



The outlook for outgoings

For decades, commercial property conversations have started with rent and ended with yield. Outgoings – the operating costs beneath the lease – were acknowledged, budgeted and largely accepted as background noise, but that hierarchy is changing.

Across Auckland’s office and industrial markets, rising operating expenses are reshaping how owners, occupiers and investors evaluate buildings.

Total occupancy cost – rent plus outgoings – is now the figure under the microscope, and the ability to control, predict and justify those costs is a key competitive advantage.

Bayleys’ Auckland Office Outgoings Benchmarking Report, the first comprehensive analysis of its kind since the retirement of Property Council New Zealand’s benchmark in 2019, quantifies the shift.

Released in October 2025 and based on data from 51 office buildings, it found average outgoings of \$137 per square metre, rising 6.8 percent year-on-year.

Findings from Bayleys’ Auckland Industrial Outgoings Benchmarking Report released in February 2026 suggest a similar trajectory from a lower base, with average outgoings of

approximately \$33 per square metre across 74 industrial properties – up 6.6 percent annually.

Bayleys national director of professional services, Stuart Bent, says the market is entering a phase where operating discipline is as important as location or tenant covenant.

“Rent is only part of the occupancy equation,” he says. “Outgoings are now one of the most visible pressure points for tenants, and they’re increasingly influencing leasing decisions, retention and asset value. Buildings that can demonstrate efficient, transparent operating performance have a tangible advantage.”

Bent notes that rising costs aren’t the whole story – variation between buildings often exceeds the average increase.

“The real divide isn’t between old and new; it’s between those that actively manage performance and those that simply absorb cost increases.”

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STUART BENT
NATIONAL DIRECTOR, BAYLEYS
PROFESSIONAL SERVICES

UNDERSTANDING THE COST STRUCTURE

The data shows how operating expenses are distributed – and where the pressure lies.

For office buildings, rates account for the largest proportion of total outgoings, followed by repairs, maintenance and building services, utilities, insurance, cleaning and other costs.

Industrial assets show a different profile. Rates account for almost half of total outgoings, followed by insurance, maintenance, utilities and cleaning.

Research authors Samantha Lee and Eos Li of Bayleys Insights say the dataset provides a robust cross-section of the Auckland market.

“The data covers 74 industrial and 51 office properties across a range of sizes, ages and quality grades, including green-certified assets. That gives us a meaningful view of operating costs trends across different asset types.”

However, they caution about over-reliance on averages.

“Industrial outgoings tend to be more volatile because repairs and maintenance can vary significantly between buildings,” Lee says. “The full report presents the distribution of results, not just the average, so owners can understand where their asset truly sits.”

Lee also highlights the limits of owner control over the largest cost component.

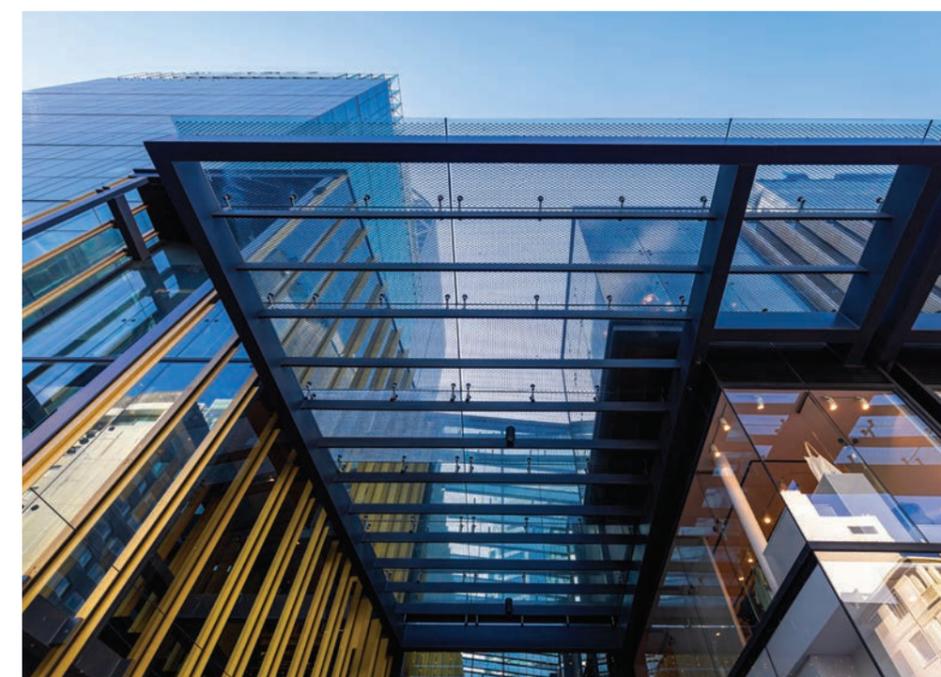
“Rates are the single biggest outgoing, and once valuations are set, there is limited scope for owners to influence the bill. That makes management of the other categories even more important.”

