

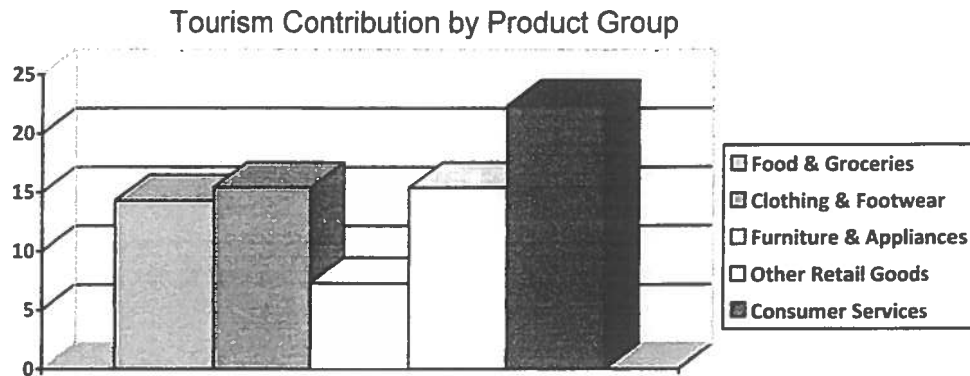
6.4 Tourism

Estimates were also made store by store as to the likely contribution made by tourism. These were subjective estimates, made again to assist in reconciling the demand and supply side metrics.

The table below shows our estimate that tourism presently contributes about 16% to the total retail spend in Hermanus

Tourism Contribution by Product Group

PRODUCT GROUP	Tourism%
Food & Groceries	14.3
Clothing & Footwear	15.4
Furniture & Appliances	7.3
Other Retail Goods	15.4
Consumer Services	22.4
Total	15.8



6.5 Observations & Comments on the Retail Census

The high level of vacancies and the low space productivity being achieved in most categories indicates that many businesses are trading at or close to marginal levels. This is further borne out by a comparison of the shops listed in Hermanus in the current study with those listed by this company in 2004 where the amount of change was substantial.

It is also important to note that a number of retail businesses are trading from premises in the industrial areas.

Where a business has both a retail and non- retail customer base we have estimated the retail portion separately and also apportioned the space.



7. ECONOMIC REVIEW

7.1 Building Activity

In considering the future demand for shopping facilities, one of the key issues is the projected growth rate of the population. South Africa has been in the grip of recession since 2008, and some of the key vulnerabilities in recessionary times are holidays and holiday homes. There are a large number of holiday homes in the Overstrand, and the areas proximity to the Cape Town metropolis means that there are a fair number of weekend and occasional residents. House prices have fallen throughout the country, and that has certainly been true of the Overstrand as well. Building activity has slowed as well, but not as much as one may have expected. The table below shows the value of buildings completed by area within the Overstrand since 2005.

Value of Buildings Completed in the Overstrand in R'million

Year	Gansbaai	Hermanus	Kleinmond	Stanford	Total
2005	153	450	235	20	858
2006	249	462	221	76	1008
2007	194	538	235	39	1006
2008	181	450	178	48	857
2009	90	315	154	19	578
2010	118	474	152	31	775
2011	113	437	147	27	724

After reaching a peak of over a billion Rand a year in 2006 and 2007, building activity slowed by 15% in 2008 and a further 33% in 2009. In 2010 the market picked up quite sharply by some 34%, and 2011 has showed a continuation at that level. These figures do not take account of changes in the inflation rate over the period. Hermanus continues to account for over half of all residential building activity in the Municipality.



7.2 Population Growth

There has been no census taken in South Africa since 2001, but Statistics SA did undertake a Community Survey in 2007 that provides an indication of growth. The Municipal elections a few months ago also provided some useful information with up to date figures on voter registrations. Using these sources, we have compiled estimates of the present 2011 population.

