Intelligent Investment

Private Credit in Australian Real Estate

REPORT

CBRE RESEARCH
NOVEMBER 2026



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> CBRE estimate that Australia's real estate is funded by ~$80bn of private credit and this could grow to ~$90bn-$125bn by 2030. Private credit provides funding for over 30% of all residential construction in Australia."
>
> **— Sameer Chopra, Head of Research, Pacific**

POTENTIAL FOR SIGNIFICANT GROWTH

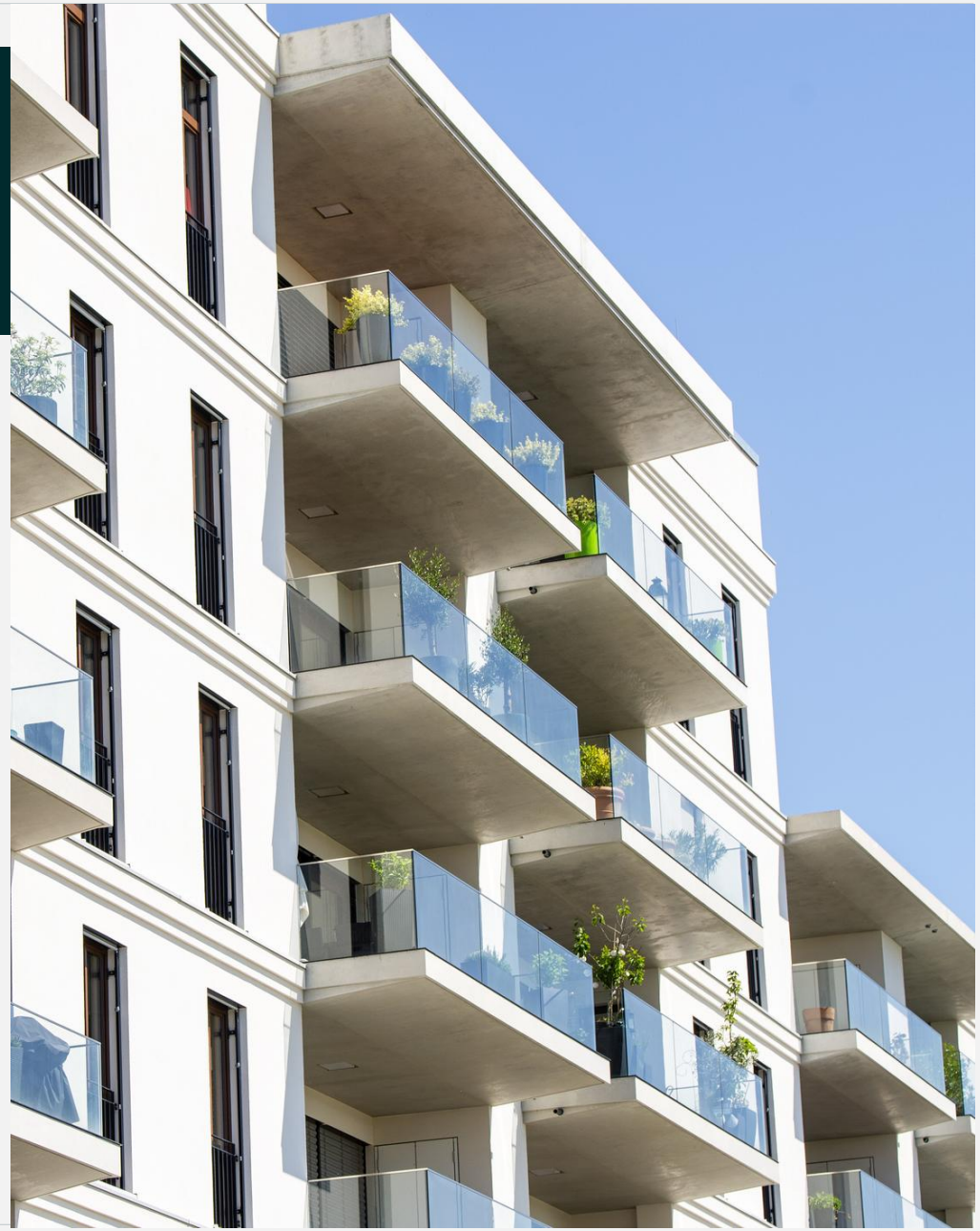
- ✓ Australia's private sector credit is ~$4,200bn, including $260bn of private credit (non-Banks).
- ✓ Australia's real estate sector is worth $13,750bn and is financed by $3,140bn of Bank/ADI lending and $80bn of private credit.
- ✓ Private credit penetration of real estate debt is: 0.3% Residential mortgage; 31% Residential development; and 6.0% Commercial.
- ✓ CBRE forecast the size of real estate private credit will increase from $80bn currently to $90bn - $125bn by 2030. Higher transaction values and increased penetration of Residential development plus select Commercial sub-segments should contribute to growth.
- ✓ Top 5 largest private credit providers to real estate account for 52% of the market and there is scope for consolidation.

POSITIONING AND PERFORMANCE

- ✓ CBRE's lender sentiment survey illustrates that non-bank lenders have a strong preference for Residential Build-to-Sell but are underweight Retail and Data Centres which typically have larger cheque sizes.
- ✓ Private credit is willing to be more accommodative of higher loan-to-value and accept lower pre-sale requirement to fund residential developments

OUTLOOK

- ✓ Residential. CBRE's forecast future supply of apartments to hover around 55,000 pa over 2026-30, with vacancy falling to 1.1%.
- ✓ Commercial. Commercial transaction volumes should continue to recover in 2027 and 2028, growing at 5%-10% pa. We forecast cap rates to expand slightly in 2027.
- ✓ Construction: CBRE expect +5.5%pa construction cost growth over 2026-30, most evident in Brisbane and Perth.



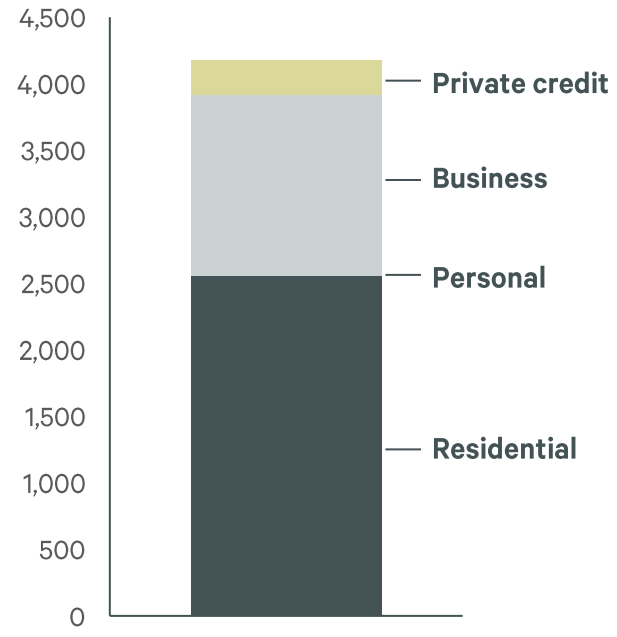
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Australian debt market size

