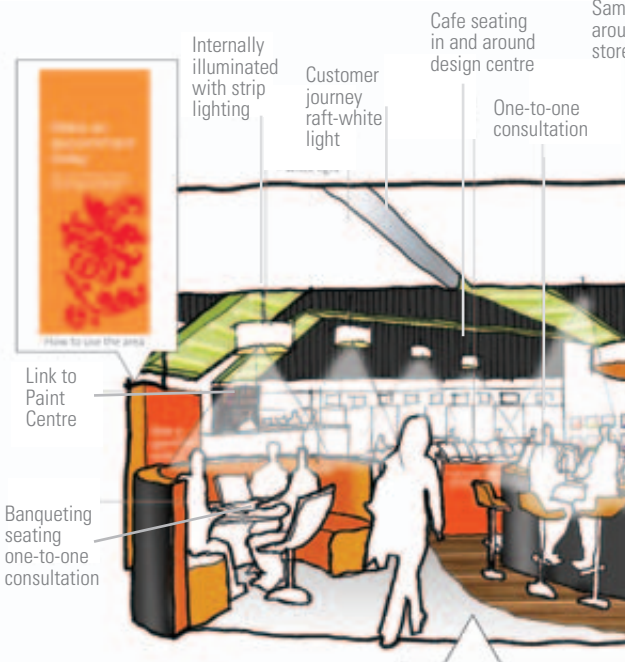


One Stop Shop

Already flourishing in China, B&Q needed the ideal location for its first store aimed at the Hong Kong home improvement market. With its large floor plates, the Kowloon Bay MegaBox Development provided the ideal space for the new concept store.

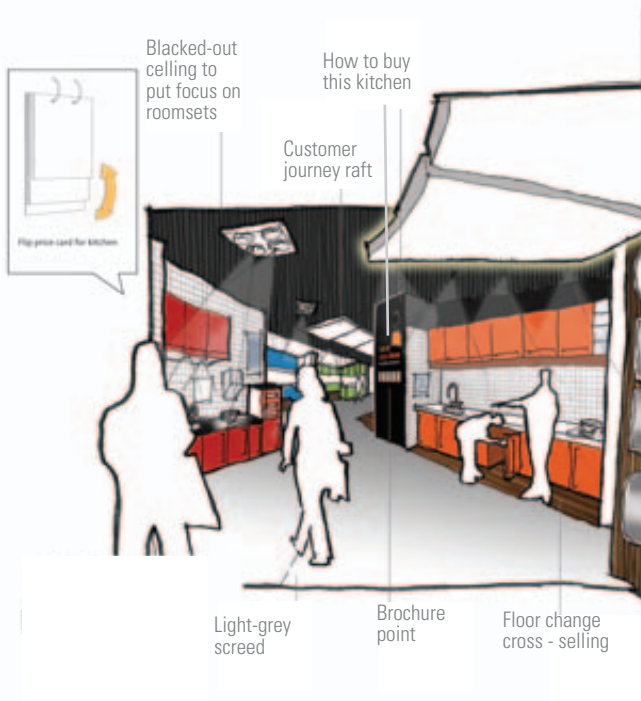
B&Q Asia, part of the Kingfisher Group – the world’s third largest home improvement retailer – already has 600 stores worldwide and 50 stores in China, and for years management had searched for the appropriate site to launch a retail flagship in Hong Kong. The search for around 100,000 sqf of quality space in an attractive location had proved fruitless prior to the announcement of Kerry Properties’ MegaBox Development, which is due for completion in the third quarter of 2006. B&Q was the first and, so far, the largest tenant of the 1.1 mil sqf of retail space.



