

Property Council New Zealand

Submission on Wellington City Council's Draft Annual Plan 2026/27

10 May 2026

For more information and further queries, please contact

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Submission on Wellington City Council's Draft Annual Plan 2026/27

1. Summary

- 1.1. Property Council New Zealand ("Property Council") welcomes the opportunity to submit on Wellington City Council ("the Council")'s Draft Annual Plan 2026/2027 ("the Annual Plan").
- 1.2. The Annual Plan gives direction for the annual budget in Poneke Wellington. Property Council does not support the proposed increase to rates and re-iterate our long-standing opposition to Wellington's commercial business rating differential.

2. Recommendations

- 2.1. At a high level, Property Council recommends that Wellington City Council:
 - Investigate alternative funding and financing mechanisms, including an application for a regional deal with central government;
 - Undertake ongoing, independent assessments of its asset base and funding approach, with publicly reported outcomes, to ensure existing resources are fully optimised and reliance on rates is minimised;
 - Adopt a clear, staged approach to reducing the business differential over time, with a view to achieving a more equitable distribution of the rates burden between residential and commercial ratepayers;
 - Remove the vacant site and derelict buildings differential;
 - Reduce the downtown targeted rate to better reflect the current commercial realities facing Wellington businesses; and
 - Provide clear and transparent reporting on the allocation of the downtown targeted rate, including the specific outcomes it funds, to ensure a demonstrable alignment between those who pay the rate and those who benefit from it.

3. Introduction to Property Council New Zealand

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive."
- 3.2. The property sector shapes New Zealand's social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand. We aim to unlock opportunities for growth, urban development, and productivity to improve New Zealand's prosperity.

- 3.3. Property is Wellington's third largest industry. There are around \$223.6 billion in property assets across Wellington, with property providing a direct contribution to Wellington's GDP of \$3.6 billion and employment for 24,820 Wellington residents.
- 3.4. Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 164 Wellington companies (and their teams) across the private, public and charitable sectors.
- 3.5. This document provides Property Council's feedback on [Wellington City Council's Draft Annual Plan 2026/27](#), with comments and recommendations on issues relevant to our members. Reflecting the diversity of our membership, Property Council members may wish to comment in greater detail on issues specific to their business. Accordingly, we support individual members providing separate submissions addressing those matters.

4. Sentiment of Wellington's commercial property market

- 4.1. Wellington's CBD is experiencing a sustained decline in activity, driven by structural changes and cost pressures. Wellington City Council data shows a clear shift in workplace patterns, with working from home increasing from 8% in 2018 to 19% in 2023. This has reduced daily commuter volumes and foot traffic into the CBD, weakening demand for office, retail, and hospitality space.
- 4.2. This is reflected in market data. Following a survey from our Wellington CBD members (see Attachment A), over the past 24 months, 95 percent of our survey respondents report that occupancy trends in Wellington CBD are declining in demand with increasing vacancy. One member commented that, *"The rates and insurance component of building Opex has become extremely high. As a result, many commercial businesses are reducing overheads by downsizing... and encouraging more staff to work remotely. Fewer people working in the CBD directly impacts commercial occupiers and undermines the viability of retail, hospitality, and event offerings in the city."*
- 4.3. Compared to other major New Zealand city centres, 91 percent of our survey respondents felt Wellington city was less competitive and over the next 2-3 years. 70 percent of survey respondents indicated they wanted to exit, delay investment or reduce investment in the Wellington property market.
- 4.4. Our survey results are consistent with the report commissioned by Wellington City Council on Wellington City Rates Affordability 2026.¹ The report found that median commercial rates in Wellington (\$13,000 p.a.) are higher than several cities, including Christchurch (\$8,000 p.a.) and Auckland (\$10,000 p.a.). When the capital value of commercial rating units is taken into account, this difference is significant, with commercial rates representing 2.4 percent of capital values in Wellington. In

¹ Infometrics 'Wellington City Rates Affordability Research for Wellington City Council.' March 2026. <https://wellington.govt.nz/-/media/news-and-events/news-and-information/news/files/2026/Infometrics-WCC-rates-affordability.pdf>

comparison, Christchurch and Auckland have the most affordable commercial rates at 0.9% of capital values. The trend of unaffordability continues with Wellington showing high median commercial office rates payable to council (\$21,000 p.a. compared to Auckland and Christchurch’s \$10,000 p.a.) and high median retail rates payable to council (\$15,000 p.a. compared to Auckland’s \$11,000 p.a. and Christchurch’s \$9,000 p.a.).

