

# Securitization Outlook 2026

Special Report February 2026



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# Securitization Outlook 2026

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The conditions are set so that 2026 promises to be even better than the already impressive 2025. A deepening of esoteric asset classes, combined with entirely new deal types, as well as more debut issuers are set to be the key themes

Insatiable data consumption across the US has fuelled the growth of fiber internet across the country. While it may be the funding of data centers that is capturing much of the public’s attention, it is the financing of this other part of data infrastructure that is tipped to provide a \$12bn market in asset backed securities in 2026.

The need for fiber optic cabling is vast. The exponential growth of data centers across the US and the need to connect them to the network must be financed, much of which may be done in the asset-backed securities market.

At the other end of the spectrum, connecting domestic households with fiber cabling is increasing, with fiber penetration across the US expected to rise by 20% by 2028 when, according to the Fiber Broadband Association, about 80% of the country will have access to a fiber internet connection. Again, raising the capital to do the work at scale is likely to involve issuing ABS.

The volume of fresh fiber-backed ABS in the 144A market tripled last year to \$12bn. KBRA predicts a similar volume for 2026.

Last year’s boom in issuance was dominated by deals backed by cash flow from enterprise fiber and dark fiber providers.

Enterprise fiber, otherwise known as lit fiber, describes cabling where the service provider maintains the network and sells bandwidth to users.

Dark fiber refers to networks where the user installs and maintains its own equipment to make use of the cable at both ends. It is vital for companies in the data center business which do not share their fiber connections.

Globally, the dark fiber market is projected to achieve compounded annual growth of about 16% until 2033 to reach \$21.8bn, according to Research and Markets, a market research company.

Each type of fiber network presents a different investment proposition in a securitization. “Dark fiber is less [about] the monthly broadband internet subscriptions and more providing fiber to businesses and connecting cell towers to the network,” says Andrew Butville, head of ABS investing at MetLife Asset Management. “That offers more consistent cash flows than you typically see for a consumer-focused retail broadband network.”

# Fiber ABS offers alternative to data center deal glamour

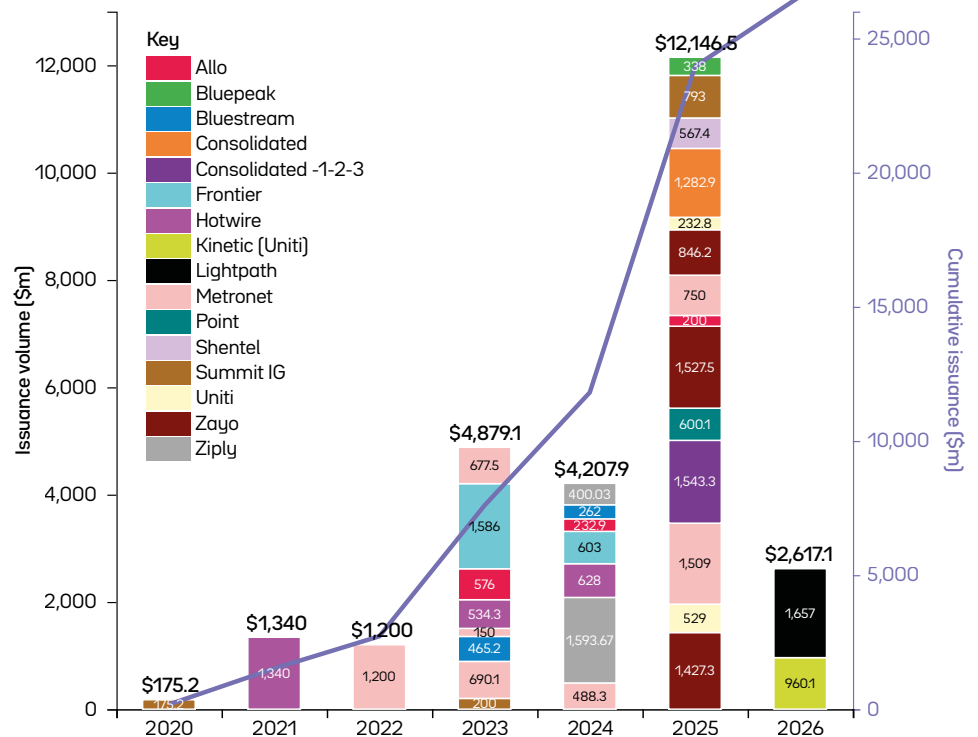
Data center ABS may have captured a vast amount of attention as a new and growing asset class tied to a hot topic but the infrastructure that data centers require — in particular fiber optic cable networks — will also be a rich source of securitization activity, writes **Chadwick Van Estrop**

In a research note published last year, KBRA says: “Enterprise fiber often spans entire regions or multiple areas across the country. For instance, the [issuer] Zayo’s master trust includes contracts across 21 states and Washington D.C., primarily in the north-east and mid-west. Enterprise fiber supports a broader range of connection types tailored to a diverse client base, which includes wireless and network carriers, hyperscale data center operators, financial institutions, technology and media companies, as well as federal, state, and local government agencies.”

At least five prospective debut issuers of fiber ABS are expected to attend the Structured Finance Association’s annual conference in Las Vegas during February, investors have told *GlobalCapital*.

Fiber-backed ABS typically securitize the receivables paid under contract to the network owner for access to it. It is an asset class that investors are eager to investigate, not least because it offers more opportunities to invest than data center ABS. “Looking broadly across digital infrastructure ABS, we like fiber a bit more than data centers right now,” says Michael Nowakowski, head of structured products at

Fiber ABS issuance — 144A market



Data as of February 2, 2026

Source: Academy Securities, S&P, KBRA

Conning. “We view fiber as the guts to data centers, but it goes beyond that too. This is essential technology; essential infrastructure for businesses, for wireless carriers and for residential customers.”

The asset class also offers a greater degree of certainty over the technology behind the underlying collateral when compared to data center ABS. “What the technology evolution is going to look like for data centers during the time these bonds are in existence is unknown,” says Nowakowski. “I don’t think fiber is going to change that much fundamentally between now and the time deals that are coming today will mature or be refinanced.”

Fiber ABS also has another advantage over data center ABS: variety. “The one opportunity that fiber offers that you don’t see as much in data centers is for subordinate tranches – the triple-B, double-Bs,” says Butville. “You do see those in some of the co-location data center deals but they are generally not very common for the hyperscale data center deals.”

Co-location data centers are those with several tenants whereas the hyperscale variety are typically occupied by a single, large client.

It is not just whether an ABS is backed by dark or enterprise fiber networks that has a bearing on the decision to invest, however. Firstly, there is the matter of the issuer’s growth potential once fiber is installed in a particular area. Companies to have priced recent fiber-backed securitizations have tended to have 30% penetration of local markets, according to Xilun Chen, who leads KBRA’s fiber ABS ratings practice.

“For most fiber to the premise providers, the goal is often to reach long-term penetration rates above 35%-40%,” he says. “But once you start to get into 20% and 30% penetration, the rate of growth often starts to flatten out.

“We often see newer markets that are a year or two post-development and commencement of cash flows, rather than three or four year[-old markets], being added to securitizations. So, you’re likely to see growth somewhere in the pool.

“Competitors to fiber ABS issuer[s] are often times a cable operator and may also include a local exchange carrier.”

Competition is another factor that determines the attractiveness

## “We view fiber as the guts to data centers, but it goes beyond that too. This is essential technology”

Michael Nowakowski, head of structured products, Conning

of an investment. “The economics just don’t work very well if you’re the second entrant into a market that’s building fiber,” says Butville.

### State of the market

Fiber-backed ABS issuance has had a rollicking start to 2026. The first deal of the year from Kinetic, the consumer fiber business of Uniti, achieved subscription levels not seen for months in the broader ABS market.

The deal’s \$667.71m senior note, rated A- by both Fitch and KBRA, was priced at 150bp over the 1-curve for a yield of 5.275%. The bonds were 13 times subscribed even after the pricing was tightened from initial price thoughts of low-200bp over the 1-curve.

A step down the stack, the \$112.96m BBB-/BBB rated note that was priced at 185bp over was 22 times subscribed. The yield on that note was 5.625%.

The \$41.8m junior notes, rated BB-/BB-, were 25 times subscribed, being priced at 400bp over after IPTs of low-500bp. The yield on that note was 7.775%.

Collateral for the deal included revenue from existing and future residential fiber broadband customers in Georgia, Kentucky, Ohio, Texas and Arkansas.

In marketing for the deal, investors were told Kinetic had one or no competitors offering fiber internet with a speed of 1GB in about 80% of the areas in which it operated. In those markets about 75% had fewer than 20,000 homes, according to information shared with investors.

As of September 30 last year, Kinetic had about 507,000 residential fiber customers in the mid-west and south east of the US in a network that had the potential to connect to 1.8m homes.

In recent months, senior fiber ABS notes have been priced with a spread of 150bp-220bp over the 1-curve.

Despite the subscription levels on the Kinetic deal, it was still not the tightest fiber ABS to date over the past two years. That distinction belongs to a deal that landed at

130bp over, according to Bank of America research.

The level of demand is driving a healthy secondary market too in. BofA notes that there were 168 trades of fiber ABS paper between mid-December and mid-January with the average cash price being 101.50.

Besides large ticket equipment ABS, fiber ABS had the highest average trading price of any sector during that time, according to BofA.

### Where next?

Fiber ABS issuance patterns may change this year. “We expect some of the larger issuers to possibly tap the market once in 2026,” says Chen. “There’s probably one or two refinancings that will happen this year.

“In 2025, we started to see a little bit of refinancing activity alongside add-ons from collateral growth and/or addition of new collateral.

“What may happen this year is that you may see some newer entrants come in where the deal size is potentially smaller, along with a select few issuances of significantly larger issuance sizes. Some of the smaller issuance may be due to collateral located in more focused markets.”

Deal structures similar to the MetroNet-T Mobile-KKR ABS transaction last year may also emerge. “Collateral for that transaction was wholesale fiber, where the wholesale agreement overlays the underlying residential fiber customer payments,” says Chen. “For some of the larger operators, the question may be whether to build a fiber network versus acquiring one.”

Consolidation of fiber providers is also a developing theme. Recent examples include Bell Canada’s acquisition of Zply, a fiber provider focused on the Pacific north west, in a deal that expanded its fiber footprint to 1.4m US homes. Zply issued ABS in 2024.

Meanwhile, Verizon completed its acquisition of Frontier on January 20 and the combined entity has about 2.2m fiber customers. Frontier issued ABS in 2023 and 2024. ©

# Capital without boundaries: The structures shaping securitization's next phase

KIRKLAND &amp; ELLIS

Structured finance has expanded into new issuer types, new tactical situations, and new forms of capital. What's driving this period of innovation?

Over the past decade, the rise of non-bank lending has shifted more and more capital towards private credit, insurance and other alternative sources. Operating issuers are coming with whole-business, digital infrastructure and royalties-based bonds that complement traditional capital. Investors are using structured finance to make sure what they're buying fits the right pockets of capital and risk allocation on their balance sheets. Structured finance is a natural tool for placing the right product with the right risk appetite.

**How has private credit's growth changed ABS origination and placement?**

We're only at the beginning of this shift. Ten years ago, structured finance was primarily a 144A product. Now, a large share consists of private-credit or private-capital managers executing deals directly or in clubs. In large private-credit-based digital-infrastructure financings, for example, structures often need to be designed quickly as business needs arise. We often don't have time to get to a fully rated, bankruptcy-remote structured product for the first capital needs. But we can get most of the way there with private credit and enhanced structuring, then transition later to a fully structured ABS offering after further work with ratings agencies and investors.

**What is driving structured finance up the capital structure and how far can it go?**

Large pockets of capital that are willing to invest in a stable cash-flow stream outside of bond form — JVs, lines of business or carve-outs. You'll see more rated joint-venture interests, hybrids, fund structures and other isolated cash streams. It's about identifying a stable business and financing and valuing that risk independently. These structures can unlock value, especially in tactical situations with distressed companies that have one or more strong lines of business or with structured joint ventures freeing up capital for growth.

Structured finance is expanding as alternative credit grows, new asset classes emerge and investors demand more targeted capital solutions. Products that were once firmly securities are moving up the capital stack, blending with hybrid equity and fund-level structures. *GlobalCapital* spoke with **Michael Urschel**, a partner in **Kirkland & Ellis'** Complex Securitizations Practice Group, about what is driving the market's rapid transformation and where securitization is headed next

**What types of issuers or asset classes do you expect to emerge next as candidates for structured solutions?**

Across our practice, we're predicting growth in finding new and creative ways to identify stable parts of businesses, sometimes called "yieldcos" or "stablecos," and isolate them using joint ventures, structured equity sales or transactional techniques such as license agreements and IRUs. Structured finance can then take those cash flows and rate and finance them in the capital markets. Another key development will be speed of execution. Tactical scenarios often require fast action. If a capital provider can move quickly and take a view on future rateability, value can be unlocked with a structured refinancing following shortly after. The increased access to large pools of managed capital is going to help with this velocity.

**How do you see the relationship between structured finance and private equity evolving over the near to medium term?**

Seeing private equity and private debt as separate worlds is increasingly outdated. We see increased flexibility as to capital being able to change its form. Some private-equity clients have "tactical opportunities" groups that are product-neutral, and that's the right way to think about the structured-finance world today. I expect more crossover strategies, more hybrid financing and more fund-level structures. But the question then becomes: how do we make execution efficient? How do we make these products syndicateable for broader investor participation? Many of our clients are innovating at the edge while also working to make those products more efficient and replicable across their platforms.



**Michael Urschel** is a partner in the Complex Securitizations Practice Group in the New York office of Kirkland & Ellis LLP. He focuses on securitization,

structured private credit and private placements, hybrid finance and structured lending, with a particular emphasis on complex, first-of-their-kind transactions involving non-traditional assets.

**What do you expect structured finance as a sector to look like in three to five years and what will feel meaningfully different from today?**

One major development is a convergence of understanding among our clients, our counterparts and ratings agencies across different sectors of the market. Structured-finance lawyers need to "speak" leveraged finance and M&A and vice-versa. This cross-understanding helps ensure flexibility in capital structures from day one, making later execution more efficient. On our end, we're giving structuring advice earlier, making sure people know that these tools exist and don't accidentally close off these options through other financings. Borrowers and investors will continue to focus on financing the right asset with the right type of financing, tailored to the right pocket of risk tolerance. Liquidity and speed of execution will continue to be at a premium and will drive continued innovation in both areas. We also may see increased bank lending into structured finance with the recently-announced changes to leveraged lending guidance.

The popularity of asset based finance (ABF) is opening up forward flow arrangements (FFAs) to more types of lender. Under the deals, lenders agree to sell certain assets to a buyer, normally a fund or bank, on a continuous basis for a pre-agreed price.

Sources expect more FFA transactions in 2026, after some significant deals in 2025. Motorcycle manufacturer Harley-Davidson has agreed to sell two-thirds of future retail originations to KKR and Pimco, while Klarna struck deals with Nelnet and Elliot to fund a portion of its buy now, pay later business.

FFAs give lenders certainty of funding and diversification beyond warehousing and syndicated securitization bonds. In addition, the deals are whole loan sales so none of the seller's capital is tied up financing junior tranches, as they would be in a securitization.

The deals are also attractive to the buy-side. "From an investor's perspective, [FFAs] create a way to access well-underwritten product directly, without the requirement to own an origination platform," says Aaron Ong, head of asset-based private credit at TPG.

