Chapter Four

1980–1990

Raising the Stakes

Keeping the Core Business
Strong in a Turbulent Decade

From Diversification to Consolidation

Prior to the 1980s, Westfield's path had been fairly predictable. After shedding residential development early in its life, it had largely stuck to its core shopping centre business, deviating a little here and there for related building and development work.

But in the 1980s the mood of the country was changing and diversification was the buzzword. Companies that 'stuck to their knitting' were considered unfashionable. Daring companies, that showed dash and verve, were the darlings of the market.

At Westfield, the core business was solid and set for growth. The company had just been through a major restructure and had streamlined operations. It had gathered enough experience and expertise in the industry to be confident that if it continued its 'intense management', the shopping centres would be secure and profits would continue to grow.

This knowledge gave Westfield the freedom to begin thinking about diversification — from a position of strength, not weakness. In 1981, significantly the year of its 21st birthday, Westfield took its first small step into diversification.

It decided to enter the natural resources field, in particular coal mining, and joined a consortium which won the tender for authority to prospect at Winchester South in Queensland. With its 25 per cent interest in the consortium and the tremendous potential of the project, Westfield had high hopes for this venture.

At the same time, it entered a second consortium to service the heavy construction and civil engineering industry with emphasis on resource and energy development.

By this stage, Westfield was just beginning to develop an international flavour with its presence in the United States, its involvement with Swiss and other European finance houses and, through its coal interests, with the British and the Germans.

As the core business continued its peak performance in Australia and continued to grow and expand in the United States, Westfield took a further step and in 1983 formed a joint venture with Bridge Oil to take up an interest in the Jackson–Moonie gas pipeline project.

Things were going well and Westfield even found itself with a windfall worth $10 million through a restructuring of the construction consortium.

Then, in 1984, Saunders dropped a bombshell. He wanted to sell his shares in Westfield to Frank Lowy. After almost 30 years of partnership, he wanted a change. He wished to sell his shares immediately but remain involved with the company.

At the time, Westfield had a market capitalisation of $100 million and its shares were trading below $5.50. Lowy bought out Saunders for $8 a share and Saunders stayed on, but there had been a profound change in the chemistry between the two men. Lowy became chairman and Saunders deputy chairman.

The company was flush with funds and the following year, for Westfield's 25th anniversary, a preference share issue was made to shareholders. It was on a one-for-one basis and carried a profit element of $3 per share.

The mid 1980s were heady times in Australia. Core business was still going strong when Westfield carved itself a major role in the Coles Myer takeover, from which it emerged with 5.5 per cent stake in the new company. This it soon expanded to 7 per cent.

Deals were being done on a huge scale all around the country, markets were bullish and cash was easily available.

Cashboxes were all the rage and Westfield decided it should have one too. This was a major deviation from its core business but, at that time, it could not be seen that this diversification would end up in financial calamity.

The board that saw Westfield into the 1980s: (L to R) Reg Stevens (secretary), David Lowy, Frank Lowy, Stephen Johns, John Saunders, Don Stephens and Walter Pisterman.

The cashbox, called Westfield Capital Corporation, was launched with much fanfare in mid 1986 and into it was placed the Coles Myer shares and 12 per cent of Bridge.

A few months later it bought 20 per cent of ACI and started looking for the prized stocks of the decade — media.

While the cashbox was having its moment of glory, Westfield's move into mining and energy was not meeting expectations and the company signalled that its coal prospecting be put on hold.

Meanwhile, the search for media led Westfield Capital Corporation to Northern Star, through which almost $1 billion worth of media assets were bought in early 1987. This delivered to Northern Star a national television network.

Before the year was out, the country was hit by the devastating stockmarket crash of October 1987. The hype and heat evaporated overnight. The mood changed. Everyone was picking up the pieces.

By 1989 Northern Star was virtually given away and Westfield Capital Corporation wound down with shareholders taking big losses.

Ironically, by the end of the decade, Westfield was back almost exclusively to its core business which, through the calm and rough times alike, had never missed a beat.

Westfield and the Gentle Art of Persuasion

Andrew Lederer
Joe's Meat Market

When a butcher in Westfield's new Liverpool centre folded in the early 1970s, Saunders turned to good friend and fellow Hungarian émigré Andrew Lederer and suggested he take over the shop. Lederer wasn't interested. He had a thriving ham and bacon factory — one of the largest in the state — and wasn't interested in retailing.

But Saunders was very persuasive: 'Come on, give it a try, we'll give you very good conditions. I know you'll make a success of it, I can feel it.' Lowy, who was also a good friend, concurred and exerted pressure too.

The ambition and sheer cheek of the two Westfield partners had always impressed Lederer and he found the combined force of their personalities irresistible. With some hesitation, he agreed to take the shop.

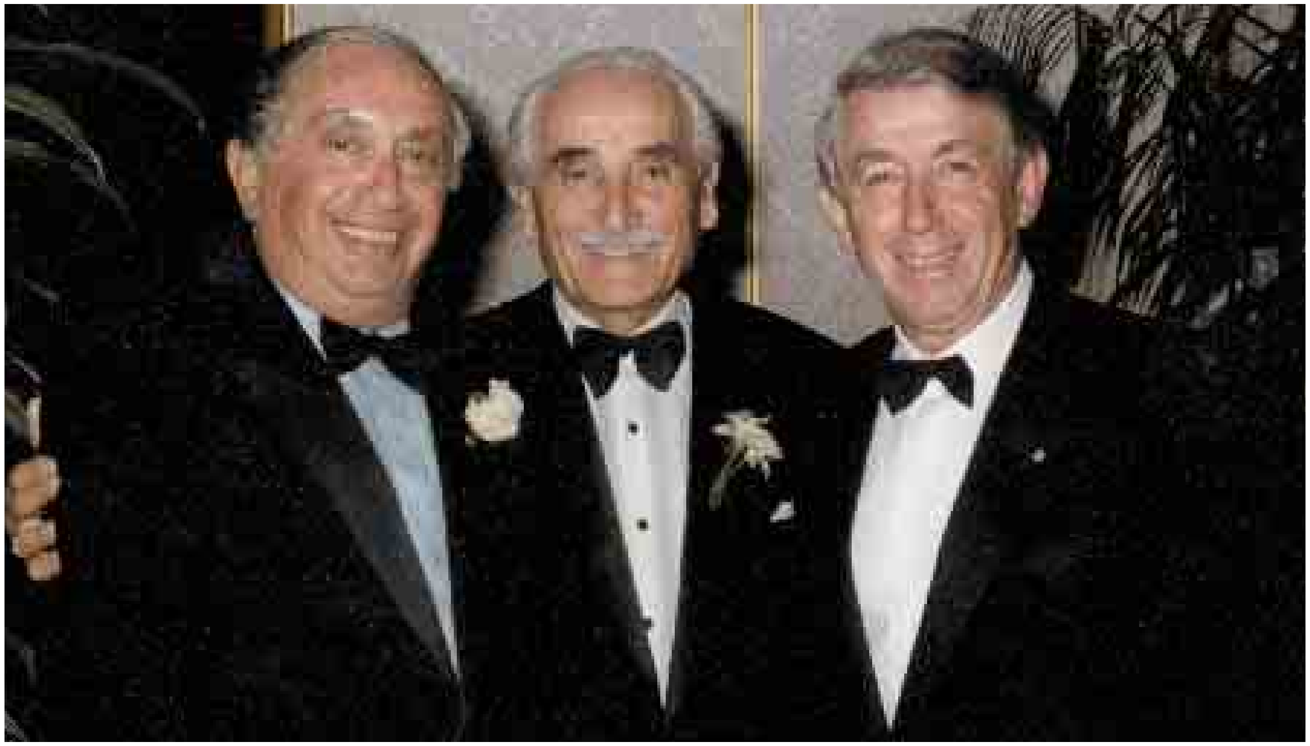
'The shop took off rapidly because we had the knowledge and a steady, strong supply from our own factory. Soon I took another shop. Then another and another. After a short while I had four and my accountant suggested I give them a name. But what to call them? As it happened, all four managers of the shops were called Joe so we settled on Joe's Meat Market.'

By 2000, Lederer, who had ventured outside New South Wales only once, had dozens of shops in the state. Eighteen were in Westfield centres.

He witnessed first-hand the changes in the centres since the 1970s. He saw them grow in size and sophistication. As they grew, so did his business. 'Then, centres offered simple, convenient one-stop shopping. Our stores were simple, clean and reasonably priced. As the centres changed, so I tried to follow and change with them. Today Joe's Meat Market shops are modern and sophisticated.

'I remember when I took five different continental products to Woolworths in 1957 and the perishable goods buyer was reluctant even to try them out. He didn't think Woolworths customers would like such things. I told him to put them in five shops; if they didn't sell I would take them back. Three days later he telephoned and wanted more.'

Today, Lederer has Joe's Meat Market and another chain called Farm Fresh.



Good friends. John Saunders, Andrew Lederer and Frank Lowy at the valedictory dinner for Saunders in November 1987.

The Short and Profitable Life of the Westfield Property Trust

Westfield Property Trust (WPT), which was launched amid acclaim and promise in July 1979, lasted less than three years. About a year after its listing, the Federal Government decided to change the rules relating to trusts and to make these changes retrospective.

While WPT had met all the requirements of its time and had the blessing of the authorities, it stood to be seriously disadvantaged by the new rules. The change was driven by a fear on the part of the Federal Government that it would lose millions in tax revenue as a result of other companies attempting to spin off trusts for the tax benefits.

