insights+

REGIONAL

European Private Markets in 2025

PREQIN
a part of BlackRock

Contents

Key findings

1

Fundraising in Europe is accelerating
2024 saw total capital raised for private equity across the continent hit new heights, reaching €186.8bn for the year. 2025 is currently on pace to reach a new peak, with Western Europe (excluding the UK) already raising 89% of the capital raised there in 2024. Fundraising for infrastructure has also recovered and is on pace for a strong year. Capital raised in the first half of 2025 (€55.4bn) has already exceeded the 2024 total (€53.3bn), highlighting the surging role of infrastructure in European private capital.

2

Investors are eyeing up opportunities in Europe
Investor sentiment towards Europe as a region has risen sharply according to our survey data (based on responses from more than 460 investors), with investors more intrigued by the opportunities being presented across the region. Declining interest rates and restated economic targets have strengthened the allure of European markets, with a perception of lower valuations adding incentive. Those same investors may also have noted that private capital performance in the region has closed the gap with North America in 2024.

3

Deal flow in Europe has been reshaped
Private capital deal flow contracted in 2025 in Europe; 441 fewer deals have taken place in the first half of the year compared to H1 2024. Private equity deal-making is adapting to a new normal, driven by sectoral shifts, regulatory reforms, and growing foreign investor interest. The IT sector, which includes artificial intelligence (AI), remains a key sector for private equity deal activity, accounting for 25% of transaction volume in the region, but buyout interest in financial services has grown more recently. Cross-border deal-making into Europe has been rising, as Europe is also welcoming more foreign capital.

4

European infrastructure continues to outperform
Infrastructure in Europe has performed strongly over the past decade, with core-plus supporting the growth. The 12.0% annualized return over the last 10 years, compared to 9.1% for North America, highlights the strength of the asset class in the region. Both regulatory and macroeconomic factors have played into core-plus' success in the region, and the focus on renewables initiatives in Europe looks set to further aid growth of core-plus funds and infrastructure in the future.

Executive summary

European private markets have stood firm against market volatility as activity flourishes

Salik Ahmed
Associate, Private Capital
salik.ahmed@blackrock.com

Private markets in Europe have bounced back strongly following an extended period of stunted growth as investors navigated the changing economic backdrop. Private capital across the continent prospered in 2024, hitting new highs for fundraising, with asset growth underpinned by the consistent performance of infrastructure. Geopolitics and trade policies remain a prevalent theme in the region, with upsides for infrastructure and government spending targets as a result during 2025. Europe has been proactive in launching new initiatives and projects as it looks to secure itself on the global stage, with different countries across the region expressing new spending targets and promoting growth. With fundraising activity in Europe resurging, private markets in the region look set to thrive moving into the second half of 2025 and beyond.

We saw strong fundraising throughout 2024, with private equity being a particular standout. Conversely to the global sentiment that fundraising for private equity remained weak, capital raised in Europe reached a new high in 2024, with the current trajectory indicating that 2025 is set to outperform 2024. Europe's push into infrastructure projects continues to be a major theme in the region, with the asset class's position within private markets across the continent further solidifying. Europe still provides access to a variety of markets across various stages of development: the UK and Western Europe offer access to markets boasting long track records, but Central & Eastern Europe is seeing a fast-emerging tech scene that has become a hotbed for VC unicorns.

The improving condition of European markets has not gone unnoticed by investors. Sentiment for key markets across the continent has risen noticeably from both local and foreign investors alike. More favorable monetary policies in the region have aided in the appeal of European markets for investors, with the improving performance of private capital in the region an added incentive. As allocations towards private markets continue to increase, Europe offers a wide opportunity set that caters to the varying needs of investors around the globe.

Whilst private equity remains the most established asset class for private markets in Europe, the complexion of private capital continues to develop. Infrastructure's rise to prominence in the region continues, with renewables remaining a key sector and digital infrastructure becoming a fast-developing sector. VC in Europe has been maligned in recent years, struggling to raise and deploy capital whilst having to comply with different legal and tax frameworks across different countries. Structural changes are being made to help streamline frameworks, designed to remove the hurdles that VC currently faces in the region and further support the thriving ecosystem in Europe.

Private debt maintains its pivotal role in private markets across Europe. Banks in Europe have partnered with private debt fund managers to solve liquidity issues, widening investors' available offerings for financing. Liquidity concerns are also prevalent for real estate in Europe, which has dented the position of the asset class. Deal activity still dwindles and asset holders looking to free up capital have become more motivated to sell, presenting an opportunity for real estate investors targeting Europe.

This report provides a deep dive into the state of private markets in Europe, understanding how they have evolved over the last year and the current trends seen across the market. Key insights are presented alongside data-driven information to understand how European private markets have fared in 2025.

Year in review

Despite a changed macro environment in 2024, the outlook for private equity and infrastructure is relatively upbeat

Salik Ahmed
Associate, Private Capital
salik.ahmed@blackrock.com

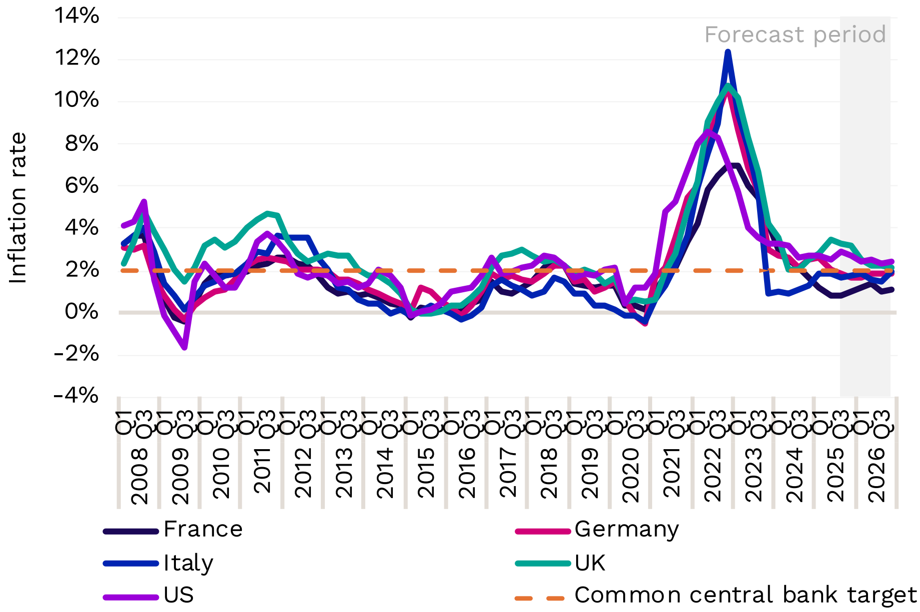
A lot can happen in 12 months. At the midpoint of 2024, the developed markets were preparing for a soft landing, and the European Central Bank (ECB) had only just announced its first rate cut since 2022. In the year that followed, the macroeconomic environment in the region evolved dramatically, with geopolitical uncertainty and trade instability altering how European markets interact on the global stage. Based on data up to the middle of 2025, we consider how recent events have impacted European private markets.

Global market shifts are driving structural changes

The high inflationary environment that kickstarted interest rate hikes across Europe almost seems like a distant memory. Germany and Italy have both curbed double-digit inflation numbers to hover around the central bank target – falling at a faster rate than the US, which peaked earlier than other regions and is suffering from signs of sticky inflation (Fig. 1.1). France's inflation rate is much lower than that of other countries in the region, and it could feasibly start to suffer from a deflationary environment if the low rate persists, although its CPI rose by 0.8%[1] in April to calm some of those fears.[2]

Fig. 1.1: Inflation appears to be less of a concern

Inflation rates over time, including forecasts, by country



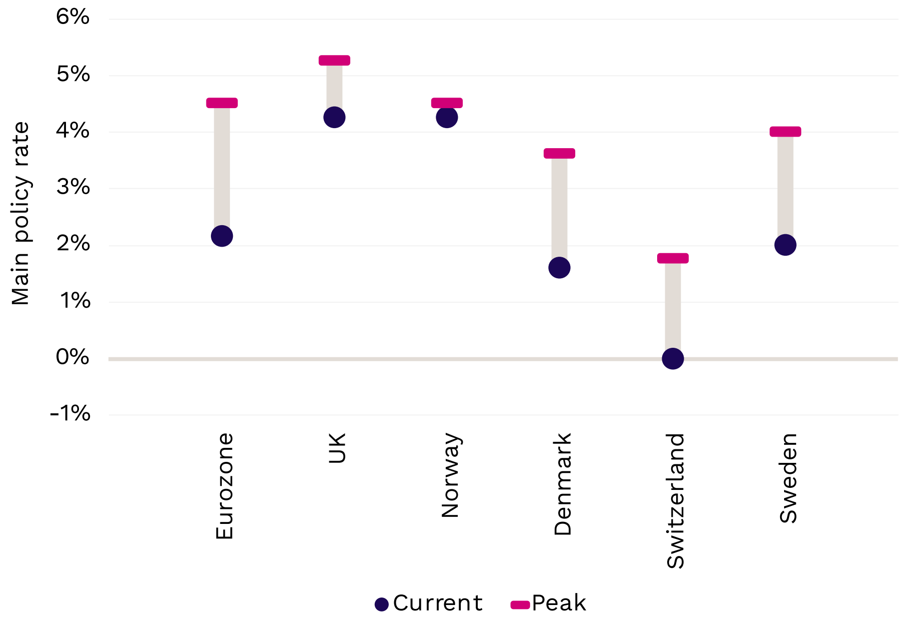
Source: S&P Cap IQ, data as of July 2025

1 In April 2025, consumer prices increased by 0.8% year on year | Insee
2 Multiple Constraints on Growth | BNPP

The UK also seems to be experiencing a patch of sticky inflation, with consumer prices still rising in the country. This sticky patch has dampened immediate expectations of consistent rate cuts by the Bank of England, whereas mainland European counterparts seem to be taking a more proactive approach to policy rates. In 2025 alone, we have seen four rate cuts by the ECB and a total of eight cuts since June 2024 (Fig. 1.2). Lower interest rates could spell fundraising success for higher-risk asset classes in the region, as investors tend to flock to higher-growth assets in lower-rate environments.

Fig. 1.2: Interest rates trending downwards in Europe

Interest rates from recent peak to current

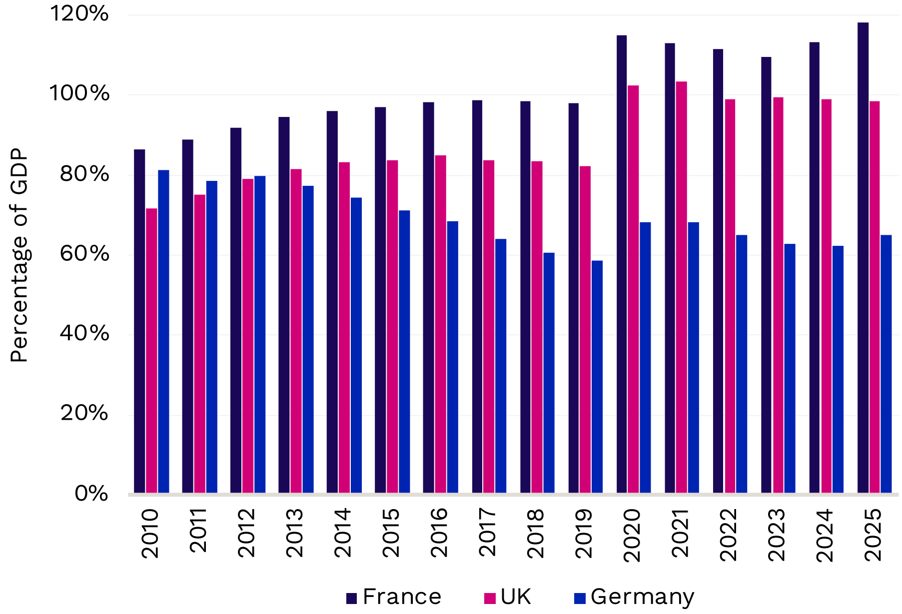


Source: ECB, Bank of England, Federal Reserve. Data as of July 2025

However, lingering concerns about the fiscal stability of certain European countries remain as debt continues to compound relative to their GDP. Both the UK and France have high levels of debt at the time of writing, with the UK only reducing debt below the 100% mark in 2022 and France almost reaching 120% in 2025 (Fig. 1.3). High debt in these countries may affect asset classes that benefit from government subsidies designed to promote investment; the need to make repayments on higher levels of debt could mean reductions in spending.

Fig. 1.3: France and UK debt ratios still high

Government debt as percentage of GDP

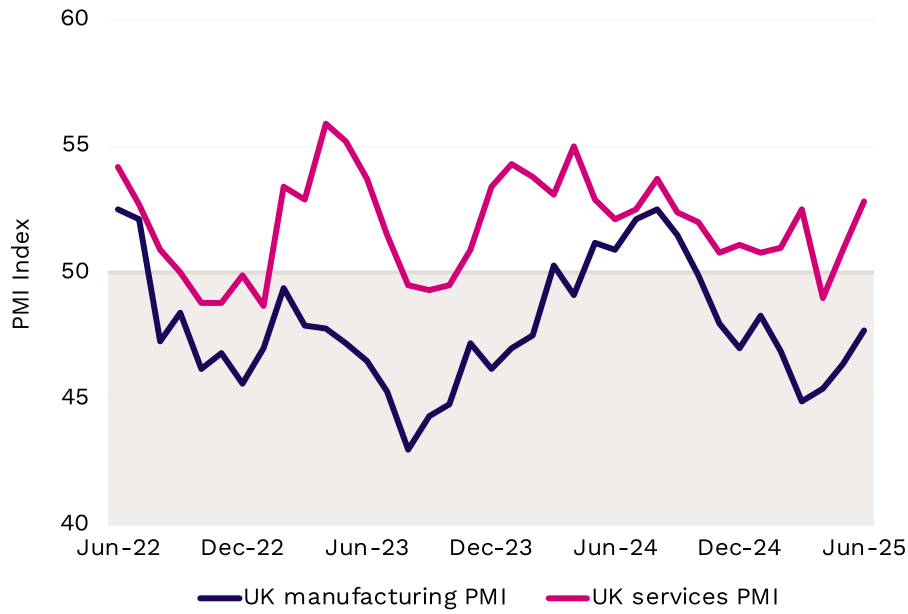


Source: S&P Cap IQ, data as of July 2025

Sentiment surrounding the economies of both Europe and the UK was generally positive in the first half of the year, with services purchasing managers indices (PMIs) for both markets seeing marginal bumps in February and March before dipping below the 50-point threshold in May and April, respectively, indicating a contraction (Fig. 1.4 and 1.5). The UK economy seems to be improving at a faster rate than that of Europe according to PMIs, highlighting expansion in the UK's services sector as the economic activity rate expands at its fastest rate in nearly a year.

Fig. 1.4: Services industry sentiment remains in positive territory

UK manufacturing and services PMIs

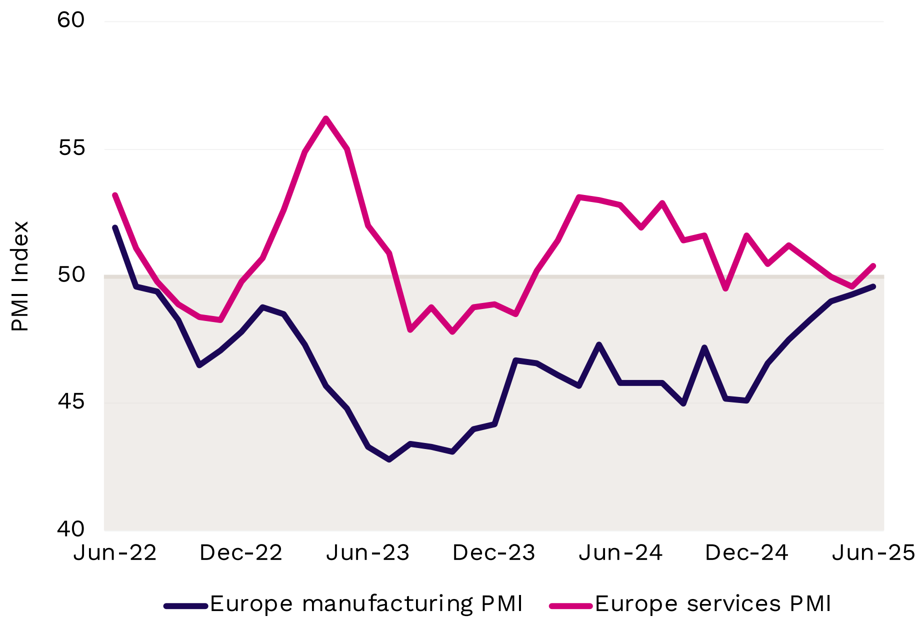


Source: S&P CapIQ, data as of July 2025

The manufacturing sector also seems to be recovering from a long slump,[3] although the economy still faces weaker global demand as the geopolitical climate remains unpredictable. European indices are much closer together compared to the UK, although manufacturing still sits below the 50-point threshold. Growth in the region can be attributed to new orders stabilizing after three years of decline. For private markets, improving sentiment around the economy could mean more optimism around growth prospects in the region, as investors might be more confident in the market and consider increasing allocations.

Fig. 1.5: European manufacturing sentiment catches up

Europe manufacturing and services PMI



Source: S&P CapIQ, data as of July 2025

Infrastructure leads AUM growth in Europe

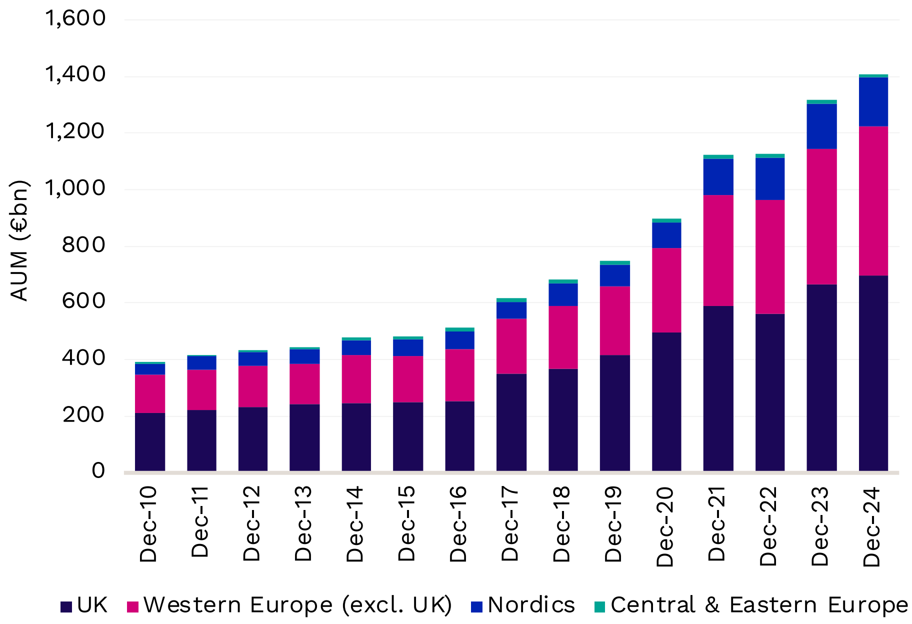
Private equity remains the largest asset class in the region, with assets under management (AUM) topping €1.4tn by the end of 2024 (Fig. 1.6). The UK still holds the greatest share of assets for private equity and has historically been a key driver of AUM growth in the region. However, in 2024 both Western Europe and the Nordic markets outpaced the UK for growth as they stake their claim to a larger share of the asset pool.

3 PMI falls as manufacturers feel the squeeze | The Engineer

Fig. 1.6: Private equity assets exceed €1.4tn in Europe

Europe-based private equity AUM

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

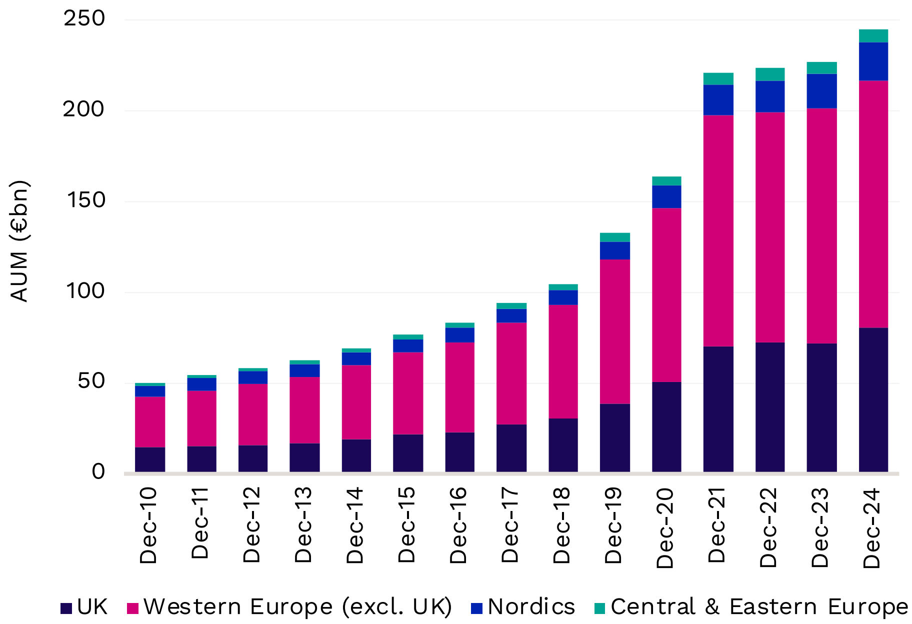
Explore Preqin Pro now
This report includes active links to latest data on Preqin.com

Private equity in Western Europe has benefited from the subsidence of macro headwinds. Declining inflation and frequent interest rate cuts have helped stimulate overall activity within the asset class. The first half of the year has also seen a considerable shift in sentiment towards Western Europe as an investment opportunity, as we further explore in chapter 4.

VC also seems to have overcome its stagnation in Europe, seeing an 8.0% increase in AUM in 2024 after minimal increases between 2021 and 2023 (Fig. 1.7). The improving macro conditions have helped with VC capital deployment in similar fashion

Fig. 1.7: VC AUM finally picks up in 2024

Europe-based VC AUM



Source: Preqin, data as of July 2025

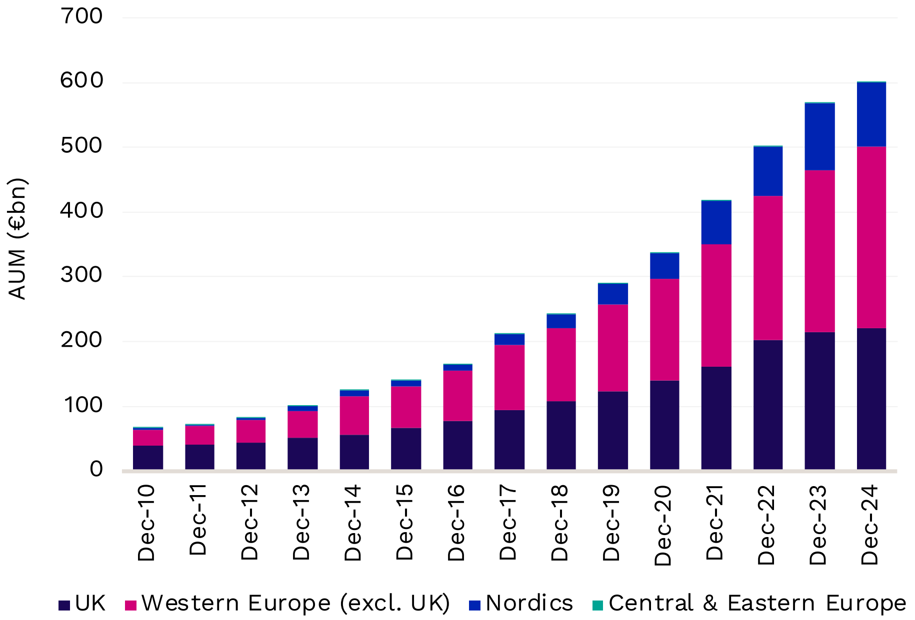
to private equity; the dry powder ratio has fallen and deal activity stabilized in 2024, but lingering concerns about the overall build-up of dry powder may remain for more recent vintages.

