Rothschild & Co
Asset Management

Can listed properties companies outperform their already historic equity returns in 2026?

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Will the performance of listed properties companies in 2026 be able to exceed returns on equity that are close to historical highs[1]? The question is legitimate after the performance of the 2025 vintage, which on average reflected cash-flow yields[3] of around 8%[2], of which a little more than two thirds were distributed in the form of dividends, providing a yield of between 5% and 6%[2].

Within the sector itself, performance dispersion across asset classes was pronounced. The steepening of the yield curve led to a de-rating[4] of real estate companies holding low-yield assets, namely German residential property and prime offices[5] (around 30% of the index at the start of 2025). Conversely, buying flows focused on assets offering a high risk premium and rental growth potential. Retail and healthcare thus posted the strongest performances, the former supported by resilient consumer spending and the latter by the normalization of occupancy rates following Covid and past health scandals.

Ultimately, performance was achieved without any “re-rating”[6]. Listed real estate companies in the euro area therefore remain very undervalued, both in terms of sector-specific indicators (a 30% discount)[2] and broader metrics such as earnings-per-share multiples used by generalist investors (currently the marginal buyers of the sector). Eurozone real estate companies are trading at 12x 2026 earnings versus 14x for European

real estate companies, and around 17x for the broader market (MSCI Europe or Stoxx 600)[7]. Yet over the past 15 years, given the visibility of their revenues, real estate companies have never traded at a discount to the market.

Comparison of valuation multiples of the Stoxx 600 and listed real estate

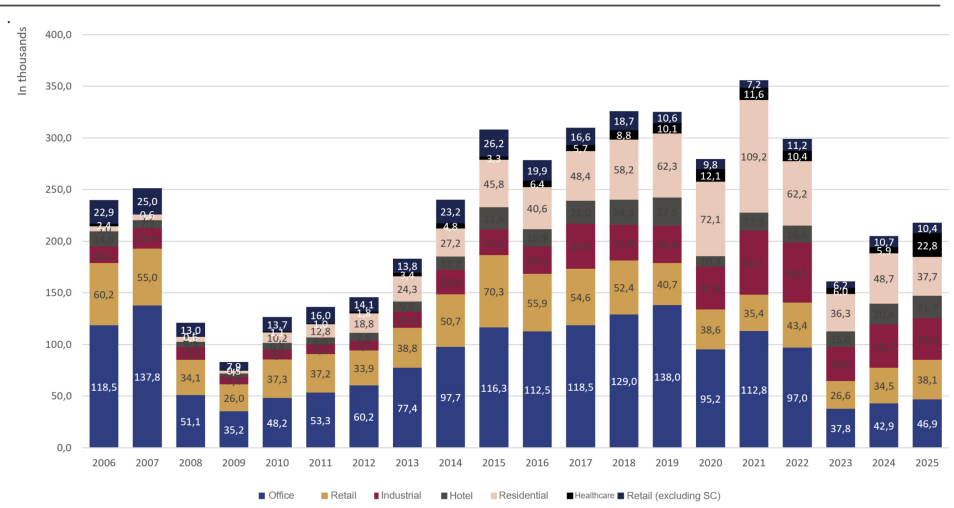
Source : Jefferies, FactSet, Rothschild & Co Asset Management, January 2026.

The explanation lies in growth, which is currently the main adjustment variable for investors; from this perspective, it is true that the sector is not structurally best positioned—especially in the context of the rapid expansion of AI.

Will 2026 be the year of a market rebound?

If investors are less sensitive to traditional valuation indicators used for listed properties companies, it is also because the property investment market has remained sluggish. The recovery in volumes is slow, liquidity is limited for large transactions (over €100m), thereby casting doubt on the true opportunity offered by the discount of listed real estate companies relative to prices observed in private property markets.

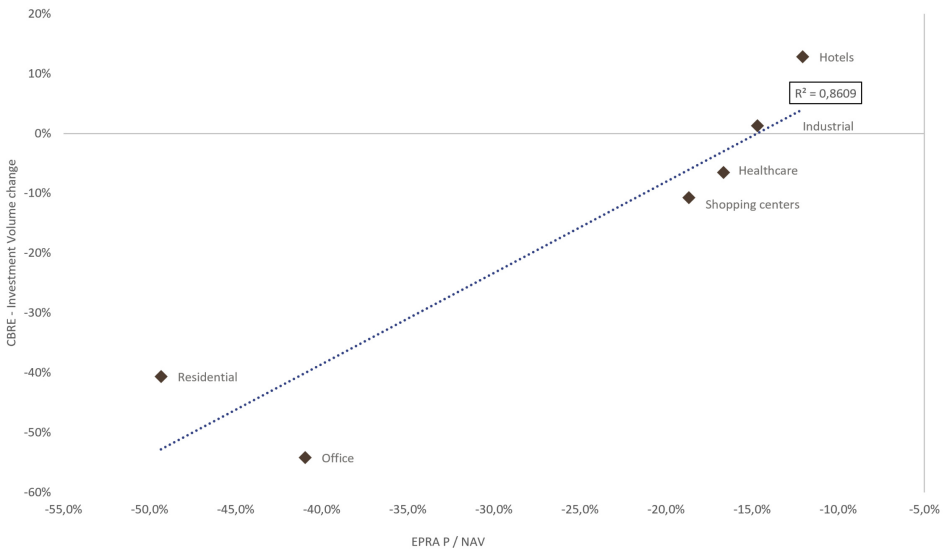
Investment volumes in direct property markets in Europe



Source : UBS, Rothschild & Co Asset Management, January 2026.

