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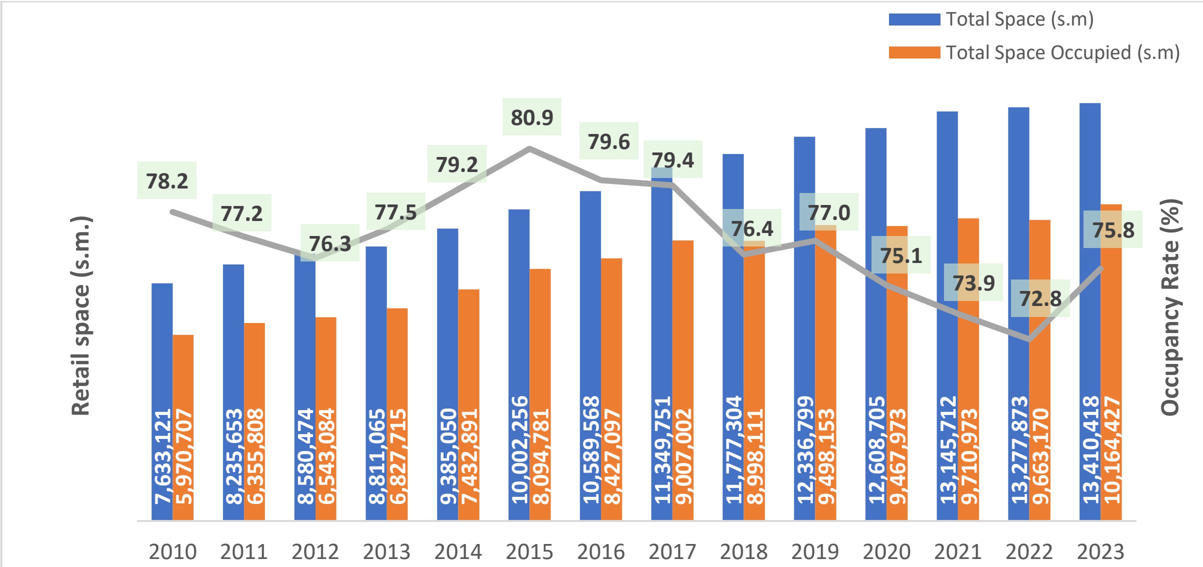
Malaysia's Retail Space Landscape: Trends and Economic Influences



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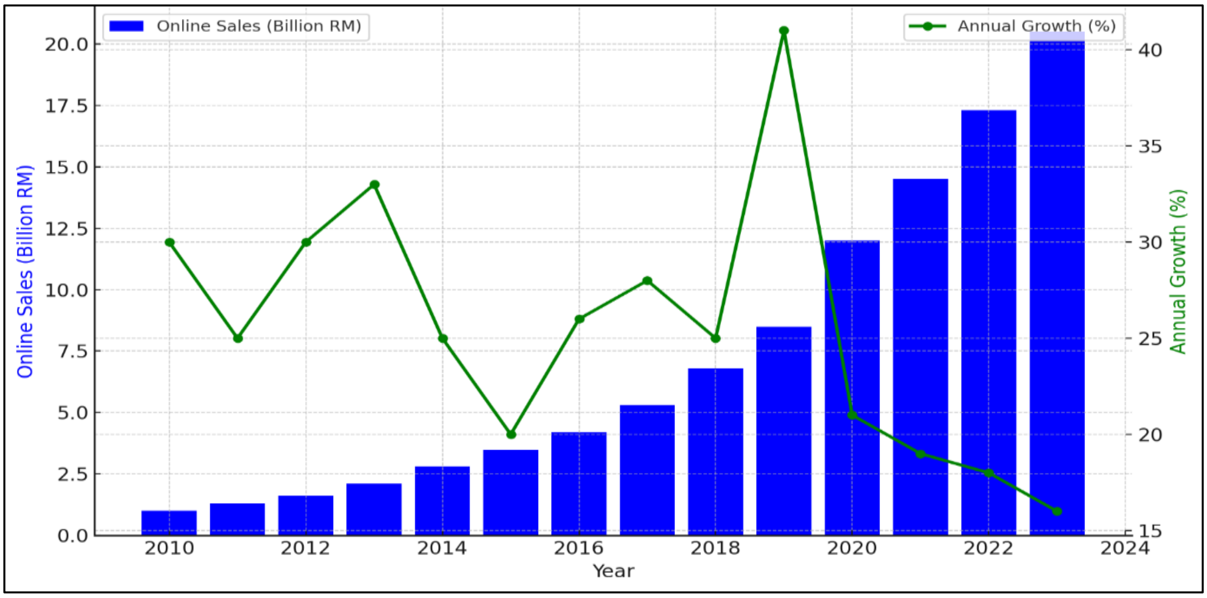
Introduction

The retail landscape in Malaysia has undergone significant transformation over the last decade, driven by factors such as economic growth, urbanization, changes in consumer behavior, and technological advancements like e-commerce. With the country's retail market expanding rapidly, the introduction of large-scale shopping malls and the continued development of smaller community-based centres have been instrumental in shaping the shopping environment.

