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Fundraising gathers momentum

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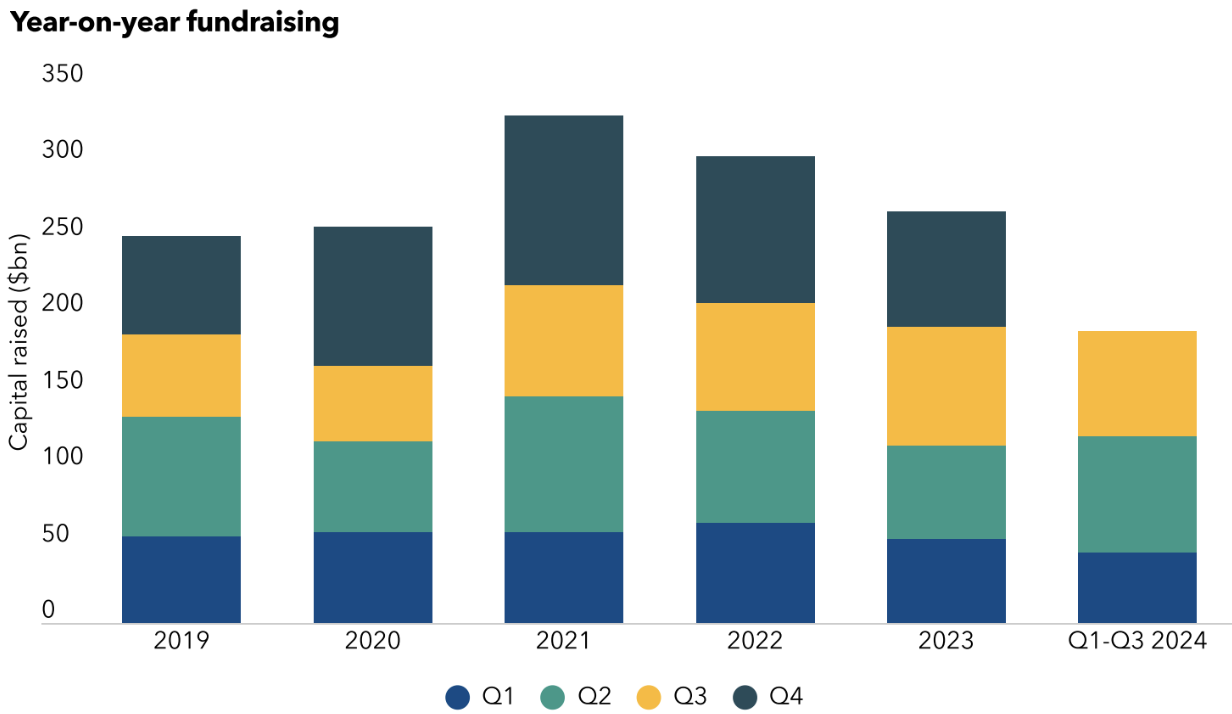

By the end of the third quarter of this year, capital raising was proving to be somewhat less challenging for private credit GPs.

After a tough first quarter, private debt fundraising picked up the pace through the rest of 2024 to end Q3 just slightly behind the equivalent period in 2023. Q3 saw a total of $68.1 billion raised. The total to the end of September reached $190.6 billion, compared to $193.8 billion in the same period of 2023.

The recovery in private debt fundraising has been heavily driven by the popularity of senior debt funds, which make up a huge 62 percent of capital raised in 2024 so far. A more typical proportion has been around 40 percent in the past five years. Subordinated and mezzanine funds have been the main casualty, making up just 17 percent of funds raised while distressed debt is also down at just 12 percent.

For several years the industry has been trending towards larger funds and 2024 is no exception, with the average vehicle size for the year above the $1 billion mark at $1.08 billion. This has been driven by some very large fund closes in 2024. Four vehicles have closed on more than $10 billion.

North America continues to dominate in terms of capital raised – it is set to end the year well above $100 billion. However, Europe has seen a rebound in activity following a difficult start to the year, with $49.9 billion raised so far.

The number of funds reaching their targets has fallen during 2024, with the highest number of funds failing to reach their targets since 2020 when the impact of covid-19 was being felt on fundraising. More than one-third of funds have closed above target however, well above the level seen in 2020, as larger managers benefit from significant oversubscriptions to their funds.

A huge majority of fundraising is for corporate private credit, which has risen to 83 percent of the total in 2024. Real estate debt has historically been the second most popular sector, and remains so, but has fallen off drastically as the sector is hit by challenging market conditions.