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NEWS & ANALYSIS

QuadReal's next debt frontier

The Canadian firm's Prashant Raj and Derek Richter explain why Europe's real estate private credit market is a match for pension fund capital.

For QuadReal Property Group, the real estate investment business of British Columbia's public sector pension scheme, Europe is the next step as it grows its real estate private credit platform.

The Vancouver-headquartered manager's mandate is to put to work pension capital from its parent, British Columbia Investment Management Corporation, one of Canada's so-called Maple Eight pension funds. At the end of 2024, according to PEI Group data, BCI had a $25.7 billion real estate allocation, the third largest of its Maple Eight peers.

Prashant Raj, president, global debt at QuadReal, is responsible for leading the evolution of its lending business. The strategy is a relatively new one for the longtime real estate equity manager, which launched a direct origination debt program in 2021.

At that point, the firm's lending portfolio was circa C$6 billion ($4.3 billion; €3.7 billion) by taking on a portfolio of Canadian debt assets from BCI, and now stands at C$15.4 billion. Establishing the North American business was the priority, and in 2025 it completed C$4.9 billion of originations.

"Over the last five years we've grown our market presence and portfolio pretty dramatically," says Raj. "We've done in excess of C$17 billion of investments in the last five years, and we've experienced repayments of about C$12 billion."

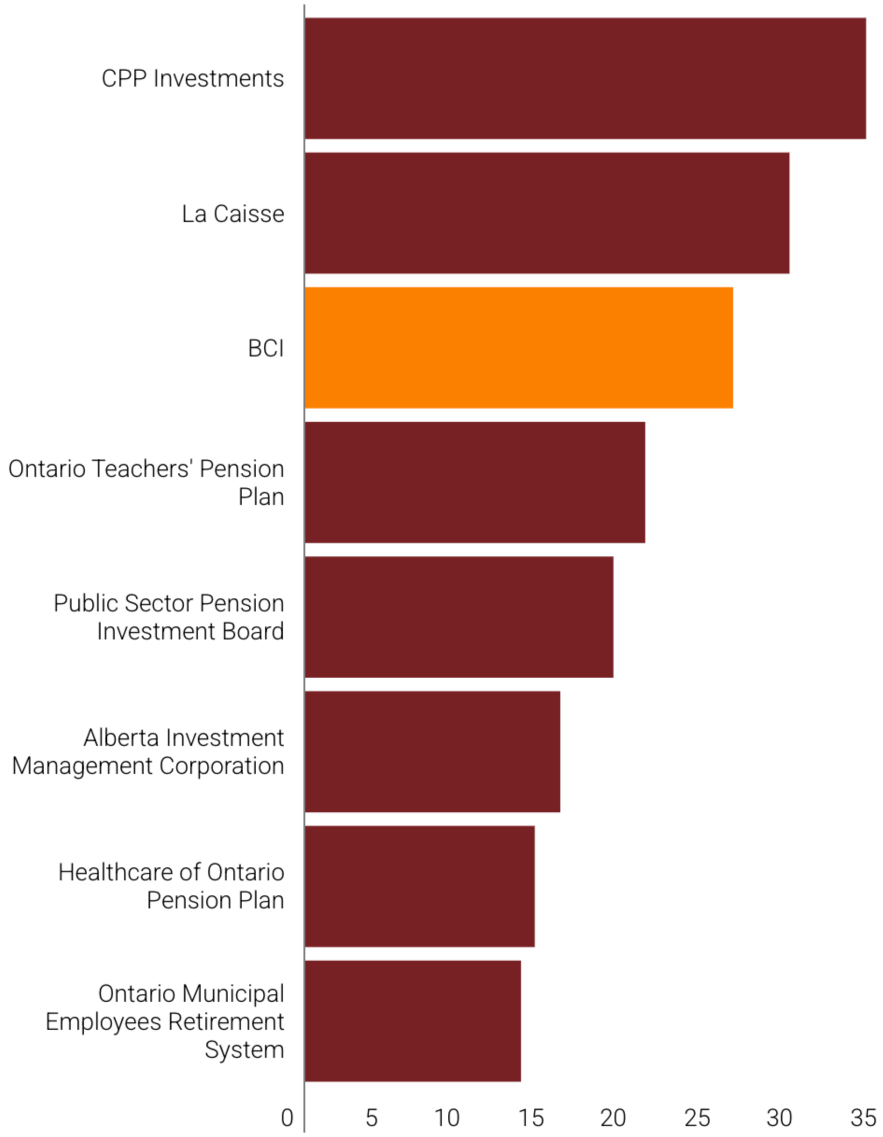
Attention has now turned to Europe, which Raj believes presents the right conditions to achieve its origination goals. New York-based Raj meets PERE in London, on a visit to coordinate the build-out of QuadReal's platform. This includes its next step – a push into continental European lending markets following its first clutch of deals in the UK.

