

# Hamilton CBD retail market overview

## INTRODUCTION

This report provides a summary of the Hamilton retail occupier survey conducted in June 2023.

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.

## Hamilton CBD retail summary

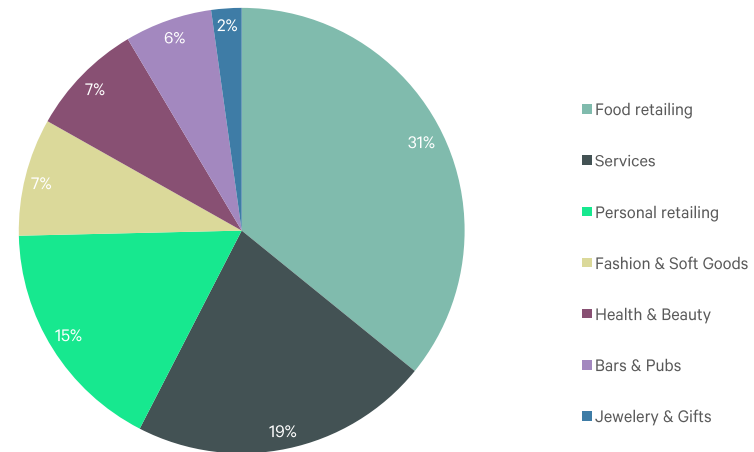
### Summary

The CBD retail vacancy rate increased over H1 2023, moving from 6.1% in December 2022 to 7.9% in June 2023.

The total amount of vacant space has increased from 4,875 sqm to 6,342 sqm in the first six months of 2023, with a small decrease in secondary grade, an increase in prime grade, and a large increase tertiary grade vacant stock.

3,726 sqm of retail stock is currently under refurbishment which is up from 3,608 sqm in December 2022.

FIGURE 1: Hamilton CBD retail composition by store type



# Retail stock and new development activity

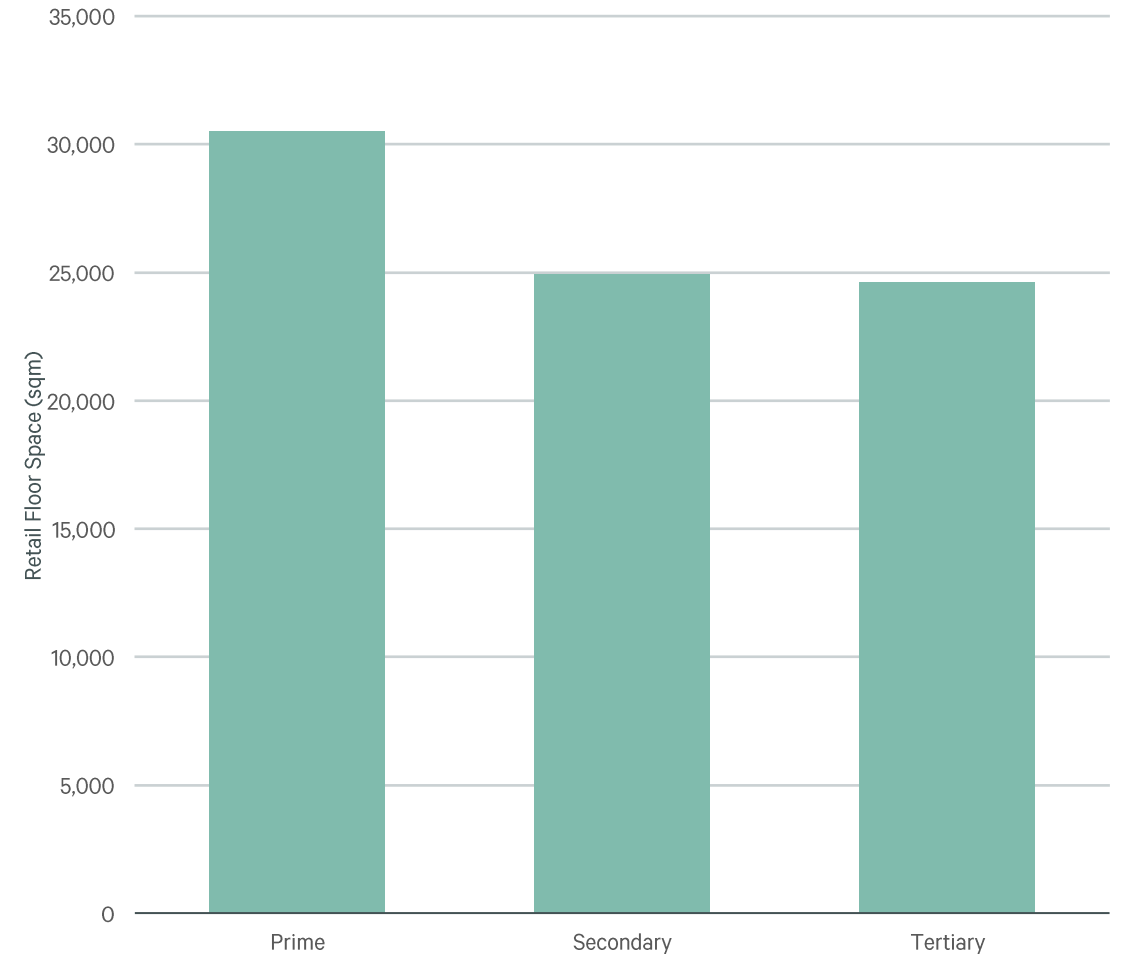
Due to several refurbishments commencing, the size of the monitored Hamilton CBD retail stock decreased modestly in the past six months, moving from 80,209 sqm in December 2022 to 80,091 sqm in June 2023. Redevelopments are occurring at 151 Victoria Street, as well as at 426 Victoria Street, with a total of 118 sqm newly undergoing refurbishment/fitout in H1 2023.