Central & Eastern Europe (CEE) is a much more nascent market compared to other markets in Europe and holds a much smaller share of AUM overall. However, the VC market within CEE is beginning to take off, with AUM growing by 12.7% to December 2024, beating the other European markets tracked by Preqin by nearly one percentage point (ppt). The ecosystem in CEE (with its lower base costs and educated workforce) has been very beneficial for start-ups, with the market now hosting 50+ unicorns.[4]

Even with the improving macro conditions in Europe, growth in the region is still being defined by lower-risk assets. Europe as a region is bidding to become the global leader in infrastructure, devoting huge amounts of resources to new projects. Infrastructure is the second-largest asset class for private capital in Europe; AUM for infrastructure in the region has now exceeded €600bn (Fig. 1.8).

Fig. 1.8: Infrastructure shows rapid growth in Europe

Europe-based infrastructure AUM



Source: Preqin, data as of July 2025

Although infrastructure AUM is still far behind private equity's substantial lead in Europe, the rate of growth that the asset class has experienced is more eye-catching. Looking at the compound annual growth rate (CAGR) of infrastructure AUM compared with private equity and VC shows the speed of infrastructure's ascension: from December 2020 to December 2024, the CAGR for infrastructure AUM was 15.6%, compared to 11.9% for private equity and 10.6% for VC.

Private equity fundraising in Europe hit new heights

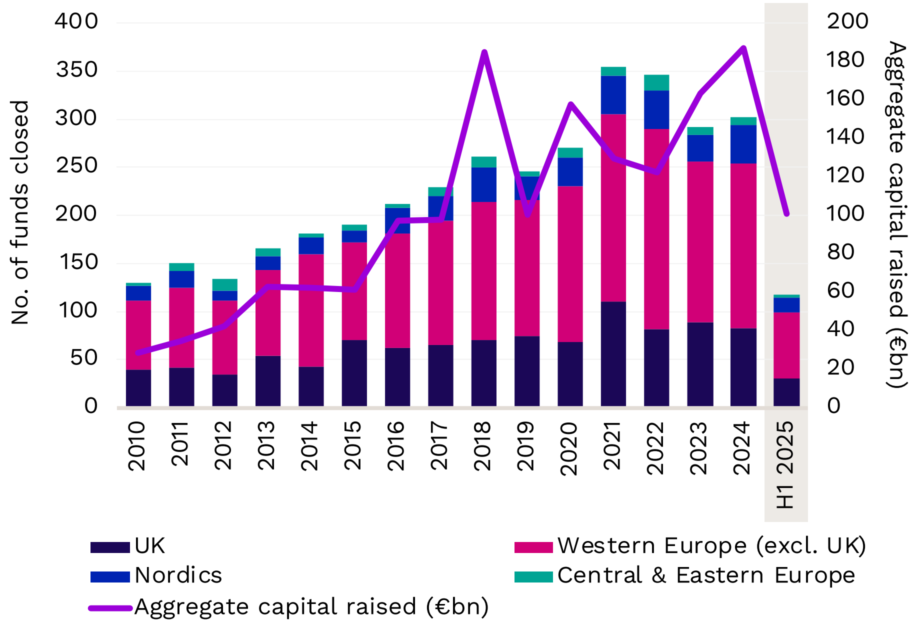
Raising capital in Europe remains a mixed picture, with some asset classes seeing new highs where others still await recovery amid the globally sluggish fundraising environment. Private equity had a record year for fundraising in Europe in 2024, at €186.6bn according to Preqin data (Fig. 1.9). At its current pace, private equity fundraising for 2025 as a whole looks on track to break the 2024 record. Europe-based funds raised more than €100bn in the first half of the year, with a large part of the success attributed to capital raised in Western Europe (excluding the UK), which has already accounted for 89% of its total for the entirety of 2024.

4 CEE Report 2024 | Dealroom

Fig. 1.9: Private equity in Europe sets new fundraising peak

Europe-based private equity funds closed and aggregate capital raised

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

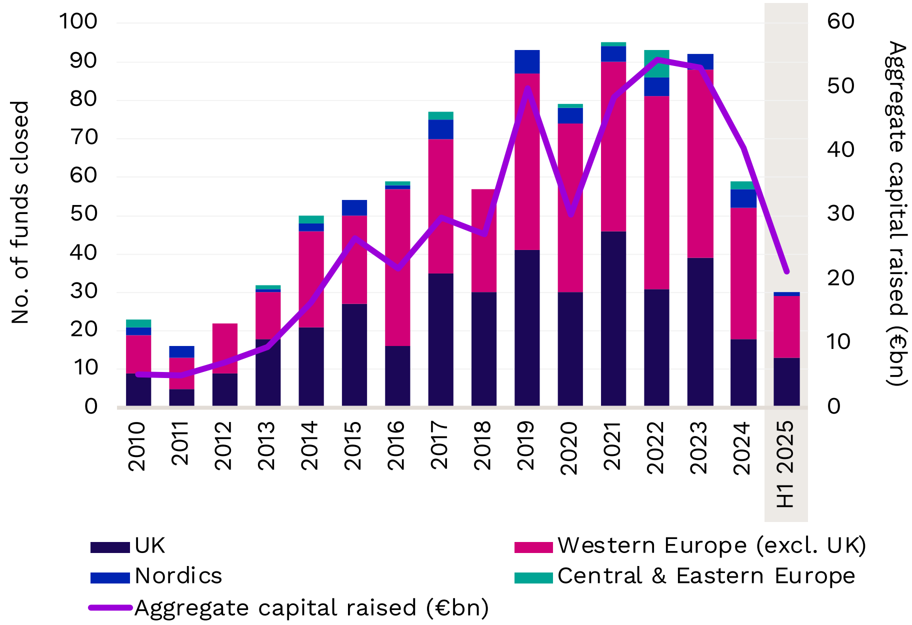
In 2024, Nordics-based managers had particular success in raising for private equity, raising approximately €14bn more than their previous high in 2021. Private equity firms in the Nordics have prioritized a handful of sectors, such as technology and healthcare, while benefiting from relatively stable domestic economies in comparison with other European countries.[5]

Private credit, however, saw a slowdown in the overall pace of fundraising moving into 2024. Overall capital raised fell in 2024 for the asset class as the more risk-off environment began to fade in the latter half of the year. So far, 2025 is following a similar capture rate for capital. Within the first six months of the year, €21.2bn has been raised – just over 50% of the 2024 total (Fig. 1.10).

5 4 Trends Driving Growth in Nordic Private Equity | Allvue

Fig. 1.10: European private credit fundraising following trend of 2024

Europe-based private credit funds closed and aggregate capital raised



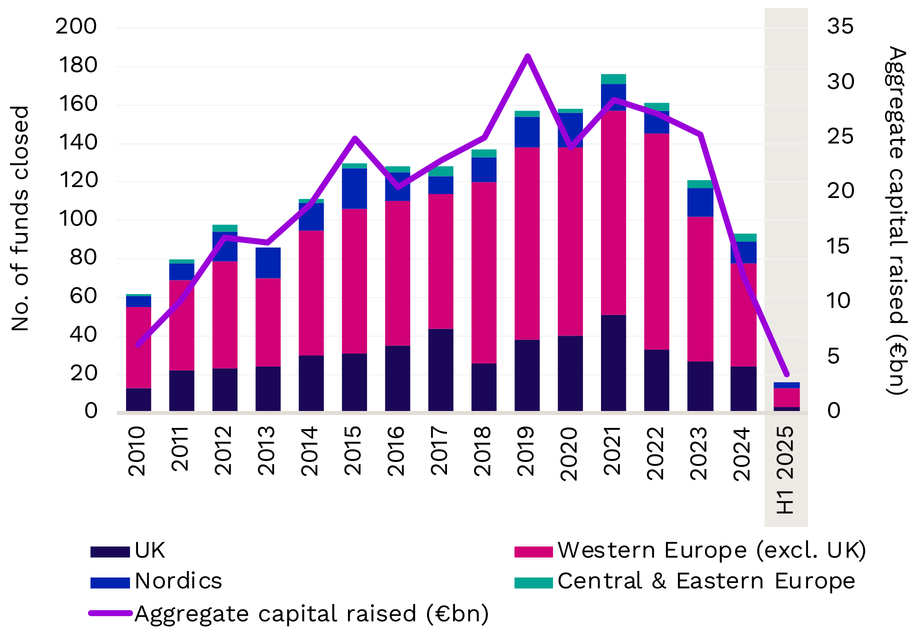
Source: Preqin, data as of July 2025

The UK remains the region's leader for private credit fundraising. Although accounting for fewer fund closes than Western Europe, the UK has averaged 65% of overall capital raised since 2015. Lower valuations in the country have attracted deal activity, which creates lending opportunities for private credit. There is little to suggest that the UK's position as region lead will change in the near term – especially given the UK's robust legal framework for debt contracts, which provides stronger guarantees on repayments.

Real assets in Europe truly showcase the inconsistent fundraising environment in Europe. Real estate funds based in the region struggled to find capital in 2024, and overall capital raised fell to €12.4bn for the year – less than half the amount seen in 2023 and approximately €20bn below the 2019 peak (Fig. 1.11). The first half of

Fig. 1.11: European real estate fundraising struggles continue into 2025

Europe-based real estate funds closed and aggregate capital raised



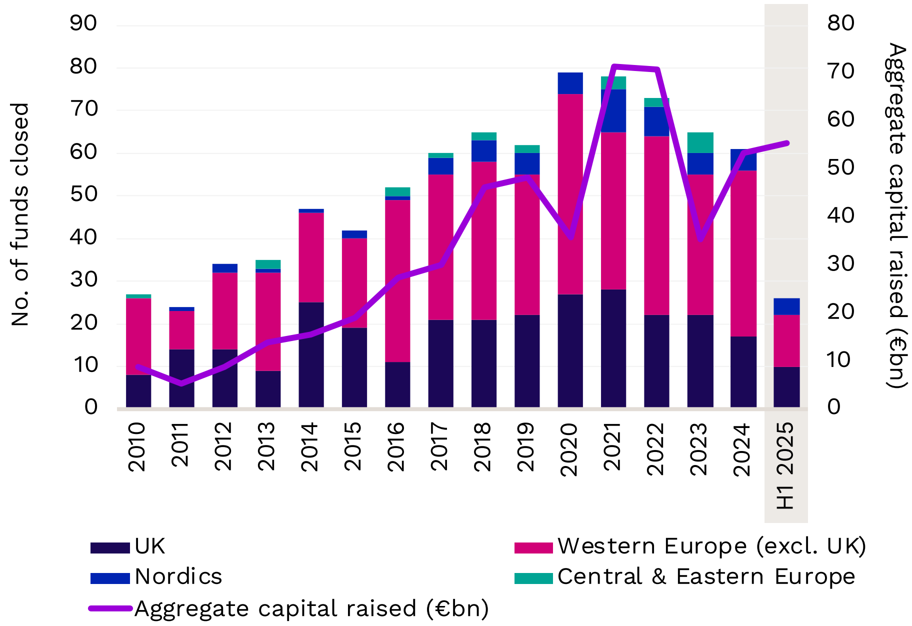
Source: Preqin, data as of July 2025

2025 has done little to ease fundraising concerns for the asset class; fund closures were few and far between, and capital raised in H1 only amounted to €3.6bn. Real estate investors looking to diversify are more actively paying attention to markets in the region, but lingering worries about the pace of recovery remain. Property values continue to decline, and high levels of debt are creating a mounting repayment burden. Liquidity concerns are still prevalent as capital remains tied up in assets, with investors unable to exit in a weaker environment – all complicating the picture for the asset class in Europe.[6]

On the other end of the spectrum is arguably the strongest growth prospect in Europe: infrastructure. Having overcome the fundraising crunch in 2023, infrastructure funds showed signs of a return to form in 2024. Although still below the 2021 peak, capital raised for the year totaled €53.3bn – almost €18bn more than the year prior (Fig. 1.12). The similar number of closes in 2023 and 2024 means that infrastructure funds based in Europe were able to close at higher targets than in the previous year. Data for 2025 indicates a continuation of infrastructure's recovery, with capital raised for the first six months of 2025 already exceeding the 2024 total. Energy security and the energy transition still underpin the growth of the asset class in the region, although demand for data centers has also become a major driver of the success infrastructure is seeing (discussed in detail in chapter 7).

Fig. 1.12: Infrastructure fundraising recovers

Europe-based infrastructure funds closed and aggregate capital raised



Source: Preqin, data as of July 2025

6 European real estate stuck in 'zombieland' as recovery proves elusive | Reuters

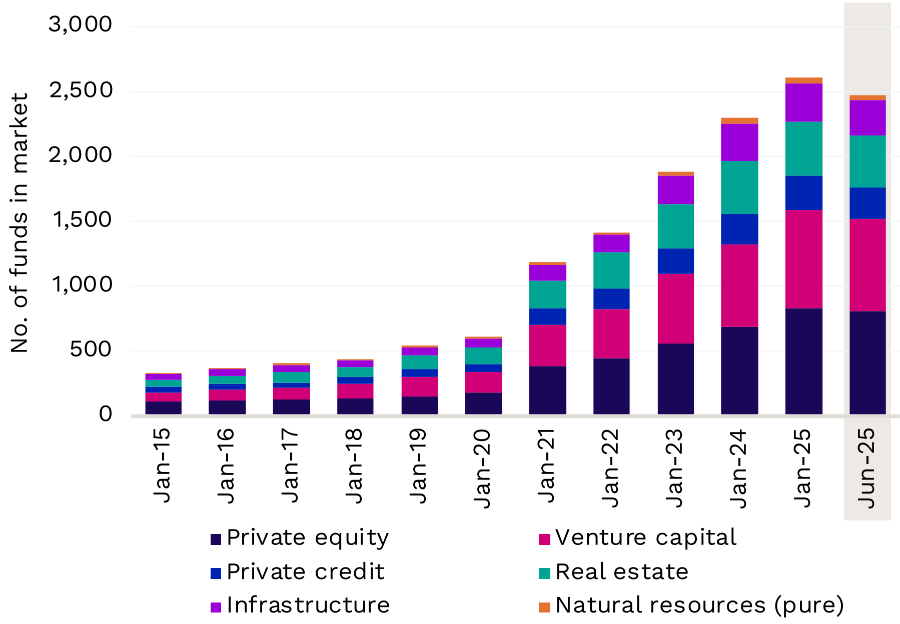
European fundraising market showing less congestion

The number of funds active in European markets had been increasing rapidly since 2020, with total funds in market at the start of 2025 4.3x higher than at the beginning of 2020 (Fig. 1.13). However, the first half of 2025 has seen an overall reduction of funds in market, either indicating that funds have managed to meet targets or have decided to close early.[7]

Fig. 1.13: Funds in market drops in Europe

Europe-based funds in market, by asset class

View latest chart data on Preqin Pro



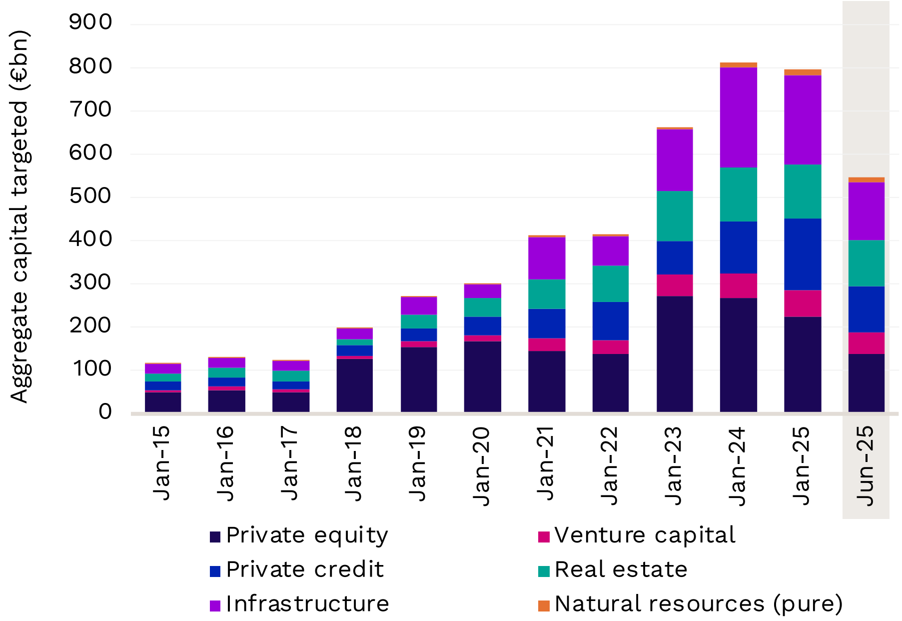
Source: Preqin, data as of July 2025

Total capital targeted by funds in the region fell by 32% within the first six months of the year, with private equity (39%), private credit (36%) and infrastructure (36%) seeing the largest reductions in targets (Fig. 1.14). Overall drops in targets for the region may have been a result of previous weaker fundraising if GPs were unable to find the capital they were searching for and reassessed in order to close. There could be a rebalancing effect occurring in Europe, with targets reducing after fundraising tightened in previous years. However, as observed, 2024 was a strong year for fundraising in Europe. The declining number of funds in the market may mean less competition for capital moving forward, and, if fundraising continues to recover to end 2025, GPs may start becoming more optimistic when setting new targets.

7 A knock-on effect of a tighter fundraising market is that closes get delayed, which adds further constraints on the restricted pool of capital from which funds are trying to raise

Fig. 1.14: Private equity, credit, and infrastructure see largest reductions in targets

Europe-based aggregate capital targeted per asset class



Source: Preqin, data as of July 2025

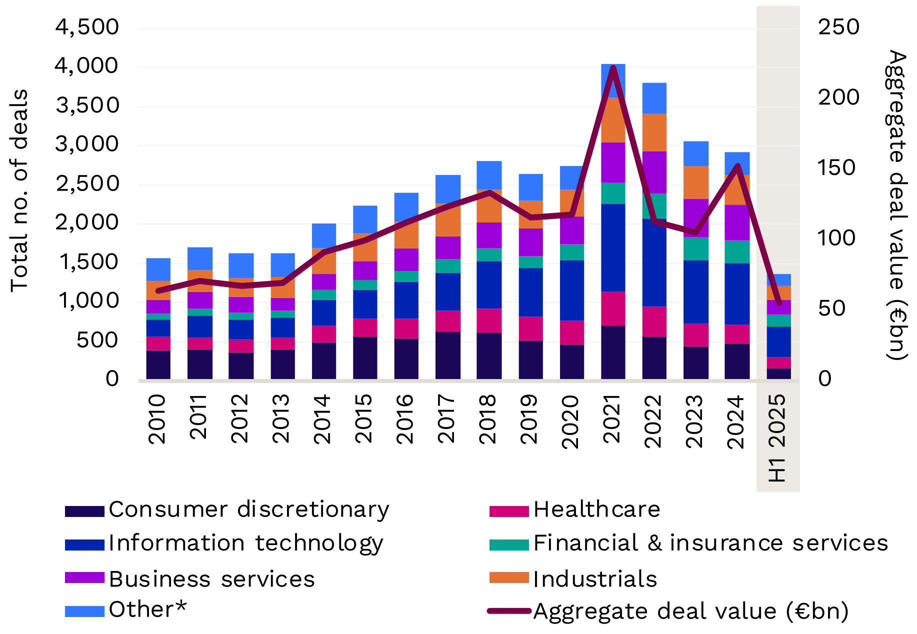
Deal market recovers somewhat in Europe

The private equity deal environment in Europe improved in 2024, spurred by interest rates being slashed in an attempt to promote growth and get capital moving again. Although the overall number of deals fell compared to 2023, the total value of private equity deals in 2024 was €152.6bn according to Preqin data, €47.2bn more than in 2023 (Fig. 1.15). Aggregate deal value for the first half of 2025 (€55.2bn) lagged compared to the midpoint of 2024 (€66.9bn).

Fig. 1.15: European private equity deal values pick up in 2024

Private equity deals in Europe and aggregate deal value, by sector

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

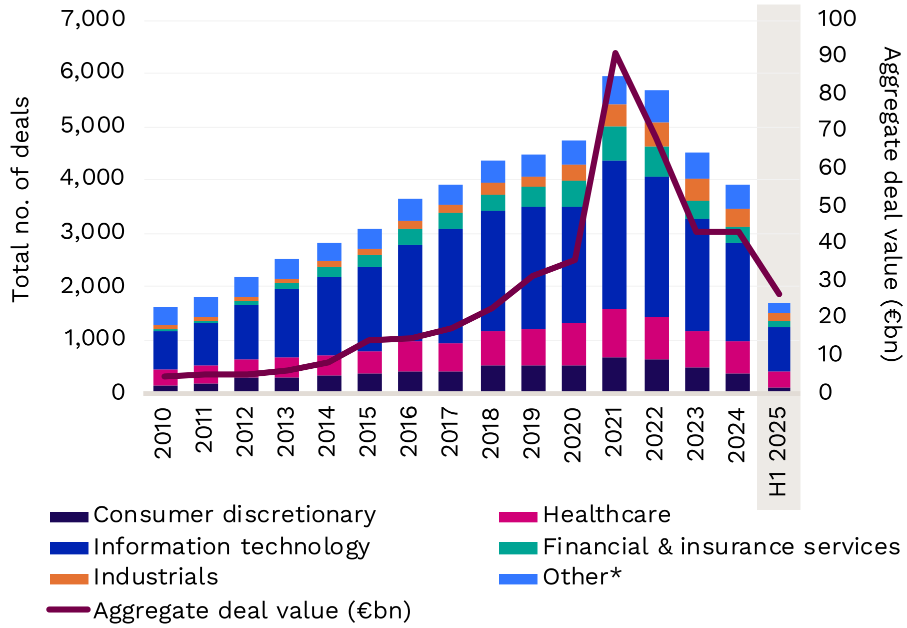
*Other comprises energy & utilities, raw materials & natural resources, real estate M&A, and telecoms & media deals

Improvement in deal activity for private equity tends to spur on the deal markets for other asset classes too. VC deal values also stabilized in 2024, with aggregate deal value roughly equal to the 2023 total (Fig. 1.16). IT dominates the VC deal environment, consistently accounting for the largest share of deals occurring in Europe. This trend looks likely to continue, with the incubation of tech unicorns increasing in the CEE region in recent years (alongside the more established VC ecosystems in the UK and France).

