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Private Credit 2026

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New Zealand: Trends & Developments

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NEW ZEALAND

Trends and Developments

Contributed by:

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Simpson Grierson

Simpson Grierson is one of New Zealand's premier commercial law firms, with offices in Auckland, Wellington and Christchurch. Our national banking and finance team of 29 lawyers advises major banks, non-bank lenders, sponsors, fintechs, listed companies, government bodies and corporates on complex financing and restructuring matters. Clients rely on our clear, commercially focused advice across business, trade, acquisition, project, property and asset financing. The team has deep experience across debt and hybrid securities and structured finance, bringing to-

gether banking, finance, tax and capital markets expertise to deliver co-ordinated, efficient outcomes. It is also recognised for advising on complex financial restructurings and insolvencies. Working closely with its corporate, litigation and tax specialists, it supports clients on significant transactions and evolving regulatory and compliance issues. It is particularly well known for acting for international businesses investing in New Zealand, helping them navigate local market, regulatory and commercial requirements with confidence.

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Josh Cairns is head of the banking and finance national practice group at Simpson Grierson in Wellington. Josh is a leading finance lawyer, predominantly focussing on corporate, leveraged and project/

infrastructure finance, as well as complex debt restructuring. Recent highlights include advising Watercare Services Limited on its NZD8 billion debt facilities, the largest debt capital raise in New Zealand, and advising Private Capital Group on the establishment of its fund management business in New Zealand and its private credit financing transactions.



Dominic Toomey is a partner at Simpson Grierson in Auckland. Dominic acts for domestic and foreign lenders and borrowers on all aspects of financing transactions, with a focus on corporate, institutional and

acquisition financing. He regularly advises on cross-border financing involving technology assets and the implementation of green and sustainable financing products. Recent highlights include advising Adamantem Private Equity on NZD390 million unitranche and mezzanine financing of Hellers Limited, advising the lenders on the NZD430 million club facilities for Ballance Agri Nutrients Ltd, and advising a syndicate of Asian banks on NZD295

million funding for the acquisition of an Auckland office tower.



Stuart Evans is a partner at Simpson Grierson in Auckland. Stuart is a leading expert in real estate financing and a trusted adviser to New Zealand trading banks, non-bank lenders and sponsors. He has acted on many of

New Zealand's most significant real estate finance transactions in recent years. His practice covers both financing and the related commercial aspects of real-estate lending. This combination is rare in the New Zealand market and enables cohesive financing solutions. Recent highlights include advising bank lenders on NZD95 million acquisition and development funding for Westhaven Commercial Ltd Partnership (commercial marine precinct) and NZD83.75 million development funding for Triumph Property Investments for a major mixed-use development near Auckland CBD.



Matt Mazenier is a senior associate at Simpson Grierson in Auckland.

Matt has extensive experience advising lenders and borrowers on domestic and cross-border financing transactions, with a particular focus

on leveraged financings involving private capital providers. His experience spans financing products

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across all levels of the capital structure, including unitranche, holdco PIK, senior/mezz and special situations matters. Prior to returning to New Zealand in November 2024, he acted for many of Europe's leading private credit funds. Recent highlights include advising Barings Global Private Finance on the unitranche financing of Abry Partners' acquisition of Chambers and Partners, and advising Private Capital Group on the financing of the Carbn Group management buyout.

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Overview of the Market

Private credit in New Zealand is evolving into an increasingly significant asset class as it continues to build from its modest foundations towards a more mature and diverse market. Whilst it remains at an early stage of development when compared to markets such as Australia, the United States and the United Kingdom, the sector has gained significant traction over the past decade despite the challenges posed by structural factors unique to New Zealand's domestic economy.

New Zealand's non-bank lending landscape has been strongly influenced by the central role of real estate within the national economy. This has created a deep and well-established private credit ecosystem in real estate finance, particularly the funding of residential development, land banking and commercial construction. A number of specialist domestic non-bank lenders, complemented by offshore asset managers with targeted Australasian credit strategies, have established meaningful and long-standing positions in this space. For many years, private credit in New Zealand has been closely associated with real estate lending,

providing a solid platform upon which the development of a broader private credit market can occur.

