

# PRAEMIA REIM GERMANY STANDPUNKT

Investors' view on the German Real Estate Market



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## Key Facts 2025

### FORECAST ECONOMIC GROWTH (GDP)



+0.0 %

### FORECAST INFLATION

+2.1 %



### 10-YEAR GOVERNMENT BOND YIELDS (April 2025)

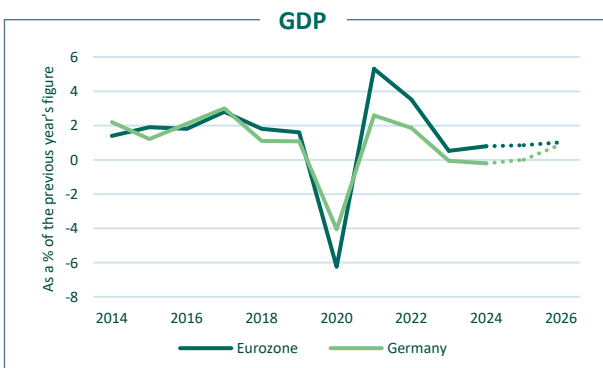


+2.4 %

Source: Oxford Economics, Bundesbank

## ECONOMY

In times of erratic US tariff policy under Donald Trump, economic forecasts are like a game of dice. Although adjustments to the expected GDP development are common and part of assumption-based forecasting models, the speed with which economic research institutes currently have to correct their assumptions to take account of the almost daily changes in trade policy makes a serious forecast considerably more difficult. To cite figures nonetheless: The Federal Ministry of Economics and Oxford Economics are currently assuming economic growth of 0% for 2025 as a whole. The German economy could receive a certain boost from the special infrastructure fund initiated by the future governing parties.



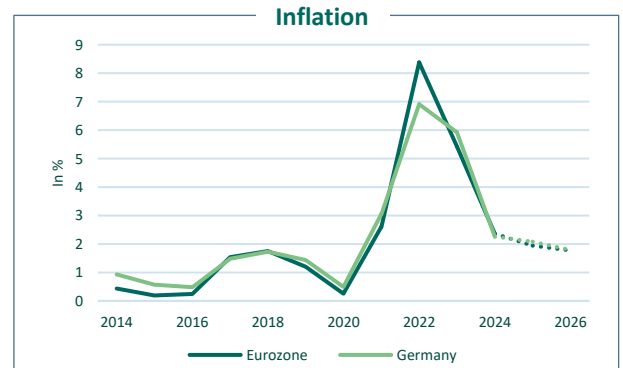
Source: Oxford Economics

The Research & ESG Department's role is to formalize Praemia REIM's real estate investment strategies, based on continuous monitoring of the European markets. By nature, real estate is at the crossroads of financial (interest rates), economics (tenants), demographics and social factors. This is why a broad analysis is needed, which is also long term and therefore matches the horizon of most real estate investors.

Praemia REIM relies on its local teams to provide on-the-ground research on the German markets. As Germany is a polycentric market, with specific real estate features, standards of valuation, demographic challenges and industrial forces, we want to provide a regular analysis of Germany's real estate markets, from the investor's viewpoint. This is the purpose of our quarterly Standpunkt.

## INFLATION

The inflation rate in March was 2.2%. A moderate inflation rate in the region of the ECB target of around 2% is expected for the year as a whole. The further reduction in key interest rates and stable inflation figures are currently providing a tailwind for real estate investments. How sustainable this small upturn is will largely depend on whether there are any major global upheavals as a result of US tariff policy. However, it is unlikely that the EU will participate in the tariff spiral between the US and China without necessity, as the economic dependency and thus the economic damage for the EU would be enormous. In a very optimistic scenario, Europe, especially the real estate markets that are less dependent on the global economy, could even emerge as a beneficiary of uncertain global economic policy and position itself as an attractive destination for global capital flows with a high degree of legal certainty, liberal democracy and the prospect of economic and political stability.

