



Six Trends for Private Credit in 2026

DECEMBER 2025

Executive Summary

2025 has underscored private credit's durability: fundamentals improved, yet challenges mounted through competition and a regulatory review. As 2026 approaches, opportunity outweighs risk. Six pivotal trends are set to drive momentum across the sector in the year ahead.

1. Cautious Optimism as Global Headwinds Subside:

Global uncertainty has been a persistent backdrop since COVID-19, intensifying in 2025. While challenges persist - global conflicts, trade tensions, AI market fears, and US fiscal pressures - both the US and China now look set to navigate the turbulence and could even exceed expectations in 2026. The impact would extend beyond stronger global growth, reinforcing confidence across economies everywhere. While investors are likely to remain nervous at the start of the year, there is a good possibility the second half could finally be a little calmer as some of the downside risks dissipate.

2. Interest Rates May Not Fall as Much as Previously Anticipated:

Rising inflation across Australia and other advanced economies signals the rate-cutting cycle may be ending, ushering in a prolonged period of stagnant rates. This is particularly the case if global growth does surprise to the upside. Financial markets are now pricing in only a low probability of any further interest rate cuts by the RBA in 2026. For private credit, a firmer rate outlook could bolster investor returns, while borrower demand - especially in the capital hungry residential development sector - is unlikely to waver.

3. Market Fundamentals Are Likely to Improve Further:

Commercial real estate (CRE) market fundamentals improved in 2025, and this is likely to continue in 2026, while corporate lending should also strengthen. The national housing market supply shortage is unlikely to change any time soon and will remain the key opportunity for private credit lenders. Construction pipelines in industrial and hotel markets have peaked and persistent demand conditions should help support healthy market conditions. The office space market is stabilising and some repositioning opportunities will start to emerge in 2026, while interest in retail property should continue to strengthen on the back of improving fundamentals. Rising business investment levels should support corporate lending demand, while M&A activity could also finally pick up in 2026.

4. Establishing Industry Standards Should Be a Positive for Private Credit:

ASIC's recent discussion paper - *Advancing Australia's evolving capital markets (Report 823)* - is expected to drive the introduction of new industry standards in 2026, strengthening transparency and reporting. These changes are likely to enhance investor confidence, and contribute to lifting overall standards across the sector. Metrics will play an active role in shaping this future and contributing to a more trusted, resilient market.

5. Private Credit's Strong Growth Is Set to Continue:

Capital continues to flow into the sector, demand for corporate and CRE loans is robust, while banks remain constrained by tighter capital requirements. Investors are expected to stay attracted to the risk return profile of private credit amid ongoing volatility, while clearer regulation and Australia's relative stability should give overseas investors greater confidence. A recent East & Partners and Capital Brief survey found large Australian corporates (turnover >\$750m) plan to lift private credit funding from 8.6% to 14.3% over the next 12 months.

6. Lending Competition Will Likely Remain Strong:

Strong credit inflows are driving competition among non-bank lenders for the best deals with leading developers. Banks are also looking to increase their exposure to improving CRE fundamentals and may seek to bypass capital requirements through partnerships with superannuation funds. While competition for prime deals will remain strong, we see limited scope for further reductions in lending margins or increases in loan to valuation metrics. Instead, competition among major lenders is likely to shift toward other lending terms and speed to market, where private credit providers often retain an edge over banks.

Trend 1: Cautious Optimism as Global Headwinds Subside

The global economic outlook, long clouded by downside risks, is beginning to shift. Forecasters are nudging estimates higher as new trade deals, easing geopolitical tensions, and country specific tailwinds raise the prospect that 2026 could deliver an upside surprise, especially in the US and China.

The IMF is still forecasting moderate global growth of 3.1% in 2026, which is slightly below the already below-trend pace of the last two years. The IMF also judged in October that risks are tilted to the downside, but other forecasters such as Oxford Economics have more recently slightly revised up forecasts.

