SOUTH AFRICAN SHOPPING CENTRE DIRECTORY 2012 ADDITION

WHERE ARE WE COMING FROM AND WHERE ARE WE GOING ?

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The shelf life of this shopping centre directory will take us until the end of 2014. By that time we might have experienced a **recovery** in world economic trends, the second term of President Zuma and an economy that is back on track with a 3% to 4% growth per annum. Hopefully by then the international rating agencies would have re-evaluated and upgraded most of our international ratings. These negative perceptions are the result of political and social instability. During 2012 the country has been in the middle band of average performing countries. The potential exist to excel as a leading African country, as part of the BRICS countries as well as part of the G-20 countries.

The last two years had been strongly influenced by world economic conditions. Recently the US economy started to show good increases on the performances of the previous years. Europe still sits with a number of problem children and is still trying to rescue some of the debt burden countries. China is also showing fluctuations in their high level of GDP growth.

Apart from the negative ratings amongst some of the rating agencies there are also positive trends highlighting the potential of South Africa. One of these ratings is the **Global Retail Development Index for 2012.** This index looks at countries worldwide and evaluates the development opportunities for retail in terms of the market potential, the current supply as well as political and business risks.

Table 1 gives an indication of the top 30 countries in this index.

GLOBAL RETAIL DEVELOPMENT INDEX 2012

Rank	Country	Rank	Country
1	Brazil	16	Indonesia
2	Chile	17	Azerbaijan
3	China	18	Jordan
4	Uruguay	19	Kazakhstan
5	India	20	Botswana
6	Georgia	21	Macedonia
7	United Arab Emirates	22	Lebanon
8	Oman	23	Colombia
9	Mongolia	24	Panama
10	Peru	25	Albania
11	Malaysia	26	Russia
12	Kuwait	27	Morocco
13	Turkey	28	Mexico
14	Saudi Arabia	29	Philippines
15	Sri Lanka	30	Tunisia

NO SOUTH AFRICA – ALREADY VERY WELL ESTABLISHED
USE SOUTH AFRICA AS A STEPPING STONE

This table indicates the top 30 countries for retail development. South Africa is not on the list indicating that the country has already reached a very high level of retail development with excellent supply, low political and business risks and a country already well provided with retail facilities. This is a very strong indication of the current state of retail development in South Africa placing us in line with most developed countries. The result of this positive rating of the South African retail environment is important because now we can play a leading role to act as a **stepping stone** for further retail development in Africa.

Census 2011 gives very clear indications as to population growth, demographics and income categories for the country as a whole, per province and per city. It is important to understand these results and to indicate the impact of the results on future urban and rural development. This impact will clearly influence future retail development.

Diagram 1 gives an indication of the increase in population numbers in South Africa, from 40 million in 1996 to 51.7 million in 2011. During the last 10 years the country has seen a population increase of **1.5%** per annum. This is **much slower** than the rest of most African countries. The impact of AIDS plays a significant role with the number of natural deaths that increased from 400 000 per annum to over 600 000 per annum. This is one of the reasons for a slower growth rate.

