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Real estate's silver lining

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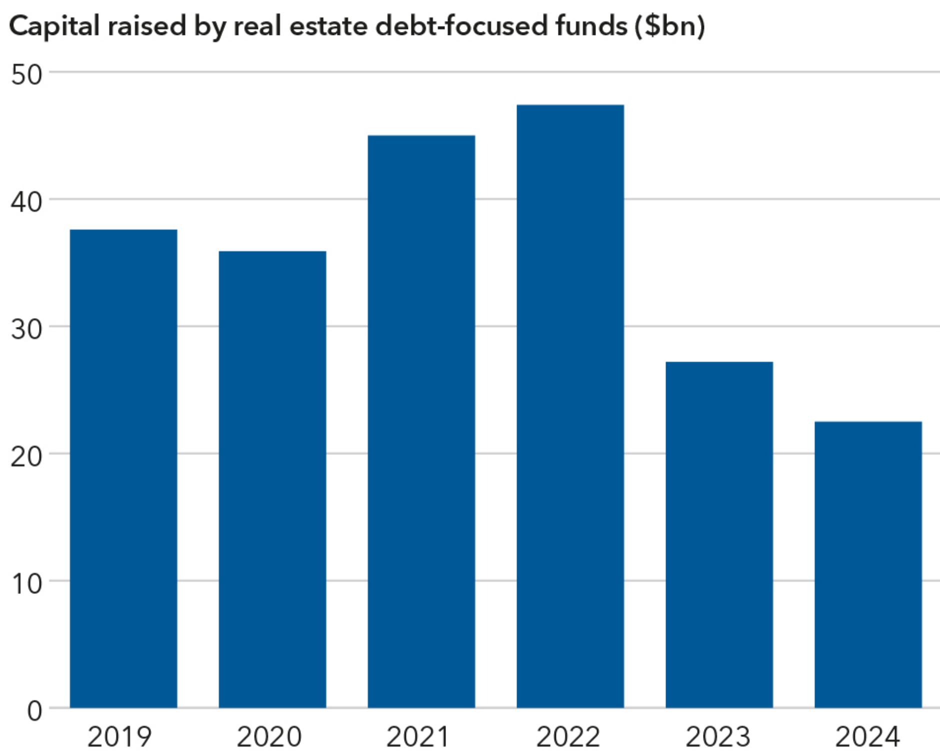

Source: Private Debt Investor

It's an area of investment that hasn't had the best headlines in recent times, but debt providers believe there are good opportunities beckoning.

Fundraising for real estate debt-focused funds fell 17 percent year on year between 2023 and 2024, according to *Private Debt Investor* data, with market onlookers citing a lack of liquidity, a dearth of projects begun during the pandemic years and a challenging macroeconomic environment as reasons for a pullback in commitments.

But these figures belie the sense of optimism beginning to take root across the sector, which *PDI* discovered when researching its recently published *Real Estate Debt Report*. Real estate company JLL projects that $3.1 trillion of real estate assets globally have maturing debt by the end of 2025 – combined with positive trends in demographics and heightened demand in key sectors such as multifamily, later living and student housing, there are plenty of opportunities for investors and lenders alike.

Bright spots for development are even shining through to the beleaguered office sector. Bridge lending in real estate offers investors a “compelling combination of relatively high returns and low risk”, according to Arrow Global, while Locust Point Capital says that an ageing population across the US and Europe is throwing up opportunities in the senior housing space.

LaSalle, meanwhile, argues that pricing corrections and high returns across debt portfolios are set to drive deal flow across the lending market in the coming months. Whatever the data might suggest, those with boots on the ground certainly seem to have conviction in the market. A troubled sector may yet have plenty to offer.