"We have C$3.5 billion set aside to focus on Europe," explains Raj. "If that turns out to be C$5 billion, that's fine too. We're well capitalized and we don't rely on back leverage to transact in any of our jurisdictions."

Since October 2025, when QuadReal announced its intention to invest in European real estate credit through a direct lending platform, the firm has closed £275 million ($366 million; €322 million) across five loans.

Prashant Raj

BCI, QuadReal's parent organization, had the third largest real estate allocation among its Maple Eight peers at end of 2024 ($m)



Source: PERE Global Investor 100 ranking 2025

Joining Raj for the discussion is Derek Richter, senior vice-president, debt investments at QuadReal, who relocated from New York to London last May following more than four years with the firm. Richter explains the firm is at a key point in its expansion plan. "For the first 12 months, we've been focused on building out our presence here in the UK. We are now starting to focus on expanding our lending capabilities onto the continent and Ireland."

The initial focus is Ireland, Spain, the Netherlands, Germany, Sweden and Denmark.

"[We'll] do the same exercise as in the UK, building up our presence. I've found here in the UK our capital is competitive and differentiated," says Richter.

Raj adds: "We think there's going to be a meaningful opportunity for our capital to be deployed in Europe, in attractive risk-adjusted assets, so we expect to go after European assets in a big way, beginning now."

Over time, can Raj see Europe rivaling the US as a source of debt deals? "Yes, if the opportunity materializes, we have no issue with our European portfolio being half our book or more," he says.

"The way we're thinking about it right now, our North American effort just has a head start, but our expectation is the share of our portfolio in Europe will get up to between 25 and 30 percent in the next five years – though I'm happy to be pleasantly surprised to have more assets."

Perpetual capital

Traditionally, Canada's largest retirement systems owned arms-length property businesses to marry their perpetual capital with active real estate investment programs. In recent years, some have brought these functions in-house, in cases citing efficiency and cost savings. This has included lending businesses. Last year, Québec's La Caisse internalized its Otéra Capital debt business as well as its Ivanhoé Cambridge equity business.

Today, QuadReal is among the few independent real estate managers owned by the Maple Eight, particularly when it comes to credit. Although La Caisse is understood to have a larger real estate debt portfolio – now in-house – of around C$30 billion, BCI via QuadReal is likely to be the next most active of the Maple Eight in the asset class.

Raj explains the push into European real estate credit fits into QuadReal's investment thesis. "We're very patient capital," he explains. "It's capital that is incredibly suitable for real estate finance because it's long dated."

BCI has an allocation to real estate through which it directs capital to equity and debt. "We look to be as fully invested at any given point in time, because that's in the interests of the members of our pension plan. But we always carry some excess dry powder for tactical and opportunistic investments. That gives us a lot of operating flexibility when things get bumpy."

QuadReal is targeting unlevered senior debt returns in the high single digits, although it can aim higher if the opportunity presents itself. "If the capital stack we're lending into includes a chunk of subordinate debt, we can do stretch senior. Our costs of funds go up."

