

SEE OPPORTUNITY



GROWING
BUSINESS
TOGETHER



City of
STONNINGTON

SEE OPPORTUNITY



Mayor's message



See Opportunity – Growing Business Together has been developed in collaboration with retail precinct associations and local businesses, using best practice case studies, stakeholder engagement, interviews and workshops.

It highlights our 15 recommended initiatives to help us collectively grow businesses together.

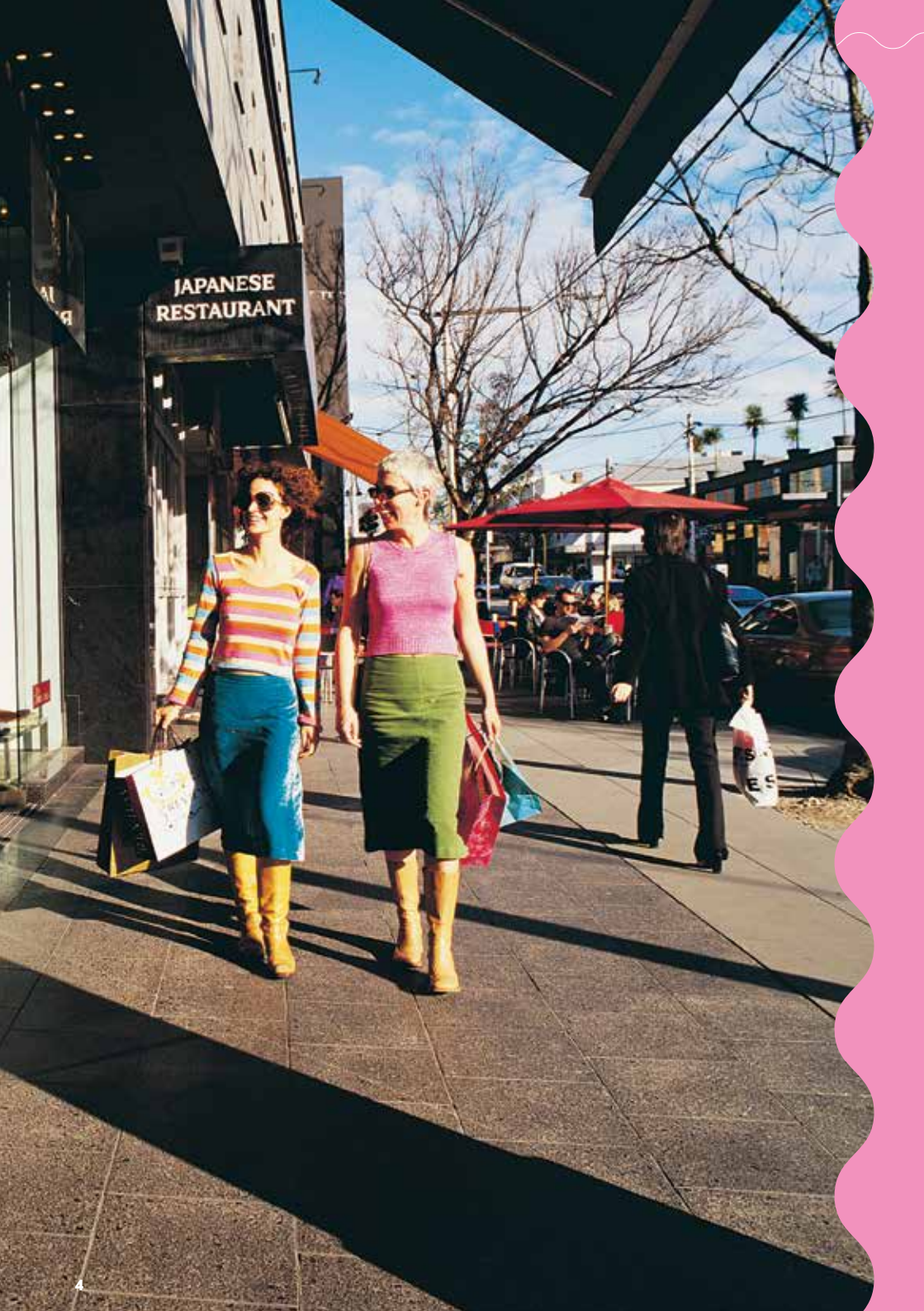
The City of Stonnington is well-known for being a desirable place to live, work and visit. It includes the suburbs of Armadale, Glen Iris, Kooyong, Malvern, Malvern East, Prahran, South Yarra, Toorak and Windsor. These suburbs are serviced by many retail precincts, from active high streets and smaller villages, to medium and large-scale shopping centres, all of which have evolved and reinvented themselves over time.

