

Market rent reviews - an important tool for the survival of Subiaco Businesses

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Date : 21 September 2017



As the AFL leaves Subiaco Oval for the new Perth Stadium in 2018, market rent values are likely to fall, giving many Subiaco businesses scope to argue for better rent

Context. Football leaving Subiaco.

The West Coast Eagles win against Adelaide in round 23 of the AFL marked the end of a rich 110-year history of football at Subiaco Oval. As of 2018, the new Perth Stadium in Burswood will become the home of football in Western Australia.

With only the WAFL Grand Final and the International Rules test against Ireland remaining, Subiaco Oval is soon set to be demolished and make way for a new secondary school and residential housing development.

The hordes of football fans and concert goers, who have attended major acts at the venue such as Adele, One Direction and U2, will no longer be frequenting the local businesses, bars, restaurants and pubs in Subiaco.

Local retail businesses have reaped the benefits of huge crowds from both the football and major concerts. We expect that to change – downwards.

Why is this important? Market Rent Reviews.

Most retail leases contain provisions to adjust the rent to market rent at certain points in the lease, usually when renewing.

A market rent review (done properly) will change the rent to the rent obtainable in the free and open market. It generally considers a vacant premises – no tenant fixtures or fittings, no stock, no business goodwill. It will likely take into account the goodwill generated by the area.

The market value rent is calculated through comparisons of similar properties in the surrounding area and is dependent on supply and demand. Desirability is a strong factor that influences demand.

With the lack of foot traffic from AFL and concerts, we expect that there is going to be a negative impact on demand and desirability for commercial tenancies in Subiaco at current rental rates.

Bear in mind that all retail leases in Western Australia are read subject to the *Commercial Tenancy (Retail Shops) Agreements Act 1985* [\[1\]](#). The plain text of the lease may not be the final say. Tenants should keep an eye out for any clause saying that the rent cannot decrease on a market rent review. That's void and unenforceable.

Growth in Subiaco

Despite the loss of Subiaco Oval, optimism remains about the future growth for Subiaco and its businesses. The City of Subiaco has approved \$623 million of investment over the past 2 years [\[2\]](#). The Subi XO precinct will provide a new boutique hotel, cinema and office space. Hay Street and Roberts Road are expected to be opened to two-way traffic. The City is undertaking an integrated transport and parking strategy to support economic and population growth. [\[3\]](#)

The demolition of Subiaco Oval will pave the way for a new secondary school and residential housing development, which could also deliver economic growth in the area in the future but this is

still in the planning process. [4] We don't expect it to appear – or the benefits felt – before the next usual market rent review.

Additionally, as a business based in Subiaco, Pragma Legal also has a strong interest in developing the local economy and ensuring sustained prosperity for the city.

What can you do?

- Don't know when your next market rent review is?
- Know when it is, but want to position your business?

Either way, get in touch with us and we can get you best prepared for your market rent review.

[1] *Commercial Tenancy (Retail Shops) Agreements Act 1985*

[2] *Commercial Tenancy (Retail Shops) Agreements Act 1985*

[edia-releases/2017/04-April/Locals-asked-to-help-shape-the-economic-future-of.aspx](#)

[3] <http://subiaco.wa.gov.au/Your-council/News-and-media/Media-releases/2017/08-August/Integrated-transport-and-parking-strategy-to-suppo.aspx>

[4] <http://www.perthnow.com.au/news/western-australia/unique-multistorey-college-to-open-in-subiacoby-2020/news-story/032871c4cc23643bc772f354d26a78fc>