

Community retail centres tick all the boxes, but tenant mix must be well planned

While big retail centres experienced a reduction in rentals, turnover and profits during recent tight economic times, community centres have been somewhat spared. This is according to Gregg Huntingford, CEO of Spire Property Management, which oversees retail centres across South Africa.



Source: Gallo/Getty

"Neighbourhood retail centres, those that sit firmly in the residential nodes, cannot be beaten in terms of convenience. Consumers living in the nearby suburbs will frequent their local centre on an almost daily basis to purchase household goods and groceries, to enjoy a cup of coffee or a meal, and make use of services offered such as a laundromat or hairdresser."

"These smaller centres do not struggle as much with vacant space as the larger centres do. The rentals in a small centre are far more affordable and these centres often operate on a gross rental structure rather than a turnover-based structure. This is appealing to entrepreneurs and small business owners who are often daunted by the high costs associated with renting retail space in a large shopping centre. Because of this, smaller retail centres hardly ever see vacancies, and tenant turnover is very small," says Huntingford.



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However, he does caution that the tenant mix in a community-based retail centre needs to be well planned in order for that centre to flourish. "Shops and services need to be matched to the affluence levels and the needs of the surrounding neighbourhoods. Offerings such as gyms, garden centres, pet shops, health and beauty salons, art galleries and family restaurants with outdoor play areas are all examples of tenants that are not easily accommodated in large shopping malls but which offer a shopping experience in line with what consumers want."

"Experience has shown that consumers increasingly want a shopping/retail experience and so smaller centres can remain relevant by offering amenities that fulfil this need. More greenery and park-like settings, increased natural light, interesting architecture and speciality retailers are all draw cards. Additionally, the foodie culture is now mainstream, and the typical food court options don't cut it. Community retail centres can offer exciting dining options for the surrounding community."



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Demographic shift in residents

"Worth noting is that as certain urban nodes and suburbs grow and evolve, we often see a demographic shift in residents within the surrounding areas. A shifting demographic can mean that the local retail centre no longer meets the requirements or needs of its customers. The answer is that centres need to evolve and look at their tenant mix to ensure they are offering local customers what they need," says Huntingford.

"All of this sees neighbourhood retail centres being a great investment opportunity for property buyers looking to add to their commercial portfolio. These centres are also far more affordable, comparatively speaking, than the large shopping malls, which means investors can reach them. Added to this is the fact that monthly operating expenses and overheads are smaller than large retail centres."