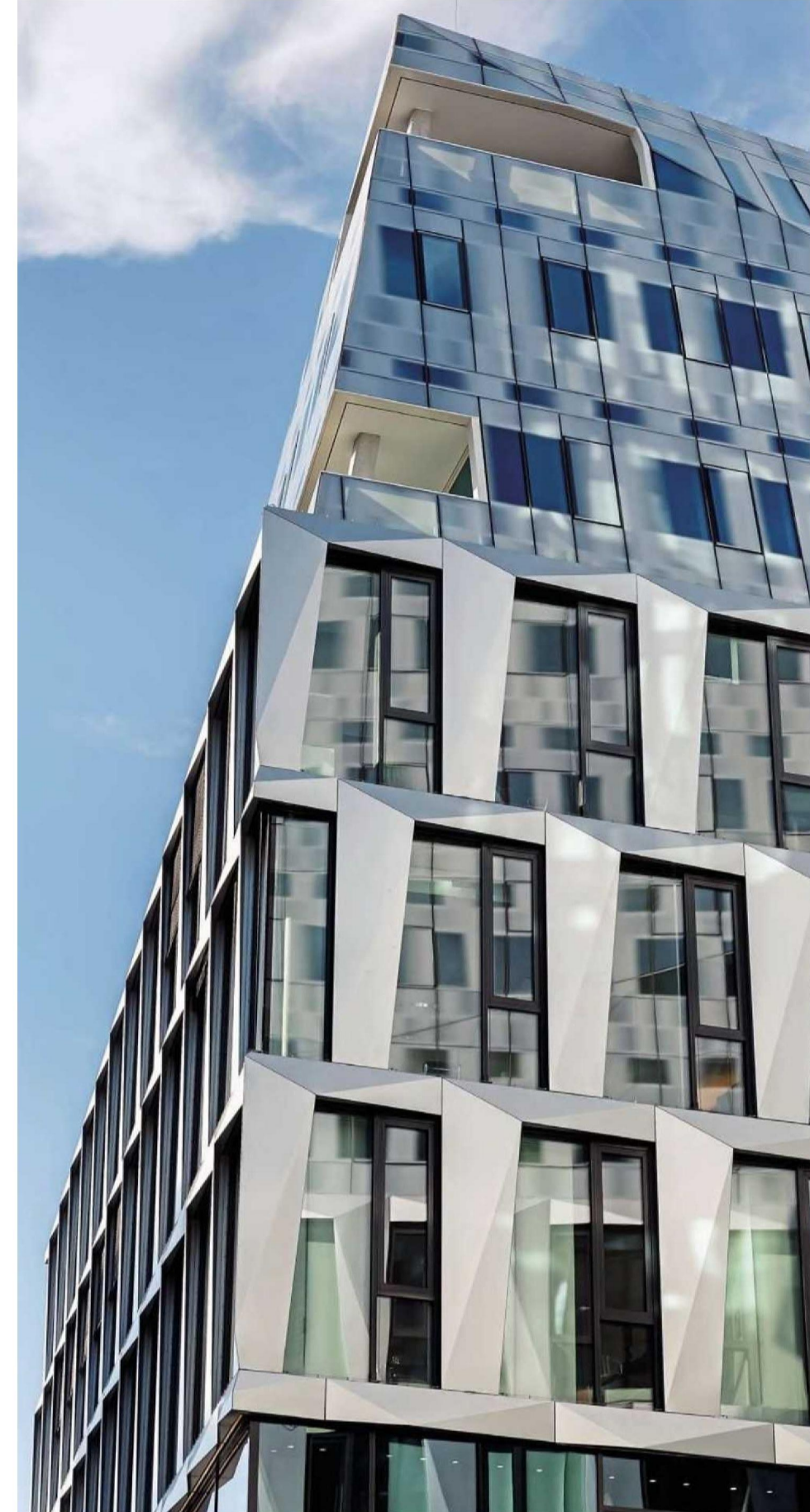


The past.

The present.



The future?

# The transformation of shophouses: The **past, present** and **future**

THE early retail landscape during and post-World War II saw the emergence of shophouses, a unique format combining commerce and residence. The upper floors of these developments typically served as living quarters for workers or the owner's family, giving rise to the term shophouses.

These shophouses offered a diverse range of merchandise, from basic necessities like groceries and pharmaceuticals to luxury items such as fashion and household goods. In narrow alleyways, some even housed sin businesses like gambling and opium dens or even places to house the concubines of rich individuals as evident in Ipoh's Concubine Lane.