TPG closed three deals in January alone totalling \$4.4bn, with auto lender OneMain Financial, equipment financing firm Elevex Capital, and home improvement lender Thrive Financial.

"There is a pricing benefit [to working directly with an originator] and it allows us to get closer to the asset," says Adam Rizkalla, managing director at asset manager Canyon Partners.

His firm pledged \$250m last year to support originations by Florida headquartered lender A&D Mortgage.

"Originators also want to work with funds like Canyon that are committed to a sector and provide long-term, consistent capital," Rizkalla adds. "We are buying loans with enough flexibility to allow [different forms of refinancing and exits], working with issuers who have strong track records with billions of dollars in originations across multiple cycles."

### Sizing up

The attraction to the market on both sides is reflected in the deal flow. "A few years ago, before this market grew significantly, I can't recall working on a forward flow in which it was [the seller's] first capital markets transaction," says

# ABF enthusiasm opens forward flow channel to smaller sellers

Forward flow deals have become increasingly popular with both buy-side and sell-side participants in the asset backed finance market. Recently, smaller lenders have started to use the arrangements as an alternative to bank financing as they ramp up their originations, reports **George Smith**

Phil Sarid, partner at law firm Morgan Lewis. "Traditionally, there'd first be some kind of bank financing, and the forward flow would come later, if at all. Today, I think forward flow facilities are an option for just about any lender."

That demand to do deals is compounded by the proliferation of non-bank lending replacing retreating banks. Advisory firm Five Sigma Finance's Joshua Meier says there has been an "emergence of tech-driven originators and their new tech-enabled loan products".

"These loan products are not yet tried and tested with little track record and therefore can't access public securitization markets," Meier says. "These originators have a real need for alternative private funding sources and forward flows provide more certainty of future funding and diversity across funding options."

### Choosing wisely

Yet, despite the large number of opportunities, investors stress the importance of choosing their counterparties carefully.

"Although there are many originators eager to pursue forward flow relationships, success depends on selecting the right operator within each asset class," says Ong. "We draw on our experience and analytical capabilities to identify partners that align closely with our view of the world."

As well as credit risk, FFA buyers need the seller to originate enough loans to justify the cost of the work involved in setting up the agreement. Meier estimates that at least "\$100m of origination [is needed] over the first 12-18 months for the economics to work".

Demand for deals deepens further if buyers can recycle capital.

### Selected US forward flow deals 2025

Originator	Buyer	Assets	Lending volume
Affirm	Liberty Mutual	Buy now, pay later	\$5bn
Pagaya	Blue Owl	Consumer loans	\$2.4bn
Upstart	Fortress	Consumer loans	\$1.2bn
Harley Davidson	KKR and Pimco	Retail vehicle loans	>\$5bn
Klarna	Elliot	Buy now, pay later	\$6.5bn
Octane	Moore Specialty Credit	Powersports loans	\$300m
Klarna	Nelnet	Buy now, pay later	\$26bn
Point Digital	MidOcean Partners	Home equity investments	\$600m
Parafin	Cross River Bank PFG	SME financings	\$360m

*GlobalCapital data gathered from publicly available sources. Lending volume is as disclosed by deal participants. Facility sizes will be significantly smaller for short tenor assets.*

Source: GlobalCapital

Depending on their cost of funds, it can be important to asset managers' returns to obtain senior funding. To accomplish that, they face similar options to the asset originator – warehousing, a public securitization, or a whole loan trade.

"We're not seeing many forward flow purchasers going out and doing a 144A broadly marketed term securitization with their assets," says Morgan Lewis's Sarid.

Warehousing is common, but a public deal is more costly and requires cooperation from the originator. Many investors seem to view the public markets opportunistically.

"While public, lower cost financing options may be available over time, we do not rely on them to justify an investment," says TPG's Ong. ©

# Pearl Diver's Matthew Layton: 'Geopolitical risk is shaking things up again'

Layton discusses why Pearl Diver decided to enter the SRT market in late 2025, the comparison with CLOs, and how 2026 is shaping up for the CLO market with **George Smith**

**M**atthew Layton is a partner at Pearl Diver Capital and heads up its EMEA business. The firm, founded in 2008, is a specialist investor in CLOs and significant risk transfer (SRT) transactions with offices in London, New York and Dubai. He spoke to *GlobalCapital* about the firm's recent incursion into the SRT market as well as its outlook for CLOs.

*GlobalCapital*: Pearl Diver is a long-time CLO investor, but in November you announced the first close of Pearl Diver Aquanaut Fund, which is dedicated to significant risk transfer (SRT) and capital relief transactions. What was the attraction of that move into SRTs alongside your presence in the CLO market?

**Matthew Layton:** SRT is a market that we've been looking at for a long time. We've sat very, very close to it for many years, because SRTs tend to be issued off the same desk as CLOs within the banks, so we're already in that information flow.

But the main component is our skill set, which is underwriting and pricing risk on portfolios of corporate credit. It is that corporate credit side of the SRT market that we're focused on. In that sense SRTs do not necessarily feel like a deviation from what we're already doing, just a slightly different format.

We appreciate that the SRT market, like every credit market, has experienced some tightening over the last 12 months, but we still think it makes sense on a risk versus reward basis. Maybe there is going to be a little bit of a price correction over the coming months, especially with the unexpected geopolitical shocks that continue to pop-up.

SRT seems like a clubbier market than CLOs which are a bit more widely syndicated in a lot of cases. In SRT, would you be looking more at syndicated opportunities, or club and bilateral deals?

We will have a diversified portfolio that will consist of some syndicated, some more slightly clubby transactions, and potentially some bilateral transactions as well.

Do you see a significant difference in the counterparties you're working with, comparing a bank SRT issuer to a CLO manager?

One of the nuances of the primary CLO market is that essentially, you're dealing with the investment bank to negotiate terms, pricing and everything else. If you're in the CLO equity market, you might have some influence over the underlying portfolio, but again, that is negotiated through the investment bank.

It's not too dissimilar to how negotiations take place in the SRT market. Most if not all of the counterparties that we are engaged with we already know because they're active in the syndicated loan market and the CLO market.

There's some crossover between the underlying CLO portfolios and the SRT reference portfolios as well, so we're familiar with the names. It might be in a different tranche, but there's a lot of familiarity there, both with the counterparty and with the underlying [borrowers].

You mentioned earlier that SRT offers an attractive risk-return profile. Do you look at it against CLOs on a relative value basis?

As we touched on, the two asset classes share many characteristics however they are still different asset classes, so when comparing



Matthew Layton, Pearl Diver Capital

the two you are not necessarily comparing like for like.

The SRT market offers something different to investors. Investors want to diversify. The early investors who have who have already committed to our SRT fund also invest in CLOs. These investors are seeing SRT as another way to access the corporate credit market and add diversification.

That's a good point to lead us into talking more about the CLO market. What is your spread outlook for the US CLO market this year across the capital structure?

There are going to be many twists and turns. Every year has many twists and turns, and there have already been a couple this year, so I don't think it makes sense to say now, 'look, I think triple-A levels at

the end of the year are going to be this or that’.

Geopolitical risk is obviously shaking things up again. What we saw last year was a tendency for the headlines to dampen down and then markets to rally back very quickly. That could happen again, but market participants shouldn’t be overly confident or think that is the base case. We all need to be very cautious, because there is certainly a risk of some elongated fallout from [the geopolitical developments] we’re seeing.

Already this year we’ve had some positive news from the SEC regarding banks’ ability to hold CLO paper in loan format. We’ve also had positive news around European insurers’ ability to allocate to CLOs. These are positive developments.

It is key to remain nimble. We trade in these markets daily. Don’t pre-commit, don’t get caught offside, don’t make a huge directional call and get caught on the wrong side. That’s one of the key things I think allocators and asset managers should be thinking about.

#### What do you expect when it comes to issuance?

In terms of issuance, we see a very healthy pipeline. There are a large number of warehouses that are already open. There is a lot of affiliate manager equity sitting behind those warehouses supporting the issuance pipeline.

If spreads do widen out a little bit over the coming weeks and months, then I think there will still be a healthy volume of prints that still come through. The pace might back off a little bit versus if things were still tightening but that should be the case.

**“Managers used to be able to buy into that turnaround story, pick up discounted loans, and build par off the back of it. That’s just become a little bit more challenging these days, because if a loan starts to trade down into the low 90s or high 80s, then managers need to be cautious about what could happen at the sponsor level in relation to an LME”**

**A handful of borrowers have gotten themselves into trouble in various idiosyncratic situations recently. Do you think the CLO market should worry about defaults or other credit situations like liability management exercises (LMEs)?**

CLOs invest in sub-investment grade loans, so some defaults are always going to come through. There’s no headline there, and there really shouldn’t be. Even if you take LMEs into consideration, loan defaults were down in the US in 2025 versus where they were in 2024.

LMEs have certainly been in the US market for a while now and it feels like they’re here to stay. This is a market development that managers and investors will need to continue to monitor closely.

You have to factor that into your underlying loan default vectors. You run that through the CLO cash flows and make sure that you’re being compensated accordingly for the risk. That’s the skill of investing in CLO tranches.

LMEs have made managers become more cautious in terms of their portfolio management style. That’s not necessarily a bad thing, to be thoughtful about where they’re allocating to risk, certainly across

individual names but sectors as well given the risk of further tariffs and supply chain disruption.

But one of the doors that has closed a little bit for managers is the option to invest in discounted loans, loans that might have underperformed and even been downgraded. Managers are less likely today to look at the business plan and buy into the turnaround.

Managers used to be able to buy into that turnaround story, pick up discounted loans, and build par off the back of it. That’s just become a little bit more challenging these days, because if a loan starts to trade down into the low 90s or high 80s, then managers need to be cautious about what could happen at the sponsor level in relation to an LME.

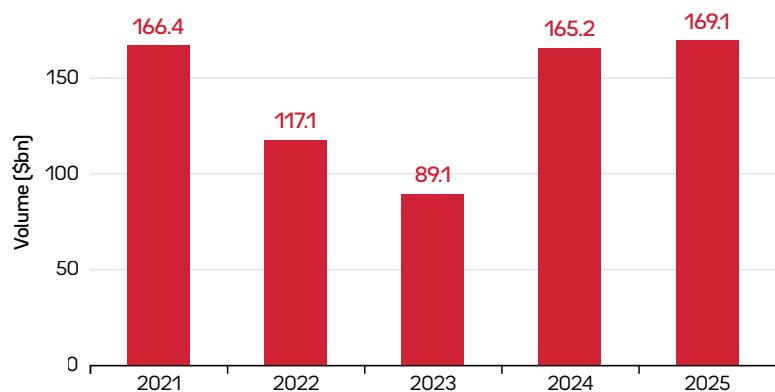
#### How do you think competition between the broadly syndicated loan (BSL) market and private credit will affect the CLO market in 2026?

This story ebbs and flows. It was probably at its peak during 2024 when it felt that a lot of credits that might have gone to or even stayed in the BSL space flipped over into private credit.

But many were failed refinancings which the syndicated loan market couldn’t get behind, and the issuers were able to find quick, convenient single name lender solutions in the private credit market. In 2025, we’ve seen some healthier profiles of credit where there’s been a choice between the two markets, but ultimately, I think the two will continue to exist side by side.

In 2026, we are expecting to see a significant pickup in terms of the M&A pipeline and LBO pipeline slated for 2026, and so I expect a healthy volume of paper to come through as we get further into Q1. That will be supportive for CLO issuance. More loan supply will also be supportive for loan spreads as well, which should help equity arbitrage. ©

#### US BSL CLO new issuance



Source: KopenTech

# HSF Kramer: The new transatlantic force in securitization



What were the main strategic drivers behind the merger, and how does it strengthen your capabilities in structured finance and securitization?

The merger was about creating a truly global platform for our clients. By bringing Herbert Smith Freehills and Kramer Levin together we have the ability to serve clients in all major commercial centers, including New York, London, Paris, Madrid, Frankfurt, Hong Kong, Singapore, Sydney, Dubai and Luxembourg. For legacy Kramer Levin, the addition of HSF provided instant access to incredible practice groups and sector expertise globally. For legacy HSF, the addition of 350 lawyers in New York, Washington, D.C. and Silicon Valley provided instant scale in the US and access to major sponsors, investment banks and other financial institutional clients.

We see this clearly in the securitization and structured finance practice areas where we have integrated our practices, improved client relationships and shared market and technical knowledge. We are one of the few global firms with genuine depth of expertise in the US, Europe and the UK. For lender and buy-side clients with cross-border strategies, or sponsor clients assembling a syndicate across both sides of the Atlantic, we can now offer integrated teams to cover legal, regulatory and market practice issues relevant to all aspects of the transaction.

Which areas of the securitization practice do you expect to be most complementary?

Our US securitization practice has long been recognized as an innovator, often structuring first-of-a-kind and market-leading transactions on behalf of our clients. We believe that we are the preeminent firm in the US handling esoteric asset classes and are proud to have won numerous group and transaction awards from GlobalCapital, including three consecutive Esoteric ABS Law Firm of the Year awards.

Just one example of the synergies we see in the combined firm is in energy and infrastructure. The US team

The merger of Herbert Smith Freehills and Kramer Levin has created a legal heavyweight boasting over 2,600 lawyers spread across 26 offices worldwide. *GlobalCapital* spoke to **Gilbert K.S. Liu**, head of securitization in the US, and **Michael Poulton**, head of the firm's London securitization practice, about the merger

has focused on bringing securitization to the energy market for decades. We securitized the first US government energy efficiency projects over 25 years ago and have closed the first deals in residential solar, commercial and industrial solar, community solar, residential PACE, commercial PACE and other energy efficiency asset classes. The firm is widely considered the dominant global firm in energy, projects and infrastructure and the combination has been incredibly complementary. We can now bring our US experience to support the global firm's clients.

On the flip side, the firm's energy sector expertise gives the US team the ability to work with our clients to build out even more asset classes in the industry. A great example came recently when our US team was approached about the potential securitization of revenues from electric vehicle charging infrastructure – an innovation not yet seen in the US market. The team received a comprehensive deck of EV charging finance transactions drawn from multiple jurisdictions within 30 minutes.

Our securitization teams are also known for their innovative work on new and emerging asset classes. Recently, we completed a fantastic transaction for Virgin Atlantic, securitizing the airline's portfolio of London Heathrow landing slots. We regularly support first time issuers finance traditional and new assets and are currently looking at music catalogues, securities-based lending products, sharia-compliant home purchase plans, longevity linked cashflows, salary sacrifice loans and other assets.



Gilbert K.S. Liu and Michael Poulton, Herbert Smith Freehills Kramer

Insurance capital (long a stalwart of the US market) is seeking greater exposure to structured transactions in the UK and Europe. We have been particularly active in equity release (reverse) mortgages and also other assets. Our global focus on the financial services sector means we know the issues affecting that industry end to end, allowing us to create tailored solutions for different pools of capital.

What should the market expect from Herbert Smith Freehills Kramer in the securitization space over the coming year?

Regulatory developments in the US will influence the sector in 2026, so staying ahead of those changes will be a priority for us. We expect particular focus on solar and other renewable energy, internet and other digital infrastructure as well as traditional data center transactions. In just six months since the merger, we've already seen the benefits of working together, pitching together and winning new mandates. Clients are looking for creative, flexible solutions in a challenging environment, and that's where our combined platform shines. We aim to stay at the forefront of an evolving market, bringing global insight and sector expertise to every transaction.



