



ALVAREZ & MARSAL
SOUTHEAST ASIA & AUSTRALIA

AUSTRALIAN PRIVATE DEBT MARKET REVIEW 2025

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FOREWORD

Australia's private debt market is undergoing a revolution. Once a niche segment of the financial landscape, it has now emerged as a central pillar of capital deployment, with assets under management reaching an impressive A\$224 billion. This growth is not just quantitative, it reflects a qualitative shift in how capital is being structured, accessed, and aligned with the evolving needs of borrowers and investors alike.

At Alvarez & Marsal, we see this transformation as both a recent market trend and a long-term investment thematic. Institutional investors are increasingly drawn to private debt for its compelling risk-return profile, its adaptability across sectors, and its growing regulatory maturity. The rise of direct lending, specialist finance mandates, and the re-emergence of listed investment trusts all point to a market that is innovating with intent.

This report offers a timely lens into the forces shaping Australia's private debt ecosystem. It highlights the consolidation among top-tier managers, the evolution of capital raising channels, and the increasing role of private capital in financing corporate growth and commercial real estate. More importantly, it underscores the opportunity for private debt to play a foundational role in Australia's economic future.

As traditional funding channels recalibrate, private debt is stepping up not just as an alternative, but as a preferred solution. We hope this review provides valuable insights for investors, borrowers, and policymakers navigating this dynamic landscape

SEBASTIAN PAPHITIS
MANAGING DIRECTOR



NEW INVESTOR CHANNELS AND PRODUCT INNOVATION DRIVING AUSTRALIA'S \$224 BILLION PRIVATE DEBT LANDSCAPE

Welcome to A&M's annual review of the Australian private debt market for 2025. We are pleased to share our latest markets insights, expectations for the coming year and the results of our Annual Australian Private Debt Survey, that has sized the market at A\$224bn, a 9% increase on 2024.

The rise of private debt, as part of the broader universe of private capital markets, remains one of the key emerging trends in investment markets globally, and activity this year has continued to support this long-term thematic. Both the demand and supply sides of the market continue to mature, with the supply side seeing an expansion of capital raising channels across institutional investors, pension funds, insurance companies, family offices, high-net-worth and retail investors. The current increased regulatory and investor focus on the structure, governance and valuation of private debt should also support this supply side trend in coming years, as it serves to provide a baseline expectation for the way these assets are managed.

The demand side is being supported by an increasing breadth of private debt lending product solutions, including a wide spectrum of investment grade lending through to high-yield and venture debt spread from the Small and Medium Enterprises (SMEs) right through to the corporate and institutional borrower universes. This is helping on the deal front, where there is renewed optimism as well as an improvement in the corporate credit outlook, seeing strong appetite, competitive tension and tighter margins across the lending market. This competition is prompting dealmakers to capitalise on current conditions by revisiting M&A plans, investing in property, equipment, and infrastructure, and restructuring or refinancing existing capital.

Overall, the long-term outlook remains positive for private debt in the Australian context, with our market continuing to attract new capital and the attention of both domestic and offshore investors who now see private debt as a core asset class of investment. Therefore in this years' review, we've provided the findings of our annual review and comment on the continued maturation of the market, its importance to economic growth and the emerging sub-segments likely to support future growth.

AUSTRALIAN MARKET SIZE AND MANAGER COMPOSITION

Our 2025 annual review has sized the private debt market at A\$224bn in assets under management (AUM) – an increase of 9% on 2024. This total is comprised of A\$132bn allocated to corporate and business-related lending, representing ~14% of this lending market in Australia. Meanwhile, A\$92bn is allocated to commercial-real-estate lending, accounting for ~18% of this lending segment domestically. These compositions have been outlined in the charts below with the only change being a small increase in the private debt market share for commercial-real- estate lending.

