“We see a critical structural supply gap of over 150 billion euros in the European logistics property market”

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Short-term leases, location-loyal businesses and a shortage of space: Theo Soeters, Head of Fund Management at Edmond de Rothschild REIM, sees particular opportunities for returns in the mid-market logistics and light industrial segment. In this interview, he explains where rental potential can be realized and how closely landlords need to monitor the business operations of their medium-sized tenants in order to identify risks at an early stage.



Theo Soeters
Head of Fund Management,
Edmond de Rothschild
Real Estate Investment
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What is Edmond de Rothschild REIM’s current position in logistics and light industrial property? How large is the portfolio, how many properties does it comprise, and across which countries and property types is it spread?

We have managed industrial and logistics assets through EIREF for over eight years, with a current exposure to 97 assets across 5 countries. Our track record comprises principally core, core+ and value-add assets, and we have focused our positioning on light industrial and mixed office/industrial space as well as urban and midsized logistics buildings.

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1. https://blog.immobilien-aktuell-magazin.de/2026/10/14/sehen-wir-am-europaeischen-logistikimmobilienmarkt-eine-kritische-strukturelle-versorgungsluecke-von-ueber-150-milliarden-euro/

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You focus on the mid-market. How do you define this market segment, and why is the risk-return profile there currently more attractive than for large logistics centres?
Mid-market for us are spaces up to 40,000 sqm. The reasons we focus on this segment, and tend to avoid large-format big-box logistics assets, are manyfold:

Those assets usually have a diverse tenant base consisting of small to mid-sized companies. Leases are often shorter, but demand is stronger vs big box because of stronger supply constraints, and reletting is quicker, with stronger potential for rental reversion. Small and medium sized enterprises generally appreciate the advice of a professional landlord and therefore, offer more opportunities to consolidate and increase rental income and create value through smart investments in the buildings. They are also stickier to the location which reduces vacancy risk while large multi-nationals tend to move elsewhere easier.

“The numerous domestic and regional businesses across the countries we invest in are a backbone of European economies, job growth and sovereignty.”

Finally, the numerous domestic and regional businesses across the countries we invest in are a backbone of European economies, job growth and sovereignty. Providing appropriate industrial and logistics space for those businesses through our real estate strategies is a function of how Edmond de Rothschild positions itself across all areas it invests in: whilst designing financially interesting strategies for our clients, we systematically strive to be a catalyst for positive change.

This year, you have made acquisitions in Großmehring, Duiven and Saint-Denis/Pierrefitte, whilst selling a property in Eindhoven. What were the reasons for the acquisitions and what were the reasons for the sale?
We made those acquisitions as we had the conviction that they would bolster the portfolio’s ability to generate solid income and exposure to capital growth. The Eindhoven sale is testament to the team’s ability to drive value, and to recycle capital into properties with an even higher expected forward-looking return at an equal or lower anticipated risk level. Through those transactions, the strategy continues to optimize the strength of its portfolio whilst ensuring future resilience.

Duiven, the Netherlands.



Source: Edmond de Rothschild.

— **Großmehring, Bavaria**, a fully let, single-tenant asset constructed in 2021, has modern building specifications and technical standards consistent with contemporary logistics and light industrial requirements.

— In **Duiven, the Netherlands**, the Benelux investment team purchased an off-market asset through a sale-and-lease back transaction. This light industrial property is in a logistics hotspot on the corridor between the Netherlands and the Ruhr area in Germany. Following recent renovations and a new development, the asset holds strong ESG credentials and is mission-critical to its tenant, Mix Masters.

— The 3rd asset, in **St Denis – Pierrefitte, France**, is a multi-let, light industrial property and well positioned to benefit from Paris' position as a key European logistics hub.

St Denis – Pierrefitte, France.



Source: Edmond de Rothschild.

“WE SEE A CRITICAL STRUCTURAL SUPPLY GAP OF OVER 150 BILLION EUROS IN THE EUROPEAN LOGISTICS PROPERTY MARKET”

The transactions come as Europe’s €500 billion logistics real estate market is facing a critical structural supply gap exceeding €150 billion. Driven by high demand for e-commerce, supply chain restructuring and urban growth, this shortage is being felt most acutely in markets such as the Netherlands, Germany and France.

