

HOW WILL YOUR CENTRE BE INFLUENCED BY COVID-19?

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CELEBRATING 30 YEARS
1990 to 2020



Last Wednesday the latest retail figures indicated an increase of 2%. However, these were the growth figures for February 2020. This is a clear reflection of the old normal. On the same day more than 100 000 new corona cases were recorded worldwide, which was a new record.

In total there are already more than 5.5 million people infected by the virus. The South African graph is different to that of most other countries where of all **closed cases**, 96.4% has recovered compared to 3.6% deaths. The world trend on closed cases at this stage is 87% recovered and 13% deaths.

DURING LEVEL 3 IT WILL BE UP TO US TO STAY SAFE.

As we reach day 60 of RSA lockdown, economists and the Reserve Bank are getting more negative with an expected 7% GDP decline for 2020. Some pessimists projected GDP figures as low as -17%. The same level of uncertainty is reflected in the projected unemployment rate of between 1 and 7 million more workers without jobs.

A more realistic unemployment rate of 35%, up from 29% during the first quarter, will add another 2 million workers to the current 10 million people unemployed.

The graph below indicates the high growth experienced in South Africa during 2006, the impact of the 2008 Global Financial Crisis and the COVID-19 projections. All indicators except inflation and the interest rate are in deep decline. The most important indicator at the moment is the SACCI Business Confidence Index which is at its lowest level in 35 years. This index for April is at 78 points down from 90 points in March this year.

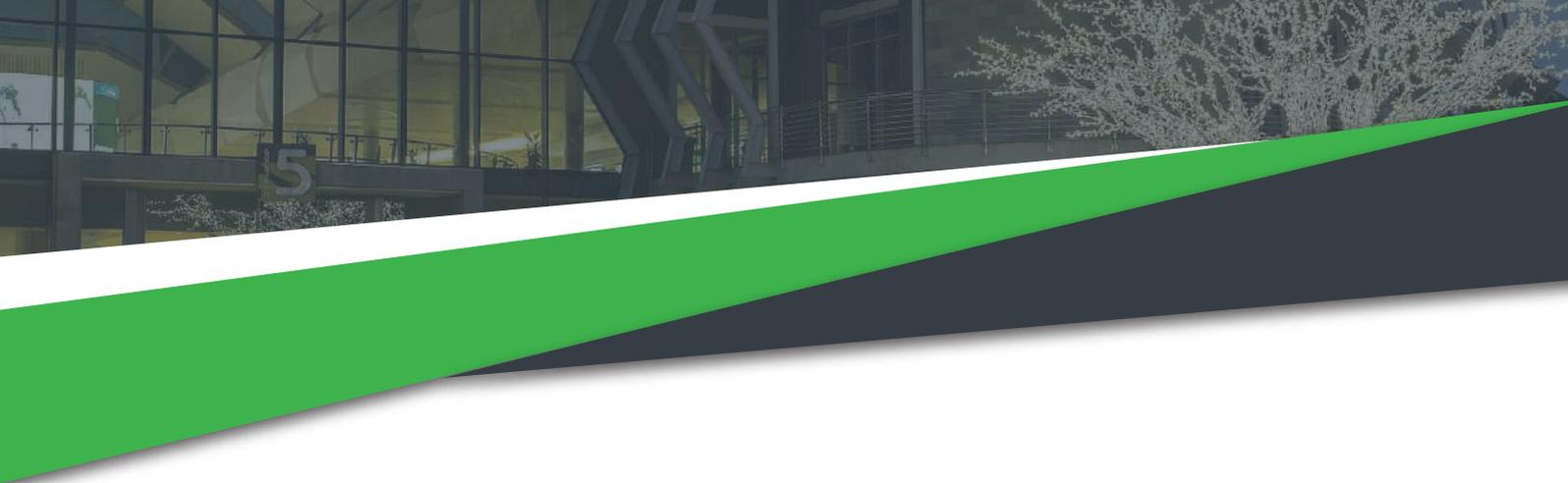
PROPERTY ECONOMIC INDICATORS	TREND			
	2006	2008	2020	COVID-19
GDP Growth	↑	→	↓	↓
Inflation	↓	↑	↓	↓
Car Sales	↑	↓	↓	↓
Formal Employment	↑	→	↓	↓
Retail Sales (real prices)	↑	↓	→	↓
SACCI - Business Confidence Index	↑	↓	→	↓
FNB/BER Building Confidence Index	↑	↓	↓	↓
FNB/BER Consumer Confidence Index	↑	↓	↓	↓
Interest Rates	↓	↑	↓	↓

HOW WILL THE LOCKDOWN & COVID-19 CHANGE SHOPPING BEHAVIOUR?

