

Hamilton CBD retail market overview

INTRODUCTION

This report provides a summary of the Hamilton retail occupier survey conducted in June 2024.

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

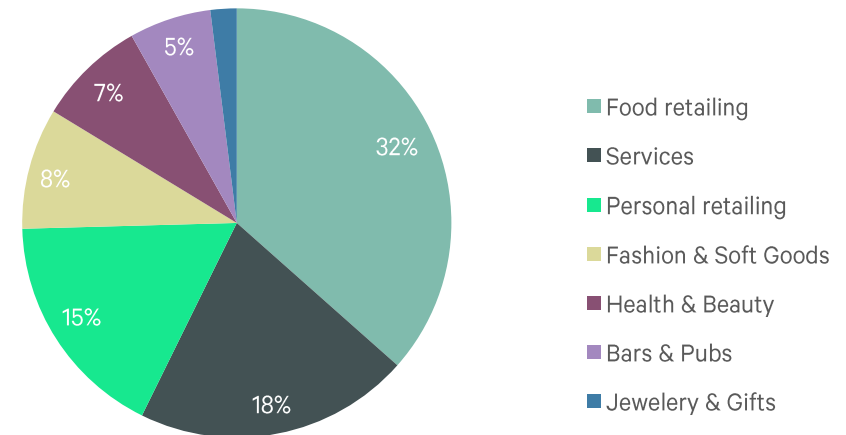
Summary

The CBD retail vacancy rate increased over the first half of 2024, moving from 8.9% in December 2023 to 9.3% in June 2024.

The total amount of vacant space has increased from 7,145 sqm to 7,407 sqm, with a decrease in secondary grade, and increases in prime and tertiary grade vacant stock.

3,758 sqm of retail stock is currently under refurbishment, which is down from 3,869 sqm in December 2023.

FIGURE 1: Hamilton CBD retail composition by store type



Retail stock and new development activity

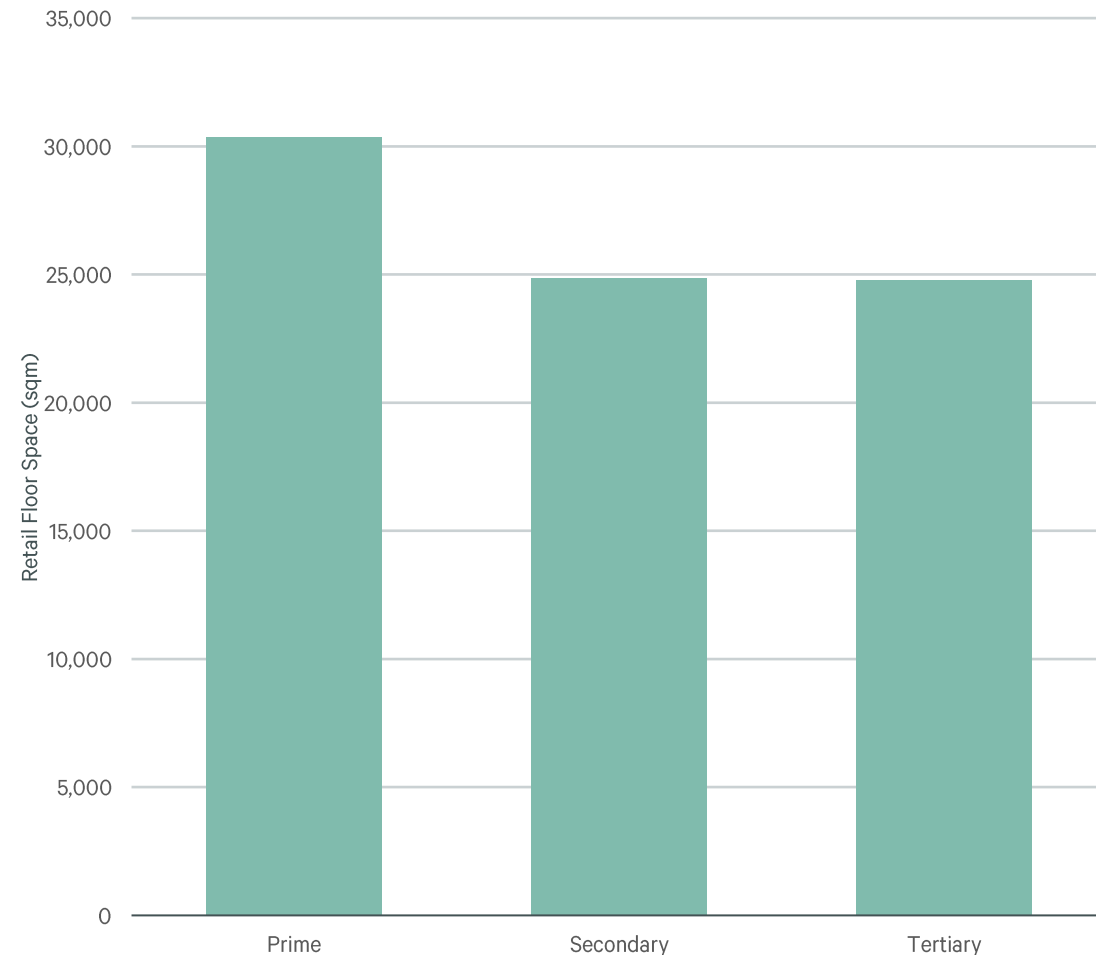
The size of the monitored Hamilton CBD retail stock increased slightly in the past six months due to one refurbishment completing, moving from 79,926 sqm in December 2023 to 80,010 sqm in June 2024. The completed redevelopment occurred at 341 Victoria Street on the corner of Garden Place, where 112 sqm of former Hamilton Central Business Association space had been withdrawn. A new lift lobby has reduced the total volume of space coming back into stock in June 2024 to 85 sqm, now fully occupied by Metro Mart.

