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URBANISATION AND THE IMPACT ON FUTURE SHOPPING CENTRE DEVELOPMENT IN AFRICA AND SOUTH AFRICA

DR DIRK A PRINSLOO – URBAN STUDIES



nurturing
south africa's retail network



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Dr Jan J Olivier Previous Associate Professor, Department of Geography, University of Pretoria and recently retired Senior Project Manager and Operation Evaluation Specialist, Development Bank of Southern Africa

- The main objective of this study was to understand the process of urbanisation and the impact on future shopping centre development in the rest of Africa and South Africa.
- Almost 50% of the world's population now resides in cities and towns.
- Less developed countries will show a steep increase in their urban population numbers by 2050.
- The urbanisation rate of more than 3% per annum in African countries has been much higher than that of any other region in the world and will continue until 2025/50.
- Africa's population is growing by 27 million people every year.
- GDP growth for sub-Saharan countries will on average increase by **6.7%** per annum until 2050. The biggest concern is the fact that this high GDP growth is not reflected in household spending.
- Fifty Cities in Africa have more than 1 million inhabitants which will increase to 60 million in 10-15 years.
- Only 10% of all retail in Africa is currently part of planned shopping centre facilities. Nigeria had two modern shopping centres in 2012, compared to 225 centres larger than 20 000m² in South Africa.
- Well over 900 000m² of shopping centre space is currently in different planning phases in African countries (excluding South Africa).
- Developers need to answer the following questions regarding future shopping centre development in Africa:
 - o What **size centre** offers the best option for a particular market?
 - o How **successful** are the centres that have opened or will recently open?
 - o At what **tempo** will the middle market grow?
 - o How **politically stable** are some of these countries?
 - o How can **ownership** and **land rights issues** be solved?
 - o **When** is the high GDP growth going to filter through to be reflected in a substantial **increase** in per capita income?
- South Africa is currently just more than **63%** urbanised.
- The level of urbanisation varies from as low as **17%** in Limpopo to **97%** in Gauteng.
- Districts with the **highest population growth** between 2001 and 2011 were in Gauteng as well as in mining and industrial towns especially in the northern provinces, as well as growth in some coastal districts.
- Gauteng experienced the highest **inflow** of migrants during 2001 to 2011 followed by the Western Cape. Most of the other provinces, especially the Eastern Cape and Limpopo were net losers of inhabitants.
- Poverty in South Africa is **decreasing** with more than 16 million people now receiving social grants per month.
- Gauteng and the Western Cape also reflected the highest average household income as well as the highest proportion of shopping centre space.
- The middle and upper segments of the market will continue growing with an additional 2 million households by 2021/2025 and an additional retail spend of ±R70 billion per annum.
- Urbanisation will increase to 68% with 3 million more urban dwellers because of urbanisation.
- Additional retail floorspace of 1.5 to 2.0 million m² could be warranted by 2021/25 mainly because of urbanisation.
- The process of urbanisation creates extra opportunities for shopping centre development. The challenges are to better understand the tempo, location, market profiles, and the level of disposable income of possible future shoppers and to address specific needs.
- Shopping centre development is also a positive catalyst for further commercial growth and services and eventually growth in employment.

EXECUTIVE SUMMARY



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INTRODUCTION

Urbanisation is a combination of interrelated processes and their associated patterns. Any attempt by private developers and investors should be clear about the distinct, but also interrelated forms of urbanisation, namely:

- Urbanisation – the **purely physical concentration** of population and economic activities in towns and cities;
- Urbanisation – the **social aspect** of urbanisation as a way of life, i.e. becoming urbanised in a psychological sense.

Both forms of urbanisation are the result of **four dominant processes** and subsequent trends:

- **Decision-making and control** on the part of those in power who can influence the rate and pattern of urbanisation and subsequent urban development.
- **Capital flows** (investments) which are the major engines of urban growth, and also generating the varying rates and patterns of urban development.
- The **diffusion of modernisation** which tends to generate variation in the social character of cities and their dwellers.
- **Rural-urban migration** which gives rise to varying rates of urban growth and settlement patterns within and between cities and towns.

In order for governments, city planners and private developers to initiate shopping centre development, they need to be in a position to plan strategically and to manage investments effectively. Therefore the need for a good understanding of key urbanisation trends and patterns, including those with regard to population movements and the dynamics underlying these movements, exists.

The main focus of this report is to get a better understanding of the urbanisation process in Africa and in South Africa. In order to understand this phenomenon, we first have a look at urbanisation on a global scale. With an increase in urbanisation levels there is an increase in income levels and over time a substantial increase in the size of the middle segments of the market. A growing middle market and a large urban population offer potential for shopping centre development. This emerging middle class is embracing western brands, products and lifestyles.

URBANISATION TRENDS

On global level

The world is experiencing an unparalleled growth in urbanisation. While the period between 1950 and 1975 reported a population growth evenly divided between the urban and rural areas, the balance has tipped dramatically since the 1980s towards urban growth in subsequent decades. Almost **50%** of the world's population now reside in cities and towns. It is expected that this figure may rise to **70%** or nearly 6.3 billion by 2050.

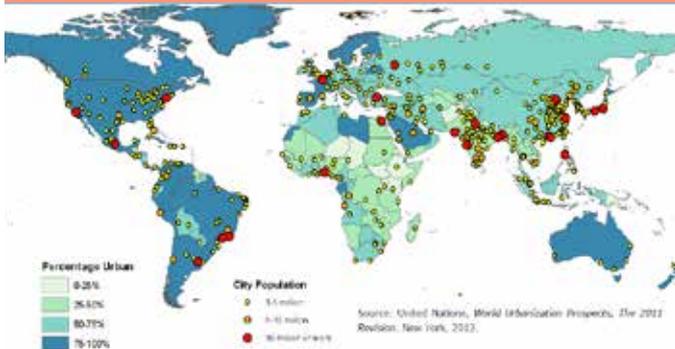
Virtually all of the expected growth will be concentrated in the urban areas of the **less developed** regions, where the urban population is expected to increase from approximately 2.7 billion in 2011 to 5.1 billion in 2050. In the more developed regions, the urban population is projected to increase only moderately from 1.1 billion to 1.5 billion in 2050.

