Activated capital

Global active capital remains discerning and methodical with investors targeting well-located, well-managed assets providing resilience, reliable returns and long-term market relevance.

Bayleys' global real estate partner Knight Frank has released the results of its Active Capital Survey in the report *Noise, Nuance and Opportunity* where the views of 119 global investors with over US$1.4 trillion of assets under management and $144 billion of planned deployment in 2026, were canvassed.

The overarching theme is that global investor sentiment is shifting from caution to conviction following several years of higher interest rates, pricing uncertainty and constrained liquidity.

Knight Frank's head of capital markets research, Victoria Ormond says almost 90 percent of survey respondents plan to increase their investment in commercial real estate assets under management in 2026, but says there will be a potential imbalance in some markets between capital seeking deployment and stock availability.

"This will be heightened for prime assets in markets where liquidity, transparency and repricing have aligned.

"The challenge for investors in 2026 will not be a shortage of capital, but how quickly and selectively it can be deployed before competition intensifies."

Ormond says the survey showed global investors are homing in on commercial real estate assets in the UK, Germany, France, Spain and the Netherlands. In the Asia-Pacific (APAC) region, low debt costs and structural demand drivers are expected to lure investors to Japan, Singapore and Australia.

"Investors are no longer waiting for a uniform global recovery, and capital is becoming more selective by prioritising markets where entry pricing is clearer and execution risk is lower, even if wider macroeconomic uncertainty persists.

"Well-located, ESG-compliant office assets meeting modern occupier demands are a target asset class, industrial and logistics remains a high-conviction sector, and retail is also seeing a measured resurgence typically with a focus on income resilience and repriced opportunities.

"Diversification is accelerating with the living sectors, including multi-family, student accommodation and single-family rental assets attracting capital, supported by demographic tailwinds and demand for defensive income. Operational and alternative sectors such as healthcare, data centres, infrastructure and life sciences are also gaining traction reflective of longer-term structural themes shaping portfolio construction."

Active capital is seeking balance rather than extremes, says Ormond with planned deployment for 2026 split across Core, Core-Plus, Value-Add and Opportunistic strategies.

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VICTORIA ORMOND
HEAD OF CAPITAL MARKETS RESEARCH, KNIGHT FRANK

"Core retains its role as a portfolio stabiliser, and as debt costs ease and bond yields moderate, Core's competitiveness against fixed-income alternatives is improving.

"Higher-risk strategies remain firmly on the agenda, but investors are demanding a clear premium for complexity, execution risk and repricing uncertainty."

More than two-thirds of respondents plan to consider joint ventures or capital partnerships in 2026, highlighting the importance of collaboration to access specialist expertise, diversify risk and secure larger or more complex opportunities.

"Agility is emerging as a defining advantage," explains Ormond. "With competition set to intensify in markets where pricing clarity has returned, investors who can move quickly, structure creatively, and partner effectively are more likely to secure early-cycle opportunities."

NEW ZEALAND CAN SPRINGBOARD OFF AUSTRALIA

Bayleys national director commercial and industrial and lead for the firm's capital market arm, Ryan Johnson, says while there had been a dearth of transactions over $20 million since late-2021, activity picked up from September 2025.

"Global investors are looking at New Zealand's change in debt-to-yield spreads, our enabling tax environment, and the revised seismic stance which has provided some clarity around obligations, and they're seeing real value in this market.

"It bodes well for us that the Knight Frank report identified Australia as a preferred market for active capital because pricing in New Zealand is often benchmarked against the eastern seaboard of Australia.

"As demand rises for commercial real estate assets in Melbourne and Sydney, and the debt-to-yield spread compresses, global capital will recognise value in the New Zealand market by comparison, and we'll be the next cab off the rank."

Landlords, particularly in the listed sector, are looking to recycle capital more actively, says Johnson, which will feed into elevated enquiry from offshore investors.