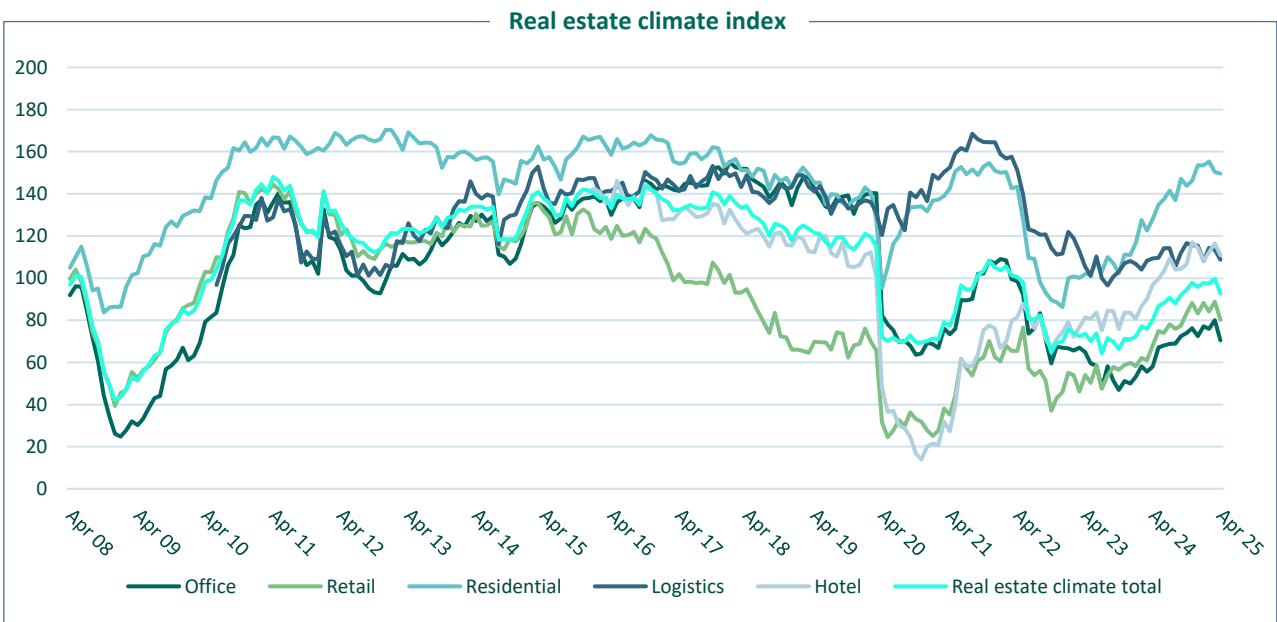




# GERMAN REAL ESTATE CLIMATE

Up or down? You might think that the real estate industry can't quite make up its mind for the current year. Until March, the real estate climate gradually improved and scratched the 100-point mark, only to collapse by seven points a month later. The main reason - and this does not require much imagination - is the US tariff policy that began at the start of April, which has led to considerable distortions on the global capital markets. Accordingly, this uncertainty is also reflected in the April values of the sentiment barometer. The next few months will show whether the European real estate markets can ultimately benefit from the uncertain economic and political situation in the USA and attract global capital.

Looking at the individual asset classes, the picture is unchanged. Residential leads by a wide margin, followed by hotel and logistics. Office and retail bring up the rear. The sentiment barometer for the office sector even suffered a double-digit loss compared to the previous month. In addition to fears of an economic slowdown due to the global trade conflict, the situation on the labour market is also playing a role, with unemployment figures at the start of the year deteriorating compared to last year. Demand for residential real estate remains high, and increased regulatory intervention in the residential rental market is not expected under the current coalition agreement, so residential investments will remain in high demand in the coming months.



Source: Deutsche Hypo

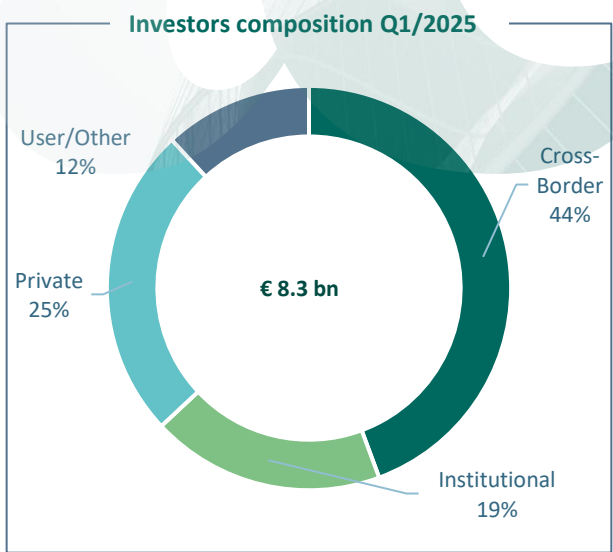




# TRANSACTION VOLUME

The signs are pointing to an upswing! This is how one could interpret the transaction figures at the start of 2025. Higher transaction volumes were achieved in all asset classes than in the same quarter of the previous year. At around €8.3 billion, more capital was invested in real estate at the start of the year than at any time in the last three years. Compared to the same quarter of the previous year, the total volume has even doubled. So is everything good again now?

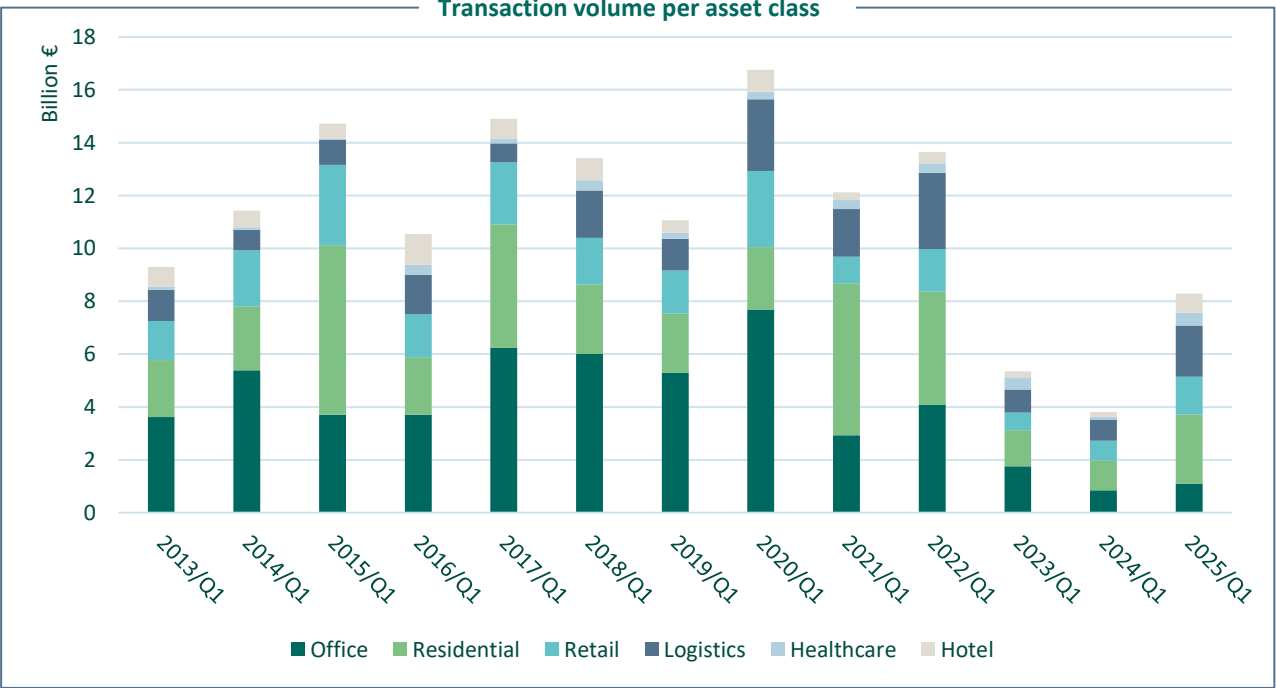
The current global geopolitical conflicts, in particular the trade war triggered by US tariff policy, are naturally not yet reflected in the Q1/2025 figures. In addition, although significantly more money was invested in real estate than at the beginning of 2023 and 2024, the absolute figures are still at a rather low level. Residential real estate remains particularly popular. Healthcare real estate also recorded a historically strong start to the year, with the takeover of Pflege und Wohnen by the City of Hamburg having a significant impact on the transaction volume. Retail real estate also made a dynamic start to the 2025 investment year with the highest transaction volume in three years.



