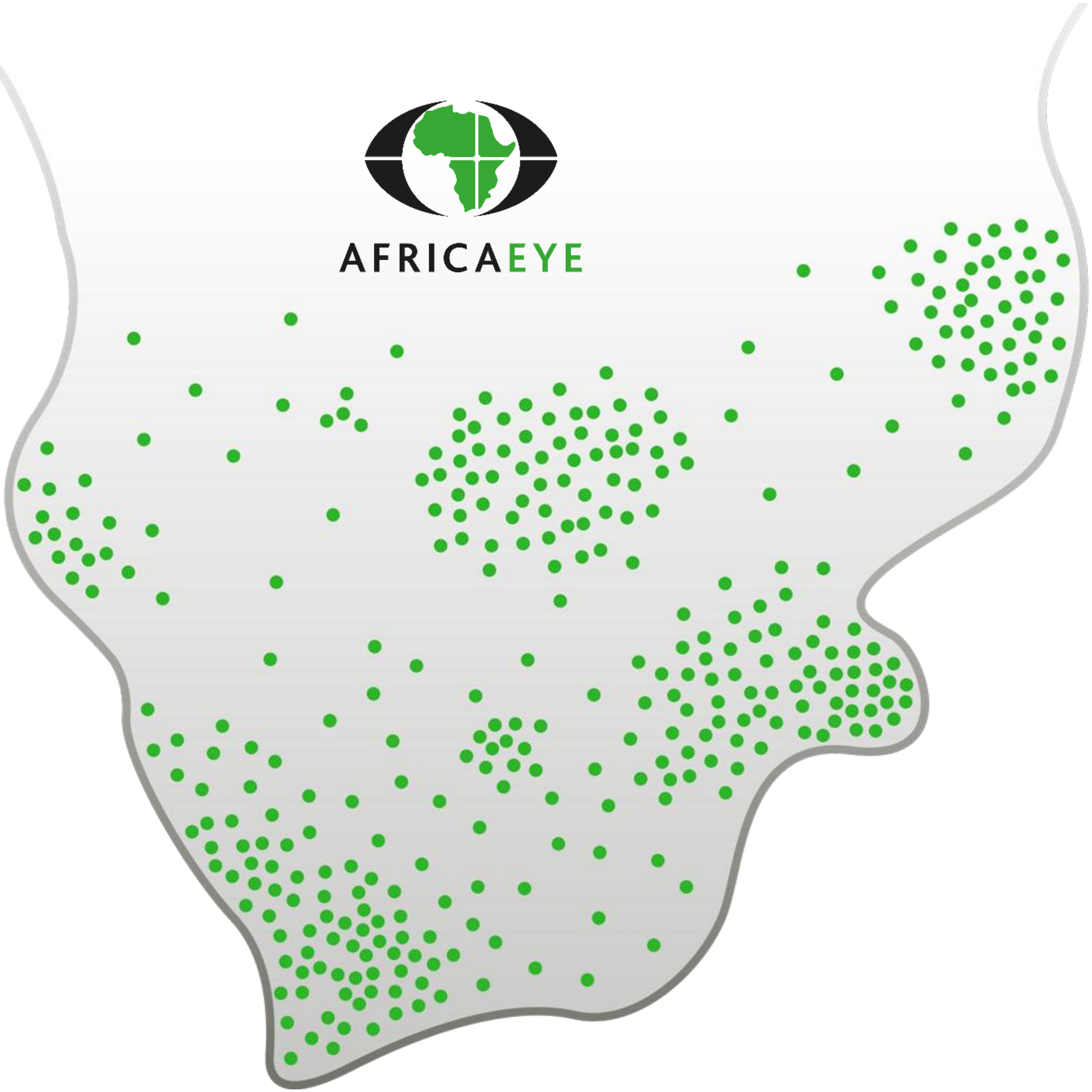
Desktop Retail Market Study Update



Lenong, Vereeniging, Emfuleni Local Municipality, Gauteng Province

June 2021

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SHOPPING CENTRE & INSIGHTS

CLIENT BRIEF

- The objective of this report will be to assess the catchment area demographics and retail market size, as well as determine the feasibility and optimal size of a 22,500m² GLA proposed shopping Centre development in Lenong (Vereeniging), Gauteng Province. Is a centre viable in the town, and if so, what size first phase?
- This is an update of previous studies that were conducted by Fernridge on the same site. No site visit, GPS fieldwork (can be conducted in a full study at a later stage).

