

NEWSLETTER

ISSUE **55**
Oct 2021



商場管理學會

Institute of Shopping Centre Management

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Message from the Institute

Dear ISCM members and friends,

Time slips along. The fourth quarter of this year saw Hong Kong's economy bounce back after being hit by the COVID-19 pandemic for over 20 months. The economic growth forecast has been adjusted upward as the government is slowly relaxing social distancing rules, and the consumption voucher giveaway has definitely helped to boost spending. Shoppers were again flocking to malls and restaurants. Seeing shoppers out and about and smiling at each other feels better than any feeling on earth. Doesn't it?

The worst has passed. And yet, as we all know, this recovery is uneven, with retailers and tourism-related businesses particularly hard-hit as borders remain shut and travel curtailed to stop the spread of Delta variants. Although retail sales were seen climbing for the seventh straight month in August, there are uncertainties ahead, especially as tourism is still struggling to recover.

Against this backdrop, consumer habits have changed drastically, and they continue to evolve. Online consumers are on the rise. Not only local retail, but global retail has undergone changes, which have taken place faster than ever before. Undoubtedly this is still underway. Retailers will need to provide in-store experiences that shoppers are not able to get from online shops, and pull out all the stops to work alongside online retailers.

Developing a seamless omnichannel experience for shoppers is likely to be the next trump card. In the post-pandemic period, we are seeing concerted efforts from industry players, as retailers strive to formulate various dynamic business plans to evolve their operation modes, and mall developers leverage digital solutions that support this next-gen shopping experience.

This is the time for creative thinking, leading to more personalisation and higher levels of brand loyalty. Under these conditions, the future of our business will definitely be more exciting and experiential, digitally enabled, highly efficient, omnichannel native, and naturally sustainable.

Despite the roller-coaster-like market situation, our institute stands firm in uniting the industry's invaluable efforts to overcome adversity and strengthen Hong Kong's position as Asia's shopping capital. Our first ISCM Awards will be granted to recognise the contributions of our fellow market players. The presentation ceremony will be held in the first quarter of 2022 and I am counting down the days.

I joined the institute more than a decade ago, and I have been grateful to serve in different roles from External Affairs Director, to Vice Chairman and now Treasurer. During my term of office, I helped organise a wide array of activities, including annual dinners and study tours, and now financial matters. I enormously value the opportunity to work for the institute and hence for the benefits of its members. Please join and support us.

Katherine Ho
Treasurer



Study Tour: Rediscovering a New Hub in the Heart of Central



A guided study tour to the Central Market was organised on 24 September 2021. (Fourth from left) Ms Angie Chung, Deputy General Manager, Central Market of Chinachem Group, who is also our Director of Marketing & Promotion, joined the tour with our industry peers.

Finally open to the public after four years of restoration and preservation efforts, the revitalised Central Market situated along Des Voeux Road (between Queen Victoria Street and Jubilee Street), has been transformed into a “Playground for All,” featuring an eclectic mix of shops, food stalls, specialty restaurants, event spaces and more.

It is always our mission to sustain and enhance the professionalism of our fellow members. Shortly after the reopening of the Central Market, our welfare committee organised a guided tour for our members to keep abreast of the latest developments.

Once the first wet market in Hong Kong, the revitalised Central Market was built in 1939, and was highly regarded at the time for its simple, avant-garde and functional style. This Grade Three historical building has since been upheld as a notable example of classic Hong Kong Bauhaus architecture. The new opening marks the completion of the final piece of Central’s “heritage triangle,” along with the historical Tai Kwun and PMQ, connecting communities across the multiple projects and “creating community spaces that can be shared and enjoyed” by all.

With a total floor area of about 122,000 square feet, the location aims to foster community building, cultural legacy and innovation, while preserving the collective memory of old Hong Kong. It boasts an atrium that is equipped with projection and sound systems and seats up to 100 people, making it perfect for hosting street performances and larger-scale events.

This guided tour saw our participants soaking up the atmosphere of some of the most Instagrammable spots in the Central Market, including the two grand staircases, the modern red plastic lampshade ceiling, and the atrium passage at sunset. Interestingly, what stopped all our participants for a photo opportunity was actually the public toilet. Each toilet cubicle is now equipped with a door lock sensor. Additionally, an information display is installed at the entrance to show the real-time occupancy situation of the toilets.

Upcoming: The 17th Annual General Meeting

On 14 December 2021, our institute will hold the 17th Annual General Meeting, where the new board of members will be elected. Despite difficult times during the COVID pandemic, our existing board of members have kept a series of members’ activities running, including webinars and the most anticipated ISCM Awards. Please stay tuned for our announcements, and support our election process.