Overstrand Municipality Population Estimates

Details	2011	2007	2001
Total Households	26 490	21 953	18 568
Total Population	90 596	74 547	55 451
Household Size	3.42	3.40	2.99
Black	27 180	21 495	15 067
Coloured/Asian	33 880	27 980	20 606
White	29 530	25 071	19 779

These figures show that the Black population has grown at a rate of just over 6% per annum since 2001, while the Coloured group grew just under 5 % and the Whites slightly over 4% per annum

The Black group has increased from 27% of the population in 2001 to an estimated 30% in 2011, while the Coloured group has remained constant at 37% and the White group has declined from 36% to 33%



7.3 Land Use

While there has been strong growth in residential building activity over the past ten years, there is not much apparent scope for further development. For the Overstrand as a whole the presently zoned residential areas are 79% developed, and Hermanus itself is 87% developed in terms of the number of available erven.

The focus of the recently approved Spatial Growth and Management Strategy report was on densification of the existing residential areas, and a number of interventions are mooted, both in terms of higher density zoning for specific identified areas, and the tolerance of additional residences and sub – divisions of existing erven.

Over and above the available residential development potential, the following additional potential new units totalling some 13 327 units are proposed:

Area	Additional Units
Betty's Bay	405
Kleinmond	1 586
Fisherhaven	415
Hawston	1 561
Hermanus West	972
Hermanus Central	3 012
Hermanus East	653
Stanford	169
De Kelders	182
Gansbaai	2 759
Franskraal	762
Pearly Beach	851
Total	13 327

There are presently only 6300 vacant residential erven in the Overstrand, so the above densification plan raises the potential new housing units to 19 627. As there are only 23,332 developed erven in the municipality at present, this represents the potential to almost double the population. This will certainly allow the area to maintain the level of growth that has occurred in the past ten years.



7.4 Weekend Residents

One of the challenges of this project was to establish the “average” resident population of the Overstrand over the course of a typical year. It was mentioned earlier that there are a large number of holiday homes in the Overstrand, and because the census only picks up permanent full time residents, there is a substantial undercount. But the people who have holiday homes comprise those who spend their weekends in the Overstrand, those who are only in the area for a few weeks a year and everything in between.

To try and get a better understanding of this mystery element of the market, we examined the water consumption figures for the past two years by suburb. Certain suburbs are almost entirely comprised of permanent residents, and in those areas the water consumption patterns were fairly regular. In other areas, there were sharp increases in consumption at the key holiday periods, reflecting an increased number of people taking baths etc. The data is clouded by seasonal patterns in rainfall etc., but it does provide a useful starting point.

Three low consumption months were selected as being “reference” months for each area – a baseline figure representing mainly permanent residents, and water consumption for the year was divided by the average during these months to establish a factor by which to adjust the population levels. The resultant “average” populations were used in the market evaluation model, and represent an increase of some 27% in the overall population level for the Municipal area.



7.5 Tourists and Day-trippers

Within the greater Hermanus area there are 8 hotels and 85 Guesthouses and B&B's, and 64 self-catering and back packer establishments. These establishments together provide some 3000 tourist beds. A tourist population was computed by multiplying that by an occupancy factor of some 35% for the base 2011 year. The Day-tripper population was estimated at 15% of the total shoppers. The total contribution from all elements of the tourism market amounts to 14% of the total retail spend, which in line with the estimates made of the supply side (retail census).



8. THE RETAIL MARKET

8.1 The Present Retail Market

The present retail market in Hermanus is estimated at some R1 540 million in current 2011 values, and is comprised as follows

Source of business		
Primary Catchment Area	1 188	76%
Secondary Catchment	158	10%
Tourism	194	14%
Total	1 540	100%
Life Plane Profile of shoppers		
AB	501	34%
CD	795	51%
EF	244	15%
Total	1 540	100%
Market Value by Merchandise Group, in R'million		
Food and Groceries	755	49%
Clothing and Footwear	194	13%
Furniture & Appliances	71	5%
All other Retail Goods	247	16%
Consumer Services	273	18%
Total Retail Goods & Services	1 540	100%

8.2 The Future Potential Retail Market

Taking into account the presence of a major one-stop shopping centre in Hermanus and the consequent inflow of expenditure from the Secondary Catchment area and reduced spending over the mountain, the market potential in Hermanus would rise to R2 002 million in present 2011 values. This represents a net gain to the Overstrand of some R462 million or 30% in terms of market value.

