

MELBOURNE Melbourne Prime Street Retailing November 2009

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Key Points

- The interesting point to come out of our most recent survey is the increase in the vacancy rate.
- Clothing retailers (30%), restaurant and food outlets (34%) and gifts, cards, accessories, cosmetics and jewellery retailers (10%) dominate the metropolitan street shopping landscape.
- A fall in investment yields coupled with rental growth has seen substantial capital growth in the value of street front retail assets since 1994.
- Burke Rd, Camberwell, Centre Rd, Bentleigh and Church St, Brighton are Melbourne's most stable retail street precincts.
- Retail redevelopment has currently ceased in the suburbs of Melbourne reflecting funding issues affecting the entire property market.
- The only noteworthy change in tenancy mix over the past decade has been an increase in the number of hospitality outlets and a decrease in vacant space.
- Of the 298 shops in Toorak Road, South Yarra, 45 are currently vacant.

Introduction

The interesting point to come out of our most recent survey is the increase in the vacancy rate. In previous surveys, vacancies were generally taken within months of becoming vacant. More recently, however, vacancies have remained and have been added to by businesses either closing down or relocating. Our take on this occurrence is more to do with business confidence and funding constraints than any other factor. Business confidence has been particularly weak throughout 2009 and is only now showing signs of recovery. National retailers have been shying away from risk and expansion into the street shopping precinct is viewed as riskier than established shopping malls. Franchisees have reported difficulty in obtaining bank finance which has stalled their opening plans.

The survey of the street retail environment in Melbourne has been run biannually and continuously for many years now and covers (when combined with the CBD) over 3,400 shops – six times the size of Chadstone. The series was originally started to discover if changes to shop trading hours in Victoria and growth in enclosed shopping centres would impact the street shopping environment. A number of streets were chosen with this in mind – Puckle St for Highpoint, Centre Rd for Chadstone, Church St for Southland, High St for Malvern Central etc.

One outcome of the survey is a tenancy mix which is not “manufactured” or deliberately created in the sense a shopping centre is, but one which occurs due to market forces alone. It is interesting to look at the difference between the tenancy mix of a “manufactured” environment and a purely market driven one on the streets.

Each of the prime street front shopping precincts in Melbourne has its own particular character or theme as is evidenced by the tenancy mix (see Table and Graph below). The theme of the precincts has been central to their survival and it has allowed them to extend their catchment areas, maintain low vacancy rates, strong rents, yields and capital values.

It is worth noting each of the street precincts surveyed are “anchored” in much the same way a neighbourhood shopping centre is – by a substantial supermarket. This provides generous amounts of free parking (usually limited to two hours) in the vicinity. Parking remains an issue with most councils now installing meters and monitoring and fining shoppers. Also of particular note is the presence of a suburban railway station or tram or both. A tram service runs through the middle of Bridge Rd, Burke Rd, Chapel St, Glenferrie Rd, High St and Toorak Rd. Burke Rd is serviced by the Camberwell railway station, Chapel St is surrounded by four railway stations – Hawksburn, South Yarra, Prahran and Windsor, Centre Rd is serviced by Bentleigh station, Church St has Mid-Brighton station, Glenferrie Rd has Glenferrie station, High St has Armadale station, Puckle St has Moonee Ponds station and Toorak Rd has South Yarra station.

Prime Street Retailing

Clothing retailers (30%), restaurant and food outlets (34%) and gifts, cards, accessories, cosmetics and jewellery retailers (10%) dominate the metropolitan street shopping landscape.

Tenancy Mix September 2009

Shopping Precinct	Food %	Dept. Stores %	Clothing & Soft Goods %	Household Goods %	Other %	Recreational Goods %	Hospitality and Services %	Unclassified or Vacant %
Bridge Rd	11	0	41	6	4	1	24	13
Burke Rd	9	0	31	10	8	3	28	10
Centre Rd	15	0	13	13	11	5	22	21
Chapel St	7	0	37	10	8	2	27	9
Church St	13	0	27	6	12	9	19	14
Glenferrie Rd	10	0	25	7	6	5	30	16
High St	2	0	28	19	17	2	21	10
Puckle St	7	0	32	10	10	6	26	9
Toorak, Toorak	10	0	29	2	13	2	25	19
Toorak, Sth Y	8	0	23	4	12	1	28	23
Overall	9	0	30	9	10	3	25	14

