



ESSENTIAL ECONOMICS

# **6-14 Princess St, Brighton-Le-Sands Shop Tenancy Assessment**

Prepared for

Lumex Property Group

c/o Ethos Urban

by

Essential Economics Pty Ltd

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## INTRODUCTION

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### Background

Lumex Property Group Pty Ltd (Lumex) completed construction of a mixed use building at 6-14 Princess Street in 2015. The property comprises below ground parking, ground floor retail/commercial space and apartments on above ground levels 1-8.

While the apartments have been sold and are fully occupied, the ground floor retail/commercial tenancies have failed to attract market interest. Several real estate agents have been engaged at various times to lease the tenancies, without success.

In view of the difficulty in securing tenants for the ground floor space, Lumex has approached Bayside Council to seek approval to convert the retail/commercial space to a residential use. This conversion will require a change to the planning permit that currently applies to the property.

Council requires evidence to be supplied with a planning proposal. In email correspondence, Council have specified supporting evidence to include:

- *Land use analysis – analysis of existing uses within the centre and the demand (or otherwise) for tourist related uses and subsequently the zoning;*
- *Evidence of tenant interest – documentation showing that the owner has exhausted all reasonable efforts to secure tenants for the shop fronts;*
- *Impact analysis – details on the proposed future uses of the ground floor space and the impact it may have in regards to the surrounding context;*
- *Traffic and parking analysis – this could be coupled with the ‘impact analysis’ and should include a look at whether the proposed future use of the ground floor space will have a significant impact on traffic movement in and out of the site as well as the surrounding area. This should also include information on whether there is sufficient space for parking (depending on the use).*

As additional evidence Ethos Urban, on behalf of Lumex, are seeking an independent market appraisal of the ground floor retail/commercial space to assess the likelihood of securing long term sustainable tenancies. Essential Economics is engaged to undertake this independent appraisal.

## Objectives

The objective of this report is to broadly assess the potential for retail or commercial tenants to occupy the ground floor tenancies at 6-14 Princess St, taking into account:

- General location and retail market characteristics
- Site specific features.

## This Report

This report contains the following chapters:

- 1 **Brighton-Le-Sands** discusses the suburb, its location, provision of retail shops and services, and population and demographic characteristics.
- 2 **Site Analysis** describes the ground floor tenancies at 6-14 Princess Street, key adjacencies, vehicle and pedestrian access, and improvements undertaken by the owner.
- 3 **Leasing History** provides evidence of leasing campaigns and interest in the tenancies.
- 4 **Location Assessment** measures broad retail potential of the site using a scorecard methodology.

## EXECUTIVE SUMMARY

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- 1 The Blue Apartments (or the 'subject site') were developed in 2015 and are located at 6-14 Princess Street Brighton-Le-Sands approximately 13km south-west of the Sydney CBD. Centred on Bay Street, the Brighton-Le-Sands activity centre is one of three main activity centres located in the City of Bayside. The centre is a well-known dining destination, particularly on weekends. In contrast to other large street-based centres, Brighton-Le-Sands has a relatively low share of shops in non-food categories.
- 2 The population of Brighton-Le-Sands has experienced some moderate growth over the past decade associated with infill residential development opportunities, including at the subject site. The rate of population growth is expected to slow over the next decade.
- 3 Overall retail spending per capita by residents of Brighton-Le-Sands is approximately 3% below the Greater Sydney average, although spending is slightly above average for cafes and restaurants and takeaway food. The demographics of the suburb are slightly older than average, with a high share of lone person households. The median individual income is slightly below average.
- 4 The location of the Blue Apartments is on the southern side of Princess Street, one block north of Bay Street and the high activity areas of the Brighton-Le-Sands centre. Located in the SP3 Tourist Zone, the development of the apartments was required to incorporate ground floor shops. It is understood the application of the SP3 Tourist Zone to the subject site reflects the historical potential for expansion to the adjacent Novotel Brighton Beach. That potential no longer exists.
- 5 Princess Street is primarily residential in nature at this location, with low levels of vehicle and pedestrian traffic. The Novotel Brighton Beach immediately to the east, at best, provides only very limited levels of activity which would benefit tenants at the subject site. Similarly, the nearby Coles and Bay Street shopping strip do not generate activity in Princess Street which would create sales and visitation for potential tenants at the subject site.
- 6 The ground floor shops at the Blue Apartments have been designed in a manner which meets contemporary tenant expectations. This includes commercial grade paving in the outdoor areas, exhaust fans and grease traps installed to accommodate a commercial kitchen, and a flexible layout to maximise attractiveness to possible operators. From a tenancy design perspective only, the shops are suitable to a range of potential users.
- 7 A leasing program for the ground floor shops has been underway since mid-2015, without success. Cushman and Wakefield, Colliers International and LJ Hooker Commercial are well-regarded commercial agencies who have been unable to lease the tenancies over a period of 2.5 years. This is despite reductions in the asking rent, and improvements (exhaust system and grease trap) designed to attract tenants. Feedback from the leasing agents has identified the poor locational attributes of the site as the key reason for a lack of tenant interest.