Tax had not been Westfield's motivation in forming a trust. Rather it used the trust to unlock the value of its assets and still retain control of them.

Westfield had less than two years to reorganise and, in that time, went through much drama. The new legislation was complex and to qualify as a traditional tax-exempt trust, it had to raise fresh capital and give money back to existing unitholders.

Through a public prospectus it had to create the new trust and acquire the properties from WPT before June 1982. But the market had changed and with a downturn in property values, the new float proved difficult to sell. To help it along, clever advertising campaigns were developed and Lowy went on a roadshow with Tony Berg, then managing director of Hill Samuel Australia (later Macquarie Bank), to gather support from British institutions.

In April 1982 the old WPT was wound down. On 27 June 1982 the new Westfield Trust floated at $1.07. It began on a weak note, trading at 97 cents, and then took a couple of years to bed down.

Toombul Shoppingtown following its redevelopment.

But in its brief life, WPT's six freehold properties had yielded creditable profits. Between December 1979 and December 1981, these assets grew from $100 million to $150 million.

In the same period, distributions lifted from the equivalent of 9.2 per cent to 10.5 per cent.

While WPT added no new properties to its portfolio, it extended and improved the Hornsby, Toombul and North Rocks Shoppingtowns which it financed through two new issues of units.

As at December 1981, it had no borrowed funds and the portfolio that was to go into the new trust was in good health.

The New Westfield Trust Comes of Age

By the end of the 1980s, the new Westfield Trust, which had struggled in its infancy, was Australia's leading shopping centre trust with investments in 15 Westfield Shoppingtowns across Australia. It had withstood the economic fluctuations and pressures of the decade to emerge with more than $1.45 billion in assets and virtually no debt.

This was a considerable achievement, bearing in mind it began life in 1982 with assets under $150 million. Managing the trust had been the first major job for both Peter Lowy and Steven Lowy when they returned from the United States in 1983 and 1988 respectively.

By 1990, well over 104 million shoppers were passing through the doors of Westfield shopping centres every year and the phrase 'Australia shops at Westfield' had never been more apt.

Through acquisitions, a program of constant refurbishment and aggressive promotions, the trust had been able to almost double distributions to reach 19.62 cents per unit. Its asset backing per unit had more than doubled to $2.21.

By this time, it was obvious there was a limited supply of new sites for shopping centres. It was becoming increasingly difficult to locate suitably zoned land close to established or expanding population centres. As a result, existing regional centres were highly sought after.

Although less than 20 per cent of national retail sales were conducted in regional shopping centres, there was a belief that this could only increase significantly to reach levels achieved in the United States where such centres were well established. More than 50 per cent of Americans shopped at regional centres. By all measures, regional shopping in Australia was a growing phenomenon.

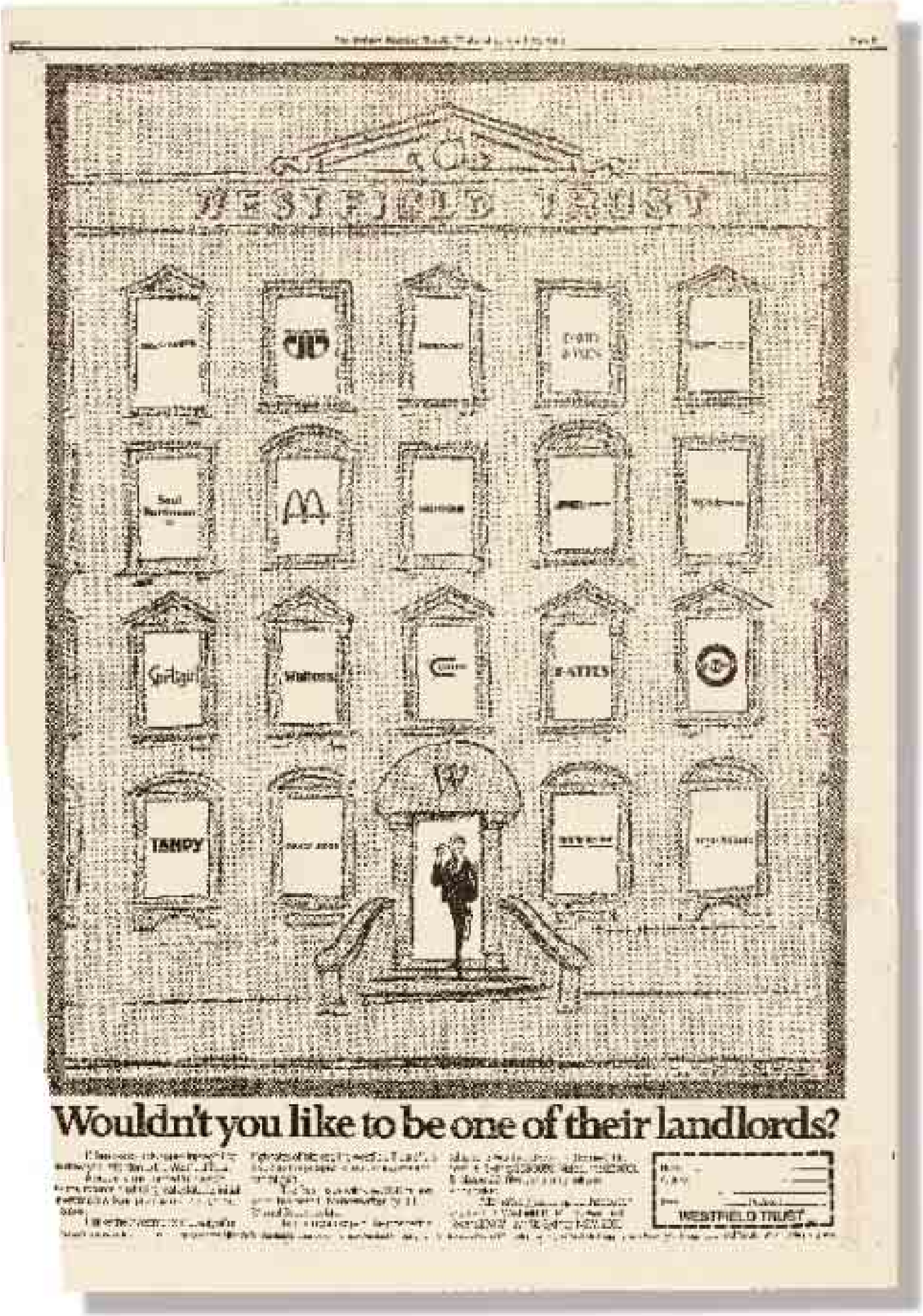
Then, the Australian population was projected to reach 20 million by 2000. The majority of this growth was expected to occur in the capital cities and, in turn, boost consumer demand and total spending capacity of the trade areas surrounding existing shopping centres.

Shopping centres were also increasingly becoming the focal points of their local communities. New facilities such as food courts and cinema complexes increased their drawing power, widened the potential market beyond shopping and extended the potential trading hours beyond normal shopping hours.

All these factors improved the rental income and capital growth which was then being sheeted home to the unitholders.

In 1990, a year when the economy and national retail sales showed little or no real growth, sales in the trust's Shoppingtowns rose 11 per cent during the year.

One of the press advertisements that helped the new trust become established.



But Was it a Secure Investment?

By the end of the 1980s, the media, stockbrokers and advisers were recommending an investment in the trust.

As an investment it offered security of capital and strong potential for attractive returns. The security was based on the fact that every household has a need for a range of commodities which must be regularly purchased regardless of economic conditions.

In addition, well-managed shopping centres experienced high occupancy levels and stable rental income flows. The rental income was derived from two sources.

First, there was the base rental, which was initially fixed for the term of the lease but could increase each year on either CPI or Fixed Increment basis.

Second, there was the turnover rental, which was charged in addition to base rent when the retailer's turnover exceeded a specified level.

By 1990 about 95 per cent of income from Westfield Shoppingtowns was derived from base rental, thereby minimising the effect of short-term fluctuations in retail sales on the performance of the shopping centres as an investment.

Base rentals from specialty retailers were generally linked to the CPI, which allowed rental income to rise with inflation. Such leases ran from three to five years. Leases for major retailers could run for periods of up to 30 years.

The best known and best performing retailers could all be found in Westfield Shoppingtowns.

More than 16 700 private and institutional investors participated in the trust, including the AMP Society, National Mutual Life, GIO, ANZ Bank, National Australia Bank, Westpac, Mercantile Mutual and the Queensland Treasury Corporation, which invested on behalf of millions of policy-holders and members.

The Battle for Eastgardens

When General Motors-Holden (GMH) closed down its Sydney manufacturing plant in the early 1980s, New South Wales lost 1000 jobs and Westfield made a bid for the vacant site.

A short while later, when a second large factory, WD & HO Wills, signalled it was planning to close its Sydney cigarette manufacturing plant, the NSW Government, reluctant to lose more jobs, made a move to save them.

It brought Wills and Westfield together and, after a series of negotiations, both companies agreed to develop the GMH site, which the NSW Government then enlarged by adding a piece of Crown land.

Howls of protest followed. There were complaints about the commercial use of Crown land, complaints about the speed of the rezoning of the land to allow the developments, and allegations of 'sweetheart' deals between the NSW Government and its business 'mates'.

There was also powerful opposition from three big commercial parties who had retail outlets of substantial size in the area and believed their trade would be adversely affected.

In July 1982, these parties mounted a challenge to the rezoning in the NSW Land and Environment Court. The future of the development looked distinctly shaky until a remarkable thing happened.

In the second week of the hearing, the sheriff entered the court with a note for the judge. The judge read it and called an immediate halt to the proceedings.

