Hamilton CBD Office Market Overview

Summary

There were no new additions to Hamilton CBD office stock in the first half of 2025, however the completion of a refurbishment into a slightly smaller space reduced total stock by 73 sqm.

Over the six months to June 2025, overall office vacancy decreased from 9.0% to 6.4%. Most grades experienced a vacancy rate decrease, although Prime vacancy remains low, in line with the 'flight to quality' that many occupiers aim for.

The overall net change in occupied office stock was positive 600 sqm in the first half of 2025. The volume of occupied stock increased in the top grades and decreased in the bottom grades.

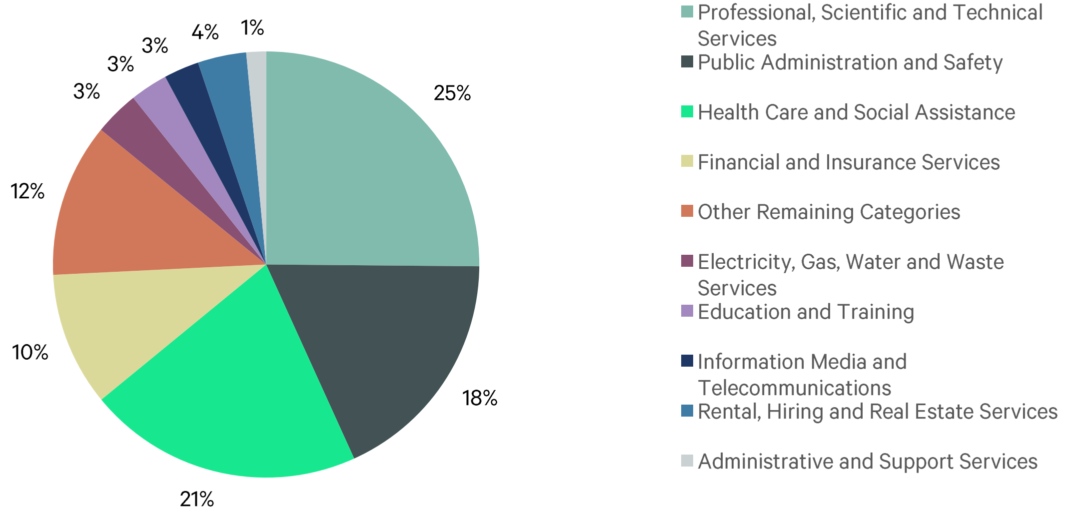
INTRODUCTION

This publication provides a summary of the Hamilton office occupier survey conducted in June 2025.

The survey is based on comprehensive building by building analysis of the Hamilton CBD area, reporting on stock volumes, vacancy rates, absorption rates and floor space use by business type.

This study is undertaken on a bi-annual basis by CBRE Research and NAI Harcourts.

