming the new retail anchors. (Source: CapitaLand)

## The Economics of Experience

### Impact of Entertainment Anchors



- Shoppers seek memorable moments over goods.
- Entertainment creates connection, directly driving foot traffic.
- Enhanced experiences lead to social sharing and repeat visits.

### Shopping Tourism

- Malls act as primary tourist attractions.
- Leveraging cultural festivals (Hari Raya, CNY, Christmas, Deepavali) for photogenic decorations
- Cross-border visitors from Singapore, Thailand, Indonesia seeking entertainment unavailable at home.

## Primed for Growth in Malaysia



**RM67.0 Billion**

Retail Trade Sales (July 2025)

**5.94% CAGR**

Projected Growth through 2033



**35.6 Million**

Target Tourist Arrivals for Visit Malaysia 2026

## Retailtainment Success

### The Principles



#### Be Original

Authentic experiences over cookie-cutter templates.



#### Interact

Engage all 5 senses (Sight, Sound, Smell, Touch, Taste).



#### Connect

Foster community. Malls must be places for "like-minded people" to gather.



#### Omnipresence

Seamless digital physical link.



#### Delight

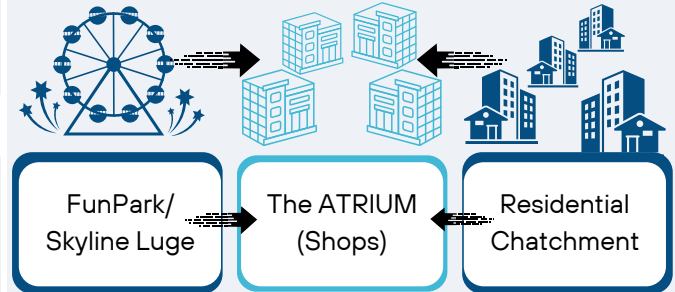
The element of surprise is the strongest retention tool.

## Market Spotlight: Case Study

### Gamuda Luge Gardens

Gamuda Luge Gardens is becoming a retail/lifestyle hub with the upcoming ATRIUM, a 3-story complex for cafes, restaurants, and shops, designed to complement the popular Skyline Luge KL and FunPark, attracting huge crowds to the area in Gamuda Gardens, Rawang. It's evolving into a destination with **retailtainment**.

### The Ready Catchment Advantage



**1 Million**  
Projected Annual Visitors

**980,000+**  
Population catchment within 20-min drive

**1.5 Million**  
Daily vehicles passing on NSE

**60,000**  
Residential Population (Gamuda Gardens & Gardens Park)

## Global Benchmarks

### IKEA (Global)



IKEA creates a family-friendly day out through its Showrooms for home inspiration, Cafes for affordable dining, and Play Zones for free, supervised childcare.

### Netflix House (US)




A physical entertainment venue in US malls offering immersive experiences, themed food, shops, mini-golf, and photo ops based on hit shows

## Part 3: How ESG is Reshaping Retail Assets


### Understand The Retail Assets (Shopping Malls) Value

Success requires more than a prime location, without the Property and Facilities Management, even the best location eventually loses value.


#### The Consumer View

 Footfall and Traffic

 Storefront Aesthetics

 Glitz and Glamour

#### The Operator View

 Maintenance and Safety

 Financial Discipline

 Tenant Relations

### The Operational Core: Facilities Management (FM)

#### Hard FM - The Mechanical Backbone

Ensuring the asset functions as a safe, efficient container for commerce. Focuses in M&E (Mechanical & Electrical) systems, chillers and infrastructure.



- **Chiller & HVAC:** The single biggest expense. Balancing comfort (cold) with efficiency (cost). Critical for Mall OPEX.



- **Vertical Transportation:** Lifts and escalators must have zero downtime. A broken escalator directly "kills" footfall on upper floors.

### The Operational Core: Property Management (PM)



#### Soft FM - The Shopping Experience

Focuses on the user environment, cleaning, security and ambience.



- **Cleaning and Housekeeping:** The first impression of consumer views.



- **Security and Safety:** The invisible net. Managing fire safety and crowd control seamlessly.



- **Landscaping and Ambience:** The healing environment. Greenery and lighting that encourages dwell time.

## ESG: The Future Frontier of Operations

ESG criteria are no longer optional for Malaysian shopping malls. They are fundamental drivers of asset value. As of H1 2025, the market is witnessing a distinct bifurcation: ESG-compliant assets are protecting their capital values and attracting premium tenants, while non-compliant assets face a growing risk of a "Brown Discount" and obsolescence.

