July 2025

PRAEMIA REIM GERMANY STANDPUNKT

Investors’ view on the German Real Estate Market

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Key Facts 2025

FORECAST ECONOMIC GROWTH (GDP)

+0.2 %

FORECAST INFLATION

+2.0 %

10-YEAR GOVERNMENT BOND YIELDS (July 2025)

+2.7 %

Source: Oxford Economics, Bundesbank

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.

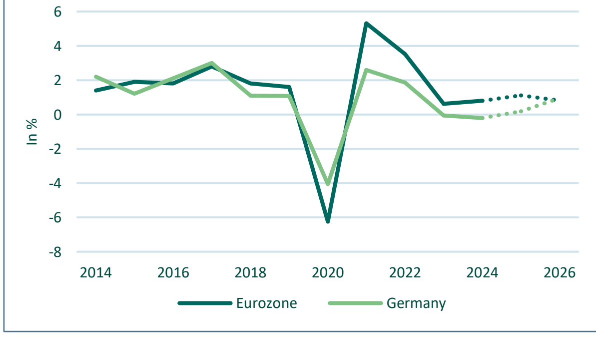
ECONOMY

The 'old continent' is currently experiencing a renaissance. At least, that's what the press articles are suggesting, with an increasing number of reports on the possibility of more capital being relocated to Europe. However, the recently agreed customs deal between the EU and the US highlighted the ongoing power imbalance between the negotiating partners. It remains to be seen how much capital will actually flow to Europe and Germany in the end. Slightly positive economic growth is expected in Germany in 2025. In the coming year, economic growth in Germany is expected to be slightly higher (0.9%) than in the eurozone as a whole. While this is certainly no reason for euphoria, it does provide grounds for a cautiously optimistic outlook, including for the German real estate market.

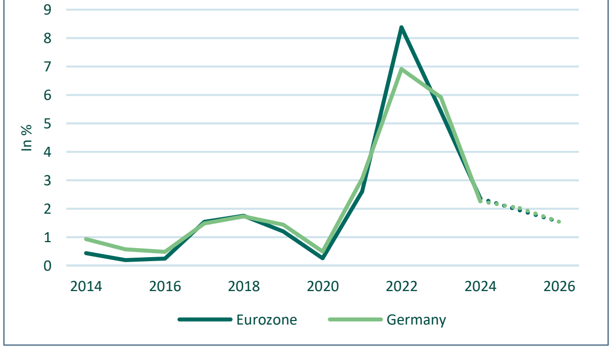
INFLATION

The ECB's key interest rate currently stands at 2.15 per cent and was not adjusted at the last interest rate meeting in July. This indicates that the inflation rate has stabilised at the level expected by the ECB Governing Council. In July, the inflation rate in Germany was 2.2 per cent. For the year as a whole, a moderate inflation trend in the region of the ECB target of around 2 per cent is expected.The general conditions for the real estate markets therefore remain stable and allow for more reliable business planning after two years of high volatility. In combination with increasing investment interest in Europe, this could help to channel new capital into the real estate markets. In any case, a look at the development of stock prices in recent months suggests that the capital markets tend to see Europe as the winner of the global trade conflict. Foreign investors in particular, who have only allocated a small amount of capital to Europe in recent years and have therefore not suffered any - even emotionally painful - losses, could now re-emerge as players on the German real estate market and stimulate the investment market.