FIGURE 1: Hamilton CBD office occupancy composition by business type



Office stock and new supply

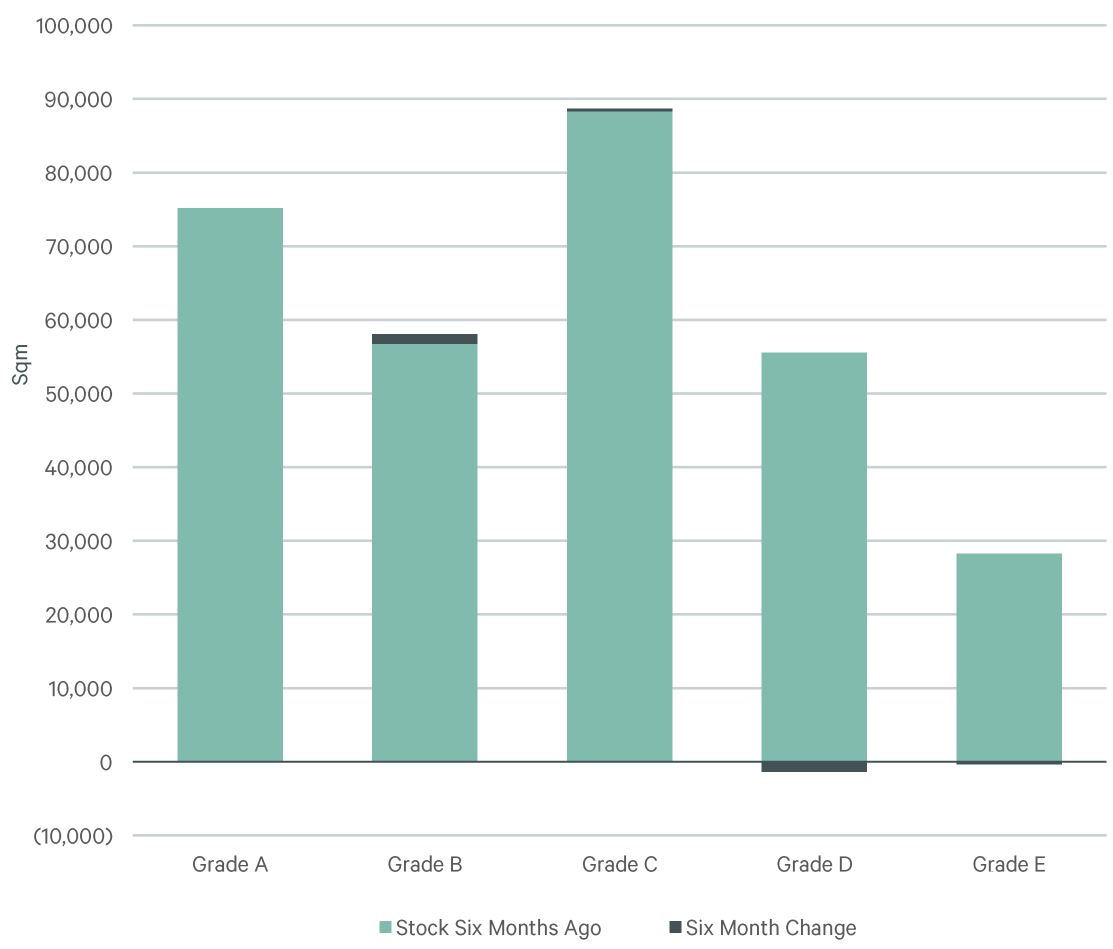
Hamilton CBD office stock decreased by 73 sqm to 304,057 sqm over the six months to June 2025. This was the net result of partially completed refurbishment at 18 London Street, which is being upgraded from Grade D. The ground floor and Level 2 have completed their upgrade works and are now part of Grade B, however the withdrawn total of 1,388 sqm has re-entered stock with a total 1,345 sqm due to some of the formerly lettable space being turned into a communal lobby. The remaining floors will add further newly refurbished space to Grade B in the second half of 2025.

Redevelopment of cost-effective quality refurbished space remains an attractive option, especially when it can be done quickly. A refurbishment at 93 Collingwood Street has moved 400 sqm of former Grade E space into Grade C, and is now fully occupied.

The total amount of space under refurbishment increased from 29,854 sqm to 37,201 sqm over the six months to June 2025. One example is where Stark Property is transforming the former Waikato DHB building at 193 London Street (2,920 sqm) for Fonterra, completing in 2026. The ASB Building, formerly occupied by ACC and EQC, has removed 5,330 sqm of vacant Grade C space from the market for a comprehensive building refurbishment. 16 Clarence Street has also recently added over 2,000 sqm to the refurbishment pipeline.

In terms of developments in the pipeline, a sod turning ceremony for the $20 million Building B at Union Square was held on 22 July 2025, one day after a new medical school was announced as a planned project in the Waikato.

FIGURE 2: CBD office stock by grade in June 2025



Vacancy

Overall office vacancy in Hamilton CBD decreased by 2.6% to 6.4% in June 2025. This decline in vacancy % reflects how over the past six months vacant stock has decreased and occupied stock has increased.

For stock that has recently commenced refurbishment, approximately 3,400 sqm had been occupied in December 2024 but 7,300 sqm had been vacant during that time.

Vacancy in Grade A improved slightly with the take up of 250 sqm of vacancy by Luk Chin Medical Specialist at John Sullivan House. This reduced Grade A vacancy by 0.3% to 1.1%.

In B Grade, vacancy has decreased from 8.5% to 7.0% in the six months to June 2025. The first half of 2025 saw five take ups of previously vacant space, by occupiers involved in law, accounting, software, financial services, and education.

Grade C vacancy decreased significantly from 13.6% to 7.2% between December and June 2025. Removal of 5,300 sqm of vacancy in the ASB Building for a refurbishment has been the major driver of this result, however occupied stock volume did increase by around 1,300 sqm.

Grade D experienced a decrease in vacancy rate, moving from 13.2% to 10.0% in the six months to June 2025. There were six take ups of previously vacant space in this grade.

Finally, Grade E was the only grade to record an increase in vacancy, going from 7.9% in December to 9.6% in June 2025. Multiple occupiers have departed space at London Business Centre, further increasing vacancy here.