Fig. 1.16: VC deal value flattens out in 2024

VC deals in Europe and aggregate deal value, by sector

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

*Other comprises business services, energy & utilities, raw materials & natural resources, real estate M&A, and telecoms & media deals

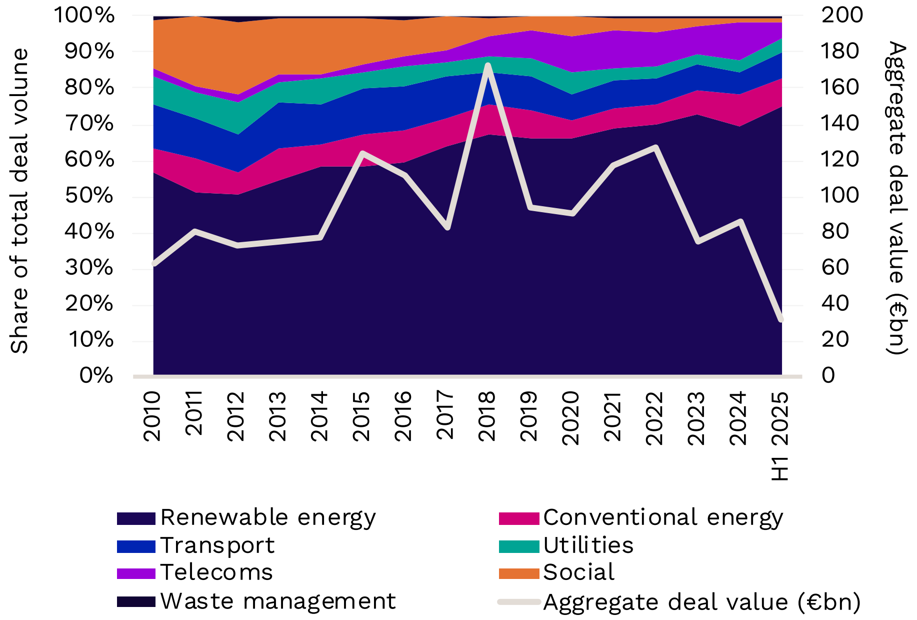
The average size of European VC deals rose in 2024 and again in the first half of 2025. Healthcare VC deals took a greater share of overall deal value in the region in 2024, accounting for 18.5% of value for the year and increasing their share of overall deal count in the region too. Healthtech has been a growing sector and, with new technological capabilities such as AI driving innovation, deal activity in the sector has risen. Regulatory frameworks surrounding VC in Europe have come under scrutiny in recent years as growth in the VC market stalled, with discussions continuing on how to further deregulate to boost growth in the market (see chapter 6 in this report).

Renewable energy has been the main sector of focus for infrastructure deals in Europe over the last 15 years, consistently accounting for 50% or more of overall deal volume (Fig. 1.17). However, deals for renewable energy tend to be much smaller in value compared to their conventional energy counterparts. The cost of renewable technology is falling, making the sector much more competitive and driving deal values down.

Fig. 1.17: Renewables lead infrastructure deal market in Europe

Infrastructure deals in Europe and aggregate deal value, by sector

View latest chart data on Preqin Pro



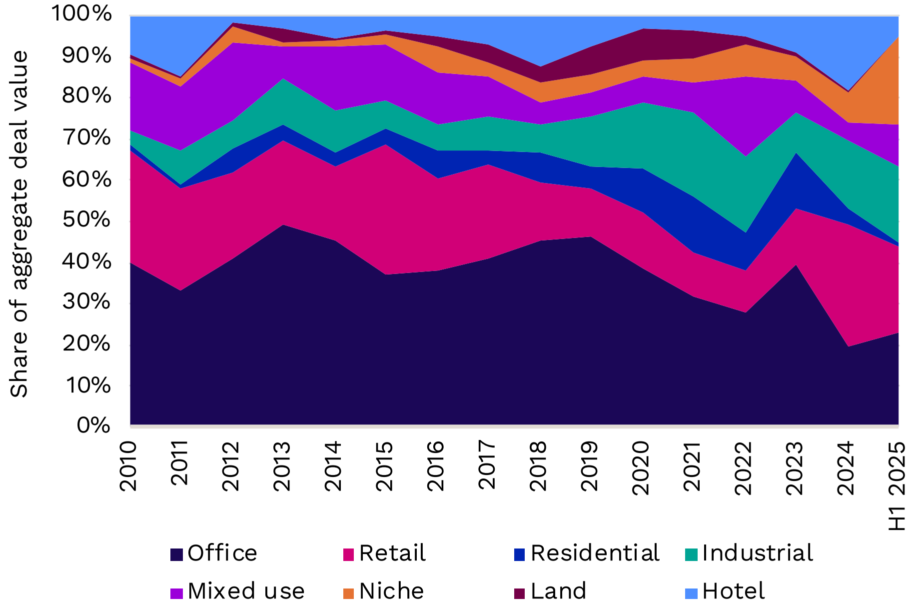
Source: Preqin, data as of July 2025

However, telecoms have begun taking a more noticeable slice of the European deal market since 2020. Although still dwarfed by the sheer volume of renewable energy deals, the aggregate value of the deals in these sectors was relatively closely aligned in 2024 (or even higher for telecoms in previous years). The feverish growth of AI as a sector has also increased demand for data centers in Europe, which feeds into the increasing number of telecoms deals in the region.

Real estate deal activity in Europe contracted further in 2024. Offices, retail, and industrials still hold the largest share of the market by deal volume, accounting for 575 of 879 total deals tracked by Preqin in Europe in 2024. Overall deal value did rebound in 2024 but still sits far below the 10-year average as the slow sector recovery continues. Offices, consistently the primary sector for real estate deals in the region, have seen their share of the market contract over the last decade, and with European workforces now accustomed to more flexible working arrangements, offices may see that share further shrink (Fig. 1.18).

Fig. 1.18: Offices no longer the clear leader in European real estate

Share of aggregate real estate deal value, by sector



Source: Preqin, data as of July 2025

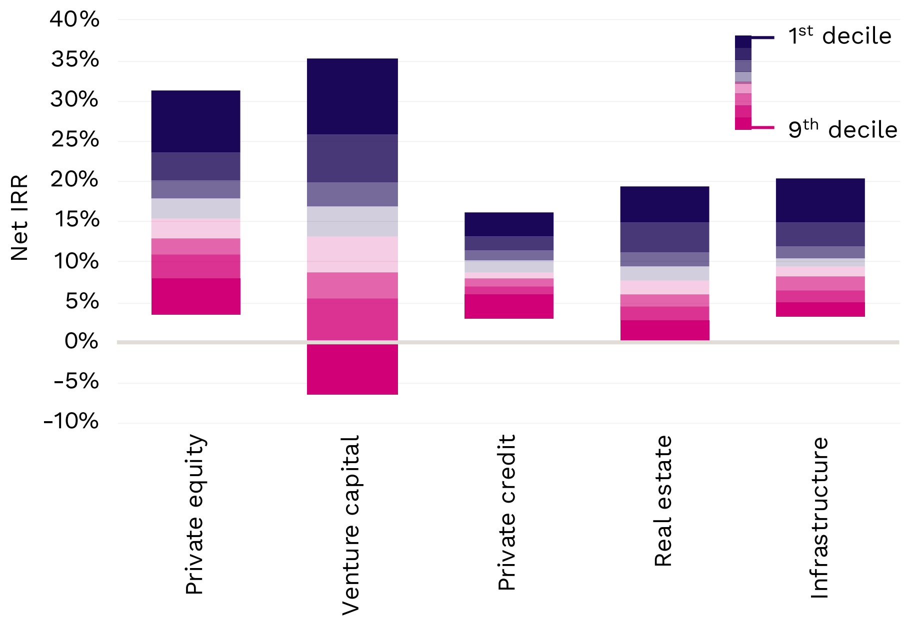
Return dispersion in European funds widest for VC

Dispersion of returns within the region reflects the risk profiles of the different asset classes (Fig. 1.19). VC in particular shows huge variation in net IRRs between ninth-decile funds and first-decile funds, with a spread of 41.7 ppts – almost 4 ppts larger than the dispersion seen for the asset class at a global level. Private credit and real assets show a much smaller level of dispersion, with real estate hovering above 0% IRR for funds at the ninth decile and reaching 19.4% IRR for first-decile funds. By comparison, the lowest performers for real estate globally rank negative for net returns.

Fig. 1.19: Dispersion correlated with risk for European assets

Europe-focused funds' net IRR, by asset class (2013–2022 vintages)

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

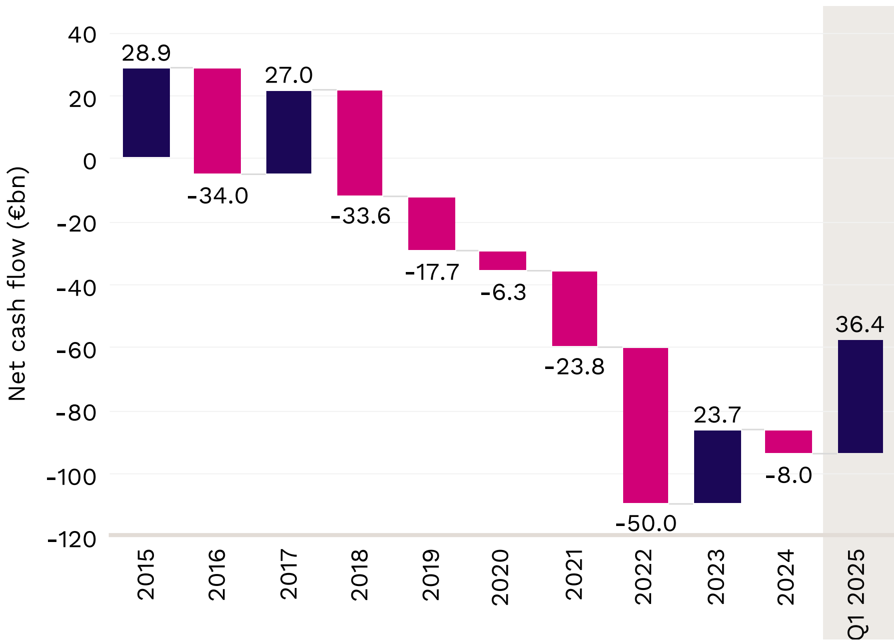
Infrastructure was a strong performer in 2024 and also provided some protection against the volatility that appeared in the market at the start of 2025. The highest-performing infrastructure managers in Europe have seen strong outperformance compared to the median, highlighting the opportunities that infrastructure offers. This phenomenon is present across all asset classes, showing that top-performing managers can find strong returns in the region. As Europe's recovery continues, we will continue to track and see whether infrastructure's recent outperformance is sustained or if returns hit a synthetic ceiling.

Net cash flows turn positive in Q1 2025 for hedge funds in Europe

Hedge funds have struggled in recent years in Europe. The region has always been the second-choice destination for hedge fund managers to set up shop, and performance for hedge funds in the region has lagged that of other markets. The asset class has seen frequent net redemptions over the last decade, compounding the issues that hedge funds face in Europe. However, 2025 has already shown some promising signs of an improvement for hedge funds, with net flows in the region positive in Q1, at €36.4bn (Fig 1.20).

Fig. 1.20: Net redemptions had been prevalent for European hedge funds

Europe-based* hedge funds net cash flows



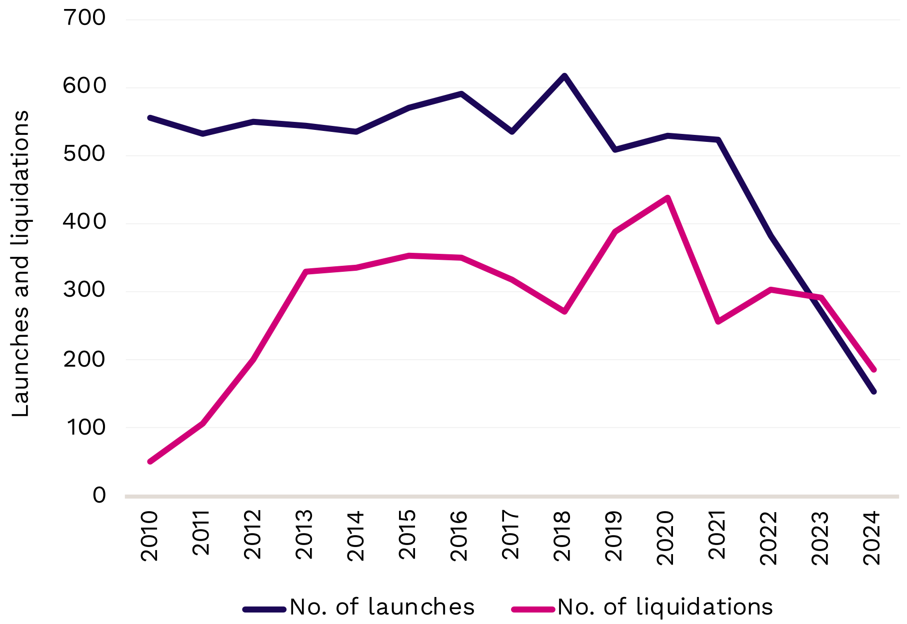
*According to manager location

Source: Preqin, data as of July 2025

Although 2025 could bring an improvement for subscriptions in the region, the longer-term trend of hedge funds suffering from outflows has dampened manager enthusiasm toward setting up funds in the region. Launches of new hedge funds based in Europe have tumbled since 2021, with the number of launches in 2024 falling to a quarter of the peak seen in 2018 (Fig. 1.21). Liquidations also continued to outpace launches for the second year in a row in 2024, alluding to the hedge fund landscape in Europe becoming barer.

Fig. 1.21: European hedge fund launches hit 15-year low

Europe-based* hedge fund launches and liquidations



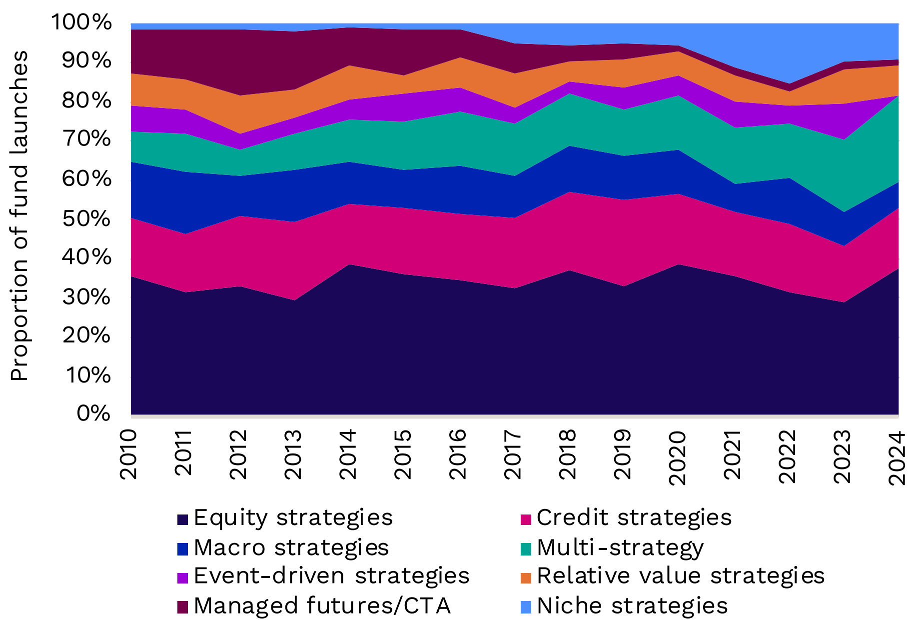
*According to manager location

Source: Preqin, data as of July 2025

With fewer funds available, the variety of different strategies narrows for investors. Fund managers looking to launch may become more strategic in catering to investor needs in the region. Credit strategies have seen their share of total launches squeezed in recent years, as have macro strategies. Meanwhile, niche strategies have accounted for more launches than macro, relative value, and event-driven strategies every year since 2021. Cryptocurrency hedge funds are a relatively new and novel strategy that have grown increasingly popular given the extreme gains possible through investing in digital assets, which could explain why niche strategies are gaining ground even as hedge funds retreat in Europe.

Fig. 1.22: Niche strategies are gaining share of launches in Europe

Europe-based* hedge fund launches by top-level strategy



*According to manager location

Source: Preqin, data as of July 2025

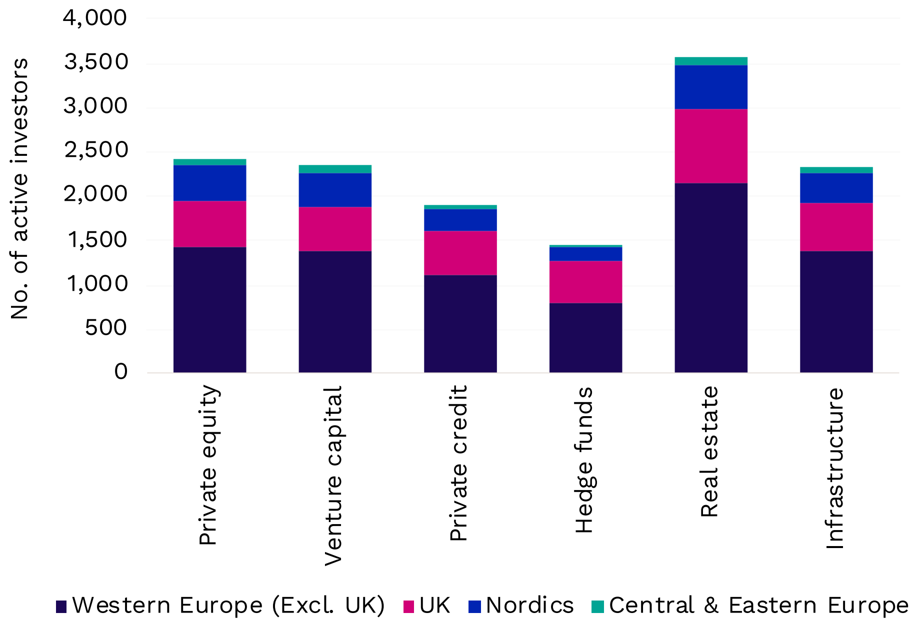
Number of active European investors more balanced across asset classes in 2025

The total number of active investors in European alternative assets has grown in 2025 compared to 2024 according to Preqin data. Private equity and real estate have historically been the asset classes of choice for investors based in Europe. However, by June 2025, real estate had accrued over 800 additional active investors compared with the same point last year, whereas private equity's number of active investors had fallen. These two asset classes have held the largest share of AUM in the region historically, but current signals surrounding the growth of asset classes like infrastructure and private credit could be part of the reason behind the shift in investor activity away from private equity. Some investors may have found the current volatility in the private equity market too much to accommodate and retreated away from the asset class.

Real estate remains the standout asset class in terms of the number of active European investors, who are potentially drawn by lower valuations in the region. The total number of investors active in all other asset classes is more evenly balanced in 2025 compared with last year (Fig. 1.23). With the multiple benefits of the asset class coming to light, infrastructure has seen a noticeable increase in the number of active European investors.

Fig. 1.23: Highest number of active investors in real estate

Number of active European investors in alternative asset classes by region, in June 2025



Source: Preqin, data as of July 2025

Europe in the ascendancy

Our survey data shows signs of investors looking towards other markets in search of opportunities, with Europe a potential beneficiary

Salik Ahmed
Associate, Private Capital
salik.ahmed@blackrock.com

Europe as an investment prospect has tended to play second fiddle to North America, with investors historically favoring the latter's more established market when looking to allocate to alternatives. North America has long been the go-to market for private capital, boasting the longest track record for asset classes like private equity and the greatest share of global AUM. The resilience of North American economies in recent years has also been a strength compared with the geopolitical risks in Europe that may have dampened the region's attractiveness to investors.

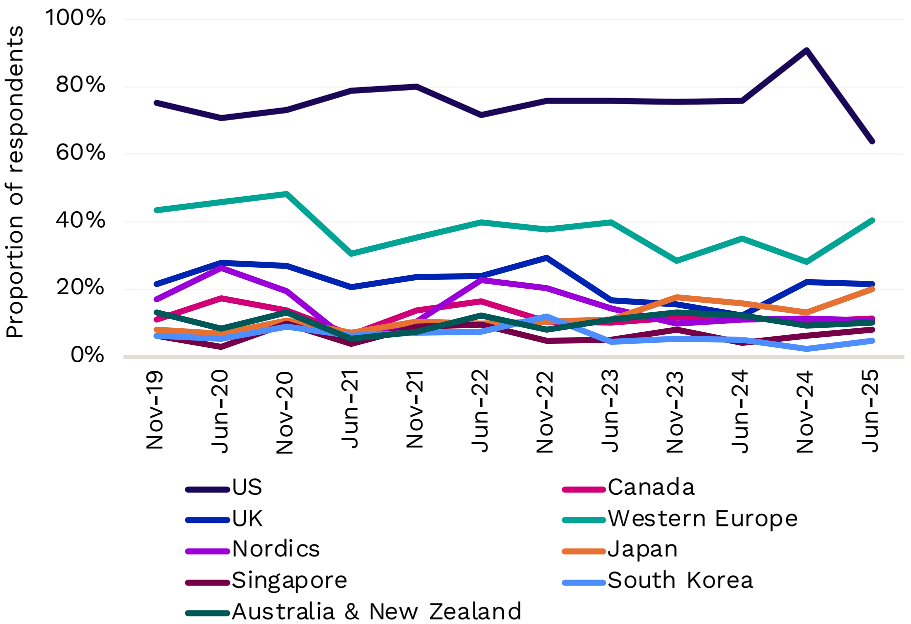
However, the first half of 2025 has seen a noticeable change in how investors view current opportunities in the North American market; a growing proportion of investors are instead more actively searching for opportunities in other markets. Europe has fewer fund managers based in the region and a smaller number of active investors, but European markets offer a plethora of opportunities. With investors globally more actively assessing the opportunities that Europe offers, the markets in the region look set to benefit both from local investors looking to return to their home markets and foreign investors looking to add some regionality to their allocations.

Investor sentiment may be shifting towards Europe

According to Preqin's latest Investor Survey, investor attitude towards several developed markets has seen a marked shift in the last six months (Fig. 2.1). A reduction of 27 ppts in the proportion of investors viewing the US as offering the best investment opportunities is the largest six-month change in percentage observed in our surveys, highlighting how quickly opinion has changed among investors.

Fig. 2.1: The US market has become less appealing to investors

Investors were asked: 'Which developed markets offer the best opportunities?'



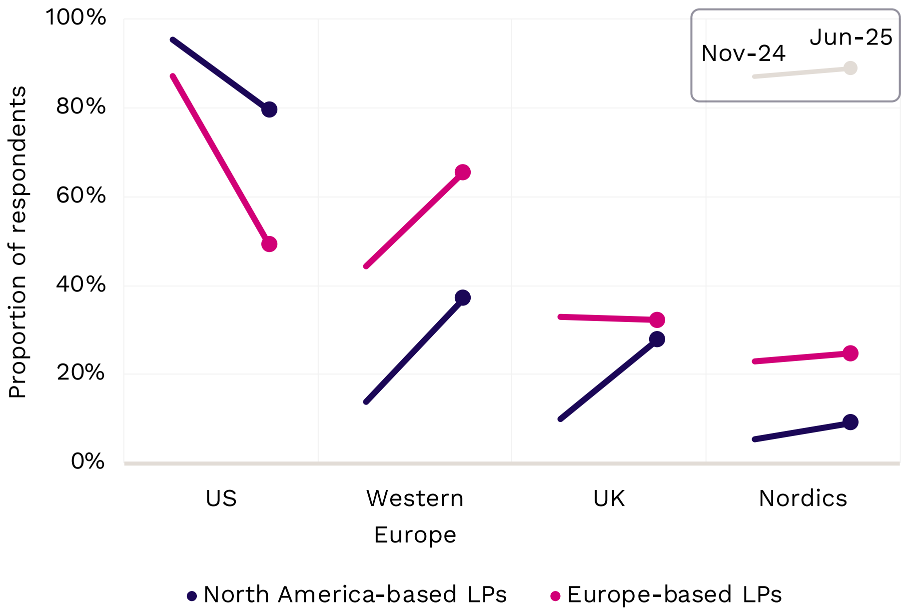
Source: Preqin Investor Surveys, November 2019–June 2025

Western Europe has been the largest beneficiary in terms of attracting investor interest, seeing a 12-ppt jump in the proportion of respondents citing it among markets offering the best opportunities. Some of the renewed interest in European markets may have arisen from restated growth targets as governments plan to increase spending.[8] Lower valuations in the region also offer opportunities at lower prices, and fiscal policy easing is reducing the cost of financing across different markets.