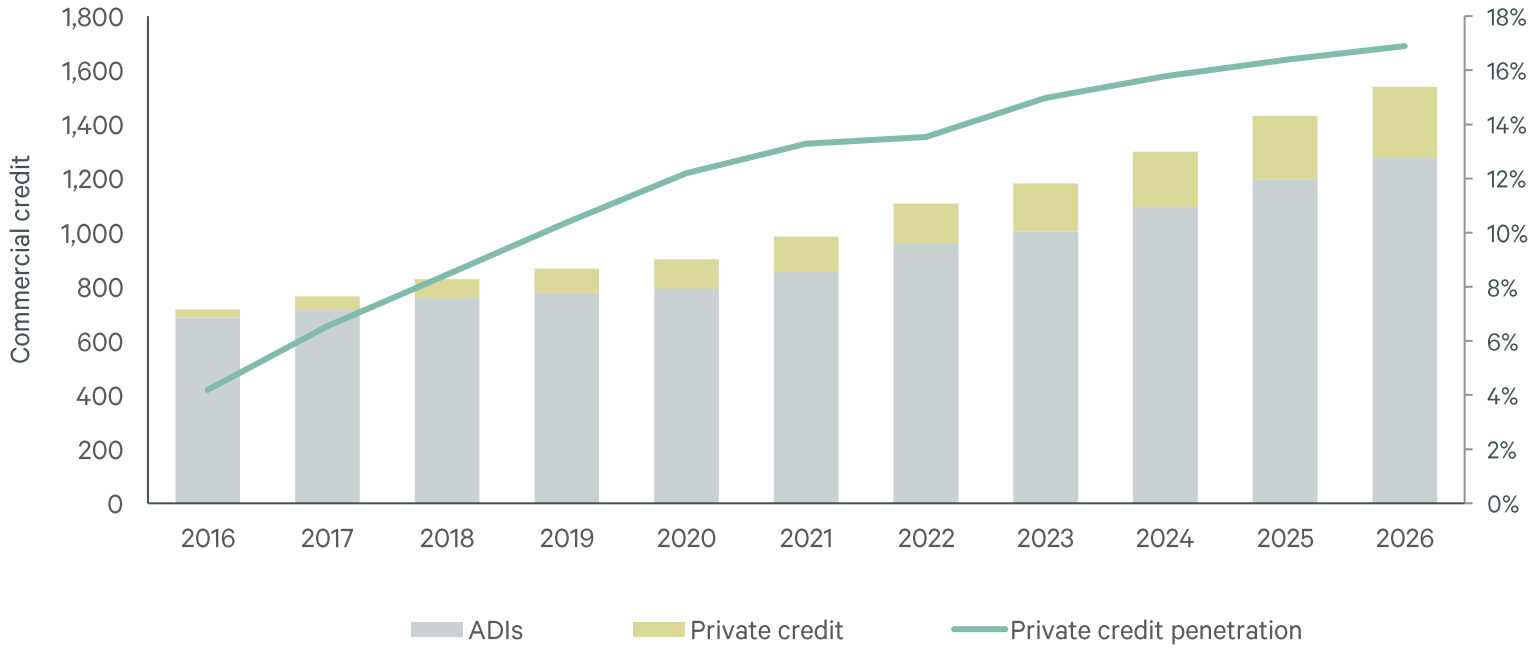
Australian private sector debt is currently (2026) estimated at $4,200bn. Private credit lenders account for $260bn (6.1%) of overall private sector debt ($80bn real estate, $180bn business).

Private credit penetration of commercial lending has increased from 4% in 2016 to ~17% currently. Changes to regulatory capital requirements coupled with borrower requirements for flexibility on terms have contributed to growth in private credit.

Total private sector debt $bn



Commercial debt $bn and private credit penetration



CBRE Research, ABS, APRA, Company reports, EY, RBA

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Australian real estate debt

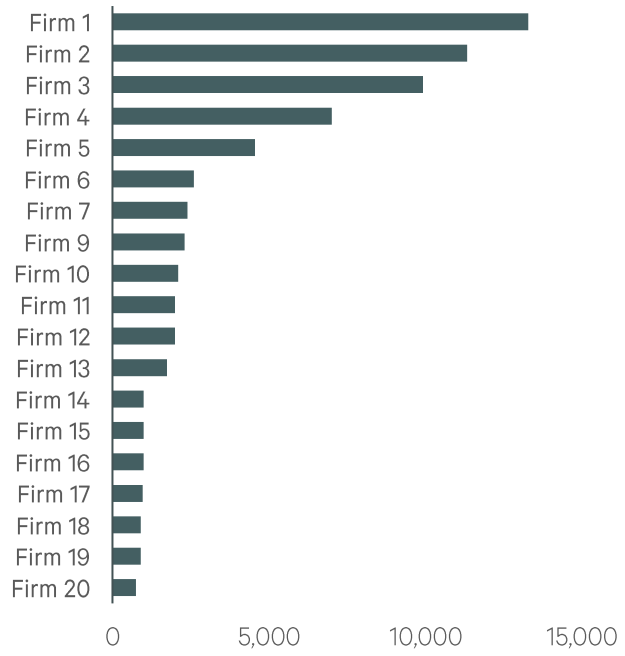
CBRE estimate that private credit comprises $80bn of real estate related debt. This represents *0.3% residential mortgage, 31% residential development and 6.1% Commercial* market penetration.

CBRE estimate that Top 5 largest private credit providers to real estate account for 52% of the market.

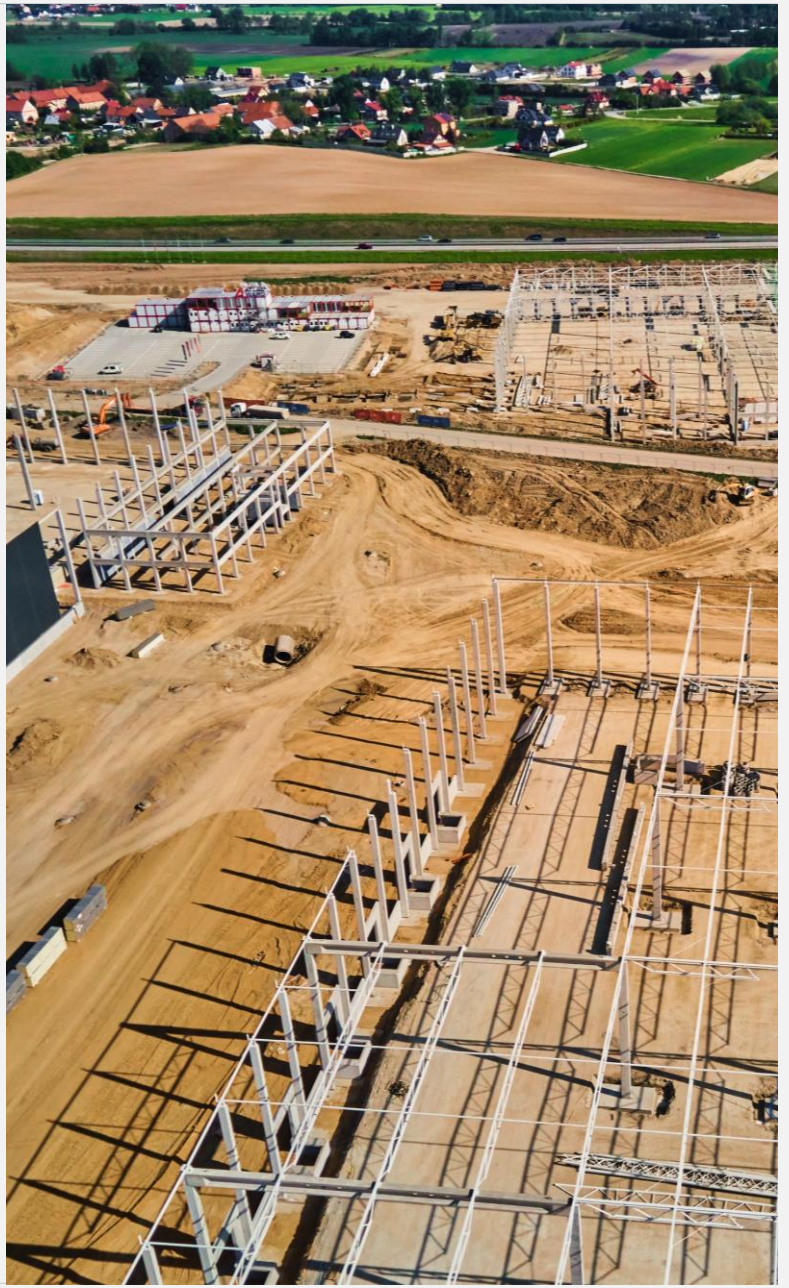
Real Estate sector debt $bn

	Residential Mortgage	Residential Develop	Commercial	Total
Banks & ADIs	2,560	100	400	3,060
Private credit	8	46	26	80
Penetration	*0.3%*	*31%*	*6.1%*	*2.5%*