Figure 1

Corporate Lending Market

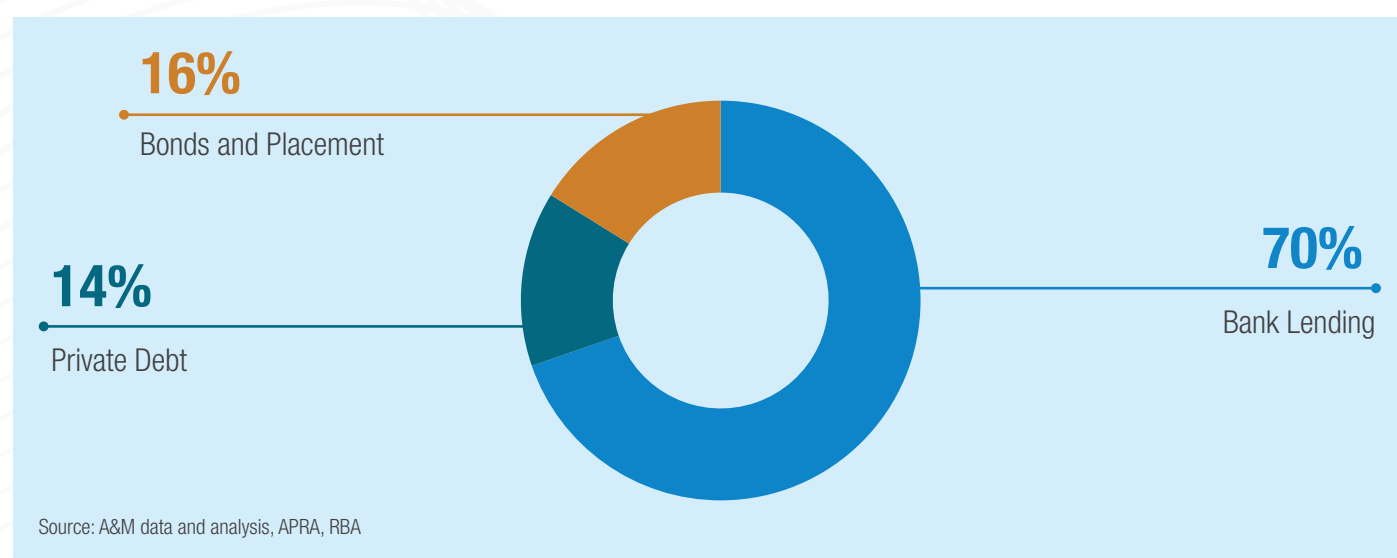
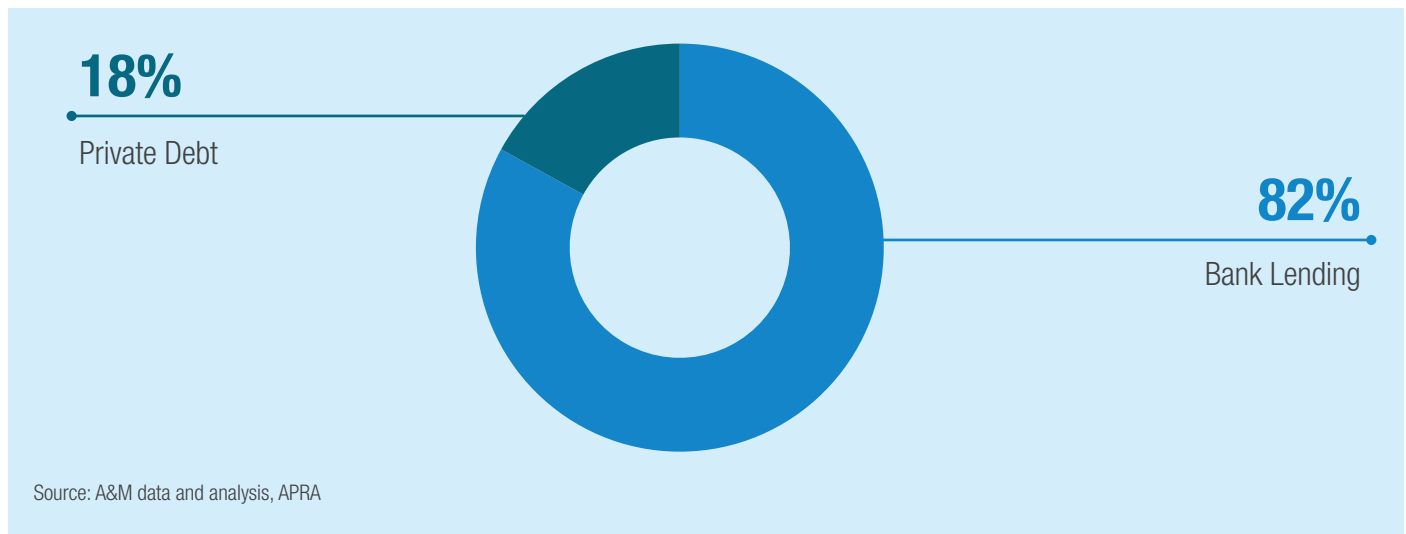