Source: Savills Research

Tenancy Mix 1997 and 2009

Shopping Precinct	Food %	Dept. Stores %	Clothing & Soft Goods %	Household Goods %	Other %	Recreational Goods %	Hospitality and Services %	Unclassified or Vacant %
Suburbs 1997	10	0	28	12	10	5	21	14
CBD 1997	10	1	35	8	15	4	14	13
Suburbs 2009	9	0	30	9	10	3	25	14
CBD 2009	11	1	37	5	14	4	18	10

(By precinct, the percentage each category contributes to street frontages) Source: Savills Research

The only noteworthy change in street front tenancy mix over the past 12 years has been an increase in the number of hospitality outlets (mostly restaurants and café's from 278 to 391). A 17% increase in the clothing offer (from 655 shops to 784) is half of the trend rate in the CBD, which has enjoyed a 33% increase over the same period. Interestingly, there has been a 27% decrease in the offer of recreational goods (from 112 to 82 shops) in the suburbs. The Recreational Goods category consists primarily of Newspaper, Book and Stationary outlets.

Bridge Rd, Richmond

Bridge Road, Richmond was once the discount fashion capital of Melbourne. Bridge Rd is located in the heart of what was once the textile, clothing and footwear industry in Victoria. Bridge Rd was the factory outlet location for the industry housed in nearby suburbs such as Fitzroy, Brunswick, Collingwood, Abbotsford and Richmond. As these factories moved their businesses offshore, factory outlets in Bridge Rd have been replaced by full line retailers. It is not surprising rents have doubled in the past 14 years. Almost half of the 366 shops are dedicated to fashion with almost half of the remaining shops given to restaurants and café's servicing the appetites of fashion shoppers. The precinct is anchored by a Coles supermarket within Richmond Plaza. Bridge Road has 30 vacant shops, most in secondary locations.

Burke Rd, Camberwell

Burke Road, Camberwell is a vibrant street shopping precinct in Melbourne's affluent eastern suburbs. The fashion is upmarket, as are the restaurants and café's. An historical anomaly (that refuses to be overturned despite numerous attempts) permits licensed premises on the western side of the road only. This alone creates a rental discrepancy within the precinct. A Safeway supermarket and a Target anchor the precinct. A new Safeway has been built on the Western side of Burke Rd. Nearby, the former timber yard has now been redeveloped into a Dick Smiths and a Dan Murphy's. Recently completed was the redevelopment of the Chocolate Box to house a Borders Books. Directly opposite, McDonalds has closed (not a first – Lygon St holds this mantle), with the premises recently refurbished to a full line Esprit.

At the rear of the eastern side of the street is a large carpark housing a very popular trash and treasure market on certain Sundays. Nearby, there is a fully enclosed fresh produce market. This accounts for the low fresh food component in the tenancy mix. The Well is a new mixed use development at 793 Burke Rd completed in August 2008, The Well is anchored by a Coles supermarket, JB HiFi and contains 27 specialty retailers.

Of the 212 shops on Burke Road, Camberwell, just nine are vacant.

Key Market Indicators September 2009

	Net Rental (\$psm)	Yield (%)	Statutory Outgoings (\$psm)	Operating Outgoings (\$psm)	Total Outgoings (\$psm)	Capital Value (\$psm)
Prime Suburban	400 – 1,200	4.00 – 7.50	20 - 30	30 - 50	50 - 80	5,000 – 12,000

Source: Savills Research

Church St, Brighton

Church Street, Brighton, is a shopping precinct in the heart of one of the most affluent of Melbourne's bayside suburbs. The precinct has undergone major shop refurbishment over recent years including the full refurbishment of Dendy Plaza. A Safeway supermarket and a Coles Supermarket anchor the precinct.

Church Street, Brighton, sits very close to the average not only in respect of tenancy mix but also vacancy with just three of the 176 shops currently vacant.

Centre Rd, Bentleigh

Centre Road, Bentleigh, is an interesting precinct because it is situated close to one of the country's most successful enclosed shopping centres – Chadstone. There was a time when one might have thought the emergence of enclosed shopping centres spelt the end of street front shopping. Centre Road, Bentleigh is testament to the longevity of street front shopping in Melbourne.