GDP



Inflation

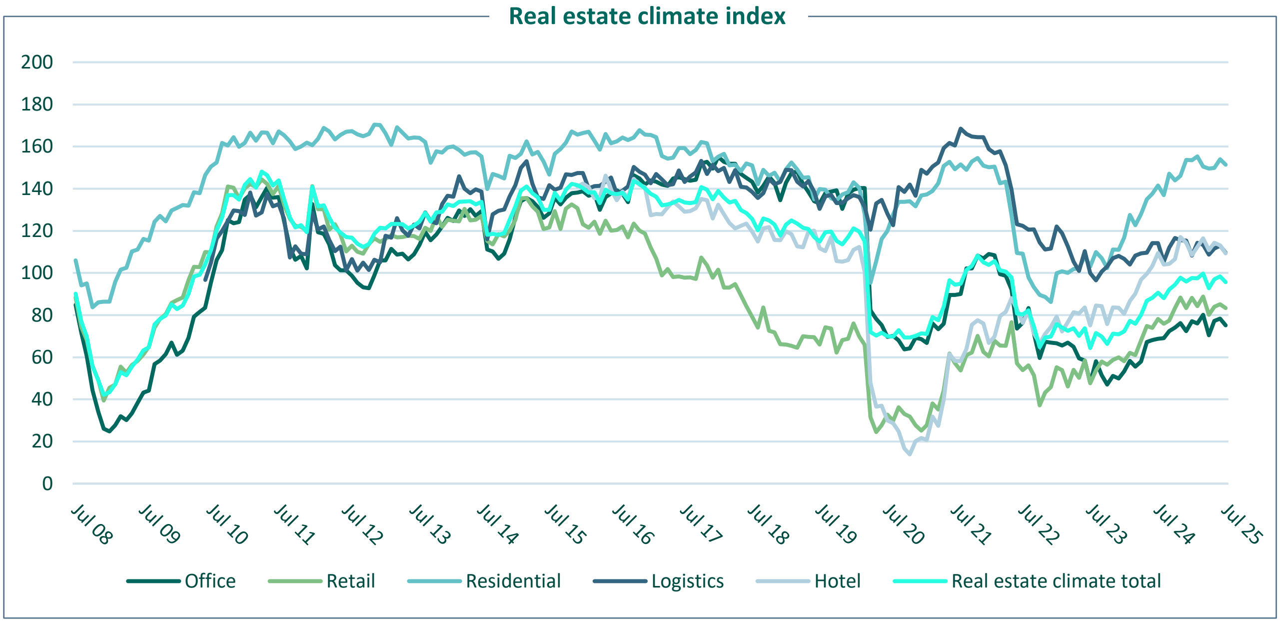


Source: Oxford Economics

GERMAN REAL ESTATE CLIMATE

Residential real estate or nothing. This or something similar is how the result of the real estate sentiment barometer in July 2025 can be summarised. Demand for German residential properties remains very high. This can be seen both in the high transaction volumes and the high values in the German real estate climate index. All other commercial asset classes are rated more sceptically. Logistics and hotels remain above the neutral 100-point line, but at a considerable distance from residential real estate. Retail and office real estate remain at the bottom of the league. There is little to suggest that this constellation will change much by the end of the year and beyond.

The major upswing on the German real estate market has yet to materialise. The economic and political uncertainties are still too significant at present. The global trade dispute with the USA and the question of the medium-term competitiveness of the German economy play a central role here. Furthermore, no significant political impetus is expected from the new German government in the short term. Nevertheless, there are positive signals: Europe and Germany in particular are seen as attractive markets that score highly in terms of political stability and legal security, especially in comparison to the USA.



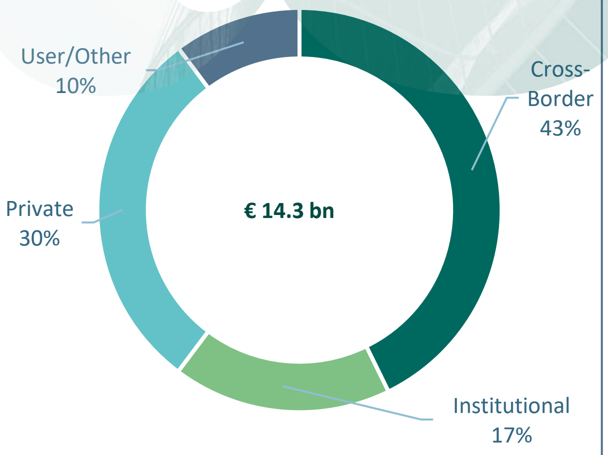
Source: Deutsche Hypo

TRANSACTION VOLUME

The hoped-for major upturn on the transaction market has so far remained a rather lukewarm breeze. Nevertheless, slightly higher volumes were achieved than in the two previous years. Residential investments dominated the first half of 2025 by a wide margin, with residential real estate accounting for around a third of the total capital invested of around €14 billion. This was followed by logistics, office and retail with similarly high transaction volumes. Healthcare real estate experienced a dynamic first half of the year, with a large portfolio transaction at the beginning of the year also leading to brisk market activity in recent months. Even though this is by far the smallest asset class, it did not have a significant impact on the overall transaction volume.

Although a lot has happened politically, globally and nationally in recent months, the direct impact on the real estate sector is limited due to the inertia of the real estate markets. In addition, the medium-term effects on the real estate industry of the planned economic policy stimuli and global geopolitical disputes are uncertain, even if there are positive indicators. So far, the capital markets have spoken a clear language: since the start of the US tariff policy, European and German share prices have performed significantly better than the US or Chinese indices. The prices of the largest listed real estate companies have also benefited.