Historically, discounts have in fact been correlated with investment volumes:

Correlation between discounts/premiums and transaction volumes in property markets

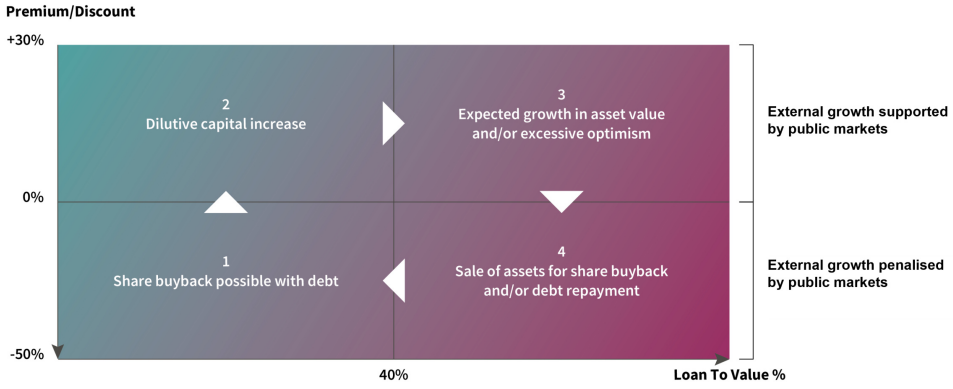


Source : UBS, Rothschild & Co Asset Management, January 2026.

Forecasts for 2026 point to a gradual recovery in the investment market. By asset class, flows are expected to follow a similar pattern to 2025, barring any sharp movement in the yield curve. In other words, assets offering a comfortable risk premium without major leasing risk (typically shopping centers) should continue to outperform. For others, management teams may well be forced to take control of their destiny by adopting a more dynamic capital allocation strategy.

What tools do management teams have to proactively reduce their discounts?

The level of discount reflects market expectations of a decline in property valuations, either through a deterioration in leasing conditions or through higher yields (multifactorial). In the current cycle, the common denominator behind falling property values has been rising interest rates, worsened by leverage at the equity level. A real estate cycle can be described through four market situations, characterized below by levels of leverage and discount/premium:



Source : Rothschild & Co Asset Management, January 2026.

In the fourth and worst situation—illustrated for example by German residential real estate companies (average discount of more than 40% and loan-to-value (LTV)[8] between 40% and 50%) that have been stuck since rates rose—redemption will come from accelerating disposals at prices above those implicitly valued by public markets. This would allow debt reduction and open the possibility of share buybacks. Equity valuations should then begin a re-rating, enabling a move into situation two and reopening access to capital increases to finance external growth (where some logistics and retail real estate companies currently sit). In quadrant one, we find prime office landlords such as Gécina, which could use disposal proceeds exclusively for share buybacks.

Recent management changes within the sector (URW, Hammerson, Castellum, etc.) reflect boards' desire to adapt leadership teams to the challenges of the current cycle. Vonovia remains the most emblematic example, with the arrival of Luka Mucic (known for having drastically reduced Vodafone's debt) to replace Rolf Buch, who had pursued growth at all costs financed by debt.

Conclusion

The sector's current valuation—still highly attractive with an average return on investment of 8%, including 5% in the form of dividends[7]—does not appear sufficient to bring generalist investors back. A catalyst is likely missing. If it does not come from an exogenous factor such as disappointments in AI investment returns or interest rate cuts, it will have to wait for a gradual recovery in the investment market and/or the implementation of more proactive management strategies to reduce discounts. In this context, we mainly favor retail real estate companies within the portfolio, now once again well positioned in this cycle, certain logistics landlords, and companies capable of activating operational levers to reduce their discount.

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R-co Thematic Real Estate

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[1] 8% (sector cash-flow yield as of February 2026)
[2] Source: Bloomberg, 31/12/2025.
[3] A company's ability to generate cash over a given period.
[4] Decline in the stock market valuation of an asset or sector.
[5] Prime asset: buildings meeting the latest standards and benefiting from a central location.
[6] Stock market revaluation.
[7] Source: Rothschild & Co Asset Management, 2025.
[8] Loan-to-value: leverage ratio measuring a company's debt relative to the value of its assets.

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

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