

Shopping Centres - still an Inconvenient Truth (Revisited In 2019)

By Peter Buckingham CFE CMC
Managing Director – Spectrum Analysis



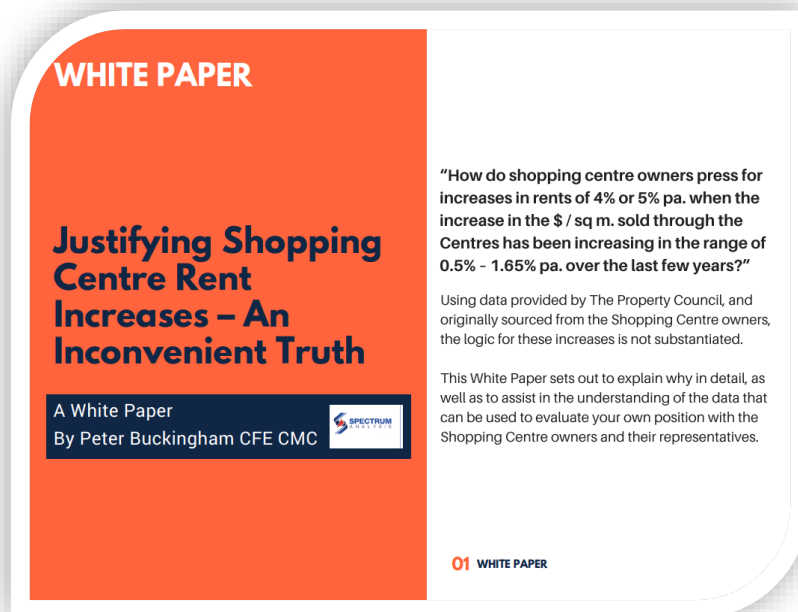
“How do shopping centre owners press for increases in rents of 4% or 5% p.a. when the increase in the \$ / sq m. sold through the Centres has been increasing in the range of 0.5% – 1.65% p.a. over the last few years?”

– Peter Buckingham, Managing Director at Spectrum Analysis

2019 shows the state of shopping centres across Australia to be deteriorating in \$\$\$ performances against inflation – yet rents are expected to increase at much higher rates.

In 2017 we undertook a study of shopping centres and showed that although rents were increasing at around CPI plus 2 – 3% which equated to around 4 – 5%, shopping centres were not growing at the same pace.

➤ [Revisit Our White Paper ver. 2017](#)



How do shopping centre owners still press for increases in rents of 4% or 5% pa. when the increase in the \$ / sq m. sold through the Centres has been increasing in the range of -0.63% to 0.25% for Super, Major and Regional shopping centres over the last 2 years?

We have revisited the Property Council Shopping Centre data in 2019 and find things are far worse.

Over the last 2 years, the group of the biggest shopping centres – 14 Super Regional shopping centres have:

- Increased their GLAR (size in m²) by 3.57% pa.
- Increased their MAT's (\$ turnover) by 3.86%.
- Increased their pedestrian traffic by 2.85%.
- Increased their MAT / GLAR by only 0.26% pa.

With rents being pushed up at 4 – 5% pa, their average \$\$\$/m² is only rising at 0.26% and we wonder why there is trouble in retail?

Using data provided by The Property Council, and originally sourced from the Shopping Centre owners, the logic for these increases is not substantiated.

The Property Council data

To talk in quantitative terms, the main source of data used by the retail industry is compiled and sold by The Property Council of Australia, called Shopping Centres Online. This use to come as state based books, but now you can purchase a national electronic version, which we participate in.

We cannot validate the accuracy of the Property Council data as it is their responsibility to collect this data normally from the shopping centre owners; however I do feel we should be able to trust this data, and therefore look at the changes over time, and what does that tell us?

The Property Council do take their responsibility seriously in this area, and have advised they exclude shopping centres if they do not want to participate, or there are major works underway, possibly making the data incorrect.

