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Private real estate credit market heats up as family offices, wealthy investors pile in: CBC

Most investors in a recent survey said they plan to increase their exposure to the sector by up to 25% in the next 12 months

by Nila Sweeney

Australia's private real estate credit market is poised to expand substantially over the next 12 months as family offices and ultra-wealthy individuals beef up their investments in the sector, Centuria Bass Credit found in a recent poll.

More than three quarters of those surveyed by the alternative asset manager and investor said they will increase their private real estate credit exposure over the next year, lured by higher returns and the security of the underlying assets.

In its inaugural Private Real Estate Credit Index, Centuria Bass canvassed more than 100 clients and found that more than half are likely to boost their investment in private real estate credit by 10% to 25% in the coming 12 months. Most of the respondents represented family offices or ultra-wealthy investors.

More than half (54%) of those surveyed cited strong returns as their main reason for putting their money in private real estate credit, while more than a quarter (26%) were attracted to the security.

Rivkin Private Wealth is among those that have steadily increased their investment in private real estate credit over the past few years.

The Sydney-based boutique wealth management firm has lifted its private real estate credit allocation by up to 30% in each of the past four years. It now has $400m invested in the sector, representing approximately 30% of its assets under management. A significant proportion of that is invested with Centuria Bass.

Thomas Silitonga, managing director of Rivkin Private Wealth, said the firm has reduced its exposure to equities and allocated more capital to alternative asset classes, in particular private credit, half of which is real estate debt.

"Capital preservation is a top priority for Rivkin investors, and one of the key factors that resonates with them is knowing their investment is backed by property – especially since many have built their wealth through real estate," he said.

"They're not looking to shoot for the stars or to take unmitigated risk. Our investors expect a thorough due diligence process that ensures rigorous asset selection and structuring, protecting capital while enhancing income potential across varying market conditions."

Yehuda Gottlieb, managing director of funds and distribution for Centuria Bass, said the company has delivered a historic average internal rate of return of 12.0% since its inception in 2016, with 92% of transactions having first mortgage exposure.

He said family offices and wealthy individuals have supported private real estate credit for many years, attracted to the high returns and the fact their investment is underpinned by property.

"Generally, the family office money is the smarter money because their capital can influence lending decisions," he said. "Being private also means family offices are not swayed by public markets and short-term thinking. Because it's a family investment, often these investors take a long-term view and see through market variability."

CBRE estimates that Australia's private credit market comprises $50bn of real estate-related debt, representing 0.3% of residential mortgage, 26% of residential development and 4.2% of commercial lending.

The advisory firm predicts the private real estate credit market will grow 80% to $90bn by 2029.

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