# Private Debt Intelligence – 11/5/2018

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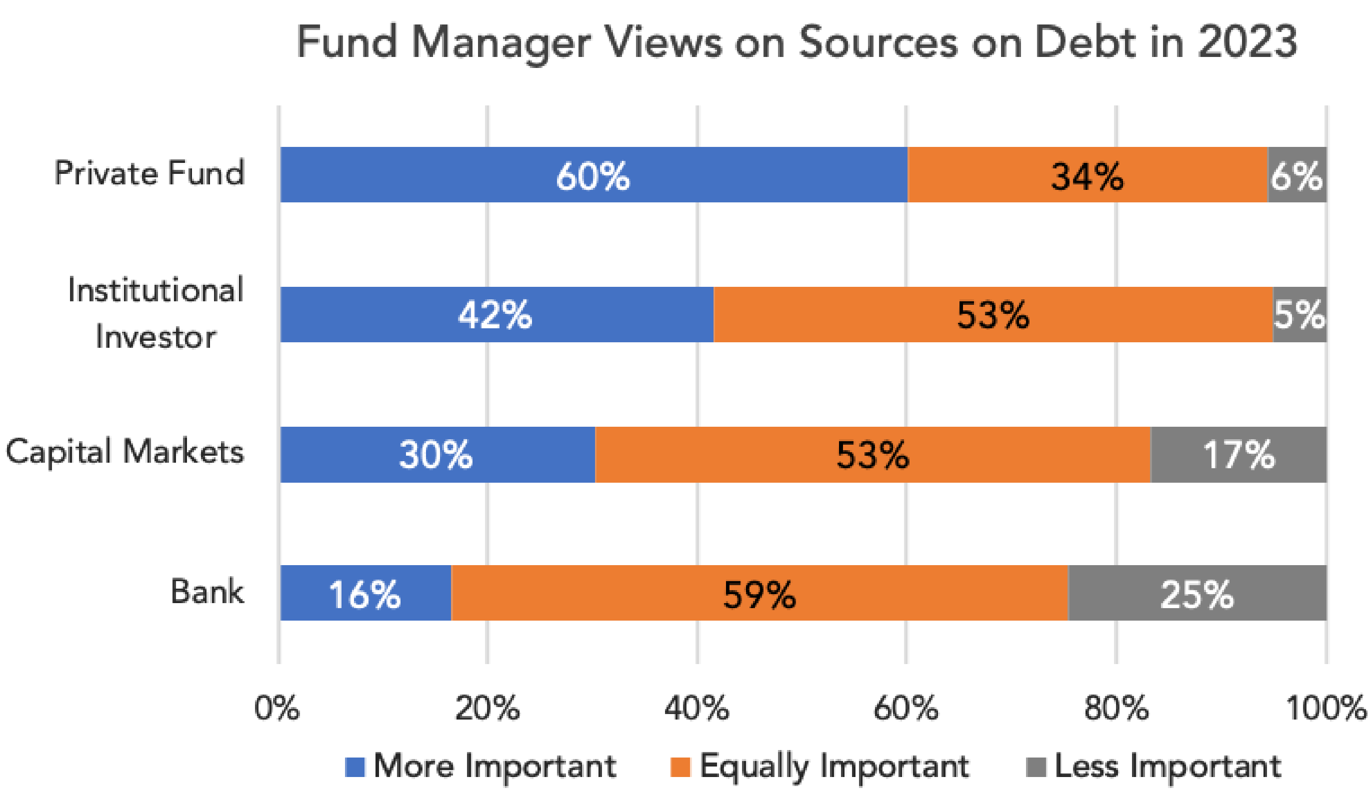
**What Does the Future Hold for Private Debt?**

## Chart

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As it launches its Future of Alternatives report, Preqin has polled fund managers and investors to calculate predictions for the future of the industry in the next five years. The alternative assets industry is set to expand across all asset classes, with the private debt market set to double in size, reaching $1.4tn in 2023. In doing so, private debt will overtake the real estate market to become the third largest alternative industry, after private equity and hedge funds. By comparison, the private equity industry is expected to reach $4.9tn in assets under management, and hedge funds are set to hit $4.7tn. The real estate market is set to reach $1.2tn in size.

Consolidation of capital has been on the rise over the past few years, with increasing proportions of capital controlled by just a few players. In fact, the largest 100 private debt fund managers hold almost three-quarters (74%) of total private debt dry powder and account for 72% of private debt capital raised over the last decade.

According to those surveyed by Preqin in the Future of Alternatives report, fund managers expect consolidation to continue. While just 17% of fund managers believe that little to no consolidation is likely to occur over the next five years, 67% think that some consolidation will occur. Another seventeen percent predict that significant consolidation is likely to occur. Fund managers seem aware that they will have to find ways to differentiate themselves in order to compete for capital over the next five years.

Furthermore, the largest proportion (25%) of fund managers expect banks to become a less important source of debt in 2023. However, fund managers have high hopes for private funds: over half (60%) of fund managers predict that private funds will become a more important source of debt in 2023. Forty-two percent of fund managers also predict that institutional investors will become a more important source of debt.

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