

**24 JUNE 2020**

## **MEDIA STATEMENT**

### **Rental assistance agreements for SME retailers reach 6,400**

The Shopping Centre Council of Australia (SCCA) said shopping centre owners and SME retailers are continuing to make progress on rental assistance discussions and agreements during the Covid-19 pandemic, with more than 6,400 agreements reached within the nine-week period 30 March – 31 May 2020.

This includes more than 1,400 agreements that have been finalised in the two-weeks to 31 May, an increase of almost 20 per cent since the SCCA last surveyed its members, with more than 150 agreements being reached per day.

SCCA Executive Director Angus Nardi said: "Rental relief is getting through to those who need it most. The increasing volume of agreements illustrate that the Commercial Tenancy Code of Conduct announced by the Prime Minister on 7 April 2020 is working, and our industry and SME retailers are reaching practical solutions to address the challenging economic circumstances.

"Pleasingly, nearly half (45%) of the SMEs retailers that have requested rental relief have reached an agreement. But there is more work to do. The SCCA urges SME retailers to review the Code of Conduct, and come to the table with requests that are fair and proportionate to their circumstances.

"While the vast majority of conversations have been productive, there are instances where agreements are taking longer to negotiate. This is often as a result of a lack of documentation to support claims for rental assistance. Nonetheless, shopping centre owners are committed to reviewing and appropriately responding to every rental assistance request to ensure SME retailers can thrive as more Australians return to the shops."

Cafes, food catering and takeaway retail and catering (26%), retail services (e.g. hair, beauty, nails, shoe repairs) (21%) and clothing and footwear (14%) are the sectors that account for the largest proportion of offers or agreements for rental assistance to date, with many of these SME retailers being affected by government gathering and trading restrictions.

So far, New South Wales (32%), Victoria (29%) and Queensland (23%) account for almost three-quarters of offers, with other jurisdictions expected to account for more offers and agreements in the future as negotiations continue following the recent full enactment of the Code of Conduct across all jurisdictions.

The progress in agreements comes as increases in consumer confidence, foot traffic and store reopenings point to improved trading conditions, reaffirmed by the preliminary ABS Retail Data for May which has an uplift of 16.3%.

Mr Nardi said shopping centre owners remain extremely focused on health precautions and protocols, and continue to monitor the latest government advice to ensure the ongoing safety of shoppers and employees.

#### **The survey of SCCA members found:**

- More than 6,400 offers, in-principle agreements or agreements for rental assistance have been reached with SME retail stores up to 31 May 2020.
- More than 1,400 in-principle agreements or agreements have been reached in the two-weeks to 31 May (the latest period for which the SCCA has surveyed members).
- This represents 45% of the 14,500 SMEs that have requested rental assistance.
- Approximately 80% of all SMEs have requested rental assistance, highlighting that 20% of SMEs have traded well. SME retail stores in the surveyed shopping centres represent 63% of total stores.

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**Attached: *SCCA Briefing Note: SME Retailer Rental Assistance Update***



# SME RETAILER RENTAL ASSISTANCE UPDATE

24 JUNE 2020

## INTRODUCTION

The SCCA has surveyed its members on the rental assistance provided to Small and Medium Enterprise (SME) retailers under the Code of Conduct announced by the Prime Minister on 7 April 2020, as approved by National Cabinet, which has been enacted progressively by State and Territory governments (see *Timeline* overleaf). Data in this briefing note cover offers, in-principle agreements or agreements reached in relation to short-term rental assistance under the Code across a nine-week period, from 30 March – 31 May 2020. The data and analysis focusses on offers, in-principle agreements or agreements, our members' obligations under the Code to make an offer of rental assistance to an SME tenant, which then progresses to an in-principle agreement (i.e. terms are agreed) and then an agreement in the form of a legally-binding amended lease. This Briefing Note follows the SCCA's initial release of information on 4 June 2020 available on our website: [scca.org.au](http://scca.org.au).

## KEY POINTS

- Every SCCA member has offered or reached agreement with SME retailers on rental assistance on a case-by-case basis. Under the Code, this includes both waiving and deferring rent, and arrangements such as extended lease terms.
- SCCA members have offered or reached agreement on rental assistance for 6,473 SME retail stores, which is 45% of SMEs that have requested assistance. 80% of all SMEs have requested assistance, highlighting 20% have traded well. SME retailers in shopping centres represent 63% of total stores.
- The top 3 retail categories being offered rental assistance are: (1) Cafes / food catering / take-away (26% of total), (2) Retail services (e.g. hair-dressing, key-cutting, shoe-repair) (21%) and (3) Clothing, footwear and accessories (14%).
- The top 2 retail categories being assisted were those affected from Government gathering / trading restrictions, covering almost 50% of all offers and agreements, noting that restrictions have now started to ease and that preliminary ABS Retail Data for May (issued on 19 June 2020) indicates the largest ever rise in Retail Trade.

## KEY ANALYSIS

1

### 80%

Total SMEs requesting rental assistance.

- Not all SMEs have rental assistance, highlighting some SMEs have traded well during the period.
- Some SMEs are not providing required documentation under the Code to support requests for assistance.
- Some SMEs are requesting assistance despite having no reduction in turnover.

2

### 6,473 (45%)

Total offers/ in-principle agreements/ agreements provided to SME retail premises on a case-by-case basis up to 31 May.

- 45% of requests for rental assistance have been reached.
- 151 agreements reached per day, noting each requires formal lease / legal documentation to be completed consistent with the Code.
- Some SMEs (including franchisors acting on behalf of franchisees) want assistance well beyond what is entitled under the Code and are hence not coming to an agreement.

