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(AIJBES)**www.aijbbs.com**MARKET ANALYSIS OF SHOP-OFFICES DEVELOPMENT: A
CASE STUDY IN RAWANG, MALAYSIA**

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Abstract:

Lack of demand-supply studies, inadequate understanding of local demographics, and speculative development have all played critical roles in the increasing number of unsold shop-offices. The main objectives of this study are to assess the current and future demand and supply of 2-storey shop-offices and to evaluate the proposed development through a comprehensive SWOT analysis. This study adopts a quantitative research method and relies on secondary data sources. The collected data was analyzed by frequency and changes to provide descriptive statistics. The demand and supply analysis shows that the proposed development is currently in demand when it has the highest number of transactions, but lacks completion and project starts in the past few years. However, the new planned supply of 2-storey shop-offices will

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be the competitors to the proposed development in the future. Furthermore, SWOT analysis found that the proposed development has many strengths, opportunities, and threats but with minimum weaknesses.

Keywords:

Market Analysis, Demand, Supply, Shop-offices, Development

Introduction

In recent years, the commercial property sector in Malaysia particularly the shop-office segment in Selangor has faced significant challenges due to the oversupply of units. A key factor contributing to this issue is the absence of comprehensive market analysis by developers before launching new projects. The lack of demand-supply studies, inadequate understanding of local demographics, and speculative development have all played critical roles in the increasing number of unsold shop-offices, thereby affecting the financial sustainability of developers.

Since the first half of 2024, Selangor has recorded about 355 office units that have been completed but unsold, as well as 461 additional units are still being built and unsold (NAPIC, 2024). These figures point to a substantial market overhang, where the volume of unabsorbed inventory signals a mismatch between supply and real market demand. This glut directly burdens developers, their working capital links and increases the holding cost, which forces them to reduce prices, incentives or prolonged time without rent, but eventually erode profits (Knight Frank Malaysia, 2024).

Developers have often launched projects based on superficial market observations or herd behavior, rather than grounded research into income levels, business activity trends, and absorption rates in specific localities (Savills Malaysia, 2023). Moreover, the lack of granularity in understanding the end-user market especially factors like population density, traffic flow, and digital business trends has left developers offering products that fail to meet real needs. As Rahim & Co International (2023) points out, many projects were launched with limited insights into the changing landscape of retail and commercial activity, including the impact of e-commerce and remote working on traditional shop office formats. This disconnect has created a scenario where physical shop lots, especially those in upper floors or low-footfall zones, are becoming increasingly redundant and difficult to sell.

Khazanah Research Institute (2019) further emphasizes the need for evidence-based planning, warning that property developers in Malaysia often operate in the absence of detailed demographic and economic data. This has led to an urban landscape where supply-driven development dominates, resulting in vacant buildings and underutilized commercial corridors. EdgeProp Malaysia (2024) supports this, noting that Selangor consistently ranks among the top states with the highest number of unsold commercial properties, which includes both completed and planned shop-office units. Developers need to be careful in planning and examining every

aspect of analysis and study to avoid the oversupply of commercial development resulting in huge losses to developers and investors.

Past studies on market analysis have involved offices and retail development. Market analysis is crucial for designing a retail development scheme that copes with the challenges of the retail marketplace. It involved determining the project's trade area, analyzing competitive retail developments, understanding consumer buying patterns and estimating the potential for sale of projects and supportable square footage (Sivitanides 2017). The municipal process of decision is supported by the identification of related variables to form the supply and demand of the office and their corresponding elasticity. (Malcata-Rebelo & Pinho, 2010). Fuerst & McAllister (2010) investigate the relationship between supply and demand in the European office market, considering the change in the elasticity of the supply price in different markets. It also considered whether developers have evidence of near-sighted or reasonable expectations in their behaviour.

This paper aims to analyze the market potential for the development of 2-storey shop-offices in the selected area. The main objectives of this study are to assess the current and future demand and supply of 2-storey shop-offices and to evaluate the proposed development through a comprehensive SWOT analysis. The scope of the study is limited to shop-offices in Rawang locality, utilizing only available secondary data sources.