- 8 Applying a scorecard methodology to a set of 12 criteria commonly applied in locational advice, identifies that the subject site has relatively poor overall locational attributes. In particular, the subject site has very low ratings for factors including:
- Competition (extensive competition already exists for food-based retailing on Bay Street)
  - Pedestrian Traffic (the subject site has minimal levels of pedestrian traffic and no direct sight lines to highly trafficked areas)
  - Visibility to Passing Traffic (low levels of vehicle traffic in Princess Street and complex access arrangements from The Grand Parade)
  - Adjacencies (the adjacent Novotel provides very limited activity to the subject site, no other significant attractors are in the immediate vicinity with the exception of Coles which has no interface or sight line to the Blue Apartments)
  - Critical mass/destinational appeal (the subject site is located a block north of Bay Street and derives no benefit from the activity levels and visitation generated from the Brighton-Le-Sands activity centre).
- 9 Overall, it is our view that the subject site has below-average attributes for the operation of successful ground-floor retailing, which indicates:
- A low desirability for potential tenants
  - Poor locational attributes which may undermine the long-term trading success of any tenants which are attracted to the site
  - A high 'vacancy risk' for the shop tenancies.

# 1 BRIGHTON-LE-SANDS DESCRIPTION AND CONTEXT

This Chapter of the report describes the broad locational context for the subject site at 6-14 Princess Street, Brighton-Le-Sands.

## 1.1 Location and Accessibility

Brighton-Le-Sands is located 13km south-west of the Sydney CBD, on the western shore of Botany Bay within the City of Bayside.

As shown in Map 1.1, the suburb is bordered by: Bestic Street in the north; Botany Bay in the east; President Avenue in the south; and an irregular boundary in the west, including part of Memorial Fields, West Botany Street and Muddy Creek.

**Map 1.1 Brighton-Le-Sands Suburb Outline**



Source: BingMaps with MapInfo

The Grand Parade, runs north-south along the eastern border of the suburb, adjacent to the beach. The Grand Parade is 2 or 3 lanes in either direction through Brighton-Le-Sands, depending on the prevailing parking restrictions. Along with the Princess Highway further west, the Grand Parade is the main north south arterial route connecting the suburb with other parts of Sydney.



Bay Street runs east-west through Brighton-Le-Sands, connecting with Rockdale in the west.

The suburb is not served by rail, although a bus operates to Rockdale Station. Otherwise, State Transit provides a limited bus service linking Brighton-Le-Sands to Sydney CBD and Miranda.

## **1.2 Brighton-Le-Sands Town Centre**

The Brighton-Le-Sands town centre is one the three main activity centres located in the City of Bayside (the other being Rockdale and Wolli Creek).

Bay Street and The Grand Parade comprise the main commercial and retail areas of the town centre. Both sides of Bay Street between The Grand Parade and Crawford Road feature ground floor shops facing onto relatively wide footpaths. The southern side of Bay Street mainly comprises two level buildings, while the northern side has a number of multi-storey apartment and commercial buildings.

The western side of The Grand Parade between The Boulevard and Princess Street also has ground floor shop uses.

Novotel Brighton Beach is located on the northern side of The Grand Parade and Bay Street intersection. The 296 room 4.5 star hotel benefits from water views, frontage to The Grand Parade and Brighton-Le-Sands beach, and proximity to Sydney Airport.

The Brighton-Le-Sands town centre is well known as a multi-cultural food destination, particularly for numerous Greek cafes, restaurants and businesses. Accordingly, the retail mix on Bay Street and The Grand Parade has a high share of cafes, restaurants, food and convenience stores.

In contrast, the share of shops in non-food categories (such as apparel, homewares, general merchandise) is well-below that for similar sized street-based activity centres in Sydney.

A small Coles supermarket, located on the corner of Princess Street and Moate Avenue, is the only significant national brand store in the centre.

## **1.3 Population, Demographics and Retail Spending**

### ***Population Trends and Forecasts***

The population of Brighton-Le-Sands has experienced consistent growth in recent years, increasing from 7,950 residents in 2006 to 9,100 residents in 2017. Over the period to 2031, the population of the suburb is forecast to increase further to approximately 10,350 residents.

