METRICS

The Economic Contribution of Private Credit and Metrics

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Executive Summary

Private credit plays a vital role in supporting Australia's economy, helping bring projects to life that might not otherwise happen. In property construction alone, Metrics is backing developments that are generating close to $40 billion in economic activity and supporting more than 90,000 jobs across a wide range industries.

The emergence of private credit in Australia over recent years has been rapid. Investors have embraced it due to the risk-adjusted returns in an uncertain global environment, but private credit also offers wider economic benefits to society.

Tighter regulatory capital requirements have made it harder for banks and other authorised deposit-taking institutions (ADIs) to lend to businesses. As a result, they have shifted their focus toward household lending—especially housing in Australia, which carries lower risk ratings and capital requirements.

As such, private credit has played a crucial role in filling a void and funding certain types of corporate lending that remain crucial to a well-functioning economy. Private credit providers can often be more flexible in tailoring loans to borrowers' needs.

> ***By providing capital where traditional lenders fall short, private credit boosts economic efficiency—unlocking business investment, accelerating property development, and driving growth that might otherwise be lost.***

Private credit's economic impact is most clearly seen in commercial real estate (CRE) lending, where its contribution is easier to measure.

Both residential and non-residential construction industries have large economic multipliers, meaning the flow-on impact of increased construction activity on other sectors' output and via increased consumer spending are large.

For example, an extra $1m of residential construction creates about $3.3m in total economic output across the economy and around 7.7 jobs.

Further, many residential projects would not proceed without private credit funding and as such private credit is making a very important contribution to boosting housing stock at a time when there is a clear under-supply and governments of all levels are aiming to stimulate dwelling supply.

Metrics' Economic Contribution via CRE Construction Funding[1]

- Metrics is currently providing funding (debt or equity) to CRE construction projects that total around $12 billion of total construction spend (this excludes lending for land for future projects and loans for residual built stock).
- Based on this, the broader economic impact that Metrics' current construction financing book is supporting is estimated to be around:

Economic Impact

~ $40 bn
Of total economic output

> 90,500 Jobs
From construction and flow on to other sectors

> $5.0 bn
Of tax revenue from projects funded

Housing Supply

~ 10,000
Dwellings under construction[2]

> 5,900
Dwellings subject to planning[1]

1. For simplicity we've used (the slightly lower) residential multiplier for all CRE construction, but Metrics' construction funding is approximately 82% residential, 18% non-residential.

2. Dwellings under construction includes debt and equity deals that have commenced, dwellings subject to planning includes equity deals only for committed project stages of projects not yet commenced construction.

Sources: ABS, Metrics Credit Partners as at Sep 2025

Introduction: Private Credit's Vital Role in Supporting Australia's Economy

Private credit in Australia continues to grow rapidly, more than doubling over the past four years to be an estimated $205 billion in 2024 (Alvarez & Marsal).

Our recent paper *Here to Stay: Real Estate Private Credit's Ongoing Role in Investment Portfolios* discusses the confluences of factors that have driven this rapid growth, including a volatile global environment that has seen the usual negative correlation between stocks and bonds turn positive and make private credit a very attractive addition to investment portfolios to lower risks and enhance returns.

The rapid growth of private credit has put the spotlight on the sector of late. This has created some misconceptions about the sector and there has been little public discussion about the very important role private credit is now playing in supporting broader economic activity and vitality.

Addressing Australia's stagnating productivity growth has become a major focus of the current national economic discourse. This paper aims to show how private credit is providing capital for business expansions, property development and infrastructure projects that are vital to boosting productivity.

While the impact of private credit on economic activity and productivity is theoretically across all sectors it lends to and all types of loans, the most easily quantifiable impact is through CRE construction lending. Not only can economic multipliers be calculated, but it can also be shown how private credit is supporting housing supply which has also become a critical social issue in the midst of clear national dwelling under-supplies.

We have applied this analysis to Metrics' commercial construction lending book to illustrate the broader impact generated.

The Theory: How Private Credit is Supporting Activity and Productivity

External finance (of all kinds) clearly plays an important role in supporting productivity growth across an economy. Recent RBA research[1] on the productivity growth slowdown in Australia over recent years highlighted the importance of access to external finance, including debt, for capital reallocation and investment by more productive firms.

As such, any factor that inhibits efficient credit provision to business consequently reduces economy-wide productivity.

Globally, the factor that has inhibited debt provision to business has been increased regulation of banks and other authorised deposit-taking institutions (ADIs). Since governments in advanced economies have historically often become responsible for backstopping bank deposits in some form or another in periods of financial crisis, it is natural over time that regulators have lifted ADI capital requirements to reduce the risk of liquidity problems when 'bank runs' occur and depositors want their money back.

