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abrdn European Logistics Income plc
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QuotedData
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abrdn European Logistics Income - Update research from QuotedData

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Negotiating choppy waters

High interest rates have hit the share prices of real estate companies, with those in sectors with low investment yields, such as logistics, particularly impacted. abrdn European Logistics Income (ASLI) is no different and the market turmoil has seen its share price discount to net asset value (NAV) widen to 34.0% - in line with its UK peers. This is despite the fact that the spread between property yields and the cost of debt is far wider in Europe (property yields were higher in Europe than the UK and cost of debt lower meaning rising interest rates would put less pressure on property yields in Europe in comparison to the UK and suggesting values will be less impacted).

The fundamentals of the European logistics sector remain strong. A chronic shortage of supply (below 3% across Europe and as low as 2% in prime markets) and robust demand should see strong rental growth remain. ASLI's income is linked to inflation, with 66% of it uncapped (meaning rents increase annually in line with inflation), which will feed through to stronger rental growth this year and next. This should off-set inevitable valuation declines as investment yields rise.

Meanwhile, ASLI's borrowings are fixed for an average of four years at an interest rate cost of around 2%. The wide discount to NAV and dividend yield on offer appears attractive for a long-term investment.

Full Research:

<https://quoteddata.com/research/abrdn-european-logistics-income-negotiating-choppy-waters-qd/>

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