	RM	%	%Change
Source of business			
Primary Catchment Area	1 418	71%	19%
Secondary Catchment	400	20%	153%
Tourism	184	10%	-
Total	2 002	100%	30%
Life Plane Profile of shoppers			
AB	655	33%	31%
CD	1 063	53%	34%
EF	284	14%	16%
Total	2 002	100%	30%
Market Value by Merchandise Group, in R'million			
Food and Groceries	897	44%	19%
Clothing and Footwear	272	14%	40%
Furniture & Appliances	254	13%	258%
All other Retail Goods	272	14%	10%
Consumer Services	306	15%	12%
Total Retail Goods & Services	2 002	100%	30%

As the table above shows, it's the potential from the secondary catchment area that is the greatest contributor to the increased market, with an additional inflow of some R242 million compared with additional spending from the primary area of some R230 million. The biggest gains by product group would be in the furniture and appliances category, followed by clothing and footwear.



8.3 Shopping Centre Market Potential 2011

A major one – stop shopping centre will capture a significant slice of the total retail market potential in the area, because these centres offer the shopper a perfect environment for their shopping. They have “everything” under one roof, are secure, climate controlled and are designed to cluster like products with like, to maximise the utility of comparative shopping.

	RM	%	%of Market
Source of business			
Primary Catchment Area	488	69%	34%
Secondary Catchment	132	19%	33%
Tourism	92	13%	50%
Total	711	100%	36%
Life Plane Profile of shoppers			
AB	254	36%	39%
CD	392	55%	37%
EF	65	9%	23%
Total	711	100%	36%
Market Value by Merchandise Group, in R'million			
Food and Groceries	231	34%	27%
Clothing and Footwear	177	25%	66%
Furniture & Appliances	70	13%	36%
All other Retail Goods	155	22%	57%
Consumer Services	64	6%	13%
Total Retail Goods & Services	711	100%	36%



The proposed new centre will add some 30% to the existing market in Hermanus, but is projected to take some 36% share of this expanded market. Food and groceries will be the biggest seller at the proposed new centre, but the biggest impact will be felt in the Clothing and Footwear categories where the new centre is projected to take some 66% of the market, and in All other retail goods where some 57% of the market is expected to shift to the new centre. Conversely, the new centre will only draw some 36% of the Furniture and appliances market and 13% of Consumer services.

8.4 Shopping Centre Future Market Potential

It takes several years from the initial conceptualisation and planning for a major shopping centre to be built and open for trading. One therefore has to focus on the market potential some years hence to establish just what size the centre should be built. In a growing market one has to take some account of the rate of growth and factor that in to the planning phase as it is not feasible to add to a centre incrementally each year. The table below shows the market potential for the proposed new centre at intervals over the next 15 years.

YEAR	SALES Rm	SIZE Sgm	Trading Density
2011	704	25 700	27 400
2013	801	27 800	28 800
2016	981	31 100	31 600
2019	1188	34 500	34 500
2024	1548	38 900	39 800

Sales are in constant 2011 money values with no adjustment for inflation



9. MITIGATING THE NEGATIVE EFFECTS

There is no doubt that a one – stop (regional) shopping centre in Hermanus would be warranted at the scale indicated in this report. It is also clear, however, that there would be impacts on the existing retail in the CBD, particularly in the Clothing and Footwear category. It is also clear that one major area of potential will not be adequately addressed by the centre, ie Furniture. There is very limited choice for furniture in Hermanus, but this category is generally not included in shopping centres because they are big space users, pay little rent and draw little foot traffic. It may be possible, however, to incorporate a 'Value centre' as part of the development. This may attract certain operators presently located in the Industrial areas to raise their profile, as well as attracting a number of national brands to Hermanus. The value centre component may be built as a future extension to the Mall, with leases structured accordingly. In due course the Value Centre could be moved to a separate facility within the site.

In setting up the model, we provided for minimum levels of support for Consumer Services at the proposed Mall. This was done deliberately to recognise the special attributes held by restaurants located "on the front" in Hermanus, as well as the existence of abundant personal services facilities offered within the area, particularly Health and Beauty and hairdressing.