"We're already noting an uptick in enquiry out of Europe and the west coast of North America where volatility is driving cross-border activity, and the Asian market remains curious about the opportunities here."

Johnson says capital partnering and joint venture considerations are coming to the fore as offshore parties identify pathways to acquisition in New Zealand.

"We have respected entities with scale, strong local operating platforms for asset management and expertise,

“We’re noting an uptick in enquiry out of Europe and the west coast of North America where volatility is driving cross-border activity, and the Asian market remains curious.

RYAN JOHNSON
BAYLEYS NATIONAL DIRECTOR
COMMERCIAL AND INDUSTRIAL

and trusted market relationships looking to partner with global capital to execute strategic projects with identified earnings growth across all asset classes.

“An offshore investor may look to seed its New Zealand investment and local partner relationship with two to three assets under exclusivity, align a three to five-year pipeline across various sectors with ESG and capex milestones, with a currency hedging policy and fast-tracked Official Information Act (OIA) consent to enhance deal certainty.

“Bayleys’ capital markets team can originate the pipeline, identify local partners, advise on capex and ESG opportunities, provide research and advisory services to assist key decision making, co-market with Knight Frank for vendors, and bring Bayleys Property Services division onboard for post-deal performance and management.

“Additionally, we can assist in leveraging the services of Invest New Zealand, an autonomous Crown entity established to attract foreign direct investment and point investors to the Investment Boost tax incentive.”

Syndicators and property fund managers are also proactively back in the market after a lull in activity, reflecting the inherent growth fundamentals of high-quality, high-yielding commercial and industrial real estate in a lower cost-of-debt environment.

“Asset classes with robust structural drivers are being selectively targeted, with the clever money identifying stable, income-led and growth-aligned assets with sound ESG credentials and longevity.

“On the flip side, owners of secondary assets will need to get up to speed with smart repositioning strategies to stay relevant in a market that is becoming highly sophisticated.”

Knight Frank’s data shows Core assets have the highest average portfolio weighting (51 percent) among those targeting it, with investors chasing stability and liquidity. Johnson says with a relatively limited supply of pure Core stock compared to other APAC markets, New Zealand could play the Core-Plus card.

“Perhaps there’s an opportunity to position New Zealand as ‘Core-Plus with a premium’ by targeting unlevered entry yields at a clear premium to Australian Core, plus currency advantages against the USD.”

NEW ZEALAND NEEDS TO SEND SIGNAL

Bayleys director capital markets, Jason Seymour, says global dry powder is poised to re-engage as interest rates stabilise.

“In the APAC region, 2026 outlooks point to more assets coming to the market and steadily higher sales volumes, but New Zealand will need to demonstrate superior risk-adjusted outcomes and lower deal friction to compete.

“We need to signal certainty and speed and offer a yield/total return premium over Australia and other markets, along with presenting platform opportunities such as multi-asset or precinct assets with inherently low impediment to execution.”

With The Reserve Bank of New Zealand cutting the OCR to 2.25 percent last November, and with a projected trough circa-2.2 percent in mid-2026, the bank’s tone now looks to a “hold” position unless data weakens.

“This narrative could give New Zealand more certainty over other markets for 2026–27 and supports price discovery,” says Seymour.

“Given prime rental growth forecasts and fixed growth structures in leases, New Zealand Core and Core-Plus opportunities are shaping up well against the Sydney and Melbourne markets. Add in OIA reform and faster consenting pathways with significantly shorter timeframes than Australia, and deal friction is reduced for New Zealand acquisitions.

“Bayleys’ capital markets team can benchmark pricing against Australian comparables, and anchor bids with deal calendars that reflect OIA condition timeframes so offshore investment capital can commit.”

While the Knight Frank report showed improved investor demand for office assets in many global markets, Seymour cautions that New Zealand could demonstrate a lag. He says investors might be ready to jump back into office building investments in London or Germany in 2026, but the market for Auckland and Wellington office assets may take longer to rebound while repriced assets remain available in the larger global markets.

