



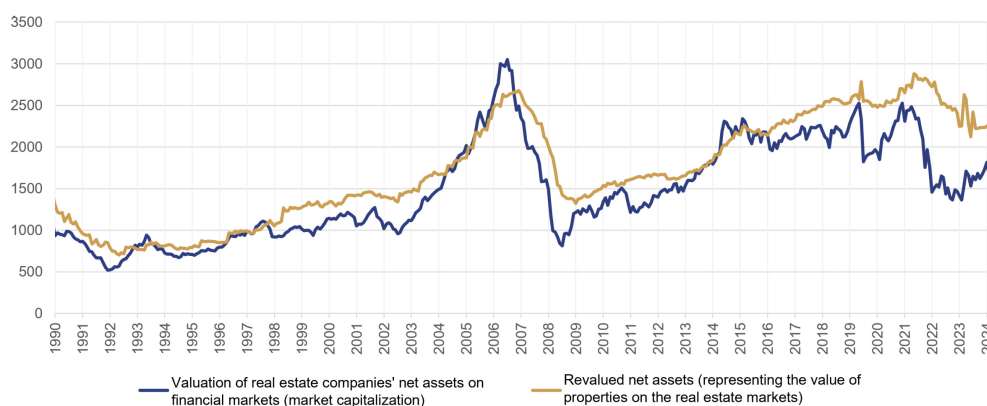
Is the discount to net asset value still a valuation anchor for real estate investment trusts?



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That is a legitimate question after three consecutive years of sector-wide discounts exceeding 25%—a record not seen since the 1990s¹!

Difference in asset valuation between public (listed) and private (real estate) markets

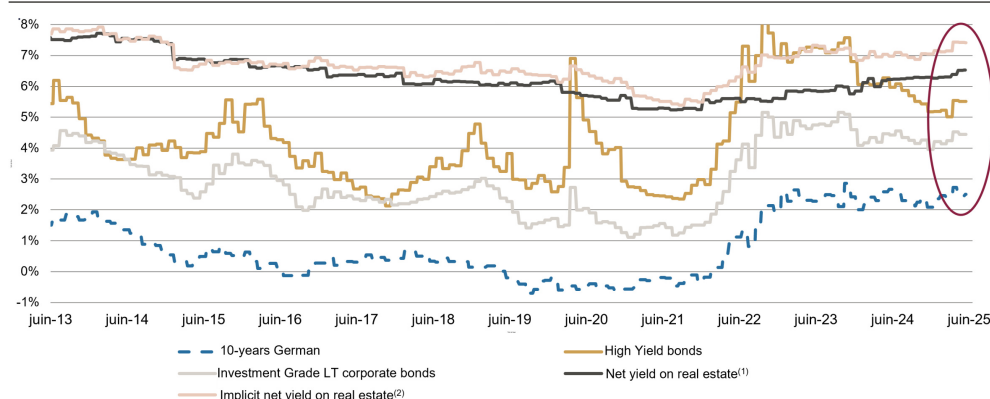


Source : Bloomberg, 31/05/2025.

The increase in interest rates has driven investor disaffection, resulting in a downward adjustment in real estate valuations—an impact that varies in magnitude depending on asset type and lease profile. This trend is now coming to an end, unless we anticipate a further significant rise in long-term interest rates (>50 basis points). The price correction has enabled real estate to regain attractive yields, relative to other asset classes. What's

more, listed real estate is benefiting from a discounted entry point!

History of private (direct) and public (listed) real estate returns and the main bond markets



Source : ICE BofA, IHS Markit, UBS, EPRA, Greenstreet, Bloomberg, Rothschild & Co Asset management, 31/05/2025.

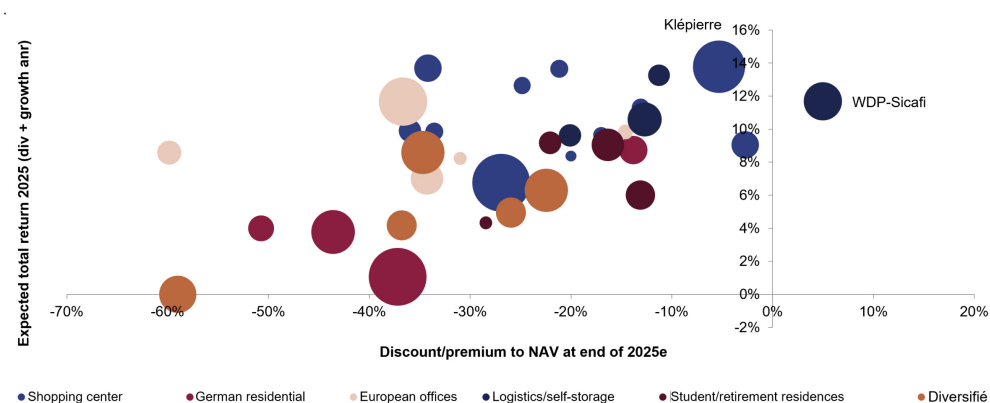
(1) Weighted average return on assets held by real estate companies, plus a smoothed indexation of 2%.