There are currently 26 occupancies that are under refurbishment or fitout and have temporarily been removed from the survey. This is two more than in the previous survey in December 2022, with the total NLA of the under-refurbishment retail stock also increasing from 3,608 sqm in our last report to 3,726 sqm now.

There are several redevelopments currently underway in the Hamilton CBD with implications for the retail sector, one of the most significant being the new Waikato Regional Theatre at the south end of Victoria Street, which previously comprised of about 1,500 sqm of retail/commercial space and which, upon completion in 2024, is expected to provide new hospitality offerings that can activate the surrounding streets and area.

As of June 2023, Prime retail space accounts for 38% or 30,537 sqm of the total CBD retail stock. Secondary stock is 24,944 sqm (31%), similar to Tertiary at 24,610 sqm (31%).

FIGURE 2: CBD retail stock by grade



# Vacancy

The Hamilton CBD retail vacancy rate increased by 1.8%, moving from 6.1% in December 2022 to 7.9% in the middle of this year. Over the six months to June 2023, vacant space increased by 1,467 sqm.

As Figure 3 illustrates, Prime grade experienced some increase in vacancy, moving from 6.7% in December 2022 to 8.4% in June 2023. Newly available retail space options contributing to the increase in Prime vacancy include 311 Barton Street, where DTR vacated 387 sqm and 411 Victoria Street, where Best Beds vacated 165 sqm. Two additional new vacancies are 371 Victoria Street and 10 Ward Street with both areas being under 100 sqm each.

Secondary grade experienced a reduction in vacancy over the last six months, moving from 4.7% to 4.1%. The three largest take-ups of previously vacant premises include the opening of a grappling gym at 570 Victoria Street (185 sqm), Dot & Winnie’s Café at 127 Alexandra Street (159 sqm) and Nancy’s Dumplings & Buns who moved to 16 Hood Street (156 sqm), leaving their former premises which is now under refurbishment. New vacancies have not been large enough to offset new occupancies in the secondary grade, with Creative Waikato (short term tenancy), School Kit and Vapes Go vacating between 100–200 sqm each.

In Tertiary grade, vacancy increased substantially, moving from 6.8% in December 2022 to 10.8% at the end of June this year. The three main driving factors were The Place vacating 383 sqm at the first floor of 30 Alexandra Street, 937 Victoria Street having 215 sqm become available after previously being utilised by the owner, and Rako Science vacating 200 sqm at 943 Victoria Street.

