

Mall of Africa has great start but offshore disappoints Attacq

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2 Mar 2017

The R5.1bn Mall of Africa, Attacq's single largest asset, has exceeded trading expectations in its first eight months despite what seems to be a waning appetite for retail therapy among consumers in general.



Image source: Atterbury

The mega-mall at Waterfall City in Midrand has lured an average of 1.1-million shoppers per month since the much-anticipated [opening of its doors](#) at the end of April 2016.

Speaking after Tuesday's release of the company's interim results for the six months to December, Attacq CEO Morné Wilken said Mall of Africa achieved an average trading density (turnover per square metre) of R2,777m² per month from May to December.

"That is comfortably ahead of the average R2,000m² per month that most new malls typically achieve in the first year or two of operation and close to the R3,137m² per month achieved by a well-established, upmarket shopping centre such as Brooklyn Mall in Pretoria."

At 131,000m², Mall of Africa is the largest shopping centre to be built from scratch in a single phase. Wilken said most

national retailers had reported that their Mall of Africa branches traded among their top five stores nationally while the mall's iStore branch boasted the highest number of iPhone 7s sold to date across SA.

"The exceptional trading figures achieved at Mall of Africa bode well for future income and valuation upside, particularly given that the current average rental of R233/m² including anchor tenants is about 16% below that of other comparable superregional malls."

Despite Mall of Africa's successful opening and a satisfactory performance by the rest of Attacq's South African portfolio – including stakes in Brooklyn Mall, Garden Route Mall in George and Eikestad Mall in Stellenbosch and a large office and industrial portfolio in the Waterfall precinct – results were negatively affected by foreign exchange losses and impairments on its R5.15bn offshore portfolio.

The latter represents 19% of total assets of R27.1bn and includes stakes in shopping centres in Cyprus, Serbia, Ghana, Zambia and Nigeria and a 38.6% shareholding in European-focused MAS Real Estate.

Attacq, which does not pay a dividend and is a pure capital growth play, saw adjusted net asset value (NAV) per share decrease 1.7% year on year from R21.72 to R21.35. The drop was mainly due to rand strength.

Thabo Ramushu, director of Meago Asset Managers, says investors should not expect NAV to recover over the short term given the feeble local economic environment. "While there is no doubt Attacq's crown jewel, Mall of Africa, is performing well above expectations, the challenge is that the bulk of the good news is already priced in, thereby creating a substantial base from which it now has to grow its NAV."

But Wilken said the company remained on track to deliver sustainable capital growth in the longer term as Attacq continued to roll out new developments at its Waterfall City precinct.

He expected the rand to soften, so the company's offshore diversification strategy should pay off for investors with a longer investment horizon.

Since listing in October 2013, Attacq has achieved a 27.7% compound annual growth rate in NAV per share.

Source: Business Day

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