

NEIGHBOURHOOD SHOPPING CENTRE TRANSACTIONS IN AUSTRALIA

Billie O’Heare-Young

Neighbourhood shopping centres continue to be desirable property assets. Investment fundamentals of these properties are based on long term leases to listed companies providing half to two thirds of the property income, with the balance of tenancies comprising specialty tenants focused on service and food offerings.

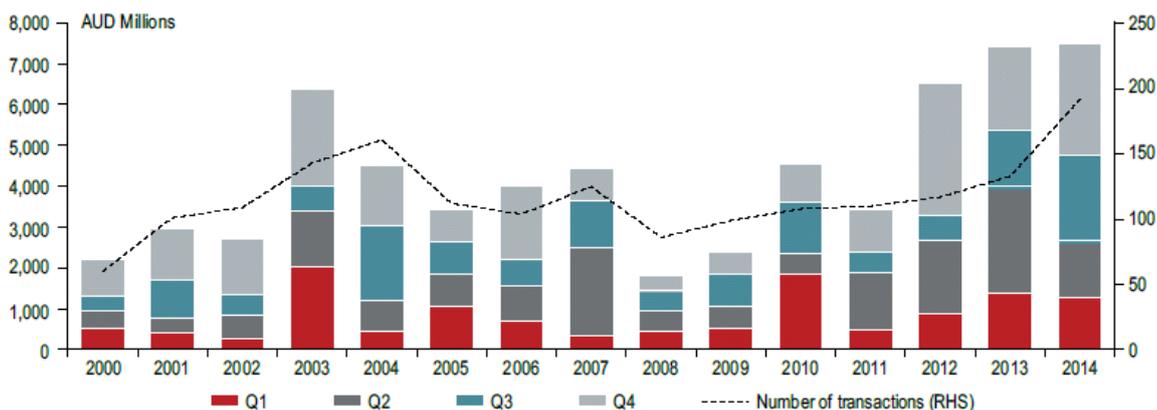
The tenant mix of neighbourhood centres can provide local flavour which further adds to their success as an asset class. Retail investment activity reached \$7.5 billion in 2014, a group of large transactions, combined with a significant upswing in smaller transactions, drove volumes to record-breaking levels. There has also been a large increase in activity occurring within the \$50-\$150 million range. This contrasts with 2012 & 2013, when there was greater dominance of assets valued at greater than \$200 million.

“Retail investment activity reached \$7.5 billion in Australia in 2014,”

The improvement in specialty store moving annual turnover (MAT) has increased the likelihood of a short-term rebound in market rental growth.

Private investors emerged as the net sellers of neighbourhood shopping centres Institutions (including offshore institutions) have become significantly more prominent as buyers of neighbourhood shopping centres, accounting for almost 65% of purchases by value in 2014 and 64% in 2013.

Figure 1: Total retail transactions



Source: JLL Research

Figure 1 - The figure above depicts the total number of retail transactions from 2000-2014, and shows a clear escalation in the volume of transactions occurring in recent years.

Neighbourhood shopping centre volumes reached a record \$41.9 billion in 2014, up from \$41.3 billion in 2013. The 2013 figures were also heavily boosted by the \$400 million sale of a 75% share in a portfolio of 18 neighbourhood centres and one sub-regional centre by the Coles Group. The largest transaction in the neighbourhood shopping centre sector in 2014 was a portfolio of five centres sold by Woolworths to the Sim Lian Group for a reported \$133 million.