We have the following data which we have used in our analysis:

- Shopping Centre directories online (2019)
- Shopping Centre directories online (2017)
- Shopping Centre directories online (2012)
- Shopping Centre Directories (hard copy books) dated 2011 Vic / Tas, NSW / ACT, Queensland.
- Specific older pages from Shopping Centre directory book 2006 for The Glen and Forest Hill Chase.

Before reading the next section, please understand the following data descriptions:

- **GLAR** – *Gross Lettable Area Retail* – how many square meters (m^2) of space are rented for retail
- **MAT** – *Moving Annual Turnover* (for a 12 month period) – measured in \$
- **Pedestrian Estimate** – total pedestrians as counted by door counters and the like.
- **MAT / GLAR** – gives a \$\$\$/\$ m^2 comparison.

If the Shopping Centre owners feel they are being misrepresented using a single figure for MAT for their Shopping Centre, maybe they should submit the MAT broken down to specific segments for the Property Council to include in their data. This could be breaking it down into

Supermarkets, Specialty Sales and other segments to assist in understanding the changing sales dynamics of the Centres.

Classifications

We have looked at the shopping centres in Australia, and made some calculations based on the Property Council Data we have for Shopping Centres (2019), (2017) and (2012). There are some issues that some shopping centres do not provide data, and many smaller centres seem to have data that is missing or unreal. We have removed centres that do not provide what we defined as satisfactory data.

In the following work, we needed to create a reasonable sample size to represent each of the Classifications:

- Super Regional
- Major Regional
- Regional
- Sub Regional
- Neighbourhood
- City Centre

The results gave us the following sample sizes:

Shopping Centre Type	Sample Number of Centres
Super Regional	14
Major Regional	27
Regional	28
Sub Regional	83
Neighbourhood	46
City Centre	18

Whilst there are some minor issues to do with how many department stores, discount department stores and supermarkets are present, the basic breakdown is done by the GLAR. I have included these in the following table of our sample, and also computed some averages to represent each classification.



Knox-city-food-court



HongKong Retail

	Year	GLAR Classifications	Av Total-Centre-GLAR	Av MAT \$	Av Pedestrian-Estimate	Av MAT / GLAR	Sample Size – Examples
Super Regional	2017	> 85,000 m ²	108,401	\$796,296,905	16,025,658	\$7,346	15 - Biggest SC's in Oz, Bondi Junction, Doncaster, Marion, Carindale, Chadstone
	2019	> 85,000 m ²	116,151	\$857,703,745	16,939,308 (14 only reported pedestrians)	\$7,384	Same 15 in \$MAT / GLAR - Biggest SC's in Oz, Bondi Junction, Doncaster, Marion, Carindale, Chadstone
	Annual Increase over 2 years		3.57%	3.86%	2.85%	0.26%	
Major Regional	2017	50,000 – 85,000 m ²	64,699	\$452,696,213	10,843,145	\$6,997	30 - Kotara, Forest Hill Chase, Belconnen, Chatswood, Dandenong, Penrith
	2019	50,000 – 85,000 m ²	66,849	461,837,564	11,304,901	\$6,909	27 of the original 30 Kotara, Forest Hill Chase, Belconnen, Chatswood, Dandenong, Penrith 3 stopped reporting MAT
	Annual Increase over 2 years		1.66%	1.01%	2.13%	-0.63%	
Regional	2017	30,000 – 50,000 m ²	40,185	\$271,492,760	6,986,128	\$6,756	29 - Greensborough Plaza, Innaloo, Australia Fair, Helensvale
	2019	30,000 – 50,000 m ²	43,501	\$295,382,708	7,176,789	\$6,790	Same 29, excluding Grand Central Toowoomba no longer reporting MAT
	Annual Increase over 2 years		4.13%	4.40%	1.36%	0.25%	
Sub Regional	2017	10,000 – 30,000 m ²	18,380	\$129,008,168	4,474,171	\$7,019	90 - The Pines, Malvern Central, Traralgon, Hollywood, Rosebud Plaza SC,
	2019	10,000 – 30,000 m ²	18,482	\$142,196,785	3,991,995	\$7,694	All 90 sites identified. 7 did not report MAT. These were Burwood Plaza, City Centre Plaza, Clifford Gardens Shopping Centre, Fairfield Forum, Stockland Baulkham Hills, Sunbury Square Shopping Centre, Wagga Wagga Marketplace
	Annual Increase over 2 years		0.28%	5.11%	-5.39%	4.81%	

