



10 July 2018

Red Tape Committee
Department of the Senate
PO Box 6100
CANBERRA ACT 2600

Via email: redtape.sen@aph.gov.au

Dear Sir/Madam

Supplementary submission

Thank you for the opportunity to appear before the Senate Committee on its inquiry into occupational licensing.

As noted at the hearing, please find **attached** additional information to support the Shopping Centre Council of Australia's initial submission, and evidence before the Committee.

This information outlines the modelled potential cost savings if commercial real estate agency reforms were implemented in Western Australia. This information was first provided to the Western Australian Government in late 2016, and again in mid-2017 to introduce the issue to the recently formed McGowan Labor Government.

Applying the thresholds applicable in New South Wales (i.e. under the *Property, Stock and Business Agents Regulation 2014*), the attached outlines the potential annual red tape removal savings for the shopping centre industry - and also, more generally, across the commercial property sector, including the office sector.

As detailed in the note, it would be fair to assume that, allowing for nuances around the operation of the different asset classes, the total cost for licensing in Western Australia would be somewhere in the region of \$3-3.5 million. This includes Government fees, training costs, and the time cost of staff needing to be out of their roles.

Similar to other jurisdictions, leasing arrangements for relevant tenants in shopping centres would remain protected under Western Australia's *Commercial Tenancy (Retail Shops) Agreements Act 1995*.

I would be pleased to provide any further information which could assist the Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read "Angus Nardi".

Angus Nardi
Executive Director

WESTERN AUSTRALIA REAL ESTATE LICENSING RELATED PARTY / SOPHISTICATED OWNER EXEMPTION

This **SCCA Briefing Note** has been prepared for the Department of Commerce, Western Australia in response to a request from the Department for an update to information previously supplied by the SCCA. The SCCA appreciates the ongoing engagement of the Western Australia Government on this initiative.

COMMERCIAL BUILDINGS >10,000 SQUARE METRES

Our market analysis, using several commercially confidential databases, reveals that there are approximately 193 commercial buildings (Shopping Centres, Offices and Industrial Buildings) >10,000 square metres in the Greater Perth region, totalling more than 4.3 million square metres.

The market is evenly split between the three major types of asset;

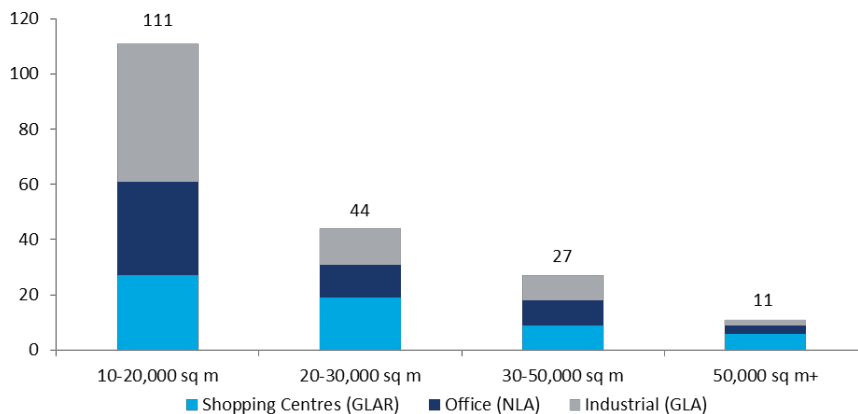
Shopping Centres – 61 (32 per cent)

Offices – 58 (30 per cent) – mostly located in the Perth CBD

Industrial Buildings – 74 (38 per cent) – mostly in the LGA's of Canning, Cockburn and Swan

WA Commercial Property Market

Size Cohort by Sector (No.)



