

# REIT

# OVERWEIGHT

## Is TRX Shaking Up the Luxury Market?



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We recently conducted a market survey at The Exchange TRX Mall (TRX) to evaluate the performance of TRX’s luxury segment and its potential impact on other luxury malls in KL City owned by PAVREIT and KLCC in particular. Based on our survey, we opine that TRX’s impact to the existing players in Malaysia’s luxury mall landscape is marginal and has likely been priced in at the current juncture. Maintain OVERWEIGHT on the REIT sector with our Top Picks being SUNREIT (OP; TP: RM1.81) and PAVREIT (OP; TP: RM1.66).

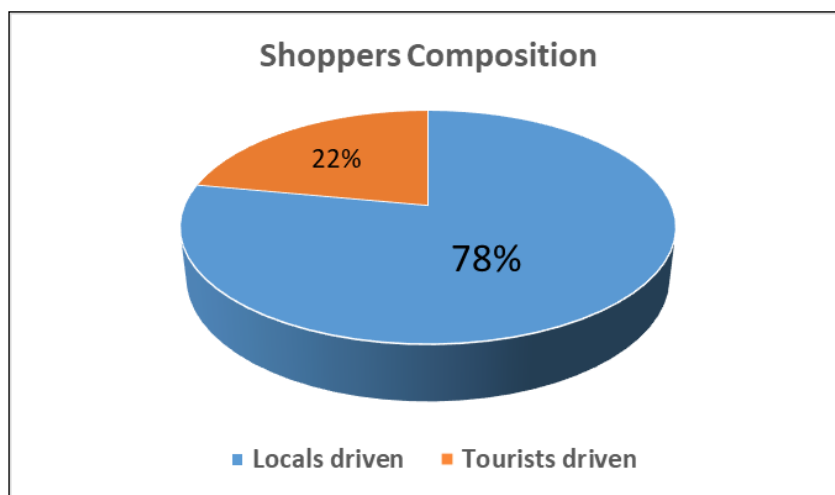
**\*\*Please refer to our survey methodology at the end of the report.**

We conducted an on-the-ground market survey on the luxury market, receiving feedback from most of the retailers we reached out to. The market survey, aimed to gather insights from luxury brand outlets at TRX Shopping Mall, mainly on high-fashion goods, with focus in the questions below:

1. Is the luxury segment in TRX driven by locals or tourists? (for tourist dependent brand, more than 50% of its sales from tourists)
2. Whether shopper volume is increasing or decreasing
3. Insights into average sales performances of each brand
4. How much have product prices increased in the year?

**Only one out of 5 shops likely tourist dependent.** We gathered that a fair presence of tourist can be seen at TRX, but luxury spending is still primarily driven by local customers (according to our sample size of 25 interviewees), with a smaller 22% share of respondents deemed tourist dependent. However, a few brands may see a higher proportion of tourist buyers, possibly due to the nature of their products. (Refer to Appendix Question1)

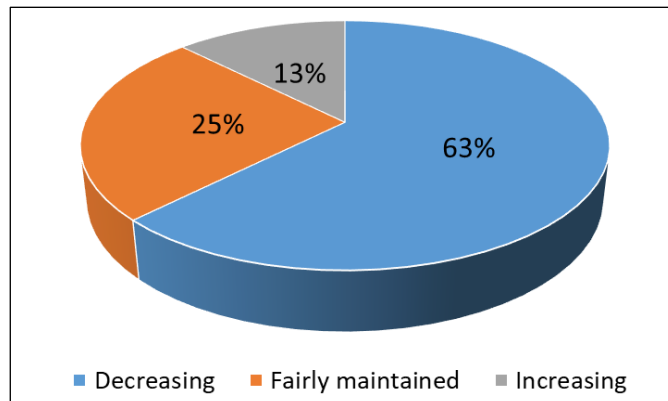
**Question 1: Percentage of shops that are dependent on tourists versus dependent on locals**



Note: Due to limited sample size, data should only be used as a reference  
Source: Kenanga