The past and existing Board of Members are all volunteers dedicated to fully support our Institute

The ISCM Awards: The Finalists' List



Our industry fellows have always strive hard to overcome adversity and strengthen Hong Kong's position as Asia's shopping capital

Shopping centres are at the heart of Hong Kong culture, and are a major driving force behind the city's reputation as Asia's top shopping hub. They are places of commercial competition, but also of community; places where friends and families seek leisure and entertainment. As essential as shopping centres are to the community, the work of retail property professionals—such as retail property management teams, leasing and marketing teams, and retailers—plays a crucial role in providing the public with top-notch shopping experiences.

In an effort to unite the invaluable efforts of our industry fellows in order to overcome adversity and to strengthen Hong Kong's position as Asia's shopping capital, our institute has initiated our first-ever awards: The ISCM Awards 2021. The first ISCM Awards is themed, "The Proven Strengths of Asia's Shopping City: Hong Kong." The aim of this focus is to showcase and express gratitude to Hong Kong's finest retail property management teams, projects and retailers for their contributions to the shopping centre industry, as well as its standards and culture.

Applications opened in January 2021, and we were overwhelmed by the number of applications. After a tough selection process, we are proud and honoured to announce the finalists of the five categories. We would like to give a big thank you to everyone who dedicated their time and efforts to the process. The prize presentation ceremony is scheduled to be held in the first quarter of 2022.

List of Finalists

Best Rejuvenate Shopping Centre

Harbour North
Hin Keng Shopping Centre
Lok Fu Place
New Town Plaza
V Walk

Best Retail Marketing and Promotion Campaign

apm - Flash of Beauty Livestream 2020
Citywalk & Lee Tung Avenue 「Gaia」 地球藝術裝置展覽
Lee Tung Avenue - The Spirit of Christmas
Lee Tung Avenue - Butterflies of Hope
Lok Fu Place - Lok Fu Place Urban Retreat
Olympian City - Doraemon Secret Garden Laboratory
Olympian City - Leonardo da Vinci
Tai Po Mega Mall - Online Learning is Fun
T.O.P. - Cheap Century Christmas Campaign

Best Retail Leasing Team

618 Shanghai Street
Park Aura

Best Property Management Team

Citywalk
Landmark North
Metro Plaza
MOKO
Tsuen Wan Plaza
World Trade Centre

Best Corporate Social Responsibility Project

Citywalk
Metro Plaza
Tai Po Mega Mall - Love Our Earth
Tai Po Mega Mall - United for Kids Future



Most pet lovers these days see their pets as family. (Unsplash photo)

Growing Pet Love Affair Opens Up a Host of Retail Opportunities

More and more families are adopting dogs or cats in Hong Kong. There are various reasons behind the hike in the city's demand, from a decline in the birth rate to a growing ageing population. Many pet "parents" treat their furry friends a lot like human companions, and they are also willing to allocate significant time and financial resources to provide their pets with proper care. Against this backdrop, the city is becoming more hospitable to our four-legged pals, which is reflected in a wave of pet-friendly new and existing shopping malls.

A thriving market

A government study revealed that there were nearly 242,000 families in Hong Kong, who kept a total of 221,100 dogs and 184,100 cats as pets in 2018. According to the German research company Statista, the pet food segment in Hong Kong was expected to grow by 5.9% between the years 2018 and 2021.

There is a boom in the pet business, and the range of pet services is increasing to provide pet parents with all the resources they want to provide for their pets. In addition to the notable business expansion of pet shops, mall developers are also keen to welcome pet tenants with open arms and to promote their shopping malls as pet friendly.

Shopping malls including Stanley Plaza managed by Link REIT, and the Arcade managed by Hong Kong Cyberport Management, have long been known for being pet-friendly. There is nothing surprising about that. Both malls offer lots of open space, making them ideal for a relaxing day out with furry friends. But to bring about a fully-integrated pet-friendly experience, the two malls have also selected tenants that offer professional grooming services for pets. In addition, regular pet-themed activities are scheduled to welcome both pet parents and their bestie pets.

Owned by Sun Hung Kai Properties, Mikiki in San Po Kong is one of the first pet-friendly shopping malls in Hong Kong. The mall not only welcomes pets, but pet parents can also walk their pet inside if the pet is wearing a muzzle and on leash. The mall also provides complementary pet strollers, pet pads and muzzles. Additionally, a dog café can be found on the ground floor where pet parents can enjoy high tea with their besties.

Pet-friendly values cut the mustard

More can be expected in the future. At Peak Galleria, managed by Hang Lung Properties, pets can use a dedicated elevator to access the observation deck on level three, where they can roam freely and play. Pet parents can even enjoy a picnic with their pet friends and friends on the new rooftop lawn at the observation deck overlooking a spectacular view of Victoria Harbour.

