Non Mall Retail

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Non Mall Retail

Components

- Bulky Goods Retail
- Factory Outlet Centre
- Entertainment Retail
- Tourism Retail
- Lifestyle Centres

- Airport Retail

Non Mall Retail

Main Drivers

- Retail market in Australia has matured
  - Mall retailing is dominated by a few large participants who own the majority of properties
  - Difficulty in getting new sites for shopping centres except in new Greenfield developments
- New developments need to offer a point of difference

The Usual Suspects

- Demographics, Lifestyle Changes, Spending Patterns, Housing Boom

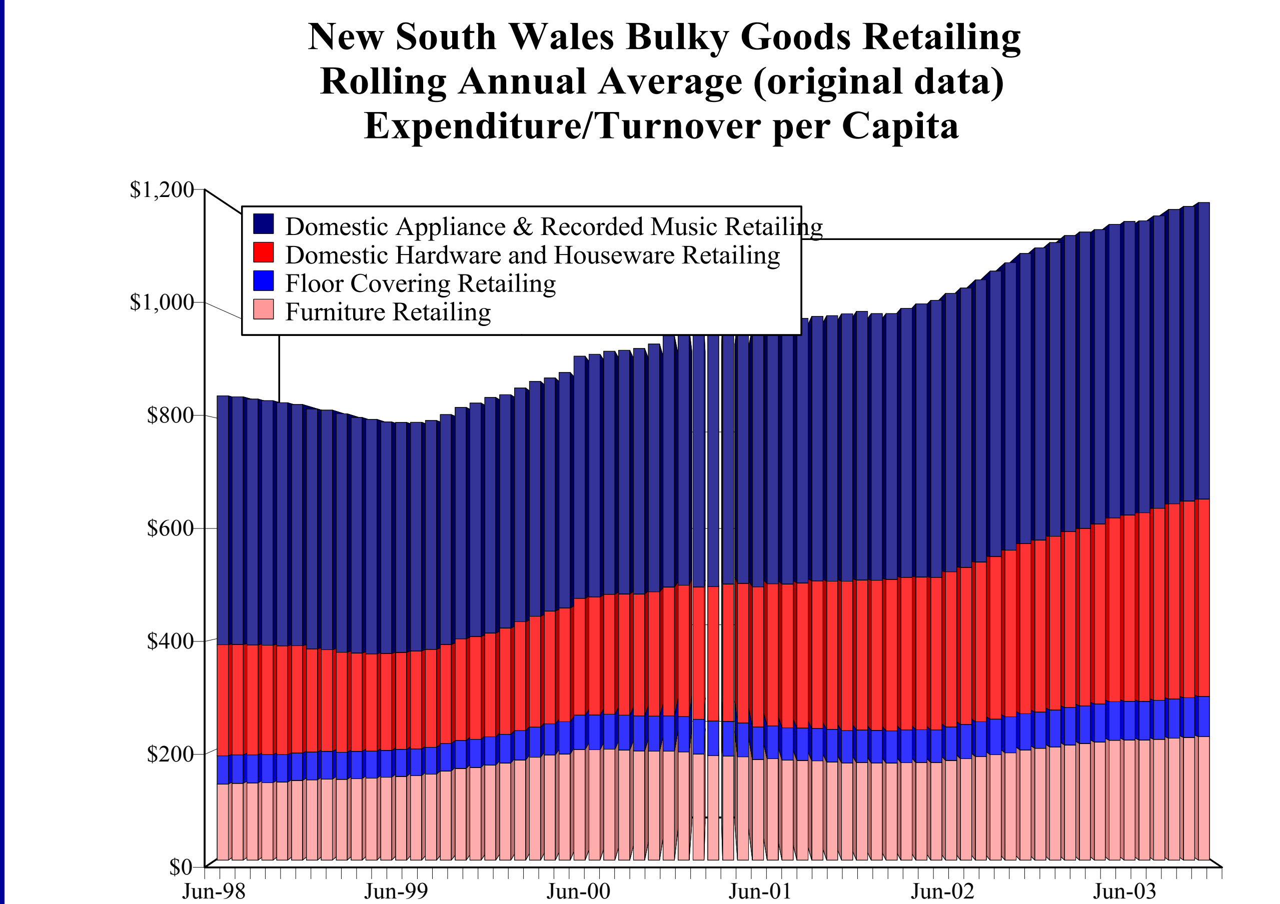
Bulky Goods Retail - Definition

- A medium to large sized shopping centre dominated by bulky goods retailers (furniture, white goods and other homewares), occupying large areas to display merchandise. Typically contain a small number of specialty shops.
