

PERCENTAGE LEASES IN SINGAPORE'S SHOPPING CENTRES

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Abstract

Recently, retailers have realized the importance of finding alternative ways to cut down on costs incurred in their businesses, especially now when the future outlook is uncertain. Unforeseen circumstances like the breakout of war and the spreading of unknown diseases like SARS and H1N1 around the world have been happening in the recent years and many businesses around the globe have suffered.

Shopping centers in Singapore are not spared from the calamity either. It is evident from newspapers reports that people do not dare venture out of their homes when disaster strikes. As a result, with fewer customers patronizing the shops in the shopping centers, the retail business will falter. Due to the uncertainty of the economic outlook and intense competition among malls, retailers have to look into ways, which they can reduce the burden of having to pay high rents. Therefore, an effective scheme to help tide them over a crisis would be the adoption of the percentage lease scheme.

This paper examines the concept of percentage leases and its feasibility as a financial tool in managing shopping centres. The findings show that although there is an emerging trend of the popularity of the percentage lease scheme, more can be done to encourage the retail industry to adopt it.

KEYWORDS: Rental system, percentage leases, shopping centres.

1 Introduction

The percentage lease scheme has been thought to be an alternative to fixed lease scheme (Benjamin et al, 1990) especially to the price discriminating landlord. This scheme has been widely used in other European countries like United States and Australia (Yap, 1985).

Looking at the current economic situation, it is important that both parties (landlord and tenant) consider alternative means of either paying rent or maximizing revenue from rent. Therefore, the option of percentage lease scheme is one of the means to do so.

This paper examines the percentage lease scheme and will investigate the reasons for adopting this type of rental scheme. It also determines what form of trades is more likely to take up the percentage lease scheme and what percentage rates were reasonable to them. Lastly, a comparison would be made to see if there is any difference in the type of schemes used between shopping centre in the CBD area or the regional areas.

2 Determinants of shopping center leases

Basically, almost all of the authors developed their models from Benjamin et al, (1990, 1992), which explores the fundamentals of the determinants of shopping center leases and suggested that percentage leases provide an alternative to fixed leases. This is because both the landlord and tenants can have another avenue (percentage lease scheme) to look into which can benefit them when it comes to paying for leases. It also examined variation in rents across leases within shopping centers.

A more recent work by Sirmans and Guidry (1993) found that prior empirical studies on the determinants of shopping centre rents were quite limited as more research was usually done on determinants of office or residential leases. However, his study mainly developed further on the research paper by Benjamin et al (1990), and it concentrates on the study of determinants of rent variation across shopping centers with the use of weighted least squares estimation.

Although not enough extensive study was done for shopping center leases (Sirmans and Guidry, 1993), a much more recent research was carried out by Mejia and Benjamin (2002) to question, specifically to the determinants of shopping center sales. The determinants were divided into two types: spatial and non-spatial factors. It was brought up that past literature works had mainly focused on the spatial factors of the shopping center. The factors were namely, market, building and site characteristics. Among each characteristic, it would be further broken down to explain the determinants of shopping centers' sales (see Mejia and Benjamin (2002) for the details). However, to account for the difference in sales between shopping centers, non-spatial factors were introduced to distinguish between shopping centers. Non-spatial factors would be the retail image and the retail mix.

To reinforce the above claim, Gerbich (1998), hypothesized that different types of tenants affect shopping center rents. Brueckner (1993) used the term, "a perfectly discriminating monopolist" to describe the landlord. Theoretically, a rational landlord would try to create an optimal combination of tenants so as to obtain maximized rental

collection. It was observed that anchor stores would have the largest size of floor area, lowest sales generated and lowest rent per square metre. On the contrary, smaller shops, which do not have consumer drawing power like the anchor stores, would have to pay a much higher premium in its rents. Hence, it was observed that in all research papers it was agreed that anchor stores were actually in a way “compensated” with the use of lower rents as they were the ones, which help generate traffic into the shopping centers (see also, Brueckner (1993), Gould, Pashigian and Prendergast (2002), Miceli, Sirmans and Stake (1998)). To put it in another way, as what Pashigian and Gould (1998) concluded in their paper, rental prices reflect demand externalities among stores in shopping centers.

