

Shopping SA – January 2008

Abland – All About land development and optimisation

Balancing commercial and shopping centre property interests



Breaking new ground

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Abland **Abreal**

Jurgens Prinsloo, a Director of Abland, recently took time out to talk to Shopping South Africa. We also met Fransie Gouws, a Leasing Manageress on the retail letting side.

We began by looking ahead to 2008.

“The first consideration for us,” says Prinsloo, “is the first phase of the Stoneridge Shopping Centre of 50 000m² programmed to trade in October 2008. A future second phase of 20 000m² will see the centre expand to a total of 70 000m². This development is a Joint Venture between Abland and Hyprop. The centre design theme is based on an open air lifestyle theme that includes for complimentary décor, convenience, restaurants and fitness related tenants.

“Current retail design trends favour open-air type centres, with an outdoor relaxed environment for the whole family. Retailers are generally becoming more in favour of this design trend.

“In Pretoria north, we have Wonderboom Junction, which is a well anchored centre of 35 000m². Strategically opted to have well anchored centres despite the slightly negative effect that this

might have on the centre's initial yield but knowing that, when the retail crunch steps in, a well anchored centre will stand us in good stead.

"Coming out of the office market, which yields lower returns than retail but tends to be more stable, or predictable, Abland as a company is conscious of stability. By way of illustration, our current split, in terms of value, would be in the order Office, 60% and Retail, 40%.

"Geographically speaking, the bulk of our work is in Gauteng, with most of our developments being focused in the Pretoria and Centurion region. Five or six years ago we agreed that strategically we must strengthen our presences in the Pretoria market, Thinus Delpont, a Director, pioneered this directional move.

"Our involvement in Pretoria is a mixture of offices, retail and motor whereas, in Johannesburg, we are very specifically into corporate offices, and to a lesser extent retail, this 'split' being unintentional.

"In the Cape Town office, we have the same scenario as Pretoria, with some smaller shopping centres. We also have offices and some motor dealerships.

"In terms of new retail developments, we have some exciting things on the board. Firstly, there is a new shopping centre of 40 to 50 000m² in Bethlehem, programmed to commence in the second quarter of 2008.

"With regard to our own growth, we are open to working outside SA, although – as I indicated - we are a little more conservative than some when it comes to developments outside of our borders.

"On the question of sourcing of new work, everybody at Abland is involved. We have a lean retail team for instance Fransie and Emma are solely responsible for the leasing of approximately 170 000m² of retail space within an 18-month period. We then ask Jurgens how he perceives the Shopping Centre industry as a whole.

"There are a few challenges," he admits. "The lag is being picked up now in the bigger towns and CBDs. Most future developments will follow the expanding urban edge and the rural areas that have not been saturated yet.

"With interest rates climbing, retail spend will be decreasing, which will begin to diminish the retailers' appetite to roll out new stores in the short term. Construction costs have also escalated. Two to three years ago for example, rentals were on a par with costs. Since then, construction costs have climbed 30% to 40%, but rentals haven't escalated accordingly.

"However, there is plenty of opportunity. We need to be more selective (than in the past) but, as a company, we have quite a few retail opportunities in line for the next few years.

"We have long-term vision, in that we are always looking three to five years ahead for development opportunities. The growth spurt will flatten out, but we still see the Retail portfolio as expanding. It will always be a substantial proportion of the fund.

"Historically," Jurgens explains, "Abland came out of a construction background, from Abcon, which is no longer extant. The legacy is that we are hands-on, that we stay in touch with what we do. We are good at value engineering and we are good at extracting savings. We practise in-house project management, just as our letting is in-house. This makes for tight handling of projects so that all the fat that comes with outsourcing comes back to us."

On the subject of “green” buildings, Jurgens is quick to reveal company policy. “You must incorporate green elements and make the whole process feasible,” he stresses, adding that this may be “challenging.” The same is true over the whole issue of energy / energy saving.

“Five years ago we did a study on photovoltaic cells. Suffice it to say at this stage that we’re going to start seeing more of them. Initial costs represent a hurdle but, the more they are in use, the more the price will come down. Governments need to incentivise to promote policy and to create support for new legislation.

Is Abland unique, we ask? Jurgens certainly believes their approach is fundamentally different. “It’s in our structure,” he explains. “We’re not a pyramid. We operate an open door policy and we make decisions quickly. We draw on broad expertise, so we’re quick to analyse, which allows for quick decision-making.

“We’re actually more like a family. We do things on a trust basis. We are straightforward and strike handshake deals. We like dealing with partners, which makes way for new opportunities. Most importantly, we live up to our promises.”

Abland is young, dynamic and loyal. It also balances vision with caution. Between them, with Jurgens’ six years of service and Fransie’s three, they have already accumulated a decade of experience. In Shopping South Africa’s estimation, the industry will be seeing lots more of them.

Ends

Gareth Nisbet