S-M-XL=MS LEARNING FROM BIG RETAIL

PROPERTY & RETAIL STRATEGIES FOR MAINSTREETS

RETAIL & MAINSTREETS COMMITTEE

PROPERTY COUNCIL (S.A. DIVISION)

The Mainstreets & Retail Committee assists the Property Council in strengthening and growing Mainstreets and retail precincts across South Australia to boost patronage, enhance property and provide the backbone for our communities.

MAINSTREETS OF THE FUTURE PAPER

2018 Survey health check , maturity and future preparedness of mainstreets

BEST PRACTICE GUIDE (Second Edition)

The Essential reference for developing an effective mainstreets framework.

PROPERTY COUNCIL of Australia

AGENDA

BIG+SMALL RETAIL STRATEGIES
JULIE THOMAS - CBRE

TANUNDA REVISITED
SIMON TOTHILL
WOODS BAGOT

RETAIL PROPERTY TRENDS
ANDREW LUCAS
PROPERTY & ADVISORY

PANEL SESSION
+SHELLEY COX
WORKSPACE BAROSSA

RETAIL + MAINSTREETS COMMITTEE (SA DIVISION)

PROPERTY COUNCIL of Australia

BIG&SMALL RETAIL LEASING STRATEGIES

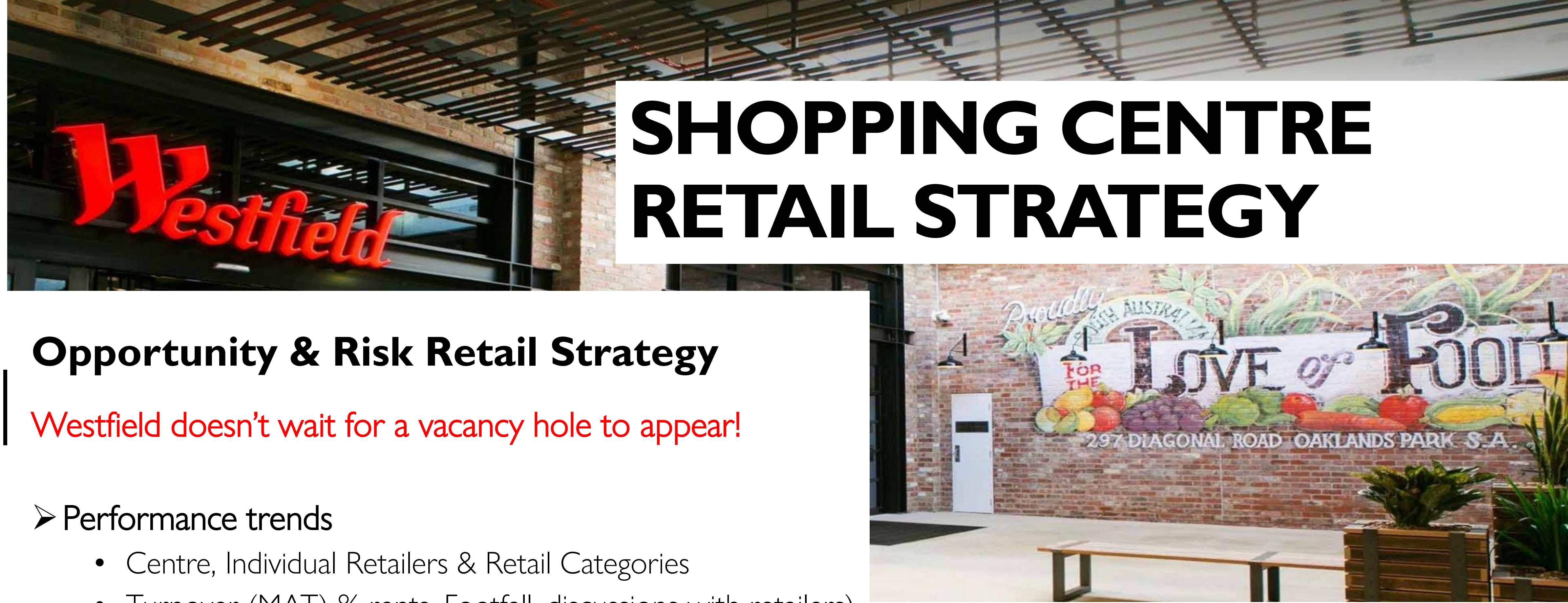
JULIE THOMAS - CBRE

PROPERTY COUNCIL
of Australia

MAINSTREETS INSPIRING BIG RETAIL

The Advertiser

A NEW dining and restaurant precinct “inspired by the nearby Adelaide Hills wine region” is expected to open at Tea Tree Plaza



SHOPPING CENTRE RETAIL STRATEGY

Opportunity & Risk Retail Strategy

Westfield doesn't wait for a vacancy hole to appear!

- Performance trends
  - Centre, Individual Retailers & Retail Categories
  - Turnover (MAT) % rents, Footfall, discussions with retailers)
- **Lease expiry profile** together with **current vacancy**
- **Tenancy mix review** – demographics, trends, needs gaps, clustering, adjacencies.
  - Urbis reports, research mix of high performing retail centre's & tenants
- Plan to attract Tenants
  - What size, frontage, facilities, adjacencies do they want?

LONG TERM WINS vs. SHORT TERM GAINS

- **Strategic** vacancy
- Merged multiple tenancies
- Relocated good tenants
- Investment into Food services and common areas

Results

✓ Secured an Anchor

✓ Activate upper floor vacancy

✓ Improve dining experience

✓ Attract patrons tenants

H&M - Rundle Mall Plaza

REPOSITIONING WITH A FOOD VAN

INCUBATE YOUR ENTREPRENEURS

& RESPOSITION PROPERTIES

- Long term vacant property in Port Adelaide
- Owner of Burnside Village Shopping Centre
- Invested in changing the use to F&B
- Engaged a cool cat local to activate

Result

- ➢ Booked out every night
- ➢ Long term lease
- ➢ Activated the Port Admiral next
- ➢ Encouraged more entrepreneurs to area

CLUSTERING & LEVERAGING SUCCESS PIRIE STREET- ADELAIDE

Middle Building

- ➢ Identified a gap in the market
- ➢ Upgraded the building
- ➢ Partnered with established & entrepreneurial locals

Terracotta Building

- ➢ Recognised opportunity to cluster
- ➢ Upgraded to similar style & facilities
- ➢ Leasing Strategy to hold out for the right F&B

RESULT

- ✓ Masterchef Gaja by Sashi flagship opening soon
- ✓ 3rd building reno underway

KEY TAKEOUTS

- It takes time to reposition & tenancy mix
- Form a long & short term strategy
- Asses which tenants to target
- Plan how to reposition assets to suit
- Implement a leasing strategy
- Empower local entrepreneurs in short term

