

## ROTORUA CENTRAL BUSINESS DISTRICT 2016 VACANCY SURVEY

The 2016 Rotorua Central Business District vacancy survey covers office and retail space in the Central Business District. This latest survey was undertaken in December 2016. The previous survey was carried out in December 2015.

### Overview

**Compared with 2015 the 2016 Rotorua Central Business District vacancy survey has shown very positive reductions in vacancy levels for retail space and a moderate increase in vacancy for office 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 12.2% based on tenancy numbers with 65 vacant shops.**

**Within the office sector, there has been a noticeable increase in the vacancy rate since 2015. The office vacancy rate is now 18.7% based on floor area with 18,267m<sup>2</sup> of vacant office space. However the vacancy rate is still less than in 2014.**

### 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 65 vacant shops compared with 82 in 2015 and 87 in 2014. The retail vacancy rate is now the lowest since 2010. This represents a vacancy rate of 12.2% or an occupancy rate of 87.8%. It should also be noted that 15 of those vacant shops are in the Hinemoa Arcade building underneath the Royal Court Apartments between Hinemoa and Pukuatua Street. A high majority of these shops have been vacant since they were re-developed in 2011 although take-up has improved in 2016.

On a floor area basis there has been a slight decrease in the amount of square metres of vacant space. There are now 12,052m<sup>2</sup> of vacant retail space of space compared with 13,212m<sup>2</sup> in 2015 and 18,773m<sup>2</sup> vacant in 2014. A major contributor to this decrease is the leasing of the ex-Flair Furnishings tenancy to the Council for a temporary library while the main library is being refurbished.

The Rotorua Central Mall and Tutanekai 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 Tutanekai Street strip shopping area have increased considerably since 2011. In this survey there were five vacant shops in the main Tutanekai Street shopping area which is the same as for the last two years. This is compared with only two vacant shops on Tutanekai 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 Tutanekai Street and on Fenton Street surrounding the Rotorua I-Site tourist centre.

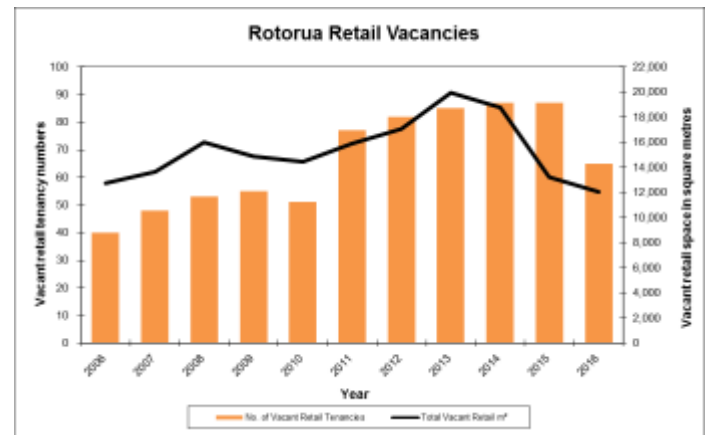
Overall, vacancies for retail space within the Rotorua CBD have decreased in 2016. This trend is in contrast to difficult retail conditions nationally where increased internet trading, changing spending patterns and economic conditions have impacted directly on retailers nationwide. However, this reflects both the increase in confidence in the Rotorua economy and the strong tourism market at present.

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 continued to decrease down to 6.6% from a high of 14.2% in 2013. The remaining categories show quite significant increases reflecting an increase in demand for good quality space.

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 26.5% of the total number of tenancies followed by cafes, restaurants and takeaways at 21.5%, and clothing and softgoods at 12.9%. Based on floor areas the highest percentage of floor area is for department stores at 19.8% followed by cafes, restaurants and takeaways at 17.0% and personal and household services at 15.4%. Generally, there have been no significant changes in use this year with results tending to follow similar trends for the past four years.

### Retail Graph



### Retail by the Numbers

- + The overall retail vacancy rate has decreased to 12.2% in 2016 from 15.4% in 2015. (calculated on a tenancy number basis)
- + In 2016 there were 65 vacant shops, a decrease of 17 shops from the previous year
- + The total retail vacant area has decreased to 12,052m<sup>2</sup> in 2016 from 13,212m<sup>2</sup> in 2015.
- + Tutanekai Street has five vacant shops being the same as 2015.
- + Good quality shops – 4,279m<sup>2</sup> vacant or 30 shops in 2016 compared with 7,074m<sup>2</sup> or 40 shops in 2015.
- + Average quality shops – 4,055m<sup>2</sup> vacant or 23 shops in 2016 compared with 3,875m<sup>2</sup> or 27 shops in 2015.
- + Poor quality shops – 3,718m<sup>2</sup> vacant or 12 shops in 2016 compared with 2,263m<sup>2</sup> or 15 shops in 2015.

