



Leasing Information Services Newsletter

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Welcome

By Simon Fonteyn - Managing Director

Welcome to the August quarterly newsletter. We are proud to announce the following new features:

LIS New Features

- LIS has developed a new search criteria which will allow users to be able to search by suburb and perform 3-20 km radius search for surrounding centres and strips
- LIS is currently in the process of downloading floor plans for centre's which will be available under the Centre Data tab.
- LIS is upgrading all the demographics for the 2006 census, which will be available under the Centre Data tab by early September.
- LIS have modified the 5 year centre analysis tool to show the average area leased by category.

For more information, please contact Lorinda lorinda@leaseinfo.com.au or call (02) 8354 0250.

LIS To Discuss National Lease Registration System with the Productivity Commission

LIS has provided free online access to the Productivity Commissioner to assist in their inquiry into issues such as inconsistent transparency across States, rental increases at expiry of leases and other issues in their terms of reference.

LIS is currently undertaking detailed discussions and panel interviews with Commissioner Byron and three other staffers, in relation to a feasible system for National Registration of data. The Shopping Centre Council no longer opposes a National system of registration, in fact they recommend it.

Lease Confidentiality Clauses

Under Section 11(2a) of the WA Commercial Tenancy (Retail Shops) Agreements Act “**A provision in a retail shop lease purporting to preclude the tenant from voluntarily disclosing the rent under the lease is void.**” This means that the tenant is freely available to disclose the rent and terms under their lease. LIS is currently working with WA Retailers and National Chains to set-up a more comprehensive database in WA. In particular LIS has established a working relationship with the **WA Retailers Association, headed up by Martin Dempsey.**

The Shopping Centre Council states in their Submission to the Productivity Commission that “they have no objection to similar clauses being inserted in other State and Territory retail tenancy legislation.

LIS and other groups are discussing the removal of these clauses in every State and Territory with Commissioner Byron of the Productivity Council.

Leaders in the Industry – David Stevenson

National Property Manager - Harris Scarfe Australia Pty Ltd

1. How did you get into the retail property industry?

I joined Harris Scarfe Australia in January 2006 having previously been employed by Property Group of Spotlight Stores. At Spotlight I learnt a lot in regard to their huge growth in their brand nationally and they were a key developer of bulky good sites across Australia. Similarly a major national expansion programme is on the drawing board for Harris Scarfe with a plan to open 15 new stores over the next two years and significant changes have occurred in terms of new fit outs and new branding that showcase the trend in department store merchandising. It is obviously exciting to be part of this change and negotiating key sites that help the growth for the company. Prior to this I had worked in commercial real estate agency roles in both a leasing and management function with retail focus which gave the overall understanding of knowledge of retail property and markets. I have also a Business degree in property which helped in gaining foothold into the industry but also have a strong passion for shopping which helps!

2. How do you see your sector of the retail market performing over the next twelve months?

Very well. We have been achieving double digit growth over the last 12 months and are on track to achieve more this coming year. If the conditions of the economy can be maintained and no further increases in interest rates we believe that this can be achieved. We believe we have our product and pricing right and the market has responded accordingly.

3. In light of the Productivity Commission Inquiry into Retail Leasing, what legislative amendments would you like to see, to improve the retail shopping centre industry from a tenant’s perspective?

I would like to see a compulsory central register for leases established in each state and territory so that all lease transactions are a matter of public record. This would be very effective in assisting lessee's to compare their occupancy costs and create a more

competitive environment in the retail leasing sector. At present, lease data is generally only readily available in Queensland, NSW and the territories.

I would also like to see an improvement in lease renewal processes whereby a lessor must advise a lessee of the proposed new rental, or complete a market review prior to exercising an option. Currently, in most states, a lessee must renew the lease before a market review is undertaken.

4. Which States are performing well for you from a sales growth perspective and occupancy cost perspective?

We are presently experiencing highest sales growth in Victoria however, as always this fluctuates from state to state (and even within different areas within each state) and is dependent on seasonal and local economic conditions etc. Occupancy costs are generally highest for us in Victorian metropolitan areas. We are concentrating our current expansion in Victoria with new stores to open this year being Eastlands, Traralgon, Centro Whitehorse Box Hill and Sunbury. We are also opening a site at Stockland Shellharbour in October.

5. Do you believe the current occupancy cost rates for fashion are sustainable and if not, what sort of % do you consider viable?

We have benchmarks for occupancy costs which allow us to commit to a new store – we may allow this to increase depending on the centre and site however we negotiate favourable terms that are viable to us as a business. We currently run at a rate of 7-8% which is below the rate for speciality occupancy cost. We run a tight financial model along with business case to ensure that new locations are viable and we can sustain the cost to the business.

Legal Updates

PROPOSED TRADE PRACTICES CHANGES AND THE EFFECT ON RETAILERS

Professor Frank Zumbo
Australian School of Business
University of New South Wales
f.zumbo@unsw.edu.au
+61 2 9385 3259

The current debate regarding changes to the Trade Practices Act is a critical one for small to medium retailers. Currently, the Trade Practices Act is inadequate in dealing with issues of concern to those retailers who have often raised concerns about the way they are treated by landlords and the lack of transparency surrounding the setting of rents.

A growing recognition that those concerns are not currently addressed under the Trade Practices Act has led to calls to strengthen predatory pricing and unconscionable conduct laws. While the Federal Government has proposed some changes in these areas, the proposals are cosmetic.

The existing predatory pricing and unconscionable conduct laws will remain ineffective despite the Government's proposals. This means that small to medium retailers will continue to be denied access to the Courts where they believe that they are being treated unfairly by landlords.

A new approach is required where the concept of unconscionable conduct is clearly defined in the legislation and a new framework is implemented that allows unfair contract or lease terms to be reviewed by the courts.

More Info?

If you would like more information about any topic in this newsletter or need assistance with the system , please call us on (02) 8354-0211 or email enquiries@leaseinfo.com.au

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