

Omani retail space set for rapid expansion



OMAN, SALALAH - OCTOBER 12, 2016: Grand Mall

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Retail investors and mall developers are flocking to Oman in increasing numbers on the back of rising demand from consumers and the market's potential for growth.

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Developments in the pipeline include both large-scale malls and smaller neighbourhood shopping centres, with a raft of projects expected to come on-line before 2020.

Mall expansion gaining pace

More than 100,000 sq metres of new retail gross leasable area (GLA) was delivered in 2015, earning Muscat the 25th spot on global real estate consultancy CBRE's "Global Shopping Centre Development" list, the highest ranking of any MENA city.

The jump in new retail space was largely due to the completion of two key projects: Avenues Mall, which covers 80,000 sq metres of GLA, making it the largest shopping centre in the country; and the 21,000-sq-metre Panorama Mall.

More retail options were made available in 2016, with the launch of several new malls and shopping centres both in the capital and elsewhere. In Muscat, Ocean Mall opened its doors in April in the heart of the Qurum business district, offering 4000 sq metres of GLA, and Oasis Mall came on-line in June, providing 35,600 sq metres of GLA in Al Khuwair. Meanwhile, in Nizwa, the first phase of the 36,700-sq-metre Nizwa Grand Mall was completed at the end of May.

A raft of additional projects will add significant retail space to the sultanate in the coming years, including the OR90m (\$234m) Palm Mall Muscat, a fully Omani-owned venture that being undertaken by Al Jarwani Group. Located in Mabella, 14 km from the city's airport, the development will comprise 105,000 sq metres of leisure and retail space, with completion slated for late 2017.

The Dubai-based retail group Majid Al Futtaim also plans to invest heavily in a series of retail developments across Oman in the coming years, with total spending through to 2020 expected to reach OR515m (\$1.3bn).

Projects include the ambitious OR275m (\$715.2m), 137,000-sq-metre Mall of Oman, which is expected to become the country's largest integrated retail, leisure and entertainment destination when it opens in 2020.

Other projects earmarked by the group include the OR5m (\$13m), 3150-

sq-metre expansion of the company's City Centre Qurum in Muscat due by the end of this year; the 16,500-sq-metre City Centre Sur community mall expected in 2017; and the 40,000-sq-metre City Centre Sohar scheduled for 2018. The company expects the new malls, once open, to create 42,000 jobs by 2020.

Shoppers driving development

Heightened investor interest comes despite challenging economic conditions in Oman. The sultanate's economy has felt the weight of low oil prices in recent years; however, a sustained period of strong growth prior to the oil crisis has helped ensure that the country remains an attractive destination for retailers.

Aruna Tavarkhed, deputy mall manager of Panorama Mall, described the exposure and growth witnessed in Oman as "tremendous".

"With growing awareness of consumers, the demand for better facilities and better environment is high," she told local media. "People look forward to new international brands to keep up with the worldwide trends, thus there is interest from international brands about coming to Oman."

Looking local

The sultanate's retail sector is less developed than those of neighbouring markets, such as the UAE, Kuwait and Qatar, with GLA per capita currently the lowest in the GCC at 0.09 per sq metre.

However, there are still concerns that a full project pipeline of malls could see the large-scale shopping-centre segment edge towards saturation, prompting some industry players to shift their focus elsewhere.

Instead of large malls, which are usually defined as projects spanning more than 30,000-40,000 sq metres, a number of operators are turning their attention to the development and refurbishment of neighbourhood malls

and hypermarket-mall hybrids, with a view to improving their merchandise mix and consumer experience.

These smaller malls, which normally cover 3000-4000 sq metres, traditionally play a valuable role serving the day-to-day needs of localised shoppers. “The market is moving in the direction of large leisure shopping centres leading the overall offering, alongside neighbourhood malls catering to specific communities,” Gogi George, general manager of project development and leasing at LuLu Group International, told OBG.

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