Real estate private credit, Top 20, AUM $m



CBRE Research, ABS, APRA, Company reports, RBA



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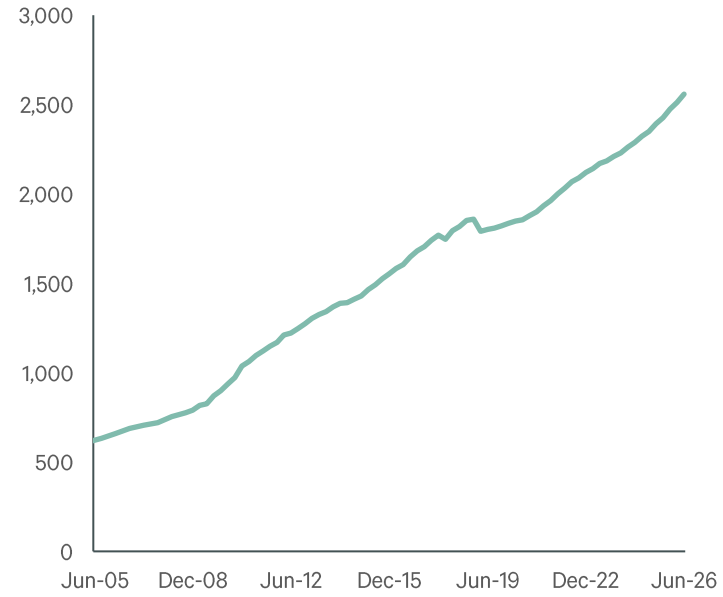
Real estate credit growth

Residential mortgage debt (ADIs) of $2,560bn has grown at +7% pa over 20 years. Owner occupiers comprise 2/3rd of volume.

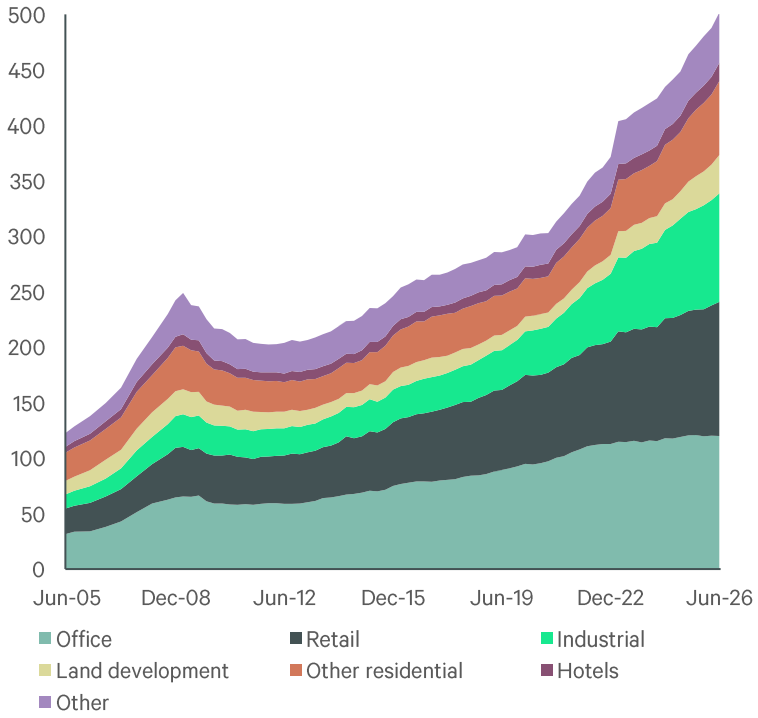
Commercial real estate debt (ADIs) of $500bn has grown at +6.2% pa over 20 years. Office 24%, Retail 24% and Industrial 19% comprise largest share of volume.

Construction finance market has grown, alongside rise in construction prices. Near-term this could see falls as residential new build stalls.

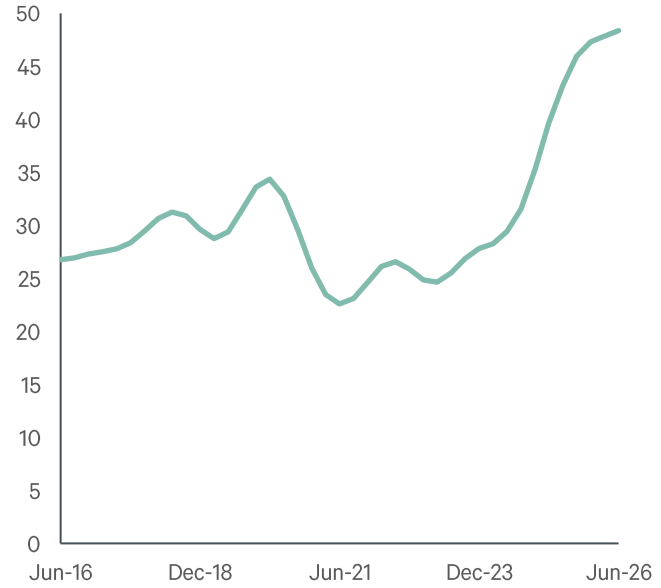
Residential Mortgage Debt (ADI only) $bn



Commercial real estate debt (ADI only) $bn



Construction finance new loans, trailing 12 mths, $bn



CBRE Research, ABS,, APRA

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Private credit structure

Private credit is sourced from retail and wholesale investors, often augmented by bank warehouse facilities. Investments can be into pooled funds or single assets.

CBRE estimate that the vast majority of real estate private credit is funding residential development sector, including land sub-division. Some funds also have exposure to recent office and industrial acquisitions.

INVESTORS

- Taxation
- Family Office
- Institutional
- Banks (facility)

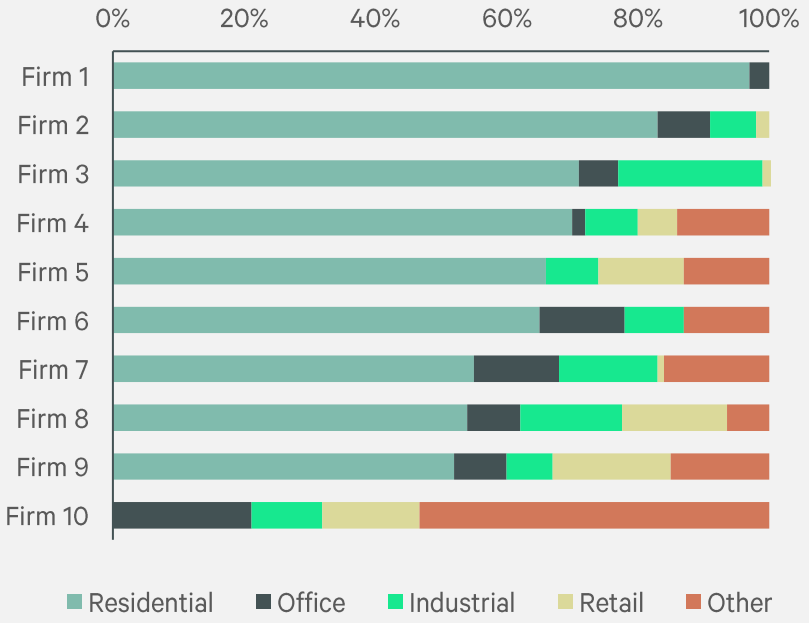
MANAGERS

- Listed MT
- Fund
- Single Asset

Management fee	Performance fee	Establishment fee
e.g., 0.2%-1.2% of AUM	e.g., 0%-20% of excess return over hurdle rate	e.g., 50% of upfront fee

