

ROTORUA CENTRAL BUSINESS DISTRICT 2015 VACANCY SURVEY

The 2015 Rotorua Central Business District vacancy survey covers office and retail space in the Central Business District. This latest survey was undertaken in December 2015. The previous survey was carried out in December 2014.

Overview

The 2015 Rotorua Central Business District vacancy survey has shown positive reductions in vacancy levels for both office and retail accommodation.

Within the retail sector, there has been both a 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 15.4% based on tenancy numbers with 82 vacant shops.

Within the office sector, there has been a noticeable decrease in vacancy rates since 2014. The office vacancy rate is now 15.3% based on floor area with 15,951m² of vacant office space.

Retail in Words

The retail sector is showing very positive signs with decreases in both the number of vacant shops and also the amount of vacant floor space. There are now 82 vacant shops compared with 87 in 2014 and 85 in 2013. This represents a vacancy rate of 15.4% or an occupancy rate of 84.6%. It should also be noted that 23 of those vacant shops are in the Hinemoa Arcade building underneath the Royal Court Apartments between Hinemoa and Pukuatua Street. The majority of these shops have been vacant since they were re-developed in 2011.

On a floor area basis there has been a major decrease in the amount of square metres of vacant space. There are now 13,212m² of vacant retail space of space compared with 18,773m² in 2014 and 19,918m² vacant in 2013. A major contributor to this decrease is the leasing of three large tenancies being the ex Bond and Bond store at Rotorua Central, the ex Homeworld store on Fenton Street and the ex ANZ bank premise on the corner of Hinemoa and Amohia Streets. There is also over 1,760m² available to lease in various small tenancies in the Hinemoa Arcade.

The Rotorua Central Mall and Tutanekei Street are the prime retail shopping areas of Rotorua, having the highest pedestrian counts respectively within the Rotorua CBD. Traditionally low vacancy rates have been common in those areas. The Rotorua Central Mall is now fully occupied. However, vacancies in the main Tutanekei Street strip shopping area have increased considerably since 2011. In this survey there were five vacant shops which is the same as 2014. This is compared with only two vacant shops on Tutanekei Street in 2011 but down from seven in 2013.

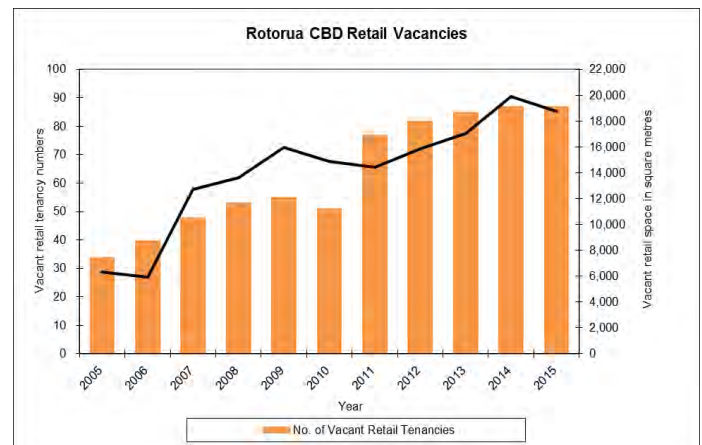
The lowest vacancy rates in Rotorua CBD now are found in the Rotorua Central Mall, Eat Street at the northern end of Tutanekei Street and surrounding the Rotorua Tourism Centre on Fenton Street.

Overall, vacancies for retail space within the Rotorua CBD have decreased in 2015. This trend is in contrast to difficult retail conditions nationally where increased internet trading, changing spending patterns and economic conditions have impacted directly on retailers nationwide. Vacancy rates continue to be highest for properties in fringe locations away from the main arterial routes in side street positions.

Regarding quality of accommodation, the percentage of vacant good quality shops measured in square metres has decreased markedly to 10.2%.

We have analysed the premises presently occupied based on the type of shops operating in the CBD. The highest number of retail shops measured in tenancy numbers is for personal and household services being 24.5% of the total number of tenants followed by cafes, restaurants and takeaways at 21.6%, and clothing and softgoods at 12.0%. Based on floor areas the highest percentage of floor area is for department stores at 19.6% followed by cafes, restaurants and takeaways at 16.7% and personal and household services at 15.3%. Generally, there have been no significant changes in use this year with results tending to follow similar trends to 2013 and 2014.