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Glossary:

DWE – Dwelling

GLA – Gross Letting Area

HSE – House / Household

LM – Local Municipality

LSM – Living Standards Measure

SC – Shopping Centre

RPE – Retail Potential Estimate

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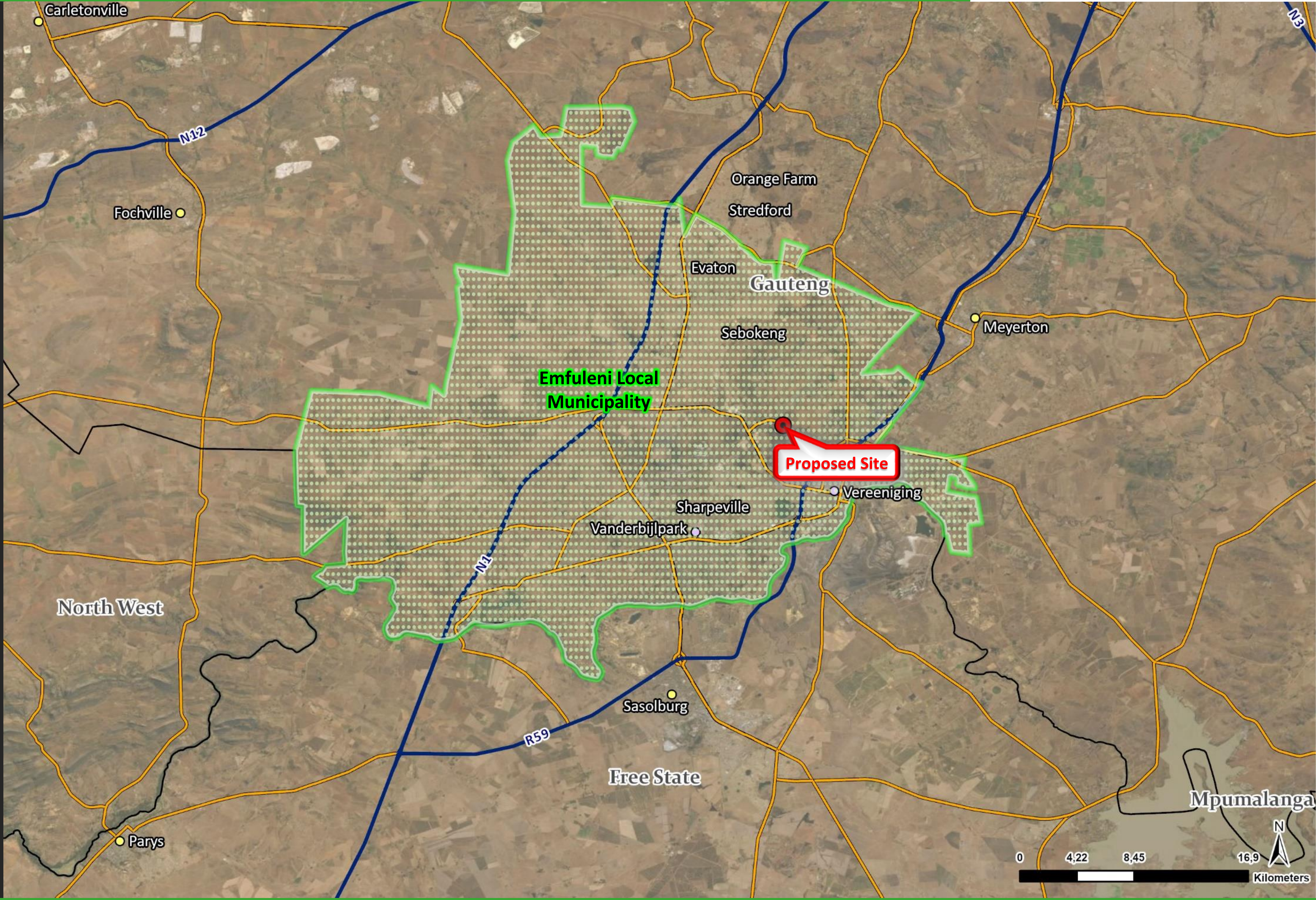
Regional Orientation

Source: ESRI Maps & Internet Research

- A shopping Centre is proposed in Lenong, Emfuleni Local Municipality, Gauteng Province.
- The commercial site is known as portion 224 of farm Houtkop, Lenong. The other portions will be used for residential, filling station and Builder's yard.
- The site is located along Houtkop road, ±7 Km North-West of Vereeniging CBD by road.

Main Place	Approx Distance (km) from Site
Evaton	20
Meyerton	19
Vanderbijlpark	16
Vereeniging	7



