

Steady growth of European private real estate debt market continues

- > European non-listed real estate debt market grows to €62.9 billion across 117 vehicles
- > Recent fund launches focus on senior debt strategies and direct lending
- > Over €25 billion of debt is expected to mature in the next 10 years

The INREV Debt Vehicle Universe saw the largest increase since inception to 117 vehicles and a combined target equity of €62.9 billion, doubling in size since 2016.

This reflects the steady evolution of the European real estate debt market. In part, this is driven by new fund launches, but also due to a strive for greater transparency and investor visibility.

Over the last three years, 15 newly launched vehicles were added, with a combined target equity of €8.5 billion or 13.6% of the overall total.

According to the ANREV / INREV / NCREIF Fund Manager Survey 2023, the total allocation to debt grew by more than 80% globally between 2020 and 2022, adding up to €368 billion by the end of 2022.

A significant proportion (86.4%) of the total target equity within the INREV Debt Vehicles Universe is allocated to closed end vehicles, with a predominant emphasis (65.5%) on senior debt loan strategies. Over the past

seven years, the count of closed end vehicles has exhibited consistent growth, expanding from 37 in 2016 to 91 in 2023, while open end vehicles remain limited in number, with only 19 in existence, including four among the 15 recently introduced funds.

By loan generation strategy, direct lending remains the preferred pure route to access the European real estate debt market, accounting for €21.1 billion, compared to the

€4.5 billion target equity allocated to pure loan acquisition strategies. However, mixed strategies dominate, accounting for more than 55% of all the target equity.

That said, there is a clear difference in the loan strategy by vintage year. Notably, recent fund launches focus on senior debt strategies to minimise the risk, given the risk reward is already very attractive.

More than €25 billion of debt is expected to come to the market between 2022 and 2034, of which €14 billion is expected to be liquidated in the next five years. This will create access opportunities for new investors, with expected returns well above those achieved in the previous years, but the assessment of risk will also be more complex.

Figure 1: Market Size: INREV Debt Vehicles Universe