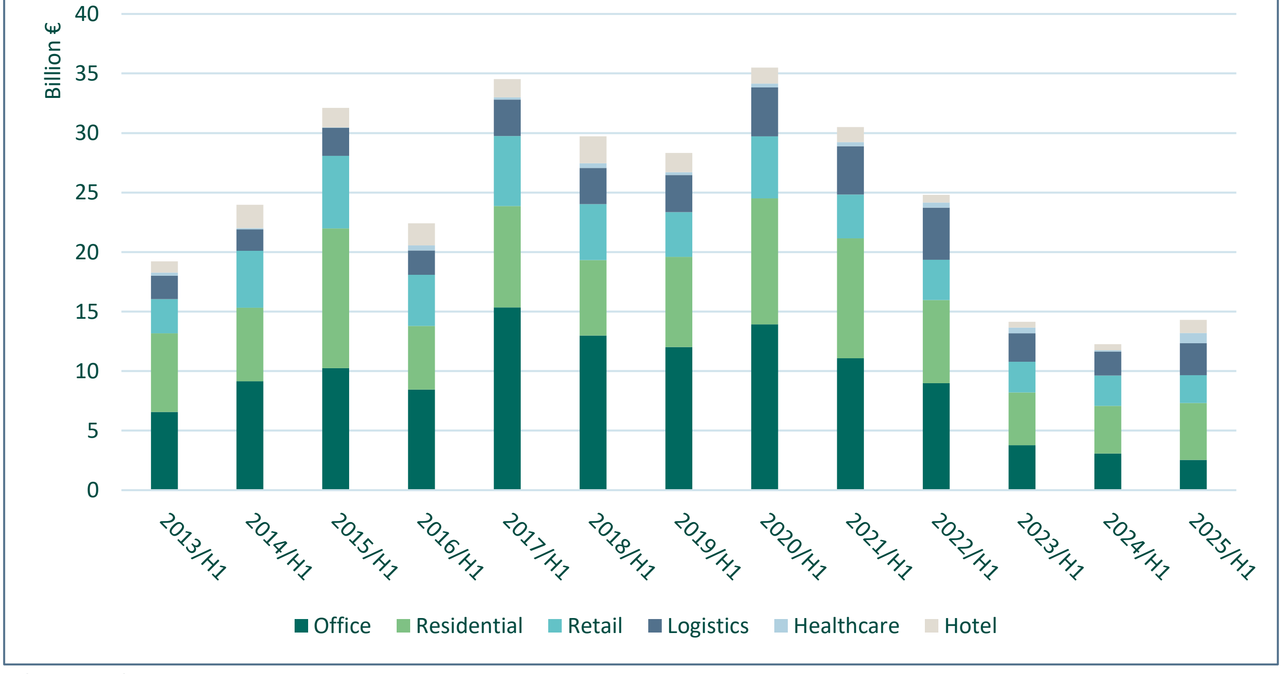
Investors composition H1/2025



OUTLOOK

The transaction market has not yet been able to regain momentum as hoped. However, the increased polarisation by asset class is continuing. While residential real estate is in high demand, the former “flagships” of the institutional transaction market, office and retail properties, are barely keeping their heads above water. There are many indications that little will change in this situation until the end of the year and beyond. For investors, this means: high competitive pressure in residential real estate and residential-related asset classes, but also many selection opportunities and higher risks in the traditional commercial asset classes.

Transaction volume per asset class



Source: RCA

SUMMARY ASSET CLASSES

Asset Class	Transaction Volume H1/2025	Transaction Volume 5-year-average H1	Cross-Border Volume H1/2025	Prime Yields Q2/2025	Trend Transaction Volume Previous Half-Year
Office	€2.5 bn	€8.2 bn	€0.9 bn (35 %)	4.6 % (A-Cities)	↙
Residential	€4.8 bn	€7.2 bn	€1.2 bn (24 %)	3.4 %	↗
Retail	€2.3 bn	€3.5 bn	€1.2 bn (52 %)	4.6 % (High-Street-Shops)	↙
Healthcare	€0.9 bn	€0.7 bn	€0.2 bn (25 %)	5.4 % (Nursing homes)	↗
Hotel	€1.1 bn	€0.9 bn	€0.6 bn (53 %)	5.3 %	↗
Logistics	€2.7 bn	€3.4 bn	€1.9 bn (72 %)	4.4 %	↗

Source: RCA. CBRE

OFFICE

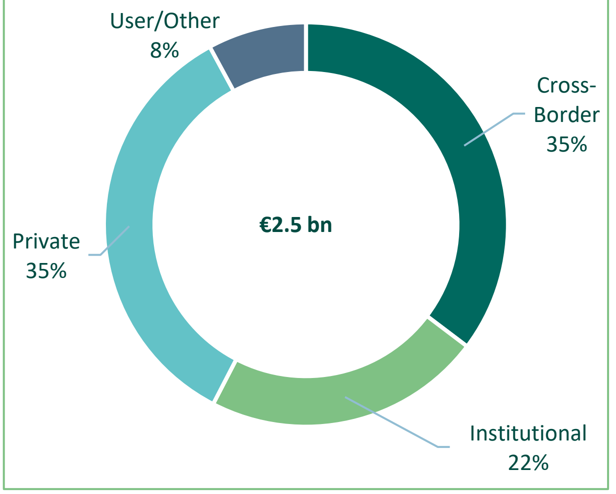
OFFICE TRANSACTION VOLUME H1/2025	€2.5 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME H1/2025	€0.9 bn
PRIME YIELDS OFFICE A-CITIES Q2/2025	4.6 %
PRIME YIELDS OFFICE SECONDARY-CITIES Q2/2025	5.1 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS HALF-YEAR	↙

With a transaction volume of around €2.5 billion, the already very low level of the same period last year was undercut once again. This is the lowest figure in the last ten years.Prime yields remain stable and currently stand at 4.6% in the A cities and 5.1% in the B cities. The largest single deal in the first half of the year was the sale of the Signa 'Upper West' tower block in Charlottenburg for 450 million euros. This amount could be topped by the Frankfurt Opera Tower, which is to be placed on the market this year in a structured sales process for around 900 million euros.

The reluctance on the part of investors is primarily due to the macroeconomic environment. First and foremost, stagnating economic growth and geopolitical uncertainties should be mentioned in this regard. In addition, the labour market is also weakening slightly. Although unemployment fell slightly in June according to the German Federal Labour Agency, it increased on a seasonally adjusted basis compared to the previous month.

The letting market, on the other hand, is more positive. The leading brokerage houses are even reporting take-up in the first half of the year for individual markets such as Frankfurt that is on a par with the level for 2024 as a whole. Moderate increases can also be observed in prime rents.