Beyond real estate finance, the private credit market is increasingly active, even as traditional corporate lending remains predominantly served by the major domestic banks. New Zealand's Big Four banks continue to maintain strong market share across borrowers ranging from SMEs to listed corporates and institutional credits (in the latter cases, often as part of a club or syndicated bank financing alongside offshore banks). Although this has meant that deal flow for private credit funds in the general corporate and cashflow-lending space has grown more gradually, interest and participation in non-property-focused private credit solutions is steadily expanding.

The small scale of the New Zealand market (both in terms of borrower base and average enterprise value) has contributed to its unique opportunity set. Transactions which, in larger markets, would be well-served by mid-market private credit funds, often fall below the minimum ticket size required by offshore asset managers to justify origination and due diligence costs. Nevertheless, large offshore credit funds have

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successfully participated in select financings in the New Zealand market (either as direct bilateral lenders or as part of small club deals), and domestic private credit funds, although fewer in number, are increasingly well positioned to compete for larger mandates as their capital bases scale.

The New Zealand corporate market is also generally characterised by conservative leverage levels and borrowers' preference for traditional relationship banking. This dynamic has historically reduced the appeal of private credit solutions for which a major point of differentiation is the ability to deliver higher levels of leverage by way of a simpler financing structure. However, borrower perceptions are steadily shifting as private credit becomes better understood and more widely recognised as a complementary and flexible alternative to bank financing.

Importantly, the overall picture is one of meaningful and accelerating change. Over the past several years, New Zealand has seen increasing appetite among mid-market borrowers – both sponsor-backed and founder-owned – for non-bank capital solutions. Several factors are driving this momentum.

- Increasing availability of capital – a growing pool of domestic and offshore asset managers are actively targeting Australasian private credit opportunities. Domestic asset managers, in particular, have benefitted from greater access to institutional and foreign capital, enhancing their ability to participate in a larger and more diverse range of financing mandates.
- Enhanced structuring flexibility – private credit funds are able to offer tailored solutions, accommodate bespoke capital structures, or support non-traditional financing requirements (for example, where speed of execution is crucial or where borrowers require financing structures and/or covenant packages that fall outside conventional bank parameters). In addition, the willingness of credit funds to accept “new-to-market” deal terms that are widely accepted in other finance markets may position those funds more favourably with borrowers and financial sponsors (particularly those with a global presence).

- Greater borrower awareness – mid-market corporates, in particular, have become more familiar with private credit as an alternative financing solution, aided by developments in more established markets such as Australia and the growing role of domestic debt advisers in arranging financing for borrowers across the credit spectrum. This increased awareness is contributing to broader acceptance and adoption of private credit across a variety of sectors.

Key Developments and Market Trends

The coming years are likely to be formative for private credit in New Zealand, driven by both macroeconomic developments and shifts in the local investment landscape.

Evolving regulatory capital settings

A major driver behind the growth of the private credit market in New Zealand has been the increasingly conservative prudential regulation to which the country's registered banks are subject. Whilst this challenge is neither novel nor unique to the New Zealand market, New Zealand's regulatory capital settings have traditionally been more stringent than those prescribed in comparable markets. Moreover, the Reserve Bank of New Zealand's ongoing transition from a light-handed approach to prudential regulation to becoming a more proactive regulator has given rise to continued uncertainty over the future of New Zealand's prudential regulatory environment.

As has been the case in other similar markets, this has created a natural opening for private credit funds, whose capital is not constrained by the same prudential regime, to meet borrowers' demand for tailored financing solutions. The result is a steadily expanding role for private credit in segments of the market where bank balance sheets are less able to respond to evolving borrower needs.

While regulators in other markets are actively considering reforms to increase regulatory oversight of private capital (particularly private credit), there has, to date, been no indication that a similar level of regulatory scrutiny will be applied to private capital in New Zealand.

Infrastructure as a growth sector

New Zealand faces a widely acknowledged infrastructure investment deficit across almost all categories of infrastructure, with government-led and private sector analyses pointing to a multi-decade pipeline of required capital investment. This has already begun to attract the attention of not only domestic asset managers, but also large offshore asset managers with dedicated Australasian or global infrastructure credit funds. Such lenders are increasingly active on Australian infrastructure financing transactions and we would expect them to further explore similar opportunities in New Zealand as the policy environment evolves and investment pathways become clearer.