In summary, determinants of shopping center leases actually do affect the amount of rent to be paid by the tenant. With regards specifically to the topic that would be addressed in this dissertation, the factors do affect the amount of percentage of sales to be paid by the tenant.

2.1 Percentage lease scheme

In Singapore, there was no published definition of the percentage lease scheme, so this small section of this chapter will be devoted describing this scheme with reference to Murray (2001). Past, unpublished dissertations had addressed some aspects of this scheme but a short review is provided from a more comprehensive source.

The National Association of Real Estate Investment Managers (NAREIM), defines Percentage Rent (or Overage Rent) as, “Rent, computed as a percentage of actual retail sales in excess of an established threshold (breakpoint), paid by tenants in addition to contract rent.”

Murray (2001) computed the amount of rent to be paid by the tenant (who had opted for the percentage lease scheme) depends on whether sales had exceeded the minimum amount that had to be generated (breakpoint). Once sales had exceeded the breakpoint, the scheme sets in. Details on the mechanics of the scheme had been described in unpublished dissertations (see Yap (1985), Sek (1988) and Latiff (1989)).

Apart from mentioning the technicalities of the percentage lease scheme, Murray (2001) believed that traditional definitions of gross sales and conventional computations of the percentage lease would change in the future due to the ever changing retail environment and the evolution of federal and state laws. Hence, it was important that both the landlord and tenants should try to innovate and develop their own strategies to adapt well to the changes that would happen.

2.2 Advantages and Disadvantages of the Percentage Lease

Both parties should also understand the benefits which both could derive from the use of percentage leases. To the tenant, the main benefit would have to be the insurance he would gain by paying a much lower rent if sales did not perform well. The landlord can also maximize revenue from rents through rent discrimination. An example would be charging higher rents to tenants who would not be badly affected by changes in the

rents. Apart from just charging higher rents, the use of percentage leases could allow the landlord to practice perfect rent discrimination.

In practice, the reason why certain tenants chose this scheme was because of its stores' unique characteristic. Chun, Eppli and Shilling (2003) observed a trend that stores with higher debt-asset (D/A) ratios were financially constrained, so were more likely to adopt the percentage lease scheme. This was because, percentage lease payments by the tenant were charged as an expense incurred and not reported as a future lease liability, while fixed lease payments were reported as a future lease liability.

Their findings showed that stores with higher D/A ratios were more likely to adopt the percentage lease scheme. This could be seen as beneficial for such stores if they were to opt for this scheme, as these stores were seen to be financially constrained. In order to lessen their burden on having to pay rents, it was better for them if they chose this scheme.

Although Colwell and Munneke (1998) argued in favour of percentage leases, in practice, there are a number of reasons, which cause both parties (tenant and landlord) to be unreceptive to the percentage lease scheme. Even though the scheme is beneficial, it might not be appropriate under certain conditions. The main condition, which both parties were deeply concerned with, was the accuracy in the reporting of the tenants' sales figures to both the landlord and the tax authorities if the percentage lease scheme was to be adopted. To the landlord, he might think that he could rely on the government (tax authorities) for honest declaration of income by the tenant. Nevertheless, such assumptions made by the landlord should not be heavily depended on, as there could be room for the tenant to skim, fooling both the government and the landlord. There are some exceptions though, tenants who are known nationally tend to report honest figures as they had to report their sales figures to the head office too, apart from reporting to the government and the landlord.

To the tenants, there were a number of reasons, which made them balked the idea of a percentage lease scheme. Their reasons could range from rental budgeting problems to distrusting the landlord with their shops' information.

Conversely, there are reasons which tenants supported the idea of adopting the percentage lease scheme. Reasons could also range from tenant's insurance from high rents especially for businesses with unpredictable sales (see Kwame and Yeo (1999)), to inculcating a firmer landlord-tenant relationship. As Alexander and Muhlebach (1992) observed: "The success of a shopping center depends on the success of all its tenants".

