Real estate debt myths and facts

Myth / Fact

Myth: Private real estate debt does not represent a meaningful portion of the real estate market

Fact: **Private real estate debt is the second-largest segment of the real estate market**

The total amount of outstanding private real estate debt globally is approximately $11.9 trillion in 2025*, making it the second-largest segment after private equity real estate.

Source: PGIM

Myth: All private real estate debt investments are the same

Fact: **Debt investing offers a broader spectrum of risk and return opportunities than equity**

There are several positions within the capital stack, and they offer substantially different risk-return profiles. As a result, investing in debt can be even more diverse than investing in equity.

Myth: Private real estate debt delivers lower returns than private real estate equity investments

Fact: **Higher returns than some equity funds**

On top of offering capital preservation, private debt investments have generated higher returns than most core real estate equity over the medium term.

Myth: The risks factors of investing in private real estate debt and equity are the same

Fact: **Different risks for the same asset class**

Both real estate debt and equity investors are exposed to underlying real estate fundamentals. However, to manage risk, real estate debt investors additionally focus on loan structure, covenant protection, borrower quality, collateral value and refinancing risk.

Myth: The risk of investing in private credit is similar to investing in private real estate debt

Fact: **Backed by real assets, private real estate debt provides lenders with an extra layer of security**

Unlike many forms of corporate private credit, private real estate debt is typically secured by tangible real estate collateral. As a result, lenders often benefit from additional downside protection through the underlying asset and loan security package.

Myth: Back leverage is bad

Fact: **Back leverage adds a bit more risk to boost returns**

Back leverage increases both return potential and risk. When used prudently, it can improve capital efficiency while maintaining a more senior position in the capital structure than that of equity investors.

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