



P E R R O N G R O U P

24 July 2007

David Cobau
Retail Tenancy Leases Enquiry
Productivity Commission P 0
Box 80
BELCONNEN ACT 2616

Dear David

We are a private family organisation with extensive investment in Shopping Centres.

Our investments comprise 8 Subregional to Regional size Shopping Centres across Western Australia, Victoria and New South Wales containing almost 1,000 tenants and with a value of approximately \$1.8BN.

Four of these Centres are owned outright and of the other four two are owned in a 50/50 Joint Venture with Westfield Limited and two are owned in a 50/50 Joint Venture with Mirvac Limited.

We have been involved in the development, ownership and management of Shopping Centres for 35 years.

The development of modern Shopping Centres in Australia has proved to be extremely beneficial to all stakeholders.

- They are excellent investment vehicles which reward good management, innovation and continued deployment of capital.
- They are a convenient, safe and well accepted venue for all kinds of shopping, social and leisure activities for the public at large.
- They offer numerous opportunities for retailers and other service providers to establish businesses ranging from single ownership shops to national chains in well planned and organised surroundings.

The nature of the relationship between Landlords and Tenants provides a natural friction. Landlords always want more rent and tenants always wish to reduce overheads. Despite this inevitability the degree of friction is relatively mild with most matters sorted out by negotiation.

The number of transactions and negotiations may surprise you. Just using an average lease term of 5 years we have a minimum of 4 lease expiries every week of every year. Added to this are negotiations for relocations which might be at the instigation of either party, new tenants for expanding Centres, Assignment of Lease as a result of the sale of a business to a new party, mid term rent reviews which may be negotiated or formula based plus numerous other instances where the parties need to accommodate each other.

Where the parties are not able to reach satisfactory agreement, there are numerous provisions both in Lease Agreements and the various State based regulations which govern Retail Leases to apply for Third Party adjudication.

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A frequently cited point of conflict between Landlords and Tenants is the question of renewal of Leases at expiry.

Both parties need to decide whether they wish to continue with the relationship and questions such as potential relocations and shop fitouts form part of the process.

The very nature of the relationship ensures that appropriate outcomes are achieved. Landlords need successful Tenants. Successful Tenants need premises. Supply/demand factors will sometimes apply pressure to one party or the other, although in the majority of cases the right outcomes are achieved. They both need each other.

The following table of information from the four Shopping Centres which we own and manage ourselves relates to the year 1 July 2005 to 30 June 2006 and bears out the above statement.

Number of specialty shops less than 1,000m ²	362	Number of Leases expired during period	104
Number of Leases not renewed at Tenant's instigation	11	Number of Leases not renewed at Landlord's instigation	4
Number of Leases renewed or re-negotiated	89		

I am confident that industry wide figures would provide a very similar result.

The relationship between Landlords and Tenants in retail shopping centres is reputed to be the most governed commercial relationship in Australia and is certainly over governed by comparison with some major overseas markets.

It is important that we separate the ill informed commentary of radio "shock-jocks" from the true picture of a well organised and successful business model.

Yours faithfully

PERRON INVESTMENTS PTY LTD

GIARMSTRONG

Director



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PERRON GROUP

SCHEDULE OF SHOPPING CENTRES

NAME	LOCATION	SIZE	SPECIALTY SHOPS	OWNERSHIP	VALUE
Broadway	NSW	48910m ²	125	50% (Mirvac)	\$427,000,000
Rhodes	NSW	32411m ²	99	50% (Mirvac)	\$198,000,000
Bay City	Victoria	35218m ²	86	50% (Westfield)	\$215,000,000
Airport West	Victoria	54206m ²	168	50% (Westfield)	\$290,000,000
Belmont Forum	W A	41962m ²	137	100%	\$220,000,000
Mirrabooka Square	W A	42288m ²	111	100%	\$176,000,000
Campbelltown Mall	N S W	34949m ²	105	100%	\$175,500,000
Cockburn Gateway	W A	13845m	36	100%	\$91,500,000

Shopping Centre Schedule.doc