A summary of historic and forecast population trends for Brighton-Le-Sands is shown in Table 1.1.

**Table 1.1 Brighton-Le-Sands Population Trends and Forecasts**

	2006	2011	2017	2021	2026	2031
<b><u>Population (No.)</u></b>						
Brighton-Le-Sands	7,800	8,480	9,100	9,600	10,000	10,350
<b><u>Average Annual Growth (%)</u></b>						
Brighton-Le-Sands		1.7%	1.2%	1.3%	0.8%	0.7%
<b><u>Average Annual Growth (No.)</u></b>						
Brighton-Le-Sands		+140	+100	+130	+80	+70

Source: Essential Economics and published sources

### ***Retail Spending***

Estimates of per capita retail spending by residents of Brighton-Le-Sands have been prepared with reference to the *MarketInfo* retail spending model. *MarketInfo* is a micro-simulation model which uses data from the ABS Household Expenditure Survey, the ABS Census of Population and Housing, ABS Australian National Accounts, and other relevant sources.

Average per capita retail spending in 2017 for residents of Brighton-Le-Sands is summarised in Table 1.2 and compared with the metropolitan Sydney average. The retail spending data is presented in four major spending category groupings.

- **Food, Liquor and Groceries** – includes spending on fresh food, groceries and take home liquor. This main category is relevant to supermarket based shopping.
- **Food catering** – includes cafes, restaurants and take-away food.
- **Non-Food** - includes apparel, homewares, bulky merchandise and general merchandise
- **Services** – such as hairdressers, beauty salons etc.

**Table 1.2 Per Capita Retail Spending by Brighton-Le-Sands Residents, 2017 (\$2017)**

	Food, Liquor and Groceries	Food Catering	Non Food	Services	Total Retail
<b><u>Per Capita Spending (\$2017)</u></b>					
Brighton-Le-Sands	\$5,560	\$2,160	\$5,100	\$510	<b>\$13,330</b>
<i>Greater Sydney Average</i>	<i>\$5,470</i>	<i>\$2,110</i>	<i>\$5,620</i>	<i>\$510</i>	<b><i>\$13,710</i></b>
<b><u>Variation from Greater Sydney Average (%)</u></b>					
Brighton-Le-Sands	+1.6%	+2.4%	-9.3%	+0.0%	<b>-2.8%</b>

Source: MarketInfo, Essential Economics

Total spending per capita by residents of Brighton-Le-Sands on retail goods and services in 2017 was \$13,330 per capita, or 2.8% lower than the Greater Sydney average of \$13,710.

However, for food catering spending, which includes cafes, restaurants and takeaway food outlets, per capita spending by residents of Brighton-Le-Sands is +2.4% above the Greater Sydney average. This indicates an above average propensity of residents living in the area to dine out.

### ***Socio-Economic Characteristics***

According to the 2016 ABS Census of Population and Housing, the suburb of Brighton-Le-Sands is characterised by:

- Personal income levels (\$36,850) marginally below the Greater Sydney average (\$37,460)
- An older age profile with a median age of 40.1 years in the suburb relative to the Greater Sydney average of 36.4 years
- A lower than average share of family households, and a higher proportion of lone person households
- An above average share of dwellings rented (45.9%) relative to the Greater Sydney benchmark (35.1%).

**Table 1.3 Brighton-Le-Sands Socio-Economic Characteristics, 2016**

	<b>Brighton-Le-Sands</b>	<b>Greater Sydney</b>
<b><u>Income</u></b>		
Median individual income (annual)	\$36,850	\$37,460
Variation from Greater Sydney median	-1.6%	na
% of persons (15 years or older) earning \$1,000pw or more	35.1%	37.3%
<b><u>Age Structure</u></b>		
Median Age (years)	40.1	36.4
<b><u>Household Composition</u></b>		
<i>Couple family with no children</i>	23.0%	23.8%
<i>Couple family with children</i>	26.3%	37.5%
Couple family - Total	49.4%	61.3%
One parent family	12.5%	11.1%
Other families	1.3%	1.3%
Family Households - Total	63.2%	73.7%
Lone person household	32.2%	21.7%
Group Household	4.6%	4.6%
Average household size	2.3	2.8
<b><u>Tenure Type (Occupied Private Dwellings)</u></b>		
Owned outright	30.8%	30.0%
Owned with a mortgage	22.5%	34.2%
Rented	45.9%	35.1%

Source: 2016 ABS Census of Population and Housing

## **1.4 Implications for Subject Site**

A review of the locational context for the subject site indicates the suburb of Brighton-Le-Sands which is experiencing moderate rates of population growth, although this is expected to slow over coming years. Overall levels of per capita retail spending are 3% below the Greater Sydney average, with income levels of local residents also marginally below the Greater Sydney average.