Delineation of Catchment Area

Source: AfricaEye & Internet Search

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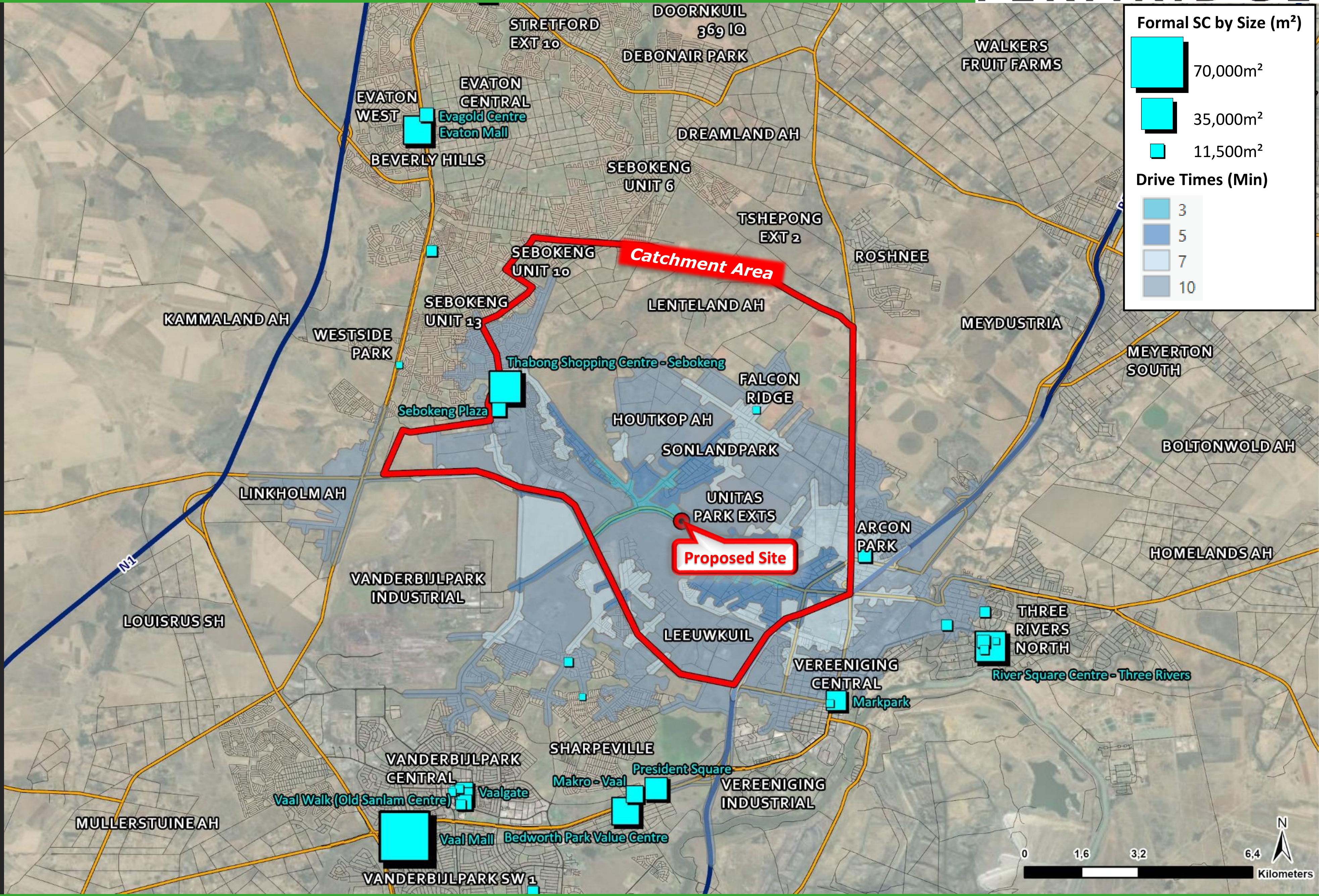
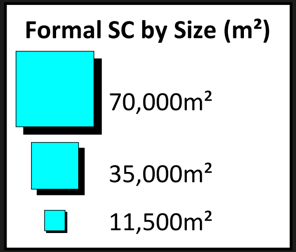
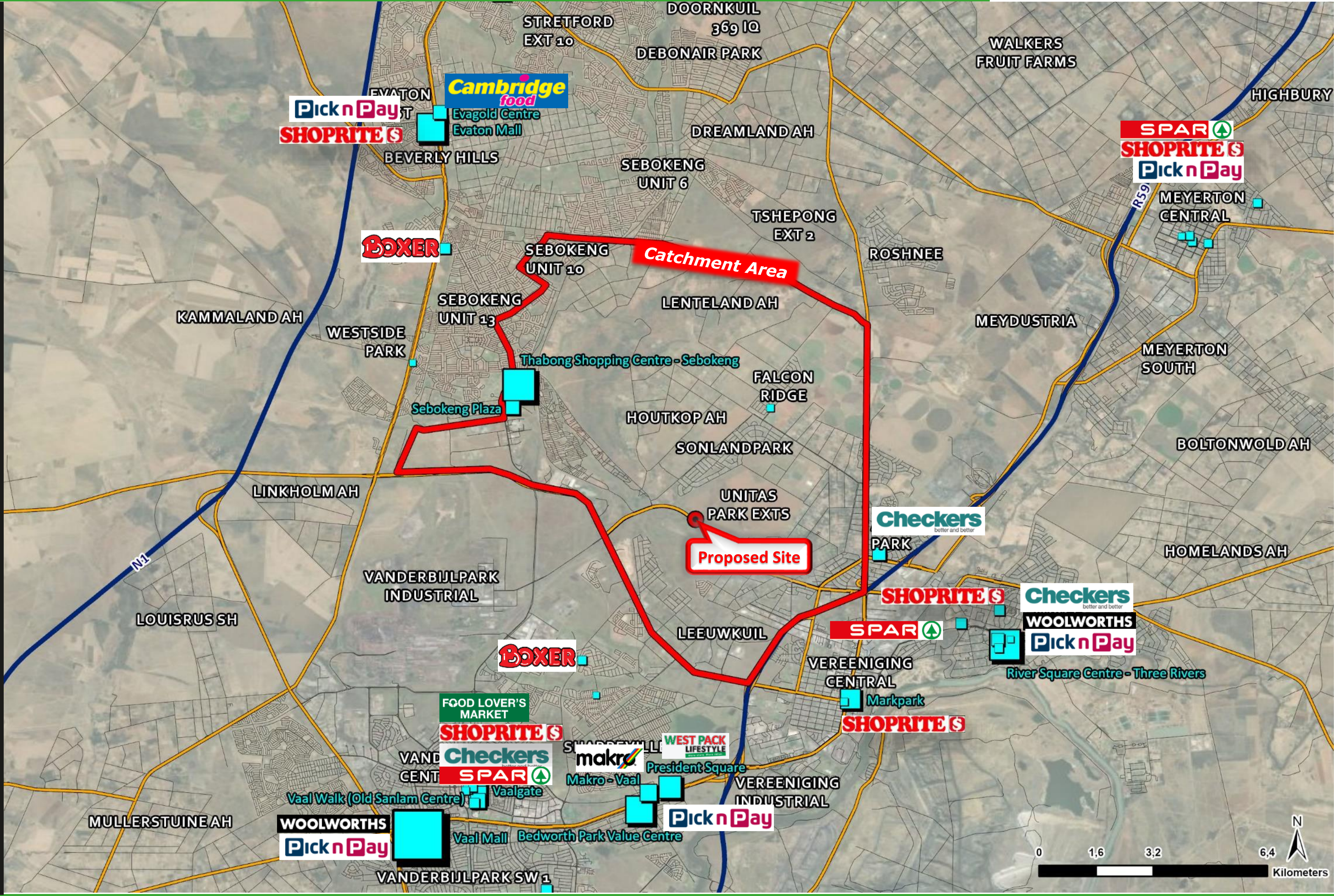
- A catchment area was defined for the purpose of this study to quantify the market that is more likely to sustain the planned SC in Lenong.
- Psychographic barriers for retail development, planned SC size as well as 10 minutes drive times were taken into consideration when delineating the catchment area.
- Increasing travel distance from the site as well as declining dwelling densities limited the catchment area to the North.
- Competition restricted the catchment area to the South and East, while complicated access and decreasing dwelling densities influenced the Western boundary of the catchment area.
- Certain parts of Sebokeng that are near Sebokeng Plaza and Thabong Shopping Centre form part of the catchment area, given their easy access and minimum travel time to the site.