FIGURE 3: CBD office vacancy by grade December 2024 – June 2025

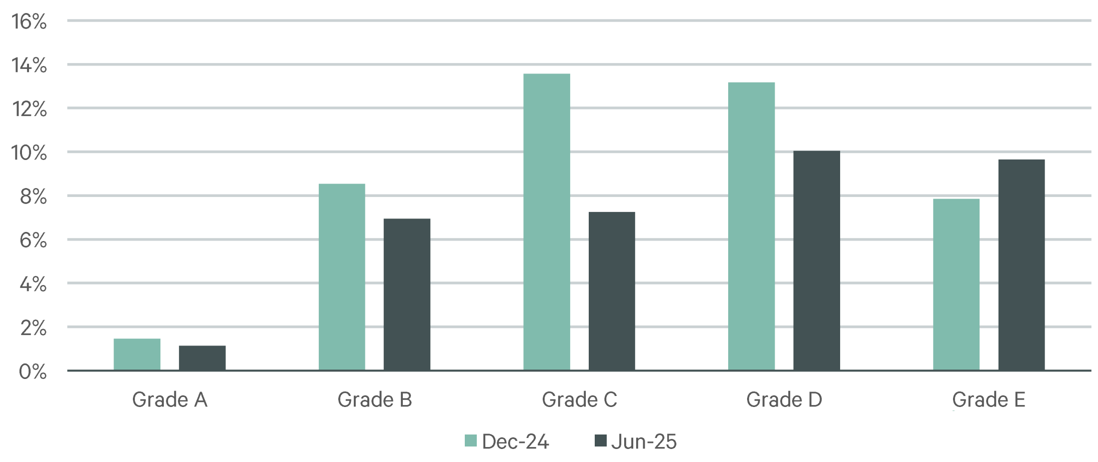
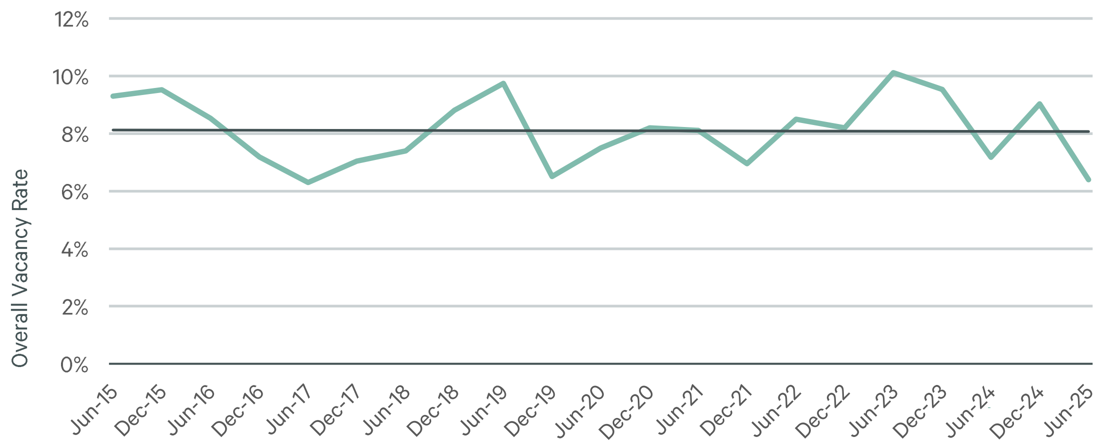


FIGURE 4: CBD total office vacancy 2015-2025



Demand

The Hamilton office market experienced an expansion during the last 6 months. The overall net change in the amount of occupied office stock from December 2024 to June 2025 was 607 sqm. While positive, this result follows two previous half year results that reflected contraction of -14,200 sqm in total. Occupiers across all grades continue to focus on cost control, and right-sizing according to their space needs, with both reduced footprint and moves to decentralised locations in evidence, but more positively there have been some new (and new to NZ) businesses emerging, and expansion among more established ones.