The Brighton-Le-Sands town centre, centred on Bay Street, is one the three main activity centres located in the City of Bayside. On weekends, the town centre has high volumes of people visiting the numerous cafes and restaurants, while during the week the centre has much lower levels of activity. A significant range of food-related shops are already located in the Brighton-Le-Sands town centre, indicating any such tenants for the subject site would be operating in a highly competitive environment.

## 2 SUBJECT SITE ANALYSIS

This Chapter of the report considers the locational context and features of the ground floor tenancies at the subject site of 6-14 Princess Street, Brighton-Le-Sands.

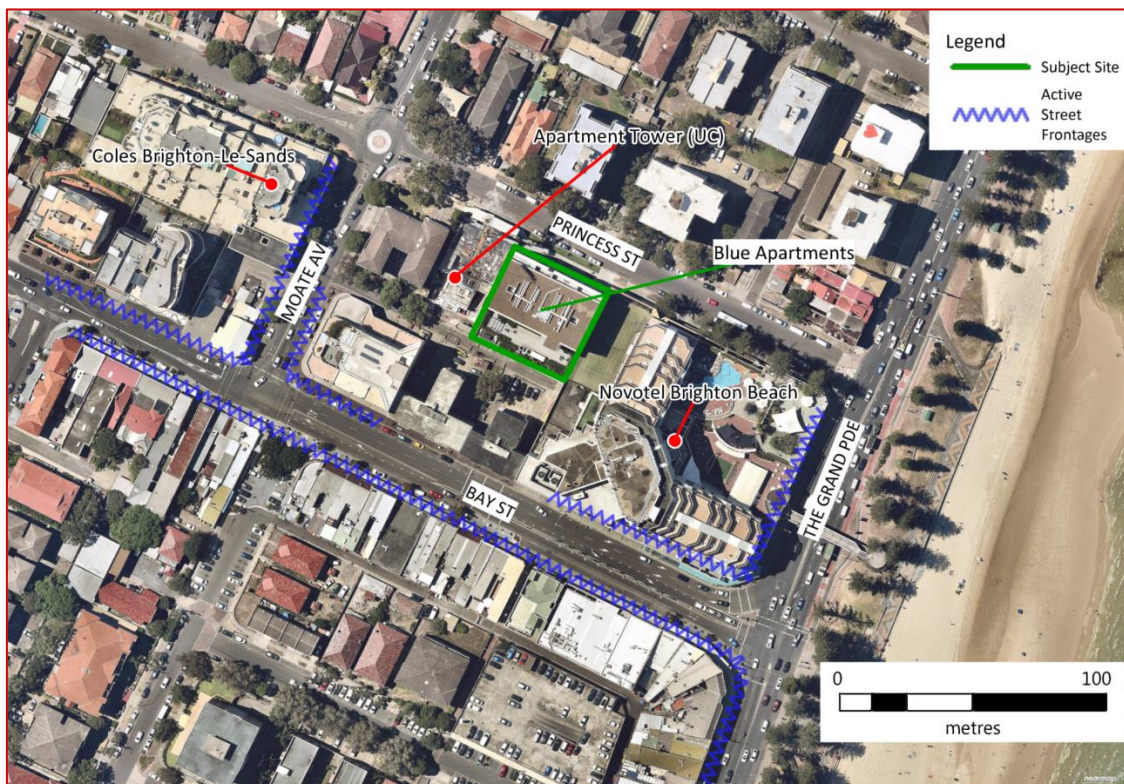
### 2.1 Location

The subject site, called the 'Blue' apartment building, is located on the southern side of Princess Street between The Grand Parade in the east and Moate Avenue in the west. Immediately east is the Novotel Brighton Beach, while to the west is a residential apartment building currently under-construction.

Immediately opposite the site on the northern side of Princess Street are residential uses, primarily apartments.

The subject site is located one block north of the main commercial area in Bay Street.

**Map 2.1 Blue Apartments Location and Site Context**



Source: Essential Economics with Nearmap and MapInfo  
UC – under construction

## 2.2 Site Description

The three tenancies considered in this report are located on the ground floor of the 8-level Blue apartment tower.

