

# Chapter Five

## 1990–2000

### Building

### on

### Strength

Capitalising on Hard-Earned Gains  
and Becoming a Global Player

# Westfield Blooms

Despite a sluggish start, the 1990s became the period of greatest growth in Westfield's history. The company bloomed and by the close of the decade had grown significantly in Australia, had become a real force in the United States and New Zealand, and had made an impressive debut in the United Kingdom.

Australia's recession of the early 1990s had everyone on the back foot except the shopping centre industry. The three big industry players — AMP, Lend Lease and Westfield — continued to spend up big on expansions and upgradings, leading to newspaper headlines such as 'Recession Proof Shopping'. Westfield's view was that even if there was moderate growth in retail sales, because of their attractiveness and competitiveness, malls would take the greater proportion of this growth.

By June 1991, the share price had surged to a four-year high. Westfield was on the path to recovery. Lowy was publicly praised for his 'noble' exit from television and

analysts declared Westfield was 'back on the shopping list'.

Later that year, the board gained new expertise when Professor Fred Hilmer, Dean of the Australian Graduate School of Management, took the seat left vacant by John Saunders.

There was also a major change in the share register when Bankers Trust raised its stake in Westfield Holdings to 10.4 per cent, a stake which it would subsequently increase.

That same year, Westfield Trust took over the mantle as the largest listed property trust, with a market capitalisation of \$1.3 billion.

The following two years were even better for Westfield, generating headlines such as 'Westfield Again Beats the Recession Blues' and 'Experts Give Westfield the Thumbs Up'.

Lowy told the press that the company had been through a number of downturns or recessions since 1960 and that after each one Westfield emerged stronger. 'This shakeout in the property market — from time to time — always plays into our hands,' he said.



## DUTCH PARTNERSHIP

The company was constantly in the press and gained particular prominence with a new partnership with Rodamco NV, Europe's largest property investment fund.

Rodamco had been interested in buying a property portfolio in Australia, had done its

homework and had approached Westfield. This was a strong vote of confidence in Westfield which, by all measures, had recovered from its problems in the 1980s.

This partnership clearly had the potential to develop further into other parts of the world. Rodamco was subsequently instrumental in the reconstruction of the US business which enabled Westfield Holdings to re-enter the US market.

#### THE WESTFIELD 'POWERHOUSE'

Early in 1994, Westfield was again centre stage, this time in a US shopping centre deal that would bolster its already strong global reputation.

With two partners, the real estate investment trust General Growth Properties Inc and the New York investment bank Goldman Sachs, it pitched for and won the US\$1 billion CenterMark retail property portfolio.

The deal tripled Westfield's US management space.



*Video press conference: Stephen Johns and Steven Lowy in Sydney with Peter Lowy on the monitor from Los Angeles.*

The rewards were rapid. In August 1994, Westfield announced a 29.4 per cent improvement in net profits due largely to the US acquisitions. The company's assets under management were split 50:50 between the United States and Australia.

Until Westfield's triumph, the press commented that most Australian companies that had tried to invest in the United States had met with disaster. They had struck out and lost many millions. Westfield, however, seemed to be going from strength to strength.

Its board was growing in strength too with the arrival of Rob Ferguson, managing director of Bankers Trust Australia, and Dean Wills, chairman of Coca-Cola Amatil.

On the Australian front, the company was fully occupied, negotiating a shopping centre deal with Coles Myer, the AMP Society and Westfield Trust.

It was also looking to Asia and exploring a development opportunity in Malaysia with Rodamco. It went on to invest \$20 million in a Kuala Lumpur project but in 2000 Westfield disposed of its interest in the centre to Rodamco Asia.

In June 1995, Frank Lowy was appointed to the Reserve Bank Board.

By August 1995, Westfield posted a strong 33 per cent jump in net profit. Newspapers called it the 'shopping centre powerhouse' and talked of further expansion in the US market.

Before that ink was dry, there were reports of the opening of the biggest shopping centre in the southern hemisphere,

Westfield Shoppingtown Parramatta. The press called it a 'shopaholics' heaven' noting it was even larger than Westfield Shoppingtown Miranda which had been the largest shopping centre in the southern hemisphere since its completion in 1992.

But Westfield was only halfway through the decade. It was about to move into the fast lane and create two vehicles that would drive it to prominence and profit.

#### RESTRUCTURING IN AMERICA

In May 1996, the first entity hit the road in the form of Westfield America Trust.

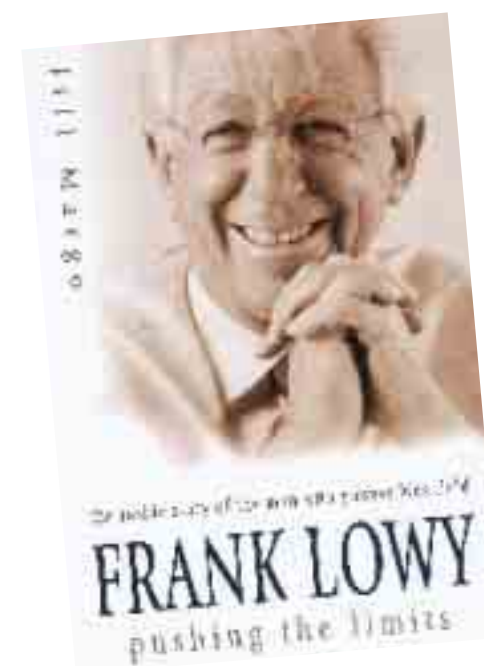
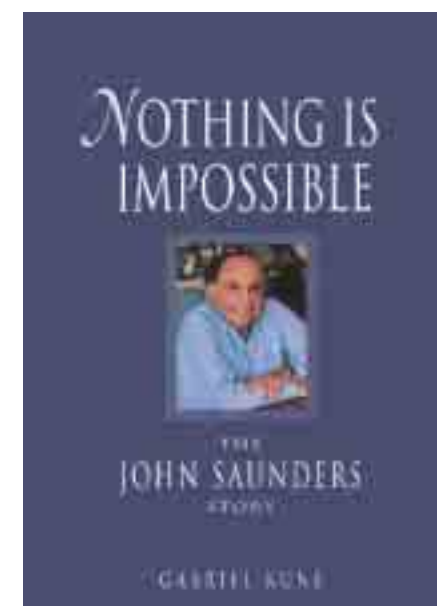
Through it, Australians were invited to invest directly in the US retail property market.

The trust was set up to acquire a major interest in CenterMark Properties, Inc. which had a portfolio of 22 centres across America — the 19 properties acquired from CenterMark in 1994 plus three additional regional shopping centres — valued at \$2.139 billion.

Within weeks of its establishment, a New York listing was being planned.

The idea was to replicate the Australian trust's success in the US by having a similar structure in place. The listing would involve an IPO of shares in the 22 CenterMark properties, a real estate investment trust (REIT) that would be capitalised at about US\$1.5 billion on listing. CenterMark would be renamed Westfield America, Inc.

By September 1997, Westfield's shares had risen past the \$27 mark and a decision was taken to split them in a ratio of 5 for 1 to make them accessible for small investors.



*Biographies of the two Westfield partners. Nothing is Impossible: The John Saunders Story, published in 1999, and Frank Lowy: Pushing the Limits, published in 2000.*

## GROWING AND GROWING

By this stage, Westfield had 66 shopping centres under management, including 10 centres in New Zealand that were part of St Lukes Group, New Zealand's biggest shopping centre company.

While settling into the New Zealand market, Westfield was also stretching its wings in the US. The deals were becoming bigger and more challenging. In April 1998, Westfield America made a bold investment with the \$US1.44 billion purchase of 12 shopping malls from TrizecHahn Corporation.

Later that year, Westfield Holdings' net profit shot past the \$100 million mark for the first time and the combined profit of the four Westfield entities totalled \$660 million.

Later that year, a biography of the late John Saunders entitled '*Nothing is Impossible*', was launched by the Australian Prime Minister, John Howard.

In late 1999 Westfield in Australia became embroiled in controversy over its opposition to a competing development proposal in western Sydney that involved an application to rezone industrial land. Westfield publicly objected to the proposal but also apologised because some of its activities were not transparent. In particular, it was not apparent that a consultant involved in objecting to the proposal was working for Westfield.

By this time, Westfield had built a bridgehead into the United Kingdom. In early 2000 it won an internationally competitive bid and became a partner with

Post Office Staff Superannuation Scheme in a \$1 billion redevelopment of the Broadmarsh Centre in Nottingham.

Only months after the Broadmarsh deal, Westfield announced it was buying a 50 per cent stake in a portfolio of nine UK centres owned by MEPC and valued at \$2.4 billion.

In April 2000, HarperCollins published a biography of Lowy. Entitled *Frank Lowy: Pushing the Limits*, the book made the bestseller list within a week of being released.

In late 2000, Westfield Trust sold its 50 per cent investment in the Indooroopilly shopping centre in Brisbane. The Trust, usually a buyer of shopping centres, was not looking to sell its interest in Indooroopilly. The offer price of \$300 million was, however, simply too good to refuse.

When Westfield Holdings reported its annual results in August 2000, announcing the 40th consecutive year of profit rise, the newspaper headlines said it all: 'Earnings: Westfield scores a perfect 40' and 'Punters just wild about Westfield way'. As the shares hit \$13, it was an understandable sentiment.

How the press saw the 40th year results.



# Expansion and Redevelopment

## Australia in the 1990s

The last decade of the twentieth century saw the number of Australian shopping centres in the Westfield portfolio grow significantly as the company also implemented a multibillion dollar redevelopment program to improve its Australian shopping centres.

During the 1990s, the Australian portfolio grew from 21 shopping centres with more than 3 600 retailers to 30 shopping centres with about 6 350 retailers.

Bankers Trust granted Westfield the management and development rights for two shopping centres — Mount Druitt in Sydney in 1992 and Carousel in Perth the following year. Westfield Trust was awarded the management rights for Fountain Gate in Melbourne in 1994 and then bought the centre in two tranches. The Trust also bought half of Bondi Junction in Sydney in 1995. The construction of Tuggerah, on the Central Coast north of Sydney, was also completed in 1995.

In 1996, a major property and tenancy deal between Westfield and Coles Myer resulted in Westfield Trust acquiring three new centres — Galleria and Innaloo in Perth and Chermside in Brisbane. The deal was mutually beneficial as Coles Myer wanted to translate substantial properties on its balance sheet into cash for its retailing business and Westfield Trust was a natural buyer. The deal also

included a large number of new store deals for Coles Myer tenancies in various Westfield shopping centres. This was positive for both organisations as it enabled Coles Myer to get many new stores on the ground quickly and Westfield to expand its shopping centres.

The most recent addition to the Australian portfolio is Carindale shopping centre in Brisbane. Westfield Trust effectively bought half of the centre in late 1999.

In addition to the growth of the number of centres in the Westfield portfolio during the decade, 16 Australian shopping centres benefited from redevelopment projects worth a total of more than \$2.7 billion.

Redevelopment ensures that shopping centres keep pace with the changing demands of the communities they serve and also remain at the cutting edge of design and retail mix.

The redevelopments of Miranda and Liverpool in Sydney and Doncaster in Melbourne were completed in 1992, with Miranda becoming the largest shopping centre in Australia with a gross lettable area of more than 106 000 square metres. The redeveloped Parramatta and Mount Druitt centres in Sydney and Indooroopilly in Brisbane opened in 1995, with Parramatta expanding to 127 000 square metres of retail space and leapfrogging Miranda to become the largest shopping centre in the southern hemisphere.

The construction of Tuggerah was also completed in 1995. The centre, built on a greenfield site, quickly proved to be a great success and is an excellent example of the way Westfield shopping centres create valuable economic activity for local communities.

In 1997, the redevelopment of Marion in Adelaide was completed and the following year saw smaller projects completed at Tea Tree Plaza in Adelaide and Strathpine and Indooroopilly in Brisbane. The redeveloped Airport West and Southland in Melbourne, Carousel in Perth and Chatswood in Sydney opened in 1999.

Burwood is the first Westfield shopping centre to be totally demolished and rebuilt and it reopened for business in 2000, following years of planning and 19 months of construction work. Westfield Burwood is now twice the size of the original centre, one of the first in the country when it started trading in 1966.

The decade's \$2.7 billion redevelopment program was completed when Chermside in Brisbane opened in 2000 after 20 months of construction.

Two additional projects with a combined value of \$540 million — Fountain Gate in Melbourne and Hornsby in Sydney — are under construction and due to be completed in late 2001.



*Westfield Carousel, Perth.*



*Westfield Southland, Melbourne.*

*A feature of the most recent Australian redevelopment projects has been the introduction of greatly improved entertainment and leisure precincts ('ELPs') that integrate state-of-the-art cinemas with cafes, restaurants and lifestyle retailers such as stores selling books, music, sporting goods and youth fashion. These ELPs are called 'The Street' at Carousel and Southland and have proved extremely popular and an excellent driver of customer traffic.*

*The Street concept builds on the popularity of the entertainment offered at centres such as Parramatta, Miranda, Marion, Tuggerah and Indooroopilly and its success at Carousel and Southland led to its introduction at Burwood and Chermshire. It will also be a feature of the next wave of Australian redevelopment projects.*

*The Street will also be introduced into some of Westfield's New Zealand shopping centres — epitomising the way that knowledge and skills are transferred between the different markets in which Westfield operates.*

## From Fine Country Residence to Suburban Shopping Centre



On the site of the Hornsby shopping centre there once stood, for many years, a magnificent two-storey house called 'Pakenham'. It had been built in 1894 and was the realisation of a childhood dream for a young Cornish immigrant, James Channon, who had come to New South Wales to strike his fortune in the goldfields.

An asthma sufferer all his life, Channon's doctor advised him to move from the relative congestion of Burwood to the spacious 'healthy highlands' of Hornsby. The advice must have been sound because Channon lived well into his seventies.

For his 22-room mansion, he imported Italian tiles and Italian tradesmen to lay them. The cantilevered staircase was carved out of cedar, the fireplace mantles were of elaborate marble and the windows were beautiful leadlights.

