

Highlights From S&P Global Ratings' European Structured Finance Conference 2025

September 5, 2025

This report does not constitute a rating action.

Key Takeaways

- The European securitization market is in good shape. The outlook for the rest of 2025 and the beginning of 2026 is positive.
- Issuance volumes are up for collateralized loan obligations (CLOs), commercial mortgage-backed securities (CMBS), and consumer asset-backed securities (ABS).
- Securitization regulation has reached a watershed moment in Europe. The proposals by the European Commission are promising but still require some finetuning.

The momentum for European structured finance continues. The industry ploughs on, seemingly immune to geopolitical and economic uncertainties. S&P Global Ratings' European Structured Finance Conference in London on Sept. 3, 2025, demonstrated the increasing appeal of the asset class and attracted close to 500 attendees--the highest number yet in its eight-year history.

European Securitization Market Holds Steady

Even though issuance ground to a halt after the U.S. administration announced sweeping trade tariffs in April, the effect was short-lived. Transaction pricing recovered and volumes are now marginally ahead of last year. "It's as if nothing has happened," said Cian Chandler, S&P Global Ratings' Managing Director & Chief Analytical Officer for Structured Finance.

Primary Contact

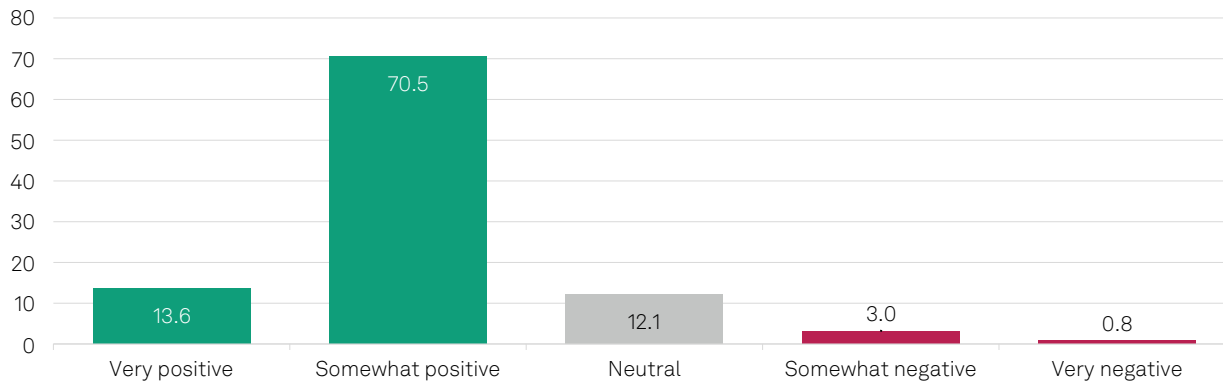
Arnaud Checconi

London
44-20-7176-3410
ChecconiA
@spglobal.com

Chart 1

How positive or negative do you feel about the future of the European securitization market?

Audience poll (%)



Source: S&P Global Ratings.

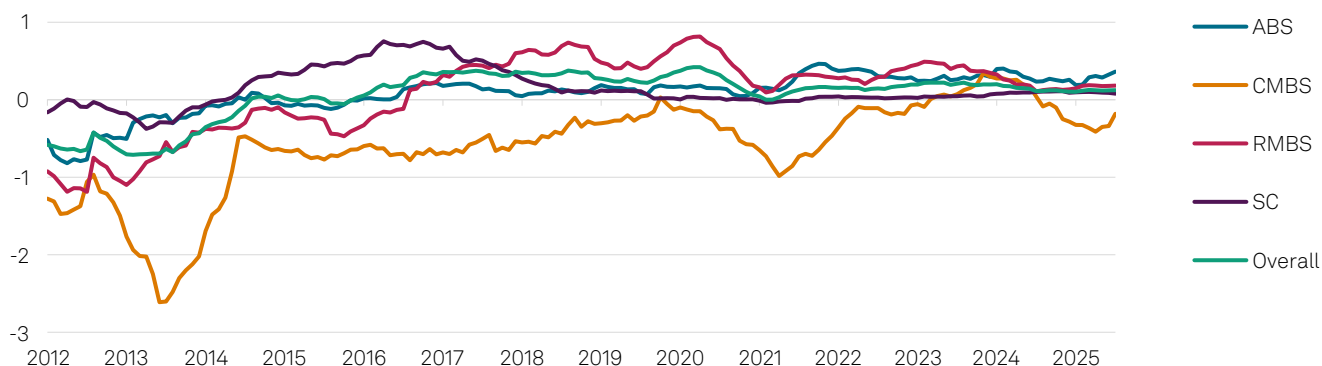
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The positive sentiment is reflected in minimal ratings migration. Over the past 12 months, S&P Global Ratings raised 7.5% of ratings and lowered only 1.5%. The tariff story waxes and wanes but has left ratings largely unaffected. This is due to the European securitization market's limited exposure to export-oriented corporate sectors, which would suffer most from tariff effects.

