



Economic Situation and Strategy

20 February 2026

How much property is optimal?

Inheriting real estate brings more than just a land registry entry. It presents heirs with a far-reaching decision: Should the property remain in the family assets, perhaps as a source of ongoing rental income, be used personally, or is a sale advisable to free up capital and restructure the asset allocation? In principle, real estate ownership fulfills two functions with regard to wealth accumulation. On the one hand, alongside traditional financial products such as stocks, bonds, and ETFs, it serves as a diversification component and, as a tangible asset, offers security.¹ On the other hand, it provides an additional source of returns, for example, through ongoing rental income and capital appreciation. Including it in the asset allocation is therefore certainly sensible – but how much is "optimal"?²

All concrete, or no concrete?

Looking at the real estate allocation, two extremes emerge in practice:

Extreme 1: Virtually all of the total assets are tied up in real estate. Especially among higher income brackets, real estate is often the dominant asset class. A very high real estate allocation can feel good because the tangible assets are visible and rental income is perceived as a regular cash flow. However, this is precisely where the risk lies: It creates a concentration risk, often in multiple respects. Not only is the asset class concentrated, but often also the region, property type, tenant base, and

financing structure. At the same time, a very high real estate allocation carries the risk of liquidity bottlenecks: If liquidity is needed in the short term, the ability to act is limited, and a sale may have to be made at a discount. Rental income can cushion this, but it does not replace the availability of larger sums.

Extreme 2: The portfolio contains no real estate whatsoever. This can be well-justified, for example, if maximum liquidity, low complexity, and high portfolio control are paramount. However, potential diversification and return advantages remain untapped. The aspect of retirement security through an ideally debt-free home is also lost. It is certainly true that the dream of homeownership has become difficult to realize for many people, as rising purchase prices have also increased equity requirements, thus creating higher barriers to entry.

Rule of thumb: The three-spoke rule

Where the "golden mean" lies between these two extreme real estate allocations depends largely on individual circumstances. However, the so-called three-spoke rule serves as a rough guideline. Its roots are traced back to the Jewish Talmud³, and its origin is roughly dated to around 400 AD. Even then, the prevailing wisdom was: don't put all your eggs in one basket, but diversify. Accordingly, assets should be divided into three parts:

1) One-third in readily available: cash or money market instruments. The rationale: to ensure liquidity, an

¹ In this article, the term real estate refers exclusively to physical real estate.

² Naturally, financing plays a central role in real estate. To keep complexity manageable, we define the real estate ratio

as the market value of the property divided by the total gross assets.

³ The Talmud, literally "instruction" or "study", is considered alongside the Torah as a central text of Judaism and includes rules and interpretations for social and family life.

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emergency fund, and the ability to act (see example 1 for the potential problems).

2) One-third in merchandise: stocks, funds, or business investments. The rationale: to generate growth and appreciation.

3) One-third in land: real estate. The rationale: to achieve intrinsic value and utility.

The limits of the three-spoke rule

The three-spoke rule is a helpful conceptual model. However, as a rigid percentage guideline, it can rarely be applied directly. Two examples illustrate why.

Example 1: One-third in liquid assets is often too much for larger fortunes: With three million euros in assets, one-third in liquid assets would correspond to one million euros. However, a typical emergency fund is defined as a buffer of three to six months' expenses. One million euros in liquid assets would imply monthly expenses of around 167,000 euros. Even with a high standard of living, this is an ambitious amount. Above a certain level of wealth, the need for liquid assets usually does not grow proportionally with the wealth. Anyone who nevertheless allocates one-third to low-yielding liquid assets is foregoing long-term return potential. Exceptions are situations in which capital preservation and a very high security orientation clearly dominate.

Example 2: Owner-occupied residential property often exceeds the one-third limit. Anyone in Germany with a net household wealth of €472,000, who in 2023 belonged to the wealthiest 20 percent of Germans, quickly runs into a structural problem, especially when it comes to homeownership in metropolitan areas: Even a single property can represent a very large portion of total assets. In such cases, the one-third rule is practically impossible to follow, even if diversification is desired.

What should you pay attention to?

