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S A P O A

RESEARCH

RETAIL TRENDS REPORT

Q4 2012:

SHOPPING CENTRE PERFORMANCE INDICATORS

2012Q4 vs 2011Q4	Super Regional	Regional	Small Regional	Community
Trading density	▲	▲	▲	▲
Gross rentals	▼	▲	▲	▲
Foot count	▲	▼	▲	–
Money spent per capita	▲	▲	▼	–
Cost of occupation	◀▶	▲	▼	▲
Vacancy	◀▶	▼	▼	▼

SUMMARY POINTS

- The fourth quarter trading density results show increases across the board over the same quarter of the previous year, however the Christmas boost to trading was slightly more subdued than in recent years reflecting a slowdown in retail sales growth and consumer confidence.
- In better news, however, vacancy rates are generally stable or improving marginally compared to previous quarters, with the exception of neighbourhood type centres where the most significant vacancy movements were experienced.
- At this stage, mixed signals exist on the direction of discretionary spending, with entertainment, electronics and home furnishings performing relatively poorly in some cases. Jewellery, as ever though, continues to record impressive increases in the Christmas trading quarter.

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CHRISTMAS TRADING PROVIDES MUTED BOOST TO SALES FIGURES

Trading density growth in real terms returned to positive territory over the full year 2012, however the December trading quarter produced a slightly more muted boost to sales figures than has been achieved in previous years.

Annual trading densities posted positive, single digit nominal growth figures across all types of shopping centres in 2012.

Small regional type centres reversed a period of underperformance and led the way with 8.2% growth over 2012, followed by community centres at 7.1% and super regionals at 7.0%. In each case, trading density growth outstripped inflation of 5.7% over the same period.

Neighbourhood and regional centres, however, performed less well at 5.4% and 4.7% respectively, meaning that in real terms trading density growth for these centres was in fact negative.

Overall, though, these figures at least show somewhat positive signs for a market that has seen negative real trading density growth for all types of centres in four of the previous five years.

The fourth quarter of 2012 provided an average 24.2% increase in sales per square metre over the previous quarter. This is a slight easing from the 25.9% boost to sales in Q4 2011 and the 26.9% increase recorded in Q4 2010.

This slight tapering off is perhaps unsurprising, though, given the easing of household consumption expenditure figures and uncertainties within the domestic and global economies.

Fig 1:
Trading density R/m²/month – quarterly average

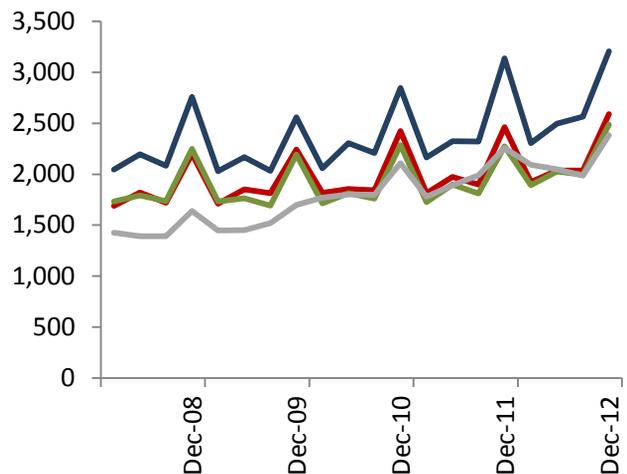
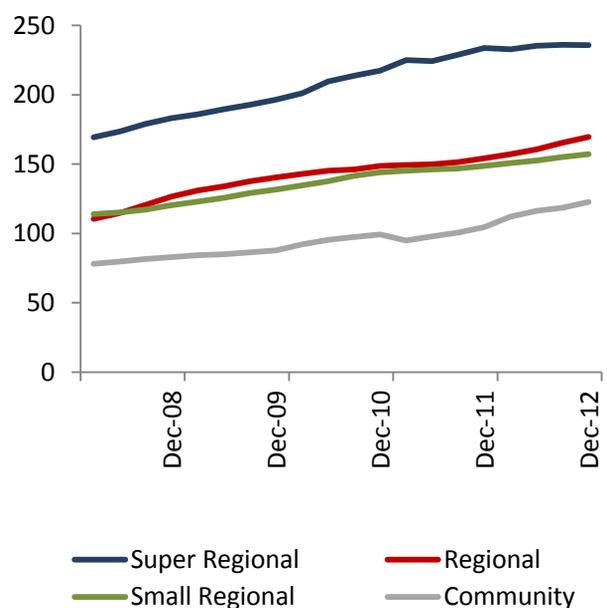


Fig 2:
Gross rentals R/m²/month – annual average





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Average annual gross rentals for super regional centres are at roughly the same level as they were last year, however the other types of centre have recorded marginal improvements. These overall increases, however, remain below inflation.

