

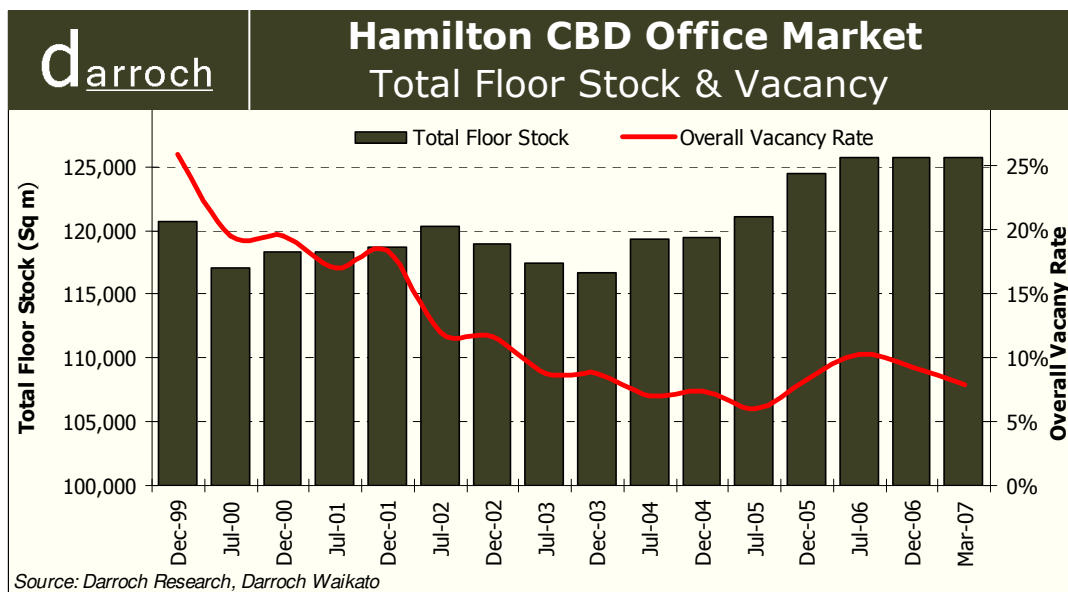
# Hamilton Office Vacancy Rate Down Again

March 2007

Office vacancy rates in Hamilton CBD have continued to improve in the first quarter of 2007, according to results of Darroch Waikato's latest market survey. The overall vacancy rate for the CBD office sector is now 7.9% - down from 10.2% recorded just 9 months ago. The latest result reverses the negative trend of 2005 and early 2006 which saw vacancy levels climb upwards. 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 just 5.0% according to Darroch Waikato. Despite the A-Grade market expanding 25% since 2002, there has been little evidence of new floor stock saturating the market. Manager Glenn Attewell says "Around 16,000 square metres of office space has been added or refurbished to A-Grade standard since 2002 yet the vacancy rate for this class has never exceeded 6%".

The low vacancy rate for A-Grade office space is having an upward impact on A-Grade rents. Attewell says "prime rents have risen around 20% on average over the last three years due to strong demand and limited supply yet current rent levels are only now approaching those achieved during the bullish years of the late 1980's".



Since 2002, 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 favourable A-Grade vacancy levels, the city appears to be in a position to sustain further development – an opportunity not lost on Perry Developments.

Perry's are upping the stakes when it comes to size and scale of office developments in the city. *Victoria on the River* is a \$50m project which will commence mid year and will be situated at 268-278 Victoria Street. It comprises a 12 level development incorporating 11,500 sq m of office space over five levels, with the remaining levels spread over 1,000 sq m of retail and 550 carparks. The development is expected to be completed in early 2009. Features include large floor plates of 2,300 sq metres and its design will embrace environmentally sustainable design (ESD) concepts, with a view to achieving a 4 star green building rating.



Artists Impression of *Victoria on the River*

The project is significant in that it is the largest office development in the CBD for many years and its completion will boost A-grade stocks considerably. The strength of the Hamilton office market will be tested, as will vacancy rates. Despite obvious tenant demand for quality, it appears likely that some tenants may have to be drawn from outside the City and Darroch understands that leasing enquiry from national companies outside of Hamilton has been very strong. Since 1999, the injection of new A-Grade office space has been a huge success and statistics suggests that this is likely to continue - even allowing for the possibility of short term oversupply. Darroch Research calculates that if *Victoria on the River* is only 50% leased on completion in 2009, A-Grade vacancies would be just above the 10% mark.

Mr Attewell notes that "Hamilton has previously shown itself to absorb significant A-Grade space in the past. Between January 2000 and July 2001, 5,700 square metres of A-Grade space was absorbed over an 18 month period and in the process saw vacancy rates fall from 12.8% to 4%".

For more information on *Victoria on the River* see [www.perrydevelopments.co.nz](http://www.perrydevelopments.co.nz).