Retail Overview

- The catchment area is home to three shopping centres, that make up ±54,831m² GLA of formal SC space combined.
- Thabong Shopping Centre is the largest, sized at ±41,145m² GLA, followed by Sebokeng Plaza (11,379m² GLA), and then Falcon Ridge SC (±1,307m² GLA).
- Outflow from the catchment area could be expected to Vaal Mall and Three Rivers retail nodes for higher order retail, more retail variety and specialized services.



Source: AfricaEye & Internet Search

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2015 DWLs

12,105 Dwellings

±3.72%
Annual Growth

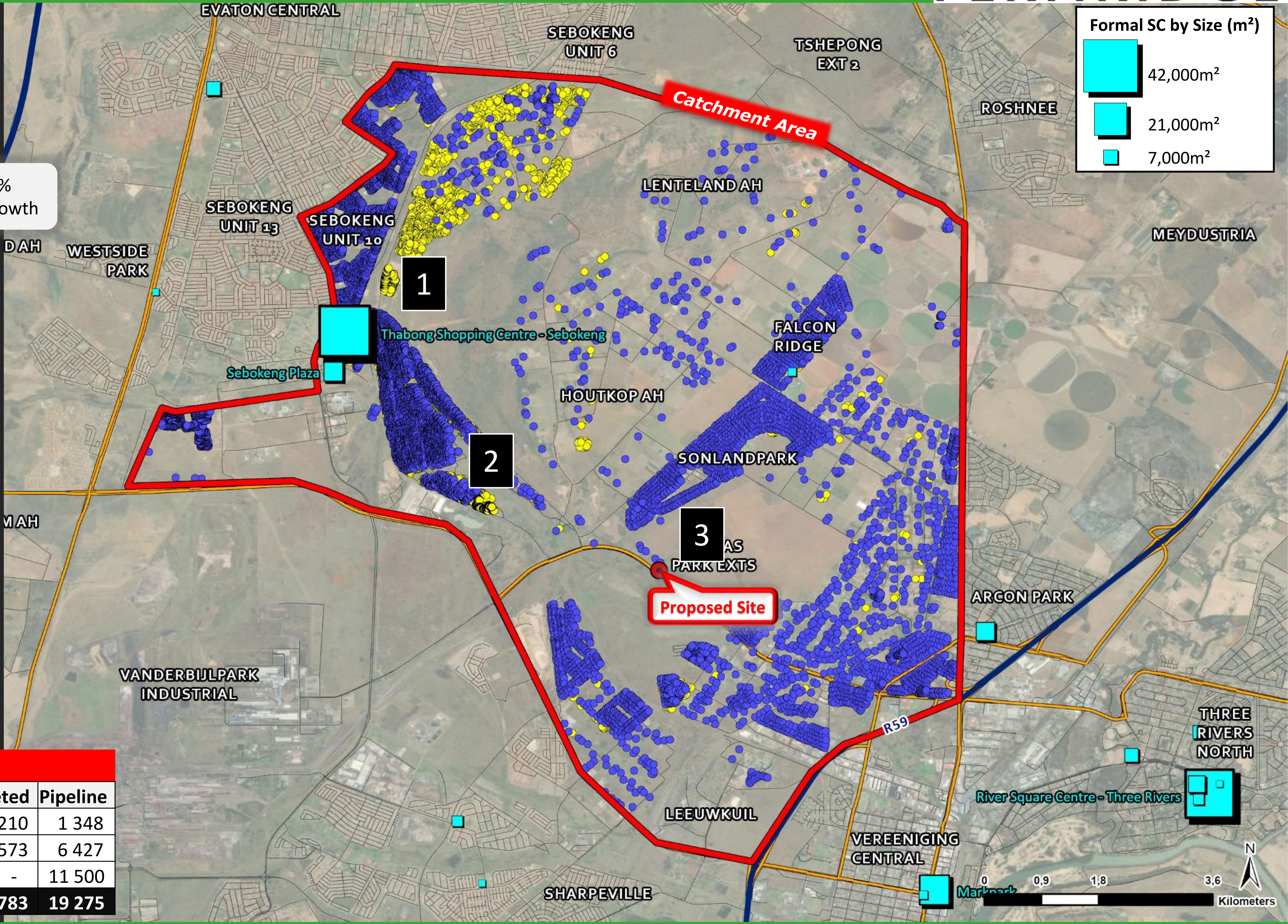
2021 DWLs

14,804 Dwellings

- The catchment area has been growing at ±3,72% annually from 2015 to this year 2021.
- These growth rate is attributed to Lethabong Housing Project, Boiketlong Mega Project and informal growth to the North-West of the site near Sebokeng Unit 10.
- ±19,275 residential units are still in the pipeline within the catchment area. They are expected to increase the market when they materialize.
- Completion dates for the planned and currently underway developments are not known at this stage.

Major Developments

# No	Development Name	Planned Units	Completed	Pipeline
1	Lethabong Housing Project	1 558	210	1 348
2	Boiketlong Mega Project	7 000	573	6 427
3	Lenong Extensions	11 500	-	11 500
	Total	**20 058**	**783**	**19 275**



