WWW.GROWTHPOINT.CO.ZA

THE PLACE, 1 SANDTON DRIVE, SANDTON,
GAUTENG, 2196, SOUTH AFRICA
TEL: +27 (0)11 944 6000 **FAX:** +27 (0)11 944 6005
PO BOX 78949, SANDTON, 2146, SOUTH AFRICA
DOCEX: 48 SANDTON SQUARE **EMAIL:** info@growthpoint.co.za

MEDIA RELEASE FROM GROWTHPOINT PROPERTIES

08 December 2015

Tough trading conditions will fuel the fight for retail market share this festive season

The weak economy, deteriorating exchange rate and tighter consumer credit will all put pressure on retail sales this holiday season says Stephan le Roux, Retail Sector Divisional Director at South Africa's largest JSE-listed REIT, Growthpoint Properties.

"While the economy is simply not conducive to big binge buying over the festive season, there's a good chance retail sales will be up on last year, albeit marginally," says le Roux.

However with more competing shopping malls, and an oversupply of retail space in more areas, Le Roux says the fight for market share is in full swing.

"New shopping mall developments are saturating, and even oversupplying, consumer markets in many areas. Established shopping centres are finding it significantly easier to keep a substantial portion of the market share than newer shopping centres, especially as many new malls are very generic," says le Roux. "However, the impact is leading to a sea of underperforming shopping centres."

Retailers are coming under pressure too. There was a quick succession of retail failures during 2015. Plus, even more international retail brands committed to enter the South African market, such as H&M, Forever 21, Hamleys, Starbucks, Krispy Kreme and Domino's Pizza.

In the face of stiff competition, le Roux expects retailers in the local market to look for smart ways to give customers more, for less.

"Our economy makes consumers extremely price sensitive. It is increasingly difficult for retailers to increase prices to drive profits. Already, many retailers have found efficiencies and innovative ways to improve their bottom lines," says le Roux. "The next step is likely to involve turning their attention to optimising their existing staff by unlocking productivity. This will be a key focus for retailers in the next few years, especially in the context of future labour pressures."

Despite this pressure on malls and their retailers, Le Roux reports that occupancy levels at Growthpoint shopping centres are healthy, and vacancy factors are decreasing.

Successful year-end holiday season trade is vital for retailers. Le Roux reports that December can often represent up to two times a normal month's trade. With the Easter holiday, these periods can represent around 25% of annual turnovers.

He expects this holiday shopping season to be much the same as last year's.

"Unless there's a marked deterioration in the JSE or a political black swan event, retail spending from the upper end of the market will be relatively good," says Le Roux. "As they have in the past, this market segment will most likely spend money on electronics and technology."

The middle market will again focus their spending on affordably luxuries, such as eating out more frequently and other little indulgences. With this in mind, Le Roux believes Woolworths is well positioned to benefit from festive spend. Beauty retailers should find their lotions and potions appealing to holiday shoppers too.

When it comes to great deals, le Roux points out today's consumers expect everything to be on sale all the time. "No-one wants to buy anything at full price any more. Already this year retailers have been forced to offer big write-down sales because we had such a mild winter, and they'll be hoping this won't happen again for the festive season."

Overall, Le Roux also foresees food and grocery retailers doing well. Also well positioned for festive season shopping are value clothing retailers. Le Roux lists Ackermans, Pep, Mr Price and, to some extent, Jet as the forerunners in the category.

As a nation with a young population, Millennials are likely to influence festive sales trends. "They love spoiling themselves and are set to do so this holiday with many of the trendy fashion brands, including gear from new international retailers in the country, especially as these young shoppers tend to be more cash-flush over the holiday season," says le Roux.

He also points out that South African's have changed the way they holiday. They are not behaving the same way we did 20 or 30 years ago, with the long summer family holiday now increasingly expensive and rare.

In popular seaside holiday destinations, foul weather is bad news for holidaymakers but welcomed by shopping malls. Le Roux says: "Bad weather drives holidaymakers to seek out entertainment at the mall, and a few rainy days can have a meaningful effect on retail turnovers."

Despite South Africa's visa regulations relaxing, tourist numbers are unlikely to recover for several months. This may impact holiday retail in the Cape Town area.

Growthpoint is South Africa's largest REIT and a JSE ALSI Top 40 Index company. It is a Platinum Founding Member of the Green Building Council South Africa (GBCSA), a JSE Socially Responsible Investment (SRI) Index company and a Dow Jones Sustainability Index company. It owns and manages a diversified portfolio of 471 properties in South Africa, 53 properties in Australia through its investment in Growthpoint Properties Australia (GOZ) and a 50% interest in the properties at V&A Waterfront, Cape Town. Growthpoint's consolidated property assets are valued at over R100 billion.

-ENDS-

Released by:
Growthpoint Properties Limited
Stephan Le Roux, Divisional Director - Retail Portfolio
Tel: +27 (0) 11 944 6279

Distributed by:
Marketing Concepts
Media Manager, Suren Naidoo
Tel: +27 (0) 11 783 0700