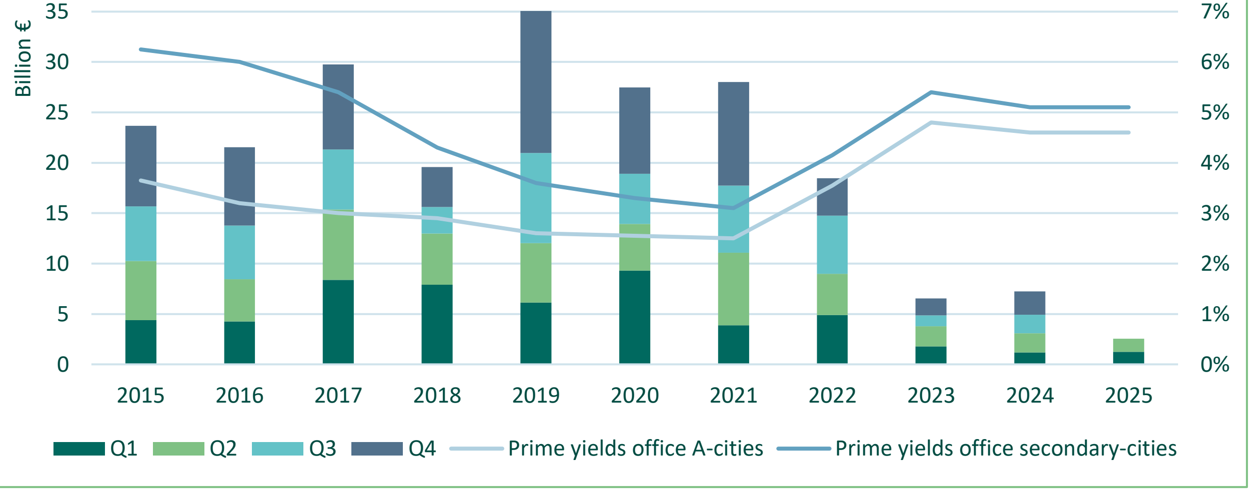
Investors composition office H1/2025



OUTLOOK

An upturn on the German office transaction market is not in sight for the time being. However, large individual deals, such as the sale of office towers in Frankfurt, could provide a noticeable revival. In addition, there are still attractive investment opportunities both in the A cities and in smaller locations for investors who have the courage to invest anti-cyclically.

Office transaction volume and yields



Source: RCA. CBRE

RESIDENTIAL

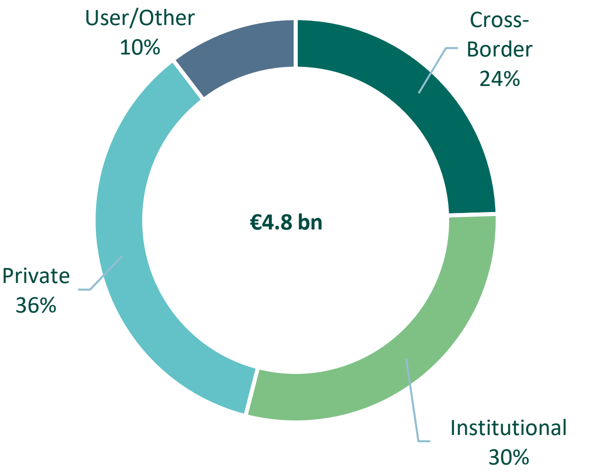
TRANSACTION VOLUME RESIDENTIAL H1/2025	€4.8 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME H1/2025	€1.2 bn
PRIME YIELDS RESIDENTIAL Q2/2025	3.4 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS HALF-YEAR	↗

With a transaction volume of €4.8 billion, German residential properties account for around a third of the total transaction volume. For the fourth time in a row, residential real estate takes the top position in the asset class comparison and thus remains the investors' favourite. The prime yield remains unchanged at 3.4%.

In January 2025, there was a year-on-year increase in building permits for the first time in a long time. Looking at the period from January to May 2025, there was an increase of 1.9 per cent or 1,700 homes. A positive trend has been evident for single-family homes in particular since December 2024. However, the slight increase in 2025 should not hide the fact that very low completion figures were achieved in 2024 compared to the last ten years. The 'construction turbo' announced by the new federal government is now primarily intended to enable pragmatic and rapid construction. However, it is clear that political impetus will only take effect after a long delay - if at all.

For investors, this means that supply will remain tight and that regulatory intervention to limit rent increases - such as the rent cap - can also be expected in the future. It is therefore worth looking beyond traditional multi-storey residential construction for investable products. Flat and micro-living concepts for different target groups can be a good addition - also because the classic rent control instruments do not apply here.