	Year	GLAR Classifications	Av Total-Centre-GLAR	Av MAT \$	Av Pedestrian-Estimate	Av MAT / GLAR	Sample Size – Examples
Neighbourhood	2017	< 10,000 m ²	6,573	\$57,963,008	2,315,884	\$8,818	53 - Normally a Coles or Woolly's supermarket and a few specialty stores
	2019	< 10,000 m ²	6,618	60,918,910	2,385,099	9,049	52 - Normally a Coles or Woolly's supermarket and a few specialty stores. Only one missing is Sunland Plaza 6 had to be removed as no longer reported MAT: Glenmore Park Town Centre, Junction Fair, Lakeside Shopping Centre, Rutherford Shopping Centre, Taylors Lakes Shopping Centre, Village Central Wyong
	Annual Increase over 2 years		0.34%	2.55%	1.49%	1.31%	
City Centre	2017	In the CBD	13,388	\$105,922,624	12,573,324 (1)	\$7,912	18 - Queen Victoria Building, Melbourne Central, Myer Centre, Strand Arcade
	2019		13,498	\$127,646,299	14,020,433	\$9,456	
	Annual Increase over 2 years		0.41%	10.25%	5.75%	9.76%	

Note: Data derived from Property Council Shopping Centre data 2017 and 2019, to which Spectrum Analysis subscribes.

(1) Note some of these like Melbourne Central, Greenwood Plaza and Queen Victoria Building have huge pedestrian numbers (30 M +) mainly due to railway stations.

The point is that the Super Regional, Major Regional and Regional shopping centres are increasing far less than the rental increases that are being forced upon the tenants. Neighbourhood centres look good in this format, but that is because the largest tenant by far is normally the major supermarket, and that does sell well in terms of \$\$\$/m² compared to many of the specialty stores surrounding it. However the neighbourhood

centres are normally originally built based on a long term anchor tenant (the supermarkets), and their long term rentals and rental increases are far more favourable than the Specialty stores, who are hammered every 5 years as a new lease is offered.

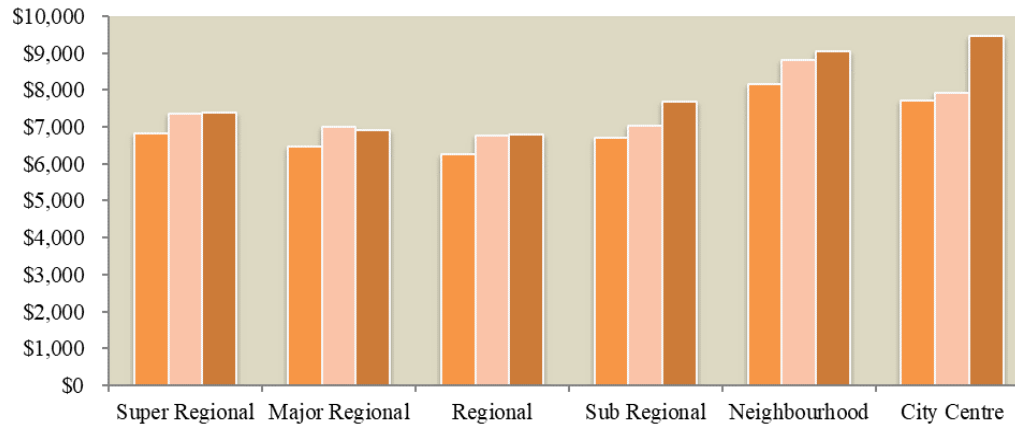
Longitudinal study over a 7 year period

As now we have the Property Council data from 2012, 2017 and 2019, we can compare the changes in MAT / GLAR for each Classification (over the 5 year, and subsequent 2 year period) on our samples (described above):

