

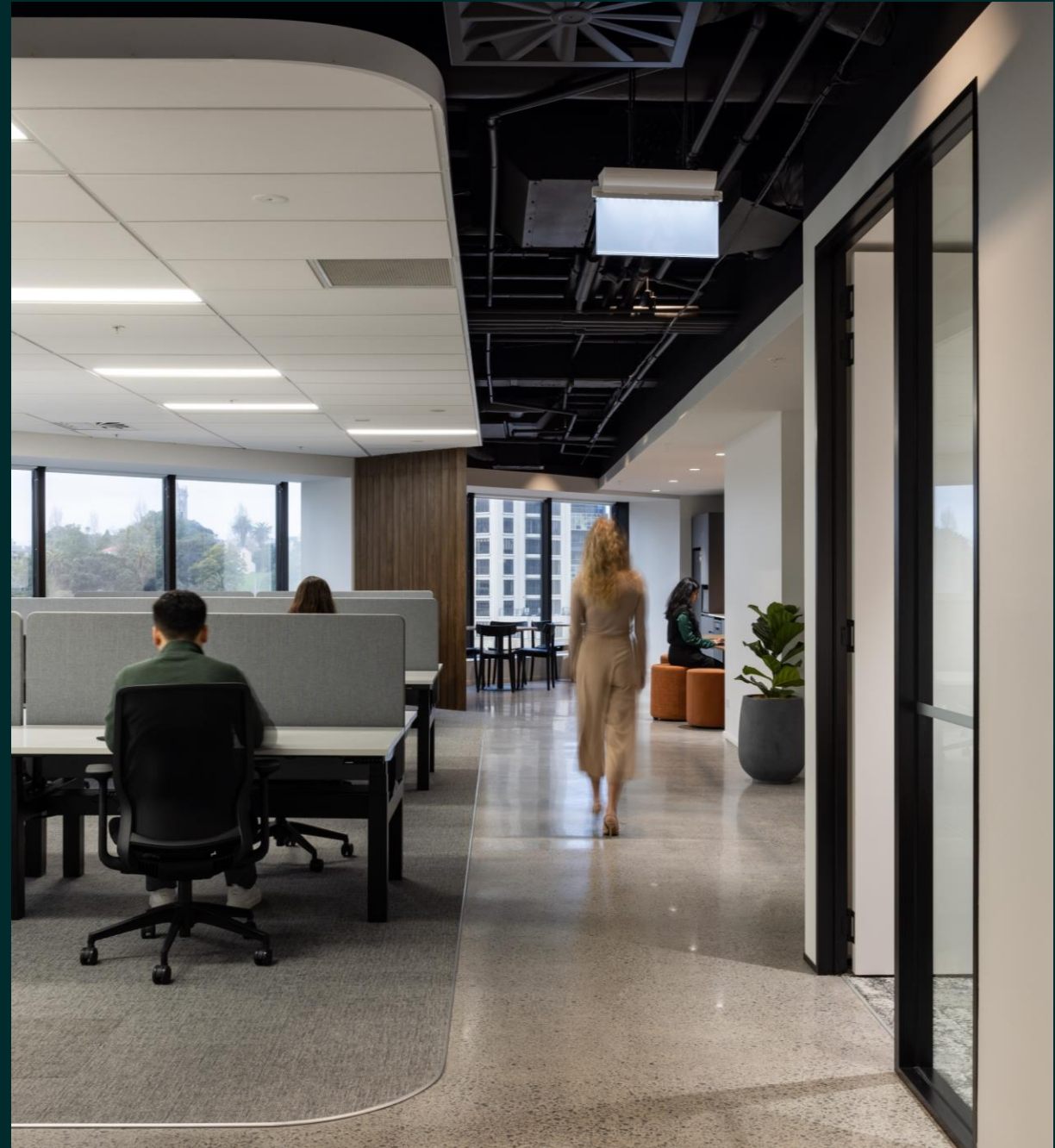
Intelligent Investment

# New Zealand Property Occupancy Costs and Rental Affordability

REPORT

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CBRE Research  
November 2025



# Background and Insights

Occupancy cost ratio metrics are widely used in the retail property sector, primarily shopping centres, to measure occupancy expenses relative to sales or income. As the amount of rent a retailer is willing, or able, to pay for a particular store is ultimately related to its ability to generate sales and maintain healthy profit margins at that location, occupancy cost ratios help determine financial sustainability and inform strategy and decision making for both property owners and occupiers.