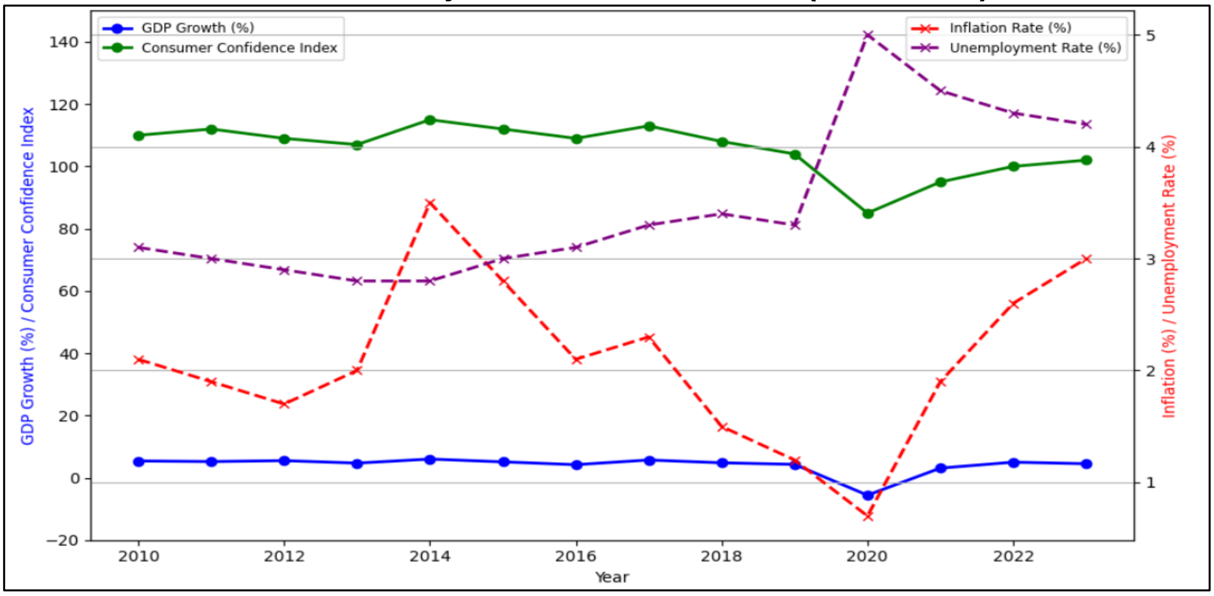
However, the outbreak of the COVID-19 pandemic in 2020 caused an unprecedented disruption to the retail sector, challenging the growth trajectory that Malaysia had enjoyed for several years. The pandemic, coupled with the increasing influence of online shopping, has prompted significant shifts in how retailers, consumers, and landlords interact with physical retail spaces. Shopping centres, ranging from Super Regional to Community Centers, have all been impacted differently, and this article will provide an in-depth analysis of these various categories and their rental performance.

Chart 1: Malaysia Online Sales Amount and Annual Growth (2010 – 2023)



Economic factors such as GDP growth, consumer confidence, inflation, and employment rates all play a critical role in shaping the future of Malaysia's retail sector.

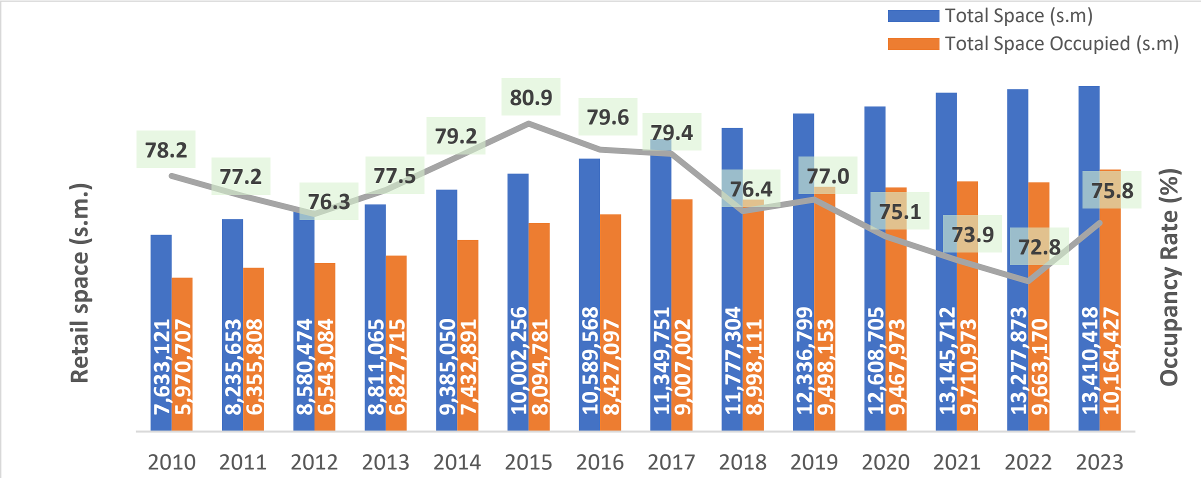
Chart 2: Malaysia Economic Indicators (2010 – 2023)



Supply and Demand of Shopping Centres

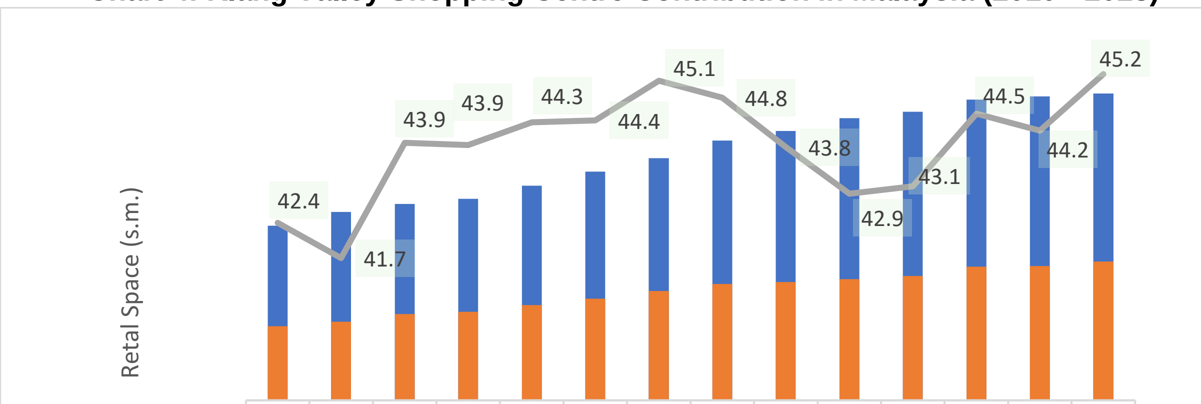
Malaysia's retail space market nearly doubled from 7.63 million square meters in 2010 to 13.41 million square meters in 2023, driven by economic growth, urbanization, and the rise of high-density commercial hubs. Increasing household incomes and demand for lifestyle-oriented shopping led to the development of expansive malls combining retail, dining, and entertainment particularly in urban areas like Kuala Lumpur and Selangor.

Chart 3: Malaysia Overall Shopping Centre: Supply and Demand (2010 - 2023)



In Klang Valley, encompassing Kuala Lumpur, Selangor, and Putrajaya, expanded retail space from 3.2 million m² in 2010 to over 6.06 million m² in 2023, contributing 45% of the nation's total. The region's economic prominence, high disposable incomes, and diverse economy make it a prime location for shopping centres. However, growth faces challenges like oversupply, rising vacancies, and competition from e-commerce. The sector's success depends on adapting to changing consumer behaviour post-COVID-19. Moving forward, the performance of shopping centres in Klang Valley will depend on their ability to adapt to these evolving trends.

