

# SOUTH AFRICA

*Cushman & Wakefield*  
*Global Cities Retail Guide*



***South Africa occupies the southern tip of Africa, its long coastline stretching more than 2,500km from the desert border with Namibia on the Atlantic coast, southwards around the tip of Africa, then north to the border with subtropical Mozambique on the Indian Ocean.***

South Africa is one-eighth the size of the USA, twice the size of France, and over three times the size of Germany. South Africa measures around 1,600km from north to south, and roughly the same from east to west.

It has three capitals; Cape Town is the legislative capital and is where the country's Parliament is found; Bloemfontein is the judicial capital, and home to the Supreme Court of Appeal and Pretoria is the administrative capital, and the ultimate capital of the country. The largest and most important city is Johannesburg, the economic heartland of the country. Other important cities include Durban and Pietermaritzburg in KwaZulu-Natal, and Port Elizabeth in the Eastern Cape.

It is a large market of some 58.8 million people, half of whom are aged under 30 years of age. South Africa has a wide array of options and experiences for international tourists such as Cape Town for its beaches and Table Mountain, The Kruger National Park, home to the Big Five and other wildlife, The Drakensberg, the country's highest mountain range extending over 300km and The Winelands; producing world class wines.

Domestic growth is expected to reach 1.5% this year, as the effects of a slow growing global economy, sovereign debt issues, bail-out hangovers and slowing export demands dampen prospects for improvement. However, domestic growth is projected to reach 2.1% in 2021, with improvement in investor confidence, better commodity prices and more effective policy reforms all needed to achieve this growth.



## SOUTH AFRICA OVERVIEW

# SOUTH AFRICA

## ECONOMIC OVERVIEW

### ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F	2023F
GDP growth	0.8	1.3	1.8	2.2	2.4	0.8
Consumer spending	1.8	1.6	1.9	2.0	2.4	1.8
Industrial production	0.0	1.5	1.5	1.4	1.5	0.0
Investment as % of GDP	-1.4	0.9	1.9	2.4	2.5	-1.4
Unemployment rate (%)	27.1	26.9	27.1	26.9	26.6	27.1
Inflation	4.6	4.7	5.4	5.1	5.0	4.6
ZAR/ € (average)	15.6	16.3	17.2	18.2	18.8	15.6
ZAR/ US\$ (average)	13.2	14.2	14.5	14.8	15.1	13.2
Interest rates Short term (%)	6.6	6.8	7.0	7.2	7.3	6.6
Interest rates 10-year (%)	8.7	8.8	9.1	9.2	9.3	8.7

### ECONOMIC BREAKDOWN

Population	58.1 million (2019F)
GDP (nominal)	US\$369.51 billion (2019F)
Public Sector Balance	-4.3% of GDP (2019F)
Public Sector Debt	56.7% of GDP (2019F)
Parliament	Multi-party democracy
Head of State/ President	Cyril Ramaphosa
Majority Party	African National Congress
Election Date	2024

### RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

SOUTH AFRICA	2018F	2019F	2020F	2021F	2022F	2023F
Retail Volume*	1.2	1.4	3.2	3.9	2.8	2.5

Note: \*annual % growth rate unless otherwise indicated. Figures are based on local currency and in real terms. E estimate F forecast

Source: Oxford Economics Ltd.

CITY	POPULATION (2018)
Johannesburg (metro)	5,101,678
Cape Town	4,200,920
Durban	3,830,166
Pretoria	3,349,863
Port Elizabeth	1,265,334
Bloemfontein	808,624
Polokwane	689,020



# SOUTH AFRICA LARGEST CITIES

# SOUTH AFRICA

## RETAIL OVERVIEW

### MAJOR DOMESTIC FOOD RETAILERS

Pick n Pay, Shoprite Checkers, Woolworths Food, Game, Food Lover's Market

### MAJOR INTERNATIONAL FOOD RETAILERS

Spar

### MAJOR DOMESTIC NON-FOOD RETAILERS

Edgars, Foschini, Mr Price, Ackerman, Jet, Pep, Woolworths, Clicks, Truworths, Dis-Chem, Cape Union Mart

