

Commercial Research

BETWEEN THE LINES

Perth Retail Strips

November 2018

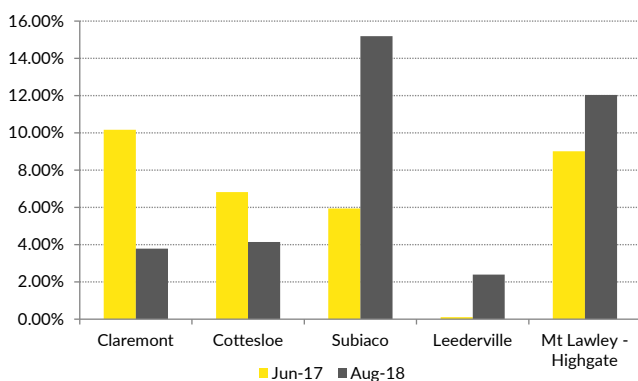


The Perth retail market has been under increased pressure just like all retail markets across the country. Over the past few years there have been a strong reduction in retail trade growth results most notably for discretionary goods retailing which have been exacerbated by the fundamental poor economic condition across the state. Encouragingly has been an improvement in employment locally which has translated into some further increases in GSP highlighting upward growth in economic fundamentals for WA. All economic forecasts are for WA to once again become the economic powerhouse of Australia soon.

The proliferation of online shopping has been a driving force towards the demise of many retailers over the last 10 years, emergence of groups like Amazon into Australia now 12 months ago have put further pressure on competition for goods which has resulted in a change in retailing. A greater emphasis on experience-based retailing has been key, providing greater entertainment, activity and education instore to attract customers.

Also considering savings levels are increasing and discretionary spending is falling, the move to more convenience-based retailing around food has been key for the success of many centres and retail strips. Parking continues to be of growing importance particularly for retail strips who rely heavily on providing easy and free access for customers. Looking ahead, the retail mix will be key to attract and retain tenants however rents will need to remain competitive to keep strips vibrant.

Vacancy by Retail Strip



Source: Ray White Commercial

There has been some significant change in vacancy levels across the various Perth Prime Retail Strips over the last fifteen months.

The stand out market being Bay View Terrace, Claremont which has reduced vacancy from 10.16% to 3.78% thanks to an increase in Service tenancies, this vacancy represents just 335sqm across three properties. Napoleon Street, Cottesloe has also yielded good results with vacancies reducing by 267 basis points over the same time frame with just 214sqm of vacant space, this improvement in occupancy has been aided by an increase in food retailing. Subiaco has taken a turn for the worse with an increase in vacancy to now represent 15.19% after recording 5.94% last June, this increase is off the back of a number of business closures and relocations notably in the food retailing sector. Leederville and Mt Lawley-Highgate have also increased vacancy off their prior result now representing 2.39% and 12.03% respectively.

