

AUSTRALIA

Cushman & Wakefield

Global Cities Retail Guide



Australia, officially the Commonwealth of Australia, is a country comprising the mainland of the Australian continent, the island of Tasmania and numerous smaller islands. It is the world's sixth-largest country by total area.

The neighbouring countries are Papua New Guinea, Indonesia and East Timor to the north; the Solomon Islands and Vanuatu to the north-east; and New Zealand to the south-east. Australia's capital is Canberra, and its largest urban area is Sydney.

Australia has the world's 13th-largest economy and ninth-highest per capita income (IMF). With the second-highest human development index globally, the country ranks highly in quality of life, health, education, economic freedom, and civil liberties and political rights. Australia is a member of the United Nations, G20, Commonwealth of Nations, ANZUS, Organisation for Economic Co-operation and Development (OECD), World Trade Organization, Asia-Pacific Economic Cooperation, and the Pacific Islands Forum.



AUSTRALIA OVERVIEW

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ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2017F	2018F	2019F	2020F	2021F
GDP growth	2.2	2.5	2.4	2.6	3.1
Consumer spending	2.2	2.2	2.2	3.0	3.0
Industrial production	1.7	3.9	4.4	1.3	1.9
Investment	2.8	0.0	-1.6	2.8	6.7
Unemployment rate (%)	5.6	5.8	5.8	5.7	5.1
Inflation	2.0	2.4	2.4	2.5	2.7
AUS\$/€ (average)	1.5	1.6	1.6	1.6	1.6
AUS\$/US\$ (average)	1.3	1.3	1.3	1.3	1.3
Interest rates Short term (%)	1.5	1.5	1.5	1.9	2.3
Interest rates 10-year (%)	2.7	2.9	3.3	3.6	3.9

ECONOMIC BREAKDOWN

Population	24.7 million (2017F)
GDP (nominal)	US\$ 1.4 trillion (2017F)
Public Sector Balance	-1.6% of GDP (2017F)
Public Sector Debt	47.2% of GDP (2017F)
Current Account Balance	-1.8% of GDP (2017F)
Parliament	Liberal Party & National Party (LNP)
Head Of State	Sir Peter Cosgrove
Prime Minister	Malcolm Turnbull
Election Date	Last held July 2016

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

AUSTRALIA	2017F	2018F	2019F	2020F	2021F
Retail Volume*	2.1	2.6	2.7	2.6	2.6

Note: *annual % growth rate unless otherwise indicated. Figures are based on local currency and in real terms. E estimate F forecast

Source: Oxford Economics Ltd.

CITY	POPULATION (2016)
Sydney	5,005,358
Melbourne	4,641,636
Brisbane	2,349,699
Perth	2,066,564
Adelaide	1,326,354



AUSTRALIA LARGEST CITIES

AUSTRALIA

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Woolworths Limited, Coles, Foodland Supermarkets, IGA, Wesfarmers, FoodWorks, Harris Farm Markets

MAJOR INTERNATIONAL FOOD RETAILERS

Aldi, Costco Wholesale Corporation

MAJOR DOMESTIC NON-FOOD RETAILERS

David Jones, Myer, Target, Big W, Kmart, Harvey Norman, Bing Lee, Dick Smith, JB Hi Fi, Bunnings, The Good Guys

INTERNATIONAL RETAILERS IN AUSTRALIA

Ikea, Lidl, Kikki K, Foot Locker, Apple, Topshop, Tesla, Microsoft, COS, Kit & Ace, Forever 21, Zara Home, H&M

