



# WATERFALL

ISSUE 2 2017

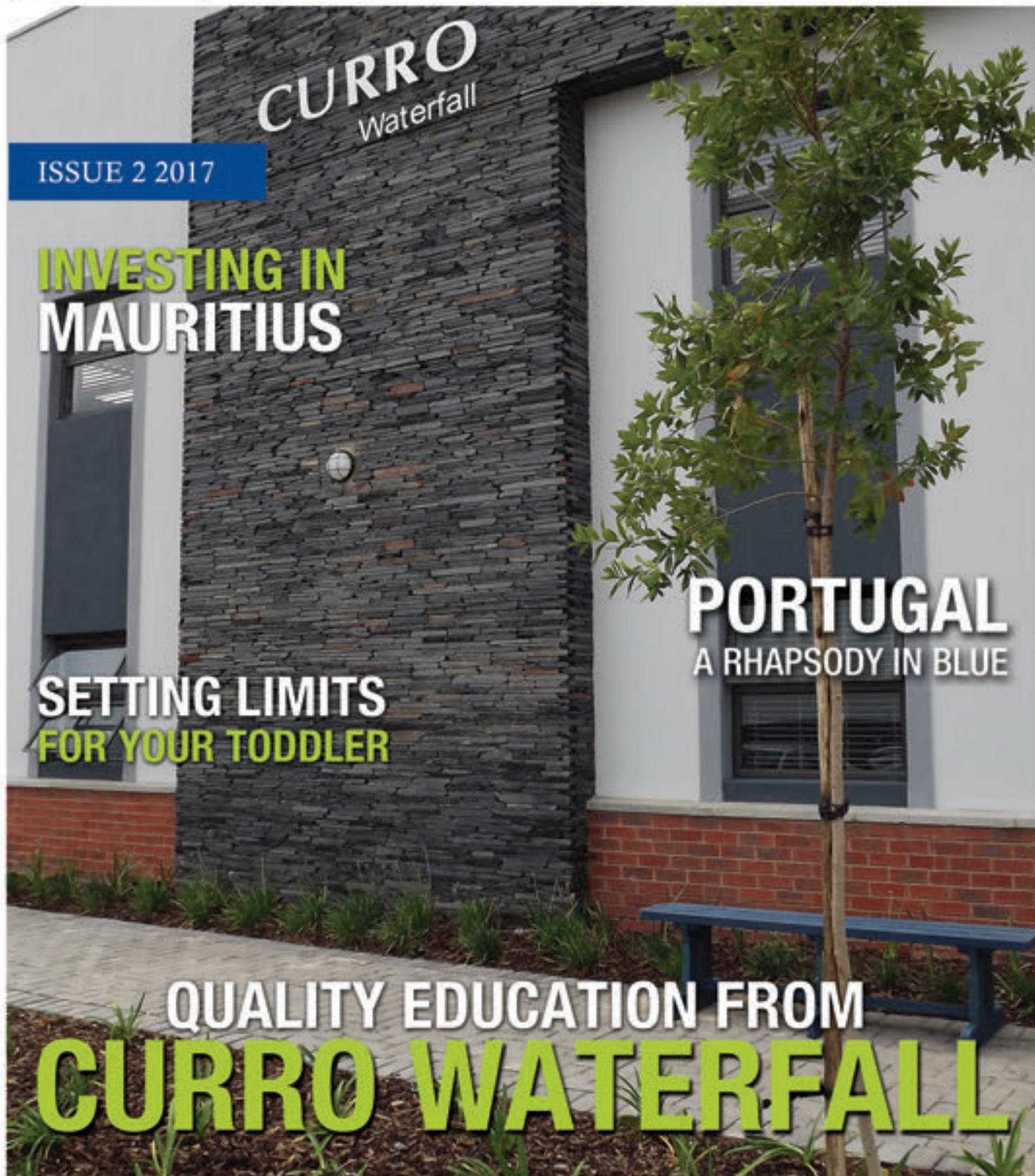
**INVESTING IN  
MAURITIUS**

**SETTING LIMITS  
FOR YOUR TODDLER**

**PORTUGAL  
A RHAPSODY IN BLUE**

QUALITY EDUCATION FROM  
**CURRO WATERFALL**

**CURRO**  
Waterfall







*Attacq Chief Executive Officer,  
Morné Wilken.*

Attacq, the owner of the commercial development rights in Waterfall, is a leading capital growth company in the real estate sector, headquartered in Waterfall City, South Africa. The company has a diverse investment and development portfolio in its home market and further afield.