Result

✓ Authenticity the envy of Westfield

TANUNDA REVISITED

3 YEARS OF PROGRESSIVE CHANGE

SIMON TOTHILL – WOODS BAGOT

TANUNDA - A CASE STUDY

2016 REGIONAL MASTERCLASS

KEYNOTE PRESENTATIONS

WALKING TOUR OF MURRAY STREET

Hosted by Barossa Council: Mayor Bob Sloane, Future Mayor Bim Lange

DESIGN SPRINTS

PANEL SESSION

TANUNDA – 3 YEARS EVOLVED

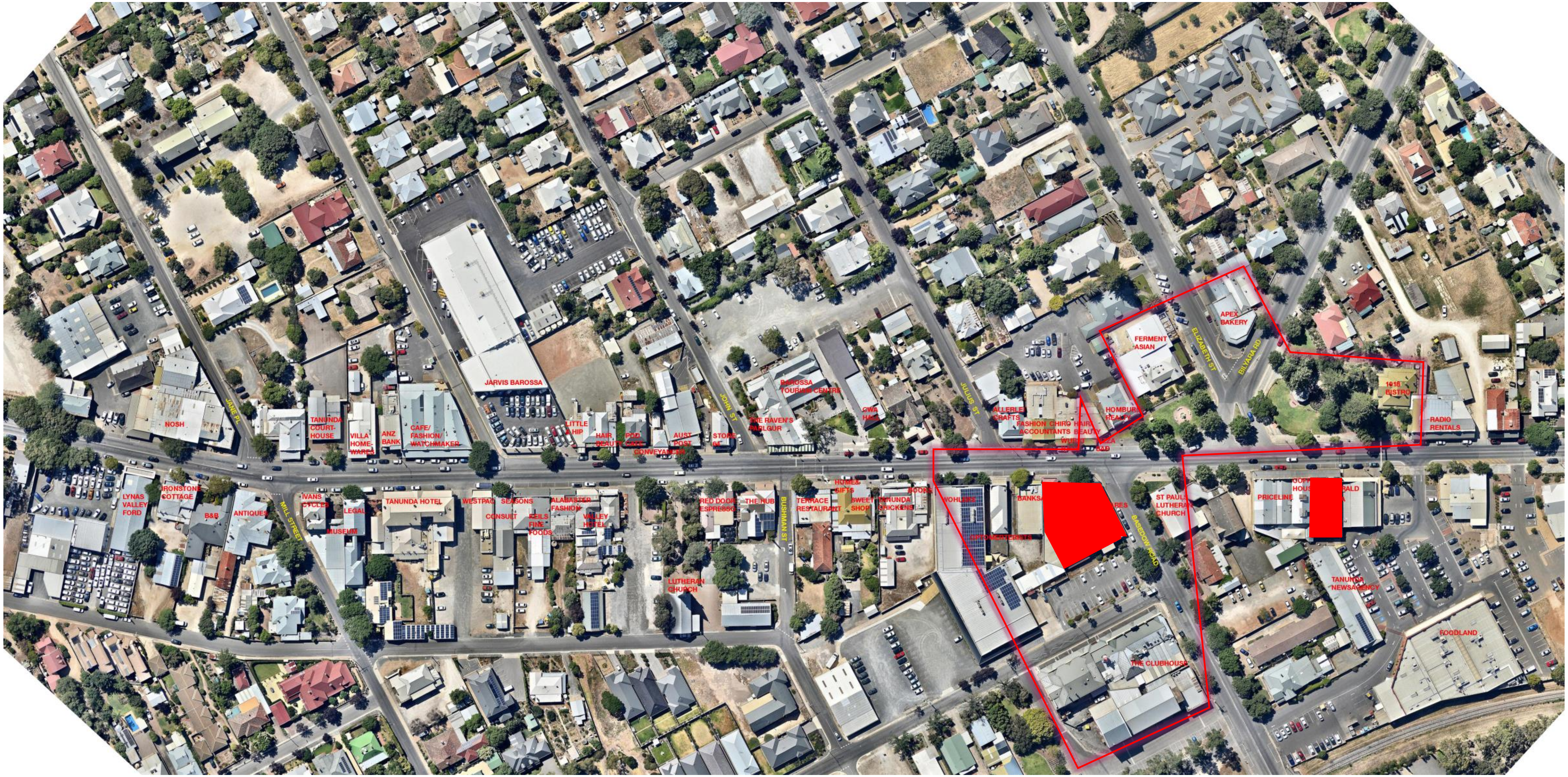
3 KEY LEARNINGS 2016

- "No ability buy a glass of wine in the Key Mainstreet of Australia's Premier Wine Region" – represented a key opportunity missed linking brand to place, traditional composition of
- No organized Mainstreet/ Trader Organisation
- No differentiation of Murray Street as marketed from Barossa Brand

3 KEY CHANGES 2019

- Departure of major retail businesses "Wholers" "Barossa Music"
- Emergence of Digital to Physical businesses – a Generational Shift in Mindset
- Inception of Murray Street Mainstreet organisation underway
- Evolution of Night-Time Economy

2016-2019



RETAIL + MAINSTREETS COMMITTEE (SA DIVISION)

ZWINE

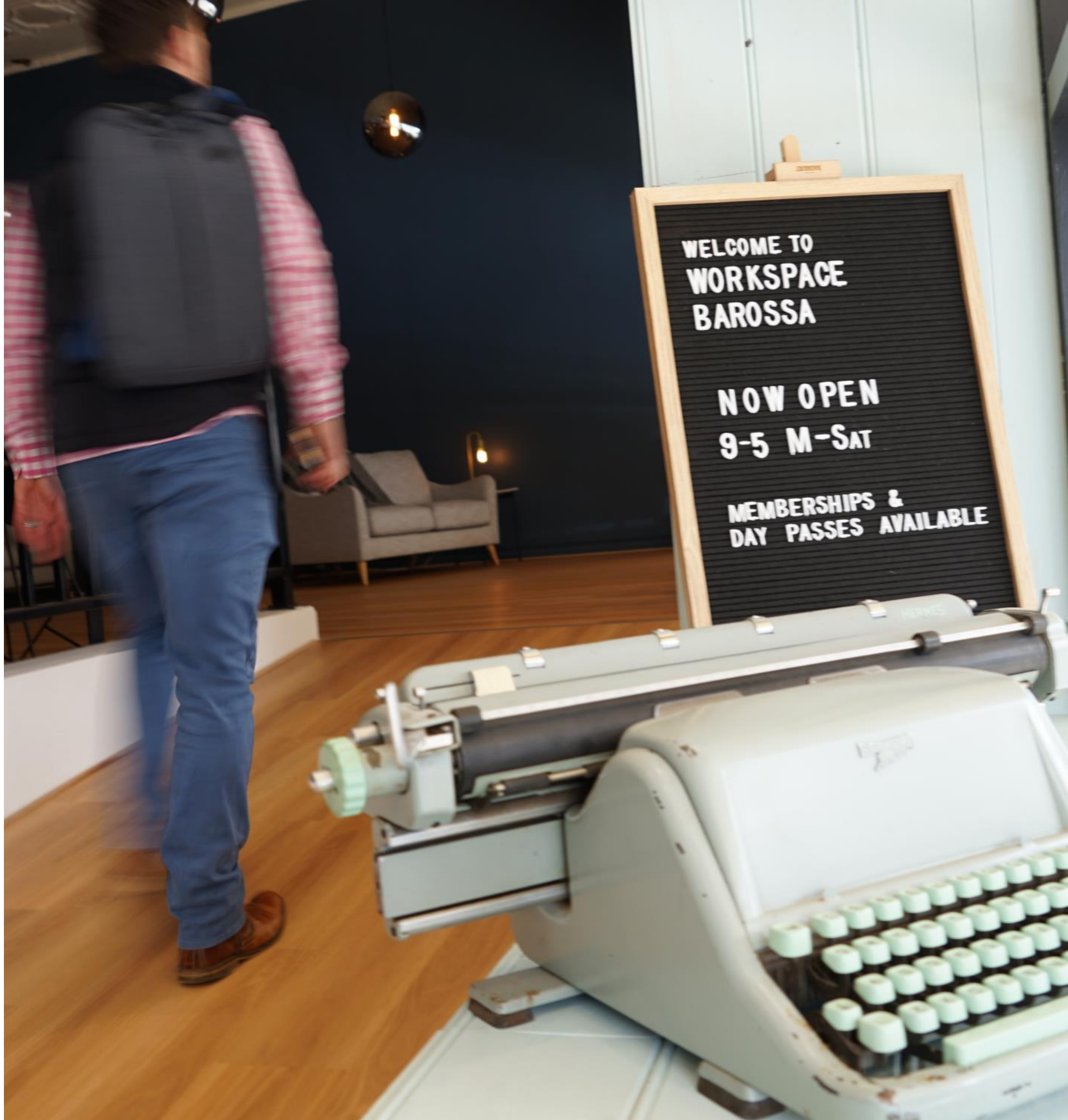
AN AUTHENTIC, TRANSFORMATIVE EXPERIENCE EXTENSION

