

Key facts

Prime shopping centres

Gross rentals	◀▶
Cap rates	◀▶
Vacancies	◀▶

Prime high street

Gross rentals	◀▶
Cap rates	◀▶
Vacancies	◀▶

Nominal retail sales

Q3 2011	5.97%
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Highlights

- Nominal retail sales figures show growth of 5.97% for Q3 compared y-o-y
- Rentals in streetfront shops remain flat
- Rentals in shopping centres are starting to show signs of an upward cycle
- Movements in capitalisation rates are limited

Economic overview

Private consumption performed well in recent months, and the sale of new vehicles also turned in a good performance in the third quarter of 2011, showing growth of 4.4%. Economists are hopeful that consumption growth will rise to 4.3% this year.

Oxford Economics stated that South African exports performed quite well, with growth of 21% on the year in September in dollar (US\$) terms; this is supported by vigorous growth in China. They also stated that consumer

price inflation rose to 5.7% in September. Fuel price hikes and the continued depreciation of the rand (ZAR) will prolong the pressure in the short term. The worsening global economic outlook means the South African Reserve Bank will most likely keep the repo rate on hold until the second quarter of 2012.

Good news is that employment grew to a high of 2.7% y-o-y in the third quarter of 2011, the highest increase since the second quarter of 2008.

Capitalisation Rates 3rd Quarter 2011

		RANGE	TRENDING
Retail			
Street front Shops			
Prime	8.50	↔	9.50 Stable
Secondary	10.00	↔	12.00 Weaker
Shopping Centres			
Prime	7.00	↔	8.50 Stable
Secondary	9.00	↔	12.00 Weaker
Retail Warehouse			
Solus - Prime	9.00	↔	9.00 Stable
Park - Prime	9.00	↔	9.00 Stable
Supermarkets			
Prime	8.50	↔	8.50 Stable

Source: Broll

This table indicates a range of capitalisation rates for various sizes and types of retail buildings. All prime retail buildings have remained stable over the third quarter of

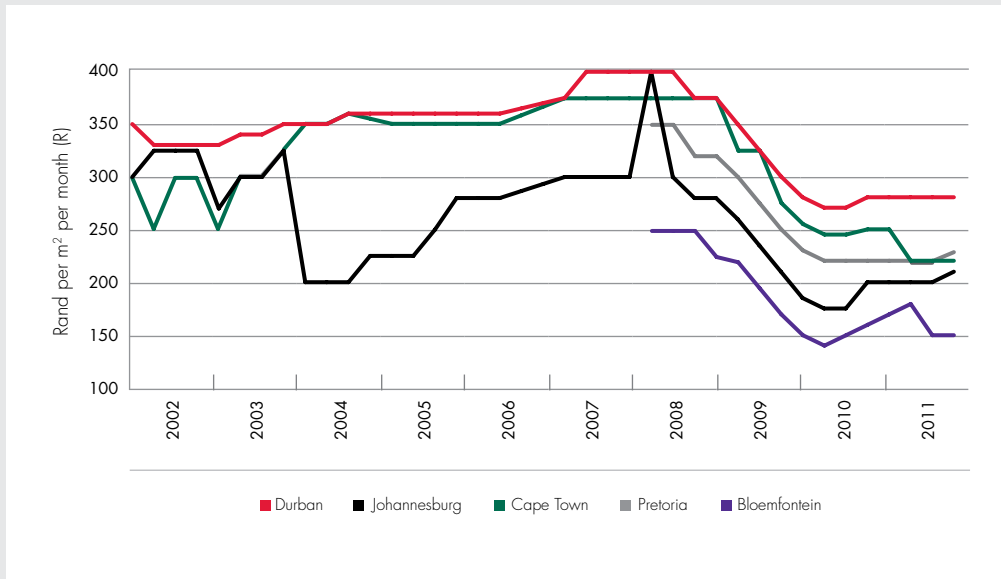
2011, while secondary retail properties have weakened over the same period.

Property overview

Gross rentals for prime streetfront properties have remained mostly flat from the first quarter of 2010, with little or no movement. Johannesburg and Pretoria have shown a slight

upward movement since the third quarter of 2011. The fourth quarter will determine if this is a trend or merely an adjustment.

