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The Pan-European Office Investment Market: Trends and Insights



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The Pan-European office market is transforming, driven by evolving work models, a flight to quality and sustainable ambitions. Stabilizing values present opportunities for investors to achieve above average returns on both the short- and longer-term strategies, especially for mid-size offices on high quality locations in the city centres.

As the values of prime offices have stabilized after decreases of 10-30% since the peak in 2022¹, office values became attractive. At Edmond de Rothschild Real Estate Investment Management, we observe three main trends:

- Working from home has been integrated in the way of working and enhances 'return to the office', to drive corporate culture, maximize cooperation and knowledge sharing.
- The request for ESG compliant offices has evolved into a demand for energy efficient offices, which are an inspiring places to work.
- Corporates take 'a flight to quality' and look for well-located, amenity-rich, energy efficient, high-quality offices.

The hybrid office work models are reshaping occupier demand, favouring flexible, mid-sized offices with collaborative spaces. Multi-tenant buildings with modern amenities are increasingly preferred, while occupier demand for large office towers declines. Sustainability and wellbeing are critical, as energy-efficient properties attract premium tenants, stronger rental growth and, thus, superior risk-adjusted returns. Therefore, retrofitting older buildings to meet energy efficiency standards and make them an inspiring place to work, enhances both environmental and financial performance.

In this paper, we describe the characteristics of the office market, its key growth drivers and specifically our investment conviction for high quality, well-located offices.

¹. Source: Property Market Analysis (PMA), data as of 2025.

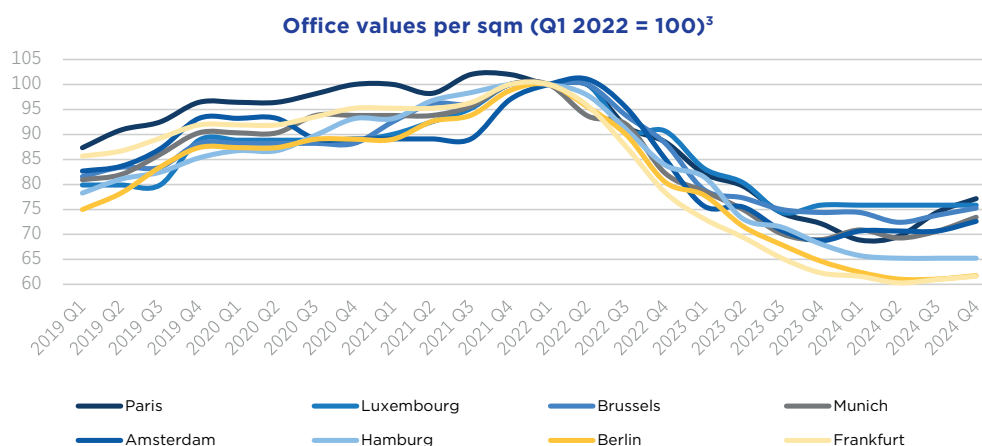
The investor market

Stabilizing Valuations: The Foundation for Renewed Growth

In the past year, several prime offices have transacted with value decreases up to 50% compared to their peak values in 2022². On average, value corrections of 10-30% have been registered for prime offices in Europe's largest cities¹. But now, the European office market is showing clear signs of stabilization in valuations and prime offices have already started to rise in several cities³. This marks a critical turning point for investors, seeking to capitalize on buying opportunities in a mature market. As occupancy rates are still high and rents still increasing in many markets, especially in France and the Benelux, the adjusted office values provide a potentially attractive entry point for investors.

Careful location selection is key+, since there is an increased bifurcation in tenant demand: while core urban city centres such as Paris and Amsterdam have shown resilience and strong rental growth, secondary markets and peripheral areas are facing higher vacancy and less rental growth. The same bifurcation can be seen for high quality assets, which have seen strong rental growth, versus less or no rental growth for secondary quality assets.

As a result of stabilizing yields and values, an increased appetite for high-quality office assets among institutional investors, family offices and private investors can be recognized as the first movers, as they can act fast when they recognize the potential for growth in a new market cycle. This renewed interest is driving competition for properties at prime locations, further reinforcing valuation stability.