In 1935, after Channon's demise, the house was purchased and converted into a hospital called 'St Kilda'. It subsequently became offices and then gradually fell into disrepair. By the time Westfield acquired it, it was regarded as a local eyesore.

## The Evolution of Hornsby Centre

1961

- The \$700000 Hornsby centre opens with 22 shops and generates 250 retail jobs. It is credited with playing a major role in attracting new residents to the shire

1966

- Coles opens its first New World supermarket in NSW at the Hornsby centre

1968

- A \$5 million reconstruction and expansion sees the centre air-conditioned, with 64 shops, including a Best & Less store, and parking for 300 cars

1971

- Sydney's first rooftop theatre restaurant opens at the Hornsby centre, attracting widespread media attention

1976

- Hornsby centre extended to 89 shops, including a McDonald's

1979

- The centre is further extended to 96 shops including a Franklins and a Railway Mall costing \$850000
- This year the \$36 million Northgate Shopping Centre opens in direct competition, with 67 stores, a Grace Bros, a Kmart and a Coles

1996

- Westfield buys Northgate and plans to combine it with Hornsby into a state-of-the-art major regional centre

1999

- Redevelopment commences

2000

- Hornsby closes its doors and becomes a construction site. Part of Northgate closes but 30 specialty stores and the major retailers continue to trade

*F u t u r e P l a n s*

Late 2000

- Stage One of the redevelopment will open with 50 new specialty shops

Early 2001

- Stage Two will open with a Woolworths and 10 specialty shops

Mid 2001

- Stage Three will open featuring David Jones, Target and 110 specialty shops

Late 2001

- Gala opening of the redevelopment with a 200-seat food court, alfresco restaurant precinct, a new-look Coles and 100 specialty shops

Early 2002

- The centre will be completed with a 10-screen cinema complex

*The new Hornsby centre is expected to double the customer figures of the combined Hornsby and Northgate centres.*

## Hornsby — A Case Study

Each Westfield shopping centre is subject to intense scrutiny. Everything about it is watched, discussed and, wherever possible, improved.

The centre is not left to drift. It is treated like a child growing up and in need of constant guidance so that it develops into an accomplished, successful adult. But even after it matures, a shopping centre continues to be subject to intensive management focus — sometimes even greater than before.

Westfield perceives its centres as living, breathing assets, which need to adjust and adapt to new trends, conditions and market forces. Unlike an office block, which is locked into its configuration and has limited scope for innovation, shopping centres are dynamic and responsive, capable of accommodating radical change.

Maximising this dynamism is one of the primary components of Westfield's success with its centres. As much as possible, Westfield tries to achieve this without disrupting the trading life of the centre. This is an exercise in complex logistics.

As the stages of the redevelopment unfold, the scheduling depends on hour-by-hour precision. Relocations, deliveries, services and construction all have to continue with the least possible inconvenience to retailers and shoppers.

In a centre under redevelopment, the end of the retail day becomes the beginning of the construction shift. A night-time army of tradespeople and supervisors moves in, working until dawn when every trace of their work must be cleared away and cleaned in readiness for the day's trading.

Sometimes, in major rebuilding projects, the centre has to close temporarily.

The Hornsby shopping centre, which has traded through several incarnations and has also been closed for total rebuilding, is an example of this.

It was the first purpose-built shopping centre constructed by Westfield when it was a public company and, although impressive in its day, is modest by today's standards. When compared to the state-of-the-art centre that will open at Hornsby in 2001, the original, built in 1961, looks like a newborn baby.

# *We Remember ...*

## Vale John Saunders AO

**W**hen John Saunders passed away on 6 December 1997 Australia lost a man of extraordinary entrepreneurial flair and business acumen.

It also lost a generous philanthropist. Among other things, Saunders had established the Sydney Jewish Museum and Holocaust Centre and had built and funded the HopeTown Special School for children with mild intellectual disabilities.

As co-founder of Westfield, Saunders combined hard work and vision to drive the company to new frontiers. His optimism, determination and unwavering belief that things *can* be done, formed the foundations of the Westfield culture.

Under his co-stewardship, the company went from strength to strength. Hardship never defeated him.

During his struggle with a heart condition, he always displayed courage, calm and faith in the future.

He died shortly after his 75th birthday, leaving behind his three children, Betty, Mark and Monica, and grandchildren.

People remember him for his warmth, his humility and, more than anything else, his facility for getting on with people from all stratas of society.

From the day he co-founded Westfield in the late 1950s to the day he retired from active duties in 1987, he continued to make an enormous contribution to the company.

The Westfield that entered the twenty-first century so successfully is still imbued with his indomitable spirit.



*A b o v e : John Saunders behind his desk on the 18th level of Terrace Tower.*

*L e f t : John Saunders surrounded by his children and grandchildren.*

*A b o v e R i g h t : The Walter Pisterman Heritage Walk, Point Nepean National Park, Victoria.*

*B e l o w R i g h t : The painting by William Delafield-Cook donated to the Art Gallery of New South Wales by Westfield.*





## Vale Walter Pisterman and Donald Stephens

In 1991, the memories of two men who had been pivotal in the development of Westfield were honoured.

The two former directors, the late Walter Pisterman and the late Donald Stephens, had both played crucial roles when the company was still finding its feet.

Pisterman, the banker from Credit Suisse, had shown confidence in the fledgling Westfield and had not only invested in it but given it its first international exposure.

To honour him, a beautiful public nature walk was opened at Point Nepean National Park in Victoria.

Westfield funded the walk which it called the Walter Pisterman Heritage Walk.

Stephens was an inaugural board member in 1960 and was Westfield's first chairman. He became deputy for about four years and then resumed the chair.

With his background and experience in commerce, he was able to hold the helm firm through good and bad economic times alike.

To honour his memory, a William Delafield-Cook painting was presented to the Art Gallery of New South Wales.

# The Lowy Family

*(L to R) Steven Lowy, Frank Lowy, Shirley Lowy, David Lowy and Peter Lowy in 1985 at the gala opening of Westside Pavilion.*

Frank and Shirley Lowy's three sons, David, Peter and Steven, grew up at Westfield and business ran in their veins.

From the time they were big enough to sit at the dinner table, every night they learnt about the company's progress and heard details of the latest deals. It was the kind of informal education that money could not buy.

One of them would often go with their father and Saunders on the pair's weekly Saturday-morning tours of the centres. Sometimes they went on interstate business trips with their father and whenever they asked him questions about commerce, their inquiries were taken seriously and they were given genuine answers.

At the age of five, David remembers going to an auction where Westfield was selling residential land. The auction flopped miserably and David gave his father advice in the car going home. He suggested they build houses on the land — then perhaps it would sell.

As the oldest, David had the most exposure

to Saunders. They had an extraordinarily good rapport and Saunders enjoyed having David along, whatever the occasion. Later, when David got his driving licence, he would drive Saunders out to various shopping centres for a stroll through the mall. Saunders disliked driving and would welcome not only the lift, but the company of the intelligent and enthusiastic David. As they walked up and down, chatting to shop owners and observing the state of the centres, Saunders, who operated largely by instinct, would explain how he saw things. Through these casual and unstructured outings, David would absorb some of Saunders's nous for the shopping centre business.

After David completed his Bachelor of Commerce degree at the University of New South Wales (UNSW) in late 1977, he joined Westfield full-time. He had been with the company all his life but now he was officially on the payroll. Saunders welcomed him with open arms. He loved the way David reminded him of Frank as a young man.

David's first real exposure to the company's

core business was being present at the tough negotiations to buy the first American property, Trumbull. After that, he stayed on in the United States to manage Trumbull and began the search for new properties to expand Westfield's American portfolio.

In 1980, he came home to Sydney to work at head office. That same year he joined the board of Westfield Holdings.

David was initially responsible for leasing and management operations in Australia while retaining his role in the US operations, travelling there regularly. As the decade progressed, he worked closely with his father on Australian developments and corporate planning and in the mid 1980s he assumed responsibility for design and construction in Australia.

When John Saunders retired from active duties in 1987, David became responsible for all of Westfield's Australian operations while still being closely involved in the business in the US. He continued in this role until 1993 when he was appointed Director Corporate and International, taking



responsibility for Westfield Holdings' growing corporate issues and examining opportunities to expand overseas, including Asia.

In 2000, David relinquished his executive responsibilities and was appointed non-executive Deputy Chairman of Westfield Holdings, a role he shared with Fred Hilmer.

When Peter Lowy was studying full-time at UNSW for a commerce degree, he was also running two small businesses in Westfield centres: kiddy rides and Santa photos at Christmas. These businesses were first run by David, then Peter and Steven.

Toward the end of his university days, Peter ran a small shopping centre to hone his skills. Steven would later take over from Peter. Both brothers were responsible for everything and, under the close watch of their father, had to take the appropriate steps to make it profitable.

After graduation, Frank thought it would be good for Peter to have a stint working overseas, on his own and outside the reach and influence of the family. First, Peter went to Wall Street, where he gained merchant-banking experience with Furman Selz, and

then to London to work with Rothschild and later with CS First Boston.

On returning to Australia in 1983, he became manager of Westfield Trust and assistant treasurer to the company, reporting to Stephen Johns. About a year later, Peter took over responsibility for Westfield Trust, significantly developing its investor relations activities.

In the mid 1980s, Peter worked on the investment side of Westfield Holdings before working with David Gonski at Westfield Capital Corporation, which

floated in mid 1996. Peter then became managing director of Northern Star, which was sold in late 1989.

In 1990, Peter began working in the US business, first managing Westside Pavilion before moving to head office to work with Richard Green. It was to be a decade of extraordinary growth, as the US portfolio expanded dramatically — from seven shopping centres to 39 shopping centres — due particularly to the portfolios acquired from CenterMark in 1994 and TrizecHahn in 1997. The US portfolio continues to expand.

Peter was heavily involved in the floats of Westfield America Trust in Australia in 1996 and Westfield America, Inc. in the US in 1997.

In 2000, Peter was appointed Managing Director with sole responsibility for Westfield's North American operations.

By the time Peter and, later, Steven were coming into the business, Saunders was already preparing to move out. He never established the same sort of relationship with the younger two boys as he had done with David.

As the youngest in the family, Steven benefited from having more than one mentor. Not only did he learn from his father, but from his two increasingly experienced brothers, particularly David. Frank and David would take him along whenever they could, and would involve him in discussions and show regard for his opinions.

After Steven graduated from UNSW with an Honours degree in commerce, he too had a stint in the United States, working for First Boston in New York. The first year he worked in real estate finance and the second in mergers and acquisitions. During the second year Frank thought the 24-year-old Steven was ready to take over the running of Garden State Plaza in New Jersey. Steven accepted the challenge.

By late 1987, however, Steven was needed back in Australia. In 1988, Steven took over the reins of the Westfield Trust and in December the following year was invited to join the board of Westfield Holdings.

In 1989, Steven assumed responsibility for leasing and management in Australia. He was only 26 years old and two senior executives, Ian Newton and Alan Briggs, found themselves reporting to him. Steven recalls that it was not all smooth sailing as he, Newton and Briggs worked through the new management structure, however they all soon developed respect for each other and an excellent working relationship resulted.

This is evidenced by the fact that Ian Newton has enjoyed a 16-year career with Westfield. In 2000 he announced that he would retire from his role as Director of Leasing in January 2001. Alan Briggs has also been with Westfield for 16 years and in late 2000 he was appointed Director

Shopping Centre Management and Marketing in the United Kingdom.

In 1993, Steven's role expanded as he took over from David responsibility for development, design and construction in Australia. Like David before him, Steven was now responsible for all the Australian operations. In mid 1998 he also became responsible for the New Zealand business and in 1999 he led the team that was ultimately successful in achieving Westfield's first entry into the UK market.

At the end of the decade, Steven was Managing Director, responsible for Australia, New Zealand and the United Kingdom.

Steven is the first to admit there is an element of nepotism at Westfield. However, Westfield has been a public company since 1960 and therefore everything is open to public scrutiny. As executives, the Lowys are accountable and they have to perform. If they don't, they know they will be removed.

Shirley Lowy refers to the respective times her sons worked overseas as 'their period of exile'. None had previously lived or worked away from home. She looks back on the exercise as her husband's attempt to make them experience the world without his protection.

'It was a test,' says Frank. 'They had to learn to be independent and succeed on their own. It was an initiation of sorts. They went as boys and they came back as men.'

# Blessings for Commercial Success



*When, some 30 years ago, Westfield negotiated for the site on which it would build its Liverpool shopping centre, the 'broker' for the deal was a Catholic priest. The land, in south-west Sydney, belonged to the Catholic Church and had previously been a Catholic school and a seminary.*

*The development was supported by the local council because of its capacity to bring employment and shopping facilities to an area of Sydney in desperate need of them.*

*The 'broker' blessed the site and reassured Saunders and Lowy that he and the other priests would say many prayers for the future success of Westfield Shoppingtown Liverpool. The prayers must have worked because today the Liverpool centre is still thriving.*

*T o p : The Westfield Liverpool site in the early 1970s.  
B o t t o m : The Liverpool centre in 2000.*

# Westfield's Secret

— An Expert Outsider's View

When Frank Lowy was awarded an AC\* in 1999, the Australian publication *Shopping Centre News* devoted an entire editorial to him.

The editorial enumerated what it regarded as the secrets of his success in the industry. This success, it argued, had to be understood in the context of post-Second World War Australia, when there were new immigrants flowing in and no community facilities to help them integrate.

There were no town squares or village greens where they could meet and mix and learn the ways of the new country.

1950s Australia was described as 'the biggest suburb in the world' — a bland and characterless sprawl.

'The shopping centres of the 1970s and 1980s became the community focal points ... for a community struggling to come to terms with its own identity, the new regional shopping centres became the epicentres for cultural exchange and social interaction.

'Some were better than others; Westfield led the pack. Why?'

The editorial explained that while some shopping centre developers tended to focus on the product (the actual centres themselves) or on the retailers, more than anyone else, Lowy focused on the human side — on the shoppers.