DIAGRAM 1

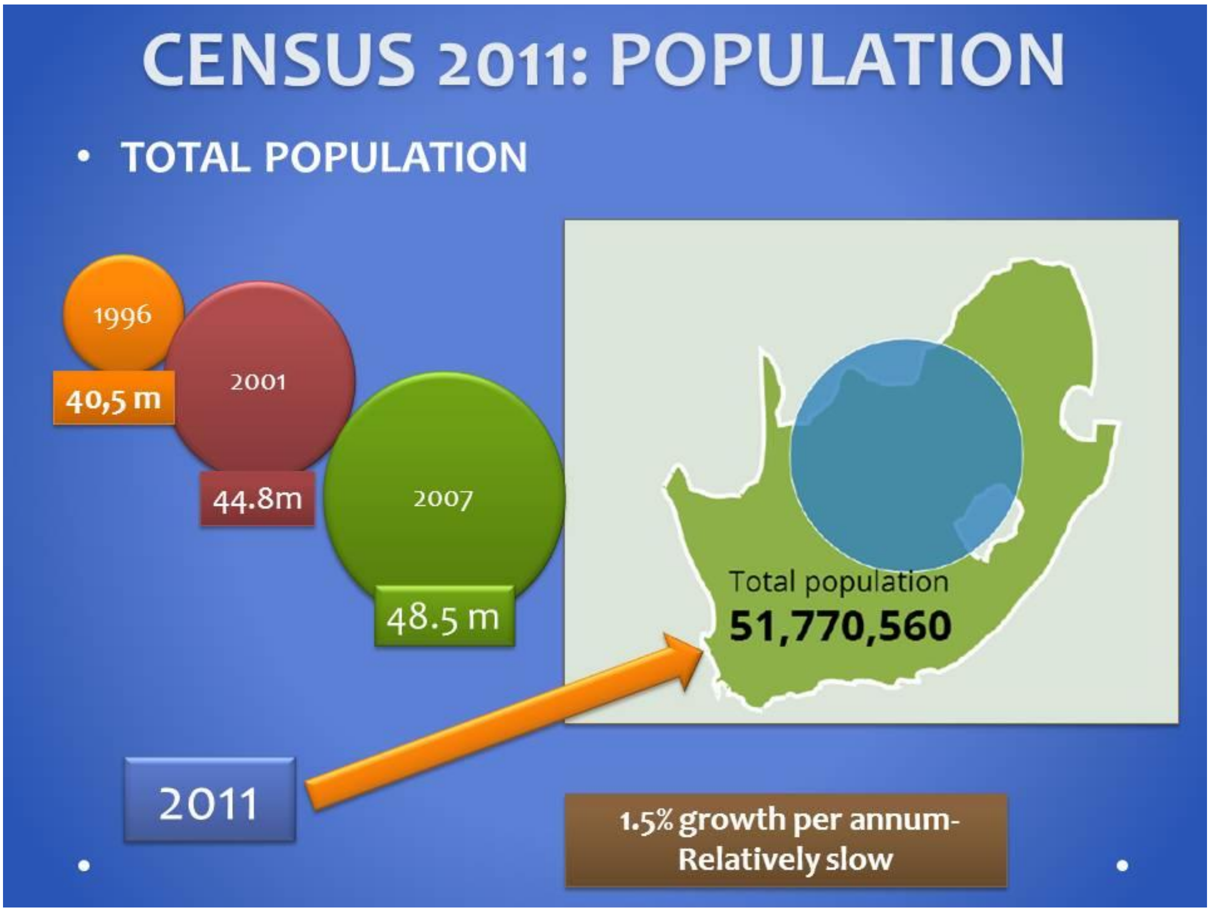
