Mall rents defy retail gloom

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Shopping mall landlords are still securing rental increases – albeit smaller than in the past – from retailers in their centres despite the challenging conditions that retailers face, a report from Leaseinfo.com.au has found.

Some sectors, such as fashion, footwear and electrical equipment stores, have been hard hit by the economic downturn, deflation in the price of their products and increasing competition from online retailers.

This has put strong downward pressure on rents. Rents dropped by 3 per cent on renewal for footwear retailers in NSW shopping malls and increased by only 2 per cent for footwear stores in Queensland, the research found.

But overall, landlords in these two states achieved an average rent rise on lease renewal of 5 per cent. This was lower than the 8 per cent increases on renewal achieved in 2008 and 2009.

In Queensland, landlords have been able to raise rents on renewal by 6.8 per cent and in NSW the average increase on renewal was 3.9 per cent, the research showed.

Growth in rent on renewal was highest for retailers of telecommunications products. There were increases of about 14 per cent for those based in Queensland and about 8 per cent in NSW. Analysis by Leaseinfo.com.au suggests landlords are targeting this sector for further increases in 2012.

Rents increased for food stores by about 11 per cent in Queensland and about 4 per cent in NSW as this sector continues to expand. Businesses such as Crust Gourmet Pizza and Guzman Y Gomez are opening new stores.

Big centres in affluent parts of Sydney achieved larger rent increases than other regional centres.

Sub-regional centres had higher rental increases than some of the regional centres, and the average renewal increases was about 9.5 per cent. The researchers attributed this to the smaller exposure that these centres had to the troubled fashion and footwear retail sector.