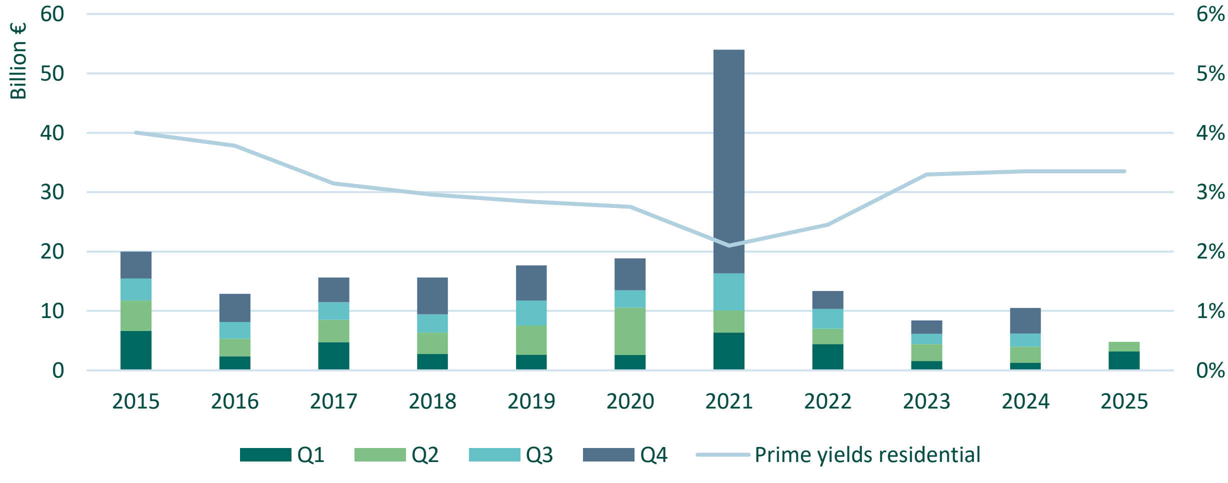
Investors composition residential H1/2025



OUTLOOK

Residential real estate remains the favourite of investors. Due to the persistently low level of construction activity, supply will continue to tighten. Moreover, political stimuli such as the 'construction turbo' will only take effect after a long delay. The search for attractive residential buildings will therefore be very competitive. It is therefore worthwhile for residential investors to consider a broad spectrum of residential-related uses. These include flat concepts for different target groups, senior living and hotel-related uses.

Residential transaction volume and yields



Source: RCA. CBRE

RETAIL

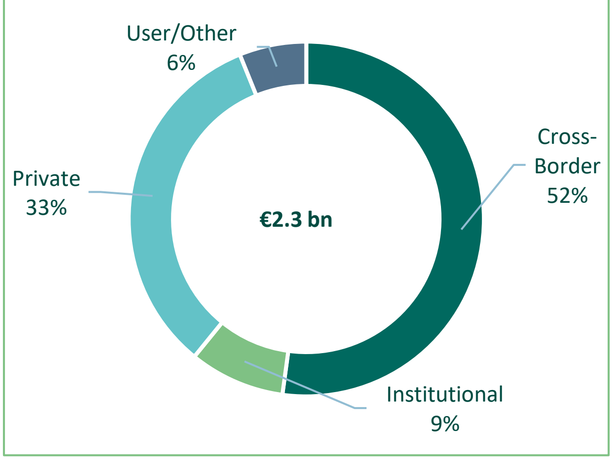
TRANSACTION VOLUME RETAIL H1/2025	€2.3 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME H1/2025	€1.2 bn
PRIME YIELDS HIGH-STREET-SHOPS Q2/2025	4.6 %
PRIME YIELDS SUPERMARKETS Q2/2025	4.6 %
PRIME YIELDS SHOPPING-CENTER Q2/2025	5.9 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS HALF-YEAR	↙

Alongside the office segment, the retail real estate sector is the only asset class that was unable to surpass the result of the first two quarters of 2024. With a share of 16% of the total volume, retail real estate ranks fourth among the asset classes, directly behind the office sector. With a share of 52%, foreign investors remain the largest group of buyers. The most significant transaction was the takeover of the Porta Group by XXXLutz. Around 120 furniture stores in Germany changed hands for an estimated 750 million euros.

The prime yield for high-street shops remains at 4.6%. The prime yields of supermarkets and shopping centres are also affected by the sideways movement across asset classes and are currently at 4.6% and 5.9% respectively.

The global tariff conflict triggered by the USA has not left retailers and consumers unscathed. The threat of US tariffs and the prospect of rising prices have dampened consumer sentiment. It remains to be seen what impact the tariff deal now concluded with the USA will have on the economy in detail. However, it is very likely that individual goods will become more expensive, meaning that no economic upturn is to be expected as a result of increased private consumption and retail sales are more likely to stagnate.

