

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

+2,1 %



10-YEAR GOVERNMENT BOND YIELDS (October 2025)



+2,6 %

Source: Oxford Economics, Bundesbank

ECONOMY

At the beginning of the year, the real estate industry was cautiously optimistic about the coming months. After all, there was reason to hope that the crisis years were over and that Europe could even position itself as a centre for global capital. Now that more than three quarters of the year are over and the most important industry trade fair is behind us, it is clear that optimism has given way to 'healthy realism'. The industry has come to realise that the boom years will not return anytime soon. Economic forecasts are also cautious. Only the infrastructure package could trigger an external boost in the coming year. The fat years are over, but there is a conviction that good business can still be done even in tense market conditions.

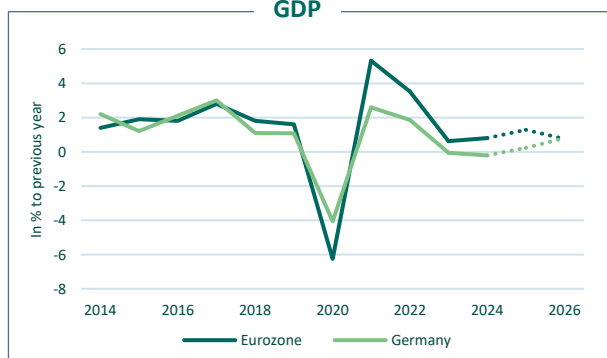
The Research & ESG Department's role is to formalize Praemia REIM's real estate investment strategies, based on continuous monitoring of the European markets. By nature, real estate is at the crossroads of financial (interest rates), economics (tenants), demographics and social factors. This is why a 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.

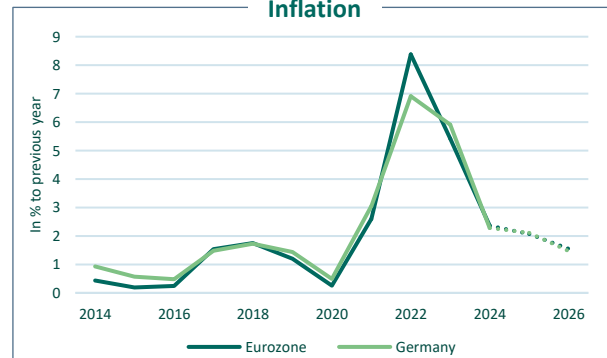
INFLATION

Inflation is stable and close to the 2 percent target. Therefore, at its last meeting at the end of October, the ECB saw no reason to adjust the key interest rate. The ECB's key interest rate (interest rate for main refinancing transactions) therefore remains unchanged at 2%. Inflation rates of below 2% are expected for both the Eurozone and Germany next year. Construction interest rates are currently around 3.7%, which is low, especially when compared to long-term historical levels. The financial conditions for real estate investments are therefore favourable. However, the continuing risks of exogenous shocks to the overall market cannot be dismissed. In particular, the ongoing global trade conflict, geopolitical uncertainties due to the war in Ukraine and doubts about the EU's political capacity to act continue to make domestic investors sceptical about the German and European real estate markets.

