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Vukile: Why rural and 'township' shopping centres are bucking the retail trend

fin24 Londiwe Buthelezi

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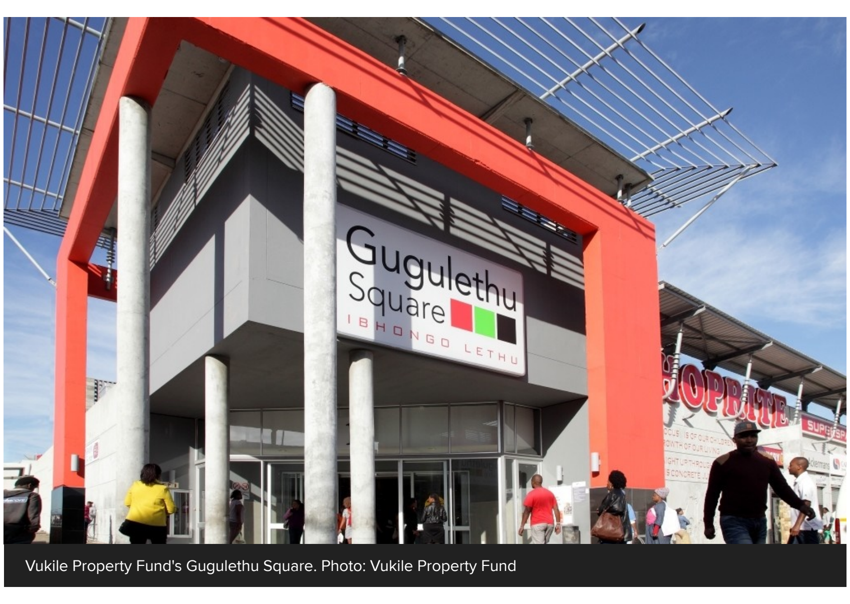

Vukile Property Fund's Gugulethu Square. Photo: Vukile Property Fund

- **Vukile says its shopping centres in rural areas have recovered much faster from the lockdown.**
- **Footfall in its centres across SA is now at 70% of pre-lockdown levels and spending per head in May was actually ahead of what it was in 2019.**
- **FNB economist John Loos says this is partly because some rural areas were "less locked down".**
- **Also, the fact that some townships are heavily reliant on social grants means disposable income has not shrunk dramatically.**

Viral videos of snaking queues in East London's Mdantsane City Mall in early May caused a public outcry in Eastern Cape about how these scenes were a breeding ground for Covid-19 transmissions. But the flip side of the coin is that these long queues in some of the country's townships and rural shopping centres signalled that retail activity may not be as depressed outside urban shopping malls.

On Tuesday, Vukile Property Fund which owns centres like the East London's Mdantsane, Dobsonville Mall and Gugulethu Square in Cape Town shared some first insights into how buoyant retail has proven to be outside of big metropolitan shopping malls.

The buoyant retail activity

It said shopping centres in rural areas and those located in the so-called townships and commuter routes recovered at much faster pace since SA started easing lockdown restrictions in May. In fact, consumer spending in most of Vukile's shopping centres and malls was above last year's levels in May and foot traffic has recovered to about 70% of pre-Covid-19 levels.

"What our centre managers are reporting is much more focused shopping visits from our customers, with higher conversion rates and higher spend per head. So, in fact, where your footfall might be down, your actual spend is not going to be down by sale levels. And in South Africa, in fact our spend is above where it was last year," said Vukile CEO, Laurence Rapp, on Tuesday.

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Rapp said rural shopping centres like Phuthaditjhaba Maluti Crescent recovered much more quickly, as shoppers in outlying areas don't utilise online shopping much, and buy what they need much more frequently than urban dwellers who were at the centre of panic buying ahead of the lockdown. Smaller value centres, and malls in located in townships and around commuter routes, also did much better, while recovery of urban centres lagged.

"What we are seeing is that our portfolio recovers by about six points every week," said Rapp, adding that even the group's shopping centres in Spain have recovered quickly.

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John Loos, FNB Economist at an FNB Commercial Property Finance, says like the rest of the country, shopping centres in rural areas and townships did take a knock from the lockdown trade restrictions. But because they have a bigger proportion of essential services than their peers located in high-income areas - who are more geared towards entertainment and fashion tenants - they were bound to do better, especially rural centres.

"There is a significant performance of the rural areas versus the cities. Not only were the centres there less locked down because their focus is bigger on essential services and goods, but also because their whole economies got locked down less," he said.

For example, towns focused on farming and agriculture still had the majority of their employed populations going to work and earning an income during the lockdown. Their spending power is arguably less affected than that of urban population, where hundreds of thousands are employed in the tourism and hospitality sectors.

Up until the beginning of May, only a few essential services retailers, such as grocery stores and pharmacies, could trade. Another explanation of why rural shopping centres have done better, and according to Loos, are expected to continue doing better, is that some towns are highly dependent on social grants.

But metropolitan retail isn't dead either

Rapp said with the lockdowns in place across the globe now, the narrative that the retail "apocalypse" that existed before Covid-19 will accelerate has increased.

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But Vukile's experience in both SA and Spain, where the group also operates some shopping malls, runs counter to that, said Rapp. Footfall in Spanish operations has also recovered to about 65% of where it was pre-Covid-19.

"Frankly, we just simply don't agree with [the doomsday predictions]," he said. "If you look at the rate of recovery in our market, in the Spanish market and in many markets around the world, I think we've been proven correct."

In Vukile's "urban" centres, which include East Rand Mall and Bloemfontein Plaza, 73% of tenants were trading in April and this increased to 99% in May. Footfall, which tanked to 19% at the start of the lockdown, had increased to 67% by mid-June.

Loos said while metropolitan malls around the country have seen the percentage of tenants in good standing plummet to around 30% from the 85% mark few years ago, the degree to which centres are affected will vary.

The closure of entertainment facilities, restaurants and food courts might be causing people who frequent these malls to choose smaller convenient centres to do their essential shopping at the moment, he said.

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