- Opened as Cellar Door in 2016
- Janelle and Kristen Zerk established Z wine after returning to Barossa
- Cellar Door Experience in Mainstreet Setting with Authentic Local offering in effortless manner
- Unexpected 50:50 split Locals:Vistors
- Transformative for township Mainstreets closed Sat 1pm+Sunday, including Pub trade up 20%, genesis of gin, wine bars and F&B precinct
- Powered by Word of Mouth, Social Media and exceptional product

WORKSPACE BAROSSA

A NEW AGILE FORMAT FOR WORKING IN THE BAROSSA

- Opened July 2019 in vacated Barossa Music premises, 60% occupancy filled within 6 months
- Shelley Cox saw opportunity establishing a satellite workplace by experiencing husband travelling to and from Adelaide for work
- Co-working space in Regional location foster small business growth and social/ collaborative aspect of modern workplace
- Ability to host meetings, small conferences as a small venue complement more formal Novotel Barossa and winery facilities



DAISY&HEN

PHYSICAL PRESENCE UNDERPINNED BY ONLINE PRESENCE

- Gina, Ben (& Henry) Britton March 2016 move into Murray Street tenancy as new business opportunity
- Support small and local producers blending seamlessly with high quality international brands.
- Award winning high exposure social media online retail presence/ daily Instagram leverages business driving travel from Adelaide to try products in Glenelg & Tanunda
- Expanded with second store on Jetty Road, Glenelg with third shop opening in Stirling

These Images Sourced From: https://www.daisyandhen.com.au/pages/the-shop

OUTCOMES

3 KEY ITEMS FOR TANUNDA AHEAD

Development of a Mainstreet organisation is looking promising, with embryonic representation between traders, professional services, emergent businesses and council

Tightly held property portfolios of a very long Mainstreet, as yet unchallenged by Bulky Goods/ Big Box Retail, land parcels potential integrate into the business mix.

Traditionally low vacancy rates in a functional (rather than thematic) unofficial capital township of the Barossa – now key driver in Authenticity of offering.

RETAIL PROPERTY TRENDS

PROPERTY & ADVISORY

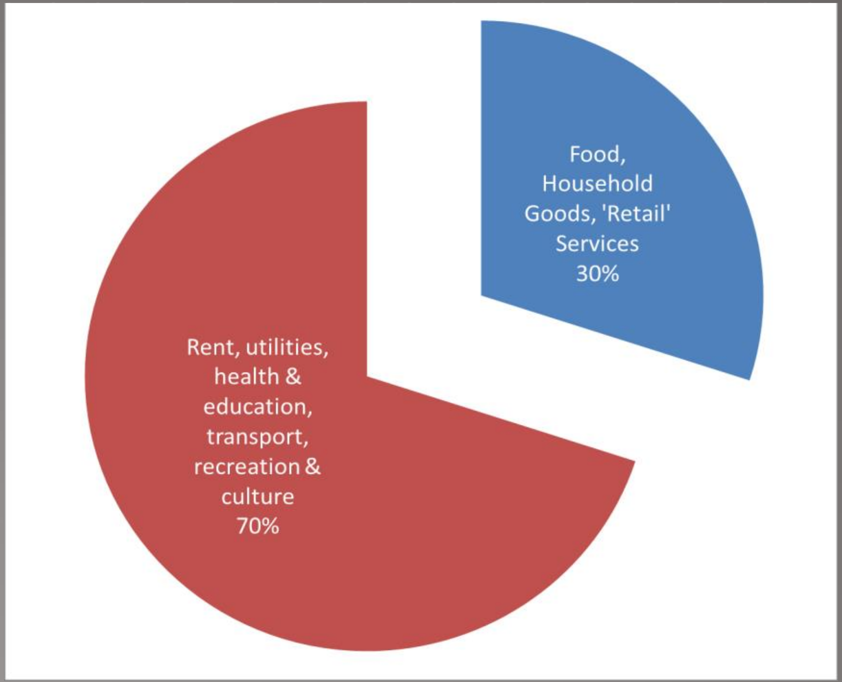
CHANGE IS A CONSTANT IN THE RETAIL ENVIRONMENT