Chart 2

Ratings migration has been minimal year to date

Extent of rating changes (number of notches)



Data as of July 1, 2025. ABS--Asset-backed securities. CMBS--Commercial mortgage-backed securities. RMBS--Residential mortgage-backed securities. SC--Structured credit. Source: S&P Global Ratings.

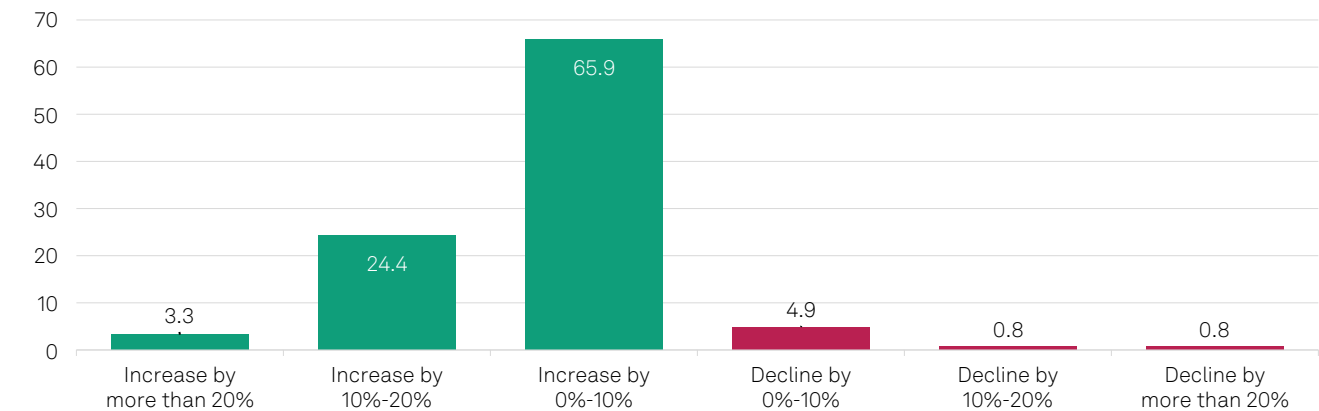
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With the publication of the European Commission's proposed reforms to EU securitization rules on June 17, 2025, regulation has reached a watershed moment. While the rules are supportive of the industry and address most concerns by, for example, aiming to simplify due diligence and transparency requirements, they're still in need of significant finetuning. As one panelist put it: "The devil is in the detail."

Chart 3

What are your expectations for issuance growth in 2026?

Audience poll (%)



Source: S&P Global Ratings.

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Consumer ABS Issuance Volumes Are Up

European ABS issuance volumes for 2025 are on track to exceed those in 2024. Large transactions have returned to the market, bond spreads are tight, and asset performance has been strong. These favorable market conditions have contributed to the emergence of ABS issuers in new jurisdictions, such as Poland and Norway.

Conversely, the strong market conditions have also led to more aggressive cash flow structures, with features such as pro-rata priority of payments and longer revolving periods.

The U.K. consumer has been resilient. However, the strong correlation between unemployment and asset performance means near-prime borrowers with limited savings are at risk of underperforming at the first signs of job market deterioration.

Market participants view the Supreme Court's motor finance ruling as positive and expect U.K. auto ABS issuance will resume in the fourth quarter.

