

WHAT'S NEW?

20 YEARS OF SHOPPING CENTRE SUCCESS

JUNE 2015

WHAT DOES THE MALL OF THE FUTURE LOOK LIKE?

One of the most important changes that have occurred in the South African landscape since the first democratic elections, is to be seen in the shopping centre industry. The number of shopping centres in metropolitan areas through to the rural villages has increased dramatically during the past 20 years.

THE 2014 INFORMATION CLEARLY HIGHLIGHTS THE DRAMATIC CHANGES OVER A 20-YEAR PERIOD:



the population increased to almost 55 million



64% of the total population is now urbanised

THESE DRAMATIC CHANGES HAVE LEAD TO THREE MAIN QUESTIONS:

Where were we in 1994?



Where are we now?

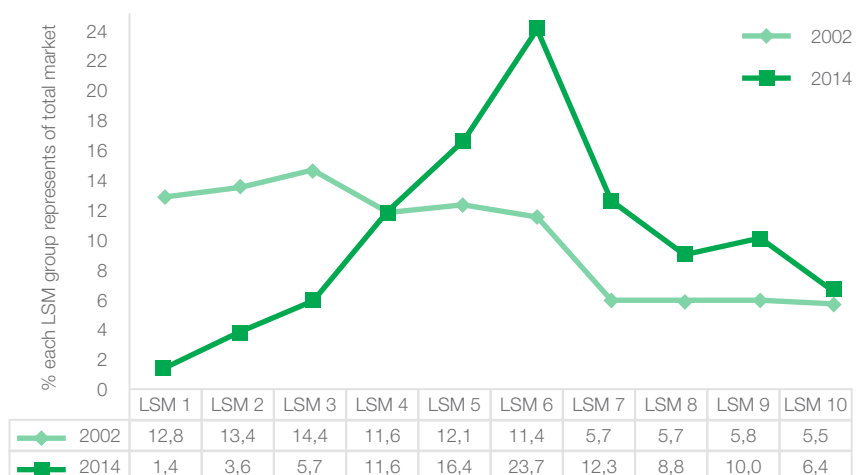


What does the future hold as far as shopping centre development is concerned?



- the LSM 1 – 4 market decreased to only 22% of all households. The middle market increased from 29% in 2002 to over 52% in 2014. This represents more than 4 million additional households to the middle market;
- the affluent market (LSM 8 – 10) increased from 17% to more than 25% during the same period. This represents 1.6 million additional households to this segment of the market.

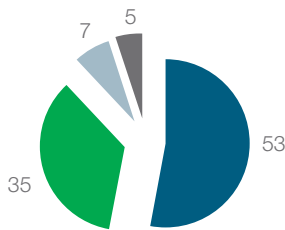
CHANGE IN THE PROPORTION OF EACH LSM GROUPS, 2002 VS 2009 VS 2014



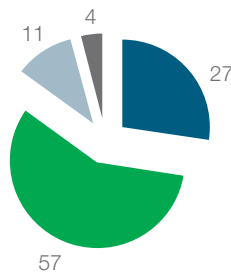
In 1994 the first general democratic elections took place. There were close to 40 million people in South Africa. Seventy six percent had a household income of <R2 500 per month. LSM 1 – 4 levels represented more than 80% of the total market. There were only 36 shopping centres larger than 30 000m². Most of these centres were located in the metropolitan areas, with only a few in larger cities. The total shopping centre floor area at that point was just more than 4 million m² and only 54% the total population was urbanised.

The large increase in the middle segment of the market is reflected in the changes in expenditure levels by the different population groups. The spending by black households as a percentage of the total spend increased from **35%** in 1993/4 to **57%** in 2013/14. The fact that the **TOTAL EXPENDITURE CAKE** for the total population is increasing, is one of the main features of shopping centre development in South Africa.

Expenditure by Population Group: **1993**



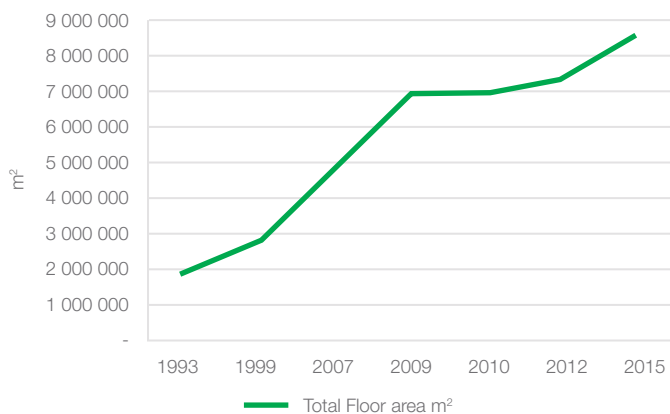
Expenditure by Population Group: **2013**