Literature Review

Market Analysis

Developers often have market sense when they consider a site or development concept for the first time. Although it is not used exclusively in real estate, a market analysis for a development project will evaluate the demand and provide a certain type of use or property in the market (Novak, 1996). The goal of any market analysis is to find the point where supply and demand intersect to supply the right quantity of a good at the right price. A market analysis consists of four basic components including the project description, demand assessment, review of supply, and synthesis. Market analysis and feasibility study are two different entities and typically occur at different times in the development process (Novak, 1996). In general, a market analysis searches for the intersection of demand and supply that will create a market for a product at a given price, and a feasibility analysis tests whether a certain product will meet certain financial or social goals in the market.

Market analysis enables a company to gain insight into consumer demands, the size of the market, competitive landscape, emerging trends, and external influences that may impact its overall performance. Carrying out a market analysis can be time-consuming and monotonous, often leading to incomplete or inaccurate insights. Usually, this process involves examining competitors and the products or services they provide (Le Plaisir, et al., 2024).

Commercial Development

Commercial development is a type of property development focused on preparing land for business-related purposes, setting it apart from residential or large-scale industrial projects. This approach involves building structures on sites designated for commercial use, such as offices, retail spaces, or service facilities (Cayetano, 2024). Commercial property development involves building and managing real estate projects intended for business use, such as retail stores, office spaces, and industrial sites. This complex process is influenced by various factors,

including risk management, digital technologies, decision-making strategies, and broader economic conditions, all of which affect its overall success (Fisher & Collins, 1999). The main objective of commercial development is to create business-friendly environments for profitable returns that would provide an economic advantage locally.

The Recent Development Strategies in Selangor

Selangor is a prominent state with vibrant commercial and residential development. Various development strategies have been undertaken by the Selangor government. With a strategic geographical area, advanced infrastructure, and supportive government policy, the investment climate in the state becomes robust. Further, it is indicated that the state can attract RM12.4 billion in approved investments by early 2024, which arises from strategic concentration on commercial development for raising social welfare in relation to improved city lifestyles (MIDA, 2024). Problems related to squalor will be addressed by upgrading cities and extending access to different kinds of amenities and services. It is consistent with The First Selangor Plan (RS-1).

Regional development is brought into consideration via a series of initiatives on the theme of maximizing local strengths. Selangor Plan RS-1 places interest in the orientation toward regional clusters. Such an orientation causes a selected strategy in addressing specified local needs at the same time making contributions to larger-scale economic perspectives (MIDF Research, 2023). Basically, the First Selangor Plan (RS-1) comprises 4 main things which are economic growth and infrastructure developments, investment attraction, focusing on service sector developments, and regional development initiatives. The transition to services based on online or digitalized service sector is one of the key strategies to drive the economy in Selangor and Malaysia in general (The Sun Daily, 2024). Eventually, the economic boom led to an upward spiral in demand and supply of property of this nature.

In other words, the basic commercial development policies in Selangor are of prime importance to ensure economic growth, more investments, and a rise in people's incomes. Thus, by focusing on the development of infrastructure, the extension of the service sector, and regional undertakings with RS-1, Selangor can confidently set itself up as one of the main pivots of economic activity within Malaysia. Sustainable growth and innovation are how Selangor could achieve the ambitious targets set for the state for 2025.

Methodology

Research Method, Data Collection, and Data Analysis

This study adopts a quantitative research method to conduct a comprehensive market analysis. Quantitative research is suitable for this investigation as it enables systematic analysis of numerical data to identify trends, patterns, and relationships within the market. The study relies on secondary data sources which are publicly available and relevant to the scope of the analysis. The data collection process included property websites, statistical data, and market indicators from official publications and databases of the Department of Statistics Malaysia (DOSM) and the National Property Information Centre (NAPIC). The data from DOSM includes population, population density, annual population change, gender, age group, ethnicity, occupied dwellings, and urbanization level from 2020 to 2023. Meanwhile, data from NAPIC includes the number of transactions, value of transactions, completion, start, and new planned supply of shops between H1 2023 and H1 2024. All data sources were screened for credibility, relevance,

and timeliness to ensure data quality and research reliability. The collected data was processed and analysed using frequency and changes to provide descriptive statistics.