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# Chronic engine and aircraft shortages to help US aviation ABS to soar in 2026

Rising aircraft values and higher re-leasing costs caused by a supply shortage are expected to tip cash into aviation ABS and entice debut issuers in 2026. As cash runs down the waterfall, sales of equity notes tied to aviation lease ABS may return, writes **Chadwick Van Estrop**

**P**redictions abound that aviation ABS issuance in the US market will be \$10bn-\$15bn in 2026. If those prophecies are right, volumes will beat the recent record year of 2019 – the year before the Covid pandemic grounded the global aviation industry.

Issuance in each of the market's three segments – lease, loan and engine securitizations – could grow with global shortages of commercial aircraft and their power units predicted to last until 2030, industry sources say.

Against this backdrop, leading market figures say the sector's ABS structures are battle-hardened, having survived the successive shocks the aviation industry has endured, from the Covid-induced manufacturing slow down, to planes stranded in Russia after it invaded Ukraine in 2022, to rising interest rates making financing more expensive.

"If we are operating under the same market conditions we were at the end of 2025, or tighter, and we don't have a significant geopolitical event which disrupts normal market activity, the debt-only issuers could easily lift the aviation ABS market to \$15bn of issuance in 2026," says Ian Flood, director of aviation ABS at Deutsche Bank.

"Once people see that the residual ABS market is available – and they will see that very, very early in 2026 – there's going to be a very significant wave of issuance."

Flood predicts publicly listed aircraft leasing companies, which issued paper in the aircraft ABS market in 2018 and 2019, could return in 2026 to refinance and issue new equity note (e-note) tranches in the process.

"There has been a massive lag in production from both



Airbus and Boeing that will take time to filter through the chain," says Ankush Chowdhury, global head of aviation at BNP Paribas. "Maintenance, repair and overhaul capacity is also very stressed right now, which is further exacerbating the issue."

As lessors command higher prices for planes and engines thanks to a shortage of them globally, and if more investors buy the resulting securitizations pushing spreads tighter, so there will be more money paid into aviation ABS structures that will reach as far as the e-notes at the bottom of the capital stack, making them a more compelling proposition for investors.

**"Once people see that the residual ABS market is available – and they will see that very, very early in 2026 – there's going to be a very significant wave of issuance"**

**Ian Flood, Deutsche Bank**

▲ Boeing has gone from producing about 800 commercial aircraft a year before the Covid pandemic to about 450 in 2025

Higher interest rates since 2022 and lower advanced rates on aircraft ABS deals mean issuers have retained mezzanine, junior and e-notes on recent issuance.

"If you can sell the residual in an aircraft ABS pool, that is an alternative to selling the assets themselves as part of a trade sale," says Chowdhury. "If you're a leasing company trying to sell \$2bn a year of assets in a trade sale market, being able to sell \$500m or more in the financial markets via an ABS deal is a significant de-risk pathway that those issuers have."

"We expect 2025 issuers to keep returning to market, but we also expect portfolio sale transactions from the larger public lessors to third party equity in 2026, adding more to the already strong pipeline," he continues.

He believes aviation ABS issuance could hit a record in 2026 and that the shortage of aircraft is expected to continue for three to five years. Market sources tell *GlobalCapital* that Boeing has gone from producing about 800 commercial aircraft a year before the Covid pandemic to about 450 in 2025.

Not everyone is so bullish, however. Nomura's head of ABS, Keith Allman, describes the \$15bn issuance prediction for 2026 as optimistic.

"One reason 2019 hit \$10bn of issuance was that e-note sales were completely open, which means the market pulled in issuers that normally wouldn't sell ABS," he says. "There are several lessors that don't hit the ABS market because they have no need to unless they're going to do e-note sales.

"There may be a couple opportunities for e-note sales in 2026, but I don't think it's going to be a robust, 2019-style free-for-all market. There will be a heavy focus on asset and obligor quality."

About \$17.5bn of aviation-linked paper went through the ABS market in the US in 144A format during 2018 and 2019, some of which will come up for refinancing in 2026.

Carlyle, Pimco, Castlake and Sky Leasing are among aviation lessors that tapped the ABS market in 2025.

Flood says the market could be favorable in 2026 for issuers who have previously brought deals. "As an ABS issuer, if you're clear-eyed about the aircraft shortage, and if there are defaults of leases in a portfolio, you could actually get more cash in the structures after re-leasing," says Flood.

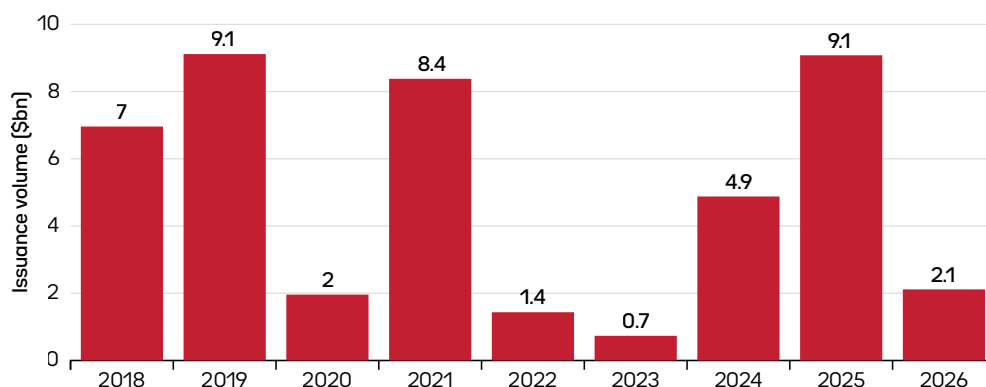
"When you sell an aircraft in an ABS deal, that is trading at 80 or 90 cents on the dollar, and then you pay back debt at par, that's a straight profit to noteholders. There's been quite a lot of profits that have accrued to holders of ABS debt over the past two to three years. Over \$15bn has been paid down to bondholders since Covid, some due to aircraft sales in the structures."

There is excitement building that new issuers will come to the public market in 2026. "Certain issuers

**"There may be a couple opportunities for e-note sales in 2026, but I don't think it's going to be a robust, 2019-style free-for-all market. There will be a heavy focus on asset and obligor quality"**

Keith Allman, Nomura

## Aviation ABS issuance in the US – 144A market



Data as of February 3, 2026 with PKAir 2026-1 at IPT

Source: Fitch, KBRA, BofA and Deutsche Bank

may have been active in the private markets in the past but will now turn to the public market for the first time," says Chowdhury. "The new entrants will come from both the operating lease and loan sides of the market."

### First time flyers

Debut issuers are already said to be lining up on approach. "There are a number of leasing companies that have been around for a very long time in aviation that are well known, respected and capable managers of assets," says Flood.

"They simply haven't used ABS in the past because pricing has not been competitive and the leverage was not compelling for the strategy they were pursuing. Now, with the pricing, leverage and liquidity in the market, it is supportive of different types of business models, so we're going to see a lot of players using ABS for the first time."

Meanwhile, there have been structural tweaks within the asset class. Payment waterfalls have been adjusted on aircraft lease ABS since 2024 to pay scheduled principal and interest on the senior notes before any payments are made on the subordinate notes. However, tight pricing is diminishing the allure of aviation ABS compared to other asset classes.

"We're very comfortable with the downside protection because of the structures," says Vinnie Zhang, senior ABS analyst at Loomis, Sayles & Company. "But opportunity for spread pick-up, relative to other sectors, is shrinking. At a 150bp spread on a senior note, there are other sectors which offer a similar or wider level in the ABS market – for example

data centers, fiber and solar."

He says positive aviation industry fundamentals, a resurgence of global air travel, which has been about 10% higher in 2025 than in 2019, combined with production delays for aircraft will help grow aviation ABS in 2026.

However, he sounds a note of caution. "Many of the aircraft are leased to tier two or tier three airlines in emerging markets," he adds. "The cash generated from the aircraft is very sensitive to a credit event from the related airline and also any disruption caused by geopolitical conflict."

### E for equity... and elusive

The allure of owning e-notes could grow if interest rates are cut further in 2026. "If the cost of debt is going down, it's unlikely aircraft leases are going to reprice that quickly; so that could make the sale of e-notes more favorable," says Allman.

Zhang, whose firm has been an active buyer of aircraft ABS paper, says: "It is probably not worth it for the large lessors to sell equity notes; they would rather sell the aircraft as a whole via a trade sale. I don't think there will be a very popular e-note market over the next two to three years. The model of private equity firms partnering with aircraft servicers for equity is more likely than a syndication of e-notes."

Chowdhury agrees that it is unlikely tradeable equity notes will return in force in 2026. "We don't see tradable e-note coming back in 2026 but would expect this private format to continue," he says. "The mezzanine area of the capital stack is an area where we are seeing more investor activity.

“Servicer strength, capability and history are a very important focus for the mezzanine and equity area of the capital structure, and the more capable servicers will have more success attracting interest and [achieving] competitive pricing.”

### Aviation loan ABS

Aviation loan ABS deals are also catching investors' attention. Zhang expects this market to grow in 2026, beyond its current issuers PK AirFinance, Ashland Place and Volofin.

He says the asset class provides an attractive cost of financing for issuers, where senior notes can be priced below 150bp over the I-curve, compared to the underlying collateral originated at around 300bp over.

In October 2025, aviation loan originator Ashland Place priced the senior note, rated AA by KBRA, on its APL Finance 2025-1 deal at 125bp over the I-curve. PK AirFinance priced its PKAIR 2025-2 deal in September 2025 with a triple-A rated senior note at 130bp over.

The supply shortage in commercial aviation will help aviation loan ABS. “The manufacturers are years behind with their orders,” says head of structured products at Conning, Michael Nowakowski. “I would not be surprised at all to see a couple of new entrants to the aviation loan ABS market.”

The aviation loan ABS market is also a good option for investors taking their first steps in aviation securitizations. “It’s a great relative value versus other asset classes

that’s going to keep expanding,” says Allman.

“In aviation loan ABS you have a loan against the hard asset and you’re putting a loan on that loan, so your implied loan-to-value ratio is actually fairly low. That’s how you’re able to get to triple-A ratings on the upper tranches.”

### Aircraft engines

In recent years, only one issuer, Willis Lease Finance Corp, has brought an ABS deal to the 144A market in the US backed solely by aircraft engine lease payments.

Its WestF 2025-A deal was priced in June 2025 with a single-A rated \$524m senior note coming at 165bp over the I-curve. The deal’s \$72m junior note, rated A-, was priced at 215bp over.

Owners of aircraft engines face the upside of a 6%-22% unlevered internal rate of return over the life of their investment, according to aviation finance data provider Ishka.

The typical timeline for aviation warehouse borrowing to be refinanced via the ABS market, says Allman, is between 12 and 18 months after the warehouse was established.

At time of publication, Nomura was working on closing a warehouse line of financing to an aircraft engine lessor with a view to an eventual capital markets securitization. “Engines have great value retention,” says Allman. “Generally, they’re longer-lived assets than an airframe. They generally are most of the aircraft’s value. By the time an aircraft is 15 years old about 75% of its value is in the engines.”

**“The manufacturers are years behind with their orders. I would not be surprised at all to see a couple of new entrants to the aviation loan ABS market”**

Michael Nowakowski, Conning

The supply of commercial aircraft engines is constrained because maintenance is needed at more regular intervals due to technical problems with some newer models.

“As a result, there is higher demand for parts and higher demand for spare engines as they’re working through these teething problems,” Allman explains.

Commercial aircraft engine owners also benefit from the shortage of aircraft. “You have this dynamic where the [aircraft] owners are in the driver’s seat because of the supply-demand imbalance,” says Nowakowski. “And a step deeper, the engine owners are in an even better position because these aircraft are flying later into their useful life.”

### Master trusts in play

Master trust aircraft lease ABS deals were an emerging feature of the sector’s dealmaking in 2025. Carlyle established its master trust in 2024 with two deals.

As of November 2025, Carlyle had issued another three deals from the master trust; the \$518.4m AASET 2025-1 in February; the \$525.67m AASET 2025-2 in June; and the \$602.44m AASET 2025-3 in November.

Griffin Global Asset Management added to the aviation lease master trust canon in November 2025 when it closed its debut \$1.245bn deal. The trade featured a BB- rated \$125m class ‘Y’ note. The principal for that note will only be paid down with excess cash flow.

Investors had pushed back on master trust aviation lease ABS deals where the view of future collateral in the pool was clouded.

“There has been investor push-back on structure and pricing for these types of structures without clear line of sight to pipeline assets expected to be acquired and funded into the master trust in the future,” says Chowdhury. “We don’t expect master trusts to be the preferred structure unless with pre-identified portfolios.”

▼ Owners of aircraft engines face the upside of a 6%-22% unlevered internal rate of return over the life of their investment



# Standard Chartered brings global reach to the developed markets



Standard Chartered has focused on structured credit and securitized products – can you walk us through the key achievements and challenges that each of you have experienced?

Over the past four years, we have been focusing on scaling our structured credit and securitised products and positioning ourselves as a globally recognised, trusted and credible financial institution offering a full suite of capabilities – from securitised products trading and financing to bespoke structured financing solutions across the credit spectrum for sponsors and credit funds. Today, our track record of consistent origination and seamless execution speaks for itself, strengthening our position in the West (Europe and Americas), which are our focus areas in addition to Asia, Africa and the Middle East where we are well established.

In the structured credit space, Standard Chartered has always had a strong presence in emerging markets (EM) and our broad strategy has been twofold: preserve our leading position in EM and expand meaningfully into the developed markets, particularly in the West.

Increasing competition and changing market conditions meant that we had to remain ahead of the curve in the EM space while leveraging our strong client relationships to gain a foothold in the West.

We are proud that over the last couple of years we have established a strong presence in financing transactions – ranging from vanilla repo and total return swaps against securitized assets to private securitization solutions. This momentum is reaping results, and we are seeing a strong growth trajectory.

Additionally, some of our biggest achievements have been building our footprint in the US, arranging our first European CLO, being one of the most active trading desks in Europe and rapidly ramping up warehouse capabilities in the EU. The main challenge was distinguishing ourselves and gaining market share in highly competitive markets where many players are well established. To shift that dynamic, we made a concerted push into public markets by building our sales and trading capabilities and then used that to increase our presence in other areas of the market.

In recent years, Standard Chartered has expanded its structured credit and securitized products in both emerging and developed markets – establishing a strong footprint in private securitization and asset-backed lending. **Tanja Petrovic, John-Paul Parker and Amit Padhye** of **Standard Chartered Bank** describe the challenges and opportunities ahead

**Standard Chartered has been making significant headway in the US in the last 12-18 months, especially in private securitization and asset-backed lending. What would you attribute this success to and what are your growth ambitions in the US going forward?**

Our success and progress reflect two key strengths: the breadth and depth of our global client franchise, which enables us to penetrate globally and to originate high-quality trades, coupled with our ability to deliver seamless execution – from structuring to underwriting and distributing. We are encouraged by this and are focused on delivering and further building on our positive momentum.

For instance, asset-backed lending has been a particular success story. We have an experienced team and have built the right capabilities. These enablers smoothed the internal risk discussions and allowed us to execute several key transactions quickly. We are also seeing an increased risk appetite and the hold sizes per transaction are going up. The ambition is to significantly scale up the activity and deepen our long-term partnership with clients in line with our brand promise, 'Here for good'.

In private securitization, the US has been a particular focus for us, and we have been deliberate in prioritising the asset classes we would like to zero in on given the sheer size of the market. This includes partnering with US originators that would benefit from our strengths, while also collaborating with other players to help us expand into other asset classes.

