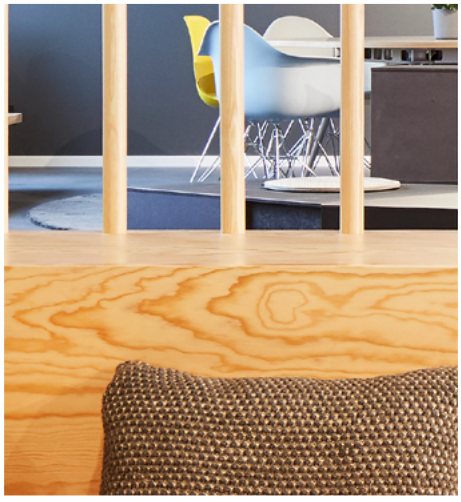
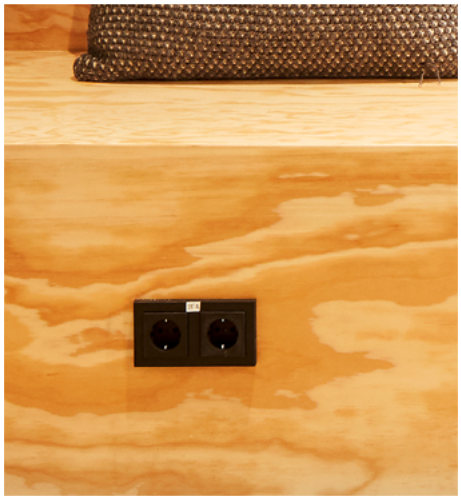
Listed Real Estate Report

No. 4
Autumn 2025





THE REAL ESTATE STOCK AND EQUITIES MARKET AT A GLANCE

After a period of heightened volatility, the prices of real estate equities and REITs have largely stabilized over the past six months to September 30. However, they have underperformed compared to the broader stock market, which has reached record highs in some instances. In the eurozone, interest rates appear to have stabilized, yet the future development of interest rates remains unclear following a reduction of the U.S. prime rate in September, compounded by ongoing political pressures. The resulting exchange rate dynamics between the euro and the U.S. dollar had a measurable impact on the performance of the listed real estate sector when calculated in euros or compared with euro-denominated indices.

Over the past six months, leading stock markets have been setting one record after another. The U.S. S&P 500 embarked on a remarkable run after a brief but notable price slide in the first week of April and was up 19% at the end of September. The German DAX index followed a similar trend, though with slightly less momentum, rising 8% by the end of the review period, with no significant gains since mid-May. Compared to the S&P, the performance of listed real estate stocks and REITs was much more subdued. The FTSE EPRA Nareit Index reported a total return of 3.8% for North America and 5.8% for Europe during the same period, underperforming the DAX in both regions.

The variations in currency developments are not reflected in the performances of the indices, as these are calculated in U.S. dollars (USD) for North America and the euro (EUR) for Europe. Depending on an investor‘s exposure to the other currency area, the 13% depreciation of the dollar against the euro since the beginning of the year, or 8% since the beginning of April, naturally has an impact on the performance of the overall portfolio. Recently, exchange rates have stabilized around this level; however, future developments are difficult to predict and are influenced by a range of factors, including monetary and fiscal policy decisions in the United States.

As of September 30, the top performers over the past six months were **Diversified Healthcare Trust** (+92%), a specialist in various healthcare and office segments in the United States, followed by the U.S. logistics REIT **Industrial Logistics Properties Trust** (+85%), and the U.S. office provider **Paramount Group** (+59%). It is important to note that the positive performance of these three “winners” has to be viewed in the context of their low initial share prices. Both Industrial Logistics and Diversified Healthcare carry significant debt, making their shares particularly sensitive to changes in the market environment. In addition to their high leverage, the management teams of both companies have made complex strategic decisions in recent years. Industrial Logistics was unsuccessful in its attempt to acquire U.S. logistics competitor Monmouth Real Estate in 2022, while Diversified Healthcare’s bid to acquire U.S. office REIT Office Properties Income Trust in 2023 was thwarted by resistance from its own shareholders. In the senior housing sector, Diversified Healthcare, like many market participants, is grappling with significant margin pressures alongside trying to overcome the challenges of its initial position. Paramount, as an office provider, has faced adverse demand-side developments in recent years, further exacerbated by questionable strategic decisions.