Over the same period, the **rural population** within the less developed regions is expected to decline from 3.1 billion to 2.9 billion. It is projected that 50% of Asians will be urban dwellers by 2020, while Africa is likely to reach this urbanisation level only by 2035.

While urbanisation is occurring worldwide, this trend is most significant in areas that are the **least equipped** to cope with this process. Some cities and towns attract more migrants than others. Almost **84%** of the world's urban population live in small and medium-sized cities, the remainder live in large or in so-called megacities (10 million+ inhabitants). Although the number of megacities has increased significantly over the last 30 years to 28 megacities, slightly less than 6% of the urban population reside in such cities. However, the problems associated with rapid urbanisation tend to be magnified in these megacities.

Diagram 1 The Urban World in 1960



Diagram 2 The Urban World in 2011

Source: As quoted in Pacioni, M, Urban Places: A Global View. ICSC, Retail Property Insights. Vol.19, No3, 2012.

Providing jobs, housing, sanitation, transport, and education and health services remains a complex task, the more so within the developing regions which are experiencing the sharpest rise in the number of megacities. However, the bulk of new urban growth will continue to occur within the smaller settlements that, in most cases, seriously lack the institutional, legal and financial framework to pay for the growing demand for sustainable infrastructure. The outcome is the extraordinary increase in deterioration of living conditions, more slums, shanty towns and informal settlements.

An indication of the rapid progression of urbanisation across the globe is provided in Diagram 1 and 2 (Pacione, 2012). The spread of urbanisation in Europe, North America and the Middle East is apparent, as are the rising levels of urbanisation in Africa and Asia, which were almost wholly rural in 1960. Over the course of the past half-century, a world in which most people lived in rural areas has been transformed into a predominantly urban world. This trend has influenced not just the physical location of population, but also the organization and conduct of economic and social life of most people on the planet – both urban and rural dwellers.

What is the expected tempo of urbanisation in sub-Saharan Africa and what is the additional development potential for shopping centre development based on already high urbanisation levels in South Africa?

Within Africa

Although Africa is the least urbanised region in the world with the majority of its population still residing in rural areas, the continent is urbanising rapidly. It has reported an annual average urban rate of 3.27% since 2005 (the highest in the world), compared to an annual average rural rate of 1.58% (Table 1). According to the latest UN urbanisation projections, the majority of Africans will be urban residents as early as 2035-2040 and Africa thereby ceased to be primarily known as a rural continent.

Contrary to common wisdom, the rapid urban growth is not only being absorbed by the continent's largest cities such as Lagos, Cairo and Kinshasa. A UN Habitat Report of 2008 reported that it is the smaller cities (urban areas with less than 0.5 million inhabitants) that are accommodating almost 66% of all African urban growth. Currently, almost 231.4 million people reside in smaller cities compared to 74.8 million almost 30 years ago. This will also create opportunities for smaller focused retail formats.

Table 1 Average Annual Rate of Change of Urban World Population

Region	1960-1965	1980-1985	2005-2010	2020-2025
World	3.00	2.68	2.14	1.58
More developed regions	2.04	0.91	0.81	0.48
Australia and New Zealand	2.52	1.28	1.81	1.11
Canada	2.96	1.24	1.15	0.93
Europe	1.99	0.80	0.50	0.31
Japan	2.42	0.83	1.06	-0.12
United States	1.89	1.16	1.24	0.94
Less developed regions	4.09	3.93	2.65	1.91
Africa	5.07	4.21	3.27	3.05
Asia less Japan	3.90	4.28	2.85	1.83
China	3.72	4.78	3.44	1.49
India	3.00	3.33	2.56	2.31
Latin America and Caribbean	4.30	3.05	1.56	1.06
Argentina	2.29	2.03	1.09	0.77
Brazil	4.98	3.56	1.30	0.76
Columbia	5.46	3.28	1.85	1.25
Mexico	4.70	2.82	1.66	1.08
Oceania less Australia and New Zealand	6.19	3.45	1.80	2.63

Source: As quoted in Pacioni, M, 2012



URBANISATION TRENDS

Africa's population is growing by **27 million people every year** and it is projected to continue to do so until 2050 (Broll, 2013, p.39). Expected growth of African cities is clearly shown in Diagram 3 (*The Economist*, 2010/12/10, The Urbanisation of Africa).

The most populous city in Africa, Cairo, will grow to 14 million people by 2025. By then it will have been overtaken by both Lagos (15.8 million) and Kinshasa (15 million). These largest cities will increase by between 2% and 6% per annum with the highest growth rates in West African cities followed by cities in East Africa.

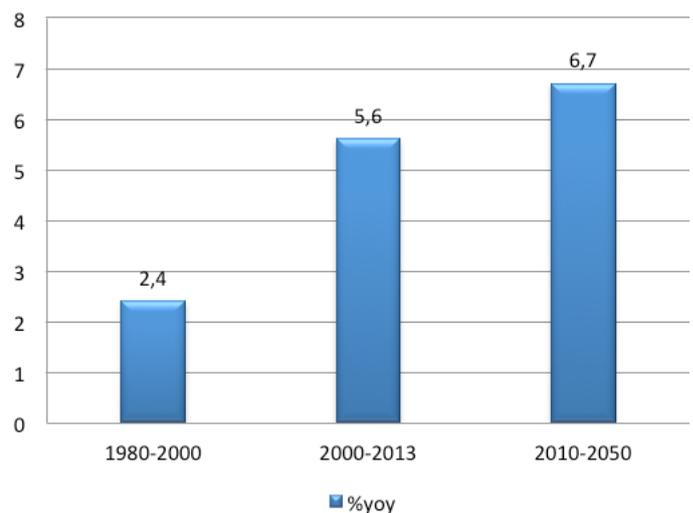


Source: The Economist, December 2010

The sub-Saharan market has almost 900 million people and is expected to increase to 1.4 billion people by 2025. Over the last 13 years, the average GDP growth rate for the sub-Saharan region was **5.6%**. The real GDP average growth in this region before 2000 was only **2.4%**, while the projected GDP growth until 2050 is an estimated **6.7%** per annum.