### Retail Trade Categories (% of Total Retail Floor Space) (2015 in brackets)

+ Department Stores	19.8%	(19.6%)
+ Cafés, Restaurants and Takeaways	17.0%	(16.7%)
+ Personal and Household Services	15.4%	(15.3%)
+ Clothing/Softgoods	12.6%	(12.0%)
+ Souvenirs and Tourist	3.6%	(3.6%)
+ Recreational Goods	5.5%	(5.4%)

### Offices in Words

In the office sector, the overall vacancy rate has increased to 18.6% with 18,267 square metres of vacant space and there were 61 vacant office tenancies.

The amount of vacant space has increased quite markedly by some 2,315m<sup>2</sup> of space, compared with 15,952m<sup>2</sup> of vacant office space or a vacancy rate of 15.3% in 2015. However these results are similar to 2014 results and suggest that there may well have been a blip in 2015 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%.

Key vacancies that have contributed to the increase have been the relocation of nearly all tenants from the ex-Tompkins Wake building on Fenton Street and the addition of new and as yet partly unoccupied space on Whakaue Street. We expect this building will be largely occupied in the near future as tenants complete their fitouts.

Of note is that the total stock has dropped to 97,968m<sup>2</sup> well below the 104,280m<sup>2</sup> in 2015 and the highest total office space on record of 109,437m<sup>2</sup> in 2006. This has largely been caused by the demolition of Community House in Haupapa Street and the current redevelopment of the adjoining library building that was not included this year as it was under re-construction. It also reflects that in this day and age 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 remained relatively steady ranging between 57 and 66 with 61 vacant this year.

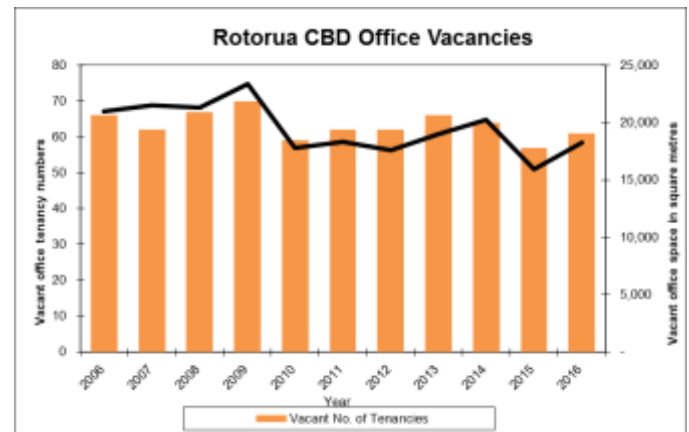
In 2016 the number of vacant office suites increased to 61 some four more than 2015.

Regarding the quality of accommodation, for good quality Category A space there are 5,932m<sup>2</sup> vacant or a vacancy rate of 13.8% which compares with 4,969m<sup>2</sup> or 10.9% in 2015 and 3,683m<sup>2</sup> or 8.7% in 2014. This suggests that more stock is being made available in this category. The Category B (average quality) office space vacancy rate has also increased to 20.0% comprising 7,358m<sup>2</sup> compared with 14.8% or 5,643m<sup>2</sup> in 2015.

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 the development of Lakeside in Whakaue Street and the conversion of the ex-Freedom Furniture building into two offices. We are aware there are more planned in 2017.

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 increased to 18.6% in 2016 from 15.3% in 2015 (calculated on a floor area basis).
- + In 2016 there were 61 vacant office tenancies – an increase of four tenancies over the previous year.
- + The total vacant office space has increased to 18,267m<sup>2</sup> in 2016 from 15,951m<sup>2</sup> in 2015 and 20,267m<sup>2</sup> in 2014.
- + Overall total office space decreased from 104,280m<sup>2</sup> in 2015 to 97,968m<sup>2</sup> in 2016.
- + Good quality office space – 5,932m<sup>2</sup> vacant or 13.8% in 2016 compared with 4,969m<sup>2</sup> or 10.9% in 2015.
- + Average quality office space – 7,358m<sup>2</sup> vacant or 20.0% in 2016 compared with 5,643m<sup>2</sup> or 14.8% in 2015.
- + Poor quality office space – 4,977m<sup>2</sup> vacant or 27.4% in 2016 compared with 5,340m<sup>2</sup> or 25.9% in 2015.

*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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