AVENTOS

PRESS RELEASE

AVENTOS Listed Real Estate Report No. 6 – Autumn 2026: Interest rate pressures and consolidation shape the listed real estate market

Berlin, October 30th, 2026 – Real estate stocks and REITs underperformed the broader equity markets between the end of March and the end of September 2026. Over the six-month period, the FTSE EPRA Nareit Index delivered a total return of 5.3% in North America (in U.S. dollars) and −1.2% in Europe (in euros). The MSCI World, S&P 500 and Euro Stoxx 50 rose by approximately 15%, 16% and 10%, respectively, over the same period. Meanwhile, persistent valuation discounts in Europe are contributing to the consolidation of publicly traded real estate companies.

The renewed rise in inflation resulting from the war in Iran has dampened hopes for stable or falling interest rates. Both the Fed and the ECB raised their key interest rates in September. Higher capital market interest rates have a twofold effect on real estate companies: they increase financing costs and put pressure on property valuations as investors demand higher returns. Companies with high debt levels are particularly affected. “Stock market valuation discounts make real estate companies attractive to strategic buyers and financial investors. Acquisitions can close part of the gap between share prices and the value of the underlying real estate. Mergers also offer an opportunity to create larger and more liquid publicly traded platforms,” says Dr. Karim Rochdi, Managing Partner of AVENTOS.

Key figures: Substantial NAV discounts in Europe and rising implied cap rates

The key figures in the Listed Real Estate Report reflect differences between the North American and European constituents of the FTSE EPRA Nareit Index, with implied cap rates rising again in most sub-segments. Discounts of market valuations relative to net asset values (NAVs) average 20.9% in Europe. In North America, by contrast, there is a slight premium of 1.6%, although this is primarily attributable to the outlier “Medical” segment. Most other property types in North America also trade at NAV discounts.

Outperformers and underperformers: U.S. REITs recover while residential real estate stocks remain under pressure

U.S. office REIT Hudson Pacific Properties delivered the highest total return during the period under review, at 95.3%. Rising demand for office space on the U.S. West Coast, leasing successes and progress on financing likely bolstered investor confidence. However, the

recovery started from a heavily depressed valuation level: the stock lost approximately 93% over five years. High debt levels and refinancing risks remain significant headwinds.
GEO Group, which specializes in prisons and psychiatric facilities, ranked second with a total return of 81.3%. Rising demand from U.S. government clients drove earnings growth and prompted an increase in the full-year forecast. Chatham Lodging Trust took third place with a total return of 72.6%. The hotel REIT benefited, among other factors, from a recovery in business travel demand in Silicon Valley.

Nexity tops the list of underperformers with a total return of −39.2%. The French residential real estate developer suffered from weak demand for newly built homes and tighter financing conditions. Zillow Group (Class A) and CoStar Group followed in second and third place, with returns of −33.1% and −32.1%, respectively. Zillow was weighed down by conditions in the U.S. residential real estate market, while CoStar was affected primarily by doubts about the profitability of the expansion of its housing portal Homes.com.

M&A activities: Consolidation creates larger platforms

The largest transaction during the period under review was the merger of U.S. apartment REITs AvalonBay Communities and Equity Residential to form Vivmark Residential. Combining similar portfolios increases visibility in the capital markets. Nevertheless, the report takes a nuanced view of mega-mergers: limited relative cost savings must be weighed against the potential burdens of a complex and protracted integration process.
Other major transactions include the planned acquisition of Segro by Prologis and the acquisition of Canada's First Capital REIT by KingSett Capital and Choice Properties REIT. Segro's data center pipeline played a particularly important role. In Europe, the combination of Aedifica and Cofinimmo and the planned merger of WDP and Argan also illustrate how larger platforms can improve access to capital markets.