Figure 2

Commercial Real Estate Lending Market



We have also segmented the private debt manager categories below by AUM, outlining manager type and location of ownership to assist in understanding the mix active here in Australia. Following the trend of mature offshore markets, the number of private debt managers continues to grow. However, market consolidation is seeing a core group of scale lenders emerge which is reflected below in our findings with domestic multi-asset fund managers increasing AUM by 20% of the market last year to 27% this year. This consolidation also reflects the requirement of investors and regulators to improve transparency and governance in coming years, with larger platforms better able to meet these expectations.

Figure 3

Australian Private Debt Market by Manager Category

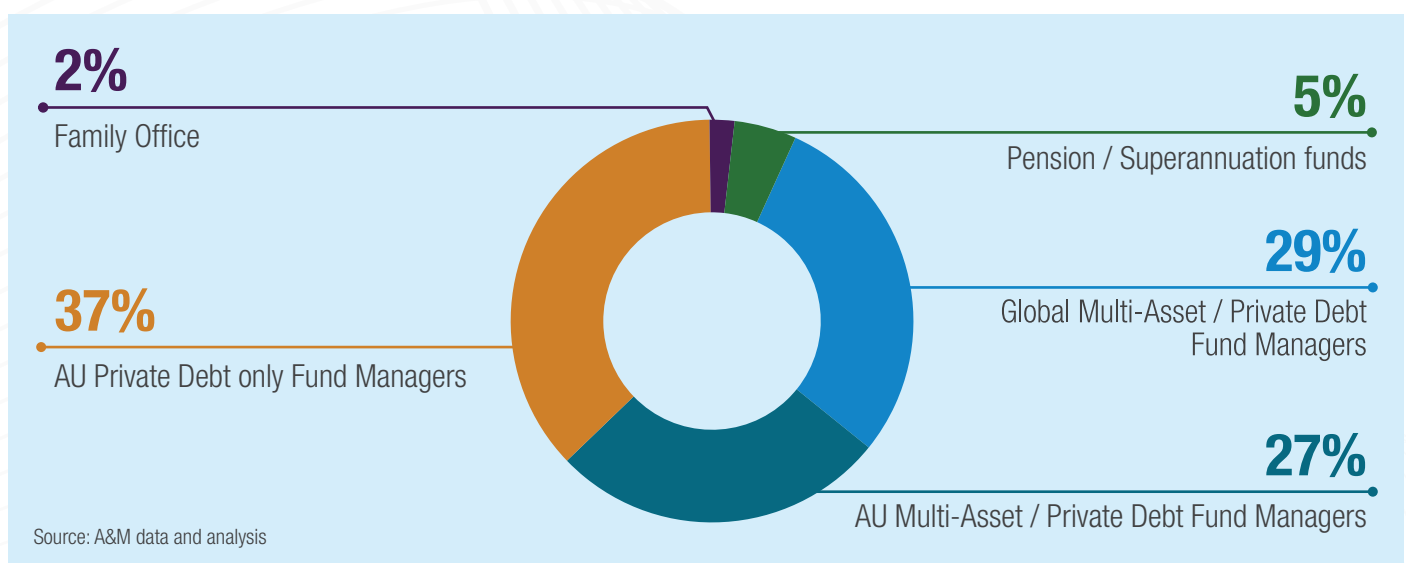
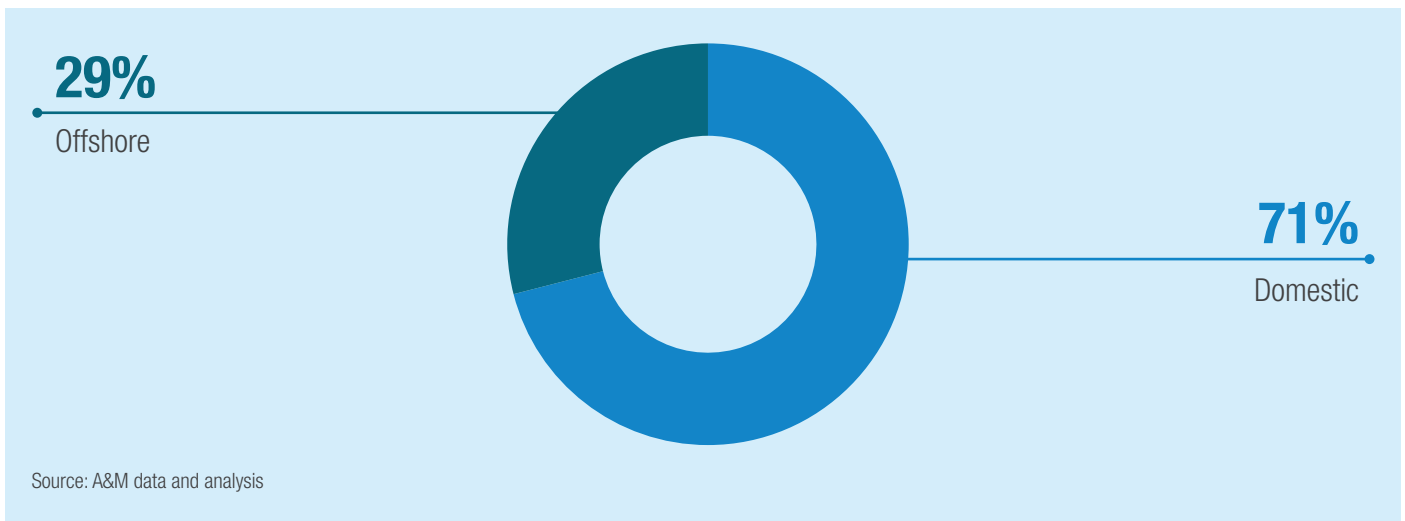