Most of this growth is stimulated by especially oil and other resources. The biggest concern is the fact that this high GDP growth is not yet reflected in the GDP per capita which remains at about \$1400 per annum (*AT Kearney*, p.3). This money has not yet filtered through to the ordinary households.

Graph 1 Sub-Saharan Africa GDP Growth Rate: 1980-2050



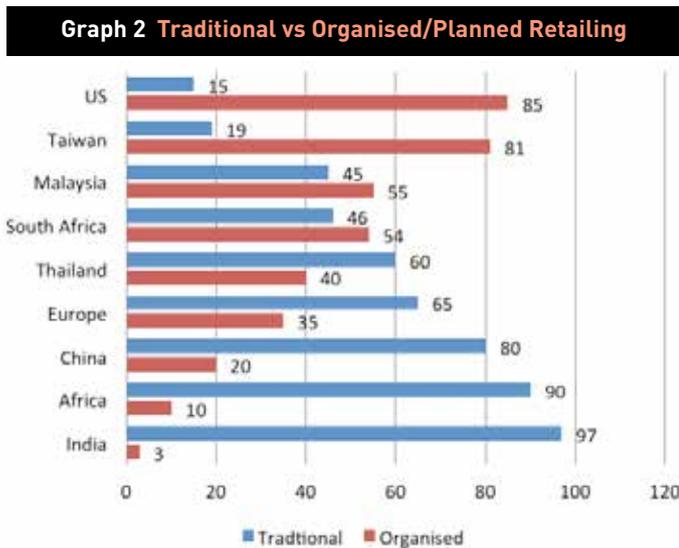
Source: Coleman, Colin, 2013; Two Decades of Freedom-A 20 year review of South Africa. Goldman Sacks

Urbanisation largely remains a **poverty-driven** process. This is dominated by uncontrolled informal and often illegal spatial developments and the mushrooming of numbers of poor urban dwellers without access to adequate housing or basic services like water, sanitation, electricity and roads (UN-Habitat, 2008). It is estimated that slum-dwellers currently account for 70% of urban inhabitants (*The Economist*, 2010 12 13). It is further estimated that 46% (approx. 200 million people) of Africa's urban population reside in **inner-city** slums and **informal** settlements where poverty, overcrowding, unemployment, social inequality, crime and pollution are prevalent.

Evidence from the African Development Bank indicates that the current situation is **not likely** to change soon as African governments' spending on infrastructure is approximately \$45billion, while almost **double** that amount is needed to address the biggest problems. Unless major political and structural changes are made, cities like Nairobi, Lagos, Accra and Kinshasa as well as adjacent smaller towns, will continue to explode with social unrest and political instability.

High population growth, higher levels of urbanisation, higher GDP growth and the expected increase in per capita income on the one side and major social and political challenges on the other, are the pros and cons for retail development in Africa. The current state of shopping centre development indicates the initial stages of the **early adopters**. This early growth phase

is still very slow and some developers who initially entered the market are now following a “wait and see” strategy. The organised/planned retail facilities as a portion of the total retail, are still very low and are estimated to only represent 10% of all retail facilities (Graph 2).



Source: Urban Studies 2014, Adjusted for South Africa

Nigeria with a very large population as well as a growing middle class, only had **two** modern shopping centres in 2012, compared to **225** centres larger than 20 000m² in South Africa (AT Kearney, 2014, p4; SACSC Shopping Centre Directory, 2012). A large number of shopping centres are being planned for the various African regions, with West Africa and especially Ghana and Nigeria leading the way. Most planned centres are in the region of 20 000m². The exceptions are in Angola and Kenia where larger centres (>45 000m²) are on the drawing board (The Annual Broll Property Report 2013 and website). Well over 900 000m² of retail space is expected to be added during the next 3-5 years (Table 2).

Table 2 Planned shopping centre development in the pipeline across Sub-Saharan Africa – South Africa has almost the same amount in different planning stages

CONTINENT	COUNTRY	NAME OF PROJECT	LOCATION	GLA (m ²)	OPEN
East Africa	Kenya	Capital Centre	Nairobi	22 000	2014
East Africa	Kenya	Garden City Mall	Nairobi	45 000	2015
East Africa	Kenya	Athi River Mall	Nairobi	10 000	2015
East Africa	Kenya	The Hub	Nairobi	29 000	2015
East Africa	Kenya	Two Rivers	Nairobi	51 000	2015
East Africa	Kenya	Greenspan	Nairobi	18 000	TBA
East Africa	Kenya	Sarit Centre	Nairobi	35 000	TBA
East Africa	Rwanda	Vision City	Kigali	18 000	TBA
East Africa	Tanzania	Penninsula Plaza	Dar es Salaam	25 000	2016
East Africa	Tanzania	Mlimani House	Dar es Salaam	22 000	TBA
East Africa	Tanzania	Mkuki House	Dar es Salaam	22 000	TBA
Southern Africa	Angola	Lar Patriota	Luanda	16 000	2015
Southern Africa	Angola	Mundial	Luanda	50 000	2015
Southern Africa	Angola	Carnaval	Luanda	26 000	2015
Southern Africa	Angola	Bellas	Luanda	16 000	TBA
Southern Africa	Zimbabwe	Chisipite	Harare	12 000	2015
Southern Africa	Zimbabwe	Millenium Mall	Harare	25 000	TBA
Southern Africa	Mozambique	Sommerschield Mall	Maputo	35 000	2015
Southern Africa	Namibia	Bahnhof Sq/ Waterfront	Swakopmund	25 000	2014
West Africa	Ghana	West Hills	Accra	26 800	2014
West Africa	Ghana	The Junction	Tema	13 000	2014
West Africa	Ghana	Achimoto	Accra	15 000	2015
West Africa	Ghana	The Exchange	Accra	11 000	2016
West Africa	Ghana	Meridian Mall	Tema	19 000	TBA
West Africa	Nigeria	Ado Bayero Mall	Kano	24 000	2013
West Africa	Nigeria	Port Harcourt Mall	Port Harcourt	16 000	2013
West Africa	Nigeria	Festac Mall	Festec, Lagos	16 000	2014
West Africa	Nigeria	Delta Mall	Warri	15 000	2014
West Africa	Nigeria	Jabi Lake	Abudja	26 000	2015
West Africa	Nigeria	The Palms	Lagos	20 000	2015
West Africa	Nigeria	Ugudu Mall	Ogudu, Lagos	18 000	2015
West Africa	Nigeria	Osapa Mall	Lagos	10 400	2015