## OUTLOOK







A good start to the investment year does not mean a boom. Nevertheless, the increased transaction volumes across all asset classes show that the real estate market has awoken from its lethargy and that more capital is being invested. So there are certainly data-based reasons to be optimistic about the coming months. Although there will be no major real estate boom this year, it can be assumed that the crisis mode is over - albeit not in all asset classes.

Transaction volume per asset class



Source: RCA

## SUMMARY ASSET CLASSES

Asset Class	Transaction Volume Q1/2025	Transaction Volume 5-year-average Q1	Cross-Border Volume Q1/2025	Prime Yields Q1/2025	Trend Transaction Volume previous quarter
<b>Office</b> 	€1.1 bn	€3.4 bn	€0.8 bn (72 %)	4.6 % (A-Cities)	↗
<b>Residential</b> 	€2.6 bn	€2.9 bn	€0.8 bn (33 %)	3.4 %	↗
<b>Retail</b> 	€1.4 bn	€1.6 bn	€1.0 bn (71 %)	4.2 % (High-Street-Shops)	↗
<b>Healthcare</b> 	€0.5 bn	€0.3 bn	€0.05 bn (10 %)	5.4 % (Nursing homes)	↗
<b>Hotel</b> 	€0.7 bn	€0.4 bn	€0.25 bn (35 %)	5.3 %	↗
<b>Logistics</b> 	€1.9 bn	€1.8 bn	€1.4 bn (72 %)	4.4 %	↗





## OFFICE

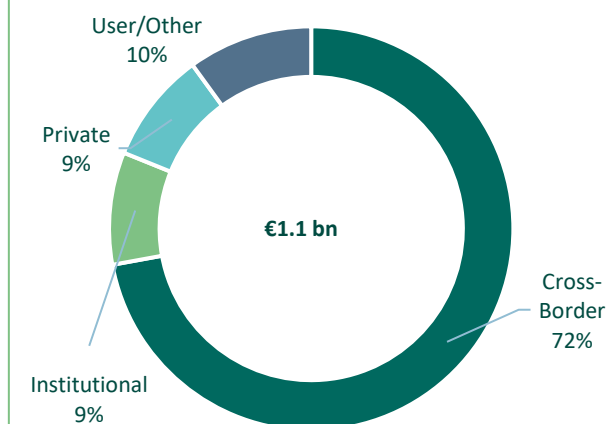
OFFICE TRANSACTION VOLUME Q1/2025	€1.1 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME Q1/2025	€0.8 bn
PRIME YIELDS OFFICE A-CITIES Q1/2025	4.6 %
PRIME YIELDS OFFICE SECONDARY-CITIES Q1/2025	5.1 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS QUARTER	↗

Although the transaction volume for office real estate in the first quarter was below the ten-year average at €1.1 billion, there was a slight increase compared to the same quarter of the previous year. Another positive change compared to the same quarter of the previous year can be seen in the high proportion of foreign investors. However, the fundamental data continues to give cause for caution: GDP is stagnating, unemployment figures have risen slightly compared to the previous year and the so-called spring upturn on the labour market, which usually begins in March, has weakened this year. In addition, the current trade conflict with Donald Trump's protectionist tariff policy could have a negative impact on cyclical asset classes such as office.

B cities, on the other hand, experienced a small renaissance. Led by the city of Dortmund and other larger transactions in Hanover and Bonn, smaller markets recorded a relatively high transaction volume. Prime yields remained stable in both A and B cities.

The office letting market is stable despite the economic situation. Office space take-up in the top 7 rose slightly compared to the previous quarter due to individual large lettings, such as ING. The vacancy rate in the top 7 rose again slightly at the beginning of the year, mainly due to less demand for properties in peripheral locations.

