

SME AND NON-SME RENTAL ASSISTANCE UPDATE

10 AUGUST 2020

This is the third update the SCCA has released on *Rental Assistance* during COVID-19, including under the *Commercial Tenancies Code of Conduct* (Code) which the SCCA conceived and developed as an industry Code with key retailer groups such as the National Retail Association (NRA) and Pharmacy Guild of Australia (PGA), and which was ultimately submitted to National Cabinet. The final Code of Conduct was announced by the Prime Minister on 7 April 2020 and enacted progressively by State and Territory governments.

The SCCA has sought and received information from SCCA members in relation to leasing activity and the value of rental assistance provided to SME and non-SME retailers. Compliance with the *Competition and Consumer Act 2010* was noted when requesting information from SCCA members. A compliance statement *Competition and Consumer Act 2010* appears in this Briefing Note.

KEY POINTS

- SCCA members have provided substantial rental assistance to SME and non-SME retailers, totalling \$1.6 billion. This is larger than several government funded support packages and it has been at the cost of others in the economy, including superannuation funds that support many public service professions as well as income for 'mum and dad' investors.
- Unlike others, our sector stands alone in having regulation require us to provide direct financial assistance to third parties, which must be financed from our own resources.
- We have strived to strike a balance between helping those who need it while at the same time confronting our own financial pressures in the face of ongoing disruptions to regular trading to protect public health.
- Our industry is committed to working closely and co-operatively with our SME partners, particularly 'small' SMEs, in the spirit for which the SCCA conceived and developed the Code with key retailer groups in the first place and well ahead of any government intervention.
- Our sector cannot sustain further formulaic rental assistance beyond the original term the Code was mandated for in each state and territory. It is in our commercial interests as well as the broader economy that SMEs have longevity within our centres as they provide products and services our customers want and support local jobs. Shopping centre owners can negotiate this on a case-by-case basis taking into consideration a range of localised factors.

KEY RENTAL ASSISTANCE METRICS - \$ VALUE

Based on aggregated SME and non-SME data, SCCA members have provided for the following value of rental assistance:

1

\$1.6 billion

- Total assistance to SMEs and non-SMEs.
- Substantially larger than Land Tax relief packages for the shopping centre industry.

2

State breakdown

Total assistance to SMEs and non-SMEs

- NSW** – \$581 million
- VIC** – \$412 million
- QLD** – \$366 million
- WA** – \$100 million
- SA** – \$75 million
- ACT** – \$27 million

*TAS & NT not disclosed but included in total

KEY RENTAL ASSISTANCE METRICS – SME LEASING ACTIVITY

The SCCA has also been collecting SME data from members on an ongoing basis, based around the progress of leasing deals. To the end of 30 June, the following key metrics are identified:

1

84%

of total SMEs requesting rental assistance.

- Not all SMEs have requested any rental assistance, highlighting some SMEs have traded well during the period.
- Significant issues exist with the level of assistance sought and refusal to provide the required documentation.

3

NSW & VIC (64%)

accounting for over two-thirds of total agreements reached.

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

2

Cafes/takeaway

and Retail services.

- Top two categories: Cafes / food catering / take-away (28% of total) and Retail services (e.g. hairdressers, beauty, nail salons) (19.4%) account for almost half of agreements reached (47.3%)
- Latest ABS Retail Trade data for June 2020 indicates strong growth, increasing 2.7% month-on-month and 8.5% year-on-year.

SCCA MEMBERS, MEMBER PORTFOLIOS & CENTRES

Care needs to be taken interpreting the information provided in this Briefing Note, noting that SCCA members and member portfolios and centres have the following differing characteristics:

- SCCA members range from family-owned companies, superannuation funds, to listed trusts.
- Different jurisdictions and portfolios and centres have different retail trading environments, including some that are 'back to normal' (i.e. less assistance has been provided due to positive retail trading conditions).
- Rent levels and structures, and hence rental assistance, may vary according to location, retailer type and retailer.
- Portfolios and centres are located across different jurisdictions, and include metropolitan, regional and rural areas,
- Portfolios and centres comprise small neighbourhood centres through to CBD and large 'regional' centres,
- Portfolios and 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.
- Portfolios and centres different trade catchment characteristics (e.g. low to high median household income).

DISCLAIMER

Competition and Consumer Act 2010: In requesting the information contained in this Briefing Note, which is for advocacy purposes, the SCCA did not seek, or was 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 individual SME and non-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, or will be, shared with other SCCA members.

CONTACT: Angus Nardi, Executive Director, SCCA, 0408 079 184
Simon Hemphill, Head of Research, SCCA, 0405 675 230