'That his prime motivation for building shopping centres was commercial rather than philanthropic is totally irrelevant. What is significant is that by focusing on the shopper, Lowy provided a broad-based Australia not only with a retail facility it had demanded, but an entity it needed for its social well-being.

'Quietly, almost imperceptibly, gradually this "shopper focus" began to make Westfield Shoppingtowns more "social" than competitive centres. Westfield's marketing and promotional campaigns were grassroots; they pressed the right buttons, appealed to the right emotions and drew the right crowds. Westfield's initiatives appealed to the mass market, irrespective of its social, racial or religious composition.

'Lowy's contribution to the social cohesion of this nation through the establishment of community focal points in the form of regional shopping centres has been quite remarkable. His efforts have touched mass Australia ...'

*\*Companion of the Order of Australia*



*A busy Westfield Burwood on the day it reopened in August 2000 after being demolished and rebuilt. In Australia, 70 per cent of the population lives within a 30-minute drive of a Westfield shopping centre.*

# Westfield's Other Secret

— An Expert Insider's View

In his 30 years with Westfield, Stephen Johns has seen the company develop a particular faculty that is so powerful it has driven the core business to heights that could not have been otherwise achieved.

He has seen it develop a remarkable financial intelligence that now informs all its actions and augments every deal it makes. Through its use of sophisticated financial structuring, Westfield is able to maximise the results of its core business.

Financial structuring has become one of the company's principal activities.

When Johns was first recruited in 1970, this intelligence was rudimentary. As a public company, Westfield was a decade old and had few formal financial mechanisms in place. Everything was controlled by Saunders and Lowy.

The mechanism they used was cheque-signing. One of them signed every cheque that was written. 'It was a cornerstone method of financial control which served them well when the company was smaller but which they were struggling to cope with as the company expanded its activities,' says Johns.

In the second half of the 1970s Westfield began attaining financial sophistication. While negotiating to enter the US market, in Australia it was involved in the complex build-up for the company restructure of 1979 in which the first property trust was created.

'With the restructure we were working in a different league,' says Johns. 'We were working with all the disciplines of corporate law, finance, tax, the investment community and the financial markets. We were leaving the old world behind.'

When, two years later, the trust had to be wound down and reconstructed because of a change in taxation legislation, the requirements became even more complex. With the successful reconstruction of the Westfield Trust in 1982, Westfield entered a new era.

It was the early 1980s and the company's financial expertise was about to come to the fore. In the space of a few years, it entered the civil construction and engineering field in a joint venture with a

major European firm (from which it subsequently exited with a large profit), navigated its way through myriad regulations to make a 25th anniversary preference share issue to its shareholders (free of charge), diversified into resources, became a pivotal player in several corporate dramas, partnered Myer in a new property trust, purchased a new portfolio of US shopping centres, and acquired for itself a cashbox through which it bought a national television network.

In the ten years between 1978 and 1988, Westfield changed radically.

The progression of sophistication was so fast, however, that the company over-reached itself. In 1988 it created an entity called Westfield International, Inc. that was so complex and elaborate that the market could not grasp it.

The disadvantages of having an over-complicated vehicle were quickly recognised and, within a year, Westfield International was privatised. Some eight years later, Westfield tried its hand again and this time, despite immense behind-the-scenes complexity, was able to present a streamlined and simple new vehicle.

In 1996, Westfield America Trust successfully floated as a special-purpose property trust to invest in Westfield's US shopping centres. It was the forerunner of Westfield America, Inc.'s listing on the New York Stock Exchange the following year.

These vehicles, which replicated in the United States the same structure Westfield Trust provides in Australia, underwrite the financing of Westfield's American operations.

They form a powerful synergy. Core business, coupled with financial sophistication, has resulted in extraordinary growth for the company.



# Westfield Earns its Stripes

## The Hunt for an Australian Tiger

In 1997 Westfield gathered all of its Australian charitable activities under one umbrella and called it the Westfield Foundation. Through this foundation it donated to numerous medical, charitable, artistic and sporting organisations.

Although it provided corporate support through traditional channels, the foundation was drawn to innovative programs where it could develop partnerships, add value and create opportunity.

The 'Hunt for an Australian Tiger' was one example of this.

Inspired by international golfer Tiger Woods, the 'hunt' involved the selection and nurturing of young Aboriginal golfers through traineeships and other forms of assistance to enable them to pursue careers in all aspects of the golf industry.

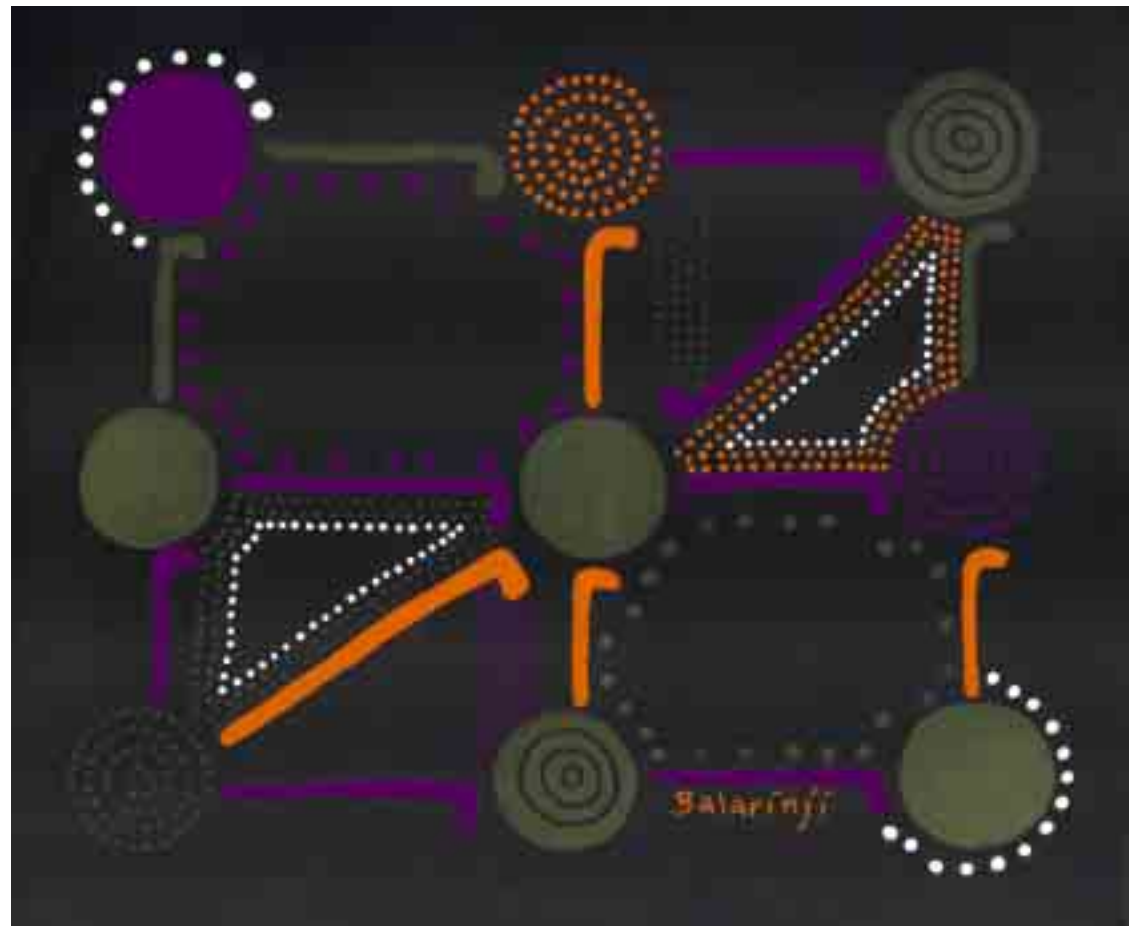
When the National Aboriginal Sports Corporation of Australia approached Westfield in 1998, instead of providing a passive, one-off donation, Westfield suggested they work together and develop a strategy to nurture the program and raise the level of public awareness of the potential of young Aborigines.

With Westfield as the principal sponsor, other corporations paid to enter teams in two well-publicised golfing tournaments. In addition, the Westfield Foundation provided a further four annual scholarships until 2002.

The foundation met all the costs of promotion, logistics and operations.

Ultimately, about 120 young golfers were identified as promising talents, the other participating corporations became increasingly interested in the issues, and, through all the activity, discussion, planning and celebration, there was some breaking down of cultural barriers.

By 2000, there were plans to extend the program to New Zealand and discussions had been opened with Maori organisations.



*The invitation to the golf tournament, drawn and designed by the renowned Aboriginal artist, John Moriarty.*

## Some Wilder Theories About Malls

*In trying to explain the popularity of malls, earnest sociologists have developed some fantastic theories. They have drawn liberally on great theorists, such as Marx and Freud, to support their arguments and some have even attributed the phenomenon to a deep-seated fear of nuclear annihilation.*

*One academic claimed that the deepest fear of the American people was a nuclear holocaust. But, just as the missiles and bombs were hidden out of sight in silos, this fear stayed well out of the public consciousness.*

*When people went into a mall they felt secure. The abundance of clean, attractive consumer products reassured them. So too did the controlled environment, which put thoughts of terrorism, pollution, random murder, environmental toxicity and senseless death out of mind.*

*The academic summed it up thus: 'Americans know full well that there is nowhere to hide and no way to escape nuclear death once the missiles are launched, but in the mall they can at least escape thinking about them.'*

*The Marxist critique of malls explains their popularity by the fact that they transform people from workers into modern consumers in a global marketplace.*

*The Freudian interpretation sees malls as having the unreal quality of dreams. They offer a satisfaction which cannot be extracted by any mechanical or rational means.*

*Of course, there are also many mundane theories, based on the principles of convenience, service, facilities, social interaction, cultural exchange and entertainment.*

## An International Pioneer

**F**rank Lowy is officially one of the world's six pioneers of shopping centres. He was awarded the title in 1990 by the International Council of Shopping Centres.

In a special tribute, the US-based council, which today has a membership of 75 countries, said Lowy had established or perfected fundamental principles essential to the success of the industry internationally.

The council said Westfield was the only global shopping centre developer that had established its name and centres as a brand.

'Westfield and its centres evoke in the minds of shoppers and competitors a specific image of quality that no other shopping centre company has achieved.'

# Retailer Relations



For Westfield to flourish, its retailers have to flourish, and over the past 40 years the company has developed mechanisms to help retailers achieve success.

While there are many stories of retailers complaining about exorbitant rents, occupancy levels in Australia exceed 99 per cent.

In Australia, small retailers, who make up the major proportion of leaseholders, are offered a consultancy and education program that provides value-added opportunities to improve skills and grow

their businesses.

A curriculum of advanced retail training is offered in every centre in Australia. There are half-day seminars with acknowledged experts, one-on-one consultancy services, and two major study tours are organised each year to keep retailers up to date with the latest trends.

In recognition of these retailers' achievements, for several years Westfield has hosted a glittering event called the National Awards for Retail Excellence. The awards

acknowledge those businesses — from national majors through to single-outlet owner-operators — which have demonstrated consistently high standards in retail merchandising, business practice, customer service and the environment.

In 1999, the awards celebration was held at Sydney's premier Olympic venue, Stadium Australia (pictured above). Guests were fitted with new running shoes and encouraged, by current and past Olympic athletes, to use the athletics track before dinner.



*L e f t : The 2000 Australian Study Tour with Westfield sponsored Olympian Louise Currey at Stadium Australia.*

*B o t t o m L e f t : Frank Lowy presents Albert Yee from Ross Trewin's Chemworld with the award for Best Small Retailer at the 1999 Westfield National Awards for Retail Excellence.*

*B o t t o m R i g h t : Three Westfield secretaries — Jodi Velasco, Sandra Dobson and Bernice Goldstein — flanked by Olympians Raelene Boyle and Kyle van der Kuyp on the Stadium Australia athletics track at the 1999 Westfield National Awards for Retail Excellence.*



# The Olympics

— A Special Category

When Sydney won the bid to host the 2000 Olympic Games, Westfield decided to be a part of this historic event. As a Team Millennium Olympic Partner, Westfield enabled Australians across the country to ‘touch’ the Sydney 2000 Olympic Games through its 30 Australian shopping centres.


Westfield was the first shopping centre company in history to be a major sponsor of the Olympic Games and fulfilled its commitment to deliver cultural, educational and sporting benefits to consumers.

For example, Westfield was an Official Provider to the Sydney 2000 Olympic Torch Relay and the Olympic Torch visited 18 Westfield shopping centres on its journey from Uluru to Sydney. The Olympic Torch visits were extremely popular, attracting thousands of people from local communities.

Another popular Olympic initiative was the Kids 2000 Olympic Games Arena, developed by Westfield to provide Australian families with an interactive Olympic Games experience.


Westfield supported Olympic athletes Susie O’Neill and Michael Klim (swimming), Rechelle Hawkes (hockey), Kate Slatter (rowing) and Louise Currey (javelin) all of whom made appearances at Westfield shopping centres.

Throughout its four-year sponsorship program, Westfield provided information to the Australian community through Olympic Information Desks located in Westfield shopping centres across the country. The desks were linked directly to the Sydney Organising Committee for the Olympic Games so that Westfield staff were able to provide shoppers with the most up-to-date information on the Games.



**Westfield welcomes  
the world to the greatest  
peacetime event.**

The Sydney 2000 Olympic Games.



