PRESS RELEASE

FAP Real Estate Private Debt Report Germany 2025

Whole Loans as a key financing component ensuring the feasibility of many projects

- **Stretched-Senior Structures as an alternative to bank financing**
- **Mezzanine remains a niche product**
- **Investor interest rising despite challenging conditions**
- **Asset class Hotel continues to gain in popularity**

Berlin, 13. November 2025 – The alternative real estate financing market remains challenging, yet sentiment is clearly improving. The financing environment has stabilized slightly compared to the previous year, and market participants have widely accepted the new reality of higher interest rates. Overly optimistic exit assumptions are largely a thing of the past; calculations are now far more realistic. At the same time, banks are showing tentative signs of movement: initial willingness to accept haircuts and partial write-downs indicates that the market is beginning to reposition itself.

These developments – combined with lengthy approval processes and ongoing caution among traditional lenders – continue to work in favor of alternative lenders. Whole loans and stretched-senior structures dominate the market and are increasingly establishing themselves as credible alternatives to conventional bank financing. With an average loan-to-value (LTV) of 72 per cent, whole loans show a slight decrease compared to last year, reflecting a more realistic view of market conditions.

This year's FAP Real Estate Private Debt Report Germany 2025 makes one thing clear: mezzanine capital remains a niche product. In the German market, it is primarily offered by smaller debt funds and family offices for smaller-scale financings. While international private equity houses remain open to subordinated lending, their return expectations and minimum loan sizes of EUR 20 million or more often do not align with current market dynamics.

The FAP Report provides a comprehensive overview of the entire German market for alternative real estate financing – in a breadth and depth that remains unmatched.

Alternative lenders focus on quality and stability

Overall, sentiment among alternative capital providers has improved compared to last year – particularly among whole-loan lenders, who continue to act selectively and focus on high-quality assets with stable cash flows. On the asset level, residential and mixed-use properties dominate, while hotels with robust operating concepts have become significantly more attractive. Project developments are also gradually regaining acceptance: the first funds dedicated to this segment are entering the market.

"The key takeaways from this year's report: sentiment among lenders has improved. Capital is available and whole-loan financing is accessible, even for large-scale projects. And banks have become more willing to compromise," says Hanno Kowalski, Managing Partner, FAP Group. "Among asset classes, hotels are gaining ground, while life science properties and data centers are losing appeal."

"Whole loans have firmly established themselves as a standard product in the alternative financing mix," adds Kim Jana Hesse, Senior Vice President, FAP Group. "Their pricing is approaching bank levels while offering faster execution. This gives alternative lenders a clear competitive edge."

Investor interest on the rise

For the first time, the market is seeing a slight increase in the number of actively investing institutional players who are primarily focused on the whole-loan segment and signaling renewed interest in participating in financing processes.

At the same time, the pace of new debt fund launches is accelerating both domestically and internationally. Initial players are introducing new products specifically designed to capture opportunities in the current financing environment. Institutional investors' appetite for the real estate asset class is also rebounding, particularly through fund structures.

Family offices remain active but primarily as equity providers with smaller volumes. Meanwhile, growing amounts of capital from major international private equity funds are flowing into the German market.

Asset classes: Residential ahead of mixed-use and logistics – hotels gaining strong momentum

Asset class preferences have changed little compared to last year: residential remains the top pick, followed by mixed-use and logistics. Notably, hotel properties have gained significant traction over the course of the year. Where viable operating and usage concepts exist, many lenders are willing to support such projects. Office properties remain in demand only in prime, ESG-compliant locations. Moreover, lenders are again drawing clearer distinctions between plots with and without building rights: sites with secured planning permission remain financeable – albeit under conservative conditions.

"Alternative financing solutions are often the key to enabling projects that would currently stand no chance with traditional banks," emphasizes Kowalski. "In times of constrained liquidity, they represent an essential stabilizing factor for the real estate market."

Germany's Class A cities remain firmly in focus for most market participants. At the same time, a growing number of German alternative lenders are becoming more active abroad. The market also shows an uneven project landscape: while A and B cities suffer from a shortage of attractive opportunities, activity in C and D locations is increasing noticeably. Here, locally rooted developers and portfolio holders with deep market knowledge and resilient business models proven through recent crises continue to play a vital role.

About FAP

The FAP Group is an independent advisory company that specialises in raising and structuring capital for real estate investments and project developments. The Group comprises FAP Invest, a leading real estate investment platform for institutional investors with a focus on debt products, and FAP Finance, which provides advice on all capital and financing issues to borrowers. FAP structures conventional debt finance as well as mezzanine, equity and capital market products. These services secure the overall financing from debt capital and – if necessary – equity substitutes. FAP, headquartered in Berlin, was founded in 2005 by Curth-C. Flatow. The group has since advised and structured capital with a volume of over EUR 18 billion.

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