Most of QuadReal's debt investments are three- to five-year floating-rate financings. Richter adds return targets differ by market. "We hedge everything back to the Canadian dollar, so the return profile in the UK looks different to continental Europe. The UK is very similar to the States, with high single digits-plus IRR, while on the continent we do pick up on the hedging, so it tends to be slightly lower."

Development finance is one avenue through which QuadReal finds the yield it targets. "On the standing assets [such as]

Derek Richter

pure stabilized build-to-rent, that's going off a 165-basis points margin – we can't compete with that," says Richter. "Where we have had success on standing assets is self-storage portfolios in lease-up, newly built, where we like the locations a lot. Our capital is best suited where there's some transitional risk, or development, along with subordinated opportunities on stabilized assets."

While back leverage is market standard in the US, and moving toward becoming so in Europe, Raj explains QuadReal's strategy is designed to ensure it is not required. "Applying leverage selectively is a useful way to manage cash and optimize returns. But we never want our business to be predicated on the application of leverage, because when done the wrong way, or in the wrong scale, leverage can become constraining and problematic."

At any point, QuadReal's loan portfolio is levered to around 15 percent to 20 percent says Raj. "We don't rely on it. Everything we do is for our balance sheet. So, we're eating our own cooking. We're not syndicating it. We're not securitizing it. We'd be happy to own all the assets."

Competitive conditions

Europe's real estate debt market can represent a suitable outlet for pension capital managers like QuadReal, although it is a competitive space, notes Chris Gow, head of debt and structured finance in the region for CBRE.

"We're not short of liquidity in the market, although we often lack the pace of getting deals done," Gow explains. "But having a firm like QuadReal target Europe underpins the attractiveness of real estate debt in the region as an allocation, because the risk-adjusted returns in debt are compelling."

Gow says investors and managers seeking high single-digit returns can find suitable deals in the region but warns many lenders remain under-allocated because of the level of competition. Pension capital, Gow adds, is often favored by sponsors as it is viewed as a stable, long-term source of capital. "From a borrower perspective, if you know the capital is from a vanilla capital provider like a Canadian pension fund, that's a comfortable place to be."

QuadReal's European push is not the first time a Canadian pension fund, or one of their in-house managers, has targeted the region's lending market. CPP Investments has lent in the region for more than a decade, for example. Meanwhile, Alberta Investment Management Corporation has also invested, mainly indirectly.

Richard Day, head of debt advisory based in London within the capital markets team of Toronto-based property services firm Avison Young, comments: "When it comes to debt, Canadian pension funds have had a variety of experiences when deploying into Europe, certainly when market-facing. So far as a direct lender Quadreal has been able to deploy effectively, benefitting from competitively-priced capital and a strong understanding of the risk/reward metrics at play."

Day notes some managers of Canadian pension fund capital have been able to build larger books in North America versus Europe given perceived better risk-adjusted returns available there. However, he believes sponsors in Europe are keen to borrow from them. "Sponsors look at global institutional debt capital sources favorably given their prudent approach to investing and long-term relationship-led mindset."

He adds: "Over time, I expect we will see more of the Canadian pension funds investing in European debt seeking fixed income-adjacent products as their policy holder base ages and they need more predictable income."

Raj explains the challenge for a manager of pension capital with a long-term strategy is navigating the ebbs and flows of the market. "Sometimes, you have your pick of the deals and sometimes it's hypercompetitive. At any point in time, we want to be keenly aware of the risk we're taking, be comfortable with it and be paid for it. So, depending on where we are in the market cycle, our view is, given our cost of capital, if the risk premium doesn't fit the risk, it's not for us. When we find opportunities where the premium and the risk align, that's where we're most powerful."

He adds: "Our intention is not to compete with people on all the same things all the time, because different parts of the market get extremely commoditized for credit. We try to find parts of the cap stack that make sense to us at any given point."