Chart 4: Klang Valley Shopping Centre Contribution in Malaysia (2010 - 2023)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Malaysia (s.m.)	7,633,1	8,235,6	8,580,4	8,811,0	9,385,0	10,002,	10,589,	11,349,	11,777,	12,336,	12,608,	13,145,	13,277,	13,410,
KV (s.m.)	3,236,1	3,435,8	3,769,0	3,866,6	4,158,7	4,436,0	4,776,8	5,083,0	5,163,4	5,298,4	5,433,5	5,847,0	5,863,4	6,066,5
KV Contribution (%)	42.4	41.7	43.9	43.9	44.3	44.4	45.1	44.8	43.8	42.9	43.1	44.5	44.2	45.2

Supply and Demand of Klang Valley Shopping Centre by Category

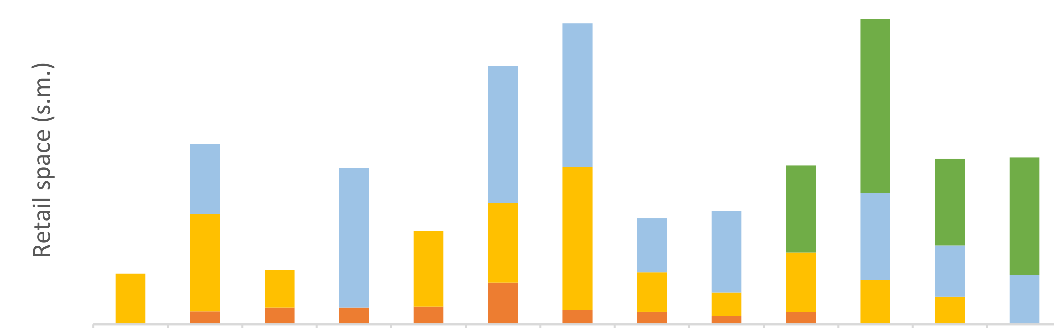
Klang Valley's retail space is categorized into four primary types of shopping centres: Super Regional, Regional Centre, Neighbourhood Centre, and Community Centre. Each of these categories serves a different purpose, target market, and geographical scope, resulting in varying rental performances and occupancy rates. For further details on the categories of shopping centres in Klang Valley, refer to our technical notes in the Klang Valley Shopping Centre Rental Index (KV SC-RI) publication.

Table 1: Existing Retail Space in Klang Valley

Category	No. of Building	Total Space (s.m.)
Super Regional	11	1,527,189
Regional Centre	29	1,747,196
Neighbourhood Centre	53	1,523,538
Community Centre	55	636,110

Since 2020, Super Regional Centres have seen increased completions, reflecting growing demand for premium brands and experiential retail post-pandemic. Regional and Neighbourhood Centres peaked in 2017 due to suburban expansion but have declined recently, indicating market saturation and a shift toward centralized malls. Community Centre completions dropped sharply after 2017, as online shopping and integrated larger malls reduced demand for smaller retail spaces.

Chart 5: Shopping Centre Completion 2010 - 2023

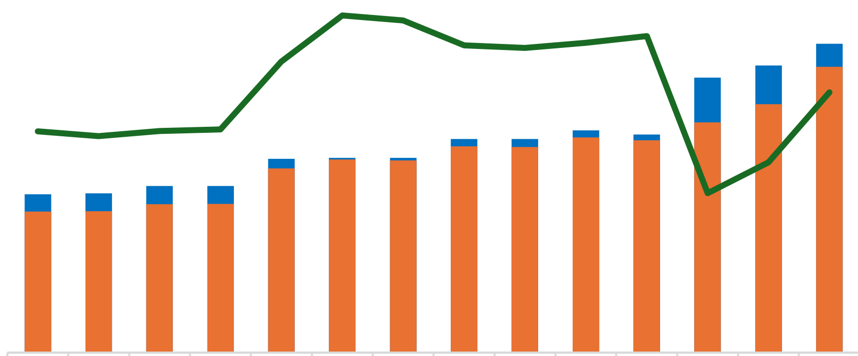


	2010	2011	2012	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Super Regional	0	0	0	0	0	0	0	0	0	92,903	185,800	92,900	125,415
Regional Centre	0	74,323	0	149,019	0	146,108	153,145	57,600	87,320	0	92,902	54,743	52,903
Neighbourhood Centre	54,212	104,419	40,513	0	80,824	84,991	152,889	42,339	24,880	63,565	47,375	29,449	0
Community Centre	0	13,842	17,891	17,902	18,929	44,593	15,414	13,380	9,085	13,180	0	0	0

i) Super Regional

Super Regional represent the largest and most iconic shopping malls in Malaysia. Typically located in major urban centres, these malls offer a broad range of high-end retail options, from fashion to luxury goods, and often include entertainment and dining facilities that attract both local and international shoppers. Super Regional account for 1.5 million square meters of space across 11 centres. These centres are strategically located in strategic areas, where they benefit from high foot traffic, strong demand from international retailers, and consumer interest in luxury goods.

Chart 6: Supply and Demand for Super Regional in Klang Valley



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Space (s.m.)	782,550	788,493	823,965	823,965	958,091	962,999	962,999	1,055,901	1,055,901	1,099,702	1,078,419	1,359,488	1,420,117	1,527,189
Total Space Occupied (s.m.)	697,570	699,800	734,788	736,034	911,831	955,138	950,919	1,019,919	1,017,460	1,064,611	1,050,251	1,139,253	1,228,171	1,413,130
Occupancy (%)	89.1	88.8	89.2	89.3	95.2	99.2	98.7	96.6	96.4	96.8	97.4	83.8	86.5	92.5

There was a gradual increase in total space from 782,550 square metres (s.m.) in 2010 to 823,965 s.m. by 2013. This showed a steady but relatively moderate growth in supply during this period. A significant jump in supply occurred in 2014, with total space increasing from 823,965 s.m. in 2013 to 958,091 s.m., marking a substantial rise. 2015-2019 period saw continued but slower growth in supply, culminating at 1,099,702 s.m. by 2019. There were two substantial increases, from 1,078,419 s.m. in 2020 to 1,359,488 s.m. in 2021, and further to 1,427,189 s.m. in 2022, before reaching 1,527,189 s.m. in 2023. The supply of space saw its largest increases in 2021 and 2022, with 1,359,488 s.m. in 2021 and 1,427,189 s.m. in 2022, reflecting new developments coming online, driven by pre-pandemic construction projects that were completed.

