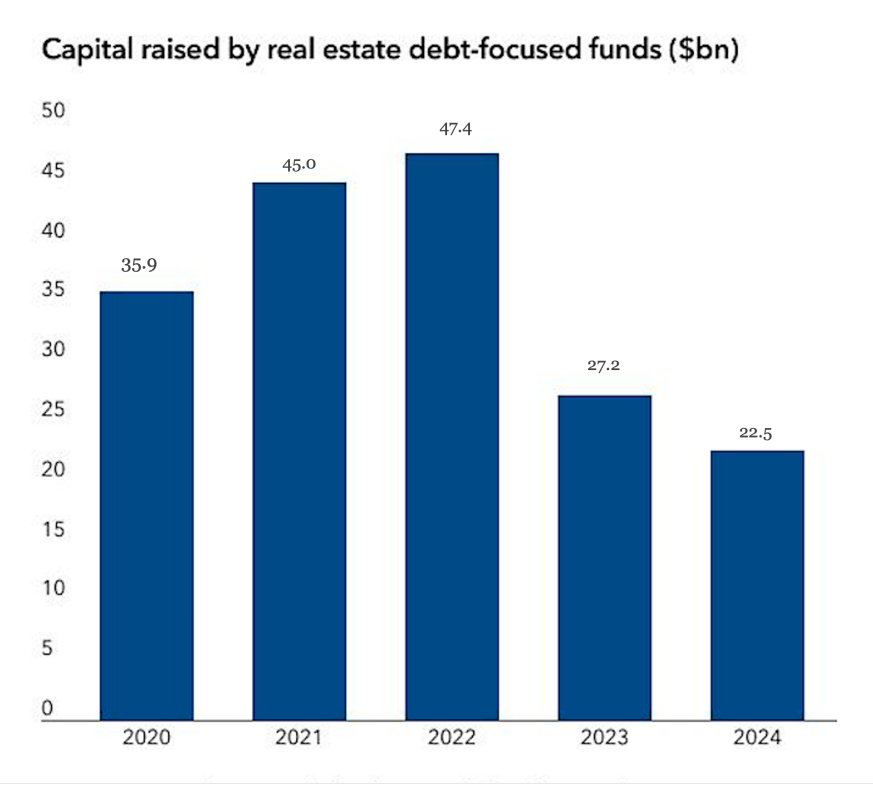
Real estate debt spies comeback

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Despite the lack of deal volume and build-up of dry powder in the sector, there remain parts of the market where borrowing needs are not being met.

Since interest rates began to rise in 2022, putting significant pressure on borrowers facing looming loan maturities and soaring debt costs, the opportunity for alternative lenders to capitalise on demand for financing solutions has been well publicised.

Private Debt Investor fundraising data (see chart) indicates that the last couple of years have been a struggle for real estate debt managers to raise fresh capital, in line with a drop-off in fundraising for real estate in general and most parts of the alternative asset universe.

But at $14.8 billion – bolstered by the closure of Blackstone's fifth global real estate debt fund on $8 billion in March – total capital raised for debt funds in Q1 2025 was the highest quarterly total since Q3 2023, when the impact of bank retrenchment in real estate financing began to filter through to fundraising figures. As a result, debt funds have attracted a greater share of investor commitments, rising from 17 percent in 2021 to 24 percent in full-year 2024.

Nevertheless, relative to the appetite for investment, many real estate debt fund managers have been met with a dearth of opportunities to put capital to work in the past year or so. Loan extensions into 2025, limited distress and a prolonged slowdown in the primary transaction market have all served to curtail deployment momentum.

Despite this, market participants continue to see opportunity in the sector, citing a prevailing need among borrowers for alternative financing providers.

For one manager, this provided conviction enough to launch an entirely new real estate credit business. Our affiliate title *PERE* recently reported that opportunistic equity specialist Patron Capital Partners hired an experienced lending professional to spearhead its maiden dedicated real estate debt strategy, for which it aims to raise as much as €700 million in the next two years.

This is just one example of a vote of confidence in a part of the market that has had its challenges – but where those in the know see opportunity ahead.