Construction of the Blue Apartments was completed in September 2015. The building comprises a total of 67 1-bed, 2-bed and 3-bed apartments. All dwellings have been sold to owner-occupiers or investors.

Below ground parking is provided for residents with an entry point at the eastern end of the building. Pedestrian entry is provided centrally to the site, while the three ground floor tenancies are located at the western end of the site, farthest from the Novotel Brighton Beach.

Parking has been reserved for prospective tenants of the ground floor shops.

## 2.3 Surrounding Land Uses

### Novotel

The Blue Apartments are immediately adjacent to the Novotel Brighton Beach, a 296 room hotel. The hotel serves business travellers and tourists, and offers facilities for meetings and events, including weddings. In 2015, the hotel was sold to new owners and indications from the sale campaign at that time are the facility has relatively strong occupancy levels.

In common with the four and five star hotel market, the Novotel Brighton Beach includes dining and bar facilities which aim to maximise guest spending within the building. Furthermore, although an entrance to the hotel is provided from Princess Street, this provides only limited exposure to the Blue apartment building. An internalised retail mall links the hotel foyer to Bay Street.

Active uses fronting The Grand Parade are located at the ground-level of the Novotel building, including a large restaurant and a number of cafes/takeaway outlets. These businesses have direct sightlines to Botany Bay and the Brighton-Le-Sands beach.

In contrast, the shop tenancies in the Blue Apartment building front what is primarily a quiet residential street.

For this reason, we do not believe that it is reasonable to expect that guests and visitors to the Novotel Brighton Beach can be considered to be a strong and consistent source of sales and patronage to potential shop tenants at the subject site.

### Apartment Tower (Under Construction)

A new apartment block is currently under construction immediately west of the Blue Apartments at 16-20 Princess Street. This development will be comparable in height and scale to the Blue Apartments, although it will not include ground floor shop tenancies.

The apartment tower at 16-20 Princess Street is located in the R4 High Density Residential Zone which does not require active ground floor shops. In contrast, the immediately adjacent subject site is located within the SP3 Tourist Zone which does encourage ground floor active uses.

This difference in the planning zone applying to each site is inconsistent with the relatively similar locational and development context for both sites.

### **Coles Brighton-Le-Sands**

Further to the west at the south-west corner of Princess Street and Moate Street, a Coles supermarket is located on the ground floor of an apartment building. The Coles generates substantial customer traffic, by virtue of it being the only major supermarket in the neighbourhood, although the overall size of the store (2,200m<sup>2</sup>) is well-below the typical size of a full range Coles supermarket (3,000m<sup>2</sup>-plus).

Supermarket shopping is largely based on convenience. A key convenience is the ability to park near the supermarket, shop at the supermarket and other complementary nearby shops (often with a trolley), then take bought items back to the car.

This convenience would not be facilitated by the relative locations of Coles and shops in the Blue apartment building, even if Blue shops could offer complementary goods or services.

Accordingly, it is not reasonable to expect that Coles would be a significant driver of customer traffic to shops on the ground floor of the Blue Apartments.

### **Bay Street**

Bay Street is the primary 'spine' of the Brighton-Le-Sands activity centre and is comprised of shops located on both sides of the street extending approximately 400 metres from The Grande Parade in the east to Francis Avenue in the west.

As previously noted, the centre has a higher than average share of food-based tenancies including cafes, restaurants and takeaway stores. In this sense, any similar outlets located at the Blue Apartment building would be operating in a highly competitive environment, with an extensive range of alternative operators located in the nearby, and much higher profile, Bay Street.

As shown in Map 2.1, the subject site has a northern aspect to Princess Street and is effectively one block removed from Bay Street. No mid-block pedestrian through-links are available, and no continuous active frontage links the subject site to the shops in Bay Street. A site visit confirms that the level of pedestrian activity in Princess Street and in front of the subject site is very low, compared with the level of activity and vibrancy in Bay Street.

The Bay Street strip includes numerous food-based tenants including cafes and restaurants. Importantly, despite the relative success of the centre as a dining and entertainment destination, some tenancies in the street are vacant (see Photo 2.1 as an example). This indicates that:

- The vacant tenancies on Bay Street are likely to be preferred by operators seeking to locate at Brighton-Le-Sands, and
- The current leasing conditions in the area do not support full occupancy in the prime commercial Bay Street strip, let alone the more secondary location of the Blue Apartments in Princess Street.

Despite the relative proximity of the Blue Apartments to the Bay Street centre, the synergies between both locations are limited. That is, the subject site is relatively isolated from the visitation generated by the wider Brighton-Le-Sands activity centre, and thus any tenants at the Blue Apartments site will not benefit from customer traffic generated by traders in Bay Street.

