

Building potential resilience



In periods of heightened geopolitical instability, investors often look for ways to build resilience into their portfolios. Real estate investment trusts, owners of physical buildings with contractual cash flows, can provide exactly that – particularly those exposed to next-generation assets aligned with powerful socio-economic mega trends.

Matthew Norris, Fund Manager and Managing Director of Real Estate Securities at Gravis, tells us more.

In 2025, UK REITs delivered a total return of 11.1%. The American tech-heavy NASDAQ did better on paper, rising 21.2%. But currency effects mattered. Once transacted back into pounds, dollar weakness meant multi-asset portfolios captured only 12.8%. For UK investors, even as AI-linked US tech dominated the financial news, the outcome was strikingly similar.

Performance numbers tell only part of the story – the route to those gains was starkly different. In sterling terms, the NASDAQ was down more than 20% year-to-date by April as tariff concerns unsettled markets, only returning to positive territory in July. UK REITs were steadier. At their worst, losses were less than half those endured by US tech, and by the end of April REITs were back in the black.

Despite lingering domestic fiscal uncertainty in 2025, contractual rental income provided ballast, damping volatility.

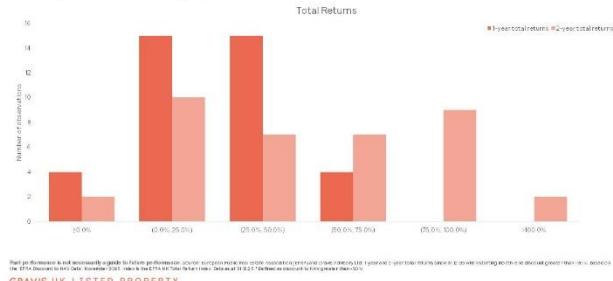
Recurring income strengthens the appeal. The indicative yield on the UK REIT index stands at around 4.2%, comfortably ahead of the roughly 3.6% available from the relatively domestically focused FTSE 250.

Valuations may also provide support. UK REITs enter 2026 trading at a 28% discount to net asset value, far wider than their long-run average of a much tighter 17% discount.

Analysis from Gravis suggests that when the REIT sector discounts exceeds 30%, investors have historically gone on to generate positive returns over the following one- and two-year periods. That pattern played out again in 2025, when REITs entered the year trading at a 30% discount before notching up double-digit returns over the subsequent 12 months.

POTENTIAL FUTURE REWARDS

Investors have been rewarded for investing around points of extreme¹ NAV discounts. 24% average 1-year return, 49% average 2-year returns.



1 Rate of return is the annualized capital return performance, derived from the 2025 NAV discount to the 2026 total return. Data: FTSE All-Property Index, 2025 NAV discount to 2026 total return. © 2026 Gravis Listed Property Limited. All rights reserved. Not to be reproduced without prior written consent.

As markets fret about stretched valuations in AI-linked technology stocks and renewed geopolitical risk, a simple lesson bears repeating: portfolios, like buildings, need firm foundations. REITs may once again help build diversification and resilience in 2026.



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