DEPLOYMENT

- Development
- Acquisition
- Residual Stock
- Refinance



CBRE Research, Company reports

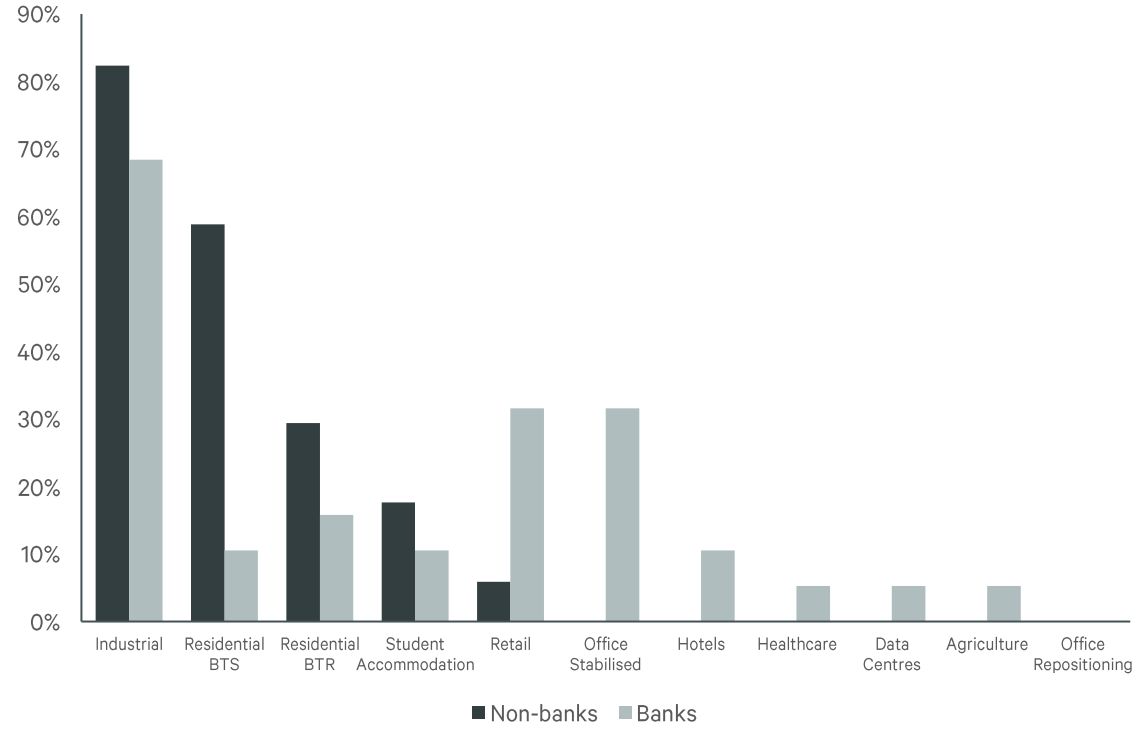
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CBRE lender sentiment survey

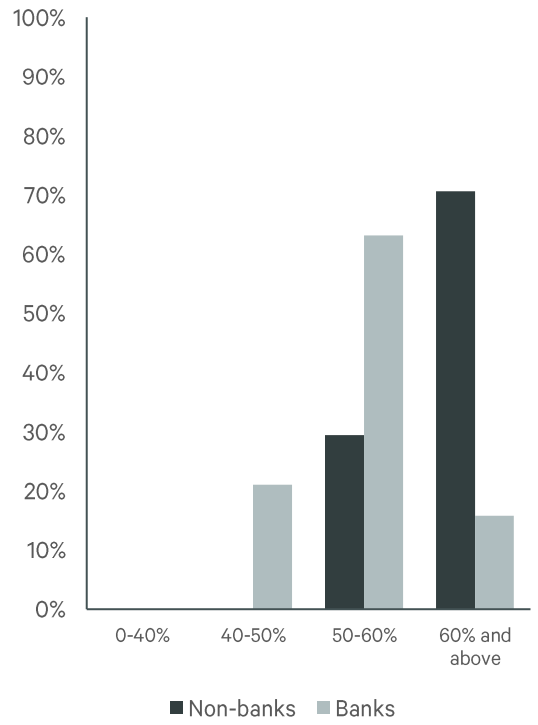
Non-bank lenders have a strong preference for Residential Build-to-Sell, which can offer higher returns and faster capital re-cycling through pre-sales. In contrast, they are underweight Retail, Office and Data Centres which typically have larger cheque sizes.

Non-Banks are willing to be more accommodative of higher loan-to-value and accept lower pre-sale requirement to fund residential developments.

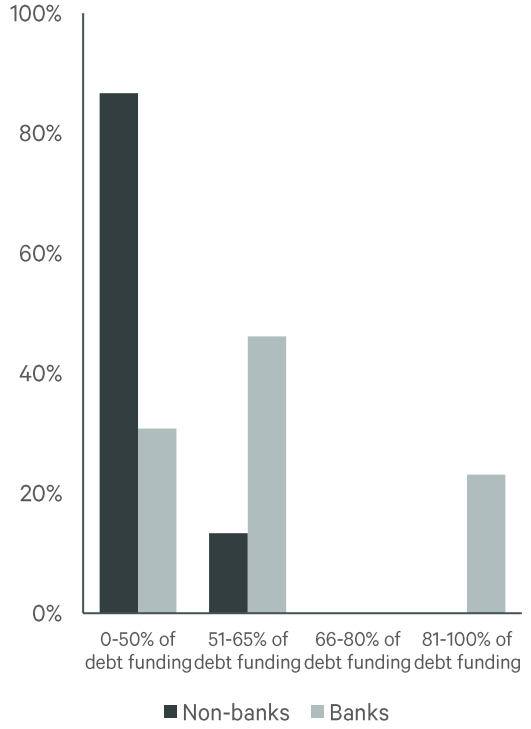
Preferred Asset Class by Sector and Lender Type: (Q4 2026 survey)



LVR Requirement by Lender Type



Pre-sale requirement for residential construction



CBRE Research

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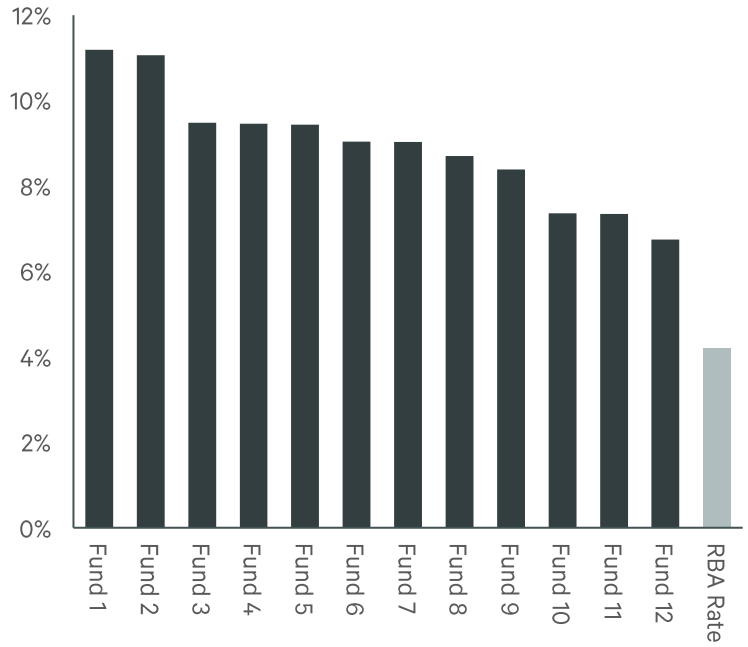
Risk & return

Real estate private credit funds in Australia target 3%-6.5% above RBA cash rate/BBSW. Higher returns are associated with 2nd mortgage and PIK-type funds.

Factors that can impact returns include project delays, facility utilisation and market cycle.

Cash rates increased by 4.50% over 2022-26 but there was minimal evidence of credit impairment for ADIs.

