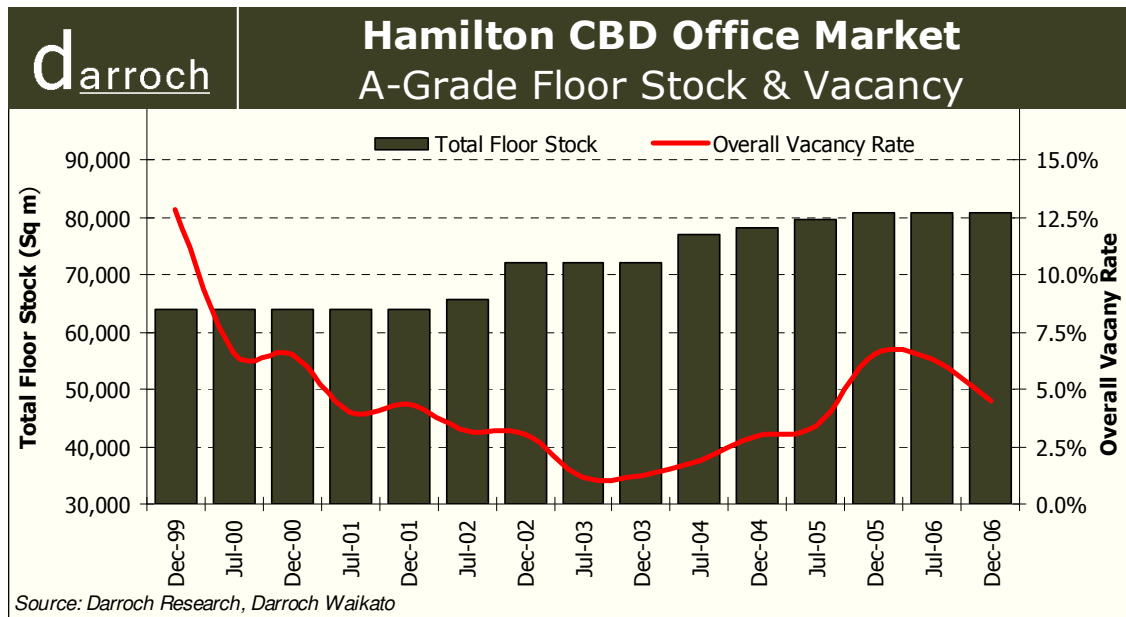


Hamilton A-Grade Office Space in Demand

January 2007

Office vacancy rates in Hamilton CBD have rebounded in the last six months of 2006 according to results of Darroch Waikato's latest market survey. The overall vacancy rate for the CBD office sector is 8.6% - down from 10.2% recorded mid year. The latest result reverses a negative trend which saw vacancy levels claw upwards over the last 12 months. The improvement in leasing has primarily occurred within the A-Grade office sector and highlights a tenant preference for quality accommodation.

Vacancy levels across the A-Grade office sector are now just 4.5% according to Darroch Waikato. Despite the A-Grade market expanding almost 25% since 2002, there has been little evidence of new floor stock saturating the market. Manager Glenn Attewell says "almost 15,000 square metres of office space have been added or refurbished to A-Grade standard since 2002 yet the vacancy rate for this class has never exceeded 6%".



Several high profile office developments and/or building refurbishments have been completed during this period and include the Anglesea Appearance Centre, Bridgewater building, McCaw Lewis building and Araldon Vasey Child building, to name a few. Occupancy levels in each of these are currently high. Given Hamilton's historic ability to absorb good quality office stock and coupled with the current decline in A-Grade vacancy levels, the city may be in a position to sustain further development although site acquisition remains an issue. Currently in the pipeline, Perry Developments have a large office project at 286 Victoria Road which will boost A-Grade stock levels significantly.

Despite obvious tenant demand for quality, it is important that new supply is staged/measured so that saturation does not compromise existing market conditions otherwise rental growth could be jeopardised.

Overall, the office market in Hamilton is in far better shape than in 1999-2000 when leasing activity was very subdued and overall office vacancy rates were in the order of 20%.