

Finding resilience in mid-market industrial & logistics real estate

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Various major geopolitical and macroeconomic shocks over the last decade have had significant knock-on effects for the European real estate market. **Theo Soeters**, Head of Fund Management at Edmond de Rothschild REIM, argues that light industrial and logistics assets can offer much-needed resilience during these uncertain times, while noting that the segment benefits from long-term structural tailwinds.

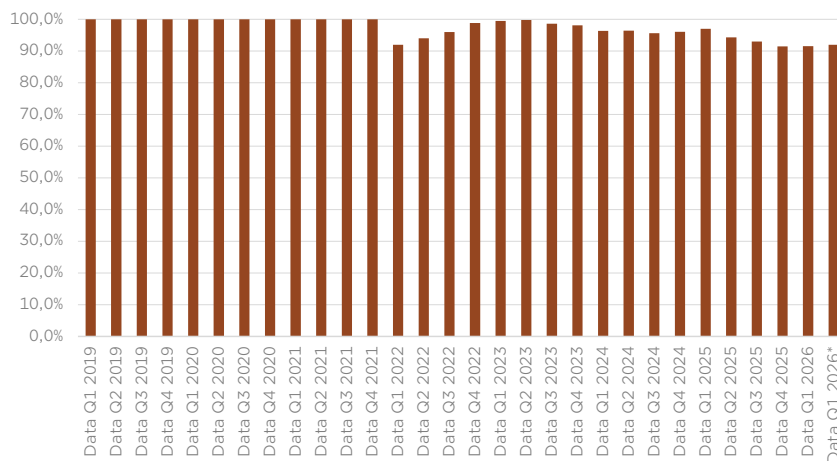
Demonstrating resilience

At Edmond de Rothschild REIM, we remain committed to the European industrial and logistics real estate sector. Our **Euro Industrial Real Estate Fund (EIREF)** continues to perform strongly. Tenant retention in our portfolio remains high and the weighted average lease term has increased. We continue to have a collection rate of around 99% and consistent occupancy rates of above 90%, despite the recent geo-political turbulence, rising interest rates and the spike in energy costs.

EdR REIM Industrial & Logistics core strategy's occupancy rate, constantly above 90%

Source: Edmond de Rothschild REIM, data as of 31 March 2026. Figure based on rent.

*Estimated.

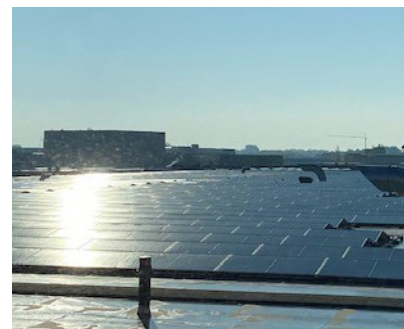


Capex: being accretive with energy efficiency

The rise in energy costs has caused tenants significant economic pressure, which only increases the need to work on sustainability. Now is a good time to consider capex investments to improve energy efficiency and integrate renewable sources where possible.



Source: Edmond de Rothschild REIM. Zwolle, Netherlands: part of EdR REIM's portfolio where ESG improvements achieved BREEAM Very Good certification.



Source: Edmond de Rothschild REIM. Nijkerk, the Netherlands: part of EdR REIM's portfolio, 2,646 solar panels, 1.2 MWp annual electricity generation.

Not all capex is accretive!

Where there isn't a possibility to invest accretively into an asset, it is best to avoid buying the asset in the first place. This analysis remains a key part of our selection criteria in the investment process. The last thing we want is deploying capital into a capex program that will have no material benefit to the occupier nor improve the liquidity of the asset to us as the landlord.

Certain measures have been found to be more accretive than others; for example, investing in the full electrification of an asset tends to be particularly accretive. Provided that the overall insulation parameters of the building are sufficient, then heat pumps can likewise be a very accretive investment, especially considering they are often less expensive to install and maintain than other types of equipment. When it comes to overall asset management initiatives, it is often these 'low hanging fruit' that are the first measures that lead to a material improvement in both the asset quality and tenant experience. Net Zero Carbon Roadmaps remain an integral part of the ESG analysis at acquisition and allow us to take well-informed capex investment decisions throughout the business plan.

