

# RETAIL REALITY

What Does the Future Hold?



# Retail Reality

## Where has Zimbabwean Retail Come From?

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- Small specialized retailers in suburbia. Large department stores in the CBD.
- Limited Trading Hours 5-8 Monday to Friday and Saturday morning.
- Strips of complementary stores eg. Bakery, Butchery, Green Grocer.
- Supermarkets started to increase footprints and offer more under one roof.
- Shopping a necessity not entertainment.

## Where is Zimbabwean Retail Today?

- Strong local retail tenants at one end and vendors at the other end of the spectrum.
  - Informal trading is prolific, a result of high unemployment.
  - Many shopping centres have fractured ownership, making redevelopment difficult and unlikely.
  - Centres with no centralized management struggle to control parking, informal trading, public drinking and building maintenance.
  - Centres with single ownership have managed to maintain better standards than others and the CBD.
  - These centres have grown organically to accommodate growing numbers of tenants and consumers.
  - Travel times have increased and competition for parking is higher with more cars on the road.
  - Upmarket retail has moved out of the CBD and current CBD tenants compete with informal traders at their shopfronts.
  - Peak trading has shifted towards 5-7pm weekdays and all day on weekends. Retail centres are seen as a source of entertainment.
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# Retail Reality

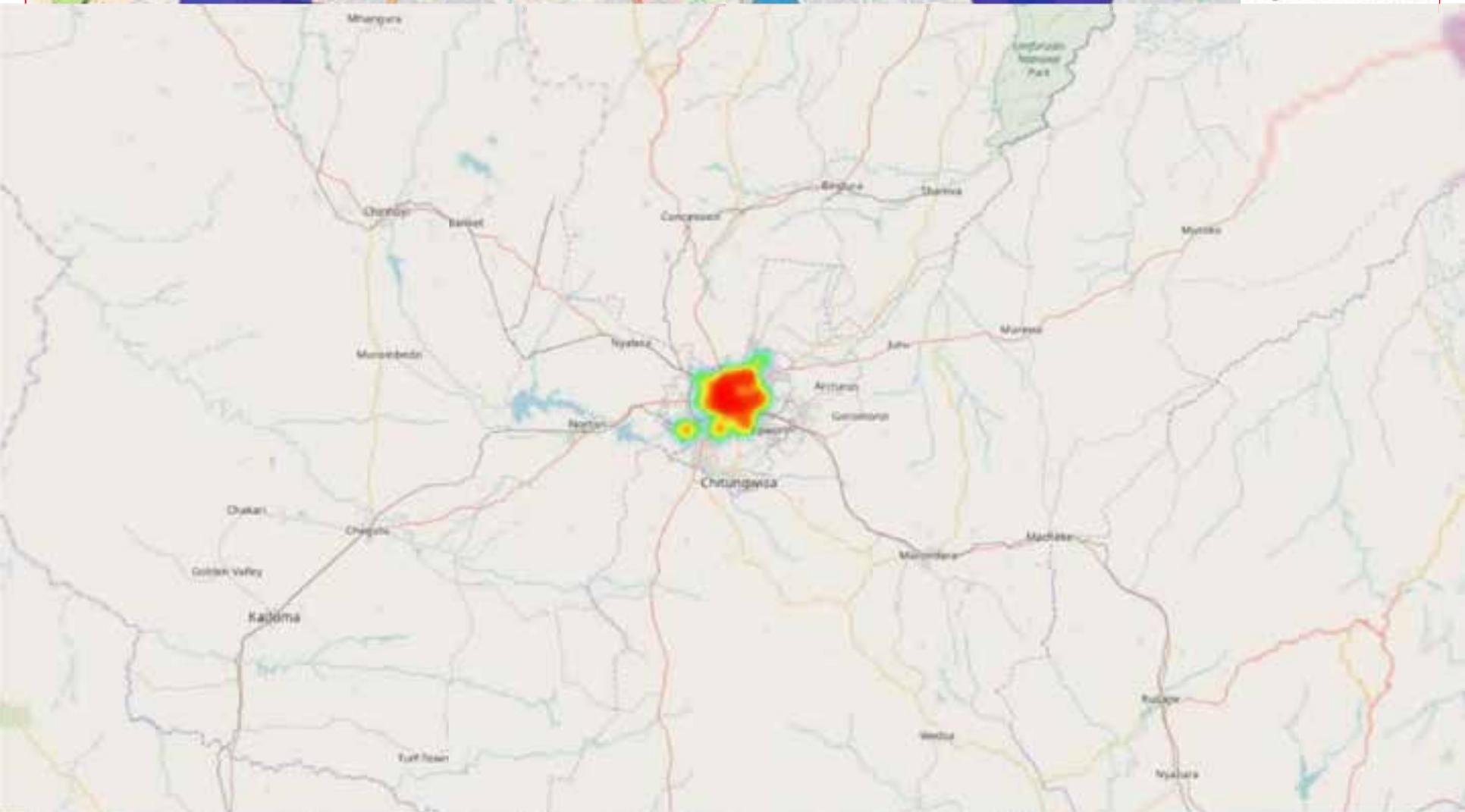
## Where is the Zimbabwean Retail Market Going?