**Photo 2.1 Vacant Shop Tenancies in Bay Street**



## 2.4 Accessibility

### Vehicle Traffic

The Grand Parade carries both northbound and southbound traffic. However, vehicles travelling south are unable to turn right into Princess Street. Cars would need to turn right at Bay Street, right at Moate Avenue then right again into Princess Street.

Cars travelling north on The Grand Parade can turn directly left into Princess Street, although no left turn is permitted between 9pm to 2am on Friday, Saturday and Sunday.

Furthermore, on-street parking, while available, is limited.



Overall, the quality of vehicle access and the levels of passing vehicle traffic to the ground floor shops at the Blue Apartments could be best described as poor to fair.

### **Pedestrian Traffic**

Ample footpath space is located on both sides of Princess Street near the Blue Apartments. Those pedestrians passing the shops located at the subject site would be easily able to see and visit the tenancies.

However, as discussed in Section 2.3, no consistent and regular drivers of pedestrian traffic exist which are able to generate patronage to the shops at the subject site.

As is the case for vehicle traffic, the volume and consistency of pedestrian traffic in front of the Blue Apartments shop tenancies can be best described as poor to fair.

## **2.5 Description of Shop Tenancies**

The layout of the three ground floor tenancies in the Blue apartment building are shown in Map 2.2, while Photo 2.2 show the street-frontage of the tenancies.

In relation to the tenancies we note the following aspects:

- **Frontage.** All three shops have generous frontages onto Princess Street, and are set back 3.25m from the building line.
- **Tenancy Size.** The three shop tenancies have a combined floorspace of 166m<sup>2</sup>, comprising of Shop 1, 44m<sup>2</sup>; Shop 2, 73m<sup>2</sup> and Shop 3, 49m<sup>2</sup>. The design of the three tenancies allows for combining adjacent tenancies if required. That is, the shops are configured in such a way that one, two or three tenants could operate from the site subject to tenant demand. This flexibility is 'best practice' from a leasing perspective as it maximises the attractiveness of the tenancies to a wider variety of potential operators.
- **Outdoor Area.** An outdoor seating area is available outside each tenancy, which is particularly useful given the northern aspect of the site and thus consistent access to sunshine. The paving at the front of the shops and extending onto the footpath is commercial grade, and suitable for external seating and high levels of traffic.
- **Fit-out.** Although the tenancies are currently in 'shell' condition (i.e. empty), exhaust fans and a grease trap have been installed to service potential commercial kitchen operators. In effect, the landlord has already undertaken some improvements to the shop tenancies to attract potential food operators.
- **Carparking.** Three basement car spaces have been reserved for potential tenants, with bollards protecting those spaces from casual use by residents and visitors.

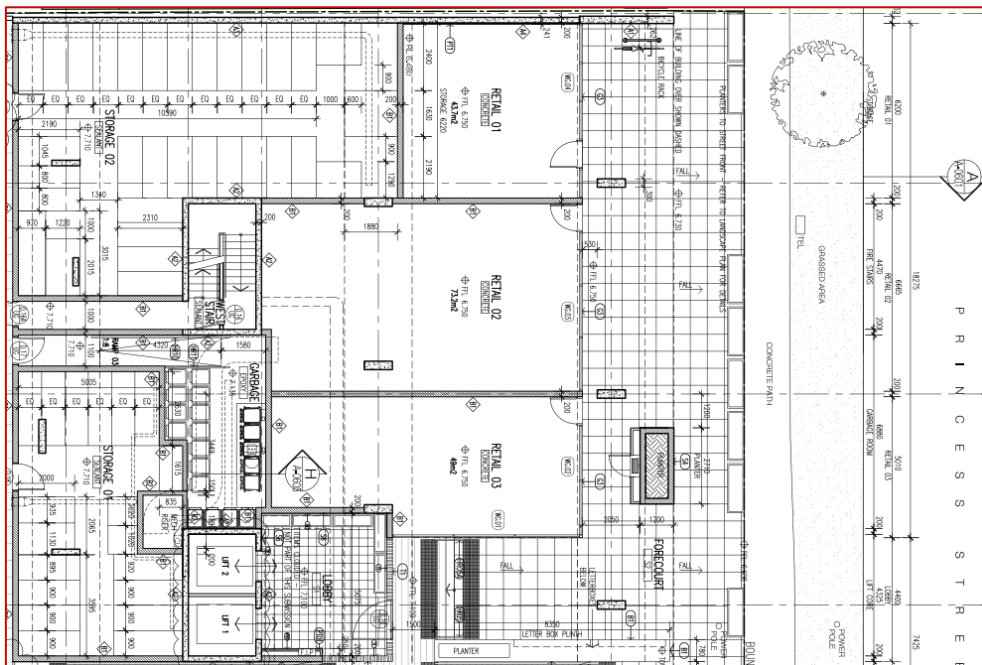
In terms of target tenant types, the shops have physical attributes that would accommodate:

- Small restaurant, café, take-away food (cooked on the premises), deli or sandwich shop.

