

Hamilton Retail Occupancy Survey

Retailer diversity emerging in Hamilton

SUMMARY

- The CBD retail vacancy rate decreased from 9.3% to 8.2%, to a total of 6,788 sqm of vacant retail floor space in the six months to June 2016. The net reduction in vacancy was 984 sqm as take ups of previously vacant space outnumbered new vacancies and newly added refurbished stock became occupied.
- Food retailing (cafes, restaurants, fast food) has the largest presence in the CBD's tenant mix, having grown slightly over the first half of 2016.

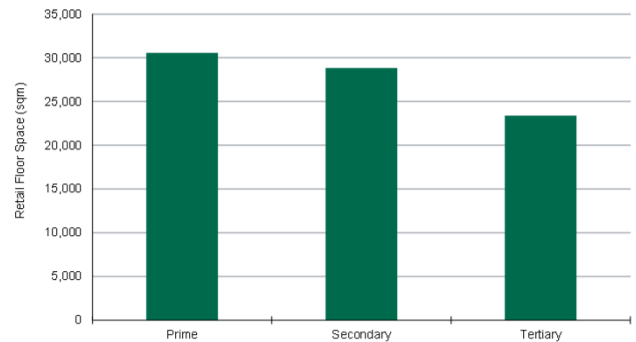
INTRODUCTION

This report provides a summary of the Hamilton retail occupier survey conducted in June 2016. The survey is based on a store by store analysis of the Hamilton Central Business District and reports on stock levels, vacancy rates, net uptake and tenancy mix. In accordance with our definition, retail accommodation within the CBD is defined by street location. In general terms, a store located on a street with good pedestrian traffic and within the central core is categorised as prime, while shops within the core and in close walking distance to high streets are secondary. Those stores located outside the core, or on the fringe are tertiary. This study is a continuation of the retail vacancy survey conducted by Curnow Tizard Limited since 2002 and is undertaken on a bi-annual basis in a partnership between CBRE Research and NAI Harcourts.

RETAIL STOCK & NEW DEVELOPMENT ACTIVITY

Total CBD retail stock presently measures around 82,800 sqm, a decrease of 549 sqm net over the past six months mainly due to removal of retail stock for refurbishment, redevelopment, and earthquake strengthening. A block of shops at 461-465 Victoria Street and 2-8 Ward Street have been removed from stock due to demolition. Initially the intention was to refurbish the 10 tenancies totalling 685 sqm however once demolition is complete it is likely that the site will be used as a carpark in the short term.

CBD Retail Stock by Grade



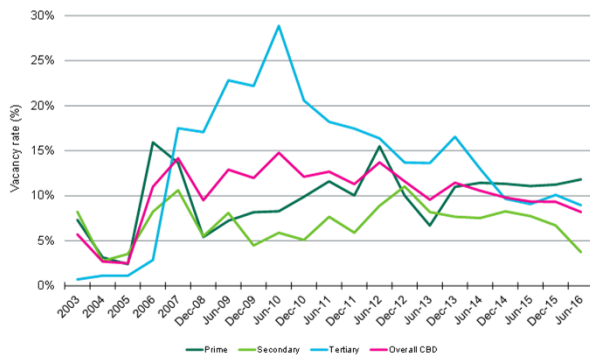
There have been no new builds completed in the CBD this year. The most recent CBD new development activity was the 2013 Centre Place mall upgrade. However, the recently completed refurbishment of two small shops at 286 Victoria Street has added 218 sqm of occupied space to the retail market.

Prime retail space accounts for 36.9% or 30,600 sqm of the total CBD retail stock, making this grade the largest supplier of retail stock. Secondary comes a close second with 28,800 sqm (34.8%), followed by Tertiary with around 23,400 sqm (28.3%).

VACANCY

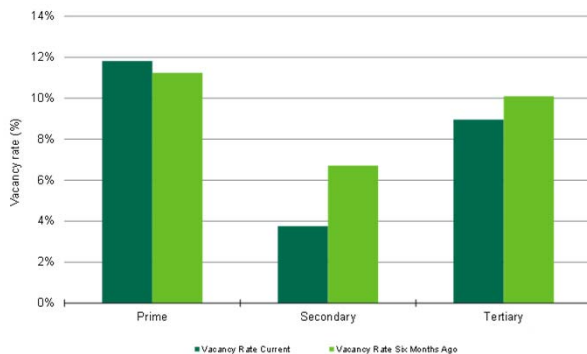
The Hamilton CBD retail vacancy rate decreased by more than 1%, moving from 9.3% in December 2015 to 8.2% in June 2016. Vacant space reduced by 984 sqm net, with eleven less vacancies in June 2016 than in December 2015. 26 occupancies are currently under refurbishment or fitout and have temporarily been removed from the survey, seven fewer than the number recorded six months ago. Total volume of space under refurbishment has remained at around 8,500 sqm during that time, due to some larger than average occupancies commencing refurbishment this year.