IMF Economic Forecasts (Oct 25)

	2024 (ACTUAL)	2025 (ESTIMATED)	2026 (FORECAST)
Australia	1.0%	1.8%	2.1%
UK	1.1%	1.3%	1.3%
US	2.8%	2.0%	2.1%
Euro Zone	0.9%	1.2%	1.1%
China	5.0%	4.8%	4.2%
Advanced Economies	1.8%	1.6%	1.6%
Developing Economies	4.3%	4.2%	4.0%
Global	3.3%	3.2%	3.1%

Sources: IMF

Global economic uncertainty is hardly new. Risk levels have persisted since COVID-19, compounded by ongoing geopolitical tensions since Russia's invasion of Ukraine in 2022. Yet the sense of risk intensified in early 2025, coinciding with the start of the second Trump administration and broader changes in US policy direction. In addition, we saw increased trade tensions and tariffs, balanced against US domestic issues of containing the Federal budget and balancing inflation against a softening labour market. This is all set against concerns of an AI-driven equity market bubble that has made investors nervous despite driving equity markets to record levels.

Throughout 2025, concerns over the US economy and dollar drove investors toward safer havens, spurring a flight from US-denominated assets. Budget strains unsettled bond markets, while fears of an AI bubble added volatility and prompted hedging away from equities. This caution sent gold to unprecedented highs - surging 62% from the Trump inauguration in January to its peak in October. Although prices eased slightly after the Israel-Gaza peace deal, they have since rebounded strongly.

Importantly, global uncertainty and caution towards US-denominated assets have worked in favour of CRE backed private credit investment into Australia, increasing the relative appeal of a steady cashflow investment in what is seen as a safe-haven country.

This economic uncertainty will not disappear overnight and undoubtedly will remain a factor in the early part of 2026.

However, the balance of risks is beginning to shift. After years dominated by downside fears, recognition is growing that the global economy - particularly the US and China - could outperform in 2026. Prominent forecaster Oxford Economics has already revised up growth forecasts for both and points to the potential for further upside surprises.

This increased optimism for 2026 is driven by a number of factors, including the recent tariff deals done between the US and China (and some other countries), plus the de-escalation of the Gaza conflict and other geopolitical tensions. A number of positive leading indicators also point to better outcomes, including signs that global manufacturing activity has hit a bottom and is starting to improve, and a recent surge in the copper price that often precedes a lift in global growth. For China, a new five-year economic plan and more commitment to fiscal stimulus has also increased optimism about medium-term prospects.

There are positive signs for the US too. Corporate profits continue to beat expectations and business investment is picking up, while the Atlanta Fed's GDPNow indicator is currently pointing to a pace of growth around 4% in 2026. Several factors including falling residential rents are also expected to reduce inflation in 2026 and should push the Federal Reserve to keep cutting interest rates. The end of the government shutdowns and fiscal stimulus should also boost the pace of US growth in 2026.

Investors can't ignore the risks, but the chance of upside surprises is real. By late 2026, the path of the US, China, and the global economy should be clearer - and the long shadowed outlook may finally brighten.

Trend 2: Interest Rates May Not Fall as Far as Previously Expected

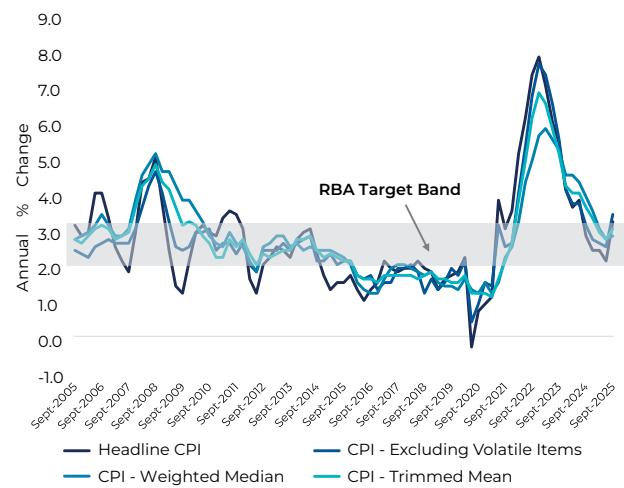
With the 2026 global growth outlook showing slight improvement, many central banks may be nearing the end of the current interest rate cutting cycle sooner than expected. Rising inflation across advanced economies is already making further cuts a difficult balancing act for policymakers seeking to support growth and softening labour markets.

The US is slightly different and may buck the trend with further rate cuts in 2026, despite inflation already being above their target level. The US Fed has already 'looked through' higher inflation and kept cutting rates in late-2024, noting that it is putting more weight on supporting a softening labour market than on inflation. This is partly due to factors such as falling residential rents, lower energy costs, and stronger productivity growth among US corporates, which should ease inflation pressures in 2026. Pressure from the Trump Administration to keep cutting rates may intensify in May, when Fed Chair Jerome Powell's term ends, with a successor favouring deeper cuts expected.