‘Under-managed’ and ‘under-rented’ primarily describe an expectation. Can you use a specific property as an example to illustrate what potential you saw at the time of purchase, how you enhanced it, and what growth you have achieved in terms of rent and value?
We acquired back in 2021 a logistic asset in Cologne, Germany, which was in a strategic and supply constrained location (vacancy rate in sub-market close to 0%). Yet upon acquisition, the asset was 40% under-rented i.e. contracted rent below market rent. With a short remaining lease term, we had seen strong potential for rent reversion, which is often mispriced particularly in off-market transactions with non-professional vendors. We managed to negotiate a significant rent increase upon renewal, resulting in what we expect to be a 10%+ gross IRR (incl. leverage).

“We consider the mid-market space inherently more resilient to geopolitical disruption.”

Medium-sized companies (German „Mittelstand“) do not change their location lightly. However, they are certainly sensitive to an economic downturn. In the current tense economic climate, what are your experiences within the portfolio regarding insolvencies, space returns and re-letting times?
First of all, we consider the mid-market space inherently more resilient to geopolitical disruption because the tenant base consists of small and medium-sized enterprises that tend to have limited direct exposure to international trade disruption. But indeed, a volatile economic climate can ultimately cause rental issues also in the mid-market letting space.

Our portfolio performance remains resilient: rent collection is above 99%, occupancy has been around 95%, tenant retention is high and recently, we have been able to maintain a high weighted average lease term.

The key to this, in our view, is maintaining close relationships with the tenant base; critical for asset management success. Active asset managers communicate throughout the lease term, monitoring not only when arrears may arise but checking in on the ongoing health of the business, whether it be fluctuations in shipping volumes, changes in headcount and even whether their car park is being fully utilized.

Keeping on top of things prevents nasty surprises. When the tenant trusts the landlord, they tend to signal any balance sheet constraints earlier rather than later, which gives the manager a headstart in facilitating subleases or finding a replacement tenant. Given how occupier friendly real estate legislation remains across Europe, there is a real incentive for landlords to maintain relationships that are constructive rather than confrontational.

"We even check whether our tenants' car parks are fully utilized. Keeping on top of things prevents nasty surprises."

Re-shoring and nearshoring are believed to create additional demand. Which sectors are therefore actually seeking more space from you, and in which countries has this already resulted in a measurable effect?

We can indeed see increased demand from manufacturing and retail companies, sectors which are naturally in the centre of the re- and near-shoring topic. We have observed some interesting opportunities come to market in the Netherlands in particular, but it's a rather universal trend across the geographies we cover and we expect it to translate into further opportunities in the future.

How liquid is the market for small-scale light industrial properties, or do you bundle these into larger portfolios to make them attractive to institutional core investors?

Although it's obviously far from where it used to be 5 years ago, we are positive on the liquidity in the market for small-scale and mid-box light industrial properties. We believe it's particularly stronger compared to other property sectors where wider bid-ask spreads are a larger constraint on current transaction activity.

EIREF is not only aggregating portfolios to increase its potential deal volume, but we keep both options open. Most recent disposals occurred on a single asset basis, for instance to (future) owner-occupiers, at or above valuations confirming that if property targeted, there is liquidity in the market. We regularly perform hold-sell analyses on an asset-by-asset basis in order to make sure that the portfolio remains of excellent quality and that assets are future proof.

Main investment risks:

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The list below is not exhaustive. More information and identified risks can be found in the PPM.
Risk of loss of capital: The Fund does not benefit from any guarantee or protection, it is therefore possible that the capital initially invested will not be fully returned even if the subscribers keep the units for the recommended investment period.
Interest rate risk: Credit risk is the risk that an issuer of bonds or money market instruments will not be able to meet its obligations.
Construction cost risk: Prior to acquisition, construction defects cannot be entirely excluded, even with careful technical inspection of the property and, where appropriate, expert appraisals.
Illiquidity risk: The Units of the Fund have not been and will not be registered under the laws of any jurisdiction and will not normally be transferable. There is no public market for the Units and no market is expected to develop.

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