We are committed to our local economy, and to making local businesses prosper during the changes in the retail environment, and ensure we attract, retain or activate businesses so that it is successful and resilient.

Cr Steve Stefanopoulos
Mayor, City of Stonnington

Acknowledgements

We acknowledge that Stonnington is on the traditional land of the Boon Wurrung and Wurundjeri people. We recognise and respect the cultural heritage of this land, offering our respects to elders past and present.



JAPANESE RESTAURANT

Executive summary

The City of Stonnington is a local government area within metropolitan Melbourne.

Stonnington is home to 27 retail precincts that have evolved along traditional high streets first laid out more than 150 years ago.

This report is an in-depth investigation into the state of retail vacancy in its precincts.

Bringing together research, analysis and evaluation of retail high streets within each precinct, it aims to provide a clear picture of the root causes and ongoing issues created by vacant shops, as well as providing actionable recommendations to make precincts more resilient and vibrant.

This report draws on knowledge and ideas from retail precinct associations, Council officers, local traders and best practice case studies. It has been developed through an ongoing process of direct stakeholder engagement in the form of one-on-one interviews and collaborative workshops.

The final part of this report is an action plan that details a range of initiatives and implementation plans from ideas put forward by leaders of precinct associations and Council officers or learned through best practice examples. These ideas have been stress tested with key stakeholder groups within a workshop, and refined based on feedback from this workshop and responses from community engagement.





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Context

What is vacancy?

Vacancy rates have become a common indicator of the success or failure of retail precincts. However, as a measurement tool, they are hardly scientific. Vacancy can be caused by many factors that range from the economic to the personal and are not always a signal of decline.

What vacancy rates tell us is that there is a problem in the ability of a retail precinct to retain and attract tenants.

Significantly, while vacant shops are the most visible consequence of a precinct's problems, they can become problems in their own right. Vacant shops are often described as 'eyesores' as they reduce the presentation and appeal of a high street. In precincts where vacancy has become an embedded feature, addressing these vacant shops is a matter of urgency.

Along high streets, the impact of prolonged vacancy can be profound. Over time, the perception of a precinct can shift from being a destination to a disappointment – a place where locals no longer have a sense of pride and where customers no longer visit.

To address vacancy rates, collective action must be taken to bring all stakeholders together. Because of its complex origins, there needs to be a comprehensive approach if we are to minimise the impact of vacancy, attract new investment and support existing retailers.



Understanding the causes of vacancy

Along any given retail precinct, you will find some level of vacancy. In precincts that are experiencing an unusually high number of vacant shopfronts, there is rarely a single reason that explains why this has occurred. When precincts enter a sharp decline – made visible by their high vacancy rates – it is often described as a ‘perfect storm’ of compounding factors including:

Leasing rates: the asking rate by the landlord is not viable for the business that occupies the tenancy. This is the most commonly assumed reason places either become vacant or stay vacant. However, many well-positioned tenancies on prime retail strips are available for below market rate. This on its own is not enough to attract and retain tenants.

Lease terms: at the end of their lease term, businesses might choose to relocate to a neighbouring tenancy that is offering a more competitive rate. Similarly, retailers might refuse a longer term lease in favour of a 12-month term that allows them to shop around at the end. In these circumstances, the total number of vacancy stays the same.

Landlord sentiment: the landlord may not be motivated to lease the property. This may be due to them not being willing to lower the lease value because it will impact on their other investments and borrowing power, they may be keeping the place empty in an effort to more easily sell the building, they may not be in a financial position to upgrade the property or they may be land banking and be unconcerned with its leasing potential.

Unsuccessful traders: the business has not been able to sustain itself commercially. This can be due to poor decisions, management, service, competition or the relationships between business partners. The reality is, retail is a very challenging industry with high costs, low margins and many risks.

Accessibility: as local residents age, or as young families move into a precinct, there can be issues with accessibility that make it more difficult for certain groups to visit precincts. For example, hills and obstacles will make visiting challenging for elderly shoppers and people with mobility issues. Similarly, narrow footpaths can make pushing a pram more difficult.

Perception: the precinct has been victim to prolonged negative media attention due to its vacancy levels, antisocial behaviour, construction and disruption or changing identity. As a result, it becomes harder to attract customers and tenants to a precinct.

Functionality: tenancies are not suited to the kinds of businesses looking to establish themselves in the area. This might include not having the correct services (gas, waste, loading) or being too small or too large for contemporary retail and food and beverage formats.