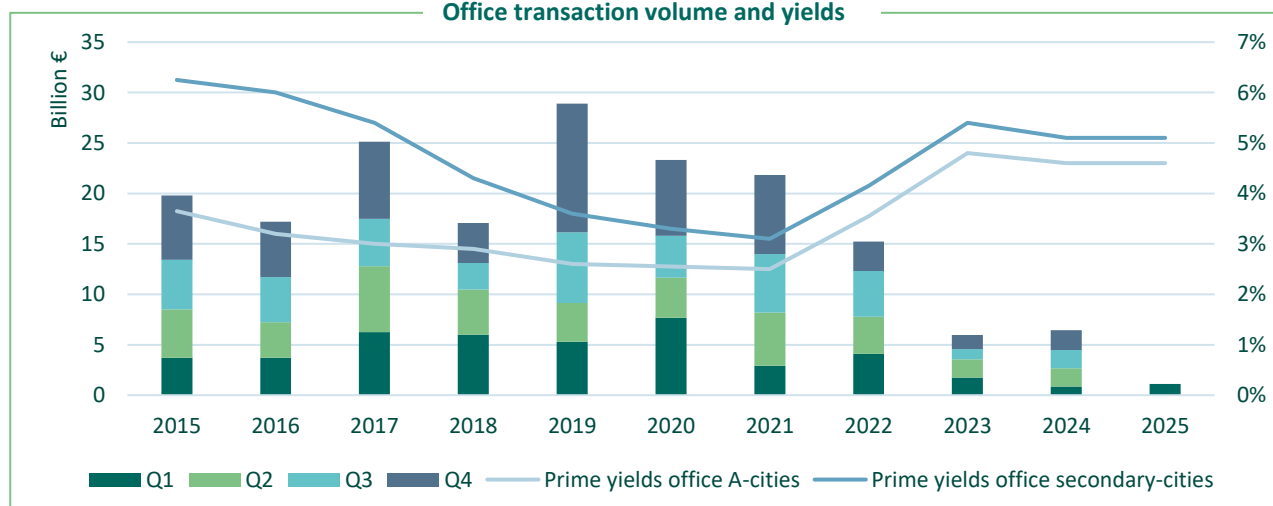
Investors composition office Q1/2025



### OUTLOOK

The German office market is stabilizing at a low level. Although transaction volumes, prime yields and office space take-up are a far cry from the boom years, they are not showing any further decline compared to previous years. For the remainder of the year, the most important office key figures are expected to move sideways, as the overall economic environment is increasing uncertainty for office real estate.

Office transaction volume and yields



Source: RCA, CBRE





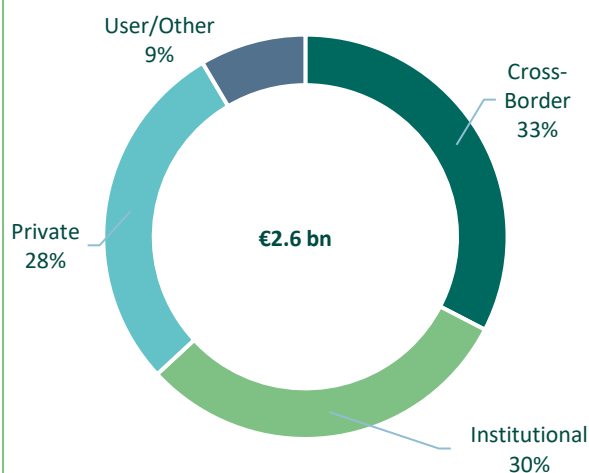
## RESIDENTIAL

<b>TRANSACTION VOLUME RESIDENTIAL Q1/2025</b>	<b>€ 2.6 bn</b>
<b>THEREOF CROSS-BORDER TRANSACTION VOLUME Q1/2025</b>	<b>€ 0.8 bn</b>
<b>PRIME YIELDS RESIDENTIAL Q1/2025</b>	<b>3.4 %</b>
<b>TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS QUARTER</b>	

The popularity of residential real estate among investors continues unabated. With a transaction volume of 2.6 billion euros and a 31% share of the total transaction volume, the previous year's quarter was significantly exceeded. This share puts German residential real estate at the top of the asset class comparison for the third time in a row. The prime yields remain unchanged at 3.4%.

The housing sector had recently sounded an alarmist note to politicians. This was due to the ongoing decline in residential building permits since April 2022 (16.8 % less than in the previous year). The first few months have now shown that the downward trend has stopped for the time being and the number of residential building permits has risen for the second month in a row. In January 2025 alone, 18,000 apartments were approved for construction, which corresponds to an increase of 7 %. Despite these slightly positive trends, the current completion and approval figures remain at a historically very low level. A boost in new construction activity is therefore still necessary in order to relieve the strained housing markets. As soon as the government has been formed, we will see what the "housing construction turbo" announced in the election campaign will actually look like in the coming months and whether it will "ignite".

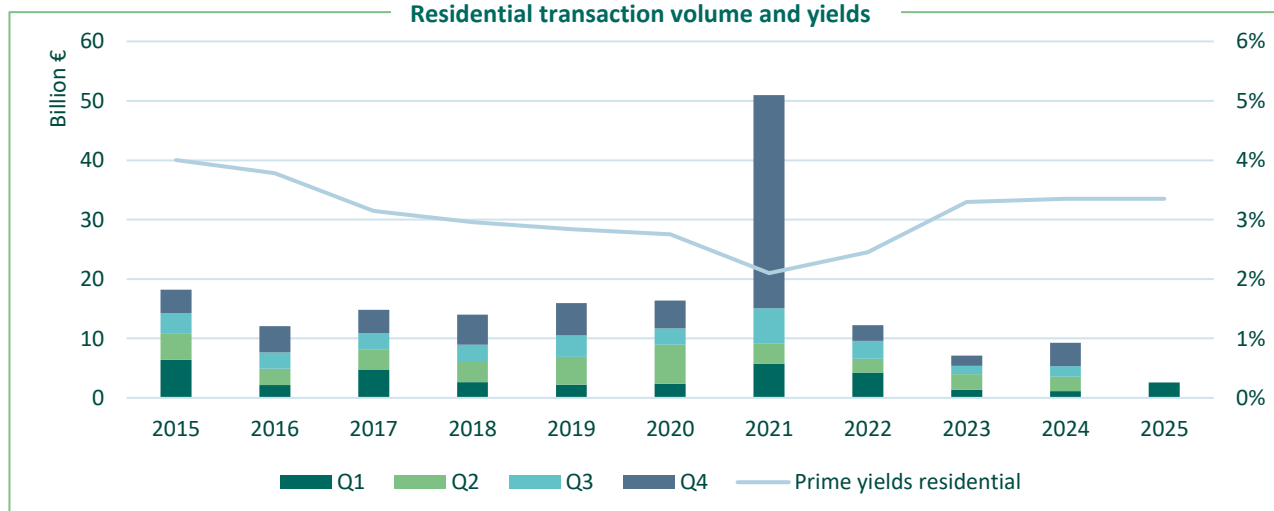
### Investors composition residential Q1/2025



### OUTLOOK

The residential asset class came out on top for the third time in a row. The high demand from investors is reflected in persistently low prime yields. In addition to traditional forms of housing, investors will also focus on apartment concepts in the future. These offer living space for target groups that have few opportunities on the traditional housing market. In addition, the apartments, which are often offered furnished, are exempt from most rent regulations.

