Private gains

Knight Frank's 2025 issue of The Wealth Report highlights the increasing presence of private capital in the real estate market across the globe; a trend reflected here in New Zealand.

As the world waits for inflation to be properly tamed after two years of volatility, there is strong and sustained appetite among private investors for the opportunities available in property, according to Bayleys' global partner Knight Frank's flagship annual report.

The 2025 edition of *The Wealth Report* found 25 percent of family offices with existing residential portfolios are considering further purchases, with 44 percent looking to expand their exposure to commercial property over the next 18 months, in a climate of reduced but ongoing economic challenges.

Knight Frank global head of research Liam Bailey says: "Inflation has not yet been subdued in the developed world, but the consensus is that rates will gradually fall from here.

"Any easing of rates will be particularly welcomed in the real estate world. Higher debt costs and a sharp rise in fixed income returns have contributed to a near 60-percent drop in investment volumes across global property markets since the market peak in 2021. The most recent data indicates a significant slowdown in the pace of this decline, with investment volumes in the second half of last year rising year on year."

Private investment appears to be leading that with direct real estate ownership currently accounting for 22.5 percent of a typical family office investment portfolio, according to *The Wealth Report*. Key sectors in demand globally, as family offices look to expand their holdings, are living, logistics and luxury residential.

Bayleys senior director capital markets Jason Seymour says Bayleys data reflects a similar trend locally.

2024 figures show 68 percent of Bayleys' buyers in $20 million-plus transactions were private investors, compared to 47 percent in 2023 and a seven-year high. Institutional investors were at 16 percent in 2024, with user/other investors at 10 percent and syndicators at six percent.

"The majority of buyers in our domestic commercial market stem from private wealth. While that has been the case for some time, that percentage is clearly growing. Many institutional investors have been challenged by the economic conditions and have been keeping a more careful eye on their balance sheets and existing portfolios, so have had less head room to look at buying," Seymour says.

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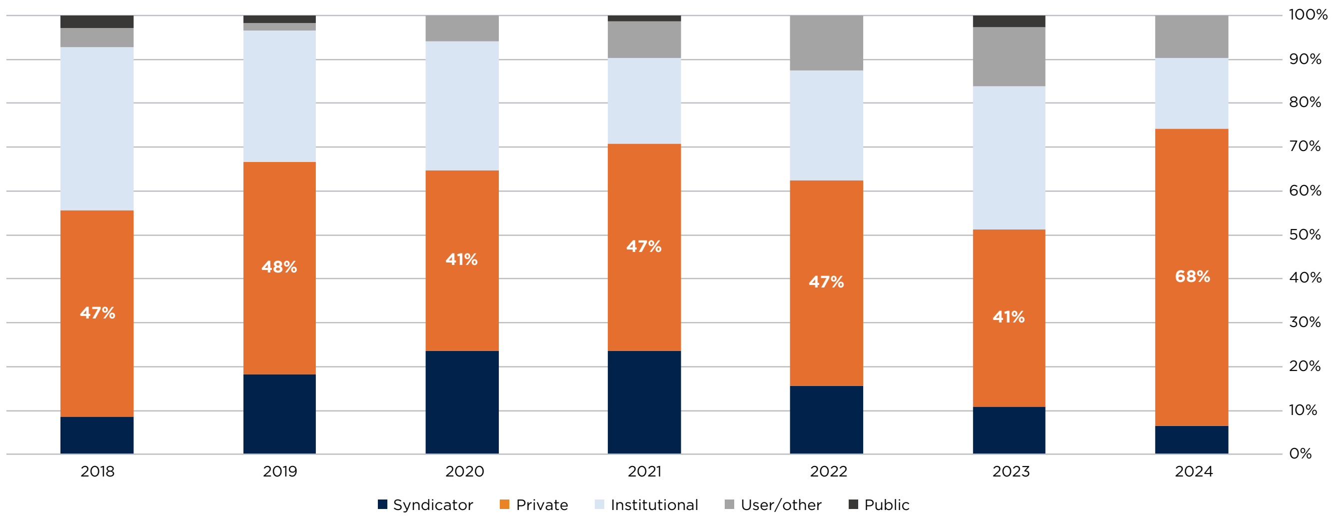
Composition of buyer types over time by count

