

Hamilton Retail Occupancy Survey

Pandemic raises cost consciousness to forefront

SUMMARY

- The CBD retail vacancy rate increased from 7.5% to 8.3%.
- The amount of vacant space has increased from 5,730 sqm in June 2020 to 6,490 sqm in December 2020.
- 2,150 sqm of space that was under refurbishment in June 2020 has been completed, leaving 5,290 sqm under refurbishment currently.

INTRODUCTION

This report provides a summary of the Hamilton retail occupier survey conducted in December 2020.

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.

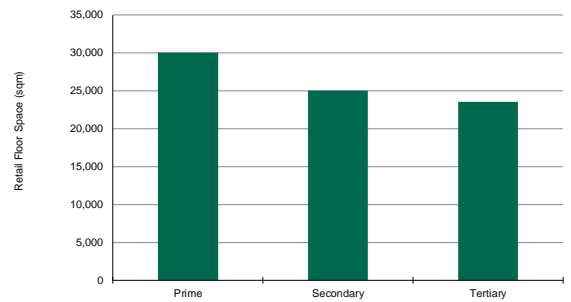
In accordance with our definition, retail accommodation within the CBD is defined by street location. In general terms, a store located on a street with good pedestrian traffic and within the central core is categorised as prime, while shops within the core and in close walking distance to high streets are secondary. Those stores located outside the core, or on the fringe are tertiary.

This retail vacancy survey is undertaken on a bi-annual basis in a partnership between CBRE Research and NAI Harcourts.

RETAIL STOCK & NEW DEVELOPMENT ACTIVITY

Hamilton CBD retail stock as at December 2020 totals circa 78,500 sqm, representing a 2,000 sqm increase in overall stock in the last six months. This change is reflective of the volume of stock added after completing refurbishment, seismic strengthening, or repurposing.

CBD Retail Stock by Grade



While there has been no new build construction activity recorded in the CBD, several large redevelopments are underway.

One of these is 646 Victoria Street (ex Munns Menswear), which is undergoing demolition and development post a recent fire.

Another is the Regional Theatre redevelopment at 170-206 Victoria Street, where 798 sqm of occupied space was taken out in the first half of 2020, doubling the total sqm currently under refurbishment as part of this project.

The redevelopment of 10-12 Garden Place has completed in the second half of 2020, adding 627 sqm of fully occupied space.

Prime retail space accounts for 38.2% or 30,020 sqm of the total CBD retail stock. Secondary stock is 25,000 sqm (31.8%), followed by Tertiary at 23,550 sqm (30.0%).

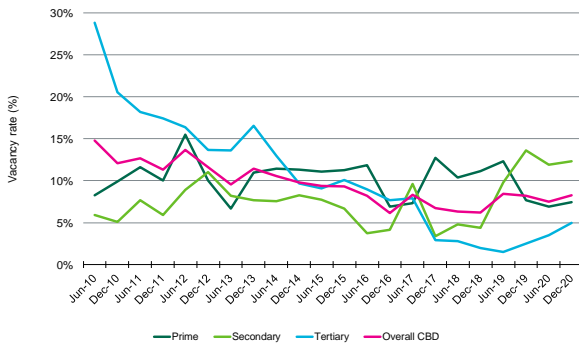
VACANCY

The Hamilton CBD retail vacancy rate increased by 0.8%, moving from 7.5% in June 2020 to 8.3% in December 2020. Over the six months to December 2020, vacant space decreased by 754 sqm.

26 occupancies are currently under refurbishment or fitout and have temporarily been removed from the survey. This is 9 less than the previous survey. Several spaces that form part of wider redevelopments such as 646 Victoria Street and the Regional Theatre have been removed from stock during 2020.

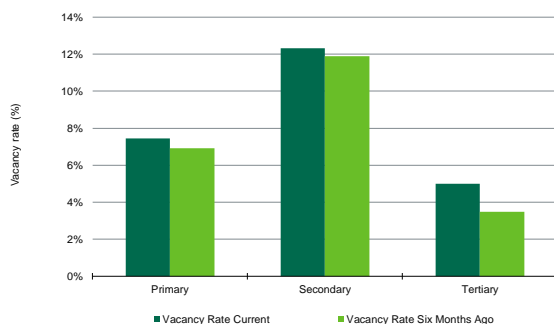
The total volume of space under refurbishment to around 5,300 sqm.

Historical CBD Vacancy by Grade



Prime grade experienced an increase in vacancy, moving from 6.9% in June 2020 to 7.4% in December 2020. There have been four new vacancies in this grade. Unsurprisingly, Covid has influenced this with Flight Centre vacating 118 sqm at 57 Ward Street. However, the largest new vacancy is a good news story with Forsyth Barr departing 171 sqm at 354 Victoria Street to move to a bona fide office premises on the ground floor of the ANZ Centre on Grantham Street. The other two departures were Axel Park on Worley Place and Animore Design on Casabella Lane.