In Urban Studies' previous newsletter two distinct new shopping trends have been identified, namely:

The **born-to-shop** shoppers that would like everything to return to normal as soon as possible and to continue shopping;

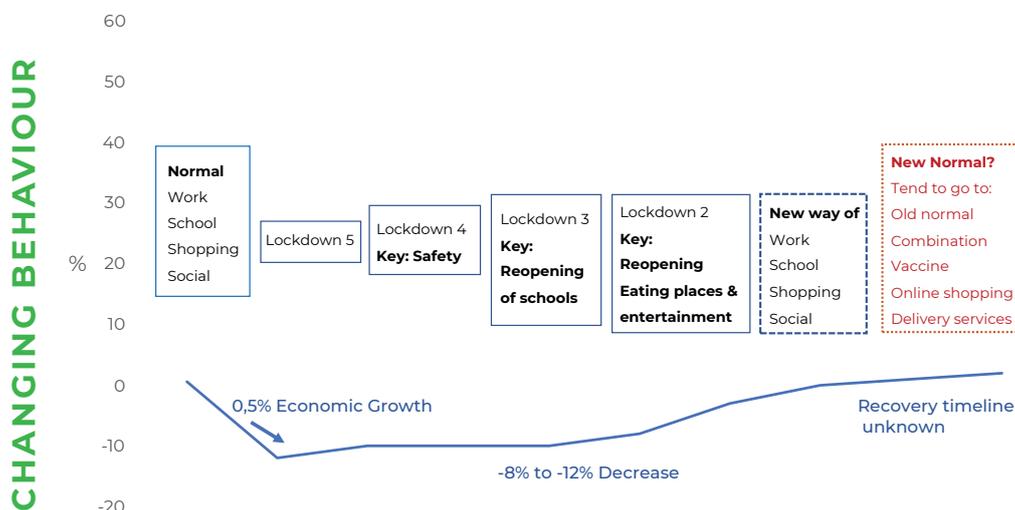
A new segment of **concerning and frightened** shoppers that will buy discreetly focusing on destination shopping, visit shopping centres less frequently, try to spend less time at the centre and only return to normal shopping behaviour at a much later stage.



Shopping behaviour in the past (old normal) was very much entrenched as part of the daily behaviour of taking children to school, go to work, do shopping and to socialise. Shopping behaviour is also set in specific broad patterns of convenience shopping, shopping over weekends, month-end shopping, shopping for Mother's and Father's Day, Black Friday and Christmas shopping. Shopping behaviour is also directly influenced by the school calendar.

Is there something like a new normal? A new normal can only settle in once the majority adapt to the new way of doing things. This could take years. The opening of schools will tend to bring life back to the old normal. The graph below clearly indicates the key drivers during each of the lockdown stages. Currently **safety** is the key aspect and shopping behaviour is driven by the efficient implementation of safety procedures at each centre. The main driver here is whether a centre is perceived to be "COVID-19 safe" compared to other centres that are perceived to be not that safe. The key driver of shopping behaviour during lockdown Level 3 will be the reopening of schools and in lockdown Level 2 the possible reopening of restaurants and entertainment.

There will definitely be changes, but the tendency back to the old normal will always occur. It will perhaps be a large portion of the old normal and a portion of the new lifestyle. This return will be determined by the pandemic on the one hand and the recovery of the economy on the other hand.

