Data, tenant relationships and energy supply as drivers of performance in Industrial & Logistics Real Estate

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EDMOND DE ROTHSCHILD





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Amid a volatile macroeconomic environment, real estate managers need to work harder to secure outsized returns. Edmond de Rothschild's Charles Pridgeon and Harry Beyer discuss how proactive tenant dialogue, monitoring granular tenant data and state-of-the art energy supply are essential for managers of industrial and logistics real estate assets to deliver performance to investors.

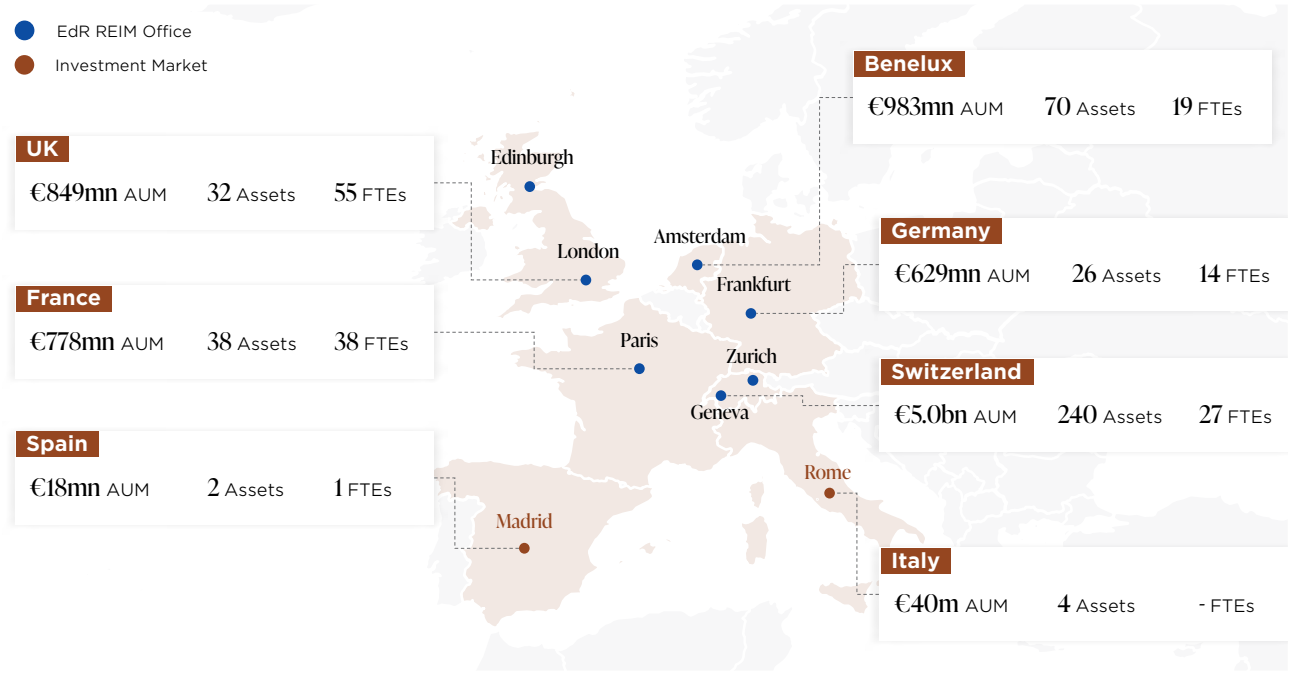
Active asset management is at the core of Edmond de Rothschild's strategy in industrial and logistics real estate. We maintain local teams in all key European markets: the UK, Germany, France, Benelux, Switzerland and now Spain.

Edmond de Rothschild's strategy involves acquiring these under-managed assets, implementing targeted leasing strategies, resolving deferred maintenance and engaging with tenants' years ahead of break options to secure long-term occupancy.

Through the Euro Industrial Real Estate Fund (EIREF), we draw continuous insights from 160 tenants across 60 buildings. Constant communication ensures we understand the tenant's needs, their operational challenges and the drivers of their businesses.

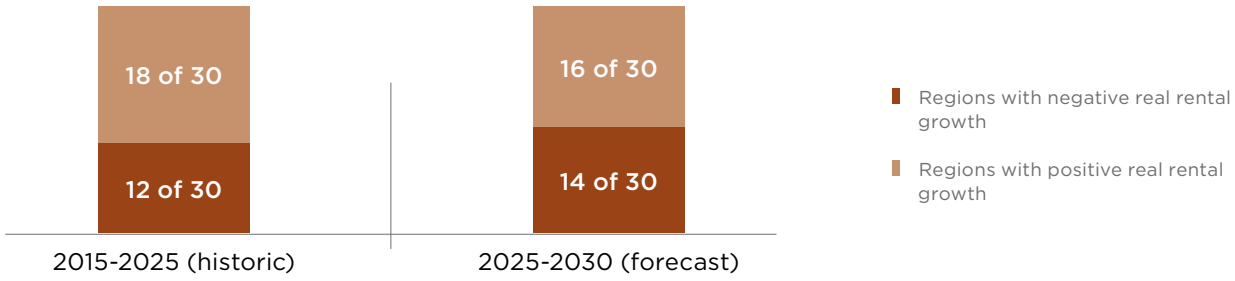
More than 80% of the leases in the EIREF portfolio are fully indexed to inflation, reflecting disciplined lease structuring and ongoing management of contractual rent reviews. This protection proved particularly valuable when inflation surpassed 10% in Europe following the Covid pandemic, while close tenant engagement helped ensure that rent increases remained sustainable for occupiers.