So what keeps Centre Road going in the face of such overwhelming competition? Lower rents, convenience and downmarket offer. The retail offer is less on clothing (13%) and more on fresh food, services and cheap merchandise (66%). A Coles and Safeway supermarket anchors the precinct. Of the 215 shops along Centre Road, Bentleigh, just eight are vacant. Of particular note is the demolition of the former 1,420 square metre BBC Hardware store at 285-305 Centre Rd, Bentleigh which created an approximately 3,000 square metres development site. The site now has a four-level building with six shops on the ground level with 36 one and two-bedroom apartments over three upper levels including some two-level apartments and two levels of car parking for between 45 and 50 cars. Of the six shops, one is a 100 square metre IGA, three shops have been joined to form a 225 square metre Pulse Pharmacy whilst the other two shops have been joined to form a CK Foodstore.

Chapel St, Windsor to South Yarra

Chapel Street is known Australia-wide as a fashion shopping Mecca. The precinct is two kilometres long and spans three suburbs. The Windsor or southern end is characterised by homewares, pawnbrokers and cheap junk shops with commensurately low rents. The Prahran or central area is avante-garde, funky and includes the bohemian Greville Street precinct. The South Yarra or northern end of Chapel Street is characterised by upmarket fashion and café's and restaurants and attracts the highest rentals of any street shops in Melbourne. Two supermarkets (Coles and Safeway) anchor the precinct. The Prahran Market is also a popular drawcard. Of the 25 vacant shops, most are housed in arcades or centres running off the street. Of note is the demolition of the internal building at 174-180 Chapel St. The former furniture retail outlet was housed in a double storey period building of which only the façade remains. The alterations and partial demolition to the existing shops has resulted in four separate shops on a 320 square metre site within a Heritage Overlay, all of which are tenanted.

Vacancy Rates September 2009

Shopping Precinct	Number of Shops	Number of Vacancies	%
Bridge Rd	366	30	8.2
Burke Rd	212	9	4.2
Centre Rd	215	8	3.7
Chapel St	631	25	4.0
Church St	176	3	1.7
Glenferrie Rd	188	13	6.9
High St	246	11	4.5
Puckle St	145	4	2.8
Toorak Rd, Toorak	168	14	8.3
Toorak Rd, Sth Yarra	298	45	15.1
Overall	2,645	162	6.1

Source: Savills Research

High St, Armadale

One of the most successfully themed and marketed precincts in the country, High Street, Armadale is synonymous with homewares. Like Chapel Street, High Street has extended its catchment area to the entire metropolitan area. If we mention the word “antiques” everyone replies “High Street”. This is borne out in the high 19% representation of household goods. High Street, Armadale has eleven vacant shops.

High Street, Armadale has no major anchor. The precinct intersects with Glenferrie Road, Malvern (not Hawthorn) which contains some 300 shops, a Coles supermarket and a Safeway supermarket inside the sub-regional shopping centre Malvern Central.

Glenferrie Rd, Hawthorn

Glenferrie Road, Hawthorn is just two kilometres from Burke Road, Camberwell and certainly shares the same catchment area. It has less fashion and more restaurants and cafes. The precinct is anchored by a Coles supermarket on one side and a Safeway on the other. The precinct has 188 shops and 13 vacancies.

Toorak Rd, Toorak

Known locally as “The Village”, Toorak Road, Toorak services the most affluent suburb of Melbourne. It comes as no surprise its dominant tenant is fashion related.

A Safeway supermarket anchors the precinct.

The precinct has a large amount of vacancy relative to the other retail strips (and always has), mostly in the arcades and centres rather than street frontage with 14 of the 168 shops vacant.

Puckle St, Moonee Ponds

Puckle Street, Moonee Ponds is an extremely popular shopping precinct with investors, tenants and shoppers alike. The only precinct surveyed in the western suburbs of Melbourne it is interesting because, like Centre Road, Bentleigh, it is situated on the doorstep of a Super Regional shopping centre - Highpoint.

Like Centre Road, Bentleigh, Puckle Street is a convenience-based shopping precinct. It is anchored by a Coles supermarket.

