Rise in shopping centre trading density over November, December - Clur report

Growth in trading density (sales per square metre) in 2018 at monitored shopping centres in South Africa and Namibia continued to improve after a lacklustre 2017, according to a retail property barometer.

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The national December Clur benchmark showed a 2018 annualised trading density at centres of R34,057 with year-on-year growth of 3.8%, says the *Clur Report of SA Retail Property*, which tracks performance and trends for property funds owning more than 2.4 million square metres of physical retail space in South Africa and Namibia.

The new festive season benchmark, which combines November and December trading showed an annualised trading density of R45,669, with corresponding softer growth of 1.8%. The new out-of-festive season benchmark, for the January – October period, showed annualised trading density of R31,689 and corresponding year-on-year growth of 4.2%.

“December’s traditional trading position has shifted over the years due to November’s increasingly popular deep discount sales. This has lead to an unfair expectation continuing to be placed on December trading performance. For this reason, it is more relevant to view November and December as one longer consolidated festive season period and to report and interpret on this basis,” says Belinda Clur, managing director of Clur Research International.

“Further, this shows that the two parts of the year played differing roles in driving the overall 2018 shopping centre trading picture. The November and December festive season drove up trading density, whereas the rest of the year drove up the growth level. This also points to the overall contraction the retail market has seen in the latter part of the year.”

SA retail sales slump in December

14 Feb 2019

Growth drivers

She says that looking at the trading dynamics of the centre types, the higher growth seems to have been driven by both the very large and very small centres.

“These two types of centres seem to offer a different type of key convenience. The small centres offer day to day convenience and the large centres offer destination convenience with everything under one roof, usually along with more entertainment options.

“What has emerged through 2018, though, is that a new age of consumer culture has dawned. This values community engagement, personal brand, experience and expression, connectivity and technology, health and wellness, traditional village themes, intimacy, substance and art, and the richness of engaging the mind, body and senses.

"Given the consumer focus, centres ranging from super regional malls to smaller neighbourhood and community complexes, report growth categories including food speciality represented by deli’s and artisanal and craft product outlets, home furnishings, gyms, sportswear, health, beauty and wellness, travel and luggage, restaurants, fast food, movies, cell phones, electronics, optometrists, groceries, and later in the year, clothing for men, women and children.

“There is also a strong trend towards a social, sustainable and ethical conscience, with the online democracy of knowledge facilitating rapid global information sharing and trendsetting. This leaves few places to hide and makes brand and product integrity critical. This is not a culture that will easily part with hard earned money, especially as millennials value experience above material goods. This is also not a culture that will trade down in hard times, and we now see the advent of an extremely fussy customer expecting the best of everything to motivate hard earned spend."

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Clur says it is critical that the consumer is offered a trendy, lifestyle, contemporary leisure and entertainment focused community environment that can easily change and adapt to the influences of the times. Synthesising key elements of retail, work and home in a relaxed, connected and stimulating environment which encourages dwell time first, which will then lead to spend is currently driving forward-thinking international property development and tenant mix strategy, she says.

She adds that over 2018 the gap between trading density performance and the consumer price index closed considerably.

“The positive movement in trading density in centres since September 2017 can be attributed to some consumer resilience and to good asset management by property managers in making better use of gross lettable areas, right sizing of stores and effective tenant mix strategies. The good asset management is also shown by the extent of positive nominal growth across substantially more categories than experienced negative growth for the year.”