As result, ADI capital requirements have been rising for decades and in Australia the capital required to be held by ADIs (no matter what measure of capital you look at) is more than double the level required 25 years ago.

As regulations have tightened, ADIs have pulled back from more capital intensive types of lending. Instead of funding businesses and real estate development they've weighted their loan books towards safer bets—mainly home loans. Residential mortgages are seen as low-risk and require less capital held against them, so Australian banks have increasingly steered their lending in that direction.

What this means for corporate lending is that parts of the market have not been serviced well by ADIs and the loan terms offered have not been completely aligned to the interests of the borrowers. This has created the 'funding gap' that private credit has filled and that has fuelled its very rapid growth over recent years.

One such gap has been for small to medium-sized enterprise (SME) lending. Conservative lending practices by banks mean that many SMEs often do not have the collateral ADIs require as security for a loan. Many also will not possess a credit rating from an APRA-recognised rating agency, which means the ADI would have to hold higher capital against the loan and this is likely to be reflected in terms offered.

This all means many SMEs have been somewhat locked out of credit provision, which in turn impacts employment and productivity growth.

Private credit providers on the other hand are not as constrained by capital requirements and can also conduct their own credit assessment, meaning they can be more flexible in loan conditions and fill some of the void left by ADIs.

There is a very similar story in commercial real estate lending. Higher risk ratings, particularly for real state development and land lending, heavily constrains ADIs and has made them more conservative in the terms they will offer borrowers.

[1] Hambur J. and Andrews D., Doing Less, with Less: Capital Misallocation, Investment and the Productivity Slowdown in Australia, RBA, RDP 2023-03.

Unencumbered by the same constraints, private credit operators have been able to offer more flexibility to real estate developers. As such, private credit providers have quickly gained market share in this part of the market. Some of the benefits and extra flexibility that private credit can offer to borrowers include:

1. **Tailored funding limits –** this allows lower equity to be contributed by borrowers, allowing them to make more diverse use of their capital and take on more projects rather than tying capital up in one project.
2. **Lower levels of pre-sales or leasing pre-commitments –** for example, on residential projects banks have often required sales to cover the lenders full debt position, which has seen many apartment projects delayed or even abandoned. Private credit can be more flexible and fund on lower or no pre-sales requirements, which allows projects to commence more quicky.
3. **Appetite for lending across the full development cycle of assets –** given banks' restricted development appetite, often they will offer a developer only a construction loan but not finance site acquisitions. Private credit providers are generally more willing to work with developers to offer both site acquisition and construction finance, plus also have more appetite than banks to fund purchases of residual stock once projects are complete. Dealing with one source of capital at different stages of development can be a major benefit for developers.
4. **Adoption of different capital structures –** banks can often only offer a developer a traditional senior loan structure. In contrast, as well as a senior loan structure, a private credit operator often has the flexibility to offer mezzanine debt, preferred equity finance or even in some cases JV equity structures. This gives borrowers a lot more flexibility to use a funding structure that best fits the individual project and may expediate project delivery.
5. **Speed to market –** private credit providers like Metrics can often provide much quicker approval times than banks, which can speed up project delivery and reduce holding costs.

Academic literature theorises that it is this ability of private credit to align lending terms with borrower needs that creates a productivity gain for society. As such it is anticipated that there should be a positive correlation between the portion of private credit and productivity growth in an economy. This is supported by the fact that the US has long had a high portion of private credit and higher productivity growth than other developed economies. However, given how many other factors impact productivity it is difficult to empirically prove the relationship and causation.

Nevertheless, there can be little doubt that in practice many SME and CRE development loans simply would not happen if private credit providers and the more flexible terms they offer did not exist. As such, there is a clear broader economic benefit that exists from private credit operating outside of regulatory capital requirements.

Nowhere is the shift more visible than in housing construction. Strict bank pre-sale requirements have held back apartment supply in recent years, making it difficult for many projects to proceed. Without the more flexible terms offered by private credit providers, much of this development simply wouldn't get off the ground.

Private credit has delivered a competitive and valuable alternative to bank finance for many borrowers. Given private credit investors are not covered by the Financial Claims Scheme and private credit providers do not have access to RBA liquidity support, it could be argued that private credit also reduces systematic risk in financial markets.

CRE Construction Economic Multipliers

Economists often use input-output tables published by the Australian Bureau of Statistics (ABS) to calculate economic multipliers of various industries. Derived from national accounts data (albeit with a lag of around two years due to the complex nature of creating), the tables show the interactions between sectors and how much output rises in all sectors given a certain rise in output of a particular sector.