Given the scale of capital required, infrastructure is one asset class where deal sizes align well with offshore managers' investment mandates. This is likely to drive increased private credit participation in infrastructure-related financings as further opportunities arise in the New Zealand market.

Influx of investment into domestic credit funds

Another driver of the recent momentum in the growth of domestic credit funds in New Zealand has been the influx of capital into domestic funds from foreign investors. A major catalyst for this, alongside traditional wholesale sources, has been the Active Investor Plus (AIP) visa scheme, introduced in April 2025. The scheme encourages high net worth individuals to invest in New Zealand's innovation and growth sectors by allocating capital into managed funds and other approved investments. Managed funds in New Zealand, and private credit funds in particular, have been significant beneficiaries of this programme.

The effect of this new investment has been twofold.

- Increased availability of capital – the inflow of capital to domestic private credit funds has given fund managers greater capacity to scale up assets under management, as well as pursue larger mandates in the process.
- Stronger investment mandates – given the AIP investment rules require capital invested into managed funds to remain invested for a three-year period, asset managers have a strong mandate from investors to compete for financing mandates

and deploy the capital that has been invested in order to deliver tangible returns within that time-frame.

This creates an emerging dynamic where those private credit managers who are receiving increased capital inflows face pressure to maintain deployment rates to satisfy investor appetite. Such pressure will drive competition between asset managers for deal flow, but the broader effect is positive: despite its limited market share relative to the incumbent banks, private credit is increasingly becoming a more recognisable and strategically important component of the domestic finance market.

Organic growth of domestic funds

New Zealand's private credit market is notable for the organic manner in which domestic asset managers have been required to build their loan books, in the absence of opportunities to acquire established portfolios. This has resulted in a market characterised by incremental, relationship-driven origination rather than scale achieved through book purchases. Notwithstanding periods of adverse publicity affecting the broader investment landscape (most prominently the widely publicised collapse of Solar Zero and Black-Rock's winding-up of its much-heralded NZD2 billion climate fund) New Zealand's domestic credit funds have continued to expand their portfolios materially. This sustained growth underscores the depth of investor support for the asset class and the resilience of domestic private credit platforms as they continue to mature.

Loan Structures and Financing Models

The structure of private credit facilities in New Zealand reflects both the realities of a smaller market and the opportunistic approach taken by private credit lenders aiming to build market share.

Bilateral secured lending as the norm

Although some private credit funds acquire participations in syndicated facilities on the secondary market, the majority of private credit transactions in New Zealand are structured as secured bilateral loans, typically provided to mid-market borrowers across a range of sectors. These transactions usually take the form of:

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- senior secured loans, frequently utilising “all asset” security;
- second-tier or subordinated debt, including second-lien facilities or mezzanine-style instruments; and
- holdco-level debt, where structural subordination can provide borrowers with additional headroom within existing bank group covenants.

The bilateral nature of these loans enables flexibility in both transaction structuring and financing terms. Private credit lenders are generally receptive to bespoke covenant packages, including financial maintenance tests tailored to the borrower’s business model, customised operational restrictions and cashflow metrics that fall outside established market norms.

Intercreditor arrangements and mixed bank/fund financing structures

One of the ongoing challenges faced by the New Zealand private credit market is the development of the unitranche product and the co-existence of all-bank and mixed-bank/private credit fund financing structures. Issues arise primarily around the absence of a well-established and broadly accepted intercreditor framework for senior/super senior financing structures, with banks and private credit funds yet to settle on a standardised set of principles governing intercreditor terms such as payment waterfalls, enforcement rights and standstill periods.

The response of private credit funds to this dilemma has varied across different parts of the New Zealand finance market. At the upper end of the market, banks and credit funds have been able to adopt positions consistent with the senior/super senior intercreditor arrangements that are well-established in other private credit markets. On domestically-focussed mid-market transactions those positions can be watered down and, moving down the scale, it can become necessary for credit funds to accommodate less sophisticated priority arrangements in order to navigate bank approval channels. This requires asset managers to adopt a flexible approach to priority arrangements across their portfolio or, where possible, provide liquidity facilities themselves.