THE RETAIL TRAJECTORY

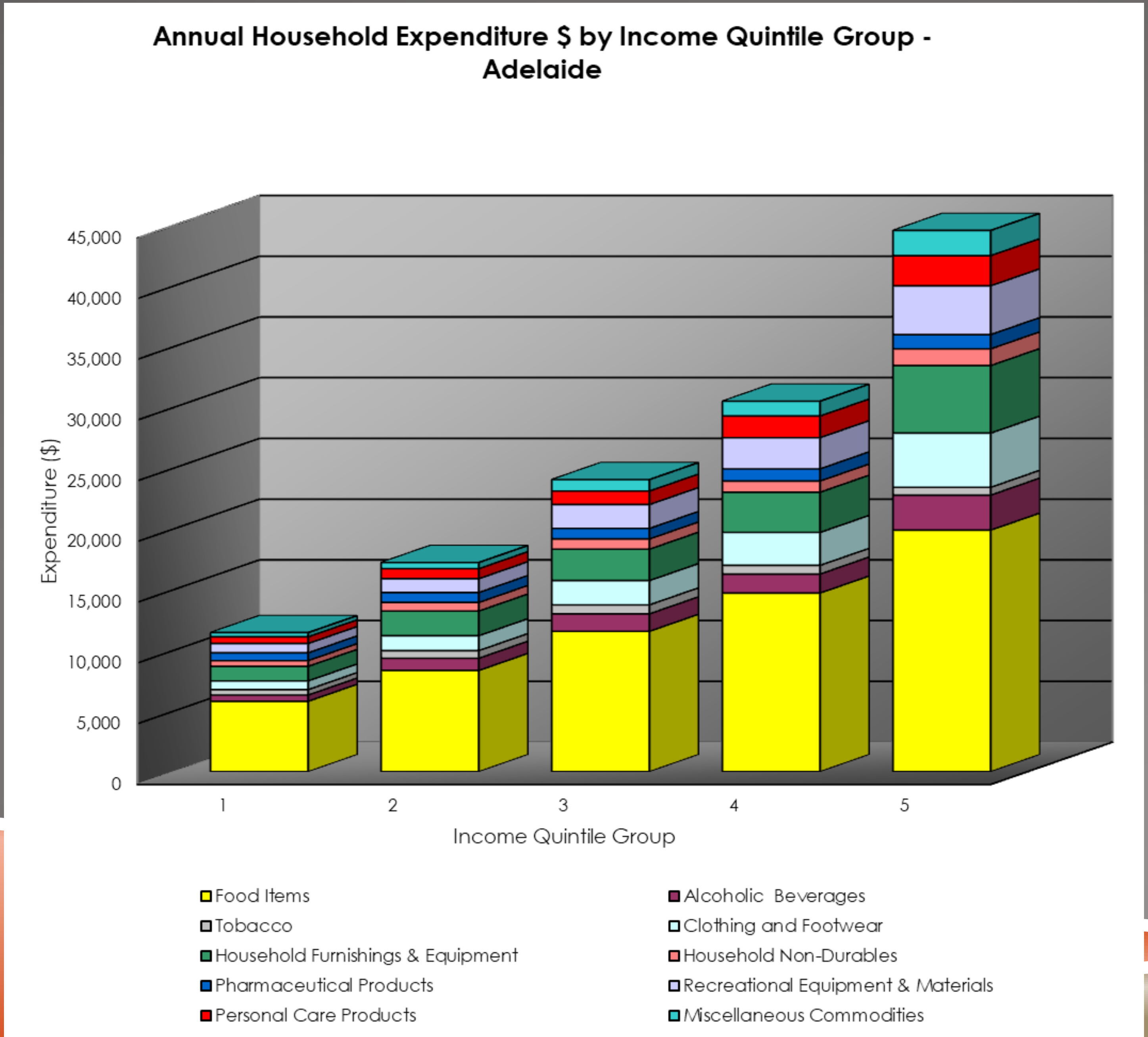
- 1960s – Emergence of supermarkets, suburban retail centres being developed
- 1970s – Arrival of Discount Department Stores – K-Mart, Target, Big W
- 1980s – Decline of CBD retailing, increasing corporatisation of retailing
- 1990s – Arrival of bulky goods retailing and 'category killers'
- 2000s – Arrival of the internet
- 2010s – Disruption, walkability, mixed use neighbourhoods, decline of department stores and DDS
- 2020s – What is going to happen?

RETAIL ARITHMETIC

- Retail demand is a subset of Household Consumption Expenditure (HCE)
- Retail expenditure is relatively inelastic
  - discretionary vs non-discretionary expenditure
  - long term growth in aggregate retail turnover never deviates far from the mean
  - opportunities for new space follow areas of population and household growth
  - where significant new space is inserted into low growth areas, it will adversely affect turnover in existing centres



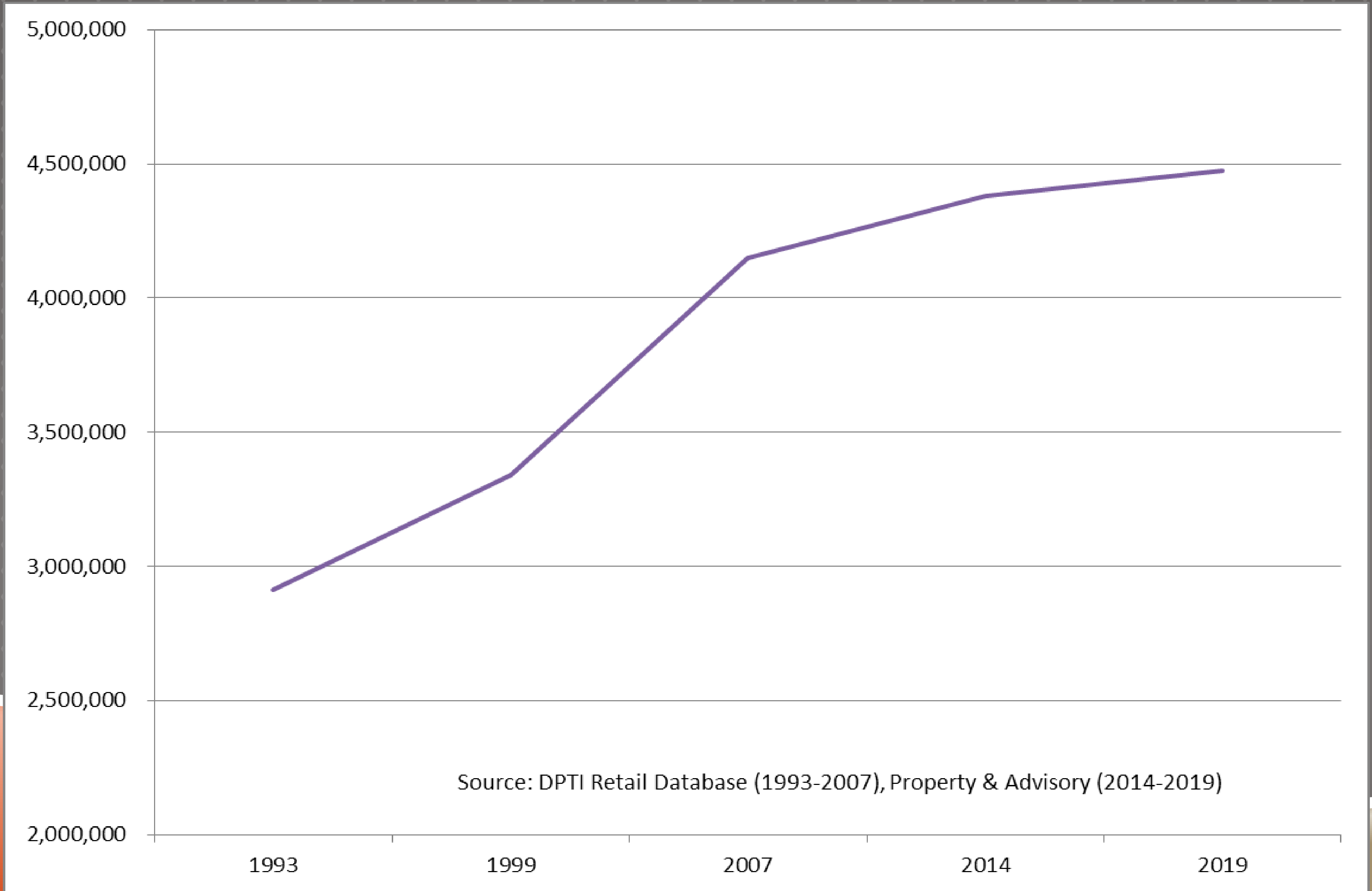
Different Income Groups Spend Differently:



