



Nedgroup Investments Global Property Fund

2025 Results – REITs playing the long game (but no time for beach volleyball)

By Resolution Capital, sub-IM of the Nedgroup Investments Global Property Fund

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As we head to Miami Florida for our annual March pilgrimage for the gathering of Global REIT CEOs and investors¹, we think it worth sharing some highlights from the just concluded REIT December 2025 financial reporting season.

But before we review 2025 results, it's worth recalling the environment for last year's conference to help better understand where we currently stand, why price vs valuation matters and that *focusing on fundamentals and filtering out noise is crucial to successfully investing through the cycle*.

In March 2025, whilst interest rates were moderating, we were contending with lacklustre REIT market returns amidst the seemingly unstoppable ascent of the Mag-7, a narrative of American exceptionalism and a US Dollar riding high. There was widespread enthusiasm for private credit, and the need to invest heavily in energy supply to decarbonise the grid and power proliferating data centres for the nascent AI revolution. The market was interpreting the potential impacts of DOGE on leasing demand, while anxiously awaiting details of Trump's Liberation Day tariff policies, for what had expected to be a pro-growth "Trump 2.0" environment. Epstein was mostly a curiosity, whilst on the eve of the conference we were shocked by the Zelensky ambush at the White House².

Against this extraordinary backdrop, at the March 2025 Miami conference REIT CEOs were rattled³, and frustrated about their weak share prices after having just released a reasonable set of results for 2024. Given the backdrop you can understand why there was guarded optimism for 2025 forecast earnings growth of ~4%.

So fast forward to today and it's worth noting that even with waves of concerns, and several more

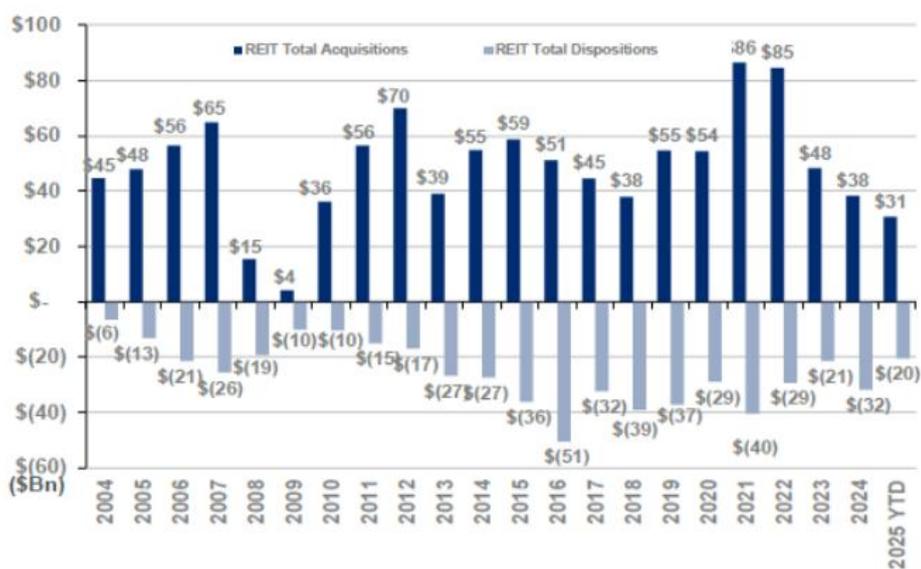
subsequent, the listed real estate sector has produced a creditable 15.5% total return⁴ for the year ending 28 February 2026. The sector's solid fundamentals have begun to become persuasive, a situation evidenced in the just completed December 2025 REIT financial results season.