Gross High Street Prime Rentals

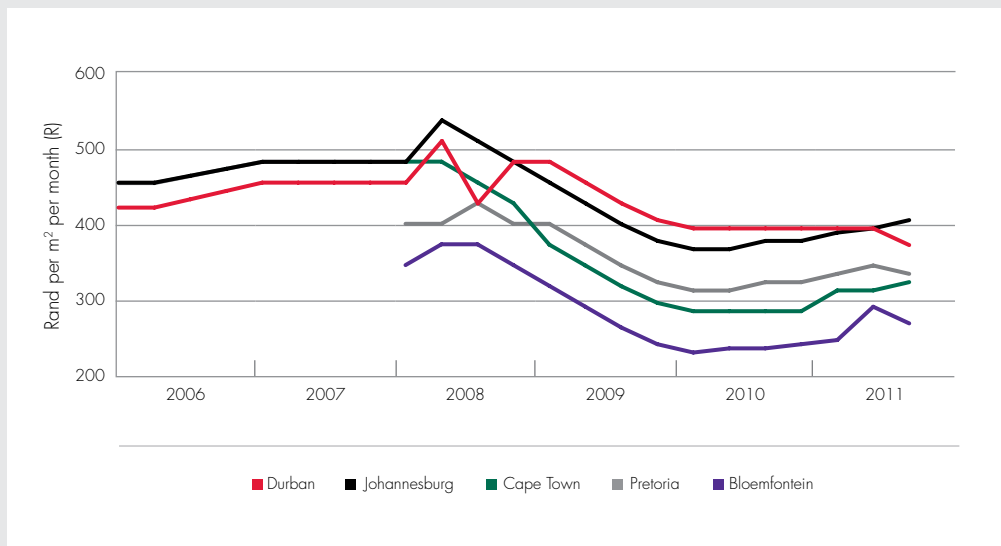


Source: Broll

The gross rental for prime-line shops of 80 m² in shopping centres under Broll management near the anchor tenant showed a downward trend in Pretoria, Bloemfontein and Durban, while

Johannesburg and Cape Town have shown an upward trend since the second quarter of 2011. Prime shopping centres continue to perform well, with few or no vacancies.

Gross Shopping Centre Prime Rentals



Source: Broll

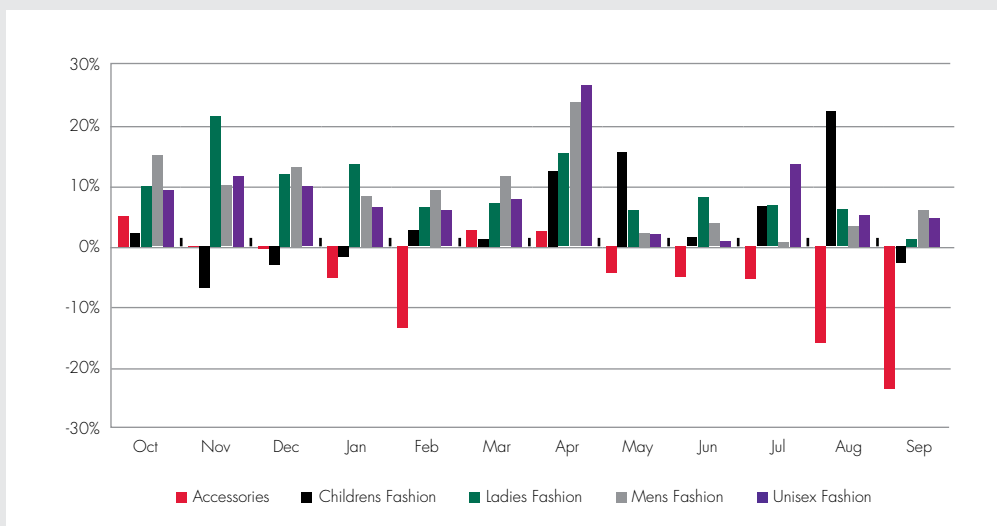
The average footcounts in most centres started to show a slight upward trend of 1.63% in September, compared to the same period a year earlier, followed by approximately 4% in October

for the same period. With the build-up to the festive season, we expect this trend to continue in November and December.

Nominal retail sales

The centres under Broll management showed consistent growth in nominal retail sales for the third quarter of 2011, with a growth rate of nearly 6%.

