



S A P O R A

RESEARCH

**Retail**Trends  
REPORT



An MSCI Brand

Report compiled by IPD

 Q1 2013:

## SHOPPING CENTRE PERFORMANCE INDICATORS

2013 Q1 vs 2012 Q1	Super Regional	Regional	Small Regional	Community
Trading Density	▲	▲	▲	▲
Gross Rentals	▲	▲	▲	▲
Foot Count	▼	▼	▲	-
Money Spent Per Capita	▲	▲	▲	-
Cost of Occupation	▲	▲	▲	▲
Vacancy	▲	▼	◀▶	▼

## SUMMARY POINTS



The first quarter trading density results show increases across all centre types over the same quarter of the previous year. However, the year on year national retail sales growth dropped significantly in line with the economic slowdown and weakening consumer confidence.



In this quarter, mixed signals exist in terms of vacancy rate movements, with regional and community shopping centres decreasing whilst an increase was registered in the super regional category. The vacancy rate remains stable for small regional shopping centres.



On average, discretionary spending increased across all shopping centre types as compared to the previous year. Foot count continued on an upward trend in small regional centres, whilst super regional and regional centres registered negative growth compared to the same quarter of the previous year.

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# Retail sales weaken as consumer confidence tumble

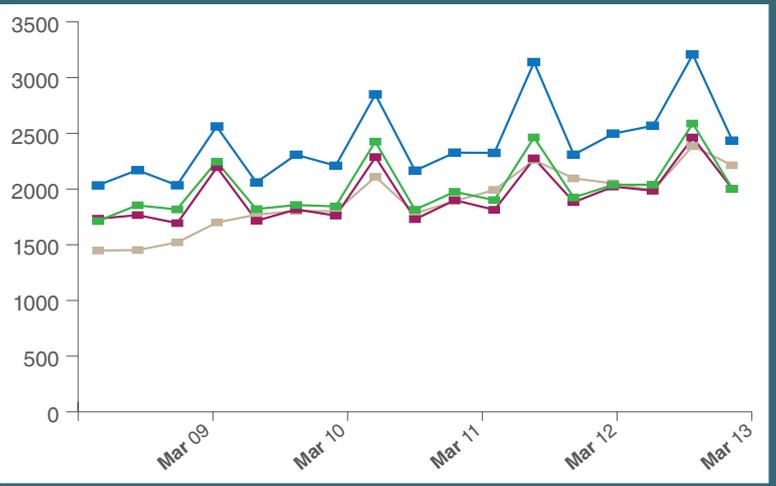
In the first quarter of 2013, annual trading densities posted positive, single digit nominal growth figures across all types of shopping centres. However, in real terms only three shopping centre categories namely super regional, small regional and community shopping centres managed to outperform the inflation rate.

Small regional centres continued to lead the way with 7.3% growth, followed by super regionals at 6.4% and neighbourhood centres at 6.3%. Regional and community centres registered growth rates below inflation rate at 4.8% and 4.4% respectively, indicating a negative real trading density growth for these centres.

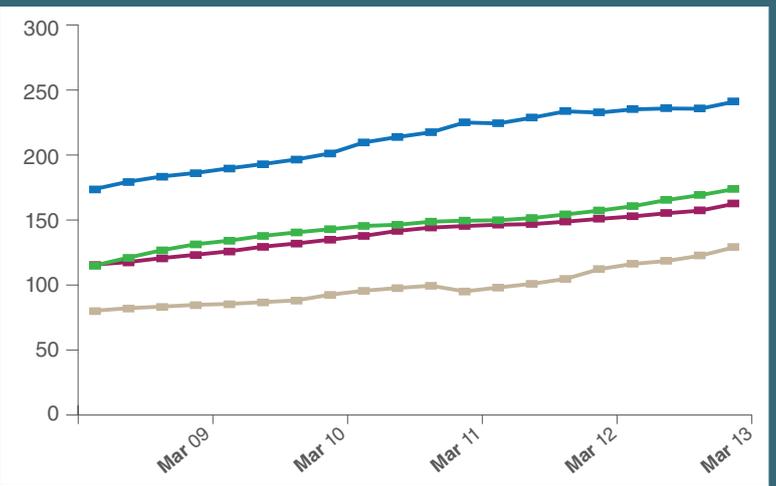
The first quarter 2013 results show glimpse of positive signs for a market that is characterised by low consumer confidence and subdued economic growth. The sales per square metre decreased by an average of 18.7% in comparison with previous quarter. This is a slight improvement from the 19.0% reduction in sales in Q1 2012 and the 22.5% decrease recorded in Q1 2011.