FOOD AND BEVERAGE OPERATORS

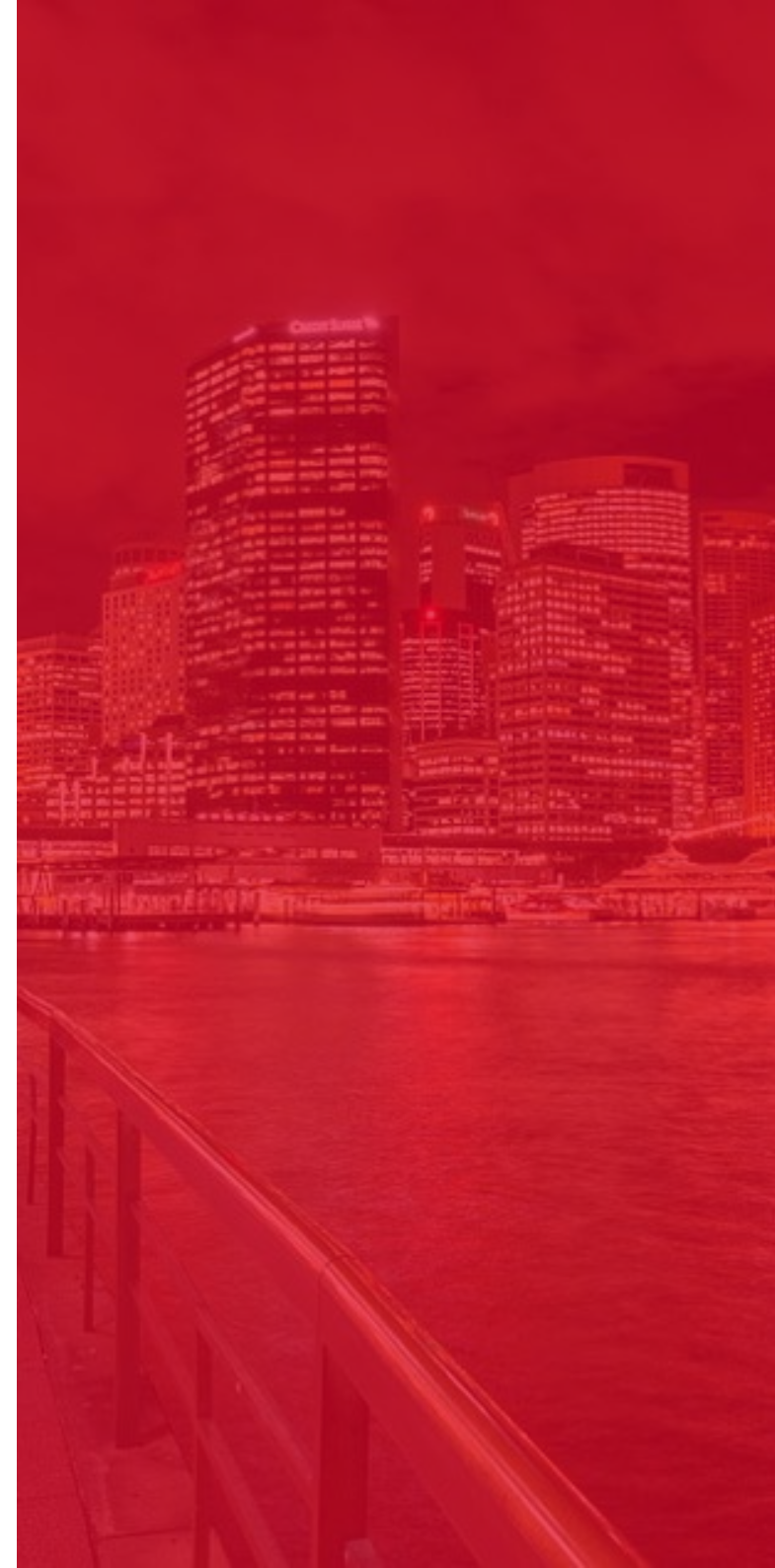
McDonalds, KFC, Subway, Hungry Jacks (Burger King), Red Rooster, Sumo Salad, Gloria Jean's Coffee, Michel's Patisserie, Boost Juice, Bakers Delight, Brumby's Bakery, Easy Way Teas, Cookie Man, Donut King, Darrell Lea, Krispy Kreme, Lindt, Muffin Break, Oporto, The Coffee Club

TYPICAL HOURS

MONDAY-WEDS, FRIDAY	THURSDAY	SATURDAY	SUNDAY
09.00-17.30	09.00-21.00	09.00-17.00	10.00-16.00

NEW ENTRANTS TO MARKET

TJX Companies from USA	John Lewis Partnership from UK	Decathlon SA from France	Debenhams from UK
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AUSTRALIA

RETAIL SCENE

International Premium

The premium market is now trending up with the introduction of global brands including Maje, Sandro, Max&Co, Paul Smith and Reiss rolling out across the local domestic market. There is also a strong stable of domestic traders that may look to expand their local presence – for example Christensen Copenhagen. Concurrent to this, we are seeing a movement in consumer spending habits, with increasing appetites to purchase international premium.

