

# ROTORUA VACANCY SURVEY 2017

## OVERVIEW

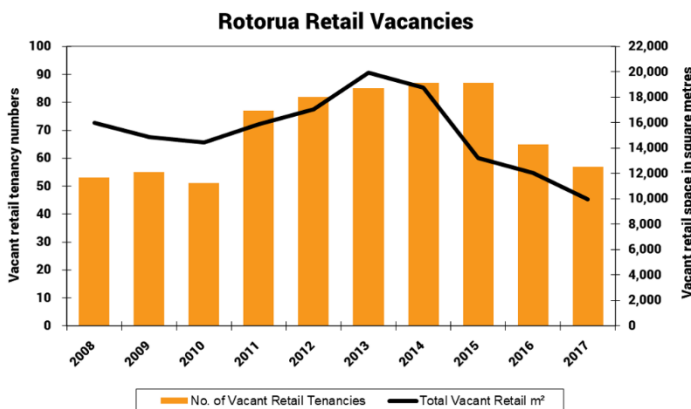
The latest Rotorua Central Business District vacancy survey has shown very positive reductions in vacancy levels for both retail and office space.

Within the retail sector, there has been a continued decrease in the number of vacant retail shops and a decrease in the amount of vacant retail space in square metres. The retail vacancy rate is now 10.7% based on tenancy numbers with 54 vacant shops, eleven fewer than 2016.

Within the office sector, the vacancy rate has reduced to 16.0% based on floor area with 15,895m<sup>2</sup> of vacant office space. The office vacancy rate is now back to a level similar to 2015.

## RETAIL

The retail sector is continuing to show very positive signs with decreases in both the number of vacant shops and also the amount of vacant floor space. The lowest vacancy rates in the Rotorua CBD now are found in the Rotorua Central Mall, Eat Street at the northern end of Tutanekai Street and on Fenton Street surrounding the Rotorua I-Site tourist centre.



Regarding quality of accommodation, the percentage of vacant good quality shops measured in square metres has remained static at 6.6%. The remaining categories both show quite significant decreases reflecting that perhaps location is more key for some tenants rather than quality, especially for smaller shops.

- + There are now 54 vacant shops compared with 65 in 2016 and 82 in 2015. This is the lowest retail vacancy rate since 2010 and represents an occupancy rate of 89.3%.
- + 15 of those vacant shops are in the Hinemoa Arcade building underneath the Royal Court Apartments. A high majority of these shops have been vacant since they were re-developed in 2011. If these shops were excluded the number of vacant shops would be back to 2006 levels when there were 40 vacant shops.
- + Vacant floor area has also seen a slight decrease, there is 9,958m<sup>2</sup> of vacant retail space compared with 12,052m<sup>2</sup> in 2016 and 13,212m<sup>2</sup> in 2015. This will change shortly because the part-time tenancy to the Council for a temporary library in Amohia Street will cease once the main library refurbishment is complete.

- + The Rotorua Central Mall and Tutanekai Street are now the prime retail shopping areas of Rotorua, having the highest pedestrian counts within the Rotorua CBD. Traditionally low vacancy rates have been common in those areas, however the Rotorua Central Mall is now fully occupied.
- + Vacancies in the main Tutanekai Street strip shopping area have slightly improved this year. In this survey there were four vacant shops in the main Tutanekai Street shopping area which is slightly below the last two years, however not as low as in 2011 where there were only two vacant shops on Tutanekai Street.
- + Vacancy rates continue to be highest for properties in fringe locations away from the main strip shopping street and retail mall in side street positions.

Overall, vacancies for retail space within the Rotorua CBD have decreased in the past year and over the same period there has been a large increase in new suburban retail shops hence the results are even more impressive. These trends reflect the increase in confidence in the Rotorua economy and the strong tourism markets.