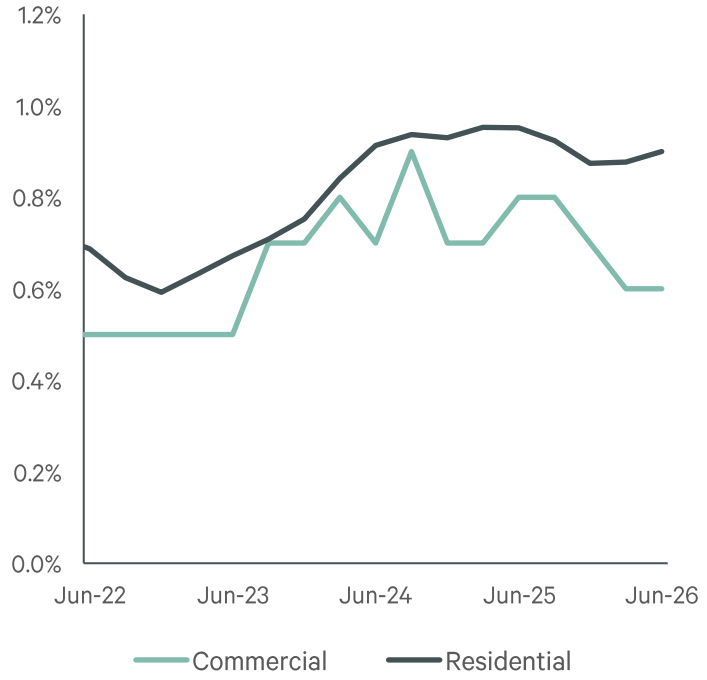
2026 Returns, select funds



Select risk factors

- Concentration
- RE Cycle
- Construction
- Utilisation
- Pre-Sales
- DA Approval Times
- Taxation
- Leverage

Non-performing loans to total exposures (ADIs)



CBRE Research, APRA, Company reports

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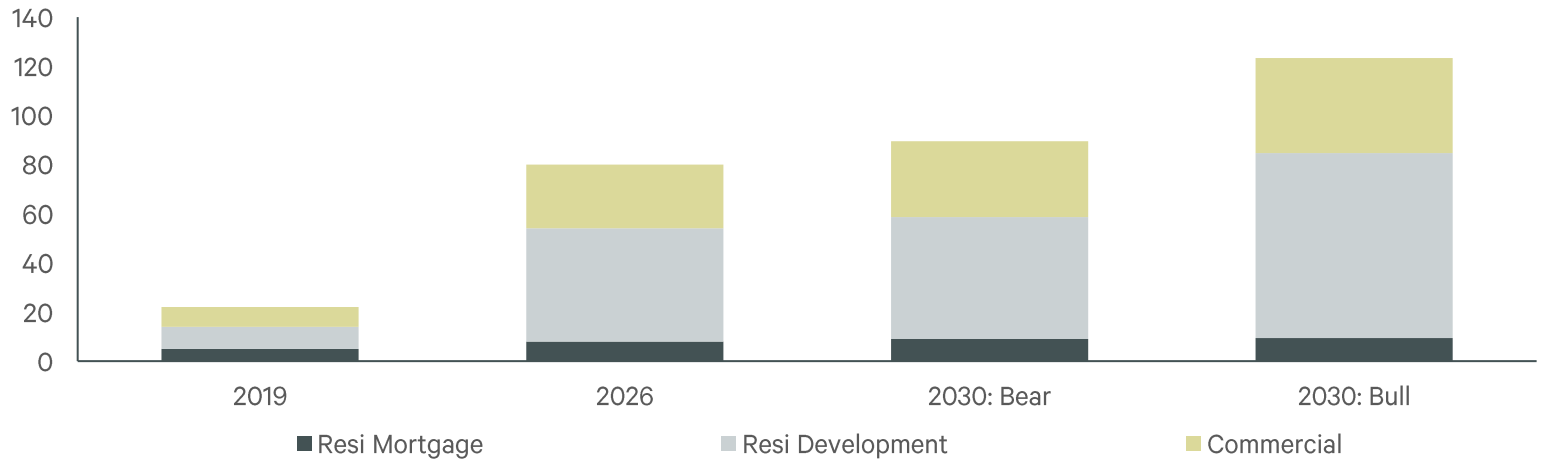
Private credit outlook

CBRE forecast that private credit in Australian real estate will grow from ~$80bn in 2026 to $90bn-$125bn by 2030.

The wide variance in outcome is largely driven by scenarios around growth in the Residential Development industry and penetration of debt for Commercial sectors. Currently, falling residential values have dampened the near-term prospects for Residential Development but this could turn around in 2028.

We expect the overall real estate debt market could grow from $3,140bn to $3,680bn - $3,850bn by 2030, primarily driven by higher capital values for existing stock. Historically, the pool of real estate debt has increased at +6% pa over the past 20 years.

Private credit in Australian real estate $bn



Private credit penetration of real estate sub-segments

	Residential mortgage	Residential develop	Commercial	Total
Penetration 2019	*0.3%*	*16.2%*	*3.2%*	*1.0%*
Penetration Today	*0.3%*	*31%*	*6.1%*	*2.5%*
Penetration 2030 Bear	*0.3%*	*30%*	*6%*	*2.4%*
Penetration 2030 Bull	*0.3%*	*35%*	*7.5%*	*5.0%*

CBRE Research

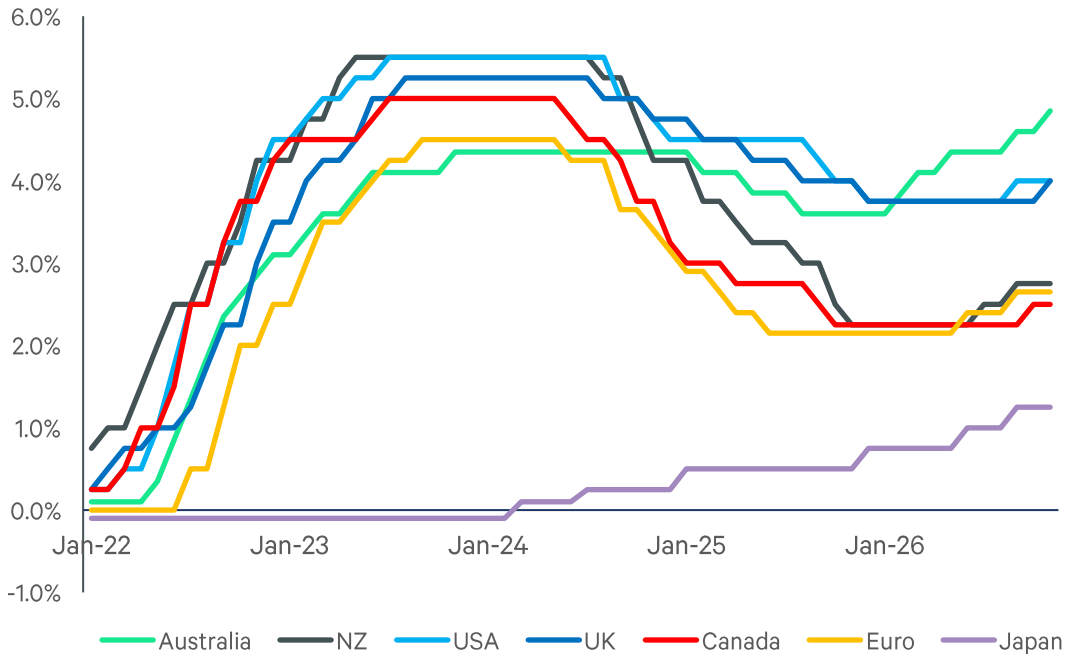
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Interest rate outlook

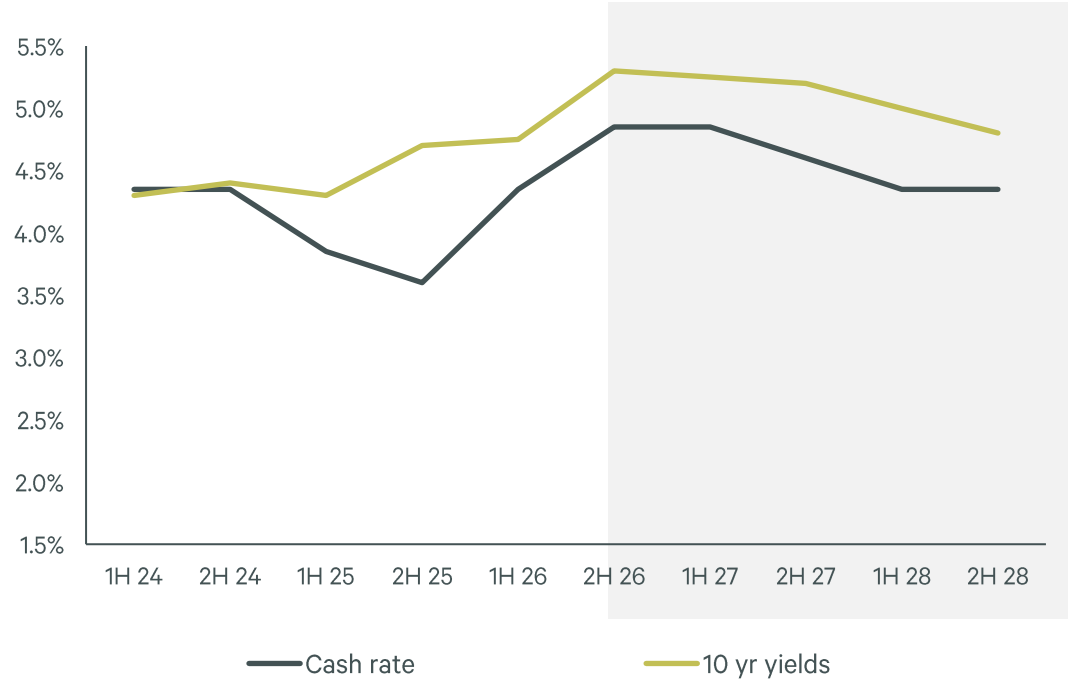
Global interest rates have increased through 2026, with Australia being more aggressive.