In a time when online shopping has become truly mainstream, a shopping mall can hardly be "hip" with only exclusive dining and shopping offerings. Mall operators have to go the extra mile. New World Development's K11 MUSEA, for instance, is one of the few upscale malls that welcomes pets tagging along on their parents' shopping sprees so long as they are carried or put in a stroller or pet carrier. They are also allowed to stay in the common areas inside the shopping mall.

Table 1: New Pet Shops across the City (June–September 2021)

Address	Gross Floor Area (sq. ft) (Not Verified)	Previous Tenants
G6, 374–380 Shau Kei Wan Road, Shau Kei Wan	500	Clinic
G5, 101–102, Kau Yuk Road, Yuen Long	800	Chinese Medicine Practitioner
G7 Cannon Street, Causeway Bay	1,000	Pet Shop (Rental Renewal)

Source: Centaline Commercial & Market Source

Positioning itself as a social hub to promote local creative culture, D2 Place in Lai Chi Kok, owned by the Laws Group, is now a landmark for cultural happenings where the young generation comes looking for fun on the weekends. The whole facility is dog friendly, and dogs are free to roam around the venue with their parents so long as they are kept on a leash at all times. Shoppers can spend quality time relaxing with their four-legged friends under the sun at the rooftop terrace; having a quick bite at the semi-outdoor café; or hanging around at shops with “pet friendly” stickers.

This is also the case at The Mills, managed by Nan Fung Group, which acts as an arts hub for business incubators and experiential retail shops. Shoppers and their pets can hang out at the park and the deck on the rooftop, overlooking the industrial sprawl of Tsuen Wan. The historical building has an extensive open area on every floor, making it an ideal venue even for larger pets. The mall also has a café offering a special dog menu, as well as a veterinary clinic.

Pet business on the ball

Hong Kong Pet Industry Association President Mr Rex Li mentioned in an interview that despite the outbreak of the COVID-19 pandemic, the total revenue of the pet industry dropped only by 20–30% percent, outperforming traditional retail. “Although the pet business is not highly profitable, the global market is expected to grow by 5% from 2019 to 2025 on average,” he says, adding that international big names such as Nestlé, Colgate and Pfizer have already extended their business to the pet market.

In response to the fast-growing pet business, online marketplace HKTMall has extended its pet-supply offerings, and retail chain Watsons has launched its first standalone Wats Petmacy store where a wide range of health supplement products and consultation services are available for pet parents.

Stanley Poon, Managing Director, Centaline Commercial, points to the fact that young Hong Kong families without children like to keep pets. Most owners are also willing to spend on pets. “Pet-related services are becoming diversified,” he says. “Some shops offer supplies, while others are branching out into premium services such as pet care and grooming.”

Mr Poon also notes that while people generally stay home more due to social distancing rules, their desire to keep pets has been growing. “This has led to an increasing demand for pet-related products and services and further supports the rental capacity of pet shops. As long as pet parents regard pets as family members and are willing to spend huge sums of money on them, it is expected that pet shop rentals will continue to rise,” he confirms.

According to a report from Boehringer Ingelheim, Millennials have recently overtaken Boomers as the largest pet-owning generation, and they are shaping the pet market worldwide. The pet-ownership rate is even higher among those with a college education and a stable income—the same people most likely to delay marriage, parenthood, and homeownership beyond the timelines set by previous generations.

These younger consumers not only spend more money on their pets, but they also spend more time with them. Because most see their four-legged friends as an integral part of their family, they are drawn to places where they are welcome to enjoy the day out together. All this is yet another example of how more creative thinking from the mall operators and retailers leads to more business.



Shopping malls innovate in launching pet-related marketing events to attract shoppers (Photo credit: Harbour North)

Strategies to Weather Market Storm

Hong Kong's retail market is gradually recovering from the unprecedented disruption of the COVID-19 outbreak. The pandemic has not only dampened business activities, but it has also affected people's ways of living and spending.



The retail landscape in prime shopping destinations has undergone drastic changes (Photo credit: Hong Kong Tourism Board)

The official figure shows that Hong Kong's retail sales registered HK\$327 billion last year. In the first eight months of this year, the total value of retail sales was HK\$230 billion — an average of only HK\$28.8 billion per month. This is far from the average of about HK\$40 billion per month before the social event and the COVID-19 pandemic.

At the end of the day, with the absence of tourist consumption, retail sales can hardly go back to previous levels, as they are constituted only by local consumption of 7 million people. Amid the new normal, retailers and landlords have adjusted their strategies swiftly, building new business models as well as embracing technology and innovation.