While the relationship between occupancy cost and an occupier's revenue isn't as closely related for most industries that occupy office and industrial premises, nonetheless it remains at least an implicit consideration. Accordingly, this exercise aims to determine the occupancy cost ratios of different office and industrial sectors in New Zealand. It also aims to evaluate the financial performance of these sectors and the role of rent in company's expenses. We seek insight into the following:

- How rent fits into the broader range of outgoings for companies.
- How market rents changed over time relative to company revenue and other costs.
- How occupancy cost ratios for individual companies compare to industry averages.
- What these insights imply for rent affordability and growth.

We used financial performance data from Statistics NZ's Annual Enterprise Survey (AES). Around 500,000 businesses are covered annually in the AES with the survey measuring their financial performance and financial position. The information provides a key input to New Zealand's national accounts, which are used to monitor economic growth and investment. Data from this survey provides insight into industry-based income, expenditure and profit trends with a further breakdown of expenditures into various subcategories. Additionally, Statistics NZ makes available financial data related to leased commercial property costs at the industry level in the national accounts input-output tables. This data is only periodically updated with the most recent from 2019. While this limits its usefulness, it does provide insight as a broader benchmark by isolating property costs as a part of overall operating expenses.

We have also augmented these Statistics NZ data series with company level information on sales/incomes and occupancy costs to round out our analysis.

## Our analysis indicates that:

Property expenses represent a small portion of company outgoings, averaging 3.5% for office-based industries and 2.3% for industrial property-based industries. The overall averages however disguise substantial variations at both the sub industry and individual company levels.

Amongst office-based industries, accounting, and legal firms have the highest average occupancy cost ratios of 3.9% and 3.8% respectively. Within these industries, Individual company occupancy cost ratios range from 3.1% to 5.0%. For the main industrial property occupying sectors of the economy, the ratio of property costs to revenue ranges from 4.7% for logistics to 1.2% for manufacturing.

Comparing company revenue and expenditure trends to rent growth trends provides a take on affordability. Based on this, rental affordability does not appear problematic in the industrial sector despite recent steep market rent growth, especially in the Auckland market. Revenue growth by office-based industries indicates that office market rents have room for growth.

At the same time, benchmarking rents to revenues only provides one aspect of affordability. Given that rents form a low proportion of company expenses, significant escalations of other expenses relative to rents could pose a profitability barrier that is not evident in benchmarking against income data.