### Projected Asset Value Divergence (5-Year Horizon)



Data Source: Knight Frank Malaysia

- **Green Premium:** Certified prime assets can command 10%-20% higher effective rents due to lower operating costs and tenant corporate mandates.
- **Brown Discount:** Non-compliant older malls risk a value reduction of up to 30% over the long term due to liquidity risks (institutional investors avoiding non-ESG assets).
- **Green Financing:** Banks offer rebates of approx. 50 basis points (0.5%) on Sustainability-Linked Loans (SLL) for certified assets.

### Environmental (E) Energy Management Systems (EMS)



Using AI to auto-adjust chillers based on real-time crowd data.

### Social (S) Inclusivity and Universal Design



Nursing rooms, autism-friendly spaces and seamless accessibility

### Governance (G) Transparency



Strict adherence to safety, labor laws and ethical procurement

## ESG: Technology and Sustainability

### Smart Retrofits - Active Optimization

Smart Retrofits Deliver a 3 to 5 Year ROI

From these:

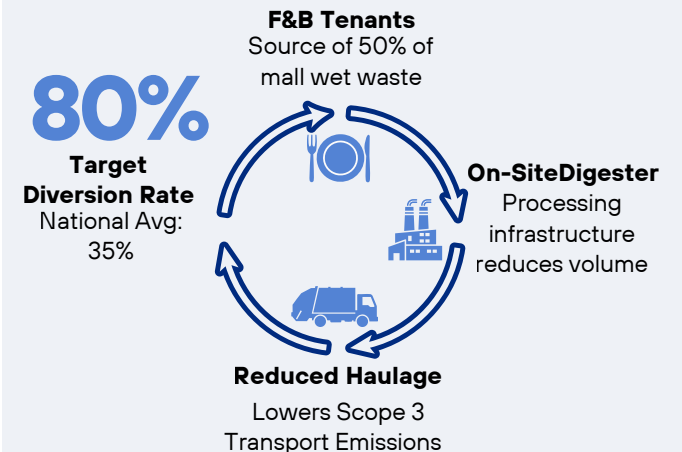
- Reactive Maintenance (Fix when broken)
- High Start-up Amperage
- Constant Speed Operation

To these:

- Magnetic Bearing Technology (Frictionless)
- AI-Driven Load Optimization
- 30%-40% Reduction in Energy

### Waste Management Moves

High diversion rates are a key metric for attracting international tenants with strict ESG mandates.



## Part 4: Insights from Real Estate Professionals

**Mr. Chin Mau Song**, Assistant General Manager (Property Management Department)  
Damansara Damai, IM Global Property Consultants Sdn Bhd

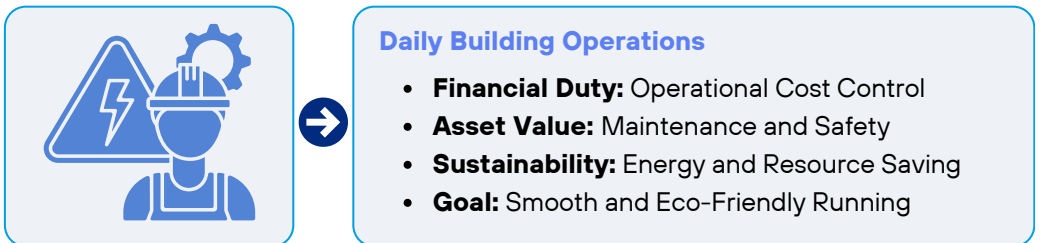
### The 6 Pillars of Mall Management




### Property Management (PM)



### Facilities Management (PM)




### Challenges and Tech Solutions



**Combatting Aging Assets with AEI**  
Asset Enhancement Initiatives justify 10-15% rent increases with modernized, "Instagrammable" layouts.



**Solving Manpower Shortages**  
Malls adopt autonomous robots and "Smart FM" apps for efficient task management with fewer staff.



**The Rise of Green Leases**  
Landlords include "Green Clauses" requiring tenants to share energy/ water data for mandatory sustainability reporting.

The Malaysian retail landscape is undergoing a profound metamorphosis. In this edition of the IMG Monthly Bulletin, we move beyond the surface level metrics to decode the structural shifts defining the future of shopping malls. From the widening gap between prime and secondary assets to the dominance of Retailtainment and the non-negotiable demand for ESG compliance, we explore what it takes to survive in 2026.