B&Q’s approach to the Hong Kong market is an entirely new concept store. It will be different to the approach used in China, as it will be aimed more at the decorative rather than construction end of the home improvement

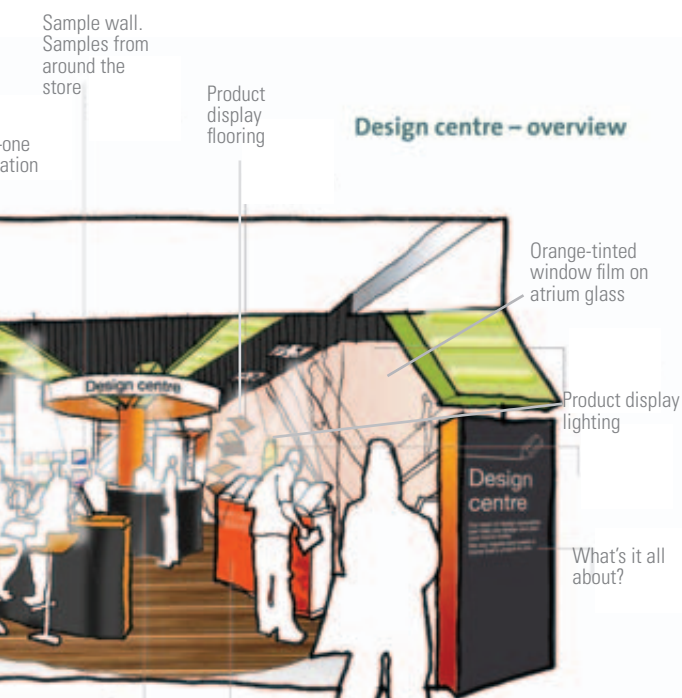
market. It will even feature an and will feature an “In-house Design Centre”, where customers can seek specialist advice in-store. This is something new for B&Q, as historically it has always been primarily a DIY store. Customers will also be able to match any colour through a computer assisted paint machine, at the store’s very own “Paint Bar”.

This concept is also a new one for Hong Kong, says Andrew Macpherson, Partner for EC Harris, the consultancy responsible for the project and cost management of the B&Q store. He says that “unlike in Europe, in general homeowners in Hong Kong do not have the time or inclination to do their own DIY”. Instead the store will allow customers to save time by accompanying their designers and builders to the B&Q “one stop shop” where they can buy everything under the one roof.



Potential customers to the store will include homeowners, tenants, interior decorators, contractors, property developers, building management agencies and hotels. A trade counter where industry workers such as designers can purchase in bulk for a ten percent discount will be located within the store, says Steve Gillman, CEO, B&Q Asia Ltd.

Reference No	Key Decision to be made	Date information / recommendation given to client	Deadline for decision	Actual date decision made	Current status	Time
1	Location of Plant Room A	16 November 2005	07 December 2005	-	1 week late	No time implication Landlord will proceed original plan
2	Decision on alternative layout for back of house	25 November 2005	07 December 2005	-	Due next week	If decision delayed could impact on the for design develop
3	Type / extent of coffee shop required	10 November 2005	30 November 2005	20 November 2005	Closed	If decision delayed could impact on the for design develop



why Kowloon Bay?

Tom Tong, Executive Director & General Manager, MegaBox Development Co Ltd, says Kerry Properties chose the Kowloon Bay site for a number of reasons – these were also the reasons that attracted B&Q. He says the site is strategically located, away from the city centre but easily accessible in a rapidly developing area, with a wide population catchment within 30 minutes drive, it currently provides an availability of land that allows for “generous space to accommodate innovative retailing concepts”. Tong also took into account the government’s plans to redevelop the Kai Tak Airport site (in close proximity to Megabox) into a super sports venue and- cruise terminal, together with the potential of further developing the area into an entertainment, sports and shopping area.

what do Hong Kong retailers want from their space?

The building was also designed with retailers needs in mind. According to Tong, Hong Kong retailers normally expect a generous shop front, high headroom, a cooperative landlord, reasonable rent, good property management, reliable central air-conditioning systems, an efficient loading/unloading facility and availability of parking spaces.

