Real signals outweigh noise

The broader economy may be uneven, but commercial real estate is gathering pace and delivering real opportunities for those paying attention.

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Electioneering may dominate headlines over the coming weeks, but switched-on commercial real estate investors continue to play the ball in front of them by anchoring decisions to what is real and moving in the market today rather than getting derailed by campaign jargon.

The fundamentals that shape value such as committed infrastructure projects, occupier behaviour, precinct performance and long-run growth fundamentals continue to matter far more than short-term political debate, and investors who stay focused on these drivers are best positioned to make clear, confident decisions.

In announcing the latest OCR rise, the Monetary Policy Committee took a more dovish stance saying New Zealand's economic recovery is gradually strengthening with inflation expected to ease back to the two-percent mid-point by late 2027 as fuel-price pressures fade and monetary stimulus is withdrawn. Rising real incomes and a gradual lift in consumer confidence are projected to support broader economic expansion, creating a more favourable environment for investment.

New Zealand's inflation pulse has not yet returned to neutral, and that is partially shaping vendor decision-making. The bid-ask spread has tightened, but there is still ground to cover as investors reassess long-term risk. Historically, the 30-year average gap between 10-year bonds and commercial cap rates has sat between 300 and 400 basis points, but today it sits closer to 75 to 200 basis points, signalling that risk premiums for commercial real estate investments are still being priced in. The listed property sector remains discounted, trading around 22 percent below net tangible assets, and more stressed balance sheets are emerging in the office market.

Bond markets are shifting again, with 10- to 30-year rates continuing to climb. A recalibration is underway between long-term bond yields and risk asset classes, and rising offshore borrowing costs are accelerating the adjustment. The unwind from pandemic-era distortions has been slow, and the question now is whether further reversion to long-run norms is still ahead, and whether yields need to soften to complete the reset.

This is sharpening the focus on leverage, both in New Zealand and offshore, as banks and alternative lenders take a closer look at individual asset fundamentals. The long period of low debt costs effectively masked weak balance sheets, and that cover is now being stripped away. Leverage itself is not inherently good or bad, but the level and quality of leverage is becoming a decisive factor in outcomes.

Last year was a record one for Bayleys' commercial arm in terms of transaction volumes, and year to date we're tracking about 10 percent ahead of the same period in 2025. What's interesting is how consistent the sales count has been. Between the 2021/22 and 2025/26 financial years, around 99 percent of all New Zealand commercial and industrial sales were under $25 million, based on Bayleys' analysis of Cotality all-agency data.

Importantly, to avoid skewing perception, around 75 percent of those deals were under $2 million, underscoring how active that sub-set of the market remains. At the other end of the spectrum, just one percent of transactions were over $25 million, yet they accounted for around 22 percent of total value sold.

We're seeing elevated enquiry from offshore buyers, particularly from Australia, driven by New Zealand's tax settings and favourable currency dynamics. Singaporean interest is also building, with the exchange rate proving to be a major factor in cross-border appetite.

This edition of *Total Property* features 101 commercial and industrial opportunities for sale across the country, alongside industry commentary on the retail property funds sector and a check-in with the key political parties ahead of the November general election.

So, while some parts of the economy remain on struggle street, the property world is far from standing still. Deals are happening, enquiry is strong, and investors are finding ways to move forward.

There's more life in the market than many expect...

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 9,950 people in 175 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, 2024-2025)
- Medium Agency of the Year - All Disciplines (2022-2025)

2,770	$3.4B	230
SALES AND LEASING TRANSACTIONS	OF PROPERTY SOLD OR LEASED	COMMERCIAL SALES AND LEASING AGENTS

For the period 1st April 2025 - 31st March 2026.