The NSW Government had intervened. It had passed an Act of Parliament to end the proceedings and preclude any appeal. Even louder protests followed, with public debate about the right of the NSW Government to overrule legal process.

However, the anger eventually subsided and the Westfield Eastgardens Shoppingtown went up on its section of the site. The end result was that the General Motors-Holden site held a shopping centre and a factory, jobs were saved and WD & HO Wills' plant remained in New South Wales.

Eastgardens' arrival on the New South Wales shopping centre scene was fraught with high drama.

Westfield — A 'White Knight'


Sydney Morning Herald

Wednesday,

Giants battle: Coles bids $970m for Myer

THE BATTLE FOR MYER: WHO THE PLAYERS ARE

In the early 1980s, competition and shrinking margins put several large retailers under pressure and they began to eye each other as potential takeover targets.

It was against this background that Grace Bros found itself becoming increasingly vulnerable.

Concerned about the welfare and future of one of its important retailers, and wanting to have a role in its fate, Westfield decided to enter the corporate play. It accumulated just over 5 per cent of Grace Bros and waited quietly.

Westfield wasn't interested in owning Grace Bros. It wanted to ensure that it didn't fall into the hands of non-retailers which it thought would be bad for the business and consequently be bad for Westfield.

By early 1983, several aggressive suitors had fallen away, leaving Myer and the Bond Corporation to fight it out. Myer and Bond each held 45 per cent of Grace Bros and both desperately wanted Westfield's 5.3 per cent.

Although Bond offered more money, Westfield sold to Myer.

Lowy, who was heading the Westfield push, said at the time his focus was not on the money but on the long-term interests of the industry. He wasn't interested in a quick profit.

As it turned out, Westfield did make handsome gains on the deal, not only in terms of cash, but in terms of strategy. It had been a pivotal player in a major corporate battle and had learned a few useful tactics.

After the takeover, Myer struggled to digest its huge purchase and found that it needed to sell some properties. After a couple of properties were sold in Melbourne, Westfield proposed it form a property trust with Myer and that this trust take on the other properties.

The WestMyer Trust was thus established with two of the Myer properties but plans for it to acquire further properties never reached fruition.

Despite this, the establishment of the trust was an important step for Westfield because it brought it closer to Myer. Two years later, this closeness would pay dividends when Myer became the target of a corporate takeover which captured the nation's attention.

Just as it had been concerned about the future of Grace Bros, Westfield became concerned about the future of Myer. The Myer group's stores, which included Grace Bros and Target, occupied some 15 big locations in Westfield's 17 centres. They were retailers Westfield did not want to see threatened.

Lowy bought a 10 per cent stake in Myer and, as before, waited.

Given the presence of so many hostile parties wanting shares, Myer welcomed

Westfield as an ally.

The press billed Westfield as Myer's 'white knight', standing ready to keep the company safe from predators.

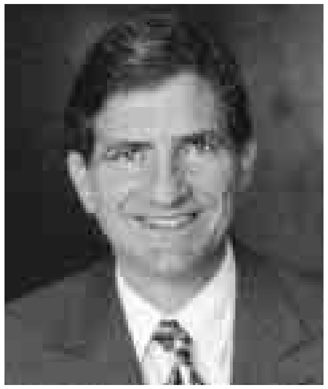
During a hectic three-week period, a quarter of Myer's stock changed hands and Coles built up a stake of over 18 per cent. Westfield raised its own stake to 12 per cent. The situation was getting tense and the share price was rising.

Lowy was invited to join the Myer board. At the time he regarded this appointment as the high point of his working life.

By July, the speculation was over and Coles announced a $1 billion takeover bid for Myer. Again, Lowy held a remarkable position and wielded considerable influence.

Westfield's interest in a merged Coles Myer was, of course, high. Such a merger would create a retailing giant, employing 130 000 people in more than 1350 stores that included household names such as Target, Grace Bros, Fossey's, Kmart, Coles Variety, Coles Supermarkets and Liquorland.

When the takeover became a reality, Westfield obtained a 5.5 per cent shareholding in the newly created giant and received almost $36 million in cash, and Lowy was invited to take a board seat in the new entity, Coles Myer Ltd. In the retailing industry, Westfield had reached new heights.



'My Only Regret About Westfield ...'
Tony Berg
Director, 1985–1993

'I am proud to have played a small role in the growth and development of Westfield. It is one of the great corporate success stories of Australia, a tribute to Australia's immigration policies, to a family's vision, intuition and focus, and to a company-wide dedication to teamwork, hard work and a culture of winning.

'Without Australia's post-war immigration policy, Lowy and Saunders would not have come to Australia. They had new ideas and had something to prove. To me, Frank has always had a clear idea of where he is going and astonishing intuition about markets, economic trends and people. I would back his intuition against the most rigorous analysis any day.

'Everyone in the company, from Frank down, is single-minded and focused; they are never satisfied until the goal is achieved in the most advantageous way.

'Westfield has a highly developed culture of winning. Second best is not acceptable. Frank knows no other way. But what is really incredible is that neither does David, Peter or Steven or any of the management team.

'My only regret about Westfield is that I purchased only 4000 shares at $4 when I joined the board in 1985 and, even though I planned to acquire a larger stake, I never purchased more because I thought they were always "too expensive". The holding is now 20 000 shares [after the 5:1 split] and they are still too expensive! But each year they sell higher than the last.'

A Seasoned Reflection
Leslie Winter
Director, 1964–1980

'At the age of 92, and twenty years after my retirement from Westfield, as I cast my mind back to its beginnings, I think the main factors in its success were the favourable climate for consumer shopping and the energy, ingenuity and efforts of the two main players, the late John Saunders and Frank Lowy.

'At its inception, there was a healthy co-operation: John in the field, Frank in the office, but still in close daily contact. John had a very fine sense in judging retailers' and shoppers' needs; he was happy to leave organisational and financial matters to Frank.

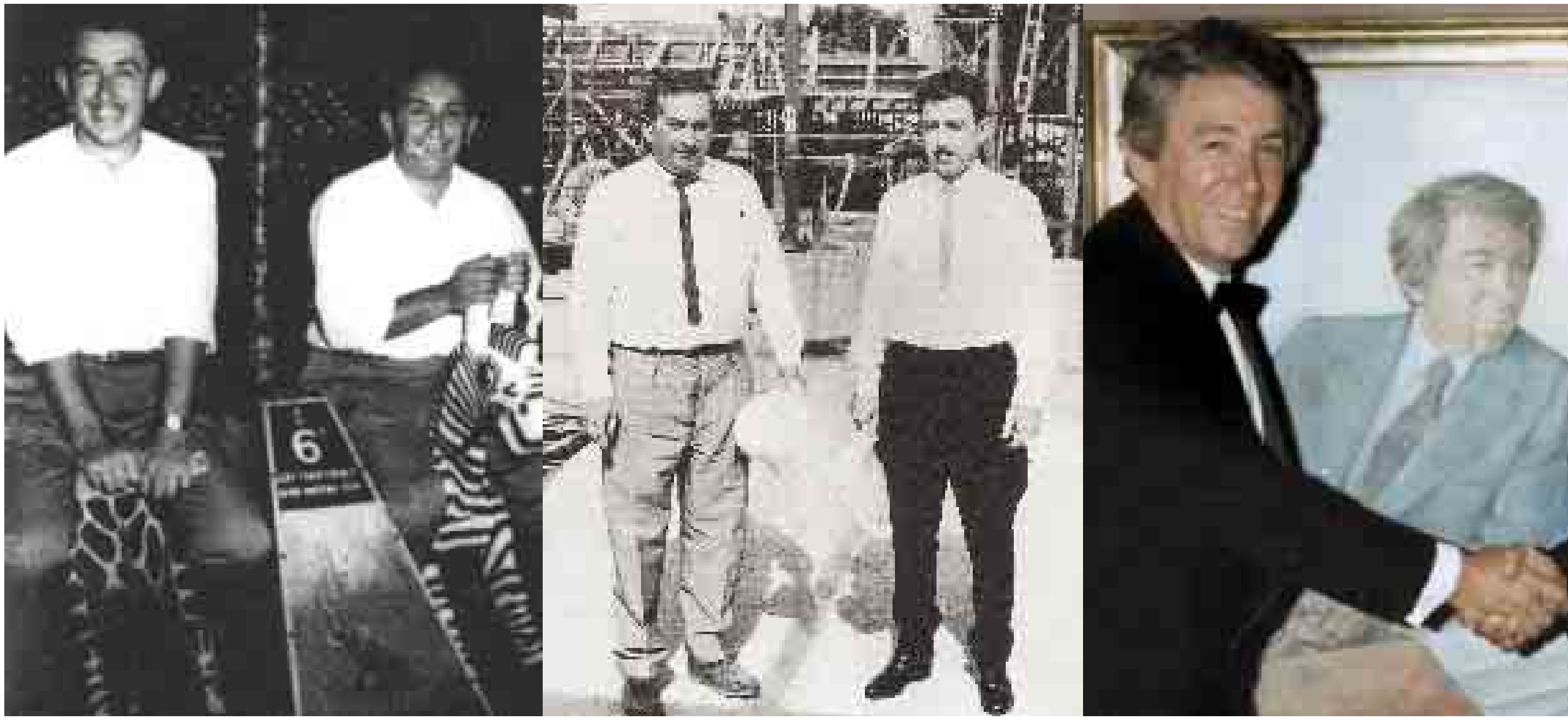
'Frank, with his predisposition to master legal jargon, was able to make useful comments on documents, to oversee the increasing correspondence, analyse statistical data necessary for expansion and to direct intricate corporate finance. There was ideal harmony.