Retail Graph



Retail by the Numbers

- + The overall retail vacancy rate has decreased from 16.2% in 2014 to 15.4% in 2015. (calculated on a tenancy number basis)
- + In 2015 there were 82 vacant shops, a decrease of 5 shops from the previous year
- + The total retail vacant area has decreased from 18,773m² in 2014 to 13,212m² in 2015.
- + Tutanekei Street has five vacant shops being the same as 2014.
- + Good quality shops – 7,074m² vacant or 10.2% in 2015 compared with 9,794m² and 14.0% in 2014.
- + Average quality shops – 3,875m² vacant or 6.9% in 2015 compared with 5,717m² or 10.1% in 2014.
- + Poor quality shops – 2,263m² vacant or 25.2% in 2015 compared with 3,262m² or 37.4% in 2014.

Retail Trade Categories (% of Total Retail Floor Space)
(2014 in brackets)

| | | |
|------------------------------------|-------|---------|
| + Department Stores | 19.6% | (19.5%) |
| + Cafés, Restaurants and Takeaways | 16.7% | (16.8%) |
| + Personal and Household Services | 15.3% | (15.5%) |
| + Clothing/Softgoods | 12.0% | (13.4%) |
| + Souvenirs and Tourist | 3.6% | (5.5%) |
| + Recreational Goods | 5.4% | (4.6%) |

Offices in Words

In the office sector, the overall vacancy rate has decreased to 15.3% with 15,951 square metres of vacant space and there were 57 vacant office tenancies.

The amount of vacant space has decreased markedly by some 4,315m² of space, compared with 20,267m² of vacant office space or a vacancy rate of 18.8% in 2014. The highest vacancy rate on record was in 2009 when 23,363m² was vacant and the vacancy rate at that time was 21.5%.

A large factor in the decrease has been the withdrawal of the 10 level Zen building which has been vacated in readiness for conversion to a hotel. The tenants that relocated from that building now occupy various buildings in the city.

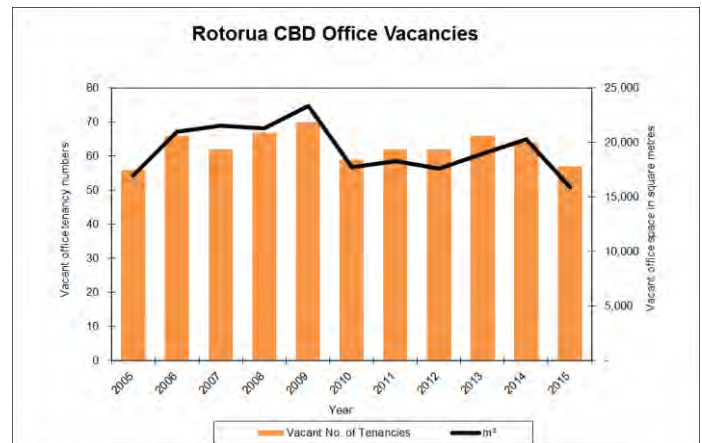
In 2015 the number of vacant office suites decreased to 57 and were seven less than 2014.

Regarding the quality of accommodation, for good quality Category A space there are 4,969m² vacant or a vacancy rate of 10.9% which compares with 3,683m² or 8.7% in 2014 and 3,372m² or 7.3% in 2013. This is largely due to the relocation of 2 large tenants into new premises. The Category B (average quality) office space vacancy rate has however decreased dramatically to 14.8% comprising 5,643m² compared with 21.3% or 9,449m² in 2014. This is due mainly to the removal of the Zen centre space as office accommodation.

A key trend emerging is the development of new purpose built space for tenants wanting to relocate to prime space. This year we have seen significant new developments for the Department of Corrections, ACC and Glenn Hawkins and Associates with more new office suites planned and pre-leased for development in 2016.

The Rotorua District Council released its earthquake-prone risk assessments in November 2013. The most noticeable trend is an increase in demand for purpose developed space with a high earthquake rating. We are aware that major national companies and government tenants are requiring office space that rates at least 67% or higher of New Building Standard.

Offices Graph



Offices by the Numbers

- + The overall office vacancy rate has decreased from 18.8% in 2014 to 15.3% in 2015 (calculated on a floor area basis).
- + In 2015 there were 57 vacant office tenancies – a decrease of 7 tenancies over the previous year.
- + The total vacant office space has decreased from 20,267m² in 2014 to 15,951m² in 2015.
- + Overall total office space decreased from 107,881m² in 2014 to 104,280m² in 2015.
- + Good quality office space - 4,969m² vacant or 10.9% compared with 3683m² or 8.7% in 2014.
- + Average quality office space – 5,643m² vacant or 14.8% compared with 4,499m² or 21.3% in 2014.
- + Poor quality office space – 5,340m² vacant or 25.9% compared with 7,085m² or 34.2% in 2014.

The Central Business District Vacancy Survey 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.

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