New Zealand C&I transactions, $20 million-plus



"Many private investors have significant cash reserves they've been sitting on for the past couple of years. The market came off that period of record-low interest rates and record-low yields, into an inflationary environment in which activity slowed significantly. That's when private wealth gets active, looking for the right opportunities as assets are repriced. That's a big part of why we've seen them take up a bigger slice of the market activity."

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DOMESTIC FOCUS

Another interesting factor noted in the Knight Frank report is that of New Zealand's family office property investments 93 percent are domestic; the highest of any country surveyed. Australia at 90 percent and the US at 86 percent are the next most domestically focused private investor regions.

It's an understandable response as market conditions moved from stable to volatile, Seymour says.

"In a changeable environment investors feel safer investing in the local markets they are familiar with. It means they don't have to take on currency risk and the challenges of locally funding offshore investments.

"Investing domestically also taps into simpler legal and tax frameworks, strong and well-established property rights, and easier asset management all within a safe-haven market and relatively stable political system. The reasons that foreign investors are attracted to and invest in New Zealand are the same reasons that private buyers primarily invest domestically," he says.

LIVING, LOGISTICS AND LUXURY

The property classes of particular interest to global private investment, according to *The Wealth Report* are living (14.3 percent of family offices surveyed), logistics (13.2 percent) and luxury residential (12.1 percent).

Seymour says the global interest in the living sector including student accommodation and build-to-rent, logistics and luxury residential sectors is also reflected in the New Zealand market where the same demand drivers as offshore markets are prevalent.

"New Zealand's ongoing under-supply of housing combined with strong population growth and related urbanisation supports most living sector assets, including at the luxury end of the spectrum," he says.

"Meanwhile, in the logistics sector, the boom in e-commerce, supply chain shifts and last-mile delivery demand in urban areas have combined to drive strong demand from occupiers and investors.

"Private capital is attracted to the reliable income streams and comparatively lower vacancy risk in these sectors as well as their capital growth potential. None of these sectors have seen the high level of volatility witnessed in the office and retail sectors. New Zealand investors are not immune to these global patterns."

INDIVIDUAL INFLUENCE

In *The Knight Frank Wealth Sizing Model* within the report, Knight Frank identifies high-net-worth individuals (HNWIs) as people with at least US$10 million net wealth and ultra-high-net-worth individuals (UHNWIs) as people with a net worth of at least US$100 million.

According to *The Wealth Report*, the number of people with at least US$10 million rose by 4.4 percent globally in 2024, while New Zealand's high-net-worth population of individuals holding assets over US$10 million stands at 5,512.

Previous editions have highlighted an increased push toward sustainability and lower carbon emissions in the investment portfolios of wealthy individuals, while the 2025 issue of *The Wealth Report* found that, globally, family offices are slowly passing the reins to younger, Gen X, Millennial and Gen Y family members. All of which means we may start to see a generational shift in investment priorities, Seymour says.

Of the 150 family offices surveyed by Knight Frank, 58 percent said that the next generation is already involved in investment decision-making. Almost 40 percent said there had subsequently been a change in the investing strategy. Some 11 percent said the strategy had "shifted significantly".

As the report states: "Moral and cultural differences between generations do influence investing strategies, our experts say. Some 63 percent of our millennial respondents said they had already put money into sustainable investments, compared with just 35 percent of baby boomers, for example."

Climate resilience is becoming a key factor in properties of interest to private wealth, particularly in sectors like vineyards, yachts, and premium residential markets, *The Wealth Report* says.

