

December 2013

Festive retail gains still likely on last year

The festive period is an important time for retailers but, with economic growth being relatively muted, James Templeton, CEO of Emira Property Fund, says the retailers and shopping malls are going to have to work hard for their share of increasingly cautious spending this festive season.

“The continuous rise in the cost of living in South Africa means that consumers are finding themselves under more and more pressure,” says Templeton, pointing to soaring food prices and travelling costs, while debt is high and savings are poor.

Worry over the economy cannot take away from the fact that the festive season is obviously a peak time for retailers and has always been the best month of the calendar year for retailers. “In general, foot counts and spends peak over the festive season. However for smaller centres like convenience centres and also centres in some CBDs, the festive season trading impact is not that high,” explains Templeton.

He adds: “Festive trade is extremely important to our retail centres on the coast, for example in Durban and Plettenberg Bay where we own a variety of centres, as they are able to increase turnover substantially in December and January.”

With the current economy in mind, Templeton believes that this year’s festive trade will increase, albeit marginally, from 2012. “The trend in the last year or two has been for growth in revenue at our centres in line with inflation, with foot count being relatively flat, this is expected to continue,” he says. Retail assets made up for 35% of Emira’s diversified portfolio by value as at June 2013, with investments in both higher LSM urban areas as well as lower LSM outlying areas where growth in rentals have been well above inflation.

With savings levels still under pressure, Templeton notes that credit will probably still play an important role this year. “A worrying factor is the latest reports indicating a decrease in cash withdrawals – an indication that consumers are tightening their belts and increasingly turning to credit.”

“Supermarkets, fashion and clothing stores, eateries, beauty and electronic stores will benefit more than other stores this festive season,” he says.

According to Templeton, online shopping will play a bigger role this year as more consumers have smartphones and access to the Internet. “But internet penetration and effective, timeous deliveries are still an issue for consumers, who also want the holiday spirit they experience at our malls.”

With shopping becoming a form of entertainment, it is important to attract shoppers during the festive season, and Emira is offering longer shopping hours at its larger centres. It is also boosting advertising, hosting gift fairs, offering photos with Santa, gift guide magazines and festive season entertainment to draw consumers in. The fund is currently extending its largest asset - Wonderpark Shopping Centre in Pretoria, from 63,000m² to approximately 90,000m², and is putting a greater focus on these aspects, which also includes enlarged rest and ablution facilities for shoppers.

However, the festive period does come with its own set of challenges. For shopping centre management, dealing with increased security, parking congestion and general cleanliness are priorities. Retailers are

pressured with keeping stock levels up and managing longer operating hours. Consumers are dealing with a decrease in disposable income and mall owners are operating in an increasingly competitive arena with a growing supply of retail space.

Emira is a JSE-listed REIT (Real Estate Investment Trust) with a diversified portfolio of office, retail and industrial properties. Its local assets comprise 146 properties valued at R9,4 billion.

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