As much as the proposition of investing in Europe seems to have gathered steam, investors have a tendency to favor their local markets irrespective of macroeconomic conditions. Using Preqin's Investor Survey and analyzing how responses of investors vary based on their location provides more insight into shifting investor sentiment. Interestingly, Europe-based investors seem to be specifically favoring Western Europe, with the share of investors stating that specific market presents the best opportunities increasing by 21 ppts (Fig. 2.2).

Fig. 2.2: More European investors interested in Western Europe than the US

Investors were asked: 'Which developed markets offer the best opportunities?'



Source: Preqin Investor Surveys, November 2024–June 2025

Western Europe hosts a diverse range of markets, offering access to private markets at different stages of development. With some still in their infancy and other, more established markets such as Germany and France showcasing a more extensive track record, the opportunities on offer are numerous and varied. Private equity AUM in the region grew by €285bn between end-2019 and end-2024, with the more established markets holding overall fundraising market share, but smaller markets like the Netherlands are also seeing some success in attracting capital as they build up their private equity capabilities.

However, opinion on the UK and the Nordics remains relatively unchanged for European investors. This may not necessarily reflect a perceived lack of opportunities presented by these markets; instead, the more eye-catching developments occurring in Western Europe may be proving more attractive to Europe-based (and North America-based) investors. In chapter 8 we explore how lending has shifted away from banks to other financial institutions in Europe, which is developing as a strong growth driver in the region.

8 Maybe government spending isn't so bad after all | Reuters

North America-based investors are more attracted to the proposition of European markets more generally rather than narrowing down to a single market. Responses for Western Europe, the UK, and the Nordics all increased, with more than one in three North America-based investors highlighting Western Europe among markets offering the best opportunities and more than one in four looking at the UK. North America-based investors may also be paying more active attention to the Nordics because of extremely strong private equity fundraising by Nordic-based fund managers in 2024, which reached a new high for capital raised. Seeing the recent fundraising success in the region might make investment in the market a more attractive proposal.

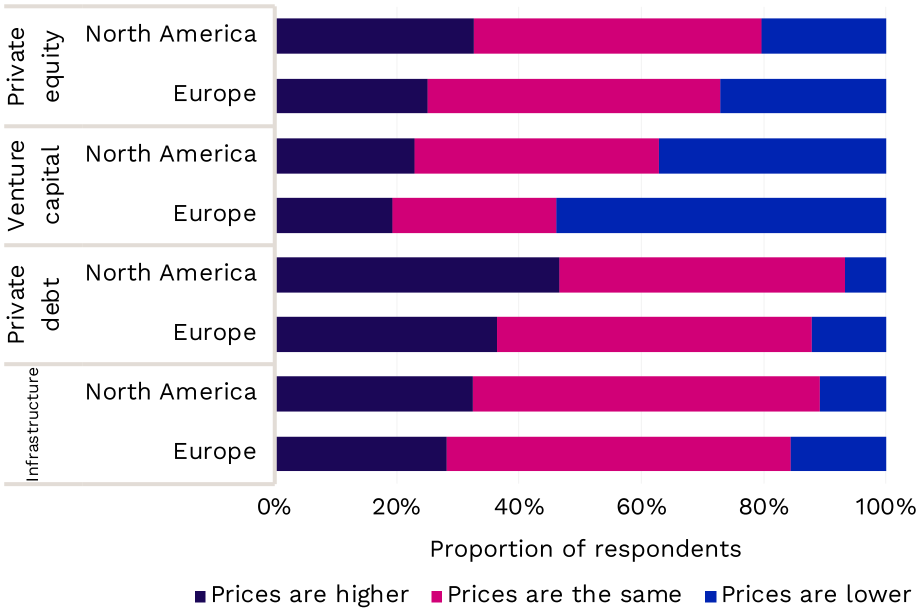
Low valuations a potential driving force behind the shift

American investment into Europe is not a new phenomenon. European assets have historically traded at a relative discount, and some markets' heavier weighting toward more traditional industries rather than high-growth areas such as IT have made Europe a hotbed for foreign investors seeking value – even as asset values in Europe have typically grown at a slower pace.

According to our June 2025 Investor Survey, European investors are more likely than their North American counterparts to find pricing to be lower than 12 months ago (Fig. 2.3), indicating that valuations within the region are still lower than in North America. The continued observation that asset prices are falling may provide an extra incentive for investors, both local and international, to look to allocate more toward European markets as they assess where their next commitments will be.

Fig. 2.3: European investors seeing lower pricing than North American counterparts

Investors were asked: 'How has portfolio company/asset pricing changed on 12 months ago?'



Source: Preqin Investor Survey, June 2025

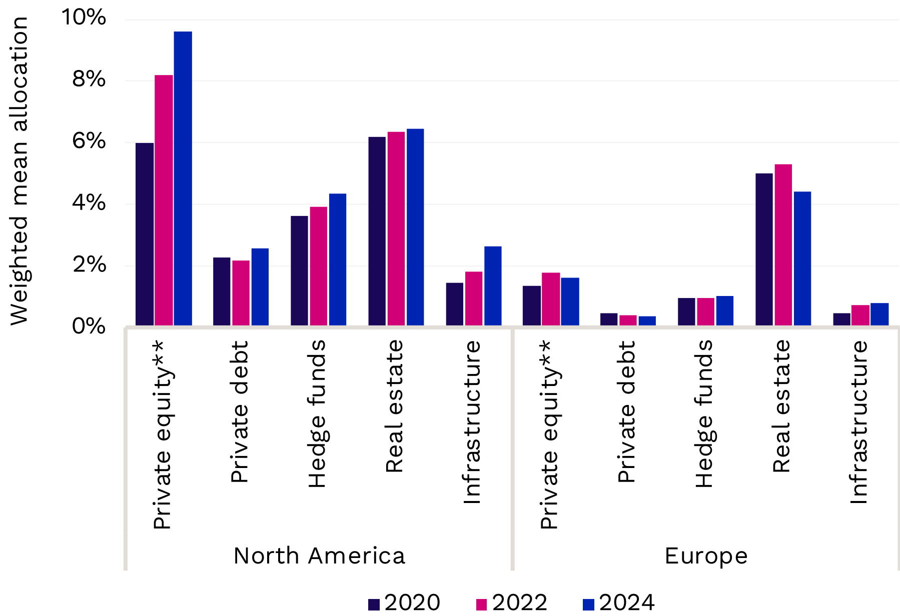
Across private equity, private debt, and infrastructure, a higher proportion of North America-based investors said prices of portfolio companies are higher than 12 months ago than said prices had dropped. Forty-seven percent of North American respondents said the cost of private debt assets has increased over the last year. However, the split between those that have found prices to have risen vs. fallen has evened out compared to last year.

Investors considering allocations towards Europe rather than other regions may in part be driven by these lower valuations. Given a consensus seems to have emerged among investors that Europe offers more reasonably priced assets, value-hunting in Europe looks set to continue.

Looking at asset class allocations can provide additional context behind the attractiveness of European markets. Weighted mean allocations for North American institutional investors towards all alternative asset classes have been rising since 2020, with private equity seeing the most pronounced increase, from 6.0% to 9.6% of AUM (Fig. 2.4). Using weighted mean averages provides a more accurate measure of how the largest investors in the region are allocating. The trend seems to be that investors in North America are reducing their traditional portfolios in favor of private markets.

Fig. 2.4: North American investors allocating more to private markets

Institutional allocations* for North American and European LPs



Source: Preqin, data as of March 2025

*Allocations data for institutional investors only
**VC included within private equity
Investors selected from Preqin's database that had between 98% and 102% in total allocation and ≤3% absolute difference between alternatives allocation and the sum of the underlying alternative asset classes in 2024

Average allocations for institutional investors towards infrastructure have been growing over the last few years, with North America-based investors seeing a 1.2 ppt increase in their overall portfolio attributed to the asset class between 2020 and 2024. Europe is fast becoming the premier region for infrastructure, with AUM for the asset class growing at a faster rate compared to other regions globally over the past five years, and infrastructure performance has also been stronger in Europe. With fundraising for the asset class eclipsing all except private equity in the region in 2024 and already on track for a stronger 2025, interest in infrastructure may point investors towards Europe.

Foreign investors specifically might also be attracted by the varying characteristics of each market within Europe, all offering something that caters towards their allocation needs. Investors that have heavier allocations towards private equity will likely be intrigued by the fundraising success seen in the Nordics, with both the UK and Western Europe having also captured more private equity capital in recent years compared to historical averages. Private debt funds based in the UK have already raised more than 50% of their 2024 total in the first six months of the year, so investors with a greater debt allocation may look to this market for new opportunities.

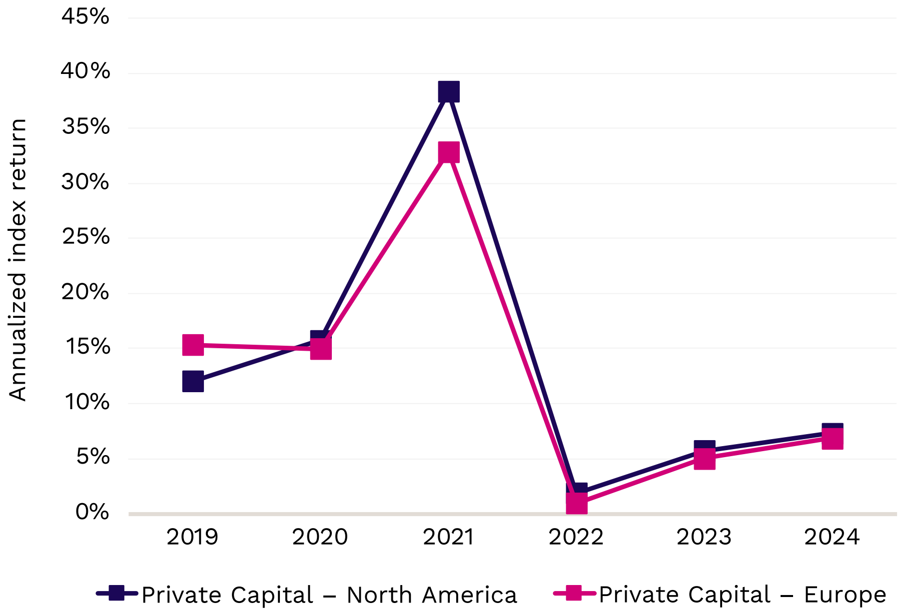
Europe positioning itself for fundraising growth

European private markets have tended to lag the performance of North America in recent years. According to Preqin indices, private capital in North America has outperformed Europe consistently since 2020, with 2021 being a particularly exceptional year (Fig. 2.5). The relatively subdued performance in Europe may have been a factor in why investors were more tentative in allocating toward markets in the region, as other regions potentially presented more enticing growth opportunities. However, in recent years, we have seen performance across the two regions start to converge, indicating that return profiles are becoming more aligned in the different markets.

Fig. 2.5: Europe closes the gap in performance

Annualized performance of private capital: North America and Europe

View latest chart data on Preqin Pro



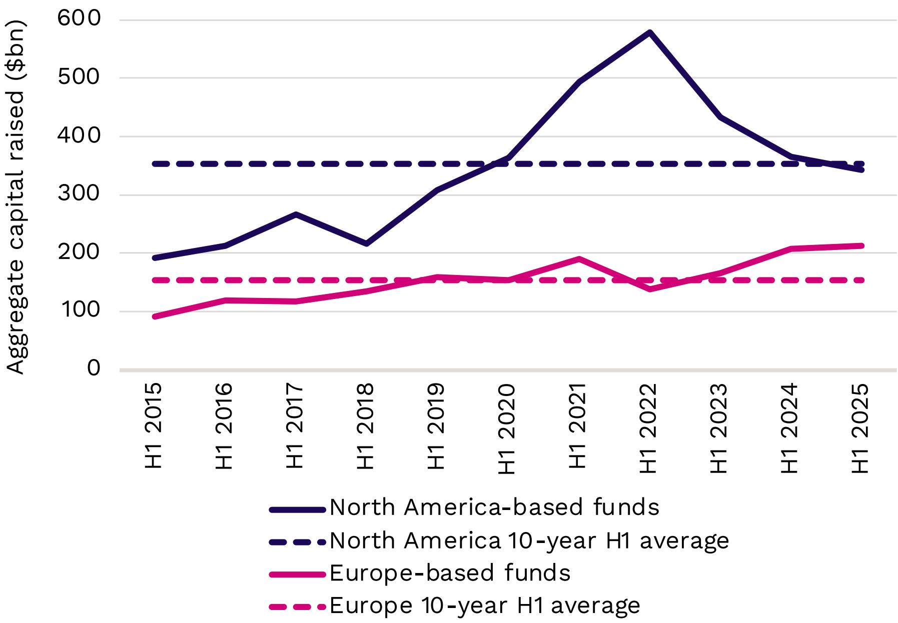
Source: Preqin, data as of July 2025

Investors looking to allocate toward Europe should gain some confidence from seeing the gap in performance closing. When considering their target returns and also potentially finding lower valuations in European markets, the drawbacks over lower performance in the region are beginning to diminish.

Europe has been the leading region for infrastructure globally in terms of number of funds closed, accounting for the most fund closes consistently in the last decade (although a lower proportion of aggregate capital raised) and holding around 40% of AUM for the asset class globally. If Europe continues to cement its position for infrastructure, and investors continue to add infrastructure allocations to portfolios, fundraising in the region could grow to new heights. Looking at the first six months of each year over the last decade shows that, for both 2024 and 2025, overall capital raised by European funds has exceeded the 10-year average and has also bettered the previous peak in 2021 (Fig. 2.6). The gap between capital raised by Europe and North America is narrowing, as 2025 also has seen North America fall below its own 10-year fundraising average for the first time since 2019. Admittedly the huge totals that the region saw in 2021 and 2022 have pulled the overall average up, but where Europe seems to have stemmed its fall, the short-term trend in North American markets still seems to be toward tighter fundraising.

Fig. 2.6: Growing success for European funds in attracting capital

H1 aggregate fundraising, by region

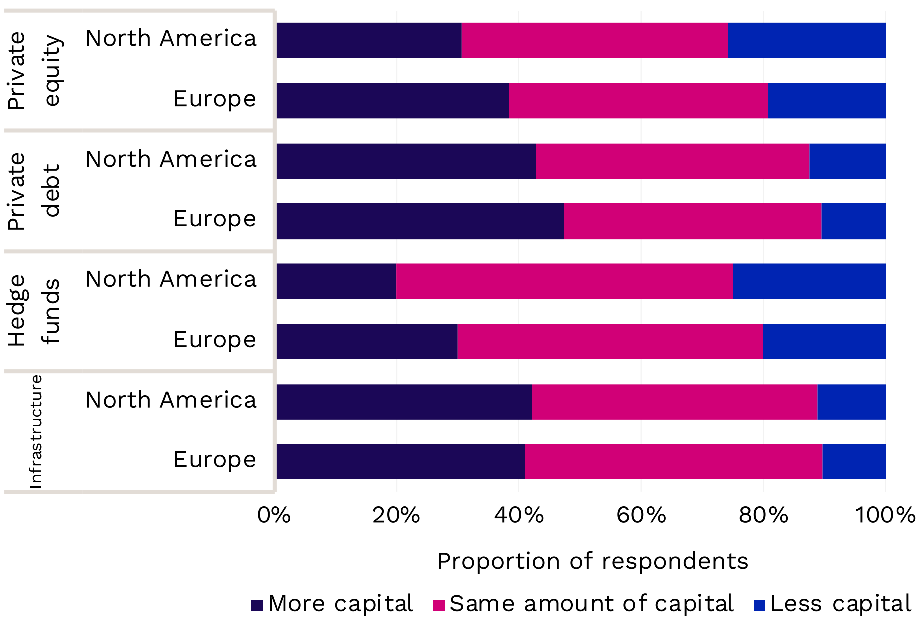


Source: Preqin, data as of July 2025

With sentiment surrounding the region on an upwards trajectory, we may see investors deciding to increase commitments to Europe-focused funds. Looking into short-term commitment intentions for European investors shows that they are looking to further delve into alternatives next year – typically at a higher rate than their North American peers (Fig. 2.7). For most asset classes, the rate of responses for European investors looking to commit more capital exceeds that of North America-based investors, and the likelihood that they are looking to reduce commitments is also smaller.

Fig. 2.7: Larger proportion of European LPs want to commit more capital

Investors were asked: 'How much capital will you commit in the next 12 months?'



Source: Preqin Investor Survey, June 2025

If European investor intentions hold true into the rest of the year and LPs decide to allocate toward their local markets rather than overseas, Europe's recent fundraising successes may continue. Meanwhile, a higher proportion of North America-based private debt and infrastructure investors are looking to increase commitments compared with those in other asset classes, which the different European markets can also cater towards. The UK and Western Europe can offer an environment with potentially less competition for private debt assets, and infrastructure is benefitting from tailwinds across markets in the region.

European markets look set to prosper if current indicators come to fruition. Private equity in Western Europe has matured as AUM growth has accelerated, led by the more established markets like Germany and France, with more nascent markets also showing some strong indications of growth. Investors considering allocations into infrastructure may be anticipating the rapid rise of the asset class in Europe as it becomes a key market feature across the region. With short-term investor commitments looking healthy, the fundraising capability of the region only looks likely to improve, all of which means European private capital could represent a growing proportion of investors' allocations.

Deal–making reshaped

Emerging trends in deal structures, sectors, and cross–border flows are redefining Europe's private equity playbook

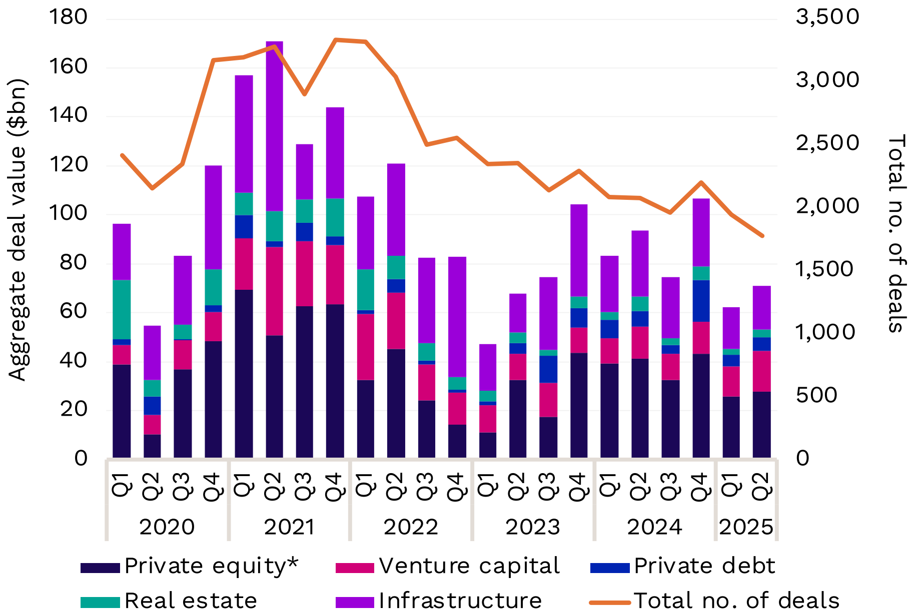
Gerard Minjoot
Associate, Deals
gerard.minjoot@blackrock.com

Over the past five years, Europe's private capital deal landscape has undergone a transformation, shaped by numerous macroeconomic forces, including rising interest rates, inflationary pressures, regulatory reforms and ongoing geopolitical challenges.

Private capital deal activity has contracted from 2021 highs, with both deal value and volume falling below their five-year averages (Fig. 3.1). Real estate in particular has experienced a sharp drop in deal activity since 2022, as elevated interest rates have weighed heavily on asset valuations and constrained financing. As such, real estate accounts for less than 5% of total deal value and under 10% of deal volume in the region as of the first half of 2025.

Fig. 3.1: Real estate deal activity contracted sharply over the last five years

Europe-focused private capital aggregate deal value and volume, by asset class



*Excludes private debt and LP direct deals

Source: Preqin, data as of July 2025

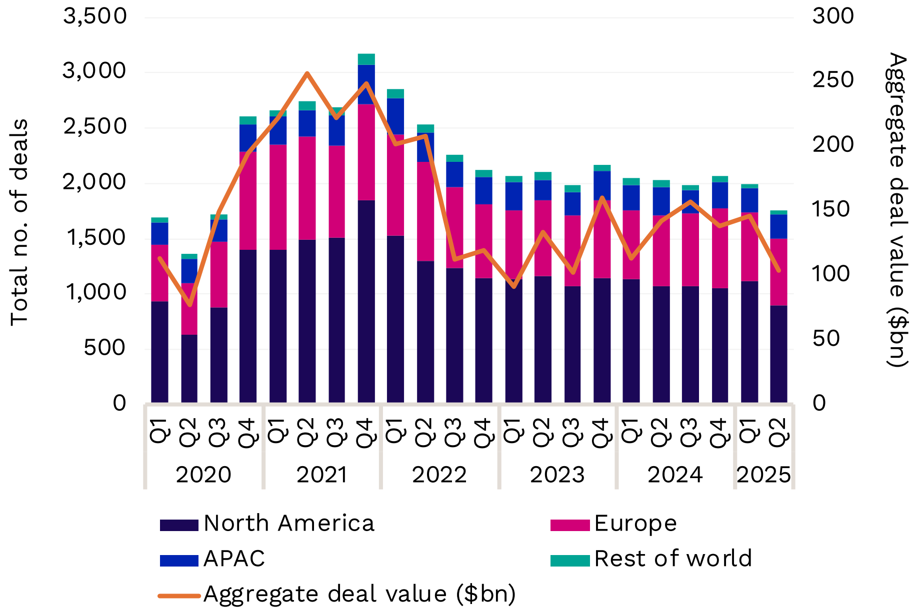
While infrastructure deals remain key in Europe, underpinned by the ongoing energy transition, private equity has gained traction in recent quarters and accounts for a growing share of deal volume as compelling valuations spur increased interest from foreign deal-makers. VC has also shown signs of recovery over the past two quarters, particularly in AI-related sectors. As the VC landscape becomes increasingly polarized, investors are concentrating their focus on AI development within more mature and stable markets such as North America and Europe. Private market deal activity in Europe appears to have settled into a new normal, with deal value and volume trending below the peaks observed in 2021. Deal-makers are likely to remain cautious, closely monitoring macroeconomic and geopolitical developments for clearer signs of improvement before ramping up activity.

IT dominates Europe's private equity market; financial sector interest grows
Europe continues to play a pivotal role in the global private equity landscape, accounting for about one-third of the global deal volume and a quarter of total deal value over the last five years (Fig. 3.2). Similar to North America, the IT sector remains dominant, representing around 25% of all private equity transaction volume in Europe over the last five years (Fig. 3.3).