CBRE's base case forecast is for cash rates and bond yields to remain elevated through 2027.

Global cash rate cycle



Interest rate outlook



CBRE Research, Trading Economics

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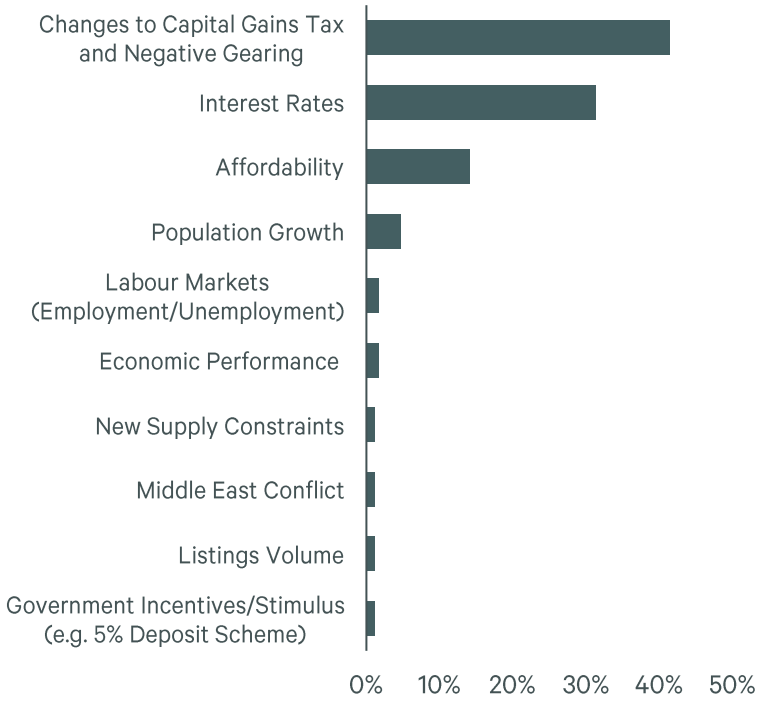
Residential outlook

Near-term, changes to CGT, negative gearing and prospect of higher interest rates are weighing on sentiment.

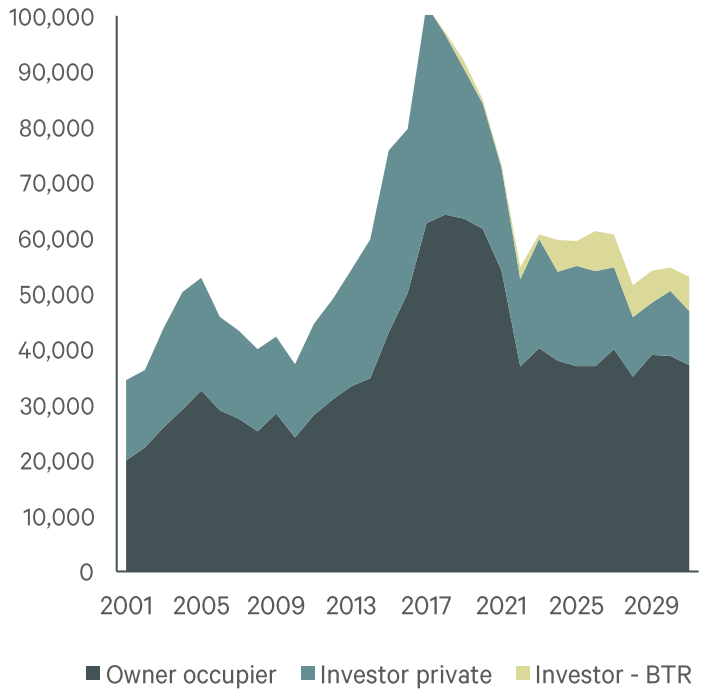
CBRE forecast apartment supply will average 55,000 pa over the next 5 years compared to 74,200pa in the previous 10 yrs.

Australian residential market resilience underscored by 25 years of growth – Houses +6.1%pa and Units +5.0%pa. Looking ahead, CBRE expect the strongest apartment price growth to be in 2028 and 2029.

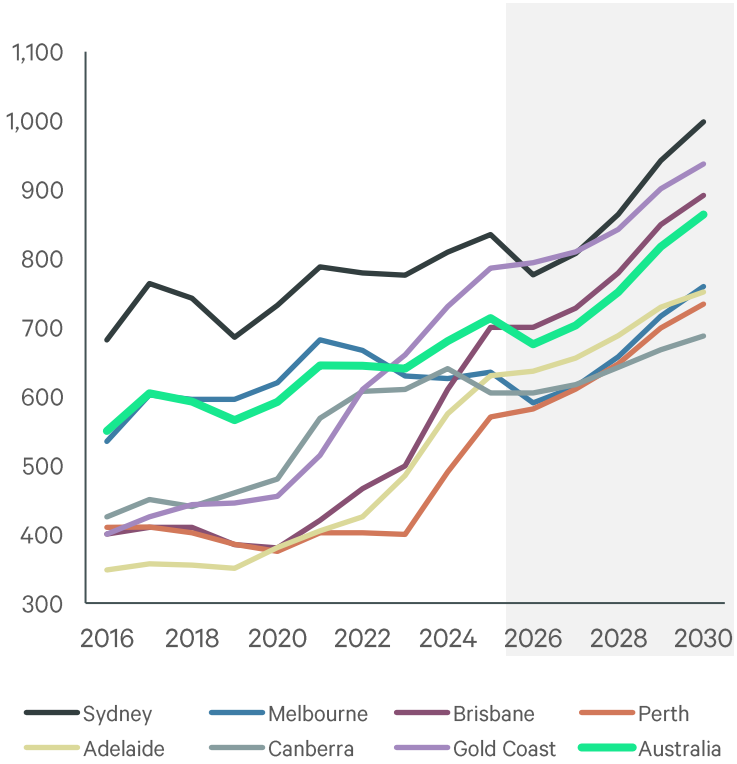
Main driver of residential in the next 12 months