GDP



Inflation



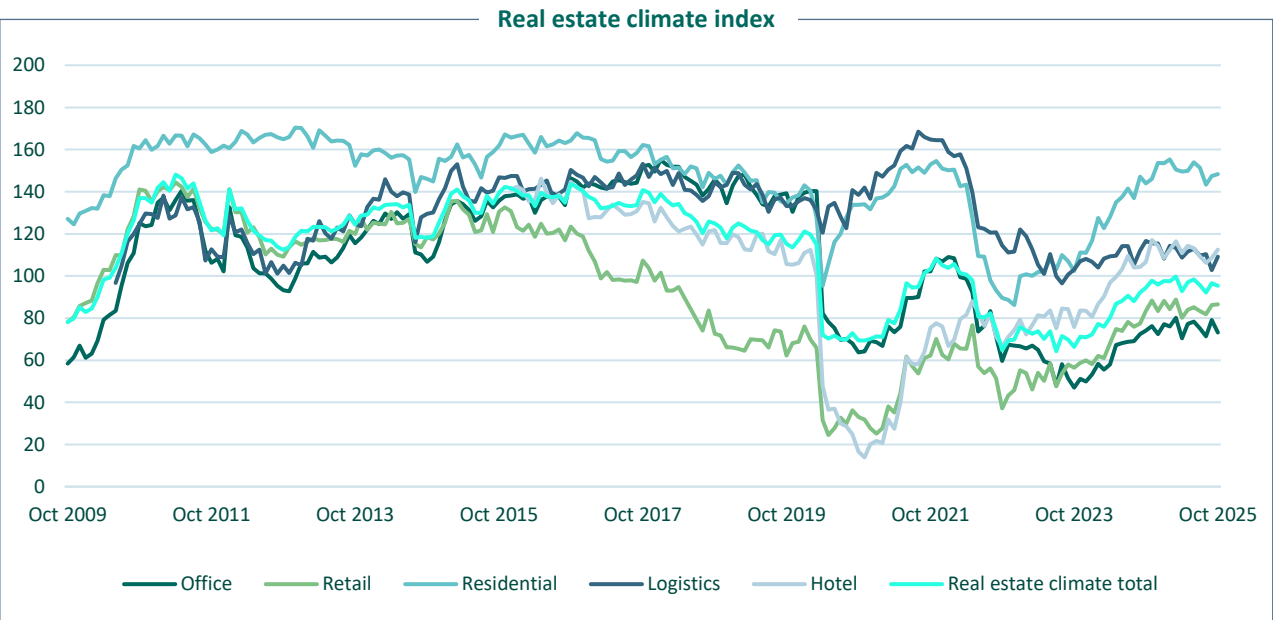
Source: Oxford Economics



GERMAN REAL ESTATE CLIMATE

For months, the real estate industry has been calling for stability, particularly with regard to economic parameters such as inflation and interest rates. A glance at the sentiment barometer for the German real estate industry reveals a potentially less desirable continuity. The values in the overall climate index and in the individual asset classes have hardly changed compared to the previous year. Although there have been minor fluctuations since Expo Real 2024, the picture remains largely unchanged a year later. At 95.4 points, the overall real estate climate remains below the neutral 100-point mark. Residential real estate remains well ahead at the top of the table, while the office sector brings up the rear.

So has nothing happened on the German real estate market in the last twelve months? Although the figures paint a picture of stagnation – perhaps even lethargy – there was a noticeable change in mood at this year's Expo Real. The time for illusions about a rapid upturn seems to be finally over. Instead, the search for opportunities in a challenging market environment is intensifying. This also means that many players will have to tap into new business areas outside their usual core business. This may involve a different asset class allocation, a shift from developer to portfolio redeveloper, a combination of infrastructure and real estate investments, or a stronger focus on operational activities.



Source: Deutsche Hypo

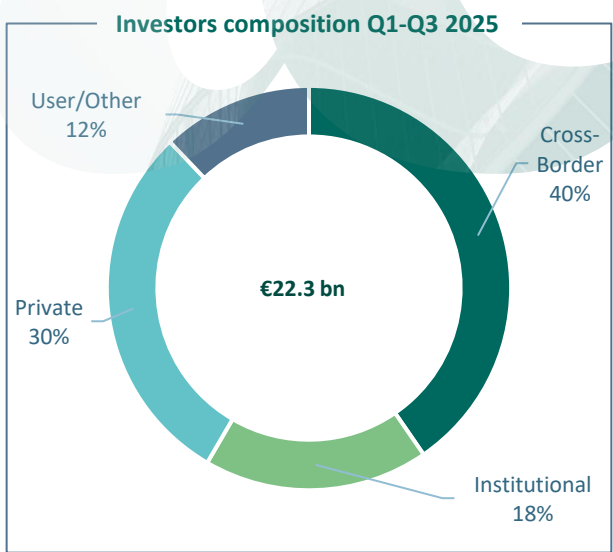




TRANSACTION VOLUME

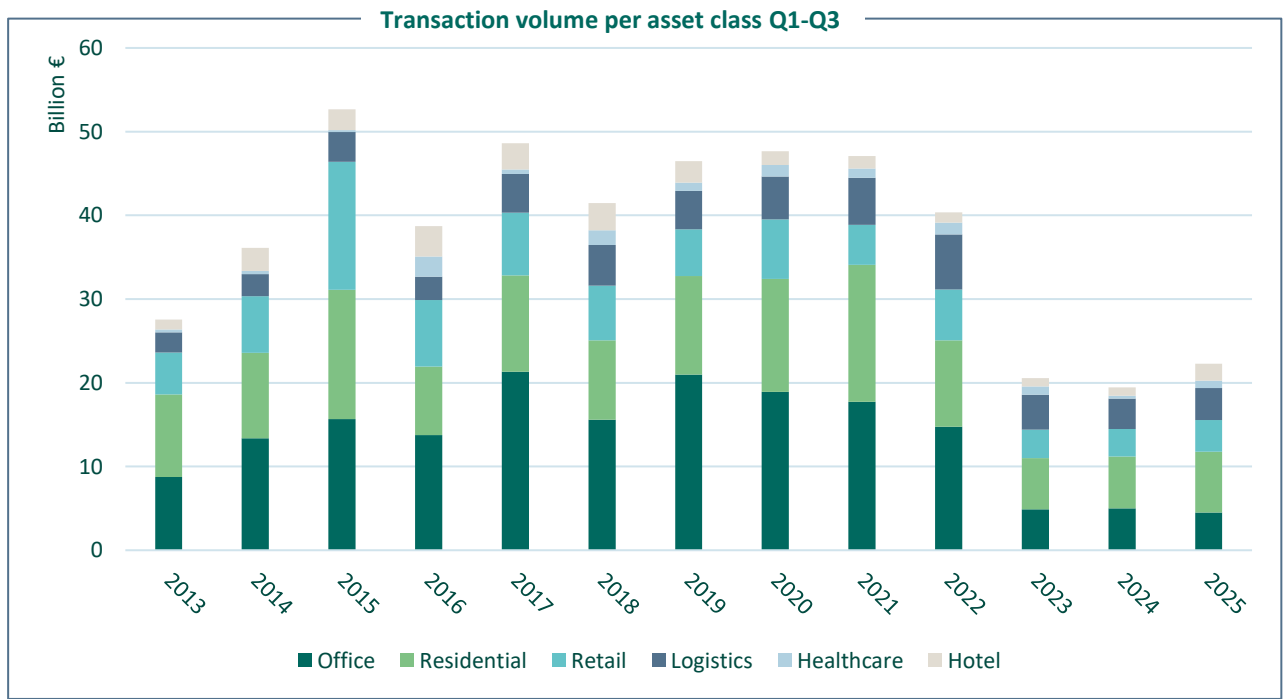
The real estate industry has reached a point where no player is trying to fool anyone anymore. This became abundantly clear at Expo Real. While self-promotion dominated many conversations in recent years, especially during the boom years, this time around one could almost get the impression that communication between players has rarely been so honest. There is a healthy realism that recognises that some asset classes will not reach the figures of the boom years again for a long time. This includes office properties in particular. The new reality on the German real estate market is one of polarisation of asset classes, and one in which the worst is not yet over for all players. As always in such phases, there will be market participants who take advantage of this situation and stand ready with well-filled capital pools as soon as real estate owners or asset managers are forced to sell their properties at a loss. However, there are many indications that this will not happen across the entire market, but only in isolated cases, and that the market will continue to stabilise, albeit at a lower level.