5. Rates

5.1. Property Council does not support the average rates increase of 7.4 percent. We note the inclusion of the sludge minimisation targeted rate within the overall figure, which improves transparency of cumulative charges for ratepayers. The cumulative impact of ongoing costs is a key concern for our Wellington members.

5.2. The below list is an example of some proposed costs, increases and fees in Wellington:

- Greater Wellington Regional Council’s targeted rates for Wellington CBD businesses increase of 9.1%;
- Wellington City Council general rates increase of 7.4%;
- Wellington City Council’s current business rating differential at 3.7:1;
- Wellington City Council downtown levy increase of 6%;
- Wellington City Council commercial sector targeted rate at €0.0304;
- Tiaki Wai indicative water rates increase of 14.7%;
- Costs of insurance, rents, seismic upgrades, transport, employment and other supplier-driven costs passed through; and
- Wellington City Council’s vacant site differential of 5:1.

5.3. To put it in perspective, the below is an example of a commercial property with a similar CV provided by a member who operates in both Auckland and Wellington. This example is for a similar office building (B Grade) within a CBD Fringe location, between 5,000sqm and 7,500sqm Net Lettable Area. This valuation was provided on 7/05/2025:

	Auckland Example \$/m²	Wellington Example \$/m²
Municipal/Council Rates	\$45.19	\$94.83
Insurance premiums	\$18.52	\$65.46

5.4. The proposed increase to rates will have a flow-on effect to all members of the community. Property owners are likely to recover these costs through higher prices, services and rents. Higher rates will mean that building owners may not be able to invest

in improving their business, carrying out maintenance and upgrades. These pressures risk reducing investment in Wellington.

Alternative funding and financing

- 5.5. Property Council supports local authorities investigating alternative funding and financing methods. We support the use of transparent user-pays funding models for local government. Examples of these models include targeted rates, special purpose vehicles, IFF levies, public-private partnerships and pursuing a regional deal with central government. These models align with legislative principles of transparency and objectivity for funding local government set out in both the Local Government Act 2002 and Local Government (Rating) Act 2002. Our approach is also consistent with the recommendations of the New Zealand Productivity Commission that local government should adopt a more transparent approach to rating tools and other funding mechanisms.²
- 5.6. Property Council recommends that Wellington City Council investigate alternative funding and financing mechanisms, including an application for a regional deal with central government. While we acknowledge the 2023 KPMG review of Council's investment portfolio,³ we recommend Wellington City Council undertake ongoing, independent assessments of its asset base and funding approach, with publicly reported outcomes, to ensure existing resources are fully optimised and reliance on rates is minimised.

6. Business differential

- 6.1. Property Council does not support the business rating differential which currently sits at 3.7:1. This level of differential places a disproportionate share of the rates burden on the commercial sector and compounds existing affordability pressures at a time when many Wellington businesses are already facing challenging economic conditions.
- 6.2. Business differentials are an opaque rating tool that weaken the link between those who pay and those who benefit. In practice, commercial ratepayers often contribute more than the value of services received, undermining confidence in the fairness and integrity of the rating system. Wellington has the highest differential in the country, which risks discouraging investment, constraining business growth, and reducing CBD competitiveness.
- 6.3. In our member survey, 86 percent of survey respondents stated that rates, including the business differential, have negatively influenced their decisions on investment, development and leasing with one member commenting, *"rate increases directly impact the affordability of the space for potential tenants."* The impact on many building

² Local government funding and financing. Retrieved from <https://www.productivity.govt.nz/inquiries/local-government-funding-and-financing/>

³ <https://meetings.wellington.govt.nz/your-council/reports/162/Balance%20Sheet%20Review?Stage=Final+decisions&Clause=3>.

owners is twofold, pressure on cashflow, particularly for those with gross rather than net leases and/or vacant buildings, and a reduction in capital through declining underlying asset values.

- 6.4. Property Council recommends that Wellington City Council adopts a clear, staged approach to reducing the business differential over time, with a view to achieving a more equitable distribution of the rates burden between residential and commercial ratepayers. Establishing a transparent pathway for reduction will provide greater certainty for businesses, support investment decisions, and signal Council's commitment to CBD revitalisation.

7. Vacant site and derelict buildings differential

- 7.1. Property Council's position on the vacant site and derelict buildings differential also remains unchanged. For our members, there are a multitude of reasons why sites may be vacant or appear vacant. The development process varies meaning that a 'one size fits all' approach cannot be applied. For example, a site may be considered vacant when an application for resource consent is being made, a process which can take a few years for large development projects.

