

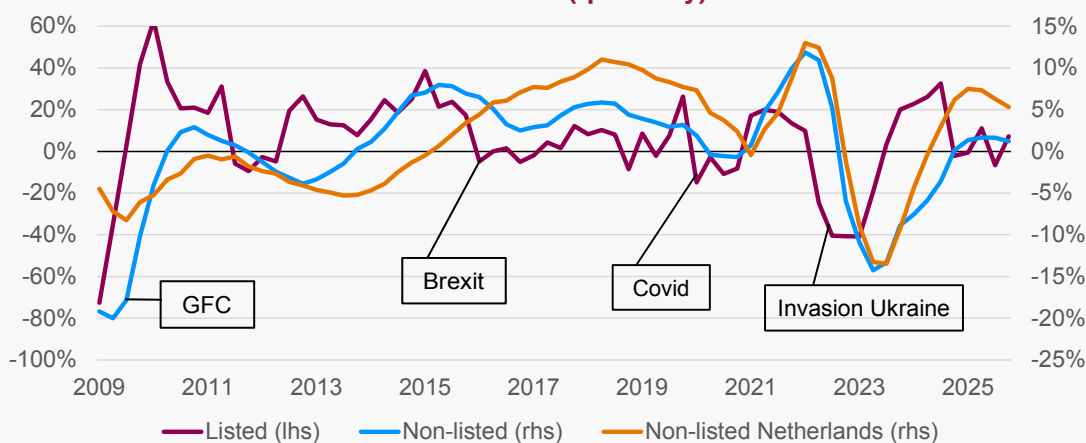
Gradual Pressure

No Immediate Repricing in Dutch Real Estate

Geopolitical events, such as the recent Middle East conflict, tend to translate into immediate volatility in listed markets, while private real estate typically adjusts with a delay and more gradually.

For private real estate investors, the challenge is not reacting to headlines, but filtering what matters for the medium-longer-term and what does not. Bouwinvest therefore combines signals from both listed real estate, capital markets and private transactions to interpret developments and to position its international and Dutch portfolios accordingly. This three-pager builds on those signals, examining what listed market movements may be telling us about the direction of Dutch real estate.

Annual capital growth and price return for non-listed and listed European real estate markets (quarterly)



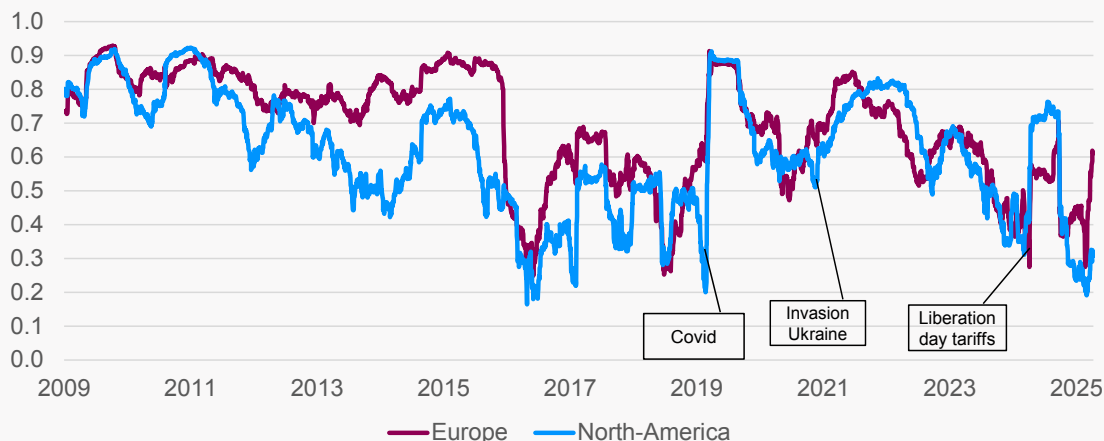
Source: Global Property Research, MSCI (2026)

When uncertainty rises, listed real estate trades like equities

The short-term relationship between listed real estate and broader equity markets is typically higher. During periods of geopolitical stress, this correlation tends to increase even more temporarily as macro sentiment dominates sector-specific fundamentals. The current Middle East conflict follows this pattern.

