

SHOPPING CENTRE

COUNCIL OF AUSTRALIA

Shopping Centre Council of Australia Sales Reporting Guidelines December 2010

1. INTRODUCTION

In 2004 the Shopping Centre Council of Australia (SCCA) decided to seek uniformity, where possible, among its members in shopping centre sales and occupancy costs reporting.

This followed the Council's decision in 2002 to resolve the issue of whether retail sales in shopping centres should be reported on a GST-inclusive or GST-exclusive basis. The SCCA Council decided, as a preference, that members should report sales on a GST-inclusive basis.

In March 2004 the Council established a sub-committee on sales reporting, chaired by Darren Steinberg (CEO Shopping Centres, Stockland), to review the public reporting practices of the shopping centre industry in the area of retail sales, occupancy costs and associated statistics. The objective of the sub-committee was to establish standard industry practices, to be endorsed by the SCCA, which would be adopted by members in order to achieve greater uniformity of reporting for the shopping centre industry.

A number of SCCA members participated in this sub-committee. These were AMP Capital Investors, Centro Properties Group, Colonial First State Property, the GPT Group, Jones Lang LaSalle, Lend Lease Retail, Mirvac, QIC, Savills, Stockland and the Westfield Group. Consulting firms UrbisJHD and MapInfo Dimasi also participated in deliberations of the sub-committee because of their involvement in the preparation and use of industry averages and benchmarks.

The subcommittee's recommendations were approved by the SCCA Council in May 2005. The Council decided the changes would take effect from 1 July 2005 and relate to reporting for the financial year 2005-06. Council members recognised, however, that data for the financial year 2004-05 would need to be recalculated according to the new reporting practices to ensure comparative data is available for 2005-06.

At the request of the SCCA Council the sub-committee was further asked to reach agreement on sales group category reporting. This is addressed in sections 2.1 and 2.7. The subcommittee acknowledges the assistance of Mapinfo Dimasi in the preparation of these categories. This report, which updates the original report of May 2005, was endorsed by the SCCA Board of Directors on 16 February 2006.

Following discussion among members in June 2006 the sales group categories were slightly amended to nominate fine categories in the 'Food Retail' sales group. Further, following discussions in October 2010, Dan Murphy was removed from the Majors Category.

2. REPORTING GUIDELINES

The guidelines adopted by the Shopping Centre Council of Australia are as follows:

2.1 Collection and Definition Issues

In terms of broad categories, tenants should be classified into the following groups.

| Broad Category | Inclusions |
|---------------------|--|
| Majors | Named Major tenants to only include the following: Woolworths, Coles, Bi-Lo, Aldi, Action, Dewsons, Franklins, IGA, Farmer Jacks, Foodworks, Foodland, Spar Supermarket, Harris Scarfe (where more than 400 sqm), Food For Less, Safeway, Myer, Target, Kmart, Big W, David Jones, Bunnings, Harvey Norman, Toys R Us, Pick 'n Pay Hypermarket |
| Mini Major | All tenants greater than 400 sqm not defined as "Major", "Other Retail" or "Non Retail" (see below) |
| Specialties | All Sales Reporting Tenants under 400 sqm excluding Travel Agents, Auto Accessories, and Lotto |
| Other Retail | Other Sales Reporting Tenancies including Automotive Accessories, Travel Agents, Cinemas, Other Entertainment, Lotto |
| Non Retail | All other non sales reporting categories (Banks, Automatic Telling Machines, Financial Institutions, Health Insurance, Tab, Gaming Venues, Amusements, Professional Services And Suites, Offices) - must be expressly excluded from Sales, Productivity and Occupancy Cost |

Data is to be collected exclusive of GST and adjustment for GST, at the store or tenant level, will be in accordance with the MapInfo Dimasi document '*Shopping Centre Sales Reporting GST Uplift Factors August 2005*'.