Residential Supply



Residential capital value – by type



CBRE Research, Residential Valuer Survey Q3 2026, ABS, Cordell's, Cotality

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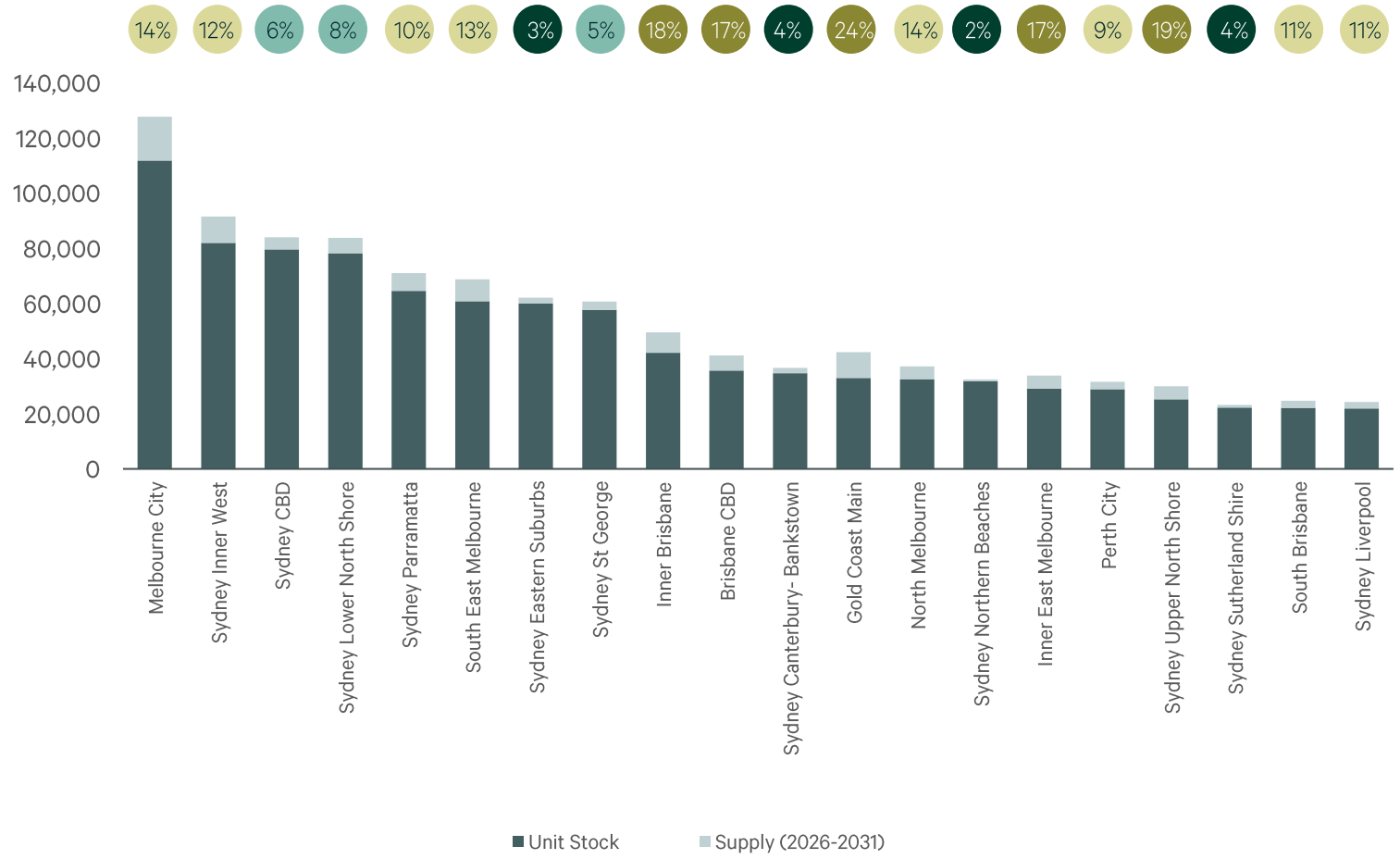
Residential outlook

The spread of supply helps develop a picture of potential residual stock – amount, time to clear and pricing.

In Brisbane, Gold Coast and Melbourne, apartment supply is concentrated in/near CBDs. In contrast, Sydney's supply is more evenly distributed.



Apartment supply as share of existing stock, 20 largest markets



CBRE Research

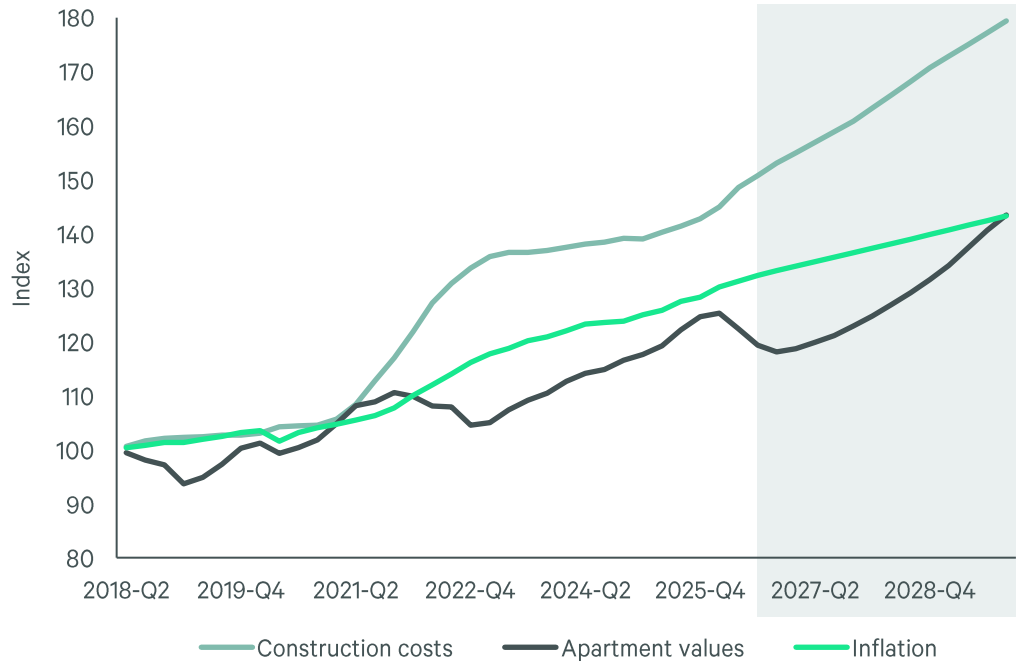
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Residential outlook

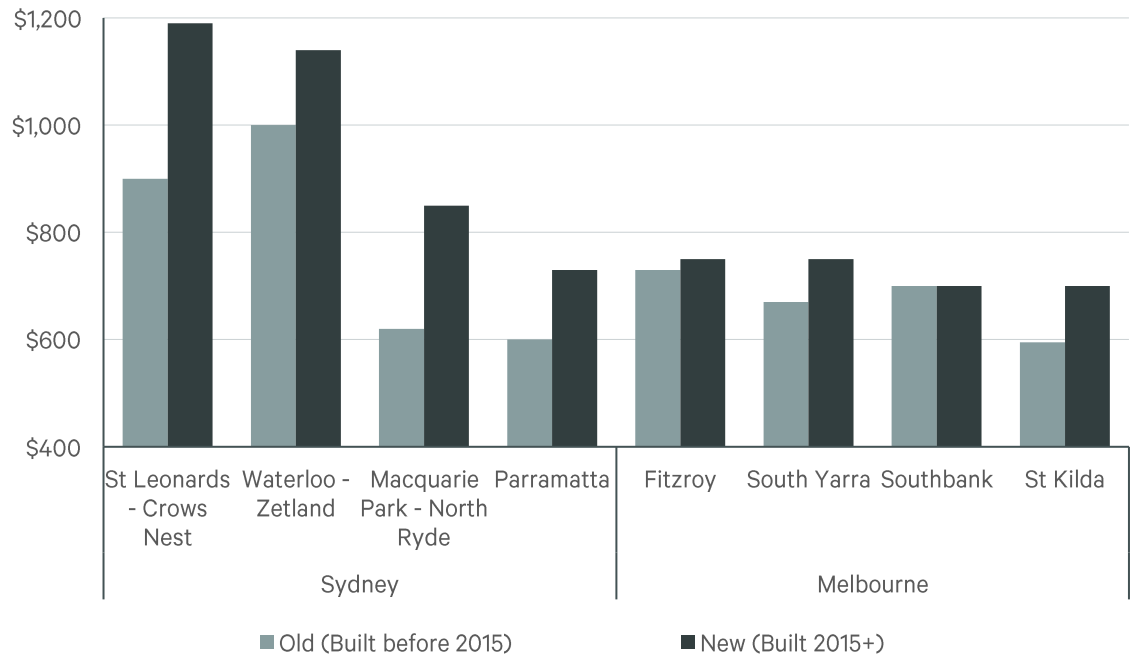
In the last 5 years, values have not kept pace with construction costs. This disparity is currently at 30% and likely to pressure build-to-sell developments.