Notably, management declined two – from a shareholder perspective – potentially lucrative takeover bids, which put added pressure on the share price. However, the announcement of a strategic review process in May 2025 was able to partially restore investor confidence. The subsequent recovery was bolstered by another takeover bid received in September 2025 (as detailed in the subsequent section on transactions).

Leading the list of underperformers are the only two publicly traded U.S. cold storage specialists, **Americold Realty Trust** (-38%) and **Lineage** (-30%), which together control approximately 70% of the U.S. market. Their businesses are low-margin and capital-intensive, with cold storage income generally volatile and cyclical. Additionally, many of the sector's properties are showing their age and in need of modernization. In the case of Lineage, the more general challenges are compounded by allegations that the company misled shareholders during its 2024 IPO, leading to a subsequent class action lawsuit in 2025.

Transaction activity on the real estate market and in the listed real estate segment has gradually picked up in recent months, albeit at a subdued level. Several notable transactions occurred during the period under review from April to September 2025, with the European healthcare sector accounting for the first and third largest transactions: The takeover of the Belgian nursing home company **Cofinimmo** by its competitor **Aedifica**, which is also listed in Brussels and operates in several European countries, for EUR 5.6 billion, and the takeover of the British healthcare REIT **Assura** by the British **Primary Health Properties** for the equivalent of EUR 3.5 billion. The second-largest transaction of the period is anticipated to be the EUR 4.9 billion bid for the U.S. office REIT **Paramount Group** by the publicly listed investment manager **Rithm Capital**, which was announced in September. Alongside the acquisition of City Office REIT by affiliates of Paul Singer's hedge fund, Elliott Management (EUR 1.0 billion), and the rejected bid for Orion Properties (EUR 0.6 billion), the offer for Paramount underscores the growing interest of opportunistic investors in the North American office sector.

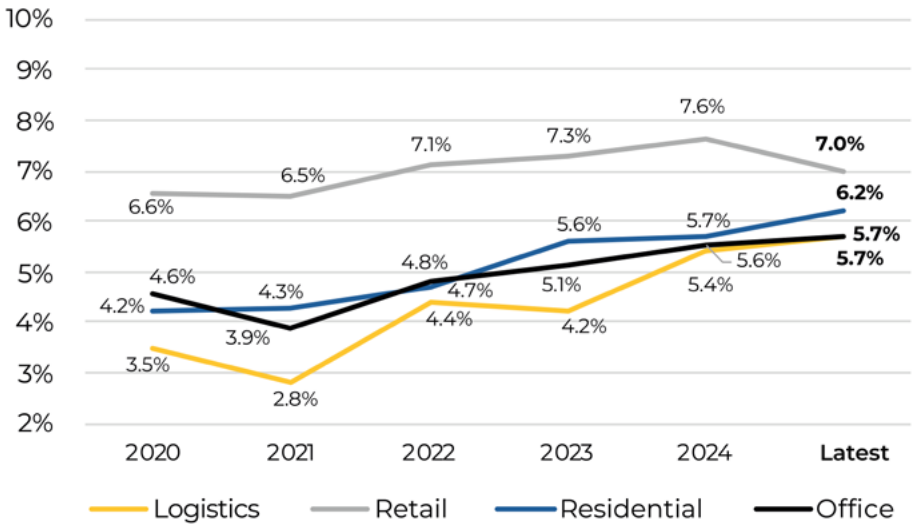
In addition to outright takeovers, there is a noticeable and growing engagement of activist investors in the real estate sector. For instance, in addition to the bid for **City Office** mentioned above, Elliott Management has also made strategic investments in two major U.S. REITs. Elliott expanded its stake in Equinix, the world's largest data center REIT, after Equinix's share price plummeted following the announcement of a strategic realignment with a strong focus on project developments. Although Elliott has not publicly criticized Equinix's management, enhancing the company's operational efficiency could be a primary objective for the hedge fund. With its investment in the U.S. logistics REIT Rexford Industrial, Elliott is also likely to push aggressively for strategic changes. Rexford stuck to its growth strategy in the months prior to the hedge fund's investment, despite an increasingly challenging capital market environment. Following Elliott's involvement, Rexford's management announced a USD 100 million share buyback program for July and August, marking an adjustment to its capital allocation strategy in alignment with shareholder interests.