Case Study

The subject site, lot 3501, Mukim of Rawang, Gombak, Selangor, is a vacant land surrounded by a mix of residential buildings, commercial buildings, and industrial buildings (see Figure 1). The site is close to Jalan Lagong and approximately 2.2 km from the Gamuda Gardens. To reach the site from Bandar Rawang is through Jalan Kawasan Perindustrian Rawang then enter the Rawang Toll Plaza junction and continue the journey using the North South Expressway and exit at Exit 115 Guthrie Highway (GCE) and take Exit B29 to Bandar Gamuda Gardens using Jalan Lagong and turn left to pass through the Taman Kundang Jaya area. The site is located behind a residential area named Kundang Jaya Fasa E. The estimated travel distance from Rawang to the site is about 12.4 km.

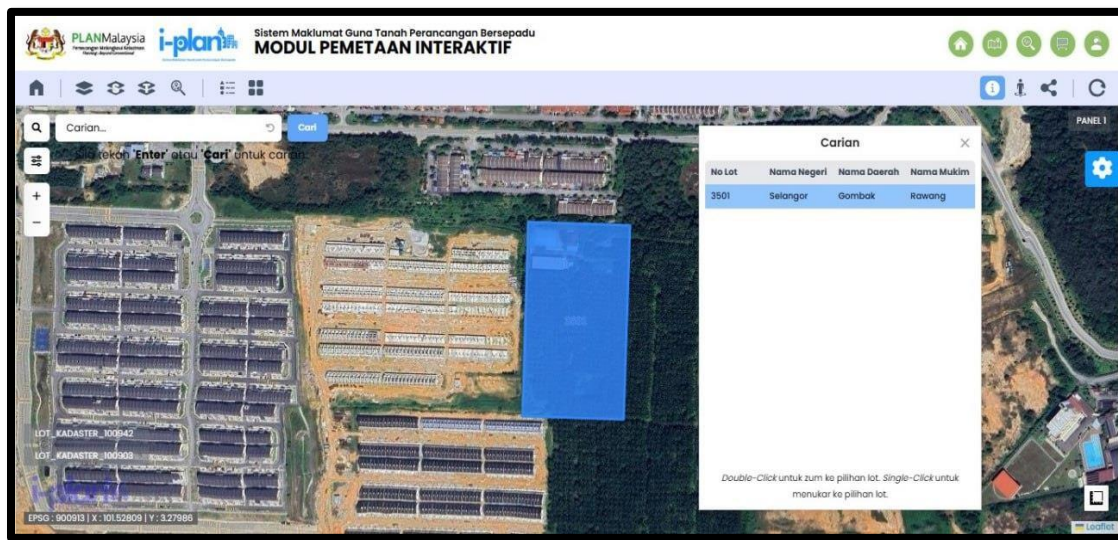


Figure 1: Location of The Site

Source: PLANMalaysia website (Retrieved in 2025)

Lot 3501 is a freehold land with an area of 9.95 acres or 40,266 square meters (see Figure 2). The annual quit rent for the subject site is RM143 as stated in the land title. The local plan of Majlis Perbandaran Selayang 2020 (Gazette No. 141) indicated that the land is located within residential zoning even though the category of land use is not stated in the title. Because the site has potential for future development and is situated in a relatively strategic area for commercial development, the proposed developments will enable the land to be used to its fullest and best potential.