- 7.2. Wellington has a number of vacant/derelict buildings, due to high insurance costs, general cost to do business, seismic issues and a lack of certainty in the planning environment. Seismic issues specifically have seen property owners unable to afford to strengthen or choose to sell at a loss, which can take a number of years. Property Council continues to urge Wellington City Council to talk to affected property owners to gain an understanding of what their plans are for vacant sites. Retaining the vacant site differential does not support investment confidence for the Wellington commercial sector. We recommend the vacant site and derelict buildings differential is removed.

8. Transparency of the Downtown targeted rate

- 8.1. Property Council opposes the 6 percent increase to the downtown targeted rate and raises concerns about the rate's transparency. The increase in this targeted rate has not been transparently stated nor linked to outcomes it looks to fund.
- 8.2. The downtown targeted rate was initially established to subsidise free parking in the city and promotional days for businesses. In 2024, it was reported that the downtown levy rate was funding the Takina convention and exhibition centre (\$3.7m), alongside galleries and museums (\$2.8m) and visitor attractions like Te Papa (\$2.2m).⁴ It is unclear whether revenue collected from the downtown targeted rate is being used to benefit businesses.

⁴ NZ Herald 'Wellington business levy being used to 'prop up' Takina convention centre.' 29 August, 2024. <https://www.nzherald.co.nz/nz/wellington-business-levy-being-used-to-prop-up-takina-convention-centre/7NYDJ5262VHHNLNDBGXGMCSPRNO/>

- 8.3. Wellington businesses are already facing significant cumulative cost pressures, including increases in general rates, insurance, and operating costs. A further 6 percent increase in the downtown targeted rate is therefore material. The lack of transparency around both the quantum and allocation of this rate undermines confidence in the rating system and limits the ability of ratepayers to meaningfully assess value for money. This may discourage further commercial activity at a time when revitalisation of the city centre is critical.
- 8.4. Property Council recommends that the downtown targeted rate be reduced to better reflect the current commercial realities facing Wellington businesses. We also recommend Wellington City Council provides clear and transparent reporting on the allocation of this levy, including the specific outcomes it funds, to ensure a demonstrable alignment between those who pay the rate and those who benefit from it.

9. Urban Development Office

- 9.1. Property Council supports Wellington City Council establishing an Urban Development Office, similar to the approach taken by Auckland City Council. Our Auckland members have positively noted the value of an open and ongoing feedback mechanism, which enables developers and investors to share real-time insights on market conditions, project feasibility, and barriers to delivery. Establishing a transparent, two-way flow of information helps ensure that development outcomes are responsive to both market demand and Council's long-term planning objectives.
- 9.2. Our member survey highlights a clear contention that developers face in their communications with Council. When asked what barriers beyond costs developers face in Wellington, our members reported concern around "red tape," "council obstacles in consenting processes" and "the feeling of not being heard by Wellington City Council."
- 9.3. An ongoing feedback loop between Council and the development sector will strengthen communication, build more constructive working relationships, and reduce uncertainty on both sides. Over time, this will support more efficient delivery of infrastructure, improved urban outcomes, and a more coordinated approach to city-shaping investment.

10. Conclusion

- 10.1. Property Council thanks Wellington City Council for the opportunity to submit on the draft Annual Plan for 2026/27. We note that the Plan does not sufficiently address the impact of the business differential and proposed rates increases on CBD revitalisation, vacancy trends, and commercial cost pressures. Accordingly, we do not support the proposed increases to rates and the downtown levy and reiterate our opposition to the business differential and vacant site differential.

10.2. Property Council members invest, own, and develop property across New Zealand. We thank Wellington City Council for the opportunity to submit our views on Wellington City Council's Annual Plan 2026/27 as this gives our members a chance to have their say in the future of our city. **We also wish to be heard in support of our submission.**

10.3. For further enquiries, please do not hesitate to contact Bella Leddy, Senior Advocacy Advisor, via email: bella@propertynz.co.nz or cell: 0297786114.