There are currently 27 occupancies that are under refurbishment or fitout and have temporarily been removed from the survey. The total NLA of the under-refurbishment retail stock has decreased from 3,869 sqm in our last report to 3,758 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 2025, is expected to provide new hospitality offerings that can activate the surrounding streets and area.

As of June 2024, Prime retail space accounts for 38% or 30,343 sqm of the total CBD retail stock. Secondary stock is 24,883 sqm (31%), similar to Tertiary at 24,785 sqm (31%).

FIGURE 2: CBD retail stock by grade



Vacancy

The Hamilton CBD retail vacancy rate has increased, moving from 8.9% in December 2023 to 9.3% in the middle of this year. Over the six months to June 2024, vacant space increased by 262 sqm.

As Figure 3 illustrates, Prime grade experienced an increase in vacancy, moving from 13.7% in December 2023 to 14.8% in June 2024. The largest new vacancy is 570 sqm at 282 Barton Street, previously occupied by Torpedo 7. While this had a big impact, there were two additional new vacancies with Trade Aid departing 149 sqm at 19 Worley Place and Ward Street Barber moving out of 83 sqm at 34 Ward Street. Former JB Hi-Fi space at 308 Barton Street which was a new vacancy in our previous report, remains empty.

Secondary grade experienced a reduction in vacancy over the last six months, moving from 3.5% to 2.9%. Five occupants have taken previously vacant space in the first half of this year. They are; Shallow Bakery and Café at 118 Alexandra Street, Tea Ceylandia at 3 Garden Place, Royal Hookah and Poly Barbers, both at 18 Hood Street, and AWF at 99 Victoria Street, who have taken some vacant and some previously occupied space at this address.

In Tertiary grade, vacancy also experienced an increase over the last six months, moving from 8.6% in December 2023 to 8.9% in the middle of this year. Three large new vacancies have occurred in this grade with Curtain Studio departing 483 sqm at 856 Victoria Street, Chubb vacating 200 sqm at 903 Victoria Street, and Reward Hospitality also vacating 200 sqm on Alexandra Street.

