In the mix for '26

Bayleys business line leaders expect broadly improving prospects across sectors and sub-segments of the market as 2026 unfolds.

Commercial real estate investment fundamentals have really kicked in off the back of the country's well-performing rural economy, the growing regional economy, economic reforms and government policy initiatives, improving GDP metrics, and more positive business confidence.

Bayleys national director commercial and industrial, Ryan Johnson, says while the market certainly won't move dramatically in the next 12 months, optimism is now founded more on reality than hope.

"New Zealand's economic recovery has been tangibly export-led, as opposed to the artifcial Covid-driven immigration and residential sugar-rush economics we saw play out post-pandemic.

"There's broadening confidence in the wider economy, a rise in business sentiment, and a lift in employment activity. All in all, 2026 looks good across all of Bayleys' business lines."

Johnson says as an asset class, commercial real estate makes sense with buyer groups across the spectrum from entry-level to high-net-worth individuals, through to family office, superannuation fund managers, syndicators and global active capital, mobilised.

"From a cost of debt versus return on investment perspective, commercial real estate is streets ahead of other investor options right now and there's plenty of stock both in the market, and in the wings, to satisfy demand.

"On the supply side, the Ministry of Business, Innovation, and Employment's (MBIE's) National Construction Pipeline Report shows non-residential activity forecast to rise steadily to $13.5 billion by 2030, with the private sector continuing to be the largest initiator of non-residential building intentions."

MBIE says infrastructure activity is also forecast to gradually increase year-on-year, to reach $19.6 billion in 2030, with both local and central government agencies finalising future infrastructural work programmes which will further boost commercial development confidence and buyer sentiment, according to Johnson.

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>
> **RYAN JOHNSON**
> BAYLEYS NATIONAL DIRECTOR COMMERCIAL AND INDUSTRIAL

"As well as strong domestic lines of investment capital, there's significant global capital to be deployed with Asia-Pafific viewed as an investment region of choice, and plenty of development and acquisition partnership opportunities to pursue."

TIME CRITICAL

Bayleys national head of occupier strategy and solutions, Steve Rendall, says corporate occupier sentiment is now more positive and confident with growth versus contraction dynamics battling it out in Auckland.

"Generally the larger occupants are looking to downsize slightly while simultaneously taking on more efficient, higher quality space with better access to transport links and local amenity. But there are plenty of encouraging growth stories in the small to medium enterprises (SME) occupancy market.

"We anticipate an undersupply of A-grade office space in the coming 12 to 18 months, although not all larger opportunities have yet been absorbed. Under-supply is expected most acutely in the Auckland CBD and we expect further absorption in the Wynyard Quarter A-grade market, and in the B-grade market in mid-town, eastern Auckland and Newmarket as a consequence."

The new supply pipeline is fairly constrained over the next five years, however Rendall says development projects underway will alleviate some of the undersupply – although timing remains a challenge.

"Mansons' 14,000sqm-plus development in Graham Street has anticipated delivery circa-Q2 2028, Cooper & Co has 16,000sqm in Britomart with delivery likely 2029 onwards, while Precinct's 60,000sqm project has projected delivery of late-2031.

"The size and timing of other planned developments are yet to be confirmed, including Stride's proposed mixed-use office and retail development at North Wharf."

Rents are forecast to increase, and fixed annual rental increases are expected to nudge closer to 3.5 percent, particularly where landlords have funded fitout.

Rendall says timing challenges associated with successfully relocating a larger tenant will continue in 2026, with occupiers needing to allow plenty of runway.

"Lining up occupancy commencement with the expiry of lease-tails will be a challenge, as will access to capital to fund fitout and the in-house expertise required for delivery.

"Landlords that can fund and manage fitout delivery will retain a competitive advantage in today's market."

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STEVE RENDALL
BAYLEYS NATIONAL HEAD OF OCCUPIER STRATEGY AND SOLUTIONS

OFFICE LIFTS

Bayleys national director of office leasing, Matt Lamb, notes a positive shift in corporate occupier sentiment, with the flight to quality remaining paramount.

“We’re seeing a lift across most New Zealand office markets, although economic conditions and financial constraints remain handbrakes to timely decision making.

“Larger organisations are generally optimising footprints, while SMEs are showing more growth-led demand.”

Lamb says A-grade office supply is tightening in most major centres as demand improves and the forward pipeline remains constrained.

“Few speculative projects are proceeding without strong pre-commitment, so the refurbishment and repositioning of existing buildings is increasingly filling the supply gap.

“The country’s office market is now clearly two-tiered, with modern, well-located buildings outperforming secondary stock, and quality, well-positioned buildings with amenities leasing faster with less reliance on incentives.”

Prime office rents are firming nationally, with modest rental growth expected through 2026. Fixed annual rental increases are edging higher, with 3.0–3.5 percent becoming more common for quality space.

“Sentiment is improving but still cautious in Wellington, particularly across government and government-adjacent occupiers and as it’s election year, caution is heightened,” says Lamb.

“Demand for seismically compliant modern A-grade space remains robust with CBD and government-centric precincts generally holding their own, but areas like Te Aro waning as creative and tech occupiers consolidate or exit. OPEX is still elevated, but stabilising, and there’s minimal new stock in the pipeline.

“Tauranga, while having limited A-grade supply, is one of the stronger regional growth markets, supported by population growth, decentralisation and professional services expansion, while Hamilton has steady occupier demand with gradual upward pressure on rents for quality stock.”

Occupier sentiment is stable and positive in Christchurch with prime space continuing to be absorbed, rents stable or moderately increasing, and fewer incentives required.

“The mood is shifting from stabilisation to selective growth. The next phase of the cycle will favour quality assets and proactive landlords, and reward forward-thinking occupiers.”

