AUCKLAND OFFICE OUTGOINGS BENCHMARKING REPORT

Auckland office outgoings benchmarking in 60 seconds

Outgoings on the rise
Outgoings continue to climb. Proactive cost management remains essential in current market conditions as tenants become increasingly focused on total occupancy costs amid the challenging economic backdrop. No single cost category is likely to deliver major savings on its own, so disciplined management is needed across every category to ensure tenants receive value for money.

Rates the largest component
Rates remain the largest single component of outgoings for most properties. Whilst generally rising quickly, the latest rises for the office sector were tempered by revaluation processes which effectively redistributed some of the rates burden to other asset classes. This is a one-off so significant rate rises are expected in the coming year.

Utilities the fastest rising category
Utilities costs have continued to rise. Electricity charges are under pressure from the Commerce Commission's higher revenue limits for network providers, which are lifting lines charges over the next several years. The Middle East conflict and associated oil price shock have added further cost pressure across energy markets more broadly. Proactive landlords are countering this through targeted investment in more efficient building services, typically alongside seeking enhanced NABERS NZ ratings.

Insurance seeing mixed signals
The market often cites rising insurance as a key driver of higher outgoings. However, the insurance market has moved into a cyclical softer period, giving some landlords the opportunity to secure savings or slower premium growth. These savings are showing in our latest benchmark results. Property-specific risk factors, such as flood or seismic risk, can still push up premiums for some buildings. Proactive and well-informed insurance procurement remains important to capture the benefits of current conditions.

Cleaning faces scope optimisation
Cleaning costs saw an overall slight reduction in the latest results. Closer inspection suggests some property managers are reducing the scope of cleaning services to help manage outgoings. Whilst not surprising given cleaning is one of the costs that managers have some control over, care is needed to ensure tenants remain satisfied and buildings remain competitive.

Green advantage lies beyond the bills
Green buildings are often described as having lower outgoings. All else being equal, more efficient systems typically mean lower utility costs. In practice, green buildings tend to be newer and more valuable, which pushes up rates and offsets the savings on utilities. Even so, the prospect of cheaper green funding, lower emissions, and improved occupant wellbeing keeps green buildings attractive to the market.

Number of buildings sampled	Overall average outgoings	Average increase from prior year
54	$140 psm	2.1%

This is a preview of our full report.
Further information is available for contributors to the benchmarks.
To learn more about how to contribute, please contact our experts:

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