## RETAIL TRADE CATEGORIES

	2017	2016
Department Stores	20.2%	19.8%
Personal and Household Services	19.5%	15.4%
Cafés, Restaurants and Takeaways	17.7%	17.0%
Clothing / Softgoods	12.1%	12.6%
Recreational Goods	6.1%	5.5%
Souvenirs and Tourist	3.7%	3.6%

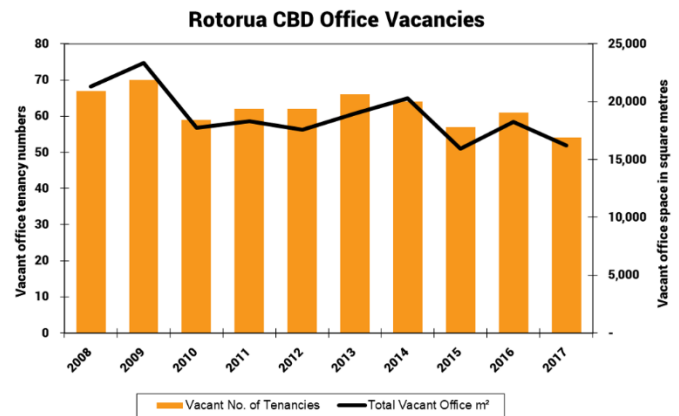
% of total retail floor space measured in tenancy numbers

After analysing the premises presently occupied based on the type of shops operating the highest number of retail shops personal and household services hold 29.9% of the total number of tenancies which is quite a significant increase this year. This is followed by cafes, restaurants and takeaways at 21.7%, and clothing and soft goods at 11.8%. Based on floor areas the highest percentage of floor area is for department stores at 20.2% followed by personal and household services at 19.5% and cafes, restaurants and takeaways at 17.7%.

## OFFICES

In the office sector, the overall vacancy rate has decreased to 16.0% with 15,895m<sup>2</sup> of vacant space. There were 54 vacant office tenancies which is the lowest number in seven years.

- + Vacant space has decreased quite markedly by some 2,372m<sup>2</sup> of space, compared with 18,267m<sup>2</sup> of vacant office space or a vacancy rate of 18.6% in 2016. These results are now similar to the 2015 results and suggest that there may well have been a blip in 2016 due to various developments occurring at that time. The highest vacancy rate on record was in 2009 when 23,363m<sup>2</sup> was vacant and the vacancy rate at that time was 21.5%. The completion of leasing in the Lakesyde centre on Whakaue Street has been key for these results.
- + The total stock has decreased to 99,062m<sup>2</sup>, below the 104,280m<sup>2</sup> in 2016. The highest total office space on record was 109,437m<sup>2</sup> in 2006. These figures reflect that in today's world the need for office space is generally lower than 10 years ago.
- + While the amount of vacant space by square metres has changed a lot in the last seven years the total number of vacant tenancies has generally remained relatively steady ranging between 57 and 66. However this year has dropped to the lowest since 1990 at 54 tenancies.
- + Regarding the quality of accommodation, for good quality Category A space there were 4,348m<sup>2</sup> vacant or a vacancy rate of 10.1% which compares with 5,932m<sup>2</sup> or 13.8% in 2016 and 4,969m<sup>2</sup> or 10.9% in 2015. This suggests demand and uptake of Category A space is continuing to improve.
- + The Category B (average quality) office space vacancy rate has also decreased to 17.9% comprising 6,873m<sup>2</sup> compared with 20.0% or 7,358m<sup>2</sup> in 2016.



## LOOKING FORWARD

**As 2018 begins, confidence and demand still seems strong. The impact of the new Labour Government property policies will be watched closely. The opening of Kmart may also impact on CBD retail vacancies. The continued demand for A grade office space may also promote future new development this year. An interesting year ahead for sure and we will be watching closely!**

**For further information, contact our commercial specialists:**



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*The Rotorua commercial vacancy survey covers office and retail space in the Central Business District. This latest survey was undertaken in December 2017, the previous survey was carried out in December 2016 and has been undertaken annually since 1989 by TelferYoung (Rotorua) Limited formerly Reid & Reynolds Limited. The survey does not include accommodation, residential or service station properties.*