FIGURE 3: CBD vacancy by grade – June 2024 vs December 2023

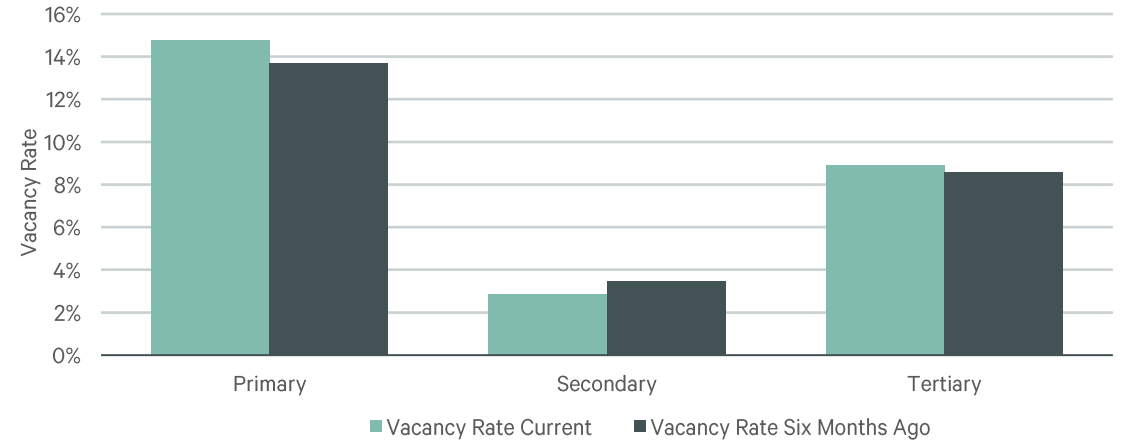


FIGURE 4: CBD vacancy by grade 2014-2024



Demand

Retail churn activity, or the changeover from one retail business to another, was more present in the first half of 2024, than it was over the second half of 2023. Services and Personal retailing were the two most active sectors, with Health & Beauty, Food retailing, and Bars & Pubs also experiencing some churn. From a total occupancy perspective, the Services, Personal Retailing, and Jewellery and Gifts sectors all recorded some contraction in the first six months of 2024.

The overall net change in occupied stock over the six months to June 2024 was negative, showing a decrease of 178 sqm to bring the overall figure to 72,603 sqm. 8 new vacancies totalling 1,886 sqm have outweighed 12 take-ups of vacant space totalling 1,623 sqm and one new occupied refurbishment of 85 sqm.

Analysed by grade, there was negative net absorption in Prime grade (-322 sqm), mostly because of Torpedo 7 departing 570 sqm. The three new vacancies in this grade were not enough to offset the five take ups of previously vacant space.

Secondary grade locations experienced growth in occupied space of 154 sqm in the first six months of this year. Two new take-ups of previously vacant space by Food retailing businesses have occurred, as well as take-ups by Bars & Pubs, Personal retailing, and Services businesses.

Net absorption in Tertiary grade locations had experienced minor occupancy (10 sqm) despite three new vacancies totalling 883 sqm. A large new occupancy by Fashion & Soft Goods business Re Circle (Scandanavian Recycle Boutique) at 313 Victoria Street, a long standing vacancy, was not enough to fully offset this.