Percentage Growth in Apparel Year on Year

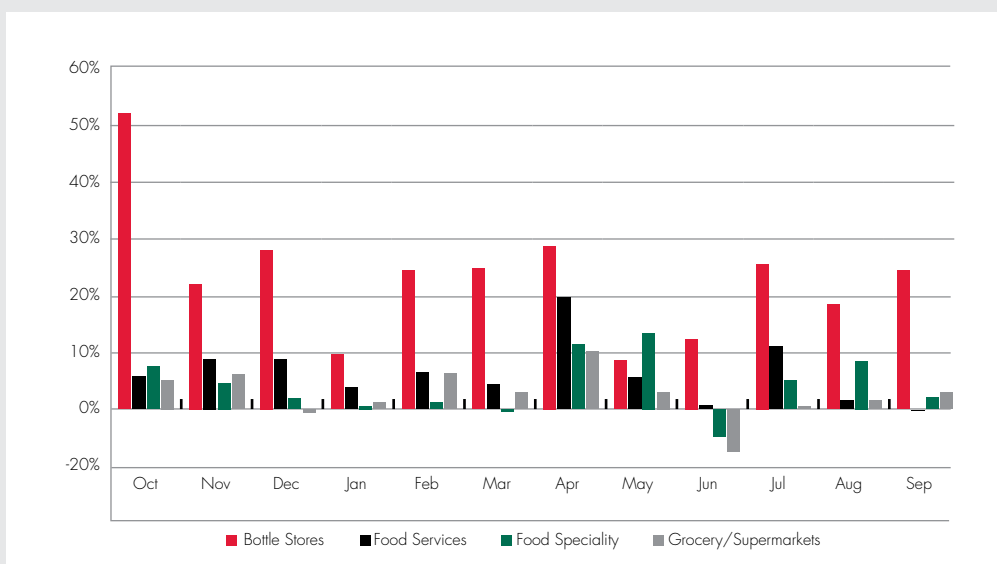


Source: Broll

In the 'apparel' merchandise category, accessories continued to be the weakest performer, with a negative growth rate of approximately 23% for September compared to a year earlier.

Men's fashion was the best performer in September, with a growth rate of nearly 6% for the same period.

Percentage Growth in Food Year on Year



Source: Broll

When taking a closer look at the merchandise category 'food and food services', it becomes clear that bottle stores have remained the best performer since October 2010. Grocery and

supermarkets returned to positive growth in July, and showed a growth rate of approximately 3% in September 2011.

Merchandise categories

Merchandise Category Averages	Rent Escalation	Op Cost Escalation	Gross Rental 2011/ m ²	Monthly Trading Density 2011/m ²	Annual Trading Density 2011/m ²	Turnover Percentage	Rental to Turnover Ratio
Apparel							
Accessories	9.74%	10.89%	523.55	2,694.18	32,330.19	8.74%	21.98%
Children's Fashion	9.50%	10.00%	427.60	2,354.86	28,258.30	8.50%	19.67%
Ladies Fashion	9.22%	9.89%	205.57	1,616.24	19,394.94	7.63%	13.73%
Mens Fashion	8.49%	9.53%	257.46	2,122.41	25,468.87	7.85%	13.04%
Unisex Fashion	8.99%	8.97%	160.51	1,682.95	20,195.45	6.61%	10.26%
Food							
Grocery / Supermarkets	9.00%	9.00%	62.63	2,205.18	26,462.12	1.50%	3.04%
Food Speciality	9.71%	10.63%	389.72	2,754.89	33,058.64	8.21%	15.34%
Bottle Stores	9.00%	10.00%	153.29	2,509.96	30,119.53	3.83%	6.59%
Food Services	9.17%	10.16%	220.30	1,681.51	20,178.08	8.24%	14.07%

Source: Broll

In analysing the trading densities for the 'apparel' and 'food' merchandise categories, food speciality had the highest monthly trading density at R2 754, followed by accessories at R2 694 and bottle stores at R2 509. The lowest trading densities

