



You have to give Howard Morgan, managing director of customer service specialists Real Service, at least a nine out of ten for diplomacy. Before entering Pattersons Restaurant on London's Mill Street a question was posed to him half in jest: "Should the knives, forks and glasses be removed for the safety of your soon-to-arrive lunch guests?"

Morgan, the amenable and considered host of Shopping Centre's latest round table event, didn't need to think before laughing off the idea – despite the fact that he was effectively hosting and chairing what could potentially descend into the property industry's first food fight.

After all, it could easily be argued that the subject matter *Retailer and Landlord Relationships – is the Coalition Working?* continues to sit – often uneasily – at the very heart of the future success of the retail property industry.

In the end, leasing policy and the service charge issue continue to colour the relationship between owners and occupiers. And the changes (or lack of changes) over the past few years provided considerable food-for-thought for the luncheon group comprising Morgan and eight leading retailers, developers, asset managers and agents.

Morgan started by polling the group to find that it was fairly evenly split between whether there had been an improvement, no change or a worsening of the owner-occupier relationship during the past three years.

During the course of the lunch there was general agreement around the table that owners and occupiers (participants studiously tried to avoid referring to 'landlord and tenant') needed to try to understand each other's businesses more and that better communication and trust were still required between the entities.

There was recognition that the poor economy had also shifted the balance of power in negotiations more towards the occupiers but there were also concerns from some about retailers trying to milk the situation.

Likewise there remained frustrations from the retailers that only some of the better and bigger landlords were making the efforts when it came to tenant lease codes, monthly rental payments and service

charges and that, even where owners had a proactive policy, their good intentions were not necessarily being filtered through to their professional teams.

There was also frustration from some quarters that retailers were not being open enough about both their business plans or their problems from the outset – particularly now given the tough trading environment.

Rebecca Ryman, asset manager at Capital Shopping Centres, made a plea for early discussion and openness, with retailers more readily sharing information such as their five-year business plans and their financial difficulties with the owners.

"The state of negotiations has changed considerably as the market has changed," she said. "However they (retailers) have to be upfront and lay their cards on the table and maybe avoid going down the administration or CVA routes when they run into trouble. That would help build relationships."

"The other problem is that, far too often, the relationship only happens once every five years – at lease renegotiation," added Carl Foreman, national director of shopping centre management at Jones Lang LaSalle. He added that retailers who were in trouble couldn't just automatically expect support but needed to "prove their hardship".

It was Travis Perkins group property director Martin Meech, who, along with British Retail Consortium's property, energy and transport adviser Elizabeth Hinde, flew the flag for the retailers. Meech conceded that "some retailers were being kept alive by CVA" which might be seen as "subsidising the weak". However he quickly turned to what he viewed as more significant issues. He questioned whether the industry hype – he felt mostly emanating from landlords – about the improved relationships had obscured what was really happening.

"When the hype gets ahead of the genuine relationship it causes retailers some angst," he said. "They (the landlords) are after the PR. There's been lots of conversations and there's been some areas where there has been progress, but a lot of talk has gone nowhere. The hype has spoiled the progress."

Landlords and tenants attempted to bridge the divide at a round table lunch hosted by Realservice, reports Sean Kelly

UNEASY



Almost everyone called for wider and deeper channels of communication and there was some call for more retail property executives with retail backgrounds. Jane Wynne, head of retail asset management at CBRE pointed out that communication was more complex these days with property portfolios often having “diversified ownership interests”.

“A lot of it is about communication,” Ben Tolhurst, asset manager at Hermes, agreed. “In the end we need to work together. However there is a lack of trust and concern about information going to competitors. Information should be exchanged and it needs to be two-way. Successful tenants make a shopping centre perform well.

“Some landlords are very good at communicating but it’s not necessarily what you want to hear,” Meech wryly pointed out. “It took 10-12 years to get agreement on the Lease Code. You can understand why some retailers lose the will to live at times.”

Meech also called on owners to halt their “blinker thinking” that they were delivering on the relationship.

“A lot of the time the landlord fails to manage the advisers such as the agents and the good intentions are lost,” he said. “It becomes the case particularly when lawyers get involved and costs become prohibitive and contrary to doing business. In one case I had a £700 solicitor’s bill to put in a door at a property that cost me £700 to actually install. It doesn’t help. Among landlords there is a lack of understanding about what drives value to their occupiers.”

“It does work the other way as well,” Wynne quickly reminded him on the relationship score.

There was table discussion about whether or not retailers should deal only with respected landlords who were recognised as offering great customer service to retailers. However as David Tudor-Morgan, director of retail property management at British Land, pointed out a retailer might do all that work only to find there was a change of ownership the day after they moved in.

BRC’s Hinde also reminded everyone that the focus for retailers was usually on ‘location’ first.

“In the 1970s it took 200 shops to capture 50 per cent of the UK market while now you need only 80 shops to accomplish the same,” she said. “You are going to look at the location and not who the landlord is.”

Tom Nathan, general manager of Brent Cross shopping centre, called into question the historically adversarial nature of the relationship and pointed out that retailers and their suppliers didn’t seem to carry the same burdens in what was, after all, a business transaction.

“There is a buyer and a seller involved but for some reason the deals made with the property industry make this process more adversarial. I’m not sure why that is other than a historical attitude. Can we not get rid of the term ‘Landlord & Tenant’? It’s so feudal.”

There was some discussion and concern expressed about the potential for legislation in regards to leasing. Foreman pointed out that the state of Victoria in Australia had a standard Government lease in plain English that works for both parties. “There has to be the opportunity and flexibility to share information,” he added.

British Land’s Tudor-Morgan voiced the thoughts of several others when he said the proactive owners were “...seeing retailers and leisure operators not just as tenants but as customers. There has been progress but there is a way to go.” he conceded.

Meech took cautious interest. “Rhetoric worries me,” he said. “We need action.”

To general enthusiasm it was JLL’s Carl Foreman and CRBE’s Jayne Wynne who served up the equivalent of an after-lunch aperitif by suggesting further property industry links with retailers through work-placement programmes either at retailer head office or at store level. Wynne, who has experience in such programmes, is introducing it within her CBRE retail property and asset management team as part of an induction process. ■

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