A universally applicable optimal real estate allocation to total assets is difficult to define as a fixed rule, and in our view, a backtest of the "optimal" asset allocation is not very meaningful. Asset levels, life circumstances, goals, and the specific property itself vary too much. A structured approach is therefore more sensible: Which factors support an allocation above one-third, and which support a lower allocation?

1) Amount of total assets: With larger assets, building up a larger real estate component can be beneficial because it allows for additional diversification within the

real estate portfolio and enables properties to act as an independent source of income. With smaller assets, even one or two properties can lead to real estate constituting the largest asset block, quickly creating concentration risks.

2) Life situation: A stable life situation with a predictable place of residence and a long-term horizon makes real estate, whether as a primary residence or a long-term rental solution, more predictable. High demands for professional flexibility tend to favor greater liquidity and a more easily adaptable asset mix. A high real estate allocation can then become a constraint, as selling or repurposing a property isn't always feasible or may require investing cash.

3) Lifestyle & Experience: If owning property is explicitly desired and the time spent on ongoing maintenance is seen as part of one's lifestyle, a higher real estate allocation can be pursued. However, those who have little interest in operational tasks shouldn't underestimate real estate. Repairs, modernization, management, letting, tenant communication and legal issues, are real. This costs not only cash but also time and energy, and can reduce returns, even if the property's value appreciates. Real estate is often not just an investment but also a side business, frequently requiring entrepreneurial skills.

4) Personal Risk Tolerance: Those who find fluctuations in their portfolio psychologically stressful often perceive real estate as "more stable." However, a high real estate allocation is not automatically less risky. The risk is merely shifted. It creates concentration risks, location dependencies, regulatory risks, and liquidity risks. Those who do not want to bear these types of risks should limit their allocation.

5) Owner-occupied or rented: An owner-occupied property represents a form of retirement security because it makes housing costs more predictable and reduces a significant fixed expense in retirement. The emotional benefits should also not be underestimated, even if they cannot be measured in terms of returns. Consequently, the real estate allocation can be higher. A higher allocation for rented properties is justified if a sound business plan exists: location quality, sustainable rental income, realistic maintenance, and professional management. It is more difficult if the rental activity is opportunistic, for example, through inherited properties without a clear strategy or if there is a high dependence on individual tenants.

6) Property Type: A higher real estate allocation is particularly justifiable for (centrally located) new construction projects, as warranty claims and lower refinancing requirements reduce the risk of unplanned payment obligations. For special-purpose properties (e.g. factories) as well as older and remote properties, the real estate allocation should be set lower, and the associated risks should be examined more thoroughly.

7) Tax and Legal Framework: If tax conditions, depreciation allowances, holding periods, or integration into succession planning improve net returns and predictability, a higher real estate allocation can become more attractive. However, the specific effects always depend on the individual case and require individual consideration. If tax effects are unclear or the structure becomes too complex, the risk of incorrect decisions increases. Changes in the regulatory environment or high transaction costs can also lead to reduced flexibility, and an excessively high allocation can have disadvantages.

8) Financing flexibility: Sufficient equity capital and a conservative financing concept increase the robustness of the real estate component and create room for a higher real estate allocation. However, if a higher allocation can only be achieved through unattractive financing conditions, the return and risk profile of the real estate investment should be critically reviewed and compared with alternative asset classes such as stocks or bonds.

What is our conclusion?

While adding real estate to a portfolio does entail concentration risks, ongoing expenses, and reduced liquidity, it can improve the return and risk profile of one's asset structure. However, there is no universally applicable quota for how high the real estate share should be, because goals, asset structure, life circumstances, and risk tolerance vary too greatly. The optimal allocation also fluctuates over time and adapts dynamically to new phases of life. While the three-spoke rule can serve as a starting point for determining optimal asset allocation, it can no longer be interpreted as a rigid percentage guideline. Crucial factors include the property's intended use, tax and legal frameworks, available financing, and, in particular, one's own lifestyle. In our opinion, individualized advice with a holistic view of overall assets remains essential for successful wealth accumulation.