Occupancy followed a similar gradual upward trend, starting at 697,570.1 s.m. in 2010 and reaching 736,034 s.m. in 2013. There was a sharp rise in space occupied between 2014 and 2015 (from 736,034 s.m. to 911,831 s.m.), corresponding with the increase in supply. However, this slowed between 2015 and 2017, with occupancy hovering around the 950,000-1,020,000 s.m. range. In 2018-2019, another stable increase occurred, with space occupied reaching 1,064,611 s.m. by 2019. Occupancy growth was especially significant from 2020 (1,050,251 s.m.) to 2021 (1,139,253 s.m.), continuing to 1,428,171 s.m. in 2022 and 1,413,130 s.m. in 2023. Occupancy reached its highest level in 2022 at 1,428,171 s.m., indicating strong demand recovery post-pandemic and new tenants filling newly available space.

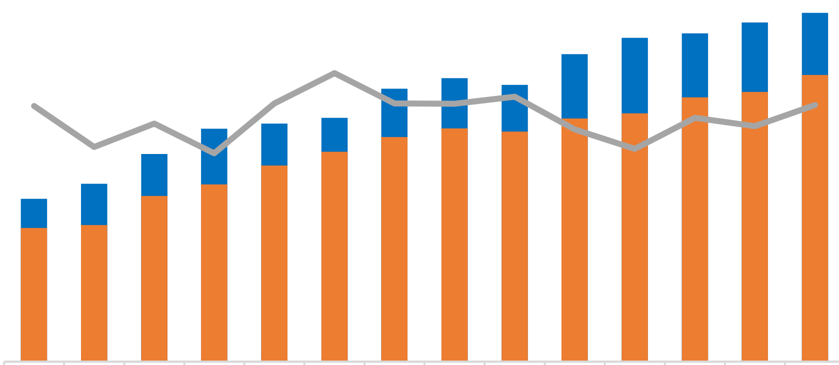
Super Regional have shown resilience in the face of economic uncertainty. Due to their prime locations, these centres have maintained relatively high occupancy rates, ranging between 82% and 92%. Even during the pandemic, which resulted in a temporary reduction in foot traffic, these malls were able to retain tenants and stabilize rental income.

Post-pandemic, Super Regional have increasingly focused on creating experience-driven retail environments. This shift reflects broader consumer preferences for combining shopping with entertainment and social activities, ensuring that these malls continue to attract foot traffic even as online shopping grows in popularity.

ii) Regional Centre

Regional Centres serve a broader catchment area than Neighborhood or Community Centres, typically catering to suburban areas with mid-range and upper-mid-range retailers. These malls house a diverse range of tenants, from fashion brands to electronics stores, and often include family-friendly amenities such as cinemas and food courts. Regional Centres account for 1.75 million square meters across 29 centres. These centres play a crucial role in suburban areas, providing retail options to consumers who may not have easy access to the larger Super Regional Malls.

Chart 7: Supply and Demand for Regional Centre in Klang Valley



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Space (s.m.)	816,281	890,604	1,040,20	1,166,13	1,192,46	1,221,28	1,367,38	1,419,66	1,385,57	1,539,86	1,622,48	1,643,85	1,698,59	1,747,19
Total Space Occupied (s.m.)	669,475	684,779	830,172	887,244	981,857	1,051,79	1,125,49	1,168,19	1,152,61	1,217,76	1,243,60	1,323,41	1,350,23	1,435,02
Occupancy (%)	82.0	76.9	79.8	76.1	82.3	86.1	82.3	82.3	83.2	79.1	76.6	80.5	79.5	82.1

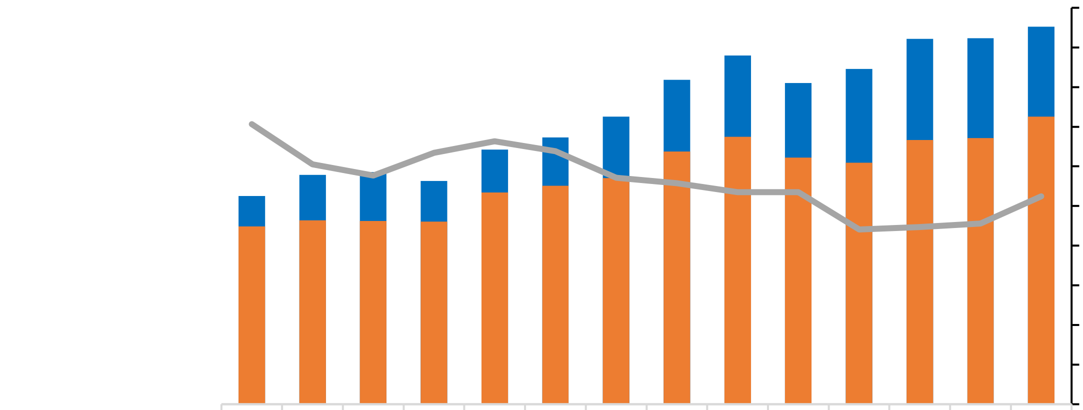
The supply of space showed a steady upward trend, starting at 816,280.87 square metres (s.m.) in 2010 and reaching 1,192,465 s.m. by 2014. This represents significant growth, particularly from 2012 to 2013 when the space increased from 1,040,207 s.m. to 1,166,137 s.m. The supply continued to grow but at a more moderate pace, reaching 1,539,865 s.m. in 2019. This showed a phase of expansion, with slower, stable additions to the regional center supply. Between 2020 and 2023, supply growth resumed, increasing from 1,622,487 s.m. in 2020 to 1,747,196 s.m. by 2023. There was a large increase in supply from 2015 to 2016 (1,221,281 s.m. to 1,367,389 s.m.) and another steady rise in the following years, culminating in a peak of 1,747,196 s.m. in 2023. This growth reflected significant real estate development projects, driven by urbanization and expansion efforts in Klang Valley.
Space occupied also increased steadily, from 669,474.73 s.m. in 2010 to 981,857 s.m. by 2014. There was a notable jump between 2012 and 2013, with occupancy rising from 830,172 s.m. to 887,244 s.m. Similar to supply, occupancy saw consistent growth, reaching 1,217,766 s.m. in 2019. Space occupied continued to increase post-pandemic, rising from 1,243,600 s.m. in 2020 to 1,435,029 s.m. in 2023. This portrayed a recovery and sustained demand for regional centre space during this period. The occupancy rates closely followed supply increases, particularly from 2012-2014 and post-2020. The post-pandemic recovery period, from 2020 to 2023, saw a significant rise in occupancy, reflecting businesses taking advantage of new space or expanding their operations.