'As the company grew, however, Frank's role took on greater importance. This lead to rivalry, first latent then more potent, to which their family circumstances added fuel. Frank had three growing sons and — as I used to tease him — dynastical ambitions. John was practically on his own and felt it may affect his position. It came to a split.

'Since then, Westfield, under the solid leadership of Frank, has grown astonishingly. While the very able and well-mannered Stephen Johns, the financial director, is still with him, I read from press reports that there is an inventive new generation surrounding Frank, who say that he intends now to remain in the background. Knowing Frank, I find this hard to believe!'

Separation

— After Thirty Years of Partnership



By the time Saunders relinquished his active management role in Westfield in 1987, he had stamped his unique style on the industry through his imaginative approach to the siting, development and marketing of shopping centres. When he stepped away completely from the company in 1990, he left a huge legacy. His flair, his creativity, dash and 'can do' attitude was deeply woven into the corporate identity of Westfield.

Staff at Westfield saw John Saunders and Frank Lowy as a formidable united force. They seemed inseparable, always consulting each other, keeping each other up to speed and publicly supporting one another's decisions.

The men had been partners since the mid 1950s and had, in a sense, grown up in business together. Although Saunders was eight years older and had more experience when they first met, after a few years that difference disappeared and together they forged ahead in the shopping centre industry.

While they could cover for each other, and often did so, they branched off in different directions. Saunders, an instinctive, natural entrepreneur, had a nose for opportunity. With flair and imagination he could boldly create something where there was nothing before. He was broad-brush, imaginative and, in some ways, unafraid of risk.

In the beginning of the partnership Lowy would make sure the fundamentals were in place. He had a firm grip of commercial realities and would ensure the company's projects were financed so as to be secure and profitable. This division of roles between the two men led some observers to comment that Saunders was the visionary and Lowy the practical one who made the visions a profitable reality.

But, as they grew in business, this changed. Saunders continued to function largely in the shopping centre sphere but Lowy went beyond it. He entered the larger world of commerce.



While Saunders's talent lay in the imaginative use of the physical buildings, Lowy had a particular flair for creating financial structures.

This began to put some distance between them and the gap widened when Westfield expanded into the United States in 1977.

Saunders made the initial contact that landed them their first American shopping centre but then Lowy took over, forged into the US market and established Westfield as a major force in the American shopping centre industry.

By the early 1980s, things had changed irrevocably for the Westfield pair. Their personal development had moved them in different directions. Two of Lowy's sons were in the business and a third was soon to enter. Saunders had no one following him and was becoming physically unwell. In 1984 he decided to cash in and wind down.

Following negotiations, Lowy bought Saunders out at $8 a share. At the time the shares were trading under $5.50 and the purchase cost for Lowy was about $22 million.

As part of his departure package, Saunders acquired three major assets: land Westfield had owned in William Street and Crown Street, the yet-to-be-constructed Eastgardens shopping centre, and the Shore Inn.

Although Saunders stayed on the board and was deputy chairman, he retired from active duties in 1987.

Subsequently he established the Terrace Tower Group, with headquarters just across the road from Westfield.

The Terrace Tower Group thrived under his ownership but over the next few years Saunders became increasingly ill. In December 1997, he died from heart failure.

SIR THOMAS NORTH

'CHILTERN'
TOORAK, VICTORIA
AUSTRALIA

August 2000

From the smallest of beginnings Frank Lowy and Westfield are today acknowledged as having made the most revolutionary and exciting contribution to the Australian retail industry during their forty years of operation — the magnificent Westfield developments are acknowledged as being up with and better than most of the world's best.

I first met Frank Lowy in 1960. He was a young man with a foreign accent who methodically and confidently presented plans and details of a proposition for a leasehold supermarket which his company planned to build. After initially being rejected, he promptly returned with the alterations requested, to which we agreed to proceed. This was the beginning of a most successful relationship, during which time G. J. Coles & Co Limited entered into numerous developments with Westfield; in fact, during those early years Westfield granted the Coles organisation the right of first refusal for occupancy in their new developments.

I have watched with considerable interest the tremendous progress and managerial expertise of Westfield, and I'm proud to say that the fine relationship between the two companies considerably helped to stimulate Westfield's reputation as Australia's leading retail developer.

During the early days of Westfield, Frank Lowy and John Saunders were a perfect combination, who together greatly accelerated the growth of their company.

Frank Lowy's enormous achievements have never ceased to impress me; his life has been so frantically busy that one wonders just how he could possibly find the stamina, time, endurance and determination to build such a magnificent empire.

Thomas North

Sir Thomas North, former chairman of Coles.

'I Reckon it's Worth Putting in a Few Bob…'

Hugh Baker
An Early Shareholder

Hugh Baker's taste for the sharemarket stretches back into the years before the Second World War. Then, he worked as a clerk for AWA and was responsible for keeping its share register. This exposure to the ups and downs of the market ignited an intense interest that has not waned for more than 50 years.

Over this period he has tied his fortunes to the market and watched it daily. Along the way he has made some excellent investments but, of all of them, the Westfield investment outshines the lot. 'It is without question the best investment I have made in my life,' he says from the comfort of his Queensland home.

In the early 1960s Baker was living in Sydney and was aware of this new entity called Westfield. He had read about Saunders and Lowy in the press, had taken a look at the few shopping centres they had, and was impressed by the fact that the partners travelled to the United States for ideas. It seemed to him that they knew where retailing was going and, although new on the scene, had a good understanding of the industry.

Baker's impressions were confirmed by his mate Tom North (later Sir Tom). North and Baker had entered the army on the same day in 1940 and had kept up their friendship.

By the 1960s, North was working for Coles and would later become its chairman. He had first-hand experience of the Westfield pair and was contracting them to build supermarkets. One day, in conversation, he mentioned to Baker that Coles was giving Westfield good work.

That was enough for Baker to act: 'I listened with great interest and thought to myself, "I reckon it's worth putting in a few bob." Over the years, people would encourage me to sell and take a profit but that was not my philosophy. I believe that if you find a good company, you've got to stay with it for the distance and then you'll come out on top.'

Baker held all his shares and participated in all the bonus issues. Whenever possible, he bought more.

Now in his mid eighties, he only regrets that he is no longer well enough to make the yearly trip to Sydney to attend Westfield's Annual General Meeting. Until 1997, he attended without fail. 'I valued keeping up my personal association with the Lowy family, with Frank and his boys. It was always such an interesting and friendly day in Sydney for me.'

‘Find the Need and Fill It’

Berel Ginges, Founder, Best & Less

When Berel Ginges was a lad of 18, he bought himself a small secondhand book enticingly called *How To Make More Money*. This was something very close to his heart and what particularly appealed to him was that the book was written by a financier who had been an adviser to four American presidents.

Only a few pages in, the author announced that the essence of the book could be summarised in six words. Being young and impatient for success, Ginges memorised the six words and didn’t bother reading the rest. The words were ‘Find the need and fill it’.

And so he did, going on to build a chain of more than 85 stores. An examination of Westfield’s history will show that it exemplified this maxim too. It found the need, expanded it, created more need and then filled it over and over again, in lateral and imaginative ways.

In the mid 1960s, Ginges had three small stores, one in Newtown, one in Parramatta and one on the main street in Burwood. He was contentedly doing a modest but good trade when an exciting proposition was put to him.

Westfield’s new Burwood Shoppingtown had recently opened and Ginges’s father-in-law had taken a shop to sell furniture. At the time it was not common wisdom that malls and furniture didn’t mix and this business was not thriving. He thought it would do better on the main street and proposed to Ginges that they swap. Ginges could move his store into the shopping centre and the furniture business could take his spot on the main street.

When Frank Lowy visited Ginges’s store to see if it suited the style of the centre, he had his doubts.

The shop was equipped with old fittings bought from a disused Snow’s store and didn’t have any of the polish or panache that Lowy was looking for.

Nevertheless, Lowy agreed to accommodate the shop in the centre if Best & Less refitted and upgraded its image. To Ginges this didn’t make sense. Why should he go to the extra expense of upgrading when he was selling underpants and socks? He was there to trade and to provide good service and attractive prices. Why did the fittings matter?

Eventually he was persuaded that presentation did matter and agreed to comply with Lowy’s high standards. In retrospect, it was one of the best decisions he ever made. Once in the Burwood centre, his business took off like a rocket. The location gave him prestige. Best & Less was noticed by other shopping centre developers and was soon invited to open outlets in their new centres.

Before Burwood, when Ginges used to tell people in the trade he was from Best & Less, he was always asked, ‘Best and who?’ But Ginges would have the last laugh. When he sold the business in 1998, there were 85 stores operating and a further seven in the pipeline.

Best & Less has become a household name and its blue logo adorns stores across the country. Its biggest turnovers are always generated in Westfield centres where about 25 per cent of its business is conducted.

Over the years, Ginges and Lowy became firm friends. Even though he is no longer a retailer, Ginges is always included in Westfield’s activities. He is still a valued member of the Westfield family.

Wading Into the United States Market

Richard Green explains Westfield's plans to Los Angeles residents.

Westfield's foray into the United States market was cautious and conservative. It didn't rush in full of optimism and bravado. Rather it adopted a toe-in-the-water approach. When it felt comfortable and safe, it waded in deeper.

After buying its first shopping centre in 1977, it spent three years on redevelopment and getting settled.

In 1980 it bought three more centres and used the following five years to get them up to standard. It was a slow and steady process. There was no hurry.