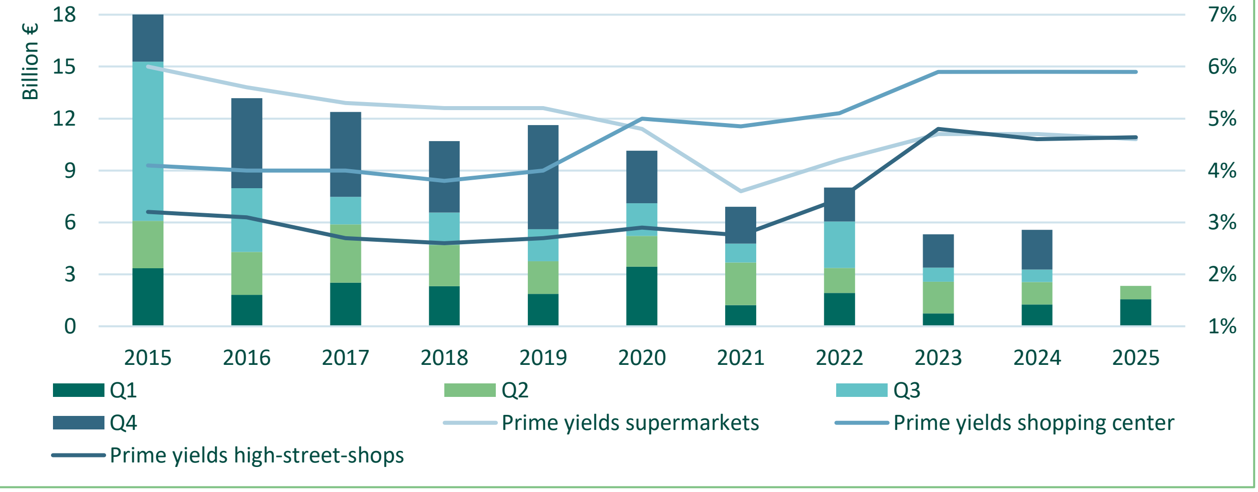
Investors composition retail H1/2025



OUTLOOK

A slight upturn in the retail investment market is expected due to a number of properties for sale, including Galeria department stores. Apart from prestige properties in absolute A-locations, conventional retail properties such as retail parks and shopping centres are still primarily for investors with an affinity for risk who themselves or their partner companies have a high level of specialised asset management expertise.

Retail transaction volume and yields



Source: RCA. CBRE

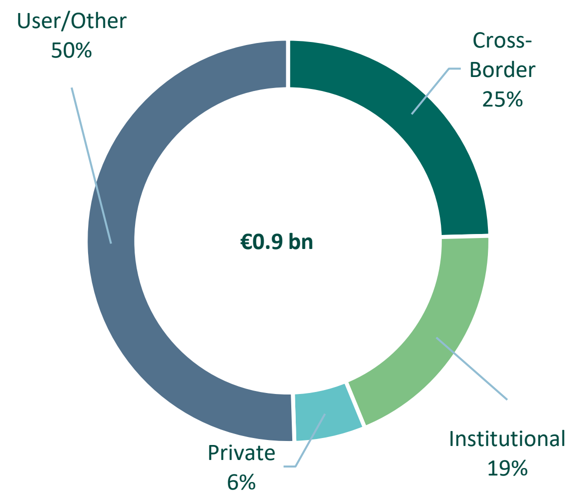
HEALTHCARE

HEALTHCARE TRANSACTION VOLUME H1/2025	€0.9 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME H1/2025	€0.2 bn
PRIME YIELDS NURSING HOME Q2/2025	5.4 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS HALF-YEAR	↗

Healthcare real estate had already exceeded the total transaction volume of the previous year by the middle of this year. In addition to around 500 million euros in the first quarter, almost 400 million euros were added in the second quarter. While the high figures in the first quarter were primarily due to the takeover of the 'Pflege und Wohnen' operator chain including the properties by the City of Hamburg, the second quarter showed a more differentiated picture with smaller portfolio deals and individual sales. The largest single transaction was the acquisition of a luxury senior residence for over 80 million euros by an international investment manager. The healthcare market is noticeably on the move and pricing between buyers and sellers is easier than it was a year ago. This is reflected, among other things, in the stable prime yields for nursing homes of 5.4%.

If the buyer groups excluding the city of Hamburg are taken into account, it becomes clear that it is primarily foreign capital that is being invested in German healthcare real estate. Although systemic challenges such as the chronic underfunding of the healthcare sector and the rigid financing structure in the care sector are well known, the view from 'outside' is currently more positive than that from Germany. In addition to the demographically secured demand, the high purchasing power of the older population and political stability play an important role. In addition, Germany's major 'construction sites' in terms of infrastructure, digitalisation and security are less relevant in the care sector than in other (cyclical) asset classes.

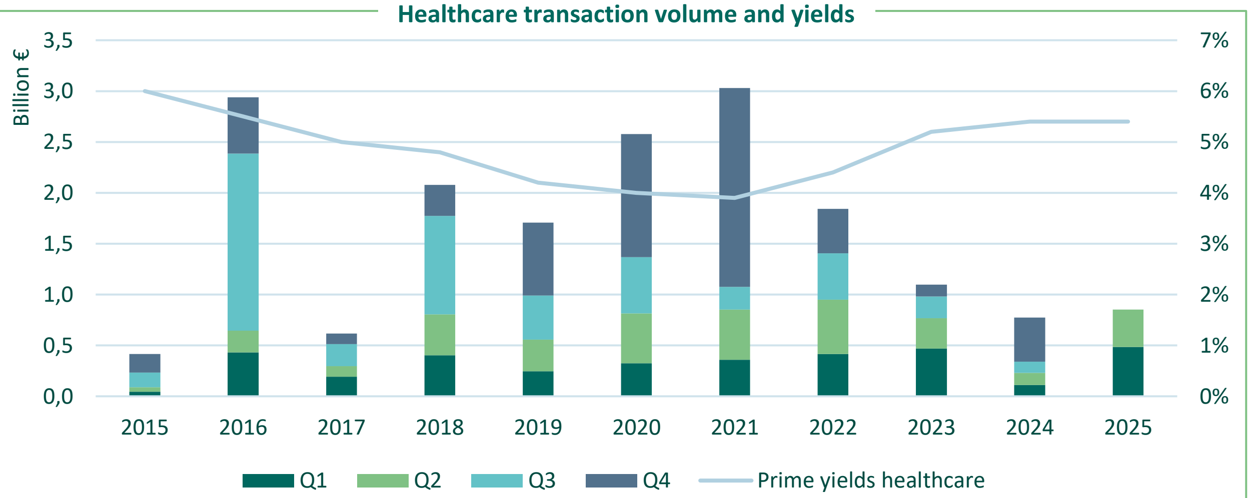
Investors composition Healthcare H1/2025