Since their inception, shophouses have adhered to the fundamental principles of real estate: prices and rents decrease with elevation as well as the alfresco kaki-lima or five-foot way which provided essential weatherproof pathways for pedestrians. While the residential aspect of shophouses has diminished over time, their commercial appeal remains robust. They continue to be a significant part of urban communities, often included in development plans as highly sought-after investment assets. The enduring demand for shophouses ensures their relevance

in modern real estate markets.

## Transition to shop offices

As urbanisation increased, the shophouse concept evolved into shop offices located in business centres near new residential areas. These structures remained a prominent feature in Malaysia's urban and suburban landscapes, with rows of shop offices continuing to be constructed. Shop offices, typically ranging from two to seven stories, became one of the most preferred office typologies. However, shophouses did not disappear from the landscape - they evolved, incorporating modern materials and often reaching up to four stories.

Modern shophouses and shop offices often share similar exterior designs, with differences primarily in the upper floor layouts. Modern shophouses typically feature residential layouts with room divisions while shop offices offer flexible, undivided spaces that can be customised according to business needs. This flexibility has made shop offices particularly popular in new suburban areas of Kuala Lumpur.

The evolution from shophouses to shop offices also involved regulatory considerations. According to Dewan Bandaraya Kuala Lumpur (DBKL),



By JOSEPH WONG

**Covid-19**  
accelerated changes in shophouse designs

**Digitalisation**  
of this asset type has become more prolific

shop offices fall under the commercial development category, with specific regulations mainly applicable in areas like the Warisan Zone in the city centre. For business centres with shop office typology, the authorities monitor the usage of plot ratio and the proposed number of stories, ensuring compliance with fire department requirements.

However, the ongoing urbanisation and increasing consumer demand for diverse merchandise have driven the evolution of retail spaces. This shift has led to the development of more organised and amenity-rich retail estates, with shopping malls becoming the preferred format to meet these socio-economic needs.

Despite these changes, shophouses still hold significant value for consumers. To understand their appeal, consideration has to be given to the preferences of retailers and how they view these two formats as seen in Table 1.

## The future of retail spaces

As urbanisation continues and consumer preferences evolve, both shophouses and malls will need to adapt to stay relevant. The Covid-19 pandemic has further accelerated changes in retail, with an increased emphasis on e-commerce and hybrid shop-

Table 1:

## Retailers' perspectives of shophouses vs shopping malls

SHOPHOUSES	SHOPPING MALLS
<b>Location and foot traffic</b>	
Located in bustling urban areas, shophouses benefit from high foot traffic and visibility. They attract a steady stream of local customers and passersby, making them ideal for small businesses, specialty shops, and eateries.	Malls are strategically located to draw large crowds, offering ample parking and a variety of attractions. They cater to a broader audience, including tourists and families, providing a controlled environment that enhances the shopping experience.
<b>Cost considerations</b>	
Generally, shophouses have lower rental costs compared to prime spots in malls. They offer flexibility in terms of space usage and lease terms, making them attractive for startups and independent retailers.	While rental rates in malls can be high, the potential for increased sales due to higher foot traffic and comprehensive marketing strategies often justifies the investment. Malls also provide additional services and amenities, such as security and maintenance, which can offset some operational costs.
<b>Community integration and customer loyalty</b>	
These establishments often foster a strong sense of community. Regular customers build personal relationships with shop owners, enhancing customer loyalty and repeat business. The charm and historical significance of shophouses also add to their appeal.	Malls offer a one-stop-shop experience, which is convenient for customers looking to fulfil multiple needs in one visit. They also host events, promotions, and entertainment options that draw crowds and enhance customer engagement.
<b>Flexibility and customisation</b>	
Shophouses provide greater flexibility for customisation, allowing retailers to design their space according to their specific brand image and operational needs. This can be particularly advantageous for niche businesses that require a unique ambiance or layout.	While malls have more rigid design guidelines to maintain a cohesive aesthetic, they offer standardised retail spaces that come with professional management services. This ensures that the overall look and feel of the mall remains attractive and consistent, benefiting all tenants.
<b>Market reach and brand exposure</b>	
These properties typically serve a more localised market. This can be beneficial for businesses looking to establish a strong local presence and build long-term relationships within the community.	Malls provide extensive brand exposure due to their diverse and high-volume customer base. National and international brands often prefer malls for their ability to attract a wide demographic, providing opportunities for larger-scale marketing campaigns and brand partnerships.
<b>Operational support and infrastructure</b>	
Retailers in shophouses often manage their own operational support, including maintenance, security, and utilities. This can be a double-edged sword; while it allows for autonomy, it also requires additional resources and effort.	Malls typically offer comprehensive support services, including security, cleaning, and marketing, which can alleviate some of the operational burdens for retailers. This infrastructure is particularly appealing to larger brands that benefit from a more managed retail environment.