BIZCOMMUNITY

Shopping centre trading growth beats CPI, but tenant mix balance needed - *Clur Shopping Centre Index*

Growth in trading densities in South African shopping centres covering more than 4 million m^2 of retail space continued to contract in the first half of 2023, but still outperformed the Consumer Price Index (CPI), according to the Clur Shopping Centre Index.

Image by Michal Jarmoluk from Pixabay

The index tracks performance for listed and unlisted property funds at centres across SA and Namibia. It is derived from the Clur Report, the retail property standard helping asset managers to optimise trading.

With consumers constrained by a harsh economic climate and GDP growth expected to be muted into 2024, the continued fall-off was expected, says Belinda Clur, managing director of Clur International which produces the index.

“This market position requires acute strategy to capitalise on a powerful combination of under-traded opportunities and over-traded cautionaries amid bustling leasing activity and increased risk appetite.”


Cape Town's retail sector continues to bounce back
5 Sep 2023

Trading density

The Clur Index for all centres in the second quarter of 2023 showed annualised trading density at R39,879/m^2, a growth of 8.4% on the June 2022 figure. It was however 3.4% down on the growth figure for the December 2022 quarter and 1.7% down on the Q1 2023 growth figure. The growth beat CPI of 5.4% for June by 3%.

Larger malls continued to maintain the highest trading density levels, recording a 9% rise year-on year over the June 2022 figure. That was 2.1% less than the growth reported for the March 2023 quarter. Super regionals were top of the pack and achieved trading density of R47,327/m^2, a growth of 11,5% on the June 2022 figure.

Smaller centres continued to show resilience in the current tough trading environment, with annualised trading density for the June quarter at R35,282/m^2. That represented 7% growth but was only 0.8% lower than the trading density growth for both December 2022 and March 2023 quarters.

Clur says indications of a fall-off first emerged in the latter part of 2022, especially from last September, when exacerbated load shedding started.

Diversified retail property portfolios prevail - *Clur Shopping Centre Index*

5 Jun 2023

“The retail property market is now finding a more natural position. As people have returned to a more interactive world, recent years have seen a swing from a Covid survival tenant mix to a post-Covid curated lifestyle mix. This is now evolving into a bolder balanced mix, containing clear elements of experimentation and depth of texture as the market responds to a more settled consumer.”

Key trends emerging

Clur says the second quarter’s new lettings have shown a substantial rise in space take-up relative to the first quarter.

“Key trends emerging from this leasing activity are a greater appetite for risk which we have seen building over the year as well as asset management preparations in the lead up to Black Friday and festive season trading, and an increase in new concept local and international brand entries.”

Apparel, grocery/supermarket, speciality, homeware, furniture and interior and food service categories dominate, making up a combined 75% of new lettings space take-up across the index.

Apparel continues to lead the way, comprising 28%. Within apparel, shoes show the largest footprint, making up 5% of space.

New clothing and textile distribution centre set to open in Cape Town

6 Sep 2023

"From a consumer perspective, trendy trainers and elegant flat options are favoured – a shift caused by the Covid-casual-comfy athleisure approach to clothing."

This is followed by unisex wear and women's wear, at 3.2% and 1.8% respectively, showing a preference for either boutique or large space options, and not the middle ground.

Clur says the unisex wear category sees stores of less than 250m^2 (4.4%) and greater than 1,000m^2 (3.7%) being placed, and women's wear opting for stores of under 250m^2 (2.2%) and between 500 and 999m^2.

"This reinforces the current increased appetite for risk, with a shift away from small size stores – a message of be distinct, make a statement, don't be in the middle and bland."

Men's wear comes in at 1.5% of the take-up, with minor representation from children's wear and sports wear.

The grocery/ supermarket category, the next big new lettings leader, had a 15.1% area take-up across the index in the second quarter, with large supermarkets of between 1,000 and 4,999m^2 at 13.5%, and minor representation from smaller superettes (1.6%). The food service sector, at 7.6%, showed further fast casual dining formats taking 5.5%, and smaller fast foods stores 1.7%.

Apparel sector becoming over-traded

Clur cautions that in-depth results suggest that the apparel sector, representing 20.4% of the overall index is becoming over-traded, and is at a tipping-point in terms of space over-representation.

"This could have a dilutionary effect on trading densities. By contrast, the grocery/ supermarket and food service sectors show signs of being under-traded, with room for a responsible space take-up. That is encouraging as these together make up over 20% of the full index."

Baywest Mall sold to consortium of buyers
8 Sep 2023

Clur emphasises that mall and retailer strategies for these sectors should not ignore the growing consumer movement toward ethical food and clothing decisions, which will increasingly define future consumption patterns.

"Digging deeper into Clur Index apparel findings points to sound growth opportunities within athleisure wear, men's wear and small format unisex wear stores, which show signs of being under-traded."

Speciality, an increasingly important differentiator, making up 13% of new space entries, saw toys and baby stores coming to the fore at 4.1%. Other significant speciality categories include homeware and DIY (1.9%), second hand dealers (1.5%) and pet/vet stores.

Homeware, furniture and interior, at 11.2% of take-up, continues to favour hard furniture (8.1%) rather than soft furnishings (3.1%), with a specific focus on bed and mattress, as well as new international furniture stores. Discount department stores also feature within this context at 5.2%.

"These indicate the current consumer trends around creating a home sanctuary for cocooning, pre-loved and thrift shopping and ongoing elevated 'pets as children' status, "says Clur.

She cautions that department stores are showing firm signs of being over-traded.

“That is a critical finding given that the sector makes up 22.8% of the full index. The category is signalling a need to be pruned back to protect trading densities for this large space component and open opportunities for better performers.”

The important technology sector contributed 4.1% to new lettings space over the quarter, with cell phones and supporting services and larger electronics and games stores accounting for 2.4% and 1.6%. Clur says this sector is substantially under-traded, with a most favourable trajectory indicated for the successful addition of space.

The remaining new mix is a spread of books and stationery, food speciality and bottle stores, health, beauty and wellness, general and motor services, luggage and leatherware, accessories, jewellery and watches, eyewear and optometrists and sports, outdoor, fitness and entertainment themes.

Clur says specific under-traded growth opportunities are shown for health, beauty and wellness, food speciality and bottle stores, as well as accessories, jewellery and watches.