	Cost	Quality
Implication as work will proceed with plan	No cost implication	Existing plant room location can be improved to better suit retail layout
Decision delayed this impact on the period design development	Potential acceleration costs to make up delay	N/A
Decision delayed this impact on the period design development	Potential acceleration costs to make up delay	N/A

Tong says that in the very early stages of the MegaBox development, Kerry employed various consultants to help formulate plans and evaluate the needs of potential tenants, such as B&Q. He says Jerde Partnership International, a shopping mall designer, ensured good vertical circulation for the 19-storey shopping complex through well planned express escalators, passenger lifts and “most importantly, an innovative vehicular driveway that allows visitors to quickly drive through all floors of the shopping mall”.

MVS has been appointed as Kerry Properties’ traffic consultant, “to study and advise how incoming and outgoing vehicular traffic will affect the shopping mall, as well as the surrounding area”, says Tong. This is to ensure “smooth vehicular traffic” once the mall is open for business. There are many other consultants involved in the project and Tong says that in the end it is they who “will help to make the Megabox a success”.

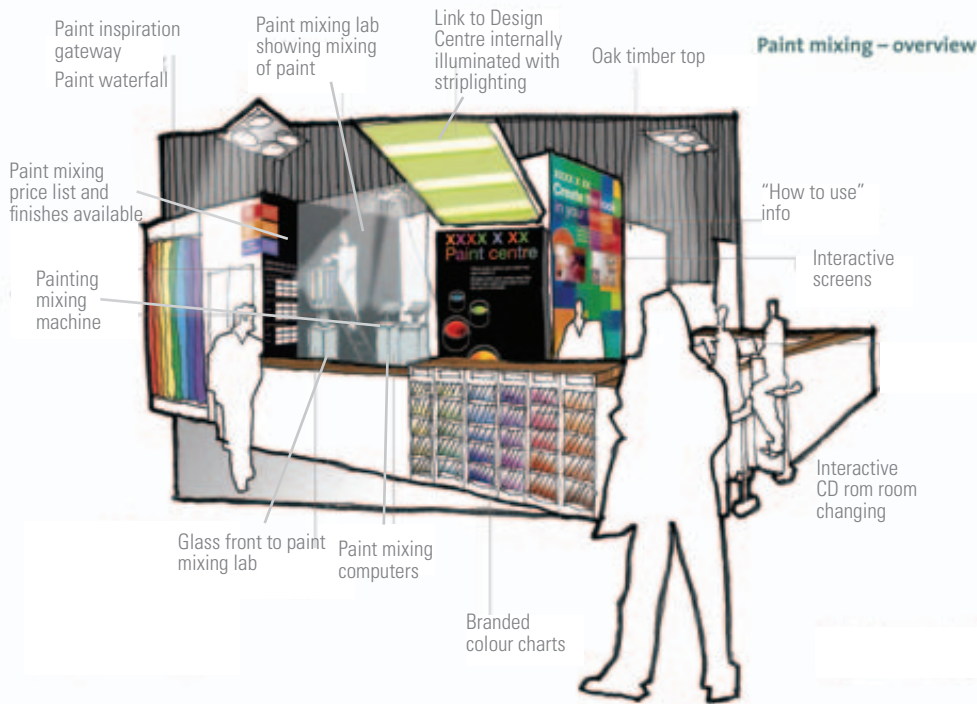
a ten year lease

As part of their role in the project, EC Harris has helped B&Q and Kerry Properties to agree the technical aspects of a ten year lease on the two-floor store. Tong says that Kerry Properties has “gone through a painstaking process to compromise hundreds of issues” and spent 14 months going through 12 drafts before getting the formal tenancy agreement signed up. He adds: “We have worked on a very reasonable basic rent, plus a turnover rent based on a certain percentage of gross turnover”. Gilman says the ten year lease is a sign of B&Q’s commitment to the Hong Kong market.

As a long term (and first) tenant, B&Q was also able to gain favourable lease conditions. As part of its own rental agreement with Kerry Properties, B&Q has been able to secure a number of car parking spots and the external signage on the building is the preferred size and location for B&Q.