The possible reasons are non exhaustive especially in the Singapore context which this dissertation focuses on, and authors like Yap (1985) and Sek (1988) further investigated the reasons which held the tenants back or encouraged them from taking up the percentage lease scheme. The approach, which both the authors took, was that they had looked into their area of study with the use of case studies. It should be noted that both of the unpublished dissertations had only concentrated on a few case studies of shopping centers in Singapore. Yap (1985) and Sek (1988) only chose a case study of only one shopping center and Latiff (1989) had further developed it by introducing more shopping centers in her study. Although their scope of study only centers round a

small number of shopping centers, they had successfully identified both the disadvantages and advantages of two parties (the landlord and tenant).

3. Research Design

The purpose is to study both the landlord and tenant's opinion of their current leasing scheme, especially when the economic situation is not favourable now. By knowing what type of tenants is suitable for the percentage scheme, the landlord is able to achieve an ideal tenant mix, which can maximize his revenue from rent. Both parties will benefit from these findings, as they can better understand each other's point of view regarding the leasing scheme.

The survey data was obtained through face-to-face interviews with the tenants using the structured questionnaire. This method can be both tedious and time consuming. On top of that, to ensure that there are sufficient respondents (tenants) for this study, the survey forms were also faxed to random selected respondents.

For the landlords, individual phone calls were made to encourage them to participate in the survey. Once they have agreed to participate in the survey, the survey forms are either faxed to them or emailed at their request. A total of 12 landlords and 221 tenants responded to the survey questionnaire.

A pilot study based on 2 respondents for the landlord and 5 respondents for the tenant were conducted prior to the actual survey. This is to resolve any discrepancies and confusion over the structure and contents of the survey.

Firstly, a **descriptive analysis** of the respondents would be presented according to this order,

- 1) The type of scheme adopted by the tenant
- 2) Level of satisfaction of current scheme
- 3) Range of rates the tenants prefer
- 4) Reasons on why the tenants prefer these rates
- 5) Type of scheme adopted by the landlord
- 6) Methods of arriving at the percentage rates

Secondly, **factor analysis** is then performed to explore which opinions are more valued by either the landlord or the tenant. The factor analysis of the respondents would be presented according to this order,

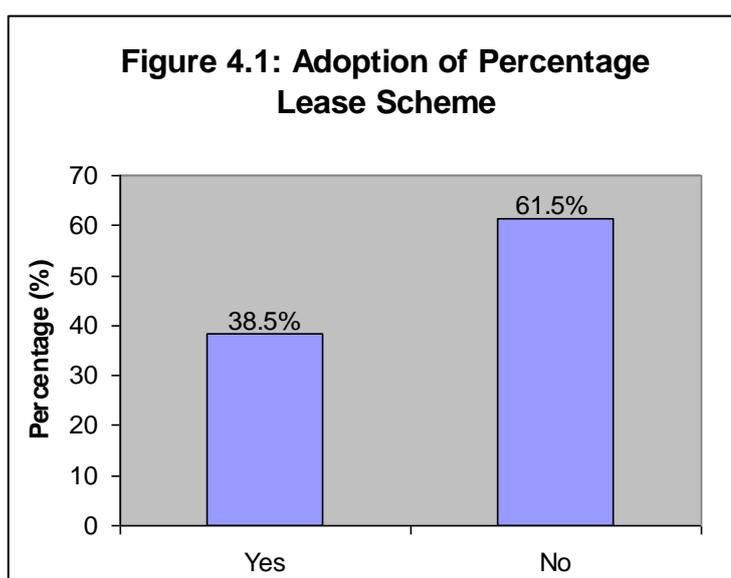
- 1) Tenants whose current scheme is the fixed lease scheme
 - a) Tenants who intend to adopt the percentage lease scheme in the future
 - b) Tenants who still remain adopting the fixed lease scheme in the future
- 2) Tenants whose current scheme is the percentage lease scheme
 - a) Tenants who intend to adopt the fixed lease scheme in the future
 - b) Tenants who still remain adopting the percentage lease scheme in the future
- 3) Landlords whose current scheme is the percentage lease scheme
 - a) Type of tenants who were offered the scheme
 - b) Reasons the landlords felt when tenants rejected the offer
- 4) Landlords whose current scheme is the fixed lease scheme
 - a) Landlords who intend to adopt the percentage lease scheme in the future

b) Landlords who still remain adopting the fixed lease scheme

The method of this analysis is to first single out the factors that are of similar values under each component. Next, a broad term will be used to represent the selected factors.

