Results analysis: Schroder European Real Estate

Schroder European Real Estate (SERE) proposes managed wind-down.

Update
13 July 2026

- **Schroder European Real Estate (SERE) has announced its interim results to 31/03/2026 alongside an announcement that the board and manager are proposing a managed wind down of the trust.**

- **This follows a consideration of various options to maximise shareholder value. A wind down and return of capital to shareholders is seen as the best option. The board and manager believe that the process could take two to three years, giving time to implement asset management initiatives to position assets for sale, and is the best way to achieve a value in excess of the current share price.**

- **Further details of this proposal, which will require shareholder approval, will be announced in due course.**

- **Over the six months to 31/03/2026, the NAV total return was 0.7% (2025: 0.3%). The NAV per share fell to 115.1c (30/09/2024: 117.3c), primarily as a result of unrealised valuation changes.**

- **SERE currently yields c. 8.6% and dividends of 2.96c (2025: 2.95c) were paid during the period. Dividends were 93% covered by EPRA earnings. EPRA earnings were €3.6m (2025: €3.9m).**

- **Gearing is 27% net and 29% gross of cash on an LTV basis. Available cash is c. €5.7 million.**

- **Tax disclosure update: As previously disclosed, the French Tax Authorities have issued a notice of adjustment in respect of the tax years 2021 to 2023. There has been no material change since the previous announcement on 19/03/2026. SERE has appealed the French Tax Authority's €14.9 million notice of adjustment (including interest and penalties) and is awaiting a response and continues to maintain that the amount is not payable. No provision has been recognised, based on professional advice and the board's assessment that an outflow is not probable. Further updates will be provided as appropriate.**

- **The property portfolio valuation declined by 1.1%, to €192.6m, with gains on assets in Rumilly and Stuttgar offset by the negative impact of tenants vacating in Alkmaar and Cannes.**

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- **There are four new leases and re-gears generating €1.9m of annual contracted rent, at a weighted lease term of 8.4 years. Portfolio occupancy is 93%, with an average portfolio lease term of c. 4.1 years.**

- **Phil Redding, chairman, said: "During the period, the Board has actively explored a broad range of strategies, including a continuation of the existing business, a corporate sale and a transition towards thematic or sector-specific investments. However, primarily as a result of the structural shift in investor sentiment towards larger, more liquid UK equities and on-going uncertain economic and property market backdrop, it does not expect these strategies to significantly close the discount or support long-term growth. ... In light of this, and following discussions with major shareholders, the Board, in conjunction with the Investment Manager, has concluded that it is in the best interest of shareholders to present formal proposals for a managed wind-down of the Company."**

Kepler View

Clearly **Schroder European Real Estate's (SERE)** market cap, less than £100m, and the French Tax Authority's notice of adjustment have made it difficult for many investors, or potential merger candidates, to take a view on SERE. There is a strong and well-documented desire for REITs and investment trusts to be much larger than this and M&A over the last few years has often been focused on achieving scale, rather than the short-term extraction of value. This situation is acknowledged by SERE's chair in the results statement and comes despite, in our view, a backdrop in various European markets actually looking relatively constructive for some real estate sectors such as industrial and logistics, a key focus for SERE.

Given that, a managed wind-down looks like the most sensible option, as it comes against that constructive backdrop and gives time to complete asset management initiatives that could enhance asset sales, but also retains some optionality, as SERE will likely remain listed for some time. Since the announcement the share price rise of about 10% suggests that the market thinks this is a good outcome, though the manager believes that the discount may still be overly conservative, noting that the revised managed wind-down strategy, subject to investor approval, shifts the investment profile from an income focus to a total return approach and could lead to a further re-rating.

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