

# Hamilton CBD retail market overview

## INTRODUCTION

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

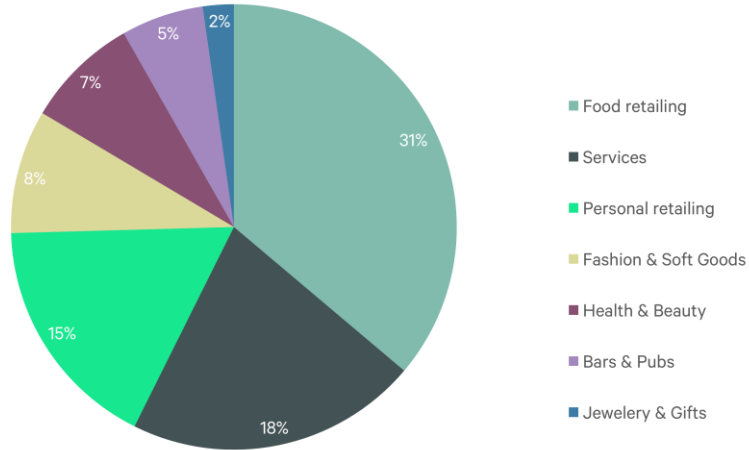
#### Summary

The CBD retail vacancy rate increased over the second half of 2023, moving from 7.9% in June 2023 to 8.9% in December 2023.

The total amount of vacant space has increased from 6,342 sqm to 7,145 sqm, with a small decrease in secondary grade, a decrease in tertiary grade, and a large increase prime grade vacant stock with the departure of JB Hi-Fi from Barton Street.

3,869 sqm of retail stock is currently under refurbishment, which is up from 3,726 sqm in June 2023.

FIGURE 1: Hamilton CBD retail composition by store type



# Retail stock and new development activity

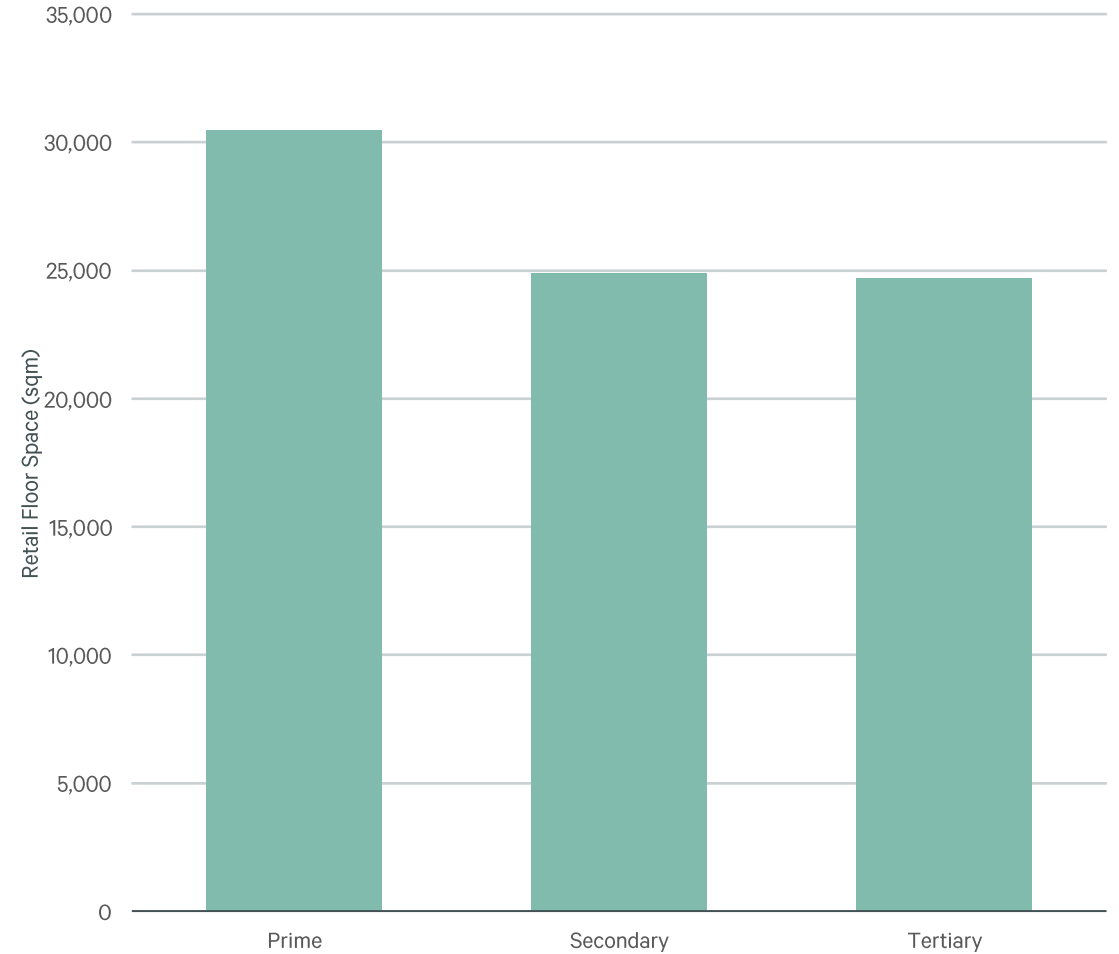
The size of the monitored Hamilton CBD retail stock decreased slightly in the past six months due to two refurbishments commencing, moving from 80,091 sqm in June 2023 to 80,038 sqm in December 2023. New redevelopments are occurring at 426 Victoria Street (Westpac Building), as well as at 601 Victoria Street, with a total of 143 sqm newly undergoing refurbishment/fitout in H2 2023. A 90 sqm retail stock addition was made possible at 266 Victoria Street where an office space has been transformed into new retail, however this new addition was not large enough to increase total stock.