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- Anticipating a marked improvement in baseline economic conditions, a growing middle class with aspirations will create a demand for quality retail offerings.
- Existing retail stock is in dire need of modernisation or runs the risk of becoming obsolete.
- Informal sector is deeply entrenched and shows no sign of diminishing. If this remains in the future it will require reorganization and relocation.
- Traffic is increasing faster than infrastructure can and will keep up, we envisage a shift towards smaller convenience centres with smaller catchment areas.
- Visiting shopping centres is increasingly becoming a form of entertainment.
- Larger “Regional” centres will have to have USPs to become a destination and to attract customers from a larger catchment.
- Retailers cannot continue to compete with informal traders with minimal overheads.
- There are many exciting global trends to consider for both tenants and developers to ensure that they remain relevant. E.g. beacons, facial recognition etc.
- Mixed use developments where people can live, work and play are helping to create sustainability for investors and creating appealing destinations.

# Construction of New Shopping Centres

Will pipeline projects start coming to fruition, when and where?



# Harare Retail Centre Map – Current Stock, Pipeline Projects and Areas of Opportunity

# Lusaka Retail Centre Map – Current Stock and Coverage (Centres 5,000m2 +)



# Retail Reality

## Drawing Parallels to the Lusaka Market



### Country and City Comparison

Country	Zambia	Zimbabwe	
Country Population (UN Estimates Jun 2018)	17,562,000	16,879,000	-4%
Size (square km)	743,390	386,850	-48%
Population Density (people/km <sup>2</sup> )	23.62	43.63	85%
GDP (World Bank 2016)	19.26	16.29	-15%
GDP per Capita	US\$1,097	US\$965	-12%
% of Population in Urban Areas	41.1%	31.1%	-24%
City	Lusaka	Harare	
City Population	2,450,000	1,542,000	-37%
Approximate Size (square km)	443	847	91%
Population Density (people/km <sup>2</sup> )	5,530.47	1,820.54	-67%
Number of Formal Retail Centres (Above 5,000m <sup>2</sup> )	20	19	-5%
Retail GLA (m <sup>2</sup> )	268,263	271,600	1%
m <sup>2</sup> of Retail per person	<b>48.5</b>	<b>149.2</b>	208%

# Retail Reality

## Drawing Parallels to the Lusaka Market

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- It is ours and our competitors opinion that we are seeing a tenants market in Lusaka.
- Zambia came from greenfield 2 decades ago and in the time since had the fastest rate of urbanizing population in Africa.
- Many centres in Zambia suffer from low tenant differentiation between each other and having the same offering across centres, reducing the size of the catchment.
- Zimbabwe was a fairly mature retail market and had a GLA not greatly dissimilar to now.
- Harare with a million less people **in theory** has enough space, opportunities in areas with high growth or underserviced where fill in is required but Harare is not a greenfield territory.
- Much of the retail stock is of low quality and in centres with multiple owners.
- These centres need to redevelop or stand the risk of dilution or cannibalization from greenfield projects.