FIGURE 5: Net uptake of CBD retail space 2014-2024

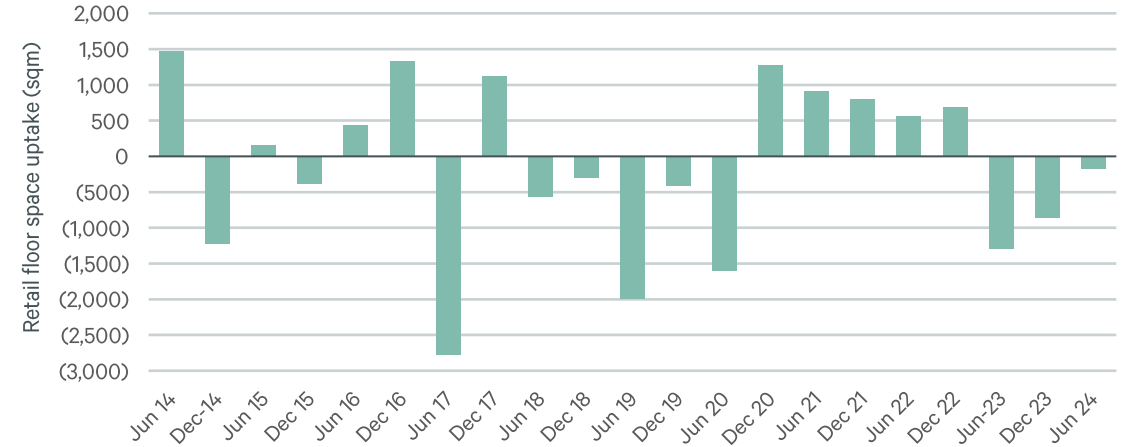
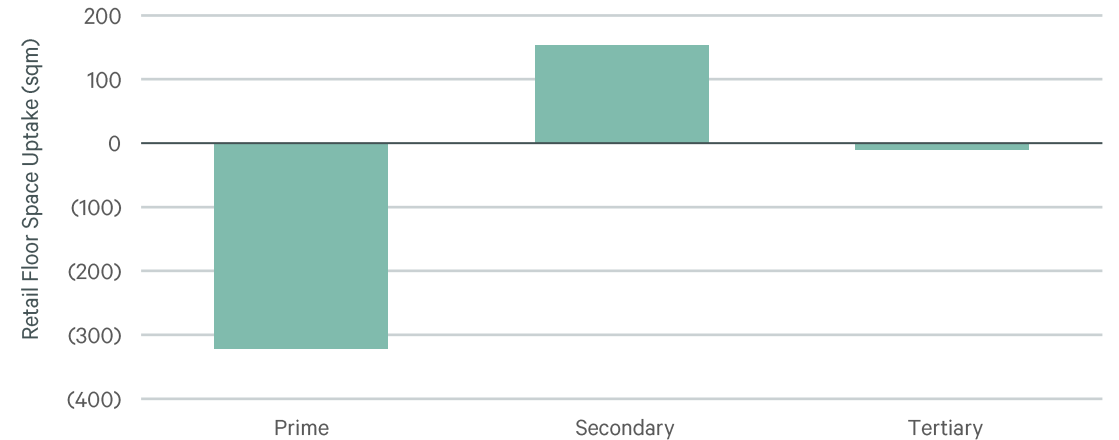


FIGURE 6: Net uptake of CBD retail space by grade



Conclusions and outlook

Vacancy rates in the Hamilton CBD retail market have increased over the first half of 2024, continuing the upward trajectory trend that has been occurring since the 15-year low record of 5.5% vacancy that occurred in June 2022. The negative impact from rising interest rates over the course of 2023 has contributed to a difficult trading environment in 2024, pushing vacancy up by 380 basis points. Some of the recent departures were excessively large occupiers of prime space, which provides the opportunity to free up these tenancies for potential future repositioning to better suit demand, however they are currently in the vacant stock pool as available for lease. JB Hi-Fi's 2H 2023 departure of 1,434sqm at Barton Street is an example of this, with Torpedo 7 a more recent example.

Quarterly (seasonally adjusted) retail sales values released by Statistics NZ for the Waikato region show that after a full year of declining quarterly sales values reflective of tough economic conditions, this has turned. Sales values increased by 1.6% (\$44 million) in Q1 2024 compared to Q4 2023. More timely data from the Westpac McDermott Miller consumer confidence index shows that while most New Zealand regions recorded a decrease in consumer confidence, Waikato was among a small group that recorded an improvement of consumer confidence between the first and second quarters of 2024, moving from 88.1 in Q1 to 88.7 in Q2 2024 (Auckland's index decreased to markedly over the same period to 81.0, Canterbury's decreased to 82.8 and Wellington's decreased to 79.3). Despite the Reserve Bank's indication that the OCR has peaked, along with the housing market being generally stable, a deepening downturn in the jobs market coinciding with cost-of-living pressures have kept consumer confidence subdued over winter.

The most recent survey of the Hamilton CBD retail market has been unremarkable and shows a central city in stasis. 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, but more reflective of some space hungry occupiers consolidating or departing for suburban big box retail centres and leaving significant redevelopment opportunities in their wake, that will start to emerge with a strengthening national economy. 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 over time.

Contact

Mike Neale

Managing Director – Commercial
P: 07 850 6666
M: 027 451 5133
E: mike.neale@naiharcourts.co.nz

Kara Gerrand

Commercial Sales & Leasing
P: 07 850 6660
M: 021 527 211
E: kara.gerrand@naiharcourts.co.nz

Ra Piripi

Commercial Sales & Leasing
P: 07 850 6669
M: 021 838 887
E: ra.piripi@naiharcourts.co.nz

Zoltan Moricz

Executive Director - Research
P: 09 359 5399
M: 021 595 399
E: zoltan.moricz@cbre.co.nz