

Industrial and logistics at the centre of European sovereignty & reindustrialisation

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Introduction

Logistics has been one of the best performing sectors within European real estate in recent years, as the rise of e-commerce drives demand for distribution hubs and urban warehouse facilities. The light industrial sector also has strong growth prospects, as European companies increasingly look to re-shore production and strengthen supply chains whilst small and medium-sized enterprises remain the backbone of the European economy.

In this article, **Theo Soeters**, **Charles Pridgeon** and **Daniël de Hoop** outline how Edmond de Rothschild Real Estate Investment Management navigates the complexities of the sector and provide a glimpse into a new strategy as EdR REIM doubles down on its convictions.

Finding opportunity in industrials and logistics



Edmond de Rothschild REIM asset, Apeldoorn, the Netherlands.

We believe the industrial and logistics space offers some of the best opportunities within the European real estate market. In fact, 70 percent of our recent capital deployment in the Eurozone has been in that segment. A multitude of conditions have come together to create a chronic supply-demand imbalance, and therefore particularly favourable conditions for investing in smaller and mid-sized warehouse facilities in urban locations.

Drivers of demand

One of the key drivers of demand is the continued growth of e-commerce, especially since the pandemic, which has pushed up demand for warehouses used by last-mile delivery companies. Same-day or next-day delivery is now widely available in places like the UK, where e-commerce penetration rates are forecast to be more



than 97 percent by 2029¹. But in other European markets, including France and Germany, that figure is 62 percent and 70 percent respectively, demonstrating that there is plenty more room for growth in the e-commerce and last-mile delivery space. The growth potential is even greater towards southern Europe.

Another important trend is reshoring. Refocusing on domestic value chain resilience is a new reality around the world and Europe is working to enhance its sovereign capabilities. This means that, as companies bring production lines back to Europe, they need space for that domestic manufacturing and warehousing. The large rise of defence spending, especially in countries like Germany², will have a knock-on effect with sub-contractors and suppliers all vying for industrial space in an already crowded market.

While there are numerous global multi-national firms that dominate the distribution and manufacturing spaces that logistics provide, there are over 2500 smaller or medium-sized enterprises in the sector across Europe³, directly employing over 450 000 people⁴. These types of businesses typically require a smaller warehousing footprint, which means there is a lot of demand for space in multi-let industrial units in urban locations close to both consumers and the wider labour pool.

A supply shortage



Edmond de Rothschild REIM asset, Amsterdam, Netherlands.

Current availability of industrial and logistics spaces in Europe is not sufficient to meet rising demand.

For example, the corridor that extends from the Port of Rotterdam through the main cities of the Netherlands and into the Ruhr industrial region of Germany has a very high population density, a strong flow of trade, but not enough warehouse and industrial space. The Greater Paris area suffers from similar constraints. In fact, in major urban areas around Europe, the same supply-demand imbalance continues to provide the tailwinds for strategies focusing on small to mid-sized industrial assets.



The chronic undersupply of Grade A stock continues to grow because there's been a continuous slow-down in construction activity for industrial and logistics facilities since the pandemic. New development starts have decreased by 25 percent per annum over the last three years – partly as a result of rising construction costs linked to inflation and interest rates, but also due to delays in permitting and more stringent environmental considerations. In some locations, there's been growing opposition to 'boxification', with land no longer going automatically to the highest bidder but local authorities increasingly looking at the real contribution being made for the businesses and inhabitants⁵; a trend which is impacting the amount of stock coming onto the market. Furthermore, in urban areas industrial and logistics compete with higher value uses such as residential.

Supply constraints go beyond the physical availability of space. Another complication is the growing difficulty in connecting facilities with the electricity supply. Many key markets are suffering from grid congestion, which is affecting the ability to proceed with construction projects for new units. The issue of energy security has come back into focus following the recent events in the Middle East and we find that that solar PV-enabled warehouses consistently generate a 'green premium' in terms of rents achieved, as well as in the depth of the tenant demand.

2025 saw some slowdown in demand – partly as a natural levelling-off following the super charged occupier activity witnessed during the pandemic, and partly because companies are delaying investment and occupational decisions due to geopolitical uncertainty. Despite this, however, vacancy rates remain lower than before covid.

We expect demand growth to pick up again, as reshoring accelerates, e-commerce continues to gain traction, and as companies that have deferred investment decisions decide to bite the bullet and commit to their growth. On top of that, the expected increase in defence spending will further strengthen these trends.

Once that happens, the supply shortages for industrial and logistics facilities should feel even more acute.