### INTERNATIONAL RETAILERS IN SOUTH AFRICA

Zara, Mango, Gucci, Burberry, Michael Kors, Coach, Hugo Boss, Louis Vuitton, Under Armour, Forever 21, L'Occitane, Burberry, Starbucks, H&M, Forever New, Armani Exchange, Bra's And Things, Cotton On, Typo, Lush, Factorie, Country Road, Trenerly, Jimmy Choo, Witchery, LC Waikiki, Freddy Jeans, Longchamp, Nespresso

### FOOD AND BEVERAGE OPERATORS

McDonalds, KFC, Burger King, Fishaways, Steers, Debonairs, Spur, Nando's, Krispy Kreme, Popeye's Chicken, Starbucks, Wimpy, Domino's,

#### TYPICAL HOURS

##### MONDAY - FRIDAY

9:00 – 19:00

##### SATURDAY

09:00 – 20:00

##### SUNDAY

9:00 – 18:00

#### NEW ENTRANTS TO MARKET

Camicissima	Michael Kors	Yamamay	Leroy Merlin
Bras n' Things	Freddy Jeans	Miniso	Daniel Wellington
Coach	LC Waikiki	Popeye's Chicken	



# SOUTH AFRICA

## RETAIL SCENE

***South Africa, with a population of some 58.8 million people, has one of the most developed retail markets in Africa. Development in South Africa is almost as extensive as in the UK or France.***

South Africa's retail environment has both a large presence of formal as well as informal retail trade. The country's diverse population, with several cultures and ethnicities, present significant opportunities in which various retailers/brands can thrive. Whatever the product offering is, a niche target market can almost always be found.

South Africa has more than 24 million square metres of formal retail space currently in operation in over 1,250 shopping centres with nearly three million additional square metres of formal space planned. With so much on offer, new offerings within centres, new retailer products and unique experiences for customers are vital to attract market share. The retail market is evolving at a rapid pace and innovation is considered one of the key success factors to survival.

The South African formal retail market is dominated by large national retail chains and supermarkets. These major retail chains have enormous purchasing power and are in a position to dictate their buying terms to suppliers. They have central depots or warehouses, which distribute products to supermarkets and retail outlet stores nationally.

The informal retailer market consists of spaza shops (a spaza shop is an informal convenience shop, usually run from home, selling everyday small household items), street vendors, and hawkers and generally service the large township and rural population.

Various international brands including Zara, H&M, Krispy Kreme and Starbucks have become more evident in most of South Africa's major retail facilities, with many other international brands having entered and exited the country in the past 24 months

The demands and expectations of South African shoppers has changed dramatically over the past few years, particularly when it comes to the convenience and variety of products available. Omni-channel, a cross channel strategy utilised to improve a customer experience by being where the customers are, allows South African retailers to compete within the global market place. Local and International retailers such as Mr Price and Cotton On are gearing more towards an omni-channel offering, whilst some online brands have opened brick and mortar stores. Although omni-channel is gaining importance as a retail channel in South Africa, it is forecast to be some time before this trend reaches the levels already found in the US and Europe. Whilst access to smartphones has significantly increased internet penetration, online shopping currently accounts for a very small proportion of sales. In the future however, it may pose some degree of threat to traditional retailers in an already tough market.

National retail trade sales, the main indicator for the industry, have seen both the rise and plunge of sales figures when looking back at year-on-year (y-o-y) growth since 1999. The highest growth rate was recorded in 2006, where a growth of 10.26% was evident. Overall, 2018 recorded 2.12% growth in retail trade sales, a reduced growth rate in comparison to 2.71% recorded in 2017. This is indicative of reduced spending and signals that consumers are under financial pressure. As a result, retailers and shopping centre owners will have to work hard towards attracting customers to maintain turnover targets.

It is possible to enter the South African retail market directly, though many also franchise and enter via concessions/ shop-in-shops.