### Residential transaction volume and yields



Source: RCA, CBRE



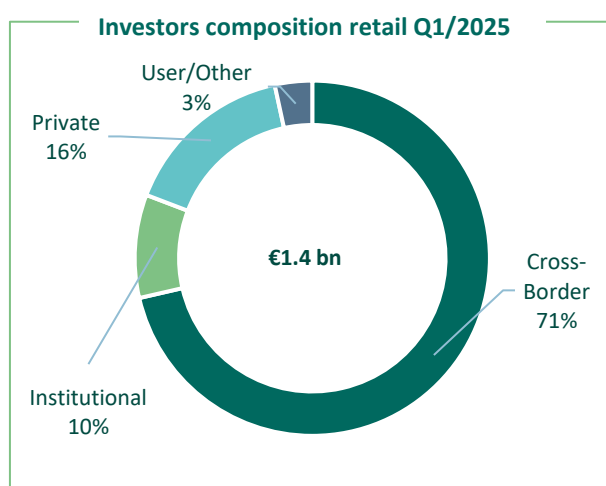
## RETAIL

<b>TRANSACTION VOLUME RETAIL Q1/2025</b>	<b>€1.4 bn</b>
<b>THEREOF CROSS-BORDER TRANSACTION VOLUME Q1/2025</b>	<b>€1.0 bn</b>
<b>PRIME YIELDS HIGH-STREET-SHOPS Q1/2025</b>	<b>4.2 %</b>
<b>PRIME YIELDS SUPERMARKETS Q1/2025</b>	<b>4.8 %</b>
<b>PRIME YIELDS SHOPPING-CENTER Q1/2025</b>	<b>5.9 %</b>
<b>TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS QUARTER</b>	

At €1.4 billion, the transaction volume for retail real estate was significantly higher than in the two previous years. The high transaction volume is also due to the sale of the Designer Outlet in Wustermark. Specialist stores were also very popular with investors. With a share of 71 %, foreign investors dominated among retail investors.

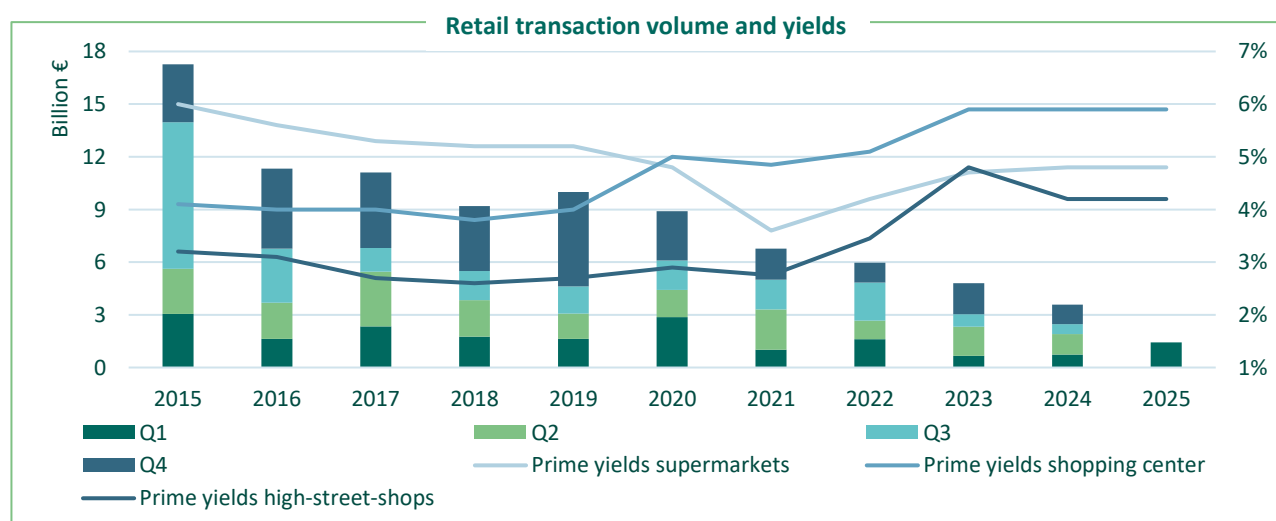
The prime yield for high-street stores is stable at 4.2%. A stabilization of prime yields can also be observed for supermarkets and shopping centers. These are at 4.8% and 5.9% respectively.

The consumer mood among Germans remains subdued. Although the HDE consumer barometer rose slightly in April, it remains at the previous year's level. The geopolitical uncertainties surrounding Trump's tariff policy could also have a negative impact on consumer behavior, as consumers are spending less for fear of rising prices. It remains to be seen whether the new German government will be able to stimulate private consumption with its planned economic and tax policy measures.



### OUTLOOK

Stable prime yields and a significant increase in transaction volumes are positive news for the German investment market for retail real estate. However, German consumer sentiment remains subdued and the current global trade conflict is causing additional uncertainty. The food retail sector remains an anchor of stability this year.