Looking at the figures for the first three quarters, it can be seen that, at around €22 billion, the transaction volume was slightly higher than in the previous two years. This slight upturn was driven by the residential and hotel segments. Foreign investors accounted for around 40% of investments, which is roughly the same as the average for the last decade.









OUTLOOK

The polarisation between asset classes appears to be the new 'normal' in the real estate market. Residential properties continue to be in the highest demand, while there are hardly any positive signs of improvement in the office segment. A modest year-end rally is expected by the end of the year. Larger portfolio deals or individual transactions such as the sale of landmark office towers in Frankfurt could give the real estate market a slight boost in the coming months and serve as a price anchor for the rest of the market.



Source: RCA

SUMMARY ASSET CLASSES

Asset Class	Transaction Volume Q1-Q3/2025	Transaction Volume 5-year-average Q1-Q3	Cross-Border Volume Q1-Q3/2025	Prime Yields Q3/2025	Trend Transaction Volume Q1-Q3 previous year
Office 	€4.5 bn	€12.3 bn	€1.5 bn (34 %)	4.4 % (A-Cities)	↘
Residential 	€7.3 bn	€10.5 bn	€1.9 bn (26 %)	3.4 %	↗
Retail 	€3.8 bn	€4.9 bn	€1.7 bn (45 %)	4.5 % (High-Street-Shops)	↗
Healthcare 	€0.9 bn	€1.0 bn	€0.2 bn (26 %)	5.4 % (Nursing homes)	↗
Hotel 	€2.0 bn	€1.3 bn	€0.9 bn (47 %)	5.3 %	↗
Logistics 	€3.8 bn	€5.0 bn	€2.7 bn (70 %)	4.4 %	↗





OFFICE

OFFICE TRANSACTION VOLUME Q1-Q3/2025	€4.5 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME Q1-Q3/2025	€1.5 bn
PRIME YIELDS OFFICE A-CITIES Q3/2025	4.4 %
PRIME YIELDS OFFICE SECONDARY-CITIES Q3/2025	5.1 %
TRANSACTION VOLUME TREND COMPARED TO Q1-Q3/2024	↘

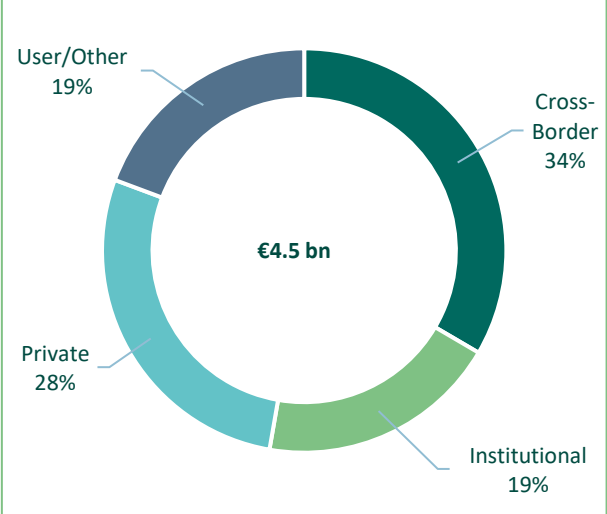
Looking at Deutsche Hypo's real estate climate index, it quickly becomes apparent that the decline in the real estate climate is primarily attributable to the 7.5% loss in the office sector. The 'slump' in the office segment has been going on for almost three years, and there is little to suggest that a significant upturn will occur in the near future. Its role as the second most important asset class behind residential property could thus be the new ranking on the German real estate market.