IMPLIED CAP RATES

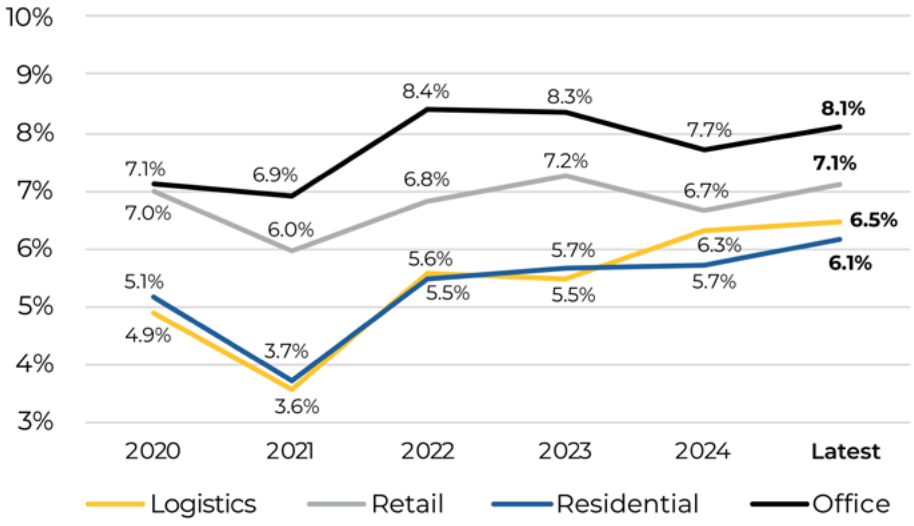
Implied cap rates indicate the ratio of net operating income (usually net rental income) to market capitalization, including net debt.

- In Europe, implied cap rates have risen marginally in the office and logistics segments and more significantly in the residential segment, while yields have fallen in the U.S. retail segment.
- In North America, a slight to moderate increase in yields can be observed in all four segments.

EUROPE



NORTH AMERICA



Quelle: ACM; Fiscal years 2020–2024, 2025 as of September 30, 2025.

Further observations:

- The U.S. office segment offers the highest yields by far, reflecting the prevailing investor skepticism toward the segment. Concurrently, the vacancy rate is also the highest in this segment (see below). Notably, there has been a disproportionately significant increase in yields within the U.S. retail segment, primarily driven by the strip center sub-segment, while traditional shopping malls have maintained relatively constant yields.

- On both continents, there is currently a marginal variance in yields across the four segments under review. This is a departure from the substantial differences observed in the years 2020 to 2022. The residential and logistics segments now trade closer to the office and retail segments, which have traditionally presented challenges. This convergence is partly attributed to the normalization of pandemic-related effects, with the logistics segment also impacted by the growing fragmentation of global trade.

- Although yields in the residential, logistics, and retail segments are comparable between Europe and North America, the office segment in Europe exhibits notably lower yields than its North American counterpart. However, the increasing transaction activity in the U.S. market (see paragraph on the Paramount Group) suggests a potential gradual turnaround for U.S. offices.