Fig. 3.2: Europe accounts for a third of global deal volume

Private equity deal volume and value,* by region

View latest chart data on Preqin Pro



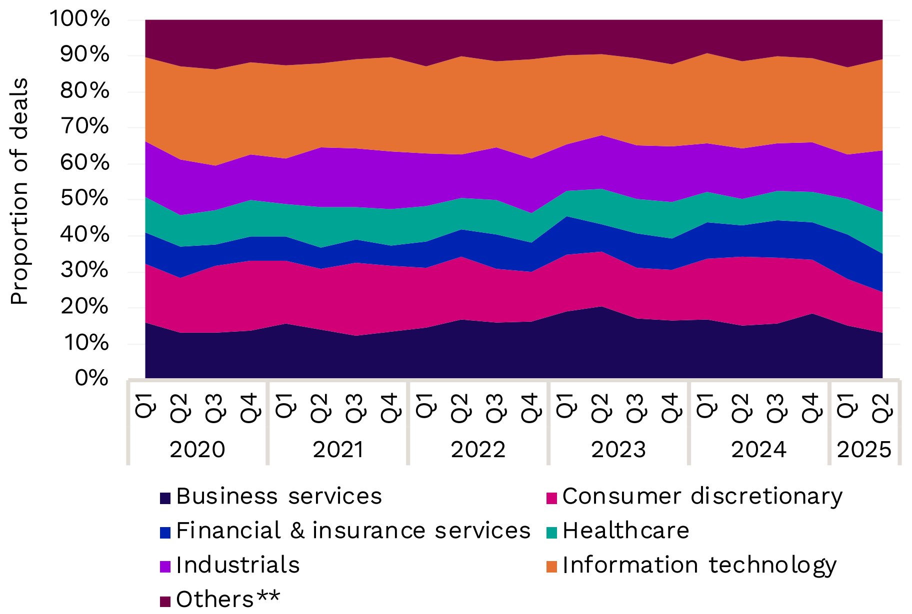
*Excludes private debt and LP direct deals

Source: Preqin, data as of July 2025

Fig. 3.3: Information technology dominates private equity deals

Europe-focused private equity buyout deal volume, by sector*

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

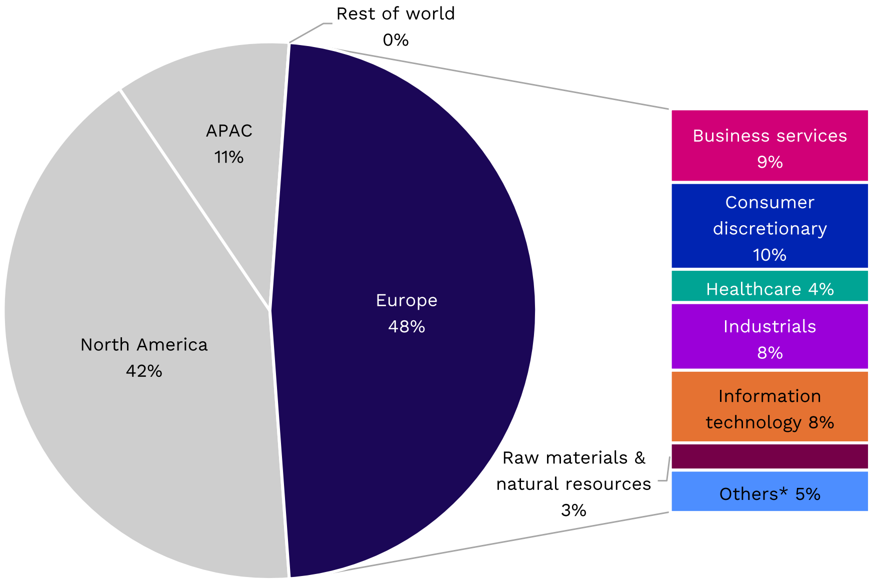
*Excludes private debt and LP direct deals
**Others include energy & utilities, raw materials & natural resources, real estate, and telecoms & media

Business services, consumer discretionary, and industrials collectively accounted for more than 40% of the region's total deal volume over the last five years, reflecting the diversity of investment opportunities across the region. The past few years have also seen a small but growing number of transactions in the financial and insurance services sector. The UK has been a key driver of this growth, accounting for a rising proportion of financial services deal activity in both volume and value according to Preqin data. This trend is likely driven in part by the UK's ongoing efforts to create a more hospitable regulatory environment for financial services firms in recent years. The number of financial and insurance services transactions has increased year-on-year, suggesting that the reforms have positively influenced deal activity in the sector – especially for add-on transactions, which accounted for more than 60% of the total number of deals within the financial sector in the UK since 2022, suggesting consolidations are taking place to build scale and acquire new capabilities. With the reforms still in place, the financial and insurance sector is expected to remain well-supported.

Our actionability signal analysis indicates that 48% of firms' likely acquisition targets over the next 12 to 18 months are in Europe, and we expect deal-making opportunities to remain concentrated in the larger sectors, such as consumer discretionary and information technology, which are expected to continue dominating private equity activity in the region (Fig. 3.4).

Fig. 3.4: Europe presents a balanced mix of opportunities across sectors

Likely acquisition targets over the next 12–18 months, by sector



Source: Preqin, data as of July 2025

*Others includes energy & utilities, financial & insurance services, real estate, and telecoms & media
**Percentages may not total 100 due to rounding

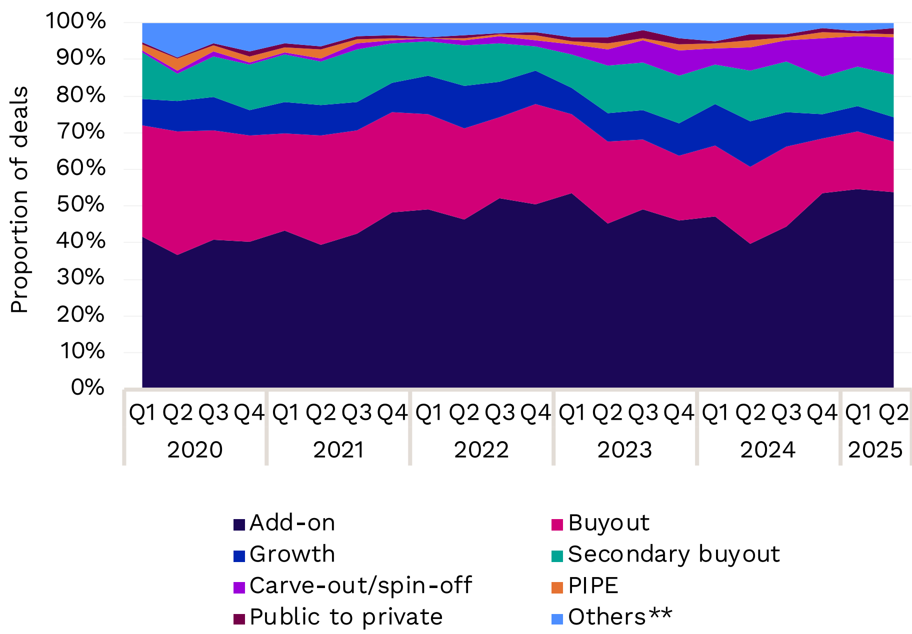
Elevated interest rates have reshaped deal preference across the region

The type of private equity transactions in Europe has also shifted in the last five years. Add-on transactions have steadily gained prominence and now account for more than half of the region's total deal volume, similar to global trends (Fig. 3.5). In contrast, buyouts have experienced a decline in market share. This shift is largely driven by rising interest rates, which have increased the cost of debt financing, making buyouts less attractive and add-on deals, which typically involve lower risk and debt requirements, a viable alternative.

Fig. 3.5: Add-ons accounting for more than half of private equity deals in Europe

European private equity deal volume, by type*

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

*Excludes private debt and LP direct deals
**Others includes co. formation, joint venture, merger, recapitalisation, and restructuring

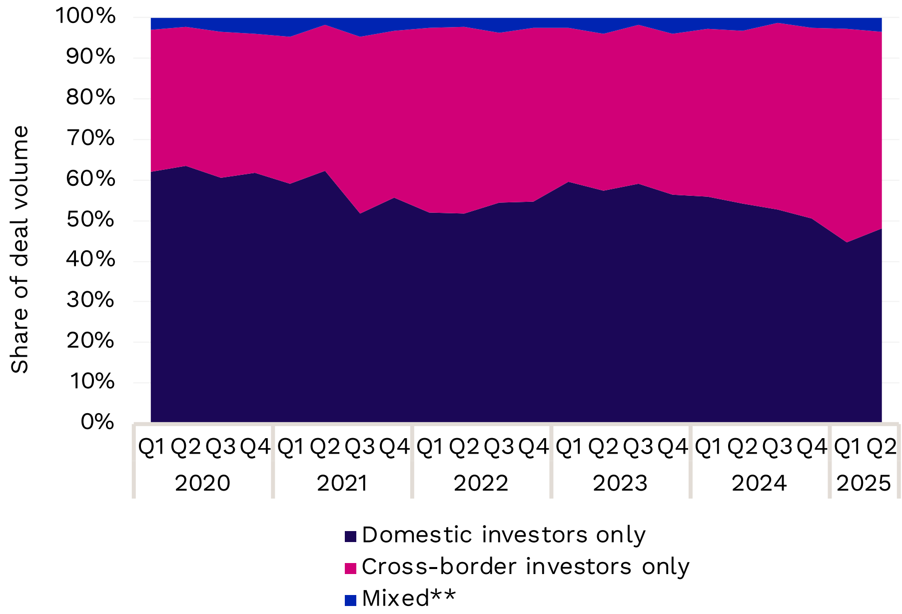
The elevated cost of debt has also created liquidity challenges for companies. In response, many European corporates have turned to carve-outs and spin-offs as a strategic means to unlock value and streamline operations, while raising cash to fund their core business. European businesses are also aware that from a valuation and business perspective, they would potentially appear attractive to foreign investors looking to expand. Since 2023, carve-outs and spin-offs have gained momentum across various sectors, representing approximately 7% of the region's total deal volume over the past two years, which is significantly higher than the five-year average of 3.4%.

Looking ahead, carve-outs and public-to-private transactions are expected to continue dominating the larger end of the deal spectrum. Over the past five years, these deal types have accounted for 60% of the twenty largest transactions by value in the region. Meanwhile, smaller transactions are expected to be led by add-on acquisitions.

With higher interest rates exerting downward pressure on company valuations, Europe has become increasingly attractive to foreign investors seeking growth opportunities. This has led to a rise in cross-border deal activity, particularly within the region's four leading private equity markets (Fig. 3.6). The share of cross-border transactions has grown steadily over the past five years from an average of 34.9% in 2020 to 50.6% for the first half of 2025.

Fig. 3.6: Europe embraces foreign capital as share of cross-border deal-making grows

Share of private equity deal volume in selected European countries* by location of investors



Source: Preqin, data as of July 2025

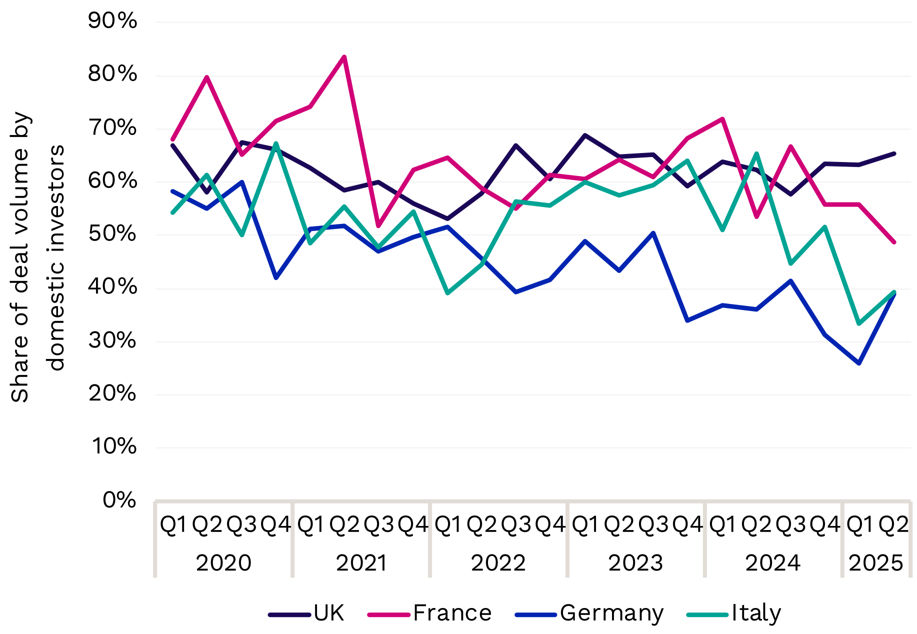
*France, Germany, Italy, and the UK
**Mixed refers to transactions involving participation from both domestic and foreign investors

Among these four markets, Germany has seen a notable decline in transactions involving domestic investors (Fig. 3.7). As at Q2 2025, less than 40% of deals in the country involved domestic entities, down from 58.3% at the start of 2020. A key driver behind this trend is the succession challenge faced by Germany's 'Mittelstand' – small to medium-sized, often family-owned, businesses.[9] Many of these companies are struggling to identify successors, making them increasingly receptive to foreign investors. As such, this presents an opportunity for foreign investors to pursue bolt-on acquisitions for smaller businesses and buyouts for larger ones as they seek to expand their presence in the region.

9 In Germany, retiring company owners struggle to find successors | Reuters

Fig. 3.7: Lower rate of domestic deals in Germany

Share of private equity domestic deal volume in selected European countries*



*France, Germany, Italy, and the UK

Source: Preqin, data as of July 2025

In the UK, add-on transactions represent a significantly larger share of private equity deal volume compared to the Eurozone, where despite add-ons being prevalent, buyouts and secondary deals make up a larger proportion of the market. These differences in deal composition may be tied back to the differences in interest rate environments across these markets.

Interest rates in the UK have remained relatively high, closely mirroring levels seen in the US, at around 4.25% at the time of writing. In contrast, interest rates within the Eurozone have eased to around 2%.[10] This spread does influence deal financing strategies as the lower interest rates in the Eurozone create a more accommodative environment for higher-levered transactions, supporting a broader mix of deal types, while the higher rate in the UK makes debt financing more costly, prompting deal-makers to favor buy-and-build strategies that rely less on leverage.

Compared to markets like the US, Greater China, Japan, and South Korea, Europe appears to be less insulated because of the region's reliance on cross-border trade and support within a broader multilateral framework.

Private equity deal opportunities persist in Europe despite declining dry powder

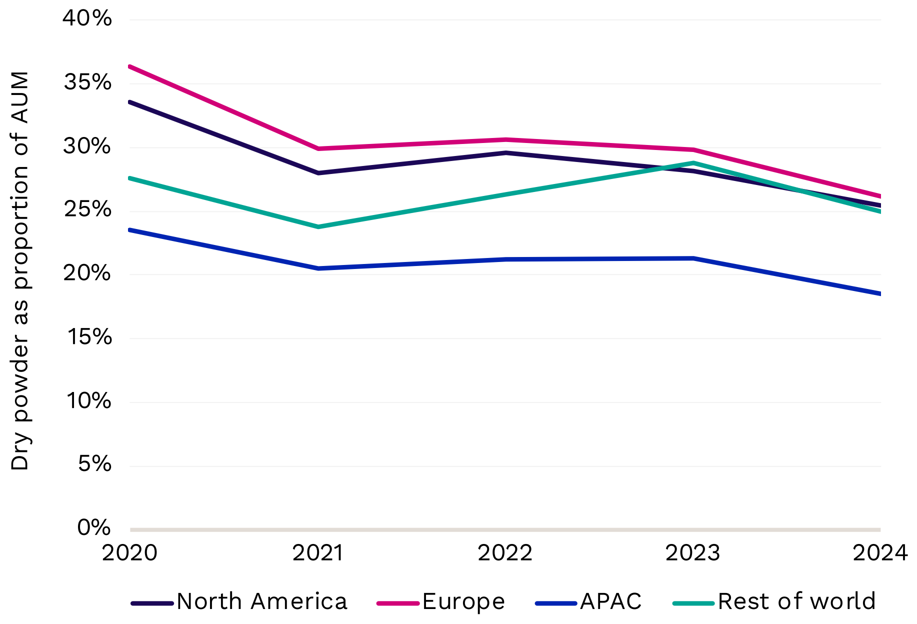
While the overall fundraising landscape has cooled from its 2021 highs, resulting in reduced capital inflows and tighter dry powder availability across markets, Europe remains a significant player in the private capital space, with an estimated $811bn in dry powder (second only to North America). Looking through the lens of the proportion of dry powder to AUM, we see Europe sits slightly higher than other regions, at 26.1%, which might suggest better capacity for capital deployment (Fig. 3.8). Conversely, this higher proportion may suggest that capital deployment was slower, which could potentially dampen long-term performance/returns for investors.

10 European Central Bank holds rates as tariffs keep policymakers on edge | CNBC

Fig. 3.8: Dry powder levels in Europe exceed those of other regions

Private capital dry powder to AUM by region*

View latest chart data on Preqin Pro



*Excludes funds of funds and secondaries

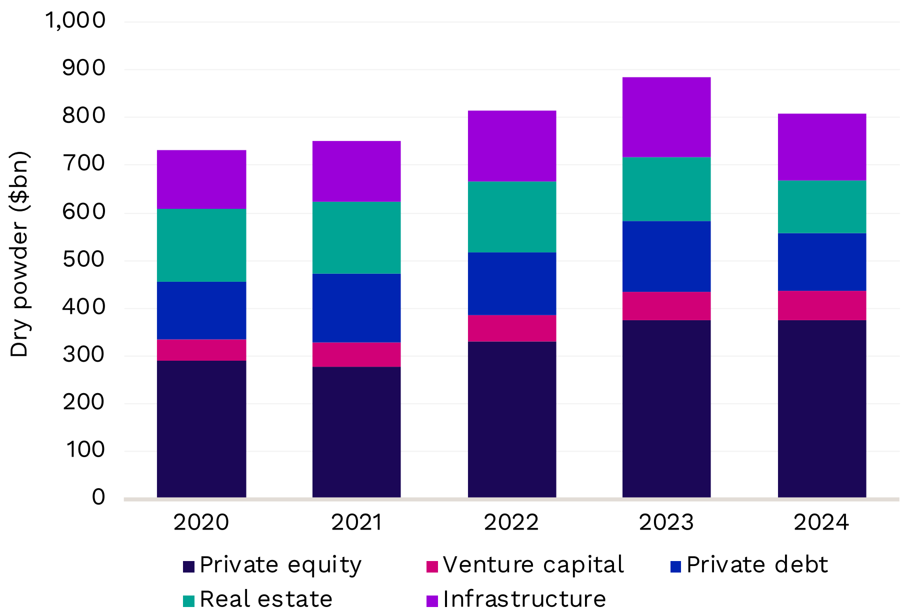
Source: Preqin, data as of July 2025

Driven by the region's structural transition to net zero and surging demand for AI-related infrastructure, particularly data centers, infrastructure is poised to remain a dominant force in European private capital deals. The improving macroeconomic conditions (such as easing interest rates, favorable valuations, and local market dynamics) coupled with the fact that nearly half of Europe's private capital dry powder sits in private equity underscores the region's capacity to support more private equity deal activity in the near term (Fig. 3.9).

Fig. 3.9: Private equity holds nearly half of the region's dry powder

Europe-focused private capital dry powder, by asset class*

View latest chart data on Preqin Pro



*Excludes funds of funds and secondaries

Source: Preqin, data as of July 2025

The reform of venture capital

Europe continues its progress in unlocking new start-ups, but hurdles to increased VC investment remain

Michael Patterson, CFA
Associate, Venture Capital
michael.a.patterson@blackrock.com

Europe has historically been a fragmented market for VC, burdened by a wide range of legal and tax frameworks that have made fundraising and deploying capital across different EU member states challenging for investors. Although there have been strides over the last 20 years to integrate Europe into a more streamlined single market, further progress remains to be made.

Varied structural changes have been key to unlocking growth in the European VC market. With 27 different markets with their own accounting, tax, and legal frameworks, unified action by the European Union (EU) has been key to eliminating barriers. The adoption of the euro in 1999, EU-wide adoption of common accounting standards in 2005,[11] and continued progress to open up European institutional investors' (including pension funds'[12]) access to risk capital (which includes VC) have removed barriers to investment in the VC landscape in Europe. The creation of the European Investment Fund (EIF) – a Europe-wide initiative managed by the European Investment Bank that, starting in 1997,[13] used public funding to help European VC funds get off the ground, typically as a cornerstone investor – also helped to jumpstart the VC industry in Europe. The EIF aimed to establish a sustainable VC ecosystem in continental Europe[14] and continues to be an active investor in European ventures.

VC fundraising accelerated in 2013 following implementation of AIFMD

Still, hurdles remained for VC funds raising capital: those marketing venture funds cross-border in other EU member countries were required to register in each EU state, and investing in other EU states remained relatively difficult and a barrier for VC managers. The solution for this in Europe was the Alternative Investment Fund Managers Directive (AIFMD), implemented in 2013,[15] which provided a single regulatory framework for funds marketed in the EU for alternative investment fund managers. The AIFMD allowed for passporting, whereby a fund could be marketed EU-wide instead of having to comply with each member state's national regulations (once certain requirements were met). In addition, an exception was made for funds managing <€500mn whereby they enjoyed lower compliance costs than larger funds regulated by the AIFMD. This exception was not tailored for VC funds and, although it imposed a lower regulatory burden in comparison to full compliance, the AIFMD was judged to need further differentiation for VC funds.

European venture capital funds (EuVECA [2013])[16] regulations complemented the AIFMD in providing a label for the marketing of VC funds with >€500mn in AUM across European Economic Area member states to eligible investors (professional investors and some categories of high-net-worth individuals) via a passport – in a similar way to the AIFMD but with less-burdensome compliance. A similar regulation for European social entrepreneurship funds (EuSEF)[17] was introduced concurrently, targeting the marketing of impact funds. The European Long-Term Investment Fund (ELTIF) structure was also introduced to provide long-term equity and debt capital to European firms and is regulated under the AIFMD, with the unique feature that it can be marketed with the AIFMD passport to retail, as well as professional, investors.

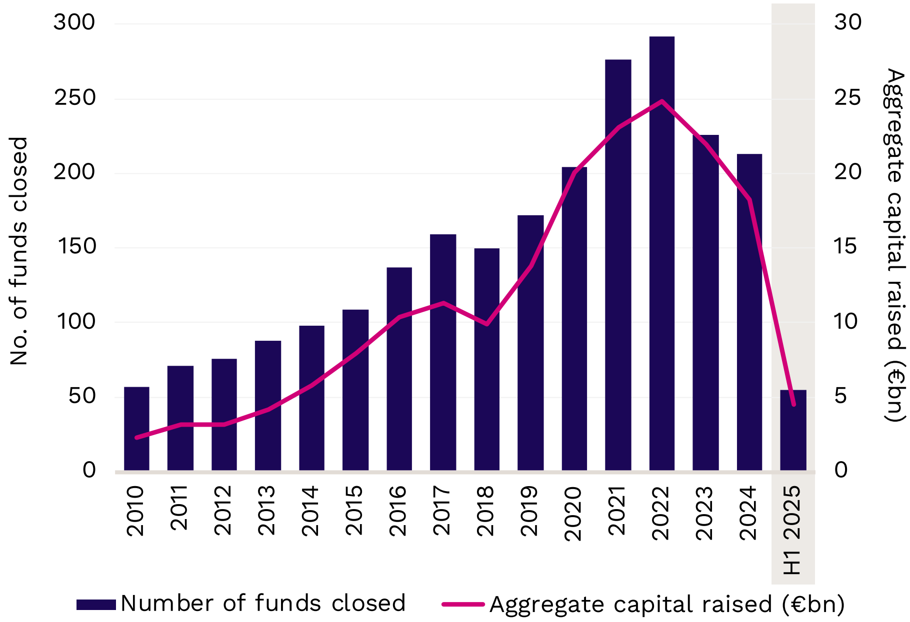
11 Regulation - 1606/2002 - EN | EUR-Lex
12 Directive - 2003/41 - EN | EUR-Lex
13 The European Investment Fund - 1997 | EIF
14 The European venture capital landscape: an EIF perspective - Volume I | FI-Compass
15 Report assessing the application and the scope of Directive 2011/61/EU | EUR-Lex
16 Regulation - 345/2013 - EN | EUR-Lex
17 Regulation - 346/2013 - EN | EUR-Lex

The introduction of simpler rules for the marketing of funds in the EU shows up, to some extent, in Preqin data; European VC fundraising started to grow more rapidly post-2013 (after the introduction of the AIFMD, EuVECA, and EuSEF), increasing from €4.2bn in 2013 to €20.0bn in 2020 (Fig. 4.1). 2017 saw further reforms to EuVECA and EuSEF[18] that included a reduction of fees and administrative burden, an expansion of the range of portfolio companies eligible for investment by EuVECA funds, and the removal of limits on fund manager size – previously, larger managers of VC funds were not able to use the EuVECA label.

