

One Galle Face's BENJAMIN NG on the Future of Retail and Commercial Real Estate

The mixed development One Galle Face has a combination of well-established retailers in the Mall and international tenants in the office. The development was launched in November 2019, which was just before the pandemic hit Sri Lanka. We spoke with the Senior Manager of Mall and Office Management at One Galle Face, Benjamin Ng, on the impacts of these unforeseen events and also the future of the retail and commercial real estate sectors.



Shortly after the launch of One Galle Face, the pandemic took over. Can you please give us an overview of the impact this has had on One Galle Face?

The pandemic has been an unforeseen situation faced by the country which affected our retailers adversely. Some of the challenges faced by retailers are not just lack of sales but difficulty in completing fit-outs or bringing their products to sell due to import controls, or getting management staff into the country due to travel restrictions. Some retailers also requested shorter operating hours due to the changes in footfall patterns or staffing difficulties due to the travel restrictions.

Seasoned retailers have managed to cope better, having had experience dealing with past challenges. Recognised tenants, such as Odel and Keells, thrived at our Mall due to their strong customer base. PVR has also done well due to the superior cinematic experiences that are offered, despite the capacity limits and F&B restrictions.

Our efforts have been focused on driving footfall, and spending on strong marketing support and activities to make the Mall a stronger proposition for the shopper.

Fortunately, for the office tower, a large proportion of our existing tenants are banks and financial institutions who emerged as the most resilient during these trying times. They required space for their back end operations which generated revenue, and therefore, the need to renegotiate lease terms was not necessary.

What general changes have you seen in the retail and commercial industries due to the pandemic?

Due to the timing of the pandemic, we were unable to conduct a sustained period of operations to gain consumer spending insights. Our Mall and tenancy mix was designed to accommodate tourist predictions, but the pandemic eventually shifted our focus to the domestic market.

The one positive change that has come out of the past few months is that the pandemic has highlighted the need for secure, well-sanitised office premises. There have been increased demands in this respect, with companies requesting to ensure that certain standards are maintained as well as having sufficient space to practice social distancing. Our parent company Shangri-La specialises in hospitality, which was advantageous when transferring hygiene and safety protocols for our Mall and office operations.

Interestingly, the pandemic also popularised working from home. Although working from home has become an acceptable trend for many, it does not work equally across all sectors. It can blur boundaries and the value of personal interaction within a workplace. Therefore, many companies are on hybrid arrangements now and this is likely to continue.

Over the recent past, green buildings are also being sought out, where companies are adopting zero-carbon strategies with the latest ESG (Environmental, Social, Governance) requirements. Being the only operational green office building in Colombo, we are more likely to be selected by these companies due to the lack of options elsewhere. The pandemic has acceler-

ated the process to implement proper infrastructure and protocols. Therefore, we have been engaged in advanced negotiations with discerning occupiers who recognise advantages in being in a building like ours.

The commercial real estate market tenant dynamics have changed in the past 3-4 years. What is your perspective on these changes and how they have shaped One Galle Face?

While most of our earlier tenants were into banking and finance or investments, over the past 6 months or so, there has been an uptake in inquiries from the IT sector and MNCs.

We have also noticed that tenants are now becoming more aware of the importance of adapting to multi-tenant buildings, as its clustering effect offers them chances to be in the vicinity of like-minded people for potential partnerships.

We take a long term view towards our ownership of One Galle Face. Excluding the residential apartments, we only do leasing and do not sell individual office or retail units. This is because we want to control the overall tenant mix as it is an important value proposition to the tenants that we are committed to.

E-commerce is a growing global trend. What is the impact of e-commerce on retail property?

To us, e-commerce and mortar retail go hand in hand where one cannot survive without the other. E-commerce is highly beneficial and it is a new window that has opened up opportunities for retailers to continue revenue generation even with restrictive operating conditions during the pandemic. We have also adapted our offering by enabling our retailers to go

online as well and facilitated deliveries for these online sales. However, shoppers always chose to return when possible because the physical shopping experience simply cannot be replicated online.

Furthermore, this Mall is not just about shopping. It is also about dining, entertainment and lifestyle and you have to be here to experience it.

One Galle Face is placed in close proximity to the Colombo Port City development. How do you think the Port City would impact different sectors?

Those located within its immediate vicinity will indeed be positively impacted by any development of Phase One of the Port City. If it continues to attract international interest to Sri Lanka, all sectors will benefit.

Retail-wise, I believe that there is room for more diversity in terms of the types of retail space within a market or sub-market. Colombo Port City will certainly facilitate this.

What are your general thoughts on the future of retailing?

The market has top quality real estate supply coming in and therefore, occupiers seeking better quality will have more choice. This is a positive development that raises general standards.

From what we have observed, the market with disposable income is still in its infancy. However, we are seeing fast middle-class growth and we believe that this represents good potential for the future in terms of retailing.