SHOP TALK

While monetary policy eased in 2025, Bayleys national head of retail, Chris Beasleigh, says it will take time for the benefits to trickle through the economy, particularly when it comes to retail spend.

“Christmas period spending data confirmed that consumers were cautious, with transaction values slightly down on the previous year. However, with lower interest rates and an improving employment market, consumer confidence should improve and wallets will hopefully open again.”

Beasleigh says while a number of high-profile retail businesses have closed down, and retail expansion plans may largely be on hold, retail leasing activity picked up towards the end of 2025, with Q4 encouraging across market segments.

“Big box retail continues to outperform other sectors and we anticipate this will continue through 2026. Pleasingly there’s been an uptick in the high street, and in the hospitality sector, too.

“International brands are scouting for optimal space in Auckland, Christchurch and Queenstown. News

“With lower interest rates and an improving employment market, consumer confidence should improve and wallets will hopefully open again.

CHRIS BEASLEIGH
BAYLEYS NATIONAL DIRECTOR RETAIL

of the flagship Cartier store and the Faraday luxury department store planned for Queen Street show there’s confidence in the upper end of the Auckland market which is healthy.”

Sales-wise, Beasleigh says some big retail property transactions were concluded around New Zealand in 2025, and global indications are that the sector is undergoing a bounce-back.

“We’re seeing a rise in dedicated large format retail funds here with the likes of Mackersy, Willis Bond and Centuria actively in the market.

“And while the new investor/visa settings introduced by the government last year are yet to make an impact in the retail sales arena, we expect more action on this front in 2026.”

MIXED BAG

Industrial occupier enquiry and movement was dampened last year as uncertainty continued to plague the economy but, with business confidence rising, Bayleys national director industrial and logistics, Scott Campbell, expects to see a lift in leasing and sales activity through 2026.

“Sub-lease inventory is now being absorbed which shows occupier demand returning, and big decisions are being made by tenants across business types.

“Larger developers are searching for land opportunities, offshore buyers are back, and there’s plenty of private capital looking for a home.”

Campbell says the industrial sector takes a hit when retail spending is subdued, so as household confidence improves, demand for warehousing, distribution and logistics assets will also pick up.

“There was a rise in sales activity in Q4 2025 and indications are that momentum will continue to build during the year. While some sectors exercise caution in an election year, our historic sales data shows that industrial property is not traditionally impacted so we’re expecting deal numbers to improve in 2026.”

Government policy announcements made last year will intersect with other market forces to bring impetus to the sale and leasing of existing stock, and the new-build pipeline.

“The proposed replacement bills for the Resource Management Act, along with the National Infrastructure Plan, and funding for the Roads of National Significance programme, will impact the industrial sector in various ways,” Campbell says.

“When bundled with expansion at major ports, growth of the Ruakura Superhub, new projects by leading development entities like Goodman, Logos/ESR, and Euroclass, plus the evolution of new industrial precincts such as Whenuapai, there’s plenty to be positive about.”

OPEN DOOR POLICY

Bayleys national director hotels, tourism and leisure (HTL), Wayne Keene, says lower interest rates and clear indications that New Zealand tourism is returning to pre-pandemic levels will propel enquiry and activity in the HTL sector this year.

“I expect first-time enquiry to increase as confidence grows, and we’re already seeing renewed activity from seasoned investors who’ve been sitting on their hands for some years.

“Offshore enquiry has also increased. People want to immigrate here and are seriously looking for opportunities, with many already well-advanced with processes through immigration consultants. The government’s new policy settings, including the Business Investment (BIV) and Active Investor Plus visas, are starting to gain momentum.”

Keene says New Zealand’s HTL market is tightly held across asset classes, and expects HTL sector business sales to increase given relative affordability and the impact of the BIV which is in turn encouraging business owners to come to the market, and driving competition among buyers.

Funding for HTL assets has been something of a challenge in recent years, however Keene says innovative lines of capital are emerging and he expects this to ramp up this year.

“We are aware of several funds going through registration with Invest New Zealand, the government agency dedicated to facilitating foreign direct investment, and we are currently dealing directly with a fund focusing solely on tourism assets.

“The forthcoming opening of the New Zealand International Convention Centre and the City Rail Link will supercharge the Auckland HTL market, while the Christchurch and Queenstown markets continue to perform well.

“Regional New Zealand is also benefitting from improved visitor numbers with operators noting tangible uplift, particularly from the US market which is no surprise given the dollar.”

MONEY WAKES UP

Bayleys national director business, William Cheong, says he anticipates a stronger year for business mergers and acquisitions this year fuelled by improved economic fundamentals and strategic government policy initiatives designed to drive investment.

“Vendors are one year further along in navigating a challenging economic environment. Generally, good staff remain hard to find, and retail spending didn’t rebound as much as we’d hoped by the end of 2025 so there are still residual challenges in the market.

“With the OCR declining in Q4 2025 and banks showing a significantly increased appetite for providing acquisition funding to investors, we foresee an influx of dormant money returning to the market.”

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WILLIAM CHEONG
BAYLEYS NATIONAL DIRECTOR BUSINESS

The Business Investment Visa (BIV) that came into effect last November will start to impact the business sales market and Cheong says his nationwide team is proactively engaging with key professionals working at the front line with offshore buyers.

“Overseas money is entering the country, driven by the need for prospective immigrants to purchase businesses to fast-track their residency applications. The BIV enables qualified, experienced business people to invest in, and actively operate, an established business here while streamlining a migration pathway.

“This will likely lead to a surge in business acquisitions through this scheme during 2026.”

Cheong says he remains cautiously optimistic, with the upcoming election year introducing potential uncertainty.

“Despite all indicators pointing to a stronger market, the possibility of a change in government may make investors more cautious.”