So, what were the key takeaways of the just completed results season -

- For 2025 actual results, most REITs matched or exceeded original guidance to deliver earnings growth of ~5%, hence better than forecast at the start of 2025. Looking ahead to 2026, earnings growth is projected to accelerate slightly to ~6%, and we expect dividends will at least match that rate. Importantly, the growth is derived largely from underlying organic rental growth, not other activities or financial engineering.
- Supported by generally elevated portfolio occupancy, driven by falling and/or low new building supply and steady tenant leasing demand, more REITs are exerting increasing levels of pricing power in leasing deals.
- This is most pronounced in the senior housing and data centres sectors, which are set to produce double digit earnings growth in 2026, albeit the former partially boosted by restoring occupancy post the impacts of COVID. Elsewhere, top tier retail property is showing evidence of real rental growth, underpinned by resilient consumer spending, lower tenant credit issues, lack of new competing development, and retailers multi-channel distribution strategies placing a heavy emphasis on leasing in the most sales productive centres which is where REITs are typically exposed.
- After several years trailing, UK/European industrial property market rents are now growing faster than those of the overall U.S. industrial market, albeit largely the result of U.S. market rents moderation rather than European acceleration. That said, most REITs were predicting an inflection in logistics leasing demand given a lengthy period of more stable global trade dynamics (perhaps now somewhat clouded by last week's Supreme Court decision to nullify the policies).
- Whilst there are many bright spots, there are notable laggards across sectors and regions: moderating jobs growth and an oversupply overhang in some pockets, namely the U.S. sunbelt, is seeing modest residential rent growth of 0-2%, with the expected recovery pushed into 2027 (which augers well for more modest inflation data relating to housing costs).
- Meanwhile U.S. self-storage continues to work through elevated rents achieved during the COVID induced leasing frenzy. Also, evidence of the K-shaped economy could be seen in the relative strength of leisure and luxury resorts in the hotel sector, whereas hotels reliant on government and business travel lagged.
- Leasing conditions in cold storage and life science (to which we have no dedicated exposure) remains challenging. But student housing has arguably seen the most significant recent deterioration in operating conditions, as student affordability challenges and changes in foreign student entry conditions has resulted in Unite Group plc (UTG) – the UK's student housing leader in which we sold our position in 2025 – downgrading earnings for the second time in 6 months.

- Office REITs reported good leasing demand for better quality space, resulting in record rent levels, and in the past year we have seen AI related businesses emerging as a positive contributor to a strengthening leasing dynamic. However, office REIT share prices have been weak, particularly in the U.S., as the market has become more concerned with how AI adoption could impair office employment over the medium/long term. Aside from the fears for office leasing demand, most REIT managers spoke of AI in the context of helping to improve operating efficiencies, for example vetting tenants and in the case of retail, providing tenants with proprietary information about shopper visitation dynamics. We hope executives are prepared to provide thoughtful responses for what will no doubt be a central topic at the Miami conference.
- REITs are having little difficulty refinancing maturing debt and, whilst current interest rates are at higher levels on maturing debt facilities, REITs currently enjoy historically low borrowing margins thanks to their strong balance sheets and investment grade credit ratings.
- The overall low supply environment was a common talking point. Traditionally an avenue for REITs to enhance their portfolio, today few REITs are showing enthusiasm to actively develop – development activity represents less than 5% of the REIT industry’s capital – versus peak levels of over 10% just prior to the GFC. In general, market rents simply do not justify development risk, with activity most heavily focused on data centres and logistics warehouses.
- Another feature of the results is persistently low transaction activity, as highlighted in the chart below displaying U.S. REIT annual property acquisitions and dispositions. Acquisition activity is largely confined to the healthcare REITs, Welltower (WELL) and Ventas (VTR) snapping up more than US\$17bn of senior housing facilities in 2025. In other sectors, REITs do not have an accretive competitive cost of capital to make accretive purchases.