Pop-up stores to fill vacant spaces

The retail landscape in core retail areas has undergone drastic changes. For example, on Queen's Road Central most of the tenants used to be luxury brands. However, as rents dropped sharply, new tenants have moved in, including mid-priced fashion brands, bakeries and banks.

With the retail sector facing turbulent times, both landlords and retailers have adopted new strategies to brace themselves during the downturn. For instance, some landlords who own large shops have divided some of them into smaller shops to make it easier to lease vacant space. In addition, rather than leaving their shops empty, and to help subsequent tenants reduce fitting-out costs, some landlords have rented vacant shops to pop-up store retailers, who look for higher flexibility and require minimal space modification, and have short-term leases of usually less than a year.

The surge in pop-up stores is indeed the latest sign of an adjustment in Hong Kong's retail property scene, reflecting how the retail industry has battled to weather the COVID-19 storm. Pop-up stores can be a short-term solution to fill vacancies for landlords, as well as a strategy for some retailers to rein in costs.

Innovative retail concepts welcomed by landlords

Landlords with large-sized shops in prime streets have been striving to lease their large vacant shops to suitable tenants. Viable options for them have been limited, as large-sized shops are no longer in demand by international and luxury brands who can afford high rents. Instead, landlords have partnered with retailers who have innovative ideas, such as those that incorporate art elements, or online retailers.

Digital Art Fair, which focuses on immersive art, new media art and NFT Crypto Art, is a case in point. The organiser took over the former Topshop flagship store on Queen's Road Central in late September to conduct its first exhibition in Asia.



Digital Art Fair took over the former Topshop flagship store on Central and had its first exhibition earlier.

Online retailers grab opportunities for offline presence

Online shopping has developed rapidly during the pandemic outbreak. The percentage share of total retail sales has increased from 6.3% in 2020 to 7.3% in the first eight months of this year. Such rapid development of e-commerce has led to a new retail landscape in Hong Kong.

Some online brands that have developed to a certain scale wish to set up physical stores as an additional sales channel to expand their customer base and provide more value for their existing customers. The current market has offered them the opportunity to set up a physical presence with lower rental costs, especially in prime shopping malls and retail streets. For example, online beauty brands "Little Stardust" and "Woke Up Like This" opened stores at Times Square, while the "I Never Use Foundation Breakfast Club" opened an outlet at Landmark.

Market outlook

The outlook for Hong Kong's retail market will remain highly challenging. Uncertainties in the local stock market could possibly weigh on consumer spending, but some positive fundamental factors including an improving labour market and improving economic performance will be tailwinds.

We foresee that the food and beverage sector (F&B) continue to outperform, and will see robust demand for shop leasing. A number of fast casual restaurants, such as cafés, dessert shops and Japanese restaurants have opened rapidly. The receding impact of COVID, lower rents and relatively smaller upfront capital expenditure (CAPEX) have underpinned the expansion of this sector.

In terms of retail leasing and shop rental, we expect that quality shops will be more resilient and see a pick-up in rent levels. While retailers have regained confidence with the further revival of domestic consumption, retail premises at convenient locations with corner and extensive shop frontage, high-headroom, or with technical provisions for operating restaurants will continue to see a strong demand.

Small to medium-sized shops with a monthly asking rent of about HK\$150,000 or below will be more popular, as these shops always attract multiple-tenant offers, and their rent is expected to see a 5-10% increase in the remaining quarter to early 2022 compared to last year.

Lastly, the extent of the stimulus effects that the consumption voucher creates is still uncertain, but it is expected to underpin retail sales and restaurant receipts at least for a short-term period. We estimate the total retail sales to reach HK\$360 billion this year, given the support of the government's consumption voucher scheme.



Helen Mak
Senior Director,
Head of Retail Services, Hong Kong
Knight Frank

Membership Application

Our Membership is open to any individual person who is a practitioner in shopping centre industry. Students who have enrolled in the course of shopping centre management at HKU School of Professional and Continuing Education (HKU Space) or other relevant courses will also be considered.

Grade of Membership	Annual Fee
Fellow Member	HK \$1650
Full Member	HK \$1100
Associate Member	HK \$ 720
Student Member	HK \$ 280

Online application can be completed at the following link:

www.iscm.org.hk



ISCM Secretariat Office

Contact Number | (852) 6225 5708 / (852) 3159 2907

Email | secretariat@iscm.org.hk

Address | Room 1106-08, 11/F, C C Wu Building, 302-308

Hennessy Road, Wanchai, Hong Kong

Website | www.iscm.org.hk