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Hamilton's recovery from the recession is stepping up a gear with four office tenants in the market for more than 10,000 sq m of space and three industrial businesses signing up for substantial new premises through CB Richard Ellis.

The company, celebrating its second year of operation in Hamilton, says there is more growth in Hamilton than many other New Zealand cities.

CBRE Hamilton managing director Theo de Leeuw says the city has not been as hard hit as Auckland by the recession and will come out the other end sooner.

De Leeuw and his co-directors Mike Neale and Karl van Gisbergen, who left Bayleys to set up the CBRE Hamilton office in November 2007, have made a mark on the city's commercial property landscape, selling more than 80 buildings with a total value of nearly \$100 million and negotiating leases worth \$3.5 million covering 30,000 sq m of floor area over the past two years.

"It's not been easy by any means, but after a flat few months we are again working on substantial long-term transactions for office, industrial and retail businesses," says de Leeuw. "Corporates and national operators are taking Hamilton seriously as a location for development and investment."

He says the region's good economic fundamentals are helping pull Hamilton out of the mire faster. "It has an economy that is a good mix of the primary, industrial, manufacturing and professional sectors. One supports the other and the region is not reliant on one sector.

Apart from local companies, De Leeuw says businesses from other parts of the country are opting to set up in Hamilton. "The city is becoming a focus for companies wanting a geographically strategic North Island presence close to Auckland.

In the past two months the Hamilton office has completed deals for four industrial design builds and two others are on the drawing board. "For a sector that virtually stopped in 2006 this has been a period of intense activity."

Whangarei-based Busck Prestressed Concrete, one of the country's longest established concrete companies, is opening an operation in 1030 sq m designed and built premises on an 11,000 sq site in Ngaruawahia, paying initial an rent of \$120,000 a year.

New headquarters for an Australian company together with new premises for a major transport operator are also under construction at Te Rapa. Combined, the two businesses will employ up to 40 staff.

A Christchurch business is in the final stages of negotiation for premises designed specifically for its needs on a 1.1 hectare site also at Te Rapa. Once its operation is up and running it could employ an additional 40 people. The company is also committed to retail outlets and has already signed an unconditional agreement on one shop.

De Leeuw says industrial properties are still popular with investors right across the pricing spectrum, provided the premises are in a good location and with strong tenure.

CBRE Hamilton valuer Matt Snelgrove says in the past couple of year the market for investment property has undergone significant change. "Lease terms and tenant strength have become increasingly important to buyers. More thorough due diligence is being carried out, including investigation into the financial strength of tenants.

"From a valuation perspective the greater level of sensitivity by investors around the stability of cash flow required a detailed level of analysis. Having access to details of deals as they are happening is a significant benefit in a market that can change rapidly."

CBRE research shows since 2000, more than 300,000 sq m of new industrial building consents were issued in Hamilton, nearly double that of the Wellington region.

Figures reveal the industrial rental market offers good value in comparison to Auckland, with average prime rents around 15-20 per cent lower.

"This, in combination with the availability of industrial zoned land will allow the city to position itself as an important industrial and distribution hub for the upper North Island."

Under the Hamilton City Council's Rotokauri Structure Plan about 170 hectares of previously zoned rural land will become an industrial area that won't be able to be used for bulk retail sites without developers or owner/occupiers obtaining resource consent.

New buildings and extensive refurbishments are likely to give the dormant office market a boost of more than 10,000 sq m in the next 18 months to three years as national and international companies consider their budgets and requirements.

"We have not seen prospective office builds of this magnitude since the mid-1980s," says Neale. The inner-city office market contains 250,000 sq m, about one fifth the size of Auckland's CBD.

"The last tower built in Hamilton was for KPMG and a recent proposal for a downtown 10,000 sq m office building by the river was scrapped because there was not enough tenant pre-commitment," says Neale.

As in the rest of New Zealand, CBRE's research shows the Hamilton office market has become a tenant's market. But pockets of strength remain. Figures show that while the overall vacancy rate is comparable to Christchurch and Auckland at about 10 per cent, it is heavily concentrated in low quality buildings with good quality A- and B-grade premises continuing to attract tenant demand.

Neale says the difference between higher and lower quality office premises is reflected in rents. "Net effective rents for A-grade office space fell by about five-six per cent during the past year compared to a 10 per cent drop for lower quality buildings.

"The city's high quality office buildings offer good value for money, being the cheapest in New Zealand's main centres. Top quality, green star rated office premises are available for \$300/sq m or less."

There has been a huge amount of retail growth. The CBD supports 100,000 sq m of retail space and the region is also home to some significant centre-based retailing.

Brad Chibnall, CBRE suburban and bulk retail broker says The Base at Te Rapa, a multi-million development owned by Tainui Group Holdings, is the biggest bulk retail and mall project likely to be seen in the middle of the North Island for a generation. "It has had a tremendous impact on the region and a new Farmers store anchoring the \$100 million mall under construction will open early next year."

CBRE has a number of tenants in the market but they are specific about location. "Auckland-based Nosh has been searching for CBD premises for a while, but finding a suitable site has been difficult," says Chibnall.

New local businesses have also sprung up ranging from shoe and bargain shops, hairdressers and bars/restaurants. "There is only one vacancy at the hospitality end of the CBD, which is astounding in an industry that was hit particularly hard by the recession."

Although the city centre might seem to be thriving, the Hamilton City Council knows bulk retail and office developments established on the city's outlying industrial zoned land are pulling business away from the CBD, driven by significantly cheaper land prices.

To counter this and to pull business back into the city, the council has come up with Variation 21 to the District Plan. The variation will push bulk retailing, offices and other intensive activities into the CBD. Developers wanting to establish shops bigger than 150 sq m and offices larger than 250 sq m on zoned industrial land will need resource consent from now on.

Hamilton Mayor Bob Simcock says the council wants Hamilton to have a vibrant, well-functioning and populated CBD and Variation 21 encourages this. In the long term the variation will bring returns on the council's substantial investments including public infrastructure, parking and pedestrian areas in the city."

About CB Richard Ellis

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