Compared to the first three quarters of the previous year, there has been a slight decline in transaction volume. The office transaction market could pick up speed with the possible sale of the Opernturm in Frankfurt. In addition, the Opernturm is classified as an absolute premium segment and will therefore serve as an important reference point for future pricing in the office sector in the event of a sale.

Prime yields in B cities remain stable at 5.1%. In A cities, however, a moderate decline can be observed, with prime yields standing at 4.4%. The largest deal on the office investment market in Q3 was the sale of the Lighttower in Frankfurt's Ostend district. In general, the office investment market was characterised by individual transactions.

Looking at the rental market, a stabilisation with a slight upward trend can be seen. In the first three quarters, space turnover of around 2 million square metres was achieved. An improvement over the previous year is expected for the year as a whole.

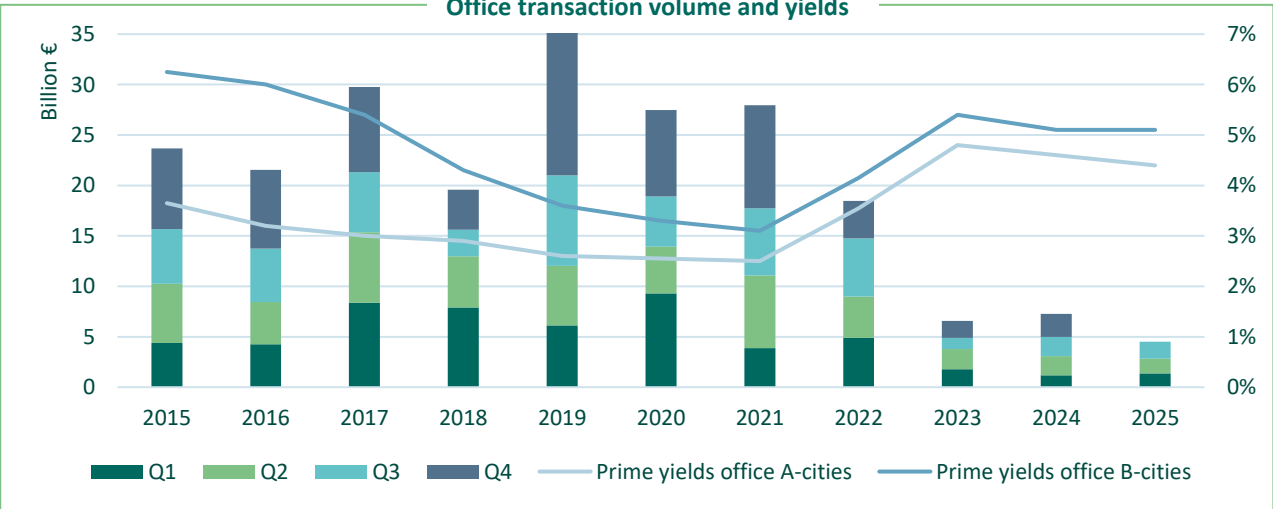
Investors composition office Q1-Q3 2025



OUTLOOK

Key office market indicators such as transaction volumes, prime yields and take-up figures point to a stabilisation of the office market, although at a low level. However, the image of the German office investment market has not yet recovered. Transaction volumes of well below €10 billion per year could become the new normal in the office market.

Office transaction volume and yields



Source: RCA, CBRE



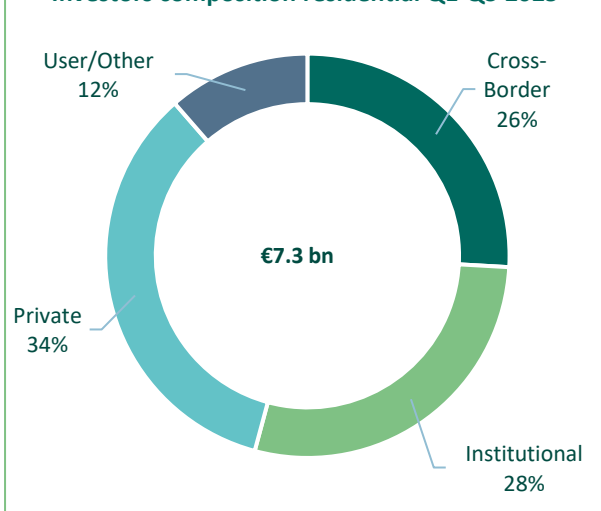
RESIDENTIAL

TRANSACTION VOLUME RESIDENTIAL Q1-Q3/2025	€7.3 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME Q1-Q3/2025	€1.9 bn
PRIME YIELDS RESIDENTIAL Q3/2025	3.4 %
TRANSACTION VOLUME TREND COMPARED TO Q1-Q3 2024	

With a transaction volume of €7.3 billion, German residential real estate defended its position as the frontrunner for the fifth consecutive year. The prime yield is unchanged at 3.4%.