# SOUTH AFRICA

## SHOPPING CENTRES

### TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Fourways Mall	Johannesburg	178,000 sqm	2019
Menlyn Park Shopping Centre	Pretoria	171,500 sqm	1979
Gateway Theatre of Shopping	Durban	174,788 sqm	2001
Sandton City Shopping Centre	Johannesburg	147,940 sqm	1973
Canal Walk Shopping Centre	Cape Town	135,518 sqm	2000
Mall of Africa	Johannesburg	131,000 sqm	2016
The Pavilion	Durban	122,768 sqm	1993
Centurion Mall	Johannesburg	113,964 sqm	1983
Eastgate Shopping Centre	Johannesburg	118,732 sqm	1979
Cresta Shopping Centre	Johannesburg	114,451 sqm	1985

Source: SACSC Shopping Centre Directory 2019

# SOUTH AFRICA

## KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	<p>Traditionally, South African leases are for a period of 3 to 5 years with an option to renew. Due to the provisions of the Consumer Protection Act, leases with independent retailers are generally no longer than 2 years, but can be up to 3 years. Anchor tenants leases are usually 10 year terms.</p> <p>Termination or break clauses are not common, however, in some cases break clauses have been secured and termination is usually on some form of breach.</p>
Rental Payment	<p>Rents are typically payable monthly in advance.</p> <p>Turnover/percentage rents are common practice in shopping centres and factory outlets, hotels and airports.</p> <p>Security deposit and guarantees form part of most line shop and small national tenant leases. The deposit varies from 2 month's rental (last year's monthly rental) with additional surety, or 4 month's rental, with no surety. Deposits are in the form of cash or bank guarantees (issued on the landlord's standard template).</p>
Rent Review/ Escalations	<p>Most leases provide for annual rental escalations, however, rental and operating cost escalations are market driven and not related to the inflation rate.</p>
Operating Costs, Repairs and Insurance	<p>Operating costs, sometimes known as "op costs", are usually payable in multi-tenanted buildings and are often charged separately from net rent in the lease. Operating costs generally cover all landlord expenses inter alia: maintenance, management costs, cleaning of the common areas, security, common area utility charges, insurance and any park levies.</p> <p>The landlord undertakes repairs and maintenance of the exterior and the structure of the building and common areas. The tenant traditionally bears the cost of internal repairs and maintenance.</p> <p>It is common practice for landlords to insure the structure and against public liability claims. There is an increasing trend for landlords to take insurance cover for loss of rental. Tenants are traditionally required to take out insurance for the contents of the leased premises, business risk (inclusive of rental commitment cover) and public liability cover within the leased premises.</p>
Property Taxes	<p>The local government authority charge property taxes known as "assessment rates" or "rates", these are payable by the property owner and are generally recovered through a direct rates recovery depending on the terms negotiated. Rates payable are based on a municipal value of the land and improvements.</p>
Other Occupancy Costs	<p>There is usually a marketing fund which is billed as a percentage of net rent, payable by the tenant.</p>

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ITEM	COMMENT
Disposal of a Lease	<p>Sub-letting is usually possible under the terms of the lease, subject to landlord's approval. Assignment rights are not normally barred in the lease but will also be subject to consent, which should not be unreasonably withheld.</p> <p>Early termination is only by break clause, to be negotiated at outset of lease by mutual consent upon negotiation.</p> <p>At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to fair wear and tear. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld.</p>
Legislation	<p>A mandatory standard form of lease does not exist however lease contracts are governed within the legal frameworks of South African property law and law of contracts. While this legislation provides a base and framework for leases, Landlords usually have their own standard lease agreement which line shops/independent retailers are required to sign. It is common practice for anchor tenants and landlords to negotiate a "hybrid" lease which is a combination of both the tenant and landlord leases acceptable to both parties. In some cases the landlord will accept the use of an anchor tenant's standard lease agreement.</p>

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# WHAT'S NEXT

REDEFINING THE LANGUAGE OF  
RETAIL & LEISURE