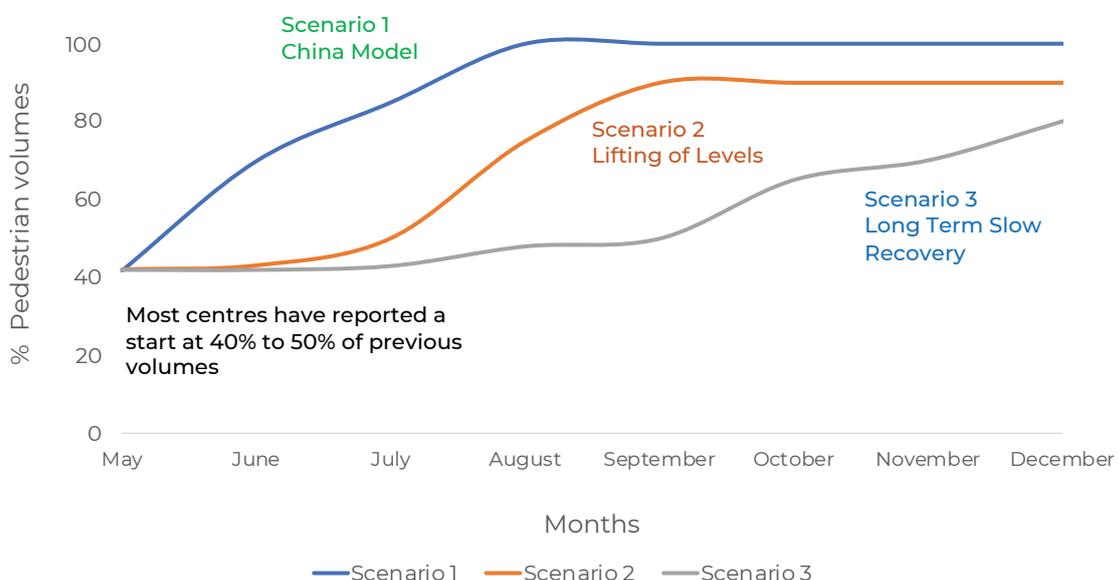


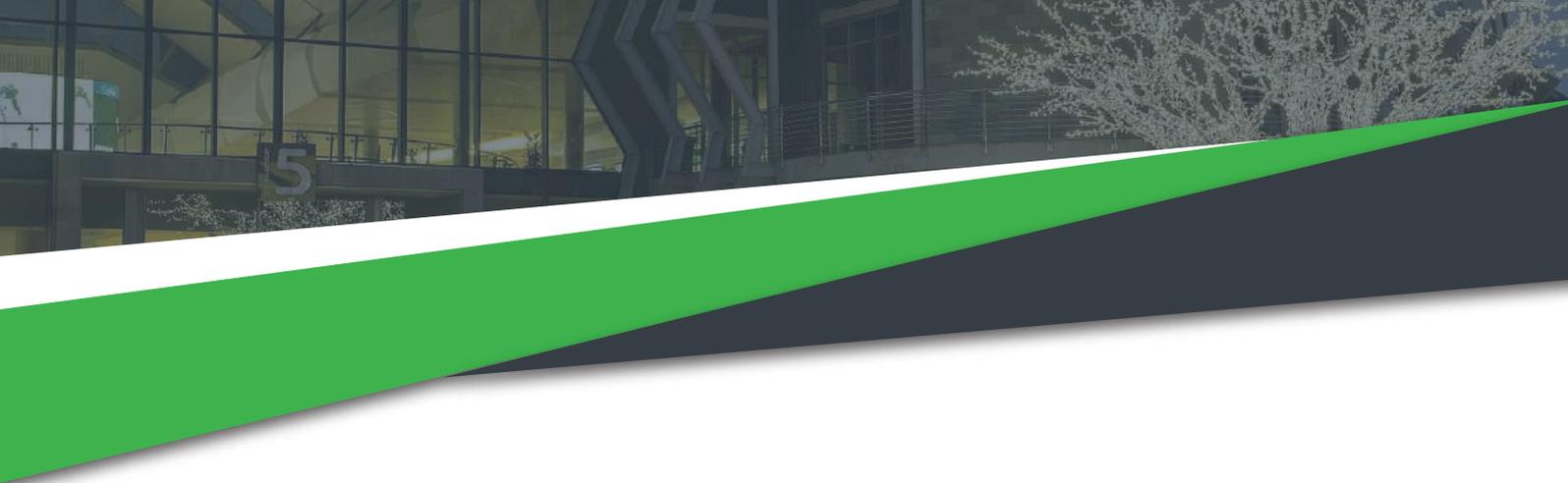
WHEN WILL SHOPPING CENTRES RETURN TO PREVIOUS PEDESTRIAN VOLUMES?

