

Non-listed debt remains the preferred route to access European real estate

- > European non-listed real estate debt market grows to €69.8 billion across 123 vehicles
- > Closed end vehicles still represent more than 80% of the overall universe
- > Direct lending continues to be the preferred loan generation strategy by debt fund managers

The private real estate debt market remains one of the fastest growing segments within the European real estate industry, having more than doubled its size since 2016.

The coverage of the INREV debt funds universe has increased from 50 funds with a target equity of €30.4 billion in 2016 to a more representative market including 123 investment vehicles with a targeted equity of €69.8 billion in October 2024.

Over the last year, 6 vehicles were added, with a combined target equity of €6.9 billion or approximately 10% of the overall target equity. As a result, the share of debt as a proportion of overall real estate AUM increased to almost 11%.

According to the ANREV/INREV/PREA Fund Manager Survey 2024, the total allocation to debt grew by more than 10% year-on-year, standing at €407.5 billion as at the end of

2023. This is the highest value since inception of the survey.

More than 80%, a significant proportion of the total target equity of €69.8 billion within the INREV Debt Funds Universe is captured by closed-end vehicles, with a clear preference for senior debt loan strategies (representing 63% of the total target equity).

Senior debt funds comprise the Universe's largest share, with 66 of the 123 vehicles in total and a target equity of €44 billion. Furthermore, 33 funds follow mixed strategies (senior + subordinated + preferred equity or senior + subordinated), accounting for €17.8 billion (25.5%) of the total target equity.

Direct lending remains the preferred loan generation strategy to access the European real estate debt market, adding up a total target equity of €26.1 billion, compared to the €4.5 billion target equity allocated to loan acquisition strategies. Mixed strategies, however, account for most of the target equity in the INREV Debt Funds Universe, representing more than 55.1% of all the target equity.

Multi country, multi sector strategies continue to dominate as the preferred country and sector strategies representing 52.8% and 83.7% of the total sample, respectively.

Figure 1: Market Size: INREV Debt Vehicles Universe (target equity)