In Australia, the balance has more clearly shifted towards fewer cuts in this cycle.

The RBA has slowed its rate cutting already, with two cuts in the first half of 2025 and another in August but none since. However, the major shift in sentiment towards further rate cuts happened in late-October with the release of Q3 inflation data. Headline CPI growth grew by an unexpectedly strong 1.3% in the quarter which was the strongest quarterly growth since early-2022 - pushing the annual rate of inflation to 3.2% and above the RBA's 2-3% target band. The pick-up in inflation was broad and across many categories. The other measures of underlying inflation that the RBA monitors (trimmed mean, weighted median, excluding volatile items) also pushed up to around the top of the RBA target band.

Measures of Australian CPI (Annual % Change)



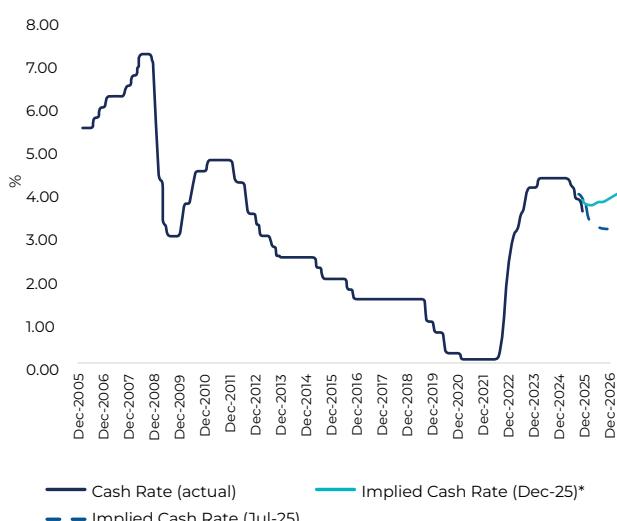
Source: ABS, RBA, Metrics Credit Partners

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The breadth of inflation makes it hard to dismiss as temporary. For the RBA, weak productivity has lowered Australia's potential growth, meaning that even moderate GDP gains push the economy close to capacity. Tight labour markets and high utilisation reinforce the view that interest rates are already near neutral, limiting scope for further cuts. For households expecting more easing, at best the RBA will wait for Q1 2026 data - but at worst, the cycle is finished, and the next move could be upward in late 2026 or 2027.

Financial market pricing reflects this shift. In mid-2025, futures markets were fully pricing in several more rate cuts and rates settling around 3% in mid-2026. Even in Oct-25, before the inflation data, another cut in 2025 was fully priced in, but pricing now suggests the cash rate has already passed a trough and may even increase slightly through 2026. More market economists are also shifting their forecasts towards the cycle being over and a period of stable interest rates, although some still expect one more cut in the first half of 2026.

Cash Rate Market Expectation



* Based on ASX 30 Day Interbank Cash Rate Futures as at 4 Dec 2025

Source: RBA, ASX, Metrics Credit Partners

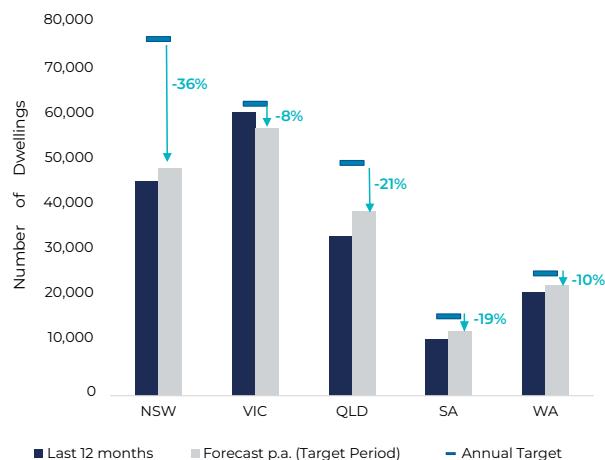
For private credit, Metrics sees the shift in the rates outlook as a net positive. A slightly higher interest rate outlook should support total returns for investors and sustain capital inflows into the sector. While higher rates could dampen loan demand, Metrics believes the impact will be negligible. With rates sitting near a 'neutral' level rather than contractionary territory, borrowers remain more influenced by market fundamentals than by marginal rate changes. Looking ahead, Metrics expects those fundamentals to strengthen in 2026, driving increased loan demand - particularly in the stock starved residential development market.