# Retail Reality

## Design and Sizing

*Is the market ready for more formal retail malls and what is the optimal sizing for these new projects?*

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- The informal sector remains a force to be reckoned with and always needs to be considered before overcapitalizing in a mass market neighbourhood.
- Opportunities for formal retail malls exist in middle to upper income areas either for greenfield projects or redevelopment of existing centres.
- With increased travel times and residential densification there are a number of locations ideal for smaller convenience centres of up to 5,000m<sup>2</sup>.
- There is limited opportunity for larger centres of 10,000m<sup>2</sup> upwards and these need to be true destinations with strong anchors, sub-anchors and USPs, incorporating “Shoppertainment”
- Satellite towns and nodes surrounding economic centres provide true greenfield opportunities.
- Careful design is critical to the sustainability and success of a centre. Parking, Public Transport access and visibility all need careful consideration and a strong tenant mix is vital.
- Store sizes need to be matched with the trading density that the catchment area is expected to offer.
- Clever design can incorporate the informal sector and add to the variety of tenant mix and appeal of the centre.
- Efficiently designed centres can result in competitive rentals, lower operating and maintenance costs and better yields.

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## Retailer Pool

How deep is the current pool of retailers and are regional retailers looking to expand?

### Regional Retailers



### Local Retailers



A Member of the  OLDMUTUAL Group



# Retail Reality

## The Future and Growth of CBD Retail

- *CBD retailers currently compete directly with the informal market.*
- *The quality of tenants is typically low, with low rentals and high tenant turnover.*
- *For the CBD to be attractive to retailers, the informal sector needs to be accommodated.*



- *Retail in the CBD mirrors that of other major African cities, where the CBD serves more of the mass-market and the suburban centre tenants follow the demographics of the neighbourhoods in which they are located.*
- *Increased consumer spending power leads to increased aspirational levels and consumers would often rather spend their money in a shopping centre than in the CBD.*

## Opportunities across Zimbabwe:

Where do the opportunities lie outside of Harare. What notable projects are in the pipeline?

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- Harare is very much the primary economic centre and many of the retail opportunities remain here.
- Development costs outside of the capital are higher and rentals are lower.
- It is vital to correctly capitalise these projects to ensure sustainability.

### Notable Pipeline projects outside of Harare are:

- Norton – CIPF
- Victoria Falls – ZIMRE
- Mall of Bulawayo – McCormick Property Developers
- Shurugwi - Inductoserve

### Recently Completed

- Gweru Megawatt
- Chipinge -NSSA

# Retail Reality

## Conclusions

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- The informal sector is firmly entrenched and although we would expect many traders to return to formal employment, developers and retailers need to be aware of this.
- Regional Tenants have a keen interest in expanding into Zimbabwe but it is not frontier territory and they do not have first mover advantage given established local tenants.
- These regional and global tenants require, critical mass, quality sites, policy clarity and long term security before making the significant investment to establish sites in Zimbabwe.
- Based on current GLA, Harare appears to be overtraded but the majority of the stock is dated and poor of quality.
- Developers and Owners beware. There is existing stock in proven locations as well as available greenfield sites.
- Greenfield developments can render the original retail stock, a white elephant. Advice for fractional owners in particular would be to look to consolidate/coordinate and redevelop or sell.
- If owners redevelop and modernize the existing stock in these locations, this can threaten the viability of new developments.

2018 is shaping up to be one of the most exciting years in retail for some time and we look forward to making this journey with many of you here today.

**Thank You**