Selectivity on sectors is important too. According to Raj, QuadReal has "tried to spend as little time as possible" on sectors that do not align to its strategy. "We have zero life sciences exposure, which a number of our competitors got their clocks cleaned on. We haven't done any pure-play office financing since the end of the pandemic. We've been very careful about retail."

The firm is focused on logistics in certain markets, as well as various formats of the living sectors including build-to-rent and purpose-built student accommodation. "We like self-storage, purpose-built medical office, and if we can find the right yield, we have a very specific thesis on data centers and we're looking for more exposure," Raj adds.

Partnership opportunities to be explored

As QuadReal expands its lending across Europe it will consider joint ventures

Derek Richter, who runs QuadReal's European lending strategy from London, expects the firm to build its presence in continental Europe market-by-market.

The capital itself is not ringfenced by geography. Prashant Raj, president, has global discretion over the firm's credit allocation and Richter will draw from the same pool used to lend in North America.

Richter flags the €50 million-€80 million segment as underbanked and ripe for capital. Sector convictions carry over from the UK: build-to-rent, student housing, industrial and logistics, with self-storage gaining momentum. "We can pivot based on where we see the opportunity for our capital," Richter says.

QuadReal plans to capitalize on its existing equity and research staff already active in the UK, supplemented by joint ventures with firms with local expertise. It is a strategy the firm undertook in the UK, when, in 2023, it established a lending partnership with London-based manager Precede Capital Partners, preceding its decision to establish a direct lending platform.

"We would be interested in entering into joint ventures with people who already have boots on the ground. We're talking to a handful right now," Raj adds.

Investor appetite

While some types of lenders lean in and out of the real estate debt market, Richter says pension capital is a stalwart. "The trajectory for pension fund capital, institutional capital is linear. It is going up gradually year-on-year. The Canadian pension plans have done an incredible job of managing their assets in comparison to their liabilities, so virtually all of them are overcollateralized and over funded."

Speaking about the wider market, Raj says that investor appetite for real estate debt is partly due to a renewed focus on cashflow. "What we have seen from investors is a move towards income as opposed to value. I think people may have gotten tired of waiting on value to arrive, certainly in real estate. So real estate credit becomes very, very attractive because we're very much an income strategy."

Raj views pension fund capital as a long-term facet of the real estate credit industry but acknowledges wider capital sources' appetites change with market conditions. "At this point, most allocators will say they plan on having a long-term meaningful allocation to real estate debt. But in five years, when the equity opportunity is double digits, we'll revisit and see how long-term it was."

However, he emphasizes the investment opportunity for real estate lending will remain attractive for at least the medium term. "There's going to be a lot more capital allocated to real estate credit," he says.

And while other types of lenders are active, he sees plenty of runway in the asset class for firms like QuadReal. "I think the overall pie is going to grow. There's plenty of room for banks and insurance companies. But I think alternative lenders have found our niche and we're not going anywhere."

Reading the data

As QuadReal builds out its European real estate lending, data centers are in its sights

Building on its experience of data centers in the US, QuadReal is exploring the sector in Europe. It favors assets with low-latency fiber access and long-term leases to investment grade hyperscalers.

According to QuadReal's president, global debt, Prashant Raj, the firm is most comfortable financing construction itself, once a landlord has signed a long-term lease for a build-to-suit project, but avoiding power delivery risk. Such loans are likely to be refinanced by a project finance or infrastructure lender, enabling QuadReal to exit before the lease even starts.

"As a lender, we really like the short-term risk associated with building a data center because it actually addresses a lot about looking forward to getting your money back and getting refinanced," he explains.

"If an owner-operator signs a long-term lease with a quality credit tenant and then enters into a build-to-suit, we're very happy to finance that. So, as long as we aren't taking risk on the delivery of power, we can go very high up the capital stack to finance the development, because by virtue of having a long-term lease there will be a lender that will take you out."