The vulnerability of the Clothing and Footwear sector of the market needs to be recognised by the participants in that sector. There will always be a need for an element of that category to be represented in the CBD, but clearly the bulk of the market will shift to the new mall.

Another category facing strong competition from the proposed new mall is "other" retail goods. Here, the range is so wide that one needs to focus on generics. Stores that have tourism as a major part of their business, would be better off staying in the CBD; but stores focussing on every day basics will face strong competition from potential discounters such as Game, (should they be located in the mall.)



It is a specific recommendation to the Developers that they limit the amount of space provided for non – chain outlets in the Mall. The mall needs to focus on what is NOT available at present in Hermanus rather than simply providing a balanced tenant mix.

In the Household survey it is significant that a number of shops and services were requested for the mall that already have representation in Hermanus. We consider this as an endorsement of operators who are doing a good job rather than a serious request for their re-location

10. JOB CREATION

In 2007 there were an estimated 3800 people employed in the Retail and Wholesale trade in the Overstrand Municipality. At that time the total retail market for the Overstrand was estimated at some R2,4 billion, and operated out of approximately 1330 stores and 185 000 square metres of space. This gives a ratio of approximately 49 square metres of retail space per employee, or R632 000 in sales per head.

The proposed new centre is projected to add a net 30% to the retail market in Hermanus, raising the sales in the town from R1.54 billion to R2.00 billion in current 2011 prices assuming the centre was opened immediately. The net gain in employment would therefore be approximately 600 to 650 people.



11. THE SITE

Ideally the site would be in the middle of town so that there would be one single core shopping precinct. This opportunity does not exist as there is simply no land available for a centre of the required scale.

Three sites have been proposed as locations for a major new shopping centre, as shown on the following map.

The sites selected by Anderson (A) and Retail Africa (B) are well located. They are more central to the residential areas than the CBD itself, have excellent visibility, are easily accessible from all areas, form part of the Sandbaai /Hemel en Aarde retail precinct, and are within easy walking distance of the lower income areas. The Hawston site (C) is close to the western extremity of the primary catchment area and would mean the creation of an additional retail precinct. It is a less convenient option for both the primary as well as secondary catchment area shoppers

12. COMMENT AND RECOMMENDATIONS

The Overstrand Municipal area has enjoyed strong growth over the past ten years, and all things being equal is likely to show similar strong growth over the next ten years. The Hermanus CBD has limited capacity for additional retail facilities, and in peak periods the traffic congestion is a serious problem in spite of the additional parking facilities that were brought on stream with the Checkers development.

The research has shown that while Hermanus residents are satisfying most of their day to day shopping needs in town, there is still an outflow to Somerset West, particularly for clothing, electronic goods and furniture. People living in areas such as Caledon and Bredasdorp have more limited retail facilities, and are spending even more of their household budget over the mountain.



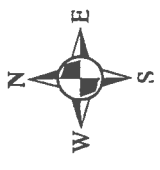
By providing a one-stop (regional) shopping centre in Hermanus this outflow over the mountain can be significantly curtailed and much additional revenue can be directed to Hermanus.

Local residents will be anxious not to damage the CBD, and to a large extent the CBD should not be adversely affected, but could even benefit from a major centre a few kilometres away as secondary catchment area shoppers discover the delights of the town and combine their serious shopping with time spent in the CBD.

But the Clothing and Footwear sector will be affected. There are several major clothing and footwear stores in the CBD, and they would need to give serious thought to their future strategy. Whether to stay put; vacate the CBD altogether, or operate dual outlets.

The clothing and footwear stores are not part of the 'magic' that makes Hermanus special. That accolade belongs to the host of small independent stores that make Hermanus different and interesting. Should one or more of the large clothing chains opt to move out of the CBD, the town could do worse than see good quality antique and art dealers take their place.

However, the proposed development is not without risk. If the centre is not big enough or sufficiently well tenanted to be a viable alternative to Somerset Mall, it will fail to draw the secondary catchment business to the extent we have indicated is possible. To this end a centre of a minimum 30 000 square metres would be necessary to accommodate Game, Woolworths, Edgars and one of the three major supermarket chains with a balance of Line shops, and possibly cinema's.