Figure 4

Australian Private Debt Market by Manager Location

As in previous years, our market review has involved both public information sources and confidential discussions with a diverse range of private debt lenders. Our analysis spans the entire debt return spectrum and targets a wide variety of markets, including lending to businesses of different sizes, industry sectors and with a range of funding needs. However, we've excluded commercial bank lending, non-bank lenders financed through warehouse or securitisation markets, and investors in public market bonds and securities.



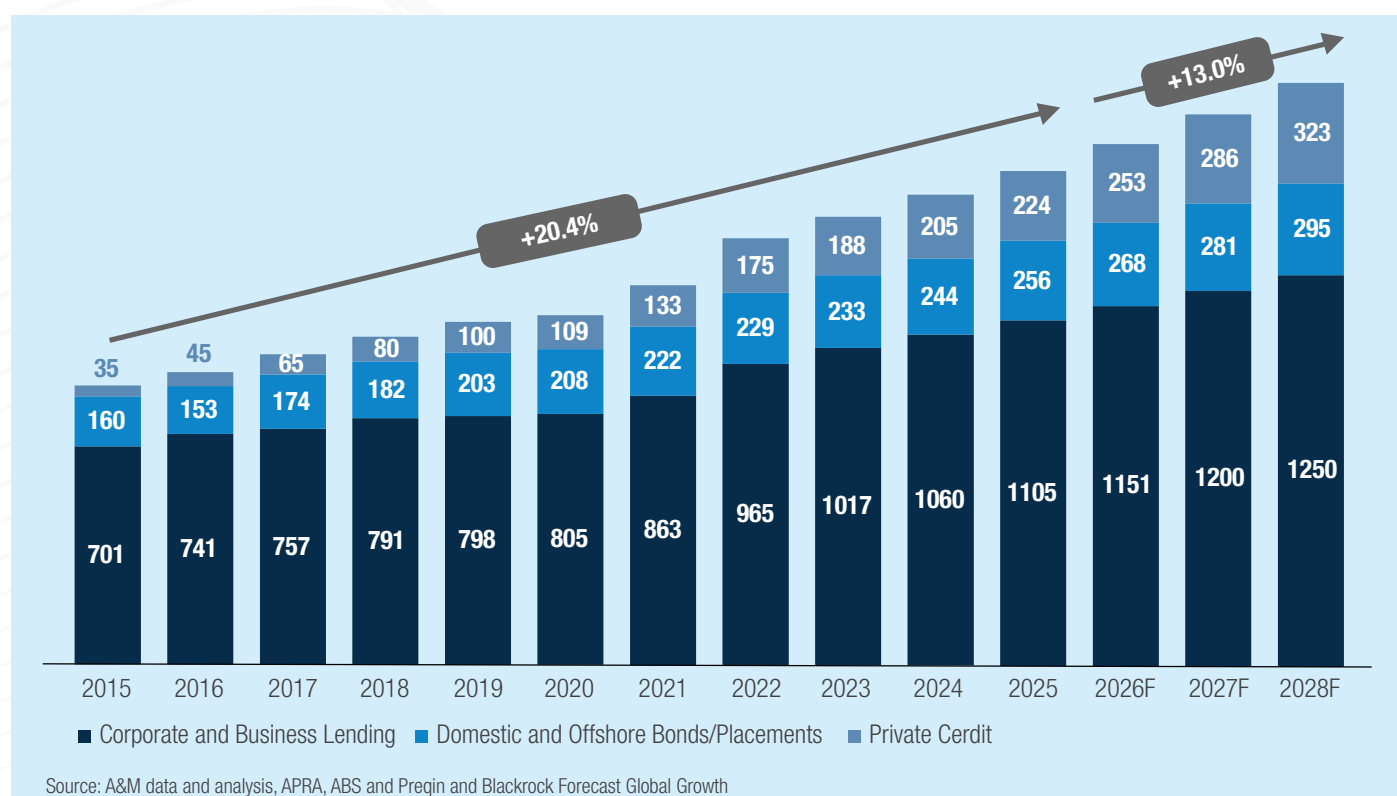


AN EXPANSION IN THE SOURCES OF INVESTOR CAPITAL

As reflected in the historical market sizing chart below, the growth of Australian private debt in recent years has outpaced more traditional bank debt and bond markets, with the private debt market compound annual growth rate (CAGR) over the last 10 years of ~20% compared to ~5% for banks and ~5% bond markets respectively. This rapid growth is based on a combination of an increased size