OFFICIAL NATIONAL SHOPPING CENTRE OF THE GAMES OF THE XXVII OLYMPIAD

ALHUMARQA • DUBAI • UNITED KINGDOM • NEW ZEALAND

# What a Difference a Decade Makes

## Di Pocock, PA to Frank Lowy

*When Di Pocock left Westfield to have a child in 1976, she thought that was the end of her association with the company, for at that time maternity leave was not an option. She had been Frank Lowy's secretary for five years and was moving to Perth.*

*But Lowy kept in touch and almost ten years later she returned as his PA, a position she still occupied in 2000.*

*The company she walked back into in 1986 was unrecognisable. It had not only grown in size, but in sophistication too.*

*The business that she had left was small and barely filled two floors of Westfield Towers. It had a domestic, family feel about it. She sat behind a conventional typewriter, spoke on a fixed-line telephone and made lunch for Lowy and Saunders. All the staff knew each other, mixed socially and were kept abreast of what was happening.*

*The company she returned to occupied at least five floors of Westfield Towers, had an international office, was a recognised force in the United States shopping centre industry, and had more staff than it was possible to get to know personally. Di took a seat behind an early-model computer, was shown how to operate a fax machine and regularly called Lowy on his mobile phone. A caterer made the lunches.*

*Westfield had broadened beyond shopping centres. Diversification was the flavour of the decade and it had moved into resources and become a key player in some high-profile corporate takeovers. It was acquiring its own cashbox and around the office the mood was heady and optimistic.*

*But the spirit of the company was essentially unchanged.*

*The feeling that its success had been built from the ground up was palpable. Westfield was founded on grit, determination and imagination and these attributes were still paramount. Saunders's and Lowy's personalities still pervaded the place. When they were upbeat, so everyone around them was too. And in the booming mid 1980s there were plenty of reasons to be happy.*



*Di Pocock carries the Olympic Torch.*

J.C. SANFORD PTY LTD

NSW  
AUSTRALIA

August 2000

Dear Mr Lowy

My family are the happy and proud owners of a large parcel of Westfield Holdings shares that puts us in the top few per cent of holders.

We have held the shares since a social function in about 1973. A stockbroker friend asked me, 'Have you got any Westfield shares?' I replied, 'Who are they, what do they do?'

'They build shopping centres. I think you should get some.'

A short time later our initial 500 shares were bought, and a few more a short time later. I have not always participated in the dividend reinvestment scheme, but with all the issues it has grown into a large holding, forming the foundation of our family's wealth.

At the time of the privatisation of Westfield International, I received a cheque for over US\$100,000. The local branch of Westpac refused to accept the cheque because it was written in US dollars. I phoned Westpac's head office from my home, who then instructed the local branch to accept the cheque. The bank teller at the time the cheque was finally deposited commented in a deep voice, 'Gee, you must know someone important', and so the money was banked.

Financial advisers now say I have too many eggs in one basket, but I am happy to ignore their advice and keep such a nice big basket.

Chris Sanford

*Westfield frequently receives letters of appreciation from shareholders like Mr Sanford, who are 'happy' with their investment.*

# Anticipation and Innovation

Ian Newton, Director of Leasing (Australia)



When, in the late 1970s, Ian Newton was still employed at Lend Lease, he and other parties looked at the Sydney suburb of Hurstville and determined it wasn't possible to build a centre there. 'We thought nobody could build one there and make a success of it, so we walked away. Westfield came in, had a look and said it could do it and make it work. We all laughed.'

'I was managing Bankstown Square at the time, which was averaging very good rents — about \$30 a square foot. Hurstville opened at \$35. It set a new industry benchmark.'

Newton says Westfield was always extending the boundaries and setting new limits. For him, its drive and its capacity for innovation are key factors in its success.

Since Newton joined Westfield in the early 1980s, the scale and pace of its business has changed radically. The number of retailers has doubled and the market has become volatile and aggressive. Business is more competitive, there are more 'me too' retailers, wages and rents have risen and some retailers have become almost militant in their efforts to stay profitable.

'When I first joined Westfield there was no such thing as state retail legislation. We were governed by common law but now every state has its own legislation which adds constraints.'

From Newton's perspective, Westfield has always managed to stay ahead of consumer demand and pioneer change. 'Look at our centre at Tuggerah. We were the first in the industry to create a new area in the centre court. This court would normally be given over to fashion, but we gave it to lifestyle, with jeans, books, CDs, food courts, restaurants and a cinema complex. It was a complete revolution in the industry.'

'It was so successful we took it down to South Australia, to Marion. We extended the concept and made the greatest impact-lifestyle area in the country.'

'When we understood the dynamics of that, we took it back to Melbourne and opened The Street at Southland. After improvements and refinements were made there we went to Carousel in Perth and opened another there.'

'Now we have brought it back to Burwood in Sydney. It's a continuing evolution and each one is better than the previous one. We watch, we monitor and we anticipate where change is coming from. From this and from constantly talking to retailers, we keep our competitive edge.'

'We also know about shopper convenience. In the early 1990s when we extended Miranda, we left out the sets of escalators at the centre because we wanted people to travel all around the perimeter so they could pass all the shops. Through market research, customers quickly told us they wouldn't come back unless we put in escalators. They simply didn't want to be manipulated. We put in escalators.'

'Today we are acknowledged as being hard but fair. We relish that description. Integrity is a very important part of this business and we encourage our guys to be hard. After all, it's our only business.'

*'I regard Westfield as a business partner, not a landlord. A landlord is only interested in the rent and sues you when you can't pay. Westfield is different. It cares about your business succeeding. If you are in trouble, it will send in consultants to help. On many occasions I have used this assistance.'*

*'I started my business with Westfield in the mid 1980s with one store — now I have 18, of which eight are in Westfield centres. Westfield is continually encouraging me to move interstate. I'm considering it.'*

*'People often ask me, "What are the three main rules of retailing?" I tell them, "Position, position, position!" What that really means is position of the shopping centre, position within the shopping centre and positioning yourself in your market.'*

*Albert Bensimmon, Jeweller,  
Shiels and Grahams*



## The Non-Executive Directors of Westfield Holdings in 2000



### Rob Ferguson

#### Director

*'When I think of Westfield, I think of great activity. It all comes from Frank. He's a dynamo; his mind racing, his movements perpetual. He's hard to keep up with!*

*'But with Frank there is also a courtesy. He greets you in an old-fashioned European way but, more importantly, he is attentive. At the same time there's a "no nonsense" feeling. It's a feeling of "let's get down to business" and so a lot gets done.*

*'Frank's sons are all different but they also have the same activity. It's in the genes. It's unusual being at a board meeting where some of the directors, David, Peter and Steven, call the chairman "Dad" but, after all, Westfield is a family company and that's what makes it so different and so special.*

*'Board meetings go quickly because Frank is such a good chairman, but you always get the feeling you've had a chance to participate and hopefully help with some thoughts. Frank appreciates his board. He looks for other views. He listens. The directors participate in different ways so it is a good mix.*

*'Where is Westfield going? It's going global. USA, England and maybe more, but the nerve centre is still in Sydney. Westfield has gone global with caution. The US beginnings in 1977 were done on the smell of an oily rag. That's the way to go global, one step at a time and get to know a strange place. The investment in the United Kingdom will be at a faster pace but the company is already accustomed to operating globally so a little more pace is appropriate.*

*'Westfield is an exciting company. It is like no other I know. It's fun to be a director because we talk about real things and don't get burdened by too much detail. Executive management looks after most of the detail so well that we can be on a board that focuses on helping the company think about the big issues. That's what is different about Westfield.'*



### Dean Wills

#### Director

*'Perhaps the most remarkable of the many attributes which hallmark the Westfield Group is its ability to re-create itself with such consistency. Unlike many corporations which tend to dress the same product in new clothes, Westfield does the opposite.*

*'The Westfield product is under constant and sometimes quite radical change whilst wearing the same suit. The group seems always to be ahead of its customers' (retailers') needs by supplying the desires of shoppers and the facilities they require in a dynamic environment. Time and time again, an upgrading or, more recently, the complete razing and replacement of a centre causes a distinct break in the provision of the product — a disruption which few suppliers could endure. Yet Westfield is able to plan such interruptions quite deliberately. It does so in the confidence that the return of its vastly improved service is met with even greater enthusiasm and success than it enjoyed previously.*

*'This formula for growth, wherein the very act of interruption of supply is, of itself, part of the profit generation for the group, is carried out with a precision and a sense of timing which stamps Westfield as a unique entity. Combine this attribute with geographic expansion and the clues to the group's consistent success become clear.*

*'In other words, Westfield seems to have discovered the corporate equivalent of the fountain of youth.*

*'Its ingenuity in upgrading its product and the overall group structure, which involves establishing, managing, developing and redeveloping its properties, are the fundamentals which have produced seemingly endless years of consecutive record profit results and enhanced shareholder value.*

*'Frank Lowy's outstanding leadership, well watered from that fountain of youth, now bears the fruits of careful and dedicated irrigation in the form of the younger Lowys, David, Peter and Steven.*

*'It appears to me that this is one fountain into which the coins of many may well be tossed, in the justifiable expectation that their wishes for better things to come will be fulfilled.'*



## Fred Hilmer

### Director

*‘According to an old saying, “When presented with a choice between two good alternatives, take both!”*

*‘Westfield’s success, and the spirit behind it, is a perfect example of “taking both”, of being able to combine seemingly opposite approaches to develop its own, unique Westfield way. This entails being both:*

- *Adventurous and careful*
- *Big picture and detailed*
- *Fast and measured*
- *Here and now and in the future*
- *Demanding and paternalistic*
- *Exacting and expedient*
- *Public and private*
- *Extravagant and frugal*
- *Firm and flexible.’*



## Carla Zampatti

### Director

*‘Working with Westfield is a mind-stretching experience. There is a sense of no boundaries, of everything being possible. Each time we have a meeting there is a new deal on the table and it is bigger than the previous one.*

*‘These deals are never “pie-in-the-sky”. They are concrete, formidably researched and entirely reality-based. It’s impressive.*

*‘Each deal is treated as if it were the first and will only go ahead if everything is meticulously checked. This amazing thoroughness and due diligence allows the company to move forward with such certainty that there is little room for error.*

*‘Two things strike me about the board meetings. The first is that Frank always listens. He wants input, he wants to be challenged and hear if there are weaknesses in an idea. There is no ego or arrogance, just the overwhelming drive for success. Others take their cue from him and personal pride is absent in the discussions.*

*‘The second is that Frank trusts others. He doesn’t believe he has all the answers. Instead, he surrounds himself with people whose opinions he respects.*

*‘He sets the tone and his energy and intelligent dedication is present in every part of the business. It begins with his sons and filters down, through all the levels. It makes others want to do their best.’*



## David Gonski

### Director

*‘One of the attributes of the Westfield Group that has most impressed me over the years is its flexibility and lack of complacency. The group has, and always has had, the ability and wish to move forward, embracing new concepts, ideas and geographies. This can be demonstrated when one looks at the early establishment of the Westfield Property Trust, the early investment into America and subsequent expansion there, and the more recent investment in the UK.*

*‘I have always thought that flexibility and a lack of complacency, together with the expertise that a company like Westfield has, leads to success.’*

## The Question of Succession

Once he reached the age of 60, the issue of Frank Lowy's retirement came to the fore. What was he planning?

While Lowy would freely discuss the subject, he had no intention of acting on it. He was full of energy, physically in top condition, and in possession of all his faculties. He felt he was just beginning to hit his straps.

Indeed, with so much experience behind him, he felt he had reached a creative peak. His mind was bursting with new ideas and ways for Westfield to grow. Why step down?

But he accepted his mortality, and set about engineering a new structure that would ensure that when he did go, the transition would be smooth.

The first step in this restructure was the elevation of Fred Hilmer to the position of deputy chairman in 1997.

Hilmer, who had been a non-executive director since 1991, formerly headed the McKinsey & Company management consultancy in Australia and the Australian



*By 2000 the Louys collectively had almost 100 years of experience at Westfield behind them. Steven, Frank, Peter and David Lowy.*

Graduate School of Management at UNSW. Lowy described Hilmer as 'very pragmatic, very commercial, very non-academic and very exacting'. These are the very characteristics many business observers ascribe to Lowy himself.

In an era in which it is rare for a corporate chairman to own more than a few shares in the enterprise he directs, Lowy has an advantage in that the succession decisions will be his by virtue of his substantial interest in Westfield.

By 1997, all three of his sons, David (42), Peter (38) and Steven (35), collectively had accumulated almost 50 years of experience as Westfield executives. In the restructure for succession, all three were made managing directors of Westfield.

To ensure that the third generation of the family would not be dependent on Westfield, some of the family's shareholdings were sold in 1998. In the words of Lowy, it was 'a long-term move for the family'.

Almost two years later, in 2000, there was another change. David, the eldest son, stepped away from the daily business of Westfield to manage the family's private assets. He also moved up in the hierarchy of the board of Westfield Holdings, becoming joint deputy chairman with Hilmer.

Steven became responsible for Westfield's business in Australia, New Zealand and the United Kingdom, while Peter became responsible for Westfield's operations in North America.

## David Lowy — The Restructure



*Frank and David Lowy share a light moment at a shareholders' meeting in the late 1990s.*

David Lowy's first paying job during school holidays was in the parcel pick-up section of Farmers Supermarket at Westfield Shoppingtown Burwood. Although his father arranged the position, no one he worked with knew he was associated with Westfield and he was afforded no special privileges.

Every morning, 15-year-old David would catch a bus to Central railway station and then take a train to Burwood railway station, which was buzzing with Christmas shoppers.

During the following year's school holidays he worked with the centre's maintenance and cleaning staff and, among other things, cleaned toilets, which was an experience he has never quite forgotten.

By the age of 17, David had moved up the ladder and was employed to do a market survey at the new Liverpool centre which had recently opened but was not meeting expectations. It was two weeks before Christmas and his job was to find out from customers what they were dissatisfied with. He designed a questionnaire, sat down with shoppers and then collated the results.

With this rudimentary research experience, his next job was at the Parramatta site, where the new centre was under construction. He was commissioned to prepare a page on transport for the leasing brochure that would be given to potential retailers. To do this, he spent two weeks on the roadside, counting the buses that passed the centre and how many

people got on and off.

By 1977, after he completed his Bachelor of Commerce degree, David was working full-time with the company, starting off in the United States where he soon became manager of Westfield's first US centre. He has since worked in every department of the company and is second only to his father in knowing Westfield from the inside out. With his father, he has been at the centre of all the development, at the forefront of all the innovation and present in every crisis and hardship.