Source: Broll.co.za
Retail leasing opportunities across sub-Saharan Africa, 2013/2014.



URBANISATION TRENDS

In an article on retail opportunities in Africa, twenty different countries were ranked according to their own African Retail Development Index (consisting of variables like country and business risk, market size, market saturation and time pressures [AT Kearney, 2014, *The 2014 African Retail Development Index, Seizing Africa's Retail Opportunities*]). The list of twenty countries requires a detailed understanding of the methodology that was followed. Rwanda was ranked number one and Namibia number three. Rwanda's strength is based on the fact that they are reforming their business climate and seeking to attract foreign investment [AT Kearney, 2014, p.8]. South Africa is lower on the list due to the sophistication of the market and saturation levels being reached in certain areas for specific types of retail development. There are, however, almost 1 million m² of retail space in different planning stages in South Africa. South Africa remains the most important market in Africa. This platform must be used to enter Africa from South Africa as some leading supermarket groups and retailers are already setting the tone.

2014 Ranking	Country	ARDI score
1	Rwanda	70.3
2	Nigeria	64.2
3	Namibia	60.2
4	Tanzania	59.5
5	Gabon	58.9
6	Ghana	56.9
7	South Africa	55.5
8	Botswana	54.3
9	Mozambique	54.2
10	Ethiopia	53.7
11	Benin	53.6
12	Angola	52.4
13	Zambia	49.8
14	Senegal	48.5
15	Congo	48
16	Sierra Leone	48
17	Uganda	46.5
18	Cameroon	45.6
19	Gambia	45
20	Kenya	44.7

Source: AT Kearney, 2014, *The 2014 African Retail Development Index, Seizing Africa's Retail Opportunities*

Continued retail growth in Africa is inevitable. Many African markets are starting from a low base but major opportunities do exist. The key questions that remain to be answered are:

- What **size centre** offers the best option for a particular market?
- At what **tempo** will the middle market grow?
- How **successful** are the centres that have opened or will recently open?
- How **politically stable** are some of these countries?
- How can ownership and **land rights** be solved?
- When is the high GDP growth going to filter through to be reflected in a substantial **increase** in per capita income?

The last is perhaps the most important question because this will influence the potential spend, warranted size and expected turnovers of new centres in future.

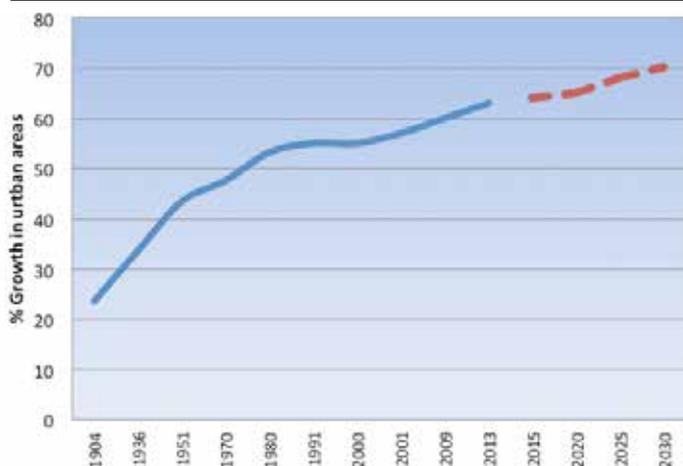
South Africa

As in the rest of Africa, South Africa is also experiencing an unprecedented growth in urbanisation. South Africa is now just more than **63%** urbanised. The urbanisation levels, however, vary from as high as **97%** in Gauteng to **17%** in Limpopo (Table 4). Gauteng generates 33.9% of South Africa's GDP and an astonishing 10% of the total GDP of the entire African continent. The level of urbanisation in South Africa has increased from **23%** in 1904 to the current level of **63%**. It is expected to rise to **68-70%** by 2030 (Graph 3).