Before the pandemic, Regional Centres experienced solid demand, supported by Malaysia's growing middle class and suburban expansion. However, the pandemic had a more pronounced impact on these centres compared to Super Regional Malls. Many retailers in Regional Centres rely on discretionary spending, which was significantly reduced during the economic downturn caused by COVID-19. The decline in foot traffic, combined with rental pressures from struggling tenants, led to a temporary drop in occupancy rates in Regional Centres.

iii) Neighbourhood Centre

Neighbourhood Centres cater to local communities and focus on providing everyday essentials. These centres are smaller in size compared to Super Regional and Regional Centres and typically house tenants such as grocery stores, pharmacies, and convenience stores. Neighborhood Centres account for 1.52 million square meters across 53 centres. These centres are designed to serve daily shopping needs and are often located in residential areas.

Chart 8: Supply and Demand for Neighbourhood Centre in Klang Valley



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Space (s.m.)	840,559	925,250	937,852	901,515	1,027,07	1,076,33	1,161,32	1,309,36	1,407,34	1,296,44	1,353,04	1,474,78	1,476,69	1,523,53
Total Space Occupied (s.m.)	717,182	742,465	739,576	736,720	854,171	881,749	912,397	1,019,61	1,079,89	994,947	974,729	1,066,75	1,074,60	1,161,13
Occupancy (%)	85.3	80.2	78.9	81.7	83.2	81.9	78.6	77.9	76.7	76.7	72.0	72.3	72.8	76.2

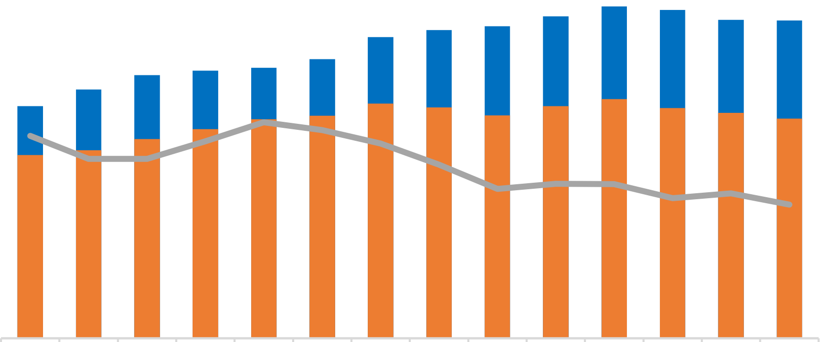
The supply of total space grew steadily from 840,559 square meters (s.m.) in 2010 to 1,361,236 s.m. in 2014. This period saw consistent growth year over year, with a notable jump between 2012 (937,852 s.m.) and 2013 (1,091,515 s.m.). The steady growth in supply is driven by urban development and population growth in Klang Valley, necessitating more neighborhood centres to serve residential communities. Developers may have anticipated demand rising due to increased urbanization and built more retail and commercial spaces accordingly. After 2014, the supply continued to grow, but the pace became more uneven. The supply increased significantly from 1,076,331 s.m. in 2015 to 1,476,697 s.m. in 2022, with smaller jumps in some years. The supply in 2023 reached 1,523,538 s.m.

The total space occupied grew steadily from 717,182 s.m. in 2010 to 1,079,894 s.m. in 2015, maintaining an occupancy rates mostly in the 80% range during this time. From 2016, occupancy rates started to decline, with occupied space dropping to around 974,729 s.m. by 2019, and occupancy percentage decreasing from 83.2% in 2013 to 72.0% in 2020. Occupancy began to recover in 2021, with occupied space increasing again to 1,074,620 s.m. in 2022 and 1,161,135 s.m. in 2023. The occupancy rate rebounded slightly to 76.2% by 2023. Occupancy rates began to decline sharply starting in 2016, reaching their lowest point of 72.0% in 2020. This dip in occupancy rate, despite the growing supply, attributed to economic challenges such as market saturation or the impact of the COVID-19 pandemic, which reduced tenant demand for retail and commercial spaces. Occupancy improved from 2021 to 2023, reaching 76.2% in 2023. This recovery indicates that businesses and tenants started to reoccupy spaces as the economy rebounded from the pandemic, possibly boosted by new entrants and expansions in retail or neighborhood services.

iv) Community Centre

Community Centres are the smallest shopping centers in Malaysia, catering to very localized markets. These centres tend to host smaller retailers, local businesses, and convenience stores, making them more vulnerable to economic shifts and competition from larger malls and online platforms. Community Centres account for 636,110 square meters across 55 centres. These centres typically serve neighborhoods or small towns and often include independent retailers.

Chart 9: Supply and Demand for Community Centre in Klang Valley



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Space (s.m.)	464,711	497,844	527,080	535,737	541,829	558,803	603,396	617,433	624,935	644,858	664,630	657,680	637,744	636,110
Total Space Occupied (s.m.)	366,816	376,785	398,816	418,815	438,317	445,801	469,682	462,215	446,012	465,001	478,863	460,775	451,172	439,666
Occupancy (%)	78.9	75.7	75.7	78.2	80.9	79.8	77.8	74.9	71.4	72.1	72.0	70.1	70.7	69.1

The supply of community centre space grew moderately, from 464,711.38 square meters (s.m.) in 2010 to 541,829 s.m. in 2014. This period saw steady, but not aggressive, development. Supply growth accelerated slightly from 558,803 s.m. in 2015 to 644,858 s.m. in 2019. The highest increases were recorded in 2016 and 2017, with supply rising from 603,396 s.m. to 617,433 s.m., indicating a period of active construction or expansion of community centres. The total space peaked in 2020 at 664,630 s.m. but began to contract slightly, dropping to 657,680 s.m. in 2021 and further to 636,110 s.m. by 2023. This decrease could indicate closures or repurposing of some community centers. The peak in 2020 corresponded to the completion of construction projects or expansions initiated in previous years, reaching full realization just before the pandemic's impact.