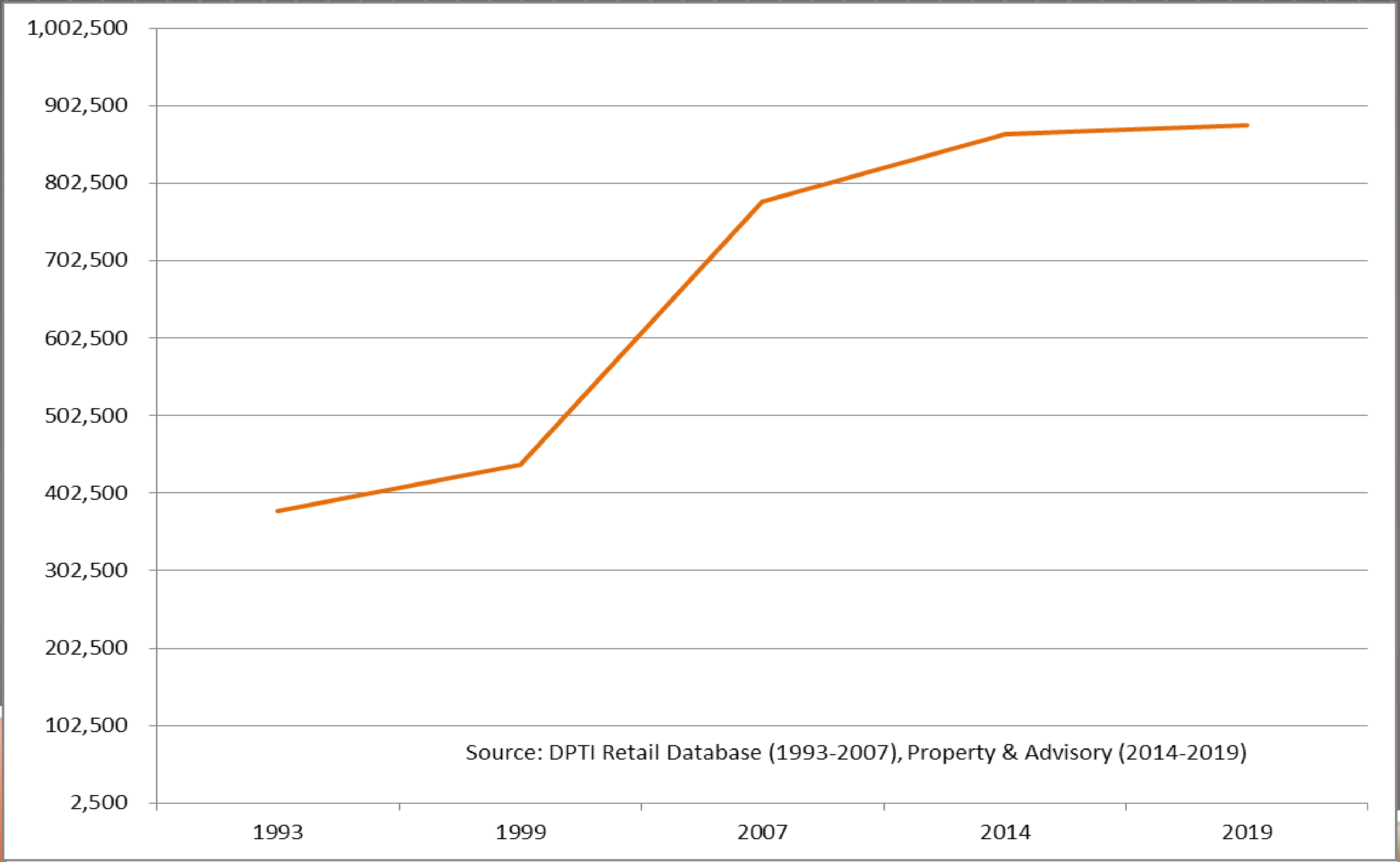
← The highest income quintile spends more on food than the bottom 2 quintiles spend on all categories combined