Thirdly, **ANOVA** is used to test whether the means of each variable in one group differs from that in another. This test is used to check the hypothesis that a difference between the two independent sample mean ratings is significantly different. The null hypothesis for the test is that the population means are equal. This is rejected if the p value is less than 0.05.

4 Descriptive Statistical Analysis



Source: Author's survey and analysis

As shown in Figure 4.1, 38.5% of tenants adopted the percentage lease scheme, while a higher percentage (61.5%) of tenants adopted the fixed lease scheme. A further breakdown of the tenants is presented in Table 4.1.

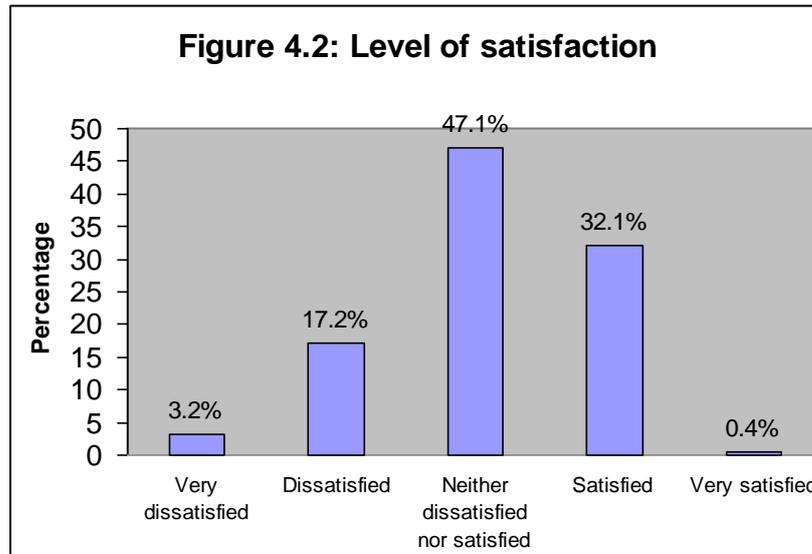
Table 4.1: Adoption of Percentage Lease Scheme

Type of Trade	Yes (%)	No (%)
Apparel	20	80
Watch	100	0
Money changer	0	100
F&B	52.5	47.5
Shoes, handbag	2.5	97.5
Supermarket	30	70

Source: Author's survey and analysis

From Table 4.1, what is significant is that for the watch trade, 100% of the tenants adopted the percentage lease scheme. However, for the moneychanger trade, it is the opposite. Another observation is that, most of the trades (apparel, shoes and handbag

and supermarket) had adopted the fixed lease scheme; only the F&B trade had most of its tenants adopting the percentage lease scheme.



Source: Author's survey and analysis

Generally, most of the tenants (47.1%) are neither dissatisfied nor satisfied with their current lease scheme. However, as 32.1% are satisfied with their current scheme as compared to those who are dissatisfied with their current scheme (17.2%), the result implies that the current scheme is working well.

Table 4.2: Range of rates all tenants prefer

	0 – 3%	4 – 7%	8 – 11%	12 – 15%	16 – 19%	More than 20%
Tenants whose current scheme is fixed lease	63.6%	27.3%	9.1%	0%	0%	0%
Tenants whose current scheme is percentage lease	21.2%	45.9%	25.9%	7%	0%	0%

Source: Author's survey and analysis

For tenants whose current scheme is the fixed lease scheme, the bulk of the percentage (63.6%) would prefer a range between 0 – 3%. The least (9.1%) would be the range of 8 – 11%. None of the tenants who adopted the fixed lease scheme would prefer rates, which were more than 12%.

For tenants whose current scheme is the percentage lease scheme, the bulk of the percentages (45.9%) find that a comfortable range would be 4 – 7%. None of the tenants would prefer higher rates, which are more than 16%.

A closer examination of the rates for tenants who had adopted the percentage lease scheme is presented in Table 4.3.