Year	Type	Total Centre GLAR (sqm)	MAT	Pedestrian Estimate	MAT / GLAR	% increase over 2012-2017 & 2017- 2019 (MAT/GLAR)	% increase p.a. (MAT/GLAR)
2012	Super Regional	104,839	\$716,104,715	15,723,977	\$6,831	-	-
2017		108,401	\$796,296,905	16,025,658	\$7,346	7.54%	1.51%
2019		116,151	\$857,703,745	16,939,308	\$7,384	0.52%	0.26%
2012	Major Regional	64,556	\$417,542,432	10,601,489	\$6,468	-	-
2017		64,699	\$452,696,213	10,843,145	\$6,997	8.18%	1.64%
2019		66,849	\$461,837,564	11,304,901	\$6,909	-1.26%	-0.63%
2012	Regional	41,035	\$257,040,711	6,860,908	\$6,264	-	-
2017		40,185	\$271,492,760	6,986,128	\$6,756	7.85%	1.57%
2019		43,501	\$295,382,708	7,176,789	\$6,790	0.50%	0.25%
2012	Sub Regional	18,224	\$122,096,273	4,232,450	\$6,700	-	-
2017		18,380	\$129,008,168	4,474,171	\$7,019	4.76%	0.95%
2019		18,482	\$142,196,785	3,991,995	\$7,694	9.62%	4.81%
2012	Neighbourhood	6,488	52,902,224	3,019,514	\$8,153	-	-
2017		6,573	\$57,963,008	2,315,884	\$8,818	8.16%	1.63%
2019		6,618	\$60,918,910	2,385,099	\$9,049	2.62%	1.31%
2012	City Centre	13,524	\$104,348,228	11,890,474	\$7,716	-	-
2017		13,388	\$105,922,624	12,573,324	\$7,912	2.54%	0.51%
2019		13,498	\$127,646,299	14,020,433	\$9,456	19.51%	9.76%

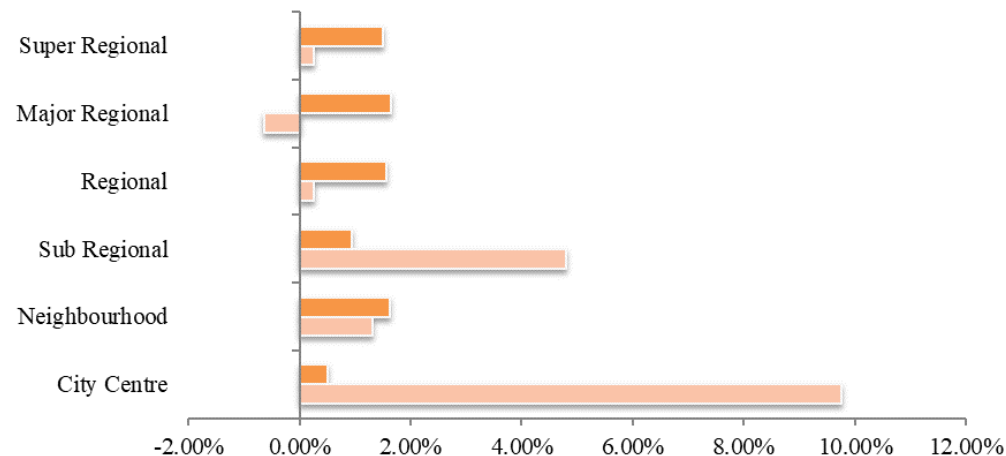
2012 - 2019 MAT / GLAR

■ 2012 ■ 2017 ■ 2019



2012 - 2019 MAT / GLAR

■ 2012 - 2017 ■ 2017 - 2019



The Property Council release data on a rotational basis for each state, and each shopping centre has a date the data was verified. This could result in some minor adjustment if deemed necessary.

