

Aparna Sehgal Discusses European CRE Recovery with *Structured Credit Investor*

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Winston & Strawn partner Aparna Sehgal spoke with *Structured Credit Investor* to discuss the findings of the Bayes Business School's latest [European Commercial Real Estate Lending report](#) and the legal issues and trends underpinning them. In addition to valuable data on deal volumes and covenant and pricing terms, the report on European real estate debt markets offers insight into how underlying funding structures and bank participation through the repo/loan-on-loan market are shaping the recovery of different real estate markets at a national and sector level. According to the report, U.K. property values and deal activity have rebounded faster, while European markets remain challenged by a mix of stalled development sales, rising capital costs, and stricter environmental upgrade requirements hold back volumes.

Aparna described the shift towards more private credit sourced funding as less a battle for market share and more a pragmatic partnership between different sources of capital. "I see the debt funds and the banks working collaboratively," she noted. "Back leverage lets banks maintain exposure to CRE while optimizing capital treatment, and it gives debt funds cheaper liquidity. When it works, it's a virtuous cycle – more competitive pricing, more capital, more transactions, and more price discovery."

In the U.K., non-bank lenders hold about 40% of the CRE debt market, where market penetration is still between 5% and 15% in France, Germany, Spain, and the Netherlands due to bank dominance.

The legal structuring of back-leveraged financings has also evolved. Aparna highlighted a surge in 'day-one' loan-on-loan structures pre-arranged at closing, allowing funds to write larger cheques from the outset. The key, she said, is aligning risk appetite, collateral quality, and regulatory constraints across the bank–fund interface. "Pricing is part of the equation, but trust and track record matter just as much," she added.

With transaction volumes still below pre-2022 levels, Aparna urged cautious optimism. "We're all in the starting blocks," she said. "The laces are tied, the track is in sight. The question is when the starting gun goes off."

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