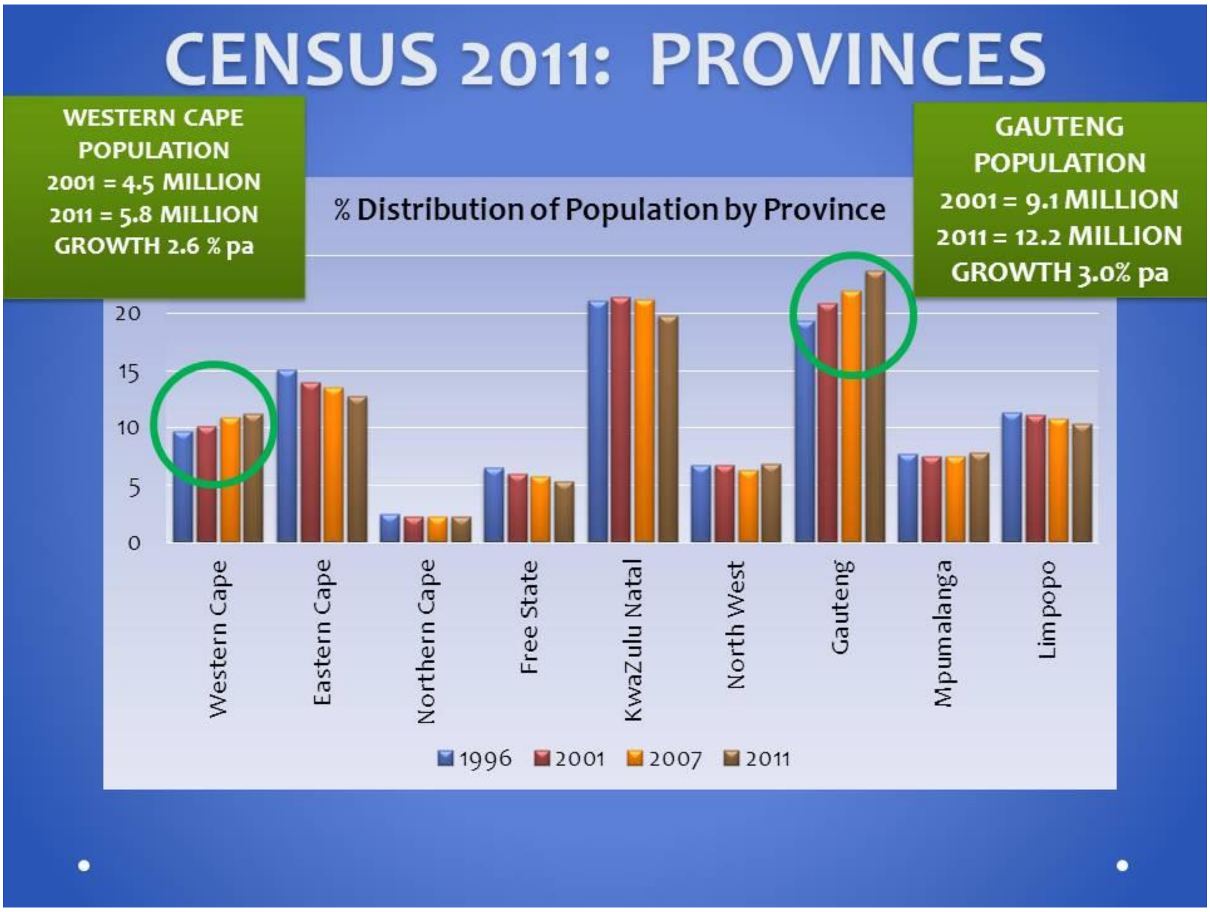

