Hi,

I’m not sure what if any bearing my experience has on the review. I currently own and run two health food retail outlets in an area with restricted retail outlet availability. One lease is more transparent than the other. The differences are mainly in the pricing per square, incremental increases in rent, services provided and effectively dealing with issues.

Both have in common inefficient provision of services to general use facilities.

Both have rental increases of more than CPI one in particular is almost twice the cost. I have also reviewed occupation of space in a shopping center complex.

Currently the figures on inflation are at an overall high. General retail is down across NSW about 10%. This downturn in retail commenced with the NSW elections followed by the federal election. I think that although there is a capability for tenant / landlord to negotiate a lease. There should be a cap or a capability to renegotiate the rental increases during a market fluctuation. For me I budget on worse case, and it’s easy for me to reduce staffing levels to compensate.

So even though the big retailers are doing fine in the shopping centers currently a lot of space is becoming available. Good for the astute negotiator. Not good for the business that was working towards sustainability. The larger shopping centers with shareholders seem to have a majority control over small business. The leases I have viewed and considered. Provided great exposure. However; after full financial health check , long term sustainability was not there. The overheads, lease directions, cost of space and collection of an additional turnover rent. Not to mention the large retailer controlling the market share by whatever means possible. Meant that recovery of initial outlay was in excess of 10 years. The ongoing costs left no money for even living on.

The facts to me seem that currently although you can negotiate you have little or no room for movement. You have a choice negotiate with strip shops and pay a premium. Or deal with the big boys and pay an even bigger premium.

Leases need to be in plain language. The cost of initiating or renewing should be reduced for both sides. Land lords should be made responsible to for fill their side of the lease. Rather like the standard rental market. They should be forced to have a professional manager to manage the property. Business owners should have a guarantee they have first rights on the spot and not be squeezed by unreasonable rental increases or demands by the land lord. (capped increases %) Leases need to allow for protection from shopping center major stakeholders controlling the market. (same stock price cutting and so on)

Do you remember renting a house with broken everything and getting no results? Now I have rental property and must provide a pristine home with all things working and fixed regardless of how damaged. Maybe its time for the commercial market to have such and overhaul so that a balance can be found.

Bottom line is that a center with thriving shops provide a great return for the investor. A center run down with a high turn over of tenants is not. Retail space is price sensitive to consumer spending. Not on landlords returns. One without the other will not exist. So maybe the landlord needs to look to the primary source of income the consumer for great returns on investment.

Regards,