

SA shoppers return to retail centres, but stick closer to home

The South African retail sector is showing strong signs of recovery, with shopper activity returning to pre-pandemic levels.



John Jack, CEO of Galetti Corporate Real Estate. Source: Supplied

“While many feared that a combination of loadshedding, the Covid-19 lockdown and the rise of online shopping would lead to the demise of brick-and-mortar stores, this sector has outperformed expectations with strong quarterly growth,” says John Jack, CEO of Galetti Corporate Real Estate.

“The steady growth of the economy as Covid-19 restrictions have subsided is reflected in consumer spending power and their return to key shopping centres and malls, where retailers are experiencing higher turnovers,” he adds. “In addition, we are seeing a host of retail new developments coming to the fore. Majority of these are smaller strip malls, the kind of places where you can park out-front and just walk in, conveniently located in bustling community areas.”

Growthpoint Properties recently released its investor update, which reinforces the commercial property sector’s road to recovery as the company announced turnover growth among retail tenants. The report contained additional positive indicators for landlords and tenants alike, detailing higher trading density, stabilised reversion rates and lower vacancy rates across their retail portfolio.



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What’s driving recovery?

“Within our own retail property portfolio, we have seen that the sector began a steady path to recovery once the majority of lockdown restrictions were lifted in 2021,” says Jack.

Some shoppers are continuing to use grocery delivery apps such as Checkers Sixty60, but as these applications require an internet connection, access to online payment methods, and only deliver within a certain radius, they do not serve the majority of the country's consumers.

Jack explains that transactions in South Africa are traditionally very “cash-heavy” and given that a significant ‘digital divide’ (meaning regular access to internet-enabled technologies) still exists, brick-and-mortar retail stores will continue to play a crucial role.

“For many South African consumers, a weekend trip to the mall is still seen as an exciting day out rather than a place for errands to be run,” he says. “If landlords want to draw shoppers back into physical stores and keep them from buying goods online, they need to emphasise the ‘experience’ and convenience aspect of malls – the ability to instantly try on clothes, to grab a bite to eat in between shopping and even feature attractions to keep the kids entertained while mom and dad get their errands done.”

Growthpoint's investor update noted that ‘value fashion’ – stores such as Mr Price, Cotton On and H&M were a major drawcard to shoppers and contributed to much of the traffic in shopping centres and malls in the last year.

“Galetti has observed the same trend in our retail listings, and we would encourage landlords to capitalise on this – go after retail tenants that cater to the shopping preferences of local consumers, particularly those between the ages of 20-30 with a disposable income as popular brands are what will bring the majority of traffic into your stores,” adds Jack.



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Cost of fuel keeps shoppers close to home

A major trend that retail property experts have observed since the onset of the pandemic is that people are choosing to frequent smaller neighbourhood strip malls and convenience stores when they once preferred larger regional malls like Sandton City or Canal Walk.

“This started with the lockdown when people weren't allowed to travel far from their home for non-essential purchases and so had to make do with what was around them. Now with the fuel price increase, we are seeing this trend become prevalent as many shoppers are reluctant to spend any more money than is necessary to get what they need,” says Jack.

Previously, consumers were willing to sacrifice proximity and time spent in traffic to visit retail locations such as malls that either had higher quality goods or a greater variety of options. But with the inland price of petrol sitting at over R25 per litre, this is a luxury that many have had to give up. “This also affects shoppers using public transport as when the price of petrol goes up so does the fare of taxis and busses,” says Jack.

These external factors, combined with inflation and the rising cost of living could mean additional challenges for the slowly

recovering retail sector – something which Jack believes the industry cannot afford to succumb to.

“Landlords need to be strategic to ensure that recovery continues. They need to pay attention to what consumers are looking for in a shopping experience and ensure that their retail properties cater to these needs: be it offering free parking, free items at certain stores, hosting pop-up events or installing children’s entertainment centres, they need to be prepared to do whatever it takes to keep feet walking through their tenant’s stores,” he concludes.

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