EdR REIM local presence and AUM[1]



Source: Edmond de Rothschild REIM, data as of 31 December 2025.

Inflation is quietly eroding rental growth across Europe's logistics markets: Regions with negative inflation-adjusted rental growth, out of 30 surveyed.



Source: GARBE Industrial Real Estate, «When Inflation Hits Home.»

1. AUM figures exclude the French regulated mandates that account to €5.8bn in 349 assets. Presence in Spain currently maintained through an employee under a temporary arrangement, which does not constitute a permanent establishment or regulated branch. The potential establishment of a permanent presence in Spain, subject to applicable legal and regulatory requirements is being assessed. Source: Edmond de Rothschild REIM, data as of 30 June 2026.

That discipline is not just good practice – it is increasingly a source of competitive advantage. Independent research shows that 12 of 30 major European logistics regions have already seen negative real (inflation-adjusted) rental growth over the past decade, a figure expected to rise to 14 of 30 by 2030. Because EIREF leases are structurally protected against this erosion, the fund is a uniquely positioned portfolio where nominal rental growth reliably translates into real returns for investors.

Proactive lease management

The core/core+ Fund has seen over €4 million of rent signed via extensions and new leases across its portfolio this year so far. The negotiations to secure this income often require a tailor-made solution for the existing or prospective tenant and this approach is key to preventing vacancy in a more turbulent economic environment.

Despite the geo-political upheaval witnessed so far this year, 2026 has been more active than the previous year, with agreed rents matching or exceeding budget and underwriting assumptions. By way of example, last year one of our larger tenants in the Netherlands expressed their intention to leave in the course of 2026. The premises required renovation & improvements to the roof whilst the layout required optimization for a multi-tenant occupancy. A solution was found where 3 tenants were progressively onboarded throughout the year for units of varying size with strategic accretive capital expenditure spent thereby avoiding any void period. The result is now an effectively fully let building which has been renovated to a high standard with secure long-term income.

"It was our asset management team's entrenched local presence, deep understanding of the tenant's business and strong relationship with the occupier that enabled us to identify the right solution."

Extensions are also a good way to increase and consolidate rental income and improve the quality of a building to an institutional level. In 2019, we acquired an asset as part of a portfolio in the Netherlands following which the tenant had sought to expand their business, having grown aggressively during the pandemic. We agreed a solution with the tenant where we would acquire the adjacent plot of land and develop a new warehouse extension for them. In exchange, we secured a new 15-year lease at market rent. Following the successful delivery of the 1st extension and further expansion of their business, the tenant required a further extension in 2025. Having nurtured this relationship for seven years, we signed another extension agreement which is now being built and signed a fresh 15-year lease on the entire asset. These investments have more than doubled the asset's value leading to a more liquid institutional lot size, while lowering the office ratio to circa. 10% and adding solar panel income in the process.

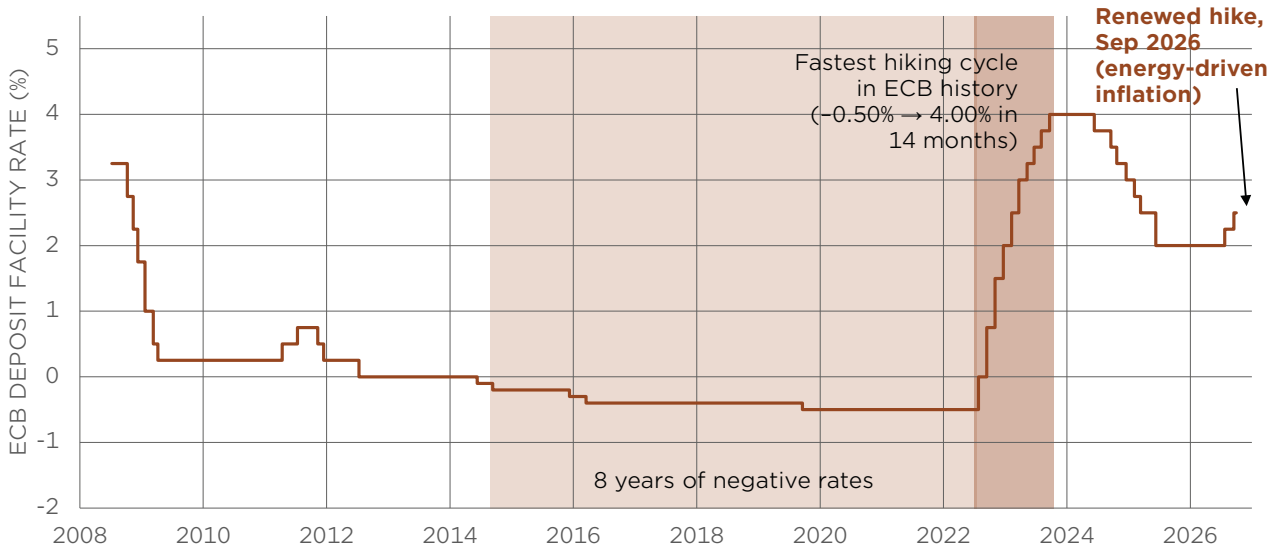
Another example can be found at our asset in Saint-Denis, Paris, where a long-standing tenant began exploring larger premises elsewhere. Rather than lose them, we agreed an extension into an adjoining unit, plus a right of first preference over any future vacant unit, with terms agreed above valuation assumptions and a rent-free period to offset their fit-out cost. It was our asset management team's entrenched local presence, deep understanding of the tenant's business and strong relationship with the occupier that enabled us to identify the right solution.