About the Implied Cap Rate

The “Implied Cap Rate” is the ratio of the net operating income (NOI) of a listed real estate company or REIT to the market value of the company (market capitalization plus debt, less cash and cash equivalents). Essentially, the implied cap rate serves as the equivalent of the cap rate, which is a key metric in the direct real estate market. In contrast to the direct market, where cap rates are determined by real estate transactions, real estate stocks are valued daily by stock market trading as a distilled assessment of all active market participants. Rising implied cap rates can be due to both rising operating income (NOI) and falling stock market prices – or both. Implied cap rates in conjunction with a company’s growth prospects are a key indicator for assessing the market situation and the valuation of individual companies and sectors.

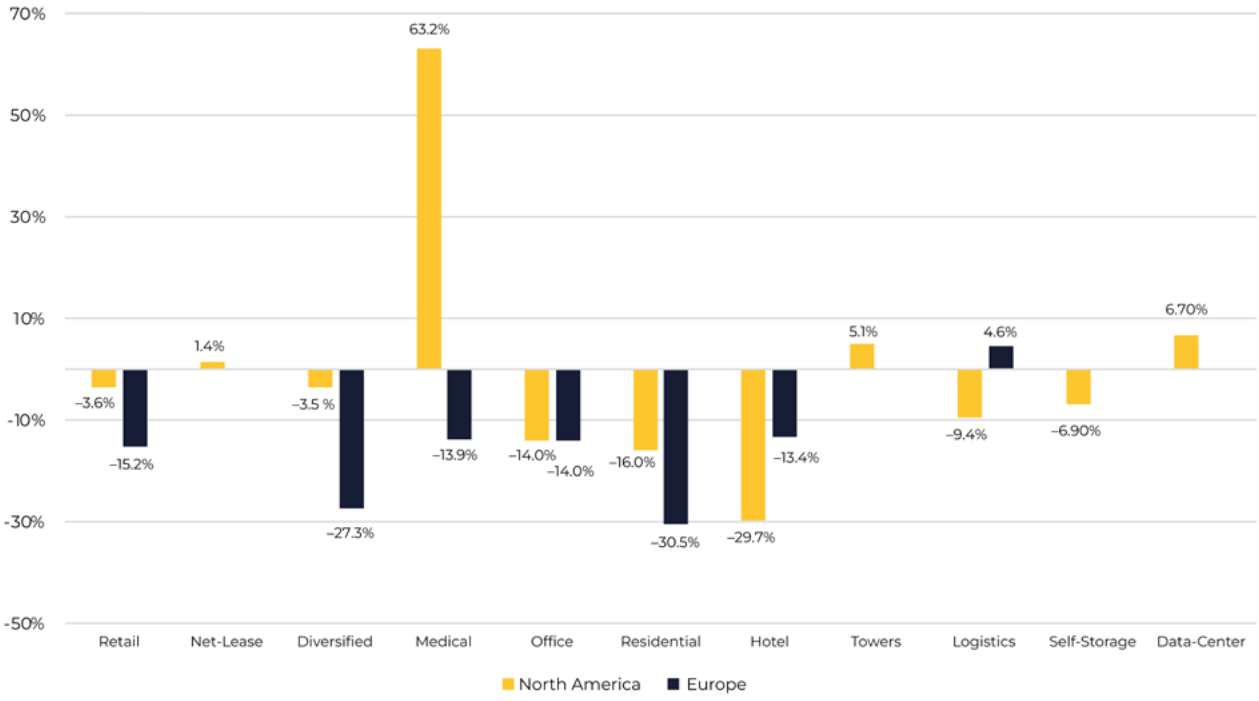
NAV SPREAD

In comparison to the previous edition of the **AVENTOS Listed Real Estate Report**, the observed trends have become more pronounced. In North America, the NAV premium has increased to 6.6%, while conversely, the discount in Europe has widened to 23.3%. It is important to note that the premium in the U.S. results from the valuation of a few large segments, with data centers, towers, medical, and net lease showing moderately positive values. However, traditional segments, including the self-storage segment, are trading at a discount. The unusually high premium in the medical segment is largely due to Welltower, which is currently trading at twice its net asset value and holds a dominant market capitalization of around USD 120 billion.