(2) Taking into account the stock market discount.

4

However, investors remain cautious toward listed real estate companies; only those offering growth are attracting capital and are trading at a slight premium or close to NAV parity² (Klépierre, WDP). The phase of adjustment to the sector's historical average discount of 10%³ does not appear to represent an intermediate stage in this cycle.

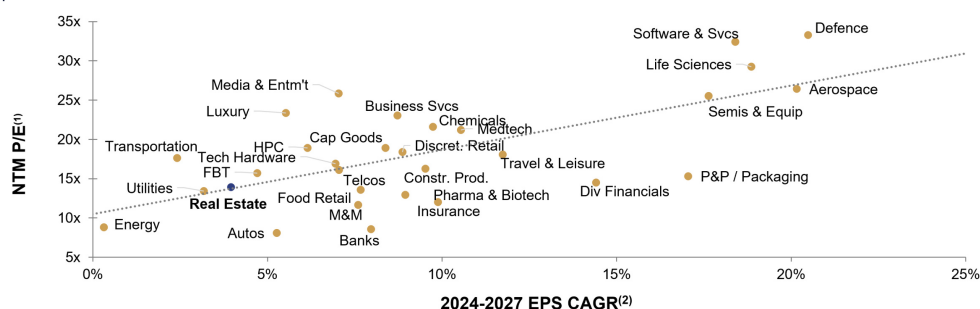
Listed real estate valuations based on expected growth



Source : Bloomberg, sociétés, IEIF, Rothschild & Co Asset Management, June 2025.

More generally, this observation applies to all sectors. Real estate seems to be correctly valued, purely in terms of relative growth.

Sector valuation and expected earnings growth



Source : MSCI, Datastream, Eikon, Morgan Stanley Research, February 2025.

(1) Next twelve months price earnings

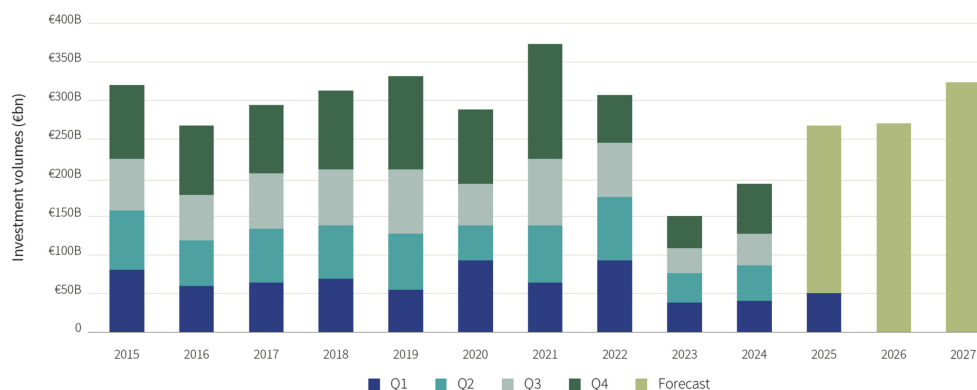
(2) Earnings per share, compound annual growth rate.

However, at this stage, **few companies** are in a position to seek growth without carrying out a capital increase. Yet, the current level of discount makes this option too dilutive, and issuing new debt would worsen this situation, unless we enter a powerful cycle of falling interest rates (long end of the curve), which seems unlikely given the budgetary trajectories of the main European countries. **To get out of this impasse**, most real estate companies have no choice but to continue selling off assets. Some, such as Colonial last year, may be able to kill two birds with one stone by financing acquisitions in securities issued at NAV (but this route remains limited), or by exchanging shares to carry out mergers (Aedifica's takeover bid for Cofinimmo last month).

Are we beginning to see the light at the end of the tunnel?

The upturn in real estate investment, albeit gradual at this stage, should change things. On one hand, it confirms that property valuations have reached their bottom — which, in itself, should have already triggered a narrowing of the discount. More importantly, it will help accelerate capital rotation and pave the way for the beginning of a new growth cycle.

Transaction volumes (€bn)



Sources : Savills Research, Rothschild & Co Asset Management – 31/04/2025

By way of illustration, a number of property companies have made acquisitions since the start of the year (WDP, Montea, Wereldhave, etc.), most recently Mercialis, which has just announced a major acquisition of a €146m shopping center near Lyon, representing 5% of its portfolio. The estimated yield is close to 8%, making this a particularly attractive deal⁴.

In conclusion, as well as confirming the end of the cycle of asset devaluation, **the recovery in the property investment market signals a gradual return to growth in the sector**. With no further significant rise in long-term interest rates, this shift should be reflected in the valuation of listed real estate companies.

Weitere Infos zu den Fonds

R-co Thematic Real Estate



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[1] Sources: Bloomberg, UBS, EPRA, excluding September 2024 when it was reduced to 20%, it is 30% at 31/05/2025.

[2] Net asset value.

[3] Sources: Société, Rothschild & Co Asset management, 15/06/2025.

[4] Source: Mercialis, June 2025.

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(1) Quelle: Rothschild & Co Asset Management, 31/07/2026.

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