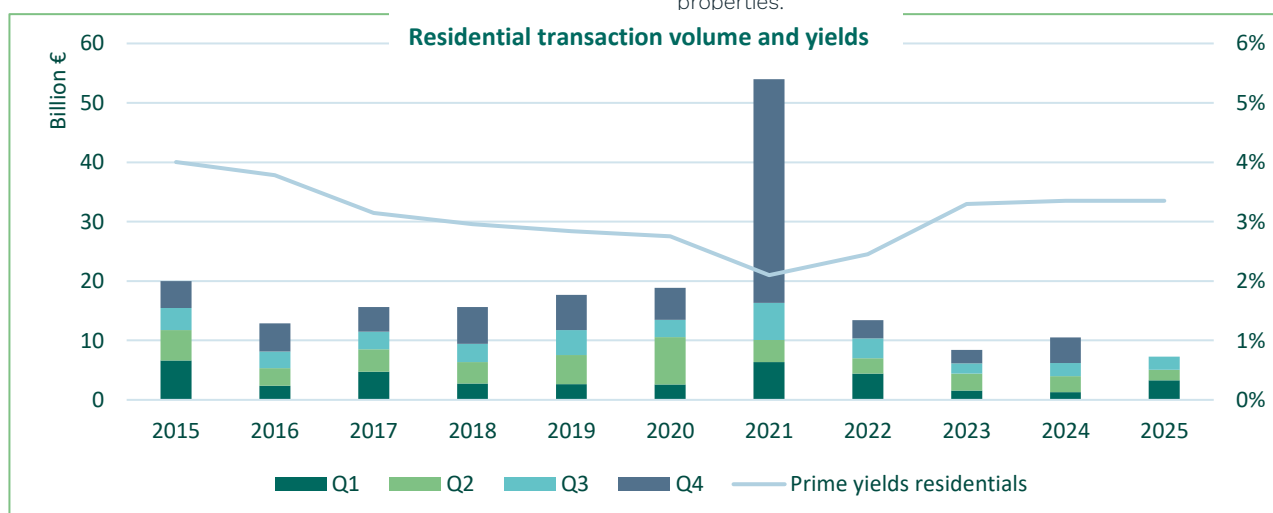
Currently, the biggest political debates in the housing market are centred on the so-called 'construction turbo'. Among other things, it provides for looser building regulations and faster approval procedures, which local authorities can use to stimulate construction activity. However, even with faster approval procedures, it will still take some time before the 'construction turbo' actually results in more new homes being built. Until then, it is worth taking a look at the current figures. According to the figures published so far for January to August 2025, building permits for new construction show an increase in every segment compared to the same period last year, with the exception of two-family houses. The largest increase was in single-family homes, at 15.5%. Overall, this represents an increase of 5.7% or 1,000 more building permits than in August 2024 (5.2% for new construction). Despite this slight increase, residential construction activity remains at a very low level, meaning that the situation on the housing markets in conurbations remains tense. This is particularly true for demand groups such as (international) students, who already have little access to the regular housing market. Operator-managed residential concepts will play a central role in the future, especially for this target group, and investors can also benefit from this.

Investors composition residential Q1-Q3 2025



OUTLOOK


Residential real estate continues to be a favourite among investors, scoring highly with strong demand, stable returns and the prospect of significant rent increases in the coming years. In addition to traditional apartment buildings, residential properties offering additional services and shorter stays are playing an increasingly important role. These special types of housing provide living space for groups that would otherwise have little chance of finding accommodation on the regular housing market. Their operating concepts also enable them to generate above-average returns compared to traditional residential properties.



Source: RCA, CBRE



RETAIL

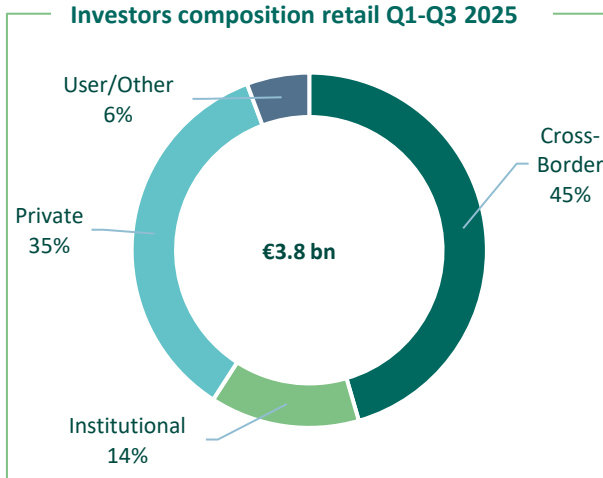
TRANSACTION VOLUME RETAIL Q1-Q3/2025	€3.8 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME Q1-Q3/2025	€1.7 bn
PRIME YIELDS HIGH-STREET-SHOPS Q3/2025	4.5 %
PRIME YIELDS SUPERMARKETS Q3/2025	4.6 %
PRIME YIELDS SHOPPING-CENTER Q3/2025	5.9 %
TRANSACTION VOLUME TREND COMPARED TO Q1-Q3 2024	

Compared to the first three quarters of the previous year, German retail properties recorded a slight increase in transaction volume. However, given the historically low investment activity in 2023 and 2024, this is hardly a cause for euphoria. Similar to the office market, the retail real estate market must also prepare for a prolonged period of low market activity.

