



From the Ground Up

Industry insights brought to you by the Ferrier Hodgson national property team

Issue 3

November 2011

The battle lines are drawn . . .



The gloves are on and Mark McInnes of Premier Investments – home to brands such as Portmans, Just Jeans, Jacqui E and Jay Jays – has come out swinging, landing the first punch earlier this year when he announced that marginal stores will close if landlords do not enter the ring with a view to negotiating more sustainable rents.

McInnes has already made good his promise by KO-ing 19 Portmans stores – sending a clear message that he is an opponent to be reckoned with.

Landlords may be feeling slightly vulnerable given the recent closures caused by the collapse of Borders, Angus & Robertson and more recently the Colorado-branded stores.

This is on top of predictions that trading for bricks-and-mortar retailers is at risk both from the growth of internet trading and current economic conditions.

There is no doubt that landlords have enjoyed several years where regular, substantial rental increases were the norm – an important factor given this directly contributes to their assets' values.

We think the market has changed – the question is: what will we see?

Perhaps it will be a more conciliatory approach with the gloves taken off and instead of fighting in a ring, there will be a meeting of minds where landlords work more closely with retailers to make sure consumers continue to walk through their mutual doors and spend dollars.

Perhaps it will involve landlords agreeing to more flexible terms. “Win-wins” will be sought that will help both retailers and their landlords. We may see greater acceptance of percentage rents, rental freezes, the sharing of marketing expenditure and CAPEX contributions.

After all, a successful retailer can sustain higher rents – which leads to a more sustained and valuable asset for the landlord.

Regards

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