A good place to invest

With space currently limited, tenants find that there are fewer options available when it comes to negotiating new leases. While some do explore the market for alternatives, suitable opportunities are scarce. We like to work with small and medium-sized enterprises to accommodate their requirements in their existing warehouse. Often, we can make smart investments that facilitate the growth of their business. Furthermore, many SMEs don't like to move as their staff are bound to the location and they tend to appreciate the advice and capabilities of a professional landlord. That allows us to consolidate our tenant base and capture reversion on shorter leases whilst creating value for both our tenants and investors. Across our investments, we look to add value by lease regearings, tenant expansions, capex-driven enhancements and smart ESG investments.



Partnering with a larger number of smaller-sized tenants has another advantage, that is the benefit of tenant diversification, as opposed to the reliance on a small number of larger tenants.

Smaller and mid-sized tenants have a perceived credit risk and accompanying yield premium that we believe can be mitigated with a 'boots-on-the-ground' approach to asset management. By working closely with tenants, we pre-emptively look to find occupier solutions that mutually benefit both tenant and landlord. Likewise, the SMEs we work with are profitable: they run specialised businesses and play a significant part in their local economy. Collection rates in our portfolio are consistently above 99 percent.

This is a relationship business, so the key thing from our side that makes the strategy work is the presence of local asset managers and strong local relationships. In our open-ended Euro Industrial Real Estate Fund, we only invest in countries where we have local teams that have built up a track record and benefit from entrenched local networks such as in the Benelux, France and Germany.

Having local teams that know their markets and can draw on established relationships is one of the best ways to secure attractive off-market deals. In fact, around 70 percent of the deals secured by our European industrial strategy have been sourced off-market.

Several strategies to invest into industrial and logistics

With our current open-ended Euro Industrial Real Estate strategy, we meet increasing demand from investors for core and core plus industrial and logistics real estate.

We also see a lot of demand for value-add industrial and logistics strategies, which we respond to through tailor-made mandates such as separate accounts and joint ventures, and are in parallel working on a new closed-ended strategy. Our aim is to strengthen our presence in the sector and continue to provide our investors with excellent service and outstanding financial performance.

The future value-add strategy will likely target properties with shorter leases, securing opportunities to spend capex on, and benefit from strong reversionary potential. We will potentially take on some vacancy risk, with a separate allocation to development projects in strategic locations.

We have raised net-positive equity on our industrial & logistics expertise since the pandemic, at a time when many competitors have struggled with redemptions. This is a testament to the ongoing trust and confidence our cornerstone investors have both in us as a manager and in the strategy.



Case study⁶: Creating value

We acquired a light industrial facility in Zwolle in the Netherlands, as a part of a portfolio, secured through an off-market deal in 2019, in one of our first investments in the Euro Industrial Real Estate strategy. The tenant is a specialised company that produces coating materials for the car industry and has been growing rapidly.

The tenant approached us in 2021 about a 5,000 square metre extension. The big challenge when we came to the construction period was the rise in interest rates. We benefitted from our close relationship with the tenant as we worked through the negotiations to make sure that the rent increased in line with financing costs and market conditions.

That project was completed in 2024. Thanks to our strong relationship with the tenant, especially during the first extension, their team trusted us to deliver a second expansion, signed at the end of last year to add another 7,000 square metres in exchange for a new lease on their entire premises.

While carrying out the extensions, we modernised the facility to ensure it was compliant with best sustainability practices. An important element of that was installing solar panels on the rooftop, which not only provides energy security to the tenant, but also allows us to generate a financial return by selling surplus electricity back to the grid.

When we acquired the asset, it had a core-plus risk profile and was valued at €7 million. With a market value nearing €25 million today, the lot size, length of income and core nature of the asset will be an attractive acquisition proposition for an institutional buyer following the completion of the extension works. Importantly, this performance meaningfully exceeds our original underwriting assumptions, both in value creation and income resilience.



Edmond de Rothschild REIM asset, Zwolle, Netherlands.

1. Source: Statista, March 16th, 2026 ; International Trade Administration / European Retail eCommerce Forecast (2025). 2. Source: <https://breakingdefense.com/2026/02/europe-ramps-up-defense-spending-to-21-of-global-total-led-by-berlin-report/> 3. Source: <https://www.eib.org/en/stories/security-defence-smes/> 4. Source: <https://www.aalep.eu/mapping-defense-sector-europe/> 5. Example: <https://www.supplychainmovement.com/boxification-debate-forces-real-estate-industry-to-be-realistic-and-creative/> 6. The case study is provided for illustrative purposes only and are not indicative of future results.