

Industry growth softening as global alternatives market AUM to reach \$24.5tn by 2028 — Preqin forecasts

Global private debt AUM forecast to reach an all-time high of \$2.8tn, close to double the 2022 figure of \$1.5tn

LONDON, 17 October 2023 – Today [Preqin](#), the global leader in alternative assets data, tools, and insights, published the [Future of Alternatives 2028](#) report, bringing together data and insights to highlight Preqin's latest industry forecasts¹. Headline figures show that global alternatives assets under management (AUM) are expected to reach \$24.5tn by the end of 2028, compared to an estimated \$16.3tn at the end of 2023. This represents a forecast annualized growth rate of 8% over the forecast period of 2022 to 2028². The Preqin report also found that global private capital fundraising³ is set to reach \$1.49tn by 2028, from \$1.32tn in 2022.

Direct lending to push global private debt AUM to \$2.8tn by the end 2028

Private debt has weathered another challenging year, yet investors say they are satisfied with the results. Responses to the [Preqin Investor Outlook: Alternative Assets, H2 2023](#) suggest the outlook for private debt remains bright, despite macroeconomic difficulties. Of survey respondents, 90% said that private debt met or exceeded expectations.

Preqin's forecast models show that global private debt AUM will grow at a compound annual growth rate (CAGR) of 11% from 2022 to 2028, to reach an all-time high of \$2.8tn – almost doubling the 2022 figure of \$1.5tn. Private debt performance is expected to be stronger than in the past, thanks in part to a positive outlook for distressed debt strategies. For 2016 to 2022, its internal rate of return (IRR) was 9.11%, a figure forecast to rise to an average 9.81%, from 2022 to 2028.

Breaking down these number per region, private debt AUM targeting North America is expected to increase substantially, from \$1.0tn in 2023 to \$1.7tn by the end of 2028. Meanwhile, AUM targeting Europe is forecast to grow at 14% over the same period to \$0.9tn by 2028, showing the market demand for funding amid more challenging financial market conditions.

Venture capital set to overcome adjustment

Preqin's forecast for venture capital (VC) AUM has been revised down, with a new forecast AUM for 2027 of \$3.5tn, from \$4.2tn as cited in [Preqin Special Report: The Future of Alternatives in 2027](#) report, published in October 2022. VC AUM is set to reach \$3.8tn by the end of 2028, according to Preqin's forecast models. The latest forecast for the asset class's CAGR for 2022 to 2028 is 14%, revised down from 19%. This revision is due to worse-than-expected growth in funds targeting North America in comparison to the 2022 report forecast. However, the region is still expected to exhibit the highest growth rate worldwide.

Despite the current difficult adjustment period, VC's share of the total alternatives market is forecast to continue to grow.

Cameron Joyce, SVP, Head of Private Equity, at Preqin says, *“Geopolitical risks and rising long-term bond yields are two of the factors behind more moderate fundraising activity and performance expectations. In spite of these challenges, the industry is expected to show solid growth until 2028, thanks to a gradual recovery in fundraising activity. Softer investor sentiment is creating opportunities in direct lending, secondaries and real assets in particular. The longer-term fundamentals behind the growth of the private markets remain broadly intact, while the market continues to evolve rapidly.”*

Additional key findings from the *Future of Alternatives 2028* report include:

- **Private equity:** The forecast for total global private equity AUM is to reach \$8.5tn by the end of 2028, from \$4.8tn in 2022. This represents a 10% compound growth rate, from 2022 to 2028. At the same time, performance is expected to slow to 12.6% over the forecast period compared to 16% during the 2016 to 2022 period.
- **Secondaries market:** As financial markets move into a new phase of higher interest rates and heightened economic and geopolitical uncertainty, demand for portfolio liquidity has increased. Secondaries funds are poised to perform well in this environment, given the opportunities to purchase fund interests at fair value.

- **Private debt:** Distressed debt performance is forecast to witness the largest increase, from 7% from 2016 to 2022, to 14% from 2022 to 2028. The performance of other strategies within the asset class is forecast to see limited changes.
- **Infrastructure:** Against the backdrop of a slow infrastructure fundraising market in the first half of 2023, Preqin forecasts global infrastructure AUM will reach \$1.7tn by the end of 2028.
- **Real estate:** Global private real estate AUM is forecasted to reach \$2.2tn by the end of 2028, from \$1.6tn in 2022, an annualized growth rate of 6% over the period. This rate is lower than the double-digit annualized growth between 2016 to 2022, as real estate investments are expected to be hampered by concerns over heightened interest rate, uncertain office demand, and lingering spreads in asset pricing.
- **Hedge funds:** Global hedge funds AUM is expected to increase to \$5.2tn by 2028, from \$4.2tn in 2022. This represents a relatively modest 3.6% annualized growth rate over the forecast period.

#ENDS#

For more information, and to receive a full copy of the report contact Mimi Celeste Taylor at mimiceleste.taylor@preqin.com

¹ The forecast models are compiled by Preqin's data science team, with analysis and commentary from the Research Insights team.

² Values relate to end of 2022 to end of 2028.

³ Private capital excludes hedge funds.

Notes to the editors

Asset classes include private equity, venture capital, private debt, hedge funds, real estate, infrastructure, and natural resources. Commentary is provided in the report on each asset class except natural resources, which is forecast to reach circa \$261bn AUM by the end of 2028.

About Preqin

Preqin, the Home of Alternatives™, empowers financial professionals who invest in or allocate to alternatives with essential data and insight to make confident decisions. It supports them throughout the entire investment lifecycle with critical information and leading analytics solutions. The company has pioneered rigorous methods of collecting private data for over 20 years, enabling more than 200,000 professionals globally to streamline how they raise capital, source deals and investments, understand performance, and stay informed. For more information visit www.preqin.com.