**As private and structured credit managers become more sophisticated, how do you strike a balance between providing them with innovative financing/structuring solutions and navigating the uncertainties in the market today?**

In the current macroeconomic environment, discipline is the new alpha in private and structured credit. While we

are open to having constant engagement with our clients and offer solutions to best address their requirements, we maintain our underwriting independence and stand firm on our terms and standards. In addition, we keep our risk committee abreast of live transactions and the latest market developments to deliver better outcomes to both our clients and the bank.

Selecting the right trades is the most important step – when underwriting a new transaction, we are aware that some of these are multi-year transactions and market cycles will certainly test the strength of that selection process. The key risk mitigation is having the right expertise, rigorous underwriting and comprehensive monitoring, which in turn leads to proactive action.

We also recognise that choosing not to pursue a transaction with suboptimal risk-reward is just as important as executing the right trade. Our investment in people and processes reflects this philosophy.

**Outside more developed markets like the US and Europe, can you share a few examples of the jurisdictions where you see interesting opportunities?**

The Middle East and Asia have always been core to our footprint and it's in our DNA to be a super-connector bank and to deliver seamless execution across geographies. However, we do see compelling opportunities in many other markets such as Australia, Hong Kong, South Korea, Saudi Arabia and UAE. Each market has its own dynamics, but the momentum in asset-backed financing continues to grow in these regions. Recently, we completed two private securitization trades in the Middle East and are seeing increased interest and opportunities in southeast Asia. In structured credit financing, we remain active in providing single-asset and portfolio financing for private credit and broadly syndicated loans across the globe. As our presence broadens, we want to extend our role to support our clients across the full financing lifecycle.

# Office pace: Manhattan prime real estate drives US CMBS market with new asset classes set to join

Single asset, single borrower deals drove the US CMBS market in 2025, particularly on New York City collateral as office attendance rose. With interest rates predicted to fall further in 2026, market participants are looking forward to a greater variety of deals on commercial real estate from other cities and sectors, writes **Pooja Sarkar**

Issuance volumes in the US commercial mortgage-backed securities market were driven in 2025 by single asset, single borrower (SASB) backed deals. Much of that activity was thanks to rising office occupancy, especially in New York City, and falling interest rates. With those trends set to continue, more SASB issuance is expected in 2026 alongside a rising amount of commercial real estate (CRE) CLOs.

Such deals will meet willing demand as money managers and insurance companies appear keen to lay hands on whatever paper they can find. “The new issue market is performing well and SASB has overtaken the majority of CMBS issuance this year,” says Brian O’Hara, senior CMBS analyst at Janus Henderson.

It follows a tough time for CMBS and the CRE market in the US in recent years as first the Covid pandemic increased working from home, lowering office usage, and then interest rates rose to combat spiraling inflation. But O’Hara hopes the market now believes the opposite trends in rates and office working will bring more deals to the market.

The securitization of loans on trophy assets in Manhattan in particular has sparked the revival in the US CMBS market. Between January 2025 and late October, issuers brought \$177.3bn of paper, according to Moody’s, surpassing the full year 2024 total of \$165.2bn. This includes around \$47bn of agency CMBS and \$130bn of non-agency paper.

SASB CMBS issuers had priced paper totaling \$76bn in the year to early November, according to Deutsche Bank, compared to \$70bn for 2024.

“We anticipate a declining or stable interest rate environment which will spur another record year of CMBS issuance with spreads being stable or tighter,” says Edward L

Shugrue III, managing director and portfolio manager for the RiverPark Floating Rate CMBS Fund.

Commercial real estate company CBRE highlights the trends in Manhattan office usage. In November it said that leasing activity, measured in square footage, was 48% of the five-year monthly average and that year-to-date leasing activity was up 38% on the year before.

The amount of space available to be leased was also falling, it said. Of the office space included in its survey, the availability rate had fallen 2.5 percentage points to 16.4% over the last year.

Brendan Jordan, co-head of commercial real estate origination at Atlas SP Partners, believes that the CMBS market by the end of 2025 may well surpass the total priced in 2021—a strong year for the market.

## SASB comeback

Manhattan is the largest office market in the country and therefore is the most active in terms of CMBS issuance. Many of the deals to be priced this year have been on trophy Manhattan offices. In September, SL Green and PGIM sold a \$1.4bn deal backed by its 11 Madison Avenue office building. Brookfield sold \$1.25bn of paper backed by the 5 Manhattan West office building in Hudson Yards in the same week. Both deals were oversubscribed.

“We observe that New York city had this bullish return to office theme that is helping a lot of the financing of these high-quality offices, and the spreads are still attractive to most fixed income sectors for similar rating,” says Zachary Aronson, managing director at MacKay Shields.

Office visits, according to data from Placer.ai, are still below pre-Covid levels but are steadily rising in New York City, ahead of the US average. Visits in July were 96%

of January 2020’s total for New York, which Placer.ai calls the recovery rate, versus the US average of 79%.

Market experts say that the buoyancy of the underlying real estate market is increasing issuers’ ability to bring securitizations of New York office towers, something that has not been the case since Covid.

The overall absorption rate, a measure of how fast real estate is being leased, hit a record high this quarter for Manhattan, at 4.8m sq ft, with the activity not just limited to prime office space, says O’Hara.

Assuming the macroeconomic environment does not deteriorate, and interest rates continue to fall, Jordan believes 2026’s SASB issuance activity could surpass this year’s.

However, as the Placer.ai data shows, while the office market is recovering, it is not in a golden age. There are still plenty of older properties and securitizations experiencing distress, cautions Aronson. Meanwhile, outside New York, other markets are slower to recover.

While there were deals this year backed by CRE in Seattle and Los Angeles, the recovery rate in the latter also peaked in July compared with all months since January 2020 but only at 65%, according to Placer.ai. Houston is another market where market participants say the office market is yet to recover from the Covid era.

There are nonetheless bright spots in US CRE away from the office

## CRE CLO issuance volumes

	2020	2021	2022	2023	2024	2025*
Total issuance (\$bn)	8.5	43.6	29.6	6.4	5.4	16.3
Avg issued deal size (\$bn)	0.65	0.89	0.96	0.64	0.77	1.02
Number of deals issued	13	49	31	10	7	16
Excess spread	0.7%	1.3%	0.7%	0.7%	1%	0.8%

\*Jan 1, 2025 to October 20, 2025  
Data includes only typical CRE CLOs, namely those with both assets and liabilities that pay floating rates

Source: Moody’s Ratings

sector. Darrell Wheeler, a senior vice president at Moody's Ratings, says that the CRE market is recovering in pockets. He expects more deals from sponsors in the retail and hotel sectors. However, those will likely be backed by top tier buildings boasting tenancy rates of more than 90% and boasting healthy earnings per sq ft.

This will favor issuance backed by Class 'A' shopping malls of the sort O'Hara says he has seen an uptick in during 2025. Class 'A' malls are the top tier of outlets that typically generate \$700-\$1,000 of sales per sq ft, are let to premium brands, have near full tenancy rates and are located in affluent areas with high footfall and consumer spending, according to Rockstep Capital, a Houston-based retail-focused investment fund.

The Taubman Realty and Nuveen sponsored International Plaza, Tampa retail mall-backed trade and Brookfield Properties' \$300m five year CMBS of its North Star Mall in San Antonio, Texas were both oversubscribed when priced in October.

Such oversubscription hints at why spreads in the secondary market for mall-backed issuance are the tightest they have been for the last few years, notes O'Hara, with the triple-A rated tranches quoted at around 110bp over the benchmark.

### Conduits stuck

While SASB issuance appears revitalized, the conduit market for deals that pool a number of underlying assets is lagging. Market sources expect 2025 volumes will end higher than the year before but not by much, with the level of interest rates said to make fixed rate deal execution a challenge.

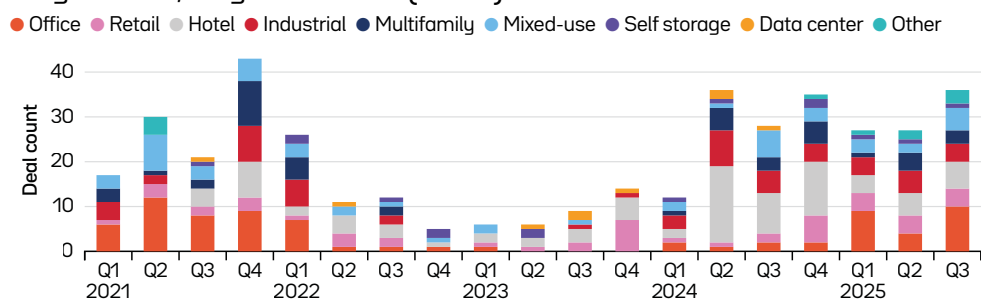
However, further Federal Reserve interest rate cuts, and clarity on forward guidance, would make 2026 a year of real potential for a recovery in volumes, believes Jordan.

The CMBS market as a whole is also somewhat split, says Aronson, who points out that distress levels in the more subordinated tranches, especially for deals from around 2016, are trading at low cash prices.

One strategist points out that the 'D' tranche of Tishman Speyer's 2024 securitization of the Rockefeller Center was being quoted wide of 500bp, having been priced at 340bp in October 2024.

Spreads widened after US president Donald Trump first announced sweeping tariffs on April 2. Since then, spreads have tightened, in some cases to tightness not seen for a decade.

## Single-asset, single-borrower (SASB) issuance



Data as of September 2025

Source: Moody's Ratings and TREPP

The outlook for spreads does not appear to be resoundingly positive. A research analyst at one Wall Street bank says spreads on triple-A notes have held in over the fall of 2025, but the subordinated tranches of new issues were widening.

This was notable in conduit deals, says O'Hara, and related to a lack of demand as the US economy appears to falter. "We're seeing a slowing economy and jobs growth has slowed, which is a concern," he says. "Investors are a little reticent in going down the stack, but spreads are flat to a little wider."

### CRE CLO resurgence

A smaller market is that for US CRE CLOs. There was \$25bn of paper priced between January and October, according to Deutsche Bank. Nonetheless, that is still remarkable growth compared to 2024, when \$9bn was issued.

Atlas SP Partners, an active participant in CRE CLOs, finds that there is plenty of paper available in the market, and competitive lending has helped it to grow.

"Where the CRE CLO market sits today, you can get issuers," says Jordan. "Whether they are mortgage [real estate investment trusts] or debt funds, they are able to get issuances out in the CRE CLO market at nearly 90% advance in the 160bp over type of financing construct that allows them to be very competitive in the lending market."

The average size of a CRE CLO in 2025 was \$1bn, according to Moody's, the biggest in the last five years. But although deals are growing on average, they are still fewer in number than previously, with 16 priced in 2025 compared to 31 in 2022 when the average size was \$956m.

The Wall Street bank analyst notes that there is more demand for CRE CLOs than there is supply. This will help sponsors to assemble deals of big enough size to achieve cost-efficient financing, suggesting the market could grow further in 2026.

Stability of spreads will also help the market to grow as issuers weigh the risk of the time taken to gather enough collateral to place into a CLO to get it to a size they can bring to market.

The triple-A rated tranches of CRE CLOs have held in at around 140bp-145bp over the benchmark. While there have not been any new creative new structures in the market, major names like Benefit Street Partners and Arbor Capital have placed deals this year.

Meanwhile, loan modifications remain high in this market compared to other sectors, according to Deutsche Bank research. The bank notes that 28% of CRE CLO loans have been modified, meaning the terms have been changed to make them more affordable to the borrower. This reflects rising Sofr rates and problems with the underlying properties. Delinquencies of 60 days or longer in CRE CLOs have reached 3.6%, says Deutsche, with 6.1% of loans in special servicing.

Many of the deals with such loans were done between 2021 and 2022, according to a fund manager, when interest rates were lower, with the borrowers having exercised extension options. That is a positive, he says, as it is better than the borrower handing back the keys to the property to the lender.

CRE CLO delinquencies remain lower than in CMBS, argues Wheeler, adding that recent performance trends in the asset class demonstrate the resilience of the deal structures.

Refinancing activity has been driving further issuance, with sponsors now putting more capital into deals to make the debt portion economic, allowing for securitizations to come to market.

O'Hara says he expects more of this activity in 2026. Acquisitions are also driving the increase in SASB issuance, say sources.

That will, of course, depend upon having enough sponsors that are sufficiently capitalized to be able commit more of it to deals that need refinancing. ©

# Numerix: Yield demand, discipline and AI set the tone for structured finance



## What were the defining trends in structured finance markets in 2025?

Structured finance markets were characterised by strong new issuance, diversification and a reach for yield. Private credit continued to expand, with lenders increasingly entering areas historically dominated by banks. This momentum was supported by strong demand from traditional investors as well as the emerging retail segment, where platforms and product innovation broadened market access. Heading into 2026, credit performance will remain a deciding factor as to which asset classes outperform. Investors will continue to prioritise attractive income opportunities while balancing pricing and credit parameters with robust security and portfolio analytics. This disciplined approach is critical for successfully navigating the complexities of today's market cycles.

## How do you expect the macro environment to shape structured finance issuance and performance in 2026?

Political headwinds include potential debate on implementing mortgage portability, the introduction of a 50-year mortgage product and potential discussions around privatising Freddie Mac and Fannie Mae. Any of these will introduce uncertainty into the housing market finance ecosystem, increasing the need for adaptable analytics that can model new loan structures and borrower incentives.

The politicisation of the Federal Reserve could add a layer of uncertainty to rate expectations. Although a more dovish Fed stance and an easing of monetary policy may ultimately lead structured finance investors to more heavily weigh both strategic model portfolio and tactical investment decisions. Rate cuts and a steepening yield curve could pull investors out of cash and short-duration investments into longer-duration securitised assets, underscoring the importance of tools that evaluate curve risk, carry dynamics and convexity across scenarios.

The mortgage market will present its own structural shifts. With rates likely to decline and the digitisation of

Structured finance issuance rebounded in 2025, buoyed by refinancing requirements and a yield-hungry investor base. As the new year approaches, all eyes are on the trends that will create risks and opportunities over the next 12 months. *GlobalCapital* spoke to leading analytics and risk-technology firm **Numerix** about key credit dynamics, investor behaviour and the technology shaping the market.

the mortgage servicing business model, refinancing activity may increase. However, digitisation among servicers is already driving refinancing at historically narrower spreads, reshaping prepayment behaviour and risk models. Elsewhere in securitised products, the large volume of loans maturing in 2026 across CMBS could signal pockets of stress, requiring deeper credit analysis and resulting differentiation supported by loan-level surveillance and scenario-driven cash flow tools.

Innovation will remain a defining theme. AI and large language models are transforming analytics and loan-level insights, while tokenisation of bonds at issuance may enhance liquidity and broaden investor access. Together, these forces point to a market rich with opportunity, demanding firms be equipped with precise analytics and active risk management.

## How are analytics and technology evolving to support more complex structured products in a shifting risk environment?

As structured products become more complex, investors are demanding analytics that provide a comprehensive, multi-perspective view of risk and return. Platforms that support full fixed-income analytics—capturing investment objectives including return targets, risk limits and regulatory considerations—are increasingly in demand.

Investors are looking to integrate asset-liability management, scenario-based return modelling, quantitative risk analytics including VaR and model portfolio ingestion with full P&L attribution. This fosters closer alignment between portfolio construction and ongoing performance evaluation.

To address the increased complexity, analytics must move beyond curve dynamics to capture behavioural and

structural drivers of cash flow. This requires flexible technology that can incorporate granular scenarios, streamline model updates and scale with expanding data demands—ensuring structured finance participants can evaluate risk with confidence even as market complexity increases.