- Generally located in non-traditional retail locations (i.e. Greenfield sites and industrial areas); purpose designed, built and operated, generally with a layout of outlets around a central, landscaped area and an overall design and colour theme to promote the appearance of an integrated development; and generally greater than 5,000 m2 (GLAR) in size.

Bulky Goods Retail – Key Characteristics

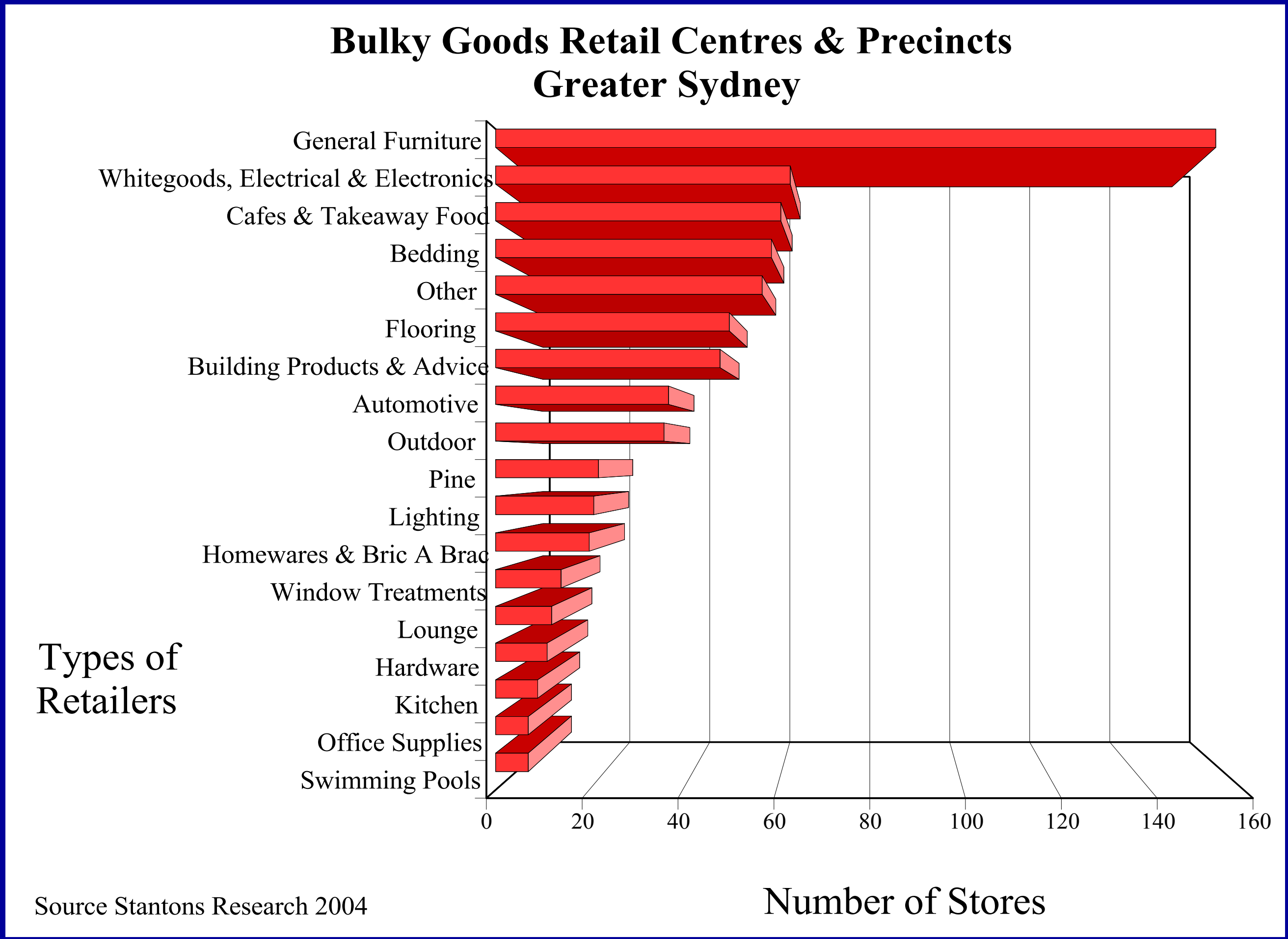
- Large functional windowless rectangular single storey buildings with standardised facades. This cheaper construction translates into cheaper occupancy costs.
- Emphasis on value retailing, retailers aim for volume rather than mark-ups.
- Reliance on car transportation and exposure, with large car parks on site and main road locations preferred (adequate amounts of car parking is essential).
- Capable of being located in metropolitan and regional areas, not unique to any locality.

