

**TechnologySpectator**  
the business of technology

the tech news that matters to your business

Get the FREE daily newsletter now >

[CONTACT US](#) | [SITEMAP](#) | [RSS FEEDS](#) | [REGISTER](#) | [LOGIN](#)

**Entrepreneur Watch**  
Caught between gloom and light insolvency figures look terrible but consumer and business confidence is rising. What should SMEs pin their hopes on?



Thursday, 10 November 2011

[home](#) [news](#) [ask the experts](#) [blogs](#) [hot topics](#) [industry](#) [community](#) [search...](#) [Go](#)

See all 'Retail' articles

## Retail body calls for halt to rent hikes as leasing expert says Christmas holds the key to a better 2012

Thursday, 10 November 2011 10:27  
Madeleine Heffernan

A leasing expert predicts next year could produce more retail collapses than this year if Christmas trading disappoints, amid calls from a retail body to halt retail rent hikes.

Russell Zimmerman, executive director of the Australian Retailers Association, says the rule of thumb used by Westfield in determining rent increases – CPI plus 2% – is out of touch, given the number of retail collapses this year, poor sales in clothing and footwear, and warnings by retail giant Premier Investments that shopping centre landlords risked losing brands if they did not lower rents.

"Look, I don't believe the model can be sustained," Zimmerman says. He says while that model might have worked when retail sales were up by 6%, in the current climate rent rises of CPI are more appropriate.

"You only have to look at the recent closures and restructures," Zimmerman says, pointing to the collapse of REDgroup Retail, Colorado and Brown Sugar. He says it's been difficult for retail over the past 18 months, but particularly so since May.

Zimmerman says with CPI running at 3%, the price increase over a five-year rent can reach as high as 28%, including compound interest.

He adds that although Westfield says its Australian and NZ shopping centres are almost full, many tenants are "not temporary tenants" – that is, a company with a business in one Westfield centre is offered a lease in another at reduced terms – therefore "there are a whole lot of tenants supporting that 3.8% increase".

"Landlords should be more realistic in their negotiations. It's just unsustainable."

In its update this week, shopping mall giant Westfield reported that average specialty store rent grew by 3.8% year on year to \$1,460 per square metre.

By contrast, retail sales are up to 2.3% year on year. The Australian Bureau of Statistics says retail sales lifted by 0.4% in November, the third consecutive month of gains.

Westfield – which has 43 centres in Australia and 11,792 retail outlets – said 99.5% of its Australian and New Zealand portfolio was leased.

But Simon Fonteyn, managing director of Leasing Information Services, has played down the prospect of Westfield or other landlords reviewing their lease structures, and says this Christmas will be key for the viability of many retailers.

"There are a lot of tenants, especially in fashion industry, that are really hoping for a decent Christmas," Fonteyn says.

"If that doesn't happen, we'll see an even tougher year than this one."

Fonteyn says Westfield's rent rises are usually CPI plus 2-2.5%, CFS uses fixed increases of 5%, and some landlords use between 4-5% per year.

"The question is not fixed increases; it's more about whether rents are sustainable long-term," he says.

"And at the moment, it depends on what category you're talking about, because certain sectors are more susceptible to the downturn, such as fashion, footwear, jewellery, whereas others – telephones, entertainment, food and coffee – are more resilient."

But there is some wriggle room: Fonteyn says there's a push for independent retailers to be treated differently to chains because they add a point of difference, and other retailers might look at reducing their rents when they expire or do a short deal for a few years.

### More on Retail

Dymocks says independent bookshops will be hurt by decision not to abolish parallel import rules

Mobile shopping search queries double as Google warns SMEs to make sites mobile friendly

Department stores sales dive – is the model dead or can it be revived?

Google partners with local retailers to launch Australian eBookstore

Groupon shares soar after listing: Five reasons it can keep rising and five reasons it can't

### Read more on:

- Retail
- Property
- Rent
- Russell Zimmerman
- Simon Fonteyn



### Free Daily Newsletter

### Follow us:



By submitting your email you are agreeing to our [Terms & Conditions](#).

## Better Business Tips

### Money

#### Don't put all your eggs in one financial basket

To take advantage of asset allocation, ensure that you invest in a range of portfolios, classified by when you will need the money. For day-to-day use, choose a bank...

Read the rest of this tip and others here  
Submit a tip for a chance to win an iPhone 4S

Proudly sponsored by **CommonwealthBank**

### Sponsored Links



#### Dell - Business Deals

Amazing Deals on Dell PCs & Laptops  
w/ Intel® Core™. Buy Now and Save!

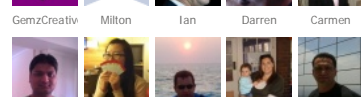


Implementing your internal Cloud?  
Evolutionary or Revolutionary..  
Learn how CA Technologies can help



SmartCompany.com.au on Facebook

3,574 people like SmartCompany.com.au.



Facebook social plugin

The comments follow the announcement by the Franchise Council that it was writing a Retail Tenancy Code of Conduct – now with help with the competition regulator – to help prevent excessive rent rises and conflicts between landlords and tenants.