Attacq was founded in 2005 and has been listed on the JSE since 2013. Its vision is to be the premier property company in South Africa. Attacq derives its strategy from understanding its stakeholders' needs and expectations, and its operating context. "We can identify opportunities in both existing and new markets, and focus our efforts on entrenching our strategic position," states Morné Wilken, CEO of Attacq.

Attacq acquired the Waterfall development rights in 2008. The Waterfall development rights provide Attacq with a pipeline to develop South Africa's new lifestyle city over the next ten to fifteen years in Gauteng – the economic powerhouse of southern Africa.

Since Attacq was founded, the company consistently delivered capital growth to its investors through its geographically-diverse portfolio of properties and investments. It has grown a varied investment portfolio that includes landmark commercial and retail property investments and developments in South Africa, sub-Saharan Africa and Europe. Attacq's blended investments in established and developing markets minimise risk, especially in pressured times.

The decision to invest outside of South Africa was taken to diversify Attacq's portfolio, to create a currency hedge and take advantage of the growth opportunities in foreign markets, whilst capitalising on the stability of developed markets. Wilken is proud of Attacq's international expansion progress: "We have invested in Europe with a strategic investment in MAS Plc (a company listed on both the JSE and Luxemburg Stock Exchange), two retail centres in Cyprus and a portfolio of retail properties in Serbia. We have also invested in Africa, mainly in retail centre joint ventures in Ghana, Zambia and Nigeria. The investments are paying off, and these investments are around 24% of our

gross assets and almost 40% of our net equity."

Wilken was in charge during the company's listing on the JSE, and he admits that it wasn't an entirely painless process. "There were two challenges when we went to market. We built this company over time, and we had to establish an efficient company structure to support our business focus. The other challenge was the effect of starting a real estate capital growth fund, where most of our peers were income trusts."

Attacq was the seventeenth property company to list on the Johannesburg Stock Exchange, and it focuses on longer term capital development rather than short-term profit. "Attacq is driven by a creative approach to local and international real estate developments and investments create sustainable growth for all Attacq stakeholders. This consistent focus on long-term capital growth differentiates Attacq from other JSE-listed property entities that focus on the generation and regular distribution of income to shareholders," explains Wilken.

Like many companies, Attacq has gone through some tough financial times in recent years. Wilken joined the company in 2008, just as the global financial crisis struck and businesses all over the world saw losses and slowdowns. While the business environment was very challenging, the unique climate also held its advantages: "It actually played to our advantage. We had to get approval for many of our rights and there weren't a lot of objections to getting them through."

When asked about how the industry is changing, Wilken suggested that another slowdown might be imminent, despite recent economic upticks. "In challenging macroeconomic circumstances, we have produced a good set of results," states Wilken. Attacq reported R27,6 billion in total assets in its 30th June 2016 annual results, with nearly R19,5 billion of

property development in South Africa alone. Of these properties, around 58% are retail properties, including the recently-completed Mall of Africa in Waterfall City, 33% are office spaces, with the remaining 9% split between light industrial and hotel properties.

### BALANCED PORTFOLIO

The company has always gained a competitive edge through its diversification strategy, which mitigates local market fluctuations. As Wilken explains it: "We invest in various markets to mitigate the risk of economic slowdown. When there's a slowdown in one economy you might get an advantage in another."

Investing internationally presents its own challenges. Each market has inherent risks which need to be considered and managed well to avoid losses. Attacq responded by developing systems that take local conditions into account. "If I can use South Africa as an example, what works in Johannesburg is not necessarily going to work in Cape Town or Durban. By being on the ground and, I mean, really living in a place, you gain valuable experience over a period of time. It is for this reason that Attacq prefers to choose partners with proven local operating track records rather than trying to do it all ourselves."

### NEW CITY, NEW OPPORTUNITY

In recent years, Attacq's largest project has been the development of Gauteng's new lifestyle city, Waterfall, with Mall of Africa as the retail jewel in the new destination node's crown.