Recent market movements show a clear rise in the correlation between equities and listed real estate, indicating that listed property markets are currently reacting more to broader risk sentiment than to real estate-specific drivers. In periods of stress, investors typically prioritise liquidity, reducing exposure in more liquid positions such as listed real estate, while reallocating capital towards perceived safe havens. This can amplify short-term moves in listed markets without necessarily reflecting changes in underlying real estate fundamentals. Similar dynamics were observed during the Covid pandemic and the invasion of Ukraine, when listed real estate temporarily traded in line with equity markets before decoupling again as fundamentals reasserted themselves.

120-day rolling correlation in price returns between equity and listed real estate



Source: Global Property Research, S&P500, STOXX (8 July 2026, CoB)

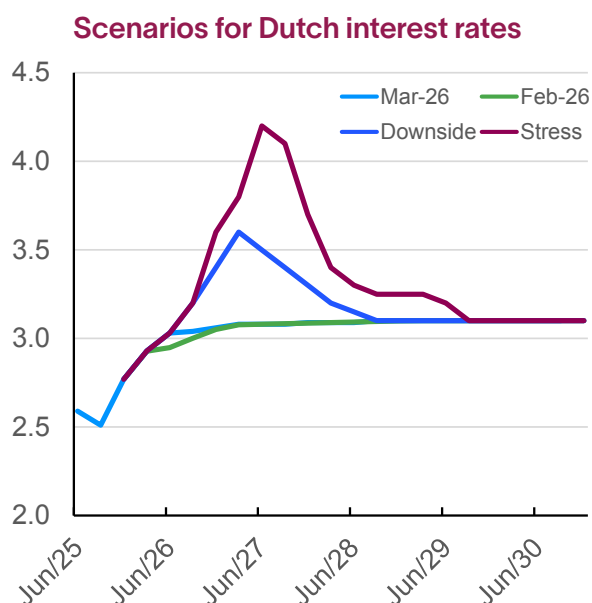
Compared with previous episodes, the current increase in correlation appears more moderate. This suggests that markets are pricing in heightened uncertainty, but not yet a structural repricing of real estate fundamentals. At the same time, the effect appears more pronounced in Europe than in North America, indicating greater sensitivity of European (listed) real estate to geopolitical developments linked to energy markets and growth expectations.

For private real estate, this dynamic is relevant. A temporary increase in correlation typically reflects short-term sentiment-driven volatility rather than immediate changes in income growth or valuation drivers. If correlation remains elevated and is accompanied by shifts in interest rates, risk premia or growth expectations, this may signal broader repricing pressure. If correlation normalises within a relative short term, the impact on private markets is likely to remain limited.

Because listed real estate is currently driven more by macro sentiment, the key question becomes how geopolitical developments may translate into the Dutch economic outlook.

Escalation or ceasefire? Three scenarios for the Dutch economy

The economic impact of the Middle East conflict depends primarily on the duration of elevated energy prices and the persistence of geopolitical uncertainty. Since the Covid period, the geopolitical and economic environment has been characterised by heightened volatility and rapidly shifting sentiment. Scenario analysis therefore helps assess potential impacts and anticipate how developments may feed through into the Dutch economy and real estate markets.



In the base case, tensions persist but without major escalation. Energy markets remain volatile and growth slows but stays positive. Inflation rises moderately and interest rates remain broadly stable. A ceasefire within this scenario would stabilise sentiment and leave real estate fundamentals largely unchanged.

In the downside scenario, prolonged elevated energy prices weaken growth, push inflation higher and lead to tighter financing conditions. Risk premia rise and transaction activity slows as investors reassess pricing.

In the stress scenario, a severe supply disruption leads to negative growth, higher interest rates and widening risk premia. As the shock persists, second- and third-order effects increasingly feed through into occupier markets and underlying real estate fundamentals.