OUTLOOK

The healthcare market was dynamic in the first half of the year. Prices have stabilised and foreign investors in particular are showing great interest in German healthcare properties. The main drivers continue to be demographic trends, the high level of political stability compared to other countries and the asset class's independence from economic cycles.

Healthcare transaction volume and yields



Source: RCA. CBRE

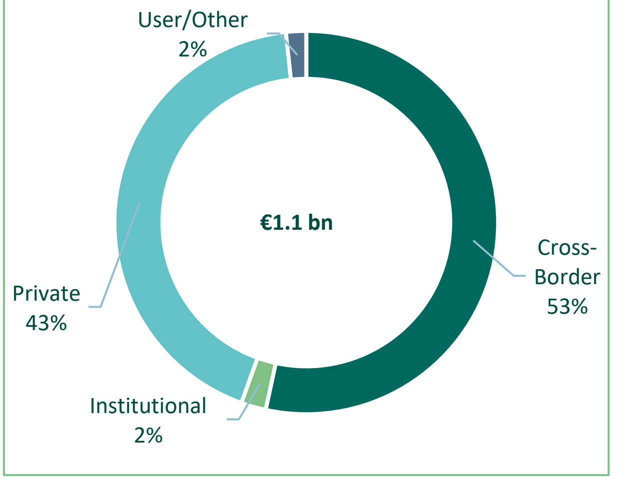
HOTEL

HOTEL TRANSACTION VOLUME H1/2025	€1.1 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME H1/2025	€0.6 bn
PRIME YIELDS HOTEL Q2/2025	5.3 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS HALF-YEAR	↗

The German hotel industry can look back on a successful first half of 2025. The transaction volume has doubled compared to the same period last year. In 2023 and 2024, however, there were almost no hotel transactions at the beginning of the year. As is usual with niche asset classes, large transactions can distort the overall picture and signal a higher market dynamic than is actually the case. The sale of the hotel part of the Upper West continues to be the largest transaction of the year. In addition, the 'Mandarin Oriental' in Munich and the 'Intercity Hotel' at Berlin Central Station are among the largest transactions on the hotel investment market. In addition to the major transactions already mentioned, three others broke the EUR 50 million mark. The prime yield remains stable at 5.3 %.

A rising transaction volume and a high proportion of foreign investors are key figures that confirm that the hotel investment market is experiencing a slight upturn. However, the most recently published figures on tourism in Germany show a moderate decline in the period from January to May 2025 compared to the previous year. At the same time, overnight stays by foreign guests are slightly above the previous year's level.

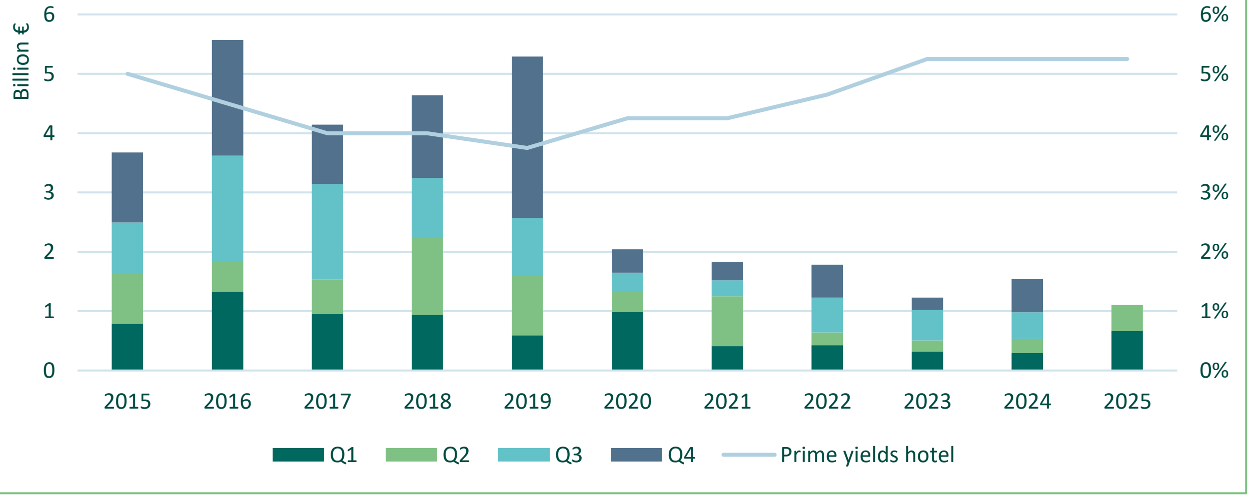
Investors composition Hotel H1/2025



OUTLOOK

The mood on the German hotel investment market remains positive. This is reflected in a number of key figures: increased transaction volumes, value increases due to higher rents and an increased willingness to pay on the part of guests. However, domestic tourism has weakened somewhat recently. Nevertheless, optimism prevails in the hotel industry, especially after the prolonged crisis phase with the pandemic and the turnaround in interest rates.