Table 4.3: Rates offered vs. Rates Preferred

	0 – 3%	4 – 7%	8 – 11%	12 – 15%	16 – 19%	More than 20%
Rates offered	5.9%	24.7%	29.4%	40%	0%	0%
Rates preferred	21.2%	45.9%	25.9%	7%	0%	0%

Source: Author’s survey and analysis

Under the **rates offered** to the tenants, the highest percentage is in the range 12 – 15% (40%). The smallest percentage (5.9%) would be in the range 0 – 3%. None of the tenants were offered rates more than 16%.

It is evident from the above comparison that percentages have dropped significantly for ranges between 8 – 15%. We can conclude that, given a choice to choose their preferred rates, most of the tenants would prefer a much lower rate as compared to their present rate.

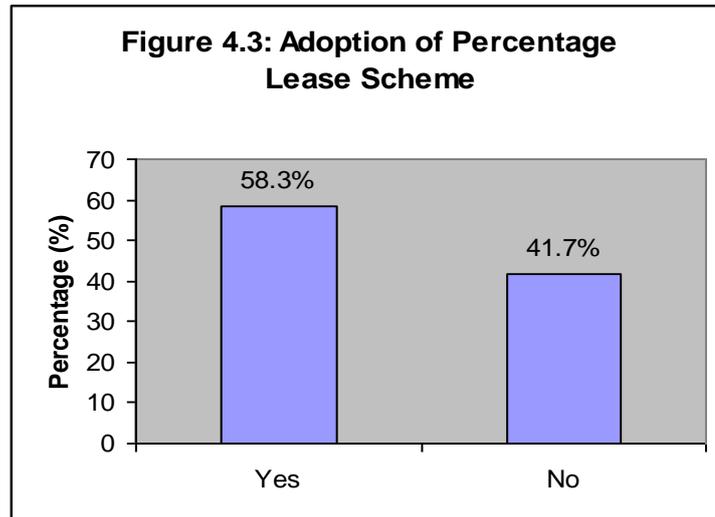
Table 4.4: Reasons tenants prefer these rates

	Percentage (%)
It is reasonable for my business	18%
It does not eat too much into my profits	23%
I heard that this rate is often selected	0.9%
I read up that this rate is suitable for my kind of business	0.5%
I had used this rate in another shopping centre	14%

* The above percentages do not add up to 100% as the tenants are able to select more than one choice.

Source: Author’s survey and analysis

As shown in Table 4.4, the highest percentage is 23%. The reason which most tenants gave for preferring the rates is that, it does not “eat” into their profits. The lowest percentage is 0.5%. This could be explained by the fact that they have checked whether the rate is suitable for their kind of business.



Source: Author's survey and analysis

The results in Figure 4.3 show that of all the landlords who responded to the survey, 58.3% of them had adopted the percentage lease scheme and only 41.7% of them had adopted the fixed lease scheme. A further breakdown of the landlords is presented in Table 4.5.

Table 4.5: Adoption of Percentage Lease Scheme

	Yes (%)	No (%)
Regional	33.3%	16.7%
CBD	25%	25%

Source: Author's survey and analysis

From Table 4.5, the highest percentage (33.3%) comes from landlords in the regional area and they had adopted the percentage lease scheme. The least percentage (16.7%) also comes from landlords in the regional area and they had adopted the fixed lease scheme.

Table 4.6: How the landlord arrive at the percentage rate

	Percentage (%)
Through own calculations	100%
Own research	0%
Used other countries' rates as a reference	0%
At the request of the tenant	14.3%

* The above percentages do not add up to 100% as the tenants are able to select more than one choice.

Source: Author's survey and analysis

It is evident from the Table 4.6 that all of the landlords who had adopted the percentage lease scheme had arrived at the percentage rate through their own computation (100%). Only 14.3% of them had derived the percentage rate at the request of the tenant.

4.1 Factor Analysis

a) Tenants who intend to adopt the percentage lease scheme in the future

This section determines the reasons and which the tenants value the most when they had decided to revert from the fixed lease scheme to the percentage lease scheme.

Table 4.7 summarizes the test values with the use of factor analysis.

