THE LEAD
https://theleadpc.com/leveraged-loan-insight-analysis-10-20-2025/

Unitranche spreads tighten for large corporate issuers in 3Q25, while middle market spreads were flat QoQ

LSEG | October 23, 2025

Source: LSEG LPC

The most recent quarter continued to be marked by robust competition among direct lenders amid lower than hoped for deal flow, with 73% of direct lenders in LPC's recent Middle Market Outlook Survey saying they were not able to lend as much as they wanted in 3Q25. Highlighting these market conditions is the tighter pricing seen across the market this year. For unitranche transactions (large corporate and middle market), the average blended spread has averaged 521bp year-to-date, down from the full-year 2024 average of 548bp. Looking at unitranche spreads by borrower size in the most recent quarter, we see that spreads tightened sharply for large corporate issuers, while middle market spreads in contrast were flat Q-o-Q. The average spread on unitranches for large corporate issuers tightened 27bp in 3Q25 to 484bp, while middle market spreads were steady at 527bp but still down significantly from the 546bp posted in the final quarter of last year. At the beginning of this quarter, many direct lenders in the Outlook Survey pointed to lower minimum thresholds for unitranche transactions heading into 4Q25, with 46% of respondents saying their minimum unitranche spread is in the 450-475bp range, up from the 38% who said this in the prior quarter and far above the 21% of survey participants who pointed to this threshold a year-ago.