

# Competing in Europe and the benefits of scale

REALTY  INCOME  
The Monthly Dividend Company®



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Europe stands at the beginning of a long investment super-cycle. Energy transition, digital infrastructure buildout, reshoring of industrial capacity, and a generational renewal of logistics real estate represent capital requirements running into the trillions — demands that no government budget or commercial bank balance sheet can absorb in isolation. The capital suited to meet this moment is patient, long-horizon, and structurally aligned with decades-long deployment: the kind held by pension funds, insurance companies, and publicly listed real estate investment trusts with permanent mandates. For retirees in particular, this convergence matters. Income-producing real estate, acquired at attractive initial yields and held through long contractual rent streams, is one of the most reliable engines of compounding available to long-duration capital.

Retirement savings sit at the center of this equation. The United Kingdom alone holds approximately £2.5 trillion in pension assets under management, yet real estate accounts for less than 8% of most institutional allocations — a share widely regarded as structurally underweight given the income characteristics of the asset class. Defined contribution schemes and long-duration insurers are drawn to real assets that produce durable, inflation-linked income, and the case for higher real estate allocations grows stronger as populations age and liability profiles lengthen. Yet the vehicle through which that capital reaches real estate matters enormously. Publicly listed REITs, with their liquidity, transparency, and mandatory income distribution requirements, are precisely the structure designed to channel retirement savings into long-dated real assets. The institutionalization of European real estate is, in that sense, not merely a capital markets story. It is a retirement savings story.

It is against that backdrop that we increasingly see more owner-operators in Europe turn to sale-leaseback transactions. According to INREV and EPRA, the total addressable European commercial real estate market approximates €11 trillion, with nearly 75% of that (over €8 trillion) being owner-occupied or non-institutionally held.<sup>1</sup> This compares to the United States, where investible commercial real estate is more commonly owned by REITs, pension funds, private equity firms, sovereign wealth funds, or similar institutional capital.

These differing trend lines are driven by a multitude of factors. The most prominent is the depth of the United States capital markets, which provides institutions with deep pools of capital that can be raised efficiently through both the public and private markets. To that end, the United States REIT structure was created in 1960, whereas major Western European countries did not follow suit until the early 2000s. In addition, significant capital deployment of sale-leaseback capital coming out of the Great Financial Crisis in the early 2010s brought increased awareness and appreciation for the product amongst sophisticated owner-occupiers in the United States, further advancing the use of this product. In Europe, adoption and exposure of this capital raising tool has lagged, and idiosyncratic market factors or structural impediments, with European countries having varied tax laws, compliance obligations, tenancy rights, and other complexities, have presented barriers to entry for United States institutions to meaningfully engage in global sale-leaseback activity. Europe's relative lack of institutional ownership is increasingly viewed not as a constraint, but as one of the most underappreciated opportunities in global real assets.

This dynamic is changing. In an environment where balance sheets matter more than ever, sale-leasebacks have become less a tactical financing tool and more a strategic choice. European sale-leaseback transactions totaled over €5 billion in 2025, an increase of 28% compared to 2024.<sup>2</sup> Facing continued pressure under Basel IV, combined with the higher-for-longer interest rate environment, many more companies are turning to sale-leaseback transactions as a funding source. Selling owned real estate provides a more flexible, lower-cost source of capital compared to traditional forms of capital raising, and is a way for owner-occupiers of real estate to monetize an otherwise illiquid asset on their balance sheet. The value proposition to existing owner-occupiers is immense—unlocking liquidity through sale-leaseback transactions allows companies to double down on investment in their core business strategies, which typically provides higher growth and returns. In that sense, institutional real estate capital can be viewed as both a low-cost financing option and a long-term strategic partnership with real estate investors who can serve a meaningful role in providing long-term or perpetual forms of capital to the seller.

We are in the early innings of investing in European real estate. Completed sale-leaseback transactions in 2025 represent approximately 0.1% of the total addressable market, by our estimates.<sup>1,2</sup> With completed transactions representing only a fraction of the addressable market, European sale-leasebacks remain an underpenetrated segment that favors patient, scaled capital over speed or leverage. There are two areas where institutional real estate ownership—and policy that supports institutional real estate ownership—plays a key role. First, as previously noted, owner-occupiers are sitting on trillions of euros of capital in their owned real estate that can instead provide liquidity for growth investments. Second, institutional real estate investors act as long-term stewards of real estate capital where companies might not otherwise have the financial flexibility to invest in and modernize their real estate footprints.<sup>3</sup>

Many United States-based REITs sit at the forefront of the institutionalization of European real estate, however scaling a business in Europe is slow and deliberate. Our experience at Realty Income is a testament to that. We entered the United Kingdom in 2019 by acquiring 12 Sainsbury's grocery stores in a £429 million sale-leaseback transaction. By the end of 2025, our international business in Europe had reached approximately \$17 billion in Gross Asset Value (approximately €14-15 billion) and \$1 billion in Annualized Base Rent (€800-900 million).

Growing in a new market is by no means simple. There are a few critical factors required to be successful. For one, entry should be fundamentally relationship-led. This consistency and trust is a big differentiator in the region, particularly for family-run businesses and long-term operating partners.

Further, it requires a disciplined approach to investment. With Europe being highly fragmented by geography in addition to tax, legal, and regulatory practices, it takes significant time and investment to build operational expertise.

Finally, muscle memory is critical, but so too are scale and adaptability. Combining experience, a global platform, and modern technology—including AI and predictive analytics—supports disciplined capital allocation through enhanced sourcing, underwriting, and portfolio planning.

Much has happened in the seven years since we entered Europe, but the decision to expand into the region has been a triumph. Despite global uncertainty and an evolving macroeconomic environment, it is clear that the investible landscape in Europe is robust, and the opportunity is meaningful. As Europe's real estate markets continue to institutionalize, the winners will be those able to pair local expertise with global scale, and to provide certainty of capital in an uncertain world.

<sup>1</sup>INREV and EPRA: Real Estate in the Real Economy (2024)

<sup>2</sup>Colliers Corporate Capital Report (H2 2025)

<sup>3</sup>PWC: Emerging Trends in Real Estate (2026)