Two developments of note in the Puckle Street precinct – Mirvac's Moonee Ponds Central was completed in March 2009 with strong linkages to Puckle Street and Reading's proposed redevelopment of the Moonee Ponds Market.

The precinct competes successfully with Highpoint by offering cheaper rents, convenience and a downmarket offer. The precinct has 145 shops and four vacancies.

Indicative Rents September 2009

Shopping Precinct	Net Rents (\$/sqm)
Bridge Rd	800 – 1,100
Burke Rd	800 – 1,200
Centre Rd	300 – 600
Chapel St, Windsor	500 – 700
Chapel St, Prahran	800 – 1,000
Chapel St, South Yarra	1,300 – 1,500
Church St	400 – 800
Glenferrie Rd	500 – 900
High St	400 – 600
Puckle St	400 – 600
Toorak Rd, Toorak	600 – 800
Toorak Rd, South Yarra	500 – 900

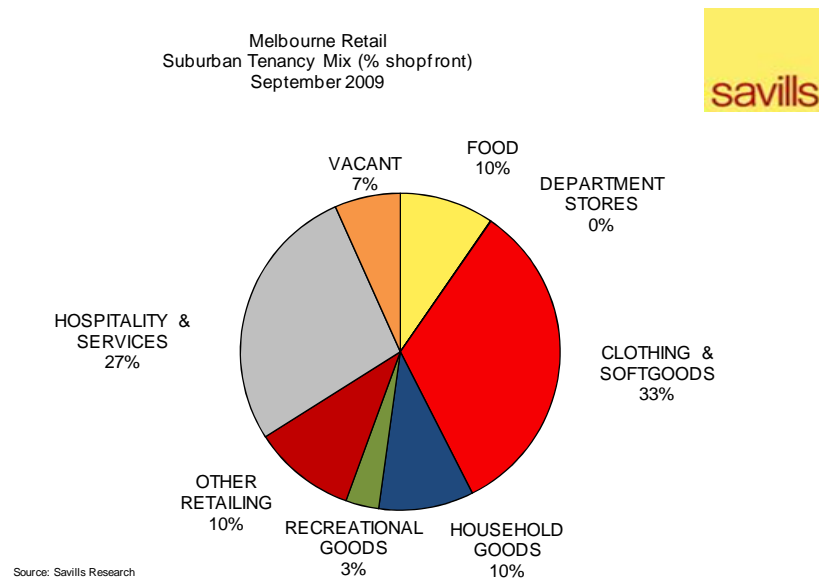
Source: Savills Research

Toorak Rd, South Yarra

Just one kilometre down Toorak Road from "The Village" is the South Yarra shopping precinct of Toorak Road. This precinct intersects with Chapel Street and is almost an extension of it. The precinct has less emphasis on fashion and greater emphasis on restaurants and café's. The precinct has no major anchor, however supermarkets are found in the adjoining Chapel Street.

Of the 298 shops in Toorak Road, South Yarra, 45 are currently vacant.

The graph below illustrates the tenancy mix applicable in the Melbourne suburbs in September 2009. There are no department stores present on the prime street shopping precinct. Almost half of the retail offer is food, restaurants, cafes, services and “other” retailing. This is due in part to the fact there is little difference in location within a particular street and there are a great many streets to choose from.



Category definitions

- **Food** – Supermarkets, grocery stores, take-away food, fresh meat, fish and poultry, fruit, vegetables, liquor, bread and cake retailing.
- **Department stores** – Full line department stores, discount department stores.
- **Clothing and soft goods** – Clothing, footwear, fabric and other soft goods
- **Household goods** – Furniture, floor covering, hardware, housewares, and appliances and recorded music.
- **Recreational goods** – Newspapers, books, stationery, sport and camping equipment, toys and games, photographic equipment.
- **Other** – Pharmaceuticals, cosmetics, toiletries, antiques, used goods, garden supplies, flowers, watches and jewellery.
- **Hospitality and Services** – Pubs, taverns, bars, clubs, cafes, restaurants, video hire outlets, hairdressing and beauty salons.
- **Unclassified** – Financial services, repairs, dry cleaners, gambling outlets, photo processors, travel agents, post office, printers, petrol outlets, solicitors, accountants, medical centres, veterinarians, real estate agents.

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