

Lavide Market Insights: Global ABS 2025

A Big-Picture View of the Credit and Debt Market

While members of our team have been attending Global ABS for years, this marked the first time Lavide joined as a company. It's one of the rare moments when Europe's entire structured finance world—and a healthy dose of US capital participants—gathers in one place.

This memo summarizes the key trends, emerging asset classes, and market signals highlighted during the conference, which are shaping the near-term future of private credit and structured finance. **These insights reflect perspectives shared by conference participants and do not represent Lavide's forecasts, positions or investment decisions.**

General Overview

Over the past few years, following the low-interest peak in 2020 and 2021, the credit and debt market has experienced structural shifts. The private structured finance debt market continues to stand out in terms of volume, liquidity, and asset diversification relative to the public structured finance market. Spreads have been volatile in both markets, for instance affected by [Trump's Liberation Day](#) and resulting uncertainties, but no fundamental changes to asset-backed deals were reported.

Geographically, the US remains the largest structured finance market, supported by its scale, integration, structure, and liquidity. Europe shows potential for the highest relative growth if it advances toward a more efficient regulatory environment, enabling structured finance transactions similar to the US federal system. The Asia-Pacific (APAC) and Middle East regions are currently fragmented, yet they harbor vibrant markets that have the potential to reshape the global landscape. Within the next few years, many economies are expected to reach a turning point where national bond issuance alone will no longer meet capital needs of private market participants, thereby increasing incentives to develop securitization frameworks that are able to compete with the sovereign debt capital markets activities with offerings of similar low risk securitization transactions, especially in the APAC region.

Asset diversification has been a predominant theme after 2020-2021, where public MBS reached their peak volumes. The emergence of new asset classes has become a massive opportunity for non-bank lenders, backed by private debt funds and asset managers who

have specialized themselves in these new asset categories, such as fund finance and secondaries, energy, data centers, mobility, equipment leasing, consumer funding, patents, royalties, and other cash-generating esoteric assets alike.

A funding gap remains between originators and institutional investors. Institutional investors direct exposure to the real economy is particularly shaped by investments in risk free sovereign debt. To optimize the yield in the investment portfolios institutional investors rely on synthetics or Significant Risk Transfer transactions mitigating credit risk of originators, for short term investments during the ramp-up phase of the asset backed portfolio and for long term investments in subordinated or mezzanine medium to long term instruments. As a result, private debt funds and asset managers have become the primary sources of funding for non-bank lenders.

Non-bank Lenders

Non-bank lenders have become highly specialized across a wider variety of asset classes. They are uniquely positioned to invest closer to the real economy because they can move quickly and evaluate more complex cases at scale. When a new asset type emerges, it is often very difficult for traditional banks or institutional investors to adapt their systems and frameworks to capitalize on these opportunities in a time-to-market routine. This is precisely where the private market and non-bank lenders have excelled: providing fast and efficient liquidity to new asset classes where banks cannot compete.

As highly specialized lenders, the challenge for non-bank lenders is to find sufficient volume within a specific niche product to access institutional funding and further scale. The private debt market has been instrumental in this ramp-up phase, as more private debt funds and asset managers have expanded the scope of their investment mandates.

Next to scale, non-bank lenders need to reach a sufficient level of institutionalization (in terms of operations, risk management processes, and reporting) that would make them “bankable”. So far, this has been a bottleneck for many non-bank lenders with the consequence of limited access to institutional funding.

Notes on Specific Asset Classes

Asset-backed Commercial Paper (ABCP) has regained momentum in recent years after a disappearance of this market after the global financial crisis. ABCP structured benefit from the scale of the platform and the infrastructure set up in the program, and giving access to small and medium sized businesses to the platform funding capabilities. Traditionally, ABCP platforms served as refinancing instrument for trade receivables portfolio of real economy small and medium sized enterprises.

Significant Risk Transfer (SRT) transactions are almost exclusively structured as private securitization market transactions. They offer investors the ability to earn equity-like returns commensurate to the higher risk profile of the relevant mezzanine or junior tranches being sold to the investors acting as protection seller. At the same time, SRT is a common equity tier 1-release route for originators resulting into significant capital relief for regulatory purposes. SRT returns remain difficult to predict, as they depend significantly on the underlying assets. Traditionally, Significant Risk Transfer (SRT) transactions have been reserved for mortgage-backed securities (MBS) and small- and medium-sized enterprise (SME) exposures, primarily used by banks to manage capital requirements. However, other asset classes are increasingly becoming eligible for SRT transactions.

Solar & Renewable Energy Assets are emerging as a niche but growing segment within the private securitization market, particularly in Europe. While the US market has already reached scale, Europe is still in its early stages, comparable to where the US was in 2015–2016. Most EU deals remain private, typically smaller in size, and are driven by new originators and warehouse-backed structures rather than capital markets.

The asset class broadly splits into two types. Residential solar loans that resemble consumer finance and C&I solar assets that align more with development or project finance, where risk hinges on offtake agreements, licenses, and the stability of future energy distribution cash flows.

The market remains fragmented, with few public deals and high upfront costs, but momentum is building. First-time issuers, such as [Enpal in Germany, with backing from the EIB and EIF](#), signal growing institutional interest, despite the market remaining largely private for now.

Collateralized Loan Obligations (CLOs) have remained structurally unchanged over the past decade, with limited new issuance and a lack of fresh capital. In Europe, only a small portion of last year's loans were new, while credit risk for issuers continues to rise. CLO managers face a tight environment, with lower yields prompting them to seek riskier assets to maintain returns. Because many vehicles are resets or reissues and few have real liquidity, equity opportunities are primarily found in the primary market.

Data Centers represent a significant and rapidly expanding asset class, with forecasts indicating continued robust growth. Financing is typically provided through single loans, often structured similarly to real estate transactions, featuring 5-year amortization and 25-year cash flow sweeps. Key structuring considerations include insolvency remoteness, tax risk, and property ownership. Access to sustainable power and effective cooling systems is critical for long-term viability, while improvements in chip efficiency may reduce future space requirements. The US market is large and well-established,

while the European market is smaller and more fragmented. Still, it offers considerable growth potential, despite some regions already hosting multiple data centers.