In reporting the turnover of pharmacies, lottery agents, travel agents and mobile phone shops the SCCA recognises that there are a range of practices and that lease reporting clauses can impede the achievement of uniformity in these areas. It is recommended, however, that managers endeavour to move to the following agreed practices:

- In reporting turnover of pharmacies, government rebates for prescription medicines (eg PBS) should be excluded.
- In reporting turnover of lotto agents, calculation of the centre MAT should include total sales ('cash through the till').
- In reporting turnover of travel agents, calculation of the centre MAT should include total sales ('cash through the till').
- In reporting turnover of mobile phone shops, turnover should reflect 'cash through the till' 'which includes agents' commissions for the sale of plans.

2.2 Gross Lettable Area

Gross Lettable Area (GLA) is to be measured according to the Property Council of Australia's '*Method of Measurement for Lettable Area*' and is to include the trading area of all tenants located at the centre, whether currently leased or not leased.

The GLA will not include separate storage areas and will exclude land lease areas. Tenants with occupancy by way of land lease, such as free-standing pad sites, will be included for GLA purposes using the building area as the basis of measurement.

Component reporting will be based at the category level: majors, mini majors, specialty and other.

Specialty GLA is to comprise all tenants that are not major tenants but excluding tenants that are defined as mini major (i.e. greater than 400 square metres in area).

2.3 Moving Annual Turnover

Moving Annual Turnover (MAT) is sales for a twelve-month period calculated on a monthly rolling basis. As a general rule the MAT of the shopping centre is to include trade from all tenants where the manager is provided with sales data.

Managers will not estimate trade except where audited figures are supplied on an annual basis.

Notwithstanding the supply of data, some specific uses will be excluded. These are: banks, automatic telling machines, financial institutions, health insurance, TAB, gaming venues, amusements, professional services and suites, offices, casual mall licences and storage areas leased to specific tenants.

Specialty MAT will include all sales reporting tenancies less than 400 square metres including: standard food specialties, standard non-food specialties, retail services specialties, auto accessories shops, hardware shops, fast food outlets, other retail shops and mobile phone shops. Travel agencies, and lotto and lotto-type games, are to be expressly excluded from specialty MAT.

2.4 Sales Productivity Measures

The sales productivity measures are to be based on actual retail sales data for each shop, calculated each month and aggregated for the year.

The underlying reporting objective is to provide accurate information on what has taken place in the centre over the period in question. To achieve this in the area of sales productivity the following rules will apply:

1. Use actual data without exception
2. There will be no inclusions or exclusions within the agreed category options. Total centre and specialty groupings are as defined under section 2.3 **Moving Annual Turnover**.

The proposed formula for calculating sales productivity is:

- Productivity measures = $\text{sum}[\text{monthly turnover} \div \text{shop area}]^n$

The subcommittee acknowledges that where a shop has recorded less than a full 12 months of trade, the productivity calculation will understate the potential productivity. Testing indicates this is not significant at the category or centre level.

Definitions

1. n = previous 12 month period
2. monthly turnover = reported or estimated sales inflated for GST³
3. 'Shopping Centre Sales Reporting GST Uplift Factors August 2005' MapInfo Dimasi.

2.5 Occupancy Cost Measures

The occupancy cost ratio calculations will use the actual occupancy cost charges (exclusive of GST) for the year, divided by actual retail sales data (inclusive of GST) for the year.

The underlying reporting objective is to provide accurate information on what has taken place in the centre over the period in question. To achieve this in the area of occupancy cost ratios the following rules will apply:

1. Use actual data without exception
2. There will be no inclusions or exclusions within the agreed category options. Total centre and specialty groupings are as defined under section 2.4 Sales Productivity Measures.

The proposed formula for calculating the occupancy cost ratio is:

- Occupancy cost ratio = [sum of monthly occupancy cost charges]ⁿ ÷ [sum of monthly turnover]ⁿ.