CBD Vacancy by Grade



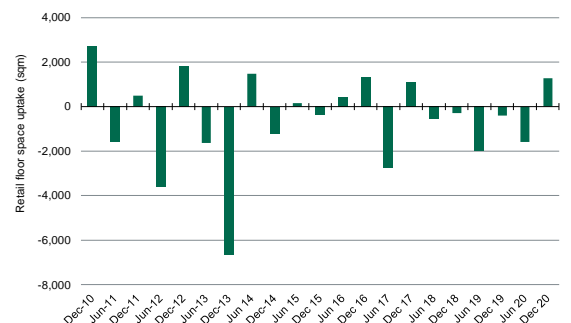
Even during the pandemic demand for Prime grade retail space has been evident, with three different occupiers taking up previously vacant space on Victoria and Ward Streets.

Secondary grade experienced an increase in vacancy over the last six months, moving from 11.9% to 12.3%. There were four new vacancies in this grade and each was over 100 sqm. Pro Nutritional Store have vacated 185 sqm and relocated to a 120sqm tenancy further along Victoria Street, and Sens Clothing Alterations vacated 126 sqm. Niche have moved from 657 Victoria Street to Barton Street, leaving 115 sqm vacant. There were several new takes ups of space along Victoria Street, in the block between Bryce & London Streets, including The Grumpy Baker Street and Zipp Clothing Alterations.

Tertiary grade experienced another increase in vacancy. Two of the three newly vacant spaces are relatively large, ranging from 45 sqm to 330 sqm each. The largest new vacancy is The Hood on Alexandra Street which closed for good after eight years of operating in Hamilton.

Retail churn activity, or the changeover from one retail business to another, was active during the second half of 2020, especially in the Secondary grade where five tenancies changed hands. Most of the churn occurred from Services, Personal Retailing, or Food Retailing operators. Examples of large occupier changes include Coyote taking a two year lease of 600 sqm at the former Bar 101 space on Victoria Street, Tudo Bem Brazilian BBQ taking over the formers Hogs Breath Café tenancy on Hood Street, Ultimate Properties taking 220 sqm from Tupperware at 919 Victoria Street, and Australian retailer Chemist Warehouse taking 279 sqm from Endless Summer at 48-50 Ward Street plus some additional Centre Place mall space.

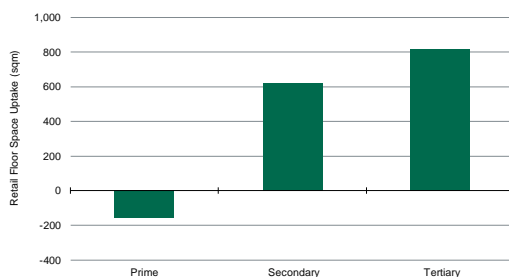
Net Uptake of Retail Space



TAKE UP

Despite all these new vacancies, the overall net change in occupied stock over the six months to December 2020 was positive, with an increase of 1,280 sqm to reach 72,080 sqm. This is largely driven by recently completed refurbishments which have been added to stock as occupied. Fifteen newly completed spaces are occupied by a mix of mostly food and service tenants such as Atticus American Treats, Cream Eatery, Red Architecture, Stark Property, Sisterfields, a hamburger eatery, DV Bryant Trust HQ, and Journies Strength Health and Fitness.

Analysed by grade, there was a negative net absorption in the Prime grade, and positive net absorption in the Secondary/Tertiary grades.

Net Uptake of Retail Space by Grade

CONCLUSION & OUTLOOK

The end of 2020 showed that while Covid has had an impact on Hamilton's CBD retail market, there has been remarkable resilience for what is globally a challenging and fast evolving sector.

Refurbishment projects that had been planned pre-Covid and completed in 2H 2020 have come back to market with almost 100% occupancy. While a handful of occupiers have departed space due to the pandemic, others have expanded or entered for the first time.

Although the NZ pandemic response has provided an outcome significantly more positive than forecasted, the crystal ball for 2021 is murky. Developers and occupiers alike are behaving with caution in the face of this.

This is evidenced in the newfound popularity of Secondary and Tertiary grade spaces. These spaces are by definition in areas with lower foot traffic, which usually makes them less appealing to occupiers. Positive net absorption in each of these grades show that cost conscious retailers are trading off visibility and access to customers with rent obligations, a phenomenon which is broadening the current desirability of retail locations across the CBD.

The types of retailers that have taken new space in the second half of 2020 emulate the Hamilton of the future. New occupiers such as diverse eateries and services for the local population are making the CBD a niche retail destination, that is both walkable and vibrant. Intensified housing development such as apartments and terraced housing are bringing customers into proximity which will support new businesses going forward.

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