In late 1998, the Lowy family, in an effort to diversify its interests, reduced its stake in Westfield. After a while it became apparent there was a need for someone to oversee the management of the funds that resulted from this exercise.

After 23 years as an executive at Westfield, David decided to do something else. 'Suddenly, there was a confluence of factors,' he says. 'There was need, desire and opportunity. There was a need for someone to manage the funds, my desire for a change and the opportunity to take the position.'

'My brothers were of an age and a level of experience that whatever I could do, they could do equally well or better. It doesn't take four people to head a company, no matter how vast, my father did not want to retire and I wanted to do something else.'

'I am already seeing Westfield from a totally different perspective, not only as a board member and a former executive, but also as an outside investor.'

# Back in Business Again

Sam Moss



Sam Moss's friendship with Saunders and Lowy began in the mid 1950s, when all three were colleagues in the retail food business. To obtain bigger discounts, they regularly bought goods together.

By the time Moss had branched out into the 'rag trade', Saunders and Lowy were building shopping centres. About 30 years ago, Moss joined another of their mutual friends, Joseph Brender, in Katies. This women's fashion chain was already operating in several Westfield centres. It continued to be in every new one that opened.

'Like many other retailers, we would not have been able to expand at the speed we did, were it not for regional shopping centres,' says Moss.

Katies flourished and in the late 1980s, Moss and Brender sold it and went into other ventures.

Their friendship with Lowy remained close. As neighbours, they would regularly socialise together.

When, a short while later, Moss and Brender encountered serious financial difficulties due to a float not proceeding and high interest rates, the first person they turned to was Lowy.

'Listening to our predicament in his usual humble manner, his immediate response was "Of course I will help,"' says Moss. 'Only he did a lot more. With him it was not only monetary help, it was what followed: telephone calls, meetings, emotional support, and the most important was his never-to-be-forgotten statement, "I will not let you go under."'

'When one is drowning after so many years of hard work, these are lifesaving words.'

'These days, this kind of loyalty must be the most precious, the most valued, and to me this is what Frank Lowy, the man, my dear friend, represents.'

'For the past 45 years he has not changed, just become busier.'

Moss is now back in business. He is deputy chairman of Millers Fashion Club, a chain of some 400 stores with many in Westfield centres. He has other joint interests with Brender.

# Joseph Brender AO



Westfield has become an Australian icon and I have followed its success since the very beginning although, to my regret, I never owned shares in it.

'I met the founders before the company was founded, and have witnessed first-hand their total dedication, their complete professionalism and their obsession to develop and succeed in uncharted areas.'

'It was an incredible era of development for Australia generally; many people participated but nobody did it better for themselves, their shareholders and for Australia than Frank Lowy, his sons and the late John Saunders.'

# Commitment, not Committees

## The Westfield Management Style

Even though Westfield donated \$2 million to the Australian Graduate School of Management at UNSW and created the Frank Lowy Library, the company's management style is not taken from textbooks. Its style is born out of commitment, not committees — 'entrepreneurial and active rather than institutional and passive' is the way Lowy describes the company culture.

He once told an audience of bankers that he would rather have a quick 'no' than a slow 'yes' to a request for funds.

He also told these same bankers that 'at Westfield, we basically live, sleep and eat our business. We have a team of senior executives who are totally committed to the company. Originally there were two of us, my partner for 30 years, John Saunders, and I, and now there is a group of senior executives and our board of directors.

'We run all facets of the company's business, including forward planning. The genesis of our planning is in the thoughts and ideas of the individuals, shared within this group and refined over time.

'An important feature of our planning is the "toe-in-the-water" approach. Often we will try something as a pilot project and then build around it. This has the advantage of limiting the potential downside by not over-committing the company's physical and financial resources.

'We do not go into corporate planning the way that many other companies do. We definitely don't prepare leather-bound volumes containing our corporate plans for display in the boardroom.'

Unusually for a large public company, Westfield does not have a corporate planning department. This work is done by the senior executives in the corporate division.

'The company is highly centralised,' explains Lowy. 'This works very well, providing that the head office decision-makers regularly go out into the field and keep in touch with the business at the "grassroots" level. So we have corporate planning, but it is confined and centralised to a very small group of highly motivated and skilled people.'



*How The Sydney Morning Herald depicted Westfield's donation to the Australian Graduate School of Management for the establishment of the Frank Lowy Library.*



# Westfield in America

The United States mall industry has completely changed since Westfield's entrance in 1977. The industry has moved from being dominated by smaller private companies to being dominated by large public companies.

Westfield America is well positioned in this market as the fourth-largest listed mall REIT (Real Estate Investment Trust) and the largest owner of regional malls in California.

Another major change in the industry has been the transformation of mall companies from being essentially regional to being national. This trend occurred during the consolidation period of the public and private mall companies.

Until the listing of the Taubman Company in 1993, shopping malls in the United States were primarily owned by private family companies. The only public one was the Rouse Company. Of the 1500 regional malls in the country, no one company had a dominant position.

Financial pressures prompted a number of these private companies to go public in 1993 and 1994. Westfield took advantage of this and made a major mark on the industry in 1994 with the purchase of the CenterMark properties for approximately US\$1 billion.

Before the CenterMark transaction, Westfield had made an impression on the US

industry with its US\$363 million purchase of the Macy properties in 1986. At the time, it was the largest mall transaction in America.

Between 1986 and 1993 there were a number of changes in the structural ownership of Westfield's US assets which led to Westfield Holdings leaving and then re-entering America. The re-entry in 1993 was crucial to the future globalisation of Westfield's business, as it put the company in a position to take advantage of the pending consolidation of the US mall industry.

The purchase of CenterMark in 1994 completely changed the nature of both Westfield Holdings as a company and its position within the US industry. CenterMark contained a portfolio of 19 regional and super-regional malls in 1994 and was the largest transaction of its kind. It created for Westfield a leadership position in the industry.

The next step in the transformation of Westfield from a domestic to an international mall company was the float of the Westfield America Trust in 1996. This complex exercise showed that within the Australian market there were large amounts of capital available for international real estate.

Westfield's profile was raised again with the IPO of Westfield America on the New York Stock Exchange in 1997. This established Westfield in the US equity markets.

Furthermore, the purchase of the TrizecHahn portfolio in 1998 gave Westfield America a strategic position in a number of major markets, making it the largest owner of regional malls in California.

Through its strategy, by 2000 Westfield was the largest mall owner in:

- California
- San Diego
- Los Angeles (LA County)
- San Jose
- St Louis, Missouri
- Maryland/Washington D.C.
- Connecticut

Twenty-three years after first entering the US, Westfield had become one of the recognised leaders in the US shopping mall industry. It had been the first to strategically enter markets and the first to introduce the branding concept, keeping it at the forefront of the industry.



## The Non-Executive Directors of Westfield America, Inc. in 2000

### Roy Furman

*(Vice-Chairman, ING Barings)*



Like any infant, every company attempts to grow on a step-by-step basis. Most reach a level they cannot exceed without risking the business or the culture, and many fail before even reaching that level. It is the rare entity that is able to grow seemingly without bounds, that knows no limits to its reach or attainment. Rarer still is the corporation that can do this without once losing its way or outstripping its capacities, one that is able

to see the big picture while not overlooking the day-to-day details that ensure the success of a business. Such a company is Westfield.

‘A great corporate saga invariably reflects the uncommon vision and personality of its creator — in this case, Frank Lowy. I would categorise Frank as a cautious risk-taker, someone unafraid to take a bold step but always aware of potential pitfalls, which are carefully considered and analysed. To Frank, obstacles are seen as problems to overcome, not reasons to defer action deemed appropriate. He is a man of indomitable spirit and immense intelligence, integrity and charm. His love of life and of people is reflected in the company’s abiding dedication to personal service.

‘Hail Westfield, hail Frank Lowy — ever the proud parent and guardian of this giant he has conceived.’

### Fay Vincent Jnr

*(Director of Time Warner, Inc. and Former President and CEO of Columbia Pictures)*



For Fay Vincent Jnr it is always the people who make the corporation and in Westfield’s case, he thinks the people are remarkable.

‘I’m a believer in the business but I am a terrific admirer of the human beings that run that business.’

Having been on several boards, Vincent says the quality of

leadership that Frank Lowy provides — and that is being carried on by his sons — is extraordinary.

‘Frank is gentle and solicitous with the board, constantly asking the directors if they have a view or something to say. This is most unusual among people of his standing.

‘He is very demanding of management, yet with the board he is deferential and caring. He’s made each one of us a friend and we feel we are there not only for our expertise but as people he likes.

‘I read his personal story [in his biography] and I think it is what fuels the company. He is a man of extraordinary character and that character comes through in the business.’

## Herman Huizinga

*(Former Executive Board Member, ING Group — Netherlands)*

In 1997 I had just retired from the Executive Board of ING Group, an international financial conglomerate in the Netherlands, and was keen to make a contribution to companies with entrepreneurship and creativity.

‘Westfield was very well known in Australia and had some large Dutch investors. It had a track record of great drive and what we call in the Netherlands “playing close to the ball”.

‘My first introduction to Westfield America was a three-day “showing around” in LA. I met all the key staff and visited some shopping malls. I was most impressed by the staff. The organisation was more like a big project team rather than the strict hierarchical structure I usually came across in the United States.

‘During my board membership there has never been a dull moment. Westfield America doubled in size after its listing on the New York Stock Exchange. Most of the centres have been upgraded or are in the process of doing so, and at the same time all options of further expansion are on the table. I sometimes have the feeling that we are playing soccer with more than one ball. Directors asked management many times if they could cope with this; in the beginning we even worried about it but, over time, management proved to be completely in control.

‘Before my retirement I was used to a lot of strict reporting on paper, by fax and by e-mail. Westfield America is doing this as well. But never have I used my phone more than as a director of Westfield America management. In particular, the chairman of the board does not want surprises — he wants to consult his fellow directors on all-important issues and involve each director in an area where he/she can make a contribution. What is the result? The board is not only “supervisory” but also a real part of the company in “project team mode”.’



*Larry Silverstein  
(President, Silverstein  
Properties, Inc.).*



*Bernard Marcus  
(Chairman and  
Co-Founder, The  
Home Depot).*

# Hot Rooms, Walkouts and Earthquakes

## The Acquisition of the CenterMark Properties

By 1993, Westfield was in an optimistic mood and was preparing to establish a US Real Estate Investment Trust (REIT). It thought the business of managing, developing and fund management would produce better results than direct property ownership and would ensure that the company's debt remained low.

However, as it became apparent that the REIT market was becoming saturated, Westfield put its plans on hold.

At the time there was a rumour in the industry of a good portfolio of shopping centres being prepared for sale.

These were the CenterMark properties owned by the Prudential Insurance Company of America.

It was the first billion-dollar real estate transaction in the US shopping centre industry. As it happened, Goldman Sachs decided that a winning partnership could be formed between Westfield, General Growth and its own investment arm, Whitehall Real Estate.

The plan was for Whitehall to put in US\$100 million and Westfield and General Growth US\$200 million each.

The outstanding US\$500 million would be financed through borrowings.

General Growth was owned and controlled by the Buxbaum brothers, Matthew and Martin Buxbaum, who were contemporaries of Frank Lowy. They were extremely successful in the shopping centre business and had, on previous occasions, been Westfield's competitors.

It was unusual for any developer to join forces with General Growth, much less form a whole team to acquire a shopping centre portfolio.

After much discussion, General Growth and Westfield decided they would be compatible and gave the joint bid the green light.

The negotiations, however, went through some difficult patches, with dramas and several notable ups and downs. One evening, all the principals were gathered in Newark, New Jersey, to discuss a threshold issue with Prudential. There were about 25 people in this negotiation — a recipe for collapse.

The debate went back and forth, it was two o'clock in the morning and the air-conditioning was turned off. The

temperature was boiling. The room was closed, personal resources were wearing thin and nerves were at breaking point.

Then something was said that bothered one of the Buxbaums and they angrily got to their feet and declared the negotiations over. 'Let's go,' they said to their team.

Everyone walked out. It was 3 am and the all-pervading mood of depression was palpable among the General Growth–Westfield team.

A couple of days later, however, everyone regrouped. Frank Lowy had arrived from Australia and the three partners proceeded to embark on an evening of shuttle diplomacy. The Prudential group was in one room, the three partners were in another and Goldman Sachs was working the rooms trying to conclude the transaction.

After the deal was made and announced, but before it was settled, an earthquake struck the San Fernando Valley where one of the shopping centres under negotiation was located. Topanga Plaza was damaged to the tune of US\$25 million.

The syndicate renegotiated the deal and Prudential gave a US\$25 million credit off the sale price. It was a salutary reminder of the

importance of having provisions for such crises in the documents.

Once the CenterMark properties were acquired, however, a new set of problems arose. Both General Growth and Westfield wanted to manage the portfolio. Eventually, a compromise was struck and Westfield emerged as the lead manager. In practice, this meant that Peter Lowy and Richard Green would be the day-to-day managers and operators and would report to a board that consisted of the two Buxbaums, two executives from Goldmans and two from Westfield.

The CenterMark deal was finally settled in February 1994.

CenterMark was a watershed for Westfield. After 17 years in the United States it had become one of the largest owner/managers of shopping centres in the country and was placed in the top five owner/managers of regional malls in the world. Westfield had 24 centres in Australia and 26 in the United States.

It would be a couple more years before the REIT market bounced back. When it did, Westfield was poised to float the Westfield America Trust.



*California's Westfield Shoppingtown Topanga — the shopping centre damaged by the 1993 earthquake — in 2000.*

# Failure is Not an Option — FINAO

## Launching the Westfield America Trust

By the mid 1990s, Westfield was one step closer to reproducing in the United States its successful Australian business strategy. It announced it had outlaid about \$100 million to increase its stake in CenterMark from 40 per cent to 50 per cent, and had obtained a nine-month option to buy out the remaining 50 per cent.

By May 1996, Westfield was preparing to spin off its US operations through a sharemarket listing on the Australian Stock Exchange which would involve raising about \$400 million in fresh capital.