FIGURE 3: CBD vacancy by grade June 2023 – December 2022

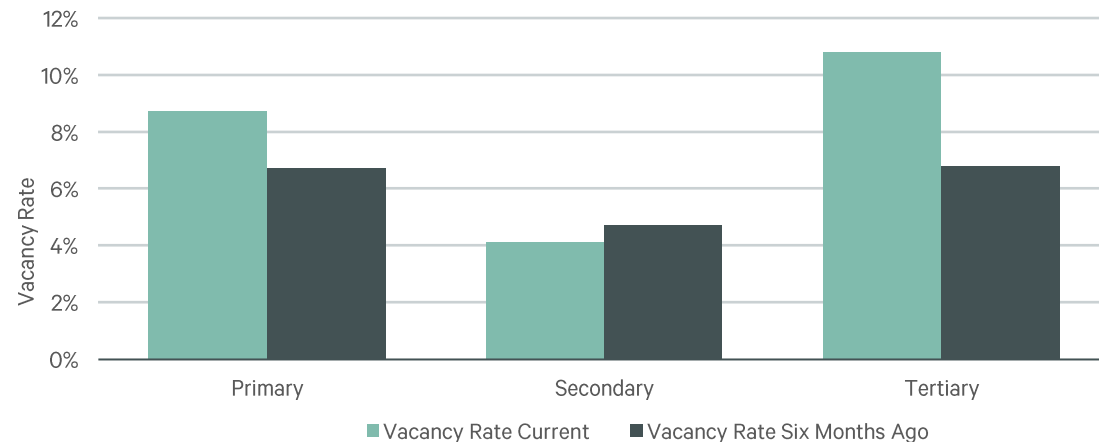
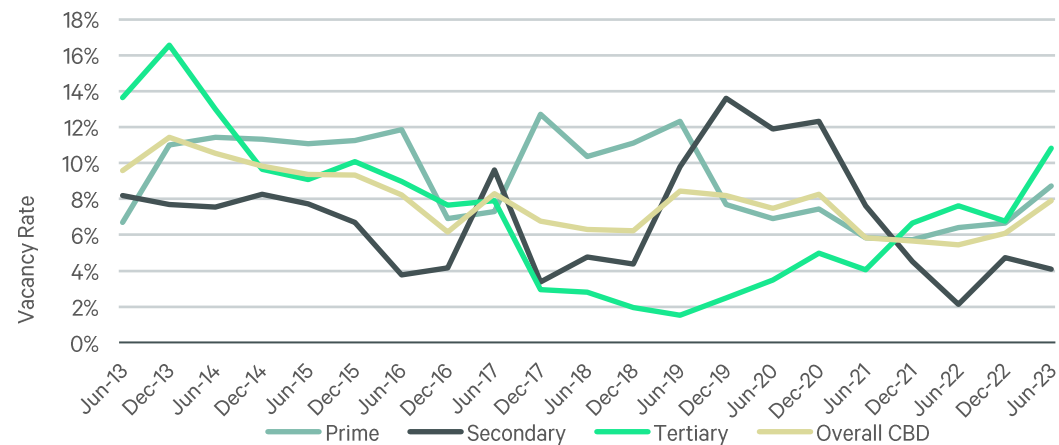


FIGURE 4: CBD vacancy by grade 2013-2023



# Demand

Retail churn activity, or the changeover from one retail business to another, halved in size compared to the second half of 2022, indicating that more businesses are staying in their current location. Food retailing and Health and Beauty were the two most active sectors, with Fashion and Soft Goods experiencing reasonable churn. From a total occupancy perspective, Personal Retailing, Fashion and Soft Goods, Bars and Pubs, and the Services sectors all recorded some contraction in the first six months of 2023.

The overall net change in occupied stock over the six months to June 2023 was negative, showing a decrease of 1,293 sqm to bring the overall figure to 73,749 sqm. The movement in this figure is largely driven by previously occupied space becoming vacant, with occupiers DTR, The Place and Rako Science each vacating their 200+ sqm spaces.

Analysed by grade, there was negative net absorption in Prime grade (-636 sqm), mostly as a result of DTR and Best Beds vacating their premises that had been occupied in previous surveys.

Secondary grade locations on the other hand experienced occupancy growth (305 sqm) in the first six months of the year predominantly through take-ups by Food retailing businesses, plus a new occupier with a grappling gym taking a space that was previously vacant.

Net absorption in Tertiary grade locations was negative (962 sqm), mostly as a result of The Place, Rako Science and Aesthete Gallery no longer occupying their spaces.

