

Valuing up the Napier Office Rental Space

Traditionally there has always been an oversupply of secondary office rental space in Napier and Hawke's Bay in general. Tenants have favoured, new or well renovated office accommodation which has meant that landlords with second tier accommodation have always struggled to attract tenants. .

However, recent developments in June 2017 saw the Napier City Council identify the council civic buildings as being earthquake prone with low seismic ratings which has resulted in them needing to be vacated. This included the main council offices, library and IRD tenancies.

Over a three to five-month period these tenancies have been relocated throughout the city and have soaked up a huge proportion of vacant office accommodation within the city, currently leaving a small amount of office space available. This has resulted in a significant change in the traditional landscape of office rental space and seen an uptake of this second tier accommodation.

The difference between primary and second tier accommodation is affected by factors such as locality, age and quality of the improvements and in particular, seismic rating. A property's seismic rating has been one of the biggest driver's in the changes seen in Napier's CBD.

This is because insurance premiums for earthquake prone structures have increased substantially, (if replacement insurance can be gained at all) some to unaffordable levels and many older buildings have been deemed earthquake prone and/or requiring remedial works to bring them up to code. Consequently, much of the large-scale redevelopments recently



undertaken in Napier CBD have been driven largely by seismic issues.

Consequently, since 2011 Napier has seen large scale redevelopments in the Marine Parade/Hastings Street locality. Initiated by the Farmers development, there has also been the redevelopment of

the museum, the old Cosmopolitan Club into high quality offices and the redevelopment of the Central Post Office building. A new strip retail building has also been created on the corner of Hastings Street and Dickens Street and another new building opposite this to provide

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retail and upper floor offices.

Furthermore, the introduction of new Health and Safety laws have shown tenants are prepared to pay higher rents and vacate earthquake prone buildings to ensure the safety of their staff. Larger corporates and government tenancies have also made policy decisions to vacate a building deemed earthquake prone unless the property owner strengthens the building to an acceptable level. If a

building is deemed earthquake prone tenants that vacate generally do not return, although, this is not so easy for smaller business or owner occupiers.

Also, to further exacerbate the pressure on the secondary accommodation rental space, in 2007 Ray McKimm of Big Save, purchased the old British and American Tobacco's site (formerly Rothmans) and founded the Ahuriri Business Park which has been developing and expanding ever

since. This has created an attractive alternative destination office precinct with its own cafes, easy access and ample parking for employees and customers alike.

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