Definitions

1. n = previous 12 month period
2. monthly turnover = reported or estimated sales inflated for GST³
3. 'Shopping Centre Sales Reporting GST Uplift Factors August 2005' MapInfo Dimasi.
4. Occupancy cost charges include base rent, outgoings, turnover rent, and promotional contributions, and are net of GST. All other tenant related costs or benefits are excluded.

2.6 Comparable Growth Calculations

Comparable sales growth calculations will be based on the stable centre philosophy. The centre is regarded as stable where the current base format of major and broad specialty shop composition over the period of measurement has remained unchanged. Where a centre is deemed to be stable for the period of measurement in question, then growth variances will be calculated from the retail sales data, without exclusions or adjustment, except where there is change of use or periods of abnormal retail sales involving major shops.

A centre will be regarded as stable following redevelopment after 24 months.

Exclusion and adjustments to data will be permitted in the following instances:

1. Where a change of use to a major tenant takes place (e.g. where a department store is converted to specialties or a supermarket) the historical and future sales data are to be excluded from calculations until the component becomes stabilised as defined here.
2. Movement in trading area at the broad category level of more than +/- 5%.

2.7 Sales Group Category Reporting

The Committee recommends that the following categories of retail be adopted for sales reporting purposes:

| Broad Category | Sales Group | Fine Categories | Notes |
|-----------------------|--------------------|--|---|
| Majors | Majors | Named Major tenants as defined in section 2.1 of this report | |
| Mini Major | Mini Major | All tenants greater than 400 sqm not defined as "Major", "Other Retail" or "Non Retail" (see below) | |
| Specialties | Food Retail | Delicatessen Fruit and Vegetables Butcher Poultry Fresh Seafood Bakery/Cakes/Pastries Other Specialty Food | |
| | | Liquor | Take-home Liquor |
| | Food Catering | Takeaway Food | Food Court tenancies, Donuts/Pancakes/Biscuits, Ice-cream, Fast Food |
| | | Cafes and Restaurants | Coffee Lounge, Licensed Restaurants, Family Restaurants |
| | Apparel | Women's Apparel | |
| | | Children's Apparel | |
| | | Men's Apparel | |
| | | Jeaneries & Unisex | General Clothing, Sporting Apparel, Jeanswear and Unisex Apparel |
| | | Footwear | Sports footwear, General Footwear |
| | | Fashion Accessories | Sunglasses, Hosiery and Accessories, Handbags, Costume Jewellery |
| | Jewellery | Jewellery | Fine Jewellery, Watches NB. Costume Jewellery now in Fashion Accessories |
| | Leisure | Sporting Goods | Sports Equipment, Outdoor Equipment |
| | | Music / Video / Games | Music, Electronic Games, Video |

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|---------------------|--------------------|--|---|
| | | Books | |
| | | Newsagents & Stationery | |
| | | Film Processing / Photography | |
| | General Retail | Giftware | Gifts, Souvenirs, Arts and Crafts, Print and Frame shops |
| | | Pharmacy & Cosmetics | |
| | | Discount Variety | |
| | | Florists / Pets / Toys / Miscellaneous | Florists, Pets, Toys, Board Games, Tobacconists, Disposals |
| | Homewares | Electrical / Sound / Computers | |
| | | Furniture / Hardware | |
| | | Homewares | |
| | Mobile Phones | Phone & Mobile Communications | |
| | Retail Services | Key Cutting / Shoe Repairs / Watch Repairs | |
| | | Optometrist | |
| | | Hairdressing / Beauty | |
| | | Other Retail Services | |
| Other Retail | Other Retail | Travel Agents | |
| | | Lotto | |
| | | Automotive Accessories | |
| | | Cinemas | |
| | | Other Entertainment | Bowling, Ice Skating, Games Parlours |
| | | Other Retail (incl Sales Reporting Pad Sites) | |
| Non Retail | Non Retail | Non Retail | Banks, Automatic Telling Machines, Financial Institutions, Health Insurance, Tab, Gaming Venues, Amusements, Professional Services And Suites, Post Office, Offices |