Australian Designer

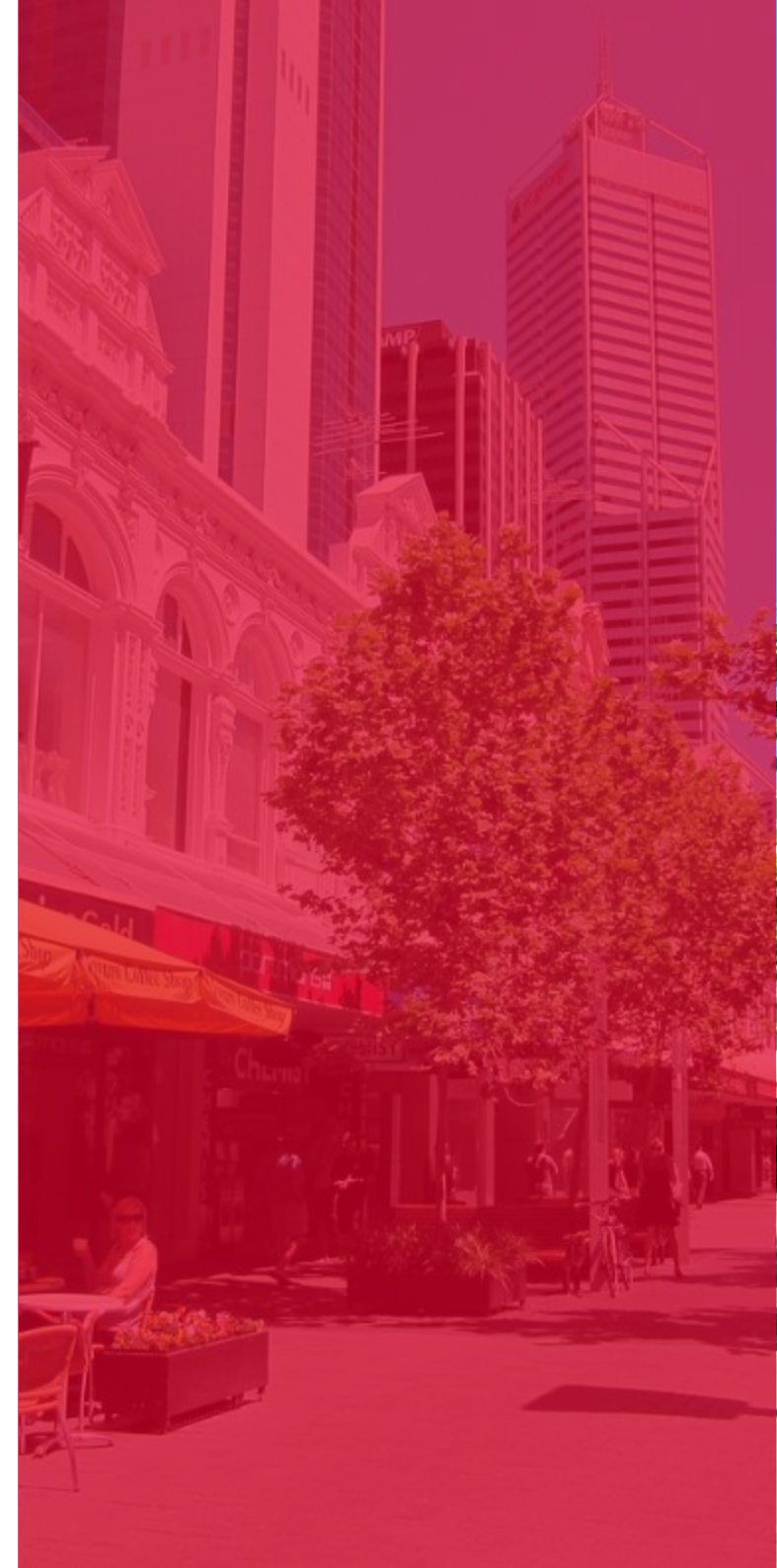
In the international context, the Australian designer market has taken a hit over the past few years due to the influx of fast fashion groups from around the world. Australian spend has shifted away from the local designer market, which has resulted in some brands reassessing their roll-out strategies in the Australian market and in some cases offshore. We have seen a scaling back in some instances; for example Rhodes & Beckett, Herringbone, David Lawrence and Marcs in administration. In addition, the pressure of the local market has removed the authenticity of many Australian designers, with many well-known brands being acquired; for example Sass & Bide.