Prime yields for supermarkets and shopping centres are currently 4.6% and 5.9% respectively. Slightly higher prices have recently been paid for high street shops, bringing the prime yield down to 4.5%. Foreign investors remain the largest group of buyers, although their share is below the 50-percent-mark.

The largest transactions in the third quarter were the acquisition of Gropius Passagen. At the same time, this was the only transaction to break the 100-million-mark. Other important transactions included the sale of the Alsterhaus in Hamburg by the Signa Group and the purchase of the Schusterhaus by Concept-Real AG.

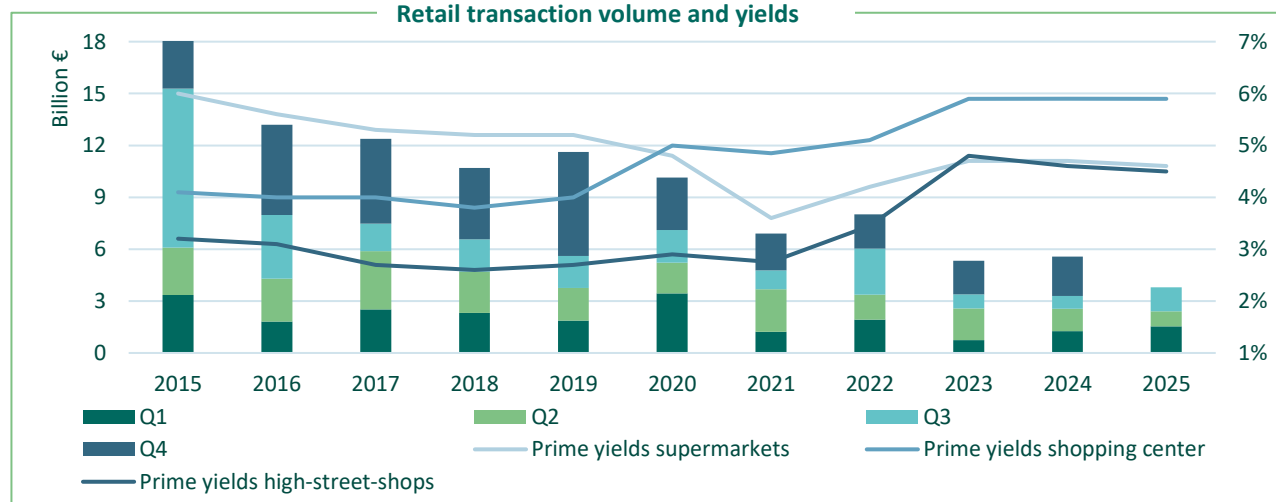
Investors composition retail Q1-Q3 2025



OUTLOOK

The retail sector is looking forward to the Christmas season, while German investors in particular continue to view retail real estate with a degree of scepticism. Opportunistic investors, especially those from abroad, see an opportunity to acquire prestigious properties in prime locations at favourable prices. Apart from such individual deals, however, a subdued investment year for retail real estate is to be expected.

Retail transaction volume and yields



Source: RCA, CBRE



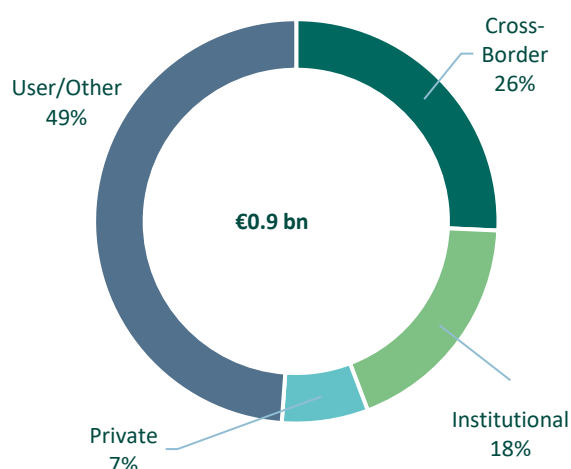
HEALTHCARE

HEALTHCARE TRANSACTION VOLUME Q1-Q3/2025	€0.9 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME Q1-Q3/2025	€0.2 bn
PRIME YIELDS HEALTHCARE Q3/2025	5.4 %
TRANSACTION VOLUME TREND COMPARED TO Q1-Q3 2024	

At first glance, the investment figures for healthcare properties for the third quarter of 2025 paint an alarming picture: less than €50 million was invested in nursing homes and assisted living facilities. Such a low figure is remarkable even for a comparatively small asset class. However, the overall picture also shows that there have been individual quarters with very little transaction activity over the past ten years. If transactions in the areas of clinics and medical centres, which are not included in the figures shown, are added, the 100-million-mark is exceeded. But what are the reasons for this temporary standstill?