“However, after several years of suppressed demand for office sector investment, particularly for secondary stock, there is significant potential and opportunity to reposition existing assets.

“Using Greenstar and NABERSNZ targets for seismic and services benchmarking and upgrades, and by leveraging the Investment Boost incentive which gives a 20 percent immediate deduction on qualifying improvements to strengthen equity internal rate of return, there’s a compelling case for repositioning office assets.”

As an investment class, living sector assets are on the rise globally. Seymour says in New Zealand, build-to-rent and purpose-built student accommodation remain under supplied in major centres like Auckland.

“Stock scarcity, and typically bespoke projects are limiting the investment opportunities – for now.

“There is scope for joint ventures which matches the global tilt to partnership models, and there are Council and university-linked pipeline opportunities near transit hubs and universities which global investment partners would gravitate to.

“In this regard, Bayleys can identify and aggregate land, arrange developer and operator joint ventures, and help secure long dated debt.”

Aligning with trends and sentiment seen across the APAC market, New Zealand’s logistics sector supply is disciplined, with rental growth prospects and investor demand, solid. Bayleys can pinpoint and curate national roll ups to deliver scale, and run sale and leasebacks for blue chip occupiers looking to recycle capital from industrial asset ownership, back into their businesses.

Retail investor demand is selective with well-located, experience-led shopping centres in favour, and large format retail (LFR) assets performing well.

“Investor activity has picked up significantly over the past 12 months as assets re-price and debt costs retreat,” explains Seymour. “We see an opportunity to create portfolio lots with values of $150–400 million-plus in the retail sector with a focus on convenience, LFR and centres with omni-logistics adjacency.”

Seymour says the data centre market is gaining momentum globally, with APAC capital aggressively allocating to data centres in Australian and Singaporean hotspots.

“There is limited stock available for investors in New Zealand with projects operator-driven with infrastructure-like structuring. But as a country we’ve shown we can compete on grid resiliency, climatic advantage, and land availability so watch this space.”

Knight Frank’s Active Capital Survey:

KEY TAKEAWAYS

- 87% of investors, by assets under management, plan to increase investment and 62% by respondents expect to be net buyers. This rises to 74% for core investors, signalling heighted competition for prime assets amid potential for a supply–demand imbalance in some markets.
- Partnerships will be key with 68% of investors, representing ~$94bn, considering joint ventures or capital partnering to access new markets, scale and complexity.
- 60% of surveyed global investors plan to target the UK in 2026, with Germany close behind. Beyond Europe, Australia and Japan break into the top 10 destinations.
- Offices are set to be the most targeted sector (69%) of respondents, but with selective conviction and a focus on prime, ESG compliant assets in core CBDs, and repriced secondary assets with repositioning potential.
- Living sectors are the second most targeted sector (65%) with multi-family (46%) and student accommodation (35%) attracting the most planned investment by number of responses.
- Industrial/logistics remains a high-conviction play, with 63% targeting the sector, supported by e-commerce growth. Meanwhile, retail is back on the radar with 56% of investors planning allocations.
- Operational real estate gains traction as investors widen their net to capture structural headwinds: Data centres (31% plan to target vs 29% current exposure) | Healthcare (31% vs 27%) | Life sciences (21% vs 18%) | Infrastructure (19% vs 12%).
- Core returns with $37 billion planned investment targeting this strategy. Core retains the highest average portfolio weighting (51%) among those targeting it.
- Expect dispersion in core hurdle rates. Unlike Core-Plus and Value-Add, which exhibit relatively tight clustering, Core hurdle rates show wider dispersion across sectors and geographies reflecting variations in risk-free rates and liquidity conditions.

SCAN TO FIND OUT MORE

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JASON SEYMOUR
BAYLEYS DIRECTOR
CAPITAL MARKETS