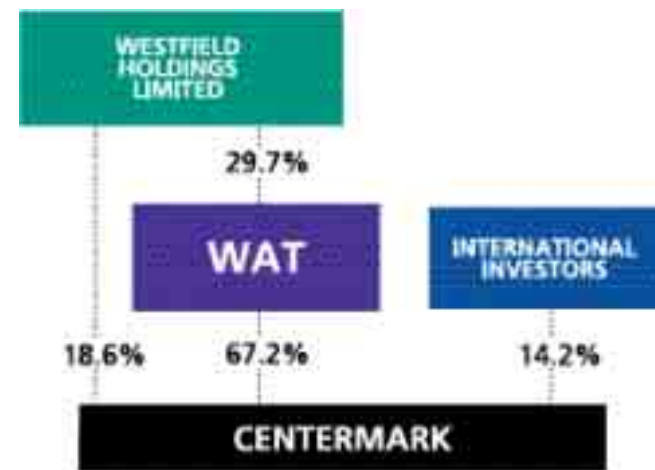
The new vehicle, called Westfield America Trust (WAT), would become the major shareholder in the CenterMark portfolio which consisted of 22 retail properties in the US valued at \$2.139 billion.

Westfield would exercise its option on the remaining CenterMark assets. In a complex arrangement, CenterMark would be 67.2 per cent owned by the new trust, 14.2 per cent by international investors and 18.6 per cent by Westfield Holdings Ltd.

Westfield's two partners in CenterMark both stood to make handsome profits. Through selling their stakes, General Growth would make \$100 million and Whitehall \$50 million.

But creating the trust was an excruciatingly complex process, with many variables and issues. On one of the numerous long flights from Australia to the United States, Westfield's executives watched the film *Apollo 13* and instantly recognised in the film a characteristic that exemplified their company. Westfield had been determined from the outset that the trust would work. For it, as for the team on *Apollo 13*, failure was not an option. From that moment on, the demanding and seemingly impossible campaign to float WAT was nicknamed FINAO, the acronym for 'failure is not an option'.

When the company launched the prospectus for WAT in May 1996, more than 7000 investors subscribed. The float attracted substantial buying support from major institutions along with



thousands of individual investors. This demonstrated confidence in the ability of such a diverse portfolio to produce increasing income returns and capital growth for Australian investors.

The trust was launched at a time of positive growth in the US economy. It was the only existing Australian-listed property trust with investments solely in the United States and provided Australians with a unique investment opportunity.



## WESTFIELD AMERICA TRUST SHOPPING IN THE USA

The difference between US and Australian shopping malls is like our different use of language.

The elements are the same, but the way they're expressed is different.

Australian shopping centres generally include supermarkets, fresh food retailers and discount department stores. In the US, however, food shopping is usually regarded as a separate trip, with a visit to the regional mall seen primarily as a fashion shopping experience.

So while Australian malls have higher daily traffic averages, American malls have nearly twice the spend per customer visit with trading normally extended to 9pm on weekdays and 6pm on weekends.

US centres are generally on larger sites at the junction of major freeways. Historically, Americans drive to the mall and are not as dependent on public transport. The big sites, due to cheaper land costs, also allow for plenty of parking at ground level.

Australian centres, on the other hand, are generally close to residential and business districts, often have multi-level parking, and are planned for good public transport links.

Regional centres typically have between two and five department store 'anchors' which generally own their premises in the centre. The majority of the surrounding retailers are national chainstores from the retail stables of major corporations.

Limited Stores for example, the portfolio's top specialty retailer, has 92 stores across the portfolio from its niche market selection which includes The Limited (smart casual clothing), Victoria's Secret (women's underwear), Structure (menswear), Lane Bryant (large-size women's ready to wear), Bath & Body Works and Lerner (young fashion).

Australian centres also have department store anchors but they lease their space and share the centre with many more individual small businesses, as Australia has a lower concentration of chainstores.

American retailers tend to lease bigger stores. They have a lower average turnover per square metre but similar occupancy costs as a percentage of sales.

As a general rule, construction costs are minimised due to the low-rise or flat-plane construction which has been a more popular design in the US due mainly to the larger land parcels available.

Westfield's experience on both sides of the Pacific has meant an active cross-pollination of ideas to improve the centres on both continents.

Australia's multi-level car parks are being designed into US malls and American ideas like food courts have been incorporated and further adapted to become food and entertainment precincts in Australian centres.

## The Internet

A strong feature of Westfield's culture is vigilance. The company is always looking for the earliest possible signs of anything that may present a threat to its business.

That is why, even as far back as the 1980s, it was concerned about electronic shopping. As soon as the company saw television shopping in the United States, it engaged Professor Fred Hilmer from McKinsey to do a study in Australia to see if a potential problem was looming. That was the company's first encounter with Hilmer. He concluded that Westfield had nothing to worry about.

When the Internet began to gather momentum in the United States, Westfield did extensive work over two years to assess what it meant for its business. Then, there were extreme predictions about retail going online. Some said shopping centres would become empty dustbowls with spinifex rolling through them while every one sat at home using the Internet.

Methodically, Westfield worked through various strategies and came to the view that it was not a fundamental threat and could, in fact, be used to enhance its business. Whether the Internet thrived or not, Westfield stood to benefit.

Westfield was 'a natural' to have an Internet mall. The skills it had in the real world could be replicated in cyberspace. Just as it aggregated retailers and used economies of scale to provide them with facilities and services they could never have on their own and then marketed the aggregation under its brand, so it could do this in a cybermall. Its 40-year history with retailers continued to be a powerful asset.

Having done its homework, by the close of the twentieth century Westfield was in the process of developing a meaningful Internet presence to provide a service to retailers, to shoppers and to enhance the company's overall business.

*Shopping in the United States, as explained to unitholders in the Westfield America Trust.*

# Seizing the Moment

## Westfield Lists on the New York Stock Exchange

One of Westfield's most powerful attributes is its ability to compress time. There is world time and then there is Westfield time. The lack of bureaucracy in the company means decisions are made quickly and efficiently. Once a decision is made, preparation is swift and direct action follows.

This happened with the company's listing on the New York Stock Exchange.

It was always part of Westfield's ambition to go public in the United States but it had thought this would only happen four or five years after the Westfield America Trust was floated.

However, by early 1997 it was plain that market conditions were ideal and it should seize the moment. The coincidence of a strong retail sector, buoyant consumer sentiment and the re-rating of the US REIT sector presented an opportunity too good to miss.

Those within the company who did not appreciate the urgency of the situation were eventually convinced. The exercise would allow Westfield to tap into a vast capital market which would enable it to expand its business in the United States.

Some outside the company sounded gloomy cautions. While acknowledging that the float, if successful, would establish the



Westfield brand in the United States, *The Australian Financial Review* warned that in the three-month run-up, the whole thing could sink if the stockmarket went into reverse. The Federal Reserve had further suggested there could be a lift in interest rates to knock some of the irrational exuberance out of the stockmarket.

The complex, multilayered deal revolved around a \$400 million initial public offering of shares in CenterMark Properties, Inc. which would be capitalised at about US\$1.5 billion upon listing.

It would be named Westfield America, Inc. and would be a copy of the Westfield America Trust.

During the final run-up to the float, teams of executives on roadshows across the country began encountering criticism.

In the days before the float, four critical articles appeared in the media. It would have been understandable if Westfield had been knocked out and had retired hurt. But it hadn't.

Rather it was all the more determined to achieve its goal. It worked harder to fine-tune the offer and revise its position. During the final few days, documents had to be redrafted and the team soldiered on through the small hours of the morning to see through changes at the printers.

When it came to setting a price, it quickly became clear Westfield was not going to receive the \$16 a unit it had hoped for. It would have to find a way of settling for \$15. A solution was found and, at \$15, the exercise was given the green light.

At 9.45 am on 21 May 1997, the words '1.2 million shares traded at 15 and 3/8s' moved across the large electronic board above the New York Stock Exchange.

The listing raised US\$300 million and placed Westfield third in the US shopping centre industry.

In the buoyant REIT market, the shares surged to \$18 that year. Over the next couple of years, however, REITs fell out of favour.



*Top Left: Checking documents that required signing for the IPO.  
Top Right: Good reason to smile.  
David, Frank and Peter Lowy outside the New York Stock Exchange after the float.*



# The Branding of Westfield America

## Westfield as a Pioneer of Branding

Long before branding was a conscious element of Westfield's plans, Frank Lowy was walking down a street in Sydney one day when he overheard two women talking. 'Let's go to Westfield,' one said to the other. It struck Lowy that his customers had branded Westfield even before Westfield had attempted to brand itself. Lowy immediately decided to invest in building the company brand.

Westfield's branding concept began at Burwood in Sydney in 1966. It was used in every shopping centre the company subsequently managed. In 1990, the International Council of Shopping Centres recognised Westfield as a pioneer of branding.

In the second half of the 1990s, Westfield began branding in the United States market.

No one had ever done it there. Although some of the world's best-known brands such as Coca-Cola and McDonald's originated in the United States, the idea of branding shopping centres was entirely new.

'When we made presentations to analysts, one of the things we started doing was showing them an Australian map,' explains Peter Lowy, who led the branding charge in the United States. 'The map showed how Westfield had invested in defined regions in Australia. Then we showed them how we were doing the same thing. We had well-defined regional penetration in the United States too.'

'When we looked at our clusters of shopping centres, we could see they were the same sort of investments and would benefit from branding.'

'No one thought it would work. But I had discussions with Randy Smith who cottoned on to it very quickly. Between the two of us we believed it would work.'

Smith soon became known as the 'branding czar' as he implemented the new strategy, starting initially on the five centres in St Louis.

When the company bought the TrizecHahn properties, branding was brought forward on a larger scale and a faster timetable.



*Randy Smith, the 'branding czar'.*

In California, for example, the TrizecHahn acquisition made Westfield the biggest shopping centre owner in the state with 20 centres in three main markets — San Jose, Los Angeles and San Diego.

The Westfield Shoppingtown brand was launched throughout the entire Westfield America portfolio in November 1998 with a

multimedia campaign that included network television in those regions with clusters of shopping centres.

One newspaper, the *San Diego Union Tribune*, explained that Westfield's strategy was to 'make its name and logo as familiar to consumers as the printing on a Nordstrom shopping bag'.

'Our branding has been successful,' says Peter Lowy. 'We thought it would take at least five years but in some cities we already have in excess of 50 per cent recognition of the brand. In some places it's up around 30 per cent.'

'With our clusters and branding, we changed the nature of how the investment community looks at the mall business.'

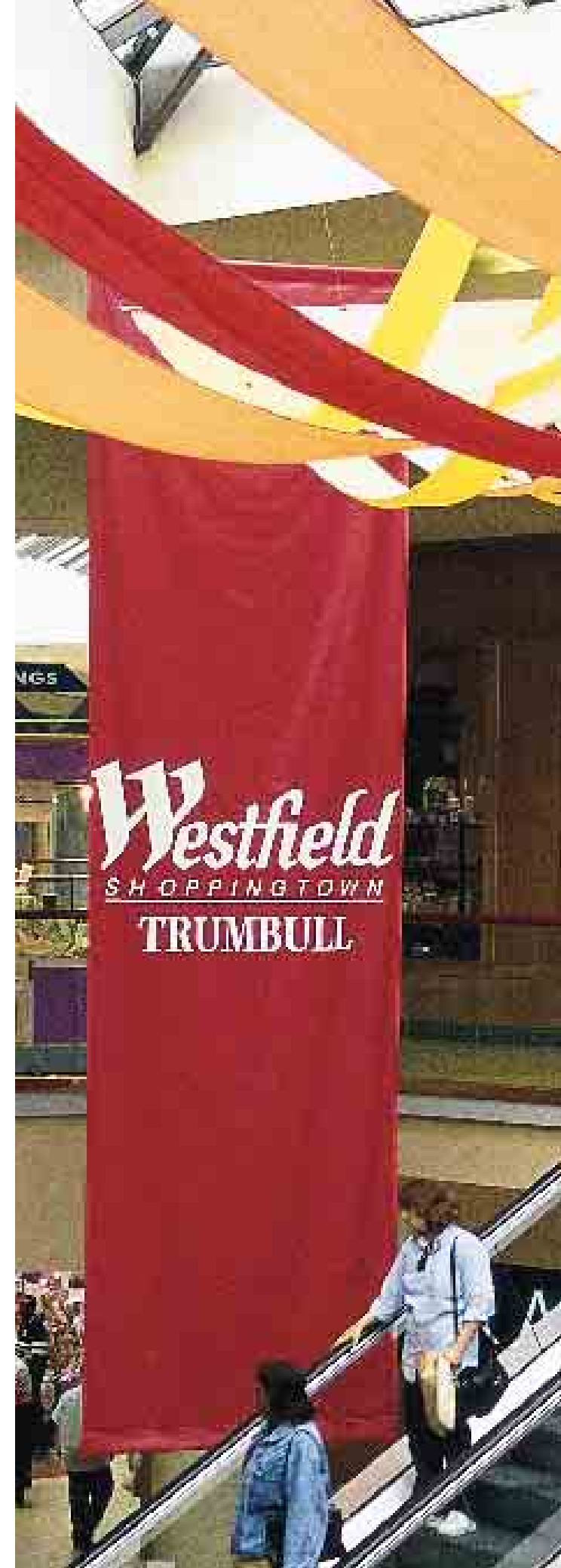
'Now, when Westfield buys a new centre in the United States, it institutes branding instantaneously and immediately creates a recognisable identity.'

Westfield's pioneering spirit in the United States attracted the interest of the Harvard Business School, which developed a case study highlighting Westfield's branding.

Branding is aimed at more than just boosting customer traffic through the stores; it promotes customer service initiatives and community programs such as the Westfield Works Wonders program.