REIT Acquisition & Disposition Activity



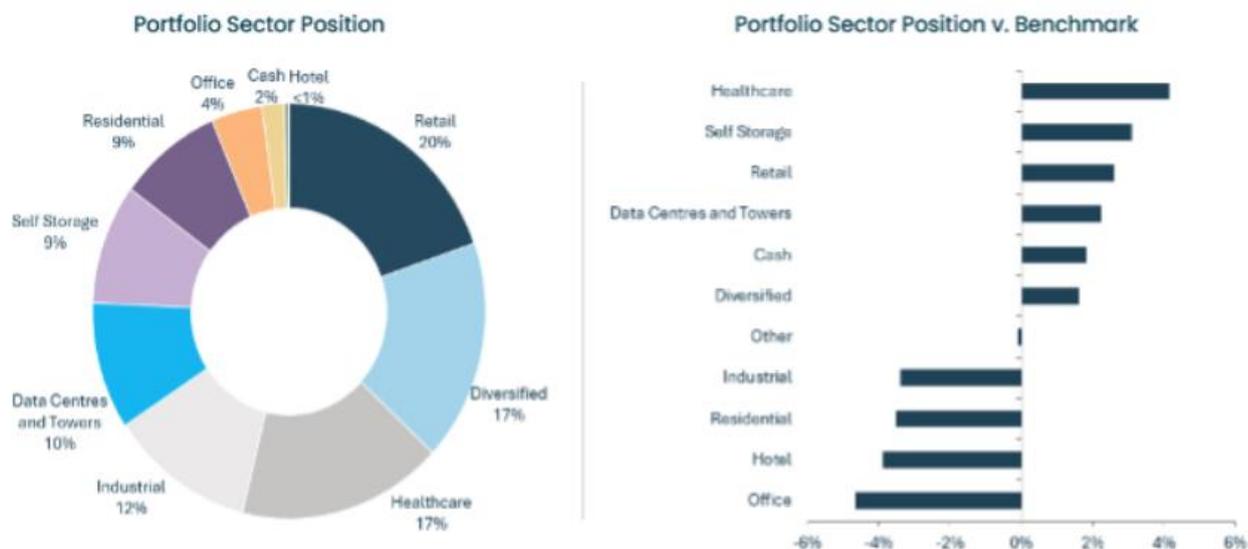
Source: Citi Research, SNL and FactSet (20 February 2026)

- With little development, limited attractive acquisition opportunities, and REITs trading at or below management's assessment of Net Asset Values, share buy-backs by REITs was a notable feature, probably the most widespread in the history of the modern REIT dating back to the 1990's. Relative to market cap these are not material⁵, the buy backs are largely funded from retained cash flows and we stress are not the result of dividend cuts. We view share buyback programs as a signal of where management believe the stocks are trading relative to intrinsic value.

Individual portfolio stock highlights include:

- Seniors Housing owner and industry behemoth Welltower (WELL) is on track to deliver high teens percent earnings growth in 2026, which would mark a third year of double-digit earnings growth. Powerful demographic demand drivers (the silver tsunami) as well as low industry new build (50-year lows by some measures), combined with accretive acquisition opportunities have created a powerful flywheel for Welltower, the likes of which the REIT industry has rarely seen.
- Data Centre leader Equinix (EQIX) proving doubters wrong. Having weathered storms created by a 2024 short seller's report⁶ and a disappointing investor day in mid-2025 due to short term earnings headwinds associated with its "build bolder" capex ramp up plans, our analysis and patience was rewarded with the market's positive reaction to Equinix's 2025 earnings result and outlook as the company generated accelerating earnings growth pointing to strong ongoing customer demand and vindication of its strategy.
- Unibail Rodamco Westfield (URW) confirmed progress on plans laid out at last year's investor update: the company has largely completed its asset disposition program to reduce financial leverage, and crucially, the company's shopping malls are producing greater than inflation income growth. The quality of URW's malls and efforts to deleverage the balance sheet should see earnings inflect in 2026 with strong dividend growth a feature as it normalises its payout ratio.
- Pauw! Off the back of 7% earnings per share growth in 2025, European logistics landlord Warehouses de Pauw (WDP) provided 2030 guidance of 6% p.a. despite higher interest rate headwinds.
- Our Japanese property stocks generated good results, powered by tenant demand improving on the back of the strongest domestic economic growth in over a generation. Tokyo-centric Sumitomo Realty (8830) demonstrated improved investor engagement by hosting its first ever analyst results call.

The following chart highlights the current sector position in the Resolution Capital GREIT portfolio:



Source: Resolution Capital as at (31 January 2026)

Portfolio is Resolution Capital Global REIT Portfolio (US\$)

Benchmark is FTSE EPRA/NAREIT Developed Index (USD) Net TRI

Summing Up

These results highlight sector allocation is vital with our portfolio positioning weighted toward several of the sector's enjoying more constructive dynamics. Historically conservative leverage and development activity point to a sector generating solid returns without high risk. Tenants are showing greater willingness to pay more rents for better quality, more productive space. However, in many cases these rents are below levels needed to justify more development. We are nowhere near the top of the cycle.