of the individual private debt managers in our market, as well as global funds managers establishing private debt businesses here in Australia, as well as large domestic fund managers without existing private debt businesses acquiring smaller private debt managers.

Figure 5

Corporate and Business Lending vs Bonds vs Private Debt (A\$bn)



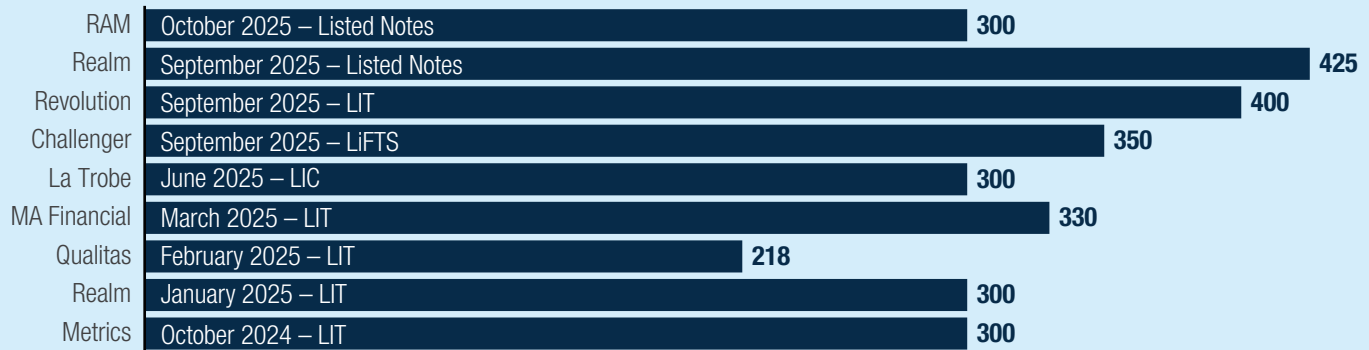
Another driver of this growth is the broadening of the capital raising sources, with one example of a growing source of capital being insurance companies who see private debt assets, particularly investment grade, as an attractive match for their policy liabilities. Insurance companies are also expected to drive innovation from private debt managers as they look for ways to originate investment grade lending opportunities. This is likely to see them find opportunities to take market share from the traditional bank syndication market, support the large investment required in the economy-wide energy transition and explore a wider range of structured asset backed funding solutions.