The tables also measure the labour input required for all industries to generate additional output and what additional consumer spending is generated by the wage income associated with higher output.

While there are limitations to using input-output tables due to a number of static assumptions, they still provide a reasonable guide to the inter-relationships between sectors and which sectors generate the greatest flow-on effects to the overall economy.

The multipliers for residential and non-residential building construction are both strong.

In total, for a $1 million increase in output in residential building construction, total economy wide output lifts by $3.3 million and generates 7.65 full-time equivalent jobs. The same increase in non-residential construction results in a $3.4 million rise in output and 7.85 jobs.

This total multiplier comes from several sources:

- The **'initial impact'** is the lift in output by the sector itself ($1m by definition).
- The **'first round' impact** represents all the additional inputs from all other sectors required to lift output by $1m in residential or non-residential construction sector.
- The extra inputs required in the first round then lifts output in all the supplier sectors and as such, all these sectors need more inputs to accommodate increased production – this represents the **'second round' impact**.
- All the extra output created across the initial, 1st and 2nd rounds means more wages are paid across the residential or non-residential construction sectors and all the supplier industries. These wages are spent across all sectors and generate **'consumption-induced' output** – this is the 'consumer effect'.

In total, the latest FY23 input-output tables we used to calculate these multipliers look at these interactions across 115 industry classifications.

If we look at just the 'production multipliers' (the total multiplier less the consumer effect) across all of these industries, both non-residential (2nd) and residential building construction (5th) are in the top 10 industries (see Table next page).

This means that supporting these sectors has a large economic impact. Moreover, both these sectors are much larger than many other industries on this list and are much bigger employers, so supporting these industries can have a wider economic reach and bigger boost to sentiment.

Building Construction – Multiplier Components*

MULTIPLIER	INITIAL	1ST ROUND	INDUSTRIAL (2ND ROUND)	PRODUCTION EFFECT	CONSUMER EFFECT	TOTAL
	(1)	(2)	(3)	(4) = (2)+(3)	(5)	(6) = (1)+(4)+(5)
Residential Building Construction						
Output ($m)	1.00	0.72	0.76	1.48	0.83	3.30
Employment (Number)	1.10	2.00	2.03	4.03	2.53	7.65
Non-Residential Building Construction						
Output ($m)	1.00	0.72	0.79	1.51	0.89	3.41
Employment (Number)	0.99	2.00	2.13	4.13	2.73	7.85

* Multipliers show output and employment per million of extra residential construction

Sources: ABS Cat. No 5209 (FY23 estimates), Metrics Credit Partners

Top 10 Industries – Highest Production Multipliers*

INDUSTRY	MULTIPLIER
Basic non-ferrous metal manufacturing	2.62
Non-residential building construction	**2.51**
Dairy product manufacturing	2.49
Meat and meat product manufacturing	2.48
Residential building construction	**2.48**
Grain mill and cereal product manufacturing	2.44
Electricity transmission, distribution, on selling	2.44
Tanned leather, dressed fur and leather product manufacturing	2.43
Oils and fats manufacturing	2.43
Electricity generation	2.43

* Multipliers show output and employment per million of extra residential construction

Sources: ABS Cat. No 5209 (FY23 estimates), Metrics Credit Partners

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Private Credit is Crucial to Driving Housing Supply

Private credit has, and continues to, step in to fill the funding gap for real estate residential developers as rising capital requirements dampen banks' appetite for this type of lending.

With Australia facing a clear shortage of housing, the role of private credit in offering commercially viable finance to residential developers has never been more critical.

Housing supply was already falling before COVID-19, but the uncertainty and subsequent surge in construction costs (both materials and labour) further dented housing supply. This was initially not as concerning when borders were closed, but the rebound in migration and national population when borders did open was far stronger than anticipated.

The pressure on housing markets has been clearly evident in rental vacancy rates of around 1% nationally for the past few years and in a surge in both rents and dwelling prices since COVID.

Recognising Australia's housing shortfall, all levels of government have backed the National Housing Accord—committing to build 1.2 million new homes nationwide over five years from mid-2024 to close the supply gap.

