



Watching the clock

Hands on the commercial real estate timepiece are slowly moving away from the bottom marker and the sector is getting a boost from a number of quarters.



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With spring around the corner, we're currently sitting just past six o'clock on the property clock which is deemed early recovery territory and now we're heading up the left-hand side of the face. With the market pricing in OCR drops ahead of announcements and enquiry levels on the rise, there are direct and indirect signs that commercial real estate as an asset class is at a positive tipping point.

There's evidence that intergenerational wealth is selling out of residential investment portfolios and actively looking at commercial given the more favourable lease structures and real returns, and institutional offshore capital is also hovering for opportunities. Around the country, Bayleys' auction volumes are starting to rebound, and sale deal numbers are up year on year which is encouraging with retail property attracting solid enquiry and transacting well across regional, sub-regional and large-format assets. There's still some lingering softness in the Auckland market with values trying to find their level, but Canterbury and Queenstown are proving to be hotspots of economic growth and this is giving significant confidence to the market. There's more than \$200 billion sitting in term deposits with huge

volumes nearing maturity and many bank bonds set post-Covid which are rolling off onto two to three-percent rates after lofty highs in the six to seven-percent range. Term deposits are not forecast to generate sustainable after-tax real returns as a long-term investing strategy, and we expect to see commercial and industrial property assets under the spotlight as investors seek better total returns. Rural balance sheets are also strong, and there's billions flowing through KiwiSaver and other fund managers so there's certainly money circling for commercial property assets. The listed market is performing well, with Goodman Property Trust reporting an increase in net property income driven by new development completions, portfolio

occupancy close to 100 percent, positive leasing results and rental growth via updated terms. Since announcing changes to policy settings in April this year, Immigration New Zealand has received more than 200 Active Investor Plus applications across the new growth and balanced categories representing around NZD \$1.43 billion of capital potentially coming into the market. That's a groundswell of active capital potentially eyeing up property assets. Budget 2025 held a wild card for businesses and commercial and industrial building owners with the Investment Boost announcement opening the door to tax benefits linked to new plant and machinery investments, the purchase of new commercial property assets, and capital improvements and seismic upgrade works. This should provide stimulus to the market and contribute to economic growth around the country. Also topical is Building and Construction Minister Chris Penk's government review into risk and remediation management of earthquake-prone buildings. The current system is multi-layered with a lack of clarity around viable NBS thresholds, does not consider variable regional seismic risk profiles, and is cost-prohibitive. Balancing the regulatory environment with risk to human life is the issue here and the commercial real estate sector awaits new recommendations following the government review process. There are 78 commercial and industrial property sale opportunities around the country showcased in this edition of *Total Property*. Our insights pieces delve further into the government's new Investment Boost initiative and what it could mean for the commercial and industrial property sector, and we look at the industrial sales and leasing market with input from leading developers. While there are some real bright spots on the horizon, 2025 has been somewhat of a grind for commercial real estate characterised by slower decision-making, some residual disconnect between vendors and buyers over deemed value, and just general caution around economic conditions. It's only a matter of time before the real estate cycle clicks into a new gear, so get in touch – we're watching the market carefully and have the intel to get you across the line.

WHO ARE WE?

Bayleys is New Zealand's largest commercial and industrial real estate agency and is the only significant national real estate business in this sector of the market that is New Zealand owned and operated.

We operate in a family-founded and values based corporate environment that demands integrity, excellence and results. In today's changing world we continue to innovate and focus on strong working relationships to deliver results that exceed our clients' expectations.

Knight Frank Bayleys has developed a true global partnership with Knight Frank, through our acquisition of their local business and their representation globally. This gives our clients access to a globally-connected network spanning 50 territories. Our closest connections are to the Knight Frank Asia Pacific Group with over 11,000 people in 299 offices all working collaboratively to find the right buyer for your property.

OUR INDUSTRY RECOGNITION

#1 REINZ
REAL ESTATE INSTITUTE
OF NEW ZEALAND

Bayleys is proud to have been recognised at the REINZ Awards for Excellence in Real Estate.

- Large Commercial and Industrial Office of the Year (2018-2022, 2024)
- Medium Agency of the Year - All Disciplines (2022-2024)

2,550
SALES AND LEASING
TRANSACTIONS

\$3B
OF PROPERTY
SOLD OR LEASED

225
COMMERCIAL SALES
AND LEASING AGENTS

*For the period 1st April 2024 - 31st March 2025.