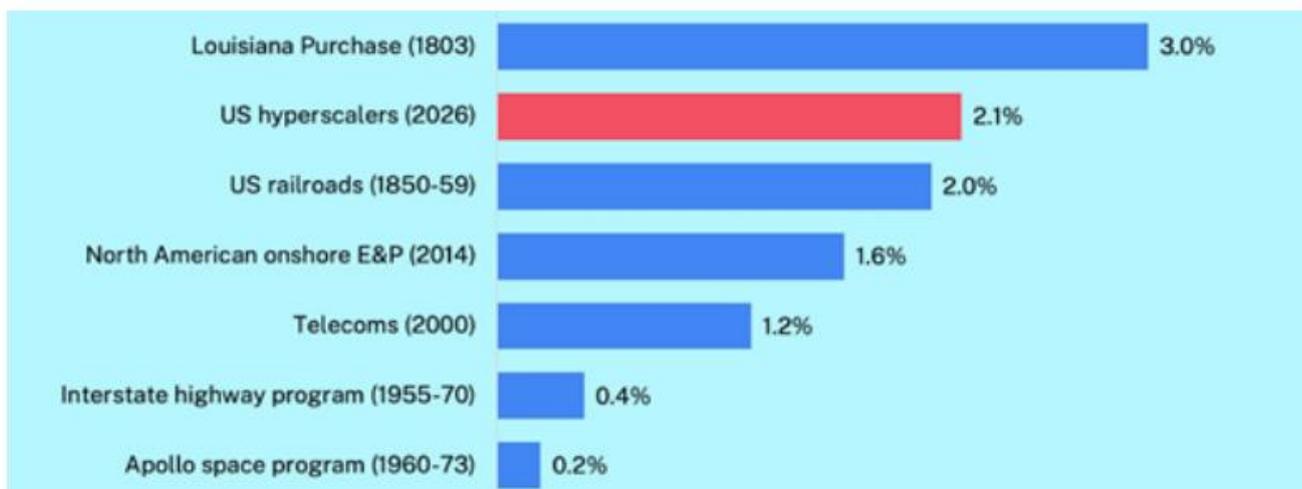
REITs are well capitalised and are increasingly exercising leasing pricing power. Consequently, REIT earnings growth is accelerating.

From a valuation perspective REITs are trading at or below replacement costs, a historic multiple discount to equities, and are discounted to underlying asset values (NAV) culminating in unusual levels of share buy backs.

We head into 2026 none the wiser about geopolitical dynamics and with equal measures of fear, scepticism and optimism about the power of AI. We are not blind to the risks posed in other sectors, such as the challenges facing some private credit sponsors in the past few weeks. Crucially, REITs are playing the long game, exhibiting sound capital management policies and a commitment in keeping their properties desirable and competitive to meet the needs of tenants and deliver more earnings and dividends.

Capital expenditure program as share of GDP

Annual average over program duration or year if specified



Source: Companies, World Bank, Federal Reserve, Wall Street Journal, S&P Global (12 February 2026)

¹ A Citi hosted conference held at a beachside hotel but with all day meetings conducted in small cubicles in a cavernous ball room with limited natural light.

² This year the coordinated attack by U.S and Israel has marked the eve of the conference.

³ A mood not helped by the presence of bodyguards in response to the shooting of a healthcare CEO in New York just weeks earlier outside the Midtown Hilton hotel where US REITs hold their annual industry conference.

⁴ Based on FTSE EPRA Nareit Developed Index in Local Currency.

⁵ As REITs are required to payout taxable earnings, leaving limited retained cashflow to finance share buybacks, and most are unwilling to use debt, ie lever up, to do so. (Dexus (DXS) a curious exception.) In fact, some REITs, eg Camden Property Trust (CPT) and Host Hotels (HST), have indicated plans to sell assets and buy back stock.

⁶ With rationale largely based on misplaced or exaggerated concerns.

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