

HAMILTON CBD PROPERTY TRENDS

In the commercial building sector, Design is a business decision, not a feel-good factor. Good design needs to be backed up with a good understanding of what the market wants, and we need real data to assess ideas properly.

Commercial Real Estate Agency CB Richard Ellis carries out regular surveys of Office and Retail spaces to identify trends and needs in the marketplace. The latest survey results recently published by CB Richard Ellis are very interesting.

The Hamilton Office Occupancy Survey completed in March 2010 shows an overall vacancy rate of 10.4%. This compares favourably to other centres (Auckland 13.3%, Christchurch 10.7%) and has risen by only 1% over the last year. This indicates the city is relatively stable and coping surprisingly well with the effects of the recession.

In fact, the occupancy area in the Hamilton CBD has actually increased! Two new buildings, the NZI building in Collingwood Street and the Deloittes building in Bridge Street, have added 5,191m² of office space bringing the city's total to 254,369m², so occupied space has increased by 2%.

The clearest trends are revealed when looking at the occupancy breakdown by Grade of office space where A-Grade space is the highest quality space available while E-Grade is the poorest.

A-Grade space vacancy is 4.2% (due largely to one floor of the Deloittes building remaining untenanted), while E-Grade space has 31.9% untenanted empty space.

The conclusion is that once Deloittes is filled, there will be a shortage of A-Grade space in Hamilton, creating opportunities for developers aiming for quality, while owners of E-Grade space need to make use of the quiet times to renovate in order to attract potential tenants.

Further analysis reveals that developers should target the southern fringe of the CBD which provides great hospitality facilities and on-site parking while the northern fringe (north of London Street) owners need to start getting creative to attract new tenants.

Surprisingly, in the last year the survey results indicate that Retail vacancy rates in the CBD actually improved from 12.9% to 12% (Auckland and Wellington both deteriorated over the same period), although times are still tough compared to around 2.5% in 2005.

Hamilton City Council's efforts around Hood Street appear to have been effective with secondary-grade retail in that vicinity filling up. Primary-grade retail in Victoria Street suffered, but as this period covered the disruptive City Heart upgrade work that has now been completed, there is now potential for this area to stage a rapid recovery.

Total CBD Retail space remains at 99,436m², with no new development activity. Ongoing expansion at The Base and Chartwell makes it hard to justify new CBD Retail development without good tenant pre-commitment. Leasing evidence indicates tenants gaining more competitive terms within the CBD Retail sector as vacancy rates increase and landlords become more desperate. Alternatively owners could use building renovations as a negotiation tool to keep tenants, stabilise rents, and improve their assets at the same time.

Our thanks to CB Richard Ellis for completing and sharing the Hamilton CBD survey data, in particular Hamilton CBD specialists Mike Neale and Kara Gerrand, and Senior Research Analyst Kevin Anthony. You can't beat good advice, backed up by good current data.