There are currently 28 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 June 2023, with the total NLA of the under-refurbishment retail stock also increasing from 3,726 sqm in our last report to 3,869 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 early 2025, is expected to provide new hospitality offerings that can activate the surrounding streets and area.

As of December 2023, Prime retail space accounts for 38% or 30,455 sqm of the total CBD retail stock. Secondary stock is 24,883 sqm (31%), similar to Tertiary at 24,700 sqm (31%).

FIGURE 2: CBD retail stock by grade



# Vacancy

The Hamilton CBD retail vacancy rate increased by 1.0%, moving from 7.9% in June 2023 to 8.9% in the end of this year. Over the six months to December 2023, vacant space increased by 803 sqm.

As Figure 3 illustrates, Prime grade experienced significant increase in vacancy, moving from 8.7% in June 2023 to 13.7% in December 2023. There was one major factor behind this significant rise in Prime vacancy; the departure of JB Hi-Fi from 1,434 sqm at 308 Barton Street. While this had the biggest impact, there were more new vacancies in Prime grade than take ups of previously vacant space. New vacancies include 180 sqm at 25 Ward Street, 122 sqm at 312 Victoria, and some smaller vacancies of less than 100 sqm, such as 7 Casabella Lane, 513 Victoria Street, 40 Ward Street and 384 Victoria Street.

Secondary grade experienced a reduction in vacancy over the last six months, moving from 4.1% to 3.5%. The three largest take-ups of previously vacant premises include a Korean restaurant at 161 Victoria Street (384 sqm), Work Hub at 16 Garden Place (162 sqm) and Caffeine Nation at 313 Barton Street (126 sqm). There are several newly available retail space options, however new vacancies have not been large enough to offset new occupancies, with occupiers Poison Studios and Aotea Labour Hire vacating between 40-120 sqm each.

In Tertiary grade, vacancy also experienced a reduction over the last six months, moving from 10.8% in June 2023 to 8.6% at the end of last year. The three main driving factors were the opening of a fitness operator at 7 Alexandra Street (383 sqm), a technology repairer at 937 Victoria Street (215 sqm), and The Race Car at 266 Victoria Street (43 sqm).