Trend 3: Market Fundamentals Are Likely to Improve Further

The recent focus of Australian private credit providers has been on CRE backed lending, particularly on residential development to capitalise on clear supply shortages across much of country. While these shortages are obvious, the challenge has been the feasibility of development in an environment marked by construction capacity constraints and strong cost escalations. The good news is project feasibilities are improving and more projects are likely to progress to construction in 2026. While construction cost pressures are still evident, the pace of growth has fallen over 2025 and the combination of more predictable costs and rising end sale prices are improving project economics. Lenders can also take great comfort that there is little chance of moving into a position of oversupply any time in the foreseeable future.

Against this backdrop, Oxford Economics projects housing completions will undershoot the National Housing Accord's target of 1.2 million dwellings by 2029, by roughly 22%. Supply is particularly short in New South Wales and current projections suggest the state will miss its targets by around 36%. Indeed, all the major states will miss their targets, but NSW and Queensland make up a large portion of the shortfall.

Dwelling Completions vs Target by State



Source: ABS, Oxford Economics, Federal and State Governments, Metrics Credit Partners

Beyond supply shortfalls, several factors should support a strong housing market in 2026. Dwelling prices returned to growth in late 2025, boosting sentiment despite worsening affordability. First homebuyers will benefit from the Federal Government's expanded 5% deposit scheme, with caps removed and thresholds lifted, alongside state incentives. Investor demand is already firm and should remain so, underpinned by expectations of further price and rental growth, creating a robust overall demand environment.

Industrial property has been the standout commercial sector since COVID-19, attracting strong investor interest. While momentum eased in 2025, the market remains healthy heading into 2026. Demand has cooled but is still underpinned by structural drivers such as e-commerce growth, supply chain reorganisation, and ESG priorities, with occupiers seeking more sustainable assets. Supply pipelines have peaked and will contract further in 2026, while vacancies remain moderate across major markets. Prices and rents should stabilise, though significant rental reversion is expected as long-term leases reset to higher market levels.

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For financiers, opportunities remain to fund modern, sustainable developments that better meet occupier needs compared to older stock.

Other commercial sectors have been a little more mixed in terms of performance. Office property has been weak in the wake of greater working from home since COVID-19, but the worst has passed, and markets should steadily improve over 2026. ESG is also supporting demand for new modern sustainability-rated stock despite high overall vacancy.

Retail property fundamentals are improving, helped by strong spending and little new supply entering the market over recent years. This has helped recalibrate the retail market and rents are now growing after an extended period of downward pressure. Improving fundamentals have attracted investors back into the sector and yields have started to fall slightly again, which is expected to continue through 2026.

The hotel market outlook remains strong: despite a surge in new supply in 2025, occupancy and revenues continued to climb and momentum is expected to strengthen in 2026. Additional inbound flight routes to Australia are set to boost international visitor nights, while current construction levels tell us that new supply additions will fall sharply compared with 2025. As a result, hotel operations are likely to remain strong, with investor interest in the sector continuing to build through 2026.

Corporate lending has been a little quieter than CRE lending post COVID-19, with muted levels of business investment and little M&A activity resulting in a relatively flat market dominated by refinancing activity. However, Metrics has seen some early signs of improvement in event-based lending activity and is optimistic about prospects for further improvement in 2026.

According to the ABS Capex survey, business investment is expected to rise steadily in 2026. Public debate over Australia's weak productivity growth has intensified, and it is increasingly clear that boosting business investment to expand the economy's supply capacity will be critical to improving productivity. As a result, the next Federal Budget may bring more fiscal incentives to lift investment, and this could start to more significantly lift capital investment from the second half of 2026. If business investment does materialise, private credit loan demand is likely to gain momentum through 2026, particularly among mid-sized companies less well served by the banks. Some easing in global uncertainty as the year progresses could also finally provide a better environment for M&A activity and some pent-up demand might also flow through to the private credit sector.