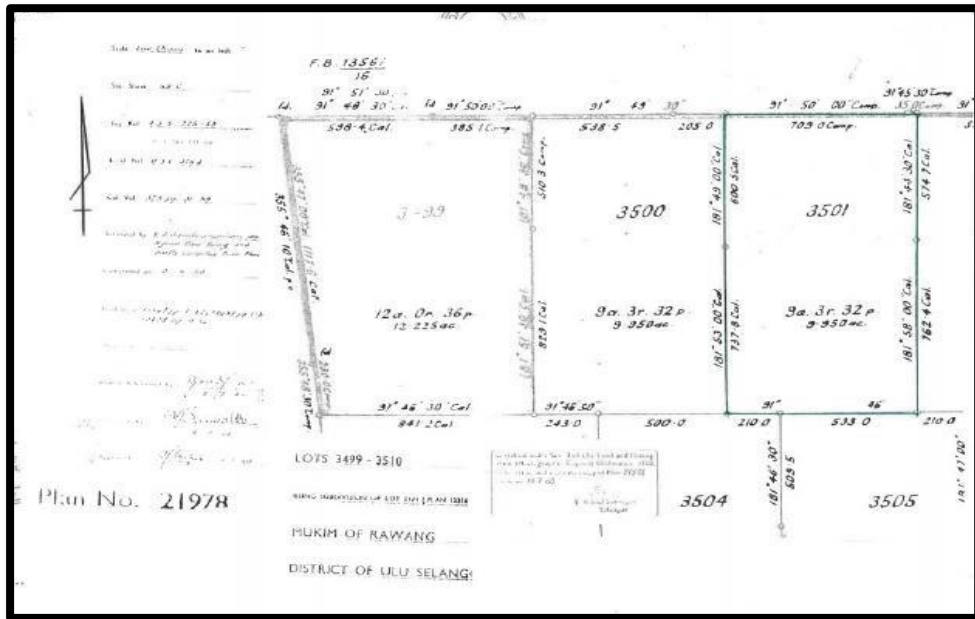


Figure 2: Site Plan

Source: Land Title (Lot 3501)

The site is proposed for the development of 2-storey shop-offices. There are two choices of shop-offices to meet diverse market demand. Type A units, measuring 40' x 70' are ideal for medium to large-scale enterprises, such as showrooms and furniture stores, offering extensive space for product display and storage. In contrast, the compact Type B units, measuring 20' x 70', cater to small-scale businesses, including boutique shops and cafes, providing cost-efficient spaces optimized for functionality and accessibility. The inclusion of these varied unit sizes ensures flexibility and a balanced tenant mix, fostering a vibrant commercial ecosystem. Figure 3 below shows the floor plan for both unit types.