Bulky Goods Retail



Source: ABS, Special Data Service

Bulky Goods Retail



Bulky Goods Retail - Returns

- Yields
  - Steadily declined sine the sector first emerged
  - 13%+ in early 1990's
  - now around 7% (Bunnings, Auburn)
- Rentals
  - Style @ Home
    - 265/m2 gross – anchor tenants
    - 450/m2 – 460/m2 gross – smaller tenants

Bulky Goods Retail - Drivers

- Demographics
  - Household sizes
  - Women working
- Building Boom
  - Refurbishment
  - Apartments – inner city

Factory Outlet Centre

- Early development
  - Started 1850+ with factory door sales
  - Remained a way of disposing of surplus/damaged stock until 1980’s
- Growth of Labels in the 1980’s
- Increased female participation in the workforce (affordable working clothes)
- Growth in Specialised Centres in the 1980’s (in the US)
  - Outlying areas – Greenfield Development
- In US now accounts for around 2% of total retail sales

Factory Outlet Centre

- In Australia there was reduction of tariff barriers in the late 1970's and early 1980's
- Development of "Branded Centres" in Australia in recent years
  - DFO, Brand Smart
  - Enclosed centres
  - Need
    - ample car parking
    - 7 day a week trading

Factory Outlet Centre

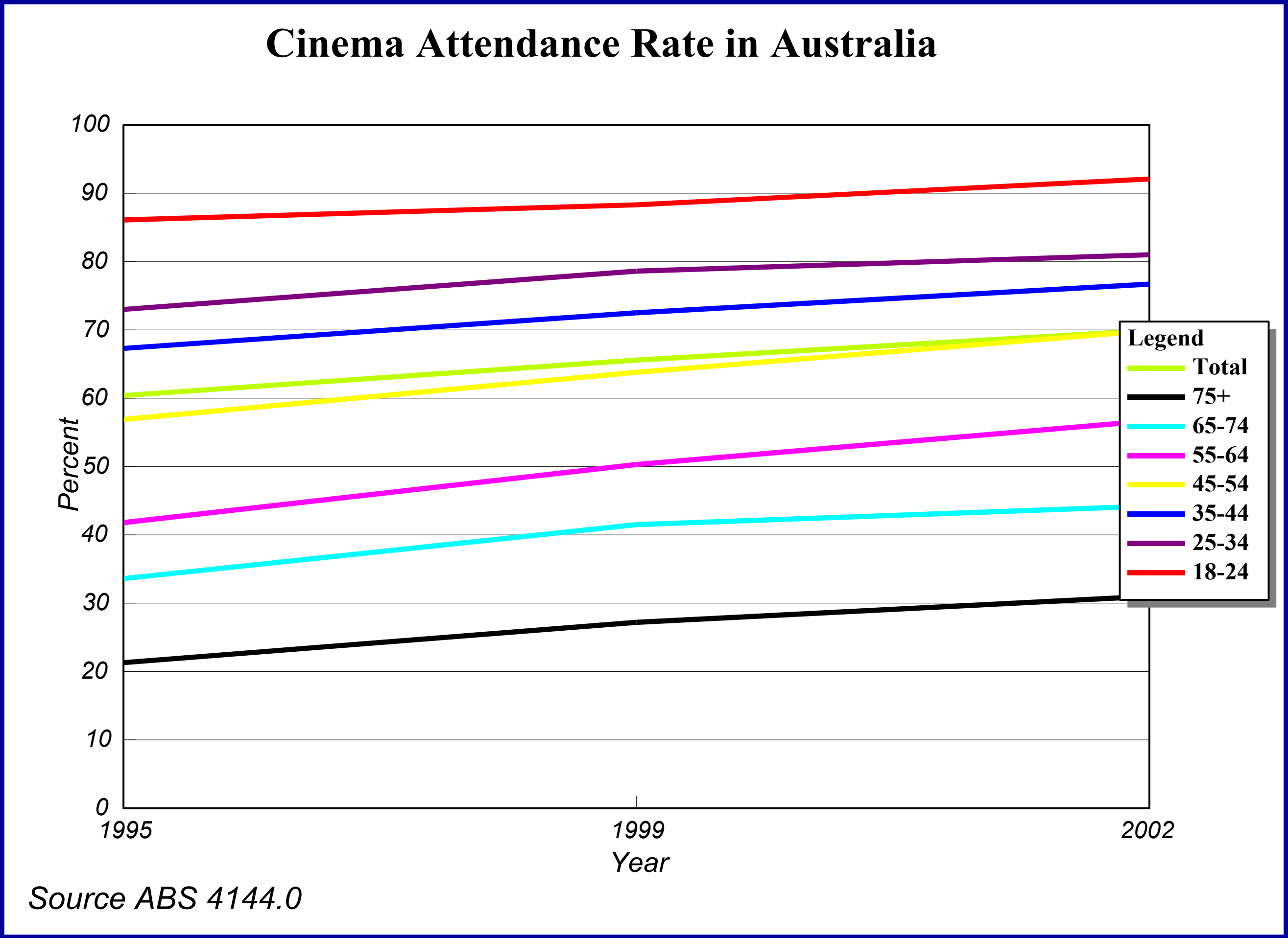
- Dominated by (female) apparel & accessories
  - Shoppers also tend to be female with above average incomes and education (US)
- Destination Shopping
  - Larger catchment area
  - Stores need to be higher turnover than mall stores
- Tourism Component
  - Especially where there are clusters of Outlet Centres
- Manufactures manage an outlet store as part of their overall retail strategy

Entertainment Retail
"Retailainment"

Contains

- Usually Anchored by Cinemas
- Themed Stores/Eateries
- Entertainment Orientated Stores
- Live Entertainment Attractions

Entertainment Retail "Retailainment"