Use of shareholder bridge loans on sponsor-backed financings

A notable development in the New Zealand finance market over the past 12 months has been the growing use of bridge shareholder loans by offshore private equity sponsors in acquisition structures for New Zealand assets. Although originally intended as short-term funding pending their refinancing by third-party debt, these loans are increasingly being retained as subordinated, longer-term components of the capital structure; often supported by second-ranking security.

Whilst such subordinated shareholder loan arrangements are commonplace in more mature leveraged finance markets such as Australia and the United Kingdom, their long-term use in New Zealand remains relatively new. As a result, they are introducing more complex intercreditor dynamics between lenders and sponsors than previously seen in this market, with some sponsors pushing for intercreditor terms more typical of mezzanine or second-lien financing structures rather than the full subordination traditionally expected of shareholder debt.

Deal Terms and Documentation Standards

The documentation landscape in New Zealand private credit transactions is evolving but continues to reflect the creditor-friendly nature of domestic bank lending practices. Private credit transactions in New Zealand are typically documented on the basis of either:

- APLMA-based precedent documentation; or
- short-form in-house templates developed by asset managers.

Covenant packages

New Zealand continues to be a market where the inclusion of multiple financial maintenance covenants is standard, even for institutional borrowers. “Cov-lite” structures common in the US and increasingly seen in Australia and the United Kingdom remain rare. Typical covenants include:

- leverage ratio tests;
- interest cover ratios;
- cashflow or working capital metrics;
- minimum EBITDA requirements; and

- capital expenditure or distribution restrictions

However, private credit lenders are often willing to adapt these covenants to reflect the borrower's needs, sector characteristics or sponsor requirements in a manner that the bank market may historically have struggled to accommodate. This flexibility, combined with the ability to propose rapid execution timelines, remains a potential competitive advantage over the banks.

Interest structuring and PIK options

Another point of differentiation between New Zealand's domestic banks and private credit lenders is the ability of private credit lenders to offer payment-in-kind (PIK) interest mechanisms; a feature that the major banks have historically been unable to provide outside of a real estate development funding context. PIK options allow borrowers to defer cash interest payments, improving liquidity in early-stage growth periods or during transitional phases following acquisition or restructuring. This is particularly attractive in leveraged buyout scenarios or during times of distress where cash preservation is prioritised.

Transferability and secondary market considerations

Loan transferability provisions in New Zealand private credit finance documents tend to be more permissive than those typically seen in English or Australian deals. Borrower consent requirements are often limited, and lenders may retain the right to transfer freely following any event of default. However, in practical terms, the absence of a deep or liquid secondary market reduces the likelihood of transfers.

Convergence with international deal terms

There is increasing pressure, particularly from regional and global private equity sponsors, to incorporate terms that have become well-established in the US, English and Australian finance markets into New Zealand law documents. Such provisions include more sophisticated covenant settings (including more extensive and permissive financial covenant definitions), more restrictive lender transferability rights,

and more extensive "permitted" definitions and basket constructs, among other things. This pressure is often driven by a desire from global sponsors to align the financing terms across their portfolio companies, regardless of jurisdiction.

Given the "market setting" nature of some of these terms, private credit funds with the appetite to deviate from traditional New Zealand market norms are well positioned to win competitive processes and shape market evolution on deal terms. This is particularly the case for global credit funds which are well acquainted with these terms in other markets.

Outlook for 2026 and Beyond

Whilst New Zealand's private credit market remains at an earlier stage of development than many comparable jurisdictions, momentum is clearly building. Several themes are likely to shape the coming years.

- Growing borrower acceptance of private credit as a viable alternative to bank financing, particularly among mid-market corporates and sponsors.
- Infrastructure financing opportunities, which may become the largest driver of private credit activity in the medium to long term.
- Increased capital supply, fuelled not only by global asset managers but also the ongoing incentivisation of foreign investment at a national policy level, which has provided domestic credit funds with enhanced deployment capacity.
- Greater institutionalisation of deal terms, as offshore funds help to harmonise New Zealand's documentation standards with those seen in the English and Australian markets.
- Opportunities for lenders willing to be flexible, particularly in navigating intercreditor issues and offering tailored financing structures and terms in a market still transitioning away from bank dominance.

Overall, the trajectory is positive, and New Zealand appears poised to continue evolving into a more sophisticated and diversified private credit market over the coming years.

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