**TRX debuted well but crowd does not translate to sales for luxury brands, survey respondent says.** When TRX first opened its doors in November 2023, the mall created a buzz, attracting a phenomenal crowd of shoppers flocking there to explore the newly launched luxury shopping destination. However, the hype is now gradually fading, leading to a drop of in-store shoppers, according to most retailers we surveyed. Based on our survey, only 13% of respondents is seeing increasing shoppers compared to the beginning of the year. Our observation also revealed that the mall is busy during lunch hours, particularly at the lower ground floor where most F&B outlets are located. However, retailers said the crowd does not translate to meaningful sales for luxury brands. (Refer to Appendix Question 2)

**Question 2: Change in number of shoppers since the beginning of the year**



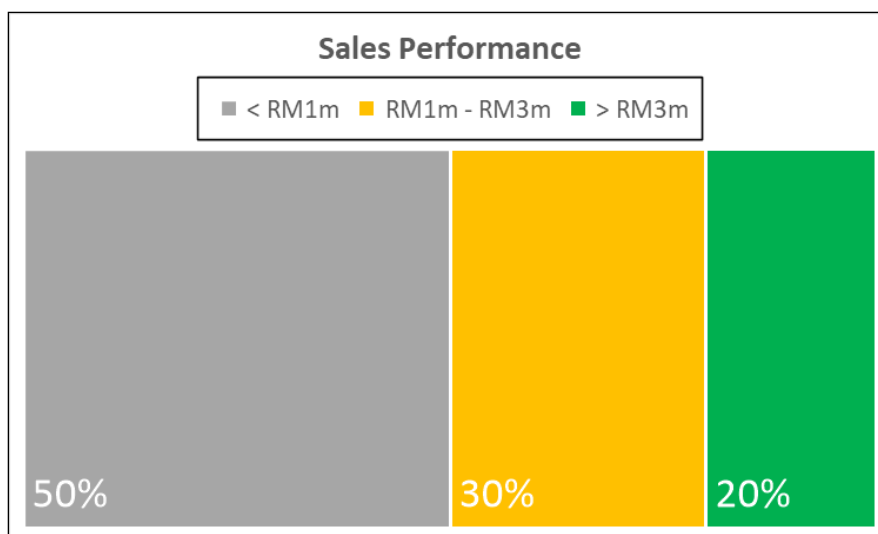
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Source: Kenanga

**Performance – not all respondents are performing well vis-à-vis targets.** The results of the survey indicated that luxury sales at TRX have been on a downward trend since mid-2024, partly due to seasonal factors, such as the absence of major festivals like Chinese New Year or Hari Raya, which typically boost spending. Interestingly, some retailers have observed that affluent locals are opting to shop abroad, taking advantage of the strengthening MYR to purchase luxury goods at more favourable prices, further contributing to the dip in local sales.

Although larger brands seemed to be able to command commendable traffic, we also hear from several retailers that they are still struggling to meet their sales target. From the data we compiled (based on 25 samples), the majority are recording turnover of below RM1m, and we observed that approximately 30% of luxury brands are generating a higher monthly revenue between RM1m and RM3m while a smaller 20% of them that can exceed the RM3m mark.

Despite the growing pie for luxury market over the years, it is still noteworthy that the immediate effect of TRX’s opening seemed to be a marginal decline in the performance of luxury stores in established neighbouring malls, according to a handful of retailers and respondents. (Refer to Appendix Question 3)

**Question 3: Sales performance of luxury brands in TRX**



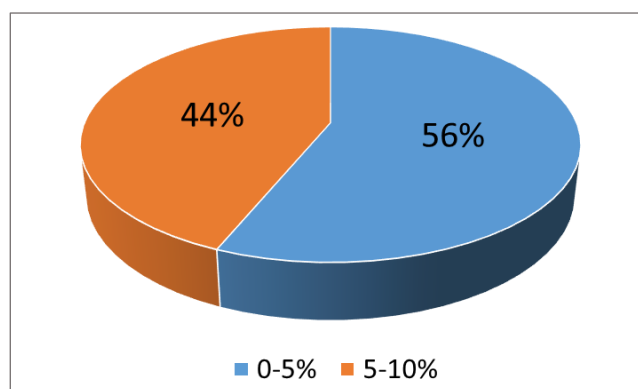
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Source: Kenanga

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**Price movement – some slowing in the usual price hikes.** From a pricing perspective, most luxury brands that we spoke to have either kept their prices unchanged or implemented modest annual increases. However, we encountered some that are slowing down their usual price hikes, adopting a more cautious approach to remain competitive and attract more sales in the current economic climate. Per our survey, the majority of respondents hiked prices in the lower 0 to 5% range.