Occupancy saw consistent growth during 2010 - 2014, rising from 366,815.69 s.m. in 2010 to 438,317 s.m. in 2014. Occupancy growth aligned with the increase in supply, suggesting steady demand for community centre spaces. From 2015 to 2017, occupancy continued to grow, reaching 469,682 s.m. in 2016. However, occupancy began to decline slightly after 2017, dropping to 446,012 s.m. by 2018, despite an increase in supply. This implied a potential decline in demand and increasing vacancy rates. Space occupied peaked in 2020 at 478,863 s.m. but began to decline from 2021 onwards, dropping to 439,666 s.m. by 2023, even as the supply also contracted. The initial signs of decline in occupancy which started in 2017 marked market saturation, where supply outpaced demand, causing vacancy rates to increase. The sharp decline after 2020 attributed to the COVID-19 pandemic, which disrupted business operations, decreased consumer activity, and led to the temporary or permanent closure of many community centers.

Community Centres have struggled the most in recent years, particularly in the face of the pandemic and the rise of e-commerce. Occupancy rates for Community Centers have dropped below 70%, with many smaller retailers facing financial difficulties and some unable to renew their leases.

Future Supply of Klang Valley Shopping Centre by Category
The total retail space to be added from the future supply of these shopping centres is substantial, with the most significant contributions coming from Super Regional and Regional Centres. These additions will increase the total retail capacity in Malaysia, particularly in urban and suburban areas, where demand for larger, multi-functional shopping environments is growing.

However, the new space will increase competition among existing shopping centres, especially in locations where consumer demand may not grow at the same pace as supply. To maintain foot traffic, shopping centres may need to modernize, diversify their offerings, and create more experiential retail environments. If demand for physical retail space does not grow in line with the new developments, there is a risk of oversupply, which could lead to higher vacancy rates and pressure on rental prices.

While the upcoming supply of retail space will help meet the needs of growing populations and provide consumers with more options, the retail sector will need to adapt to the changing landscape, particularly in the face of growing online retail competition and shifting consumer preferences.

Table 2: Klang Valley Future Supply

Category	No. of Centre	Total space (s.m.)
Super Regional	1	232,256
Regional Centre	6	404,136
Neighbourhood Centre	4	120,723
Community Centre	6	53,836
Total	**17**	**810,951**

Rental Performance Analysis By Category

Super Regional
Super Regional Centres are the largest and most prominent retail hubs in Malaysia, often located in prime urban areas. These centres are home to a mix of luxury retailers, international brands, and entertainment options that cater to affluent customers, as well as tourists. Due to their location and premium offerings, Super Regional Centres tend to command the highest rental rates in the retail sector.

Table 3: Super Regional Rental Index

Year	Klang Valley (KV)				WP Kuala Lumpur (WPKL)				Selangor (SEL)			
	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)
ANNUAL												
2015	100.0 ↑	RM 168.32 ↑	962,999 ↑	99.2 ↑	100.0 ↑	RM 285.00 ↑	541,546 →	99.4 ↑	100.0 ↑	RM 134.31 ↑	421,453 ↑	98.9 ↑
2016	101.6 ↑	RM 170.94 ↑	962,999 →	98.7 ↓	102.8 ↑	RM 293.08 ↑	541,546 →	98.6 ↓	99.9 ↓	RM 134.12 ↓	421,453 →	98.9 →
2017	104.7 ↑	RM 176.22 ↑	962,999 →	99.2 ↑	106.6 ↑	RM 303.75 ↑	541,546 →	98.8 ↑	102.6 ↑	RM 137.74 ↑	421,453 →	99.6 ↑
2018	104.4 ↓	RM 175.65 ↓	962,999 →	98.9 ↓	106.1 ↓	RM 302.48 ↓	541,546 →	98.8 →	101.9 ↓	RM 136.91 ↓	421,453 →	99.0 ↓
2019	105.6 ↑	RM 177.77 ↑	1,099,702 ↑	96.8 ↓	106.5 ↑	RM 303.60 ↑	678,249 ↑	95.5 ↓	104.9 ↑	RM 140.93 ↑	421,453 →	99.4 ↑
2020	107.9 ↑	RM 181.69 ↑	1,078,419 ↓	97.4 ↑	108.0 ↑	RM 307.88 ↑	678,249 →	96.2 ↑	108.9 ↑	RM 146.23 ↑	400,170 ↓	99.5 ↑
2021	109.2 ↑	RM 183.77 ↑	1,359,488 ↑	83.8 ↓	109.4 ↑	RM 311.71 ↑	956,951 ↑	77.2 ↓	110.8 ↑	RM 148.75 ↑	402,537 ↑	99.4 ↓
2022	111.4 ↑	RM 187.44 ↑	1,420,117 ↑	86.5 ↑	111.9 ↑	RM 318.85 ↑	924,680 ↓	88.7 ↑	111.9 ↑	RM 150.23 ↑	495,437 ↑	82.3 ↓
2023	112.2 ↑	RM 188.93 ↑	1,527,189 ↑	92.5 ↑	112.0 ↑	RM 319.33 ↑	1,031,752 ↑	91.3 ↑	113.7 ↑	RM 152.70 ↑	495,437 →	95.1 ↑

From 2010 to 2023, rental rates in Super Regional Centres have shown consistent growth, reflecting their strong demand and resilience against economic challenges. In 2023, average rental rates reached RM 188.93 per square meter, up from RM 177.77 in 2019. Even during the pandemic, which saw a sharp reduction in foot traffic and retail activity, Super Regional Centres managed to maintain relatively stable rental income through a combination of rental concessions, diversified tenant mix, and their ability to attract high-value tenants.

These malls are situated in key urban areas, making them highly desirable for both retailers and consumers. International brands, which typically have more financial resources and resilience during economic downturns, anchor these malls, ensuring continued demand for space. Super Regional Centres are increasingly focusing on creating experiential shopping environments, combining retail with entertainment, dining, and leisure activities, helping to sustain foot traffic.

However, while Super Regional Centers have demonstrated strong performance, they are not immune to market shifts. The rise of e-commerce and the pandemic's long-lasting effects on consumer behaviour prompted these centres to adopt omnichannel strategies, integrating online and offline retail experiences.

Regional Centre

Regional Centres, while smaller than Super Regional Centres, play a vital role in Malaysia's suburban retail landscape. These malls serve a broader consumer base, offering mid-range retail brands, entertainment options, and essential services such as supermarkets. While not as prestigious as Super Regional Centres, Regional Centres cater to middle-class consumers and are often located in suburban areas that provide easy access to local communities.