*Shoppingtowns hit the front page. The San Jose Mercury News, 24 September 1998.*



## Ten Commandments for Customer Relations!

1. The customer is never an interruption to your work!  
The customer is your real reason for being in business. Customers can wait!
2. Greet every customer with a friendly smile.  
Customers are people, and they like to be greeted. They usually return it.
3. Call customers by name.  
Make a game of learning customers' names. See how many you can remember. This is a valuable habit.
4. Remember, you are the company!  
It is the customer's eyes, you are as important as the president of your company... probably even more so.
5. Never argue with a customer.  
The customer is always right (in his own eyes). Be a good listener, agree with him where you can, and do what you can to make him happy.
6. Never say, "I don't know."  
If you don't know the answer to a customer's question, say, "It's a good question. Let me see if I can find out for you."
7. Remember, the customer pays your wages.  
Every dollar you get comes from the customer's pocket. Treat him as if he does. He signs your pay check!
8. State things in a positive way.  
Choose positive words when speaking to a customer. It makes practice, but it is a valuable habit that will help you become an effective communicator.
9. Brighten every customer's day!  
Do something that brings a little sunshine into each customer's life, and soon you'll discover that your own life is happier and brighter!
10. Always go the extra mile!  
Always do just a little more than the customer expects you to do. You'll be richly rewarded for the habit.

Westfield

*Branding provided a catalyst for change and a motivational tool for everyone in the company. With it came the 'Ten Commandments for Customer Service Relations' and many improved customer services such as trolleys for children, bathrooms and security guards — all standardised. Even the way the company answers the phone was standardised. A new culture had been established.*

## Westfield Works Wonders

The Westfield Works Wonders (WWW) program is just one of Westfield's initiatives to extend the reach of its brand and, in the process, become involved in a meaningful way in local community activities.

WWW is an after-hours three-hour holiday shopping extravaganza, with special store discounts, celebrity guests, entertainment, complimentary refreshments, door prizes, grand prize draws and more.

It began in 1997 and for merchants it has since become a 'bonus' evening of revenues — a jumpstart to the Thanksgiving holiday season.

For Westfield communities across the United States, it is a unique opportunity to benefit local charitable organisations, schools, hospitals, churches and youth groups, with each participating charity retaining all proceeds from ticket sales.

In 1999, WWW raised almost US\$1.5 million in contributions for 2200 charities and non-profit organisations. Approximately 375 000 customers went to the WWW event at their local centre, generating more than \$18 million in sales for the period.



# Westfield Holdings Ltd

## Key Growth Measures

### GROWTH IN ASSETS UNDER MANAGEMENT

The last decade has seen assets under management grow exponentially. They are currently \$21 billion, more than six times the \$3.1 billion under management in June 1990.

The most significant growth during the past decade has emanated from the United States and is attributable to the acquisition of the CenterMark portfolio (1994) and a further 13 shopping centres from TrizecHahn (1998). Also, over the past year the value of assets under management has increased by over 25 per cent, due in part to the acquisition of seven properties in the United Kingdom.

This growth has also been strengthened by upward revaluation of assets within the existing portfolio, achieved through value-enhancing redevelopment and active management.

### MARKET CAPITALISATION

At 30 June 2000, Westfield Holdings' market capitalisation was \$6 billion, up from \$1.1 billion in June 1995 and just \$220 million in June 1990.

There has been a strong correlation between growth in assets under management and share price. As investors became more confident of Westfield's ability to extract profit from assets under management, each major acquisition by the

group was rewarded by an increase in the share price, reflecting the value of the management rights and potential development profit associated with the assets.

The total market capitalisation has also been impacted on each occasion that the company undertook a major capital restructure. When the property assets were hived off into the Westfield Property Trust in 1979, the combined market capitalisation for Westfield Holdings and Westfield Trust increased. More recently, Westfield Holdings' issued capital was restructured to offer shareholders five shares for every one owned. The lower value per share resulting from the share split encouraged greater demand from retail investors in particular, which resulted in an increase in the share price and market capitalisation.

### NUMBER OF RETAILERS

The first record of the number of retailers within the portfolio was in 1967 when Westfield owned three shopping centres. There were 180 retailers, or 60 retailers per centre. Today, the portfolio has grown to 87 centres comprising 12 900 retailers averaging 148 retailers per centre. This demonstrates that not only has the number of retailers increased as the portfolio has grown, but the centres comprise more than twice the number of retailers than they did over 30 years ago.

# The Westfield War Cabinet at Work

## Acquiring the TrizecHahn Portfolio

When the TrizecHahn portfolio became available in 1998, it was extraordinarily attractive to Westfield. Much of the portfolio was situated in and around California and would fit in perfectly with Westfield's regionalisation program.

It would, for example, give Westfield a substantial foothold in the San Diego market, enabling it to use network TV to do cross-marketing and providing leasing advantages and several other positives.

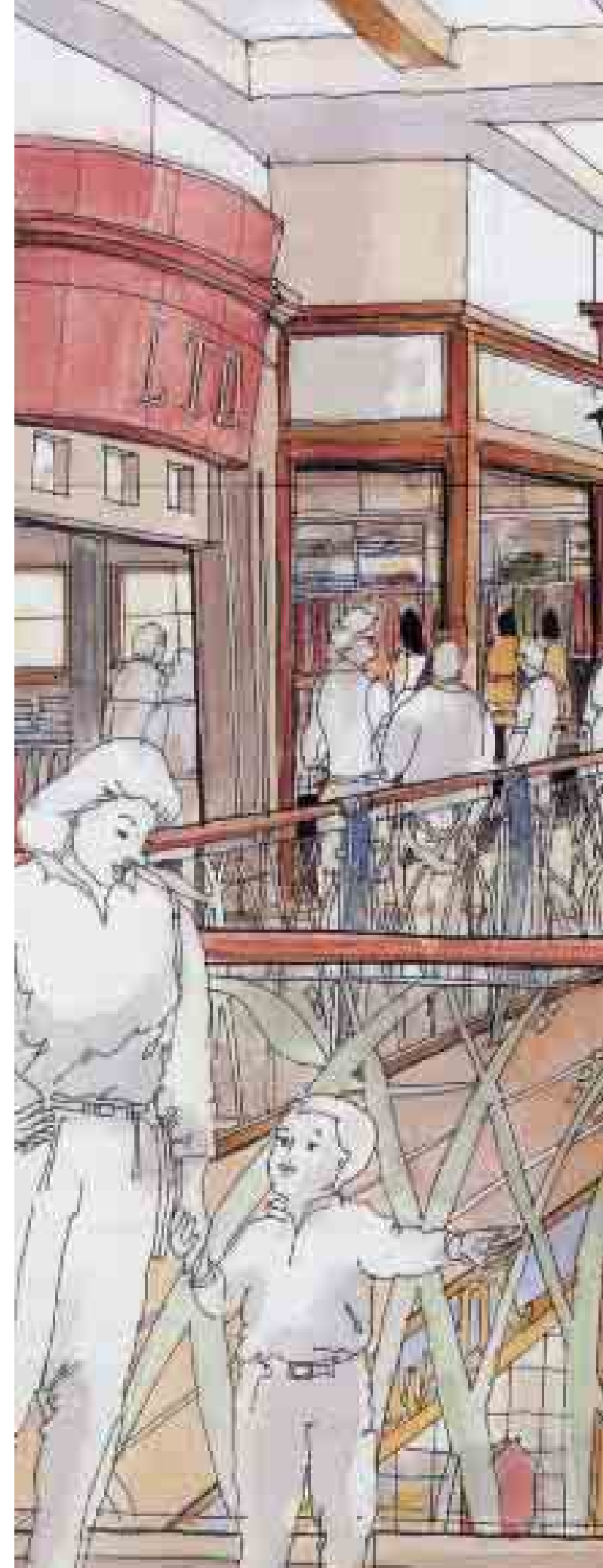
The Westfield war cabinet quickly went into action. All attention was focused on finding a way of acquiring the properties.

The portfolio was being marketed by Merrill Lynch and leading shopping centre companies such as General Growth, Simon, Rouse, and Macerich were bidding. Virtually anyone who had a sizeable business was attracted and competition was fierce.

Westfield determined that the best way to proceed was to create a joint venture arrangement with one of the other players. Working with Goldman Sachs, it was decided that a productive partnership could be formed with the Rouse Company.

When the two sides came together, it was a meeting of two cultures. 'It was rather like the Australian cowboys meeting the conservative, settled American establishment,' says Richard Green. 'Most observers said it was a match that couldn't be made.'

Despite the perceived cultural differences, the individuals in each company got on very well and enduring friendships were formed. They sat down and knocked out a deal to separate the properties: Westfield would take all of the West Coast properties and Rouse everything on the East Coast.





The new partners were able to get in very quickly, analyse the properties and make judgments. Due diligence periods usually occur after the bidding process but the partners wanted to do it before, so they could have a clear idea of exactly what was on offer.

The Rouse/Westfield partnership eventually won and was able to split the properties as agreed. The US\$1.4 billion deal to acquire the 12 properties in California led to Westfield being the dominant retail property player in the state.

Fortuitously, Westfield acquired the properties at a time when the California economy was just beginning to come out of the doldrums. The same had happened with CenterMark, which was bought straight into a very depressed Californian economy.

# Testing the Asian Waters

## Investing in Malaysia

In the mid 1990s there was substantial growth in South-East Asia so Westfield evaluated the market there to see if it could find a suitable location for expansion. It explored South Korea, Indonesia and Malaysia.

While investigating these opportunities, Westfield was invited by the Dutch group Rodamco — with whom it had a relationship in Australia and the US — to join a consortium in Malaysia for the Suria Kuala Lumpur City Centre development. Westfield accepted the invitation as a low-risk entry into a new market, investing \$20 million in a 10 per cent stake in the project.

Malaysia was a new market for Westfield, which is more attuned to mature consumer markets where there is a well-established infrastructure of retailers and long-established tradition of consumerism.

In 2000, following the economic crisis in Asia, Westfield disposed of its interest in the centre to the Rodamco Asia group, although it continued to provide advisory services.

# Jack Ritch

## Managing Director AMP Henderson Global Investors



AMP has had a long association with Westfield, both as an investment partner and as a designer and builder. That relationship continues through our joint ownership of three successful shopping centres in Australia.

‘I have always found Westfield to be focused, determined and professional. Consistent pursuit of improvement is a feature of the Westfield style. AMP has also been a shopping centre developer, investor

and manager for many years and our combined experience makes for a powerful partnership.

‘We do have our disagreements and different views, and at times discussions are fairly vigorous, but we have always been able to resolve them. We work well together — we are both firm but fair.

‘The fact that Westfield is also successful in the United States — the birthplace of shopping centres — is an outstanding endorsement of Westfield’s capability. It’s great to see Australian companies succeeding internationally.

‘AMP has also been a longtime investor in both Westfield Holdings and Westfield Trust, and we have been pleased with the results. We at AMP congratulate Westfield on its highly successful first 40 years and look forward to a continuing productive relationship.’

# Very Close to Home

## Expanding into New Zealand



Given Westfield's penchant for expansion, it was only a matter of time before it looked across the Tasman Sea. The processes that enabled it to enter New Zealand began in the mid 1990s.

Then, the St Lukes Group Ltd had gone public after spinning off from another larger company. St Lukes was New Zealand's largest shopping centre company.

As it happened, Bankers Trust in Australia had bought a large stake in St Lukes and recognised the opportunity to enhance the company by outsourcing management and development. Because of its knowledge of Westfield's skills, BT approached Westfield to take over this role.

In early 1997 an agreement was struck and Westfield began to manage this new portfolio. When, some time later, BT wanted to exit the company, Westfield, which by now had a full appreciation of the assets and their potential, bought BT's stake.

The 46.6 per cent stake was bought by the Westfield Trust for \$276 million. At the time, St Lukes wholly owned eight centres and half-owned another two.

There was significant redevelopment potential in the portfolio and planning commenced immediately. One of the first priorities was to introduce integrated entertainment and lifestyle retailing to New Zealand's shoppers.

The following year St Lukes acquired a major centre in Wellington, secured a development site in Auckland and continued with other redevelopment in Auckland.

In 2000, St Lukes Group Ltd investors voted overwhelmingly in favour of a proposal for Westfield Trust and St Lukes Group Ltd to amalgamate their New Zealand shopping centre interests. The proposal entailed Westfield Trust acquiring full ownership of St Lukes Group Ltd.

The Westfield Shoppingtown brand was launched in New Zealand in September 2000, making Westfield the first shopping centre owner to brand New Zealand shopping centres.

# Into the United Kingdom

## A Worthwhile Wait

Westfield first turned its eyes to the United Kingdom in the early 1970s. It was attracted by the cultural and commercial similarities with Australia, but it was a closed market and a foothold couldn't be established. In retrospect, Saunders and Lowy were fortunate because they had been scouting around at the height of the market. Shortly thereafter, the market dipped. Had Westfield made an investment, it could have been a calamity.

In the 1980s, it made another attempt and got further than the first time, but still left empty-handed. Lowy was there on his own and didn't have any spare executives to stay on and make something happen.

In the early 1990s, during the worldwide slump in the real estate market, Westfield was back yet again. But no one would sell because values were very low.

Then in the mid 1990s Goldmans presented an opportunity in France which caught Westfield's attention. However, after a lot of work, it fell through. But it was not a fruitless exercise because it gave Westfield an opportunity to learn about the market. In 1998, Westfield opened an office in London headed by Peter Allen, who had joined Westfield in 1996 from Citibank in London.

Establishing an office was crucial to any chance of success. People had to be on site to respond to opportunities, to build networks and generally to be present. It took Allen a couple of years to establish the right contacts, and eventually Westfield, in a highly competitive field, won its first UK centre in early 2000.

Five powerful concerns had wanted the giant Broadmarsh Centre in Nottingham but Westfield was selected because the Post Office Staff Superannuation Scheme and leading fund manager Hermes

thought Westfield would add the most value to the project. Characteristically, no effort was spared. Executives from Australia and the United States had flown to London to boost the small UK team and their hard work and determination had won the day.

In February 2000, Westfield signed a deal which delivered it a 75 per cent stake in the Broadmarsh Centre with the Post Office Staff Superannuation Scheme retaining a 25 per cent interest.