Hotel transaction volume and yields



Source: RCA. CBRE

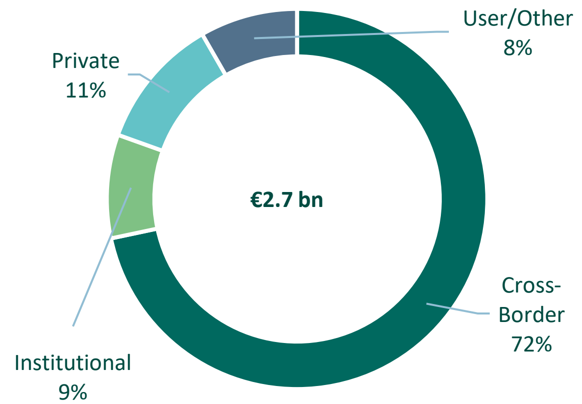
LOGISTICS

LOGISTICS TRANSACTION VOLUME H1/2025	€2.7 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME H1/2025	€1.9 bn
PRIME YIELDS LOGISTICS Q2/2025	4.4 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS HALF-YEAR	↗

No other cyclical asset class has been as resilient as logistics property. Despite a weakening economy, geopolitical uncertainties and the turnaround in interest rates, the logistics sector has come through the past two years of crisis well. Looking at the figures for the first half of 2025, this impression is confirmed. Logistics properties have seen an increase in transaction volume compared to the first half of 2024, a stable prime yield and a high proportion of foreign investors. In addition, the letting market is also dynamic and is recording rising take-up compared to the same period last year.

Nevertheless, the German logistics market is also facing challenges. These continue to include the increasing shortage of suitable logistics space. The shortage of space could reach a (system) critical level in the coming years, especially in urban centres and near large production sites. This would not only have negative consequences for the German logistics market, but also for the German economy. One possible consequence would be a relocation of production abroad, as either no space is available or rents would be too high due to the excess demand. The logistics industry is also facing a number of short-term challenges, including various geopolitical uncertainties such as Trump's tariff war and an increasing number of cyber attacks.

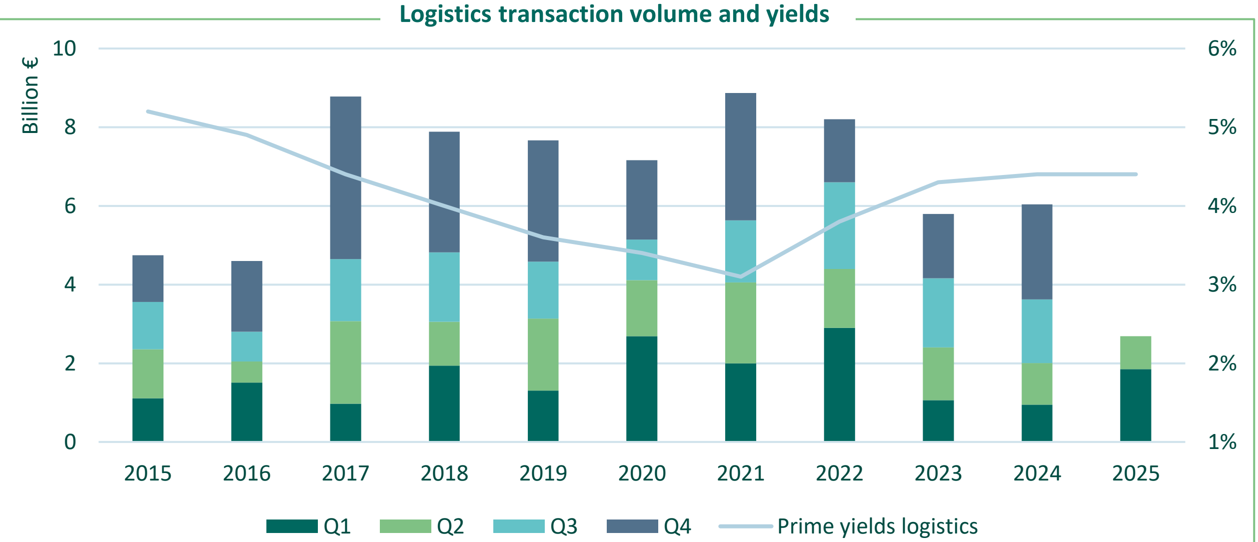
Investors composition logistics H1/2025



OUTLOOK

Demand for logistics space remains high. This is reflected in high transaction volumes and strong interest from foreign investors. This trend is likely to continue in the coming months. If no political measures are taken to counteract the shortage of space - for example by converting brownfield sites - the dependence on global supply chains would increase further due to the relocation of company sites and jeopardise the stability of the German economy.

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.

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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.

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REIM GERMANY