In 1985 it bought another centre and then, in 1986, made headlines by beating several major bidders for a prestigious parcel of three centres owned by Macy's. This gave Westfield a portfolio of eight US properties.

By the time of its 10th anniversary in the United States in 1987, Westfield had established its headquarters in West Los Angeles, and was a self-contained operational unit with its own development, design, construction, leasing and management divisions.

From an initial investment of US$6 million a decade earlier, it had grown into a powerful enterprise.

Later that year, it decided to sell its smallest shopping centre, Universal Mall in Warren, Michigan, because it no longer fitted into the group's operating criterion with respect to size and location.

With ongoing refurbishments and extensions throughout the portfolio, Westfield closed its first decade of US operations on a strong note and primed for further growth.

By 1988, the seven US centres were worth $1.1 billion and it was decided to separate these US assets from Westfield's Australian operations and float them in a new company. This would allow them to stand alone and would lift the group's profile outside of Australia.

The float of Westfield International went ahead but struggled for acceptance. In 1989, the Lowy family privatised the company and the new entity became known as Westfield International Group Ltd.

Saunders and Lowy at the new Westside Pavilion, Los Angeles.

The Wins and the Losses

Westside Pavilion

When David and Frank Lowy first saw the Westside Pavilion site in Los Angeles in 1980, they took two seconds to visualise its potential and told Richard Green to go ahead and see if the redevelopment they envisaged could be done.

Stunned by the speed of their decision-making, Green went ahead, got the approvals and then watched as Westfield produced the necessary $8 million to pay for the land.

Several high-profile developers had been trying to get their hands on the site and securing the property was an achievement for Westfield.

The plan was to knock down most of the existing centre and put up a state-of-the-art new one. The hard redevelopment work began immediately — evaluating the rules, city requirements, code requirements, department store requirements, and then balancing all these with the Westfield imperative to maximise the financial returns from the property.

The biggest coup was convincing Nordstrom to move not only into Los Angeles, but into a uniquely designed urban site with rooftop parking.

The centre was opened to acclaim in 1985. It was a star-studded affair, with celebrities such as the late Walter Matthau and Stevie Wonder attending. In no time Westside Pavilion became so popular that parking was in short supply. Complaints about the lack of parking facilities prompted Westfield to buy an $8 million piece of land across the road to solve the problem.

A shopping centre was built on the site and called Westside Two. The old and the new were joined by a bridge. However, the concept never worked as well as expected and proved to be a disappointment to the company.

You're Outside the Leather — Or Are You?

Westfield earnestly wanted Nordstrom in Westside Pavilion and, to try and win it over, spent a good $50 000 to $60 000 on a sophisticated presentation. Richard Green and his well-rehearsed team flew up to Nordstrom headquarters in Seattle to make their pitch. All went according to plan until they finished.

The audience was unmoved. Jim Nordstrom, who is a keen golfer, gave them a blank look and said, 'That was a great presentation but your site is outside the leather.'*

Dismissed but not disheartened, the Westfield team adopted a different approach. Green collected the head of Nordstrom in southern California and drove her all around the site in a bid to convince her how good it was. 'At one point I took a risk,' says Green. 'I drove into a retail store that was up the street from our site. It was a sporting goods store. I introduced myself to the manager and asked him to tell us about the location. His response was perfect. It was a top location, he said. People came out of the hills to shop there and it was his company's best-performing store.'

The gamble paid off and the Nordstrom employee's report to headquarters was favourable.

A short while later, Bruce Nordstrom visited Los Angeles and stayed overnight at the Century Plaza Hotel. A keen runner, early the next morning he went for a jog from his hotel to the Westfield site. It was clear the site was in the vicinity of where Nordstrom wanted to be and, to his mind, was close enough.

The next day Green got a call. Westfield was 'inside the leather'. It had taken a casual jog to clinch what tens of thousands of dollars couldn't do.

*The golfing term 'inside the leather' means the ball is so close it is a 'gimme' — you can assume one putt will sink it. The distance is measured by the length of the leather handle.

‘How Do I Know You Have the Money?’

Bidding for Three Macy’s Centres

By 1986, Westfield was ready to acquire more malls in the US but none were available. That was until a big Macy’s parcel came onto the market. In the parcel were three centres fully owned by Macy’s and six or seven it held under joint ventures.

Westfield set its sights on the three centres but there was stiff competition and bidding was intense. It seemed Westfield had no chance, except it had something up its sleeve.

Frank and David Lowy had visited the three centres and seen first-hand how they could maximise the retail space. At Garden State Plaza in New Jersey, for example, they could convert the abandoned truck tunnels under the centre into retail space by lowering the floors. Extra retail space translated into extra income, which meant they could make a higher bid for the property.

For the bid, Dan Neidich, of Goldman Sachs, represented Macy’s. Although he liked Westfield, he preferred to secure an American buyer. But Westfield’s bid of US$364 million was the highest. It was the largest real estate transaction in the history of the mall business and Neidich was nervous.

‘How do I know you have the money?’ he asked.

Normally in the United States shopping centre business everybody knows everybody and it is taken for granted that industry players have the resources. Lowy suggested Neidich be taken to the National Australia Bank’s office in New York.

Lowy called the bank himself and arranged for it to verify Westfield’s credentials. Richard Green recalls an unusual meeting at which the bank basically looked Neidich in the eye and said, ‘We want you to know that we consider Westfield and the Lowys as one of our top-five customers in this bank. We back them 100 per cent on any activities they have here in the United States.’ Neidich was impressed but further credentials were still required so Jim Wolfensohn, who was advising Macy’s on the purchase, stepped in. His influence provided the final seal of approval.

When final negotiations commenced, the kick-off meeting began in Macy’s boardroom. Arthur Schramm recalls that the American group had 60 people on its side. Westfield had five — Frank and David Lowy, Schramm, Green, and Barry Mills, a lawyer.

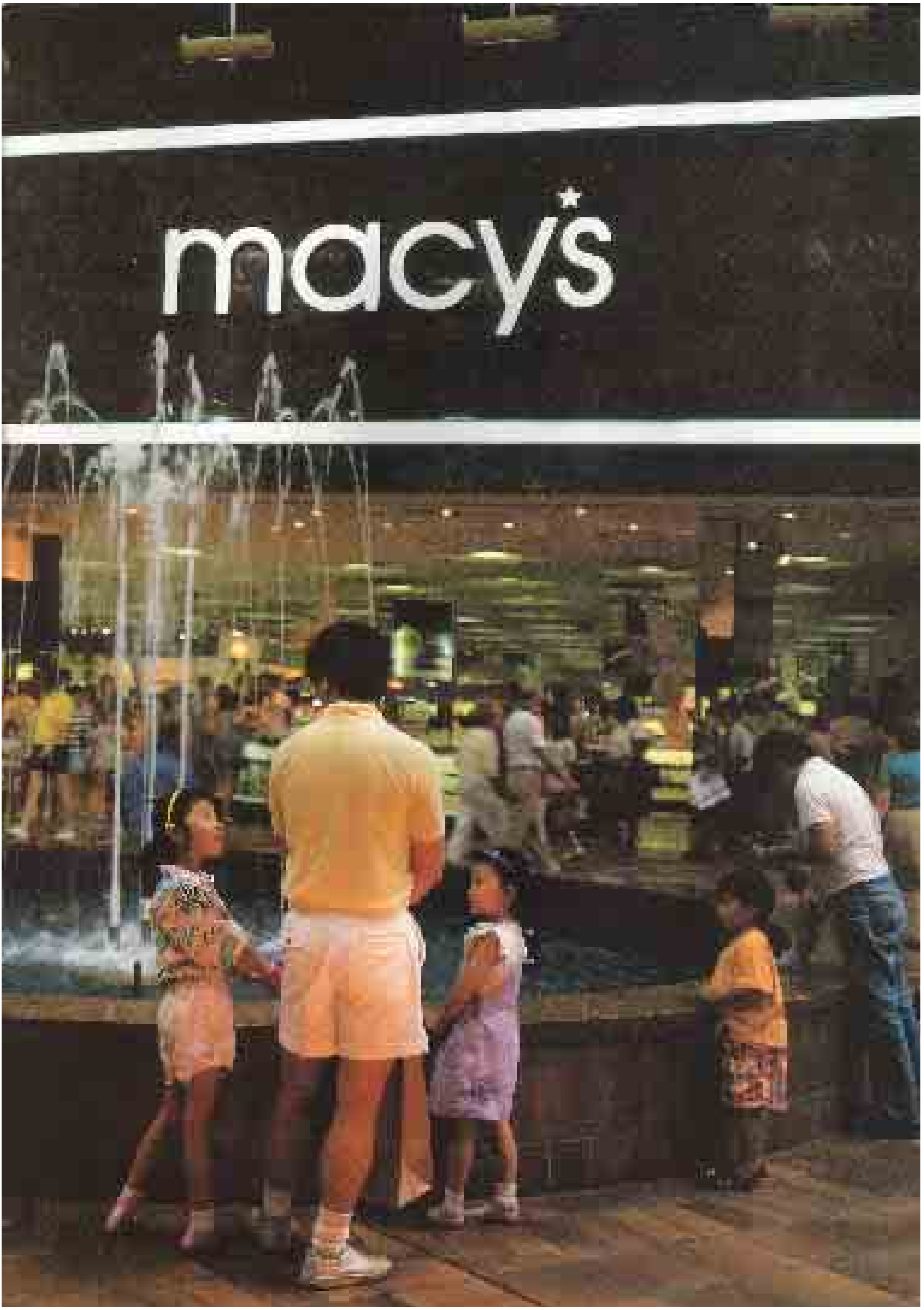
Positioned on one side of the table were two long rows of people representing Macy’s. Seated opposite were the Westfield five.