Another separate emerging area of capital raising opportunity for private debt managers is the implication of the phase out of the A\$43bn hybrid market, with Australian Prudential Regulation Authority's (APRA) decision to restrict banks from issuing hybrids. This has quickly seen a wave of private debt backed LIT's and note instruments being raised to fill the demand for yield generating credit investment opportunities from investors previously active in the hybrids market.



Figure 6

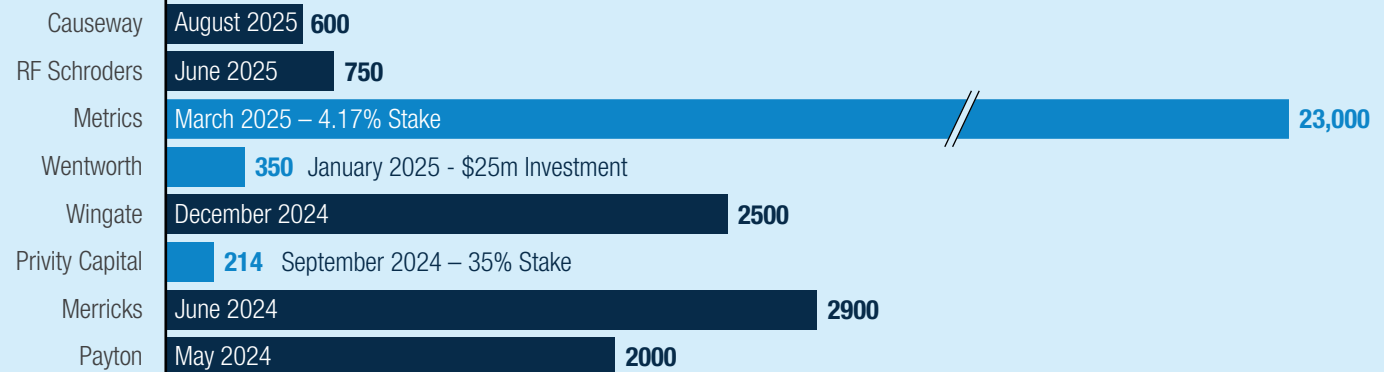
Australian Private Debt Listed Trusts and Notes Raised



Source: AFR, ASX, Bloomberg

Figure 7

Book Values of Wholly/Partly Acquired Australian Private Debt Fund Managers



Source: AFR, ASX, Bloomberg

This widening in the mix of capital raising sources is reflected in the tables above, with Figure 6 showing of the wave of new listed market capital raisings and with Figure 7 demonstrating the mix of M&A and consolidation activity now taking place. As private debt managers become more adept at integrating these new investment channels with their existing pools of capital, this will no doubt provide a further platform for market growth and so this pace of capital raising and consolidation is expected to continue in the coming years.