Changing demographic: over time, the local population around a retail precinct can change significantly. With this change, businesses can lose key customer segments. For example, as a local population ages, the need for children's apparel or family restaurants might diminish. Similarly, in areas with new apartment developments aimed at young professionals, there might be an increasing need for health and wellness businesses.

Fit-out cost: the up-front cost to a new business of upgrading a tenancy for their purposes might be too high in certain cases. This can be a key deterrent for older buildings as well as new developments that are often delivered as a cold shell. Without a fit-out incentive offered by the landlord, these tenancies have limited appeal.

Closure of nearby businesses: when one operator leaves a precinct, it can have a flow-on effect to nearby businesses. This is most visible when a retail anchor such as a supermarket, popular restaurant or well-frequented shop closes and, as a result, their customers no longer visit the precinct.

Operators retiring: established businesses choosing to close down, with their owners having reached retirement age. This is a common occurrence on established retail high streets where many businesses have been operated by the same person for decades. It is not always possible to sell a business.

Disruption caused by construction: large-scale and ongoing construction projects can reduce the appeal of retail precincts and have a negative impact on the customer experience. In extreme cases, businesses can suffer significant disruption and choose to close.

Competition: the business is no longer viable because of a loss of customers to a competitor. This can take place when a local competitor offers the same product for a lower price, is a national brand and can afford more advertising, or is located in a more convenient or compelling location. E-commerce can also be a factor, with online competitors offering lower prices and convenience with delivery. E-commerce can also pressure retailers to lower their prices – reducing their margins.

Solar orientation: precincts that are north-south in their orientation benefit from maximum sunlight. This makes places look more inviting and also supports the food and beverage retailers. In precincts that are east-west aligned, one side of the street will be dark during the day. Tenancies on the western side of these strips tend to be more difficult to lease because they are less appealing to café traders and other retailers.



The effects of vacancy on retail precincts

Along high streets, the impact of prolonged vacancy can be profound. Over time, the perception of a precinct can shift from being a destination to a disappointment – a place where locals no longer have a sense of pride and where customers no longer visit. The following outcomes can take place as a result of prolonged vacancy.

- » **Makes a place feel like it is in decline:** to the average shopper, vacant shops are a sign that a precinct is not working. If they are a regular customer, they may have noticed that vacancy rates are increasing. This change over time can make them feel that the precinct is in a state of decline. While many local shoppers will continue to support their precincts, some may choose to go to another location because it is more vibrant and compelling.
- » **Makes places feel dirty and unkempt:** when shops are left vacant for a long time, they inevitably start looking worse for wear. This is evidenced by mail accumulating in the front door, dust and animal activity, and graffiti. When several shops along a strip take on this appearance, it can make the entire strip feel dirty and unkempt.
- » **Makes a place feel unsafe:** vacant shopfronts can lead to antisocial behaviour including graffiti, loitering and rough-sleeping. Shops with a recessed entry can appear unsafe as these 'dark pockets' offer hiding places. At night, vacant shops are rarely illuminated – making the street appear darker and less welcoming.
- » **Impacts on tenant attraction:** retail businesses want to be located in vibrant areas. While price is certainly a factor when it comes to deciding where they locate, foot traffic and retail activity are more important. Precincts with a high vacancy rate are generally not considered, even though tenancies might offer a more competitive price.
- » **Impacts on the shopping experience:** when customers are unable to complete all their shopping in one place because key businesses have closed down or moved out they may choose to shop somewhere else. Similarly, if there is a reduced retail offer, there are fewer reasons to visit the precinct on a regular basis.
- » **Impacts on the identity and character of the strip:** more competitive offers might attract new businesses that are of a lower quality and different from the traditional identity of the strip. For example, an outlet might replace a reputed fashion store or a convenience offer might replace a more comprehensive fresh food offer. This digression can undermine neighbouring retailers and change the character of the strip.



What are the key features of successful precincts?



Diversity

A diverse mix of businesses including retail, services, office and convenience, as well as food and beverage that is open at day and into the night



Local economy

A strong connection to the local area, offering nearby residents quality and convenience



Identity

A unique character, history and value that is expressed in creative ways including events and marketing





Drawcards

A small number of drawcards that regularly bring in a large number of people. This might include a supermarket, education provider, community centre or significant employer



