

Challenges in store for KL Metropolis

The gargantuan KL Metropolis mixed-use development in Jalan Duta, Kuala Lumpur, could face a number of challenges, says C H Williams Talhar & Wong Sdn Bhd managing director Foo Gee Jen.

"The trade and exhibition centre could be the core feature for the development of KL Metropolis. Its developer, Naza TTDI, will need a combination of world-class town planning design, iconic building structures, international standard green environment features and global connectivity in addition to good project planning and phasing, and a superb marketing and promotion campaign," he says.

The development will have to stave off competition from the more mature surrounding areas as well as other mega projects in the works in KL and Greater KL, Foo tells *City & Country*.

Foo defines the locality of the project as Segambut, Sri Hartamas and Mont'Kiara.

"The size of the project and its contribution to the overall growth of Kuala Lumpur as a global city makes it more than just a neighbourhood development, and its market competitors encompass Greater Kuala Lumpur."

KL Metropolis has to contend with other mega projects in KL namely the Kuala Lumpur International Financial District (KLIFD), Bandar Malaysia, Warisan Merdeka, the redevelopment of the Pekeliling flats by Mah Sing Group Bhd, Sunway Velocity by Sunway Bhd, the KL Eco City mixed-use development by S P Setia Bhd, the Rubber Research Institute of Malaysia's (RRIM) Sungai Buloh land and the Sungai Besi old airport redevelopment.

"The government has indicated that these mega projects must play the role of propelling Kuala Lumpur to becoming one of the top 10 global cities. These projects are expected to create

new demand and new markets and not take away existing market share," says Foo.

KLIA connection crucial

The success of the development also rides on accessibility in the local surroundings via the highways, light rail transit (LRT) and mass rapid transit (MRT) lines and its connection to one of the major gateways to the country — the Kuala Lumpur International Airport (KLIA).

"When you want to market your international exhibition centre, the distance from the airport is crucial," says Foo.

He estimates that it would take 55 minutes with smooth traffic to get from the airport to Jalan Duta. With the daily traffic snarl, it would usually take 1.5 hours. "That is not acceptable by international standards. You need to reach [the airport] within an hour at most," says Foo. He notes that the MRT line that is expected to run through KL Metropolis will be up and running by only around 2020.

"For the earlier phases, some road improvements alone will be sufficient, but if you're talking about the entire development, it will not be enough," he adds.

There has been no approved supply of new office space nearby (KL West), while newly completed buildings over the past two years are 1Mont'Kiara, Menara Kencana and I & P Tower 1 and 2, offering 1.09 million sq ft of net office space. Occupancy in KL West has ranged from 88.9% to 89.2% for the past five years while rents are generally lower than for other prime locations within KL.

As for the proposed mall in KL Metropolis, Foo says postponing the mall to a later part of the development will be a wise move by allowing the population to grow first.

As at end-2011, the cumulative supply of purpose-built retail centres in Greater KL stood

at about 27.24 million sq ft. Occupancy remained stable at 89.5% as at the end of last year. Over the next three years, there will be another five retail centres with about 2.5 million sq ft of retail space coming on stream.

Hotels

Foo is more optimistic about the hospitality components as there are no hotels coming up in the vicinity. In 2H2011, there were 74 four-star and five-star hotels with 28,318 rooms and 23 hotel-type serviced apartment developments with 4,382 rooms in KL. Over the next three years, 11 hotels and serviced apartments or 3,956 rooms are expected to be completed, increasing supply by 14%. Meanwhile, in 2H2011 four-star hotels were 70.7% occupied while five-star-hotel occupancy rates stood at 49.7%. Serviced apartments had 66.6% occupancy levels.

"There is still scope for the five-star hotels in general to review their average room rates upwards as the rates in Malaysia are still the lowest in Asia."

Housing

Foo says as at end-2011, the total cumulative supply of non-landed homes in the locality of the development such as Bukit Tunku, Mont'Kiara and Sri Hartamas was 8,678 units. In the next four years, 2,747 units within 11 developments are expected to be completed, increasing cumulative supply by 25% to 11,425 units.

"The occupancy rate for condos within Mont'Kiara/Sri Hartamas decreased to 56% and 43% respectively as at 1H2011 due to the large supply of condominiums/serviced residences that came on stream in 2010 and 2011."

Selling condos at RM1,000 psf here would be "challenging", Foo says, considering the prices of nearby new high-rise homes are going for RM700 to RM800 psf. He suggests that the developer target the international market or those related to the exhibition industry.



Foo: Distance from the KLIA is crucial

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