Getting in early also meant that B&Q were able to gain modifications to the building design and structure itself. EC Harris, helped to negotiate modifications to the building at the design stage before the OP (Occupancy Permit,) which starts in October 2006, to install features such as a travelator that will link the two floor store. Other improvements to the base building include a private loading dock for B&Q with a double cargo lift, as well as the moving of plant rooms to free up more retail space and ensure a better line of site in-store. Not only is the current design more suitable to B&Q but Macpherson believes it will also prove more attractive to co-tenants.





Hong Kong, capable of holding international ice hockey competitions. Tong says that “a lot more will be coming” and that “the remaining space will be for smaller tenants from all walks of life”.

the outcome

The B&Q project is something completely new for both the company itself, as well as Hong Kong. With unique features such as its “In-House Design Centre” and “Paint Bar”, it is sure to become a “one-stop” shop for both homeowners and those in the construction and design industry. As EC Harris says, the Hong Kong store is probably the “most radical” pilot project for B&Q so far. **RFP**

the design

In order to achieve the distinct format of the new store, B&Q appointed Astound, a London based design consultancy, who has worked with clients such as Tesco and 3M. Using their experience of the local market to work up the final details of the construction process, EC Harris will help Astound to localise the design, taking into account factors such as compliance issues and statutory implications. Wendy Hung, Senior Project Manager, EC Harris, says that the Astound designers have come in to “liven” and “freshen” things up. Plans for the store include lighting troughs (ceiling rafts), bold use of colour and distinctive signage that will guide customers like a train track throughout the store. If this design proves successful, the concept will be taken back and used in the highly competitive UK market.

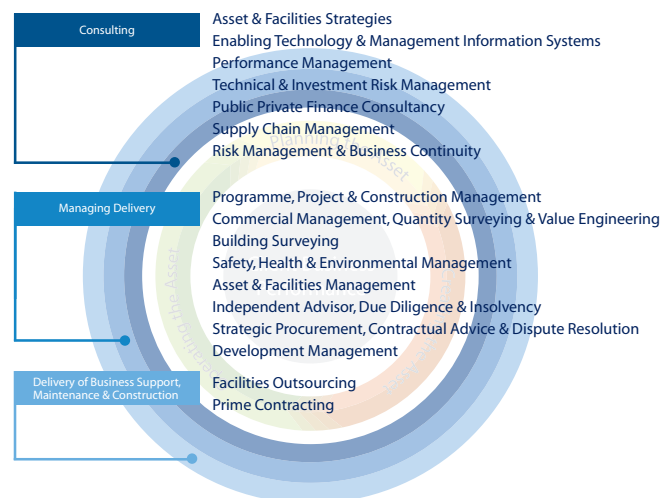
seeing red

In order to communicate with Kerry Properties, B&Q go through EC Harris, who convene regular meetings with the landlord’s team. To follow on from the decisions made throughout the project EC Harris devised an innovative solution. It created a “client decision making matrix”, where all decisions that need to be made are recorded in a table with clear deadlines indicating consequences if the timeline is not met. If an issue is outstanding it will appear red, if an issue has an imminent deadline it appears in yellow and resolved issues appear on the table in green. Macpherson says this is far more effective than minutes, which tend to get lost. If someone sees a red box next to their name they know they need to act, “people respond well to colour,” he says.

other future MegaBox tenants

Being a big box retail mall, Kerry Properties expects to have approximately 60 percent of the total area occupied by “big box tenants”, says Tong. He adds that B&Q is currently the biggest “big box” and there is an Australian retailer selling fabric and home accessories who will occupy about 40,000 sqf. Kerry Properties also has a Canadian operator for what will become the biggest rink in

Delivering better value results for clients



Our products and services centre upon improving our clients’ business performance across the whole of the asset life cycle, from planning and creation, through to operation. The services we provide can be applied at any point within this cycle and take the form of consulting, managing delivery or the delivery of business support, maintenance and construction.

For further information please visit our web site www.echarris.com or call Richard Granger Tel +852 2521 0137