Trend 4: Establishing Industry Standards Should Be Positive for the Sector

In November 2025, ASIC released its roadmap to promote strong, efficient and globally competitive capital markets in Australia, which included a discussion paper featuring the private credit market. The reports highlighted the important role that private markets play and that 'private credit when done well is good for the economy'.

For private credit, ASIC has highlighted a collaborative rather than prescriptive approach in the near term that focuses on improving data collection and the reporting of funds. The approach is to work closely with relevant industry bodies as they develop enhanced industry standards to improve the consistency and transparency of investor reporting.

Metrics strongly supports the regulator's calls for the industry to deliver 'enhanced' and 'consistent standards' and via our membership of key industry organisations, will look to play a leading role in this process. Ultimately, we believe it is important to ensure investor confidence and that the sector grows sustainably.

The impact on investor confidence in 2026 might come in stages including:

- ▶ **An immediate positive impact:** easing investor uncertainty over ASIC's approach, the combination of measured oversight and industry's proactive work on standards is already giving the sector a confidence boost.
- ▶ **A progressive positive impact:** as industry standards improve and become more visible, investor confidence in private credit should strengthen.

Metrics is an experienced manager with scale, using our networks to originate high-quality investment opportunities, diversify portfolios, and actively protect investor capital. We fundamentally believe that investors should partner with experienced managers who can demonstrate disciplined capital deployment and proactive risk management. Our approach is underpinned by a clear focus on governance, including independent trustees, detailed quarterly portfolio reports for investors, and independent portfolio review, impairment testing and market pricing services provided to fund trustees.

Ultimately, improving standards across the private credit sector and addressing those engaging in less scrupulous practices is a positive for Metrics and other major market participants who are committed to effectively managing risk and delivering quality long-term investment outcomes for investors.

Trend 5: Private Credit's Strong Growth Is Set to Continue

Alvarez & Marsal's annual review of the sector estimated that Australian private credit grew by a strong 9% over the year to \$225 billion in late-2025. The sector has more than doubled over the last five years from an estimated \$109 billion in 2020. CRE-backed private credit was estimated to at \$92 billion, which has similarly more than doubled in five years.

Growth in the sector is expected to continue at a similar strong pace in 2026, supported by:

- ▶ The continued **strong inflow of capital** into the sector.
- ▶ Improving **underlying demand for corporate** and particularly **CRE loans** (see Trend 3).
- ▶ **Banks remaining constrained** in meeting this growing loan demand due to tighter capital restrictions.

There are several factors set to support continued strong investment inflows. Firstly, with some level of global economic and financial market uncertainty likely to persist over at least the first half of 2026, investors will likely remain attracted to the risk/return profile and steady contractually-backed income flow that private credit can provide. Secondly, some investors - particularly offshore investors - who were cautious in 2025 amid regulatory uncertainty are now likely to be more confident, as ASIC has clarified that its medium term approach will be industry-led. (see Trend 4).

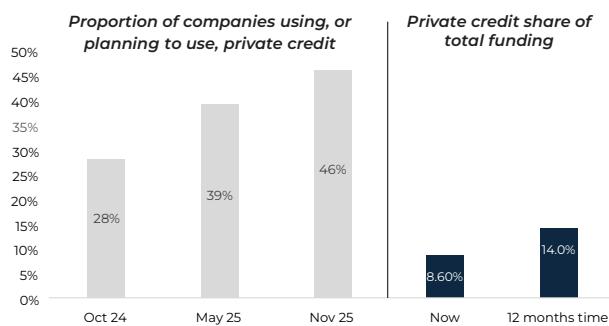
Generally, it should remain a very favourable capital market in Australia in 2026 for all sectors. The wealth effect of rising dwelling values and some real income growth should support investment. More structurally, investment demand in Australia is underpinned by the nation's position as having the second highest wealth per capita globally and the world's fourth largest, rapidly growing pension system. This strong inflow into the superannuation system is expected to support investment, as growing capital makes private credit a permanent portfolio allocation.

Many investors remain attracted to private credit, which can offer exposure to favourable fundamentals in CRE while reducing direct equity risk. This trend could lead some investors to allocate their real estate portfolios more evenly between debt and equity. Together, these factors may contribute to more sustained inflows into private credit, reinforcing its potential role as an increasingly important part of investors' portfolios.