Province	People in urban areas	People in rural areas	Total	% Urban
Eastern Cape	2 985 305	3 576 748	6 562 053	45.5
Free State	2 303 215	442 374	2 745 590	83.9
Gauteng	11 930 627	341 636	12 272 263	97.2
KwaZulu-Natal	4 875 323	5 391 978	10 267 300	47.5
Limpopo	969 375	4 435 493	5 404 868	17.9
Mpumalanga	1 723 685	2 316 254	4 039 939	42.7
North West	1 553 428	1 956 524	3 509 953	44.3
Northern Cape	865 744	280 117	1 145 861	75.6
Western Cape	5 352 628	470 106	5 822 734	91.9
Total	32 559 331	19 211 230	51 770 560	62.9

Source: StatsSA, Population Census 2011

Graph 3 % Urbanisation in South Africa: 1904-2030



Source: StatSA, Urban Studies Projections, 2014

Dividing South Africa’s settlements into cities and towns is complex because the terms are not easily or universally defined. Prof Philip Harrison defines a South African city as a municipal area that, according to Census 2011, had a population of more than 150 000 and was generating an annual economic output – measured as gross value add (GVA) - of more than R5 billion. By using this definition, it is possible to create the following categories of urban municipalities:

- **Major Metropolitan Municipalities:** These are municipalities with a population of more than 1 million people and a GVA of over R50 billion. This definition excludes Mangaung and Buffalo City, although they are classified as metropolitan areas for governance purposes.
- **Secondary City Municipalities:** These are municipalities with a population of at least 500 000 people and a GVA of over R15 billion.
- **Minor City Municipalities:** Municipalities with populations of over 150 000 people and a GVA of over R5 billion.

Table 5 Categories of Urban Municipalities in South Africa: Population and Economic Activity

Major Metropolitan Municipalities	Secondary City Municipalities	Minor City Municipalities	
Pop >1 million and GVA >R50 billion	Pop >500 000 and GVA >R15 Billion	Pop >150 000 and GVA >R5 Billion	
36.7% of SA pop, 58,8% of national GVA	8.9% of SA pop, 9.7% of national GVA	15.7% of SA pop, 14,8% of national GVA	
<ul style="list-style-type: none"> · Johannesburg · Cape Town · eThekweni (Durban) · Tshwane (Pretoria) · Ekurhuleni (East Rand) · Nelson Mandela Bay (Port Elizabeth) 	<ul style="list-style-type: none"> · Buffalo City (East London) · Mangaung (Bloemfontein) · Rustenburg · Emfuleni (Vereeniging) · Mbombela (Nelspruit) · Polokwane · Msundusi (Pietermaritzburg) 	<ul style="list-style-type: none"> · Emalahleni (Witbank) · Govan Mbeki (Secunda) · Matjhabeng (Free State Gold Fields) · Madibeng (Brits) · Thulamela (Thoyohandou) · Makhado (Louis Trichardt) · City of Matlosana (Klerksdorp) · King Sabata Dalindyebo (Mthatha) · Mogale City (Krugersdorp) · Umhlatuze (Richard’s Bay) · Steve Tshwete (Middelburg) · Newcastle 	<ul style="list-style-type: none"> · Metsimaholo (Sasolburg) · Ba-Phalaborwa (Mopani) · KwaDukuza (Stanger) · Greater Tzaneen · Moses Kotane (Platinum Belt) · Hibiscus Coast (Port Shepstone) · Merafong (West Rand) · George · Moqhaka (Kroonstad) · Breede Valley · Stellenbosch · Tlokwe (Potchefstroom) · Sol Plaatje (Kimberley) · Drakenstein · Mafikeng

Source: Harrison,P, South Africa’s “Cities of Hope”: Assessing the role of cities in creating opportunity for young people. Paper prepared for the Centre for Development and Enterprise, June 2013



URBANISATION TRENDS

South Africa's major metropolitan areas are home to **±40%** of the country's population, but produce nearly **60%** of national output. These figures indicate that incomes in the major metropolitan areas are about 50% higher per capita. The per capita output of smaller cities is in line with the national average, while rural areas account for a disproportionately **small** share of economic activity.

The increase or decrease in population numbers per municipal district between 2001 and 2011 clearly highlights the strongest **growth areas** mainly because of urbanisation, new mining areas and new industrial development. The highest percentage growth occurred in districts like Gamagara (Kathu), Musina, Steve Tshwete District (Middelburg) and most of Gauteng (Table 6). The highest decreases happened in the Free State, KZN and the Eastern Cape. These areas are mainly focusing on the agricultural sector as well as subsistence farming (Diagram 4).

Economic activity is disproportionately concentrated in South Africa's cities, especially in the largest metropolitan areas in which **59%** of the country's economic output is generated by only **37%** of the population. During the past 20 years the country's main metropolitan areas grew their economies by 3.8% per annum compared to 3.2% per annum for the whole of South Africa (*Centre for Development and Enterprise, Cities of Hope, 2014, p 2*).

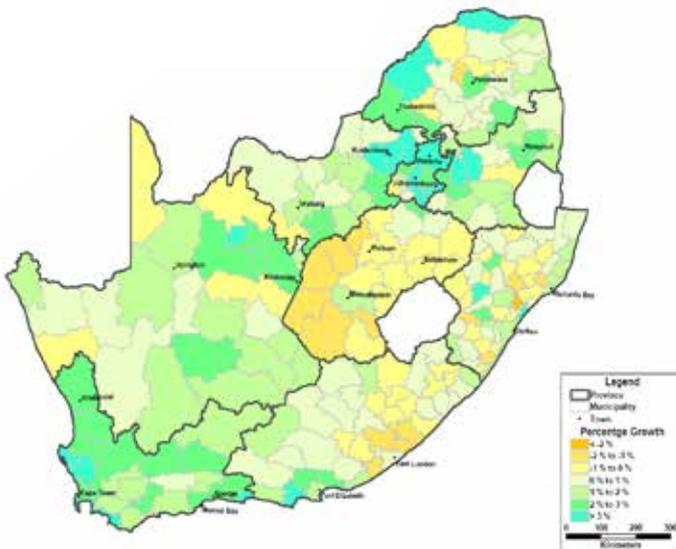
The main reason behind urbanisation over the past twenty years in South Africa is the possibility of **job opportunities**, especially in the two main provinces, namely Gauteng and Western Cape where the inflow exceeded the outflow of people (Diagram 5). The net inflow of people into Gauteng was more than 1.3 million people between 2001 and 2011, while the Western Cape gained an additional 340 000 because of immigration (Diagram 6). The inflow to Gauteng is very strong from all provinces, especially Limpopo and the Eastern