Fig. 4.1: European VC fundraising sees uptick from 2013 reforms but dips after 2022 peak

Europe-based VC fundraising

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

Further iterative changes from 2018 to 2023 aimed to boost European unicorns
The European Commission (EC) launched VentureEU in 2018, a fund of funds program with the goal of increasing later-stage VC investments in European start-ups, which have historically had greater difficulty in finding follow-on capital after early-stage investments. In 2023, the European Tech Champions Initiative was also launched to provide capital for late-stage VC funds, aiming to increase the amount of capital available to later-stage start-ups and fill the funding gap faced by such start-ups in Europe. In addition, the InvestEU initiative launched in 2021 through the EIF and is providing equity investment and guarantees for small- to mid-sized firms, further supporting the VC ecosystem.

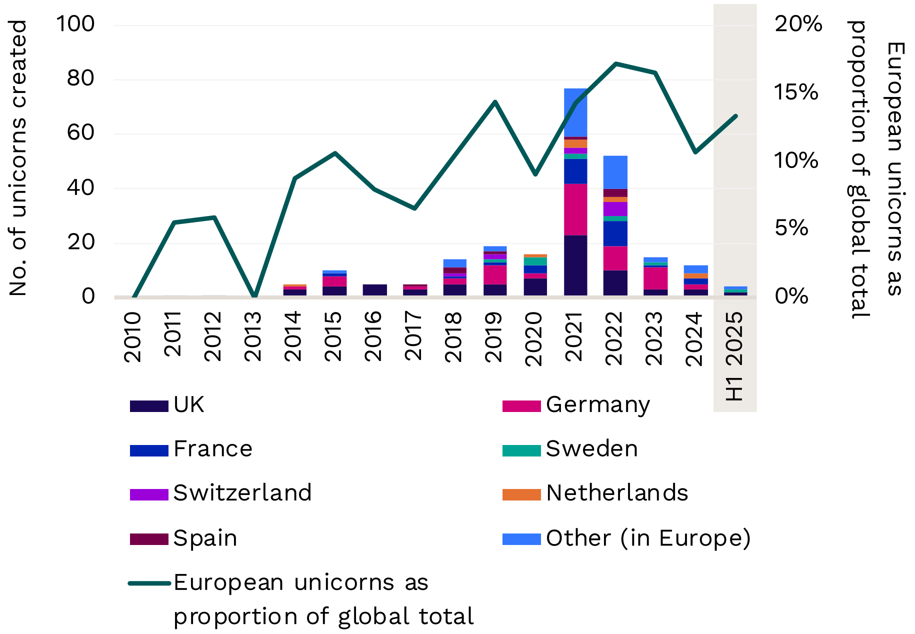
The continued support and iterative approach by the EU has helped drive growth in emerging VC hubs in continental Europe. More-established VC hubs exist in Germany, France, the Nordics, the Netherlands, and Spain, while Central & Eastern Europe has several emerging hubs. This has broadened the EU ecosystem, now a more integrated region for VC investment. A sign of this success has been the shift – especially between 2018 and 2022 – toward a broader range of countries contributing an increasing proportion of new unicorns. However, for its share of global GDP,[19] Europe is still underrepresented in the proportion of global unicorns it creates (Fig. 4.2).

18 EuVECA | Invest Europe

19 GDP (current US$) - European Union, World | World Bank Group

Fig. 4.2: Europe still lags on unicorn creation

Number of unicorns created, by country, and share of global total



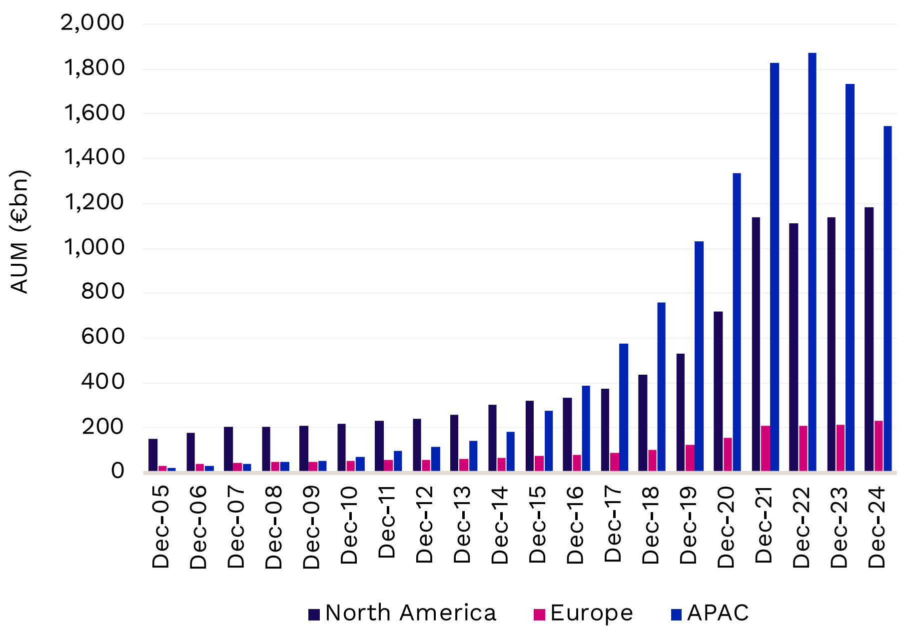
Source: Preqin, data as of July 2025

Progress on reforms strengthens VC in Europe

Some market participants perceive the level of regulation as a constraint for VC-backed investment in Europe, but the EU has made consistent progress on reform with the aim of facilitating investment. AUM for European VC has grown considerably over the past two decades, from €29bn in 2005 to €231bn in 2024 according to Preqin data (Fig. 4.3) – but, as a proportion of GDP, Europe's VC AUM remains smaller than that of the US, with further progress to be made.

Fig. 4.3: European VC AUM grew by nearly 10x over the past two decades

Venture capital assets under management



Source: Preqin, data as of July 2025

Further reform of the ELTIF structure via ELTIF 2.0,[20] introduced in 2024, opens up the investment universe for ELTIFs, allows for the creation of semi-liquid fund structures, and streamlines marketing for fund managers and distributors. These changes are expected to see the ELTIF structure more readily used and could drive more capital into European VC through these vehicles. And while the US remains an enticing region for European start-ups to IPO, as well as an exit point for M&A, the EU Listing Act seeks to provide more options within the EU for exits by simplifying the pathway for start-ups to list in Europe from December 2024, with further changes taking effect over the following months.[21]

The May 2025 announcement by the EC on a single market strategy[22] to simplify regulations and lower barriers to trade across EU member states highlighted that obstacles to a true single market in Europe remain, with estimates that barriers to the trade of goods between member states are on average equivalent to a 44% tariff, and an even higher rate for services.[23] Further reform to remove barriers within the single European market will remain pivotal to allow for European start-ups to scale faster and be more competitive on the global stage.

Europe continues to innovate and reform its VC market, and it has been successful in developing an ecosystem for start-ups. Further progress is needed in unlocking capital from investors and removing barriers for Europe to achieve a true single market. We expect progress on reform to continue to drive Europe in the right direction.

20 Capital markets union | European Commission

21 Listing Act | ESMA

22 Single market strategy | European Commission

23 Europe's Choice: Policies for Growth and Resilience | IMF

Infrastructure crowned

European infrastructure is outperforming North America's benchmark. European core–plus funds appear to be the cause

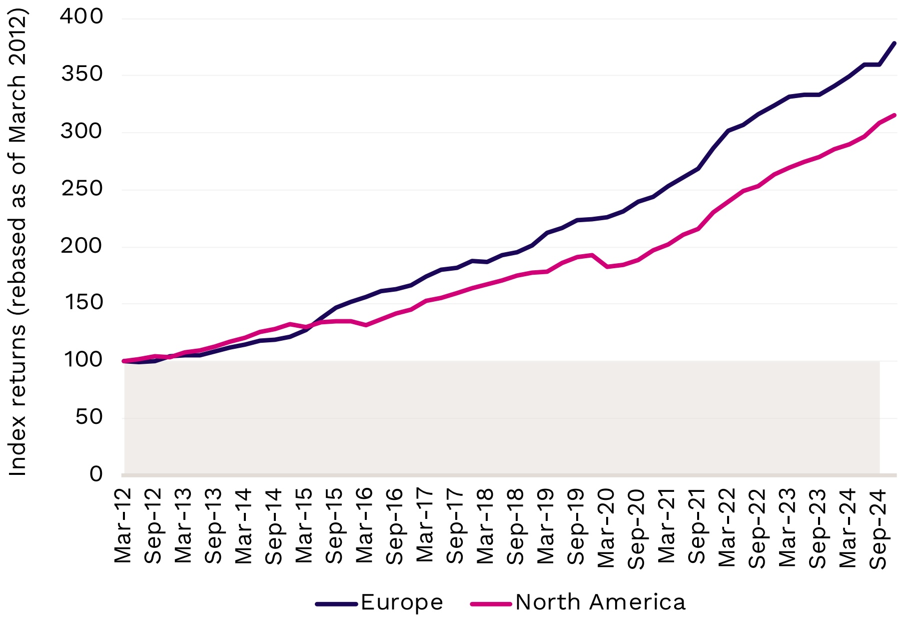
Rachel Dabora
Associate, Private Wealth
rachel.dabora@blackrock.com

Europe-focused infrastructure has received a lot of attention this year as an opportunity that investors and managers appear keen to consider. Globally, the asset class outperformed in 2024, and its lower risk profile and reliable income stream continue to attract attention. Europe-focused infrastructure has marginally outperformed North America-focused infrastructure over the last decade according to the Preqin Infrastructure index (Fig. 5.1). The attractiveness of European investments has increased for some managers, particularly given energy security needs, increased digital infrastructure demand,[24] and the trend for more investment in regional defense.[25]

Fig. 5.1: Europe-focused infrastructure has outperformed North America since June 2015

Preqin infrastructure indices by primary region focus

View latest chart data on Preqin Pro



Source: Preqin, as of June 2025

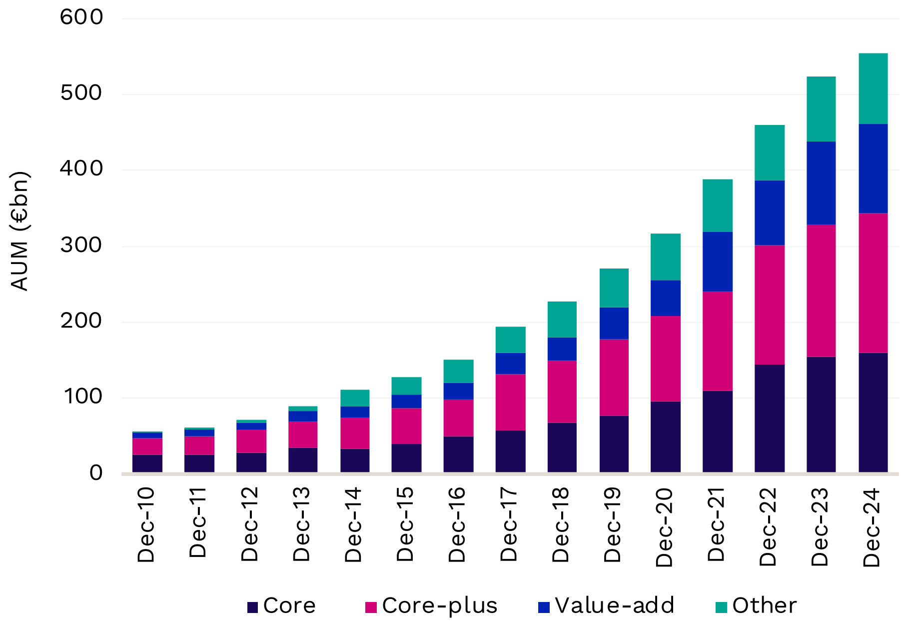
Across Europe-focused infrastructure, 12-month AUM growth slowed to 6% in 2024 compared to the five-year CAGR (+15%). Core-plus infrastructure is the largest Europe-focused strategy, with €183.5bn in AUM, accounting for 33% of regional-focused infrastructure AUM (Fig. 5.2).

24 2025 State of the Digital Decade package | EC
25 EQT says Europe becoming 'more attractive' for infrastructure investments | FT

Fig. 5.2: AUM growth slows into 2024

Europe-focused infrastructure AUM by strategy

View latest chart data on Preqin Pro



Source: Preqin, as of July 2025

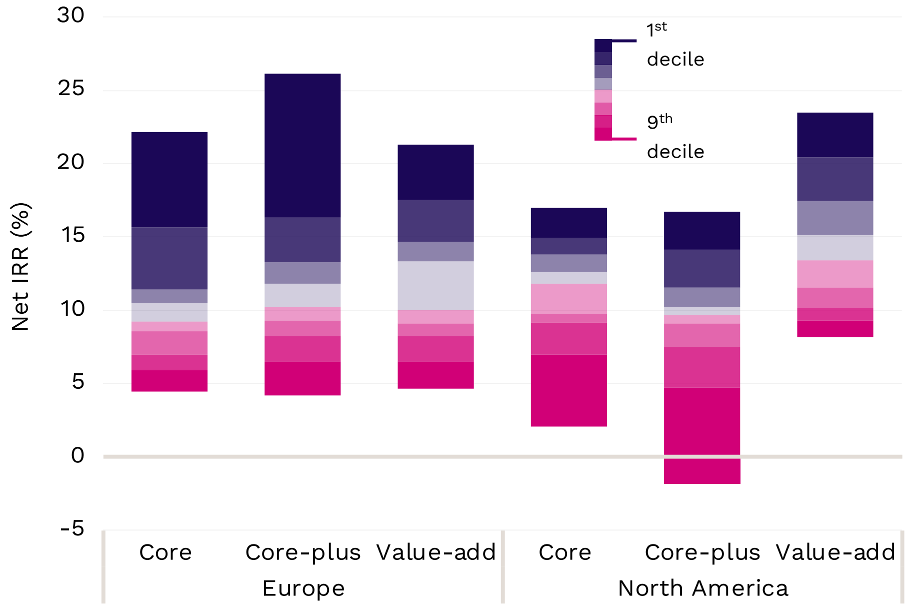
Despite its favorable return dispersion compared with other infrastructure strategies (discussed in detail below), core-plus has not experienced an outsized expansion in AUM according to our data – it saw 5% growth in 2024 and a 13% CAGR over five years. Europe-focused value-add has pulled up the growth rate, with a 23% CAGR over the five-year period to end-2024. Core-plus is an established strategy within Europe, and its mature status compared to value-add may explain why it is seeing slower expansion of AUM. We have also seen value-add infrastructure outperforming core-plus in the short term, which will only enhance the potential for greater fundraising efforts to further expand AUM in the strategy.

European-focused core-plus funds tend to see higher returns than their North America-focused counterparts. This is shown through the greater median return for vintages 2013–2022: 10.2% for Europe-focused funds and 9.7% for North America-focused funds. The difference in returns between core-plus funds focused on the two regions becomes more apparent when looking at the best- and worst-performing funds. Europe-focused core-plus funds at the top decile for performance have seen greater returns than their North America-focused peers, while North America-focused core-plus funds see a much lower floor for returns (Fig. 5.3). Across strategies, the highest returns come from the top-performing European core-plus funds and the lowest returns from the bottom decile of North America-focused core-plus funds. In Europe, returns for core-plus strategies have tended to exceed those of standard core strategies.

Fig. 5.3: European core-plus saw greater returns at top decile but a wider spread

Infrastructure net IRR by region and strategy (2013–2022 vintages)

View latest chart data on Preqin Pro



Source: Preqin Research Insights+, data as of June 2025

Regulation and renewables driving core-plus' strong performance in Europe
European core-plus' higher returns and narrower dispersion compared to North America-focused funds is in part driven by regulatory differences and energy demands across both regions. Public–private partnerships within Europe can aid in enabling operational and commercial upside through long-term performance-based contracts, while helping mitigate risk via government-backed regulatory support and shared project delivery responsibilities. These benefits transcend a few industries encapsulated within core-plus fund opportunities, including energy infrastructure, transportation infrastructure, and digital infrastructure.

Post-2022 volatility in the energy market had a considerable impact on Europe-focused energy infrastructure assets. Listed energy companies that were not reliant on Russian energy supplies were able to show profit increases during this period, and private energy infrastructure assets that were already operational within Europe also likely saw similar benefits that have boosted fund returns.

Core-plus funds typically have exposure to renewable energy
In both Europe and North America, many core-plus funds have at least some exposure to renewable energy. The regulatory focus on enhancing renewable energy supplies in Europe may help protect the profitability of funds' regional assets. The EU's 2023 updates to the Renewable Energy Directive (RED III) that focus on the acceleration of renewable energy projects in certain areas require maximum one-year permitting timelines in designated zones (or six months for small projects or the repowering of existing plants).[26] The streamlining of permitting allows renewable assets to become operational and return-generating quickly, and RED III particularly enhances prospects for new installations with a power capacity of under 150kW. Europe has also implemented contracts for difference (CfDs) that allow energy projects to establish a

26 Renewable energy directive: Three key measures to speed up deployment | Euractiv

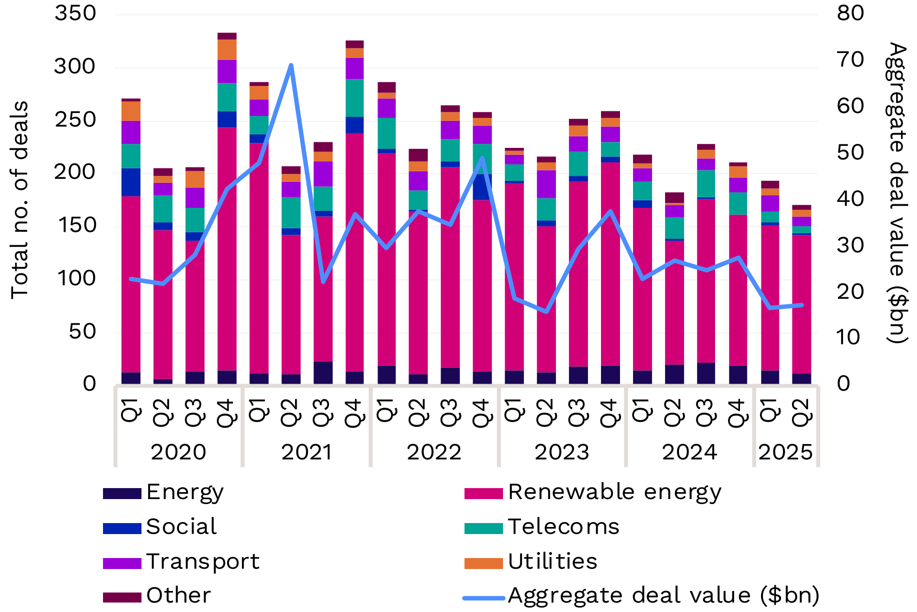
fixed price per unit of electricity over a specific contract duration, which also helps to mitigate risks associated with cash flow predictability.[27] This could also factor into why the poorest-performing decile of Europe-focused core-plus funds have not seen the bottoming-out of returns seen in North America.

We are still seeing lower deal activity – both in volume and aggregate deal value – for European infrastructure compared with prior years, despite increasing energy-related demand (Fig. 5.4). Renewables have made up about 70% of the deal volume within the region since 2020, but the number of renewable energy deals completed has steadily declined. The higher rate environment and higher cost of financing may have played a role in this slowdown; we may see the trend reverse as rates are lowered. Slowing deal activity also may be remedied in part if more legislation aimed at streamlining regulation is pushed through.

Fig. 5.4: Deal activity experiences lull to start the year

Number of European infrastructure deals by sector and aggregate deal value across sectors

View latest chart data on Preqin Pro



Source: Preqin, as of July 2025

Core-plus poised to be this year's fundraising success

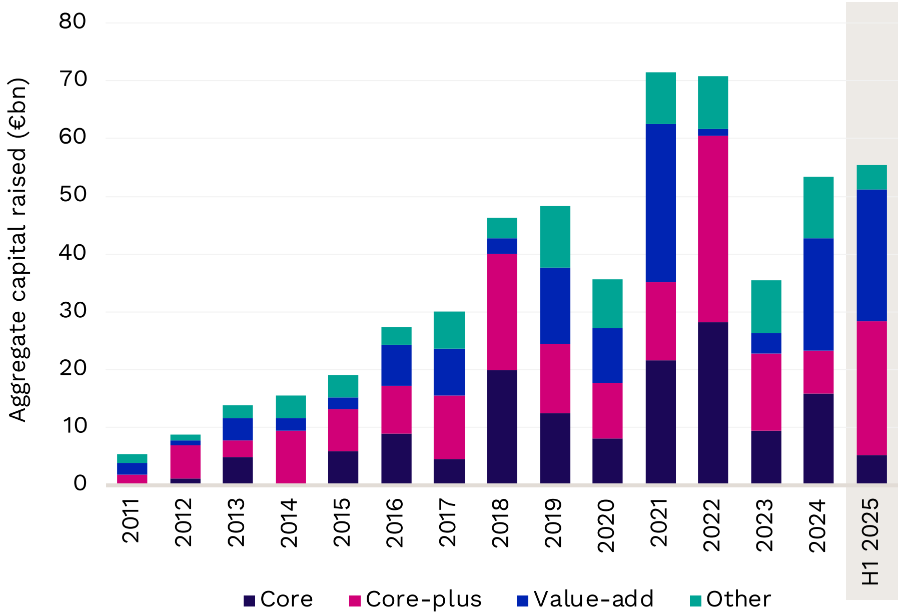
Fundraising for Europe-focused core-plus infrastructure funds was subdued in 2024 as the focus shifted to value-add strategies. In 2025, core-plus fundraising has seen a resurgence; over 3x the amount of capital for Europe-focused core-plus has been raised in H1 2025 compared to all of 2024 (Fig. 5.5). Europe-focused value-add fundraising has also been strong to start the year with €22.7bn raised in H1 2025, more than the €19.5bn raised in 2024 overall.

27 A Sustainable Solution To Increase Clean Energy Deployment | NREL

Fig. 5.5: Core-plus fundraising triples to start 2025

Aggregate capital raised by Europe-focused infrastructure funds, by strategy

View latest chart data on Preqin Pro



Source: Preqin, as of July 2025

The infrastructure asset class benefits from its ability to be resilient in tough market environments and provide liquidity through reliable income streams from developed assets. We have entered a somewhat more risk-on environment, meaning investors may be willing to push capital into slightly more risky strategies. Europe offers opportunities for the repurposing of old sites for new projects, which can be a target for value-added strategies.

