

# Superfluous retail development the greatest risk to retailers, landlords alike



By [Andrew Thabo Russell](#)

9 Jan 2019

It is well known that South Africa has some of the highest levels of gross lettable retail area (GLA) per capita (adjusted for income per capita) in the world. Upmarket suburbs in particular have experienced a mall boom over the last few decades, the main drivers being safety, urban sprawl and the consequential car-bound culture. But not all GLA is equal.



Andrew Thabo Russell, head of expansion and acquisitions, Flanagan & Gerard

2018 saw a significant decline in new GLA and 2019 and beyond will be much the same. The curtailing of new GLA per annum is due to economic stagnation, prolific development historically and the unfeasible expectations of national retailers on landlords. This slowdown in new GLA bodes well for existing centres built in accordance with the fundamental retail development principals. Location or site fundamentals are classically cited as access, ingress/egress, visibility and layout. One should add purpose to this list, and it goes without saying that the trade catchment should warrant the retail development.

## Shift from CBD trade

Marginal centres that lack an identity or purpose will continue to decline. And due to township mall developments, CBD trade will shift to safer, modern, more convenient retail environments. We foresee a period of trade consolidation, favouring centres that are dominant in their nature, be it neighbourhood centres, community shopping centres or regional malls. However, this is not to say that the income streams of dominant centres are not under pressure. The greatest present risk to bricks and mortar landlords and retailers is irresponsible retail development, where blame lies with both

developer/investors and retailers.

Suboptimal shopping centres do not just affect the centre and the retailers that trade in the centre but losses jeopardise the retailer's businesses as a whole. This subsequently affects the landlords of sound developments. Strong centres are subsidising weak centres.

## Rental expectations

Furthermore, the new benchmark of rentals which retailers have become accustomed to from distressed landlords has altered retailers' expectations. Today's rental expectations would have AAA grade green fields sites open in negative equity. Current rental expectations make sound green fields developments unfeasible.

And finally, struggling centres take away from the ability of retailers and landlords to maintain the most appealing environment for customers. Shopping centres are living organisms that need to evolve. Without the appropriate evolution and investment, the imminent challenge of online retail offerings may act more independently of bricks & mortar retail than if landlords and retailers maintained and created truly desirable shopping environments.

## ABOUT ANDREW THABO RUSSELL

Since joining Flanagan & Gerard in 2014, Russell has had an open portfolio working on all aspects of development and has been instrumental in dealing with various councils and

municipalities throughout the current projects portfolio. Prior to joining Flanagan & Gerard, Russell specialised in business development and raising capital for new projects. Previous clients include the provincial government of the Western Cape, The Rockefeller Foundation, National Treasury, Ford, ITS Engineering and the Cape Town Partnership. Russell is an adventurer and enjoys all things off track.

■ #BizTrends2019: Superfluous retail development the greatest risk to retailers, landlords alike - 9 Jan 2019

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>