

# Retail tenants lured with record levels of incentives

**Robert Harley**

Australia's retail landlords are paying record levels of incentives to attract new tenants.

The incentives, like the lower rents for new tenants, reflect a very tough retail environment.

Stockland's chief executive, commercial property, John Schroder, told the Property Congress on Friday that retail lease incentives were at historical highs.

But he emphasised that they had not risen further this year and were modest compared with the incentives paid to office tenants.

Stockland paid no incentive on the renewal of a lease, a position that was unlikely to change, Mr Schroder said. But new tenants gained a contribution to fit-outs equal to six or seven

months' rent on a five-year lease.

Woolworths director of property Ralph Kemmler said tenants in its projects gained a contribution to fit-outs equal to six to 12 months' rent, depending on location.

Head of retail at Colliers International, Michael Bate, noted that the lease incentives on one Woolworths project at Walkerville in inner-city Adelaide were half those at Blakes Crossing in the city's outer north.

Centro Retail Australia chief executive Steven Sewell said the level of incentive reflected the size of the rent.

He said Centro paid no lease incentive on renewal. For new tenants the average incentive equated to four to eight months on a new five-year lease and had not changed in recent months.

GPT Group's retail property man-



**Stockland says retail incentives are paid only to new tenants.**

ager Brett Williams said incentives were minimal for higher-quality malls but had crept in to the leasing of lesser centres.

Michael Gorman, manager of the CFS Retail Property Trust, said that, in its case, incentives were paid only in "exceptional circumstances".

Simon Fonteyn, managing director of Leasing Information Services, said incentives could be as high as 20 per cent if the previous tenant had collapsed and the landlord needed to fill the space quickly. They were higher for hard-hit sectors such as fashion and lower for food retailers.