On the one hand, weaker quarters are inherent to niche asset classes whose transaction volumes depend heavily on individual portfolio deals. On the other hand, investors have always needed a little more courage to decide to invest in healthcare properties. In a market phase in which even some core (office) properties are struggling to find buyers, it is much more difficult to convince decision-making bodies to invest in special asset classes. In addition, the operator crisis of the past two years is still present. Nevertheless, neither care real estate nor other healthcare real estate should be written off. The fundamentals are simply too good for that. This fact, combined with favourable entry prices for attractive properties, means that foreign investors in particular are emerging as prospective buyers of healthcare properties.

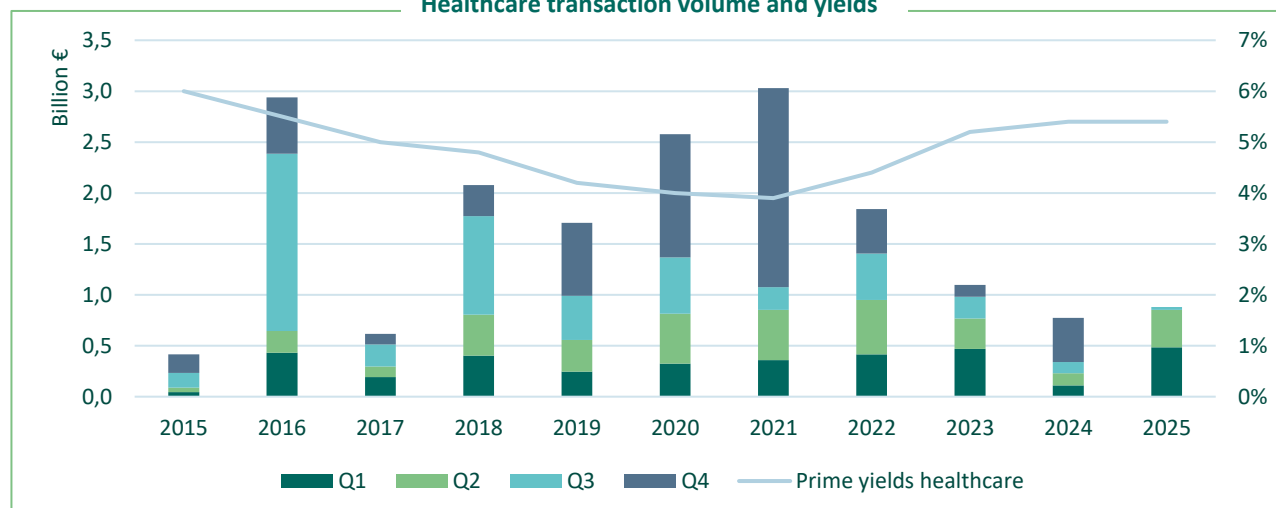
Investors composition healthcare Q1-Q3 2025



OUTLOOK

Even though there were only a few transactions in the healthcare sector in the past quarter, the volume is already higher than in the whole of 2024. For investors who are willing to take a chance on niche investments, there are currently attractive opportunities in the healthcare real estate sector. A slight upturn in market activity is therefore expected again in the next six to twelve months.

Healthcare transaction volume and yields



Source: RCA, CBRE



HOTEL

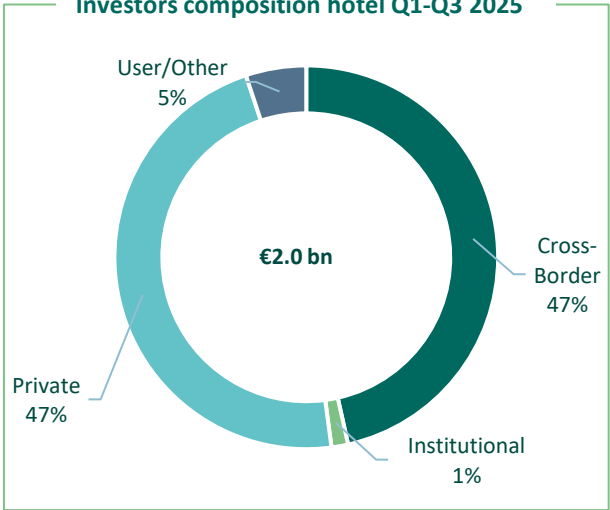
HOTEL TRANSACTION VOLUME Q1-Q3/2025	€2.0 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME Q1-Q3/2025	€0.9 bn
PRIME YIELDS HOTEL Q3/2025	5.3 %
TRANSACTION VOLUME TREND COMPARED TO Q1-Q3 2024	

With a transaction volume of €2 billion in the first three quarters of 2025, the German hotel industry exceeded the results of the last five years in the same period. Compared to the same quarter last year, this represents a doubling of the transaction volume. The prime yield remains stable at 5.3%.

The transaction market is heterogeneous. In addition to several individual transactions, two major portfolio transactions are worth highlighting this year: the sale of Blackstone's Keystone portfolio to Event Hotels and the purchase of the Essendi portfolio by Leonardo Hotels. The hotel investment market is also diverse from a geographical perspective, as properties in the top 7 locations as well as hotels in B and C cities were sold. Foreign investors continue to account for a high proportion of hotel investment.