Table 4.7: Factor Analysis Test Results

	Component			
	1	2	3	4
Beneficial for business	0.185	-1.676E-02	0.487*	0.146
Scheme has many advantages	0.365	-0.878	-2.597E-02	1.412E-03
Protected from high rents	0.928	5.822E-03	-0.156	0.162
Rental burden lessened	5.103E-02	0.884	-7.423E-02	-0.108
Help improve business	4.088E-02	0.276*	-0.850	-3.019E-03
Scheme is flexible	0.203	8.368E-02	0.225	0.923*
Sales are not performing well	-2.723E-02	0.243*	0.691	-0.624
Usually offered in most shopping centres	0.460*	0.227	0.617	0.419*
Right kind of scheme for my kind of business	0.829	3.129E-02	0.243*	0.163
Familiar with the scheme	0.328*	0.734	-6.110E-02	0.218
Assured of a well maintained shopping centre	0.874	-2.943E-02	0.249	7.770E-03

* - Indicates values, which are similar to be selected under a broad category

Source: Author's survey and analysis

There are four broad categories, which are highly valued by the tenants.

They are namely,

- 1) Familiarity of the scheme
- 2) Improvements for the business
- 3) Depending on the type of business
- 4) Popularity of the scheme

With the use of the factor analysis, the various reasons are categorised into 4 main broad reasons on why they had decided to revert from the fixed lease scheme to the percentage lease scheme. All the tenants felt that as long as they know the scheme well enough to be helpful in their own business, they do not mind reverting to the percentage lease scheme. They also felt that although they heard that the percentage lease scheme might be popular, it is enough a reason to convince them to opt for the scheme.

b) Tenants who still remain adopting the fixed lease scheme in the future

This section aims to find out what the reasons are and which the tenants value the most if they continue to opt for the current scheme.

Table 4.8 summarizes the test values with the use of factor analysis. See Appendix C-II for the details.

Table 4.8: Factor Analysis Test Results

	Component				
	1	2	3	4	5
Present scheme suitable for my business	-0.111	0.872*	0.208	7.436E-02	5.914E-02
Certainty during rent payment	0.201	0.676*	-0.389	4.014E-02	0.101*
Only scheme available	4.379E-03	0.137	-3.066E-02	2.185E-03	0.875
Sales not affected by downturn	8.318E-02	-0.295	0.232	0.529*	0.410*
Do not want to share profits	0.527	0.454	-0.348	-0.137	-0.171
Do not want to share information	0.932*	-1.005E-02	2.542E-02	-5.976E-02	1.801E-02
Do not want interference in business policies	0.894*	9.459E-04	1.925E-02	0.106	2.403E-02
Usually offered in most shopping centres	0.111	0.137	-0.676	0.148	-0.171
Right kind of scheme for my kind of business	0.371	0.122	0.118	0.541*	-.338
Had used this scheme in another shopping centre	0.158	0.113	0.811*	0.152	-0.210
Not familiar with the percentage lease scheme	0.137	-9.577E-02	0.141*	-0.815	-3.188E-02

* - Indicates values, which are similar to be selected under a broad category

Source: Author's survey and analysis

There are five broad categories, which are highly valued by the tenants. They are namely,

- 1) Do not want involvement of landlord
- 2) Suitability of scheme to their business
- 3) Familiarity with the scheme
- 4) Depending on nature of business
- 5) Stability of the current scheme

The main reason for not changing their scheme is that they strongly do not want any involvement with the landlord, whether if it is sharing of information or profits. The stability of the current scheme means that this category basically involves certainty during rent payment.

This section analyses the reasons the landlords felt on the type of tenants who were offered the scheme.

Below, Table 4.9 summarizes the test values with the use of factor analysis.

Table 4.9: Factor Analysis Test Results

	Component		
	1	2	3
Business did not fare well during the economic downturn	-0.914	-9.484E-02	-0.131
Likely to have high sales rates if sales improve	0.291	0.916*	5.518E-02*
Tenants asked for the scheme	0.765*	5.981E-02	-0.535
Such business have potential in bringing in more rent revenue	2.283E-02	4.399E-02*	0.971
Tenants who often request to lower rents when sales are down	0.604*	-0.738	2.893E-02*

* - Indicates values, which are similar to be selected under a broad category

Source: Author's survey and analysis

There are three broad categories, which are highly valued by the landlord. They are namely,

- 1) Initiative of tenants
- 2) More revenue for the client
- 3) Tenants who are concerned with sales

For landlords whose current scheme is the percentage lease scheme, they were asked on their opinions on the type of tenants who were offered the scheme. It is interesting to note that usually tenants who were offered were those who took the initiative to ask for the percentage lease scheme. This phenomenon can be substantiated by the exposure of new information to the tenants. Because of easy access to new ideas, tenants can make the decision and ask for the scheme if he thinks that it will be beneficial for his business.