When Herb Hellman, general counsel, asked Frank, ‘Where’s your team?’ he responded, ‘Here’s my team.’

In the end, Westfield successfully acquired the three properties — Garden State Plaza, South Shore and Bay Fair — and threw a grand and extravagant party in New York to celebrate. It was held in the Crystal Room at the Tavern on the Green and anyone who was anyone in the shopping centre industry attended — bankers, politicians, retailers. It was a watershed moment for the company in the United States.

Although Westfield only had seven US centres at the time, the Macy’s transaction put it on the map. It was a landmark deal.

‘It changed the whole complexion of the company,’ says Schramm. ‘It was pure Frank Lowy vision.’



Smiles after the Macy's deal: (L to R, standing) David Lowy, Richard Green, Arthur Schramm, Dan Neidich (Goldman Sachs) Peter Gruneberger (lawyer), Herbert Hellman (general counsel, Macy's), Ira Millstein (lawyer), Jim Wolfensohn, (L to R, seated) Frank Lowy and Ed Finkelstein (chairman, Macy's).

Australia's Bicentennial Year

Frank, Shirley, David and Margo Lowy greet Her Majesty Queen Elizabeth II and HRH The Duke of Edinburgh before presenting the Australian people's gift of a ceremonial coach to the royal couple.

Despite the heavy losses it suffered during the stockmarket crash of October 1987, by the time Australia's Bicentenary celebrations began in 1988, Westfield was on its feet and fully participating in the festivities.

It was a happy time for the company, which was involved in celebrations at local, state and federal levels.

One of the highlights of the year was the gift of a ceremonial coach from the Australian people to Her Majesty Queen Elizabeth II. This coach, the first to be built anywhere in the world since 1910, was sponsored by Westfield and the ANZ Banking Group.

It was exhibited at Westfield Shoppingtowns nationally so people across the country could see it.

The redevelopment of Hurstville in Sydney (1988–1990) more than doubled the size of the centre.

In the 1980s, Westfield's Australian portfolio grew from 15 to 21 shopping centres and 16 of these centres benefited from redevelopments.

Redevelopments of North Rocks in Sydney, Indooroopilly in Brisbane and Doncaster in Melbourne were completed in 1981, while the Marion and Airport West projects were completed in 1982, the year in which retail sales in Westfield's Australian shopping centres exceeded $1 billion for the first time.

Strathpine opened in Brisbane in 1983 and that same year Westfield entered into a joint venture with Myer Emporium Limited to acquire and redevelop Southland in Melbourne and Tea Tree Plaza in Adelaide.

During the mid 1980s a number of projects were under construction and in 1986 Westfield purchased 50 per cent of Belconnen in the ACT and took over management of that centre.

Eastgardens and Chatswood, two major new Sydney centres, opened in 1987 and that same year the redevelopments of Figtree in Wollongong and Southland in Melbourne were completed, the latter resulting in the centre doubling in size.

The new Warrawong centre in Wollongong opened in 1988 and the following year redevelopment projects were completed at Parramatta in Sydney, Marion in Adelaide, Belconnen in the ACT and Strathpine in Brisbane.

In 1990, redevelopments were completed at Indooroopilly and Toombul in Brisbane, and Hurstville in Sydney. Westfield also entered into a joint venture with National Mutual that included redeveloping Miranda in Sydney.

When it Just Doesn't Work

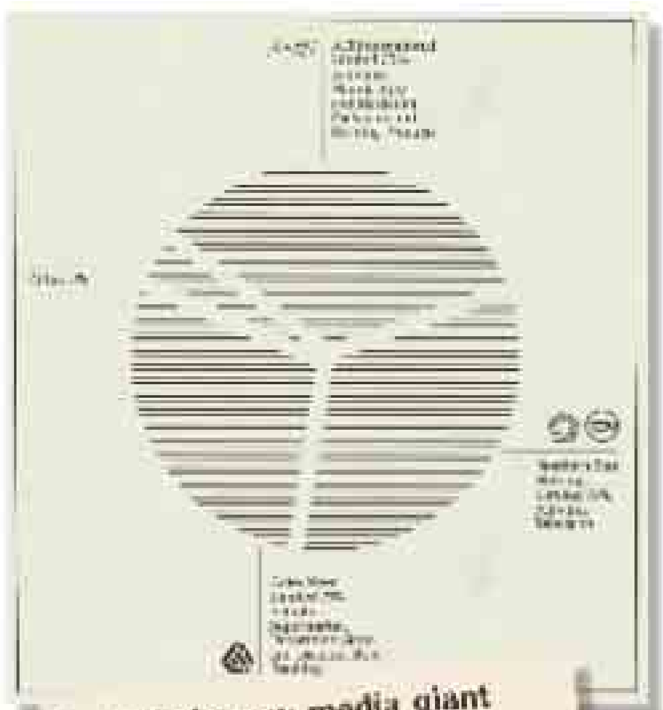
Three Misadventures

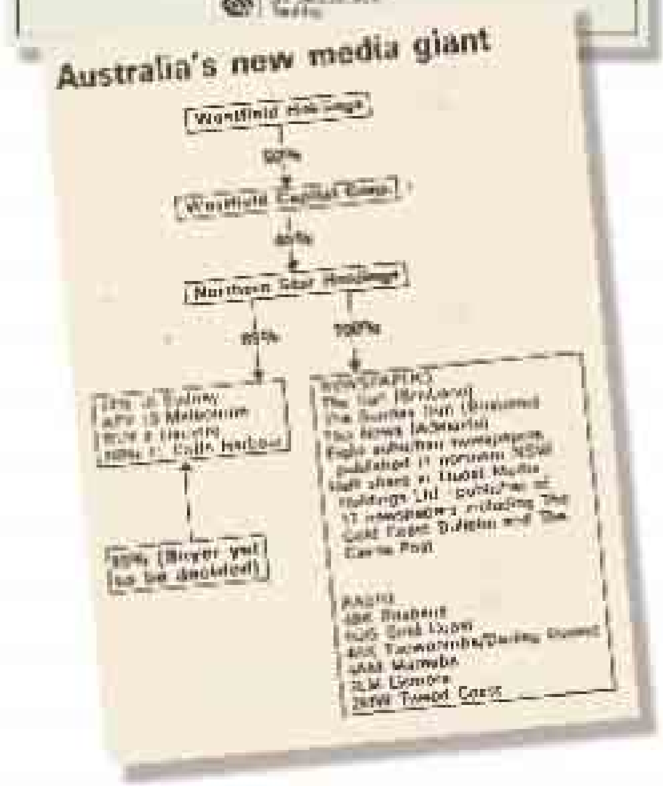
Not everything Westfield touches turns to gold.

In the latter half of the 1980s there were three ventures that went awry.

Frank Lowy: 'Do I regret going into television? This question needs no answer. What went wrong? Have you got a full page?'

The Australian, *20 August 1990*





T o p : Westfield Capital Corporation after the sale of Bridge Oil.

B o t t o m : Northern Star's media assets in early 1987. All non-television assets would be sold as it formed a national network.

Westfield Capital Corporation

By the second half of the 1980s Westfield was enjoying a honeymoon period after several successful takeovers and strategic sharemarket manoeuvres.

The economy was buoyant — there was a worldwide bull run — and opportunities were ripe for the picking.

Westfield wanted to enter the fray again. To do this, it decided to separate its traditional shopping centre business from its entrepreneurial investment activity by setting up a cashbox.

The cashbox was called Westfield Capital Corporation Limited (WCC).

As an active and enterprising participant in the stockmarket and other investment mediums, WCC would look for opportunities where it could add value and have an active influence.

Shareholders received an entitlement in WCC and were assured this new company would never be passive. It was in keeping with the upbeat investment mood of the time and the rock-solid Westfield Holdings would own half of it.

By transferring its shares in Bridge Oil and Coles Myer to WCC, Westfield Holdings would be freed of substantial debt and be able to put the dollars that had been tied up in the low-yielding shares to better use in the core business.

WCC began its life on a high note. With $150 million worth of Coles Myer shares, $21.6 million worth of Bridge Oil shares and about $290 million in cash, it ranked among the top 75 publicly traded companies in Australia.

Its first purchase was a 20 per cent stake in packaging and manufacturing company ACI. Then it moved towards the most fashionable stocks of the day, media, buying into a regional media company called Northern Star a couple of weeks ahead of a Federal Government announcement foreshadowing a change in the country's media laws.

Spurred on by this timely purchase, WCC paid $842 million for two Channel Ten stations and other bits and pieces of media property from Rupert Murdoch's News Limited.

Although the price was criticised for being too high, things were still going well for WCC which had increased its holding in Northern Star to 45 per cent and sold its Bridge shares for $43 million.

But following the stockmarket crash of 1987, its shares quickly plummeted and, in 1989, after three years as a publicly listed company, it was wound down, crushed by a $303 million loss. Shareholders were left with very little and Westfield had taken a highly public bruising. Characteristically, this only strengthened its resolve to make its core business bigger, better and stronger.

Assuming responsibility for the failure, Lowy told the press, 'Just because we burnt our fingers once in 30 years does not mean we have stopped looking for opportunities.'

A combination of Northern Star and the stockmarket crash of 1987 had brought WCC undone.