FLOORSPACE TRENDS

Total Retail Floorspace, Greater Adelaide

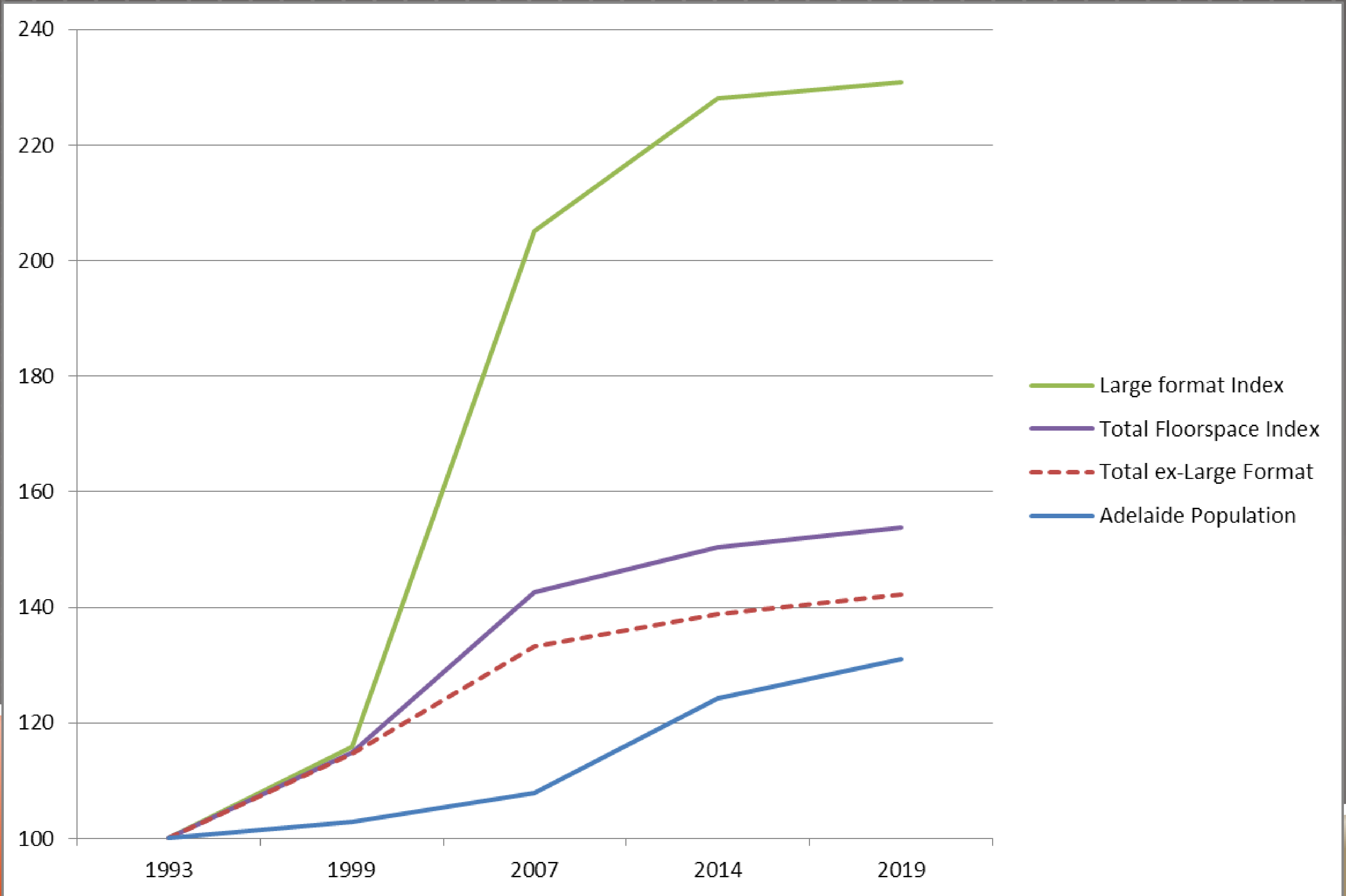


Large Format Floorspace* (sqm), Greater Adelaide

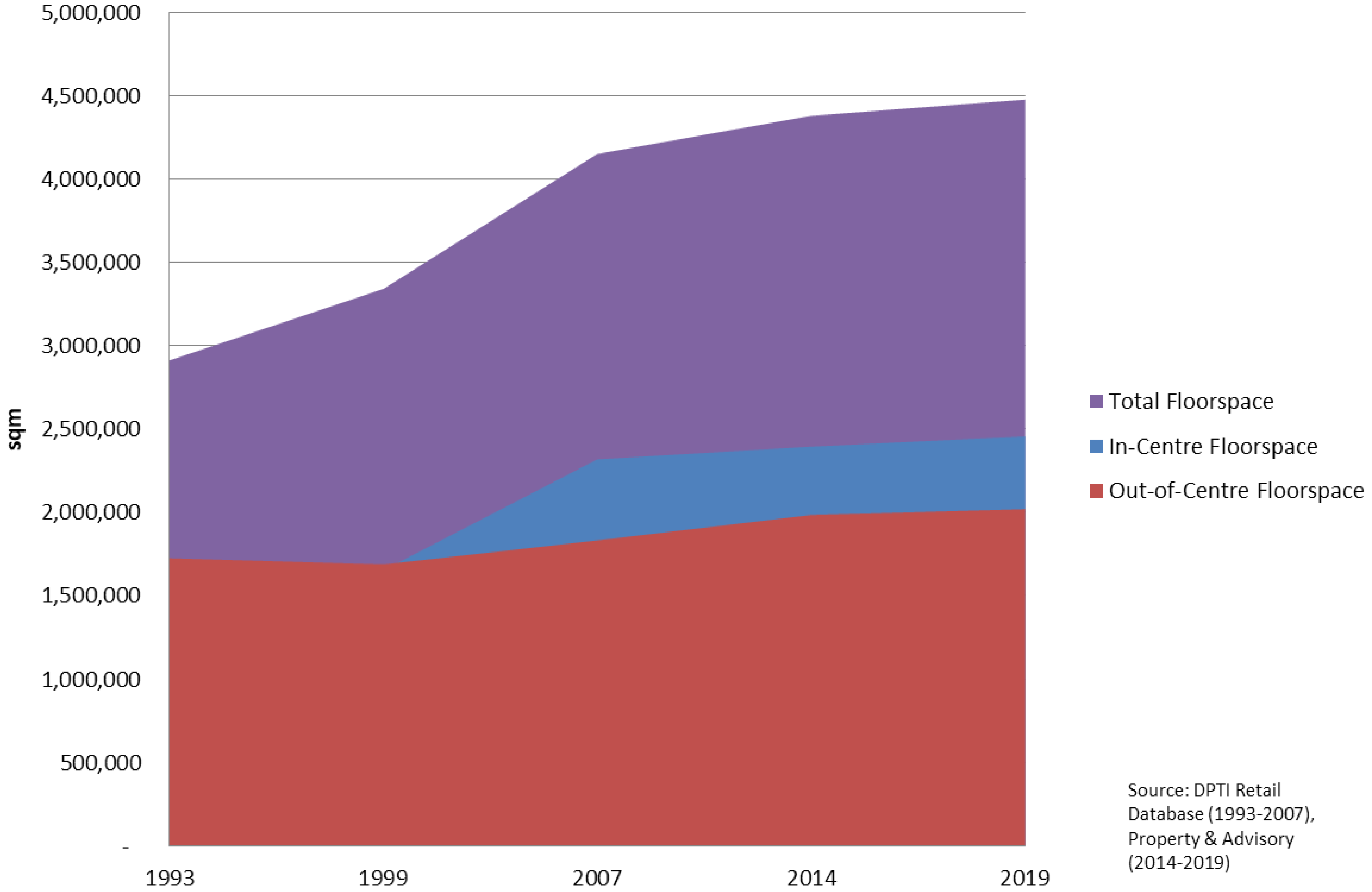


* Tenancies >500sqm, household goods and clothing only

Putting it all together……



In-Centre Zones vs Out-of-Centre



Source: DPTI Retail Database (1993-2007), Property & Advisory (2014-2019)