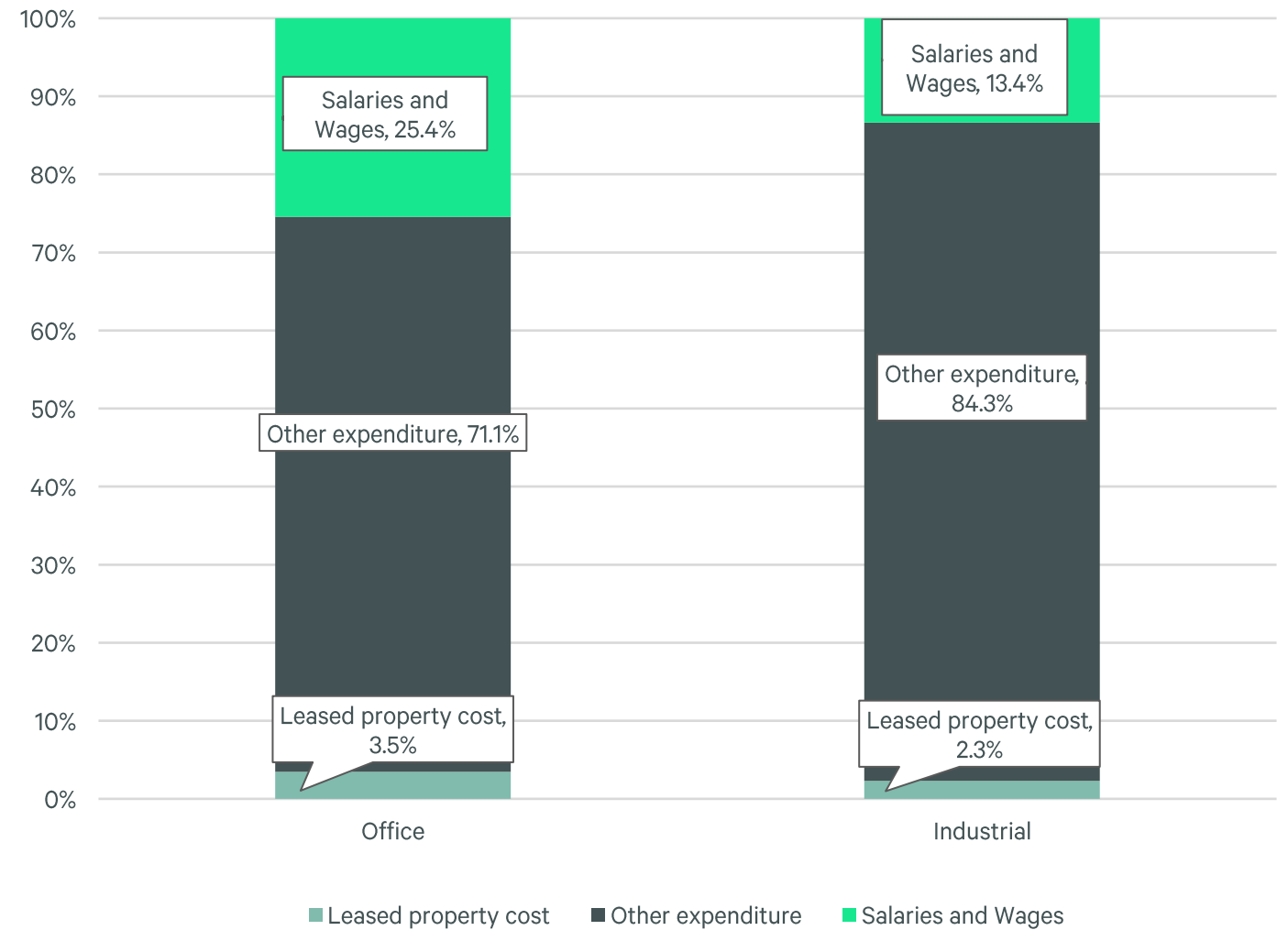
Benchmarking rental trends against profit trends paints a more positive picture for industrial rent growth potential despite a material drop in profitability last year. For office-based industries, although profit growth hasn't matched the increases in revenues in the past few years, a material margin to rents remains large and suggests potential for rent growth.

At the end of the day, several factors determine rent growth, and affordability is but one of these. Other important determinants include supply-demand dynamics, vacancy rates, economic rents based on the cost of developing new supply, and the skill of asset owners and managers. Other aspects are the quantum of space required and flight to higher quality more expensive space. The cost per square meter of space (market rents per square meter) may not accurately reflect occupancy costs, which are also subject to fluctuations in occupied square metres. Productivity gains that modern, high-quality warehousing and office premises offer can also contribute to affordability.

Our analysis suggests that, although subject to short-term cyclical fluctuations, with the past couple of years being more challenging, over the longer term, affordability has not been a barrier to growth in commercial real estate market rents. We believe that supply-demand dynamics and the skills of building owners and managers play a more important role in driving rent growth.

Property costs represent a fairly minor portion of industry level P&L in the context of salaries and other expenditures for both the office and industrial sectors.

