

RNS Number : 8387P
Schroder Eur Real Est Inv Trust PLC
04 July 2025

Schroder European Real Estate (SERE)

04/07/2025

Results analysis from Kepler Trust Intelligence

Over the six months to 31/03/2025, Schroder European Real Estate (SERE) produced an NAV total return of 0.3% (2024: -1.3%). The NAV per share fell marginally to 120.1c (30/09/2024: 122.7c), with the main offsetting factors being earnings of 2.8c per share and a positive contribution to NAV from SERE's share buyback programme of 0.3c per share.

SERE currently yields c. 7.3%. and dividends of 2.96c were paid during the period. Dividends were 100% covered by EPRA earnings. EPRA earnings were flat at €3.9m compared to the previous six months.

The net initial yield on Schroder European Real Estate's (SERE) portfolio remained static at 7.0% over the last year, and the dividend yield at the share price is c. 7.3%, both of which are significant premia to interest rates and government borrowing costs in Europe. This, at a time where many larger REITs are seeing their dividend yields closing the gap with government bond yields, highlights that SERE remains significantly undervalued. On one hand, SERE is a small cap REIT, with a market cap of c. £90m, and small cap equities across the UK, Europe and elsewhere have all had a tough time attracting investor attention. On the other hand, SERE has a strong balance sheet and has had good success in asset management initiatives, the assets are institutional-grade and, as the valuation summary and the disposal outlined above shows, valuations are stable to rising, or there are asset management initiatives in play to redress declines. Balancing that, the portfolio has a relatively short weighted average lease length of 3 years (to break) and is slightly over-rented with an ERV of €15.6m against the current rental income of €16.3m. But shorter lease lengths are part of active asset management and the c. 35% discount when German 10-year bonds are yielding just over 2.5% seems like an excessively negative appraisal of the risks.

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