Clearance
Camino Fund

The Valuation Gap Fuelling Europe's Biggest REIT Takeover Wave in Years

If you only skimmed the headlines from the last quarter, you'd think European listed real estate was having a great summer. Property shares climbed during the quarter. SEGRO, the UK's largest logistics landlord, walked away with a £14 billion buyout offer. Smaller REITs got snapped up left and right. On paper, it looks like a sector back on its feet.

Dig into the fund-flow data, though, and a strange picture emerges: investors kept pulling money out of listed real estate funds every month from April to June, even as the shares they were selling kept going up. The gap between what the market was willing to pay for these companies and what their own investors thought they were worth is exactly what turned this into the busiest takeover season European listed real estate has seen in years.

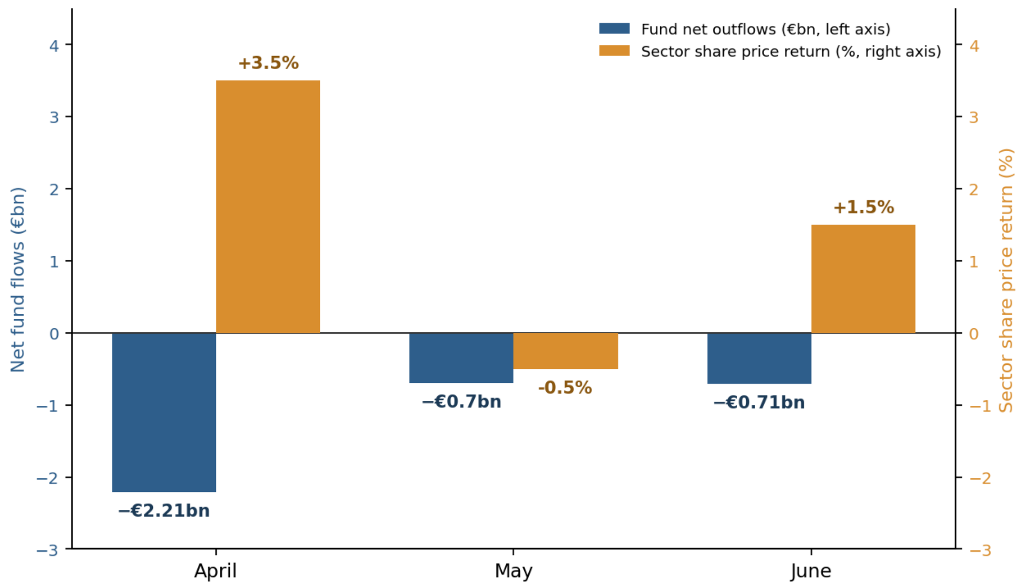
Rising prices, retreating investors

Start with the disconnect itself. According to LSEG Lipper's monthly "Everything Flows" series, Continental European real estate funds recorded €2.21 billion in net outflows in April, €0.70 billion in May, and a further €0.71 billion in June. Real estate was the *only* major asset class still bleeding money through the first half of the year, even as broader European equity funds swung back into positive territory in April for the first time since January.

Meanwhile, share prices were doing the opposite. UK-listed property rose 4.5% on average in during Q2, with 34 of 49 companies in QuotedData's coverage universe posting positive returns in July. The sector was still down for the year, but the direction of travel was unmistakable.

That's an unusual combination. Normally, retail and institutional fund flows and public share prices move roughly together. When they diverge this sharply, it tends to mean one of two things: either the market is wrong, or professional buyers with more patient capital have spotted something the fund-flow crowd hasn't. In this case, it was the latter. As Savills noted in its European investment volumes commentary, direct and institutional investment into European real estate kept building throughout the period even as retail sentiment stayed negative.

The disconnect: investors pulled money out even as prices rose



Sources: LSEG Lipper, "Everything Flows, Europe" (April, May, June 2026); QuotedData, "REIT Review" (April, June 2026).
May sector return is not separately stated in source data; derived from QuotedData's reported Q2 2026 total return (+4.5%) combined with the April and June figures.

SEGRO becomes the proof of concept

Nowhere was that dynamic clearer than at SEGRO. In June, the UK-listed logistics landlord's board "unequivocally" rejected an initial share-for-share approach from US industrial giant Prologis, arguing it undervalued the company. The market agreed with the board's read on value, if not necessarily its decision to say no: SEGRO shares jumped 21.1% that month alone, as investors priced in a higher offer to come.

They were right. Prologis returned in July with a "best and final" £14 billion bid, which SEGRO's board agreed to recommend on 23 July — the largest listed real estate takeover in Europe in years, according to reporting from Bloomberg. SEGRO shares added another 10.3% that month, finishing July up 34% for the year.

Not just the mega-cap deal

The same undervaluation-meets-opportunism pattern played out further down the market. A consortium of LondonMetric Property and Schroder REIT pursued Picton Property Company for months. An initial approach in May came in below market expectations, but the deal was finally completed in July for £404 million, at an 8.2% discount to Picton's own June net asset value.

Activist investors piled in too. US fund Saba Capital built stakes north of 5% in Grainger, Workspace Group and Unite Group over the period. Workspace shareholders rebuffed Saba's push for a wind-down at the company's July AGM, but the pattern of activists circling companies trading well below the value of their underlying property was consistent across the summer.

A complicated macro backdrop

None of this happened in a stable environment. The Iran conflict remains a driver of market volatility and, at times, yield expansion that offset otherwise-solid rental growth. Central banks added to the uncertainty: the European Central Bank delivered a surprise rate hike on 11 June - its first in three years. The Bank of England, by contrast, held its Bank Rate at 3.75% for four consecutive meetings, a policy split that widened the gap between UK and continental European financing conditions.

That divergence shows up in the data too: even after three months of gains, QuotedData noted in July that UK-listed property remained 7.2% below year-ago levels, with a growing "bifurcation" between large, liquid names and smaller companies still stuck at deep discounts.

What it means going forward

For everyday investors, the last few months are a reminder that fund flows and share prices don't always tell the same story and that the gap between them can be where the opportunity sits. Retail investors kept redeeming from European real estate funds straight through the rally, which meant many missed the recovery entirely, and likely missed it for an understandable reason: after years of a difficult rate environment and a rocky start to 2026, real estate simply didn't feel like a place to add money. But that hesitation is exactly what widened the valuation gap that institutional buyers and activists then stepped in to close.

Trying to guess the next SEGRO is a poor strategy, since most bid speculation doesn't pan out and picking single names concentrates risk in a sector still shadowed by rate and geopolitical uncertainty. It's more a case for treating a diversified REIT or property fund as a long-term allocation rather than something to exit every time headlines turn negative. The more durable lesson may simply be that quality and scale matter: larger, more liquid names with visible rental growth have weathered this period better than smaller, thinly traded ones, which is as useful a filter for a retail portfolio as it is for a corporate acquirer.

Sources:

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This article was written with assistance from Claude Sonnet 5.