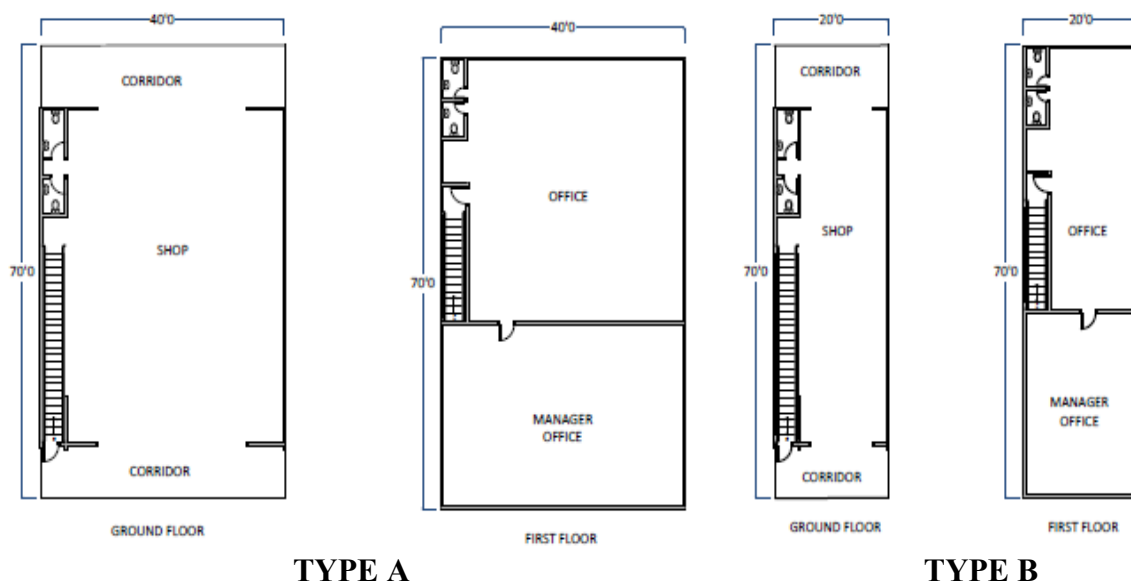


Figure 3: The Floor Plan of Proposed Development of 2-Storey Shop-offices

Source: Researcher (2025)

Results and Discussion

Demographic Analysis

Rawang, an important location in Gombak, District in Selangor, Malaysia, has received dynamic development that is upcoming in many aspects of the city. The Gombak population has shown tremendous growth over the years: from 569,081 in the year 2000 to 942,400 in 2020 and an estimated 965,600 residents in 2023 according to the Department of Statistics Malaysia (see Figure 4). In 2023, the age distribution in Gombak will show that there are 210,400 people in the age group 0-14 years, while 684,400 are within the working-age group of 15-64 years, and 70,800 are aged 65 years and above. That shows a very strong working-age population of about 71% (see Figure 5). The average and median household income in Gombak were RM13,523 and RM10,180 respectively in 2022. For occupied dwellings, 67% are owned and 32.7% are rented while the other 0.3% are quartered (see Figure 6). Ethnicity-wise in Gombak is based on MyCensus 2020, 79.6% are Bumiputera, 10.1% are Chinese while Indian holds 8.4% of the population in Gombak and 1.9% of them are the other ethnic (see Figure 6). The district is highly urbanized, with 937,001 residents living in urban areas and only 5,399 in rural settings as of 2020 (see Figure 7).

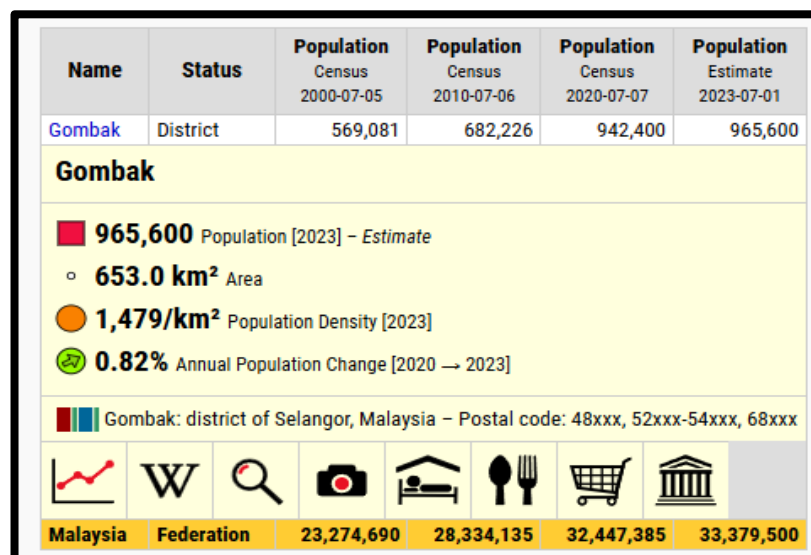


Figure 4: The Population of Gombak from 2000 to 2023

Source: Department of Statistics Malaysia (2024)