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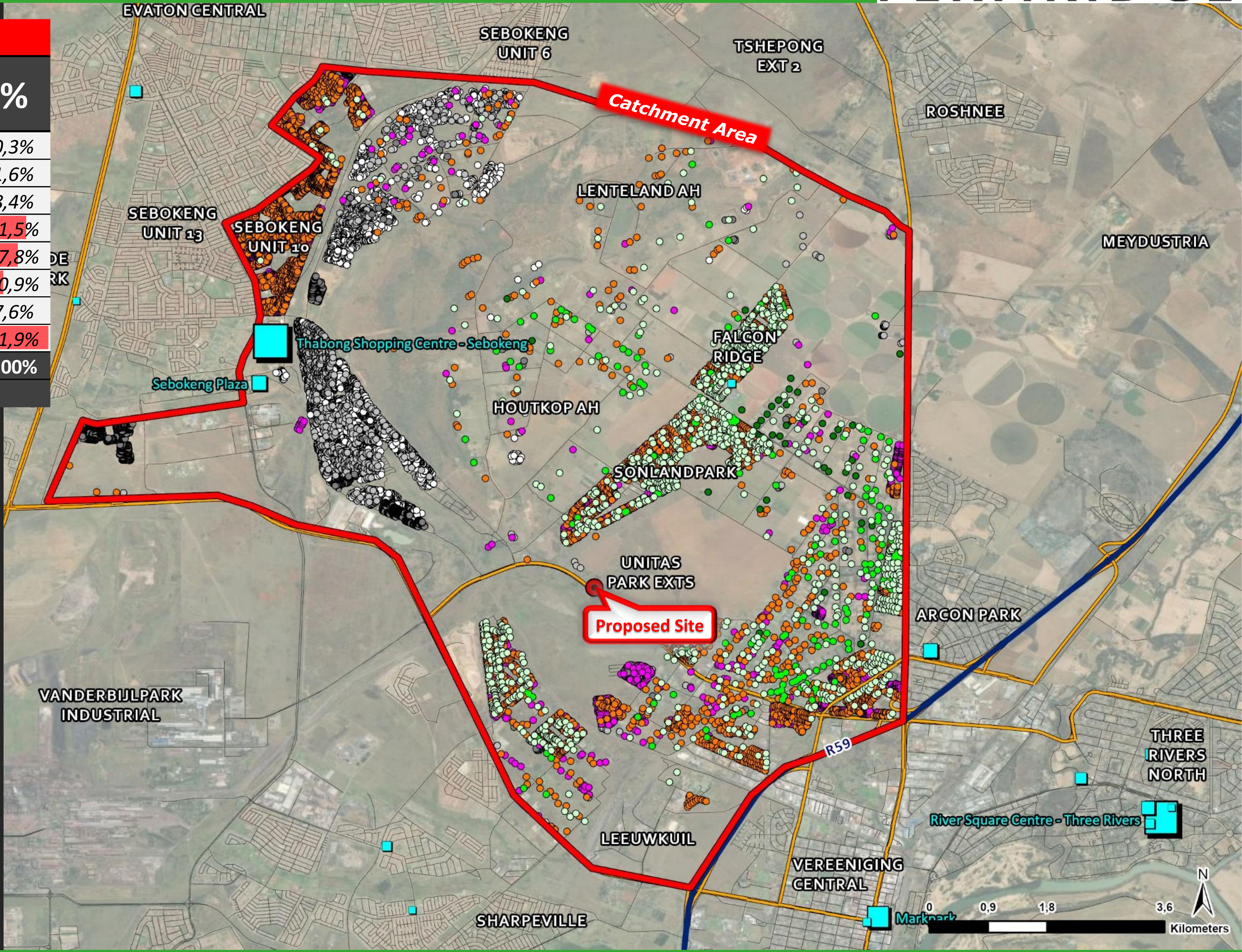
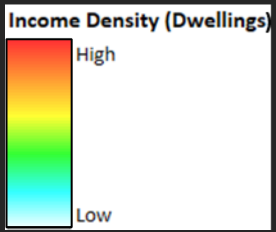
Income Group (Monthly Net HSE Income)		CATCHMENT AREA 2021 DW	2023 DW	2025 DW	%
A++	(>R100,000)	44	47	51	0,3%
A+	(±R50,000 - R99,999)	236	254	271	1,6%
A	(±R30,000 - R49,999)	1 244	1 337	1 429	8,4%
B	(±R18,000 - R29,999)	3 181	3 418	3 654	21,5%
C	(±R11,000 - R17,999)	2 642	2 839	3 035	17,8%
D	(±R3,500 - R10,999)	1 608	1 728	1 847	10,9%
D Low	(±R1,200 - R3,499)	1 127	1 211	1 295	7,6%
D Zero	(<R1,200)	4 722	5 073	5 425	31,9%
Total Dwellings		**14 804**	**15 905**	**17 007**	**100%**
Total Population		**51 814**	**55 669**	**59 524**	

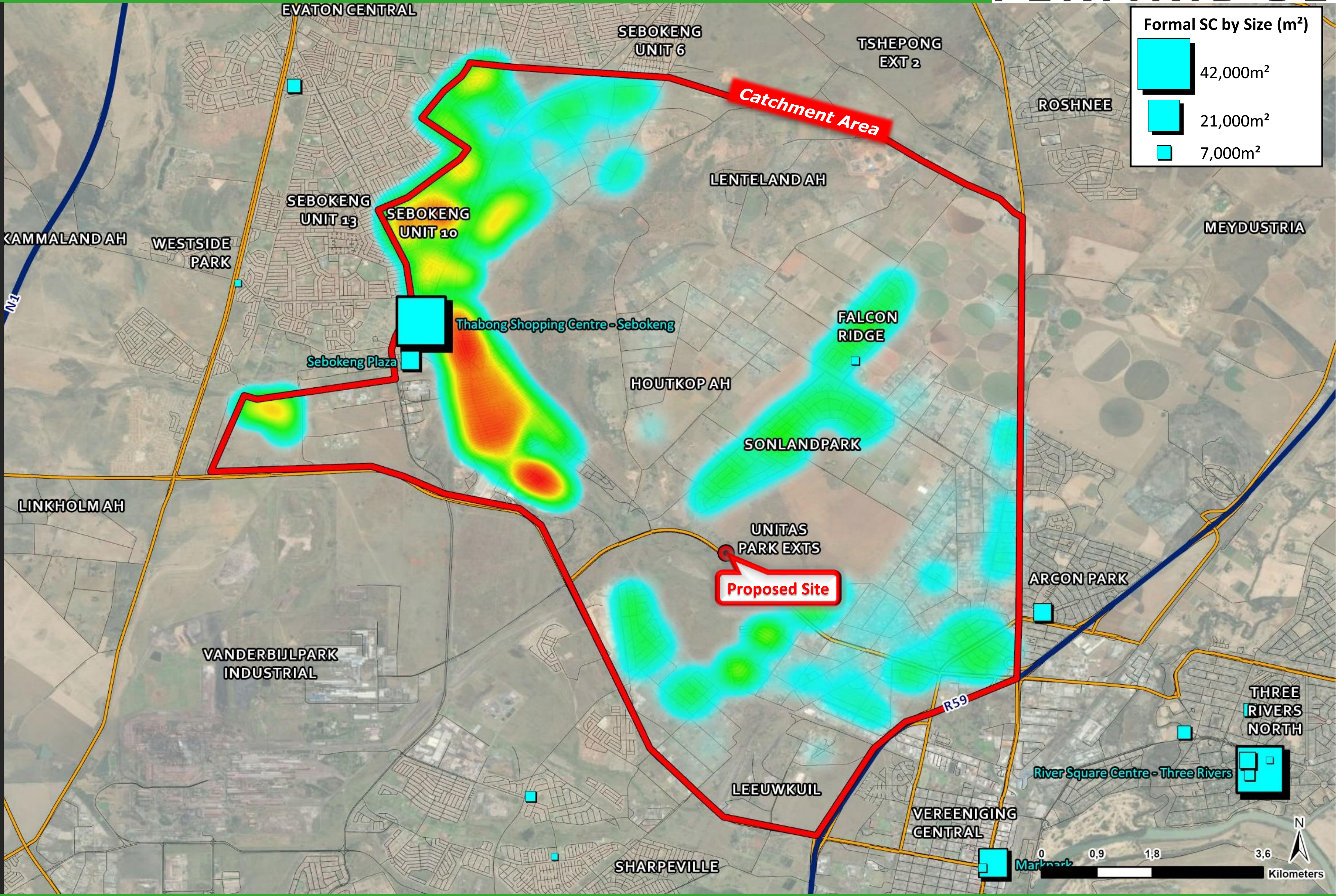
- 2021 AfricaEye data were used as the demographic base for the catchment area.
- An average annual household growth of 3.72% was derived from 2015 and 2021 AfricaEye data for the catchment area.
- The calculated annual growth rate was then applied to the 2021 AfricaEye data for the catchment area to project 2025 demographic counts – if the growth does not change.
- Lethabong Housing Projects and Boiketlong Mega Project have broken ground and will deliver ±7,775 units when completed.
- Lenong Extensions is still proposed and will deliver 11,500 units when completed.
- The growth rate could increase depending on the rate of development in the aforementioned developments.