In Europe, the significant discount in the residential segment is particularly striking, with Germany's Vonovia exemplifying the situation on the listed residential real estate market situation. Since 2021, the company has consistently traded at a considerable discount to its net asset value. The primary reasons for this low stock market valuation are likely to be debatable takeovers, high leverage, and a challenging regulatory environment.

The discount on U.S. hotels is also particularly pronounced at present, with a discount of almost 30%. Hotel REITs are facing challenges due to high capital intensity, sensitivity of the business model to economic conditions, and significant operating leverage, which makes them highly reactive to political and economic uncertainty. As of the end of the third quarter of 2025, the average NAV spread weighted by market capitalization was as follows, depending on the type of use:

	North America	Europe
Average	**6.6%** (Premium)	**–23.3%** (Discount)



Source: In-house chart, based on data from S&P Capital IQ Pro.

AVENTOS

About the NAV spread

The NAV spread represents the difference between a company's market capitalization on the stock exchange and its net asset value (NAV), which is the valuation of its real estate portfolio and other assets minus liabilities. When the NAV exceeds the market capitalization, a NAV discount exists, indicating that the stock is relatively undervalued. In such cases, acquiring shares via the stock exchange is more cost-effective than a hypothetical direct purchase of the entire real estate portfolio. Conversely, if the market capitalization is greater than the NAV, there is a NAV premium.

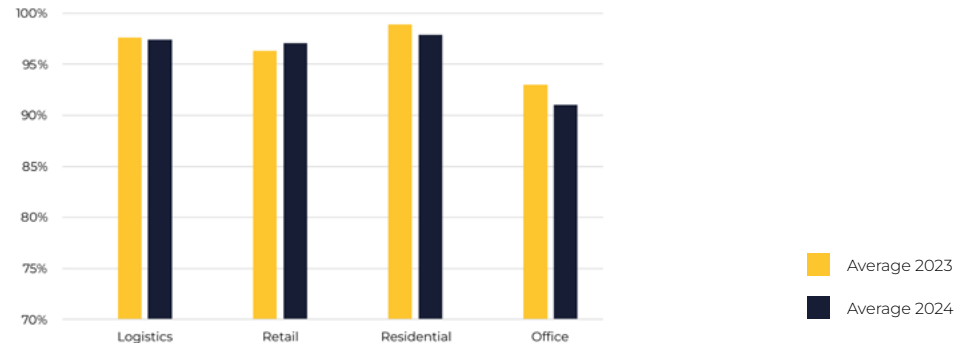
KEY REAL ESTATE METRICS

Trends in implied cap rates and the NAV spread are, at least partially, reflected in key real estate metrics. This is evident when examining the leasing and financing ratios of publicly traded real estate companies, even if the methods and periods under review differ in some cases.