Source: RCA, CBRE

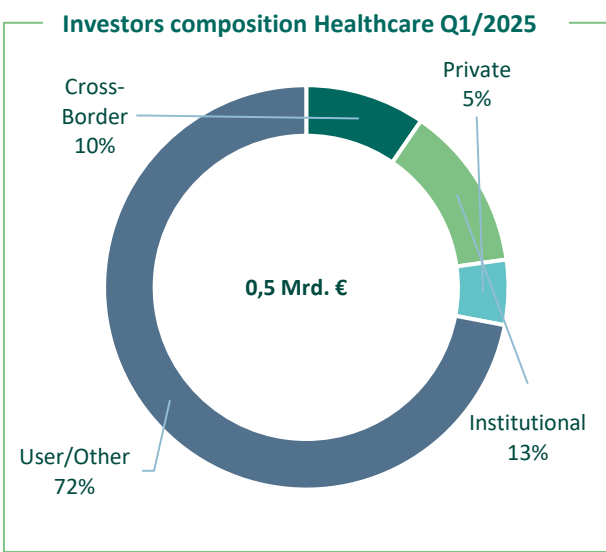


## HEALTHCARE

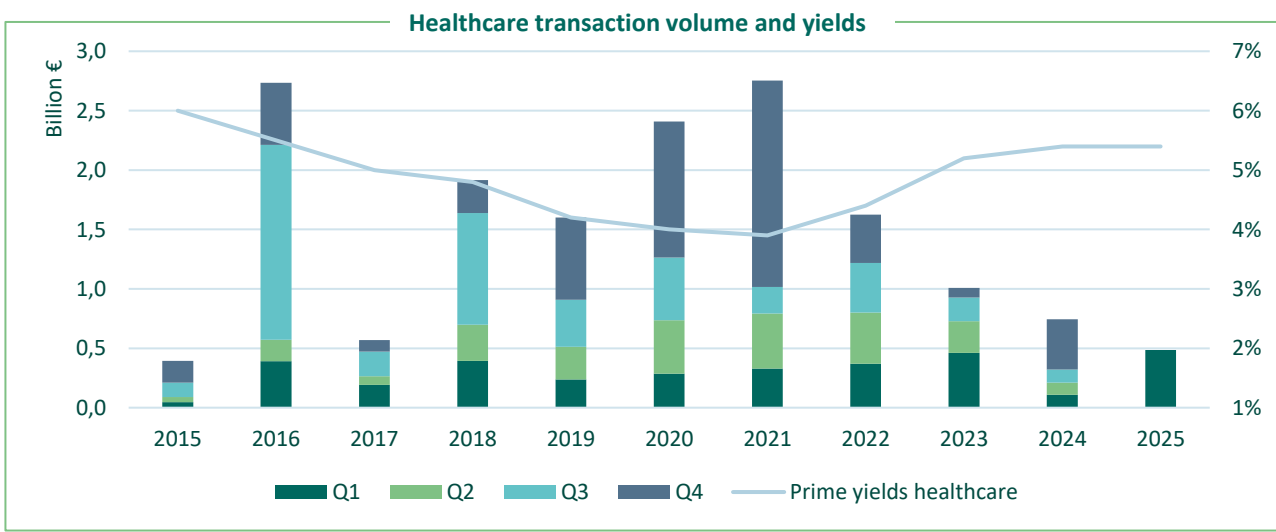
HEALTHCARE TRANSACTION VOLUME Q1/2025	€0.5 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME Q1/2025	€0.05 bn
PRIME YIELDS NURSING HOME Q1/2025	5.4 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS QUARTER	↗

The upturn in healthcare real estate transactions that was already expected at the end of the year can now also be seen in the 2025 figures. With a transaction volume of around 0.5 billion euros, the highest volume of the last ten years was achieved in the first three months. However, as always, a closer look at the figures helps: The transaction volume in small asset classes such as healthcare is naturally heavily influenced by larger portfolio transactions. In Q1/2025, the buyback of the operator chain Pflege und Wohnen, including 13 associated properties, by the City of Hamburg was the main reason for the high transaction volume.

The news that Argentum has filed for insolvency has caused restlessness on the operator side. With around 40 locations, the Argentum care group is one of the largest private nursing home operators in Germany. In recent months, most nursing home operators have succeeded in renegotiating their care rates and stabilizing their finances following the liquidity problems caused by the explosion in energy costs, interest rate increases, wage adjustments in the care sector and a shortage of skilled workers. For investors, this means continuing to pay particular attention to the operator's creditworthiness and the quality of the location and building in order to be able to find a successor operator quickly in case of doubt.



**OUTLOOK**  
The healthcare real estate market got off to a very dynamic start to the new year with a record volume of around 0.5 billion euros. Players with fresh or existing capital took advantage of the favorable purchase prices to build up or expand their healthcare real estate portfolios. As an asset class that is independent of the economy, healthcare remains very popular with investors, meaning that a sustained upturn in transaction activity can be expected for the year as a whole.



Source: RCA, CBRE





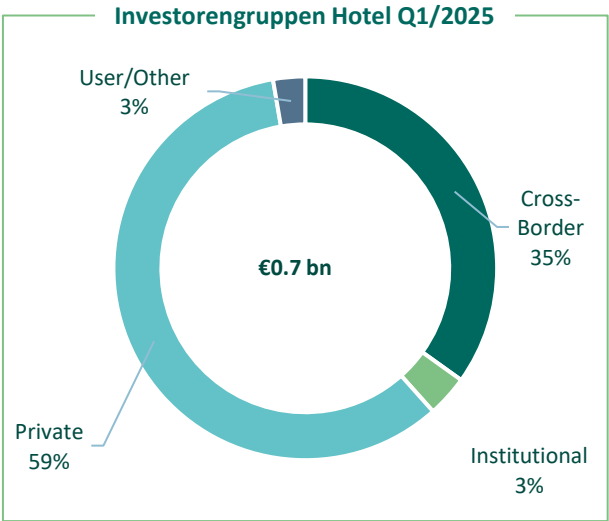
# HOTEL

<b>HOTEL TRANSACTION VOLUME Q1/2025</b>	<b>€0.7 bn</b>
<b>THEREOF CROSS-BORDER INVESTMENT VOLUME Q1/2025</b>	<b>€0.25 bn</b>
<b>PRIME YIELDS HOTEL Q1/2025</b>	<b>5.3 %</b>
<b>TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS QUARTER</b>	