Table 6 Municipal Districts with higher than 3% annual growth in population between 2001 and 2011. Ranked

Population (total)	1996	2001	2011	Growth 2001 vs 2011
Gamagara (Kathu)	22219	23202	41617	6,0%
Musina	33061	39310	68359	5,7%
Bitou (Plettenberg Bay)	18427	29182	49162	5,4%
Steve Tshwete (Middelburg)	135335	142772	229831	4,9%
Swartland	65301	72115	113762	4,7%
Midvaal	53353	64271	95301	4,0%
Overstrand (Hermanus)	36686	55012	80432	3,9%
Emalaheni (Witbank)	236040	276413	395466	3,6%
Rustenburg	311787	387096	549575	3,6%
Saldanha Bay	56557	70261	99193	3,5%
Kgetlengriver (Rustenburg area)	32778	36477	51049	3,4%
Lesedi	66206	71868	99520	3,3%
Umtshezi (Estcourt)	47693	60087	83153	3,3%
Kouga (Humansdorp)	63241	71390	98558	3,3%
KwaDukuza (Ballito)	143758	167805	231187	3,3%
City of Johannesburg	2638470	3226060	4434830	3,2%
Madibeng (Brits)	319974	347578	477381	3,2%
City of Tshwane	1792360	2142320	2921490	3,2%
Lephalale	78715	85272	115767	3,1%
Victor Khanye (Delmas)	53208	56335	75452	3,0%

Source: StatsSA Population Census 2001 and 2011

Diagram 4 % Growth per Municipal District 2001 vs 2011



Source StatsSA Population Census 2001 and 2011

Cape. (see Diagram 7). The only other province that showed a positive inflow was North West because of mining activities.

The landscape has changed since 1994. The Gauteng metropolitan areas have reinforced their national dominance and attracted growing migration. The coastal metropolitan areas have performed less well, especially in terms of job creation, largely because the manufacturing industry has failed to gain attraction. The performance of smaller cities has been uneven, depending on their dominant industries. Many smaller towns and rural areas have stagnated or declined, as agriculture and mining have struggled.

Parts of the former homelands are changing their economic structure, supported by increased spending from social grants. This is occurring along major transport corridors, in developing tourist areas, and along national borders where trade and transport are growing (Source: National Development Plan. Vision for 2030, Nov 2011).

The South African situation has become even more complex as the bigger metropolitan areas and adjacent bigger towns have increasingly become the destination of large numbers of migrants from the rest of the continent and also from Asia. It is difficult to determine accurate figures (figures of up to 4 million people have been mentioned) due to the volatility of the process. It can be assumed that a significant percentage of

these type of migrants find a permanent shelter in either inner city slums or informal settlements on the periphery of bigger urban areas in Gauteng. Over 1.2 million households and more than 4.4 million people live in shacks in informal settlements. There are 2 700 informal settlements in 70 municipalities. (Centre for Development and Enterprise, May 2013: Learn to listen – Communicating the value of urbanisation and informal settlement upgrading).

By far the majority of these informal settlements are in Gauteng. Secondary and minor cities and larger towns all have seen drastic increases in the number of informal settlements. One of the main reasons for this growth is the relocation of people from farms and rural settlements.

Graph 4 In and Out Migration of People per Province between 2001 and 2011

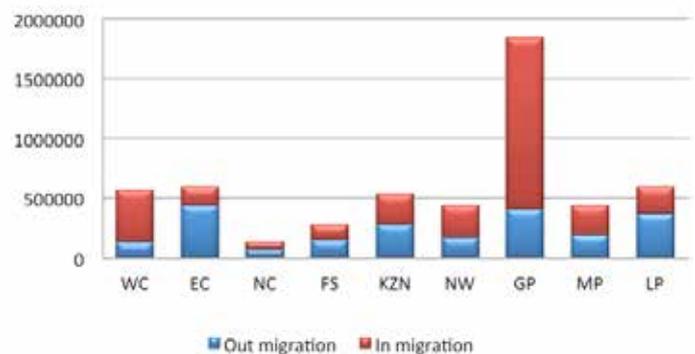
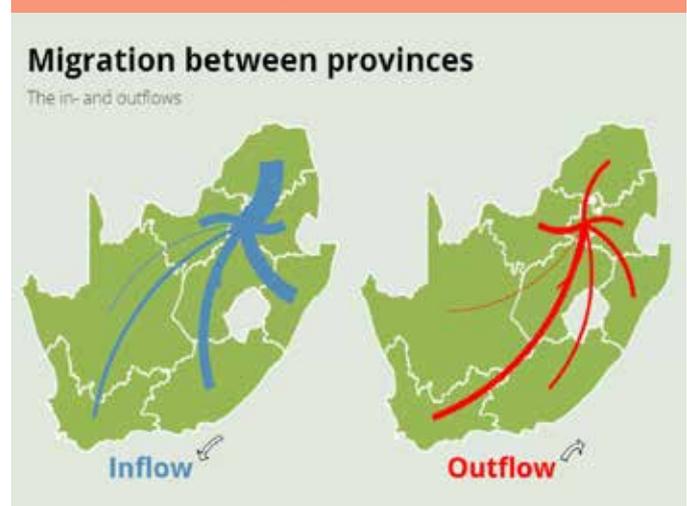