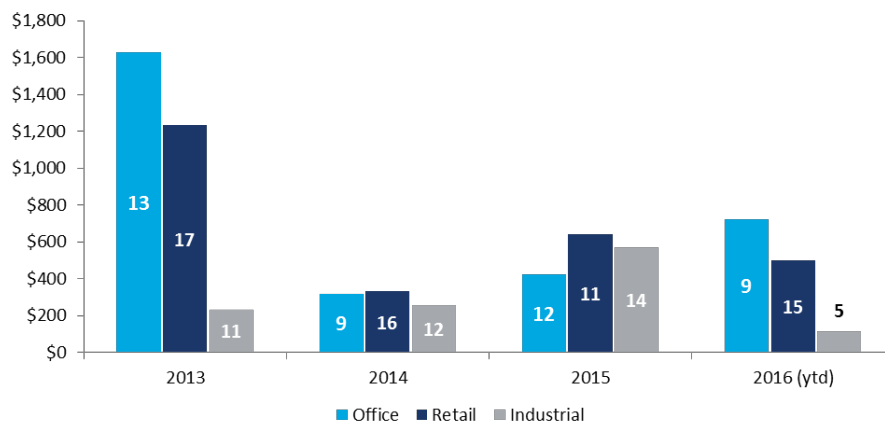
Source: SCCA Research

PROPERTY TRANSACTIONS >\$10 MILLION

We have analysed sales transactions >\$10 million between 2013 and 2016 (year-to-date). During this timeframe 43 Offices have been transacted for a total of \$3.09 billion, 59 Shopping Centres totalling \$2.71 billion and 42 Industrial Buildings totalling \$1.17 billion.

WA Commercial Property Market

Sales Transactions >\$10m by Sector (\$m) and Number



Source: SCCA Research

Our analysis also revealed that a number of these larger transaction were between what are considered 'sophisticated' owners, including ASX-Listed REITs, Unlisted Fund Managers, long-term Foreign Investors, Government Agencies and Developers.

Below are some examples of these types of transactions;

| Building | \$m | Buyer | Type | Vendor | Type |
|--------------------------------|----------|----------------------|------------------|--------------------|------------------|
| The Shops at Ellenbrook | \$220.00 | Vicinity Centres | Listed REIT | ICWA | Government |
| 45 Francis Street, Northbridge | \$101.00 | Warrington Property | Unlisted Fund | DEKA Australia Two | Foreign Investor |
| Livingston Marketplace | \$83.00 | Vicinity Centres | Listed REIT | ICWA | Government |
| The Gateway Building | \$72.80 | Finbar International | Listed Developer | Rockworth Capital | Foreign Investor |
| Centurion, Hazelmere | \$55.60 | Charter Hall | Listed REIT | Centurion | 3PL |
| 54 Miguel Road, Bibra Lake | \$26.00 | Investec | Foreign Investor | CTI Logistics | 3PL |

Source: SCCA Research

*ICWA - Insurance Commission of Western Australia

MAJOR OWNERS IN THE MARKET

We have analysed the three ownership of the major commercial markets in Western Australia as follows;

Shopping Centres

There are 22 entities that own 1 or more Shopping Centres with a combined area >20,000 square metres. There are 36 entities that own 1 or more Shopping Centres with a combined value of >\$40 million.

Offices – Perth CBD and West Perth Markets

There are 22 entities that own 1 or more Office buildings with a combined area >20,000 square metres. There are 48 entities that own 1 or more Office buildings with a combined value of >\$40 million. Below is an indication of some of the largest owners of Office buildings in Perth;

- Brookfield Multiplex
- DEXUS Property Group
- Charter Hall
- Investa Office Fund
- Perron Investments

Industrial

We have identified at least 16 entities that own more 1 or more Industrial buildings with a combined area >20,000 square metres. There are 8 entities that own 1 or more Industrial buildings with a combined value of >\$40 million. Below is an indication of some of the largest owners of Industrial Buildings in Western Australia, all of which have portfolios >20,000 square metres and >\$40 million in value;

- Charter Hall
- Goodman
- Aspen Group
- Taliska
- Toscana

EXEMPT 'AGENTS'

The SCCA and our stakeholders have identified considerable costs savings, we have analysed the financial impact of real estate licensing for Shopping Centre owners as follows;

- Shopping Centre owners and managers hold a significant number of Licenses,
- at an estimated total annual cost of \$1.6 million (inclusive of time cost to undertake Continuing Professional Development (CPD) training), and
- an estimated loss of 13,800 hours of productivity.