Prime Net Yields: A reassuring Outlook

Yields forecasts for office investments are appealing, with annual prime net yields for European offices have increased with 26% since 2022. Together with logistics, offices stand out as the top-performing asset class in terms of income yield. The below figure illustrates PMA's comparative performance across sectors between 2022 and 2025, including logistics properties and unit shops and highlights that the office prime yields experienced the largest increase in this period relative to the other sectors. These data underscore the resilience and attractiveness of offices as a core investment within the European real estate market.

This optimistic outlook is underpinned by several factors, including:

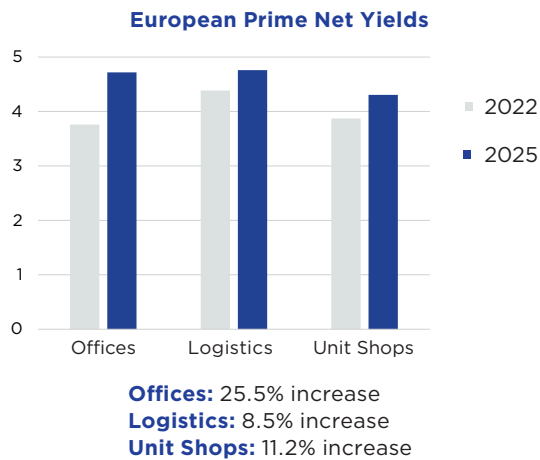
- 1. Rebounding Tenant Demand:** As businesses recalibrate their real estate strategies post-pandemic and apply a 'return to the office' policy, the demand for high-quality offices has surged. This is particularly true in city-centre locations, where accessibility and available amenities are key drivers for occupier demand.
- 2. Rising Rental Income:** High demand for and limited supply of modern, energy efficient office spaces are pushing rental rates upward.
- 3. Capital Growth Potential:** Stabilized yields coupled with rental growth create a conducive environment for capital appreciation.

1. Source: Property Market Analysis (PMA), data as of 2025.

2. Such as the Cross Towers office building in Amsterdam, hosting the EY headquarters.

3. Source: Property Market Analysis (PMA), data as of 31 March 2025.

Investors are encouraged to adopt a long-term perspective, focusing on assets that combine strong fundamentals with growth potential.



City Centre dynamics

City centre and well accessible central business district-located offices remain the cornerstone of the pan-European investment landscape. These locations offer several advantages, including better connectivity, access to a skilled workforce and proximity to essential services.

Recent studies reveal that over 50% of leasing activity in 2024 was concentrated to Grade A buildings, and a sustained appeal to prime areas, leading to clear vacancy gap emerging between central and non-central areas⁴.

City centres are not only attractive to tenants but also to investors, who benefit from higher rents and lower vacancy rates. PMA also highlighted in their report that investors look for discounted prime core office assets, but there is little product on offer on the market.

Understanding occupier demand

The New Workplace Paradigm: Hybrid Models and Their Impact

The pandemic has redefined the role of the office, catalysing a shift towards hybrid work models. While remote work offers flexibility, physical office spaces remain essential for fostering collaboration, innovation, and team cohesion. This dual approach has reshaped occupier demand, with tenants seeking spaces that align with their evolving needs. Especially large corporates have significantly reduced their office footprints in response to hybrid working.

In contrast, the impact has been less among mid-sized and smaller occupiers, as flexible working and fewer homework days has, made it less necessary to reduce space requirements.

This trend is also visible in the office weekly occupancy rates by the employees. For example, the occupancy of small and mid-sized companies in the Netherlands are much more stable (43-69%) during the work week then for the corporates (30-69%)⁵.

Enhancing Employee Attraction and Retention

To attract employees back to the office, organizations are redesigning their workplace strategies.

Modern office spaces are designed to collaborate and interact, with a focus on team productivity and cohesion, amenities such as breakout rooms, lunch areas and places to come together.

These features, combined with high standards of comfort and wellbeing, enhance the workplace experience, improves productivity and helps employers to differentiate themselves in a competitive talent market.

Buildings that incorporate collaborative and social spaces are achieving higher occupancy rates, underscoring their appeal to tenants and employees. This highlights the importance of designing spaces that foster team spirit and engagement.

Leasing Dynamics: The Rise of Multi-Tenant and Mid-Sized Buildings

The leasing landscape has evolved significantly, reflecting shifting occupier priorities and workplace strategies. Mid-sized office buildings are gaining traction among tenants. From an investor perspective, multi-tenant assets are increasingly attractive, as they offer greater income diversification, reduce exposure to single-tenant vacancy risk, and contribute to a more stable and resilient cash flow profile.

