Property Council New Zealand

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Submission on Wellington City Council's Rating Policies Review 2026

15 November 2026

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Property Council New Zealand

15 November 2026
Wellington City Council
Via email: ratingpoliciesreview@wcc.govt.nz

Submission on Wellington City Council's Rates Review 2026

1. Summary

1.1. Property Council New Zealand ("Property Council") welcomes the opportunity to submit on Wellington City Council's ("the Council") Rating Policies Review 2026 ("rates review").

1.2. Wellington's commercial property market is under sustained pressure, with declining occupancy, rising vacancies and high operating costs undermining business confidence and investment. With Wellington's commercial differential significantly higher than in other major centres and further cost increases looming, the Council must act now to reduce the differential and support a thriving, vibrant Wellington City.

2. Recommendations

2.1. At a high level, Property Council recommends that Wellington City Council:

- Commit to reducing the commercial differential from 3.7:1 to 3.0:1 over three years, rather than the proposed six;
- Investigate alternative funding and financing mechanisms;
- Take a more proactive and transparent approach to optimising Council's existing resources before increasing the rates burden from the commercial differential on households;
- Retain its current capital-value rating system; and
- Remove the vacant site and derelict buildings differential.

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 that contributes 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 rates review 2026 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 and changing demand for transport infrastructure.

4.2. Following a survey from our Wellington CBD members (see Attachment A) 95 percent of our survey respondents report declining occupancy and increasing vacancies, over the past 24 months. One member commented that, "*The rates and insurance component of building operating expenditure has become extremely high. As a result, many commercial businesses are reducing overheads by downsizing… and encouraging more staff to work remotely*."

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 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 comparison, Christchurch and Auckland have the most affordable commercial rates at 0.9 percent 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

[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

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. Reduction in the commercial rating differential

5.1. Property Council strongly supports a reduction in the commercial rate differential from 3.7:1 to 3.0:1. 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 rate for Wellington CBD businesses applies a differential of 7:1 for public transport;
- Wellington City Council general rates increase of 5.9%;
- 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 average water rates increase of 13.3%;
- 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 illustrate the impact, a member operating in both Auckland and Wellington provided the following comparison of similar B-grade office buildings in CBD-fringe locations, each with a net lettable area of 5,000–7,500 m². The valuations are dated 7 May 2025:

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

5.4. Property owners are likely to pass higher rates on through rents, prices and services, while reduced returns constrain investment in maintenance, upgrades and new development. Wellington's 3.7:1 commercial rating differential is the highest among New Zealand's main centres, despite changing workplace habits and no clear link between the differential and businesses' relative use of infrastructure.

5.5. A more competitive commercial property environment would deliver benefits well beyond the business community. A thriving commercial sector supports employment, attracts investment and creates confidence needed to maintain, upgrade and develop property. A vibrant CBD supports productivity by bringing businesses, workers and

services together, strengthening the economic activity that underpins Wellington as the capital. Improving the competitiveness of Wellington's commercial sector is an investment in the city as a whole, benefitting businesses, residents and communities alike.

5.6. We support a reduction in the differential over three years. With significant planning and local government reforms ahead, alongside local elections and potential amalgamation, businesses need certainty now. A clear, accelerated pathway would provide confidence to invest, support a fairer distribution of the rates burden and help revitalise Wellington's CBD when it is needed most.

5.7. Property Council recommends that Council commit to reducing the commercial differential from 3.7:1 to 3.0:1 over three years, rather than over the proposed six year period.