Northern Star

When it came to Westfield Capital Corporation's attention in 1986, Northern Star was a small media company based in northern New South Wales and doing well in its region. It had a number of provincial newspapers, and some radio and television stations.

National media laws were about to change, banning cross-ownership between print and electronic media, and the whole industry was on the brink of fundamental restructuring.

To WCC, Northern Star was an ideal media seed which could, if properly managed, flourish in the new environment.

In September 1986, WCC bought an 18 per cent stake in the company for $3.75 million. A couple of months later it lifted its stake to 20 per cent and Frank Lowy and David Gonski joined the board as WCC's representatives.

The industry was growing increasingly volatile and by February 1987, WCC owned 45 per cent of Northern Star which had bought $842 million worth of media assets from News Limited.

This included two major television stations, newspapers, radio stations and a record company.

Northern Star was now in the big league and WCC wanted it to become number one, so it bought another six major television stations and formed Network Ten Australia. The new network covered approximately 60 per cent of Australia's population.

In his first annual report as chairman of Northern Star Holdings, Lowy said the company was the largest television broadcaster in Australia.

It would sell all its non-television assets and concentrate exclusively on its core business — network television and servicing its essential elements.

As it turned out, Network Ten was dogged by problems. Apart from the rare highlight of its Seoul Olympics coverage in 1988, it faced daily difficulties on every level. It couldn't find good management, ratings were wobbly and programs were in short supply.

Determined to overcome these problems, Lowy travelled the world, interviewing people and looking for talented management. But it was a doomed mission for he could not find anyone capable of creating the right balance and steering the network to a premier position. With no one capable of taking control of the company, he felt he had no option but to assume the responsibility himself.

To create a solid, sustainable program base, Network Ten stepped up production of local programs and Lowy travelled to California, where he established long-term relationships with major producers and distributors of product.

It was some of these expensive long-term deals that, in the final analysis, were said to have been the undoing of the company. Network Ten simply couldn't generate enough revenue to fund these costly ongoing contracts.

Lowy's greatest fear was that if Northern Star collapsed, it would take WCC with it and perhaps even pull down Westfield Holdings.

WCC had a healthy package of Coles Myer shares valued at $200 million which could, in an emergency, be used to salvage the situation.

The situation was close to critical when a buyer for part of the network was found in a private television production company called Broadcom. But, while Broadcom had expertise, it didn't have much cash.

In a complex, multilayered deal, WCC injected the $200 million from the Coles Myer shares into Northern Star and then lent Broadcom $20 million for it to buy a 20 per cent stake in three of the Network Ten stations and assume control of the national network.

WCC advanced a further $5 million to enable Curran Capital Television to buy the three other stations.

When the deal was finally sealed in late 1989, it represented a loss of about $450 million to the shareholders of Northern Star and Westfield Capital Corporation.

The $1 billion foray into network television personally cost the Lowy family about $100 million and much more in damage to its reputation. Later, Lowy said that owning the network was like trying to hold a fish: 'The tighter we gripped it, the more it slipped out of our hands.'

After the Northern Star experience, Westfield gave extra priority to due diligence — ensuring always that before it acquired an asset, it had examined and evaluated it, inside out and from top to bottom.

Good Morning Australia*'s Kerri-Anne Kennerley with celebrity guest Sir Les Patterson.*

A dramatic scene from the top-rating mini-series, Vietnam.

Westfield International

Like Northern Star and WCC before it, the floating of Westfield International Inc. in 1988 made good financial sense at the time.

Then, Westfield Holdings was operating on two continents. It seemed prudent to split the company in two, so that the Australian and US properties could stand alone without encumbering each other's performance.

The reasoning was that Westfield International, which would own the US assets, would lift the group's profile outside of Australia by being an American company. The move would also allow shareholders a greater choice of investment.

The new company would have seven US shopping centres worth $1.1 billion.

Through this division, Westfield Holdings would transfer a large part of its debt to the new company and be able to refinance itself with low interest rates, reducing the drain on its bottom line.

It seemed like a win-win situation.

But economic times were tough in the United States and although Westfield International posted a maiden profit of more than $6 million in its first six months, leading to headlines such as 'Westfield Does Better in the US Than at Home', it never really fired as a public company. The stockmarket was not impressed and the shares languished.

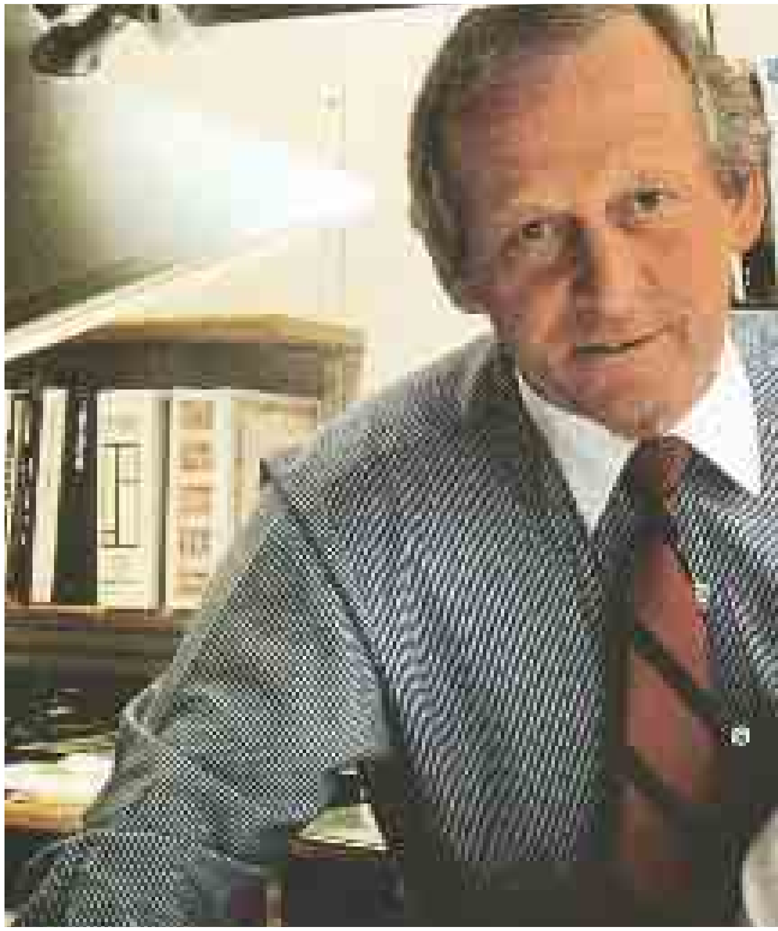
The Lowy family and associates, which held 51 per cent of the new company, came to the conclusion that it was not performing as expected and decided to privatise it.

The privatisation would give shareholders the opportunity to realise their investment at a substantial premium to the market.

The family offered $4.23 a share compared to a market price of $2.95.

Some shareholders were suspicious and criticised the offer. Nevertheless, the privatisation went ahead and, for the next couple of years, the Lowy family battened down the hatches and cut costs to ride out the turbulent early 1990s.

'If They Said "Go", You Went. If They Said "Stop", You Stopped.'



Fraser More (left), former General Manager, Design and Construction (Australia), and Michael Kalajzich, former Chief Architect (Australia).

When Fraser More commenced working life at Westfield in 1969, he felt like he was part of a family. Saunders and Lowy, the two figures of undisputed authority in the company, were always present, always involved and always accessible.

'In the beginning I'd be on a drawing board and Saunders and Lowy would be hanging over my shoulder, once a day, saying, "What's this?" and "Why that?" and "What are you doing?" They understood the drawings and would make constructive suggestions.

'They knew the business from the bottom up and that's why you couldn't fool them. They were the beginning and end of everything. If they said "Go", you went. If they said "Stop", you stopped.'

For More, having direct contact with them made working at Westfield both stimulating and challenging. 'We used to have our arguments but I always felt that I was in direct contact with the people who could fire or promote me. Not that I always knew day by day where I stood; most of the time I didn't. I never really had a feeling of total security working there because Saunders was volatile.

'Lowy and Saunders were very different personalities. They each had an office with a meeting room between the two. Frank would never walk into Saunders's office without knocking and asking if he could come in. Saunders would just barge into Lowy's office.'

More's first Westfield job was on the Indooroopilly site in Brisbane. When that was completed, he came to Sydney as project architect on the William Street complex. He remained as a project architect with the company until the mid 1970s when there was an internal restructure, with the architecture and construction divisions joined under one head — his. He remained head of this joint department until he left the company in 1990.

In the early days, with such close involvement from Saunders and Lowy, decisions were made quickly. 'We used to run formal action meetings which were pictures of democracy in action, with everyone having a say. But if we reached an impasse, there was no more democracy. Saunders and Lowy would step outside together and confer. A decision would be made. We got answers quickly — we may not have liked the answers, but they allowed things to progress.'

In his 21 years at Westfield, More noticed that as the company grew, so the family feeling wore thin and where once people would turn to report to Lowy or Saunders, they now found themselves facing financial controllers.

One thing that sticks firmly in More's mind is Lowy's facility with people. 'He's absolutely excellent at it. I've never seen anyone handle people as well as him.'

Although More left Westfield 10 years ago, like many other long-serving senior executives he often works as a consultant on special projects. More was an important member of the team that successfully took Westfield into the UK in 2000.

The Long Socks and Sandals Brigade

When Michael Kalajzich joined Westfield in 1970 as an architect, only two years out of university, he joined a group of young graduates who would grow up with the company. None of them thought they would be there for the long haul, but somehow all stayed on and matured into professionals.

Kalajzich jokingly refers to this group as 'the long socks and sandals brigade'.

