

Formerly Small Retailers Association

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STATE SRA
RETAILERS
ASSOCIATION
OF SOUTH AUSTRALIA INC.

The Commissioners,
Retail Tenancies Inquiry,
Productivity Commission _
PO Box 80 Belconnen ACT,2616

Thursday 6th September 2007

Dear Sirs:

Re: Inquiry

The attached press clipping from the Glenelg Guardian (SA), highlights the problems along Adelaide's most prestigious shopping strip. Glenelg has been an area of almost frantic development; much of it on what was publically owned land.

Some developers have done very well as property prices spiralled upwards and of course rents quickly followed to grab the increased returns that were demanded on the increased values. However, retail activity actually did not follow, because car parks decreased and generally the public were alienated.

An offer from Coles to assist with facilitating the development of their car park didn't result in anything, though Coles did get the extended trading hours they demanded in return!

One of the retailers in the article is a SRA Member and we are well aware of the penalty they have paid for the so-called opportunity of trading in Jetty Road, Glenelg.

This article, which may well have been the subject to editing, only scrapes the surface of the problems as we have got to know them over the years. While those that have commented are brave to do so, what about the hundreds who refused to comment admitting that they can't afford to "cross" the landlord?

This particular shopping strip is only unique in that the rent demands are amongst the highest in Adelaide and then for no other reason than it is Glenelg.

The ongoing rent demands everywhere are now reaching the point where hard working retailers with significant investments in their businesses may either have the value of their businesses wiped out and so they will be left with staying on and eventually failing, or getting out at the end of the lease with nothing to show for their investment and years of hard work.

We are now witnessing significant increases in the size of major shopping centres in SA - increases far beyond the increases in population and so retail space and rents are expanding beyond the demands of the market. The real outcome may be closures of small centres because that is what the major centre owners want to achieve by boosting their footprint and an ever increasing duplication of retail services on offer.

Arguably, the eventual outcome could be a crash in rental costs and the major centres are better placed to handle that outcome - and of course it cannot be ignored that pension funds are major investors in shopping centres and so the pressure is on for ever - increasing returns on investment. Are we witnessing the "robbing of Peter to meet the demands of Paul"?

On a specific rent issue, I now provide you with a very simple example of how shopping centres exploit tenants, but offer better deals to potential tenants.

A tenant of many years was coming to the end of his lease in Colonnades Shopping Centre (SA) and was offered a renewal at 40% increase in rent, plus the requirement to undertake a complete shop refit.

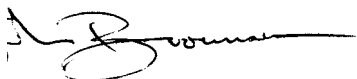
He wasn't really surprised at the demands and proceeded to sell his stock with a view to leaving. He considered the business itself to have little value because progressive rent increases had cut deep into his profit and renewing under the proposed lease terms would have led to certain business failure and even more costs.

The stock, which was extensive, sold quickly to one buyer who was taking it elsewhere. But in the meantime, the buyer approached Centre Management just to see what the rent deal might be for a new tenant.

Centre Management were very surprised that the existing tenant was leaving and then offered the enquirer the opportunity to take over the shop at the existing rent! No 40% increase.

The Centre then berated the existing tenant for not speaking to them and he informed them that in respect to their demands, there was nothing to speak about and he had opted to cut his losses and leave, as was his right. They had created the problem and he was leaving them with it.

Yours sincerely



John Brownsea
Executive Director.

08) 8350 2613

Shop rents bite deep

Lease hikes hit retailers

By KYM MORGAN

JETTY Rd traders are shutting up shop amid lacklustre winter trade and escalating rental prices.

Up to 24 traders have left the normally busy shopping strip in the past 12 months, Jetty Road Main Street Board figures reveal, with more to follow.

Untenable rent prices are the chief complaint.

Jetty Rd now ties with The Parade, Norwood, as Adelaide's most expensive retail street outside of Rundle Mall, although Main Street Board manager Rod Basto described it as "still affordable" for retailers and said the shop closures were no higher than average.

But the board's outgoing chairman, David Nancarrow, disagreed. Mr Nancarrow - who resigned from the board earlier in the month - said there were "traders being shoved out all the time" because of escalating rent prices.

"The single factor that is driving people out is the rent," he said. Mr Nancarrow's own Jetty Rd business Zest Cafe Gallery was hit with a 20 per cent rent increase earlier, this year.

State Retail Association executive director John

Brownsea said rising property values in the Bay were pushing up Jetty Rd rents, even though trade in the area had plateaued.

He said increased household debt and greater competition from Westfield Marion and Harbour Town had put the brakes on trade

growth in Glenelg. This comes despite the recent redevelopment of Moseley Square linking it to the Holdfast Shores entertainment and shopping precinct via a shop-lined walkway. "There's no real growth in trade in Glenelg in reality," Mr Brownsea

said. "Because property values are high in Glenelg, landlords think they can charge 10 per cent more than anywhere else in Adelaide, even though trade doesn't reflect that."

Leading property valuer **Peter Goodyear** confirmed Jetty Rd was the

second most expensive retail street in Adelaide with The Parade. He said a tenant of a 100sq m shop in Jetty Rd, paid on average \$80,000-\$100,000 a year in rent, which many struggled to afford during winter. "When a cold wind blows down Jetty Rd in the middle of winter, it's a hard place to be a retailer," Mr Goodyear said.

Yiros Bar 777 owner Wecklie Nisnoni is the latest trader to close, saying a \$700 rent increase earlier this year by landlord the Polites Group - taking the total monthly rent to \$9900 - was the trigger. He had worked a second job as a builder this winter, leaving his wife to mind the shop.

Sue Worthley, of Home Basics Kitchen and Tableware, said she paid about \$12,000 a month, with repeated and steep rent increases in recent years.

"My rent is the same all year round even though there's far less foot traffic in winter," she said. "That's why a lot retailers are moving out."

The Polites Group declined to comment.