This section analyses the reasons the landlords felt when the tenants who were offered the scheme had rejected the offer.

Below, Table 4.10 summarizes the test values with the use of factor analysis.

Table 4.10: Factor Analysis Test Results

	Component	
	1	2
Not familiar with the percentage lease scheme	-0.255	-0.795
Do not wish to share profits	0.869*	-0.102
Do not wish to share information	-8.372E-02	0.880*
Prefer certainty in their rent payments	-0.493	-0.187

Resistant to a different scheme	0.918*	6.246E-03
Do not want interference in their business	0.697	0.432*

* - Indicates values, which are similar to be selected under a broad category

Source: Author's survey and analysis

There are two broad categories, which are highly valued by the landlord. They are namely,

- 1) Depending on the characteristic of the tenant
- 2) Tenants do not want involvement of the landlord

The characteristic of the tenant can be further explained. As different types of tenants demand different types of needs, their reasons for rejecting the offer can differ too. It is observed that, the landlords actually do know the reason why certain tenants still want to remain or revert back to the fixed lease scheme and that is, tenants do not want involvement of the landlord.

4.2 One-way ANOVA

Results, which show significant differences, are presented in this section.

Table 4.11: One-way ANOVA - Between types of trades

Variable	<i>p</i>
Present scheme suitable for my biz	0.041*
Certainty during rent payment	0.114
Only scheme available	0.753
Sales not affected by downturn	0.277
Do not want to share profits	0.052
Do not want to share information	0.503
Do not want interference in biz policies	0.036*
Usually offered in most shopping centres	0.782
Right kind of scheme for my kind of biz	0.004*
Had used this scheme in another shopping centre	0.394
Not familiar with the percentage lease scheme	0.190

* - Indicates values which are less than 0.05

Source: Author's survey and analysis

As shown in Table 4.11 above, there are three items, which show significant differences in the mean ratings between trades (apparel, money changer, F&B, shoes & handbag, supermarket).

They are namely,

- 1) Present scheme suitable for my business
- 2) Do not want interference in business policies
- 3) Right kind of scheme for my kind of business

Among the trades, the 3 reasons listed above vary a lot when it comes to expressing their opinions to remain adopting the current scheme in the future.

A closer examination of each trade is presented in Table 4.12. For each variable, a different trade rate the highest than the rest of the trades. For example, Money changer rate the first variable the highest (mean = 4.48) as compared to the rest of the trades.

Table 4.12: Comparison of Variables – Mean ratings for each trade

Variables	Means				
	Apparel	Money Changer	F&B	Shoes & Handbag	Supermarket
Present scheme suitable for my business	4.18	4.48	3.94	4.14	3.13
Do not want interference in business policies	4.52	4.71	4.82	4.69	4.36
Right kind of scheme for my kind of business	4.50	4.43	4.06	4.62	4.14

Source: Author's survey and analysis

5 Summary of findings

The survey findings show that higher percentage of tenants adopted the fixed lease scheme as compared to tenants who adopted the percentage lease scheme.

Of all the tenants surveyed, most of the tenants in the watch trade were the ones who adopted the percentage lease scheme as compared to the rest of the trades.

It is expected that tenants whose current scheme is the fixed lease scheme, most of them would prefer the lowest range of rates as compared to those tenants whose current scheme is the percentage lease scheme. It could be due to the fact that they are unfamiliar with the rates that would be offered. To them, the lower the rates, the better.

Most of the tenants surveyed were very concerned that the rates preferred do not adversely affect their business profits. Their cause of concern is understandable since their key objective is to make profits. Hence, they have to make sure that the rent paid is reasonable.

