Results analysis: Schroder Real Estate

SREI delivers a positive total return as property values begin to stabilise.

Update
07 August 2026

Analysts:
Alan Ray
alan@keplerpartners.com

- **Schroder Real Estate Investment Trust's (SREI) final results to 31/03/2026 show a NAV total return of 4.8% (2025: 11.0%), comprising a 1% decrease in NAV per share to 60.9p (2025: 61.6p) and a 3.6p dividend (2025: 3.5p, +4%). The dividend was 94% covered (2025: 100%) by earnings and at the current share price SREI's dividend yield is 8.3%.**

- **Whilst the property portfolio valuation declined to £474.6m (2025: £480.0m, -1.1%), post year-end the valuation increased to £476.6m as at 30/06/2026 (unaudited).**

- **The portfolio total return for three years to 31/03/2026 of 5.9% annualised is ahead of the MSCI UK All-Property 3.4%.**

- **The portfolio net initial yield is 6.1% and the reversionary yield is 8.3%. The MSCI benchmark equivalent figures are 5.1% and 6.2%.**

- **Net gearing was 36.8% LTV or 58.2% of net asset value (2025: 36.9% LTV). The long-term objective is to reduce this to a 25-35% LTV range. Debt matures in 7.4 years and has a low average interest cost of 3.4%, with 86% either fixed or hedged against movements in interest rates.**

- **SREI's 2025 Global Real Estate Sustainability Benchmark ('GRESB') score increased to 80 out of 100, putting it first in the GRESB peer group. There was a 19% reduction in whole building greenhouse gas intensity in calendar 2024 compared to the 2023 baseline.**

- **SREI's ongoing charges ratio (OCF) was 1.31% (2025: 1.25%), remaining the lowest in the AIC peer group. Beginning on 01/10/2025 SREI's management fee, 0.90%, was amended so that 50% will be charged on the lower of market cap or NAV, with the balance charged on NAV, driving cost savings for shareholders as well as enhancing alignment with the Manager.**

- **SREI's main sector weightings are industrial 53% (benchmark: 33%), retail warehouse 13% (benchmark: 10%), offices 22% (benchmark 22%) and standard retail 6% (benchmark 10%).**

- **During the year there were 31 new lettings of vacant units, 2% ahead of 31/03/2025 ERV, 25 lease renewals 24% ahead of the previous passing level and 15 rent reviews 23% ahead of the previous passing level. Consequently, the 9.8% void rate is the lowest since 2022.**

- **On 31/07/2026 the boards of SREI and LondonMetric Property Plc ("LondonMetric"), (together the "Consortium") and Picton Property Income Limited ("Picton") announced that they had reached agreement on the terms of a recommended all-share offer pursuant to which SREI and LondonMetric will acquire the entire issued and to be issued ordinary share capital of Picton (the "Acquisition").**

- **Alastair Hughes, chair, said "Despite current market uncertainty, the significant efforts by the Board and Manager over recent years mean the Company is well positioned, with attractive earnings growth prospects underpinned by a sector leading balance sheet. There is additional value embedded in the Company's portfolio, which the Schroders team will extract through active asset management and a disciplined approach to capital expenditure deployment, supported by a protracted market recovery."**

Kepler View

The trend for REITs, and investment trusts more generally, to scale up is firmly established and should the transaction outlined above complete, it will be a significant boost to **Schroder Real Estate (SREI)**, both in net asset and market cap terms, as well as being earnings accretive for SREI shareholders through cost efficiencies and further strengthening the sector leading balance sheet. SREI's current market cap, approximately £225m, is arguably one of the factors in its discount to net asset value, although the 29% discount translates to a dividend yield of 8.3%, which is significantly higher than, for example, UK 10-year government bond yields, currently at around 4.9%.

Clearly the slight decrease in overall valuations marks a pause in the protracted recovery that has been underway since the UK property market nadir in 2024, with the abovementioned bond yields nudging higher during the year on increased political risk. But this only goes to highlight SREI's debt profile, with rates fixed at 3.4% for over 7 years, significantly lower than the net initial yield of the portfolio as well as bond yields. SREI's dividend cover dipped below 100% in the year but this comes from a combination of rising costs associated with voids, as well as some bad debts, mainly from the previous financial year, crystalising, and in fact the managers had good success with new leases and reduced the void rate to its lowest level since 2022.

The proposed transaction would, if completed, reshape SREI but we can say in general terms that Picton Property (PCTN) has a similar diversified approach with SREI sector weightings unchanged post deal (e.g. 66% industrial and retail warehouse), and also has a similar debt profile with inherited drawn debt below market rate at 4.4%, so it's unlikely that a successful transaction would fundamentally change SREI's proposition as a diversified UK REIT, but the earnings accretion and likely bump in market cap could put it onto a wider range of investors' radars, and thus reduce the discount to net asset value.

Click here to read the FY report on RNS

Click here to read our latest research on SREI

Click here to add SREI to your watchlist

Disclaimer