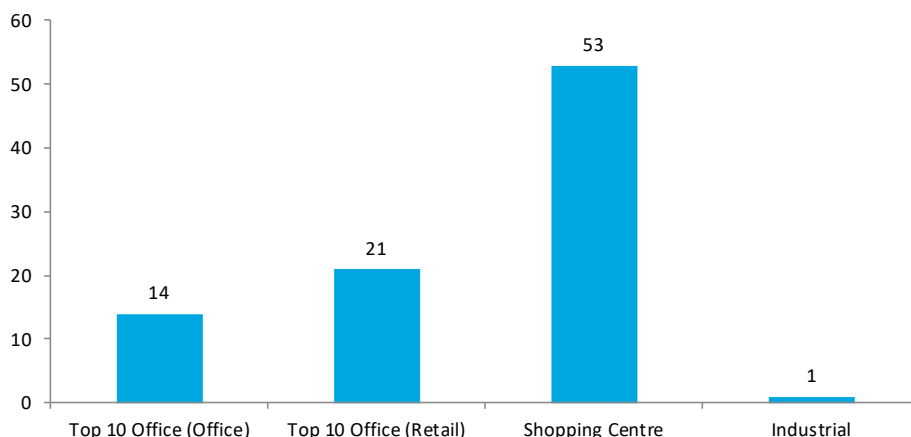
As the commercial market ownership is fairly evenly split between the three major types (as mentioned above), it would be fair to assume that, allowing for nuances around the operation of the different asset classes, the total cost for licensing in Western Australia would be somewhere in the region of \$3-3.5 million.

TENANT ANALYSIS

The below gives an indication of the number of tenants that occupy buildings that would be exempt using the current New South Wales exemption threshold ('threshold'), that is property managers who manage an estimated property value of at least \$40 million, or a gross floor area of at least 20,000 square metres.

WA Commercial Property Market

Average Number of Tenants for Exempt Buildings



Source: SCCA Research

Shopping Centres

There are approximately 5,500 tenants in 105 Shopping Centres above the threshold, all of which are covered by the Commercial Tenancy (Retail Shops) Agreements Act 1985. These tenants are offered no extra protection by the licensing of 'agents' than that already provided by the Act. There is an average of 53 tenants per Shopping Centre that would be exempt.

Office

Office buildings in the Perth market can range from very large, single-user tenanted buildings to 40+ tenants in a building. These buildings can often also contain retail tenancies, all of which are covered by the Commercial Tenancy (Retail Shops) Agreements Act 1985. There are 96 Office buildings that would be exempt containing approximately 750-1,000 tenants, allowing for differing tenant numbers dependant on building size.

Some of the larger tenants within these Office buildings in Perth CBD include:

- Allens
- Ashurst
- Bankwest
- BHP Billiton
- Brookfield Multiplex
- BP Developments
- Clayton Utz
- Corrs
- DEEWR
- Deloitte
- DLA Piper
- Rio Tinto
- Wesfarmers
- Woodside Energy

Industrial

In the case of Industrial tenants, it is fair to assume that in facilities of >20,000 square metres there is only one tenant (i.e. most of them are purpose built for the tenant). We have calculated that there are 74 exempt Industrial buildings and most likely between 75 and 110 tenants.

Some of the larger tenants within Industrial buildings in Perth include:

- Australian Wool Handling
- Bradken
- Coles
- CTI Logistics
- Rio Tinto
- Woolworths

CONTACT: Angus Nardi, Executive Director, SCCA,
Simon Hemphill, Head of Research, SCCA,