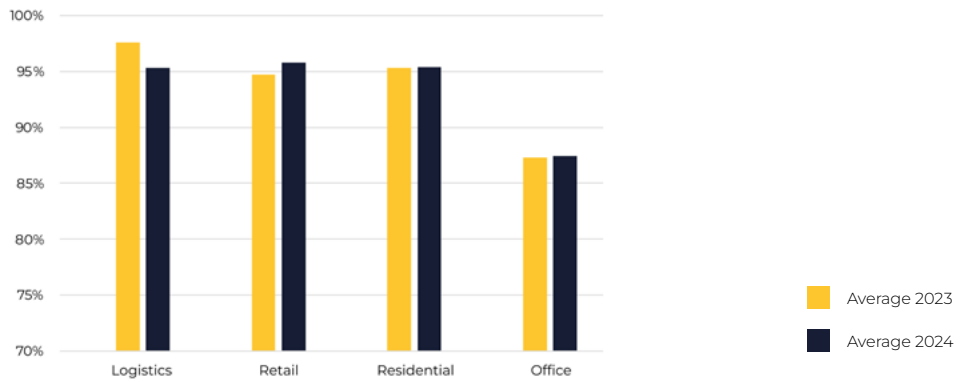
Occupancy rates

Occupancy rates for listed real estate companies are only assessed annually. Therefore, the figures have not been updated since the last **AVENTOS Listed Real Estate Report** in spring 2025. According to the most recent data, occupancy rates are over 95% in the logistics, retail, and residential sectors across both Europe and the United States. The office sector remains an outlier, particularly in North America.

EUROPE



NORTH AMERICA

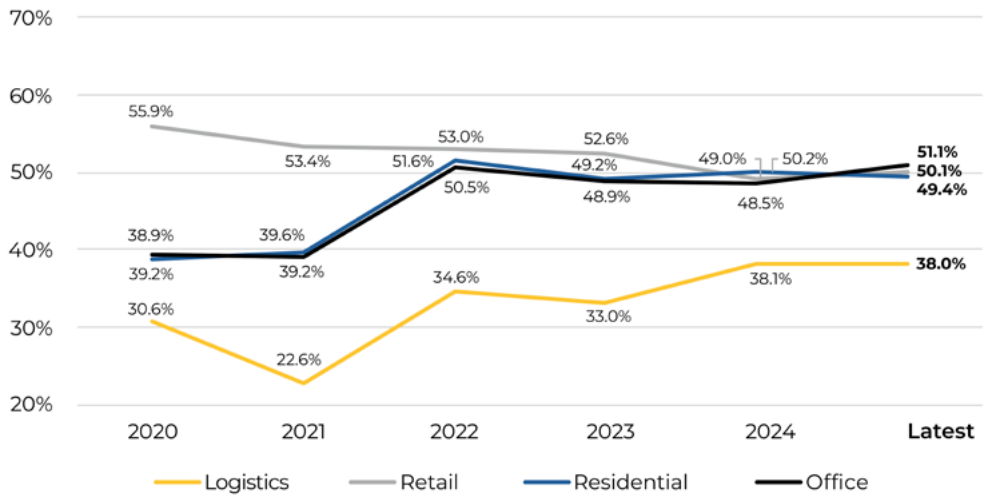


Source: S&P Capital IQ Pro; fiscal year-end 2023 and 2024.

LEVERAGE

In terms of leverage – defined as borrowed capital relative to company value (market capitalization plus debt, minus cash and cash equivalents) – a more nuanced picture emerges when comparing the two continents. With the exception of the office segment, where the current low valuations weigh on the denominator of the leverage formula, North American companies continue to be moderately leveraged on average.
In Europe, the logistics segment continues to stand out as a positive outlier with a relatively low leverage ratio. The benefits of maintaining relatively low debt become evident when considering the real estate cycle in its entirety, the disadvantages during phases of higher interest rates and lower real estate valuations regularly outweigh the leverage effect on the return on equity in stronger market phases. It would appear that this understanding has been more effectively internalized in North American real estate equity markets compared to their European counterparts.