The 133 000 m<sup>2</sup> Mall of Africa is the largest single phase shopping mall built anywhere in Africa, and Wilken says that

"WE GIVE PARTICIPATING ENTREPRENEURS SEED MONEY TO LOOK AT OPPORTUNITIES, AND WHEN AN OPPORTUNITY IS FEASIBLE... WE AS ATTACQ CAN PARTICIPATE."

it had an impressive opening with more than 123 000 visitors on opening day and the strong visitor flow since then has exceeded expectations. "More than 1,1 million people visit the mall every month. Of course, there's been some small operational teething issues, but nothing that we have not been able to sort out."

The scale of Mall of Africa brings significant shoppers' choices acting as a draw card, which in turn makes it attractive for leading retail local and international brands to secure retail space in the mall. The size caters for significant footfall, thus making it attractive for tenants. The development was done based on very sound prior demographic study, investigation and forecast of an acceptable yield.

Mall of Africa has created more than 4 500 jobs and employed over 7 500 people during its construction. In addition to the 133 000 m<sup>2</sup> of retail space, a further 25 000 m<sup>2</sup> is planned for the first expansion, with over 300 retailers already trading. The company has secured a total of 1,8 million m<sup>2</sup> of development space across the entire site, of which 409 000 m<sup>2</sup> is already completed as of 30th June 2016.

Attacq's shopping centres have been profitable for the company, showing an average 17% return on investment across 2016 so far on the R5 billion facility. Other Attacq projects include the Newtown Junction Mall in Newtown and sizeable interests in the West Hills Mall and the Accra Mall in Ghana.

Building and operating shopping centres has been good business in South Africa for a number of years, with something of a boom taking place. The country now has a greater square footage of retail space than any country in continental Europe and has the 7th largest total retail area in the world with more than 23 million m<sup>2</sup> of shopping centre space. Despite this, many parts of the country still don't have access to adequate shopping facilities. The super-regional Mall of Africa is intended to address this problem for Gauteng and the surrounding area, where more than 100 000 households are still short of retail access.

While there are concerns in some economic circles that the South African



“THE COMPANY HAS ALSO EXPANDED ACROSS AFRICA AND EUROPE AS PART OF ITS DIVERSIFICATION STRATEGY. THE INVESTMENTS ARE PAYING OFF, AND THESE INVESTMENTS ARE AROUND 24% OF OUR GROSS ASSETS AND ALMOST 40% OF OUR NET EQUITY.”



retail industry is over-supplied given the current economic climate, many dismiss this as an underestimation of South Africa’s mall culture. Given the security concerns that surround the country’s urban areas, many choose to visit malls like Mall of Africa to relax and enjoy themselves as well as to shop.

Although it may seem that South Africa’s industry has grown too fast and become too big to survive in the current economic climate, this is only a short-term view. Given the multi-year time frame involved for constructing a major shopping mall, many developers will begin projects at the top of the business cycle even if they will finally open them during a downturn, as the mall will then be established and fully operational by the time the economy picks up again. In addition, areas like Gauteng are in a sense under-developed, making them ripe for shopping centres like Mall of Africa and larger projects like the Waterfall

City development, which is also one of Attacq’s projects.

### LIVE, WORK AND PLAY

Waterfall is developed as Gauteng’s newest lifestyle city with Waterfall City as its central business district (CBD) right in the middle of Gauteng. The interest and uptake is already very promising. Blue chip tenants recognise that Waterfall is a premium destination. The demographics stack up. It is an exciting area to invest in.

“We have had a number of international corporate brands like PwC, Novartis, Group 5, Cell C and Premier Foods that have consolidated their operations in Waterfall City.” This new CBD is developed as a lifestyle urban sector where people can enjoy a balanced lifestyle in a pleasant urban setting that takes both people’s needs and that of the environment into account. Waterfall is a superior mixed-use city that includes retail, commercial, light industrial and residential properties

and it is conveniently-located on the N1 highway between Pretoria and Johannesburg.

Attacq is also investing beyond its own bottom line. The company has formed a partnership with LaunchLab, an incubator entrepreneur-training company, to promote business investment and innovation in the retail sector. Wilken explains: “We want to look at potential initiatives wanting to occupy the retail sector. We give participating entrepreneurs seed money to look at opportunities, and when an opportunity is feasible and we want to roll it out, we as Attacq can participate. It is an opportunity for people to practise entrepreneurial spirit and it gives us potential business opportunities in the future.”

Wilken is confident that his company is maintaining its momentum. “Our big development focus is on the Waterfall rollout. Operationally, we want to make sure everything is sound and working optimally.” 