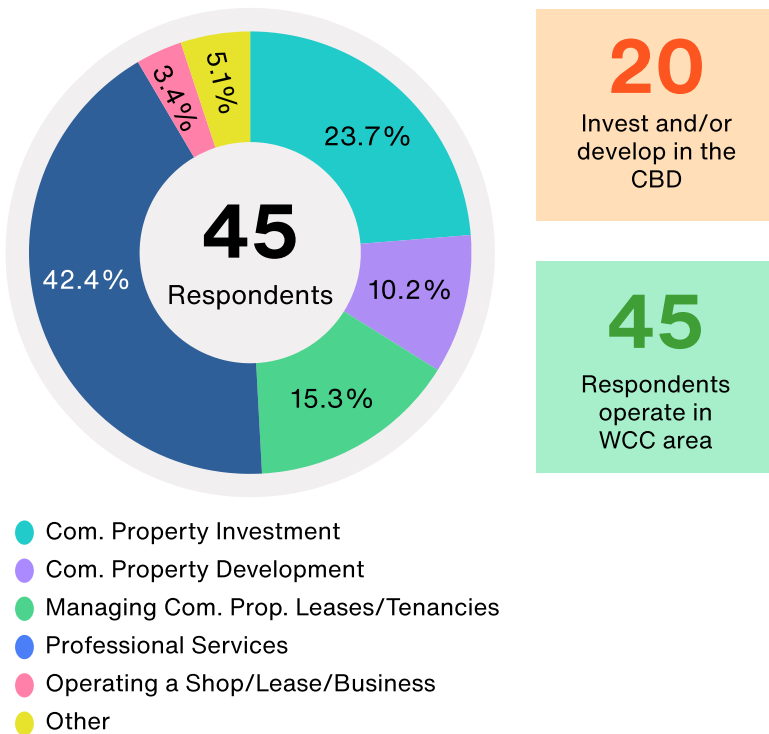
Yours Sincerely,



Melissa McGhie
Wellington Regional Committee Chair
Property Council New Zealand

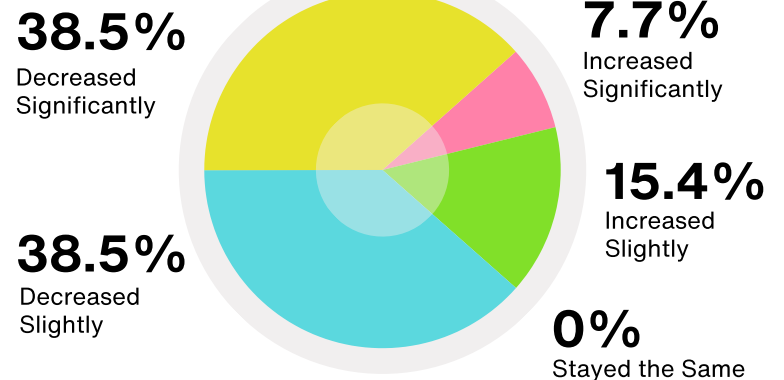
1 ABOUT OUR RESPONDENTS

What does your organisation do in Wellington City?



2 OVER THE PAST 24 MONTHS...

How has your level of investment in Wellington commercial property changed?



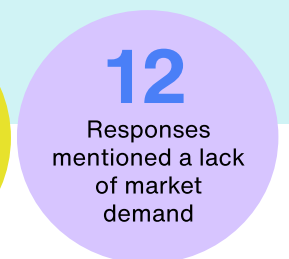
Comments & Quotes

Explanations for investment change:

"I would like to invest more but the costs associated with insurance and particularly rates has meant that it is harder to get it to stack. Also there is a current lack of demand."

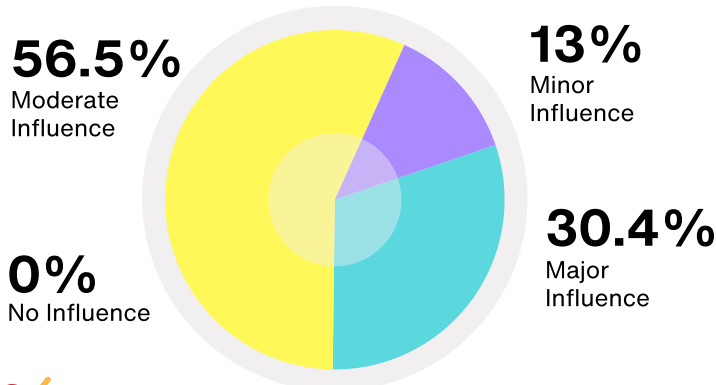
"High vacancy rates, less properties changing hands"

"Extremely high rates, high insurance cost, lack of growth, poor governance of city, lack of positive momentum in the city, uncertainty over future building operating costs, lower risk and better returns elsewhere, lack of investor faith in the city's outlook."



3 LET'S TALK RATES

To what extent has the business differential (and rates) in Wellington influenced your decisions on investment, development or leasing?



Comments & Quotes

Where the business differential directly impacted a business decision:

"Client purchased a building in 2016. Tenant is on gross lease. Value of building has gone down as net income is down due to rates cost exceeding any rent increase. Unable to sell building for what they paid for it."