EUROPE



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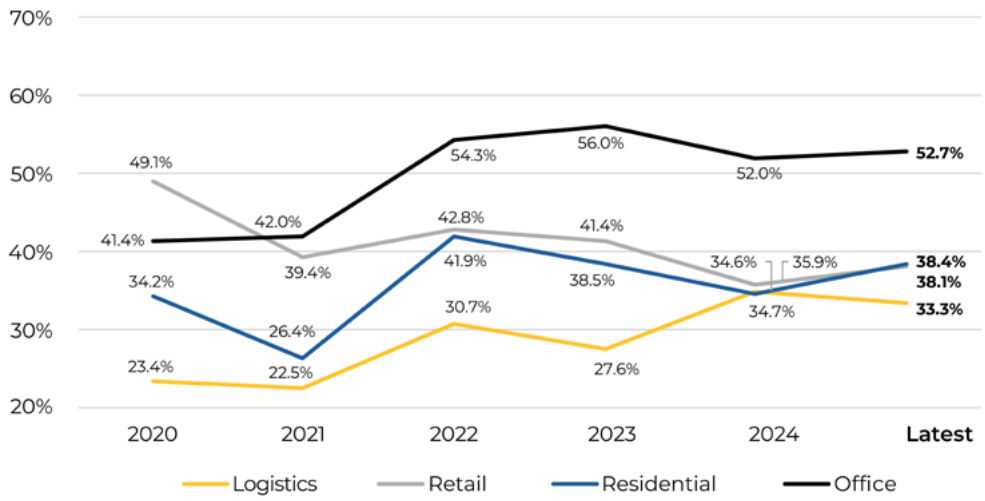
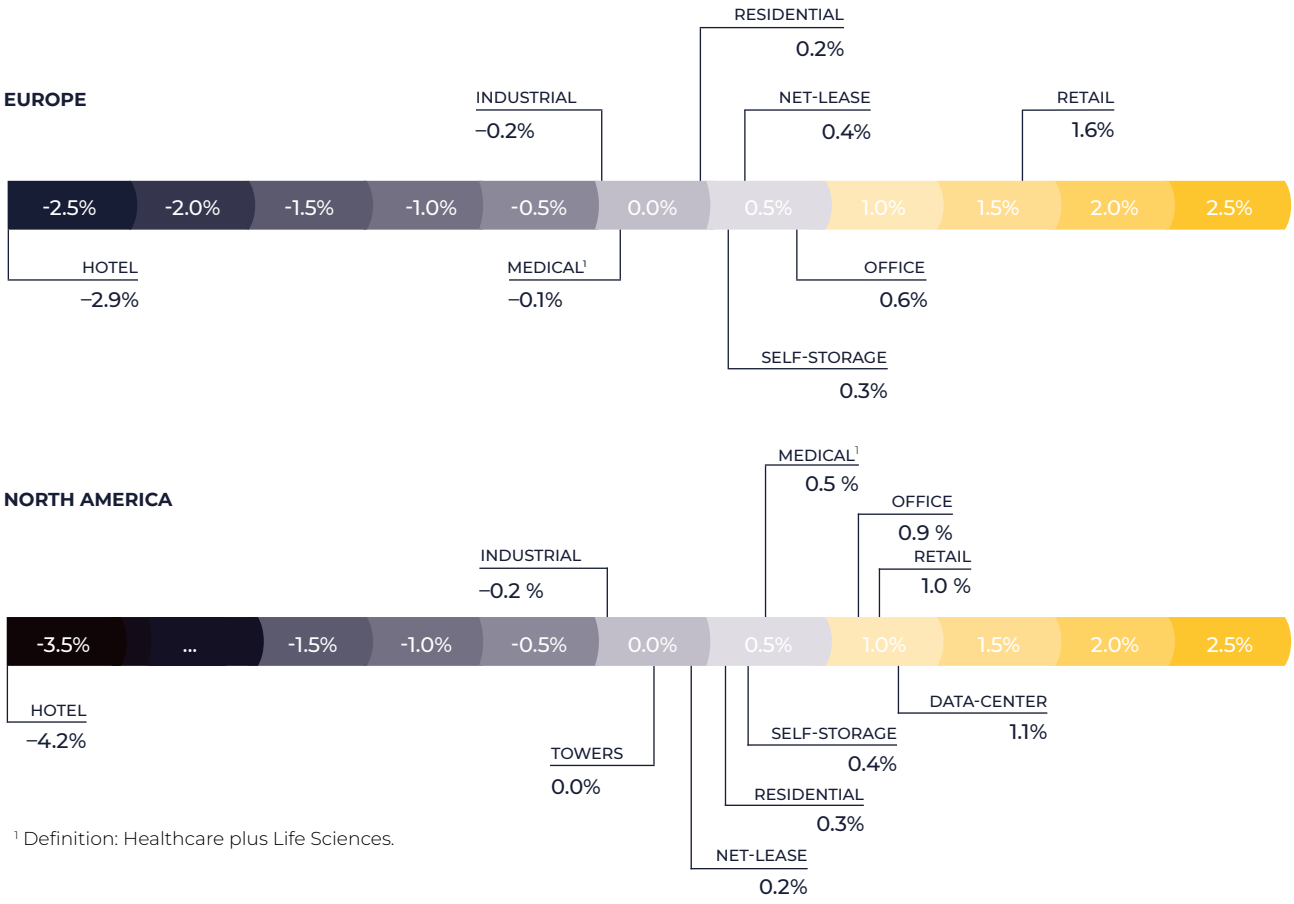