Li says that composition matters as much as totals.

“Rates remain the largest component, while utilities have recorded the fastest growth. Green-certified buildings typically achieve lower utility costs, but overall outgoings can still be higher due to elevated rates and costs associated with premium locations and scale.”

“
Rates remain the largest cost component, while utilities are rising fast – and green buildings don’t automatically mean lower total outgoings.”

EOS LI
ANALYST, BAYLEYS INSIGHTS,
DATA & CONSULTING



“ Rates fund the infrastructure and services that support Auckland’s growth, resilience and day-to-day functioning.

PETER MCKAY
PRINCIPAL VALUER, AUCKLAND COUNCIL

RATES: AN IMMOVABLE COMPONENT?

Rates are tied to property values and policy settings rather than operational efficiency, making them dominant and difficult to manage.

Auckland Council’s principal valuer, Peter McKay, says they fund essential services and infrastructure supporting the region’s growth.

“Rate assessments are a fine balance. Rates support productivity, infrastructure investment, environmental protection, resilience and community services.”

Council aims to keep increases manageable over the long term, with increase projections of around 3.5 percent from 2027 onward, subject to consultation.

For owners, rates are largely structural – but accuracy matters, ensuring correct valuations, property classifications and rateability factors can prevent overpayment.

Bayleys national director of professional services, Stuart Bent emphasises that the presence of a largely uncontrollable cost category elevates the importance of those that can be influenced.

“If rates dominate the bill, efficiency in the remaining components becomes the key differentiator. More owners than ever are focused on operating costs. Rates are a big-ticket item, but many other components can be optimised with the right data and collaboration.”

INSURANCE: RELIEF WITH CONDITIONS

Insurance has been another volatile cost, driven by catastrophe losses, construction inflation and underwriting scrutiny. However, the outlook is improving for well-managed assets.

Aon executive director Kate Henderson says the market is now more competitive than it has been for years.

“For much of the last decade, owners operated in a classic ‘hard market’ – rising premiums, reduced capacity and difficult renewals.”

Conditions are now easing – but selectively.

“For well-located, well-constructed properties with strong risk management and clean claims histories, we’re seeing premium rate reductions and improved policy terms as insurers compete for ‘target’ risks.”

However, Henderson stresses that outcomes still vary.

“Two properties in the same portfolio can receive very different pricing and terms. Flood exposure, seismic performance, construction type and maintenance history all matter.”

She advises treating insurance as a performance issue rather than an annual purchase.

“Accurate valuations, credible business interruption assumptions and evidence of resilience all influence underwriting outcomes.

“ Insurance outcomes now vary significantly between buildings – asset quality, location and risk management matter more than ever.

KATE HENDERSON
EXECUTIVE DIRECTOR, AON

Highlighting risk improvement helps to differentiate assets.

“Insurance outcomes are increasingly asset-specific rather than market-driven. In this environment, outcomes are influenced by how risks are structured, positioned and presented to the insurance market,” she adds.

ENERGY: STRUCTURE MATTERS

Utilities are one of the few major outgoing categories owners can influence, placing energy strategy at the centre of cost control.

New Zealand energy and infrastructure advisory firm Tenco’s general manager of client success, Michael Peters, says infrastructure design can matter as much as pricing.

“Utilities are one of the few major outgoing categories that landlords can actively influence. Structural approaches – such as embedded networks – allow owners to unlock recurring infrastructure value by earning regulated electricity lines margin within multi-tenant properties, while preserving retailer choice for tenants.

“This can enhance long-term asset performance while reducing the administrative burden for owners.”

At the same time, energy price volatility in New Zealand is influenced by hydrology and tightening domestic gas supply, Peters says.

“Owners can’t control energy markets, but they can control cost structure. Competitive procurement and disciplined contract strategy determine how well a building absorbs price volatility.”

Peters believes energy governance will become central to asset strategy.

“Buildings that offer transparent cost structures, efficient infrastructure and flexibility for new technologies will be better positioned to retain tenants and protect long-term value,” he says.