"The rates burden significantly impacts on owner occupiers we advise about purchasing Wellington property."

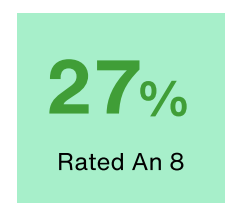
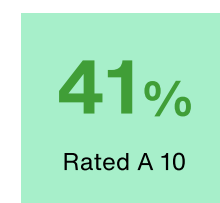
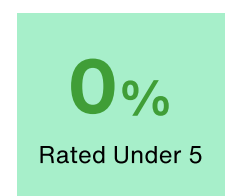
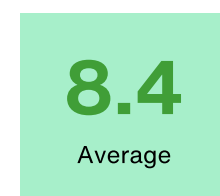
"Reduces ability to invest capital in maintenance on 100 year old building."

"The opex determines the net income which dictates the valuation of the property and in turn the rental has to support this to get development funding. We have had several developments fall over because we could not get the valuation to stack and the rent to pay it."

"Decision not to invest in large empty building redevelopment on Lambton Quay due to extremely high hold cost until its leased."

On a scale of 1-10, how significant are rates, charges and local taxes as an operating cost for your commercial property?

1 = insignificant, 10 = significant



4 OCCUPANCY & VACANCY TRENDS

Over the past 24 months, how would you describe commercial occupancy/vacancy trends in Wellington CBD?



95.24%

Declining Demand/
Increasing Vacancy

4.76% Stable Demand/Moderate Vacancy
0% Strong Demand/Low Vacancy



“Opex has increased dramatically over the last 10 years, in particular rates and insurance... the rents have to increase to pay for the opex, or if the tenant is on a net rental then the costs to the business increases.”

5 COMPETITIVENESS IN WELLINGTON

Compared to other major NZ city centres (e.g Auckland, Christchurch), how competitive do you feel Wellington is for commercial property investment?



0%

More Competitive

9%

Equally Competitive

91%

Less Competitive



Comments & Quotes

In what ways does Wellington’s business environment help or hinder competitiveness?

“We seem to have a council that is wanting to drive people out of the city. Bike lanes have decreased the revenue for the council from parking and made it harder for people to come into the city for retailers.”

“Council reputation for being difficult, rates, insurance and ground rent costs much higher than Christchurch and Auckland.”

“WCC is completely unsupportive of commercial property owners in Wellington. Additionally our insurance cost are far more expensive compared to Auckland and Christchurch so we are uncompetitive. Wellington is currently an unattractive proposition from our perspective.”

8

Responses mentioned their relationship with Council as a barrier

6

Responses mentioned better opportunities elsewhere

6 FUTURE OUTLOOK

Over the next 2-3 years are you planning to:

41.7%

Reduce Investment in WLG

4.2%

Exit WLG Market

29.2%

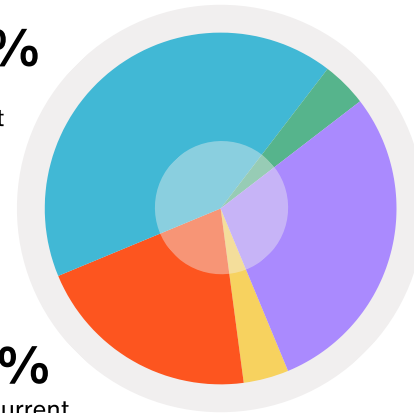
Delay Investment Decisions

20.8%

Maintain Current Investment Levels

4.2%

Increase Investment in WLG



50%

Want to reduce their investment in Wellington

35%

Want to delay investment decisions in Wellington



Comments & Quotes

Additional insights and concerns from Wellington developers

“Legislative changes in pipeline for seismic guidelines make undertaking strengthening projects harder and likely to delay. This will leave any existing buildings in further disrepair until clarity provided. Immediate short term impact to the council as buildings state perishes further.”

“Institutional investors (international & local) will continue to divert funds out of Wellington due to increasing costs and declining returns.”

“When we submitted on changes in our area (Thorndon Quay), we really didn't feel like we had been heard. The consultation process felt like a box ticking exercise. We now have to deal with the changes and the impact that they have had on our tenants and ultimately, us as the landlords.”

“Giving incentives to Green Star ratings and NABERSNZ rated buildings should be encouraged as they incur less burden on the city's infrastructure and promote climate resilience.”

“The impact on many building owners is twofold, pressure on cashflow, particularly for those with gross rather than net leases and/or vacant buildings, and a reduction in capital through declining underlying asset values.”