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

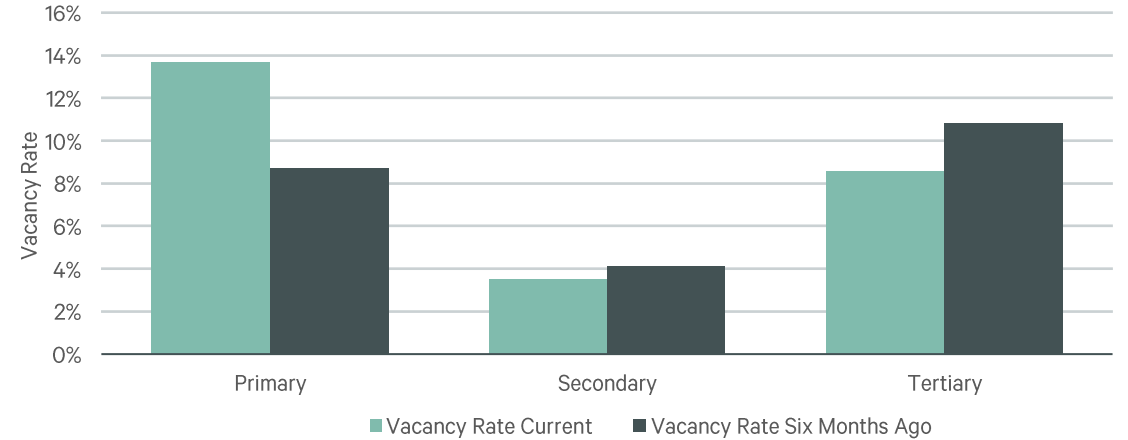
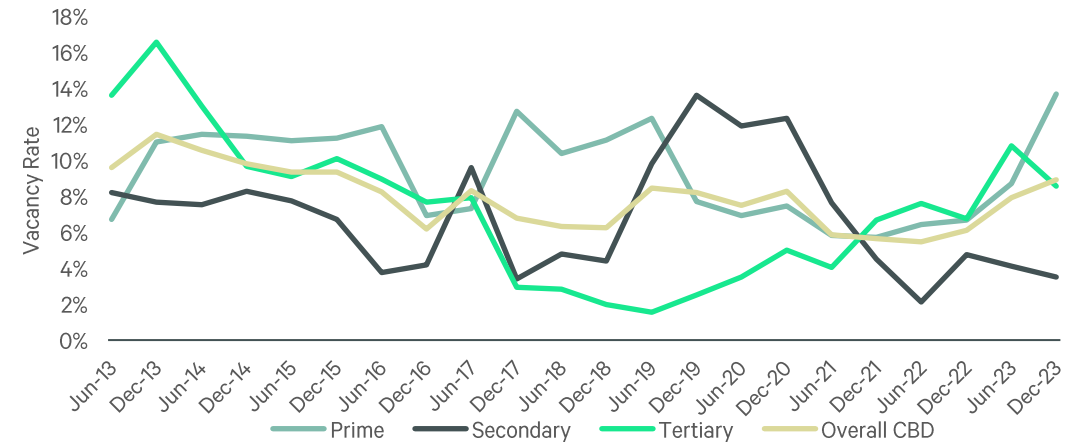


FIGURE 4: CBD vacancy by grade 2013-2023



# Demand

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

The overall net change in occupied stock over the six months to December 2023 was negative, showing a decrease of 856 sqm to bring the overall figure to 72,893 sqm. The movement in this figure is largely driven by JB Hi-Fi vacating 1,434sqm of space at 308 Barton Street.

Analysed by grade, there was negative net absorption in Prime grade (-1,585 sqm), mostly because of JB Hi-Fi, but an additional influence was more new Prime grade vacancies than take ups of previously vacant space.

Secondary grade locations experienced growth in occupied space of 94 sqm in the last six months of the year, predominantly through take-ups by Food retailing businesses, plus a new Work Hub taking a space that was previously vacant.

Net absorption in Tertiary grade locations had also experienced occupancy growth (635 sqm), mostly because of a new fitness provider, a technology repair centre and The Race Car occupying a space that was previously vacant.