We came to learn that certain brands have set up their flagship store in TRX mall (i.e. Jimmy Choo, Gentle Monster). Coupled with the fact that Apple opened its first Malaysian flagship store in TRX also helps to give the mall an edge over competitors. On that note, while Pavilion KL and Suria KLCC remain at the top in the market for luxury goods, we are pleasantly surprised that a handful of brands in TRX are doing better than their outlets at The Gardens Mall in Mid Valley, and Genting Premium Outlet in terms of monthly sales. (Refer to Appendix Question 4)

#### Question 4: Product prices increase since the beginning of the year



Note: due to limited sample size, data should only be used as a reference  
Source: Kenanga

**Kenanga's take.** Convenience, in terms of accessibility, was one of the positive feedback we received from shoppers, highlighting both road connectivity and an MRT station directly accessible from the mall. The TRX mall also holds potential for further growth on the back of government's initiatives and efforts to transform the area into the country's next financial hub. Nevertheless, we hold the view that TRX's impact to the existing players in Malaysia's luxury landscape is not overly concerning. Neither does it diminishes the pull-factor of nearby malls. We reckon that a majority of tourists will still spend their shopping hours in Suria KLCC, drawn by the iconic landmark of Petronas Twin Towers. In addition, many high-net-worth individuals within Klang Valley would still prefer shopping in the heart of Bukit Bintang where malls like Pavilion KL are situated.

**Maintain OVERWEIGHT on the REIT sector.** Post-market survey, we continue to believe that PAVREIT and KLCC which have exposure to luxury malls in the KL city centre i.e. Pavilion KL and Suria KLCC will give positive risk reward to investor portfolios as the potential impact from TRX is likely already priced into the market. Our sector Top Picks are SUNREIT (OP; TP: RM1.81) and PAVREIT (OP; TP: RM1.66).

*\*\*Survey Methodology: We approached half of the luxury brands located at ground floor of the mall where most of the luxury brands are located. Approximately 30% of interviewees declined to participate in the survey.*

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## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Gross Div. (sen)	Gross Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>REITS</b>																	
AXIS REIT	MP	1.79	1.80	0.6%	3,128.0	Y	12/2024	9.4	10.1	10.1%	23.8%	19.0	17.7	1.1	5.8%	8.7	4.9%
CAPITALAND MALAYSIA TRUST	MP	0.695	0.640	-7.9%	1,996.3	N	12/2024	4.4	4.7	8.7%	5.5%	15.7	14.9	0.8	5.0%	4.3	6.2%
IGB REIT	MP	2.20	2.00	-9.1%	7,947.4	N	12/2024	10.8	12.2	8.2%	13.4%	20.4	18.0	2.1	9.7%	10.1	4.6%
KLCCP STAPLED GROUP	OP	8.00	8.38	4.8%	14,442.7	Y	12/2024	44.7	46.3	13.6%	3.7%	17.9	17.3	1.1	5.2%	42.5	5.3%
PAVILION REIT	OP	1.58	1.66	5.1%	5,783.9	N	12/2024	9.7	10.4	23.7%	7.4%	16.3	15.2	1.2	7.2%	9.0	5.7%
SUNWAY REIT	OP	1.82	1.81	-0.5%	6,233.2	N	12/2024	10.5	11.4	2.7%	9.0%	17.4	16.0	1.2	6.5%	8.8	4.8%
<b>SECTOR AGGREGATE</b>					<b>39,531.4</b>					<b>11.6%</b>	<b>8.5%</b>	<b>18.0</b>	<b>16.6</b>	<b>1.2</b>	<b>6.6%</b>		<b>5.2%</b>

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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