Bay View Terrace, Claremont



No. of Shops
41



NLA*
8,861sqm

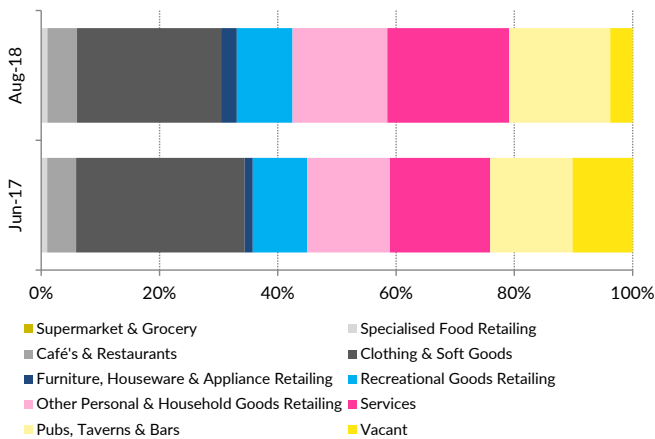


Vacancy
3.78%

*estimate

Bay View Terrace, Claremont

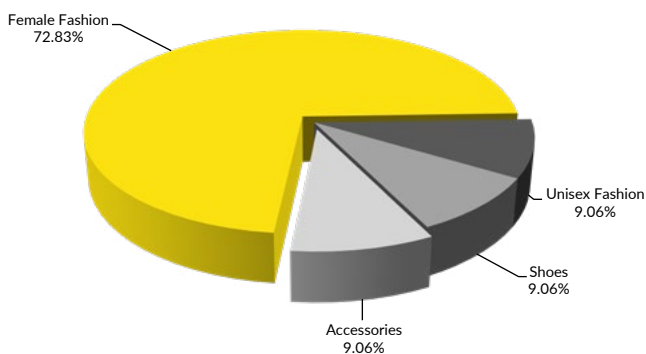
Bay View Terrace, Claremont



Source: Ray White Commercial

The Bay View Terrace retail precinct has shown some changes in tenancy profile over the last fifteen months. Encouragingly has been the reduction in vacancy from 10.16% to just 3.78% which was dominated by an increase in the Services sector. This sector now accounts for 20.62% which is dominated by the large Australia Post shop located on the strip while other professional services such as banks and real estate also feature in this strip. Growth has also occurred in the Other Personal & Household Goods Retailing sector which includes jewellers, gifts and newsagencies etc. While the Clothing & Soft Goods sector has reduced its size proportion from 28.48% to 26.05% in the August 2018 count and it continues to be the largest occupier of stock across this retail strip.

Clothing & Soft Goods Breakdown



Source: Ray White Commercial

The dominance of the Clothing & Soft Goods sector has continued into this period. Accounting for more than a quarter of all retail occupants across the strip this has been further analysed to identify the key operators. Female fashion is the major drawcard for this location with 72.83% of all retailers in this category or eight tenancies of 1,608sqm. There is further small component evenly split across other Clothing & Soft Good operators including Unisex Fashion, Shoes and the Accessories market.

In terms of the leasing rates in this region, we have witnessed very little activity along Bay View Terrace which is testament to its low vacancy; this area is dominated by Claremont Quarter. Recent evidence has shown that rents can vary considerably and may achieve up to as high as \$2,000/sqm net depending on size of tenancy, location and term. Demand remains high for investment for assets in this strip location which continue to be tightly held, yields remain in the 6.00% range.

Napoleon Street, Cottesloe



No. of Shops
37



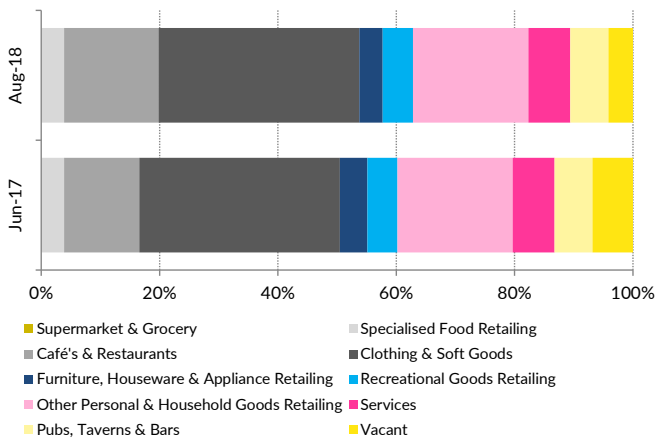
NLA*
5,172sqm



Vacancy
4.14%

*estimate

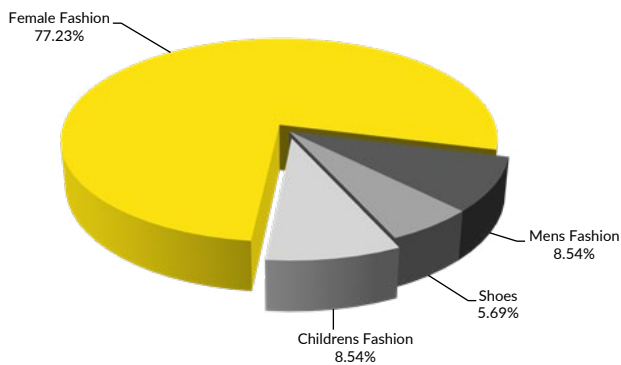
Napoleon Street, Cottesloe Retail Mix & Vacancy



