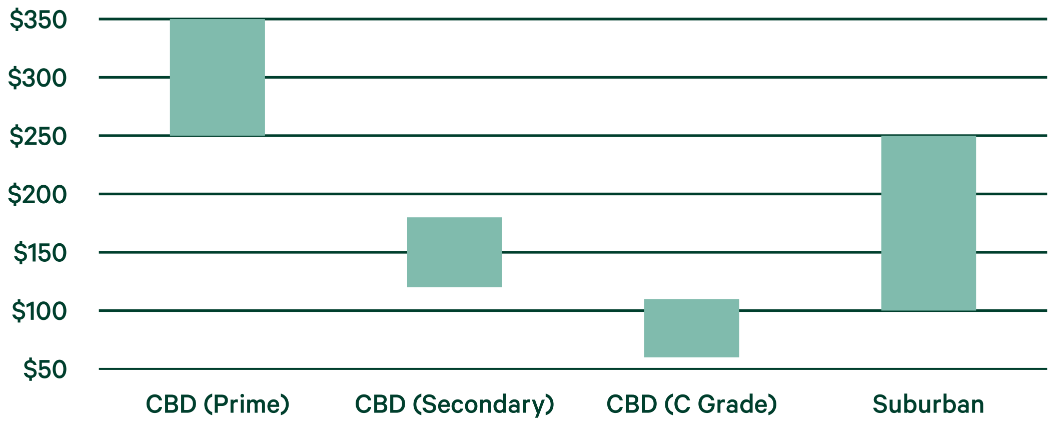
Commercial office

The overall vacancy level for prime office space remains low with unsatisfied demand. Demand for secondary and poor quality space is limited. There is a three storey office building currently under construction in the CBD. Yield levels have softened in the last 12 months with the gap between vendor and purchaser expectations causing more sale listings to sit for longer periods.

NET YIELDS

5.75-6.75%	7.0-8.5%	8.5-12.0%	7.0-10.0%
CBD (Prime)	CBD (Secondary)	CBD (C Grade)	Suburban

FIGURE 1: Net Rents



OCCUPIER MARKET

	Market direction	Supply
CBD (Prime)	Improving	Limited
CBD (Secondary)	Static	Over supplied
CBD (C Grade)	Weakening	Over supplied
Suburban	Static	Limited

INVESTOR MARKET

	Market direction	Demand
CBD (Prime)	Weakening	Average
CBD (Secondary)	Weakening	Weak
CBD (C Grade)	Weakening	Weak
Suburban	Weakening	Average

Source: CBRE database

Industrial

A limited supply of vacant land close to the CBD underpins a relatively robust industrial market. A shortage of available space to lease with an overall vacancy level at 3.1% is keeping rent levels firm. Even with reduced market confidence in 2022 and 2023, rents across all industrial property types are showing modest increases. The sales market is showing a softening of yields, although if listings are priced correctly, there is still good investor interest.

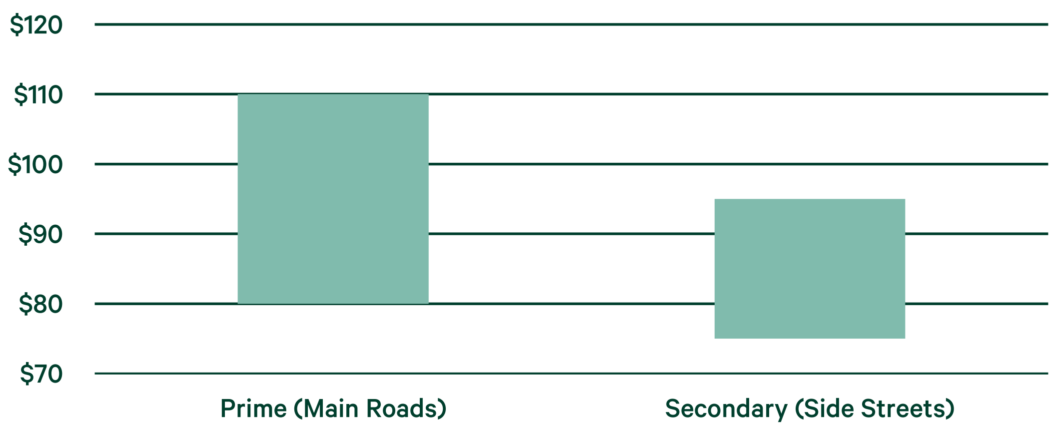
NET YIELDS

▶ 5.75-6.75%
Prime (Main Roads)

▶ 6.0-6.75%
Secondary (Side Streets)

Note: Arrows indicate change from previous report.

FIGURE 1: Net Rents (Warehouse/Workshop)



OCCUPIER MARKET

	Market direction	Supply
Prime (Main Roads)	▲ Improving	Limited
Secondary (Side Streets)	▲ Improving	Limited

INVESTOR MARKET

	Market direction	Demand
Prime (Main Roads)	▼ Weakening	Strong
Secondary (Side Streets)	▼ Weakening	Strong

Source: CBRE database

Retail

The retail leasing market in Rotorua remains soft with a general oversupply, although CBD vacancy rates have remained static over the past two years. There has been considerable site swapping as tenants try to reduce their cost structures or move to better sites on improved rental terms. The investment market is generally quiet with limited enquiry although there are very few properties on the market. The yields appear to be softening especially for second tier properties where there is uncertainty around tenants, vacancies and/or seismic issues.

NET YIELDS

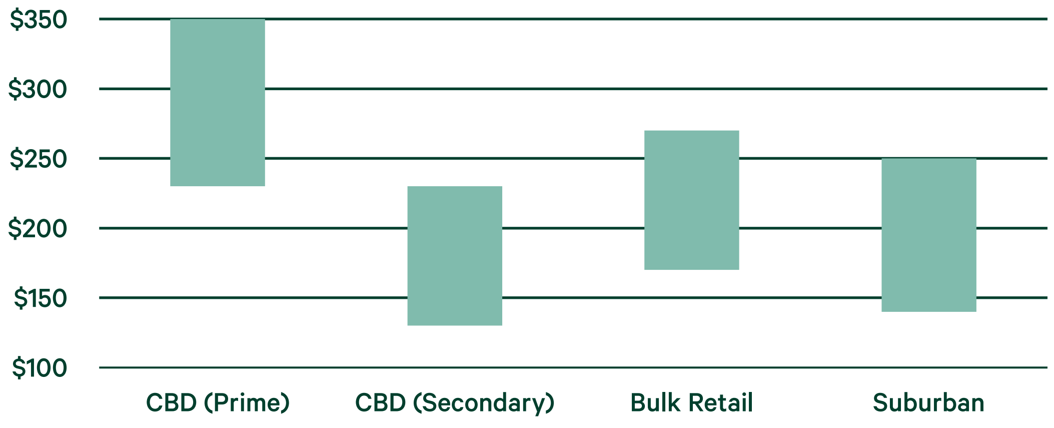
5.5-7.0%
CBD (Prime)

6.5-9.0%
CBD (Secondary)

5.5-7.0%
Bulk Retail

5.5-7.5%
Suburban

FIGURE 1: Net Rents



OCCUPIER MARKET

	Market direction	Supply
CBD (Prime)	Weakening	Moderate
CBD (Secondary)	Weakening	Moderate
Bulk Retail	No trend apparent	Moderate
Suburban	Static	Limited

INVESTOR MARKET

	Market direction	Demand
CBD (Prime)	Weakening	Average
CBD (Secondary)	Weakening	Weak
Bulk Retail	Weakening	Strong
Suburban	Weakening	Average

Source: CBRE database