ABSTRACT

An existing shopping centre has to renovate to stay ahead. Construction of a new mall with a more contemporary look, anchor tenants with greater drawing power, and more appealing specialty stores within the catchment area of an existing older shopping centre will reduce its competitiveness. Therefore, it is important for both the new and existing shopping centres to have complementary retail trades so that they do not compete with each other for the same potential shoppers in the same catchment area.

To capture the projected potential shopper traffic at Novena Square from the transient population of 96,300 shoppers, which exceeds the potential shoppers from catchment population (66,800 shoppers) by 44%, Novena Square taps on impulse buying. Hence, United Square has to change its image as a shopping centre for convenience goods for office workers only. With Novena Square establishing itself as a place well-known for good food and providing convenience goods, United Square shall reposition itself through refurbishment as an education centre to stay ahead.

From the market survey, it is deduced that 37% of respondents has a household income exceeding $5,000. The two groups of shoppers identified for Novena Square are the young yuppies (single or married) without children and the middle age group with young children. Having identified a niche market as an education centre, United Square shall target families with children. As it is already a popular location for schools given its convenient pick up and drop off points, it should establish itself as an all round education centre with promotions, games and activities for children during weekends.
To have more generative business, a 746 seat cineplex is proposed for United Square to attract shoppers during weekends. It also aims to draw crowds from nearby shopping centres with a cineplex so that cinema-goers shop at both United Square and Novena Square. Because both the developments are under the control of UOL, Novena Square can complement United Square by targeting at young yuppies. With complementary trades, a synergy between the two developments is formed. Another advantage of having the same developer is that the completion date of the proposed refurbishment to United Square can be planned to coincide with the date of Temporary Occupation Permit of Novena Square for joint promotion of the two developments at the same time.

To show that the proposed tenancy mix for United Square is commercially viable, DCF analysis is performed to determine NPV of the refurbished United Square and NPV of the building if not refurbished. The NPV of the refurbishment is then computed from the difference between the two NPVs. The NPV of $588,740.65 means that the developer is $588,740.65 better off with a refurbished building making the refurbishment worthwhile after taking into account cost of refurbishment, development charge payable, projected rental loss and all other cost and projected revenue.

Keywords:

Novena Square, United Square, UOL, Tenancy mix, Refurbishment, Cost-benefit