## How are investor preferences evolving across CLOs, ABS, RMBS, CMBS, and structured notes?

A stronger reach for yield and heightened credit selectivity means that as spreads tighten in higher-quality tranches, investors are moving further down the capital structure to enhance carry, while demanding granular transparency into collateral performance. For investors, this dynamic will continue to drive the need for loan-level analytics and scenario-based modelling, particularly in RMBS and consumer ABS where borrower behaviour can significantly influence cash flows.

Technology is accelerating this evolution. AI and large language models enable faster data processing, behavioural pattern detection, and automated scenario generation. This helps analyse borrower behaviour, credit dispersion and identify stress points across portfolios. Ultimately, these tools support proactive risk management and provide a competitive edge in relative-value decision-making.

With the Fed expected to ease interest rates, a steepening yield curve may encourage rotation out of cash and short-duration corporates into longer tenored structured products. As allocators aim to outperform model portfolios, carry generation and credit differentiation will remain key drivers of demand. Integrating granular analytics with portfolio-level insights will be essential for identifying attractive relative value opportunities across the securitised products landscape.

# Can your analytics keep pace with a rapidly evolving market?

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To outperform in structured finance markets, you need granular insights and scenario-driven risk analytics. PolyPaths from Numerix delivers these in a flexible, real-time platform.

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**When numbers matter**

# Data centre boom offers acid test for Europe's capital markets

EU politicians talk enthusiastically about making the bloc more competitive, but so far, its capital markets have struggled to match the efficiency of the US. Whether it can meet the booming demand for data centres will be a defining test of its ambitions, write **George Smith, Chadwick Van Estrop** and **Thomas Hopkins**

Since the influential Draghi report on European Union competitiveness was published in September 2024, politicians have embarked upon a series of reforms to shake the bloc out of stagnation.

Many of the reforms identified by Mario Draghi, former ECB president and Italian prime minister, aim to boost GDP growth. Key among them are measures to invigorate capital markets into a so-called Savings and Investment Union, which includes a plan to revitalise securitization.

Securitization's advocates have largely welcomed the proposals, but so far nothing has been put into practice as parliamentarians deliberate what the European Commission has recommended.

Whether the EU can step up to meet the extraordinary demand for data centres — Morgan Stanley estimates there is a \$1.5tr financing gap worldwide for data centres up to 2028 — will provide a big test for this vision of its competitiveness.

Rising to the data centre challenge plays into each of three areas for action Draghi highlights in his report: “closing the innovation gap with the US and China, especially in advanced technologies”; “decarbonisation and competitiveness”; and “increasing security and reducing dependencies”.

The importance of data centres to the first objective is clear, while their huge energy demand makes them an important consideration in the second. The final area plays into the increasingly popular idea of data sovereignty and having control over key infrastructure by locating it domestically.

“One of the things we've often seen is a lot of the growth in Europe being driven by countries wanting their own digital infrastructure,” said Latham & Watkins partner Jeremiah Wagner at a *GlobalCapital* event in London in October. “That's a big movement and I think that's driven on a geopolitical basis.”

As an example, in October Italy recognised data centre developer Vantage as carrying out nationally strategic infrastructure investments that support the country's economic agenda, one of only four companies to achieve the designation. It allows Vantage to gain expedited permission for its developments, but such designations are only part of the picture.

EU data centre developers still need access to affordable financing. In that respect, the bloc is coming from a standing start in each of the three phases of financing needed to develop a data centre.

## Three phases

First is the purchase of the site and gaining permission to build. Then comes the development and construction. Finally, there is the financing backed by the income the data centre generates.

“Where the meat of the financing is done is in that construction phase, because the meat of the [capital expenditure] is in that two-year span... from spade in the ground to when the data centre is complete and operating,” Barclays managing director Gordon Beck said at the same *GlobalCapital* event.

The project finance market is crucial during the construction phase, when data centre developers raise non-recourse debt from banks and/or institutional investors to pay for the building work.

Projects then typically operate for an initial period, after which the project finance debt is refinanced, often through the securitization or private placement markets.

▼ Gordon Beck, Barclays



“In a simplified picture, you need both bank debt and capital markets financing,” says Heiko Ludwig, global head of structured finance at Nord LB. “You need bank debt in the early part because it's more flexible. Ideally, you'd then put it into the long-term arms of asset managers, pension funds and others... In my opinion, it should not be assumed that there is an endless future supply of very long-term bank debt, like 20 years and longer.”

Before even coming to that, however, developers need to obtain a site to build on. “When you're speculatively purchasing land with the intent of acquiring power and permits, that's probably best suited to something in the private credit world or a relatively structured facility and, frankly, a relatively higher risk facility versus the kind of cash flow debt financing that comes later in the piece,” said Beck at the *GlobalCapital* event.

## 'Chicken and egg'

Even some early construction work can require equity, or other more speculative capital, to line up tenancy contracts and close a project financing.

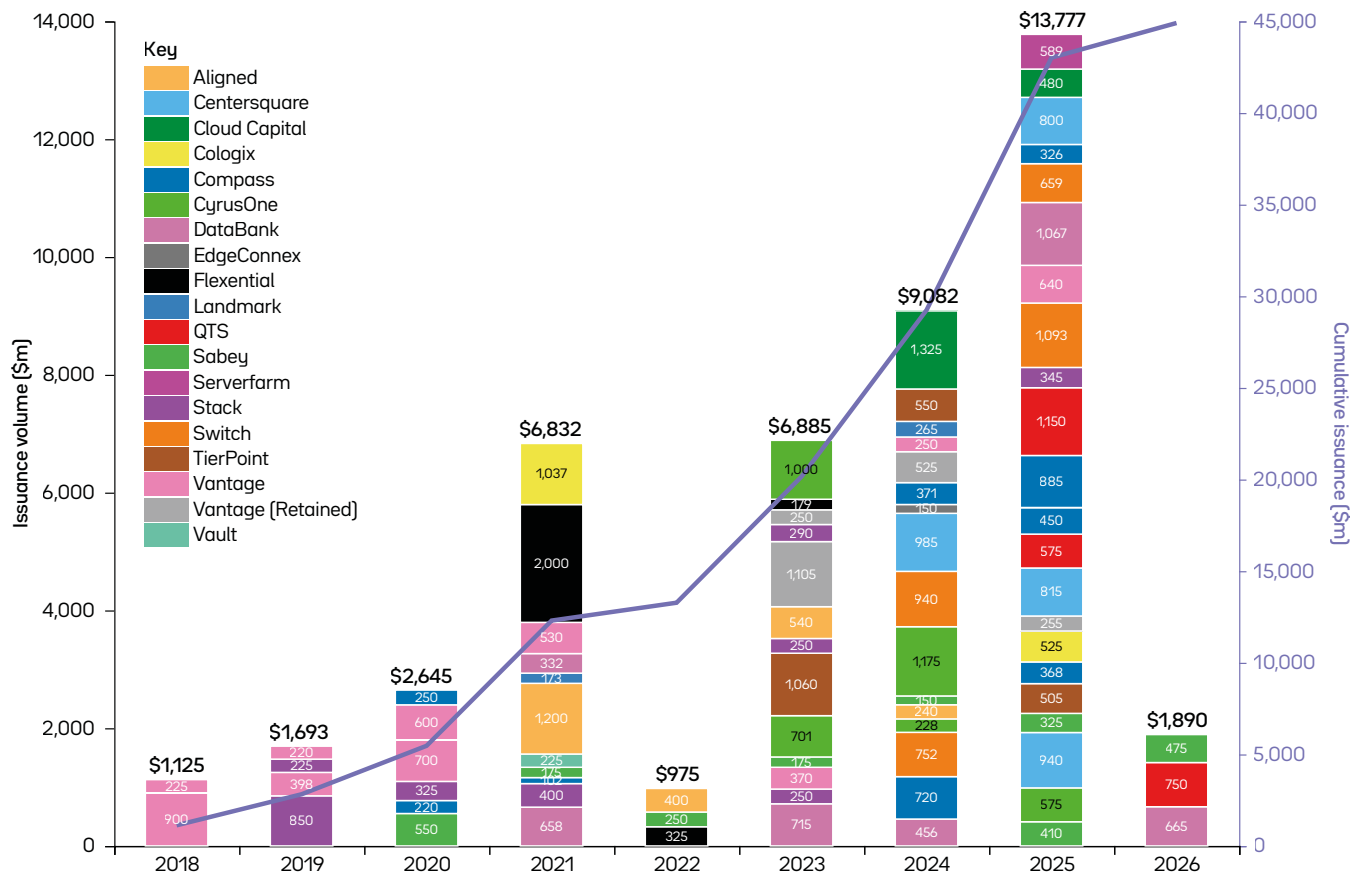
“For data centre developers, raising finance is a bit chicken and egg,” says Oliver Bradley, global head of digital infrastructure at Macquarie Capital. “Potential tenants want to know how much capacity you have in the next three to six months, which means that developers have to have begun construction, which requires a significant capital commitment.

“To get the tenancy contracts, you need to have financed and partially built your data centre, but to raise debt, you need to have the contracts.”

Given the country's dominance in AI and data centre investment, the US is by far the largest project finance market for the sector.

“As of Q3 [2025], there is an estimated \$70bn-\$80bn of non-recourse debt raised to

## Data center ABS issuance in the US – 144A market



Data as of January 24, 2026 with Sabey ABS deal in premarketing

Source: BofA, MUFG, KBRA, S&P

finance data centres in the US,” says Syed Usman Ahmed, head of digital infrastructure at Apterra Infrastructure Capital. “Four years ago the market was around \$5bn. By year end, we expect at least \$100bn of deals will have closed.”

Much of this non-recourse debt has been provided by banks. For example, two bank-funded US deals that closed in the latter half of this year are the \$925m financing for Rowan Digital Infrastructure’s Bauxite hyperscale campus and Lambda’s \$275m financing to enlarge its AI data centre portfolio.

The Rowan deal was led by SMBC, MUFG, Mizuho and Société Générale, while the Lambda deal was led and arranged by JP Morgan and syndicated to a wider lender group.

Vantage has also been in the market with a \$38bn US data centre financing, which sources have confirmed is likely to be the largest ever project financing for any asset class.

Project finance remains a bank-led market, but institutional investors are increasingly backing greenfield data centre financings.

In October, Blue Owl Capital issued \$27.3bn of notes through Beignet Investor LLC, a project finance-style holding company, to invest in an 80% interest in a US data centre joint venture with Meta.

### Europe trails

Europe is trailing the US in the development and financing of data centres, although transactions such as Bulk Infrastructure’s €410m financing for its N01 Data Center Campus in Norway have closed this year.

“If you look at the data centre capacity due to come online in the next year, it would be about three times larger in the US versus Europe,” says Jonathan Tweed, head of TMT finance at Société Générale in London. “Europe is lagging behind the US, with project financing volumes remaining similar between 2024 and 2025.”

Both land and power are more expensive in many European markets – each factor critical to data centre development – and Europe’s capital markets are less liquid. A *GlobalCapital* source notes that about €7bn of data centre project

finance deals have closed in Europe this year, as of early November.

“I think that the hyperscale players have been focusing their attention on the US so far,” says Tweed. “The European data centre pipeline is, however, expected to grow rapidly next year with Sovereign AI and larger projects being announced throughout Europe in multiple locations.”

### Refi required

Liquid capital markets are essential to financing data centres, as most banks expect the construction debt they provide to be refinanced.

Securitization is widely seen as offering the most competitive balance between pricing and flexibility, but the gap between Europe and the US is even more stark when comparing the depth of their respective markets in the asset class. At the time *GlobalCapital* went to press, there had only ever been two data centre securitizations in Europe.

In the US, Vantage began the data centre ABS market for what the Securities and Exchange

Commission deems qualified institutional buyers in 2018. QTS started a similar market in data centre CMBS in 2021.

In the time since those deals, the US CMBS market has swallowed about \$20bn of paper, while the US ABS market has supported another \$43bn, not including trades done in the 4(a)(2) private placement market.

In November, QTS tapped the CMBS market with a \$3.46bn deal to refinance its 2021 trade of \$3.2bn, likely the biggest CMBS deal of any type all year.

Data centre project financings usually run for five years and are 'hard mini-perms', which in project finance jargon means they require refinancing at or before maturity. Failure to refinance is treated as an event of default.

In addition, many banks have reduced their long-term infrastructure lending in the wake of reforms to bank capital requirements under Basel III.

As part of data centre financing, lenders must account for refinancing risk, which is intertwined with the risk that data centre tenants will not renew their contracts.

"The tenors of most project financings for data centres are shorter than the tenancy contracts," says James Richards, an executive director in project finance at Standard Chartered. "The banks take refinancing risk, which is related to renewal risk for the tenancy contracts."

Debt servicing depends on rental payments to data centres from their tenants. "When banks size the debt, they evaluate how much will be amortised at maturity and whether the contracts can be easily renewed or replaced," says Richards.

"The amount of refinancing risk is partially determined by the level of renewal risk and the attractiveness of the site for alternative tenants, as new lenders will want to see long-term contracts in place."

Several tenancy extensions are often required for full project debt amortisation, taking place in tandem with at least one refinancing.

Other crucial considerations for lenders are construction risk and tenant creditworthiness. Construction risk is sometimes mitigated by the developer making completion guarantees.

Lenders will also carefully evaluate tenants' credit ratings and business models – a simpler process

for hyperscalers such as Microsoft than for a newer company like, for example, CoreWeave.

Risks aside, there is immense appetite from project finance lenders to fund data centres, as the project pipeline is brimming and pricing on construction loans sits in the low-200bp to low-400bp range, according to market sources.

Top tier data centre ABS issuers in the US have priced deals with spreads on the senior notes of 140bp-160bp. In October, Compass, a dominant player in US data centre securitizations, priced a \$326m single tranche, triple-A rated ABS at 125bp, yielding less than 5%.

### The US example

The bottom line for many is that if the EU is going to get close to finding enough financing for data centres in terms of both scale and duration, securitization is going to have to step up. S&P expects annual data centre financing needs to rise to \$173bn by 2028.

"At the moment, the bank market is working very well for sponsors, but if you add up all the numbers for future needs for new and existing infrastructure, you come to a total volume that most likely could not be financed in the traditional way with the existing bank capital in Europe," says Nord LB's Ludwig.

Europe does at least have the example of the US market to follow, where there is a thriving data centre ABS market.

Senior managing director at Guggenheim Partners, Matt Bissonette, a banker who has been

involved in digital infrastructure financing for more than a decade, expects a record year for data centre securitization issuance in 2026. "It's hard to put an exact number on it... but I could see a path towards \$30bn across data centre securitization markets for stabilised assets alone," he says.

"We're seeing new investors participate, people focusing on bringing more capital into the digital infrastructure space, and I think that trend is only going to continue."

Andrew Butville, director of ABS at MetLife Investment Management, believes the \$13.8bn of US data centre ABS to have been priced by mid-November in 2025 could double in 2026.