Longitudinal Study Summary:

Even using a statistically strong sample for each group of shopping centres, the 3 larger classifications (Super Regional, Major Regional and Regional) show very poor growth in terms of \$\$\$/m² between -0.63% to 0.25% p.a. Sub Regional shopping centres are showing growth but their average pedestrian throughput is significantly down. Neighbourhood centres are showing only 1.31% pa growth and the City Centre shopping centres are statistically showing good growth, however after a very poor performance 2012 - 2017.

This makes it very hard to achieve rental increases of between 4% and 5% p.a.!

Breakdown by Super Regional Shopping Centres 2017 and 2019

When you look at the Super Regional shopping centres across Australia for your Retail Location Planning, you see the following:

Centre Name	Year	Total-Centre-GLAR	MAT	Pedestrian-Estimate	MAT / GLAR	% increase in 2 years (MAT / GLAR)
Chadstone Shopping Centre	2017	130,366	\$1,444,581,126	17,600,748	\$11,081	-17.73%
	2019	212,899	\$1,940,861,793	22,358,368	\$9,116	
Westfield Bondi Junction	2017	96,609	\$1,043,800,000	20,600,000	\$10,804	8.81%
	2019	97,420	\$1,145,300,000	20,800,000	\$11,756	
Westfield Doncaster	2017	112,018	\$961,900,000	15,971,000	\$8,587	-1.96%
	2019	111,339	\$937,400,000	15,439,000	\$8,419	
Westfield Chermside	2017	106,674	\$869,700,000	15,420,000	\$8,153	-13.34%
	2019	131,640	\$930,000,000	16,356,000	\$7,065	
Robina Town Centre	2017	105,868	\$852,000,000	13,800,000	\$8,048	-
	2019	112,909	No data provided	No data provided	No data provided	
Westfield Carindale	2017	122,495	\$914,600,000	15,450,000	\$7,466	-1.38%
	2019	121,724	\$896,300,000	14,574,000	\$7,363	
Westfield Hornsby	2017	88,812	\$644,400,000	17,000,000	\$7,256	0.33%
	2019	90,300	\$657,400,000	17,500,000	\$7,280	
Westfield Southland	2017	119,705	\$852,400,000	15,260,000	\$7,121	-3.15%
	2019	119,508	\$824,200,000	14,635,000	\$6,897	
Westfield Marion	2017	117,239	\$809,000,000	14,200,000	\$6,900	4.17%
	2019	116,772	\$839,300,000	13,500,000	\$7,188	
Westfield Miranda	2017	117,703	\$812,200,000	14,800,000	\$6,900	18.64%
	2019	116,351	\$952,500,000	15,700,000	\$8,186	
Highpoint Shopping Centre	2017	133,451	\$893,400,000	16,200,000	\$6,695	19.75%
	2019	125,851	\$1,008,900,000	16,100,000	\$8,017	
Westfield Fountain Gate	2017	148,726	\$990,200,000	15,774,000	\$6,658	4.69%
	2019	148,581	\$1,035,600,000	15,627,000	\$6,970	
Westfield Parramatta	2017	120,355	\$771,600,000	29,500,000	\$6,411	11.04%
	2019	119,198	\$848,600,000	32,600,000	\$7,119	
Westfield Knox	2017	111,131	\$700,400,000	14,554,000	\$6,302	-2.71%
	2019	110,463	\$677,300,000	14,307,000	\$6,131	