This adverse movement is expected given the waning consumer confidence, the lower GDP growth rate than expected and increase in unemployment.

**FIGURE 1:**  
TRADING DENSITY R/M<sup>2</sup>/MONTH – QUARTERLY AVERAGE



**FIGURE 2:**  
GROSS RENTALS R/M<sup>2</sup>/MONTH – ANNUAL AVERAGE



— Super Regional      — Regional  
— Small Regional      — Community

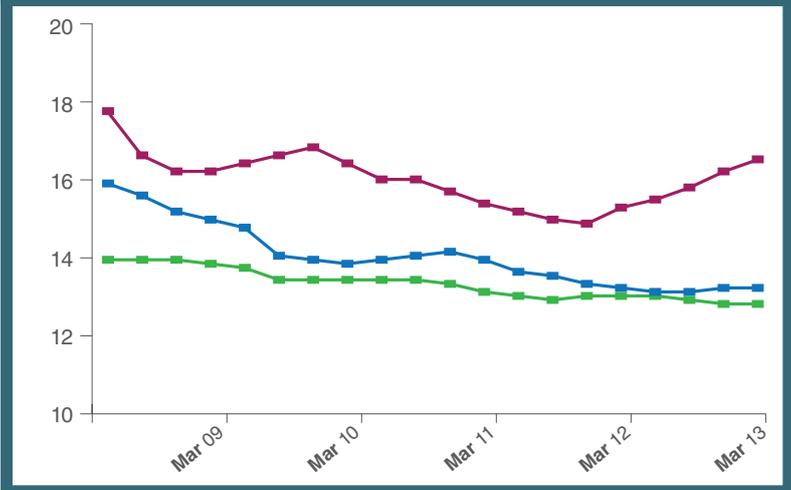
All shopping centres recorded an increase in average annual gross rentals in Q1 2013 as compared to the previous quarter. These overall marginal increases, however, remain below the inflation rate.

Vacancy rates in all types of centres increased in the first quarter of 2013 compared to the previous quarter. Super regionals and regional centres recorded the lowest vacancy rate of 2.2% each. Small regionals and community centres follow at 2.9% and 4.0% respectively. Neighbourhood centre category recorded the highest vacancy rate of 7.7% in this quarter.

