

## TRANSACTIONS IN THE RETAIL MARKET

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While there have been big portfolio transactions in the office and industrial sectors in the last 12 months, there have been few major retail transactions to indicate how much yields and valuations have shifted in the previous 12 months.

One of the most significant sales was Scentre Group's sale of four shopping centres to Blackstone and Challenger for \$783 million.

The formation of the \$11 billion “Vicinity Group” is the result of a merger between Federation Centres and its larger peer, Novion Property in 2015. With \$23 billion in assets under management, the AFR reports it to be the second largest listed manager of Australian retail property.

Vicinity announced it would dispose of as much as \$1 billion in retail property in mid-December after identifying a number of assets in the portfolio that could be divested.

The portfolio is anchored by some of the country's largest retailers such as Coles, Big W, Woolworths, and Kmart.

The biggest is Forest Hill Chase, a three-storey regional centre 19 kilometres east of Melbourne's CBD and last valued at \$281 million. Also in Victoria is Brimbank, a single-level subregional centre whose latest extension included the introduction of Super Coles and is valued at \$165 million. In Queensland, Clifford Gardens is a single-level sub-regional centre in Toowoomba last valued at \$185 million and Toombul is regional centre last valued at \$233 million.

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Retail landlords and their valuers will also be watching the upcoming sales process closely to provide clear evidence of current pricing given the limited transactions of major retail centres.

Just under 60 of Vicinity's 85 directly-owned retail properties were independently valued at the end of December 2015. The net valuation gain was \$422 million, a 3% increase that was driven in part by capitalisation rate compression.

The weighted average cap rate of Vicinity's sub-regional malls tightened to less than 7% while regional came in at just under 6%.

According to the SCN (Shopping Centre News) publication, the five largest shopping centres in the year to December 2015 by moving annual turnover were:

1. Chadstone (Melbourne) \$1.451 billion (154,218 sq m GLA)
2. Westfield Sydney (Sydney) \$1.083 billion (167,660 sq m GLA)
3. Westfield Bondi Junction (Sydney) \$1.043 billion (129,936 sq m GLA)
4. Westfield Fountain Gate (Melbourne) \$990.2 million (178,131 sq m GLA)

5. Highpoint Shopping Centre (Melbourne) \$967.9 million (152,654 sq m GLA)

The five largest shopping centre owners, by total GLA, are:

1. Scentre Group (owner and manager of Westfield centres in Australia): 2.5 million sq m;
2. Vicinity Centres: 2.1 million sq m;
3. Stockland: 920,000 sq m;
4. QIC: 884,000 sq m;
5. The GPT Group: 803,000 sq m.