Diagram 5 Gauteng





URBANISATION TRENDS

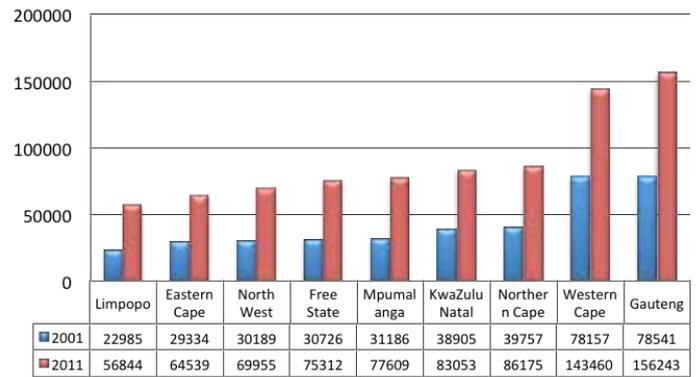
Diagram 6 Western Cape

Migration between provinces

The in- and outflows



Graph 5 Annual Average Household Income by Province



Source: StatsSA Census 2011

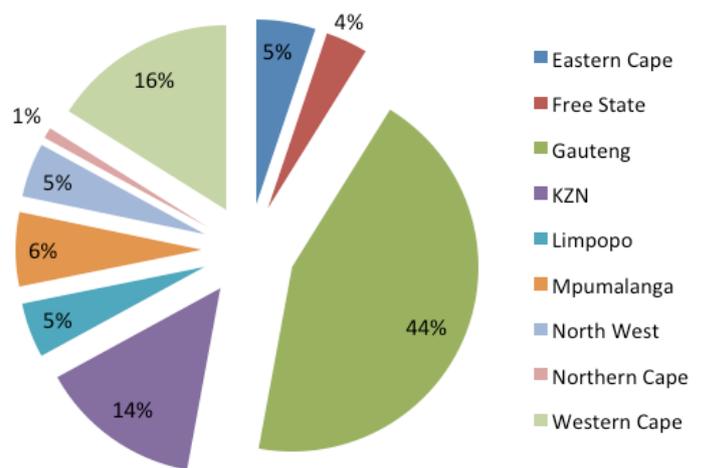
Diagram 7 Eastern Cape

Migration between provinces

The in- and outflows



Graph 6 Shopping Centre Space per Province 2012



Source: SACSC Shopping Centre Directory, 2012

The provinces with the highest level of urbanisation also have the highest monthly **household income**. Gauteng and Western Cape also have the highest per capita income and also the **highest** concentration of **shopping centres** (Graph 5 and 6).

Households with electricity have increased from 77% in 2002 to 85% in 2012. 91% have access to piped water compared to 58% in 2002. 94% have cellular or landline telephones, and the number of individuals who experienced hunger decreased from 24% to 11%.

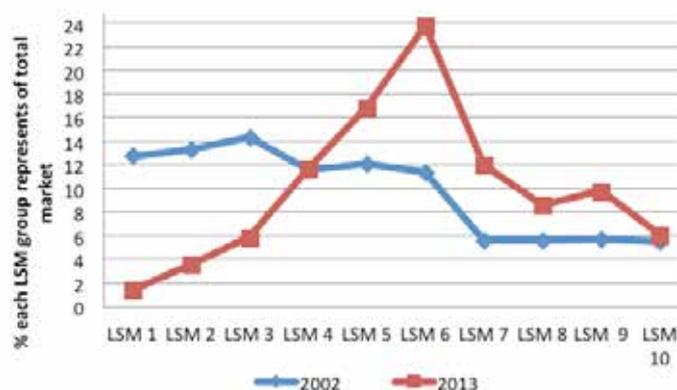
The latest poverty headcount (2011) indicated that 45.5% of the total population fall in the broader poverty bracket. This percentage has come down from 57.2% in 2006. This represents a decrease in the number of poor people from 27 million to 23 million. (StatsSA, 2014: *Poverty Trends in South Africa. An examination of absolute poverty between 2006 and 2011*, Report No 03-10-06). It is critical to understand the

positive impact the provision of a 'social wage' package has had on helping reduce poverty in the country. Social welfare monthly cash grants are now offered to over **16 million people** in need. In total, R128 billion has been budgeted for these social grants for the 2014/15 financial year.

In terms of poverty share, almost six out of ten (**58.3%**) poor people lived in rural areas in 2011. This proportion has remained relatively constant from 2006 (58%). Levels of poverty differ significantly across the provinces, with Limpopo (62%), Eastern Cape (61%) and KwaZulu-Natal (57%) displaying the highest levels of poverty and dependency on the flow of social grants. These are also provinces with low levels of urbanisation. (**StatsSA, 2014: Poverty Trends in South Africa**).

The **middle segment** of the market represented by LSM 5-7 increased from **31%** of the total population to **53%** between 2002 and 2013 (see Graph 7). This represents more than 3 million households that have moved into this income bracket. The LSM 8-10 sector of the market increased from **16%** to **24.5%**, adding 1.7 million households to this income category. (*Source: SAARF Segmentation Data, 2013*). The total contribution by these 5 million additional households to retail spend is approximately R60 billion per annum.

Graph 7 Change in the Proportion of each LSM Group, 2002 vs 2013



Acceleration in urbanisation rates, an increase in disposable income, and the growth in the middle segment of the South African market have collectively resulted in strong shopping centre growth in the **rural and township areas**. In 2012 there were 121 shopping centres of which the majority were recently built in the township areas and 90 shopping centres in the rural areas (Table 7).

Table 7 More than 210 Rural and Township Centres already exist

2012	Township			Rural Area			
	Province	No of centres	Total m ²	% of total	No of centres	Total m ²	% of total
Eastern Cape		9	118 285	7,2	16	133 083	14,6
Free State		5	10 639	0,6	2	47 316	5,2
Gauteng		58	916 613	55,7	0	—	0,0
KZN		10	111 818	6,8	20	190 806	21,0
Limpopo		2	10 639	0,6	38	352 832	38,8
Mpumalanga		1	13 844	0,8	8	108 215	11,9
North West		8	182 837	11,1	5	71 631	7,9
Northern Cape		2	7 861	0,5	0	—	0,0
Western Cape		26	271 903	16,5	1	5 349	0,6
Total		121	1 644 439	100*	90	909 232	100

Source: SACSC Shopping Centre Directory 2012, adjusted by Urban Studies, 2013

*adjusted



URBANISATION TRENDS

FUTURE URBANISATION AND THE IMPACT ON SHOPPING CENTRE DEVELOPMENT

Urbanisation in South Africa is happening along two lines which go hand in hand with general urbanisation where people are moving from rural to urban areas with **existing** economic benefits, and a second group of people moving to the **urban areas** with the hope to improve especially their economic conditions, possible work opportunities and possible employment.