Immediately on the announcement of the sale, Westfield and the Post Office group unveiled plans for a substantial redevelopment that would result in the centre having an estimated value of \$1 billion on completion. This prompted the *Financial Times* to report that Nottingham's business community was bracing for a retail explosion.

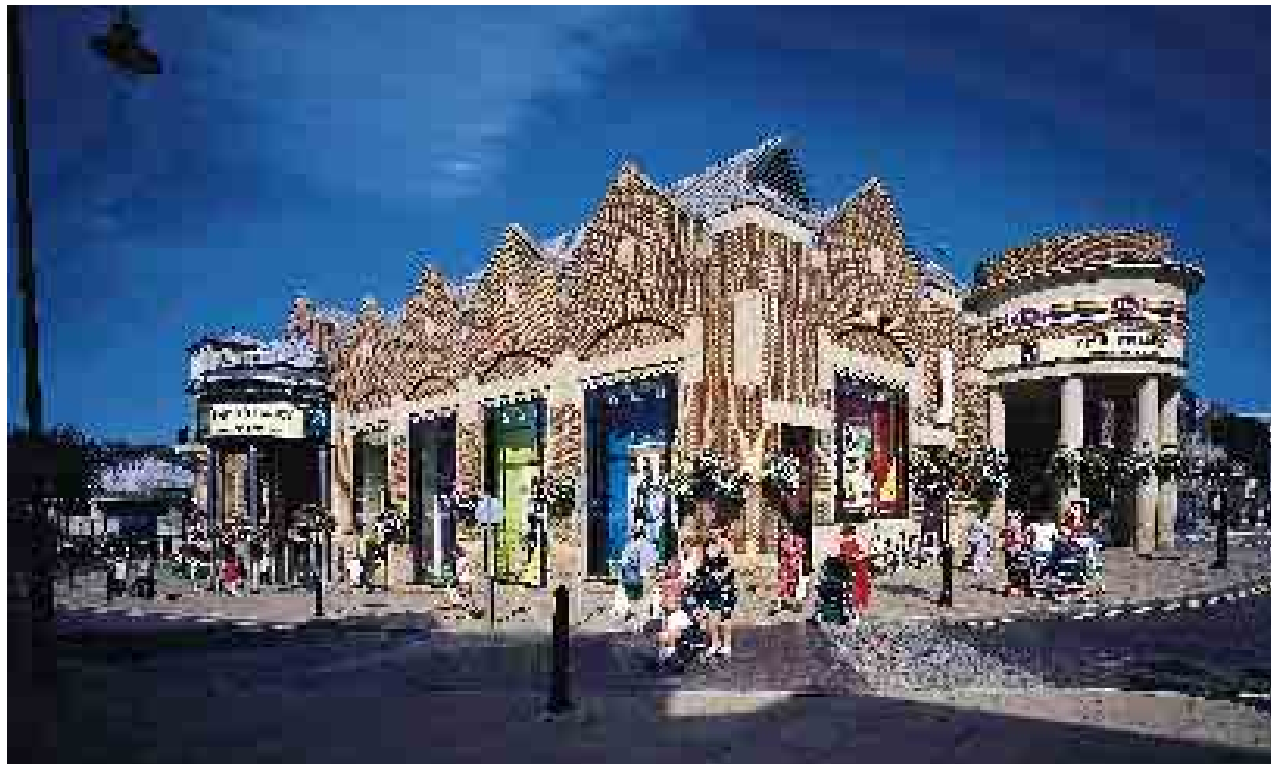
Nottingham was attractive because of its expanding catchment area. Its population of 1.1 million was expected to grow at 8.8 per cent over the following decade — above the national average.

Five months later, Westfield signed binding agreements to take a 50 per cent stake in a joint venture with MEPC to purchase a \$2.4 billion portfolio of nine UK shopping centres. Six of the centres had long-term growth and redevelopment potential so, as part of the agreement, Westfield secured an option to buy MEPC's 50 per cent stake in the six key centres and to pass up the opportunity to purchase the other three centres that were already earmarked for sale.

In making the announcement, Steven Lowy said the transaction would make the company a significant player in the UK shopping centre industry, providing a platform for further expansion in the UK and Europe and boosting the all-important level of global assets under management to \$21 billion.



*Castlecourt Shopping Centre, Belfast.*



*The Friary Shopping Centre, Guildford.*



*The board of Westfield Holdings that saw the company into the new millennium: (standing L to R) Peter Lowy, Steven Lowy, Dean Wills, Stephen Johns, Rob Ferguson, Fred Hilmer, (seated L to R) David Gonski, Carla Zampatti, Frank Lowy and David Lowy. A portrait of John Saunders and Frank Lowy hangs in the background.*



**TOP 150 COMPANIES**  
 BY MARKET CAPITALIZATION AS AT CLOSE OF TRADE ON 14 SEPTEMBER 2000

Rank	Company Name	Market Capitalization (\$ million)	Share Price (\$)	Volume (m)	Turnover (\$ million)	Dividend Yield (%)	P/E Ratio	ROE (%)	ROA (%)	EPS (\$)	EPS Growth (%)	Dividend Growth (%)
1	Westfield Group Ltd	10,000	10.00	100	1,000	5.00	10.00	15.00	10.00	1.00	10.00	5.00
2	Woolworths Ltd	8,000	8.00	800	800	4.00	10.00	15.00	10.00	0.80	10.00	5.00
3	ANZ Banking Group Ltd	7,000	7.00	700	700	3.00	10.00	15.00	10.00	0.70	10.00	5.00
4	Commonwealth Bank of Australia	6,000	6.00	600	600	2.50	10.00	15.00	10.00	0.60	10.00	5.00
5	Macquarie Bank Ltd	5,000	5.00	500	500	2.00	10.00	15.00	10.00	0.50	10.00	5.00
6	Qantas Airways Ltd	4,000	4.00	400	400	1.50	10.00	15.00	10.00	0.40	10.00	5.00
7	Bank of Queensland Ltd	3,500	3.50	350	350	1.80	10.00	15.00	10.00	0.35	10.00	5.00
8	Bank of New South Wales Ltd	3,000	3.00	300	300	1.20	10.00	15.00	10.00	0.30	10.00	5.00
9	Bank of Western Australia Ltd	2,500	2.50	250	250	1.00	10.00	15.00	10.00	0.25	10.00	5.00
10	Bank of Victoria Ltd	2,000	2.00	200	200	0.80	10.00	15.00	10.00	0.20	10.00	5.00



Frank Lowy thanking ASX Managing Director Richard Humphry after Mr Humphry presented him with a certificate to mark Westfield's 40th anniversary as a publicly listed company at Exchange Square, Sydney on 14 September 2000.

Westfield positioned comfortably between two of its major clients in Australia. Twenty years earlier, no one would have seriously suggested that it would grow to be equal in size to these two major Australian companies.

# The Challenges Ahead

In May 2000, Westfield announced changes to the board and senior management of the company in recognition of its global presence. Peter Lowy assumed responsibility for Westfield's business in North America and Steven Lowy assumed responsibility for the business in Australia, New Zealand and the UK. David Lowy relinquished his executive responsibilities and was appointed joint Deputy Chairman of Westfield Holdings.

The first and overriding challenge for the new management team was to continue the extraordinary performance of the company and to retain its entrepreneurial spirit. The second challenge was to oversee expansion into new international markets and to ensure that Westfield's operations in these new locations added further to the company's profitability.

Initially, Westfield's entrepreneurial spirit was created by Saunders and Lowy. It had been kept alive by their drive and determination and over the years had evolved into a unique corporate culture. This culture was handed down from Frank to David and then to Peter and Steven and extended to all executives in Westfield offices around the world.

In the 1980s and 1990s, as the company grew dramatically, the ability of senior executives to grow and drive themselves and the business became abundantly clear.

'The company has changed,' says Steven. 'Westfield's size and global presence means a number of senior executives are driving us forward — the company is in very good hands.'

In new markets, such as New Zealand and the UK, the company uses a mix of executives. In the UK, for example, it has Australians, Americans and local executives on the ground.

Westfield executives appreciate such global opportunities. 'Westfield offers a promising career path,' says Steven. 'There is definitely a lot of enthusiasm in the organisation about our expansion. It gives everyone an opportunity to grow and prosper.'

But while executives drive large parts of the business, Frank, Peter and Steven remain at the helm and constantly keep in touch.

'On a regular basis we check to see if the jobs are being done', says Steven. 'We never simply just hope for the best ...'



*In its 40-year history, only a few hands have been at the helm of Westfield. John Saunders and Frank Lowy shared it for the first 27 years. When Saunders stepped back, Frank and David remained at the helm. In 2000, David stepped aside and Peter and Steven joined Frank to steer the company into the twenty-first century.*

Milestones in Westfield's Fourth Decade	World and Australian Events
<b>1990</b> <ul style="list-style-type: none"> <li>• John Saunders retires from the board</li> <li>• Westfield controls 21 shopping centres</li> </ul>	<ul style="list-style-type: none"> <li>• Australia officially goes into recession</li> <li>• Nelson Mandela released from prison</li> </ul>
<b>1991</b> <ul style="list-style-type: none"> <li>• Development phase in Australia</li> </ul>	<ul style="list-style-type: none"> <li>• Paul Keating becomes Prime Minister</li> <li>• Gulf War</li> </ul>
<b>1992</b> <ul style="list-style-type: none"> <li>• Redevelopments of Miranda and Liverpool in Sydney and Doncaster in Melbourne completed</li> <li>• Westfield awarded management of Mt Druitt in Sydney</li> </ul>	<ul style="list-style-type: none"> <li>• Ordination of women priests approved in Australia</li> <li>• Unemployment hits 11.4 per cent</li> <li>• Bill Clinton elected US President</li> </ul>
<b>1993</b> <ul style="list-style-type: none"> <li>• Westfield takes over management of Carousel in Perth</li> <li>• Westfield controls 31 centres (seven in the US)</li> </ul>	<ul style="list-style-type: none"> <li>• Mabo Bill is passed</li> <li>• Middle East peace process begins</li> </ul>
<b>1994</b> <ul style="list-style-type: none"> <li>• Westfield awarded management of Fountain Gate in Melbourne</li> <li>• 19 CenterMark properties purchased</li> </ul>	<ul style="list-style-type: none"> <li>• Bushfires rage across the east coast of Australia</li> <li>• Genocide in Rwanda</li> </ul>
<b>1995</b> <ul style="list-style-type: none"> <li>• Westfield takes over management of Bondi Junction in Sydney</li> <li>• Tuggerah, north of Sydney, opens</li> <li>• Redevelopments of Parramatta and Mt Druitt in Sydney and Indooroopilly in Brisbane completed</li> </ul>	<ul style="list-style-type: none"> <li>• Process begins to make Mary MacKillop Australia's first saint</li> <li>• Nuclear testing at Mururoa Atoll</li> </ul>
<b>1996</b> <ul style="list-style-type: none"> <li>• Westfield America Trust listed in Australia</li> <li>• Major property deal between Westfield and Coles Myer</li> </ul>	<ul style="list-style-type: none"> <li>• Liberals come to power after 13 years of Labor rule. John Howard becomes Prime Minister</li> <li>• World's first legal euthanasia in Darwin</li> </ul>
<b>1997</b> <ul style="list-style-type: none"> <li>• 10 St Lukes centres in NZ under management</li> <li>• IPO Westfield America, Inc.</li> <li>• Westfield controls 66 centres</li> <li>• Redevelopment of Marion in Adelaide completed</li> <li>• John Saunders dies</li> </ul>	<ul style="list-style-type: none"> <li>• Princess Diana killed</li> <li>• Britain exits Hong Kong</li> <li>• Telstra partly privatised</li> </ul>
<b>1998</b> <ul style="list-style-type: none"> <li>• Invests in Suria Kuala Lumpur City Centre, Malaysia</li> <li>• Redevelopments completed at Tea Tree Plaza in Adelaide and Strathpine and Indooroopilly in Brisbane</li> </ul>	<ul style="list-style-type: none"> <li>• Impeachment of Bill Clinton</li> <li>• First Australian in space</li> </ul>
<b>1999</b> <ul style="list-style-type: none"> <li>• Branding of Westfield in the US</li> <li>• Westfield manages Carindale in Brisbane</li> <li>• Redevelopments completed at Airport West and Southland in Melbourne and Chatswood in Sydney</li> </ul>	<ul style="list-style-type: none"> <li>• Australia votes No to the Republic</li> <li>• Euro is adopted as a single currency by 11 European countries</li> </ul>
<b>2000</b> <ul style="list-style-type: none"> <li>• Westfield expands into UK</li> <li>• Westfield Trust and St Lukes Group amalgamate</li> <li>• Redevelopments completed at Burwood in Sydney and Chermside in Brisbane</li> </ul>	<ul style="list-style-type: none"> <li>• Sydney Olympics</li> <li>• GST introduced</li> </ul>

At the end of 2000, the modest enterprise that Saunders and Lowy began some forty years earlier had become one of the world's largest shopping centre groups with a \$21 billion portfolio of shopping centre assets. Westfield Holdings, which had its origins in a single suburban shop, now managed more than 6 million square metres of retail space, with 12 900 retailers in 87 shopping centres in Australia, New Zealand, the United States and the United Kingdom.

In one business generation, a small retail seed, flourished and grew into a global empire.

The value of \$1000 invested in Westfield in 1960 (as at 30 June of each year).

1960	1970	1980	1990	2000
\$1000	\$16 850	\$236 350	\$3.6 million	\$109 million

Source: ASX/S&P Index Services — assuming all dividends and other benefits were invested in additional Westfield shares.

Compound annual rates of return (% p.a.) since listing (as at 30 June of each year).

1960	1970	1980	1990	2000
	32.64%	31.42%	31.38%	33.64%

Source: ASX/S&P Index Services



A shareholder who invested \$1000 in Westfield in 1960 had, by 30 June 2000, an investment worth \$109 million assuming that all dividends and other benefits were invested in additional shares.



*The lights are always on at Westfield Towers in Sydney,  
the company's head office.*