Centre Name	Year	Total-Centre-GLAR	MAT	Pedestrian-Estimate	MAT / GLAR	% increase in 2 years
Westfield Warringah Mall	2017	113,039	\$668,200,000	10,900,000	\$5,911	5.68%
	2019	115,776	\$723,300,000	12,000,000	\$6,247	
Westfield Tea Tree	2017	89,514	\$512,500,000	10,600,000	\$5,725	-1.10%
	2019	92,145	\$521,700,000	10,700,000	\$5,662	
Northland Shopping Centre	2017	92,983	\$528,994,579	16,680,946	\$5,689	-1.28%
	2019	97,770	\$549,110,898	16,680,946	\$5,616	
Bayside Shopping Centre	2017	87,365	\$410,177,870	11,848,176	\$4,695	1.11%
	2019	88,965	\$422,283,489	-	\$4,747	
Eastland Shopping Centre	2017	102,422	\$407,000,000	9,800,000	\$3,974	-
	2019	109,802	-	-	-	
Westfield Garden City	2017	128,749	\$503,000,000	13,460,000	\$3,907	60.71%
	2019	125,911	\$790,600,000	17,078,000	\$6,279	
Castle Towers Shopping Centre	2017	-	-	-	-	-
	2019	101,438	\$727,000,000	18,900,000	\$7,167	
Indooroopilly Shopping Centre	2017	-	-	-	-	-
	2019	103,798	\$647,309,392	11,745,531	\$6,236	
Macquarie Centre	2017	-	-	-	-	-
	2019	119,316	\$839,931,913	17,646,834	\$7,040	
Pacific Fair Shopping Centre	2017	-	-	-	-	-
	2019	139,532	-	-	-	
Pacific Werribee	2017	-	-	-	-	-
	2019	102,405	\$536,000,000	11,500,000	\$5,234	
Westfield North Lakes	2017	-	-	-	-	-
	2019	106,276	\$650,800,000	12,129,000	\$6,124	

Note: Data from Property Council Shopping Centre data 2017 and 2019, to which Spectrum Analysis subscribes;

“-“ means No data provided

Some like Bondi Junction and Marion appear to have improved, and others like Knox and Northland appear to have deteriorated. This does need individual explanations if you are looking at individual centres, as for example Chadstone has increased its GLAR by about 80,000m², and

will take some time to settle back down, and Highpoint appears to have become smaller by 8,000m²?

The following Super Regionals were not included in the bulk analysis (14 locations) as there is missing or incorrect data in one of the time periods:

- Bayside
- Robina Town Centre
- Pacific Fair
- Eastland
- Castle Hill (2017)
- Macquarie Centre (2017)

The variation must bring some concern to retailers as whilst I am sure there will be stories about the different segments of the market, these are the total reported GLAR and MAT figures according to the Property Council data for each Shopping Centre.

Summary

The growth of our shopping centres across Australia make it very hard for Shopping Centre owners to justify large rentals well above CPI, when the shopping centres are performing poorly measured by the industry standards. There are facts and data relating to most shopping centres in Australia, and if you have to negotiate a new lease or a lease renewal, it would be very prudent to have the facts relating to the shopping centre readily available.

Whilst the shopping centre owners may question some of the numbers in the Property Council data, it must be pointed out that it was provided by them or their predecessors (hopefully in good faith) in the past, and we are just comparing the data at different points in time.

Finally – Use Data to make better business decisions.



May be in the future? – Food Hall Berlin style



Roseland Shopping Centre



Doncaster Shopping Centre

Peter Buckingham is the Managing Director of Spectrum Analysis Australia Pty Ltd, a Geodemographic, statistical and Retail Location Planning consultancy. Peter is the Go To person as to where to open new stores in Australia. Peter is both a Certified Franchise Executive (CFE) and a Certified Management Consultant (CMC). To contact Peter email peterb@spectrumanalysis.com.au or visit www.spectrumanalysis.com.au