Alternative funding and financing

5.8. Property Council recommends Council investigate alternative funding and financing mechanisms that improve transparency, align costs with those who benefit, and reduce unnecessary reliance on general rates. These include targeted rates, Infrastructure Funding and Financing (IFF) levies, special purpose vehicles, public-private partnerships and regional deals with central government. Such approaches can help fund infrastructure where costs can appropriately be attributed to specific beneficiaries, rather than placing the entire burden on existing ratepayers. This position aligns with the principles of transparency and objectivity under the Local Government Act 2002 and the recommendations of the New Zealand Productivity Commission on improving local government funding and financing.[2]

5.9. Property Council recommends that Wellington City Council take a more proactive and transparent approach to optimising its existing resources before increasing the rates burden from the commercial differential on residential ratepayers. This should include pursuing a regional deal with central government; regularly reviewing the performance and strategic value of Council-owned assets, including opportunities for asset recycling where this represents value for money; independently benchmarking operating expenditure, consultant and contractor spending, and corporate overheads against comparable councils; and prioritising capital expenditure according to demonstrated need, affordability and economic benefit. We acknowledge the 2023 KPMG review of Council's investment portfolio, but consider that ongoing independent assessments, with publicly reported findings and clear savings or funding targets, are necessary to ensure Council's resources are being used effectively.

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

6. Changing from a capital value to a land value rating base

6.1. Property Council considers that shifting to a land value rating system risks undermining investment confidence and stalling development across the City, at a time when certainty is critical to Wellington's growth and recovery.

6.2. Property Council represents a diverse membership across Wellington's built environment and recognises that a shift to land value would benefit some of our members while increasing costs for others. We strongly urge Council to exercise caution before making any significant changes to the rating base.

6.3. At this stage, it is the Government's intention to amalgamate local government under the Headstart proposals. If Wellington City Council is subsequently amalgamated with other councils, its rating system may need to be reconsidered alongside those of the other territorial authorities (the majority of which operate on capital value rating systems). Proceeding with a major rating reform before the future structure of local government is settled risks introducing additional complexity, transition costs and uncertainty for ratepayers and investors. Property Council considers that maintaining stability in the interim would better support investment and development through this period of reform.

6.4. Council has estimated that implementing a land value rating system would cost between $600,000 and $2 million. These costs must be considered alongside the additional implementation and resourcing requirements associated with wider resource management reform, building consenting reform, development levy reform, rates capping and local government reform. We re-iterate our messaging around the sentiment of the property sector, the struggles around affordability and the impacts high rates already have on business.

6.5. Property Council Wellington Regional Committee's priority is to "*Advocate for the property industry to support a vibrant, open-for-business and affordable Wellington region that attracts people*." We encourage Councillors to consider the wider profile of Wellington region, and ask what rating approach will genuinely support its long-term prosperity as a whole. Suburban and low-rise commercial areas, such as Te Aro, Newtown and Johnsonville, have a significant concentration of small businesses and are already facing rental affordability challenges that may be further exacerbated under a land value rating system. We urge Councillors to consider the broader geographical impacts of such a shift and whether it will ultimately support the diverse mix of businesses, communities and activity that Wellington needs to thrive.

6.6. Property Council recommends that Council retain its current capital value rating system.

7. Vacant site and derelict buildings differential

7.1. Property Council's position on the vacant site and derelict buildings differential 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. Property Council continues to urge Council to talk to affected property owners to gain an understanding of what their plans are for vacant sites. Retaining and expanding 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. Earthquake prone buildings remission

8.1. Property Council supports the changes being made to streamline the earthquake prone building remission with the intent of making it more accessible and user friendly. To further encourage remediation works to get underway, we encourage Council to consider providing the remission while works are in progress, rather than upon their completion. This would provide financial relief when owners need it most, recognising that a lack of available capital is often a significant barrier to undertaking seismic strengthening works.

9. Conclusion

9.1. 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 Rates Review 2026 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.**

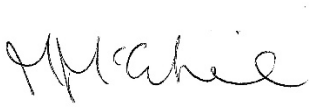
9.2. Wellington's commercial property sector is facing significant cost pressures, declining confidence and reduced investment. With local government reform, elections and potential amalgamation creating further uncertainty, Council must provide businesses with greater certainty and take meaningful action to restore Wellington's competitiveness.

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9.3. We remind Council of its responsibility to set a strategic vision for Wellington's future. While reducing the commercial differential may not be the most popular decision, it is a necessary step towards restoring a thriving, vibrant and economically resilient city centre.

