
KEYNOTE INTERVIEW

Flexible capital, new frontiers



Non-bank lenders continue to expand their footprint in European residential markets, supporting assets beyond construction, say Eldridge's Graham Keable and Matteo Milan

Alternative lenders strengthened their influence in European residential markets last year as borrowers increasingly turned to flexible capital solutions. Graham Keable, managing director, and Matteo Milan, managing director and head of UK and Europe real estate credit at Eldridge Capital Management, explain how non-bank debt is moving beyond traditional construction finance to support assets through stabilisation, refinancing and long-term performance.

Q How were lending market conditions in 2025?

Graham Keable: 2025, particularly the second half, was buoyant and we

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saw the re-emergence of conventional lending. Lenders became increasingly active as market liquidity deepened and big sponsors returned. Consequently, we saw slightly higher leverage structures and slightly lower pricing.

Matteo Milan: We took advantage of that functioning market. After a quieter couple of years, volumes went up, making it a record origination year for us. While continuing to explore and push out construction financing, we added a different product focused on

transitional assets. We secured mandates and originated around \$350 million in transitional loans throughout Europe and the UK. This gave us the opportunity to broaden our real estate credit offering. Historically, we've been focused on construction finance, but we're now a player in financing properties that already have an income stream attached to them.

Q Your firm was awarded Residential Lender of the Year: Europe. What drove your success last year?

GK: We were active across build-to-rent, build-to-sell, student accommodation, later living and even co-living

or flexible living. Eldridge has been invested in this sector for many years and we have seen the PRS market evolve into one increasingly dominated by institutional investors.

It's about partnering with the right people. Last year, we completed our most recent deal with Ballymore for the final phase of the Embassy Gardens scheme. We also closed our 10th transaction with Vita Group, bringing our total commitments with them to over £1 billion (€1.1 billion). We are continuing to evolve our relationship with Vita into investment lending while supporting our UK client base on broader European opportunities, including deals with Vita and Greystar in Madrid. We show great loyalty to strong operators; it's a reciprocal arrangement. We know them, they know us. Price is important, but it's not always the determining factor.

MM: We're privileged to have a wide and sticky client base; repeat business is part of our DNA. Clients value our proven ability to deliver – our speed of execution, agility and flexibility – and in some cases, price is not even the first item on the agenda.

Our recipe is simple: be clear, deliver what you say you're going to deliver, be competitive and, more importantly, be creative. In construction, for example, our expertise allows for quick, confident responses to our borrowers. We can have frank conversations and reach common ground quickly because our borrowers know they are talking to experts who understand the product inside and out.

Q How did the role of alternative lenders in European residential property markets change last year?

MM: Last year was a great year for alternative lenders. The market is more mature and borrowers across Europe are becoming increasingly familiar with our platform and approach. There's also growing recognition that

not everything needs to be done out of London and that lenders need to adapt to local customs and practices across European jurisdictions, which may make debt more readily available.

Historically, alternative lenders in the residential space have been associated with construction finance, but that is changing. Now, there is the opportunity to refinance or extend loans originally advanced for construction and support borrowers through the next phase of the asset's life: stabilisation.

Often, when a borrower needs more leverage, or the leasing ramp-up for student accommodation or multifamily is slower than expected, the ICR (interest coverage ratio) metric doesn't allow domestic banks to lend at the requested leverage. We can bridge that gap. We can find solutions that don't require additional equity, allowing borrowers to focus on implementing their asset management plans. And when a maturity is approaching, we can extend the loan and continue supporting the client to ensure the business plan is delivered successfully.

Q Which subsectors of the residential market were most attractive?

GK: What happened in 2025 was known to everyone: beds, beds, beds. This was predominantly dictated by rental, whether it be student accommodation or multifamily. While co-living and flex-living are emerging strongly, multifamily and PBSA remain the subsectors of choice for global investors.

The lettings market was much later in the cycle, with rental growth and occupancy levels challenged in many areas of the market in the 2025-26 academic year. This is why we diligently analyse the micro-markets and seek to ensure we are partnering with developers and operators that demonstrate genuine expertise in the international lettings market and are associated with the strongest locations in the best university cities.

PBSA opportunities are about

strong, compelling university locations. Just as important is the operation of the asset, because a scheme's strength is intrinsically linked to the operation of the building once completed. Valuation and cap rates are important, but what matters more is how residents feel and how sticky those tenants are. As a result, a lot of our analysis focuses on the operating partner in both multifamily and PBSA sectors.

Q What are the challenges and opportunities for European markets in 2026?

MM: We're not in a stable macro environment. We're coming through a period of turbulence and volatility, and hopefully we'll see more stability in the months ahead. European countries also have high levels of public debt, which limits their ability to support the economy, and any disruption can have consequences for real estate values and debt. As a credit-focused business, this may provide an opportunity to step in and is something we monitor closely.

In terms of opportunity, Europe offers diverse dynamics, both across cities and countries. Tourism, particularly in Southern Europe, remains strong. We focus on the luxury, high-end hospitality sector, where we believe there is insufficient product for a new generation of ultra-high-net-worth individuals amid growing global wealth. These assets are typically in fantastic locations, giving them strong intrinsic real estate value. We also like affordable products. We're more cautious in the middle, where the cost-of-living crisis continues to put pressure on the middle class.

GK: We're interested in build-to-sell. We're seeing the lowest level of new starts on record in London. Given the very limited new starts in 2024 and 2025, delivering well-located, high-grade for-sale assets in 2027-29 will be very attractive. And this isn't just a London story; this applies across major cities in the UK and Europe. ■