CENSUS 2011: POPULATION
• TOTAL POPULATION
1996
40,5 m
2001
44.8m
2007
48.5 m
Total population
51,770,560
2011
1.5% growth per annum-
Relatively slow

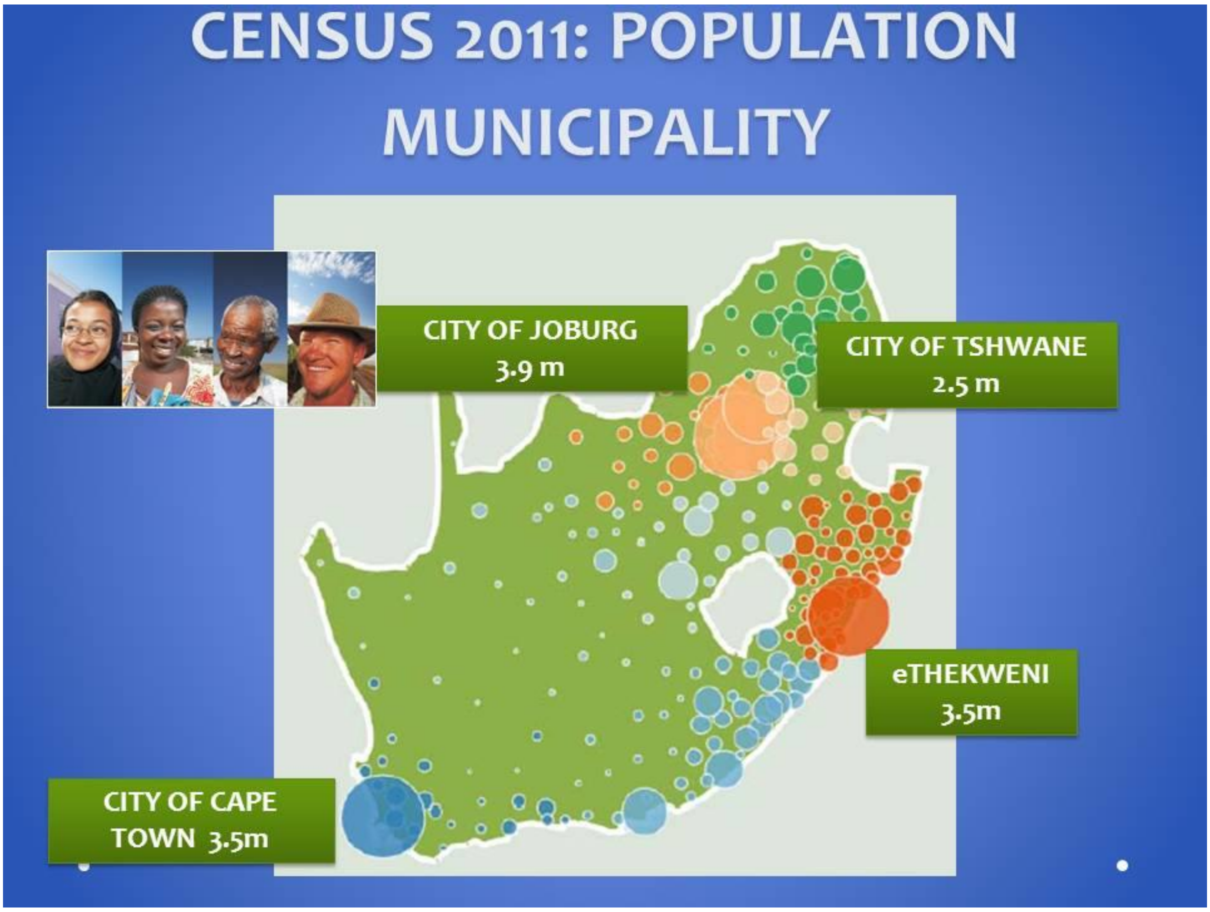
Diagram 2 clearly indicates that only **Gauteng and the Western Cape** have shown positive increases in population numbers. Gauteng increased from 9.1 million people in 2001 to **12.2** million people in 2011. This represents an annual growth of **3%**. This is by far the highest indication that Gauteng remains the main draw card for in-migration for job seekers. The Western Cape showed and increase from 4.5 million people in 2001 to 5.8 million people in 2011, representing an annual growth rate of **2.6%.** This has an impact on the need for housing, job creation, educational facilities and the general infrastructure. All the other provinces have either shown a stable or a decreasing pattern.