9.4. 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

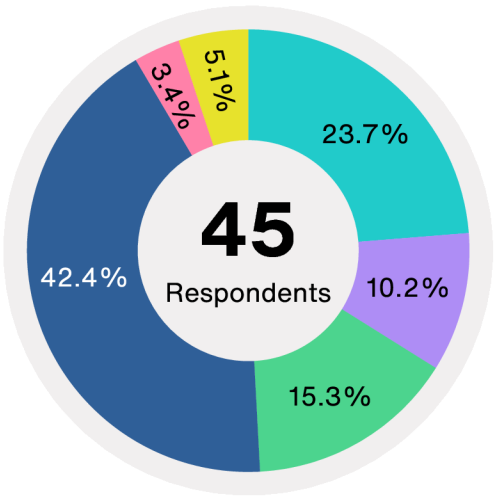
Attachment A:

Wellington Commercial Property Market Confidence Survey | April 2026

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1 ABOUT OUR RESPONDENTS

What does your organisation do in Wellington City?



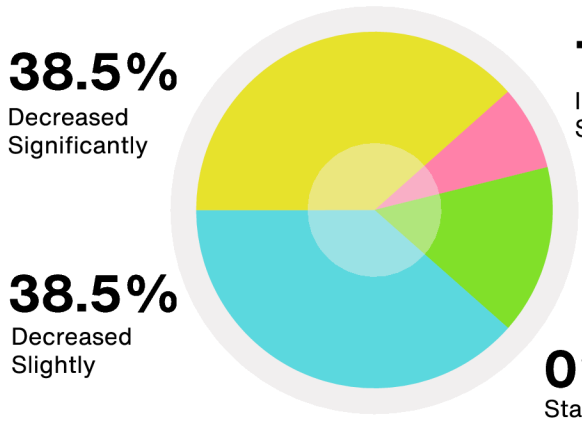
- Com. Property Investment
- Com. Property Development
- Managing Com. Prop. Leases/Tenancies
- Professional Services
- Operating a Shop/Lease/Business
- Other

20
Invest and/or develop in the CBD

45
Respondents operate in WCC area

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"*

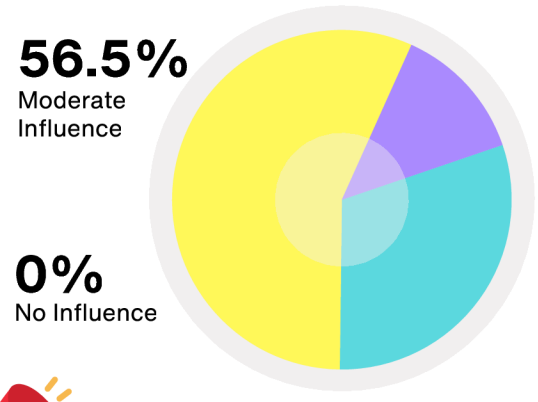
*"**Extremely high rates**, high insurance cost, lack of growth, poor governance of city, **lack of positive momentum in the city**, uncertainty over future building operating costs, **lower risk and better returns elsewhere**, lack of investor faith in the city's outlook."*

14
Responses mentioned "cost."

12
Responses mentioned a lack of market demand

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

8.4
Average

0%
Rated Under 5

41%
Rated A 10

27%
Rated An 8

Wellington Commercial Property Market Confidence Survey | April 2026

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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**."*

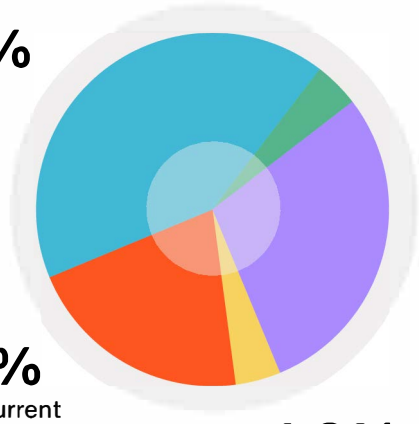
*"WCC is **completely unsupportive** of commercial property owners in Wellington. Additionally our **insurance cost are far more expensive** compared to Auckland and Christchurch so we are **uncompetitive**. **Wellington is currently an unattractive proposition from our perspective.**"*

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.**"*