

Rotorua Central Business District 2023 Vacancy Survey

The 2023 Rotorua commercial vacancy survey covers office and retail space in the Central Business District. This latest survey was undertaken in December 2023. The previous survey was carried out in December 2022. Tenancies at Rotorua Trade Central are not included in the survey.

Overview

The latest Rotorua Central Business District vacancy survey has shown that the vacancy level for retail spaces has been improved while an increase in vacancies for office space.

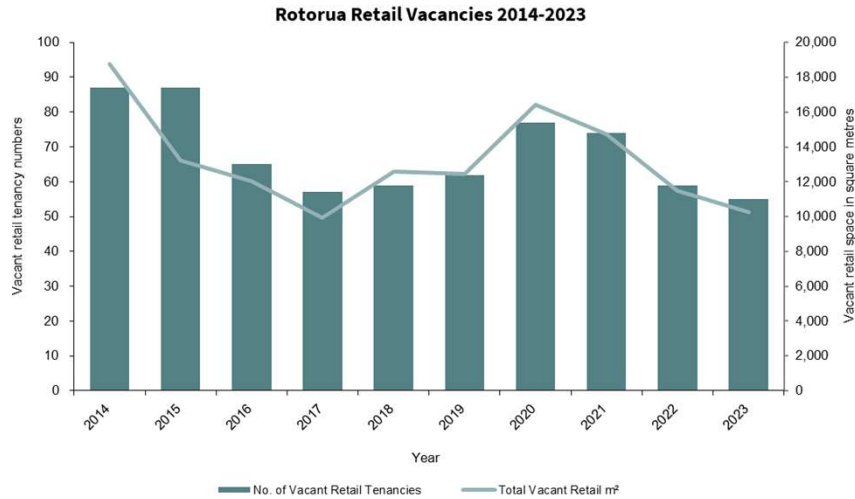
The office sector vacancy rate has increased to 13.84% from 12.97% in 2022. There is now 13,817m² of vacant office space compared to 2022, when the vacancies were 12,885m², showing an increase of 932m² from 2022.

The retail sector vacancy rate has been decreasing in both the number of vacant retail shops and the amount of vacant retail space in the last three years. The retail vacancy rate is now 10.70%, with 55 vacant shops, four less than in 2022 and 22 less than in 2021. There is now 10,277m² of vacant retail space compared to 11,469m² in 2022. This trend suggests that the retail sector has been recovering since 2021. However, such an improvement is slowing down.

Retail

The retail sector has been recovering since the removal of COVID-19 business restrictions and the reopening of the NZ border; we have seen an improvement in retail occupancy rates in the Rotorua CBD, albeit at a slower pace.

The graph below shows that vacancies have been dropping in the last two years after an immediate rise after the pandemic. As mentioned earlier, there are now 55 vacant shops at 10.70%. This is the second lowest vacancy rate percentage over the last ten years, compared to the previous low of 10.69% in 2017.



We found that the vacancies tend to concentrate on Hinemoa Street and Pukuatua Street, including 19 vacant spaces within the Royal Court Hinemoa Arcade, which has traditionally had high vacancy rates since its conversion to retail.

The most vacant floor space in 2023 was recorded on Fenton Street at 2,250m². This was heavily influenced by the closing of direct tourist-related businesses. However, this is an improvement from 2,653m² in 2022 and 3,512m² of vacant space in 2021.

Street	Total Vacant	Vacant Shop
Hinemoa Street	2,203m ²	19
Pukuatua Street	1,379m ²	10
Tutanekai Street	1,802m ²	7
Fenton Street	2,249m ²	6
Haupapa Street	573m ²	5

The prime retail location within Rotorua CBD includes Tutanekai Street and the Rotorua Central Mall, which show improvements in vacancies in 2023. There has been a decrease of 163m² vacant floor space and one less vacant shop on Tutanekai Street in 2023, compared to 2022. The Rotorua Central Mall was fully occupied in 2023 and improved from one vacant shop in 2022.

We have analysed the premises presently occupied by referring to the retail trade category under the Australian and New Zealand Standard Industrial Classification (ANZSIC). Additionally, we have set up a category called ‘Miscellaneous retail trade’ for those activities that could not be identified in ANZSIC. Personal care services and health and fitness operations contribute the most to this category.

The top retail trade is food and beverage services, with 134 tenants being 29.20% of the total number of tenancies. This is followed by other store-based retailing and pharmaceutical retailing of 69 stores at 15.27%. Other store-based retailing includes stationery, antique and used goods, flowers, and others. The top five retail trades within the Rotorua CBD are as follows:

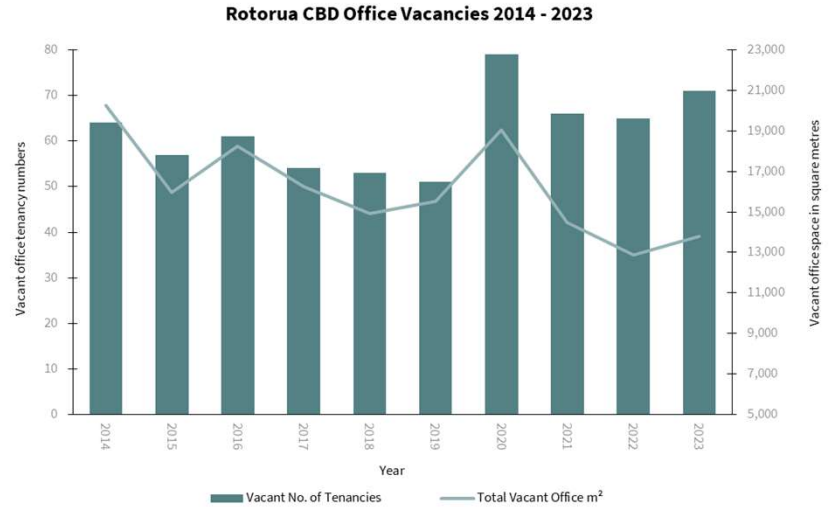
Type of shops	No. of Tenants	%
Food and beverage services	134	29.20%
Pharmaceutical and other store-based retailing	69	15.27%
Miscellaneous retail trade	68	14.16%
Clothing, footwear, and accessories	53	11.73%
Recreational goods	40	9.07%

Offices

The results from the 2023 survey showed increases in vacancy measured by both floor area and number of vacant offices. There is an increase in the supply of total office space due to a new 3-storey grade A office building on Fenton Street and some conversion from retail space.

The vacancy rate for offices increased to 13.84% in 2023 from 12.97% in December 2022. There were 71 vacant offices out of the 353 offices surveyed, compared to 66 vacant out of 351 surveyed in 2022. The total amount of vacant office space increased to 13,817m² from 12,885m² in 2022, which is a 7.23% increase in vacant floor area over a year.

As illustrated in the graph below, it is apparent that there is a continued flight to quality with reductions in vacancy levels for Category A (good quality) space, while more vacancies in Category B (average quality) space and Category C (poor quality) space. However, in survey 2023 we have downgraded some Grade A and B offices based on market information gathered. This still suggests an overarching trend of increasing demand for good-quality premises and very little, if any, demand for low-quality or low-seismic-strength properties.



A full survey will be conducted again in December 2024.

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