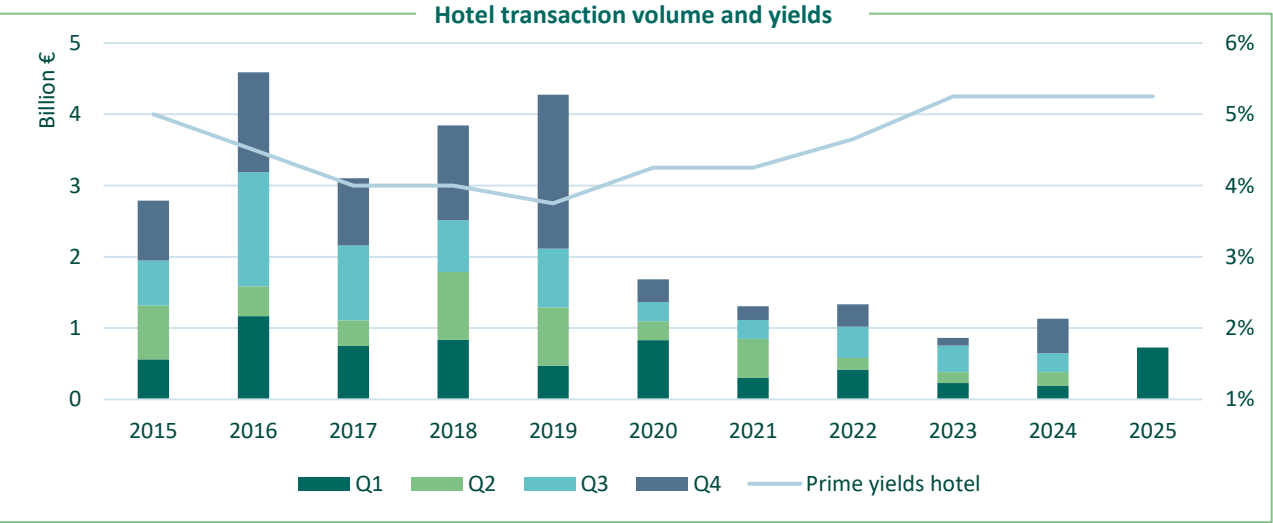
With a transaction volume of 0.7 billion euros, the German hotel industry got off to a very good start in 2025. Compared to the very low figure in the same quarter of the previous year, the transaction volume has almost tripled. The high figure is primarily attributable to three major transactions: the sale of the Upper West in Berlin, the acquisition of the six Moxy Hotels by the Chocolate on the Pillow Group and the sale of the Pullman Hotel in Cologne by Art-Invest. Overall, the trend towards individual investments continued in the first quarter of 2025. The prime yields remain stable at 5.3%.

The positive mood in the hotel industry is reflected in the number of overnight stays for the months of October 2024 to January 2025. In February 2025, however, there was a slight decline compared to the previous year, particularly in terms of domestic overnight stays. However, a general trend reversal or declining figures are not expected over the remainder of the year.

The overall positive trend is underlined by an exemplary look at the development of hotel room rates for the major hotel chains. Here, significant increases in average daily rates (ADR) were recorded compared to the same quarter of the previous year, reflecting guests' continued high willingness to pay.



**OUTLOOK**  
Despite a slight decline in the number of overnight stays by tourists in February 2025, the hotel industry remains in good shape. The transaction market is dominated by individual deals. Demand is expected to remain high for the year as a whole, with a sustained upturn in transaction activity.



Source: RCA, CBRE



# LOGISTICS

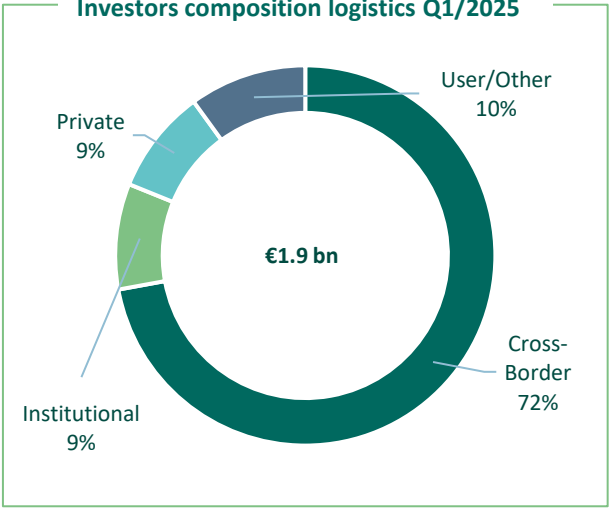
<b>LOGISTICS TRANSACTION VOLUME Q1/2025</b>	<b>€1.9 bn</b>
<b>THEREOF CROSS-BORDER INVESTMENT VOLUME Q1/2025</b>	<b>€1.4 bn</b>
<b>PRIME YIELDS LOGISTICS Q1/2025</b>	<b>4.4 %</b>
<b>TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS QUARTER</b>	

The economic downturn is currently not making itself felt on the logistics real estate market. At Mipim, Immobilien Zeitung described German logistics real estate as "everybody's darling", which is reflected in the figures in several respects:

1. Around €1.9 billion was invested in German logistics real estate in the first quarter of 2025. With a 23% share of the total transaction volume, logistics ranks second among the asset classes;
2. An undistorted market upturn is indicated by a large number of individual transactions with few portfolio transactions;
3. Foreign investors accounted for the largest share of invested capital at 72 %;
4. The prime yields for logistics remain unchanged at 4.4%;
5. Reports on logistics transactions dominated the media landscape.

