

CBD food retailing

As we are all aware, one of the fundamentals of success for major shopping centres is flexibility with regards to tenant mix. Successful centres are almost instantaneously reactive to new trends, new usages and new market demands.

One of the most dramatic changes ever to the composition of our centres is currently occurring: that concerning the food and beverage component. Fast food, food courts, cafes and restaurants are no longer 'fixed entities'. **They are changing, and the CBD is leading the way.**

The CBD has seen a dramatic increase in food sales over the last few years across all day parts. According to Urbis CBD Retail Averages, the contribution from food catering to overall specialty sales has grown 7% during the period 2006–2009.

This rise in food sales can be attributed to the overall trend in the casualisation of dining. There has been a dramatic increase in the number of QSR (Quick Service Restaurants) blurring the lines between traditional fast food generally dominated by major brands like McDonalds, and more formal restaurants and cafés.

The 'new' fast food (QSRs), have achieved over 30% growth over these last four years alone. (Think Grill'd, Rolld and GYG as examples.)

Greater accessibility has been the catchcry; more expensive bespoke fast food offers, but still cheaper than restaurants, has been the response.

The food court evolution

The transition from food court to café court in the CBD has been a direct response to increasing customer expectations by an informed CBD customer. The evolution of the café court and small laneway food precincts have provided a new model for CBD customers to engage in fast food alongside the more traditional food court.

The launch of The Harbour Room at Westfield Bondi Junction in 2004 was a major game changer. The traditional basement food court was moved to the upper level, with cityscape views. Food cooked to order and on view not only added a theatrical element, but also consolidated the overall offer.

The evolution of the food court to café courts has also encouraged more diverse user groups to engage in the fast food market over an extended period, beyond the weekday working week. The Harbour Room catered to the entertainment precinct in the evening and weekends, and to the astute fashion market. In addition, it was uniquely located in a high socioeconomic environment which no longer targeted just the traditional female centre shopper.

The launch of Level 5 Westfield Sydney in 2009 carried on the successful lessons learnt from Westfield Bondi Junction, and has now been rolled out in other CBD locations like Chatswood and Melbourne. Cafe courts are particularly suitable for the CBD demographic, who have a higher income than that of the traditional food court users.

Cafe courts have embraced more bespoke operators, in-line and shared seating and the inclusion of liquor. This offer has extended the AM coffee rush and peak lunchtime press to the early evening. It has always been a challenge for operators to achieve significant turnovers based solely on the main lunchtime period. This has not only increased MATs and thus potential rental revenues, but further activated



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some retail precincts across all day and week parts.

The continued success of both food courts and café courts will rest on their ability to innovate and remain on trend. Longer leases on lower rents than the traditional five years may be required for QSR tenancies, with attached seating as the fit-out costs to operators increase. It is imperative that lessors include a design refresh clause in their leases for any leases longer than five years, given how quickly food trends are changing. Annual menu reviews should also be stipulated to ensure the offers do not become staid by complacent operators. Furthermore, no exclusivities should be granted.



Above: Café courts like Emporium Melbourne look great but they're not the answer for every CBD environment. Left: Brookfield Place in Perth and Liberty Place in Sydney are deconstructing the typical food court and changing the game for lunchtime eating.

Customer Profiles

Strong Millennial Workforce (18–33 y.o.)
These workers account for 40% of QSR customers, as they shun the traditional food court model of their parents for more bespoke and DIY options.

CBD Centre with strong 'suburban' custom, especially on weekends and holidays. Familiarity and value are key.

'Downtown' location with older government workforce where price and speed are the drivers.

Affluent leisure shoppers, surrounding entertainment and accommodation, such as hotels.

Best Format

café court, laneway, deconstructed

food court

food court

café court

Is the food court model for the CBD dead?

Our answer is that both have their place in the CBD, depending on your primary customer. Each have their own place and purpose, and it is critical they meet the needs of the vicinity demographics and purchasing behaviours. Below are just a few insights of when a food court or café court may be the best offering.