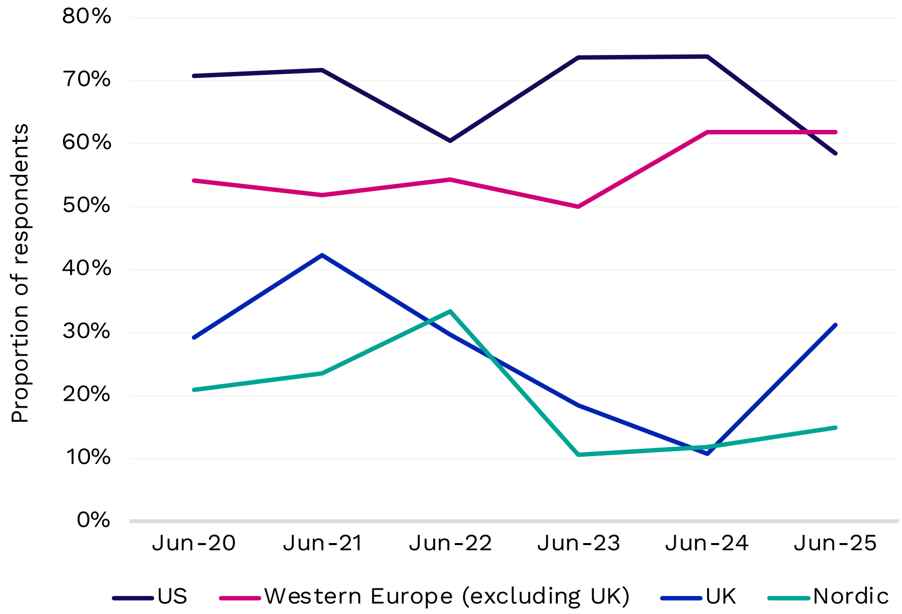
Investors remain bullish on European core-plus

We are seeing investors increasingly eyeing Europe-focused infrastructure when it comes to developed market opportunities. Our June 2025 Investor Survey saw 62% of surveyed investors highlighting Western Europe (excluding the UK) among developed markets presenting the best investment opportunities, compared to the 58% who named the US (Fig. 5.6). The largest year-on-year difference was the increase, by 20 ppts, in investors surveyed citing the UK among the best developed market opportunities. There is a lot of potential activity within UK infrastructure on the horizon, and further policy changes may add to this momentum. The UK government is working to attract more private infrastructure investment within the country, by facilitating increased public–private partnerships through the National Wealth Fund and supporting the demand for private capital through a transparent pipeline of opportunities and evolving infrastructure finance models to better accomodate different types of capital. There are also general pushes for more private investment in domestic infrastructure projects, which have already begun to bear fruit – for example, major private capital funds have committed funding for the UK's nuclear program.[28]

28 UK Infrastructure: A 10 Year Strategy, | Freshfields

Fig. 5.6: Western Europe is the favored developed market for most infrastructure investors

Investors were asked: 'Which developed markets present best opportunities?'

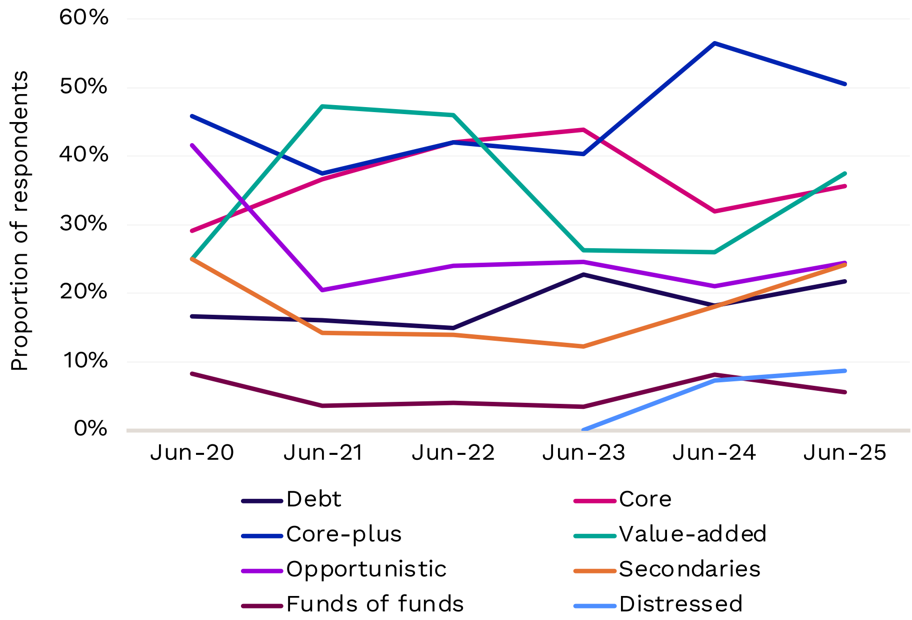


Source: Preqin Investor Surveys, June 2020–2025

Whether it be potential returns as a driver or relevant deployment opportunities, global investors remain bullish on core-plus infrastructure strategies. We see this consistent investor positivity about the strategy in our Investor Survey (Fig. 5.7). Investors appear optimistic on infrastructure core-plus funds' ability to garner preferential returns over the long run and the relevant government support that should help facilitate greater deal flow in the quarters to come.

Fig. 5.7: Global investors still favor core-plus opportunities

Investors were asked: 'Which fund types present the best opportunities?'



Source: Preqin Investor Surveys, June 2020–2025

A different debt market

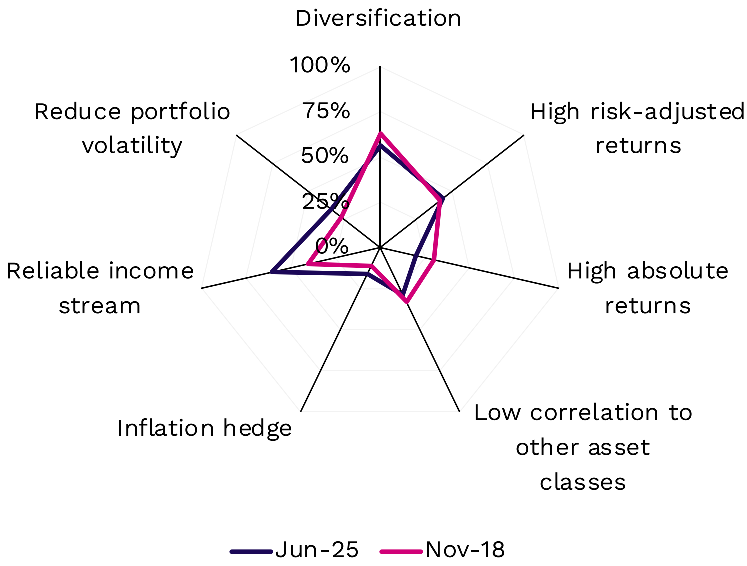
European bank disintermediation is taking a different path than the equivalent in the US, but an opportunity still exists for private debt funds

Nicholas Mairone, CFA
VP, Private Debt and Regulation
nicholas.mairone@blackrock.com

LPs are coming to private debt funds seeking sources of income and lower risk assets (Fig. 6.1). Over the past five years, this came through the development of the direct lending market (Fig. 6.2). Now, there is demand for additional private fixed income investments. In response, GPs are expanding the pool of lending products outside the currently dominant direct lending strategies. Not only does a wider breadth of products increase the overall pool of available investments, but it also allows for more specific targeting of risk/return profiles.

Fig. 6.1: LPs are seeking income from debt investments

Private debt investors were asked: 'What are your main reasons for investing in alternative assets?'

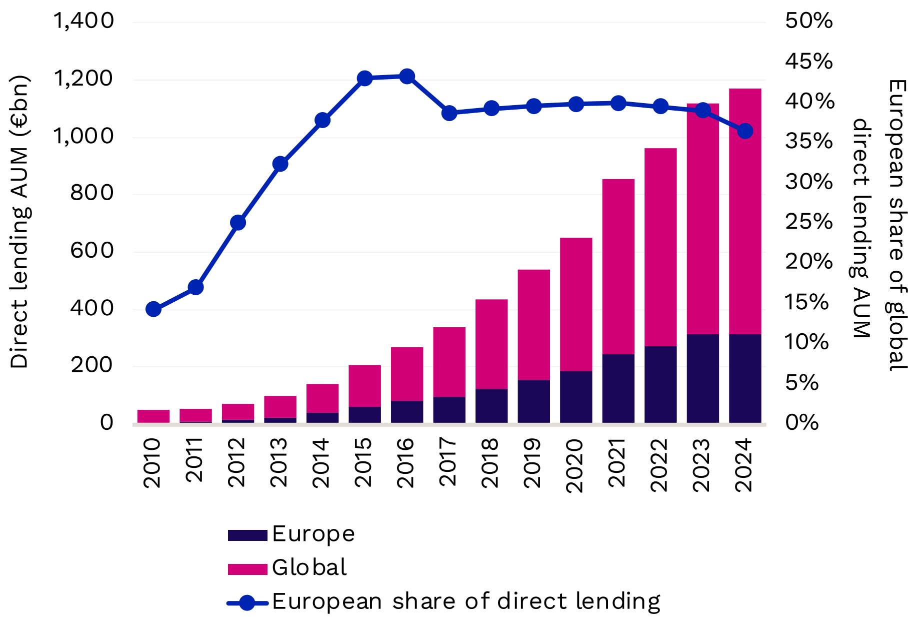


Source: Preqin Investor Surveys, June 2022–2025

Fig. 6.2: Europe's share of lending markets has fallen from peak

Global and European direct lending AUM and proportion of AUM attributed to European-focused capital

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

GPs are looking towards partnerships with banks to source new products. Banks already have the origination pipelines required for new loans, especially in areas less familiar to GPs. Banks are incentivized to work with GPs as they retain fees related to originating the loans, without needing to hold as much capital. They also maintain, build, and expand relationships with clients while complying with capital rules. Further, banks will partner with GPs to provide liquidity or other facilities (i.e., the GP purchases the riskier loan while the bank extends a credit facility to the GP) simultaneously. This reduces the overall capital charge; the bank is only holding capital against the credit facility, which is considered a much lower risk and ensures the bank is still utilizing its balance sheet.

Altogether, the partnership has upsides for both the bank and the GP even though the two parties might eventually compete for new deals. It also offers LPs an expanded pool of potential investments, while borrowers have access to an expanded pool of credit. This trend of bank disintermediation, with lending moving into non-banks and private debt funds, is a global one.

However, the means through which this is happening in Europe are not the same as the US. Different banking sectors and regulatory environments have different incentives and rules, leading to a varied product mix. Though cross-pollination is ongoing and looks set to continue, Europe remains a leader in the significant risk transfer (SRT) market.[29]

Post-2008 banking shifts changed the landscape

In the aftermath of the 2008 Global Financial Crisis (GFC), new regulations were created when regulators grew concerned about bank risk-taking. These regulations attempted to disincentive the type of products that were perceived to have caused the crisis. In the US, for example, leveraged lending rules were changed.[30] In Europe, new regulations restricted insurer involvement in securitization markets,[31] which contributed to the smaller securitizations market in Europe (Fig. 6.3).

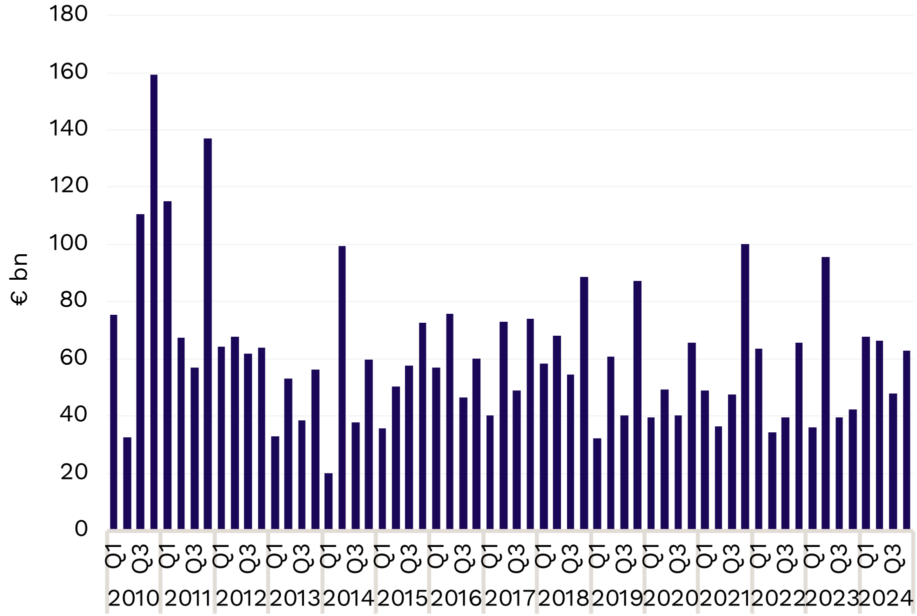
29 Unlocking Capital Efficiency with Significant Risk Transfer | TMF Group

30 Supervisory Letter SR 13-3 attachment: Interagency Guidance on Leveraged Lending | Federal Reserve Board

31 Solvency II | EIOPA

Fig. 6.3: Europe's securitization market is relatively small

Total European historical securitization issuance (placed and retained)



Source: AFME Securitisation Data report, Q4 2024 and 2024 full year

This has led to substantial regional gaps in insurer balance sheet composition, as insurers are historically one of the larger participants in the market. North American insurers hold significantly more securitizations on their books than their European counterparts.[32] This coincided with bank capital regulation increases from Basel 3 standards and proposed revisions that tightened lending rules.[33] Put together, the reduced supply of credit stemming from regulatory changes ends up leading to gaps in credit availability that private funds are now trying to fill.

In Europe specifically, some market participants are drawing attention to how these constraints on securitizations are limiting capital available for SMEs.[34] Securitizations in the US facilitate trillions of dollars of lending, but have failed to reach an equivalent level in Europe due to these rules. Given this discrepancy, GPs have worked to offer new products in Europe that satisfy these rules, leading to the size of the risk transfer market in Europe.

Structural differences in the EU and US change fundraising

Most LPs access private debt investments through traditional closed-end funds and the highest proportion of LPs globally state that their preferred vehicle for private debt investments is the pooled structure (Fig. 6.4). In our conversations with European private credit market participants, this is more the case in Europe than in the US.

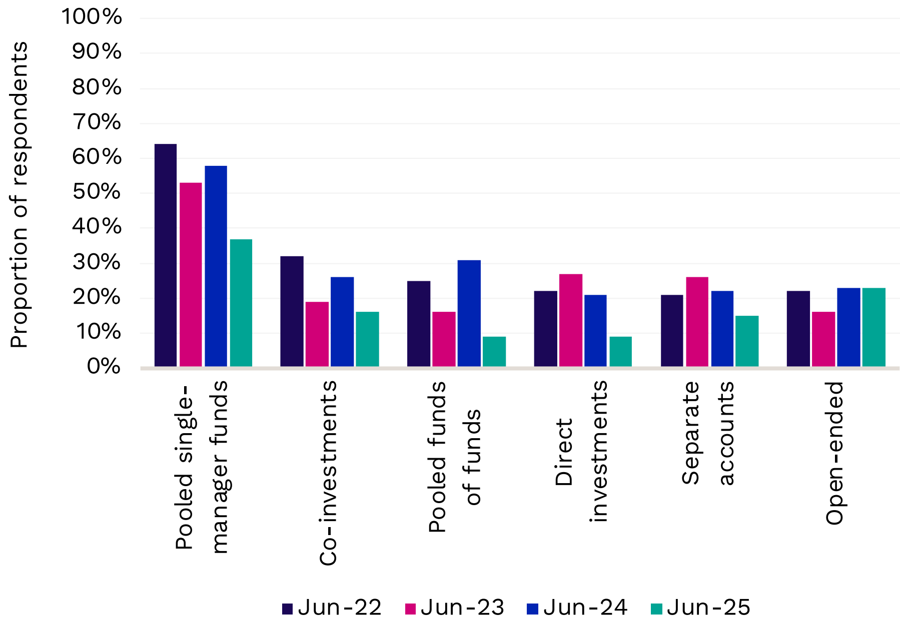
32 Global Insurance Market Report 2024 | IAIS

33 Basel III: international regulatory framework for banks | BIS

34 How to fix Europe's securitisation market | FT

Fig. 6.4: LP interest in traditional fund structures has fallen

Private debt investors were asked: 'What fund structures are you targeting in the next 12 months?'



Source: Preqin Investor Surveys, June 2022–2025

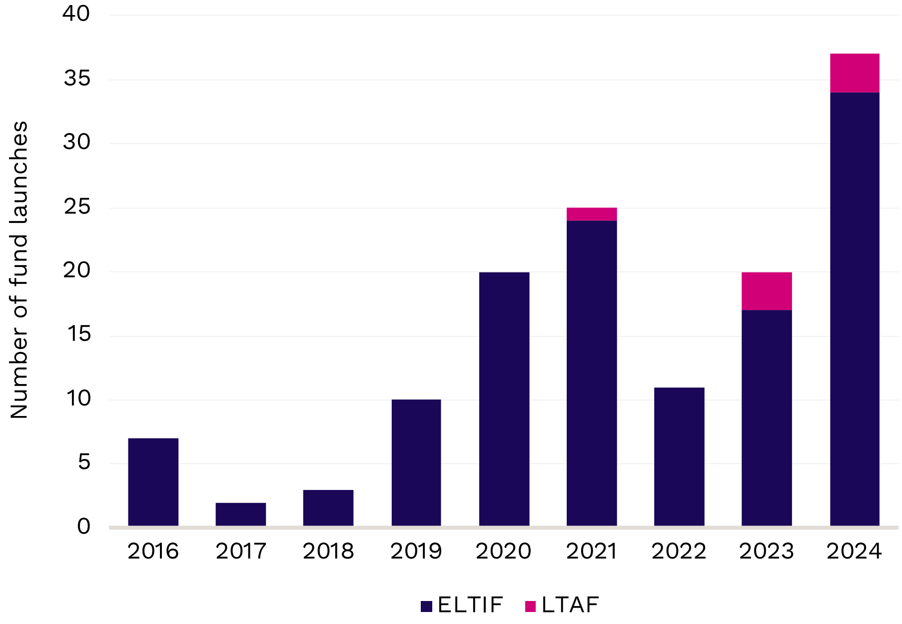
In our discussions with European market participants, we have noted that relative interest in semi-liquid structures remains higher in the US and Canada compared with Europe. In part, this interest is driven by available vehicles and the LP base in the region. American insurers can more easily commit capital to credit GPs via rated note feeders and equivalent structures, which can be rated and held on their balance sheet.[35] European insurers, for regulatory reasons, cannot as easily invest in these structures, and will therefore skew more naturally to closed-end private debt structures.

To facilitate broader access to private markets, European regulators and rule-makers updated rules for semi-liquid funds in 2024 and 2025. The updated European Long-Term Investment Fund (ELTIF), now commonly referenced as ELTIF 2.0, lowered barriers to entry by simplifying investment rules and introducing more flexible structures, while improving transparency and accessibility. The UK Long-Term Asset Fund (LTAF) has also been made eligible to be held in the popular Stocks and Shares ISAs in the UK. In line with these reforms to bolster the availability of liquid structures, a number of ELTIF and LTAF structures have been launched in recent years, and we expect this to continue to grow (Fig. 6.5).

35 Insurance company investment slides | Mayer Brown

Fig. 6.5: Significant semi-liquid fund launches in Europe in 2023 and 2024

Number of ELTIF and LTAF fund launches



Source: Preqin, data as of July 2025

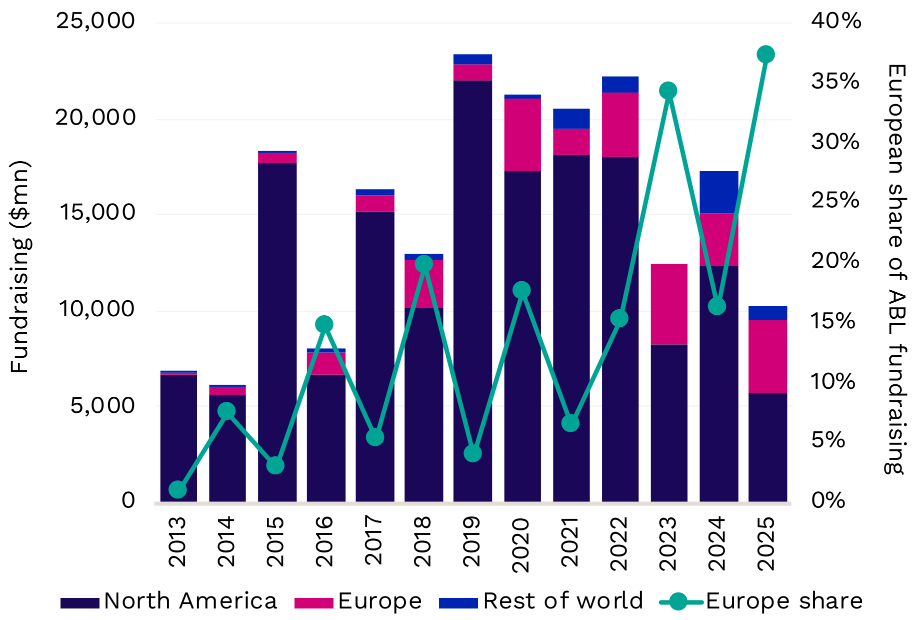
By limiting securitization, European banks are incentivized to find novel ways to offload risk. One of the ways European funds can do this is through the SRT market.[36] SRTs can be driven by GPs partnering with banks or bank structuring desks. Those GPs can then facilitate insurance or other investment and offer bank-like products to their LPs.

Since 2013, only 13.2% of capital raised for asset-backed funds has been focused on Europe (Fig. 6.6). Recent vintages have skewed more towards Europe, but this is a reflection on North American fundraising rather than an ongoing surge in interest in Europe.

Fig. 6.6: European share of ABL funds has been low until recently

Total fundraising for privately held asset-backed lending funds, by vintage

View latest chart data on Preqin Pro



Source: Preqin, data as of July 2025

36 The European significant risk transfer securitisation market | ESRB

GPs look to offer novel products to LPs as a way to raise new funds, incentivizing cooperation with banks, who participate in the SRT market to improve the efficiency of deploying capital.

Future direction of regulatory policy

European regulators have expressed interest in refining insurance regulations pertaining to securitizations, which the industry is welcoming of as a first step in reviving the European securitization market. In March, the EC announced its plan to revive EU capital markets, including reforming the securitization framework. Many of the proposed reforms would make it easier for banks to free up their balance sheets, and therefore easier for GPs to expand into traditional bank markets. The available pool of LP capital would also expand.

The main risk to the development of further bank disintermediation in Europe throughout this process is that refinement of regulations does not go far enough and that a revamp of the rules is needed. Some market participants have stated their belief that wholesale regulatory changes would be needed to facilitate an attractive securitization market able to compete on an international scale. We expect to see updated proposals on how to achieve this through a revised securitization framework, which lightens the burden on prospective issuers and investors, later this year.

Altogether, European bank disintermediation is not taking the same path as the equivalent in the US, given the different policy drivers and regulatory ecosystems in each jurisdiction. Private credit funds are still making inroads and European LPs are interested in new income-generating assets, incentivizing GPs to find new lending products. However, it may be a somewhat slower process, and some regulatory tweaks may be needed to keep pace with the American market.

Real estate's correction

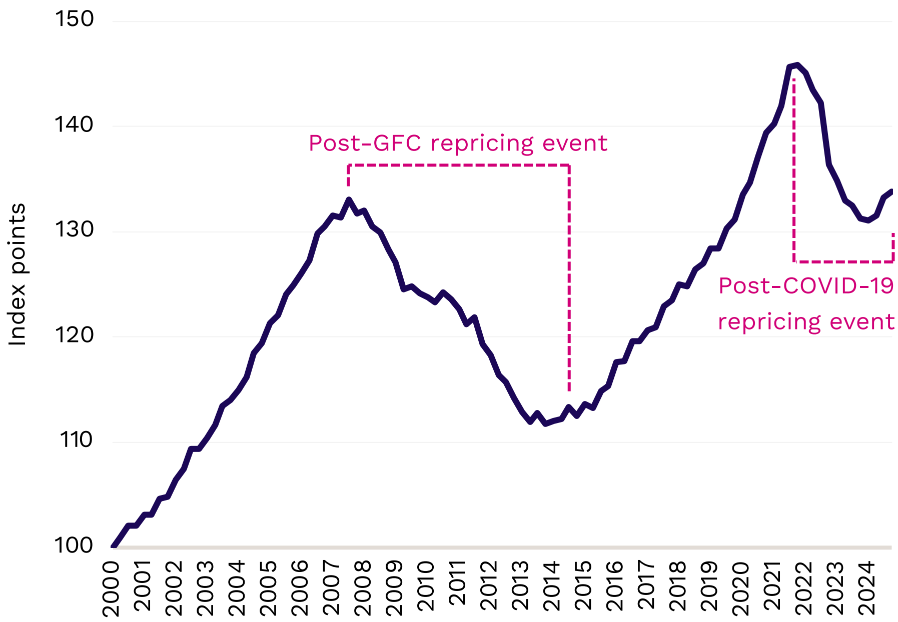
European real estate has undergone significant repricing in recent years, opening the door to real estate investors searching for opportunities

Salik Ahmed
Associate, Private Capital
salik.ahmed@blackrock.com

Property prices in Europe have been experiencing a repricing event of a similar magnitude to the GFC (Fig. 7.1). Real prices for property peaked in the region at the end of 2021, at a time when valuations for real estate assets were already being driven up by huge demand and lower-interest rate environments. The subsequent interest rate hikes destabilized the real estate market in Europe, which triggered a price correction in the region.