Source: ACM; Fiscal years 2020–2024, 2025 as of September, 2025.

ACM SECTOR MOMENTUM

The “ACM Sector Momentum” indicator is strongly impacted by the gradual normalization of the socio-economic effects of the pandemic over recent years. Notably, the logistics segment on both continents is experiencing a decline from the (comparatively) high valuations of recent years. This alignment of implied cap rates across segments is also reflected in the momentum values. On both sides of the Atlantic, the traditional retail and office sectors emerge, unsurprisingly, as relative winners. The unique position of the U.S. data center sector remains significant, as valuation corrections in other segments have not been observed due to the dizzying demand for data center capacity. In the hotel segment, there is still evidence of a special effect resulting from the slump in revenue in the first years of the pandemic in 2020 and 2021, which temporarily pushed the segment’s implied cap rates close to zero during those years.

The “ACM Sector Momentum” indicator at the end of the third quarter of 2025 is as follows for the various sectors:



¹ Definition: Healthcare plus Life Sciences.

How is the “ACM Sector Momentum” indicator calculated?

1. The (median) Implied Cap Rates by sector and year are calculated separately for North America and Europe.
2. The average Implied Cap Rate is calculated for all sectors per year.
3. The difference between the Implied Cap Rate per sector and year (1) and the average Implied Cap Rate per year (2) is calculated.
4. The average of (3) for the past four years is calculated.
5. The difference between the historical comparison of the sector-specific Implied Cap Rates (4) and the current data is calculated.

About the "ACM Sector Momentum" indicator:

The "ACM Sector Momentum" indicator evaluates the current pricing of a sector by comparing its Implied Cap Rates with those of the overall market and compares this price differential against historically observed Implied Cap Rates (since 2020). A sector exhibiting a negative momentum value is therefore priced relatively low on the stock markets in a historical comparison, while a sector with positive momentum is priced relatively high – always measured against the Implied Cap Rates. Relatively high Implied Cap Rates correspond to relatively low valuations.

CONCLUSION

Real estate stocks are currently unable to keep pace with the technology-driven boom, particularly on the S&P 500 Index. In comparison to the elevated valuations of the broader stock market, the real estate sector can currently be classed as moderately priced based on Implied Cap Rates and NAV spreads.

A post-pandemic consolidation effect is evident across the various real estate segments: the temporary overvaluations in specific segments (logistics, towers, self-storage, and residential real estate in the United States) are giving way to a more balanced alignment with the overall market.

The uptick in merger and acquisition activity in the United States creates hope for the future of the office segment. Despite the political and economic turbulence in the U.S., general disparities in valuations based on net asset value between North America and Europe persist, and are still to the detriment of Europe.

DISCLAIMER

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