In the complex ecosystem of Malaysian real estate, shopping malls are not a monolith. They are distinct asset classes defined strictly by their Net Lettable Area (NLA) and their Catchment Area. Understanding this hierarchy is crucial for accurate valuation and market feasibility. At the foundational level, we have Neighborhood Centres which are typically around 100,000 sq. ft. and anchored by a supermarket. Their primary catchment is tight, covering a mere 5 to 10 minute drive. This is because consumer willingness to travel is low for daily necessities like bread or pharmacy items, meaning shoppers will simply choose the closest option. In contrast, Super Regional Malls like TRX or Pavilion KL command a catchment radius of over 45 minutes, extending even to tourists from Indonesia or Singapore. These assets rely on the Scarcity Factor where shoppers are willing to travel vast distances because the specific luxury experiences they offer cannot be found elsewhere.

The market data for H1 2025 reveals that we are operating in a Two Tier Market. While the average occupancy in Greater KL has edged up to 84.1%, this figure masks a deep divide in performance. Prime Iconic Malls are thriving with 97.0% occupancy, driven by the full return of international tourism and flight to quality trends. On the other hand, Secondary Malls are struggling, with occupancy dipping to 66.5%. This divergence is expected to widen as we approach the Supply Wave of 2026, where an estimated 4.2 million sq. ft. of new retail space will enter the pipeline. This includes the game changing Merdeka 118 mall which will add approximately 850,000 sq. ft. of space. As competition shifts from selling space to selling experience, outdated strata properties will likely see widening yields and flat rental reversions, while prime assets will enjoy capital appreciation.

The days of malls serving solely as distribution centers for goods are over. In 2026, the dominant trend is Retailtainment, which is a strategic blend of retail and entertainment designed to transform a chore into an immersive adventure. A comparison of NLA allocation over the last decade highlights this shift. In 2015, fashion and utility dominated the floor plans. Today, F&B and Entertainment allocations have surged from 30% to nearly 40% of total NLA. Malls are now allocating up to half of their space for dining and social experiences to combat the convenience of e-commerce.

This shift is visible in the rise of active lifestyle anchors such as indoor ice skating rinks, rock climbing facilities like Batu Climbing, and pickleball courts that are replacing traditional department store anchors. Furthermore, phygital integration is merging the physical and digital worlds through AR mirrors and interactive windows to engage the tech savvy demographic. A prime example of this evolution is Gamuda Luge Gardens. By integrating the Skyline Luge and FunPark with the upcoming ATRIUM retail complex, the development leverages a ready catchment of over 1 million projected annual visitors. It proves that retail success in 2026 depends on creating a destination where retail supports the entertainment, rather than the other way around.

Environmental, Social, and Governance (ESG) criteria are no longer optional additions but are now fundamental drivers of asset value. As of 2026, the market is witnessing a clear valuation divergence. On one side, we see a Green Premium where ESG compliant assets can command 10% to 20% higher effective rents. Tenants with corporate mandates, particularly multinational corporations, are willing to pay a premium for certified spaces. Conversely, non compliant and aging malls face a Brown Discount, risking a value reduction of up to 30% over the long term as institutional investors and banks increasingly shy away from non green assets.

Sustainability is also becoming a critical operational strategy. Smart retrofits, such as shifting to magnetic bearing chillers and AI driven load optimization, are delivering significant reductions in energy costs. Furthermore, with F&B tenants generating half of mall wet waste, the integration of on site food digesters has become a critical standard for modern facility management. These initiatives not only reduce the carbon footprint but also improve the bottom line through operational efficiency.

To ground these trends in practice, we look to the insights of Mr. Chin Mau Song, Assistant General Manager of Property Management at IM Global. He emphasizes that a mall's value is sustained through a balance of Property Management (PM) and Facilities Management (FM). Successful management requires a holistic approach that bridges these two disciplines. PM acts as the strategic layer, focusing on tenant mix, lease renewals, and financial monitoring to maximize revenue and maintain the pulse of the mall through marketing. Meanwhile, FM serves as the operational backbone, focusing on the mechanical efficiency of systems like HVAC and lifts, as well as the soft aspects of ambience and security. As Mr. Chin notes, a broken escalator is not just a repair issue because it directly kills footfall on upper floors.

Looking ahead, the industry is also adapting to manpower shortages by adopting Smart FM solutions, such as autonomous cleaning robots, and implementing Green Leases where landlords and tenants collaborate on data sharing to meet sustainability goals.

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