A realistic approach to value-add

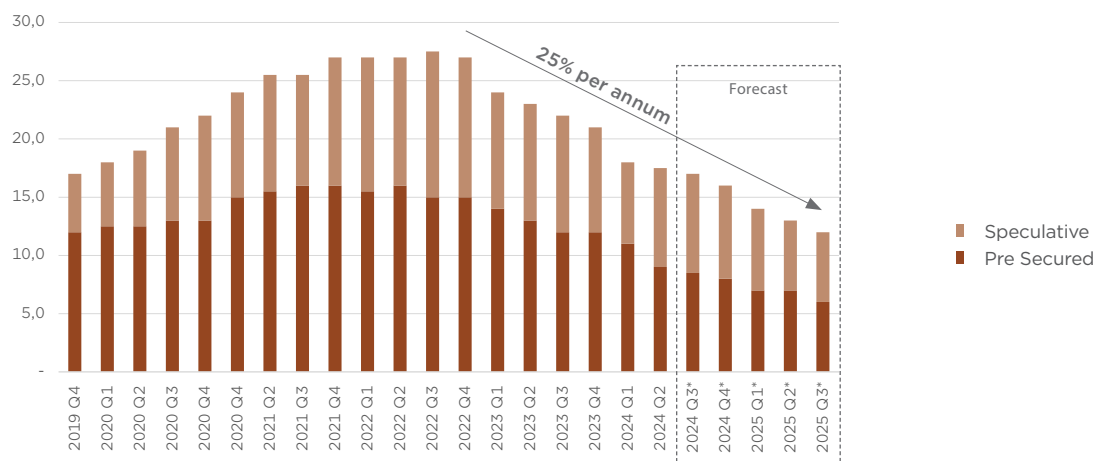
We take a core to core-plus approach through our open-ended fund, EIREF. However, we have also pursued value-add investments for clients. Therefore, we are now looking to launch a distinct value-add fund that capitalizes on our track record in the market and the asset management experience of our local teams.

So why now? Because the current market conditions and the repricing following the increase of interest rates provide an attractive entry point into the market. Underlying occupier demand remains underpinned by solid structural drivers such as the growth of e-commerce as well as the rise of re- and nearshoring. At the same time, new supply continues to be limited by rising construction costs, land constraints and planning restrictions on new developments¹.



Supply of European Industrial developments has started to fall off the cliff

Source: PMA, data as of 31 December 2025. Figure under 10,000 sqm (in sqm millions).



A value-add strategy can encompass a broad spectrum of approaches. While one approach is to invest in new buildings, which may indeed produce the highest returns in a strong occupier market, that approach also entails taking on permitting risks and exposes the investor to volatility in construction costs.

By contrast, we intend to stick to the mid-market space and focus predominantly on income-producing assets with shorter lease terms that give greater opportunities to increase rents. Many of those assets tend to be under-managed and under-rented initially creating an opportunity for an accretive investment program to optimise the tenant make-up whilst driving rents further.

We continuously underwrite a substantial pipeline with the underwriting of those value-add assets done by the local teams with local knowledge at a granular level. For us, 'value-add' is not about bright and shiny developments because development risk tends to be very binary and investors know that. It's about putting in the nitty gritty work on existing, preferably occupied buildings, making sure that there are accretive investment possibilities where an asset can be managed-to-core, improving its liquidity for an exit to an institutional investor base. The presence of in-place income also helps widen the lender pool often providing more accretive financing options that can help further drive returns.

The structural case for European mid-market industrial and logistics real estate is well established. What matters now is execution — identifying assets where disciplined capital deployment creates measurable value and managing them with the rigour that the current environment demands. As the market continues to reprice, we believe the conditions are in place for patient, disciplined investors to be rewarded.

1. Savills, The Experts View: European Industrial and Logistics Real Estate Market - 2026, January 2026; Prologis Research, cited in European Logistics Outlook: Supply Tightens, Logistics Business, December 2025; DAA Capital Partners, European Logistics Real Estate: Q2 2025 Update and Outlook, June 2025.