**FIGURE 1:** Office and Industrial Property Occupier Industries P&L Stack

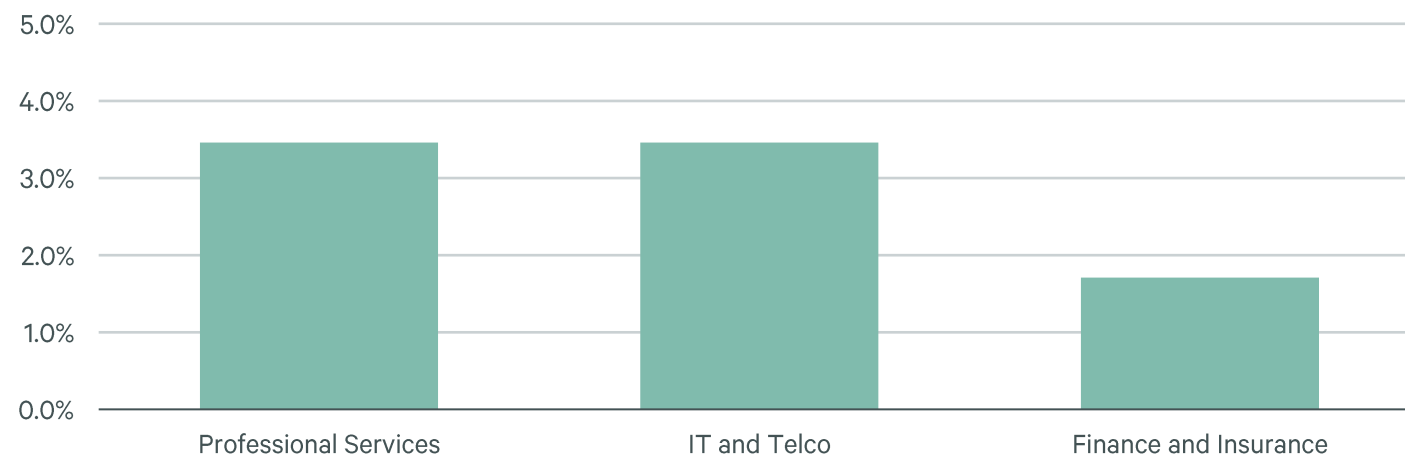


Source: CBRE Research, Statistics NZ

Analysis at the sub industry level shows material differences in occupancy cost ratios.

For the main industrial property occupying sectors of the economy, OCR (the ratio of property costs relative to income) ranges from 4.7% for logistics to 1.2% for manufacturing. For office-based industries, professional services and IT/telco OCRs average 3.5% compared to finance and insurance at 1.7%.

**FIGURE 2:** Occupancy cost ratios for broad office property-based industries



**FIGURE 3:** Online and instore retail spending in New Zealand (annual)



Source: CBRE Research, Statistics NZ

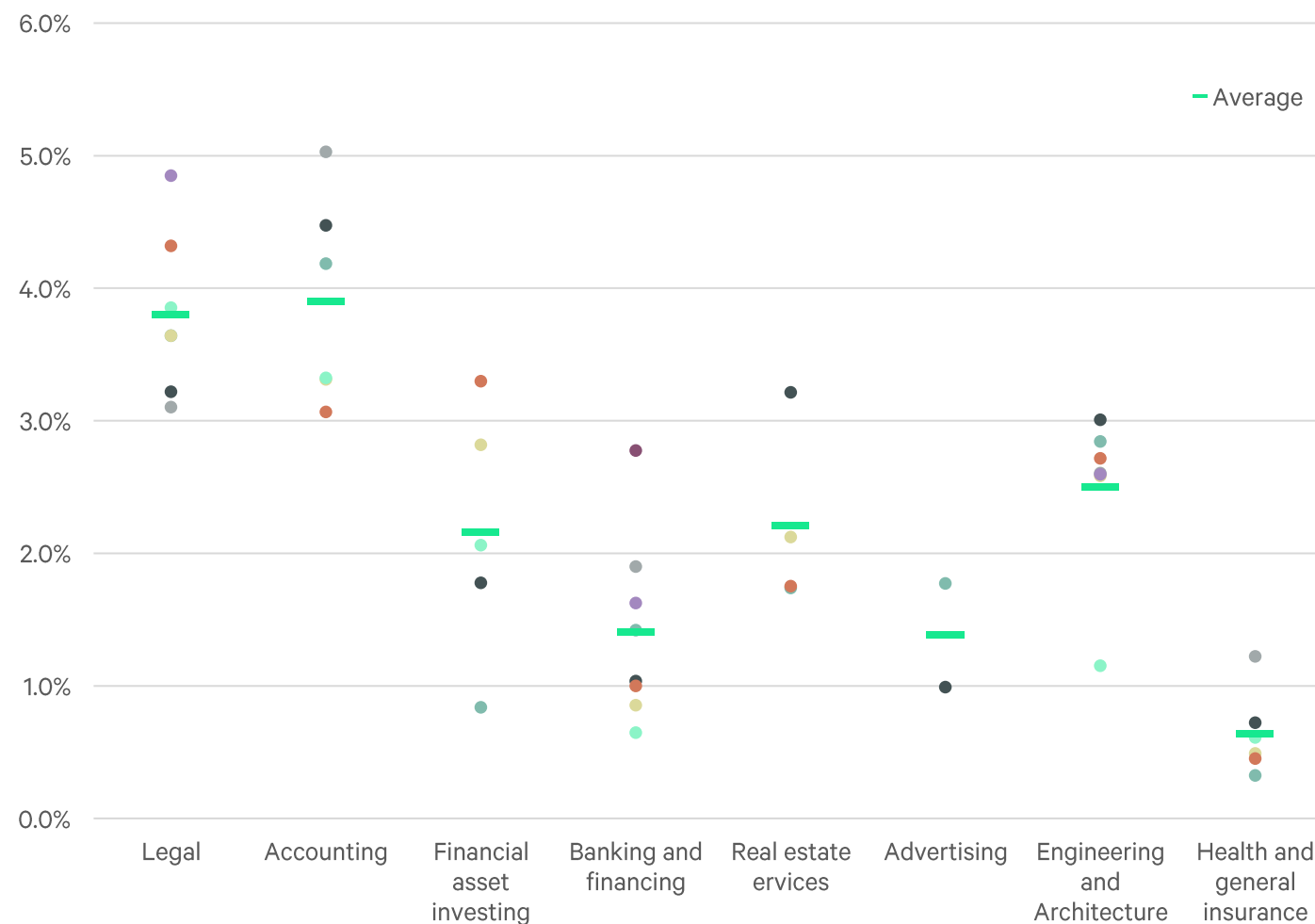
Detailed sub industry level analysis reveals further significant differences not only amongst different industries but also occupancy costs ratios across different companies within an industry.