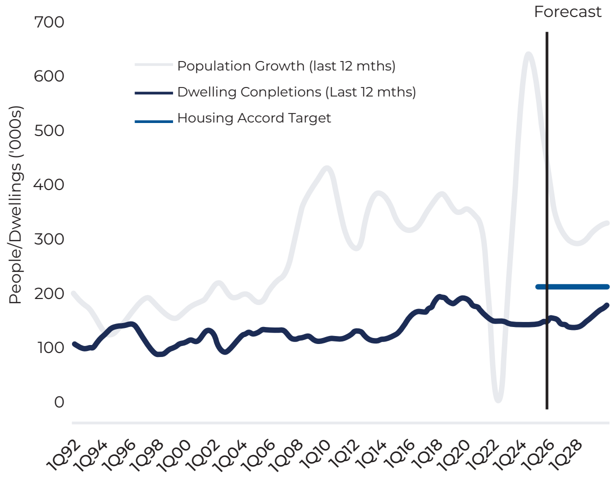
Despite many different housing initiatives across the country and a lift in housing approvals, we are still going to fall well short of accord targets.

Housing supply nationally is running at around 74% of target levels and looks like only reaching around 923,000 (77% of target) over the five years. Supply in New South Wales and Queensland is particularly low relative to target and the two states represent around 75% of the shortfall in the current year.

The solution to boosting housing supply is complex and potentially involves initiatives on many fronts including planning reforms, taxation reform (tax is around 30-40% of the cost of new housing), construction productivity and industrial relations, plus skilled migration to fill labour shortages.

However, project finance should also not be forgotten. If developers cannot get finance on terms that are commercially viable, projects just won't go ahead. As such, supporting private credit is indirectly supporting housing supply.

Australian Population Growth and Housing Supply



Source: ABS, Oxford Economics, Metrics Credit Partners

Quantifying Metrics' Economic Contribution

Private credit is a key driver of economic activity and productivity across sectors - and Metrics, as one of Australia's leading private credit provider, plays a central role in delivering that impact.

Size and scale of private credit providers is an important protection for both individual investors and broader financial system stability. A large well- diversified portfolio of loans minimises concentration risks to individual borrowers, sectors or geographies.

With more than $30 billion in assets under management (AUM), Metrics is able to achieve this desired diversification and is well resourced and experienced to deal with troubled loans as they arise. Scale also allows Metrics to offer larger sized loans and offer a more viable (and often more flexible) alternative to bank finance.

What is easier to quantify is the impact of CRE construction activity Metrics is funding and we are able to apply the multipliers calculated in the previous section.

In total, Metrics was funding $16.6 billion of CRE-backed finance via either debt or equity provided (as at Sep 2025). This number includes funding of construction of projects but also includes the funding of land for later construction and in some cases the funding of residual unsold stock in completed projects and other loan types.

Excluding these other types of loans, Metrics is currently providing $7.5 billion of construction funding that is supporting around $12 billion of total construction activity spend.

Applying the multipliers calculated in the previous section, Metrics' construction funding is indirectly supporting total economic activity of around $40 billion, over 90,500 jobs across all sectors and taxation revenue of at least $5.0 billion.

While we recognise that a good portion of this activity would have occurred without Metrics or another private credit provider, it may have been on less favourable terms that did not suit the borrower and led to a productivity loss.

However, there is also a good portion of these projects that simply would not have happened without the flexible terms and conditions private credit could offer.

As such, Metrics is very proud to be making a positive contribution toward correcting current housing shortages and currently funding the construction of around 10,800 dwellings. To put this in perspective, it is equivalent to around 6.1% of expected total dwelling completions nationally over 2025 (Oxford Economics).

Around half Metrics' current AUM is also funding corporate loans across all sectors including infrastructure. This is providing funds for expansions, investment projects or acquisitions that add to the productive capacity of the borrower and the economy. However, as discussed above, the economic activity and employment being supported by this part of loan book is harder to quantify.

Summary of Metrics' Economic Contribution Via CRE Construction Funding

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~ $40 bn
Of total economic output

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Final Thoughts

Metrics Credit Partners CEO and Managing Partner **Andrew Lockhart** explains the findings of the report.

“Private credit has become an essential part of Australia's economic engine, providing funding where traditional lenders are unable to.

This access to capital is enabling businesses to scale and accelerating housing developments that would otherwise stall, driving productivity through job creation and increased tax revenue.

As one of Australia’s leading private asset managers, overseeing more than $30 billion in assets, Metrics is proud to play a central role.

Our equity investment activities in real estate alone currently support close to $40 billion of economic activity, over 90,000 jobs, and more than 10,000 new homes under construction — and these figures represent just a snapshot of our broader economic impact since inception in 2011.

This report reaffirms that private credit is not only delivering strong returns for investors, but also powering Australia’s long-term growth by boosting housing supply and strengthening national productivity.”

For more information

If you would like to learn more about Metrics or our funds, contact us on the details below.

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