The return to shopping centres could happen according to three possible scenarios driven by the pandemic and the recovery of the economy. The return will also be influenced by those who are born-to-shop and those experiencing high fear levels. The first scenario is where **70%** of the Chinese shoppers (one of the few countries that re-opened in total) return to their shopping centres after the first month. In South Africa the return to shopping centres by shoppers during May varies from centre to centre and area to area. The general trend is that between 50% and 70% of shoppers have returned.

The lifting of the different levels (scenario 2) will further influence return to do shopping. The third scenario is based on the fear factor to shop only when absolutely necessary. This will take much longer and reaching lower levels of return.

RETURN TO SHOPPING CENTRES





HOW WILL DIFFERENT SHOPPING CENTRES BE INFLUENCED BY COVID-19?

Strong economic decline, increase in unemployment, salary cuts, the perception of a safe and hygienic shopping environment as well as the particular location will have a major impact on the recovery of shopping centres in future.

The diagram (on the next page) indicates the positive correlation between household income and the level to which shopping centres show resilience to recover or not. Super regional centres have a below average level of resilience, mainly because of the size of the centre. Support from outside the primary catchment area, shoppers from the region, national and international tourists will take much longer to return. Most of these centres also has a large number of office workers who may only return to the workplace much later, if at all.

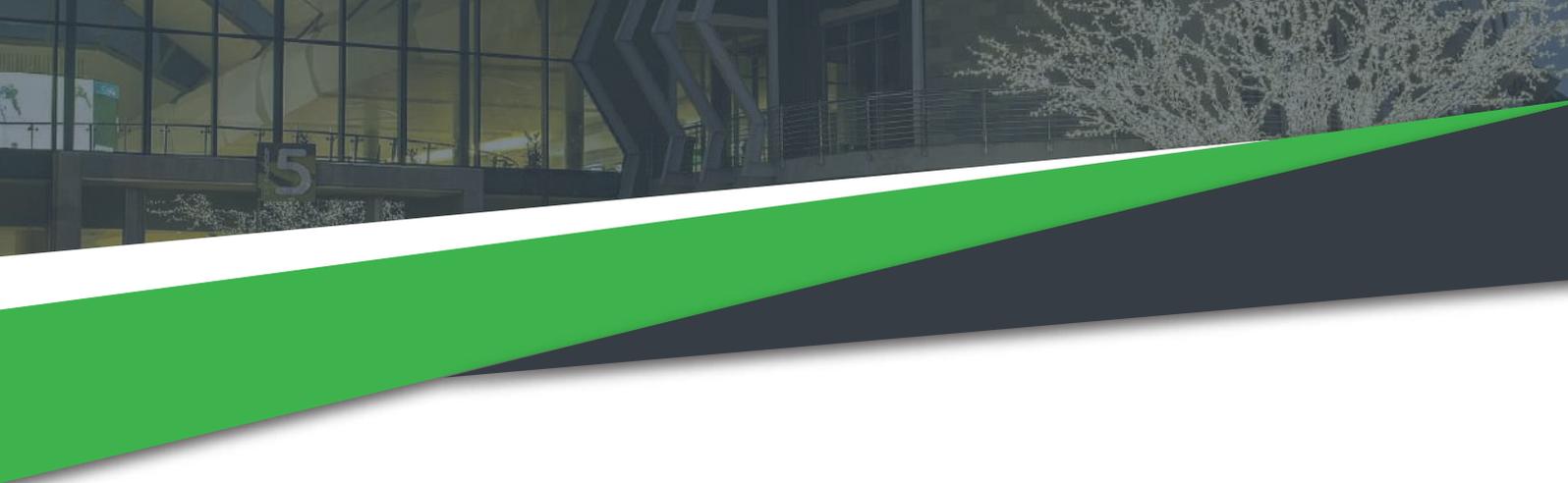
It is expected that the impact on these centres will be more negative.