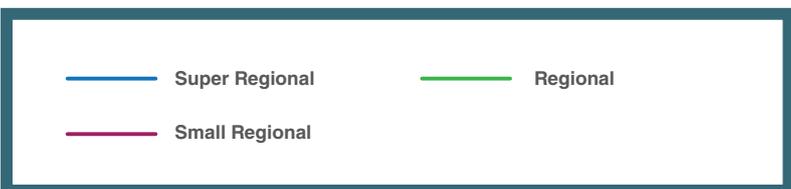
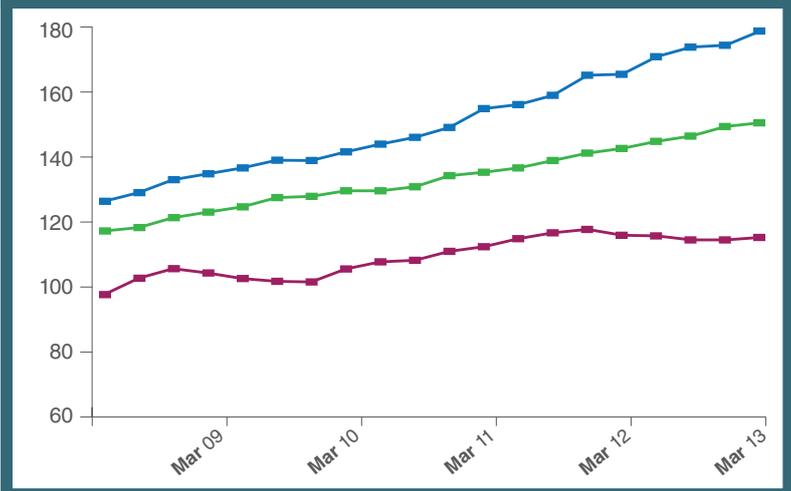
The continued strong trading density growth in small regional centres was primarily driven by the continual increase in foot count. An increased number of people shopping at these types of centres compensate for the small growth of average spend per person. However, super regional and regional centres realised slight declines in foot count in Q1 2013 compared to the same quarter of the previous year.

For the first quarter of 2013, super regional centres registered an annual spend per capita growth rate above the inflation rate, however, the same cannot be said about other centres. Regional and small regional centres achieved a growth of 5.8% and -0.6% respectively. Even in nominal terms, these growth rates were below the inflation rate.

**FIGURE 3:**  
FOOT COUNT/M<sup>2</sup>/MONTH – ANNUAL AVERAGE



**FIGURE 4:**  
MONEY SPEND PER CAPITA R – ANNUAL AVERAGE



Overall, tenant cost of occupation is on an upward trend for all centres. This is worrying as it has a negative effect on the retail business. This is a clear indication that on average, gross rental costs are increasing at a faster rate than turnovers.

Compared to Q1 2012, community centres registered the highest change in cost of occupation of 109.2bp. Regional centres increased by 54.9bp whilst small regionals registered an increase of 53.1bp. Super regional centres was the only category in which the cost of occupation change was below 50bp.

The continued cost of occupation increase for all centre types coupled with a stressed economy and slowing retail sales growth does not shed much positive light on trading conditions for shopping centres for at least the next quarter.

**FIGURE 5:**

**COST OF OCCUPATION % – QUARTERLY AVERAGE**

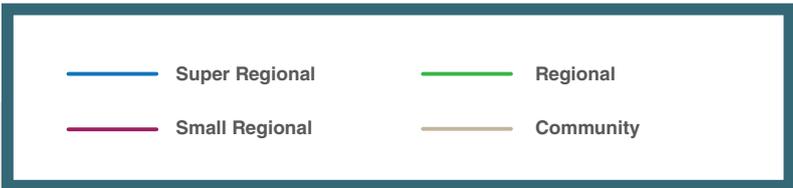
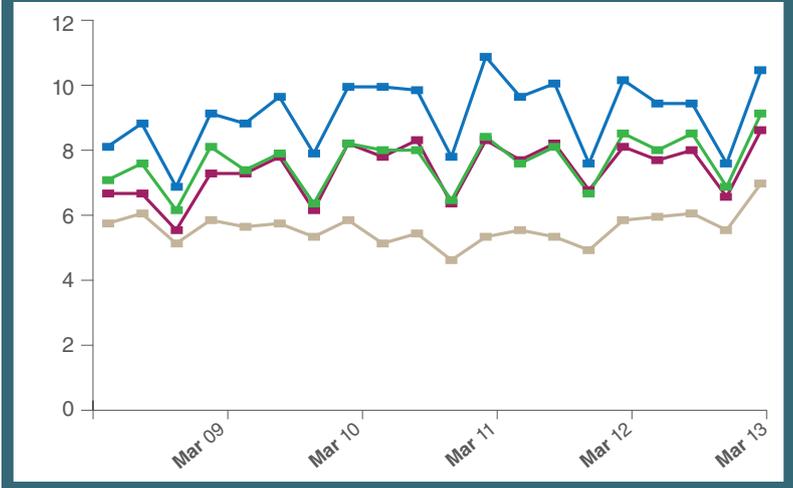


