

LBPAM
EUROPEAN PRIVATE MARKETS

Insight

2025: a tale of two halves for the unlisted market, paving the way for a profitable year in 2026

2025 has been a tale of two halves for the unlisted market, in Europe especially. During the first half, dominated by the policies implemented by the second Trump administration in the United States, fund managers adopted a “wait and see attitude” amid economic and financial volatility. Things picked up pace in the second half, as market participants acclimatized to the new environment.



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After a rocky period in 2023 and 2024, unlisted and private assets have found firmer footing in 2025, evolving from a peripheral allocation to a mainstay of institutional portfolios. After five years of reassessing portfolios amid higher rates, capital flows are stabilising, refunds are being processed, and deployment is resuming.

Remarkably, new entrants continued to emerge in 2025 – and not just from the retail segment. While the democratisation of the unlisted market remains under way, institutional capital from various global markets is still discovering private assets for the first time. The current macroeconomic environment supports this momentum. Family offices and the broader wealth management channel are allocating more capital to private assets, adding another dimension to the market's growth.

In Europe, private equity fundraising reached approximately €100 billion by the end of Q3 2025, still down compared with 2024 (37%)¹, but with a recovery momentum that should bring 2025 closer to last year's levels, without fully matching them.

ADJUSTING TO GEOPOLITICAL SHIFTS

While geopolitical tensions persist as background noise, the broader macro picture remains relatively stable. US tariffs have been exerting pressure on certain balance sheets depending on sector exposure, supply chain configuration, and revenue sources, yet deals continue to move forward.

Most affected businesses are those pursuing international expansion in specific sectors. Some companies continued to perform well in 2025 – and are on track to robust growth in the coming years – because their operations remain predominantly European or locally focused.

China's reduced access to US markets is also starting to redirect lower-priced goods toward the European Union, which can disrupt business plans for European companies. The corollary is what might be called the «Chinese effect»: how reduced Chinese participation in global trade flows impacts individual business models. Investors need to examine both dynamics carefully. Even ostensibly local businesses can face pricing pressure from these shifts.

1. Source : Preqin, Private Equity Q3 2025 Quarterly Update, November 2025

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2026 AND BEYOND: SECTORS POISED FOR GROWTH

→ ESG: entering a new phase

After five years of rapid development, ESG and ESG investing have entered a phase of consolidation and standardization. While the pace of evolution has slowed, sustainability considerations remain embedded in investment practice.

Headlines may have suggested otherwise these past two years, but European capital is still flowing toward decarbonization and social impact investments. Major insurers maintain climate change targets, even if some have adjusted timelines or moderated ambitions. While the USA has undergone a shift away from sustainability analysis, it has become fundamental to the DNA of many European players – the legacy of decades of focus that will not easily reverse. The key evolution is one of maturation rather than retreat.

→ Infrastructure: a strategic repositioning

Once housed within private equity allocations before spinning out as a standalone category, infrastructure is now being integrated into broader real asset portfolios. This shift partly reflects rebalancing away from real estate, which has struggled over the past three to four years. Secular tailwinds support continued growth: decarbonization mandates, social infrastructure needs, and general infrastructure deficits create demand across the globe. The definition of infrastructure itself is expanding to encompass digital infrastructure and battery energy storage system alongside traditional renewable energy assets, thus broadening the investable universe.

Improving economics and deployable capacity are strengthening the investment case, particularly where storage can be paired with solar assets. Data centres proliferate and face increasing pressure to meet environmental standards.

→ Healthcare: favourable demographics and decreased cost pressures

Healthcare remains an attractive sector, particularly in Europe. While input pricing requires careful monitoring, moderating inflation has eased cost pressures. The demographic element – aging populations driving sustained demand – provides a durable investment thesis that supports continued capital deployment in the sector.

→ Outsourcing and business services: scalability, efficiency and growth potential

Outsourcing services and facilities management present numerous opportunities as asset-light businesses with substantial growth potential. These companies can scale both nationally and across continents without heavy capital requirements. Technology-enabled business services are particularly attractive, especially firms integrating AI to transform their operating models. The combination of scalability, capital efficiency, and technological enhancement creates a favourable risk-return profile.

→ Dual use: a growing trend for 2026

Dual-use companies – businesses serving both civilian and defence markets – emerged as a notable trend in 2025 and are expected to gain further momentum in 2026. These enterprises produce goods with everyday commercial applications that can also serve defence purposes. A 3D printing company, for instance, might manufacture consumer products while also producing drones. This dual mandate provides revenue diversification and resilience, positioning these businesses to benefit from both commercial growth and increased defence spending.

From 2026 onwards, rigorous fundamental analysis will be key: understanding a company's growth potential, whether it's asset-light or asset-heavy, its cash generation profile, and its capital expenditure requirements. When Capex needs are substantial, assessing the implications for the underlying business becomes critical.

Given the array of factors that can affect any given company, fundamental credit work and valuation discipline have never been more important. Leverage must be evaluated in context: for instance, AI companies typically carry higher leverage than infrastructure or industrial businesses, while healthcare can exceed manufacturing. Each sector has its own dynamics and should be evaluated accordingly.

REAL ESTATE: AN INFLECTION POINT IN 2025-2026?

Meaningful shifts in allocation patterns are expected over the next few years in the real estate market. Recent weakness in demand reflects a specific structural dynamic rather than a fundamental loss of confidence in the asset class. A significant factor is the position of insurance companies, which carry substantial real estate exposure on their balance sheets – a pattern consistent across countries and continents.

This stems from the distribution side of the business: insurers have been selling real estate-backed products to retail investors for decades. The democratization of private assets is often discussed as a recent phenomenon, but real estate has been democratized for twenty to thirty years through semi-liquid funds with real estate underlying assets.

As these products expanded globally, insurers built significant exposure through both distribution and core allocations. They are now reducing and rebalancing these positions, which has weighed on demand. This is a transitional phase: once adjustments are absorbed, investment flows should normalise.

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