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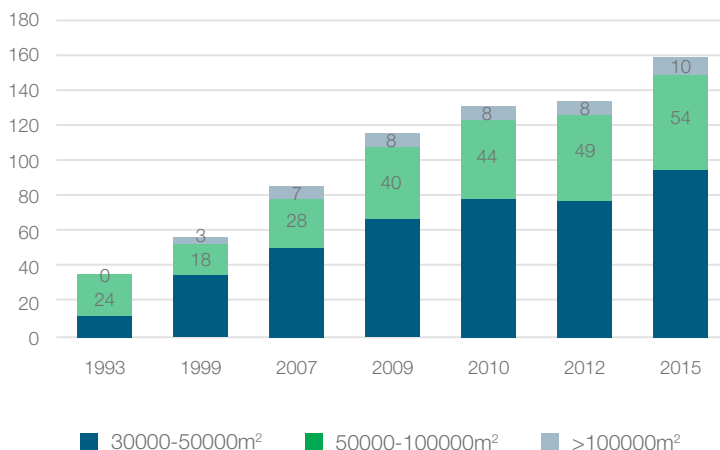
The growth in population numbers, income, and expenditure levels resulted in an increase in the shopping centre floor area from 4 million m² to more than 23 million m² with almost 2 000 shopping centres in the country. Township and rural centres increased to almost 300.

A 7.5% annual increase in the total floor area of shopping centres larger than 30 000m²



The larger shopping centres (>30 000m²) increased from 1.9 million m² in 1994 to more than 8.5 million m² in 2014.

Number of centres larger than 30 000m² increase from 36 in 1994 to 160 in 2014



This growth boosted South Africa to number 6 currently in the world as far as the number of centres is concerned, and number 7 in terms of shopping centre floor space. The retail and wholesale sector is the third largest economic sector, contributing ±15% to the GDP of the country. The shopping centre industry has more than 600 000 permanent jobs with another 500 000 jobs indirectly involved in the shopping centre industry.

Metropolitan centres represent 66% of the total, cities 11%, towns almost 20%, and rural areas 4%.

THE FUTURE FOR THE SHOPPING CENTRE INDUSTRY

- It is expected that the total population will increase to 58 million by 2021, and increase urbanisation to ±67%.
- The middle market is expected to grow by another 1.2 million households by 2021. This will add additional spend of R40 billion per annum, of which large portions could be spent on retail facilities.
- The LSM 8 – 10 market will also increase with another 400 000 to 500 000 households, adding R45 billion to the market.
- It is expected that the poverty base will further decrease.

The impact on shopping centre development will mainly be the following:

- the demolishing and/or redevelopment of **OLDER WELL LOCATED** centres;
- further township development, especially focusing on more convenience neighbourhood centres;
- secondary and minor towns will increase opportunities for expansion of existing centres, or the establishment of smaller neighbourhood/community centres;
- further rural development leading to smaller neighbourhood centres focusing on food, clothing and services;
- higher mobility because of an increase in **CAR OWNERSHIP** in the middle and upper income households. This will impact even further on the number of shopping centres supported per household;
- metropolitan gaps will mainly occur in the direction of new residential growth;

- currently 0.4m² per capita of shopping centre space exists. Additional growth based on population numbers and an increase in disposable income will further increase the demand by 1.5 - 2.0 million m² over the next 8-10 years;
- in specific metropolitan areas, certain levels of saturation have been reached. New retailers entering the market will always create new opportunities, even in so called saturated areas;
- large regional and superregional centres will continue to expand to cater for a well established, large surrounding market. This expansion will also depend on the internal growth of existing stores, the entering of new international retailers, residential growth in the area, and the increase in disposable income;
- new shopping centres also resulted in empty space in especially CBD areas. Most of this space is not attractive or suitable as retail space and should be reinvented.

The consumer of the future will be more demanding. Online opportunities and shopping will increase; therefore a very strong need exists to formulate an omni-channel retail strategy. This refers to all different channels to complement each other. Online shopping currently only representing 1% of the total retail market and is not a major concern at the moment, but future

trends indicate a drastic change in shopping behaviour and the necessity to satisfy the needs of new shoppers.

During the last 20 years, South Africa has moved in the top 10 spots as far as shopping centre floorspace supply in the world is concerned. This is a great achievement.

The challenges would be to envisage the shopping centre of the future which will have the following main features:

“ Tomorrow’s shopping centre will entertain and delight consumers while giving them to omni-channel offerings, social media interplay and ‘green’ gathering spaces. Malls will have to evolve into destinations like Apple Stores and Starbucks shops if they expect to thrive.

The malls will offer cooking classes, more fashion stores, more experiential eating places and features like indoor skiing. ”

(ICSC SCT, May 22, 2015)

REFERENCES

2013 Global State of the Shopping Center Industry, ICSC, November 2013 / ICSC SCT, May 22, 2015
 South African Council of Shopping Centre, 2015: Southern African Shopping Centre Directory.



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