Marco Hinze and Simon Landt

Market data

Stock markets	As of	Change versus				
	20.02.2026 08:06	13.02.2026 -1 week	19.01.2026 -1 month	19.11.2025 -3 months	19.02.2025 -1 year	31.12.2025 YTD
Dow Jones	49395	-0,2%	0,1%	7,1%	10,7%	2,8%
S&P 500	6896	0,9%	-0,6%	3,8%	12,2%	0,7%
Nasdaq	22683	0,6%	-3,5%	0,5%	13,1%	-2,4%
DAX	25044	0,5%	0,3%	8,1%	11,6%	2,3%
MDAX	31479	0,6%	0,3%	9,8%	14,1%	2,8%
TecDAX	3698	1,2%	0,7%	8,1%	-4,1%	2,1%
EuroStoxx 50	6060	1,2%	2,3%	9,3%	11,0%	4,6%
Stoxx 50	5212	1,3%	3,0%	10,6%	10,7%	6,0%
SMI (Swiss Market Index)	13800	1,5%	3,9%	10,1%	7,8%	4,0%
Nikkei 225	56826	-0,2%	6,1%	17,1%	45,1%	12,9%
Brasilien BOVESPA	188534	1,1%	14,4%	21,3%	48,1%	17,0%
Indien BSE 30	83059	0,5%	-0,2%	-2,5%	9,4%	-2,5%
China CSI 300	4660	0,0%	-1,6%	1,6%	18,3%	0,7%
MSCI Welt	4528	0,4%	0,4%	6,2%	15,9%	2,2%
MSCI Emerging Markets	1563	0,5%	5,2%	14,9%	37,5%	11,3%
Bond markets						
Bund-Future	129,25	2	103	58	-226	168
Bobl-Future	117,06	2	56	-87	8	90
Schatz-Future	106,96	-3	9	-4	29	17
3 Monats Euribor	2,01	1	-2	-6	-52	-2
3M Euribor Future, Dec 2026	1,99	2	-7	-2	-18	-12
3 Monats \$ Libor	3,69	1	2	-26	-65	2
10 year US Treasuries	4,07	3	-16	-4	-47	-7
10 year Bunds	2,74	2	-6	6	21	-9
10 year JGB	2,11	-10	-12	35	69	7
10 year Swiss Government	0,28	1	2	11	-28	-4
US Treas 10Y Performance	648,33	-0,1%	1,6%	1,6%	8,6%	1,3%
Bund 10Y Performance	567,40	0,1%	1,0%	0,8%	1,5%	1,7%
REX Performance Index	463,31	0,2%	0,6%	0,8%	2,4%	1,0%
IBOXX AA, €	3,22	1	-7	4	18	-11
IBOXX BBB, €	3,43	1	-8	-4	-1	-14
Commodities						
MG Base Metal Index	530,03	-0,4%	-1,7%	14,0%	24,1%	2,8%
Crude oil Brent	72,06	6,4%	12,3%	13,3%	-5,2%	18,4%
Gold	5021,56	0,5%	7,5%	22,6%	71,5%	16,1%
Silver	78,37	1,2%	-17,2%	52,5%	139,5%	9,9%
Aluminium	3040,57	-0,1%	-4,2%	9,8%	12,6%	2,4%
Copper	12713,58	-0,5%	-2,5%	18,6%	34,9%	2,1%
Iron ore	99,61	-0,1%	-7,0%	-4,5%	-6,7%	-7,0%
Freight rates Baltic Dry Index	2019	-3,1%	22,4%	-10,7%	123,3%	7,6%
Currencies						
EUR/ USD	1,1756	-0,9%	1,1%	1,5%	12,7%	0,1%
EUR/ GBP	0,8733	0,3%	0,7%	-1,1%	5,5%	0,0%
EUR/ JPY	182,36	0,3%	-0,7%	0,8%	15,1%	-0,9%
EUR/ CHF	0,9116	-0,1%	-1,8%	-1,8%	-3,4%	-2,1%
USD/ CNY	6,9080	0,0%	-0,8%	-2,9%	-5,1%	-1,2%
USD/ JPY	155,00	1,5%	-2,0%	-1,4%	2,3%	-1,1%
USD/ GBP	0,74	1,1%	-0,3%	-2,8%	-6,5%	-0,1%

Source: LSEG Datastream

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