Source: Ray White Commercial

There has been limited change in the tenancy profile across Napoleon Street over the last 15 months. The most positive change however has been the improvement in the vacancy, already off a low base of 6.16% in June 2017 to now 4.14% or 214sqm. This mix has remained constant over this time with the take up of space noticeable in the Café & Restaurant Retailing category now representing 15.93% up 322 basis points. Clothing & Soft Goods remains the retail type of choice for this location continuing its dominance 33.97% however the Other, Personal & Household Goods Retailing continues to be another key attractor for the strip with a high number of Jewellery retailers represented.

Clothing & Soft Goods Breakdown



Source: Ray White Commercial

Napoleon Street, Cottesloe continues its "fashion hub" reputation with Clothing & Soft Goods contributing to more than a third of all retailers across this strip. Looking more closely at the split at this location sees the reliance of Female Fashion in this location represented by over 77% of all retailers in this category. Men's and Children's Fashion also feature at a minor rate while dedicated Shoe retailers represent a small component of the overall retail mix.

This high occupancy and limited change in tenancies emphasises the lack of leasing evidence in this location. Rents are anticipated to remain in the \$650-\$700/sqm net range with investment demand still strong in this tightly held market, no transactions this period have been recorded not dissimilar to our last analysis which revealed just one sale in the sub 4.00% yield range.

Rokeby Road, Subiaco



No. of Shops
111



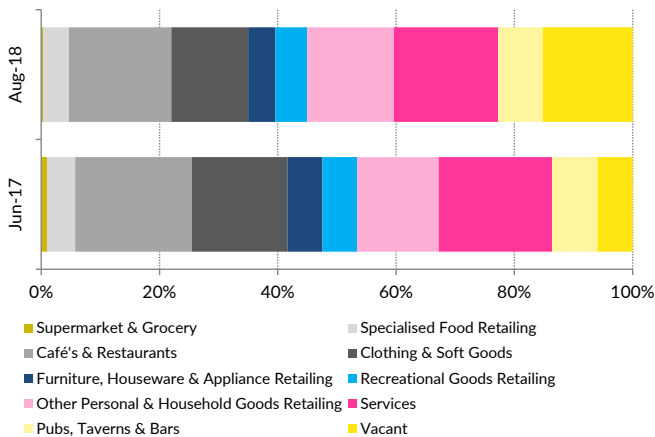
NLA*
14,230sqm



Vacancy
15.19%

*estimate

Rokeby Road, Subiaco Retail Mix & Vacancy



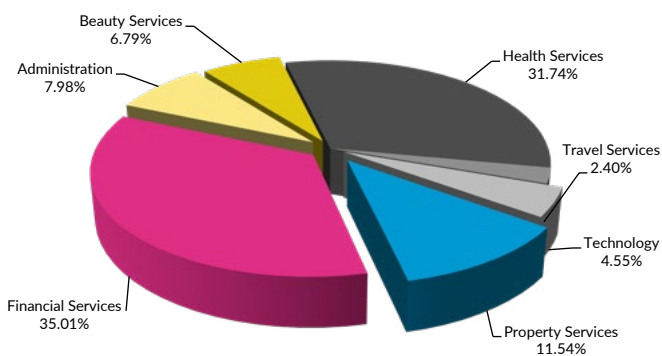
Source: Ray White Commercial

The Rokeby Road, Subiaco market has been the most active retail strip of our Prime Retail Strip Surveyed areas.

