

FOR IMMEDIATE RELEASE

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Property Council says depreciation of buildings is critical for the future health of New Zealand's built environment

The commercial property sector is deeply concerned with both Labour and National policies to remove depreciation for non-residential buildings. "Depreciation of commercial and industrial properties is critical for the future health of New Zealand's built environment" says Property Council New Zealand Chief Executive Leonie Freeman.

"The proposed policies to remove depreciation are a raid on long-term maintenance funds for New Zealand's buildings, running the risk of rundown or even derelict buildings across the country."

"If depreciation is removed, property owners tell us they will have to reprioritise expenditure, which when added to rising costs such as insurance, mortgage and property rate rises, will certainly cause rent rises for businesses placing more cost pressures on businesses" says Freeman.

"Both parties have been inconsistent on depreciation of commercial buildings. Previous indications from the Labour-led Government were that depreciation was introduced as a permanent measure, and the property sector planned future developments based on this premise. The National Party has also announced that depreciation would be extended to residential properties, namely Build to Rent, if elected. These inconsistencies create uncertainty in a market that is already facing significant challenges."

"There are multiple challenges currently facing the property sector. From high interest rates and inflation to a reduced construction pipeline which affects jobs for Kiwis. Removing access to depreciation will place another challenge on our road to sustainability by making it much harder to maintain and upgrade our buildings."

The proposed policies will come with a price tag of half a billion dollars for the property sector. However, Freeman said that both Labour and National have failed to see the consequential impacts.

"Removing depreciation will have flow on effects of aging buildings, a reduction of new projects in the development pipeline, and increased costs to businesses who occupy buildings. Without commercial and industrial buildings having access to depreciation, there is significant risk to forward investment. Put simply, less development in the pipeline."

Property Council members have told us of incidences where they have paid over half of a building's value for seismic strengthening upgrades. "The last thing we want to see is deprivation of investment in our buildings such as important seismic strengthening upgrades" says Freeman.

The economic evidence from Inland Revenue indicates that commercial and industrial buildings do depreciate in value.

"Our members are concerned this will cause the New Zealand commercial property sector to lose its competitive edge from an investor standpoint against other developed countries, in which property owners are able to depreciate their buildings."

“It is disappointing that both Labour and National have gone for a quick cash injection, rather than thinking through the consequences of removing depreciation. We’re calling on both political parties to do the right thing for the future of New Zealand’s towns and cities and reconsider this policy. Access to depreciation allows for investment in the long-term maintenance and safety of our buildings. For New Zealand to have a sustainable and resilient built environment, it is critical that depreciation remains.”

ENDS

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NOTES TO THE EDITOR

About Property Council New Zealand

Property Council is the leading advocate for Aotearoa New Zealand’s largest industry – property.

Property Council New Zealand is the one organisation that collectively champions property, bringing together members from all corners of the property eco system to advocate for reduced red tape that enables development.

Property is New Zealand’s largest industry, making up 15% of economic activity. As a sector, we employ 9% of New Zealand’s workforce and contribute over \$41.2 billion to GDP.

A not-for-profit organisation, the Property Council connects over 10,000 property professionals, championing the interests of approximately 550 member companies.

Our membership is broad and includes some of the largest commercial and residential property owners and developers in New Zealand. The property industry comes together at our local, national and online events, which offer professional development, exceptional networking and access to industry-leading research.

Our members shape the cities and spaces where New Zealanders live, work, play and shop.

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