“Infrastructure decisions made today will shape leasing competitiveness for the next 20 years.”

ENGINEERING SYSTEMS: PERFORMANCE ASSET MANAGEMENT

Heating, ventilation, and air conditioning systems (HVAC) are the largest controllable energy load in most commercial buildings – often accounting for around 40 percent of total energy use and up to 75 percent of landlord-controlled consumption.

Analysis from mechanical and hydraulics engineers, Jacksons Engineering, suggests HVAC costs are likely to rise due to electricity prices, ageing plant, higher indoor air quality expectations and labour costs. Near-term increases of five to 12 percent annually are plausible without active management.



“ HVAC should be treated as a performance journey – not a static management obligation.

LANCE JIMMIESON
MANAGING DIRECTOR,
JACKSONS ENGINEERING

However, the firm’s managing director, Lance Jimmieson, says performance improvements can offset much of that increase.

“Continuous commissioning – the ongoing tuning of systems to actual building use – can reduce HVAC energy consumption by 15 to 40 percent over time without major capital replacement.

“Addressing inefficiencies such as simultaneous heating and cooling or outdated controls can deliver substantial savings. HVAC should be treated as a performance journey – integrating system optimisation, lifecycle plant replacement and future decarbonisation – rather than a static maintenance foundation,” he adds.

CLEANING: LABOUR-DRIVEN INFLATION

Cleaning costs, while smaller in absolute terms, are structurally inflationary because they are labour-intensive, says commercial cleaner United Cleaning’s general manager, Tiulipe Naisali.

“About 80 percent of cleaning costs relate to wages, making them highly sensitive to minimum wage increases, regulatory changes and staffing conditions.”

She suggests budgeting assumptions of three to six percent annual increases through 2028, even in a moderate inflation environment.

“Occupier expectations have also shifted, with visible daytime cleaning

and higher hygiene standards increasing staffing requirements.

“Cost management strategies may include aligning cleaning schedules with occupancy, reviewing scopes regularly and maintaining long-term supplier relationships to reduce transition risk,” she says.

SUSTAINABILITY AND PERFORMANCE

Bayleys national director of professional services, Stuart Bent says Bayleys’ benchmarking data also challenges simplistic assumptions about green buildings.

“Energy-efficient buildings often achieve lower utility costs, but total outgoings can be higher due to elevated rates and enhanced service levels. However, they deliver broader benefits such as tenant retention, access to green finance, and strong long-term performance.”

Bent says updated benchmarks support better dialogue between stakeholders.

“Transparency helps stakeholders to understand what costs are being incurred and why. That leads to fairer negotiations and better decisions, especially when parties engage early in the budgeting process.”

FROM COST CENTRE TO COMPETITIVE EDGE

With industrial property now a dominant asset class, Bayleys’ Auckland Industrial Outgoings Benchmarking Report has attracted strong interest.

The data shows that while industrial buildings operate at lower absolute cost levels, they face similar annual increases driven primarily by rates and insurance.

Bent says the combined insights will reshape how total occupancy costs are assessed.

“Office and industrial assets have different structures, but both face rising costs. Understanding those dynamics is essential for long-term decision-making.”

The overarching conclusion from the research is not simply that outgoings are rising – they are a strategic variable.

“Buildings that actively manage energy use, maintenance, service contracts and risk exposure are increasingly distinguishable. In a selective market, that matters.

“Outgoings are a performance indicator,” Bent says. “For owners, the message is to treat operating efficiency as a part of asset quality. For occupiers, it is to evaluate buildings on total cost rather than headline rent alone. For investors, it is to recognise that sustainable income depends not only on lease terms but on the reliability of the operating platform beneath them.”

As Auckland’s commercial and industrial sectors evolve, the ability to answer a simple question – where every dollar goes and what it delivers – may be as important as any traditional metric.

And in that sense, the outlook for outgoings is not just about cost pressure, but the long-term competitiveness of the city’s built environment.



Scan the QR code to preview Bayleys’ Auckland Industrial Outgoings Benchmarking Report.

AUCKLAND OFFICE OUTGOINGS BENCHMARKING REPORT

Number of buildings sampled	Overall average outgoings	Average increase from prior year
51	\$137psm	6.8%

AUCKLAND INDUSTRIAL OUTGOINGS BENCHMARKING REPORT

Number of buildings sampled	Overall average outgoings	Average increase from prior year
74	\$33psm	6.6%

Source: Bayleys Insights & Data

