Amped-up assets

As digital and decentralised energy systems grow, real estate is becoming a new battleground for competitive advantage.

Across global markets, operating costs are rising and becoming more volatile, with energy taking some of the heat. Behind the scenes, ageing infrastructure, lagging generation investment, and surging electrification demand are converging to tighten energy supply.

Knight Frank's *Data Centres Global Forecast Report 2026* highlights the rapid expansion of hyperscale and cloud computing facilities as a major force reshaping power economics. Assets supporting AI workloads require large, continuous power supply and are increasingly competing with cities and commercial buildings for long-term electricity availability.

Predominantly renewable markets like New Zealand are not immune. With multiple data centre projects proposed locally and Transpower signalling future grid constraints, competition for reliable electricity supply is intensifying.

For commercial and industrial property owners, external pressures are rising but the degree of impact is determined by how actively and how intelligently assets are managed. Bayleys' *Auckland Office Outgoings Benchmarking Report* concludes that without transparency, owners are managing symptoms rather than causes.

Procurement strategy determines how much volatility reaches the building. Contract length, renewal timing, fixed versus spot exposure, retailer selection, negotiation strategy, and alignment between load profile and contract structure all shape long-term cost. In a tightening energy environment, procurement discipline becomes a competitive advantage.

The largest divergence in energy performance comes from infrastructure design. Buildings with modern heating, cooling and air conditioning (HVAC) systems, embedded networks, advanced metering, and intelligent control logic can materially reshape their cost profile. Contrast this with older systems with inherent inefficiencies that compound annually such as simultaneous heating and cooling, limited sub-metering, poor zoning, outdated control algorithms, and oversized or poorly sequenced plant.

Even in well-designed buildings, operational usage patterns can drive unnecessary cost. Think of HVAC running outside occupancy hours, thermostat overrides, lighting in low-use areas, and unmanaged peak-load spikes. Energy behaviour has become a landlord and tenant-engagement issue, with transparency and governance increasingly central to market perception.

DATA SHARING

Bayleys national director professional services, Stuart Bent, notes a marked rise in attention on operating expenses from both landlords and occupiers, with a shared goal of reducing total occupancy costs and improving net income.

"Tenants are now looking beyond just the rent line. Assets that show strong procurement discipline, efficient infrastructure, and tight operational control stand out on both cost and market appeal.

"Our client base ranges from private owners to large institutional and offshore investors. Regardless of scale, we work closely with them to manage operating expenses and identify efficiency gains to support stronger income growth over time.

"For clients with in-house property teams driving their own strategies, we help deliver on initiatives like NABERSNZ, Green Star performance, and GRESB which is considered the Ferrari of global sustainability benchmarking."

Offshore mandates often require a minimum 4 Green Star rating, and because these corporates operate in far more regulated environments than New Zealand, their expectations around transparency are high.

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> BAYLEYS NATIONAL DIRECTOR PROFESSIONAL SERVICES

Additionally, listed corporates must prove their sustainability credentials to keep stakeholders onside. That pressure is reshaping leases with more clauses on green procurement, shared data, and joint responsibility for sustainable operations. Landlords expect full access to operational data, and tenants who may once have guarded it now accept it's standard.

When large floor plates in existing buildings become vacant, Bent says enquirers now expects some level of sustainable or green credentials.

"Location is paramount and amenity provision is important, but tenants for 1,000sqm-plus space want recognised sustainability benchmarks and clear energy efficiencies.

"OPEX pressure is growing with escalating rates, and insurance is still biting hard despite some easing. Cost escalation is reshaping how value is assessed and even big occupiers with long wish lists expect sharp OPEX, so buildings that manage energy well rise to the top."

A clear split in occupier behaviour is interesting with those looking for space under 500sqm generally not factoring sustainability, cleaner energy, or green credentials into their decisions according to brokers. But once requirements exceed 1,000sqm, typically driven by corporate head offices both local and offshore, sustainability performance becomes a core filter, with tenants needing their premises to reflect company-wide ESG commitments.

Bent says the focus on environment, social, and governance pillars (ESG) has grown rapidly over the past five years, but the industry has moved past treating it as a trophy and now wanting to see tangible, proven strategy.

"The rubber is now hitting the road. Clients want tangible initiatives that lift performance, reduce risk, and future-proof their assets, not simply a label. We're seeing far more practical measures being deployed, including solar installations, because they deliver real returns and lower OPEX and are not just a sustainability tick."

BRIGHT IDEAS

A Bayleys-managed office portfolio has rolled out solar across three buildings, improving sustainability ratings by cutting grid reliance and boosting competitiveness with newer, energy-efficient stock.