Table 4: Regional Centre Rental Index

Year	Klang Valley (KV)				WP Kuala Lumpur (WPKL)				Selangor (SEL)			
	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)
ANNUAL												
2015	100.0 ↓	RM 126.06 ↓	1,255,942 ↑	84.3 ↑	100.0 ↓	RM 155.60 ↓	508,424 ↑	85.8 ↓	100.0 ↓	RM 102.80 ↓	747,518 ↓	83.2 ↑
2016	100.0 ↑	RM 126.11 ↑	1,413,874 ↑	83.7 ↓	98.0 ↓	RM 152.57 ↓	601,324 ↑	84.2 ↓	101.9 ↑	RM 104.77 ↑	812,550 ↑	83.4 ↑
2017	100.4 ↑	RM 126.57 ↑	1,559,048 ↑	82.8 ↓	98.6 ↑	RM 153.43 ↑	681,964 ↑	84.0 ↓	102.0 ↑	RM 104.84 ↑	877,084 ↑	81.9 ↓
2018	101.6 ↑	RM 128.06 ↑	1,559,048 →	83.3 ↑	100.2 ↑	RM 155.96 ↑	681,964 →	83.1 ↓	102.1 ↑	RM 105.01 ↑	877,084 →	83.4 ↑
2019	102.6 ↑	RM 129.30 ↑	1,539,865 ↓	79.1 ↓	100.7 ↑	RM 156.61 ↑	653,452 ↓	77.8 ↓	104.4 ↑	RM 107.37 ↑	886,413 ↑	76.7 ↓
2020	104.3 ↑	RM 131.43 ↑	1,622,487 ↑	76.6 ↓	102.6 ↑	RM 159.66 ↑	653,452 →	78.3 ↑	105.6 ↑	RM 108.51 ↑	969,035 ↑	75.5 ↓
2021	105.9 ↑	RM 133.49 ↑	1,643,850 ↑	80.5 ↑	103.8 ↑	RM 161.54 ↑	653,452 →	86.3 ↑	107.7 ↑	RM 110.67 ↑	990,398 ↑	76.7 ↑
2022	107.2 ↑	RM 135.12 ↑	1,698,593 ↑	79.5 ↓	105.6 ↑	RM 164.30 ↑	653,452 →	84.3 ↓	107.7 ↑	RM 110.70 ↑	1,045,141 ↑	76.5 ↓
2023	107.8 ↑	RM 135.86 ↑	1,747,196 ↑	82.1 ↑	104.3 ↓	RM 162.25 ↓	706,355 ↑	83.4 ↓	107.8 ↑	RM 110.81 ↑	1,040,841 ↓	81.2 ↑

Rental rates in Regional Centres have been more volatile compared to their Super Regional counterparts. In 2023, the average rental rates for Regional Centres stood at RM 140.52 per square meter, reflecting slower growth compared to larger malls. The pandemic had a more pronounced impact on these centres, particularly as many of their tenants are mid-tier retailers and small businesses that rely on discretionary spending. During the economic downturn in 2020 and 2021, some tenants struggled to meet rental obligations, leading to temporary rent reductions and vacancies.

Regional Centres rely more heavily on discretionary spending, which can fluctuate based on economic conditions. During recessions or periods of economic uncertainty, these centres are more vulnerable to declines in foot traffic and tenant closures.While Regional Centres attract a mix of retailers, they tend to have fewer high-value international brands compared to Super Regional Centres, making them more susceptible to local market conditions and economic disruptions.

As the economy recovers, Regional Centres are expected to gradually improve rental performance. However, their recovery may be slower compared to Super Regional Centres due to the more pronounced impact of the pandemic on mid-tier retailers. Regional Centres will need to focus on creating value for tenants and consumers by offering diversified retail experiences and increasing the focus on essential services and community-oriented offerings.

Neighbourhood Centre

Neighbourhood Centres cater to local communities and are typically focused on providing everyday essential services such as groceries, pharmacies, and convenience outlets. These centres tend to be smaller in size compared to Super Regional and Regional Centres, but they play a critical role in serving the daily needs of nearby residents. Their performance is often more stable due to their focus on non-discretionary spending.

Table 5: Neighbourhood Centre Rental Index

Year	Klang Valley (KV)				WP Kuala Lumpur (WPKL)				Selangor (SEL)			
	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)
ANNUAL												
2015	100.0 ↑	RM 61.57 ↑	1,361,449 ↑	81.7 ↓	100.0 ↑	RM 52.63 ↑	635,210 ↑	86.8 ↓	100.0 ↑	RM 83.67 ↑	726,239 ↑	77.3 ↑
2016	100.8 ↑	RM 62.04 ↑	1,419,984 ↑	80.5 ↓	98.9 ↓	RM 52.06 ↓	667,725 ↑	83.9 ↓	101.8 ↑	RM 85.20 ↑	752,259 ↑	77.5 ↑
2017	100.9 ↑	RM 62.11 ↑	1,549,153 ↑	79.5 ↓	98.9 ↑	RM 52.07 ↑	754,802 ↑	79.4 ↓	101.5 ↓	RM 84.93 ↓	794,351 ↑	79.7 ↑
2018	101.0 ↑	RM 62.21 ↑	1,647,128 ↑	76.5 ↓	99.4 ↑	RM 52.30 ↑	777,575 ↑	76.8 ↓	101.5 ↑	RM 84.94 ↑	869,553 ↑	76.2 ↓
2019	101.3 ↑	RM 62.35 ↑	1,296,445 ↓	76.7 ↑	100.5 ↑	RM 52.90 ↑	567,056 ↓	77.9 ↑	101.2 ↓	RM 84.70 ↓	729,389 ↓	71.1 ↓
2020	101.5 ↑	RM 62.50 ↑	1,353,048 ↑	72.0 ↓	101.6 ↑	RM 53.45 ↑	602,750 ↑	71.3 ↓	100.6 ↓	RM 84.19 ↓	750,298 ↑	72.6 ↑
2021	102.0 ↑	RM 62.78 ↑	1,474,782 ↑	72.3 ↑	102.4 ↑	RM 53.88 ↑	707,375 ↑	73.6 ↑	100.8 ↑	RM 84.33 ↑	767,407 ↑	71.1 ↓
2022	102.5 ↑	RM 63.12 ↑	1,476,697 ↑	72.8 ↑	104.1 ↑	RM 54.77 ↑	674,461 ↓	75.7 ↑	100.6 ↓	RM 84.21 ↓	802,236 ↑	70.3 ↓
2023	103.2 ↑	RM 63.57 ↑	1,523,538 ↑	76.2 ↑	105.4 ↑	RM 55.47 ↑	721,302 ↑	80.5 ↑	101.2 ↑	RM 84.68 ↑	802,236 →	72.4 ↑

Rental rates for Neighbourhood Centres have been relatively stable, with modest growth over the past decade. In 2023, rental rates averaged RM 63.57 per square meter, a slight increase from pre-pandemic levels. The pandemic had less impact on these centres compared to larger malls, as consumers continued to rely on essential services like grocery shopping and pharmacies, which helped sustain foot traffic and occupancy rates.