4. Cushman & Wakefield Outlook European Real Estate Market 2025.

5. CBRE, German Offices: New Cycle, New Opportunities, 2023.

Easy accessibility: well-connected in terms of transportation

As most of the talent lives in or near the cities and less (young) people own a car, an office location near the large public transport stations

is most preferred. This is also supported by the trend that companies are looking to reduce their corporate carbon footprint, which is achieved by a higher share of public transport and other environmentally friendly ways of transport, such as cycling, increasing the need of bicycle storage in or around the office.

Sustainability and Renovations

The sustainability perspective: integrated in modern offices

Sustainability has become a cornerstone of investment strategies in the office market. As sustainability standards gain prominence, properties that align with these principles are increasingly sought after by both investors and tenants. This trend is driven by a combination of climate change, carbon reduction goals, rising energy costs, regulatory and societal pressures, corporate social responsibility goals and the growing recognition of sustainability as a driver of long-term value.

Investors and developers are focusing on properties that meet or are transitioning towards “Paris Proof” or “net-zero” standards. These buildings are designed to be very energy efficient and to achieve significant reductions in energy consumption and carbon emissions after a renovation, making them more attractive to environmentally conscious tenants. By adding green certifications such as BREEAM or LEED, stakeholders can differentiate their assets in a competitive market.

The Strategies for Energy Efficiency and Retrofitting

Upgrading an older office building isn’t just about a more comfortable new interior, but also about making the building intrinsically better to increase long-term value. Steps like improving

insulation, installing efficient and flexible HVAC systems, exchanging TL to LED lighting and installing smart energy-management systems can decrease energy use significantly, lowering a building’s service charges and carbon footprint, while improve comfort and wellbeing. Adding in renewable energy technologies —think of rooftop solar panels or all-electric (geothermal) heating— takes that impact even further, delivering clean energy to tenants and helping companies meet their sustainability targets.

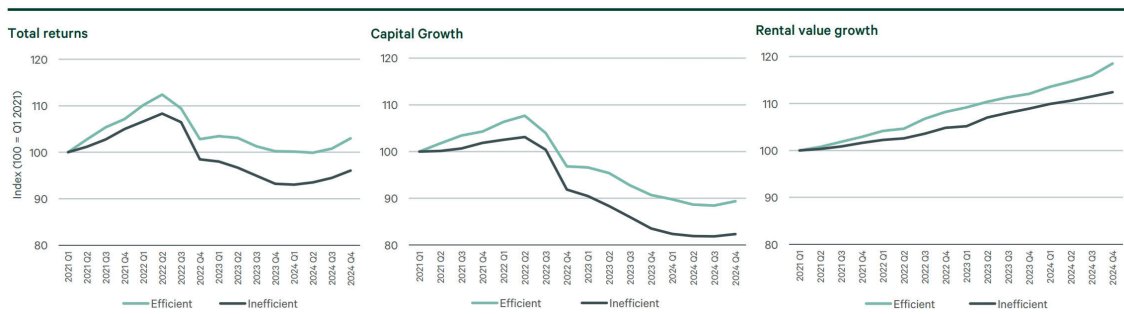
By comparing energy-efficient offices versus their inefficient peers we can notice two clear messages:

1. Energy-efficient offices achieve stronger rent increases, enjoy faster capital appreciation and deliver higher overall returns as tenants are willing to pay a premium for cost-efficient, sustainable space.

2. Inefficient buildings trade at lower values, as they need refurbishment capex to reach modern standards, including a (large) cost uncertainty premium. Their capital values rise more slowly and rental growth is limited.

This is also shown by the following graphs⁶

To summarize, retrofitting buildings is both environmentally responsible and financially beneficial. By investing in energy efficiency and user experience today, stronger rental growth, enhanced asset values and higher long-term returns can be expected.



6. CBRE, UK Sustainability Index: Results to Q4 2024 as of 24 March 2025.

This aligns with a ‘manage to green’ strategy — upgrading inefficient buildings—and sustainable investment approaches that focus on acquiring already efficient assets.

Corporate Initiatives for Carbon Reduction

Corporates are playing a pivotal role in driving demand for sustainable office spaces.

Many companies, especially the larger and corporate ones, have carbon reduction targets. Companies with a high share of office employment can reduce their carbon footprint by two ways.

