



Bonett blasts Lew's rent revolt



Shaun Bonett, owner of Port Adelaide Plaza shopping Centre.

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Billionaire shopping centre owner Shaun Bonett has accused large Australian and multinational retail groups seeking to abandon the traditional retail rent model in the commercial property sector of “reprehensible behaviour” that will damage the nation’s banks and undermine the superannuation system.

Mr Bonett, valued at \$1.44bn on The Australian’s “The List” of the nation’s 250 richest people, backed comments last week by fellow retail magnate John Gandel about the dire consequences of Solomon Lew’s proposals to restructure retail rent arrangements in the post-COVID-19 world.

His comments came as figures reveal retail remains a pressure point for the economy. Australian Bureau of Statistics data shows spending fell a record 17.9 per cent in April as strict social and travel restrictions to curb the spread of the coronavirus hit demand.

Mr Lew, whose Premier Investments operates brands such as Just Jeans, Smiggle, Jay Jays, Portmans and Dotti, has been the most vocal advocate of scrapping the old model of retail tenants paying fixed rent in advance with fixed annual increases.

“The repeated and aggressive rhetoric being played out in the public arena and behind closed doors by large ASX and multinational retail groups prosecuting their cases for abandoning their legal obligations is reprehensible. Attempts to tamper with the retail model only serve to increase the risk of financial collapse in Australia,” Mr Bonett said in an interview with The Australian. “To cut rents by one’s own formula and demand property owners/landlords further bear the brunt of this economic crisis is simply not acting in a commercially rational manner,” he said.

“Nor does a one-size-fits-all one-sided approach give consideration to the different circumstance of each property owner/landlord.”

Mr Lew declared last week that as most of his 1200 retail stores reopened following their COVID-19 pandemic-induced closure, they would no longer pay a fixed amount of rent to their landlords and would instead pay rent in arrears for all its stores, based on a percentage of gross sales.

It comes after a code of conduct announced by Prime Minister Scott Morrison, designed to provide rental assistance for small and medium businesses with turnover of less than \$50m per annum, has put further pressure on property owners and landlords to support the retail industry during the COVID-19 crisis.

Mr Bonett said the property ecosystem was a delicate balance of interests and neither property owners, landlords or retailers could exist in isolation.

“The retail rental model remains the bedrock of landlord and retailer transactions. Our banking system is heavily reliant on it and our superannuation funds are deeply invested in it which mums and dads around Australia have a good part of their superannuation invested in,” he said.

He added that Australians “should be disappointed by the deplorable behaviour of some larger companies who feel they are above the law, provoking conflict, and are completely focused on failing to honour legal contracts and ducking their clear legal and financial responsibilities and commitments without regard of the damage they are doing to other business and our economic system. Conduct that is more than simply unfair, it is against the norms of Australian society.”

Mr Bonett’s Precision Group, of which his brother Steve is an executive director, has built its \$1.4bn property empire around major shopping centres in Adelaide and Brisbane.

Its key assets include the Adelaide Central Plaza and the redeveloped Port Adelaide Plaza shopping centres in South Australia. It also owns Chevron Renaissance and MacArthur Central in Queensland, Pran Central in Victoria and Shore City in New Zealand.

The country's major banks have a significant exposure to the retail property sector with an estimated \$65bn of retail commercial property loans sitting on their books.

Mr Bonett said that in trying to shift the underlying business risk from themselves to the property owner/landlord, "these large ASX and multinational retail groups are also risking serious damage to the financial strength of Australia's banks", adding that the "sanctity of commercial contracts in our industry is critical".

"At the core of this are basic rules that need to be followed, like the assumption that obligations under legal agreements will be adhered to, and that larger companies will not improperly exploit their more powerful positions to the detriment of smaller enterprises," he said. "We all have a mutual interest in business continuity and in tackling the pressing challenges we confront."