These young men were keen to infuse a more contemporary design approach in the company.

'Our approach in those early days was very much "suck it and see". We'd draw it up and see if it worked,' says Kalajzich.

The company was not averse to experimentation and many things were tried. Some worked, some didn't.

In those days, Kalajzich says, shopping centres were rudimentary structures, reminiscent of inward-looking boxes. There were no windows because they aimed to replicate the high street. There would be a central mall with shops on either side and then a repeat of this on the next level. Over and below this strip there would be parking. Shopping centres were the cheapest form of building because they housed the greatest volume for the least amount of money. In places like Sydney, where land was so expensive, everyone was forced to build to the boundaries and maximise the site.

'The prime consideration then was getting the cars and customers in and out as smoothly as possible. Urban considerations came second or even third when compared to retail planning and traffic access. These things have now changed.

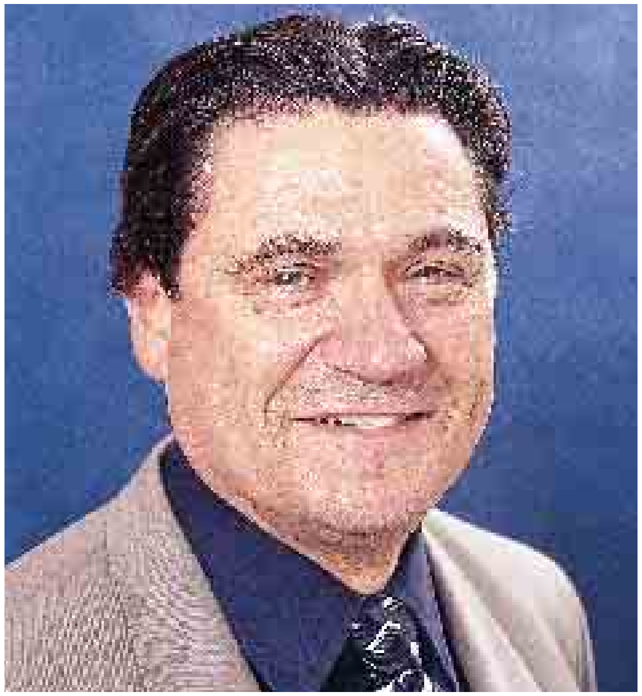
'Today, design is crisper, cleaner and there has been a move away from mimicking past architectural styles. Now the envelope, or the external skin, is a lot slicker and a lot smarter. There is an awareness of centres fitting into the community and being part of the urban fabric.'

While the shell of the shopping centre is fixed, the interior is fluid and can meet new fashions. It has been likened to a giant stage set which can be redesigned to transform the scene every five or ten years, as the financial climate changes and as new market forces come into play.

In response to the standard criticism that malls are essentially bland and lack vitality, Kalajzich says the only way to prevent this would be to scale down and let street life into the mall. This would mean allowing people to experience the natural elements by letting in the wind, sun and rain. It would also mean inviting in undesirable elements of high street life that would compromise the safety of the mall and customers. Street life has vitality because it has so many unpredictable elements — precisely the things people avoid when they seek the comfort of a shopping centre. The blandness doesn't seem an issue, says Kalajzich, because people vote with their feet.

Like More, Kalajzich works for Westfield as a consultant on special projects and was an important member of the successful UK team in 2000.

The Changing Culture on Westfield's Building Sites



Danny Hofbauer, Director, Construction.

At the end of 1968 Danny Hofbauer was in a bind. The final year of his building degree was almost upon him and he hadn't met the university's requirement of finding a position in the industry. In his final year, he was supposed to work full-time on a building site and still attend lectures.

Through a friend he managed to get an interview with the construction manager at Westfield, who agreed to give him a position. Hofbauer thought it would just be a foot-in-the-door and that soon he'd find something else. But 31 years later, he is still with the company.

In 1968 Westfield had fewer than 40 employees and occupied a quarter of a floor at Caltex House. As it happened, that year it had no building projects in Sydney but was breaking new ground in Queensland and Victoria. Stuck in Sydney, Hofbauer never set foot on a site. He sat in the office, stamping interstate invoices.

However, when he graduated from university he was sent to Miranda as a site cadet and, when that building project was completed, to Liverpool as contracts manager. Eventually he arrived back at Westfield's headquarters, now in William Street, as head office contracts manager.

In his three decades of service, Hofbauer has witnessed big changes in building site culture. When he began, the major concern was always on getting the shops open on time. Meeting the deadline was everything and often punctuality took priority over costs. 'My job was watching the costs but trying to get anyone focused on saving costs was impossible.'

There was sense behind this. It was commercially more savvy to gain a reputation for opening on time and for getting the rents rolling in than it would have been to spare a few dollars and incur long delays. These days, Hofbauer says cost-management is a top priority.

There were periods when Westfield was virtually the only company in Sydney with building work. In such times it reaped the benefits of keen prices and sub-contractors who were most willing to please. But then there were rocky times, like when Westfield tried to build an office block in Melbourne and, in Hofbauer's words, was 'ripped apart'.

Hofbauer says that while actual construction methods have not changed much since the late 1960s, design has. Thirty years ago, shopping centres were like boxes on the landscape and Westfield is the first to admit it didn't put much effort into disguising them or making them blend in with the environment. Today there is far greater awareness of this need and consequently serious attempts are made to improve the façades, so that the buildings are more aesthetically pleasing from the outside.

From being one of 40 employees at headquarters in 1969, Hofbauer now counts himself as one of 400 at headquarters which take up ten floors of Westfield Towers, the office block the company built and designed itself.

Frank Lowy engaging one of Westfield's shareholders.

MALCOLM FARE

LONDON
SW2 4XP

Westfield Holdings
100 William Street
Sydney 2011

August 2000

Dear Sir,

Thirty-three years ago, as I left Australia after three happy years in Sydney, my stockbroker, Carr Hordern, recommended buying 200 shares at 90 cents in a small shopping centre developer, Westfield Development Corporation Ltd.

Since then I have watched in astonishment and admiration as this family business has grown into one of the world's largest shopping centre groups. I reinvested my dividends until no longer able to by law, since I live in the UK, and have twice over the years sold chunks of shares — first to buy a seventeenth-century grandfather clock and, more recently, to pay for school fees.

Despite these sales, I still seem to have 11 700 shares, worth some \$147 000, undoubtedly the best investment I ever made in my life. Thank you Mr Hordern and Messrs Lowy for enabling me to be associated with such a successful company.

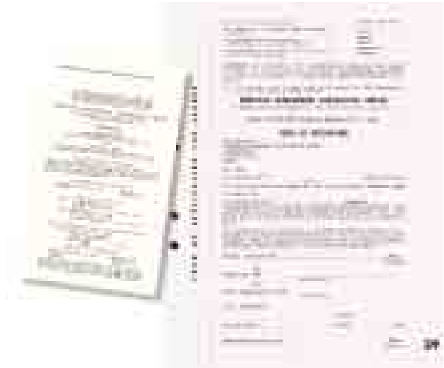
Yours sincerely

Malcolm Fare

Malcolm Fare

A letter of appreciation from one of Westfield's shareholders.

	Milestones in Westfield's Third Decade	World and Australian Events
1980	• Three new US centres acquired in California, Michigan and Connecticut	• Moscow Olympics • World said to have become 'a global village'
1981	• Westfield enters natural resources sector • Redevelopments completed at North Rocks in Sydney, Indooroopilly in Brisbane and Doncaster in Melbourne	• AIDS recognised as a distinct disease • Prince Charles and Lady Diana Spencer marry
1982	• Redevelopments completed at Marion in Adelaide and Airport West in Melbourne	• Compact discs introduced • Falklands War
1983	• Joint venture with Myer to redevelop Southland in Melbourne and Tea Tree Plaza in Adelaide • Joint venture with Bridge Oil • Strathpine in Brisbane opens	• Australia wins the America's Cup • Bob Hawke elected Australian Prime Minister
1984	• Redevelopment of Westside Pavilion, Los Angeles	• Indira Gandhi assassinated • Apple introduces the Macintosh and IBM the family PC
1985	• Extensions to US centres get underway and a reconstructed Westside Pavilion opens. One-for-four preference share issue	• Lasers first used in medicine • Hole found in the ozone layer over Antarctica
1986	• Half share of Belconnen in Canberra acquired • Westfield Capital Corporation (WCC) floated on ASX • Three new US centres bought	• Chernobyl nuclear disaster • Halley's Comet appears
1987	• Chatswood and Eastgardens in Sydney open • John Saunders relinquishes active management in Westfield • WCC invests in Northern Star • Redevelopments of Figtree in Wollongong and Southland in Melbourne completed	• Stockmarket crash • Cold War recedes with first agreement to destroy some nuclear weapons
1988	• Westfield International established to hold the US assets • Warrawong in Wollongong opens • Redevelopments of Parramatta in Sydney, Marion in Adelaide, Belconnen in the ACT and Strathpine in Brisbane completed	• Fax becomes a standard business tool • Pan Am plane explodes over Lockerbie, Scotland
1989	• Westfield International privatised • WCC delisted	• Exxon Valdez oil spill • Philippines President Ferdinand Marcos forced into exile
1990	• John Saunders steps down as a director of Westfield • Redevelopments of Indooroopilly and Toombul in Brisbane and Hurstville in Sydney completed	• Gulf War • Release of Nelson Mandela from prison



A shareholder who invested $1000 in Westfield in 1960 had, by December 1990, an investment worth about $4 million assuming that all dividends and other benefits were invested in additional shares.