"Where are the people?"



- The household density technique is applied to the demographic data in order to establish the density of households.
- Each area is "weighed" by the number of households to create this hot to cold shading. The densest areas (red) have a high density of households.
- The catchment area market is scattered; however, most of the people live in Sebokeng.



Source: StatsSA

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Race Profile	%
White	21%
Coloured	1%
Black	77%
Indian & Asian	0%
Other	0%

Age Profile	%
Children 0 to 19	32%
Young Adult 20 to 29	20%
Adult 30 to 44	23%
Mature 45 to 59	17%
Pensioner 60+	7%

Income Potential	%
A++	0,3%
A++	1,6%
A	8%
B	21%
C	18%
D	11%
DLOW	8%
DZERO	32%

Language Profile	%
English	4%
Afrikaans	21%
Other Language	7%
African Language	68%

Education Profile	%
No schooling	3%
Some primary	18%
Complete primary	4%
Some High School	32%
Matriculated	28%
Tertiary Education	16%

Type Dwelling	%
House	64%
Shack	28%
Backyard	2%
Plot	3%

Gender Profile	%
Male	51%
Female	49%

Employment Status	%
Employed	45%
Unemployed	19%
Not Economically Activ	36%

Employment Secto	%
Formal Sector	82%
Informal Sector	8%
Private Household	10%

- Majority of the people living in the catchment area are black, followed by white people.
- The data indicate that 60% of the population are aged between 20-59 (working age population).
- 44% of the population indicated that they have completed Matric or Tertiary Education.
- 45% of the population were employed primarily in the formal sector and 36% were considered Not Economically Active.
- The residential fabric shows that the majority of the population stays in houses 64%.

**Note: much residential growth and change has occurred since the 2011 Census*

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Rural setting	20%	*higher trading density*
Town setting	50%	*higher trading density*
Metro setting	60%	*higher trading density*

2025 Catchment Area Demographics

No of Households by income group

HIGH	A++	51
	A+	271
	A	1 429
MEDIUM	B	3 654
	C	3 035
	D	1 847
LOW	D Low	1 295
	D Zero	5 425
	Total	**17 007**

