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Investments - Flash

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ATTRACTIVE DISCOUNT FOR EUROPEAN SECURITIZED REAL ESTATE

The upcoming change in ECB policy is not yet priced in

Securitized real estate in Europe is not yet benefiting from falling inflation and the potential change in ECB monetary policy, which may well have already taken place at the next ECB meeting in June. Since the collapse of real estate stocks in 2022, which saw the Epra Nareit Dev Europe index lose 50%, prices have stabilized over the last six quarters. The sector's horizontal consolidation has been accompanied by high volatility of around 15%. The EPRA Nareit Eurozone index is slightly less volatile, but in both cases, securitized real estate is looking for a catalyst to boost its prospects. The current quasi-recessionary environment is still perceived as a penalizing factor until a triggering factor is found to support a change in trend. The forthcoming trend in interest rates should finally support an upturn in securitized real estate prices. At current levels, listed European real estate already seems to offer attractive investment opportunities. After suffering a 12% fall in the first quarter of 2024 as a result of rising interest rates, the EPRA Nareit Eurozone index has regained some color since mid-March (+17%), enabling it to record a 3.3% rise over the current year, while European bonds remain in the red. The average yield of 5.4% for 2024 (5.7% for 2025) is well above euro-denominated rates, for a total debt/total assets ratio of 44%. The valuation measured by the price/net asset ratio of 0.73 for 2024 is historically attractive, having fluctuated between 0.49 and 1.27 between 2016 and 2023. The current discount is therefore attractive. At current levels, we believe that securitized real estate in the eurozone has not yet taken into account the prospect of falling interest rates and financing costs, and remains a buy.