3

### Cafes / takeaway

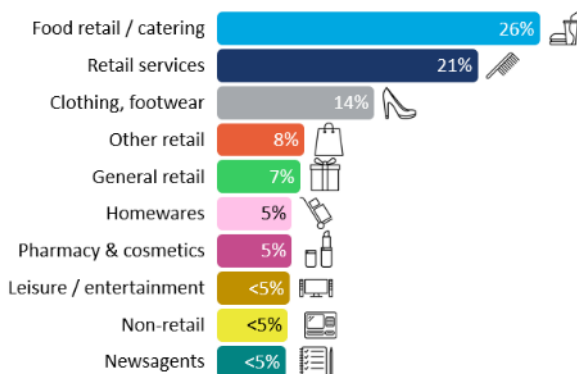
- Top two categories: Cafes / food catering / take-away (26% of total) and Retail services (e.g. hairdressing, key-cutting, shoe-repair) account for almost half of agreements reached (47%)
- ABS Preliminary Retail data for May 2020 indicates the single largest monthly rise in seasonally adjusted Retail Trade on record, increasing by 16.3%.

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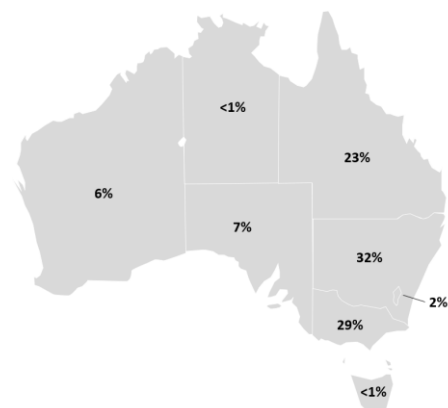
### NSW & VIC (61%)

- NSW and Victoria account for 2/3 of rental assistance – noting these are larger markets and the Code was enacted earlier relative to other jurisdictions (see *Timeline* overleaf).

Rental assistance by Retail Category



Rental assistance by Jurisdiction

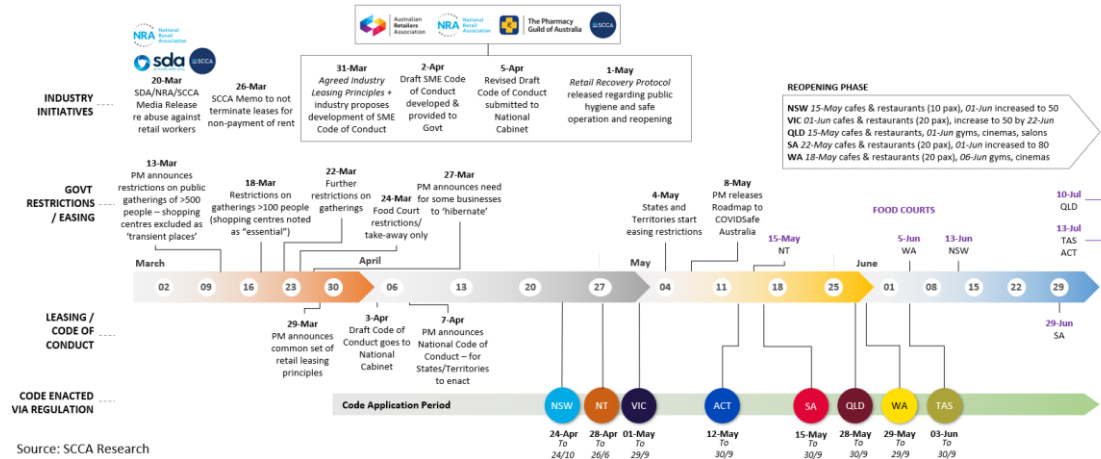


**OPERATIONAL ISSUES / EASING OF RESTRICTIONS**

- Some operational costs are going up, such as cleaning, in line with public health requirements.
- A small amount of retailers remain closed despite no category trading restrictions for those particular retailers; foot traffic within shopping centres being at strong levels and their category peers being open and trading.
- More stores are opening, including as government restrictions start to ease including foodcourts.
- Government land tax concession schemes are proving complex to engage with in terms of required documentation and process.

**CODE OF CONDUCT TIMELINE**

The following provides a summary of key industry and government activities and announcements in relation to the Code of Conduct.



**SCCA MEMBER CENTRES**

Shopping centres have remained open during the COVID-19 period, as shopping centres were classified by government as 'public transient places' and 'essential activities' and were exempt from specific Government gathering and trading restrictions.

Care needs to be taken interpreting the results in this Briefing Note, noting that (for instance) there are higher numbers of retailers in some categories (e.g. clothing versus pharmacy), and higher numbers of retailers in some jurisdictions than others (e.g. NSW versus Tasmania). SCCA member centres / portfolios have the following differing characteristics:

- Located across all jurisdictions, and include metropolitan, regional and rural areas,
- Comprise small neighbourhood centres through to CBD and large 'regional' centres,
- Have a mixture of discretionary / non-discretionary retailers, including 'essential services' retailers such as supermarkets, pharmacies that have not been impacted by government trading restrictions.
- Comprise different trade catchment characteristics (e.g. low to high median household income).

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**DISCLAIMER**

*The SCCA has not sought, or been provided with, any information from SCCA members relating to any current or future negotiations, any policies and procedures, or the amount, proportion, structure, or volume of rent relief provided to SME retailers. This includes the provision of any other information which could give rise to any claim against an SCCA member or the SCCA regarding anti-competitive behaviour under the Competition and Consumer Act 2010 such as (but not limited to) collusion, cartel conduct or exclusive dealing, or engaging in a concerted practice, or conduct, which has the purpose, effect or likely effect, of substantially lessening competition. No SCCA member information provided to the SCCA has been shared with other SCCA members.*