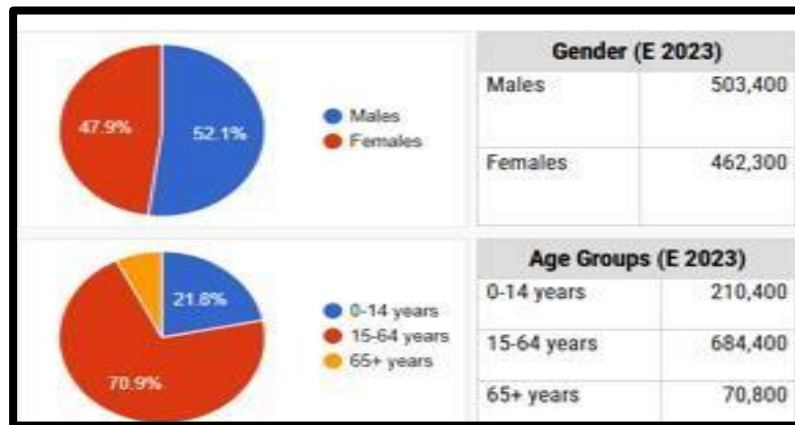


Figure 5: Gender and Age Groups of Gombak Population in 2023

Source: Department of Statistics Malaysia (2024)

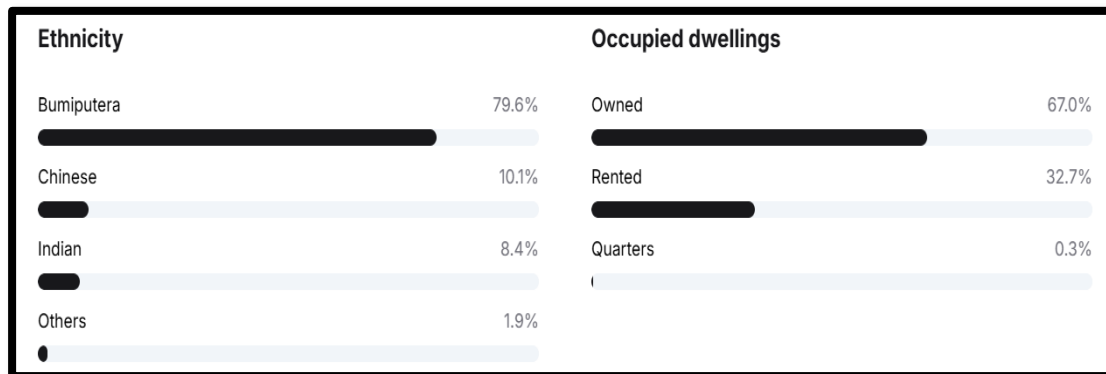


Figure 6: Ethnicity and Occupied Dwellings in Gombak

Source: Department of Statistics Malaysia (2024)

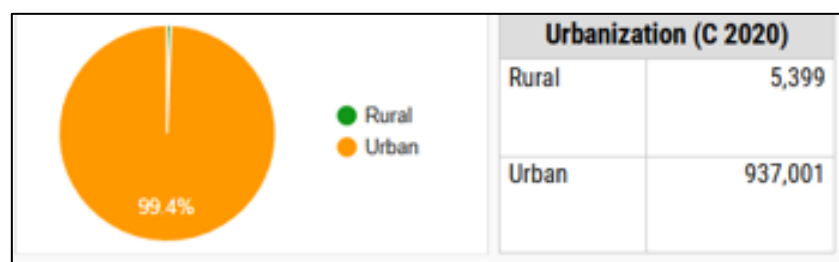


Figure 7: Urbanization Level of Gombak Population in 2020

Source: Department of Statistics Malaysia (2024)

Demand and Supply Analysis

Demand on shops is shown in the number and value of transactions of shops in Gombak. Number of transactions for 2- 2 ½ storey shop shows a consistent growth from 46 units in H1 2023 to 70 units in H1 2024. However, transactions for 3 – 3 ½ storey shops grew in H1 2024 after declining in H2 2023. Most of the time, the transaction number of a 2-2 ½ storey shop is the highest as compared to other types of shop (see Figure 8).

