

2026 Distressed Investing Trends

The New Standard in Distressed Asset Resolution

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1. Executive Summary

The distressed-investing landscape in 2026 is defined by five core trends. Investors must adapt to shifting sector focus toward alternative real assets, leverage AI and big data to unearth hidden distress signals, expand cross-border strategies in emerging markets, embed ESG criteria to mitigate risk and meet LP mandates, and accommodate growing retail participation in secondary debt marketplaces.

2. Macro Drivers Shaping Distressed Opportunities

- **Rising interest rates:** Central banks maintain tightening cycles, pressuring levered corporates.
- **Sectoral dislocations:** Post-pandemic repricing in hospitality, retail, and commercial real estate.
- **Supply-chain volatility:** Geopolitical tensions and logistic bottlenecks driving operational strain.
- **Credit tightening:** Banks retrench from high-risk lending, creating capital gaps.

3. Trend 1: Sectoral Shift into Alternative Real Assets

Key Insight: Traditional distressed sectors (retail, hospitality) are crowded; the next wave lies in infrastructure and renewables. - Infrastructure debt: utilities and energy-transition projects under financial stress. - Solar and wind farms: revenue models challenged by tariff adjustments and supply costs. - Logistics real estate: e-commerce tailwinds offsetting vacancy spikes.

Data Point: Private-credit funds are holding ≈ US \$150 billion of dry-powder capital earmarked for distressed-debt and special-situations deals ([S&P Global Ratings, Look Forward: Future of Capital Markets, July 2025](#)).

4. Trend 2: Tech-Enabled Distressed Asset Identification

Key Insight: Machine learning models analyze alternative data—satellite imagery, trade receivables—to flag early distress. - AI platforms reduce due diligence time by up to ~40% in some reports. - Alternative data signals: energy usage drops, web traffic, supply-chain alerts.

Case: Banks that adopted next-generation, data-rich credit-decisioning models cut credit-loss rates by 20 – 40 %, according to McKinsey & Company ([Designing Next-Generation Credit-Decisioning Models, Dec 2021](#)).

5. Trend 3: Cross-Border Distressed Debt Strategies

Key Insight: Emerging markets are the next frontier—Latin America, Southeast Asia, and select European periphery. - Currency hedges and local partnerships are critical. - Legal frameworks: distress processes vary widely; on-the-ground expertise is a differentiator.

Data Point: Preqin's long-range outlook projects that distressed-debt funds will deliver an average net IRR of 13.4 % for 2023-2029 vintages, edging ahead of other private-credit strategies. ([Preqin forecasts global alternatives AUM to rise to \\$29.22tn by 2029](#)).

6. Trend 4: ESG Integration in Distressed Deals

Key Insight: LP mandates and green financing are driving ESG metrics into distressed-investing playbooks. - Rehabilitating distressed assets with sustainability retrofits. - Social impact: redeploying assets to affordable housing.

Statistic: 77 % of asset-management firms say they have increased their focus on developing ESG-related investment products within the past year ([EY, Global Institutional Investor Survey 2024](#)).

7. Case Studies: Success Stories & Lessons Learned

- **Slutty Vegan Turnaround:** Confronted with \$10 million in corporate overhead and mounting pressure, founder Pinky Cole partnered with Resolution Financial Advisors to orchestrate an assignment of ownership and comprehensive operational overhaul, preserving value and enabling a swift recovery.
- **Rapid Deal Execution:** By structuring a strategic sale to new partners and embedding targeted financial covenants, Resolution Financial Advisors ensured seamless capital infusion, operational stability, and renewed growth momentum for Slutty Vegan.

Key Lesson: Fast, decisive actions combined with customized deal structures transform moments of crisis into opportunities for renewal.

8. Actionable Playbook: How to Capitalize in 2026

1. **Sector Prioritization:** Allocate 20–30% of distressed book into renewables/infrastructure.
2. **Tech Stack:** Invest in AI due-diligence tools; partner with alternative-data providers.
3. **Geographic Diversification:** Establish regional advisors; hedge currency risks.
4. **ESG Framework:** Build an ESG scoring model tailored to distressed opportunities.
5. **Retail Strategy:** Select compliant platforms; pilot small tranches to test retail appetite.

9. Appendix: Data Sources & Further Reading

- [S&P Global Ratings, Look Forward: Future of Capital Markets, July 2025](#)
- [Designing Next-Generation Credit-Decisioning Models, Dec 2021](#)
- [Preqin forecasts global alternatives AUM to rise to \\$29.22tn by 2029](#)
- [EY, Global Institutional Investor Survey 2024](#)
- Internal Resolution Financial Advisors research

Contact Resolution

For customized strategies and deeper insights,
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Connect with Resolution Financial Advisors, David Johnson, and
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Thank You.