THE RISE OF 'DIRECT LENDING' AND SPECIALISATION

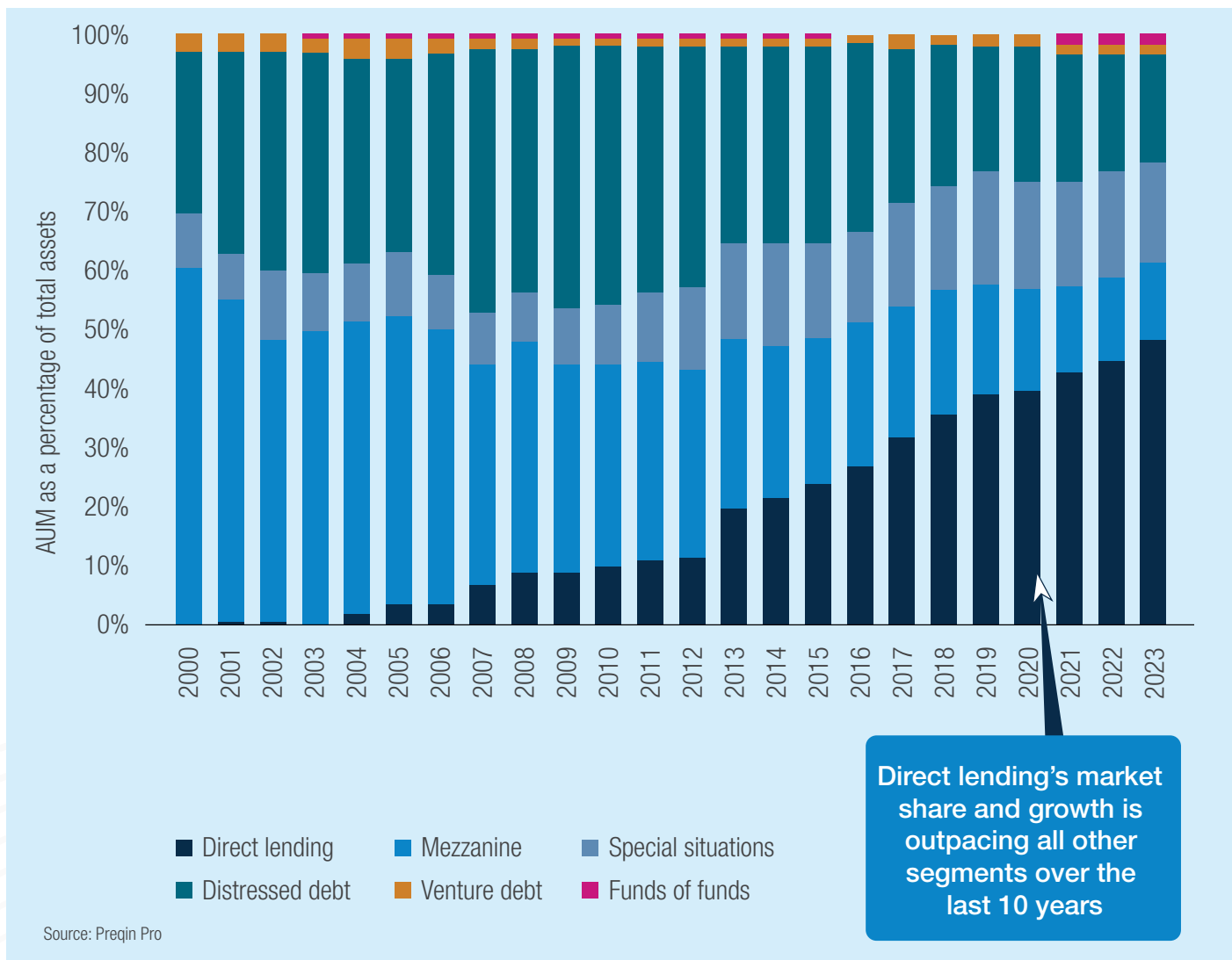
A lesser used term in the Australian private debt market compared to offshore equivalent markets, is the reference to 'direct lending'. This reflects a segment that has been a key driver of private debt globally - rising to almost 50% of the market (as shown in the AUM by strategy over time chart below from Preqin).

Direct lending refers to lending direct to a borrower rather than through an intermediary bank and is typically focussed on the middle-market. This form of lending is generally on more bespoke terms that suit both parties, provides faster deal execution and see an ongoing relationship between borrower and lender. A large share of our private debt market would already be considered 'direct lending' on this basis, with borrowers here much more familiar with dealing directly with their bank and private debt lenders.



