

Schroder European Real Estate (SERE)

09/12/2025

Results analysis from Kepler Trust Intelligence

Schroder European Real Estate's (SERE) final results to 30/09/2025 show an NAV total return of 2.0%. The NAV was 119.2 cps (2024: 122.7 cps, -2.8%). Dividends of 5.92 cps (2024: 5.92 cps) were declared during the year. SERE currently yields c. 8.2%. SERE trades at a c. 37% discount. During the year 2.3m shares were bought back, enhancing NAV by 0.5 cps. The board notes that alongside broader market factors, specific challenges include SERE's largest tenant's anticipated departure and the French Tax claim (both noted below).

Largest tenant, Dutch telecoms company KPN, which occupies the Apeldoorn asset accounting for c. 6% of the portfolio value and 19% of contracted rent, has a lease due to expire in December 2026. KPN have verbally advised that they will issue their termination notice and leave at the end of December 2026. The manager continues to work on solutions including re-letting to a replacement tenant or obtaining planning approval for alternative uses and sale.

Tax disclosure update. As previously disclosed, SERE received a notice of adjustment from the French Tax Authority amounting to c. €14.2 million, including interest and penalties. SERE maintains its position that this amount is not payable and has formally appealed the decision. This is now expected to be reviewed within a six-month period. If the claim is dismissed, SERE would escalate the matter to a formal court process, which could take up to two years to resolve. Based on professional advice, SERE's board has decided not to make a provision, as they do not believe that an outflow is probable.

Sir Julian Berney Bt., chair, said: "The period has been characterised by a cautious recovery in economic sentiment across key European markets, with inflation pressures gradually abating and the outlook for interest rates remaining broadly stable, creating a more favourable borrowing backdrop. There are some encouraging signs that liquidity within the European real estate market is improving."

Kepler View

As the board notes, alongside broader market factors, two specific factors play a role in Schroder European Real Estate's (SERE) persistent discount. The largest tenant, KPN, has already provided verbal confirmation and is expected to formally confirm shortly its intention not to renew its lease, which expires in December 2026. We note that this is a large site that, aside from its current use, could be repositioned for residential development. But its current mixed use, particularly as a datacentre, are in an area which is seeing strong tenant demand across Europe.

We understand from the manager that there is a strong case to believe that the French tax claim will not be paid, and the board confirms that it has received professional advice on the same basis. Alongside this change, there is now a timetable for when we might expect a resolution, and as the board notes, there is an appeal process should the initial assessment go against SERE.

SERE's significantly wider than average discount, c. 36%, says to us that the market is taking a wait and see approach on the above issues and while that's frustrating given that there has been an improvement in sentiment to REITs more generally, with some of SERE's UK-listed peers turning in very good share price performances over the last year, taking this approach is understandable given the binary nature of both issues. Once the outcome of either or both is known, then SERE's remaining portfolio, which has maintained a relatively stable valuation and income, could be significantly undervalued by the share price.

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