

Demand for retail property by lower income sector

Propertyloan stock firm Synergy Income Fund, which specialises in shopping centres catering to lower living standards measure (LSM) sectors, estimated on Monday it would take SA's property industry at least five years to catch up with today's demand for retail by lower income consumers.

CEO William Brooks said while SA's lower income market was showing the highest growth in retail demand, formal retail in many rural towns and township markets lagged demand, owing to a shortage of quality shopping centres.

He said to unlock this compelling growth - equally attractive to retailers and property investors - sites in high-growth areas were vital for shopping centres serving lower LSM shoppers.

Synergy is a specialised retail property fund investing in midsized commuter centres of 10,000sqm to 25,000sqm in rural and township nodes, in operating partnership with leading convenience retailer Spar.

But shopping centre developments in townships across the country are gaining momentum.

Malls are popping up in both metropolitan areas and townships in Limpopo, Mpumalanga, KwaZulu-Natal, the Western Cape and the North West as developers tap into the mass market.

Growth in the development of shopping centres in townships and rural areas was always inevitable because that is where the majority of South Africans dwell.

In recent months, there have been a number of major retail investments in previously disadvantaged areas by the likes of Old Mutual, Vukile, Advent Asset Management, Dipula and the Public Investment Corporation.

Keillen Ndlovu, head of Property Funds for Stanlib, said when it came to retail property investment, the lower income market was still the place to be.

"It is where the population is and where the growth is. This reflects in the listed property sector where almost all retail properties exposed to this market are doing especially well, some at staggering levels."

Within the sector, Synergy is in a strong position through its unique retailer partnership.

Synergy has access to Spar Group's research capabilities and development opportunities. Also, a typical Spar-anchored centre is an ideal match for prevailing market demand.

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