Figure 8

Private Debt AUM by Strategy as a Percentage of Total Assets



The purpose of corporates accessing direct lending includes for acquisitions, growth and capital expenditure and commercial property development through to debt capital restructures or recapitalisations. This push into 'direct lending' is also driving innovation with an increased mix of specialised lending sub-segments and increasingly covering the full spectrum of company sizes. This breadth in the direct lending segment also provides good diversification for investors with the capital being invested across a mix of business needs across the economy.

The ongoing growth in direct lending will also help to address key funding gaps, supporting economic drivers such as project finance, property development, capital expenditure and growth-related mergers and acquisitions. Whilst bank and bond markets remain important as a stable funding source, often in periods of rapid expansion, growth or corporate activity, the private debt market can provide an alternative and more flexible source of capital. This role is key in driving economic growth and also is beneficial during periods of public market volatility given the private nature of the capital and the focus on more borrower specific credit considerations.

By way of example, we have outlined below some of the emerging sub-segments, helping to finance businesses and the real economy here in Australia:

- **Asset-backed Lending (ABL):** In the Australian context, ABL is growing with borrowers increasingly seeking to unlock debt capacity by leveraging collateral at higher advance rates within their business and beyond just real estate. Many large global private debt managers see the importance of ABL, for example Apollo pointing to it as ***“a critical tool for financing day-to-day activities for millions of businesses and consumers globally, estimating it collectively makes up a \$20 trillion-plus market globally.”***¹ This presents a material opportunity in coming years to underwrite innovative asset-backed structures and loan portfolios with good risk-return profiles, providing the market with a broader range of flexible funding options.
- **Infrastructure Debt:** In Blackrock’s view, ***“infrastructure is just at the beginning of a golden age, where there’s a need for trillions of dollars investing in infrastructure related to our power grids, AI, the whole digitisation of an economy.”***² As such, the accelerating demand for funding this infrastructure rollout creates a deep pipeline of lending opportunities, with the mid-market segment (sub-\$100m) particularly attractive for private debt. This demand for capital in the construction and development of these assets also offers the opportunity to access high-quality, investment-grade lending on better returns than traditional bank markets.
- **Specialised Finance:** This growing area of private debt reflects a broader spectrum of lending across niche, innovative and emerging categories such as venture debt, net asset value (NAV) financing, fund financing, litigation funding, and SME finance. Looking ahead, we expect private debt lenders will continue to find new solutions to address such industry-specific needs, expanding into sectors that have previously had more limited access to debt capital. This follows the trend in offshore markets where many managers established more targeted and specific fund mandates in these narrower segments.

These emerging segments of the private debt market offer investors the ability to lend against more specific and targeted collateral and cashflows, that provide a better credit risk profile and offer more robust downside protection. We expect these areas to drive future growth in coming years with private debt fund managers now seeing the opportunity to innovate their lending solutions and more directly engage with borrowers and address more specialised industry funding needs.

¹Apollo Global Management. Why Asset-Based Finance Is a \$20 Trillion Opportunity. Apollo Insights, 2024. <https://www.apollo.com/insights/why-asset-based-finance-is-a-20-trillion-opportunity>

²CNBC. Exclusive: BlackRock Chairman & CEO Larry Fink Speaks with CNBC’s Brian Sullivan on “Money Movers”. July 15, 2025. <https://www.cnbc.com/2025/07/15/cnbc-exclusive-excerpts-blackrock-chairman-ceo-larry-fink-speaks-with-cnbc-brian-sullivan-on-money-movers-today.html>

HOW A&M CAN HELP

A&M Debt Advisory helps companies to plan, select, source, negotiate and amend debt facilities across a range of debt markets and funding structures. Debt markets are more sophisticated and more complex than ever before. The team supports borrowers in navigating those markets and is well equipped to support its private equity and corporate clients through the economic cycle, providing high value-add advice on debt raising, capital structure optimisation and navigating challenging situations.

A&M also brings operating, and management expertise combined with top-tier consulting and specialised industry experience to meet the changing needs of companies and investors. Our team is well positioned to assist you with specialist tax, ESG and valuation experts in addition to broader offerings around performance improvement, regulatory and risk advisory, disputes and investigations, restructuring and turnaround, digital and corporate M&A services.

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