

In EMEA for Professional Clients (MiFID Directive 2014/65/EU Annex II) only. In Switzerland for Qualified Investors (Art. 10 Para. 3 of the Swiss Federal Collective Investment Schemes Act (CISA)). In APAC for institutional investors only. In Australia and New Zealand: for Wholesale Investors only. In MENA (including Qatar) "For professional Clients. Further distribution of this material is strictly prohibited. For business customers only.



Europe Real Estate CIO Spotlight

February 2026

By Dr Ulrich von Creytz

“ Real estate investing should never be viewed as a substitute for fixed income.

Dr Ulrich von Creytz, CIO Real Estate, Europe



It's about performance ... and it always has been

Something unusual happened recently: an investor hugged me. It's safe to say that I've experienced this sort of reaction only very rarely in my career.

Before anyone gets carried away, I ought to stress that it was less an act of affection and more a display of gratitude. Specifically, my admirer was delighted that I had used a conference presentation to highlight the need for the real estate industry to refocus on fundamentals.

Why is this message so important?

The answer lies in understanding both the failings that emerged from the previous real estate investment cycle and the demands being imposed by the new cycle that is under way in Europe now.

The previous cycle convinced some investors – and maybe even some asset managers – that real estate investing may involve little more than taking advantage of favourable interest rates and yield compression. The new cycle is already reminding us that what really counts is performance.

“It can't last...”

The environment of low interest rates which developed in the aftermath of the global financial crisis encouraged many investors to look for substitutes for fixed income (FI). Real estate proved a popular choice, attracting massive capital inflows.

The prevailing mentality at the time was essentially one of “This is wonderful, but it can't last”. Yet it did last, and the prevailing mentality duly metamorphosed into “Lower for longer” and then “Lower forever”.

Against this backdrop, even more FI-substitute capital flooded in. Rate movements became the dominant consideration for many investors. Without wishing to sound unnecessarily dramatic, I would describe this as the Devil's work – an idea we'll return to shortly.

Eventually, amid the far-reaching repercussions of the COVID-19 pandemic and Russia's invasion of Ukraine, FI-substitute investors faced the reality of a return to higher rates. And thus the cycle stumbled to a close.

Misguided thinking

I've often asked myself why my parents forced me to take Latin lessons at school. Perhaps it was so that I could understand the wise words of Saint Jerome, who wrote: “Fac et aliquid operis, ut semper te diabolus inveniat occupatum.”



Rough translation: “Engage in some occupation, so that the Devil may always find you busy.”

It strikes me that the age of low interest rates persuaded some real estate market participants that there was no need whatsoever to keep themselves busy. They were accustomed to waking every morning to discover that, thanks to subdued rates and the wonders of yield compression, their investments kept prospering.

We now know that their thinking was misguided. I would go so far as to say that it was flat-out wrong. In my opinion, real estate investing should never be viewed as a substitute for fixed income.

It’s instead a question of fundamentals. Ideally, it’s a matter of:

- tapping into economic growth and productivity gains;
- producing cashflow through rental income;
- balancing risk and reward through diversification;
- potentially protecting against inflation; and
- crucially, placing performance at the centre of every real estate investment.

Alpha generation as a key differentiator

As the new cycle gathers momentum, more and more investors appear to be experiencing a kind of revelation. They’re beginning to acknowledge that the era of the Devil’s work is over. They sense that a new approach is required. “Ah,” they tell themselves, “so now is the time for asset management!”

I believe they’re only half-right. In my view, it’s always the time for asset management. The big difference now is that the potential benefits of genuinely seeking value creation in real estate are likely to be both more significant and more manifest.

Today, as was the case years ago, an ability to generate alpha can be a major differentiator in this arena. In other words, asset managers must recognise the task of delivering out-performance ultimately falls to them – and investors, in turn, must recognise which managers are truly capable of fulfilling that task.

Strictly speaking, I’m not sure that the message itself merits a hug. But the desired mindset certainly needs to be fully embraced.

OECD economic growth and global real estate total returns



Source: Oxford Economics (GDP); NCREIF/GFREI (real estate returns). As of March 2025. Past performance is not a guarantee of future results.

Important information

DWS is the brand name of DWS Group GmbH & Co. KGaA and its subsidiaries under which they do business. The DWS legal entities offering products or services are specified in the relevant documentation. DWS, through DWS Group GmbH & Co. KGaA, its affiliated companies and its officers and employees (collectively "DWS") are communicating this document in good faith and on the following basis.

This document is for information/discussion purposes only and does not constitute an offer, recommendation or solicitation to conclude a transaction and should not be treated as investment advice.

This document is intended to be a marketing communication, not an investment recommendation/ investment strategy or financial analysis. Accordingly, it may not comply with legal obligations requiring the impartiality of an investment recommendation/ investment strategy or financial analysis or prohibiting trading prior to the publication of such documents.

Any opinion expressed hereby reflects our current view and it is subject to change without prior notice.

This document contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. No representation or warranty is made by DWS as to the reasonableness or completeness of such forward looking statements. Past performance is no guarantee of future results.

The information contained in this document is obtained from sources believed to be reliable. DWS does not guarantee the accuracy, completeness or fairness of such information. All third party data is copyrighted by and proprietary to the provider. DWS has no obligation to update, modify or amend this document or to otherwise notify the recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Investments are subject to various risks. Detailed information on risks is contained in the relevant offering documents.

No liability for any error or omission is accepted by DWS. Opinions and estimates may be changed without notice and involve a number of assumptions which may not prove valid.

DWS does not give taxation or legal advice. This document may not be reproduced or circulated without DWS's written authority.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, including the United States, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject DWS to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

© 2026 DWS International GmbH

Issued in the UK by DWS Investments UK Limited which is authorised and regulated in the UK by the Financial Conduct Authority. © 2026 DWS Investments UK Limited

In Hong Kong, this document is issued by DWS Investments Hong Kong Limited. The content of this document has not been reviewed by the Securities and Futures Commission. © 2026 DWS Investments Hong Kong Limited

In Singapore, this document is issued by DWS Investments Singapore Limited. The content of this document has not been reviewed by the Monetary Authority of Singapore. © 2026 DWS Investments Singapore Limited

In Australia, this document is issued by DWS Investments Australia Limited (ABN: 52 074 599 401) (AFSL 499640). The content of this document has not been reviewed by the Australian Securities and Investments Commission. © 2026 DWS Investments Australia Limited

© 2026 DWS Group GmbH & Co. KGaA. All rights reserved. 108403_1.0 January 2026