- Small convenience store.
- Small liquor store.
- Non-food retail, such as toys, clothing boutique, hairdresser, beauty salon etc
- Commercial uses, such as real estate agency.

These shop spaces could be suitable for independent specialty traders or small chains. The shops would not attract interest from nationally branded retailers, who generally seek sites with higher exposure.

**Map 2.2 Layout of Blue Apartments Ground Floor Tenancies**



Source: SJB Architects

**Photo 2.2 Blue Apartments Ground Floor Tenancies**



## **2.6 Implications for Subject Site**

In terms of physical attributes only, the existing shop tenancies at the subject site are appropriate for a range of potential tenants, and have attributes and features likely to be attractive to possible operators.

However, that the spaces have not been leased suggests strongly that other factors, principally locational issues, are not conducive to sustaining a viable retail or commercial use at the site.

These locational issues are further discussed in Chapter 4 of this report.

### 3 LEASING CONSIDERATIONS

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This Chapter of the report considers the leasing program implemented for the shop tenancies at the subject site.

#### 3.1 Leasing History

On completion of the Blue Apartments building in September 2015, a leasing program was implemented for the shop tenancies. Notwithstanding the leasing program, the shops remain untenanted to this day.

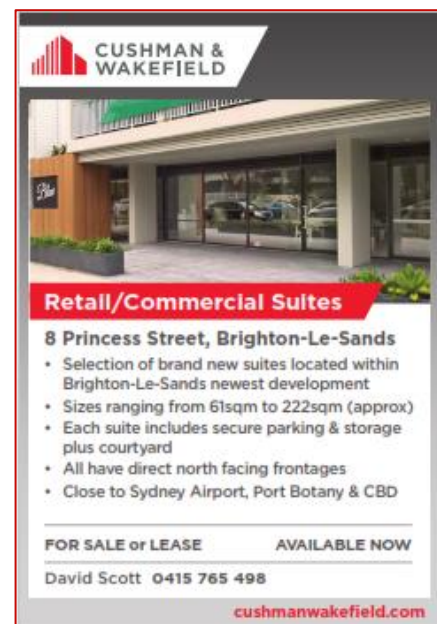
A summary of the leasing program, based on information made available by the client and a review of online real estate data, is as follows:

##### Cushman and Wakefield

The original leasing program was undertaken by Cushman and Wakefield. A global commercial real estate services company, Cushman and Wakefield has a strong commercial real-estate leasing team in Sydney, with a specialisation in small and mid-scale commercial developments.

It is understood that the leasing program undertaken by Cushman and Wakefield in 2015 included advertising in the Sydney Morning Herald and St George Leader and other print media, emails to C&W database, site signage and an online listing.

Given the lack of initial interest from prospective tenants, in early-2016 Cushman and Wakefield was replaced as the leasing agent by Colliers International. I understand that appointing a new agent was a response to the lack of tenant interest, rather than any specific issues with the quality of representation from Cushman and Wakefield.



##### Colliers International

Colliers International is one of the largest Commercial real estate agencies in Australia, with a market share of 16.5% of total commercial real estate transactions in 2016 (Source IBISWorld).

In early-2016 Colliers International implemented a 6-month leasing strategy for the shop tenancies at the subject site, including:

- Website advertising – including Colliers website, Real Commercial etc
- Print media – SMH and St George and Sutherland Leader newspapers

- Distribution of E-Flyer to prospective tenants
- Email contact with tenant database
- On-site sign boards

A total of 90 enquiries to the Colliers campaign did not result in any suitable candidates to lease the shop tenancies at the subject site.