DIAGRAM 2



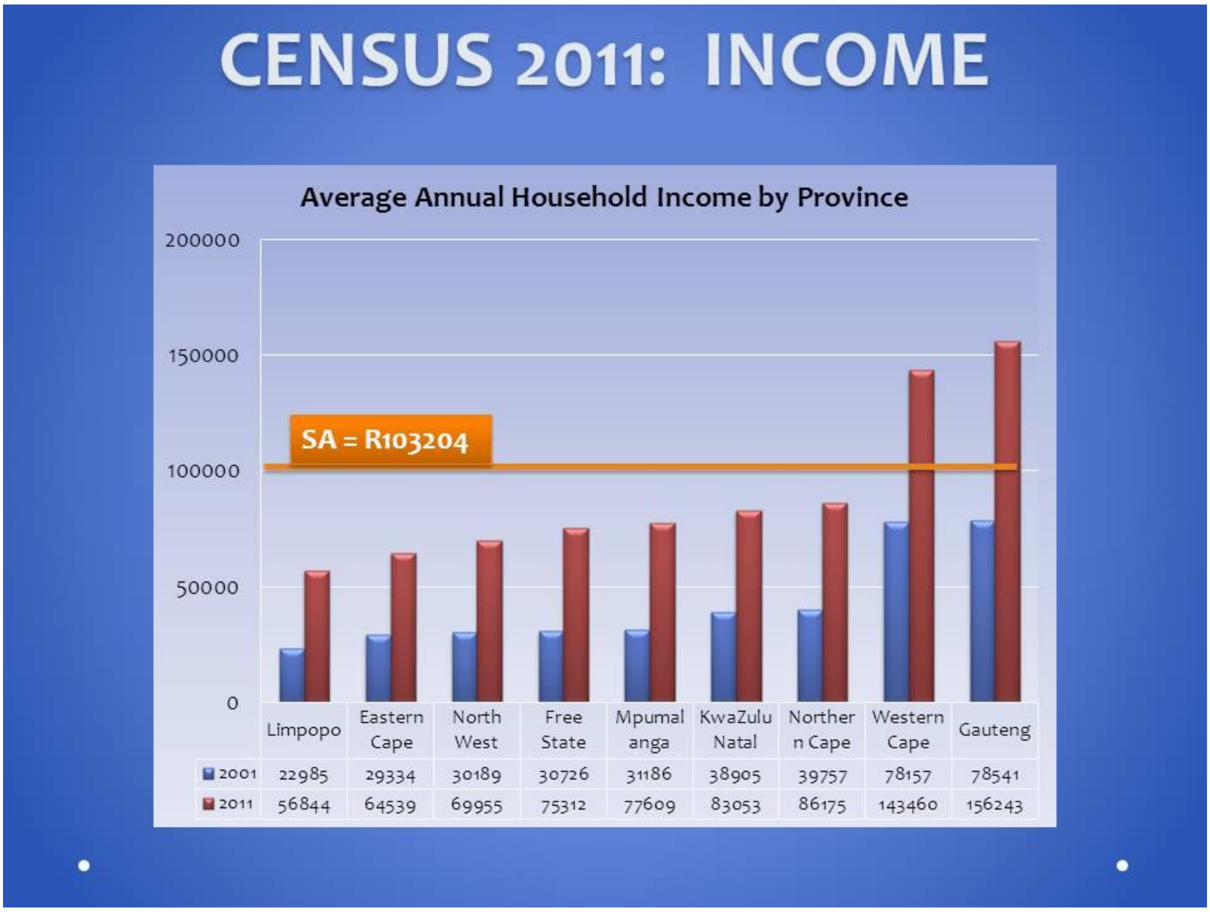
The high growth in the main metropolitan areas is also reflected in Diagram 3.