While the mix have seen some small changes the most obvious change has been in the vast increase in vacancy, currently representing 15.19% (or 2,161sqm) up from 5.94% in our prior survey. Challenging retail conditions has resulted in the demise of a number of long standing tenants including Esprit, the iconic Witches Cauldron has also closed its doors after 48 years of trading from 89 Rokeby Road and Daneechi Swimwear (30 Rokeby Road) having closed in mid-2018 after 30 years. It is clear the Clothing & Soft Goods category has contracted now representing 12.99%. Food Retailing has also reduced its footprint with Specialised Food together with Café's & Restaurant now accounting for 24.51% down from 21.68%. Services has been the retail category which has been most consistent now representing 17.60% of all stock along this profile strip which will naturally continue to reposition over time and find a new tenant mix at more sustainable rental levels.

We are confident that Rokeby Road will start to improve with a pro-business council, and future redevelopment of the football oval and PMH.

Services Breakdown



Source: Ray White Commercial

While this market has the most even split of retailers, the Services sector has maintained as the largest proportion of this strip representing over 2,500sqm of retail space. The major users here being both in the Health Services with specialised medical operators and Financial Services including Banks. Other Services including Property, Beauty and Admin also feature highly in this location with a smaller Travel and Technology sector also featured.

The retail market remains challenging with steady turnover of tenants. The previously attainable \$600/sqm net remains a barrier for most retailers, with several premises currently available for lease between \$280/sqm and \$550/sqm. The recent sale of the Subiaco Markets site has been highly anticipated as has the future redevelopment of this site; together with the move of Coles from Barker Road to new premises at 44 Station Street will bring a greater focus toward the northern end of Rokeby Road and Subi Square.

Oxford Street, Leederville



No. of Shops
46



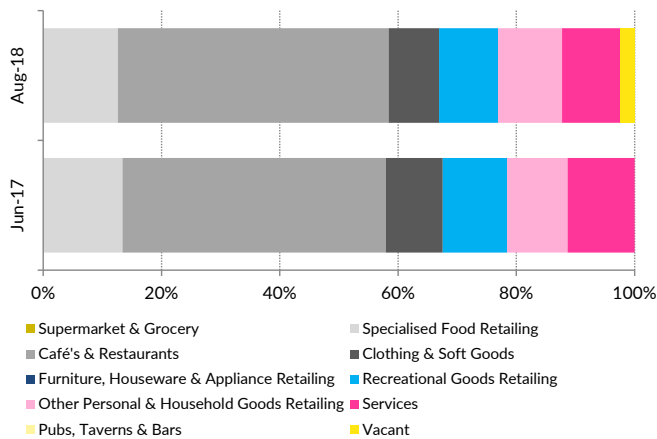
NLA*
7,334sqm



Vacancy
2.39%

*estimate

Oxford Street, Leederville Retail Mix & Vacancy

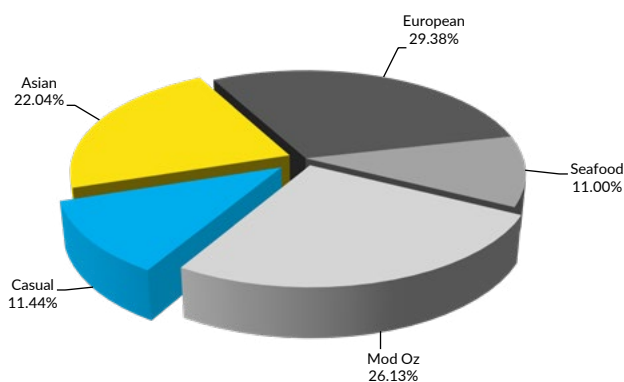


Source: Ray White Commercial

Oxford Street was noted as our standout performer in our prior Perth Prime Retail Strip report recording a zero-vacancy factor back in June 2017. There has been limited change in the retail mix since this time except for a small increase in vacancy to 2.39%.

This market with an “eat street” status is dominated by food related retailing both in Specialty foods as well as Café's & Restaurants which accounts for 58.43% of the total mix. The Services, Other Personal & Household Good Retailing and Recreational Goods Retailing all representing a similar split of around 10% of the total occupiers with Clothing & Soft Goods slightly less at just 8.50%.