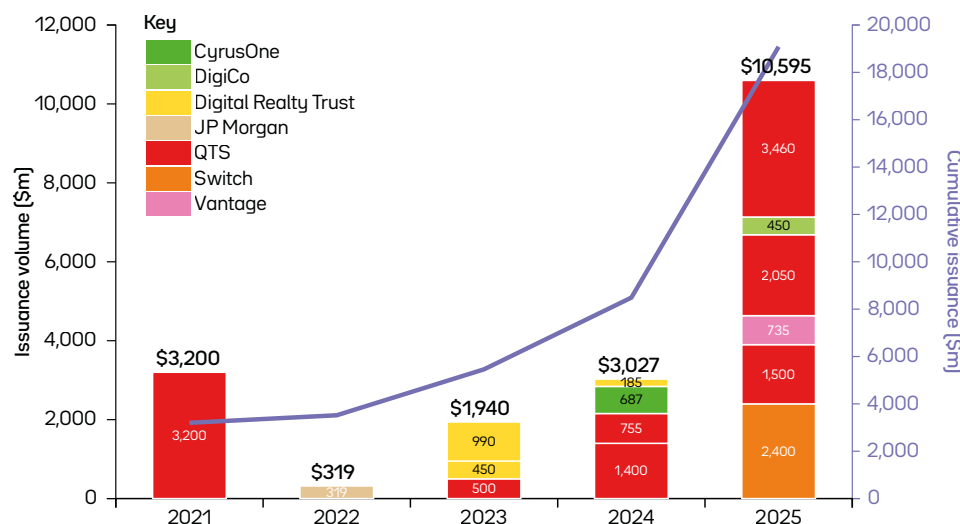
"That's based on the construction pipeline of data centres and project finance and bank finance that's flowed into the sector," he says.

There is plenty of evidence that investors will flock to the market to lap it up. If they cannot find paper at home, Bissonette expects more European investors to head to the US. "They've been limited because of regulation, but there is certainly demand from folks there," he says.

"There is a very, very strong relative value in the securitized market versus the corporate market, especially for the highest quality assets and issuers. If you're buying corporate bonds, you can see a pretty big pick-up versus the underlying hyperscalers."

The relative value judgement will vary from buyer to buyer, however, and when they get into the market.

Data center CMBS issuance in the US – 144A market



Data as of January 28, 2026

Source: BofA, MUFG, KBRA, S&P

“We still like the space from a credit perspective, but spreads have really tightened to the point where we don’t see a lot of value in particular shelves,” says Butville. “We’ve sold some of our exposure because it’s just so much tighter than where we bought it.”

The question is whether Europe’s securitization market will be able to follow the US example.

“The need for data centre financing is a very good test [for Europe’s capital markets],” says Florence Coeroli, UK and global head of engineering at Société Générale. “You need issuers that are willing to go for it and test the market. For investors to put in the work to understand the asset class, they need to know there will be more transactions.”

Despite the scale of the challenge, European market sources are bullish. Matt Dunn, partner at Clifford Chance, says “the European ABS market for data centres is poised for significant growth” and could “become one of the cornerstones of digital infrastructure financing in Europe, mirroring the established success seen in the US”.

“We expect the data centre sector to grow,” agrees Kate Galustian, head of European ABS at BlackRock. “It’s early days, but it’s an exciting space. We want a broad investable universe.

“In an area like this, we would be extremely selective given the lack of historical data... In principle, the story is strong, but there are number of tech and operational factors to consider, as well the nascency of the market.”

## Gaining comfort

That caution speaks to both the opportunity and the challenge for sponsors issuing European data centre securitizations. Sponsors want to deepen their access to capital, but the asset class is quite different to typical European securitization deals.

“There are US investors looking at the European market, but issuers that already do ABS in the US want to come to Europe to attract new investors,” says Coeroli. “They want the financing to be additive and not drawing liquidity away from the US market.

“At the same time, it’s good to have those US investors because it gives you certainty when you come to issue,” she says, considering they

## Data center ABS: historical pricings in the US

								September 11, 2025
HYPER 2025-1								ARD
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A1	25		A-/A3		Not offered			September 2027
A2	975	5.01	A-/A3	Fixed	165	5.18%	5.23%	September 2030
B	92	5.01	BBB- / NR	Fixed	215	5.699%	5.737%	September 2030
<b>Total</b>	<b>1067</b>							
VDCR 2025-1								August 20, 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	235	4.95	A-	Fixed	135	5.09%	5.15%	August 2030
B	20	4.95	BBB-	Fixed	220	5.73%	5.80%	August 2030
<b>Total</b>	<b>255</b>							
VDC 2025-1								August, 7 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A2	640	4.94	A-	Fixed	140	5.132%	5.187%	August 2030
TPDC 2025-1/2								January 4, 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
25-1 A2	245	4.05	A-	Fixed	240	6.15	6.275	N/A
25-2 A2	240	7.05	A-	Fixed	265	6.40	6.675	N/A
25-2 B	15	7.05	BBB-	Fixed	Preplaced	6.45		
<b>Total</b>	<b>500</b>							
SWTCH 2025-1								March 7, 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	957125	5.03	A [low]	Fixed	200	5.036%	6.080%	March 2030
B	135925	5.03	BBB[low]	Fixed	255	6.485%	6.630%	March 2030
<b>Total</b>	<b>1093.05</b>							
VDCR 2024-1								September 10, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	425	5.00	A-	Fixed	160	4.992%	5.044%	5 years
B	100	5.00	BBB-	Fixed	240	5.775%	5.844%	5 years
<b>Total</b>	<b>525</b>							
CMPDC 2024-2								August 22, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-1	300	4.99	AAA	Fixed	135	5.022%	5.074%	5 years
B-1	33	4.99	A	Fixed	235	5.999%	6.074%	5 years
B-2	38	4.99	A[L]	Fixed	260	5.999%	6.324%	5 years
<b>Total</b>	<b>371</b>							
SWTCH 2024-2								June 6, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	671450	5.02	A [Low]	Fixed	210	5.436%	6.395%	5 years
B	94.825	5.02	BBB [Low]	Fixed	285	6.200%	7.145%	5 years
C	174	5.02	BB [Low]	Fixed	595	10.033%	10.245%	5 years
<b>Total</b>	<b>940.275</b>							
CYRUS 2024-2/3								May, 12024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
2024-2 A-2	690	5.00	A-	Fixed	225	4.500%	6.932%	5 years
2024-3 A-2	485	7.00	A-	Fixed	235	4.650%	7.021%	5 years
<b>Total</b>	<b>1175</b>							
SDCP 2024-1								April 24, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	150	4.97	A+	Fixed	170	6.000%	6.361%	5 years
<b>Total</b>	<b>150</b>							
SIDC 2024-1								March 15, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	240	5.01	A-	Fixed	180	5.900%	6.128%	5 years
<b>Total</b>	<b>240</b>							
ADC 2023-2								November 15, 2023
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	300	5.00	A-	Fixed	250	6.500%	7.024%	5 years
<b>Total</b>	<b>300</b>							
SIDC 2023-3								November 8, 2023
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	290	4.95	A-	Fixed	245	5.900%	6.967%	5 years
<b>Total</b>	<b>290</b>							
VDCR 2023-1								September 15, 2023
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
23-1 A-1	50	-	A-	Privately Placed				
23-1 A2a	776	4.97	A-	Fixed	285	5.000%	7.286%	5 years
23-1 A2b	380 (C)	4.97	A-	Fixed	-	5.250%	8.100%	5 years
23-1 B	43	4.97	BBB-	Fixed	400	5.750%	8.436%	5 years
23-2 A2a	250	6.97	A-	Fixed	295	5.050%	7.344%	7 years
<b>Total</b>	<b>1,355</b>							

Source: BofA, MUFG and GlobalCapital

may already have good knowledge of and appetite for the asset class. “And these US-based investors may deploy specific euro liquidity pockets for the European deals.”

One of the most important questions for those involved with data centre securitizations is how to structure the deals to best tap into the different pools of liquidity. The best-case scenario is a structure that can bring in both ABS investors and those who like data centres as an asset but are less familiar with securitization.

“Data centres potentially bring new types of investors into the market, away from just traditional securitization investors, but it’s very early to try and quantify the depth of the market given there’s only been a couple of deals in Europe,” says Galustian.

Looking at those two deals is somewhat instructive, however. Both used a structure more similar to a US data centre ABS than a typical European ABS or CMBS, only issuing fixed rate notes. Such bonds are unusual in Europe’s securitization market.

“I wouldn’t be surprised to see more structural features coming into future deals targeting European investors,” says Henrik Nilsson, executive director at Natixis. “The European investor base would like to buy floating rate notes for example, but you need to work out how to do the hedging.”

## How to hedge

The challenge with hedging is the long-dated nature of the assets. Data centre securitizations typically have strong incentives to call the deal at the anticipated repayment date (ARD) in the form of accelerated amortisation and step-up coupons. However, the ARD is normally five years away, but, if missed, the legal final maturity can be decades away, potentially making hedging very expensive.

Another big question is whether to mortgage the data centre and put that mortgage into a CMBS structure or securitize the cashflows from the lease directly in an ABS. Both are used in the US, but Vantage used ABS for both European deals.

“Sponsors are looking at a combination of US private placements and potentially an ABS into European markets,” says Nilsson. “The two deals from Vantage have really put [the ABS

option] on the map and there’s definitely more to come.

“Sponsors want to diversify their funding sources as much as they can. The ABS route opens up new investors and then there’s the CMBS route as well. Securitization is needed to get the liquidity the market will need.”

A challenge with CMBS in Europe is that the market is far less liquid than in the US. There had been just 11 public deals by mid-November, according to *GlobalCapital’s Asset Backed Monitor*, and that is considered a bumper year for European CMBS.

“Ideally, we would like to see a bigger European CMBS market, but we are seeing more and more deals and, especially this year, the market has been quite active,” says Nilsson. “That is definitely helpful for data centre deals because there’s an overlap in the investor base.”

The other recurring problem for European securitization issuers is fragmented regulation. Each country has its own tax and insolvency laws, which makes it difficult to combine assets in different countries into one deal.

The challenge applies across asset classes, not just to data centres, and can make it hard for issuers to achieve the scale they need for a securitization.

## Big enough data

Data centres, however, may have it better than some other asset classes because the assets are normally big enough to support a standalone securitization.

“The beauty and the difficulty of Europe is the number of different jurisdictions [versus the single, large market in the US],” says Coeroli. “We will need to consider ABS transactions country by country [instead of multi-country issuance], but that allows us to [target] deals that are the right size for the investors in a certain country.”

However, regulatory fragmentation could become a barrier that prevents issuers accessing more efficient funding structures as the market develops.

“In the US, there are master trusts of data centres,” says Nilsson. “In Europe, it’s a bit more tricky to implement because there are multiple jurisdictions. Given the size of the assets here, in most cases, it probably works to do it jurisdiction by jurisdiction. I think a master trust could be done, but there are

## “We’re trying to solve for a significant portion of a \$1tr-plus need over the next five to 10 years”

Matt Bissonette, senior managing director at Guggenheim Partners

questions on the legal side and you’d have to get everyone comfortable with the structure.”

Certainly, a solution to the EU’s fragmentation problem is not close at hand. “It takes time to create a solution that mitigates [the overreliance on bank debt],” says Nord LB’s Ludwig. “There isn’t really one answer... Maybe it takes a European solution of not thinking the unified market is one location but one set of rules. For example, if you have to deal with 16 different sets of insolvency laws, it becomes a very complicated consideration.”

Meanwhile, the US market develops apace. Not only are floating rate tranches under consideration, but there is a debate about extending the tenor of securitizations.

Head of structured products at Conning Asset Management, Michael Nowakowski, says he would not be surprised to see a 10-year ARD on a data centre deal in 2026 given that other types of securitization have done the same and that some of the biggest tenants of data centres – the hyperscalers like Alphabet and Meta – which are the underlying credits for the paper, have issued long-dated corporate bonds.

“We’re already seeing longer ARDs in some other spaces where they’re pushing seven and 10-year... so why not this next?” he says.

However, he urges for the pace to slow in 2026: “I hope the chorus of investors who are flagging a little bit of caution on this dampens some of the untethered growth that’s happening right now in this space.”

Bissonette of Guggenheim Partners says it feels like the “early innings” in the development of digital infrastructure. “We have incredible demand from investors and clients that are bringing new sites online who want to access the structured markets.

“We’re trying to solve for a significant portion of a \$1tr-plus need over the next five to 10 years.” ©

Additional reporting by Tom Hall

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OCTOBER 2025

## Key takeaways

- Registering data center securitizations with the SEC would open new pockets of capital but deal size a hurdle
- Investor appetite for 10-year data center paper
- Risk of hyperscalers taking data center building in-house
- Fitch makes triple-A rating available to ABS data center issuers
- Beyond the ABS master trust: how to break up equity in a securitization
- Apollo backed Stream Data Centers' path to the ABS market

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New European CLO issuance has shattered records in 2025, already surpassing 2024 deal volumes. The market is showing no sign that it will slow down in 2026 either. Sources note that 160-180 financing warehouses were open in November, compared with 90-100 at the same time last year, meaning a market set for further expansion.

A total of €51.75bn of new issue CLO deals had been priced by early November, data from KopenTech shows. By contrast, S&P research indicated that €45.9bn of new issue transactions were priced in Europe in 2024 – the previous biggest year for CLO issuance.

“Despite the uncertainty created around factors such as tariffs and other geopolitical tensions, investor sentiment has been buoyant,” says Anusha Singh, head of EMEA CLO primary at JP Morgan. “On the manager side, there has been a desire to grow AUM and to do resets and refinancings while market conditions remain favourable.”

Most participants in *GlobalCapital*'s European CLO market outlook survey think new issue CLO volumes will rise next year, with 45% of respondents forecasting an increase of less than 10% and 18% expecting an increase of more than 10%.

Strong appetite from new investors has propelled the European CLO market in 2025. This cohort has included more investors from Asia, with Japanese investors in particular directing more capital to Europe. Investors have shifted more broadly towards Europe in light of political uncertainty in the US.

Charlotte Claraco, a managing director at Permira Credit, highlighted the flight of investors to Europe, telling *GlobalCapital*: “The European CLO investor universe is expanding. We are seeing interest from investors that were traditionally focused on the US market and are now looking to deploy capital into Europe.”

Tariffs introduced by US president Donald Trump this year have made Europe a more stable prospect for investors. “US CLOs are more diversified in terms of issuers, but their exposure tends to be weighted more towards the US,” says Claraco. “In contrast, investing in European CLOs offers diversification through different geographies.”

The basis between US and European CLO spreads has

# European CLO investors face up to tiering amid turbulent loan market

Unparalleled European CLO market activity in 2025 compressed spreads and raised the possibility of a bigger standard for benchmark size. But, as **Thomas Hopkins** reports, leveraged loan market volatility will increasingly lead to tiering in the pricing different managers can achieve

incentivised investment in European CLOs. Bank of America (BofA) research shows US triple-A rated CLO notes in November were being priced in the low-120bp area, compared to the high-120bp to low-130bp range in Europe.

## Bigger and tighter

Though European CLOs continue, on average, to be priced wide of their US counterparts, spreads have tightened considerably relative to the first half of 2024.

The weighted average cost of capital (WACC) of European CLOs fell from 222bp in the second quarter of 2024 to 202bp in the same period of 2025, according to data from Partners Group.

As liability pricing has tightened, borrowing costs for leveraged loan issuers have dropped. “As a floating rate product, CLOs represent a very efficient conduit of funds into the broadly syndicate loan market,” notes Rob Reynolds, head of CLOs at Pemberton Asset Management. “Indeed, borrowers have benefited in two ways: Firstly, from a reduction in base rates of circa 2% since the end of 2023. Secondly, as CLOs have largely passed on the reduction in the cost of liabilities. For companies with large syndicated

loans, the combined effect is a significant cost saving.”

The size of European CLOs is also creeping up from the €400m market standard, as large new issue deals, such as Arini Capital Management's €615.7m European CLO VII, demonstrate.