In addition to the good transaction figures, the letting market for logistics was also comparatively dynamic in the first quarter of 2025. According to BNP, a take-up of 1.2 million square meters was achieved, which corresponds to an increase of 16 % compared to the previous year.

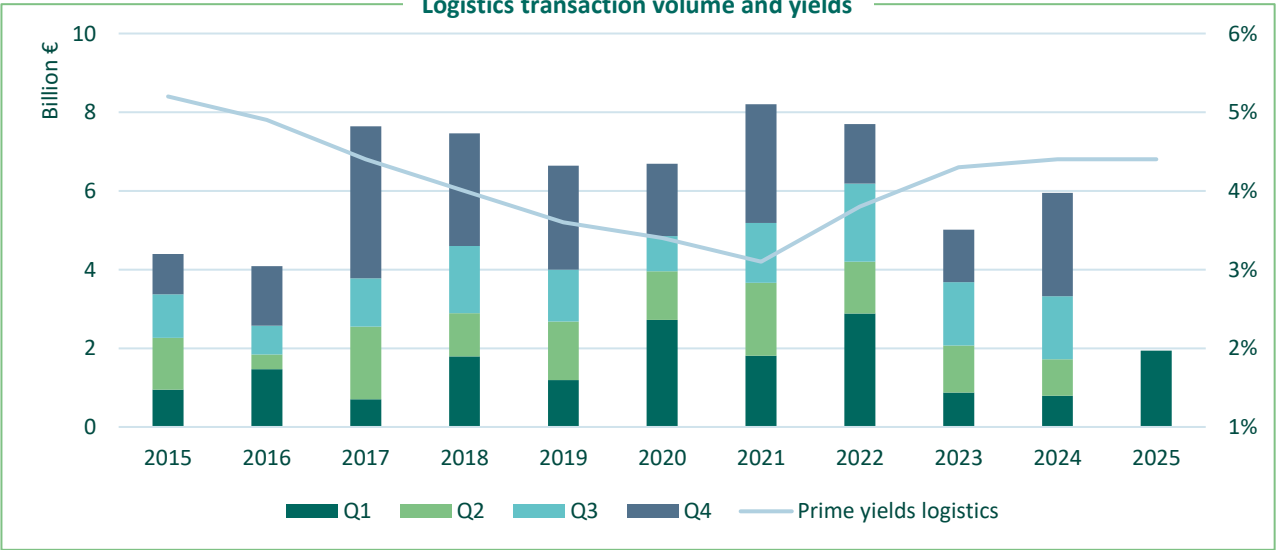
Investors composition logistics Q1/2025



## OUTLOOK

The continuing high demand from foreign investors and the high take-up of space should continue to boost the German logistics market. However, the shortage of space could limit transaction volumes and drive up prices for logistics space, particularly in sought-after locations. In addition, it cannot be ruled out that the weakening economy will dampen demand for logistics over the course of the year.

Logistics transaction volume and yields



Source: RCA, CBRE

## DEFINITIONS

**10-year government bonds:** debt securities issued by a state for a period of ten years, generally acknowledged to be a risk-free investment.

**Investment volume/transaction volume:** total volume of premises acquired in the offices, residential, retail, business premises and warehouses segments by an investor.

**Take-up offices:** all leases or sales to the occupant (as opposed to sales to investors) for premises to be used as offices. It is expressed as square meters of usable space.

**Yield:** ratio between the net revenues from the building and the capital committed by the buyer (acquisition price + fees and transfer taxes). All yields quoted follow this definition unless otherwise stated

**High-Street-Shops:** traditional ground-floor retail premises located in town-center high streets.

**Shopping center:** a building containing at least 20 retail outlets housed in indoor centers around a large food store that drives customer traffic.

**RevPAR:** abbreviation for Revenue Per Available Room. It corresponds to the turnover on accommodation of an establishment divided by the total number of rooms. RevPAR also corresponds to Occupancy Rate multiplied by ADR.

**Hotel Occupancy Rate (OR):** ratio of the number of occupied rooms to the total number of rooms in a hotel.

### About Praemia REIM

**Praemia REIM** has a workforce of 400 employees in France, Germany, Luxembourg, Italy, the UK and Singapore. Its values of conviction and commitment as well as its expertise on a European scale are used to design and manage real estate funds for its national and international clients, whether they are individuals or institutions.

Praemia REIM currently has €36 billion of assets under management. Its conviction-based allocation breaks down into:

50 % healthcare/education,  
30 % offices,  
8 % residential,  
6 % retail,  
5 % hotels,  
1 % logistics.

Its pan-European platform manages 97 funds and has more than 80.000 investor clients, 44% of which are individual investors and 56% institutional. Its real estate portfolio consists of around 1.600 properties (offices, health/education, retail, residential, hotels) located in eleven European countries.

[www.praemiareim.com](http://www.praemiareim.com)  
[www.praemiareim.de](http://www.praemiareim.de)

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The Research & ESG Department's role is to formalize Praemia REIM's real estate investment strategies, based on continuous monitoring of the European markets. Although collective real estate accounts for a growing share of institutional portfolios and household savings, it is at the crossroads of financial (hierarchy of rates), economic (tenants' business models), demographic (the metropolization phenomenon) and societal (changes in usage) factors. This is why a cross-cutting analysis is needed, which is also long term and therefore in keeping with the horizon of most real estate investors.

STANDPUNKT offers Praemia REIM's quarterly view of the most important asset classes: offices, retail, residential, healthcare, hotel and logistics.



# praemia

REIM GERMANY

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