The effects of AI differ across market participants in the ABS universe. While it can improve efficiency in customer services, its usage on the investment side is limited to reviewing and analyzing documents. Due to regulatory restrictions, the investment process needs to be tracked. In the case of underwriting, AI's ability to detect forged documents makes it a useful fraud prevention tool.

Green transactions will remain high on the agenda for 2026 but low in volumes due to the limited origination of green loans. The rising availability of salary sacrifice schemes should continue to increase the demand for green vehicle financing.

CLOs Go From Strength To Strength

European CLO issuance--including refinancings (refis) and resets--stands at €70 billion year to date. It's on track to reach record highs in 2025, with volumes bouncing back quickly after the

tariff-induced slump in April. Demand exceeds the current supply, a trend that will probably only peter out in the first quarter of 2026.

About half of this year-to-date issuance stems from refis and resets. Their unusually high contribution results from unfavorable refinancing conditions over 2022-2023, which led to a slowdown in refis and resets over that period. "CLOs were basically turned into perpetual vehicles, because resets stopped. This, and the fact that many deals are coming to the end of their reinvestment period, has created a perfect storm," a panelist said.

The performance of European CLOs remains stable, with upgrades surpassing downgrades year to date. Notably, S&P Global Ratings has, so far, never lowered a CLO rating in a post-2013 transaction to speculative-grade from investment-grade.

That said, pricing conditions for tranches in the middle range of the rating spectrum are less favorable than they are for senior and junior tranches, which typically have natural buyers in banks and hedge funds. Additionally, secondary markets were less supportive at the beginning of the year, which made portfolio ramp-ups more challenging.

RMBS Could Do Better

Issuance volumes in 2025 will at best be similar to those in 2024. The solid credit performance of RMBS transactions mainly resulted from households' strong balance sheets, lenders' more robust underwriting processes, and the requirement for originators to retain a portion of the credit risk. Additionally, lending standards are at a satisfactory level, even though they could soften over the short to medium term.

Panelists agreed that performance has only been partially underpinned by the regulatory framework for mortgage lending. Criticisms included the backward-looking nature of regulations and their sometimes delayed implementation.

Later-life lending origination is fueled by the sheer amount of legacy interest-only loans without a repayment vehicle in place at maturity, potential tax changes, and the possibility to release equity for some products. That said, the number of such securitization transactions in Europe is still low, despite the wide range of products on offer.

The outlook is mixed. Net lending was flat over the past few quarters, while economic growth is sluggish, and unemployment may inch up slightly this year. From a performance perspective, however, panelists do not expect delinquency rates to rise significantly.

In terms of issuance, the increase in significant risk transfer securitizations should continue. The main master trusts and some large building societies could tap the market, as well as some Hellenic and Spanish reperforming issuers. Beyond that, the number of transactions in Saudi Arabia could tick up.

CMBS Move With The Times

Data centers are the talk of the town in the CMBS realm. Constraints in capacity and processing power spur the demand for these assets to the point where they are being leased as soon as planning permission has been approved. Yet supply is short.

Even though the market for data centers is red hot, it faces several obstacles. For one, electricity grids in Europe struggle with the amount of power it takes to run data centers. The high amount of water that's necessary for cooling poses another problem. Additionally, data centers are at

risk of becoming outdated relatively quickly, based on the increasing pace of technological advancements.

It doesn't help either that most tenants are unwilling to move away from already built-up areas, such as Amsterdam, Frankfurt, London, and Paris. "It's about changing the mentality of tenants and getting them to explore new locations," a panelist said.

From a wider CMBS perspective, increasing restrictions on working from home, combined with the fact that many construction projects have stalled due to oversupply, lead to cautious optimism in the office space. Assets in prime locations are among the winners in the current environment, as they benefit from high rents and low vacancies. In contrast, class B properties struggle to attract tenants.

Values in the retail sector have also bottomed out. While the sentiment is far from bullish, the negative rating trend that began in 2016 has stopped. On the other end of the spectrum, logistics continues its upward trajectory. Even though the rate of rental increases has declined since the COVID-19 pandemic, rents are still going up--and based on the lack of supply, they will likely continue to do so.

Writer: Kathrin Schindler

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