Zimmerman of the ARA adds that retailers should not be forced to hand over their turnover figures to landlords, and there should be lease registries across the country.

"It's akin to giving them the pin to your bank account," Zimmerman says. He proposes the sales figures be handed to a third party, such as a Government department, and collated, to ensure they are not being used by the landlord to justify excessive price hikes.

"I understand centres need to know how the stores are trading, but I've had retailers tell me they've been told that, 'ah you can afford this,'" Zimmerman says.

Like 0 tweet

**Related Items :**

- Department stores sales dive – is the model dead or can it be revived?
- Netflix abandons plans to spin-off DVD division
- Westpac says carbon tax compensation could lift economy but retailers cautious
- Government pushes for increase in apprentice pay, sets up new program to match job-seekers with jobs
- Five lessons small businesses can learn from the Netflix pricing debacle

**The SmartCompany Business Technology Survey Results**



**Download the eBook and watch the webinar**

**Write comment**

You must be [logged in](#) to post a comment. Please [register](#) if you do not have an account yet.

**FREE eBOOK: Steve Jobs - Lessons from a legend**

In this eBook, we look at the career of Steve Jobs and showcase a number of different lessons you can gain from following his example

Register for the SmartCompany Newsletter and receive 'Steve Jobs - Lessons from a legend'.

I wish to receive special offers via email from related companies

By submitting your email you are agreeing to our [Terms & Conditions](#).



**TechnologySpectator**  
the business of technology

the tech news that matters to your business

**FREE daily newsletter**

Sign up now >

**Business Resources**



smartcompany

**Free eBook**

Secrets of the Smart50

[Click here for resources](#)

**Most Read**

- Australia's eCommerce superstars
- Directors warned over new laws that will bring forward liability for unpaid tax and super
- Work from home OH&S fix needed
- Businesses urged to create blogs, online video as Google changes algorithm to emphasise new, relevant content
- Does Australia have a 10 speed economy? We rate the best and worst sectors

**Our Partners**



**DIRECT LINKS**

- [Home](#)
- [About Us](#)
- [Contact Us](#)
- [Advertise](#)
- [Privacy](#)
- [Terms & Conditions](#)
- [Sitemap](#)
- [Smart50 Awards](#)
- [Web Awards](#)
- [Registration](#)
- [Code of Conduct](#)

Editor: James Thomson  
 Publisher: Amanda Gome  
 SmartCompany.com.au  
 Level 6, 22 William St,  
 Melbourne, 3000

**TOPICS**

- [Advertising and Marketing](#)
- [Agribusiness](#)
- [Construction and Engineering](#)
- [Financial Services and Insurance](#)
- [Food and Beverages](#)
- [Health and Pharmaceuticals](#)
- [Information Technology](#)
- [Internet](#)
- [Leisure and Gaming](#)
- [Manufacturing](#)
- [Media](#)
- [Property](#)

- [Professional Services](#)
- [Resources and Energy](#)
- [Retail](#)
- [Telecommunications](#)
- [Transport and Logistics](#)
- [Travel](#)
- [Buy or Sell a Business](#)
- [Cashflow](#)
- [Climate Change](#)
- [Export](#)
- [Finance](#)
- [Firing](#)

- [Franchising](#)
- [Hiring](#)
- [Industrial Relations](#)
- [Intellectual Property](#)
- [Legal](#)
- [Managing People](#)
- [Sales](#)
- [SEO](#)
- [Start-Up](#)
- [Superannuation](#)
- [Tax](#)
- [Wealth](#)

**OUR PARTNERS**

- [Business Victoria](#)
- [PwC](#)
- [WebCentral](#)

**NETWORK PARTNERS**

- [LeadingCompany](#)
- [StartupSmart](#)
- [Crikey](#)
- [Property Observer](#)
- [THE POWER INDEX](#)
- [Business Spectator](#)
- [Climate Spectator](#)
- [Eureka Report](#)
- [Technology Spectator](#)

SmartCompany.com.au is Australia's leading website for SMEs featuring business news, business information and business blogs and the latest on the federal election. SmartCompany's archive of news, feature articles, entrepreneur interviews and business webinars cover topics such as advertising and marketing, buying or selling a business, starting a business, growing a business, franchising, SEO, superannuation and tax. SmartCompany is a Private Media website

Online Solution by Valegro

Download SmartCompany eBooks: Steve Jobs: Lessons from a legend | Expert advice from business women | 50 tips from Australia's top SME entrepreneurs | 25 tips to boost your sales | Finding, winning and keeping customers | 21 marketing tips | Business Plan | 25 tips from real entrepreneurs | 21 exporting tips | 10 tips for managing Gen Y | Business efficiency tips

Popular on Partner sites: Steve Jobs Dead | Property Investment Tips | How to Write a Business Plan | Technology in Business | Business Mentors | Business to Business | Start a Business | Small Business | How to Write a Marketing Plan | Carbon Tax | 25 start up ideas

Copyright © 2011 SmartCompany.com.au P/L - All rights reserved