Neighbourhood Centres demonstrated resilience during the COVID-19 pandemic because of their focus on essential retail services. Unlike larger malls, which saw a sharp drop in discretionary spending, Neighbourhood Centres benefited from sustained consumer demand for everyday necessities. This stability has made them attractive to tenants looking for affordable retail spaces in residential areas.

While Neighbourhood Centres have been more resilient to economic fluctuations, they still face growing competition from e-commerce platforms that offer convenient shopping alternatives for everyday products. This shift in consumer behaviour may limit future rental growth unless these centers can effectively integrate online services or create unique in-person shopping experiences.

Moving forward, Neighbourhood Centres will need to adapt to changing consumer preferences by enhancing their convenience and integrating digital options like click-and-collect services. However, their stable focus on essential services will likely continue to support moderate rental growth in the long term.

Community Centres

Community Centres are the smallest category of retail spaces in Malaysia, often serving highly localized markets. These centres typically house convenience stores, independent retailers, and small businesses that cater to the immediate needs of nearby residents. As a result, Community Centres tend to have the lowest rental rates and the highest vulnerability to economic disruptions.

Table 6: Community Centre Rental Index

Year	Klang Valley (KV)				WP Kuala Lumpur (WPKL)				Selangor (SEL)			
	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)	Index	Average p.s.m. (RM)	Retail Space (s.m.)	Occupancy (%)
ANNUAL												
2015	100.0 ↓	RM 47.31 ↓	558,803 ↑	79.8 ↓	100.0 ↑	RM 30.88 ↑	234,945 ↓	75.6 ↓	100.0 ↓	RM 59.30 ↓	323,858 ↑	82.8 ↑
2016	100.0 ↑	RM 47.31 ↑	603,396 ↑	77.8 ↓	101.7 ↑	RM 31.40 ↑	253,525 ↑	74.9 ↓	99.1 ↓	RM 58.76 ↓	349,871 ↑	80.0 ↓
2017	101.3 ↑	RM 47.94 ↑	635,301 ↑	75.0 ↓	102.8 ↑	RM 31.74 ↑	254,939 ↑	75.5 ↑	100.8 ↑	RM 59.77 ↑	380,362 ↑	74.6 ↓
2018	103.2 ↑	RM 48.80 ↑	642,803 ↑	71.8 ↓	103.9 ↑	RM 32.08 ↑	253,525 ↓	75.6 ↑	103.5 ↑	RM 61.38 ↑	389,278 ↑	69.4 ↓
2019	103.9 ↑	RM 49.14 ↑	644,858 ↑	72.1 ↑	104.6 ↑	RM 32.29 ↑	248,700 ↓	74.8 ↓	104.3 ↑	RM 61.86 ↑	396,158 ↑	69.8 ↑
2020	104.1 ↑	RM 49.26 ↑	664,630 ↑	72.0 ↓	106.4 ↑	RM 32.85 ↑	248,700 →	74.0 ↓	103.6 ↓	RM 61.42 ↓	415,930 ↑	70.9 ↑
2021	103.9 ↓	RM 49.16 ↓	657,680 ↓	70.1 ↓	106.2 ↓	RM 32.81 ↓	253,509 ↑	70.4 ↓	103.4 ↓	RM 61.29 ↓	404,171 ↓	69.8 ↓
2022	105.9 ↑	RM 50.08 ↑	637,744 ↓	70.7 ↑	106.7 ↑	RM 32.96 ↑	242,433 ↓	71.4 ↑	105.9 ↑	RM 62.78 ↑	395,311 ↓	70.3 ↑
2023	105.9 ↑	RM 50.12 ↑	636,110 ↓	69.1 ↓	106.8 ↑	RM 32.97 ↑	248,843 ↑	73.4 ↑	108.1 ↑	RM 64.09 ↑	387,267 ↓	66.4 ↓

Community Centres have experienced the most significant challenges in terms of rental performance. In 2023, rental rates averaged RM50.12 per square meter, with little to no growth compared to previous years. The impact of the COVID-19 pandemic was particularly severe for these centers, as many of their tenants were small, independent businesses that struggled to survive during periods of reduced consumer spending. Community Centres are highly dependent on local economic conditions and the financial health of small businesses. When the pandemic hit, many smaller retailers faced significant financial difficulties, leading to increased vacancies and downward pressure on rental rates. These centres face intense competition from larger malls, which often offer more attractive retail environments and a wider variety of tenants. Additionally, the rise of e-commerce has further eroded demand for small physical retail spaces, as consumers increasingly turn to online shopping for convenience.

The future of Community Centres depends largely on their ability to adapt to changing market conditions. To remain viable, they must focus on providing services that cannot be easily replicated online, such as local dining options, health services, and community-oriented businesses. Without a clear strategy for differentiation, Community Centres may continue to struggle with stagnant or declining rental performance.

Conclusion

Malaysia's retail sector has seen significant variation in rental performance across different categories of shopping centres, with larger malls like Super Regional maintaining strong rental growth due to their premium locations and affluent clientele, while smaller centres like Community Centres faced more significant challenges in sustaining rents and occupancy levels.

Super Regional Centres have proven resilient due to their ability to attract high-value tenants and offer a diversified range of services, while Regional Centres face a slower recovery as they rely more on discretionary spending, which is vulnerable to economic shifts. Neighbourhood Centres have demonstrated stability thanks to their focus on essential services, but they will need to address the growing threat of e-commerce. Meanwhile, Community Centres are the most vulnerable category, struggling with rising vacancies and limited rental growth.

As the Malaysian economy continues to recover from the effects of the pandemic, shopping centres across all categories must adapt to shifting consumer behaviours, particularly the rise of online shopping. By focusing on creating value through experience-driven retail and integrating digital solutions, shopping centers can remain competitive in an increasingly challenging retail landscape.