DIAGRAM 3



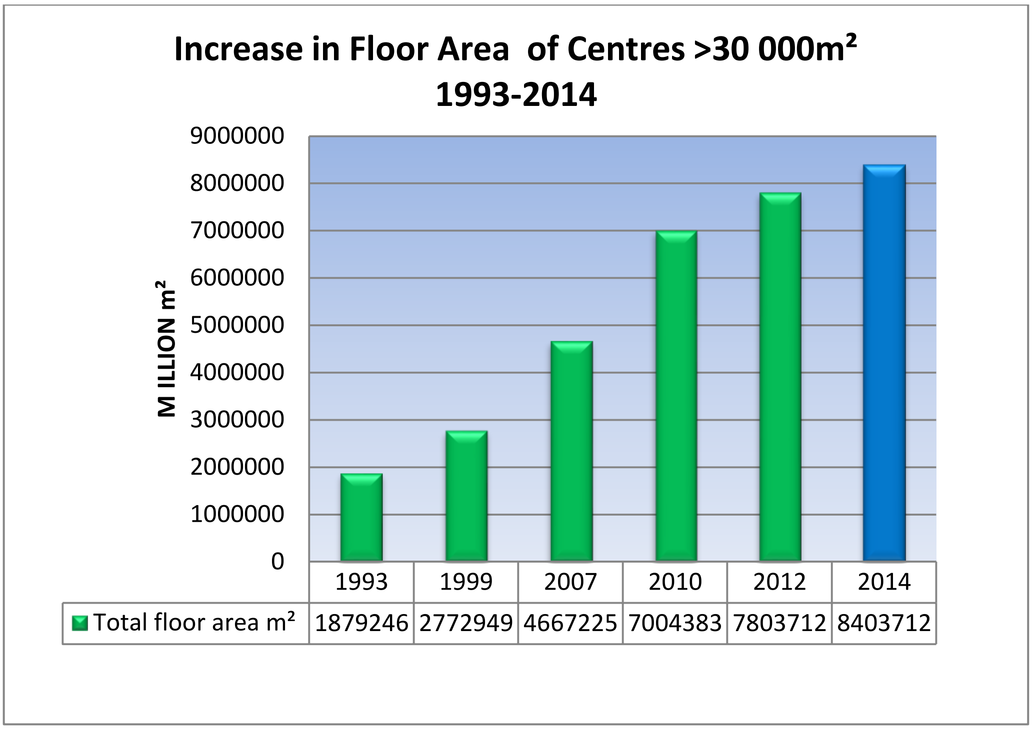
Gauteng and the Western Cape are the two provinces with the highest population growth as well as the highest average annual household income. The average household income for the country as a whole is ±R9 000 to R10 000 per month while the averages for the Western Cape and Gauteng ranges between R12 000 and R13 000 per month. This once again confirms the difference between these two provinces and the rest of the country.

DIAGRAM 4

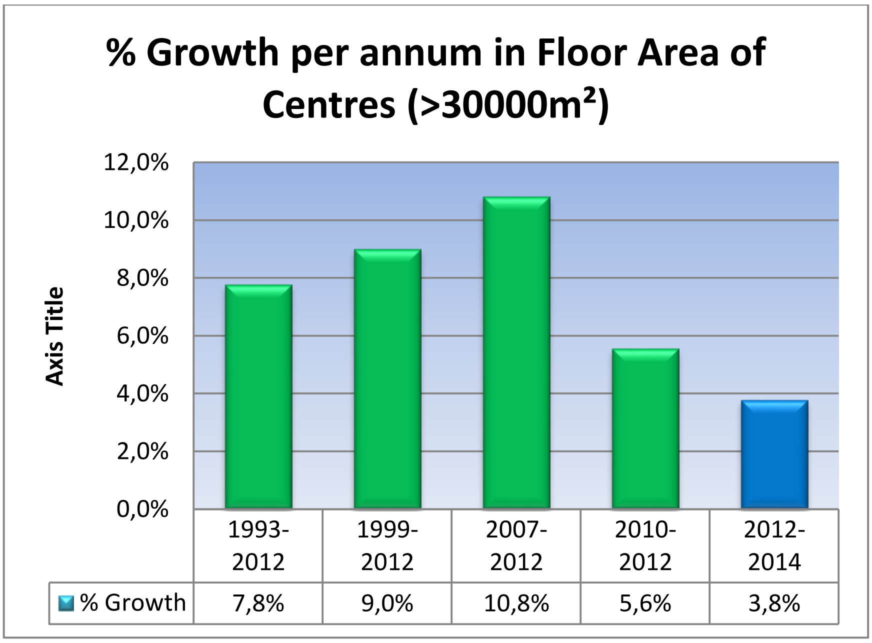


The figures above clearly indicate that the demand for retail space will keep on increasing in Gauteng and Western Cape while in the other provinces this growth will be on a much lower level. It is therefore of utmost importance that shopping centre development are driven by sufficient population and income per local trade area.