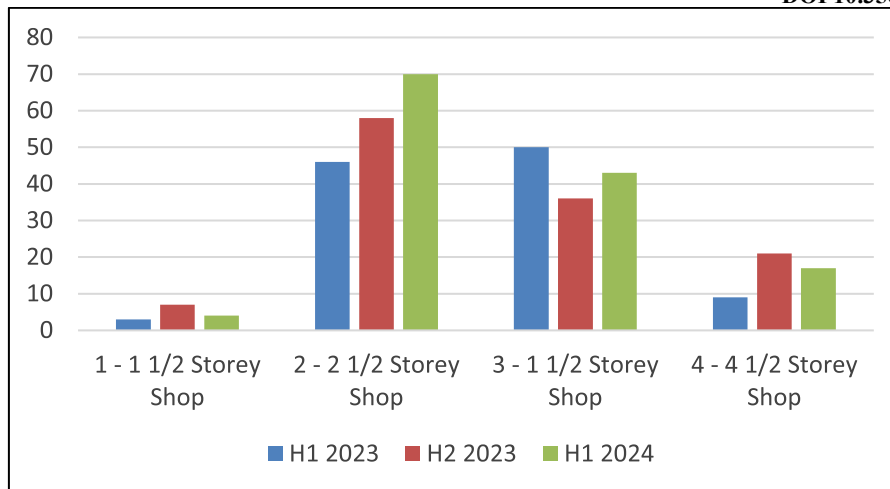


Figure 8: Number of Transactions of Shops in Gombak from H1 2023 to H1 2024

Source: NAPIC (2024)

Value of transactions for 2- 2 ½ storey shop shows a consistent growth from RM45.39 million in H1 2023 to RM75.79 million in H1 2024. Transactions for 3 – 3 ½ storey shops grew in H1 2024 after declining in H2 2023. However, transactions for 4 – 4 ½ storey shops declined in H1 2024 after growing in H2 2023 (see Figure 9).

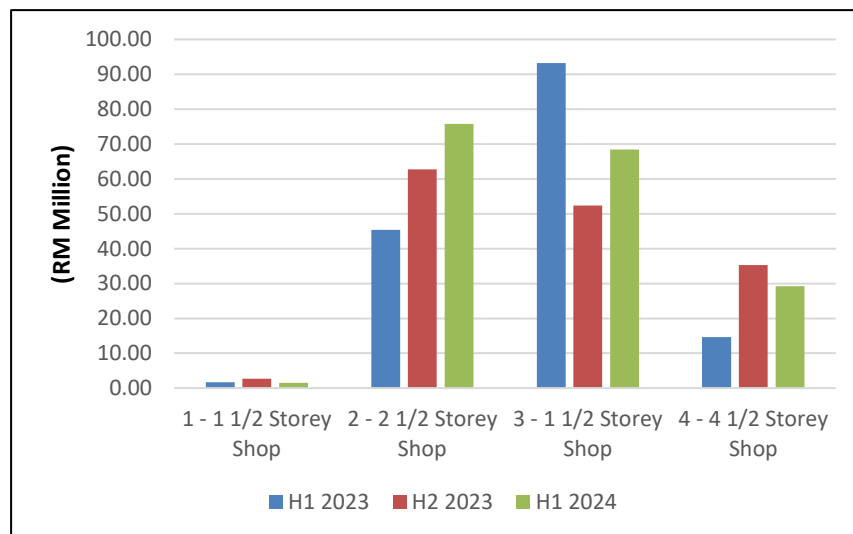


Figure 9: Value of Transactions of Shops in Gombak From H1 2023 to H1 2024

Source: NAPIC (2024)

Supply of shops is shown in the number of completions, starts, and new planned supply of shops in Gombak (see Figure 10). There were only 27 units of 2- 2 ½ storey shops completed in H1 2023. It also recorded that none of the shops were completed in H2 2023 or H1 2024. For project start, it shows an increase of 3- 3 ½ storey shops from 23 units in H1 2023 to 108 units in H1 2024. However, none of the shop projects start in H1 2024. For the new planned supply, it shows an increase of 2- 2 ½ storey shops from 18 units in H2 2023 to 131 units in H1 2024. However, the new planned supply for 3 – 3 ½ storey shops declined from 30 units in H1 2023 to 2 units in H2 2023.