Smaller and medium size centres will also show strong resilience and good support levels in areas with a high socio-economic profile, while the centres in low income areas will recover much slower and will be impacted more by economic conditions.

The same applies to regional and larger size centres. Centres in areas with higher average household income will also show a higher level of resilience. Upmarket centres will show stronger resilience and will recover after the opening of eating places.

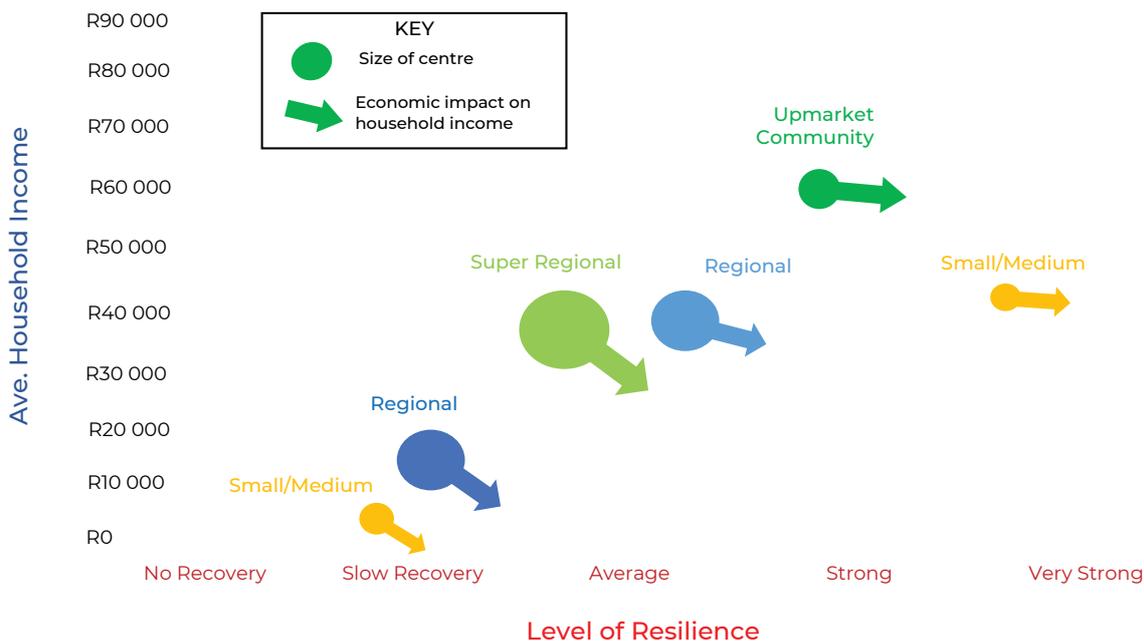
Shopping centres in lower income areas will see good recoveries in foot traffic but not necessarily in turnovers. This trend is being influenced at the moment by travel restrictions and no or fewer work orientated trips.

The recovery of centres will very much be influenced by its location. CBD centres will show slower recovery because of lower inflow from a much broader support base because of the limited level of movement and the absence of workers. Level 3 will increase support to CBD centres.



It will be possible to fit most shopping centres into the different categories on the diagram below. Two other important aspects that will play a major role in the return of shoppers to a centre are the tenant mix and the perception regarding safe hygienic protocols. Centres with a tenant mix supplying more essential goods will do better than those with a broader tenant mix catering for non-essential and luxury goods. A centre which offers strict safety protocols with effective social distancing will be more resilient.

RESILIENCE VS MONTHLY HOUSEHOLD INCOME



The pandemic, the economy, the type of centre, the tenant mix and the perception of quality safety requirements will drive shopping behaviour over the next couple of months. It is of utmost importance to continuously track the perceptions and behaviour of a combination of old and new shopping patterns. **What happens next is in our hands!**

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