Aside from small neighbourhood centres, vacancy rates in all types of centres fell in the fourth quarter of 2012 compared to the previous quarter. The negative correlation between vacancy rate and centre size and quality holds true, with super regionals enjoying the lowest vacancies at just 1.8%.

This is followed by regionals at 1.9%, small regionals at 2.4% and community centres at 2.9%. Neighbourhood centre vacancies opposed the downward trend, increasing to 4.4% in the December quarter.

The relatively strong trading density growth in small regional centres was primarily driven by reversing the previously declining foot traffic trend. Although the average spend per person remains fairly flat, this is more than compensated for by the increases in number of people visiting these types of centres.

Super regional centres also achieved a small improvement in foot count in Q4 2012 compared to the same quarter of the previous year, however regional centres continue to decline slightly.

While regional centres continue to steadily grow their spend per capita at a rate very slightly above inflation, signs are less positive for other centre types. Over the full year, super regionals were also able to achieve an inflation equivalent increase in spending, however this appears to be leveling off even in nominal terms in the most recent results.

Fig 3:
Foot count/m²/month – annual average

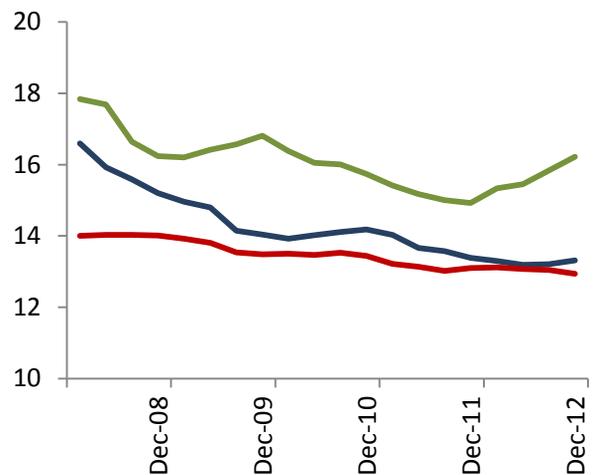
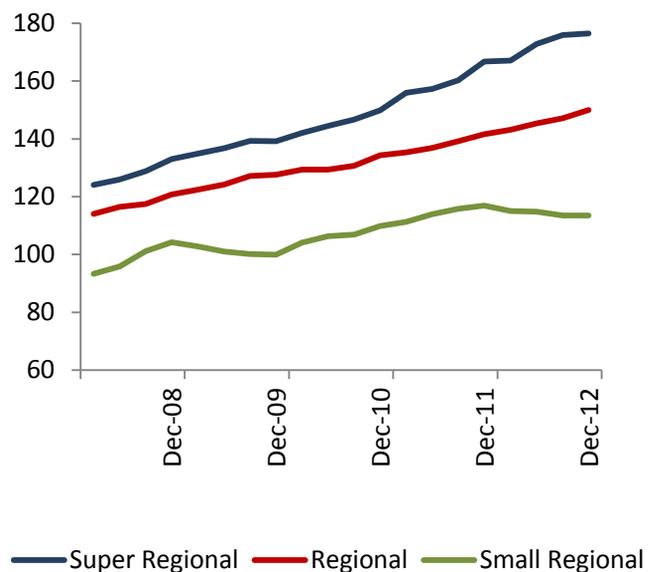


Fig 4:
Money spend per capita R – annual average





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Tenant cost of occupation is generally on an upward trend for all except super regional and small regional centres, indicating that in most cases, average gross rental costs are increasing at a faster rate than turnovers.

After a period of divergence from around late 2009 / early 2010, the cost of occupation for different types of centre are starting to converge once again.

The previous divergence perhaps reflects a shift in consumer spending patterns away from some of the discretionary items focused on by the larger centres, who were subsequently unable to grow trading densities at a rate that exceeded rentals.