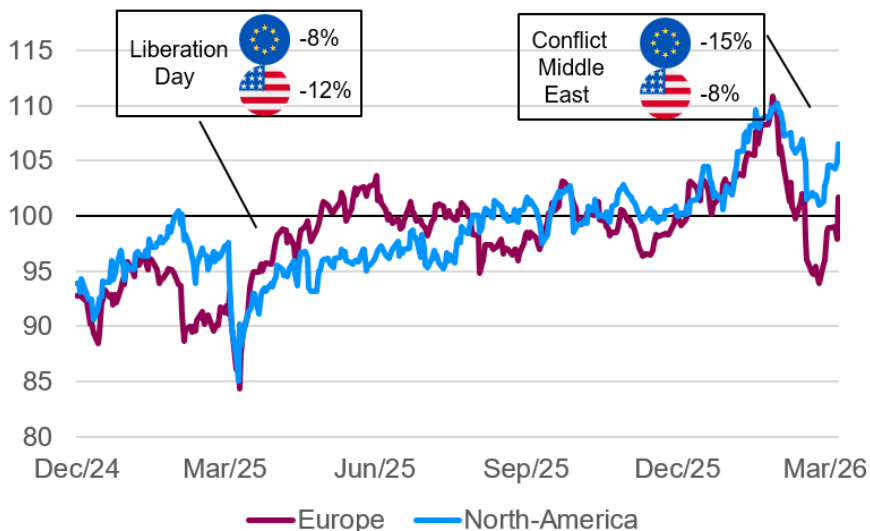
Source: Oxford Economics, Bouwinvest Research (April 2026)

Financial markets point to gradual pressure, not immediate repricing of Dutch real estate

Financial markets provide the first indication of how geopolitical shocks may translate into real estate. Listed property markets typically react immediately, while interest rates adjust as inflation expectations and risk premia shift.

Recent developments following the Middle East conflict show this dynamic. Listed real estate corrected in both Europe and North America, reflecting higher uncertainty and risk-off sentiment. At the same time, Dutch government bond yields moved upward, indicating tighter financial conditions and increasing pressure on Dutch real estate pricing.

Listed property markets tend to respond sharply to unexpected events; if such events persist, these signals are valuable.

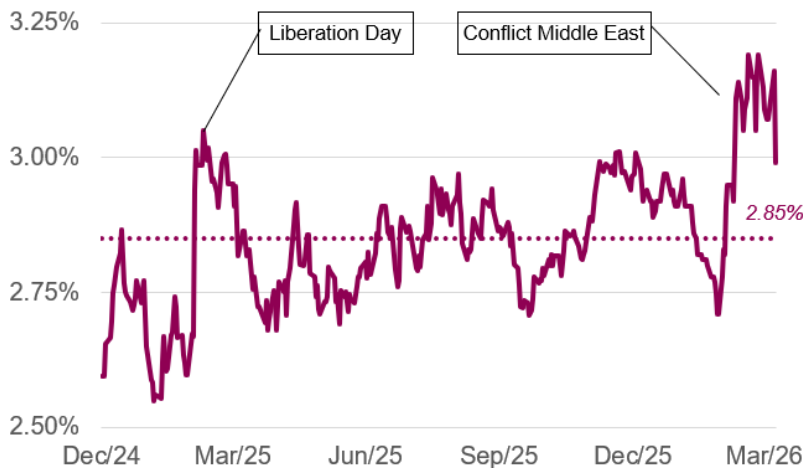


Source: Global Property Research (8 July 2026 CoB)

The duration of these movements is key. During the energy crisis following the invasion of Ukraine, interest rates and listed real estate repricing persisted for several quarters, which ultimately translated into broader pressure on private real estate valuations. This illustrates that the length of the shock, rather than the initial market reaction, is the main determinant of the impact on private markets.

If volatility proves temporary, the impact on Dutch private real estate is likely to remain limited. However, if higher interest rates persist and listed market repricing continues, similar to the period following the Ukraine-related energy shock, this typically signals gradual pressure on private market valuations.

Dutch interest rates rose by around 40 bps from the start of the conflict and by 25 bps from the 12-month average rate.



Taken together, current market indicators point to increased volatility and modest upward pressure on yields, rather than an immediate repricing of private real estate. The extent of the impact will depend on how long geopolitical uncertainty and elevated energy prices persist.

Source: Bloomberg (8 July 2026 CoB)

Discuss the implications

To discuss the potential impact on real estate or to explore these scenarios further, please contact:



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