Historical CBD Vacancy by Grade



Prime grade experienced an increase in vacancy, moving from 11.2% in December 2015 to 11.8% in June 2016. The largest contributor to this increase was the departure of Number One Shoe Warehouse at 62 Bryce Street. Stock removed for refurbishment has also negatively impacted the vacancy rate. 278 Barton Street and 357 Victoria Street were occupied in December 2015 by Annah S Pop Up Store and Student Flights respectively, but have since been removed from stock temporarily for redevelopment.

CBD Vacancy by Grade



There are four new Prime vacancies. They are 186 sqm at 299 Barton Street (formerly part of the Annah Stretton – Birds of a Feather Store), over 1,000 sqm at 62 Bryce Street (ex Number One Shoes), 130 sqm at The Dining Lane at Bryce Street (ex Mozaik Café) and 123 sqm at 7 Worley Place (formerly part of Gails Floral Studio which is now at 11 Worley Place).

New tenancies in the Prime grade range from The Quadrant at 399 Victoria Street (575 sqm) to a Noodle Bar on Casabella Lane (35 sqm).

Secondary grade experienced a decrease in vacancy, from 6.7% to 3.8%. The largest take up of vacant space was 480 sqm at 540 Victoria Street now occupied by Army & Outdoors. The seven other take ups of previously vacant space total 614 sqm and include Foss & Kruger at 350 Barton Street, I Do, Wedding Studio at 632 Victoria Street, Solaris at 578 Victoria Street, Refuel Joe at 226 Victoria Street, Little Secret Adult Shop at 127 Alexandra Street, plus Hamilton IT Repairs and Uno Hair Salon both at 5 Garden Place. There are three new vacancies in the Secondary grade. They are 57 sqm at 557 Victoria Street (former Little J's Coffee Shop), 18 sqm at 18 Garden Place (former Girl on a Swing), and 254 sqm at 30 Hood Street (former Davy Engravers).

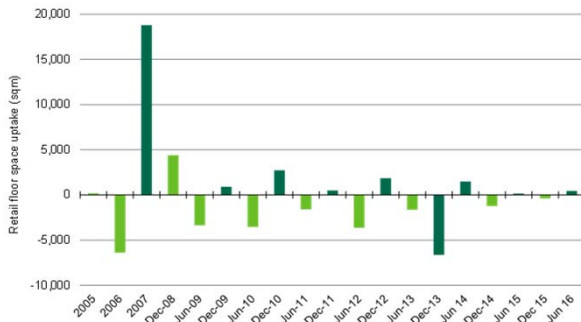
Tertiary grade experienced a decrease in vacancy, moving from 10.1% to 9.0%. There are only two new vacancies in this grade, both around 150 sqm each and on the corner of Collingwood and Alexandra Streets. There have been four take ups of previously vacant space during the six months to June 2016 by occupiers Teppan Restaurant, Dibolo Decorating and Materials, DIY Party Supplies and Instant Finance. In addition, two small retail units have recently completed refurbishment and have been added to the market as fully leased by occupiers Browsers Books and Fabrik.

Retail churn activity, or the changeover from one retail business to another, was present in the first half of 2016, with 22 of the 28 changes occurring in Prime grade space. The majority of the new tenancies have been Food retailers, followed by Personal retailers.

Examples of large occupier changes include The Q Store at 311 Barton Street formerly occupied by Furniture Zone, The Block at 7 Alexandra Street formerly occupied by The Hut, and Kiwibank at 402 Victoria Street formerly occupied by The Quadrant who are now over the road at 399 Victoria Street. Together, these tenant changes total over 1,000 sqm.

While there was only one take up in the Services sector over the six months to December 2015, the first half of 2016 has been more active with five Service sector occupier moves and three take ups of previously vacant space.