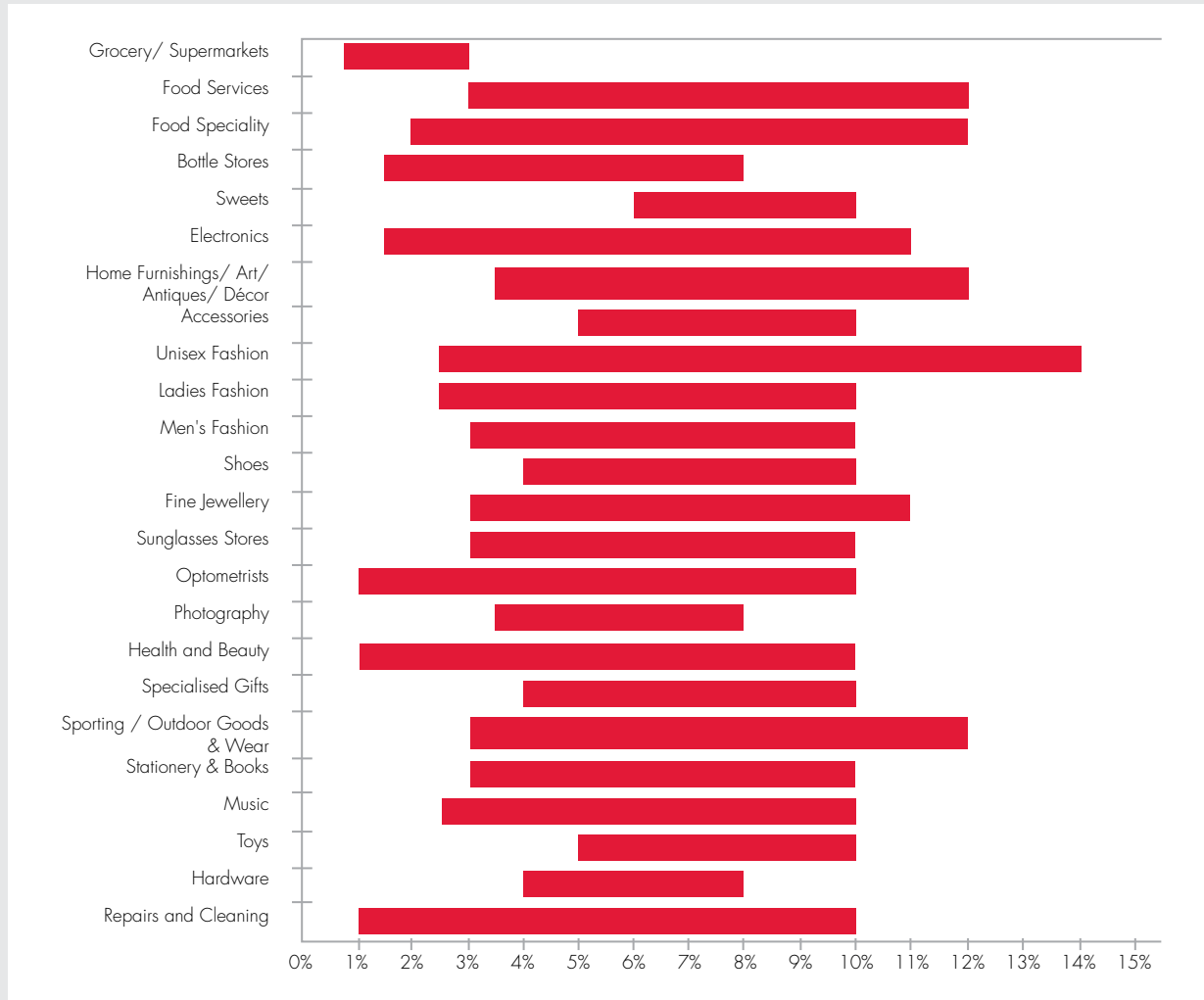
were recorded by ladies' fashion at R1 616. Accessories had the highest rental-to-turnover ratio at nearly 22%, followed by children's fashion at approximately 20% and food speciality at 15%.

Turnover percentage ranges

This table indicates the range of turnover rental percentages that various retailers pay per merchandises category. Unisex fashion demands the highest turnover rental percentage at 14%, up 1% since 2010, followed by home furnishings/art/antiques/décor,

food speciality, food services and sporting/outdoor goods & wear at 12%. The huge range in turnover rental percentages can be contributed to landlords' agreeing to lower rentals with higher turnover percentages to secure tenants.

Range of Turnover percentage per selected merchandise category South Africa 2011



Source: Broll

Sources: Oxford Economics, CBRE, Broll

In conclusion

Nominal sales growth has continued to be positive for the third quarter of 2011. The bulk of the capitalisation rates have remained stable. Gross rentals have remained flat and little movement is

expected in the last quarter of 2011. We are expecting the festive season of 2011 to follow a similar trend to last year, with a growth rate of approximately 10% to 12%.

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