Proskauer

2025 Private Credit Survey Shows Enthusiasm for Dealmaking and Lending in Year Ahead

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Annual Proskauer Survey Shares Market Insights from More than 150 Private Credit Clients

NEW YORK and LONDON, February 3, 2025 – Leading international law firm Proskauer today shared its 2025 Trends in Private Credit report, highlighting market participants' strong belief that 2025 is expected to be an exciting year for dealmaking, with 91% of respondents stating they expect deal activity to increase in the coming 12 months. Proskauer's Trends in Private Credit report is an annual survey of private credit firms across the United States, United Kingdom and mainland Europe, and this year includes insights from more than 150 private credit clients, managing more than $4.1 trillion. 58% of respondents in this year's report were managing directors or partners at their firms.

As optimism grows, survey respondents ranked the factors driving deal flow similarly to 2024. Respondents continued to position *Sponsors Seeking Realizations* as the most important factor, with 85% of respondents ranking that category first this year and *Dry Powder Levels* as second (27%). Of note – and adding to this year's positivity – is the rankings given to *Inflation/Macroeconomic Risks* as the most important driver of deal flow at 13%, a drop of more than 50% from the prior year.

"We have not seen this level of excitement in the market since 2021, which is not surprising given how incredibly challenging the deal environment has been in the past few years," said Stephen A. Boyko, co-founder of The Private Credit Group. "The sharp decrease in respondents citing inflation/macroeconomic risks as a driver of deal flow likely indicates that lenders see a less risky deal environment, or at least, they are more comfortable doing deals in this environment."

In addition to the factors driving deal flow, the survey asked for thoughts on the major challenges private credit lenders are facing today. *Lack of Alignment on Purchase Price* (43%), *Competition* (36%) and *Lack of Quality Assets in the Market* (25%) were respondents' biggest concerns in the year ahead. However, while challenges persist, this is a significant improvement from last year when *Inflation/Macroeconomic Risks* was the top-ranked challenge.

"As the market has grown, competition is getting incredibly fierce. Banks, new entrants and incumbents are all targeting the same assets in many instances," said Daniel Hendon, a London-based partner in Proskauer's Private Credit Group. "For the right, high-quality asset, lenders are willing to write bigger checks, but those assets are harder to find."

The report also asked lenders about hot topics in 2025 such as asset quality, portfolio health and acquisitions and expansion plans.

Additional findings include:

- 50% of respondents made 25 investments or less in 2024, indicative of the challenging market last year. However, 99% of respondents said they are looking for new opportunities today.
- Nearly half (49%) of respondents said their firm's check size increased in the past 12 months. Almost a quarter (22%) of respondents said that check size has increased by more than 25%.
- 82% of respondents said their firm is currently raising a debt fund, with an even larger number (89%) stating they plan to raise a debt fund in the year ahead.
- 17% of respondents said they expect higher pricing in the next 12 months. This is the lowest number seen over the past five years other than 2021 (8%) and 2022 (also 17%).
- Just over half of respondents expect no change in defaults (52%) in the coming 12 months, a marked change from 2024 when 59% of respondents expected more default rates in the year ahead.
- Respondents ranked *Collateral Leakage, Allowance of Addbacks to EBITDA,* and *Flexibility to Incur Additional Indebtedness* as the concessions that posed the greatest risk to lenders, with 42% citing *Collateral Leakage* as their top concern.

The 2025 Trends in Private Credit report includes insight from 152 respondents from private credit firms, 81% of which were in the United States and 19% of which were in the United Kingdom and Europe. 55% of this year's survey respondents came from firms with $10 billion or more in assets under management (AUM), and another 32% came from firms with between $1 billion and $9.99 billion in AUM. The remaining 13% came from firms with less than $1 billion in AUM.

About Proskauer

The world's leading organizations and global players choose Proskauer to represent them when they need it the most. With 800+ lawyers in key financial centers around the world, we are known for our pragmatic and commercial approach. Proskauer is the place to turn when a matter is complex, innovative and game-changing. We work seamlessly across practices, industries and jurisdictions with asset managers, private equity and venture capital firms, Fortune 500 and FTSE companies, major sports leagues, entertainment industry legends and other industry-redefining companies.

Working at the intersection of private capital and the sectors in which market players invest, we advise cutting-edge clients as they navigate complex challenges and seek to capitalize on market opportunities. Proskauer offers an integrated platform that navigates clients through the full lifecycle of their business.

The Firm's Private Credit Group is made up of cross-disciplinary finance and restructuring experts exclusively dedicated to private credit investors. It includes over 110 finance and restructuring lawyers focused on representing credit funds, business development companies and other direct lending funds in the restructuring of "clubbed" and syndicated credits, preferred equity, special situations and alternative investments. Over the past five years, Proskauer has been involved in over 1,200 deals for more than 100 private credit clients across the U.S. and Europe with an aggregate transaction value exceeding $350 billion.

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- **Gary J. Creem**

Partner

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  Partner
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  Partner
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