

Billionaire Lederer family go big in private credit as loans hit \$200m

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The billionaire family behind the Primo empire is using the proceeds from the sale of the smallgoods producer to build a new business in private credit and has extending over \$200 million in loans to property developers.

The Lederers, who sold Primo to Brazil's JBS for \$1.45 billion in 2014, launched 3 Capital two years ago. The firm is now among a growing number of players in the lucrative private credit market run by wealthy families.



(From left) Ari Bergman, Paul and Rob Lederer and Mark Schwarz at the office of 3 Capital in Sydney. **Louise Kennerley**

In an interview, 3 Capital chairman Paul Lederer said while the firm's loanbook had grown, it had avoided deals in Melbourne because high taxes had made it difficult to make money out of real estate transactions.

"The situation in Melbourne is a disaster," said Lederer, whose fortune is estimated at \$1.98 billion by the Financial Review Rich List. The Victorian government has hiked taxes on investment properties and second homes to pay down the significant debts accrued during the COVID-19 pandemic.

Lederer's firm is run and owned by its three partners – his son Robert, private credit specialist Mark Schwarz, who is the managing director, and Ari Bergman, managing director of the Lederer family office RTL.

It lends to luxury home and industrial facility developers. The Lederers typically underwrite the deal, but individual deals are open to outside investment, which so far has mostly come from friends of the family.

Lederer, who is also a co-owner of the Western Sydney Wanderers A-League club

[\[https://www.afr.com/companies/agriculture/how-to-force-a-deal-using-common-sense-and-charm-20210209-p570qz\]](https://www.afr.com/companies/agriculture/how-to-force-a-deal-using-common-sense-and-charm-20210209-p570qz), immigrated from Hungary when he was 10. He joined his uncle in founding Primo, which became the country's biggest meat packer.

Robert said the family started 3 Capital after investing with other managers and finding little transparency over the interest rate they were charging borrowers, and the security of the loans. "You start to see that there's risk in the market that you're not actually being compensated for," he said.

So far, 3 Capital projects have included a dual-occupancy home in Bondi and apartments in Queenscliff, as well as a construction loan for an industrial site in Prestons. Robert said the advantage of being a smaller office meant they were under less pressure to do deals than larger operators. For instance, the firm has gone months without doing a deal, he said, preferring to wait for smaller projects where they understand the valuation. "We won't do massive projects like an office tower, for example," Robert said.

With lower interest rates and increasing competition, margins have fallen, he added. "We'll drop our margin, drop our price, but if someone says: can you lend me 3 per cent more? The answer is no," he said.

Private credit in the spotlight

The firm's founders are not blind to the challenges facing parts of the private credit sector. The industry has been dealing with a [rising number of loan defaults and developer bankruptcies](https://www.afr.com/companies/financial-services/300m-private-credit-fund-blocks-investor-redemptions-to-preserve-cash-20250123-p516r2) [\[https://www.afr.com/companies/financial-services/300m-private-credit-fund-blocks-investor-redemptions-to-preserve-cash-20250123-p516r2\]](https://www.afr.com/companies/financial-services/300m-private-credit-fund-blocks-investor-redemptions-to-preserve-cash-20250123-p516r2) amid high inflation and building costs, which in some cases has seen investors denied access to their funds.

The Australian Securities and Investments Commission has also increased its scrutiny of the sector as interest increases, driven by promises of lucrative returns. The regulator is particularly concerned about valuation practices, how conflicts of interest are managed, and whether different groups of investors are fairly treated. There is also a question of transparency [\https://www.afr.com/companies/financial-

[services/asic-demands-answers-from-private-credit-as-it-beefs-up-surveillance-20250323-p5lls9\]](#).

The Reserve Bank of Australia has estimated the value of the country's private credit market to be about \$40 billion, although other estimates range from \$1.8 billion to as much as \$188 billion.

3 Capital's managing director Schwarz said some private credit firms had overburdened developers by squeezing them for returns, and even charging them for undrawn funds. "We want our developers to make money and we want to do the next deal and the next deal [with them]," he said.

"We don't want to do 100 apartments and the builder goes broke," he said, adding that time and resources were required to put things back on track. Bergman added they have avoided taking on any equity, amid a series of debt-for-equity swaps in the private credit sector.

The firm, Bergman and Schwarz added, also said they'd been lucky to avoid a "bad vintage" of loans made around 2021. "There can be a propensity in the market to kick some cans down the road by sort of adopting or pushing forward old valuations just to hold the fort," Bergman said.

It has also been fortunate to avoid extending loans to property developments in Melbourne, where the real estate market has been more difficult. Only recently has 3 Capital lent money on a project in the city.

"You build for \$11,000 a meter and you sell for \$11,000 a meter. There's no money in it, and that's the problem. The build costs are the same whether it's Sydney or Melbourne, so the margin is just not there," Schwarz said.

Still, Lederer is bullish on the outlook for the country's property sector.

"We've got 400,000 people per year coming into the country ... if you ask where will it be in 20 years, there's not one person in Australia who's going to say it's going to be cheaper than today," he said.

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