This pattern, however, is not homogenous. We are also seeing that in certain markets Australian design continues to trade very well – for example precincts in Chadstone, Emporium Melbourne, Westfield Fountain Gate, High Street in Armadale and Westfield Doncaster in Melbourne; Westfield Bondi Junction, Westfield Sydney and The Intersection at Glenmore Road in Paddington, in Sydney; Pacific Fair on the Gold Coast; Westfield Carindale and Westfield Chermisde in Brisbane; Westfield Marion in South Australia; and Garden City Booragoon in Western Australia.

Food And Beverage

Over the past few years, we have seen the Australian hospitality landscape develop significantly towards a greater alignment between consumer trends and increasing tenant demand. At the same time, we are seeing a scarcity of suitable, quality space as well as changing consumer spending habits. In the same period, we have witnessed the introduction of another sub-category of food and beverage, referred to as fast casual dining. This category has proven to enable a tier-one dining experience without the formalities of traditional fine dining and has been particularly well received within traditional retail precinct spaces.

The increasing tenant demand and limited quality opportunities for operators has spurred on a major redevelopment and repositioning phase of key assets in prime locations across the Eastern Seaboard. This has included utilising previously redundant spaces such as rooftops and basements for large-format operations, which capitalise on the Australian appetite for unique international concepts.



AUSTRALIA

SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Westfield Fountain Gate	Narre Warren, VIC	177,755	1980
Westfield Sydney	Sydney, NSW	167,911	2010
Chadstone Shopping Centre	Malvern East, VIC	167,588	1960
Highpoint Shopping Centre	Maribyrnong, VIC	152,600	1975
Westfield Chermside	Chermside, QLD	150,689	1957
Westfield Knox	Wantirna South, VIC	141,934	1977
Macquarie Centre	Macquarie Park, NSW	138,500	1981
Westfield Parramatta	Parramatta, NSW	137,183	1975
Westfield Bondi Junction	Bondi Junction, NSW	127,736	2003

AUSTRALIA

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	The Retail Leases Act 1994 requires a minimum 5 year lease term. The five years can be inclusive of options. If a lease is signed for a period less than 5 years, the lease is automatically extended to 5 years by law, unless the lessee agrees to the reduced period.
Rental Payment	Rents are typically payable monthly in advance. Turnover/ percentage rents are increasingly seen in shopping centres and are common in specialist sectors such as outlet centres, hotels and airports. A security deposit is not normally required for a tenant with a strong covenant or where a parent company guarantee or a bank guarantee is provided.
Rent Review	Most leases will increase annually by CPI, a fixed percentage or a combination of the two. Rental reviews will occur at the option dates and “ratchet clauses” (which only allow upward increases even if the market rental rates have fallen) are prohibited by the Retail Leases Act 1994.
Service Charges, Repairs and Insurance	A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning and property taxes. The landlord is responsible for external/ structural matters in shopping centres. The tenant is responsible for internal matters.
Property Taxes and other costs	There are three government charges paid by the tenant known as statutory outgoing. The local government authority charges council rates; the State Government charges Land tax and Water Rates are charged by the utilities provider (part of the State Government). Land Tax is payable on all property which is not the owner’s primary residence. The government sets ratable value through a rolling review of unimproved land value.
Disposal of a Lease	Sub-letting is usually possible under the terms of the lease, subject to landlord’s approval. Assignment rights are not normally barred in the lease but will also be subject to consent – which should not be unreasonably withheld. Early termination is only by break clause – to be negotiated at outset of lease by mutual consent upon negotiation. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to normal wear and tear. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld.
Valuation Methods	Shops can be valued using a few different methods. One method us they are valued on a 'zoning' basis. The retail zoning principle recognises that the area at the front of the shop, adjacent to its primary window frontage is the most valuable in rental terms. For corner units, it is usual to add a small percentage to the value of the ground floor, the amount of which will depend on the degree of overall prominence. Another simpler form is capitalisation of the rental income.
Legislation	The Retail Leases Act 1994 applies to all retail business less than 1,000 sq.m. and its main purpose is to protect and inform the retailer. The landlord must offer a 5 year lease at minimum inclusive of options, though the tenant may choose to waive this right.

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