“Issuance sizes for CLOs will grow in 2026. We have been stuck at €400m benchmark size since the beginning of the CLO 2.0 era,” says Mehdi Kashani, head of structured credit at Arini.

“I am expecting that with increased demand across the capital structure that transaction sizes will trend towards €500m benchmark size on a more consistent basis. I think we will see a continued uptick in volumes, both in terms of primary issuance and secondary trading. The advent of CLO ETFs will certainly help that.”

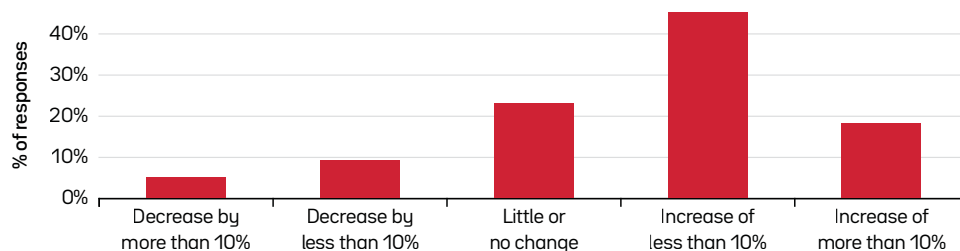
KopenTech data shows that the average European new issue deal size was €431.2m between January and early November 2025.

## Debut issuers

The US has more than 150 CLO managers, with about half that number in Europe, according to TwentyFour Asset Management.

But data from TwentyFour also shows that, at \$930bn, the US

## Expected change in European CLO new issue volumes in 2026 vs 2025



Source: *GlobalCapital*

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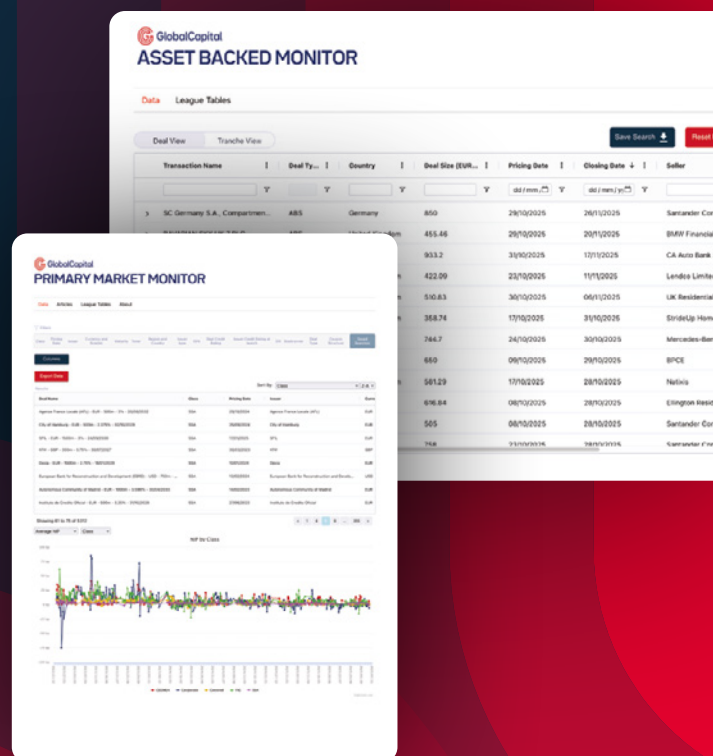
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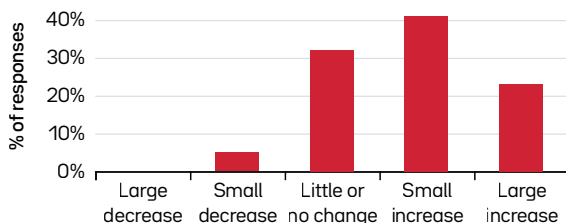
CLO market is roughly three times larger than the \$290bn size of the European market.

The European CLO market has, nonetheless, added first-time issuers, with managers such as Royal London Asset Management and Silver Point pricing their first deals. This is likely to continue in 2026, with 55% of survey participants expecting there to be six to 10 debut CLOs next year.

There is almost certainly a link between the growing availability of captive CLO equity and the number of new managers. “We have seen even more managers price their debut CLOs in the European market this year,” says Gauthier Reymondier, a partner at Bain Capital Credit Europe. “In my view, this has come from demand for CLO equity from investors, which is crucial for CLOs.

“Demand has been fostered by the fact that many managers now have captive equity vehicles that can take the majority equity position or all the equity in their deals. With fewer CLOs needing third-party equity, appetite from investors has increased for CLOs that do choose to raise equity. The pace of CLO issuance has also increased as a result.”

### Expected change in European leveraged loan volumes 2026 vs 2025



Source: GlobalCapital

### Resets surge

Alongside soaring new CLO issuance, a high volume of reset deals has been a feature in 2025. As of early November, €49.11bn of reset deals had been printed this year, compared with €29.86bn in the whole of 2024, according to KopenTech.

Managers of CLOs have taken advantage of the lower spreads on offer to reset deals, bringing pricing down and improving the arbitrage for equity investors.

Average coupons on triple-A rated CLO notes were at 191bp in the second quarter of 2023 and 146bp in the same quarter of 2024, Partners Group data indicates.

The average triple-A spread tightened to 133bp in the second quarter of this year. Consequently, a large number of deals from 2023 and the first quarter of 2024 have been reset.

The movement of spreads will partially determine the volume of resets next year.

A majority of survey participants expect some widening of spreads during 2026, with 36% predicting widening of less than 15bp and 23% anticipating widening of more than 15bp over the course of the year.

“In terms of reset activity in 2026, as with any year, if spreads widen, there will be lower volumes,” says Matthias Neugebauer, a managing director at Fitch. “Even if spreads stay where they are, resets from 2024 will eventually dry up, once the early 2024 deals have been reset.

“I think managers would wait a bit before resetting deals from the second half of 2024. If spreads tighten a little bit, we could certainly see as many resets as we have in 2025, or possibly more as the big vintage of 2021 deals come out of reinvestment.”

The average triple-A coupon for the third and fourth quarters of 2024



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### Topiary and private credit CLOs

Another Fine Mezz



#### Topiary and private credit CLOs

- Prefunding preferred please
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was 129bp, according to Partners Group. This is broadly in line with current spreads, meaning that some tightening would need to take place for deals priced in the second half of 2024 to be reset next year.

**Regulatory shocks**

The European CLO market endured two major regulatory upheavals during 2025.

The first came in April, when the European Supervisory Authorities (ESAs) interpreted the sole purpose test to mean that no more than 50% of the revenue from an originator can come from retention investments. This caused many managers to re-evaluate their retention structures.

The second jolt relates to non-EU managers’ status as originators rather than sponsors. “Post-Brexit, CLO managers outside the EU and US CLO managers have needed to find a way to be eligible risk retention holders,” says David Quirolo, a partner at law firm Orrick. “They can no longer be sponsors and have to be originators.

“In order to make the originator model more efficient, manager-originators were using conditional sale agreements, which required manager-originators to buy back assets that defaulted within 15 days from CLOs.”

In August, the European Commission responded to a 2021 question about originators’ use of conditional sale agreements. “The EU Commission has now indicated that the use of CSAs does not make an entity an originator,” says Quirolo. “It does seem a bit unfair to exclude these managers based on the use of such agreements, in that the Commission has been clear that managers are good risk retention holders.”

In a more positive regulatory development, the Commission’s proposed changes to Solvency II for insurance companies will see a reduction in the regulatory capital requirements for insurers investing in CLOs.

If formally approved, these changes will come into force in early 2027, growing the buyer base for the asset class.

CLO equity arbitrage has compressed over the course of 2025. Successive waves of asset repricings have occurred and while liability pricing has tightened, it is still elevated relative to 2020 or pre-Covid levels.

“I think the market for CLOs is fundamentally healthy. But there are still some technical headwinds that will make CLO issuance more complicated,” says Ed Watson, global head of CLO equity solutions at JP Morgan.

“The equity arbitrage is quite tight, with double-B and single-B tranches being issued at par, which reflects tight relative value through the capital stack.”

Despite this, CLO issuance has reached unprecedented heights. Third-party investors may have taken a view that arbitrage and returns will improve over time but lower initial returns may eventually make CLOs less attractive to equity investors.

“The day-one arbitrage makes it difficult to get an IRR of 15%,” says Watson. “In this context, the need for about 40% of managers to raise third-party equity targeting that context of IRR on a deal basis will be a natural brake on CLO issuance, alongside tight loan pricing.”

**Unsettled loan market**

Among the most pressing concerns for CLO managers moving into 2026 will be the bifurcated nature of the leveraged loan market.

Research from Barclays in early November referred to 55% of loans trading at par and 5% of loans trading below a price of 80.

A dearth of leveraged loans relative to demand from CLOs has caused the majority of credits to trade at par, before falling rapidly in price in the event of a rating downgrade to B- or triple-C.

The shortage of leveraged loans is connected to a softer leveraged buyout (LBO) market, as private equity sponsors have struggled to

achieve returns in a period of elevated interest rates and public equity prices.

The situation is unlikely to improve much next year, survey participants believe, with 41% of respondents thinking loan supply will increase by only a small amount in 2026, while 32% predict little or no change.

Managers face the prospect of collateral pools declining in quality due to credits unpredictably falling to a triple-C rating, at which point they become difficult to sell.

This can cause overcollateralisation tests to be breached if triple-C rated credits make up more than 7.5% of portfolios, lowering returns for equity investors.

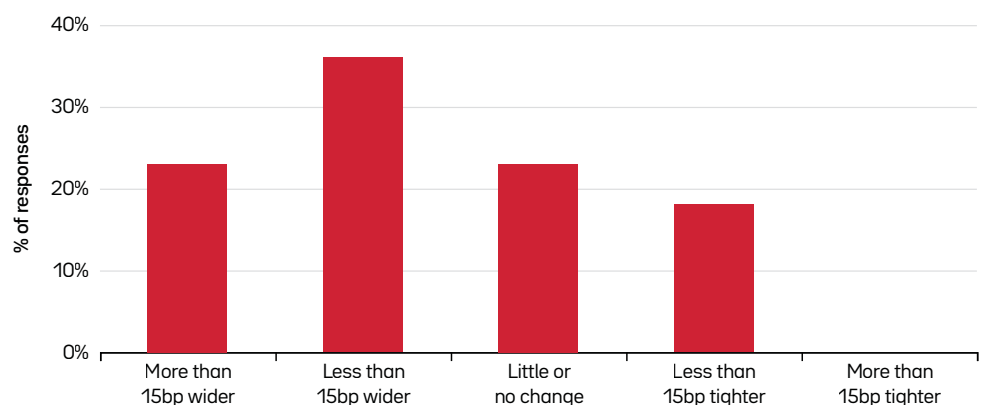
More than half of survey participants expect an increase in the percentage of triple-C credits in CLO portfolios, with 36% predicting an increase of up to one percentage point and 23% expecting a rise of one percentage point or more.

In the next year, there will probably be more tiering among managers in the pricing levels they can attain, as investors become more focused on credit quality.

“Credit selection is going to define CLO performance over the next year, and we believe that dispersion will continue to dominate,” says Jacob Walton, co-head of European CLOs at Sona Asset Management. “However, the CLO market does benefit from healthy aggregate fundamentals.

“Default rates are low and managers are being careful about tail risk on the whole. There are also supportive technicals, whether it be global interest in European CLO triple-As or the large number of CLO equity funds being raised. Managers and investors are currently highly vigilant on idiosyncratic risk.”

**Predicted shift in euro CLO spreads year-end 2026 vs 2025**



Source: GlobalCapital

# Breaking down barriers: how Tradeweb is rewiring global markets



Electronic trading is evolving rapidly as market interconnection deepens and clients demand greater speed and cross-asset access. With innovation accelerating, the next challenge is turning connectivity into better liquidity and smarter execution. *GlobalCapital* spoke to the co-heads of international developed markets at Tradeweb, **Nicola Danese** and **James Dale**, about breaking down market silos, linking liquidity across products and the technologies set to shape the next chapter of electronic trading.

**How is electronic trading helping break down silos across asset classes and regions, and what benefits does that create for clients?**

**Danese:** Electronic trading helps remove many of the artificial barriers that have historically separated markets. Clients increasingly want to use familiar workflows across different asset classes and regions – whether they are trading US Treasuries, European or Japanese government bonds. By consolidating technology silos and creating more consistent protocols, we can give clients a seamless experience and support faster adoption across markets.

**Dale:** We see this trend clearly in Europe, with an increasing number of clients running multi-asset execution desks. An individual user may trade government bonds, credit bonds and derivatives across multiple currencies. Our goal is to help link the execution where possible and maintain consistency, while respecting the characteristics of each market. Portfolio trading is a good example. It began in credit, and after working with clients, we extended it into government bonds. The two markets differ, but the underlying workflow is recognisable, which helps clients move across asset classes more confidently.

**What are some examples of technology improving connectivity between markets?**

**Dale:** In credit markets, the depth of analytics available to traders continues to evolve. In portfolio trading, we now use real-time iNAV pricing from the ETF that most closely matches a client's basket of bonds to help guide execution decisions. Our rules-based automated trading solution, AiEX, is another example. It started as a simple efficiency tool, but now it's more dynamic. It reflects each trader's interpretation of liquidity and



James Dale and Nicola Danese, Tradeweb

how they want to interact with the market. As we expand AiEX across asset classes, those benefits carry over and become more interlinked.

**Danese:** On the rates side, we first built strong independent liquidity pools in swaps and European government bonds. The next step was to bring those pools together so clients could execute bonds and swaps in contingent or non-contingent workflows. We have also connected OTC and listed markets. Recently we launched the two-way pricing RFM protocol for bond-future basis trading, using established protocols elsewhere on the platform.

Repo is another example. We integrate swap-based information directly within the repo ticket and we can link execution across markets: allowing clients to launch a swap-hedging trade based on an executed repo trade with the same maturity and cash notional.

**How is greater cross-market integration changing how liquidity is managed on the Tradeweb platform?**

**Danese:** As markets become more interlinked, we can use data more effectively to help clients anticipate where the best price may come from – and under which trading protocol. Liquidity is dynamic and often subjective. By combining data across markets, we can help clients make better informed decisions.

**Dale:** Our wholesale business is a major source of liquidity, particularly through our Sweep session-trading. With the SNAP IOI protocol, we connect that wholesale liquidity directly to institutional clients. More broadly, liquidity requires a flexible toolkit. Clients can choose RFQ, portfolio trading, all-to-all or automated strategies, depending on their objective and market conditions. Cross-asset integration and data make it easier for them to select the right tool at the right moment.

**How are emerging technologies shaping the future of electronic trading?**

**Dale:** AI is a major focus. Tradeweb has a vast amount of cross-asset data, and as a near-term step we see that AI will enable clients to query it in a more natural and dynamic way. Ultimately it lowers the cost of curiosity – by allowing clients to quickly pull together data across asset classes, markets and time periods in a way that was previously strenuous.

We see AI as a tool for augmentation and amplification: helping clients use data more effectively rather than replacing their judgement. This will evolve iteratively as we work with clients and respond to their feedback.

**Danese:** DLT has potential because it addresses long-standing issues between execution and settlement. Today those layers don't naturally connect: you lose the golden copy of the trade, introduce delays and often rely on offline processes. If we redesigned the system from scratch, we wouldn't build it this way. DLT offers an opportunity to rebuild that connectivity. We see strong momentum from the ECB, from the UK's DIGIT programme for on-chain gilts, and from developments in the US around the cash leg and stablecoins.