1. reducing the energy use of their office buildings and

2. reducing the carbon emissions of their work/home and (inter)national travel.

Therefore, large companies are prioritizing buildings that are energy efficient and enable low-carbon commuting. As a result, proximity to public transport is a critical factor in location decisions - a point reinforced by an industry survey, where

89% of respondents identified accessibility as a top priority⁷.

In addition to commuting considerations, companies are increasingly seeking spaces that support flexible working schedules. This includes flexible office layouts that optimize space utilization and reduce energy consumption during off-peak hours, such as on Fridays. These measures are beneficial for the environment but also align with the values of an increasingly eco-conscious workforce.

Creating Value Through Renovations

The combination of a sustainable building and a strategic location creates assets that deliver both environmental benefits and financial rewards. Renovated properties that incorporate modern design elements, energy-efficient systems and high-quality amenities are better positioned to attract premium tenants. Investors who embrace these principles can unlock significant value, achieving higher rental rates and stronger tenant retention.

Attractive Offices

Characteristics of Modern Office Spaces

The definition of an attractive office is evolving. Today’s tenants prioritize spaces that blend functionality, sustainability and aesthetics. These buildings offer the flexibility and efficiency needed to support hybrid work models while aligning with sustainability goals.

Key characteristics of attractive offices include high-quality finishes, advanced HVAC systems, natural lighting and the integration of renewable energy sources. Such spaces cater to tenants seeking cost-efficiency and environmentally responsible workplaces that enhance employee satisfaction.

Financing Sustainable Development

Access to capital is critical for office development and renovation projects. Lenders increasingly favour assets with strong sustainability credentials, which lower their ‘financed emissions’ and offer preferential financing terms to properties that meet their sustainability benchmarks. This trend is encouraging developers and investors to prioritize energy-efficient designs and green certifications in their projects.

7. CBRE, European Office Occupier Sentiment Survey 2024.

Case Study

Herengracht 258-262 - Amsterdam, The Netherlands

From Single-Tenant Asset to Sustainable Multi-Tenant Office Landmark

- See a video of the project here



The redevelopment of the building at Herengracht 258-262 in Amsterdam highlights a successful investment approach, centred around the sustainable transformation of a historic office building located in Amsterdam's prestigious canal district.

Acquired in 2017 as a fully leased, single-tenant office building, the asset delivered stable income. The COVID-19 pandemic triggered the tenant to downsize, creating an opportunity to reposition the building and unlock significant value.

The office space that the tenant gave back catalysed the transition from a single-tenant to a multi-tenant building. A comprehensive renovation

was undertaken with a clear focus on modern workplace standards, energy performance and long-term asset value.

Key Improvements

- Design & Workplace enhancement
- Maximized natural daylight
- Reconfigured floor plans for flexibility and efficiency
- Improved accessibility
- A premium penthouse office with rooftop terrace

Sustainability & Energy performance

- Upgraded insulation and high-performance glazing
- Energy-efficient HVAC system LED lighting integrated throughout
- Rooftop photovoltaic (PV) panels

These enhancements elevated the building's energy performance from an EPC label G to A, significantly improving its sustainability profile and future-proofing the asset against regulatory and market risks.

Tenant demand for the renovated space was high and as a result, the repositioned spaces were fully pre-let prior to the completion of construction, validating the market's appetite for high-quality, centrally located, sustainable office environments. This leasing success has resulted in a diversified tenant base and a resilient, long-term cash flow, underscoring the investment's strong fundamentals and strategic execution.

Herengracht 258-262 stands as a compelling example of adaptive reuse and sustainability-driven value creation in one of Europe's most compelling office districts.



Conviction

The office market offers a wealth of unique investment opportunities for investors willing to adapt to the evolving dynamics. By embracing hybrid work models, focusing on strategic urban locations, prioritizing energy efficiency and making the office an inspiring place to work, investors and tenants can unlock long-term value in this competitive landscape.

Edmond de Rothschild REIM as a credible solution to address the Pan-European office market

With a long history of managing alternative investments, such as Real Estate, Infrastructure and Private Equity, Edmond de Rothschild has a dedicated real estate investment management platform with 150+ real estate professionals spread across 8 offices in the largest markets in Europe. The platform manages over 687 assets with an aggregate value of over EUR 12.6bn. Of this amount, over EUR 3.3bn represents office properties giving the team real-time data on the latest capital and occupier markets.

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