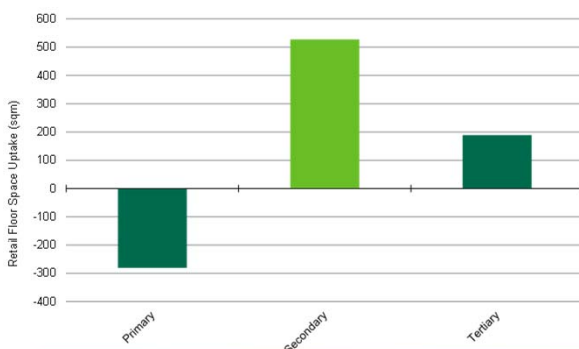
Net Uptake of Retail Space



TAKE UP

The overall net change in occupied stock over the six months to June 2016 was an increase of 436 sqm to 76,000 sqm. This was due to the volume of recently vacated space being outweighed by the level of leasing activity in previously vacant space, despite a large new vacancy of 820 sqm on Bryce Street. Net absorption was further impacted by the addition of newly occupied space following the completion of refurbishment.

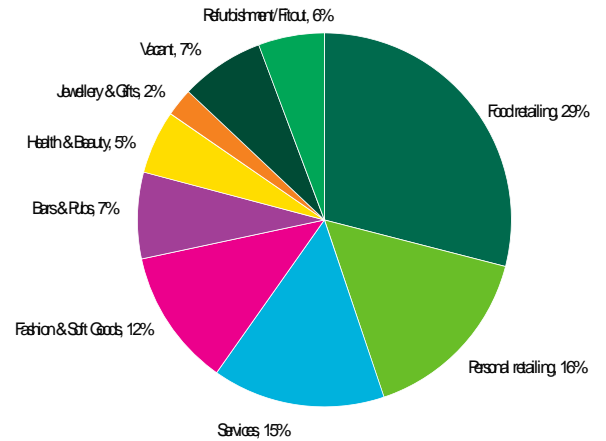
Net Uptake of Retail Space by Grade



RETAIL MIX

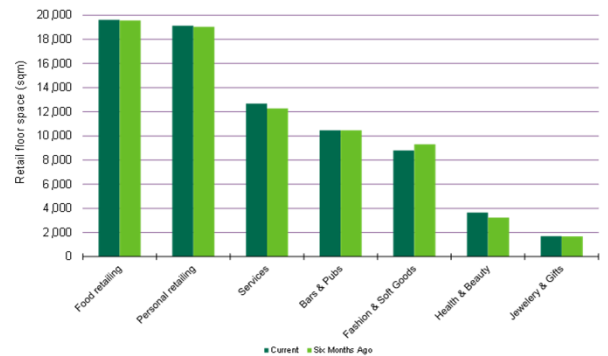
Hamilton's CBD retail tenancy mix is diverse with a wide range of retail merchandise and service-related offerings.

CBD Retail Tenancy Mix



'Food Retailing' continues to have the largest presence in the CBD, accounting for almost a third (29%) of the total number of stores surveyed. This is followed by 'Personal Retailing' and 'Services' at 16% and 15% respectively.

Floor Space Use by Store Type



'Food Retailing' continues to grow as the largest occupier of retail space in the CBD, comprising around 26% (19,610 sqm). This is followed by 'Personal Retailing' and 'Services' as the other major occupiers of space in the CBD at 25% and 17% respectively. The 'Health and Beauty' sector in particular has experienced growth over the first half of 2016, increasing by 425 sqm (13.2%) in the last six months, while 'Fashion & Soft Goods' has declined by 520 sqm (5.6%).

CONCLUSION & OUTLOOK

2016 is off to a good start with more tenancies occupied and fewer tenancies vacant than in December 2015, reflected in the vacancy rate dropping by more than 1% to 8.2% in June 2016. The leasing market has been particularly strong with a high level of churn and take ups of vacancy across a variety of tenancy sizes, quality grades, and locations. While broad retailer category proportions are largely unchanged ('Food Retailing' at 29% of stores, 'Personal Retailing' at 16% of stores), a greater variety of retail offering within broad categories is emerging in the market, providing a higher level of consumer choice than previously on offer. This trend is particularly evident in 'Food Retailing', with new entrants Teppan Restaurant, Refuel Joe, Chilli House, and Mix Kitchen & Bar supported by several new small convenience food retailers.

While the removal of stock for refurbishment has been ongoing over the past few years, there are seven fewer tenancies temporarily out of stock than in our previous survey. This is mostly due to the demolition of ten Grade A spaces between Victoria and Ward Street after plans changed and refurbishment was deemed uneconomic. Additions to the temporarily removed list in this survey were not always due to earthquake strengthening – Domaine Restaurant at 575 Victoria Street is being reinstated following a fire and 54 Bryce Street is undergoing fit out for new tenant ASB.

The outlook for the remainder of 2016 is positive, with an increasing variety of food and personal retailers in Hamilton CBD likely to attract a wider range of consumers by providing different choices to suit individual tastes and preferences.

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