FIGURE 5: Net uptake of CBD retail space 2013-2023

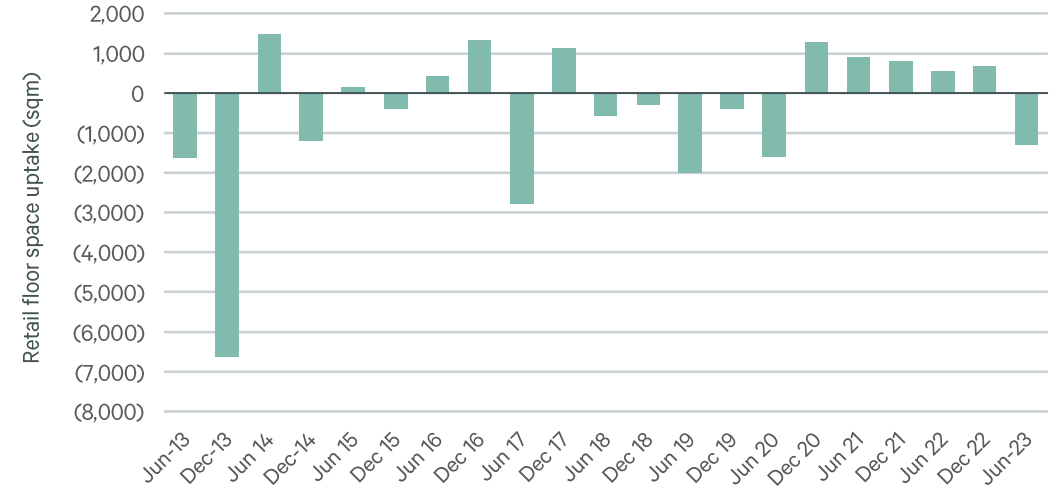
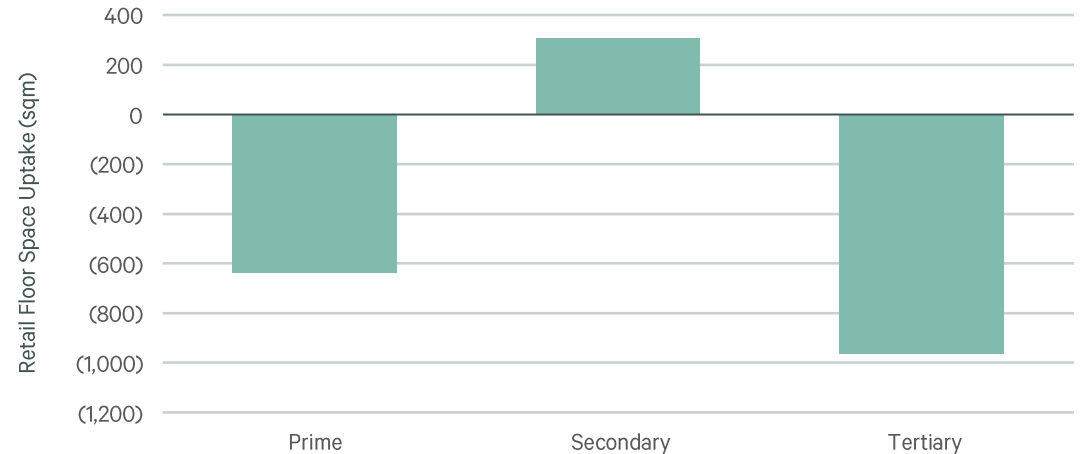


FIGURE 6: Net uptake of CBD retail space by grade



## Conclusions and outlook

Unsurprisingly, vacancy rates in the Hamilton CBD retail market have increased over the first half of 2023. This continues the upward trajectory trend that has been occurring since the 15-year low record of 5.5% vacancy that occurred in June 2022. The impact of inflation, rising interest rates, and a difficult trading environment in the first half of this year have pushed vacancy up by 182 basis points. Some of the recent departures were excessively large occupiers of prime space which frees up these tenancies for potential future repositioning to better suit demand, however they are currently in the vacant stock pool as available for lease.

Quarterly (seasonally adjusted) retail sales values released by Statistics NZ for the Waikato region show that sales values decreased by 1.5% (\$42 million) in Q1 2023 compared to Q4 2022, reflecting the tough economic and weather conditions experienced in the first few months of the year. More timely data from the Westpac McDermott Miller consumer confidence index shows that Waikato and all but one of the other regions showed a noticeable improvement of consumer confidence between the first and second quarters of 2023, moving from 76.0 in Q1 to 82.5 at the end of Q2 2023 (Auckland's index increased to 84.0, Canterbury's increased to 78.9 and Wellington's increased to 92.8). The Reserve Bank's indication that the OCR has peaked, along with green shoots in the housing market auction clearance rates are probably factors in improving sentiment nationally.

The most recent survey of the Hamilton CBD retail market has shown the central city generally trucking along, with some rejigging of occupier locations and continued improvement of stock through refurbishment and fitout. While there has been a recent drift toward increasing vacancy, we do not see this as a permanent reversal of Hamilton CBD's trend toward becoming a niche retail destination. Longer term drivers are still in play with ongoing office and residential development within the CBD expected to bring a new demand base into the central area. This will support an increasingly diverse range of stores and services.

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