Where differentiation still drives returns

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In a mature market, differentiation matters more

European mid-market real estate lending is no longer an immature or lightly competed market. It is well developed, highly intermediated and, in some respects, mature. For borrowers and brokers, that means choice, from challenger banks and debt funds to insurance capital and, in some cases, the clearing banks, although traditional banks are often less focused on SMEs and more complex situations. On the surface, that extensiveness of capital can make the market appear efficient to the point of commoditisation.

My view is that this is only partly true. While the market is mature, differentiation matters more, not less. In an environment where many lenders can quote, the real test is not whether capital is available, but whether it can be delivered with certainty and consistency. Many platforms advertise funding. That is not the same thing as being able to execute when transactions become more complex or timelines tighten.

That distinction matters greatly across the wider European mid-market. In a crowded market, headline pricing and leverage are only part of the story. Control of capital is crucial. Platforms that are overly reliant on third-party bank lines or that operate primarily in an advisory capacity can find that their own dependencies become the borrower's problem at precisely the wrong moment. By contrast, permanent capital, flexibility across the capital stack and a tested execution platform are important advantages. They enable lenders not only to compete, but to remain reliable when markets become more volatile.

That is why I see the best platforms as those that combine origination, underwriting depth and execution capability. In efficient markets, you may need to review 50 opportunities before identifying one that meets your standards. The edge does not come from trying to do everything. It comes from disciplined selection, structuring capability and the operational platform to take a transaction from enquiry through to completion and monitoring. In that sense, maturity has not reduced the opportunity. It has simply raised the premium on expertise.

Living is not one sector

One of the most persistent mistakes investors make is to think about living as a single defensive theme. In reality, it is a collection of distinct subsectors, each with its own supply dynamics, demographic drivers and execution risks. The opportunity is there, but it is not uniform, and it cannot be accessed effectively without selectivity.

Student housing is a good example. In the UK, it is a highly bifurcated market. Stronger Russell Group locations continue to attract interest, while weaker institutions are much more challenging. In continental Europe, by contrast, the sector is less mature, which suggests greater long-term runway.

Build-to-sell and build-to-rent remain more challenging in the current environment, particularly where schemes rely on rental growth or exit yields. Co-living, by contrast, is beginning to show encouraging signs of momentum, supported in part by affordability and density dynamics. More broadly, what we are seeing is a shift away from plain vanilla transactions and towards more structured opportunities. That suits specialist lenders with local knowledge, disciplined underwriting and the ability to structure around execution risk.

Geography matters as much as subsector. In the UK, the years following Grenfell have brought a materially more complex regulatory environment. While well intentioned, it has slowed delivery and increased construction costs. That has undoubtedly made the market more challenging, but it has also made specialist underwriting more valued. Private capital is responding by placing greater emphasis on collateral coverage, jurisdiction selection and execution certainty. For lenders that understand those risks in detail, there is still opportunity, but it is much more about disciplined structuring.

Volatility creates dispersion, not paralysis

The refinancing market illustrates this clearly. There is ample liquidity available to refinance stabilised, post development real estate, and that remains the domain of deposit taking institutions. But the more interesting opportunities tend to sit outside that core bank market where non-bank lenders can play a more differentiated role, provided they have the underwriting depth and structuring capability to assess the risk properly.

The crucial point is that refinancing requires much more than surface level comfort. There is always an underlying rationale for why an asset is being refinanced, but it is not always immediately apparent. We do a significant amount of business refinancing other lenders, but only where we are satisfied that the rationale is sound.

At the same time, the market is far more accustomed to volatility than it was a decade ago. Since 2016, lenders and investors have had to navigate Brexit, Covid-19, the war in Ukraine, higher interest rates, stubborn inflation and now renewed instability in the Middle East. That does not diminish the seriousness of these events, but it does mean experienced market participants are better prepared to respond with discipline, realism and selectivity.

That is the central point. European mid-market real estate lending is not commoditised in the way that matters most. Strategic differentiation remains real. Control of capital, local origination, underwriting rigour, structuring capability and certainty of execution continue to create an advantage. For sophisticated institutional investors, the opportunity is not to allocate to the theme. It is to back the platforms that can navigate complexity with consistency and turn dispersion into opportunity.