

Tenants hold aces in retail

Zoë Fielding

Shop owners battling falling sales and rising costs are finally winning a reprieve on rent in shopping centres if they fight for it. Landlords including GPT, Westfield and Stockland have all cut rents and boosted incentives to lure new shop tenants.

Gerry Gerrard negotiates 150 to 200 leases a year for franchises in the Baker's Delight network of about 600 bakeries. He was able to avoid any rent rises when renewing leases in NSW in the last financial year even though landlords routinely demanded increases of 40 per cent to 70 per cent at the outset of negotiations.

Rental growth in the June quarter in regional shopping centres was at its lowest in more than a decade, figures from Jones Lang LaSalle show.

Mr Gerrard sets a target for each Bakers Delight store that is a measure of sales compared with rent and overheads. "[That] is something that we're going to fight tooth and nail for, to make sure that we hit those targets, to make sure that our franchisees are profitable and we have a business in the long run," he said.



Baker's Delight's Gerry Gerrard sets rent targets. Photo Josh Robenstone

Cookies Australia, franchisor of the Mrs Field's and Cookieman chains, has signed leases on new sites with rents as much as 20 per cent lower than they would have paid three or four years ago, according to managing director Andrew Benefield.

Some stores were getting rent cuts of 5 to 8 per cent when they renewed a lease if they bargained hard. "[Landlords] know that if you've got a franchisee there, you've got an emotional and a financial tie-up in that site so you're less likely to want to leave," Mr Benefield said.

The opportunity to review a

lease only comes up once every five years or so, meaning retailers must fight hard when they can, Leading Information Services director Simon Fonteyn said.

Some landlords won't budge on rent when the lease expires. If the retailer won't sign up again at a higher rent, the landlord can either kick them out or hold over the lease.

"There are a lot of leases on hold over because the landlord doesn't want to show a big decrease [in rent] and the tenant's not prepared to sign anything unless they get that decrease," Mr Fonteyn said.