A higher percentage of landlords adopted the percentage lease scheme as compared to landlords who used the fixed lease scheme.

It is observed that tenants who revert to or opting for the fixed lease scheme, not wanting the involvement of the landlord seems to be on the top of the list of reasons for adopting the fixed lease scheme.

It is interesting to note that tenants, who had already adopted the percentage lease scheme and those who intend to adopt it, have reasons, which differ. Both types of tenants value different opinions on adopting the percentage lease scheme. For a seasoned tenant who had already adopted it, they were more concerned with the secondary aspect of adopting the scheme like, working with the landlord to promote the shopping centre as a whole. For a tenant who is new to the scheme would be more concerned with the basic aspect of adopting the scheme that is to mainly reduce their rental burden. This significant difference observed could be useful for the landlord. With this newly found information, landlords are able to understand the needs of each tenant.

For tenants who had already adopted the fixed lease scheme and for those who intend to adopt it have similarities in their opinion. The main reason for not adopting the percentage lease scheme was the problem of sharing profits and information. It was understandable that they felt this way and this reason could have compelled them to turn to the fixed lease scheme. Tenants were always wary when it comes to sharing information with the landlord. They were afraid that the landlords might abuse the use of the information given to them. For example, the landlord might reveal the account records of the shop to a competitor. Such distrust between the landlord and the tenant could not be totally eliminated. To alleviate the distrust between the two parties, both could adopt a collaborative approach (Robbins 1994). Therefore, it is important that the landlord should be proactive in working with the tenant especially when it comes to promoting the shopping centre as a whole.

There are significant differences between the different types of trades when tenants gave their opinions on remaining opting for the fixed lease scheme. What is evident from the findings is that, different trades felt strongly for different reasons listed in the survey when asked for their opinions for remaining status quo. For an example, the Moneychanger feels that the main reason why he still remain adopting the same scheme is because he still finds the present scheme suitable for his business. However, to the F&B tenant, he feels strongly for no interference in business policies by the landlord to be the utmost importance. We can see that such variables (reasons) differ between the trades.

There is a significant difference between the two types of landlords when they had to give their opinion on why the tenants who were offered the percentage lease scheme rejected it. Both the landlords from the CBD area and Regional area felt differently on the reason of tenants who are resistant to the scheme.

5.1 Significance of findings

The major findings made from this study show that the percentage lease scheme has been widely accepted and used in shopping centres in Singapore. Comparing to the situation more than ten years ago, incorporating the percentage lease scheme in the shopping centres in Singapore was unheard of as the scheme was new then. Both landlords and retailers were unfamiliar with it even though such a scheme had already been widely practiced in European countries like the United States and Australia. Another reason for not practicing the scheme could be that the retail sector was then experiencing a boom in its businesses and retailers were making profits.

The retail sector in Singapore has been evolving for the past few years to be in tandem with Singapore's economy situation. After the Asian financial crisis in the years 1997/1998, businesses in the retail sector had not been performing well. Thus, to help the business stay afloat, retailers had to turn to new ideas in order to lower costs. Adopting the percentage lease scheme is one of them. Since there is demand for such schemes, landlords have included the percentage lease scheme as part of their leasing portfolio.

The findings also indicate that retailers would prefer lower percentage rates if they adopt the percentage lease scheme. It is because, businesses prefer to pay as less rent as possible and hence, the lower the percentage rate.

In Singapore, there is no benchmark or standard schedule of rates for each trade. However, in the European countries, they had a schedule of rates, which the landlords use as a guide. It is recommended that such a schedule be developed in Singapore.

Finally, opinion of tenants from each trade can differ with each other but not between the different types of shopping centres. Although not all of the output produced shows the difference between trades, it is possible that different tenants regard certain things differently. Initially, it was assumed that all the different types of tenants from different types of shopping centres think alike. This is because usually, tenants will think in the line of benefiting his own business when deciding what scheme to choose. Hence, their reasons were thought to be homogenous. However, this research proves this hypothesis wrong. There can be tenants who look upon the decision differently. This implies that landlords will have to personally know what each individual tenant wants from the leasing scheme and not make assumptions that all tenants would want the same things from the scheme.

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