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# European ABS on its feet and ready for more in 2026

The conditions are set so that 2026 promises to be even better than the already impressive 2025. A deepening of esoteric asset classes, combined with entirely new deal types, as well as more debut issuers are set to be the key themes, writes **Tom Hall**

European securitization is hoping to match all the feats of 2025 and more in 2026, with a key theme being the entrance of even more debut issuers in the market.

Market participants appear convinced that another new issuance volume record will tumble in 2026, with 97% of respondents to *GlobalCapital's* outlook survey predicting volumes will either be the same as 2025 or higher. Public issuance in 2025 is on course to beat the record set for post-financial crisis volumes in 2024.

Meanwhile, spreads are forecast to remain resilient. Only 7% of survey respondents predict spreads will move “much wider” in 2026, but 41% of respondents predict a slight widening.

Spreads in some markets sit near recent tights. Enra set the tightest spread for three years for UK non-conforming RMBS with its Elstree 2025-1 trade from February, which was priced at 72bp over SONIA, although the asset class had retreated around 10bp towards the end of the year.

“I’m expecting spreads to stay broadly the same in 2026,” says Florence Coeroli, UK and global head of engineering at Société Générale. “We’ve obviously had periods of extreme volatility in 2025 leading to some spread softening, but we have gotten over this turbulence and spreads appear to be stable now.”

For example, that resilience was visible after the equity market drop following US tariff announcements on April 2, when the ABS market only needed about a month to recover and start pushing tighter again.

However, despite the tight spreads, investors continue to make the case that securitization looks an attractive proposition compared to other asset classes.

“Spreads across fixed income are certainly tighter now than they were a year ago, but you still get a decent

amount of carry [and attractive] risk versus return,” says Kate Galustian, head of BlackRock’s EMEA and Australia securitized assets team.

“I would argue there’s a place for [securitized credit] in portfolios. You do have to acknowledge where spreads are, but they’re not at the absolute tights, whereas they are [at] or at least close to [absolute tights] in some sectors outside [securitization].”

## The year of debuts

Even better, investors can expect the range of collateral on offer to broaden further in 2026, after an already impressive 2025 for debut transactions, from auto lender Vehis in Poland to Islamic finance provider StrideUp in the UK.

“It’s always good to see new issuers and new or lesser-seen collateral types in the market,” says Maddi Rowlett, European ABS portfolio manager for Challenger Investment Management, “because if we can do that extra bit of credit work to get comfortable with the underlying collateral and underwriting, they continue to present opportunities for investors to earn a premium over more traditional platforms and provide diversity to portfolios.”

“Newer asset classes also demonstrate a healthy securitization market.”

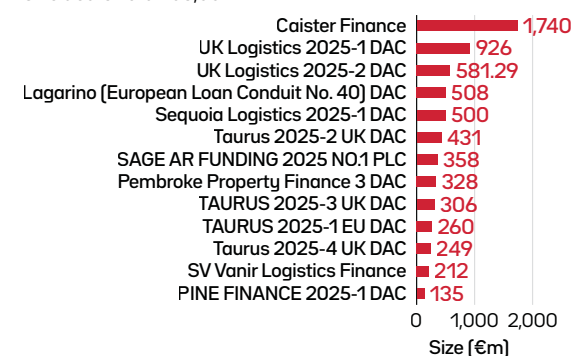
Private financing activity in 2025 provides a leading indicator of what could appear in the public market next year.

“I’m pretty confident that we’re going to see a lot of debuts going into 2026,” says Andrew Vickery, partner at Linklaters, “just based on the high volume of warehouse facilities and forward flow agreements we have seen in 2025. And as originations pick up, these lenders are going to start looking at the public ABS market.”

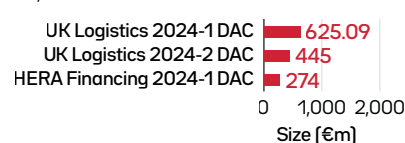
The other aspect of this trend is that these debuts will be predominantly coming from

## 2025 vs 2024 publicly and privately placed European CMBS volumes

**2025 deals** Total: €6,534.29mn



**2024 deals** Total: €1,344.09mn



Source: *GlobalCapital's* Asset Backed Monitor

non-bank lenders as opposed to banks, which have the benefit of being able to use deposits for funding and so often just use securitization as a means of funding diversification.

“A lot of this activity is in the specialised lender space, both secured and unsecured consumer lenders, SME lenders and mortgage lenders,” says Vickery. “So while regular bank issuers will continue to be active in 2026, we should be seeing a lot more debut issues from specialist lenders.”

*GlobalCapital's* survey suggests the market is not convinced that there will be a flurry of first timers, but 38% of survey respondents expect more than 10 debuts.

## Crossing that bridge

The theme of 2025 has broadly been to build on the new asset classes that emerged in 2024, those being data centre and solar ABS. This is all set to change with the emergence of new asset classes in 2026, with the

main trailblazer being the buy now, pay later (BNPL) asset class.

“I think BNPL ABS is an asset class that will begin to develop in 2026,” says Coeroli, “as there is a good level of demand from investors for these types of assets, and it feels like a natural evolution from the consumer ABS products that investors are familiar with.”

There was plenty of private market BNPL activity in 2025, a notable example being Klarna’s €1.4bn warehouse for its German BNPL receivables set up in August.

“We should see some BNPL activity from the well-known players; maybe two or three transactions,” says Susanne Matern, EMEA head of structured finance at Fitch. “But it’s still an area where it is somewhat hard to define what counts as BNPL. For example, some would say it has to be paid in one instalment to count as BNPL, so there is a grey area as to what will fit under this umbrella.”

The other asset type where originations are growing fast is bridging loans. Cerberus broke ground with its Fairbridge 2025-1 deal in November, a Dutch BTL RMBS backed by a pool of which 8.3% was bridging loans, proving it is possible to fund these loans through a public securitization.

Now public RMBS is beginning to look like a viable option for financing these receivables; 2026 could be the year more issuers enter this market.

One of the key problems in this market is that, although there is growth, it is split between about 450 lenders, of which maybe six have portfolios as big as £250m-£300m. This creates a problem as bridging loans are short dated, meaning securitizations of them would need to be issued with a revolving structure.

“Investors will need some assurance that as new assets are added to the pool [for BNPL ABS or bridging RMBS], the characteristics they underwrote on investment won’t fundamentally change,” says Rowlett. “So these are transactions where we really need to see the structure, monitor eligible collateral constraints and the ratings methodology to make appropriate credit decisions.”

It is unlikely any single originator will be able to build up a large enough origination capacity to keep adding homogenous loans into a public, revolving RMBS of bridging loans.

Hope could come in the form of a bridging loan aggregator

— like Toorak in the US residential transition loan market — which could use loans from numerous lenders, or by integrating bridging loans into traditional types of RMBS, as with the Cerberus deal.

“We think bridging loans are best financed through warehouse facilities right now,” says Alessandro Pighi, head of EMEA RMBS at Fitch, speaking before the Cerberus deal was announced. “So unless warehouse pricing becomes less competitive it seems unlikely these loans will be financed via public RMBS, but there is the possibility of bridging loans being added to BTL deals but only as a minority portion of the portfolio.”

### Data centre surge

One of the standout stars in 2026 is expected to be data centre ABS and the asset class could be a hot spot for debut issuers.

“We are expecting more operators to enter the European data centre market, with about four to six transactions likely in 2026,” says Matern. “We are expecting this to be dominated by securitizing hyperscaler facilities using an ABS-style structure, as opposed to a five year CMBS.”

This asset class been the preserve of one sponsor so far in Vantage, which priced a German data centre ABS trade in May 2025.

That example proved it was possible to securitize these assets and that there is investor interest in the bonds. Plenty more sponsors are looking to follow.

It also helps that Europe CMBS, long dominated by Blackstone logistics deals, has had a phenomenal 2025 with more to come in 2026.

“For the traditional CMBS market, so not including data centres, we could see an increase in volumes of up to 25% compared to 2025,” says Matern.

Volumes spiked and more sponsors, like Carlyle, entered the market in 2025, diversifying asset types away from logistics, with retail and office components being added into some deals from Bank of America’s Taurus shelf.

This is even without mentioning Blackstone’s enormous £1.5bn private CMBS as part of its refinancing of the Haven portfolio of UK holiday parks in August.

Those in the market feel positive that this momentum is set to continue, with 47% of survey

respondents expecting between nine and 16 deals in 2026.

“For traditional CMBS we are expecting a continuation of logistics-based transactions but also potentially office transactions,” says Matern. “We may also see one or two [commercial real estate (CRE)] CLO structures. There should be a wide variety of property types on top of logistics too, for example multifamily housing backed transactions.”

There has only been one CRE CLO in Europe, Starz Mortgage Securities 2021-1, arranged by Credit Suisse.

### RMBS: new tricks

Innovation has also been the name of the game for debut issuers in the sterling RMBS market in 2025. Waterfall Asset Management priced Europe’s first home equity line of credit (Heloc)-backed RMBS with collateral from Selina Finance, StrideUp priced the first Islamic finance RMBS since 2018, and there was more activity in later life and equity release RMBS.

Equity release is likely to grow further in 2026, as there are more mortgages to work with than in the Heloc or Islamic mortgage markets, although there is plenty of growth in these sectors too.

“Of the esoteric RMBS products we have seen in 2025, equity release probably has the best chances of growing,” says Pighi, “as there have been a few deals already so from a structuring perspective there is a clear path for future deals to follow.”

Indeed, Waterfall Asset Management’s Lifetime Mortgage Funding 2024-1, priced in late 2024, was followed up by USS joining the market as a sponsor with Summerhouse 1 in August.

The deals have proven a model, where sponsors can obtain leverage by structuring matching adjustment-eligible notes for insurers’ balance sheets and then placing mezzanine bonds with traditional RMBS funds. It ought to pave the way for more such issuance in 2026.

**“For the traditional CMBS market... we could see an increase in volumes of up to 25% compared to 2025”**

Susanne Matern, Fitch

## A shot of regulatory optimism

Regulatory changes are also coming down the track that will likely provide a further boost to activity in the European securitization market.

In 2025, the most significant regulatory activity has been in the EU, with the European Commission setting out proposed amendments for its Securitization Regulation, the Capital Requirements Regulations (CRR), the Liquidity Coverage Ratio (LCR) and Solvency II.

“The June Commission proposals fired the starting gun on the legislative process, which we feel is broadly positive for the market in that it is comprehensive,” says Shaun Baddeley, managing director of the Association for Financial Markets in Europe, “but there are still some adjustments that need to be made for the proposals to be fully effective.”

GlobalCapital’s survey also reveals an optimistic sentiment among the broader market with 61% of respondents believing EU regulation was heading in the right direction, but with 53% of that subset saying the bloc was not going far enough.

Indeed, there are still some issues that those in the market are hoping will be solved before any of these proposals are implemented.

“There are some challenging parts to these proposals, like the Article 32 language which introduce potential sanctions up to 10% of global turnover for due diligence breaches,” says Baddeley. “The other challenge is that investors can’t delegate disproportionate regulatory due diligence obligations to their asset manager, which isn’t conducive for bringing back as many investors as possible.”

There is still a long way to go before any of these proposals are implemented. The European Parliament should set out its position in the spring or summer of 2026, then there will

be a trilogue process between legislators, which may not be resolved until early 2027, so the Level 1 proposals may not be implemented until around late 2027.

Despite this long timeline, the positive atmosphere could translate into more activity in securitization for 2026.

“Before Solvency II became law at the start of 2016, we saw insurers terminating their ABS mandates throughout 2013, 2014 and 2015 in preparation, as they could see the writing on the wall,” says Baddeley. “Conversely, we may expect investors to re-enter the market as regulations, around Article 5 for example, begin to look more constructive.”

In contrast to the positivity around the growing issuer base, one of the key challenges the market has faced since post-crisis regulations became more punitive is that the

investor base has shrunk. As Baddeley notes, the exit of insurers has been particularly notable.

“Before Solvency II, European insurers’ allocations into ABS was around 7%-9% depending on the business model,” he says. “Now it’s closer to 1% of their investments, so it’s clearly possible to get that number higher.”

Regardless of the slow pace of regulatory change, the market expects the investor base to grow in 2026, with 87% of survey participants saying so.

“I think the main thing for the market to improve in 2026 is that we need to see more investors enter,” says Société Générale’s Coeroli, “especially at the senior level.”

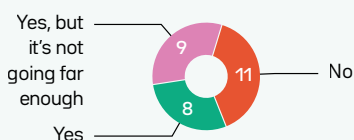
Even without the regulatory changes, geopolitical uncertainty will make the stable and defensive nature of securitized assets a big selling point for many investors in 2026.

“There is a focus on income and people looking for diversified options in their portfolios,” says BlackRock’s Galustian. “With the macro uncertainty, securitization can also play a role if you don’t want your rates exposure with your credit exposure. Given so much of the securitized market is floating rate, you typically have less sensitivity in securitized portfolios to changes in interest rates. Those things will continue to play out and securitization can play quite nicely into that.”

That could be heightened if markets continue to experience bouts of volatility in 2026.

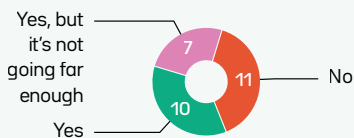
“Whenever we see volatility in the equity and unsecured debt markets, we tend to see a corresponding uptick in structured credit,” agrees Linklaters’ Vickery. “If we see such volatility in the coming months, I would expect to see investors looking at public and private securitized products. Further regulatory reform will only help increase the supply.”

### Are you happy with the direction EU regulation is heading?



Source: GlobalCapital’s market survey

### Are you happy with the direction UK regulation is heading?



Source: GlobalCapital’s market survey

There is also room to innovate within established securitization asset classes, for example by grouping assets that have rarely been securitized together before.

“We think we might see some changes to existing products,” says Pighi, “so for buy-to-let there is a push for including mixed use and small commercial assets as their yield is higher than standard residential BTL. We’ve seen this happen in the Netherlands, so the UK is likely to follow.”

Together, the UK specialist lender, has been originating and securitizing small ticket CRE loans for years, although its lending is often judged to be at the riskier end of the spectrum. Other lenders have taken an increased interest in the sector too, with Enra, a UK

specialist property finance company, launching a commercial mortgage product in October, after running a pilot earlier in the year.

### Don’t stop the structuring

There has also been innovation in structures. UK SME credit card provider Capital on Tap became the first non-bank lender to launch a master trust since NewDay in 2015. Bank of Ireland UK launched a new UK RMBS master trust debut, while France’s BPCE did the same with French mortgages.

More such structures are expected in 2026. “One of the themes of 2025 has been around issuers taking advantage of positive or stable market windows, as we saw in September, the busiest month of supply since May,” said

Challenger’s Rowlatt. “We expect this feature of the market to continue and to benefit those issuers who have master trust structures or repeat issuance platforms as they are able to be much more flexible given the speed to market for new issues.”

Banks and specialist lenders appreciate the flexibility the master issuer structure brings, so are willing to pay the high costs of setting one up with the intention of staying in the market for the long haul.

Whether it is through new assets, new issuers or new structures the stage is set for European securitization to step up again in 2026. ©

Additional reporting from George Smith



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Sleeping giants awaken



Topiary and private credit CLOs



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Discretionary commission in the rear view mirror



The seesaw of CLO mezz



Sharia compliant RMBS gets into its stride



Another Fine Thomas



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A baker's dozen of loan types



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