All this is taking place in an economic environment where unemployment rates have remained high at 25%. Poverty rates have come down, indicating that the urbanisation process has had a positive impact on the movement of people from the rural areas to the urban environments.

More jobs are created in the formal and informal sectors of the market and the total workforce grew by 653 000 people during

2013 (StatsSA, 211, *Quarterly labour force survey, Quarter 4, 2013; February 2014*).

All indicators mentioned above clearly focus on the further increase in the middle segment of the market, the availability of more income resources for the lowest end of the market (LSM 1 to LSM 4), increased urbanisation in the six major metropolitan areas as well as some of the secondary and minor cities.

Most of the growth as indicated above is in the Gauteng Province and growing opportunities exist in many of the established township areas as well as informal housing on the fringe of these township areas. Other shopping centre growth opportunities will depend on a large number of factors and the direct or indirect impact of urbanisation on future growth and development.

KEY ASPECTS OF URBANISATION

Trend and changes because of urbanisation	Future impact of urbanisation
Increased urbanisation from 63% to 68% by 2021/25	Population will increase from 51.7 million to 58.2 million by 2021. Urban population will increase from 32.5 million to 38.5 million. Three million more urban dwellers because of urbanisation
Metro growth will remain above 3% per annum until 2021. Economic growth in metros is also the highest	High growth expected in: Johannesburg, Tshwane, Ekurhuleni, Cape Town
Continued growth in mining/manufacturing cities	Kathu/Middelburg/Witbank/Rustenburg/Brits/Lephalale/Burgersfort
In-migration to Gauteng will exceed current rate	More than 2.2 million extra people by 2021 because of urbanisation and 1.6 million because of natural births
In-migration to Cape Town will also increase	Current net inflow because of urbanisation was 300 000 over period 2001 to 2011 and will increase to ± 600 000 by 2021/25
Further increase in middle segment of the market (LSM 5-7) from 53% to 58% by 2021/2025	This represents 1.2 million households and an extra spend of R40 billion per annum
The upper end of the market (LSM 8-10) will increase from 24% to 27% by 2021/2025	This represents 500 000 households and an extra spend of R45 billion per annum
Unemployment rate too high at 25%	Strikes are very negative for image/ratings of SA. Retail loss in Rustenburg over 5 months could be as high as R 2.5 billion on retail products because of strikes
Continue with realistic employment growth	600 000 to 800 000 jobs per annum. Will depend on GDP growth
Further decrease in poverty base from 45.5% to 42%	Decrease of 1.5 million people out of poverty mainly because of grants, and not necessarily because of economic growth
GDP growth most important	Real GDP growth is the key to a reduction in the number of poor people. A realistic growth of 4-5% should be attempted by 2018 – 2020
Increase per capita income	Aim to achieve \$11 500 annual per capita

IMPACT OF URBANISATION ON SHOPPING CENTRE DEVELOPMENT

Changes because of urbanisation	Impact on shopping centre development
Urbanisation will increase to 68%. 6-7 million more urban residents. Population growth will occur on all levels – towns to metros	<ul style="list-style-type: none"> • More support, more people, lower income households, more spend for existing shopping centres. • Large metros – higher growth in informal settlements. • Strengthening of existing centres. • Also warrant new centres especially Gauteng township areas and/or fringe areas. These centres will vary in size from local to regional centres. • Existing Cape Town retail market will see an increase in the size of existing centres. A few new growth areas will warrant new centres. • Secondary and minor towns will offer opportunities for expansion of existing centres or the establishment of smaller community centres. • Some larger towns with strong population growth because of urbanisation, have good retail potential for centres of 12 000m² to 25 000m². • Some rural areas, far from the major urban nodes, are the next level of development with centres of 5 000m² to 12 000m².
Increase in the middle segment of the market	<ul style="list-style-type: none"> • Higher income/higher trading densities for existing centres. • Increase in the support of more than one shopping centre than in the past. This is mainly because of competition, variety and convenience. • Suburban and township growth offer opportunities where population numbers warrant new developments. • Metropolitan gaps mainly exist in township areas or in the direction of new residential growth.
Increase in the total shopping centre GLA per capita	<ul style="list-style-type: none"> • Currently 0.4m² per capita of shopping centre space exists for the total SA population. • The current supply for shopping centre space is 21 million m². • Additional growth potential until 2021/25 is estimated at 1.5 to 2.0 million m².

CONCLUSION

From the overview presented South African decision-makers and business practitioners can learn useful lessons about the relationship between growth, poverty reduction and urbanisation as experienced in other countries across the globe. Shopping centre development will see major shifts in the next ten years with growing emphasis on coping with increased levels of urbanisation. The approach will be different with a growing preference for the development of more community type centres for low income households. The centres will also be built closer to the city fringes where informal housing will be developed, contributing towards greater urban densification. These centres will have to cater for food, clothing and services.

The process of urbanisation therefore creates extra opportunities for the development of shopping centres in South

Africa and specifically in Africa during the next 10 years. The challenge, however, will be to better understand the tempo, the impact and the new emerging customer base of the greater urbanised population, future urban growth and development.

In many cases retail development will also play a catalytic role for the establishment of other services and increase employment. The shopping centre becomes part of the growing node which stimulates further urban development.

There are many pros and cons regarding the impact of urbanisation on towns, cities and metropolitan areas. **The advantage for shopping centre development outweighs the negative aspects of urbanisation** and should be seen as an opportunity to formalise urban development and to satisfy the needs of these new urban dwellers.



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