High construction costs and better amenities have put upward pressure on rents for new builds. The industry needs these spreads to keep increasing as high construction costs put pressure on IRR.

Apartment value vs construction cost



Rent premium for newer stock in same suburb



CBRE Research: NSW Valuer General, ABS, CoreLogic

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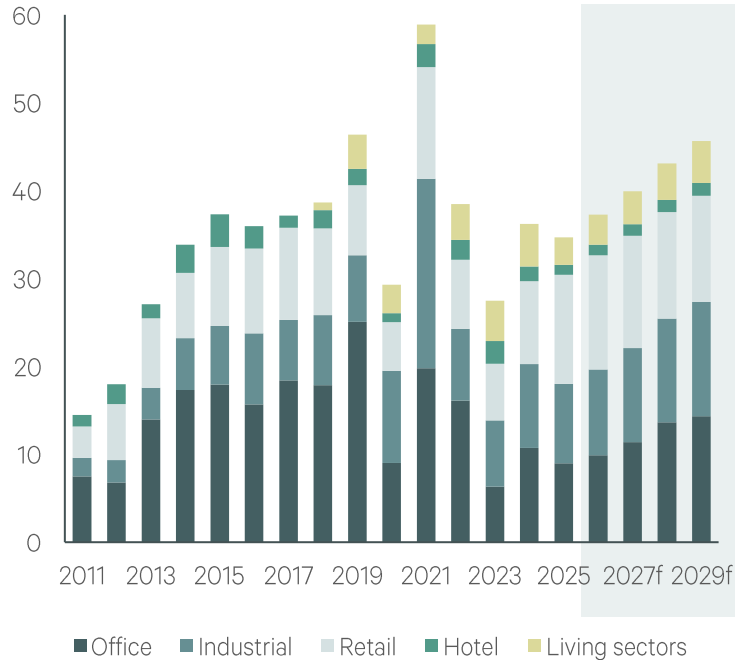
Commercial outlook

Commercial transaction volumes should continue to recover in 2027 and 2028, growing at 5%-10% pa.

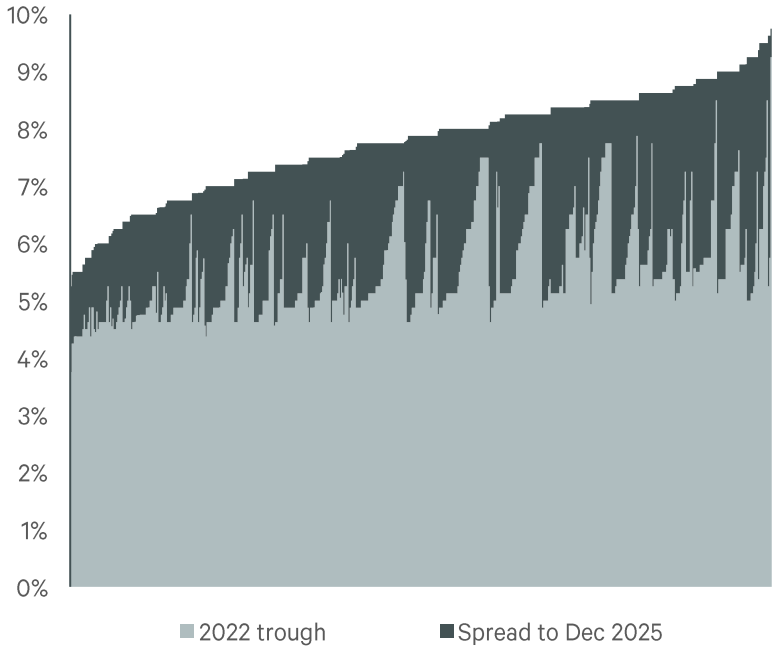
The current cycle of higher bond yields has seen 200bps cap rate expansion. Around three quarters of individual office towers now have a cap rate exceeding +7.0%.

CBRE forecast cap rates could start to expand slightly in 2027, weighed by higher bonds yields.

Commercial real estate transaction volumes $bn



Office cap rates at asset level (n=600 towers)



Changes in cap rates

	2025	2026	2027 outlook
Industrial - Super Prime			
Sydney	5.17%	5.20%	+15 bps
Melbourne	5.90%	6.05%	+15 bps
Brisbane	5.52%	5.88%	+2 bps
Office - CBD Prime			
Sydney Core	5.80%	5.75%	+15 bps
Melbourne	7.07%	7.20%	+20 bps
Brisbane	7.04%	6.83%	+20 bps
Retail Shopping Centres			
Sydney	5.61%	5.60%	+10 bps
Melbourne	5.90%	5.80%	+10 bps
Brisbane	5.88%	5.80%	+10 bps

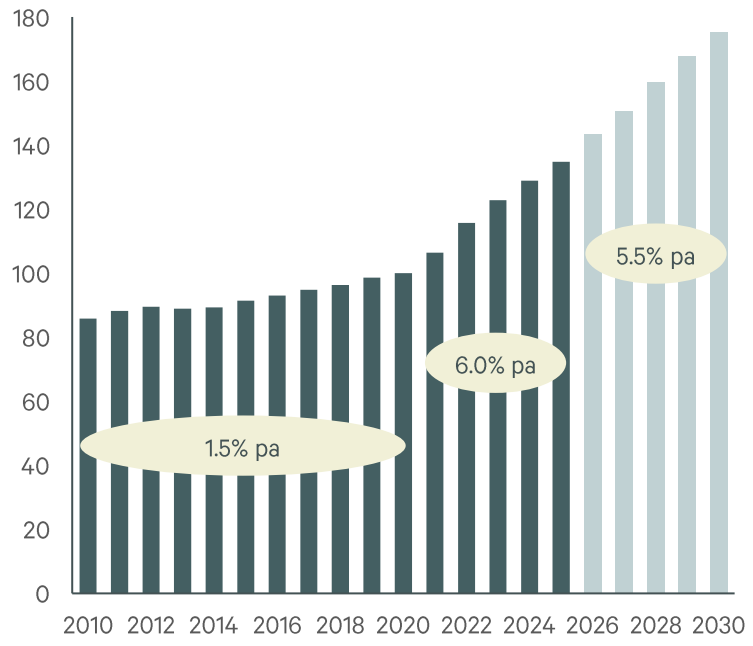
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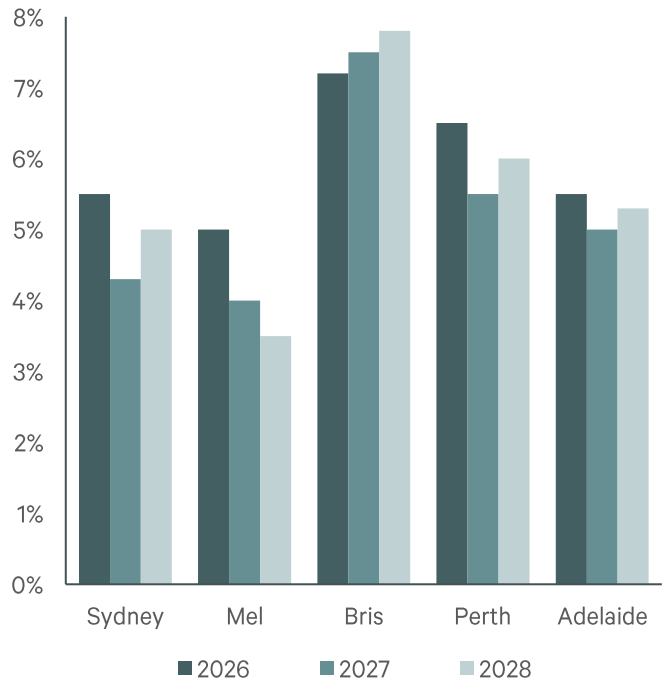
Construction outlook

Construction costs have escalated by ~40% since 2020 as large infrastructure pipeline supports higher concrete, steel and labour costs. CBRE expect +5.5% construction cost growth over 2026-30, most evident in Brisbane and Perth.

Construction cost growth, Australia



Construction cost forecast by city



CBRE Research, Turner & Townsend







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