

The Market for Retail Tenancy Leases in Australia

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NEWSAGENT

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Overview

The Newsagents Association of NSW & ACT Ltd has been the industry association for the last 116 Years. It is actively involved in representing newsagents at all levels.

Newsagents in NSW and ACT rent space at approximately 1500 locations in premises which vary from very large Westfield/Lendlease centres to private one-shop country town, stand alone stores.

Therefore, there is a mix of large Corporate Portfolio growth Landlords, High Capital Investment tenants and small sole traders in small investor premises.

Although there are a small number of quasi-franchise newsagents, in the main, due to the multi agency arrangements, they are small private investors with a broad range of business acumen, strengths and weaknesses.

Apart from the instances where an incoming agent might find, after operating for a while, that the profit compared to the rent level is a problem, great difficulties, at lease renewal time, are becoming more and more common.

Renewal

Fit Out

In the large centres, fixtures, fittings and mechanical services, along with front entry re-arrangement costs, are becoming an increasing burden on our agents and this industry cannot accommodate these costs within most business plans.

Relocation

Compulsory relocation, not only requires an extra fit out cost, but at times moves agents to less desirable locations. There are occasions where the agent's new location is in a quieter area, because they are used as a selling point by centre managers for surrounding tenancies due to of the Newsagents/Lotteries traffic flow.

Lease

Expectations of newsagents tend not to be sought approaching lease renewal time. Too often, centre managers determine new rent levels based on their own performance criteria. These are set on a rate of return for the centre owners. Factors such as vacancy rates, market costs, due to new centres nearby, and general economic trends are too often not considered.

Since deregulation in this industry, there have also been situations where an external predator, unwilling to pay or even offer goodwill to the incumbent, takes opportune advantage, in conjunction with the landlords representative, to offer higher rental which saves on goodwill outlay. The incumbent loses out completely. Similarly, a newsagent had the lease not renewed only to find, the building owner took up the business upon vacation.

Demolition

Demolition, during or at lease expiry, can have a dramatic effect on small business owner's savings and investments. Landlords, who have enough confidence to rebuild at any one

location, should be required to include compensation offsets as part of their overall financial plan for the redevelopment.

Summery

Whilst it is realized that property owners deserve a return on their investment, there needs to be a greater share of allocation of risk to reflect external changes which impact on landlords and their tenants.

Within the relationship itself, there also needs to be a shift of emphasis, particularly at lease renewal time, in respecting the investment of the small business person.

Often, the investment or the securities associated with that investment, is the life savings or retirement fund. The impact of such a loss becomes the burden of the community at large.

Ready access to “without prejudice” mediation sessions, may help and to some extent is available, however, the balance of power is currently so slanted toward the landlord that intimidation usually stalls this process, or often it doesn’t even begin.