

## Mall size on the rise says study

A recent study conducted on behalf of the South African Council of Shopping Centres (SACSC) has determined that malls are getting bigger. New data indicates that the average size of centres developed have steadily increased in size since the 1990s with centres slated for completion between 2017 and 2020 being significantly larger than those developed during the 1990s and 2000s.



Phil Bartram, executive director of Morgan Stanley Capital International

This trend towards larger centres may be explained by developers opting for larger formats in order to dominate its immediate catchment area and attract a higher proportion of national tenants, thus strengthening the centre's position within its catchment area. The data also indicates that proposed centres planned in the country's city regions, local/niche towns and service towns are all now 100% larger compared to those developed during the 2000s.

As of July 2017, the South African retail development pipeline measures 1.9-million square metres across 68 centres - the bulk of which is planned for completion in 2018. Currently, there are 17 shopping centres slated for completion in the remaining weeks of 2017.

### Saturated retail market

In terms of square meterage of retail space, South Africa ranks as sub-Saharan Africa's most saturated retail market, representing 88% of the available space in the region. According to the SA Shopping Council, South Africa has the sixth most shopping centres in the world – and yet, we continue to build more malls.

Phil Bartram, executive director of MSCI Real Estate South Africa, which conducted the research, said that there is a unique perspective of the link between retail space, economic activity and population density. "MSCI's latest research, based on SACSC's shopping centre directory, provides a unique perspective of the linkage between expected retail mall space, economic activity and population densities. Given a highly competitive environment for malls in specific nodes, we believe that centre selection within the retail segments will become increasingly important. There are fundamental drivers of mall defensiveness and it will be the malls that best exploit these factors that will prove to be more resilient in the times ahead," he added.

### Double-digit growth for small-town markets

Retail supply in the small-town markets are still expecting double-digit growth for 2017 to 2020 compared to 2010 to 2016. The Mpumalanga, Limpopo and Eastern Cape provinces combined contribute 82% of the overall retail pipeline in the small settlement-type markets. The study conducted by MSCI also notes that despite the slowing of retail development, the South African retail market has expanded significantly over the past few decades, increasing to 23.4-million square metres at the end of 2016. Since 2010, retail stock has grown by an average of 17.3% with 32 new centres per year.

Last year, Menlyn Park in Pretoria, now the largest shopping centre in South Africa, embarked on a R2bn redevelopment that added 50,000m<sup>2</sup> of additional retail space to its already massive footprint, making it one of the largest malls in Africa. In February this year, the Fourways Mall expansion project in Johannesburg broke ground. This project, costing R23.7m, will see the mall become a retail behemoth of 175,000<sup>2</sup>. The Pavilion as well as Ballito Junction, both in KwaZulu-Natal have also undergone expansion projects.

Another possible reason for the increase in mall size including redevelopment of malls may be globalisation. Globalisation has brought many international brands into the country that were once considered unattainable. This means that the store-within-a-store that stock these international brands will be rendered obsolete, thus creating the opportunity for expanded retail space.

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