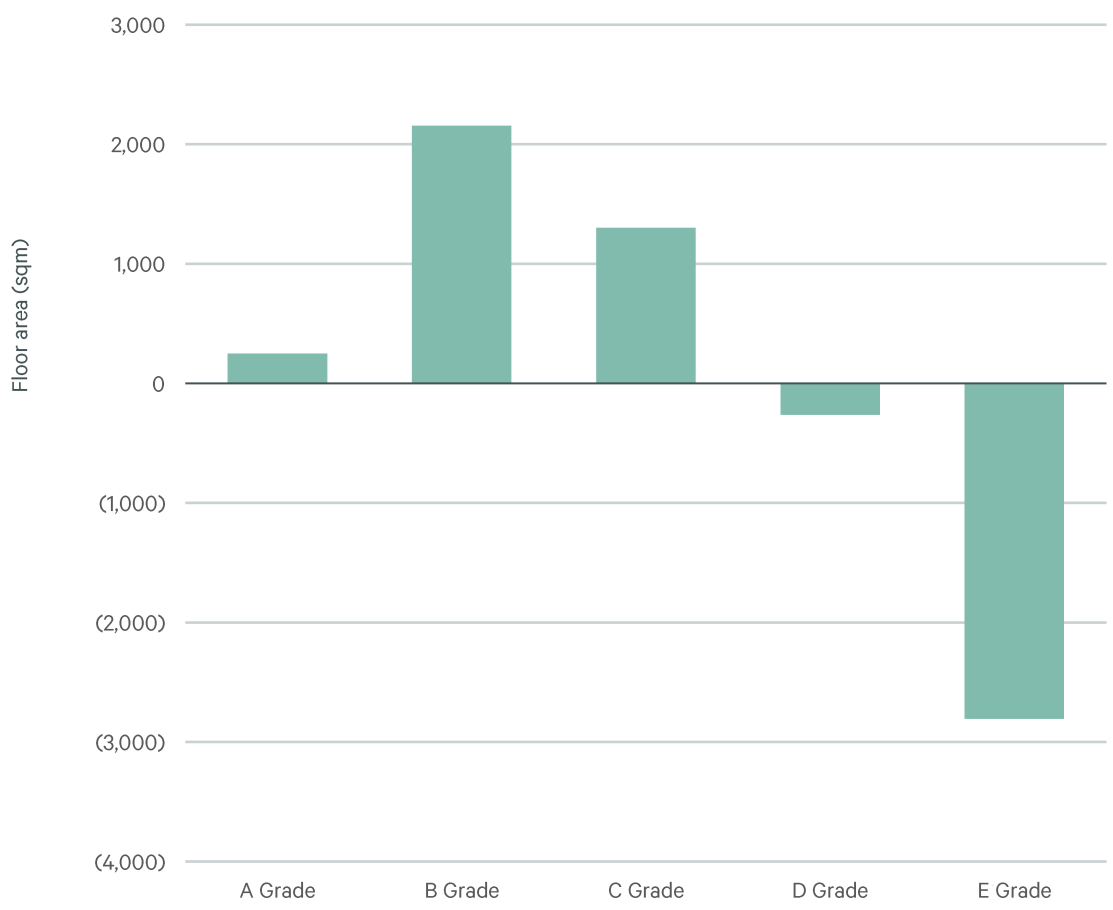
Our absorption data shows that occupiers continue to have interest in Grade A quality stock. Three occupiers have secured new Grade A space, including Christies International Real Estate entering their in their first foray into the New Zealand market.

Grade B saw occupied stock increase by 2,155 sqm over the past six months. BP Software took 653 sqm of vacant space at 520 Anglesea Street, and the market re-entry of newly refurbished space at 18 London Street also contributed.

Grade C had a handful of large new occupancies with the largest being Waikato Institute of Education taking 921 sqm of refurbished space.

Demand has been low for space in the bottom two quality grades. Grade D occupancies contracted by 263 sqm however Grade E experienced the biggest change, contracting by 2,807 sqm. The few remaining occupiers have fully departed 48 Ward Street, and London Business Centre is now largely vacant.

FIGURE 5: Net uptake of CBD office space by grade



Conclusions and outlook

The Hamilton CBD office market's most recent survey results were more positive than the previous survey, with H1 2025 recording both a decline in both the level of vacant stock, and an increase in the level of occupied stock. The vacancy rate also declined, and is now at a level that is below both the five year average and ten year average. While this is a welcome turnaround for the state of Hamiltons office market and reflective of how dynamic its participants are, a more fundamental takeaway from this survey is that *quality matters*.

One of the key survey results is the change in vacancy by grade. Grades A, B, C, and D, all experienced a decline in their vacancy rate while Grade E, the lowest quality grade, went up. Vacancy rate is calculated as total vacant stock divided by total stock. This calculation doesn't account for temporary stock removals for refurbishment so an alternative analysis to measure utilisation is to take occupied stock and divided it by total stock. Using this method, we can see that better quality space is twice as likely to be occupied than poor quality space.

Subpar quality of office accommodation in Hamilton is a problem because it is not what occupiers want. Even with a lower rental cost, stock in the lowest quality grades has limited appeal and can be very difficult to lease up. Investors that have struggled to lease lower grade space have seen opportunity in building upgrades and have taken action to commission refurbishments. It is not surprising that the total volume of space under refurbishment has increased by 7,347 sqm between the December 2024 and June 2025 survey.

While hybrid working has been and will continue to be a feature of the workplace, employers are shifting their focus back to the office as a primary place of work, and for businesses to attract high performing individuals, they need a high performing workplace. This market led demand for quality office space will help to generate Hamilton office projects going forward.

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