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

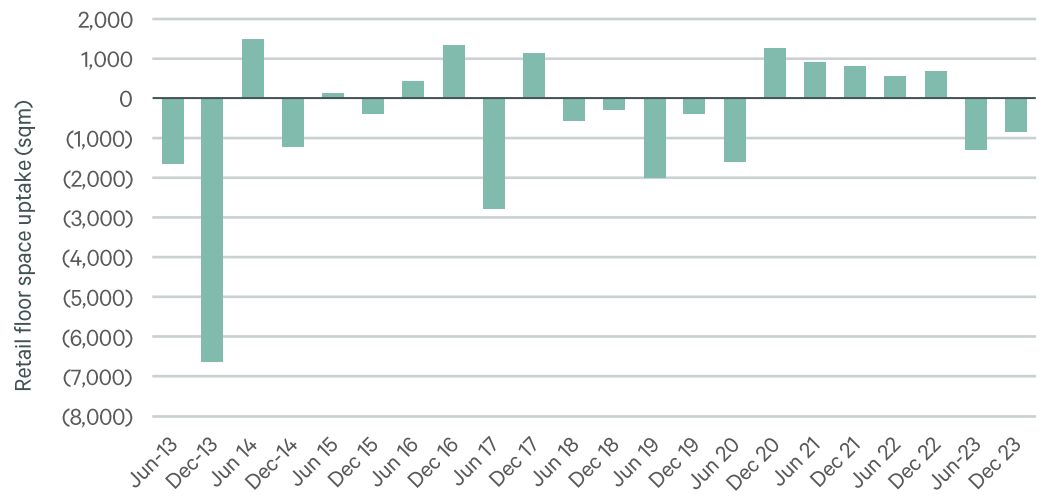
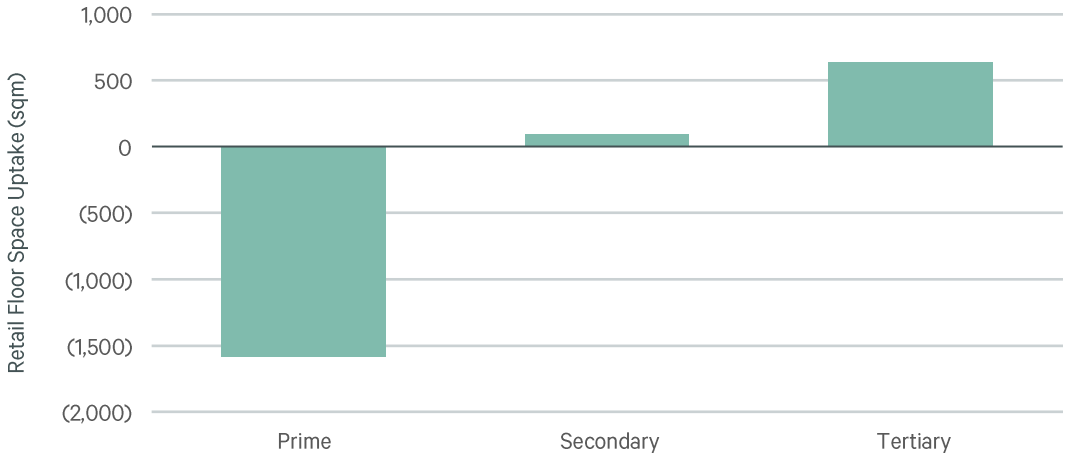


FIGURE 6: Net uptake of CBD retail space by grade



## Conclusions and outlook

Vacancy rates in the Hamilton CBD retail market have increased over the second half of 2023, 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 impact of inflation, rising interest rates, and a difficult trading environment over the course of 2023 have pushed vacancy up by 280 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 recent departure of 1,434-sqm at Barton Street is an example of this phenomenon.

Quarterly (seasonally adjusted) retail sales values released by Statistics NZ for the Waikato region show that after three consecutive quarters of declining sales values reflective of tough economic and weather conditions, these factors are now less of an impact than inflation. Sales values increased by 0.8% (\$23 million) in Q3 2023 compared to Q2 2023. 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 third and fourth quarters of 2023, moving from 78.0 in Q3 to 90.7 in Q4 2023 (Auckland's index increased to 91.5, Canterbury's increased to 89.9 and Wellington's increased to 89.1). The Reserve Bank's indication that the OCR has possibly peaked, along with the housing market generally stabilising are probably factors in improving sentiment nationally.

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 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.

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