See table (above right)

It's still all in the mix

Intuitive lessors have also become more aware of the need for a carefully targeted tenancy mix. Combining the

highest and best-use offers with the correct ratio of core, secondary and tertiary offers guarantees a better-performing food precinct. At B&P, our tenancy tier mix hierarchy, carefully

constructed to respond to the specific influences of each particular city and location, proves that the best rental yield comes when the food mix is constructed as follows:

	Ave MAT Range per store	% of overall tenancy mix
Core	\$750,001 – \$1.5M	65%
Secondary	\$450,001 – \$750,000	20%
Tertiary	\$250,000 – \$450,000	15%

Rooftop Bars – The New Black



A strategic tenancy mix hierarchy also enables improved planning when lease renewals are due, by adjusting rising-star offers against those in decline. Highest and best-use offers are subject to local demographics, with no one food precinct being the same. They take time to fully prepare, but are well worth the investment.

Plenty of new players coming on board

There has been a significant shift in the perception of producing fast food by chefs and restaurateurs over the last five years, too. Higher turnovers with reduced margins and lower skill base requirements, where there is a shortage in skilled labour, is an attractive proposition for restaurateurs – and the QSR model ticks all the boxes for them. The launch of food trucks in many Australian cities, chefs seeking permanent food stalls at farmers' markets and the launch of burger chains such as Mary's, Chur Burger and The Burger Project, all by well-known and hatted chefs, has raised the bar across the board.

There is increased opportunity for professional operators to participate in an area which was previously dominated by major brands or small family operations. This means an increased opportunity for lessors to find new

Plenty of new concepts are still coming through, like the new Sumo Green Label at MLC Centre in Sydney



retail not only adds theatre and vibrancy to the experience but extends the trading hours for specialty retail. Think barbers, homewares, and food retail like Eataty and David Jones Food Hall.

operators with a unique point of difference.

The rise of the night-time economy

The City of Sydney launched its program 'OPEN Sydney' in 2011, its purpose being to further activate the city across all day parts and make it live up to being one of the major cities in the Asia-Pacific region. The City Of Sydney engaged research

and analysis company TBR to explore the data available, and make recommendations to assist with the most successful strategy for this program.

Their findings showed that the drinks-only section of the Night-Time Economy (NTE) sector has shrunk in the Sydney LGA, while food-related businesses have grown. Between 2006 and 2009, Sydney food-focused businesses grew by 6.3%, compared to a shrinkage in the drink sector of -7.7%. A comparison made to London showed a continued growth in the food sector of the NTE, but at a reduced rate of 2.7% while there was a greater reduction in the NTE drinks-only sector of -15.9%. This could indicate that Sydney is still catching up to what is a general trend internationally.

There are various reasons for this rise in demand for after-hours food in Australia's CBD markets including:

1. an aging demographic, who desire more than just a drink after work, have helped shaped overall consumer demands. There has been an increase in the food offer by what were once only waterhole destinations.
2. increased frequency of eating out at a lower spend.
3. food as 'eatertainment' and vice versa. The new trend for combining specialty retail with food and beverage

4. increased residential occupancy and hotel accommodation both within the city centres and their immediate surrounding suburbs.

5. longer working hours.

6. changes in workplace structure where smaller office spaces, greater mobility amongst the workforce and more casual networking extends into the after-6pm NTE period.

7. increased activation of cities through events and festivals such as Vivid and Art and About, which encourage CBD workers to remain in the CBD after work and encourage suburban residents to venture into the CBD at night.

8. activation of previously unused spaces such as rooftops, subterranean floors and laneways for bars and pop-ups, vigorously promoted through social media.

New frontiers

This last and final point on laneways and rooftops is most interesting, as these are areas that are generally unsuitable for more traditional food and specialty retail due to their size and location. However, they are perfect – and much sought after – by the growing number of operators who are seeking sites close to, or within, the CBD to cash in on the potential NTE market, with affordable rentals delivering previously unrealised returns to lessors.

We expect to see strong growth in this sector in all CBD locations around Australia over the next five years.

So, all in all, the future for food in the CBD looks to still have a long way to go in both traditional food court formats and the newer QSR, café court, laneway and rooftop formats. Great news for landlords, operators and consumers alike! **SCN**

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