Café's & Restaurants Breakdown



Source: Ray White Commercial

Oxford Street is a highly regarded retail location and has managed to remain strong despite the emergence of revitalised retail strips of Angove Street, North Perth and Scarborough Beach Road, Mt Hawthorn. With food such an integral part of the retail mix of Oxford Street in particular the Café & Restaurant sector, this category alone represents 45.18% or over 3,300sqm of stock across the strip. Looking more closely at this alone, highlights the diversity on offer across the precinct. The cuisines are well split across Modern Australian, European and Asian fare making it a revisited location by many. The addition of more casual and take away options also highlights the differing price point levels also on offer catering for a wide dining market. This quality mix has served Leederville well over this survey period with leasing and sales evidence near non-existent highlighting the attractiveness and held market it is.

Beaufort Street, Mt Lawley-Highgate



No. of Shops
121



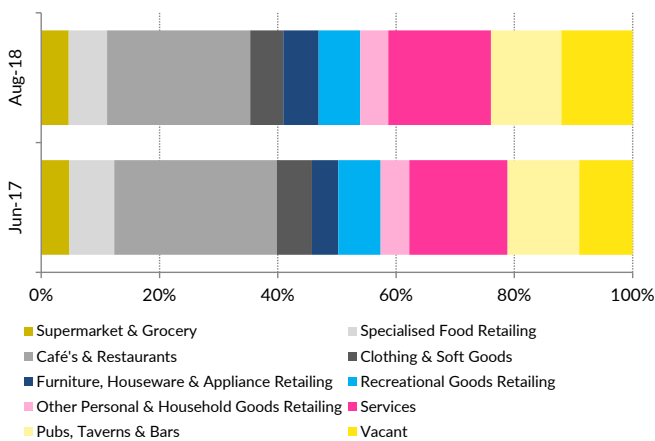
NLA*
17,169sqm



Vacancy
12.03%

*estimate

Beaufort Street, Mt Lawley-Highgate Retail Mix & Vacancy

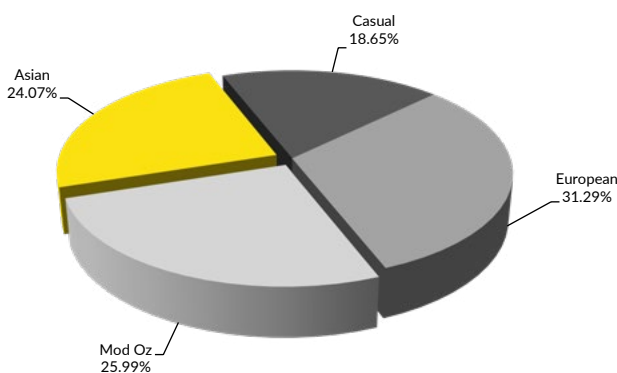


Source: Ray White Commercial

The Beaufort Street market has continued its high vacancy into 2018, growing over the last 15 months from our last survey of 9.01% to currently 12.03% represented by 2,066sqm.

While this has grown, a lot can be attributed to the quality grade of this stock on offer. The overall mix of the precinct however has seen limited change except for the reduction in space in the Café & Restaurant category. Despite this, this type continues to be the largest space user across the strip represented by 24.20% followed by the Services sector accounting for 17.37%. Notably is the high level of Beauty services on offer in this location including a high number of hair related businesses, while Professional services such as property, finance and legal are also well represented in this location. This strip location is also home to a high number of bars and pubs which represent around 12% of the total stock on offer.

Café's & Restaurants Breakdown



Source: Ray White Commercial

Despite its falling share, the Cafés & Restaurant category continues to be the dominate space use across Beaufort Street.

Encouragingly is the split across the differing cuisines on offer with European, Modern Australian and Asian food retailers all featuring in this location. The addition of the Casual dining and take away category also visible in this location catering to a wide range of customers.

In a similar trend witnessed in Rokeby Road, rents have tended to level off around the \$600/sqm market for prime tenancies. However, there is a significant amount of secondary stock which is proving difficult to lease in the current market below this level.

Research

KNOW HOW



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We thank LMW for their contribution to this report:



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