We have estimated company level occupancy cost ratios based on published revenue data paired with CBRE data on office occupancies and rents.

This data indicates accounting and legal firms with the highest average occupancy cost ratios of 3.9% and 3.8% respectively. Individual company occupancy cost ratios for these industries however range from 3.1% to 5.0%. Further down the professional services OCR scale, real estate services industry occupancy costs average 2.2%.

While occupancy cost ratios are lower for the finance and banking industry, company specific variability remains large, especially for the Financial asset investing sector – brokerage, fund management and investment banking firms.

**FIGURE 4:** Detailed industry occupancy cost ratios (Based on estimates of actual revenue and occupancy cost each dot represents a company)



Source: CBRE Research

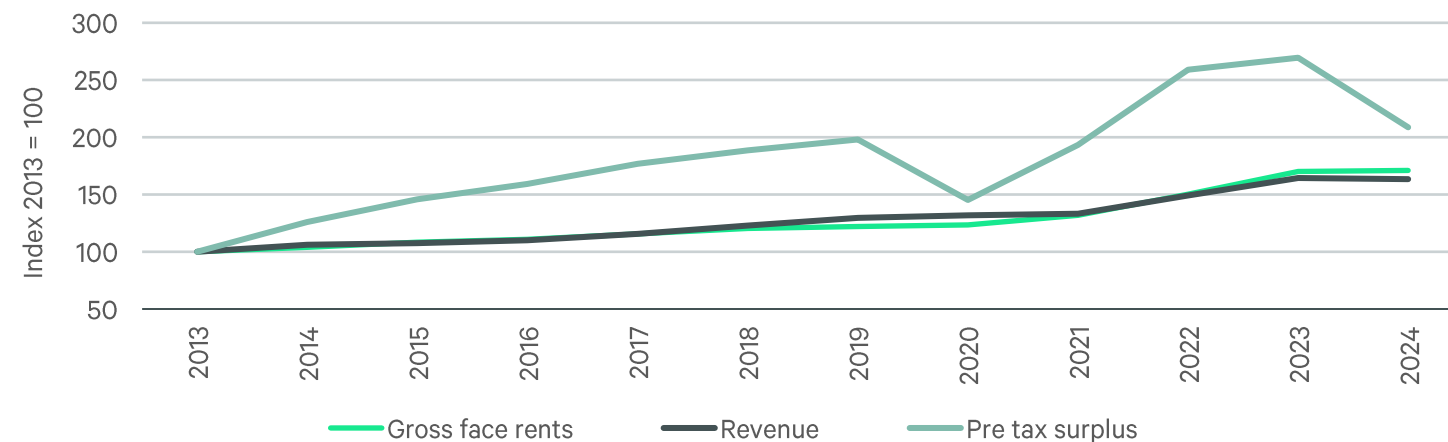
## Revenue and expenditure trends vs rent growth trends provide a take on affordability.

Based on industry revenue trends, rental affordability does not appear problematic in the industrial sector despite recent steep market rent growth, especially in the Auckland market. Revenue growth by office-based industries indicates that office market rents have room for growth.

