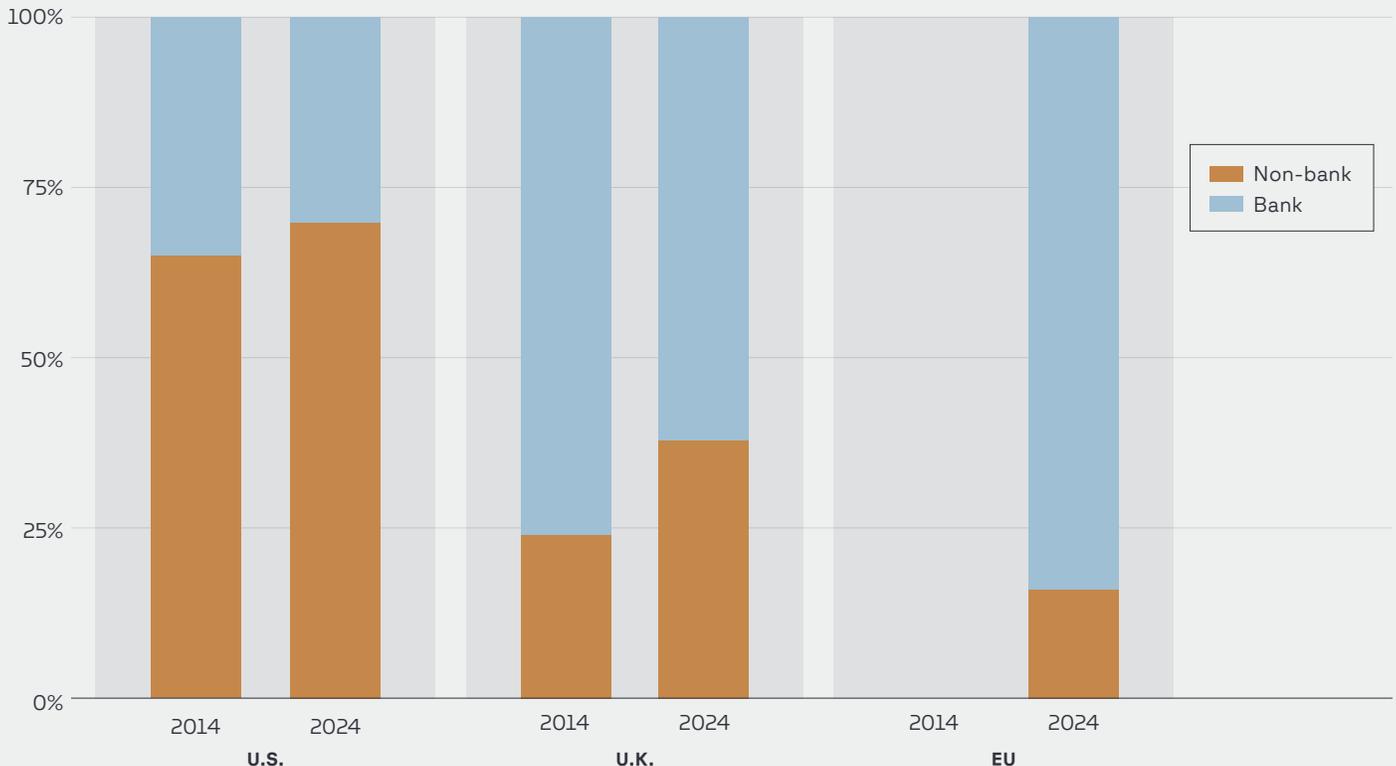


Real estate lending has evolved beyond a cyclical play to become a core component of portfolio construction, offering durable income, capital preservation, and attractive risk-adjusted returns in a market still working toward equilibrium. According to the INREV Debt Vehicles Universe 2025, global allocations towards **real estate debt funds reached €442 billion, more than doubling over the past five years.**<sup>1</sup> Lending for real estate in Europe has typically been the domain of banks, life insurance companies, and some pension funds. However, regulatory changes have significantly constrained traditional lenders' appetite and ability to deploy balance-sheet capital at scale, most notably for value-add and development lending. This has created an opportunity for non-bank lenders to capitalize on this market need while working with banks and life insurance companies that receive better regulatory treatment by providing the senior back leverage to the non-bank lenders.

Non-bank market share varies significantly across regions, partly due to differences in regulatory frameworks that shape traditional banks' capacity and risk appetite for CRE lending. Currently, non-bank lenders account for approximately 70% of the real estate debt market in the U.S., 40% in the U.K., and just 16% in continental Europe.<sup>2</sup> Relative to the U.S. and U.K., Europe remains notably behind this trend. While the European real estate debt market remains dominated by banks, increasing regulatory pressures have already started to lead to a change.

## NON-BANK VS. BANK % OF LENDING BY REGION



Source: Real Capital Analytics, Bayes Business School Commercial Real Estate Lending Report, European CRE Lending Report 2025, U.S. Federal Reserve Flow of Funds Q3 2025, Affinius Capital Research. Note: No data available for Europe in 2014

1. INREV Debt Vehicles Universe 2025  
 2. Real Capital Analytics, Bayes Business School Commercial Real Estate Lending Report, European CRE Lending Report 2025, US Federal Reserve Flow of Funds Q3 2025, Affinius Capital Research

The implementation of Basel IV, including revisions under the Capital Requirements Regulation III, introduces stricter requirements for banks to incorporate external data in monitoring asset market values and establishes an output floor for risk-weighted asset models.<sup>3</sup> Starting in 2026, the Capital Requirements Directive 6 will further tighten oversight by increasing supervisory and reporting obligations for third-country branches.<sup>4</sup> As a result, banks are expected to scale back to preserve capital ratios, creating a structural funding gap.

**CRE debt combines many of the attractions offered by both commercial real estate equity and fixed income; this includes stable, historically strong income returns while maintaining a level of downside protection from real asset exposure and enhanced diversification potential.** This provides resilience during periods of market volatility, making CRE debt a defensive allocation compared to equity strategies that rely heavily on valuation growth. In an environment where capital discipline is once again being tested, we believe real estate credit remains one of the most compelling opportunities for investors seeking income, resilience, and consistency. We expect the development of credit products in Europe will stand as a strong complement to our existing European equity strategies and vice versa. **The opportunity within the European CRE debt market not only appears highly favourable in the current market environment but also boasts an impressive decade-long track record of delivering strong returns relative to other asset classes.**



### RETURN/RISK COMPARISON OF ASSET CLASSES, 15 YEARS TO Q2 2025



Source: Bloomberg, Preqin, NAREIT. Note: All returns are total returns. Real Estate Debt is based on global debt fund performance from Preqin, U.S. stocks is S&P 500, European stocks is S&P Europe 350, U.S. bonds is Bloomberg U.S. Aggregate, European bonds is Bloomberg EuroAgg Index, U.S. REITs is U.S. NAREIT All-Equity index, European REITs is FTSE EPRA NAREIT Europe REITs index, European Core Private Real Estate is MSCI Quarterly European Index

3. Global Institute of Credit Professionals. European banks: Navigating Basel 4. 14 December 2024  
 4. DLA Piper. The Revised Capital Requirements Directive (CRD6): Key considerations ahead of its application. 18 December 2025



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