Warehouse Extension in Zwolle, the Netherlands.



Source: Emm.

From cheap money to renewed tightening: ECB Deposit Facility Rate, 2008–2026.



Source: European Central Bank, Key ECB interest rates. Data to 16 September 2026.

Following the rise in interest rates after the pandemic, significant repricing has occurred. Investors are increasingly scrutinising track records to determine whether past returns stemmed from sustainable rental growth, indexation and capex-driven rent reversion, or whether those returns were merely the result of yield compression.

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The ECB's deposit rate swung from –0.50% to a peak of 4.00% in 2023 and, after a period of easing, has been rising again since mid-2026 on the back of energy-driven inflation. In a market where falling yields can no longer be relied upon to flatter returns, EIREF's ability to match or exceed underwriting budgets reflects genuine, income-driven value creation rather than a benign rate environment.

Targeted asset enhancement

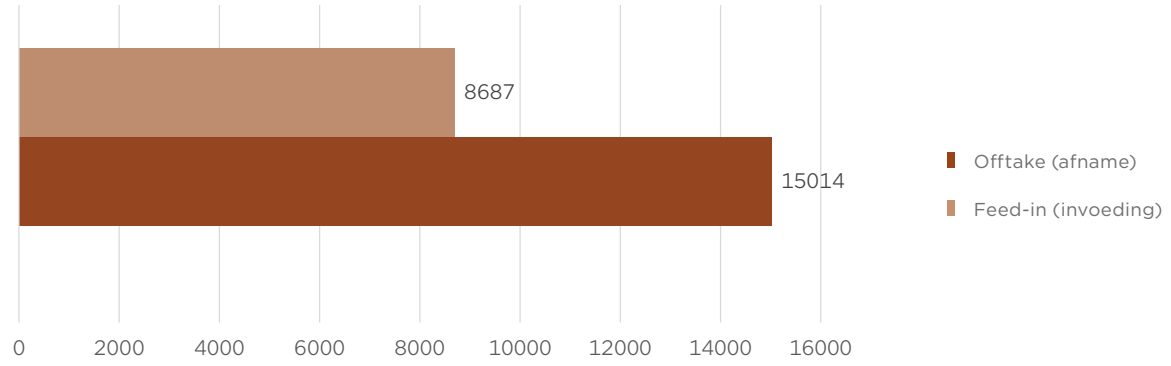
Capital expenditure comes in all shapes and sizes, however a landlord can often enhance returns through targeted sustainable capital investments. Whilst solar panels and heat pumps have become commonplace across Europe, certain countries now face serious issues around their electrical grid capacity.

In the Netherlands for example, grid congestion and the ability to source sufficient power in last mile locations has become a determining factor in the ability to negotiate lease extensions. Many SME tenants need support to navigate these negotiations with municipalities and rely on pro-active landlords to find solutions with them. Therefore, a manager-led solution which combines battery storage, solar energy and sufficient electrical grid capacity becomes a thoroughly attractive proposition to a tenant looking to secure their premises for the foreseeable future.

Grid congestion issues are now at the forefront of both investment and occupier decisions. As the below graph shows, requests to take energy 'off' the grid have risen substantially. To put these requests into context, a high-voltage project takes about ten years to deliver on average. Fifty-six such projects were completed in 2025 which is a marked improvement on the year before but far below what will be needed going forward. Congestion is still expected to last until at least 2030 and therefore the queue for energy isn't expected to clear soon.

Grid congestion is worsening in the Netherlands: Grid capacity requests increase 26% YoY.

Netherlands grid-connection waiting list, end of 2025.



Source: Netbeheer Nederland/ Landelijk Actieprogramma Netcongestie (LAN), progress report, April 2026.

Conclusion

The path to value creation in industrial and logistics real estate has become more demanding, but the sector's underlying fundamentals continue to offer attractive opportunities. In the years ahead, performance will increasingly depend on a manager's ability to protect and grow income through disciplined underwriting, proactive leasing, targeted capital investment and close tenant relationships. This environment favours vertically integrated managers with local teams, actionable data and the experience to convert operational insight into sustainable returns for investors.



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