OVERSTRAND MUNICIPALITY SITE C

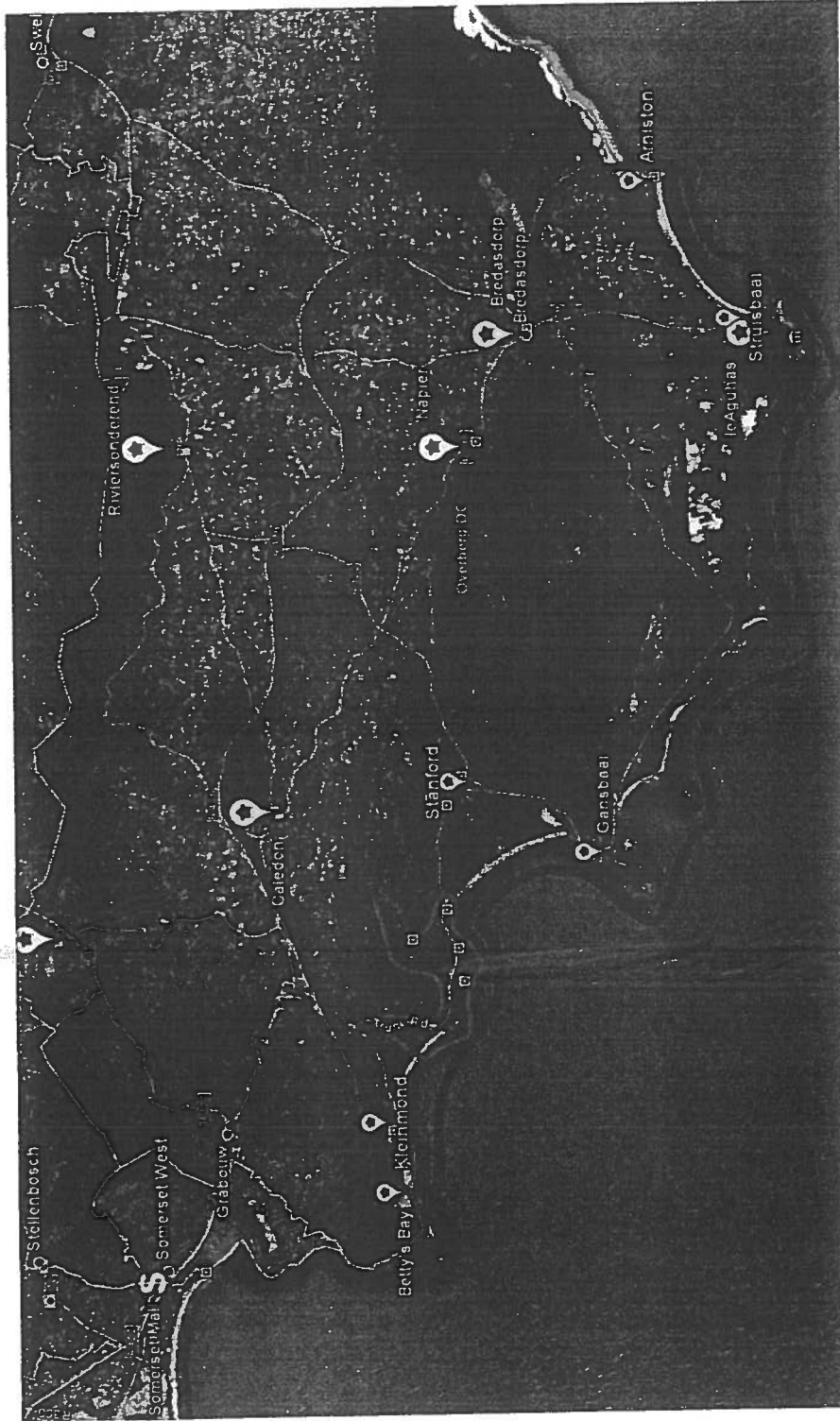
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ASSOCIATES
Lightstone ARCHITECTS



