

# Group Services Property



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**The property division had** a particularly active year by opening a record number of 67 new supermarkets during the reporting period, despite the property industry continuing its downward curve due to the current recessionary conditions. Notwithstanding the fact that the number of opportunities for new supermarkets reduced as developers postponed plans for new shopping centres, the Group has already secured a strong pipeline of new supermarkets to open during the next two financial years.

Of the 67 new supermarkets, Usave opened 40 new stores during the reporting period year. The market created additional opportunities for Usave's expansion with space becoming available in desirable locations as some tenants closed down their businesses and vacated premises.

The property division has the responsibility not only to expand the number of supermarket outlets within South Africa – mainly through leasing – but also to accommodate the Group's present and future retail operations and infrastructure outside the country's borders. The division identifies potential new economic growth points and then sets out to find suitable space to accommodate a supermarket sized to the needs and profile of the surrounding community. Where such space is

not available through leasing, immediately or in future, the division will source and buy land to develop a shopping centre or a standalone supermarket.

At the end of the reporting period the division managed the Group's owned portfolio consisting of 58 income-producing properties (shopping centres, standalone supermarkets, offices and warehouses) with a combined book value of R2,0 billion. Of these, the Group owns 29 properties outside the borders of South Africa. The division also managed the Group's head-leased portfolio consisting of 47 properties at year-end with a combined value of R2,0 billion. Once owned properties in its portfolio produce sustainable income, the Group has the opportunity to sell these in order to fund new developments in desirable locations. Strategic land acquisitions are made on an ongoing basis with a view to future needs.

The division manages, maintains and upgrades all properties owned or head-leased by the Group and administers leases with landlords. It also undertakes all rental renewal negotiations with property owners in respect of these leases and head-leases.

The property division's team of in-house store designers follows design principles sympathetic to the environment, particularly in the area of energy efficiency. Designs and

store lay-outs reflect the latest international retail trends, while the accelerating move to freshness and the integration of specialist departments also impact on store lay-out and ambience.

During the year the Group's profile in the market continued to improve with Checkers becoming an increasingly sought-after anchor tenant in up-market shopping centres due to its intensified focus on the upper-income consumer. Shoprite, increasingly attracting middle- to lower-income consumers, continued to enjoy a similar position with especially the owners of shopping centre developments in rural areas.

Despite the lack of overseas investment on the continent amidst the global economic crisis, which is hampering the development of retail space in Africa, the Group is pursuing a number of opportunities outside of South Africa, particularly in Nigeria, Ghana and Angola. In Angola site preparation has been completed for two shopping centres while in Zambia a new supermarket in Livingstone and a larger, refurbished one in Solwezi will both start trading soon. In the Democratic Republic of Congo the construction of shopping centres in Kinshasa and Lubumbashi has not yet started.