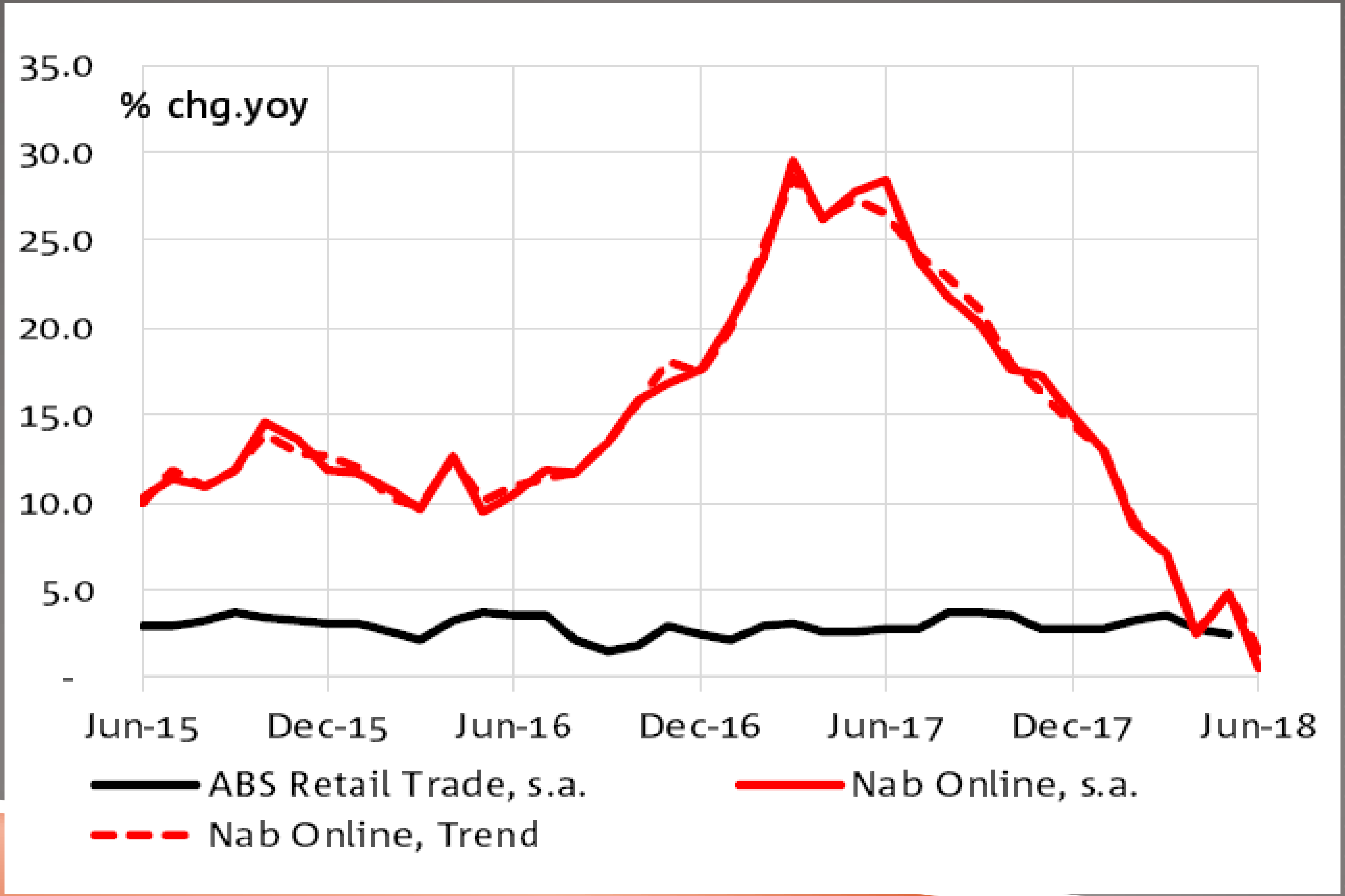
TRENDS

RETAIL ENVIRONMENT

- The corporatisation of retailing
- Global post-GFC economic settings
- Price driven retailing
- Australian household indebtedness a brake on demand
- Inter-generational habits are diverging

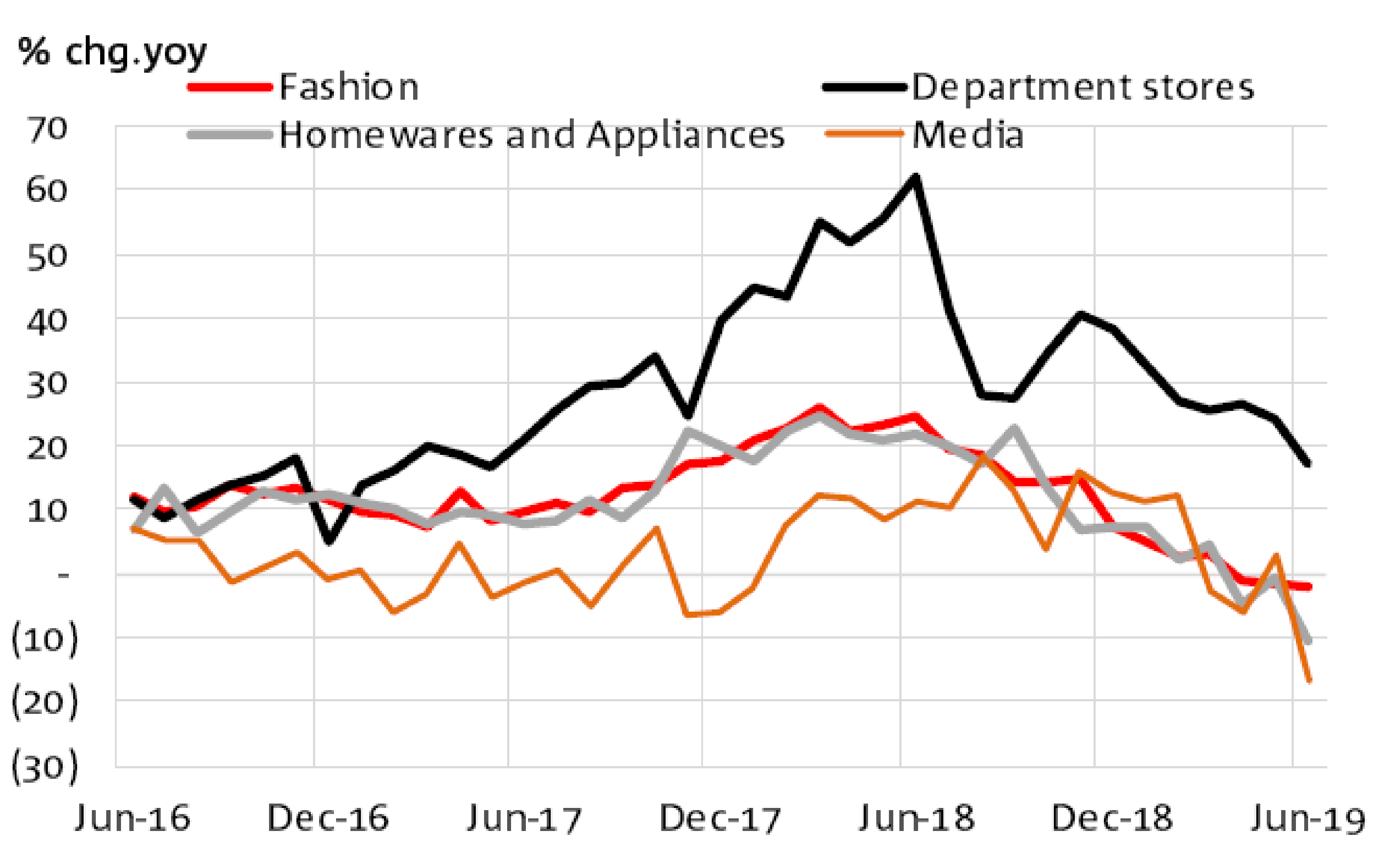
Internet Retailing Penetration: Reaching Maturity?

Online Retail Sales



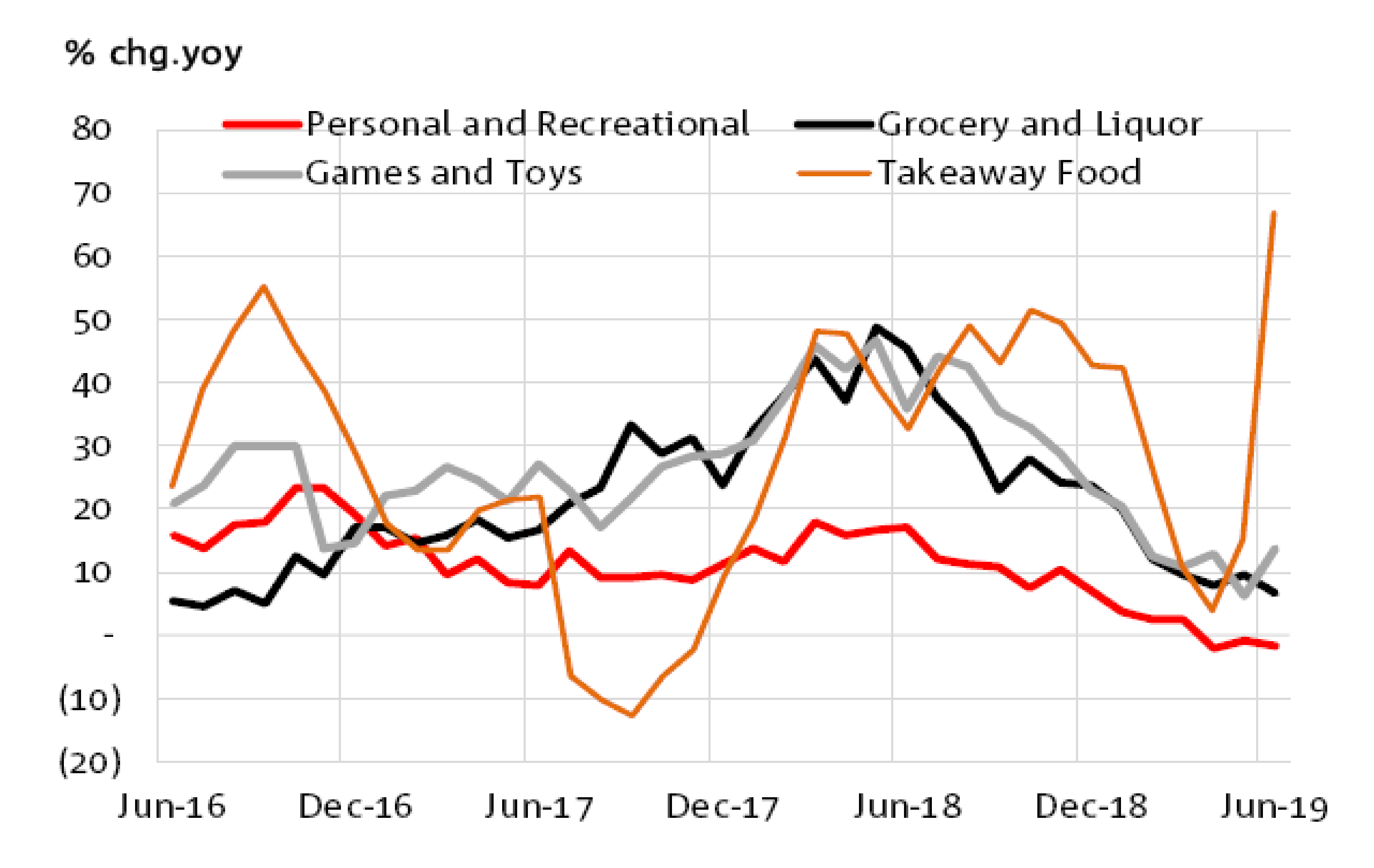
Source: NAB Online Retail Sales Index, June 2019