DOUGLAS PARKER
ASSOCIATES

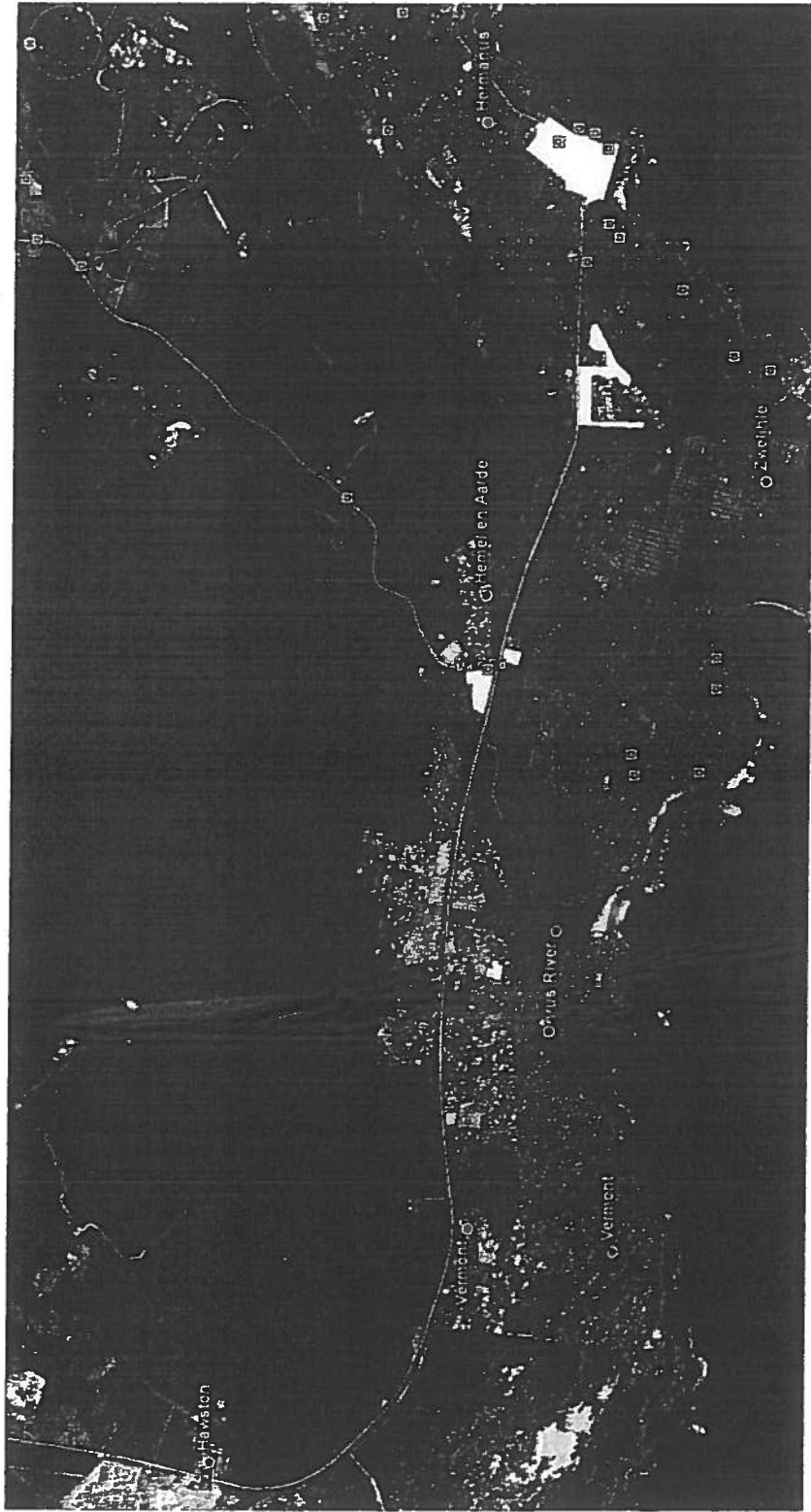
Lighthouse ENGINEERS

OVERSTRAND MUNICIPALITY PRIMARY & SECONDARY CATCHMENT AREA



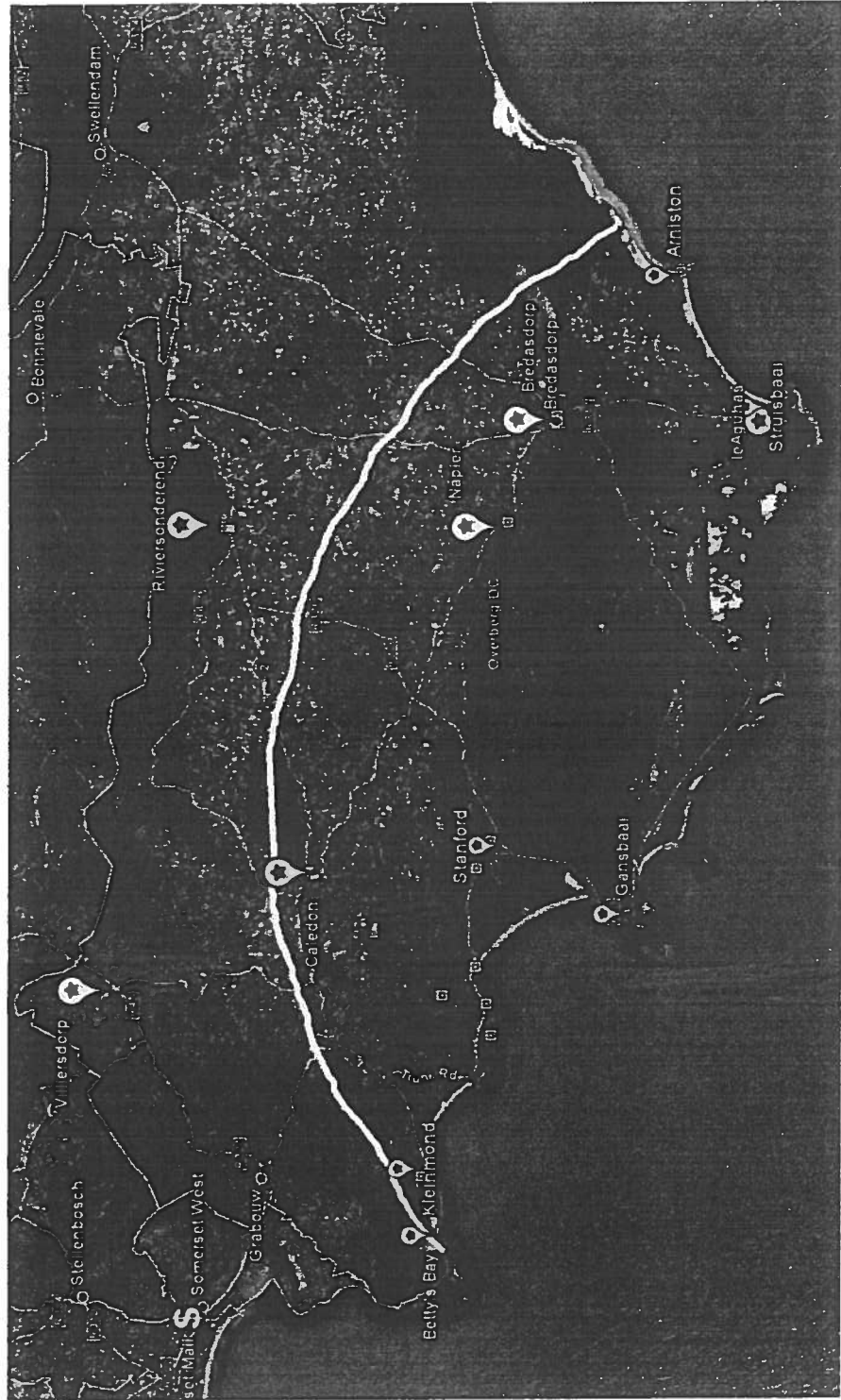
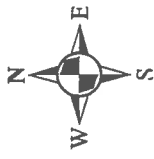
OVERSTRAND MUNICIPALITY EXISTING RETAIL PRECINCTS

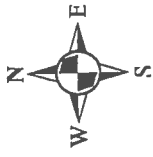
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ASSOCIATES
Lighthouse CONSULTANTS



OVERSTRAND MUNICIPALITY THE STUDY AREA

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ASSOCIATES
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ASSOCIATES
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