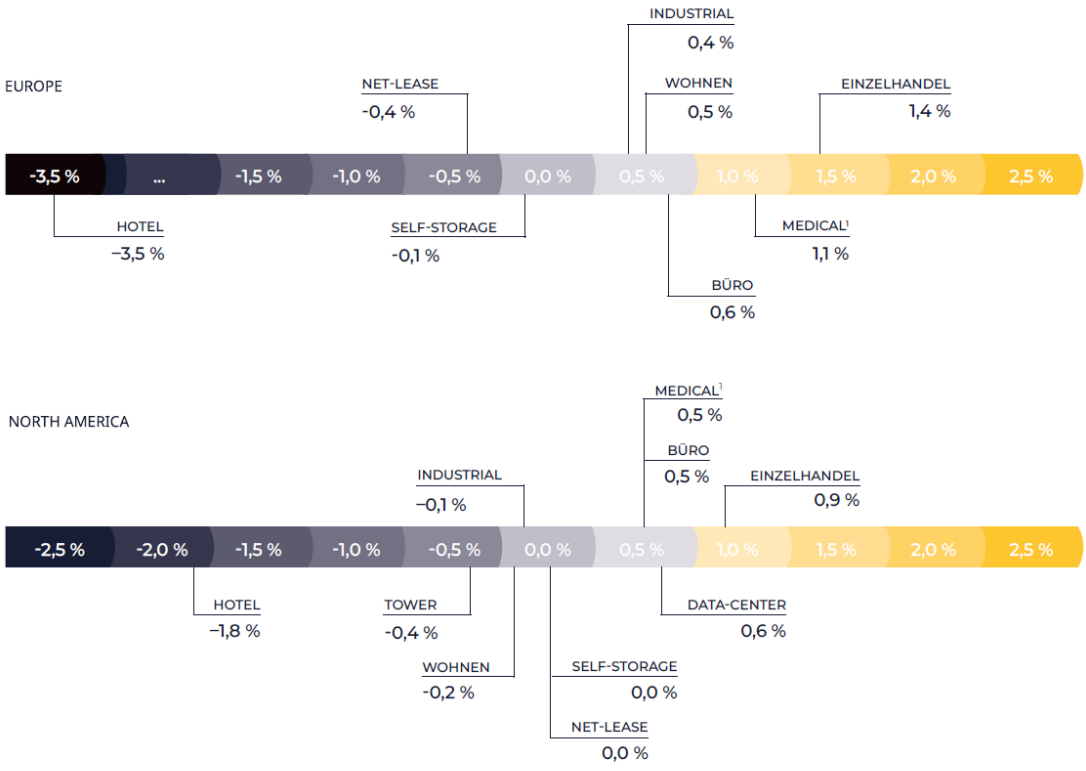
According to EPRA data, 61 European real estate companies with a market capitalization of €81 billion have delisted since the peak in the early 2020s. Alongside mergers, acquisitions by unlisted investors have contributed to this trend. For shareholders, the takeover premiums typically paid can offset part of the valuation discounts prevalent in Europe.

ACM Sector Momentum

Retail stocks are currently showing strong momentum. Having suffered significantly in recent years from the rise of e-commerce and the COVID-19 pandemic, they have recently regained some relative valuation ground compared with other sectors. Relatively stable implied cap rates in the retail sector, alongside rising cap rates in many other sectors,

suggest that investors are now viewing retail stocks in a more balanced light and have shed the widespread skepticism that prevailed for so long. Positive momentum in the office segment indicates that investors viewed this segment even more critically in the past, relative to other sectors, than they do today. Negative momentum in the hotel segment, meanwhile, is likely still a mathematical residual effect of pandemic-related closures.

Hotel REIT cap rates have been influenced in recent months by a simultaneous increase in both the numerator (net operating income) and the denominator (valuation). The simultaneous rise in rental income and share prices has therefore resulted in stable to slightly rising cap rates, meaning that the sector's fundamentally positive performance is not apparent when viewed through the lens of cap rates. The high momentum of the data center sector should come as little surprise given the current gold rush atmosphere in the segment, driven by the expansion of hyperscalers' computing capacity.



¹ Definition: Healthcare plus Life Sciences.

Source: Own calculations and presentation based on data from S&P Capital IQ Pro.

The "ACM Sector Momentum" indicator evaluates a sector's current pricing by comparing its implied cap rates with those of the overall market and assessing this price differential against historically observed implied cap rates since 2021. A sector with a negative momentum value is therefore priced relatively low on the stock markets in historical terms,

while a sector with positive momentum is priced relatively high, in each case as measured by implied cap rates. Relatively high implied cap rates correspond to relatively low valuations.

The full report and further AVENTOS publications on real estate stocks and REITs are available in the AVENTOS Capital Markets MAGAZINE. This features the latest insights from AVENTOS Capital Markets, including detailed equity research papers and in-depth market commentary from AVENTOS experts.

About AVENTOS
AVENTOS is an investment manager with two business areas: Development and Capital Markets. In the development segment, the company acquires commercial and industrial properties with development potential. The focus is on Germany's top seven locations and growth regions. A value investment approach is pursued. In the capital markets segment, AVENTOS initiates and manages investment vehicles that invest in real estate stocks worldwide. The founder and managing partner is Dr Karim Rochdi. www.aventos.group

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