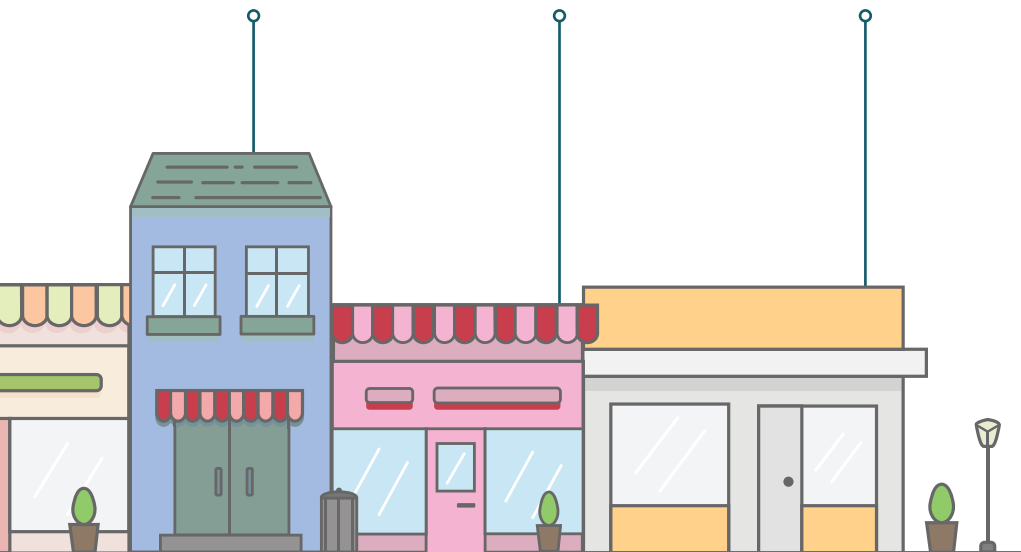
Placemaking

Built infrastructure and landscaping that make the place more attractive, inviting and encourages visitors to linger



Accessibility

Footpaths, cycle lanes, public transport linkages, parking lots and clear signage that enable all people to easily access the precinct



Action plan

A plan to increase adaptability and build long-term sustainability

The following 15 initiatives have been refined following extensive consultation with businesses, real estate agents, retail experts, retail business associations, Council officers and other stakeholders.

Divided into three categories, the initiatives are intended to **ATTRACT** new tenants to Stonnington's retail precincts, **RETAIN** existing tenants by helping them to remain commercially successful, and to **ACTIVATE** vacant tenancies and spaces to improve the shopper experience. By focusing on these three objectives, the action plan will address immediate challenges while also supporting greater long-term sustainability and improving the resilience of Stonnington's retail precincts.



Recommended initiatives

		Attract	Retain	Activate	Time (Years)
1	Engage a business activation officer to coordinate activation initiatives, including filling vacancies with high-quality, short-term tenancies	●		●	1
2	Create a business road map that details where and how they can get support from Council when starting a business in Stonnington	●	●		1
3	Develop a precinct profile for each area that maps trends and identifies retail opportunities	●			1
4	Provide small-scale funding to landlords to turn their properties into attractive short-term spaces that are flexible and easy to program			●	2
5	Encourage vacating businesses to maintain their fit-out, making it easier for short-term tenancies to use spaces	●		●	2
6	Conduct regular real estate forums for landlords and real estate agents, where knowledge and insights on precincts is shared	●			3
7	Identify struggling businesses earlier by communicating between Council departments and business associations		●		3
8	Provide small-scale funding and other forms of assistance to attract new long-term leases at significant tenancies	●			2
9	Develop a digital library of graphics that can be used to mask vacant tenancies or for developers to use on construction hoarding to improve streetscapes and amenity			●	1
10	Encourage developers delivering new ground-floor retail and/or waiting for a permit, to submit a business activation strategy for review and refinement by Council that defines the future retail mix and ideal operators for their tenancies	●			3
11	Provide retail beautification and minor improvement works funding to landlords and tenants that encourages the improvement of their shopfronts		●	●	1
12	Investigate the possibility of introducing a higher differential rate on landlords who have shops vacant for more than two years to encourage responsible land management through appropriate maintenance and development and use of the land, and to minimise underutilisation of land and buildings. Seek Council approval if the introduction of a higher differential rate is required	●			2-4
13	Encourage hospitality tenancies to lease their kitchen to other food businesses after hours	●	●		2
14	Improve the character and identity of precincts through placemaking efforts and streetscape works in existing areas that encourage people to visit and linger			●	1
15	Encourage developers to implement an activation strategy designed to support businesses during major construction			●	3

Contact us





You can find out more by contacting Council's Business Concierge Service, provided by the Economic Development team.

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Visit us

- » stonnington.vic.gov.au
- » **Stonnington City Centre**
311 Glenferrie Road, Malvern
- » **Prahran Town Hall**
180 Greville Street, Prahran
- » **Stonnington Depot**
(Administration Building)
293 Tooronga Road, Malvern

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