In a letter to Lumex (16 May 2017), Colliers concluded:

*“Overall, the sales and leasing campaign was conducted for a period of 6 months as set out above, limited interest was received in the tenancies and no suitable formal offers were provided. In light of the length of time dedicated to the campaign, and the lack of interest resulting from our efforts, it was my recommendation that the active campaign be ceased.*

*In my opinion, the tenancies are not located in a desirable position for non-residential uses which we believe are ordinarily suitable for such a site, such as a cafe or retail premise. The tenancies are removed from the core retail/commercial strip of Bay Street and Grand Parade, resulting in substantially less foot traffic which is unattractive to potential tenants. Furthermore, the context of the tenancies on Princess Street is largely residential, with limited attraction for non-residential uses due to concerns about noise impacts and potential complaint limiting or affecting operations.”*

### **LJ Hooker Commercial**

Given the lack of interest generated from the leasing campaigns operated by the previous two ‘corporate’ commercial leasing agents, the local office of LJ Hooker Commercial was engaged to continue the leasing program in June 2017.

LJ Hooker Commercial tends to operate from smaller regional offices who have a closer relationship with the local business community within the area that they serve.

Since June 2017, LJ Hooker Commercial has continued to market the property to potential tenants, with only six formal enquiries made in the past 6-months. None of these inquiries have proceeded to a formal commitment to lease the shops.

## **3.2 Comments on Leasing Program**

The leasing program undertaken for the ground floor shops at the subject site has been comprehensive, with three well-regarded commercial agencies unable to lease the tenancies over a period exceeding 2.5 years.

Feedback from the leasing agents, including written advice from Colliers International, is that the tenancies lack the locational attributes able to attract commercial tenants.

It is understood that the asking rental level for the shops has been reduced over the period since June 2015, in response to the lack of tenant interest. The current asking rent for the shops is at a discount to that being achieved in Bay Street.

Furthermore, the leasing agents for the subject site have successfully leased space at other locations controlled by the client.

### **3.3 Implications for Subject Site**

Overall, the leasing program implemented for the ground floor shops at the Blue Apartments is consistent with normal industry expectations. Three well-known and competent leasing agencies have been engaged to undertake the leasing program, and available evidence suggests that all agents have made genuine efforts to attract tenants to the site.

The lack of interest in the site for potential tenants is not associated with the specific layout and design of the tenancies, rather the leasing agents have identified the poor locational attributes of the site as a key reason for a lack of tenant interest. The asking rents and leasing terms being sought by the owner for the shops are reasonable in the context of standard tenant expectations.

## 4 LOCATION ASSESSMENT

This Chapter undertakes a locational assessment for the subject site at the Blue Apartments in Brighton-Le-Sands with the application of criteria normally applied to commercial location decisions in private client advice by our firm.

### 4.1 Methodology and Criteria

An important consideration in the trading performance of any shop or retail outlet is the relative locational and design merits of the individual tenancy in which the outlet operates.

Two factors which are usually fundamental to business success in the retail industry are exposure and accessibility to potential customers.

A scorecard methodology can be used to assess the merits of shop tenancies for potential operators. A summary of 12 location criteria which are commonly applied in locational advice to clients is summarised in Table 4.1, with the relative performance of the subject identified according to each measure. In general, developers/landlords/tenants are seeking sites with an average score of 3 (average) or better.

**Table 4.1 Location Assessment Criteria**

Criteria	Considerations	Subject Site Score <sup>a</sup>
Retail Spending	Per capita food and non-food retail spending	3 - Average
Socio-Economic Profile	Are demographics of local population supportive of potential tenants	3 - Average
Resident Population	Is the local population stable, declining or growing.	3 - Average
Daytime population	Number of daytime workers and/or students	2- Below Average
Visitor spending	Visitors on weekends or during holidays	3 –Average
Significant retailers	Exposure to customers generated by national brand major, mini major and specialty stores	2- Below Average
Competition	Is the location well-placed relative to local competitors	1 - Very Low
Vehicle traffic and parking	Ease or difficulty of accessing the site by car. Availability of parking. Volume of passing vehicle traffic.	2 – Below Average
Pedestrian traffic	Ease or difficult of accessing the site for pedestrians. Volume of pedestrian traffic.	1 - Very Low
Visibility to passing traffic	Sight lines, signage opportunities	1 – Very Low
Adjacencies	Benefit of adjacent land uses to retail traders	1 – Very Low
Critical mass/destination appeal	Number and size of surrounding shops. Local attractiveness of site for shoppers.	1 – Very Low
<b>Overall Average</b>		<b>1.9 Below Average</b>

Source: Essential Economics

a. 1=Very Low, 2=Below Average, 3=Average, 4=Above Average, 5=Very High

## **4.2 Implications for Subject Site**

An average of score of 1.9 has been assessed for the subject site, which reflects locational attributes well-below average and indicates:

- A low desirability for potential tenants
- Poor locational attributes which may undermine the long-term trading success of any tenants which are attracted to the site
- A high 'vacancy risk' for the shop tenancies.