Seymour says it is typical for global shifts, and new generations to influence or change the direction of investor interest. Meanwhile *The Wealth Report* indicates that while the prioritising of ESG factors isn't going to go away, what investors look for in that sector may be evolving.

The 2024 edition of *The Wealth Report* found 61 percent of UHNWIs were looking at energy efficiency rating before making real estate acquisitions, with 48 percent looking at on-site renewable power. The 2025 report has found 75 percent of investors are looking more broadly, beyond green certifications to the capital expenditure required to meet future sustainability related regulation, with 47 percent wanting the actual energy data needed to understand building performance.

> All challenging economic periods bring with them opportunity and those with cash reserves, such as private investors remain probably best placed to seize the early opportunities.
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"Investment profiles historically do change as new generations move in and have changing values in line as global issues and attitudes change. Sustainability is likely to remain a core focus through any generational changing of the guard among private investors, but smart investors also have their eye on all global social, economic and political developments to be ahead of the next shift," Seymour says.

INTO THE FUTURE

Looking ahead, the 2025 issue of *The Wealth Report* highlights geopolitical risks, trade wars, and fiscal challenges as potential hurdles to future wealth creation globally. And, while inflation is coming under control, concerns remain over potential economic downturns and asset bubbles in sectors such as AI.

Despite those elevated global risks, Bailey says there is plenty of global opportunity for investors.

"From growing luxury residential markets, through established, as well as new, commercial property opportunities, to the next big collectible sectors, the prospects for growth are compelling for those willing and able to look beyond the risks."

Seymour says the same potential exists within the New Zealand commercial landscape.

"All challenging economic periods bring with them opportunity. There is still some road to travel before we'll see the real impact of lower OCR rates on commercial activity in New Zealand, and in the meantime those with cash reserves, such as private investors remain probably best placed to seize the early opportunities.

"As we hopefully start to see the economic indicators stabilise through 2025, I'd expect to see more institutional investors finding the confidence to make strategic portfolio acquisitions as asset valuations improve and gearing pressures ease."

Active Investor Plus visa changes

A new variable likely to impact the make-up of New Zealand's property investment landscape is the Government's changes to the Active Investor Plus immigrant visa, which came into effect on 1 April 2025.

The goal of the new visa requirements is to create an easier pathway to residency in Aotearoa for those potential immigrants able and willing to invest in the New Zealand economy.

Prior to the changes, those seeking the Active Investor Plus visa needed a minimum $15 million to invest locally or the weighted equivalent in acceptable investments in New Zealand.

That "weighted equivalent" requirement has been replaced in the amended visa conditions by two categories: growth and balanced. A minimum investment amount of $5 million will be required for growth category investors over a three-year investment term. A minimum investment amount of $10 million will be required for balanced category investors over a five-year investment term.

While directly investing in property was not permitted under previous Active Investor Plus restrictions, the new changes have broadened the scope of acceptable investments.

The balanced category now includes property investments, though they are limited to new residential developments that increase New Zealand's housing stock, and new or existing commercial or industrial developments which add value, such as earthquake strengthening.

Applicants applying under the growth category will be required to spend 21 days in New Zealand over the investment term. Those applying under the balanced category must spend 105 days in the country over the investment term, though this may be reduced based on the amount invested.

Bayleys senior director capital markets Jason Seymour says the Active Investor Plus visa changes should have a positive impact on the commercial market.

"Anything that makes it easier for offshore capital to come into New Zealand's property market is of benefit.

"We all saw the impact of the foreign ban on residential houses when suddenly we had half as many buyers in the market. The commercial market is no different. Any initiative that generates more buyers, more activity in the market and a wider pool of new capital to draw from is going to invigorate the market.

"By putting a focus on improving the volume and quality of New Zealand's property stock, the visa requirements should help ensure investment improves the overall value of our commercial market and could be the catalyst developers have been waiting for to move forward on key projects."

For more information on the Active Investor Plus visa changes visit **immigration.govt.nz**