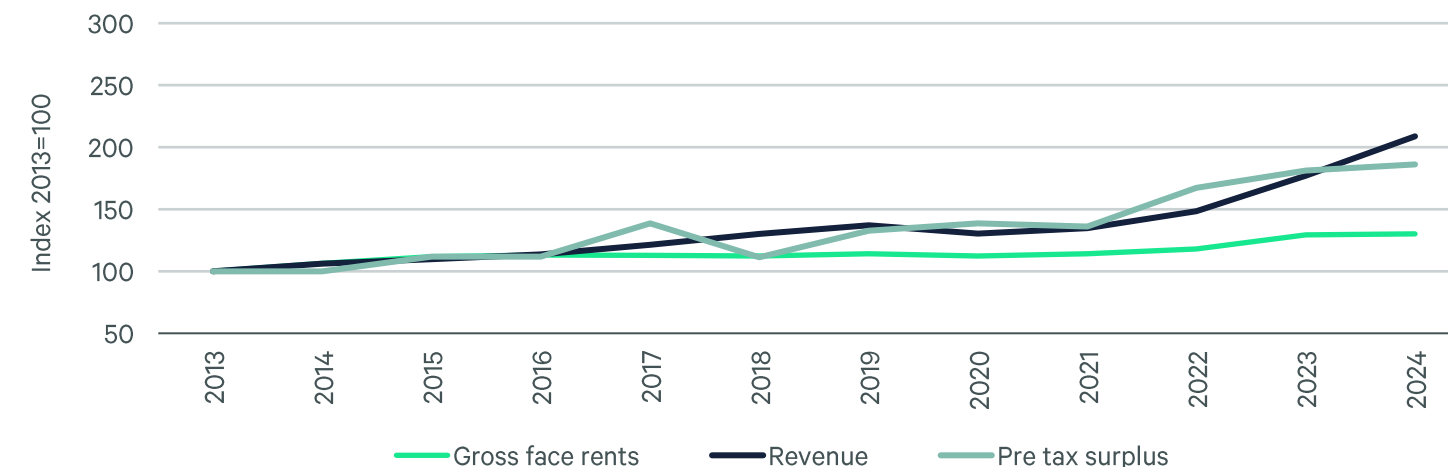
At the same time, benchmarking rents to income only provides one aspect of affordability. Given that rents form a low proportion of company expenses, significant escalations of other expenses relative to rents could pose a profitability barrier that is not evident in benchmarking against income data.

Benchmarking rental trends against profit trends paints a more positive picture for industrial rent growth potential, despite a material drop in profitability last year. For office-based industries, although profit growth hasn't matched the increases in revenues in the past few years, the margin to rents remains large and suggests potential for rent growth.

**FIGURE 5:** Industrial property-based industries income & profit vs office prime gross face rents



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Source: Source: CBRE Research, Statistics NZ

Affordability scorecard highlights divergent trends across industries, especially for office-based industries.

CBRE's analysis of the historic and recent financial performance of industrial-intensive sectors, shows a modest decline in current affordability across wholesale trade, logistics and manufacturing. This is based on the latest year-on-year growth rate for total income, total expenditure, and net profit, compared to its long-term average.

Meanwhile, office-based industries show more diversified financial positions, with some industries benefitting from high revenue levels (such as financial and insurance services) and others registering a material drop (such as IT and telecommunications).

These affordability scores suggest that while long term industry growth and performance has been supportive of increased rental affordability, current circumstances (data available showing 2024 but, based on wider economic trends, this is also applicable to 2025) are less supportive. Nonetheless, most industries have built up a comfortable enough margin of revenue and profit growth relative to market rent growth over the past decade that a temporary decline should not fundamentally impact fundamental underlying affordability.

TABLE 1: Current (2024) relative affordability scorecard

INDUSTRY NAME	CURRENT RELATIVE AFFORDABILITY SCORE
<b>OFFICE PROPERTY BASED INDUSTRIES</b>	
Professional Services	-0.2
IT and Telecommunications	-3.7
Financial and Insurance Services	5.3
<b>INDUSTRIAL PROPERTY BASED INDUSTRIES</b>	
Manufacturing	-0.6
Wholesale trade	-0.2
3PL Logistics	-1.0

Source: CBRE Research, Statistics NZ

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