"Solar unlocks value from an otherwise idle asset, the roof," says senior facilities manager Mark Fogarin. "In this case, the buildings have generous roof space rarely seen in CBD offices, creating an opportunity usually reserved for industrial properties.

"In more general terms, there's a lot you can do with an existing building in terms of modernising its technology. But the baseline for any strategy is understanding how the building actually works and that starts with accurate metering and monitoring. Once you know which parts of the building are using energy and why, you can make informed decisions about replacement systems and what they'll cost."

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> BAYLEYS SENIOR FACILITIES MANAGER

Fogarin says to stay competitive, landlords need to decide whether they'll invest ahead of the market.

"Many building owners delay energy-related upgrades until lease renewal, especially in a high-interest rate cycle. But as lease expiry approaches, leverage shifts. Tenants with sustainability mandates, often set offshore, are increasingly saying they won't stay in buildings that haven't electrified or moved off fossil fuels.

"For older buildings with vacancy, the motivation to upgrade is often strongest. If you want to compete for quality tenants, you release the capital because competitiveness forces the decision.

"Landlords tend to hesitate to re-meter, for example, if they can't see the return in rent. But the risk is without better energy data, future attraction and retention take a hit."

Embedded networks can also be a strategic option for suitable multi-tenant assets, enabling owners to unlock recurring infrastructure value from on-site electricity distribution while preserving retailer choice for tenants. They do not eliminate market price volatility, which still requires disciplined procurement, demand management, and efficient building design.

These embedded networks allow the landlord to effectively act as the lines company, on-charging line costs and creating a new income stream from existing infrastructure," explains Fogarin.

"Many landlords don't realise their building can support an embedded network, leaving money on the table which is where a switched-on property manager matters. Valuers now recognise this as recurring annuity and today it's proven and priced into income whereas years ago, it wasn't."

Bayleys' Commercial Property Management team acts as the bouncer at the door for its clients, engaging with the right contractors and technical specialists to safeguard assets and drive building performance, says Bent.

"We treat those relationships as true partnerships. And through Knight Frank, we tap into global best practice, so our clients benefit from international standards and insights."

POWER CAPACITY A FRONT-END DECISION

A focus on outgoings highlights the broader point that while energy costs are externally priced, they're increasingly shaped by decisions made within the asset.

Michael Peters, general manager of client success at New Zealand energy and infrastructure advisory firm Tenco says for commercial and industrial owners, the practical question is no longer only "what will electricity cost?" It is whether the property has the electrical capacity and flexibility to support how tenants will use energy over time.

"Building owners have traditionally focused on energy price, but increasingly, the more strategic question is whether the asset can support the next tenant, the next use case and the next stage of electrification."

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> TENCO GENERAL MANAGER CLIENT SUCCESS

Peters says the issue is also becoming more visible at a regulatory level. The Electricity Authority's distribution connection pricing reforms, effective from 1 April 2026, are aimed at improving consistency and efficiency across electricity distribution businesses, that is, the local lines companies that connect properties to the electricity network.

"For property owners, the signal is clear. Connection capacity and network settings can affect development cost, investment confidence and the pace of electrification, and connecting new or expanded electrical load is no longer a late-stage services matter."

"The Electricity Authority's recent connection pricing reforms are a signal that network access is no longer a back-office technical issue but rather, it is becoming a development and investment consideration."

The implications apply across the property lifecycle. During development, owners and consultants should engage electricity distribution businesses early, test whether proposed capacity is proportionate to likely demand, and preserve practical optionality for future tenant requirements.

Over-sizing capacity can lock in unnecessary cost while under-sizing can limit future flexibility, particularly where EV charging, gas-to-electric conversion, or higher-intensity tenants are contemplated.

The financial stakes are often realised over the life of the asset, rather than in a single electricity bill. Poor capacity planning can create avoidable upgrade costs, delay tenant works, constrain future leasing options or increase operating cost exposure. Good planning preserves optionality, enables staged investment and improves the transparency and defensibility of recoverable outgoings.

"For asset owners, the financial risk is rarely just the price of electricity," Peters says. "It is the cost of discovering too late that the property cannot efficiently support future tenant requirements."

"Electrical capacity should increasingly sit within purchaser due diligence," Peters says. "A property may have adequate supply for today's use, but not for the next lease strategy or major plant replacement. That means testing current capacity, upgrade pathways and likely future loads before the acquisition becomes unconditional."

For existing owners, the first step is often not new infrastructure but better visibility. Interval data, maximum demand, and after-hours load can reveal whether the building has a capacity constraint, an operational issue or simply an information gap.

"The next phase of asset performance will not be won by owners who simply buy more capacity," Peters says.

"It will be won by owners who design the right capacity, manage peak demand and preserve energy optionality for future tenants."