In terms of loan demand, improving market fundamentals in both CRE and corporate lending (see Trend 3) point to a positive outlook for 2026. Supporting this view, a recent survey by East & Partners and Capital Brief - based on direct interviews with the Top 100 Australian corporates, each with revenue exceeding \$725 million - found that 46% had either sourced funding through private credit providers or planned to do so. This marks a significant increase from 38% in May and just 28% in October 2024. Private credit currently accounts for around 8.6% of their funding, with expectations rising to 14.3% within the next 12 months.

Private Credit Usage Survey

(Companies >\$725 million turnover)



Source: East & Partners and Capital Brief, Metrics Credit Partners

While these are encouraging results for larger corporate borrowers, it should be noted that this is an end of the market better serviced by banks and direct bond issues. For smaller companies with limited access to other forms of financing, private credit provides a vital source of capital that can be tailored to their needs. As such, Alvarez & Marsal's recent 2025 Private Debt review estimated that private credit is already 14% of the total corporate lending market, with bond and placement 16% and bank lending 16%. This is even higher for CRE lending, with private debt estimated to be 18% of total funding.

Taken together, these factors create the conditions for continued strong growth in private credit in 2026. Strong inflow of cash should fuel growth, while improving fundamentals should boost overall loan demand. The sector is likely to grow strongly even without any further market share growth. In the short-term, banks will likely seek to slightly increase their lending exposures to capitalise on improving fundamentals but remain heavily constrained by regulatory capital requirements. To that end, private credit's market share will still likely trend upwards over the longer-term, with strong growth prospects due to overall lending market growth.

Trend 6: Lending Competition Will Likely Remain Strong

Continued strong capital inflows into private credit are fostering a competitive lending environment, particularly for prime CRE opportunities. Banks are also increasing their activity in the CRE space. Although capital regulations continue to shape their overall appetite, major banks remain eager to expand their portfolios with exposures to leading developers and are actively competing to secure these loans.

Some banks have also started forming direct partnerships with superannuation funds to navigate capital requirements. In practice, banks are leveraging their client networks and relationships to originate deals that will be financed directly through superannuation partnerships rather than traditional deposits. This could increase competition for private credit providers in 2026; however, they retain clear advantages over superannuation partnerships, particularly in faster loan approvals, more efficient processing, and greater loan term flexibility.

Competition for the best CRE deals will likely remain intense in 2026, while activity for second tier borrowers may be less crowded. For private credit providers, the challenge will be to avoid a "race to the bottom" on margins for top tier transactions, while maintaining strong credit standards in areas where competition is weaker.

At the same time, the focus of competition is expected to shift from loan margins and leverage levels – both of which have already moved significantly in recent years – towards other differentiating factors.

However, neither banks nor reputable private credit providers are likely to push pricing much lower or leverage levels much higher beyond commercially viable levels. Instead, competition is expected to focus increasingly on the flexibility of loan terms, the efficiency of approval processes, and the ability to adjust structures as circumstances evolve. These factors provide private credit operators with a clear point of difference from banks, whose primary lever of competition remains price.

Beyond CRE, corporate lending is also becoming more competitive. Demand is strongest among larger corporates, while mid-sized organisations and non-event based financing face less crowded conditions. With market fundamentals improving, it's likely loan demand will rise in 2026, ensuring corporate lending remains an important and competitive arena for private credit providers.

CEO Perspective:

Andrew Lockhart,
Group CEO & Managing
Partner

As we move into 2026, Metrics sees a private credit sector that is both expanding and evolving.

Capital inflows into the asset class continue to accelerate, underscoring investor confidence in private credit's resilience and its ability to deliver attractive investor outcomes in an environment of heightened global uncertainty.

At the same time, borrower demand remains robust - particularly in corporate lending and real estate development - where banks remain constrained.

With more than \$30 billion in assets under management and a growing team, Metrics is focused on our core strengths: raising capital deploying it with discipline into high quality investments, and managing risk to deliver consistent outcomes for our investors.

We also expect confidence in private credit to strengthen as regulatory clarity emerges. ASIC's industry driven approach to standards will enhance transparency and trust, and Metrics intends to play a leading role in shaping this framework.

Taken together, these dynamics point to a sector entering a new phase of maturity. In our view, the fundamentals of private credit remain very robust, and the opportunities ahead are significant. Metrics will continue to combine scale with discipline, ensuring that both borrowers and investors can rely on us to deliver through cycles.

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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