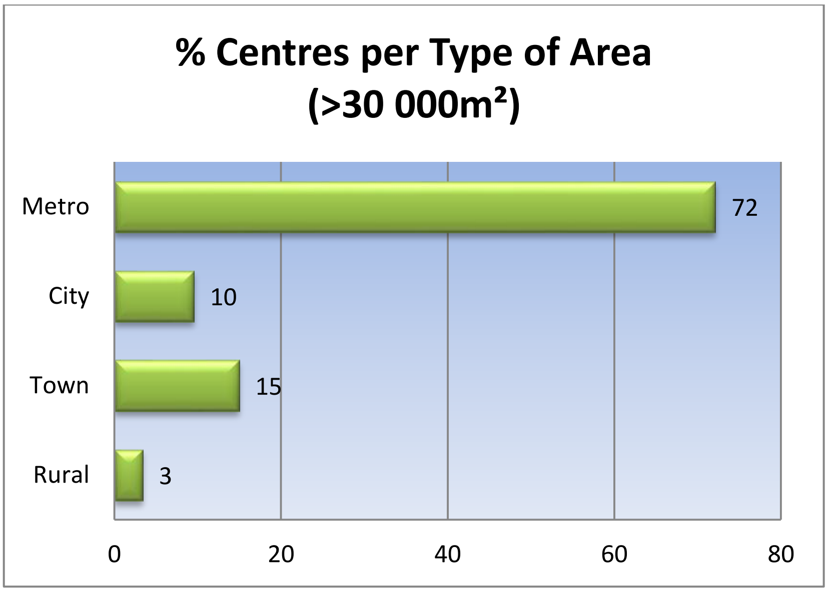
The total retail space in shopping centres above 30 000 m² has shown an increase from 1.8 million m² in 1993 to over 7.8 million m² in 2012.



On average this section (large community to super-regional centres) of the retail market has been growing at a rate of **7.8%** per annum since 1993. The growth rate between 2007 and 2012 reached a peak with an annual growth rate of **10.8%.** This growth rate has dropped to **5.6%** for the period 2010 to 2012. This clearly indicates the impact of the economic recession experienced during 2008 and 2009.



There are already a number of shopping centre development **plans under way** for the period 2013 to 2014. As far as shopping centres above 30 000m² are concerned an additional 600 000m² will be added to the total. This represents an annual growth of **3.8%** indicating that the retail market is **still in a much slower growth period** compared to previously.



Most of the shopping centres in the category above 30 000m² are located in one of the five metropolitan areas (72%). Cities represent 10% of these centres while a substantial number of towns (15%) offer centres of above 30 000m². The rural market is still limited to only 3% indicating that the market potential is driven by large population numbers but very low income. A number of centres were recently completed in the rural areas but most are smaller than 30 000m².

For the next 2 years retail growth in this category (>30 000m²) will include a number of large regional shopping centres on the **edge** of our metropolitan areas (Greenfield Developments). These types of shopping centres will very much depend on residential growth around the new centres to fill up the rest of their catchment areas. In most instances these fringe located centres do not have any major support from rural hinterlands and therefore growth in the immediate vicinity is of utmost importance.

Some of these new developments will consist of **infill development** which is much more positive based on large numbers of households already living in the vicinity of the proposed centres. Infill development will also capitalise on existing infrastructure. These centres will also act as catalysts for other commercial activities.

It is also expected that some of the **rural centres** will expand to above 30 000m². There are still growth opportunities in this market in spite of the fact that most suitable areas have already been developed.

There are certainly going to be major challenges as far as new shopping centres are concerned. The market must be sustainable with sufficient supporting households and an adequate amount of disposable income. It is also most important to focus on the 1 800 existing shopping centres to ensure they remain competitive with a good tenant mix, excellent service and an attractive shopping environment. This is the only way we will prevent more **dead malls**.

The key to future growth in South Africa is strong leadership, political stability, socio political stability and a strong GDP growth where new job opportunities can be created. The retail sector is currently the 3rd most important contributor to the GDP of the country. This sector is well established and will continue showing good growth, although at lower levels compared to the last 20 years.