Table 1 below shows tenant categories with highest and lowest annual trading density growth, presenting wide-ranging indications on the direction of discretionary spending. Big ticket items namely home furnishings, jewellery and entertainment recorded top annual increases in trading densities in some centres, however, home furnishings recorded some of the lowest annual increase in small regional and community centres. Entertainment also performed dismally in the super regional and small regional centre categories.

**TABLE 1:**  
HIGHEST AND LOWEST ANNUAL INCREASE IN TRADING DENSITY BY TENANT TYPE

	Super Regional	Regional	Small Regional	Community
<b>TOP 5</b>	Health & Beauty Speciality Jewellery Sporting/Outdoor Home Furnishings	Travel Luggage Department Stores Home Furnishings Entertainment	Travel Convenience Sporting/Outdoor Luggage Eyewear	Speciality Jewellery Apparel Eyewear Books/Cards
<b>BOTTOM 5</b>	Convenience Department Stores Entertainment Food Travel	Jewellery Electronic Convenience Speciality Food	Health & Beauty Electronic Entertainment Books/Cards Home Furnishings	Convenience Department Stores Electronic Travel Home Furnishings



Consumer confidence continues on a downward trend in Q1 2013 as the economic outlook is perceived to be bleak in the short term. This lack of confidence resulted in the fall of the year on year quarterly retail sales growth rate from 5.9% in 2012 to 3.0% in 2013. This outlook is attributed to poor performing economy with GDP only increasing by 1.9% in this quarter as compared to growth rates above 2% in the previous quarters.

Increases in unemployment, the weakening rand and labour unrest are some of the factors anticipated to continue negatively affecting the retail sector. The household consumption expenditure figures released in this quarter also indicated a downward trend in which the annual HCE growth rate fell from 4.8% in 2011 to 3.5% in 2012. This trend is expected to continue in the short term in which slower durable expenditure growth cancels out accelerated growth in non-durable goods.

**TABLE 2:**  
ECONOMIC INDICATORS AND IMPACT ON RETAIL SECTOR PERFORMANCE

	Previous Year 2012: Q1	Previous Quarter 2012: Q4	Current Quarter 2013: Q1	Quarterly Change	Annual Change
Consumer Confidence Index	5	-3	-7	▼	▼
Retail Sales y/y	5.9	2.3	3.0	▲	▼
GDP Growth y/y	2.4	2.5	1.9	▼	▼
Inflation y/y	6.0	5.7	5.9	▲	▼
Unemployment %	25.2	24.9	25.2	▲	◀▶
Interest Rates %	9.00	8.50	8.50	◀▶	▼

Source: FNB/BER, OMIGSA, SARB, StatsSA

**TABLE 3:**  
SHOPPING CENTRE TYPE DEFINITIONS

	Size Band
Super Regional Shopping Centre	> 100,000 m <sup>2</sup> in total rentable area
Regional Shopping Centre	50,000 - 100,000 m <sup>2</sup> total rentable area
Small Regional Shopping Centre	25,000 - 50,000 m <sup>2</sup> total rentable area
Community Shopping Centre	25,000 - 50,000 m <sup>2</sup> total rentable area
Neighbourhood Shopping Centre	5,000 - 12,000 m <sup>2</sup> total rentable area

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Retail data is from the IPD Retail Digest Q1 2013. For more information on subscribing to the IPD Retail Digest or joining IPD's Retail Performance Benchmarking Service please contact Chele Moyo on 011 656 2115 or [chele.moyo@ipd.com](mailto:chele.moyo@ipd.com).

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