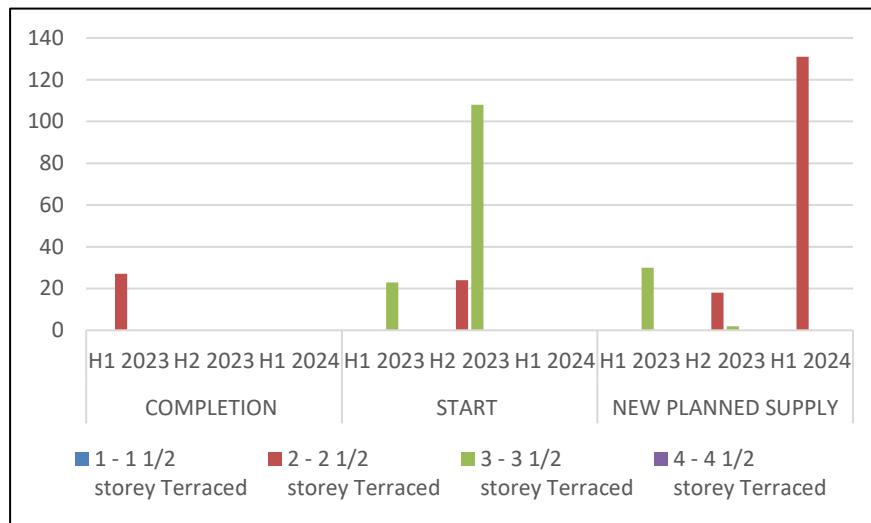


Figure 10: Stock of Shops in Gombak from H1 2023 to H1 2024

Source: NAPIC (2024)

SWOT Analysis

Strength

The proposed development presents an array of notable strengths that make it a pioneer in the Rawang property market. As the first hub in the locality to exclusively cater to home furnishing products including interior design, furniture, and household appliances as it enjoys significant first-mover advantages. Having a single-minded objective allows it to create a specialized environment that directly serves the interests of businesses in this area. Besides, its location in Rawang is also cost-saving since comparatively lower land cost and development cost are incurred compared to other major cities. Its location is further supported by the fact that it is accessible via major highways such as LATAR, PLUS, and Guthrie, facilitating easy access and transportation. The development also offered an option for wider shops (40 feet wide) that are appropriate for showrooms, studios, and warehouses, which fit into decoration firms' functional demands. The market analysis shows that development for 2-storey shop-offices is currently in demand in the locality which has the highest number of transactions but lacks completion and project start in the past few years.

Weakness

However, the project has a weakness in the lack of product variety, as the products offered are limited to 2-storey shop-offices only.

Opportunity

Various opportunities exist that the proposed development can capitalize on. The growing demand for home furnishing products especially post-pandemic suggests a favorable market outlook for businesses in this sector. The development also has the potential to foster industry clustering, drawing in complementary businesses such as lighting, smart technology, and logistics providers, thereby enhancing operational synergy. Further opportunities may arise from possible support or incentives offered by local authorities aiming to promote growth in emerging zones like Rawang. In addition, the inclusion of event and exhibition spaces allows for the hosting of trade shows and expos, which can increase visibility and foot traffic. The

integration of digital elements such as virtual showrooms and e-commerce capabilities could also modernize operations and extend market reach.

Threat

However, the proposed development has no immunity to external threats. The risk of competition from other commercial development projects carried out by the most prominent developer like Gamuda is significant. The new planned supply of 2-storey shop-offices will be the competitors to this proposed development in the future. Broader economic conditions pose an increase in business costs and overhead can restrict SMEs from investing in commercial property. Besides, unforeseen regulations that occur relative to commercial development could impair the project's viability or timing.

Conclusion

The results of this study underline the significant potential for 2-storey shop-offices on the subject site, particularly in response to home furnishing products. The demand and supply analysis shows that development for 2-storey shop-offices is currently in demand in the locality which has the highest number of transactions but lacks completion and project start in the past few years. However, the new planned supply of 2-storey shop-offices will be the competitors to this proposed development in the future. Furthermore, SWOT analysis found that the proposed development has many strengths, opportunities, and threats but with minimum weaknesses.

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