Online Retail Sales by Category (I)



Source: NAB Online Retail Sales Index, June 2019

Online Retail Sales by Category (2)



Source: NAB Online Retail Sales Index, June 2019

Summarising Online trends…

- A focus on fulfilling online sales quickly and smoothly, including merchandise returns → an increase in demand for logistics centres in industrial areas
- Amazon - rollout in Australia has been low key to date, but it is a huge conglomerate and can build for the long term
- The focus in shopping centres has shifted from shopping destination to entertainment/casual food destination
- Centre visits to try on brands without buying, knowing that they can get a better price online
- Direct marketing to young, impulsive shoppers through social media – in particular Instagram
- Risks are transferred from the retail tenant (who can embrace and exploit the online trend) to the Centre owner – future lower rents, lower values?

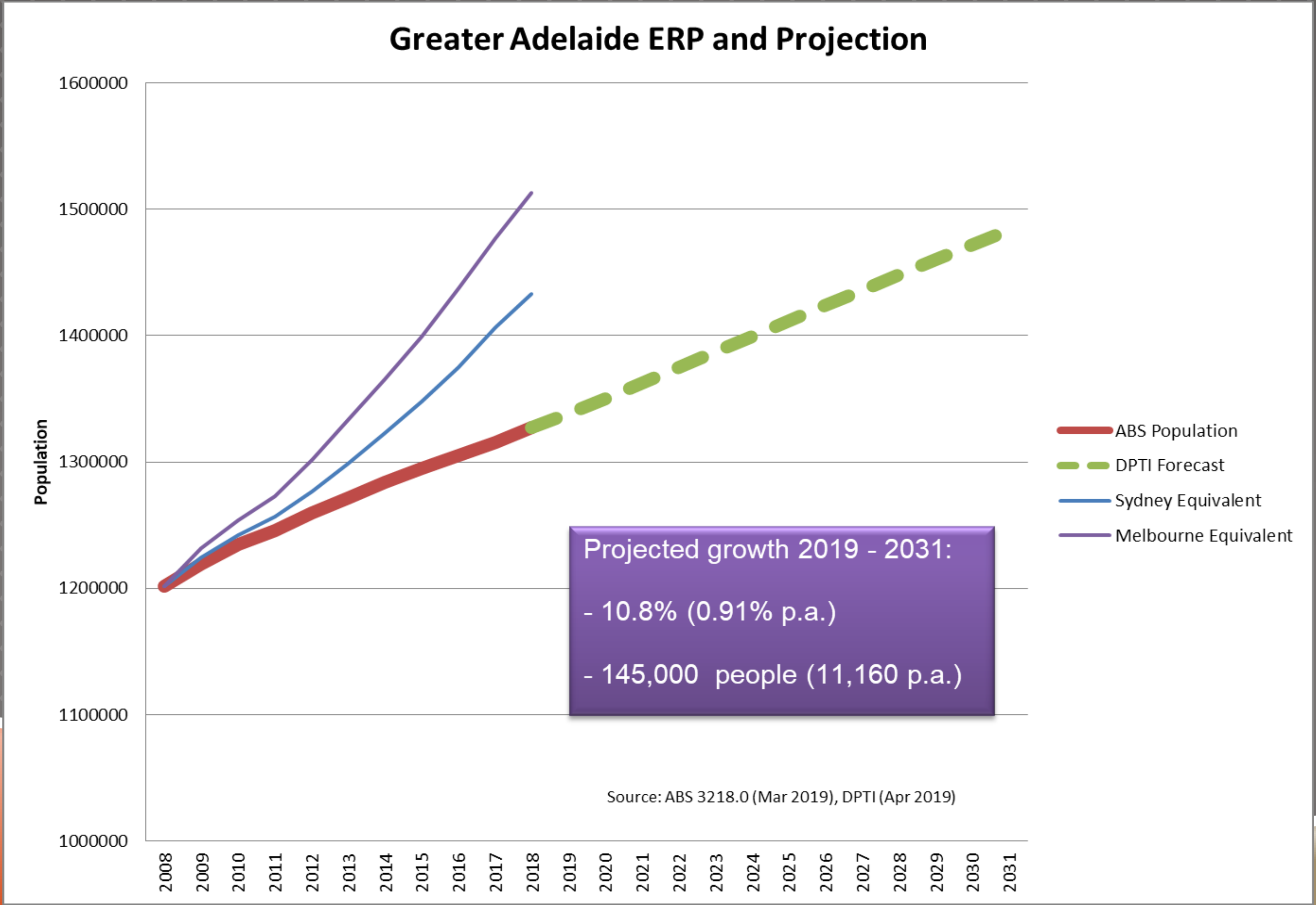
TOUGH TRADING CONDITIONS…

Well known brands disappear…

…while new entrant international brands seek to secure their slice of the pie.

CRYSTAL BALL

Low population growth…



Further extinctions likely…

- Department Stores
- Discount Department Stores

- Current retail trading conditions are arguably the toughest ever
- Nonetheless, new market entrants are coming:
  - Kaufland – currently sites secured at Prospect, Keswick and Munno Para
  - Lidl - rollout expected
  - Uniqlo
  - A Costco in the south, a 'Harbourtown' in the north
- Large Format now reaching maturity after 2000's growth explosion
- Online channels (of communication and sales) will deliver more surprises and continue to transform the retail landscape
- Tension between 'bricks and mortar' retail trading conditions and the leasing market

  →Current dichotomy of compressed yields vs underlying market reality

  →Increasingly difficult feasibility of new projects

  →New uses to be found for vacant large tenancies in Centres

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PANEL SESSION

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