Fig. 7.1: Real estate in Europe currently experiencing another repricing event

Real property prices for euro area – indexed



Source: Bank for International Settlements, Federal Reserve. Data as of July 2025

As a result, the value of real estate assets has fallen across key markets in Europe. Annual growth rates for house pricing in the euro area troughed to -2.2% halfway through 2023,[37] highlighting the falling value of real estate in the region. The lower value of real estate in Europe has presented an opportunity for investors to commit capital to a region that hosts high-quality properties and lower competition among buyers.

In our latest Preqin Investor Survey, 50% of European real estate investors named asset valuations among the main challenges to return generation in the next 12 months, an increase from 31% the year prior. Growing nervousness around asset prices in existing portfolios could also result in more motivated sellers in the region (Fig. 7.2).

37 Housing price statistics - house price index - Statistics Explained | Eurostat

Fig. 7.2: Concerns over valuations grow for European investors

European real estate investors were asked: 'What are the key challenges for return generation in the next 12 months?'

Source: Preqin Global Investor Surveys, June 2024–2025

The current repricing event has attracted opportunistic real estate fund managers searching for assets in the region. The typically higher cost of the properties targeted by opportunistic funds has fallen, and, as sellers in Europe look for liquidity, assets that could be considered relatively high quality may increasingly be classified as distressed.

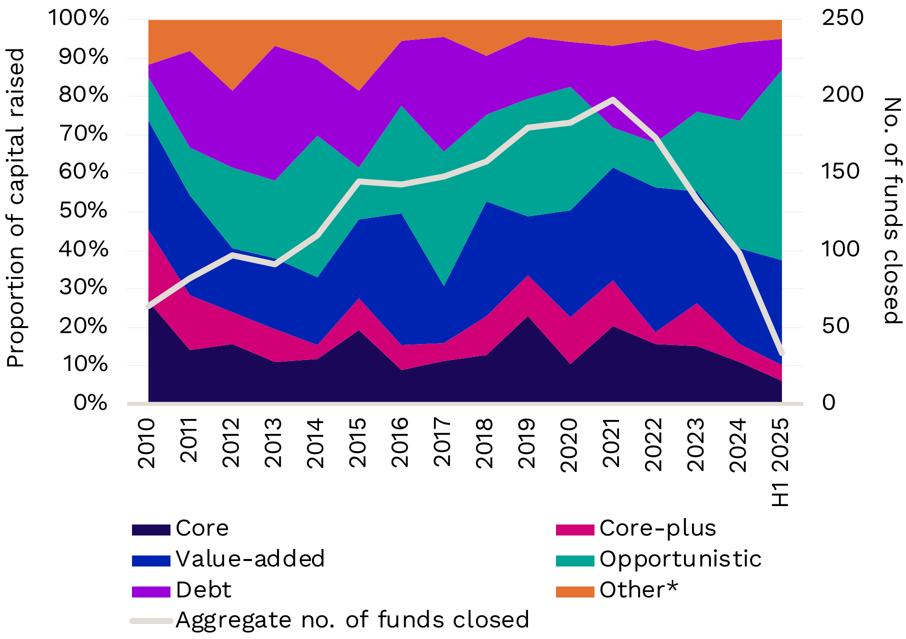
Opportunistic real estate sets the pace for fundraising in H1 2025

Preqin's fundraising data for Europe-based funds shows that value-added real estate strategies attracted the most capital between 2021 and 2023 (Fig. 7.3). Investors may have sought to take advantage of rental growth and vacancy rates remaining strong, and, as valuations fell, the possibility of acquiring assets at rebased prices and investing smaller amounts of capital to increase overall value made Europe a target region for these strategies. Value-added strategies often target the residential and industrial sectors and look to renovate rather than fully redevelop assets. They carry lower risk than opportunistic funds, require less up-front financing for projects, and rely on relatively strong capital appreciation for returns.[38] However, 2024 saw opportunistic real estate become the leading strategy for raising capital in Europe – even if value-added led fundraising globally that year. Aggregate capital raised for opportunistic funds in H1 2025 was higher still, outpacing other real estate funds.

38 Opportunistic Real Estate: Sector Overview, Returns & Excel Examples | Mergers & Inquisitions

Fig. 7.3: Opportunistic real estate becomes market leader for Europe

Real estate funds closed and proportion of capital raised, by strategy



Source: Preqin, data as of July 2025

*Other includes distressed, co-investment, fund of funds, and secondaries funds

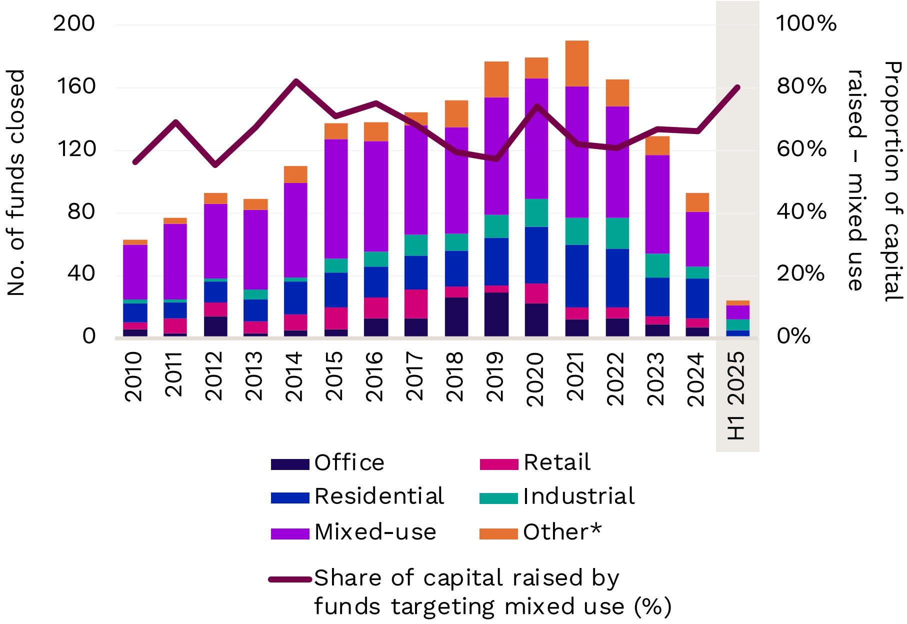
The higher risk profile of opportunistic real estate compared to value-added explains the trepidation surrounding these strategies in the more risk-off environment that was present within Europe between 2022 and 2023, but, as interest rate cuts took place, the risk appetite for investors grew and opportunistic strategies became more palatable. Financing becomes more readily available in a lower-interest rate environment, so the headwinds that opportunistic strategies faced (given they typically employ higher levels of leverage[39]) began subsiding as investors began to negotiate terms at lower rates.

Funds targeting mixed-use properties have consistently accounted for the largest share of European real estate capital raised (Fig. 7.4). We expect this to remain the case in the second half of 2025, as mixed-use assets can offer diversification benefits and cash flow stability for investors.

39 An Introduction to Opportunistic Real Estate | CAIS

Fig. 7.4: Real estate funds targeting mixed-use properties dominant in Europe

Number of real estate funds closed in Europe, by primary property type, and share of capital raised for mixed-use assets



*Other includes niche, land, and hotels

Source: Preqin, data as of July 2025

Mixed-use properties are not inherently a target property type for opportunistic strategies, but, given the composition of the European markets and following the repricing event in 2022, they have become a more viable option. Developments in areas that are deemed to have high growth potential – potentially emerging tech hubs that will see a high influx of skilled workers[40] – may call for mixed-use properties, as they can meet the demands of different types of tenants. Combining retail with office space or apartments diversifies tenants and reduces some of the risk, as income does not rely on a single source. Investors acquiring property at a lower value in Europe may look to redevelop assets into mixed-use properties as a result, and targeting high-growth areas could lead to faster appreciation in value and consistent rental income, generating the higher returns that opportunistic strategies search for.

Why now for opportunistic?

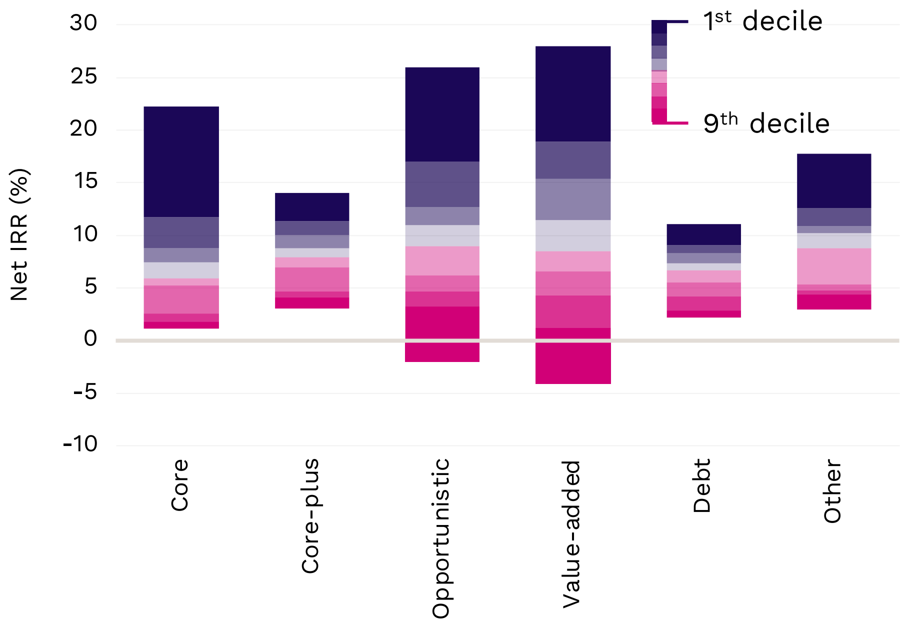
Opportunistic strategies' rise in Europe isn't wholly unexpected; markets now offer properties at lower base valuations in sought-after locations. However, value-added strategies, which have been the most prominent strategy in Europe in recent years, benefit from similar environmental factors. Comparing the return profile of these two strategies shows how similarly aligned they are; although value-added funds in the top four deciles for vintages 2013–2022 have ranked highest for IRR, opportunistic strategies show some level of downside protection compared with value-add (Fig. 7.5). As these two strategies seem to be on relative par with each other for recent performance, the question arises as to why opportunistic strategies are now more favored in Europe.

40 Commercial Real Estate Investment Strategies | J.P. Morgan

Fig. 7.5: Opportunistic strategies lag value-add in the top percentile

Europe real estate net IRR by strategy (vintages 2013–2022)

View latest chart data on Preqin Pro



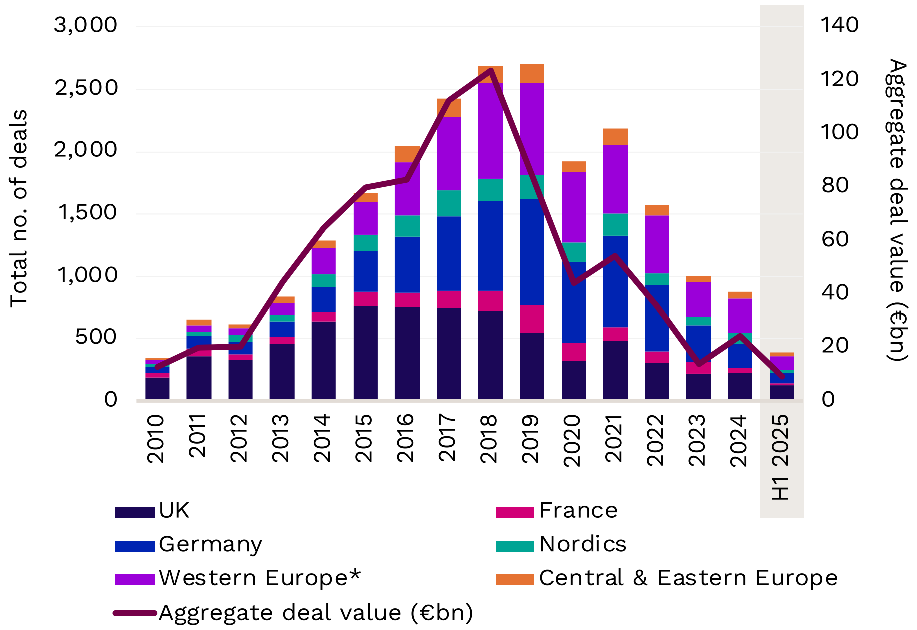
Source: Preqin, data as of July 2025

Deal activity across the region may help contextualize the rise of opportunistic real estate. Forty-one percent of aggregate deal value in 2024 was attributed to deals taking place in the UK, and 87% of European deal volume in the first half of 2025 occurred in Western European countries (Fig. 7.6). More-developed real estate markets that retain low vacancy rates and high tenant demand are more desirable for opportunistic strategies, so we may expect increased opportunistic fundraising to correspond to growth in the proportion of deal activity in these markets.

Fig. 7.6: Western European markets maintain hold of overall deal activity

Volume of real estate deals in Europe and aggregate deal value, by primary location

View latest chart data on Preqin Pro



*Excluding the UK, France, and Germany

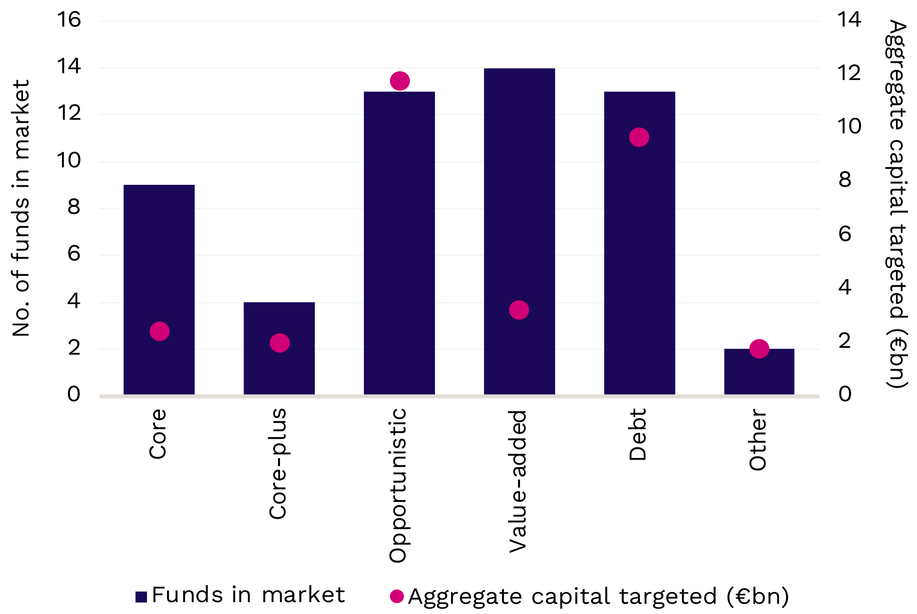
Source: Preqin, data as of July 2025

The UK is a particularly desirable market for opportunistic strategies; prices remain low, sellers are motivated by the need for liquidity, vacancy rates are low, and housing capacity overall remains constrained. In a recent study, the Center for Policy Studies found that the UK has the second-lowest rate of homes per person in Europe, amounting to a shortage of 6.5 million homes in the country[41] and highlighting the current constraints of the housing market. Commercial properties remain up for sale and were, as of Q2 2024, increasingly being repurposed into accommodation[42] – an inherently opportunistic strategy. In 2024, further amendments were applied to UK legislation to remove some limitations on the repurposing of commercial buildings as residential property.[43] Current supply in the rental market in the UK continues to lag overall demand, so strategies targeting unused commercial properties for redevelopment into housing allow access to a new revenue stream. With rent expected to continue to rise in the UK in line with long-term averages,[44] cash flow should also remain consistent.

Purpose-built student accommodation (PBSA) is another growing sector targeted by opportunistic real estate funds. The long-term trend for the overall number of international students studying in Europe has been steadily upwards,[45] and demand for PBSA has accelerated as a result. Consistent demand and a reliable rental stream have made these properties an alluring prospect for investors and fund managers, and the extent to which opportunistic strategies are viewed as best suited for PBSA investments is reflected in Preqin's funds in market data: for Europe-based funds that plan to invest in student accommodation, overall capital targeted by opportunistic funds is much higher compared with most other strategies (Fig. 7.7). If the number of international students in Europe continues to grow, the gap between supply and demand will only widen. Need for PBSA could set up the real estate sector for consistent growth, with opportunistic strategies benefiting as a result.

Fig. 7.7: Opportunistic real estate strategies raising most capital to meet PBSA demand

Real estate funds targeting PBSA: funds in market and aggregate capital targeted



Source: Preqin, data as of July 2025

41 UK housing gap stands at 6.5 million homes, finds CPS | The Centre for Policy Studies
42 Office-to-homes conversions: London blocks hold fresh allure since shift to home-working | The Guardian
43 It's a new era for Office-to-Residential conversions in the UK, if we get the light right | TFT Consultants
44 Private rent and house prices, UK | Office for National Statistics
45 International Students | Migration Data Portal

Lower valuations in Europe have made the region a prime target for opportunistic real estate, and fund managers targeting the market look set to benefit from greater ease of financing due to consistent rate cuts. If the current rate of cuts continues, low vacancy rates and high tenant demand will provide a strong foundation for opportunistic strategies. And given these funds target growing sectors, such as repurpose-to-rent and PBSA, opportunistic real estate's rise to the top in Europe may not just be a short-term phenomenon.

The team behind insights+

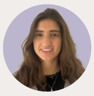
EMEA

London

Cameron Joyce, CFA, CAIA
Private Equity and Venture Capital
cameron.joyce@blackrock.com

Paul Sinthunont, CFA
Asset Allocation
paul.sinthunont@blackrock.com

Victoria Chernykh, MBA
Private Equity
victoria.chernykh@blackrock.com



Rachel Dabora
Private Wealth
rachel.dabora@blackrock.com

Salik Ahmed
Private Capital
salik.ahmed@blackrock.com

Piotr Jelonek, PhD
Data Science, Forecasting
piotr.jelonek@blackrock.com

North America

New York

Nicholas Mairone, CFA
Private Debt and Regulation
nicholas.mairone@blackrock.com

Michael Patterson, CFA
Venture Capital
michael.a.patterson@blackrock.com

Dallas

Brigid Connor, CFA, CAIA
Fund Terms
brigid.connor@blackrock.com

APAC

Singapore

RJ Joshua, CFA
Private Debt
rj.joshua@blackrock.com

Angela Lai, CFA
Performance and Valuations
angela.lai@blackrock.com

Gerard Minjoot
Deals
gerard.minjoot@blackrock.com

Hong Kong

Henry Lam, CFA, CAIA
Real Estate
henry.lam@blackrock.com

Acknowledgements

Contributing analysts
Salik Ahmed
Rachel Dabora
Nicholas Mairone, CFA
Gerard Minjoot
Michael Patterson, CFA

Head of production
Colin Leopold

Editorial team
Karl Daniels-Read
Justine Kerford
Priya Rakkar

In-house designers
James Flanagan
Logan Scales
Tim Short

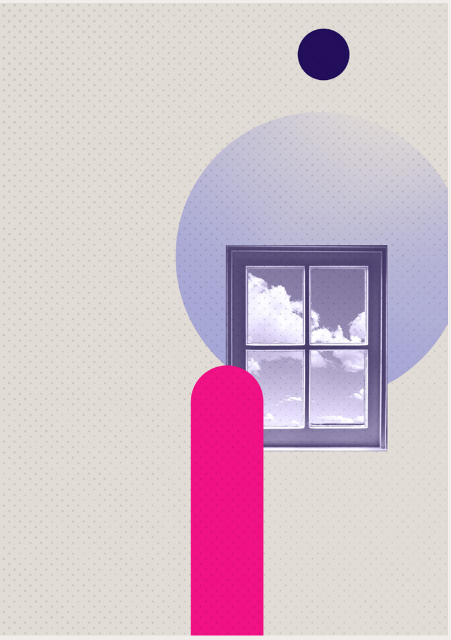
Data resource management
Saif Anwar
Elliot Donnelly
Jithesh Jayakumar
Senthooran Kalaimohan
Vivienne Lam
Lauren Mason
Karel Nguyen
Gifty Philip
Christina Taufan

PREQIN
a part of BlackRock

Empowering the global private markets **community** with essential **data** and **insights**.

preqin.com/insights – preqin.info@blackrock.com

Related insights+ research



insights+

DEAL FLOW MONITOR · PE · VC

Deal Flow Monitor: Q2 2025

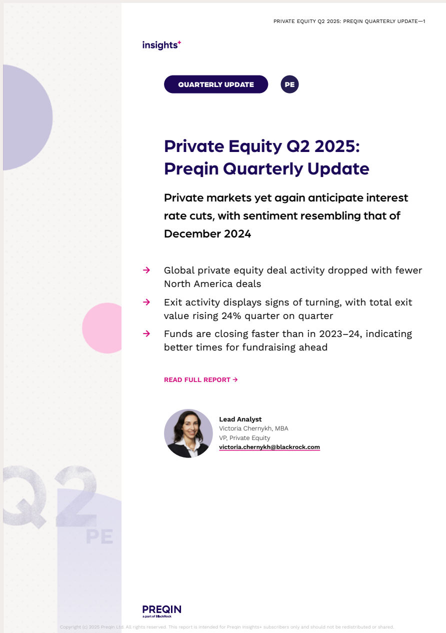
Deal-making caution persists, despite growing cross-border private equity activity and a shifting sector focus for venture capital funds

- Private equity deal activity declined in Q2, but carve-outs and spin-offs have grown their role by total deal value
- Europe's compelling valuations are drawing more interest from foreign investors as private equity cross-border deals rise
- Despite fewer VC deals in Q2, their total value edged higher, led by North America and driven by interest in AI

READ FULL REPORT →

Lead Analyst
Gerard Minjoot
Associate, Deals
gerard.minjoot@blackrock.com

PREQIN



insights+

QUARTERLY UPDATE · PE

Private Equity Q2 2025: Preqin Quarterly Update

Private markets yet again anticipate interest rate cuts, with sentiment resembling that of December 2024

- Global private equity deal activity dropped with fewer North America deals
- Exit activity displays signs of turning, with total exit value rising 24% quarter on quarter
- Funds are closing faster than in 2023–24, indicating better times for fundraising ahead

READ FULL REPORT →

Lead Analyst
Victoria Chernykh, MBA
VP, Private Equity
victoria.chernykh@blackrock.com

PREQIN

Preqin's State of the Market: H2 2025

Read now

Deal Flow Monitor: Q2 2025

Read now

Private Equity Q2 2025: Preqin Quarterly Update

Read now

PREQIN
a part of BlackRock