Entertainment Retail
"Retailainment"

- Issues
  - Well themed and planned stores can make shopping entertaining
    - Don't confuse good retailing with entertainment
  - Does attendance at a cinema (ice rink/bowling alley) then result in incremental non-food shopping

Tourism Retail

- Targeted to tourists
- Compliment local attractions (Cultural/Natural/Events)

Examples

- Hunter Valley
- The Rocks
- Fremantle

Lifestyle Centres

Definition - US

- Located near affluent residential suburbs
- Size range between 15,000m^2 and 50,000m^2
- Open air format
- Upmarket presentation
- A minimum of 5,000m^2 of national specialty chain stores

Lifestyle Centres

- occupants usually include
  - book stores
  - clothing stores
  - homewares (often decorator items)
  - music
  - table service restaurants

Lifestyle Centres - Trends

- US phenomenon from urban decay in their cities resulting in wealthier residents vacating inner city areas for the suburbs.
- Australia still has some of its wealthiest residential suburbs in inner city areas.
- Australia has also retained the strip shops in many of these wealthier areas; these localities already contain many of the shops likely to be found in a Lifestyle Centre.
- Notwithstanding this there are localities, which do have the potential to support the development of Lifestyle Centres in Australia.
  - "Sea Change" localities, where there is a group of wealthier residents and a larger hinterland of lower socio-economic residents.
  - Urban revitalisation projects, where large areas of brownfields are extensively redeveloped resulting in new Masterplanned communities.

Airport Retail

- Privatisation of airports (Sydney Airport)
  - Requirements to earn a return on investment
- Other land uses are often difficult
  - low flying aircraft
  - reclaimed land
  - residential