Conversely, smaller community type centres benefited from a focus on necessities and enjoyed stronger turnover growth for a period. The convergence of cost of occupation signals a dilution of the premium achieved by larger centres and therefore makes larger centres relatively more attractive to tenants.

The recent performance of various tenant categories provides mixed signals on the question of the current direction of discretionary spending. Some luxury or big ticket items such as entertainment, electronics and home furnishings recorded some of the poorest annual increases in trading densities in many centre types, although home furnishings performed well in super regional centres as did entertainment in regional centres. As in previous Christmas trading quarters, jewellery stores recorded the most significant jump in trading density in Q4 compared to Q3.

Fig 5:
Cost of occupation % – quarterly average

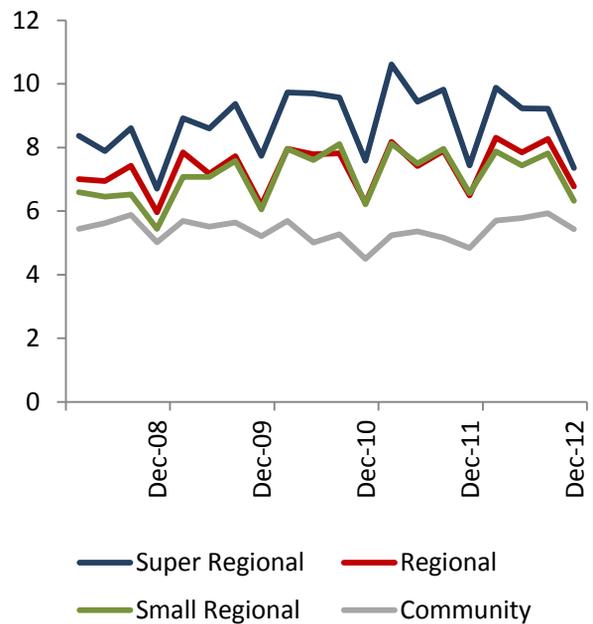


Table 1:
Highest and lowest annual increase in trading density by tenant type

	Super Regional	Regional	Small Regional	Community
Top 5	Speciality Sporting/Outdoor Jewellery Health & Beauty Home Furnishings	Travel Luggage Convenience Food Service Entertainment	Convenience Travel Sporting/Outdoor Luggage Jewellery	Speciality Jewellery Apparel Eyewear Shoes
Bottom 5	Convenience Travel Department Stores Books/Cards Entertainment	Electronic Books/Cards Food Speciality Health & Beauty	Health & Beauty Electronic Books/Cards Home Furnishings Entertainment	Convenience Travel Electronic Home Furnishings Food



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SAPOA

Consumer confidence dipped again in the fourth quarter of 2012 as the perception of the nation's economic outlook deteriorated. This lack of confidence was borne out in the retail sales figures which moderated both quarter-on-quarter and year-on-year despite a small uptick in GDP growth in Q4 and a slight reduction in the unemployment rate. The fall in unemployment rate, however, masks an actual decrease in the workforce compared to the

previous quarter. Household consumption expenditure figures due out later this month are expected to also continue a downward trend. Consumers are beginning to exhibit a more cautious approach to purchases of durable goods, also influenced by upward price pressures on these goods caused by a depreciating Rand, the initial results of which are displayed in these latest results.

Table 2:
Economic indicators and impact on retail sector performance

	Previous year 2011Q4	Previous quarter 2012Q3	Current quarter 2012Q4	Quarterly change	Annual change
Consumer confidence index	5	-1	-3	▼	▼
Retail sales y/y	7.9	4.7	2.3	▼	▼
GDP growth y/y	3.4	2.3	2.5	▲	▼
Inflation y/y	6.1	5.3	5.7	▲	▼
Unemployment %	23.9	25.5	24.9	▼	▲
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 ² in total rentable area
Regional shopping centre	50,000 - 100,000 m ² total rentable area
Small regional shopping centre	25,000 - 50,000 m ² total rentable area
Community shopping centre	12,000 - 25,000 m ² total rentable area
Neighbourhood shopping centre	5,000 - 12,000 m ² total rentable area

Report by Jess Cleland.

Retail data is from the IPD Retail Digest Q4 2012. 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.

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