Main Retail Category	Total 100% market size / month	Total 100% market size / year	AREA: AVERAGE Trading Density (Rand / m² selling per year)	Area Total Retail Demand GLA (25% more than selling area)	Centre estimated capture rate (market share or MS)	CENTRE: @ HIGHER Trading Density (Rand / m² selling per year)	Centre Potential m² GLA
Food & Groceries (incl. Liquor)	R 75 795 377	R 909 544 529	R 47 521	23 925	25%	R71 282	3 987
Fashion - High end (A++ to B)	R 11 203 287	R 134 439 449	R 26 635	6 309	15%	R39 953	631
Fashion - Low end (C to D Zero)	R 5 583 615	R 67 003 381	R 13 318	6 289	25%	R19 977	1 048
Jewellery	R 2 877 849	R 34 534 182	R 44 392	972	15%	R66 588	97
Health & Beauty	R 9 837 007	R 118 044 083	R 41 063	3 593	20%	R61 594	479
Beauty Services	R 11 168 853	R 134 026 239	R 19 977	8 386	10%	R29 965	559
Furniture & Appliances	R 9 300 958	R 111 611 491	R 13 318	10 476	25%	R19 977	1 746
Home Retail & Dècor	R 5 698 092	R 68 377 102	R 16 647	5 134	20%	R24 971	685
DIY/ Outdoor	R 6 617 233	R 79 406 799	R 10 543	9 414	20%	R15 815	1 255
BMS, Tiles, Bathrooms and Paint	R 8 181 826	R 98 181 913	R 8 878	13 823	20%	R13 318	1 843
Other Speciality & Services	R 11 569 167	R 138 830 009	R 17 757	9 773	25%	R26 635	1 629
Cinemas, Ten Pin Bowling & Live Entertainment	R 2 124 765	R 25 497 180	R 8 000	3 984		R12 000	0
Wine & Dine	R 9 977 233	R 119 726 794	R 26 318	5 686	15%	R39 477	569
Fast Foods	R 7 555 003	R 90 660 033	R 24 416	4 641	15%	R36 624	464
					19%		14 992 m²
					Average		*Sub-total*

m² area retail demand	112 408
m² area formal SC supply	54 831
m² area formal SC undersupply	57 577

Add 10% for non-retail (banks, post office, etc.)	1 499	m²
Additional inflow for support from outside catchment	5%	
Total Centre GLA warranted	**17 241**	m²

- The projected 2025 catchment area demographics warrant an estimated total of ± 112,408m² GLA retail demand, and an undersupply of ±57,577m² GLA of retail considering the retail supply within the catchment area.
- Realistically achievable market shares were applied to each retail category that we believe could be represented at the proposed retail development.
- These market shares were applied bearing in mind the total market size within the catchment area.
- When these market shares are applied, then a retail centre sized **± 17,241m² GLA** could be warranted, requiring a **± 19%** of the catchment demographic market with 5% inflow.

Summary:

- The objective of this report was to assess the catchment area demographics and retail market size, as well as to determine the feasibility and optimal size of a proposed SC development in Lenong (Vereeniging), Gauteng Province.
- A catchment area was defined for the purpose of this study by considering the psychographic barriers for retail development in a town setting.
- The catchment area is home to three shopping centres, that make up ±54,831m² GLA of formal SC space combined. Outflow is expected to Three Rivers and Vaal Mall.
- AfricaEye data were used as the demographic base for the catchment area and then forecasted to 2025 demographics considering historic growth and planned developments in the area.
- ±19,275 dwellings are in the pipeline to be developed in the catchment area; Completion dates for the planned and currently underway developments are not known at this stage.
- The projected 2025 demographic counts were used in the RPE model to determine the potential for the proposed centre.
- These demographics warrant a total retail undersupply of 57,577m² GLA, considering the current supply in the catchment area.
- Realistically achievable market shares were assigned to each retail category in the RPE, bearing in mind the total market size in the catchment area.
- Then a retail centre sized at ±17,241m² GLA could be feasible in the catchment area by the year 2025, requiring ±19% market share and 5% inflow.

Recommendation / scenarios:

- **A single phased centre sized from ±14,500 m² GLA to ±15,000 m² GLA could be viable on the proposed site by the year 2023, provided that it caters for everyone in the catchment area.**
- **A single phased centre sized from ±17,000 m² GLA to ±17,500 m² GLA could be viable by the year 2025, provided that it is caters for everyone in the catchment area and growth by then continues as anticipated.**
- **The proposed 22,500m² GLA could be viable by the year 2025 if 6,000 units out of the planned 19,275 have been completed and occupied by the year 2025.**
- **Alternatively, a second phase to bring the centre to ±22,500m² GLA could be considered after the year 2025 if no vacancies exist, tenants require more space and 6,000 of the planned 19,275 residential units come to reality.**

***Please note**: This is a desktop study and did not include a site / area visit, or competitor analysis. Recommendations in this report are subject to the completion of a full feasibility study.*

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CONTACT

Fernridge Solutions (Pty) Ltd is a retail / property optimization consultancy that was founded in 2002. We are based in Johannesburg, South Africa and specialize in spatial analysis using GIS (Geographic Information Systems) technology, the latest demographic data and client information. We are a subsidiary of Capital Eye Investments (formerly The UCS Group).

We conduct ± 15 shopping centre / mixed use development / revamp studies per month conducted in all nine South African provinces, as well as neighbouring countries (such as Namibia, Botswana, Swaziland, Lesotho, Mozambique, Zimbabwe) and other African countries (Zambia, Malawi, Ghana, Nigeria, Kenya, Uganda, Rwanda, DRC). We offer this service to banks, landlords, property managers, corporate and private investors and developers.

We also assist some of the leading retail groups in South Africa in their African store expansion and rationalization strategies, location analyses etc. Our clients include, among others: Spar, Woolworths, McDonald's, Nando's, Ster Kinekor, Virgin Active, House of Busby, Midas, Clicks, Tile Africa etc.

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