The figures for the hospitality industry in Germany published by the Federal Statistical Office show a slight decline in turnover in the period from January to August 2025 compared with the same period last year. However, when these figures are viewed in the context of the 2024 European Football Championship, the hotel industry appears to be very stable.

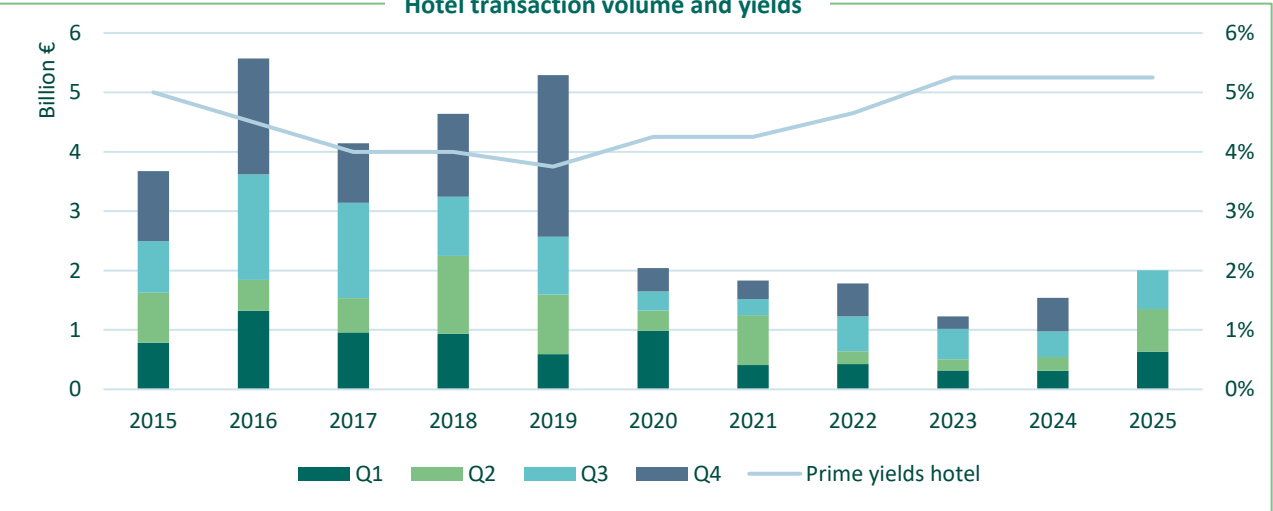
Investors composition hotel Q1-Q3 2025



OUTLOOK

The German hotel market will remain dynamic until the end of 2025. The transaction volume exceeded the five-year average, which no other asset class managed to achieve in the same period. Investor interest remains strong and the hotel industry is reporting stable revenue figures. The hotel investment market is expected to remain vibrant until the end of the year.

Hotel transaction volume and yields



Source: RCA, CBRE



LOGISTICS

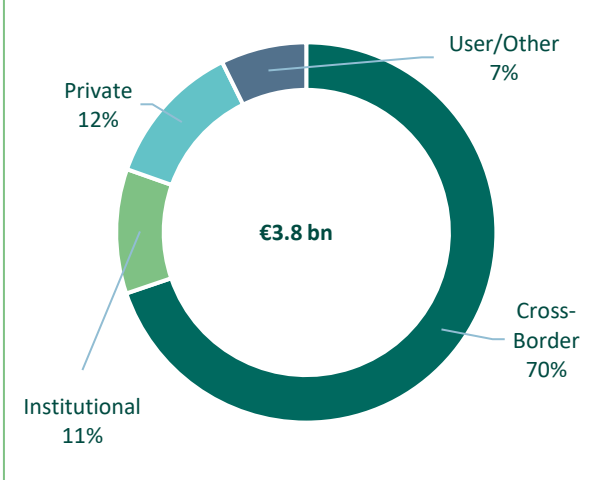
LOGISTICS TRANSACTION VOLUME Q1-Q3/2025	€3.8 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME Q1-Q3/2025	€2.7 bn
PRIME YIELDS LOGISTICS Q3/2025	4.4 %
TRANSACTION VOLUME TREND COMPARED TO Q1-Q3 2024	↗

With a transaction volume of €3.8 billion, logistics properties rank third in the asset class comparison, just ahead of retail properties. The proportion of foreign investors remains high at 70%. The prime yield of 4.4% is on a par with the previous year, indicating that demand for German logistics real estate remained stable in the third quarter of 2025.

The situation is similar in the rental market: according to leading estate agents, logistics space turnover of between 3.8 and 4.4 million square metres has been achieved since the beginning of the year – an increase of 8 to 10% compared with the same period last year. Nevertheless, the result remains well below the long-term average. Owner-occupiers account for around a quarter of the total volume.

One of the major, well-known challenges facing the logistics industry is the increasing shortage of space. Many local authorities are reluctant to designate new logistics space as they are keen to avoid excessive land sealing. For leading logistics project developers, the issue of brownfield development is therefore playing an increasingly important role. This involves ‘reactivating’ already sealed, currently unused land and equipping it with modern logistics buildings.

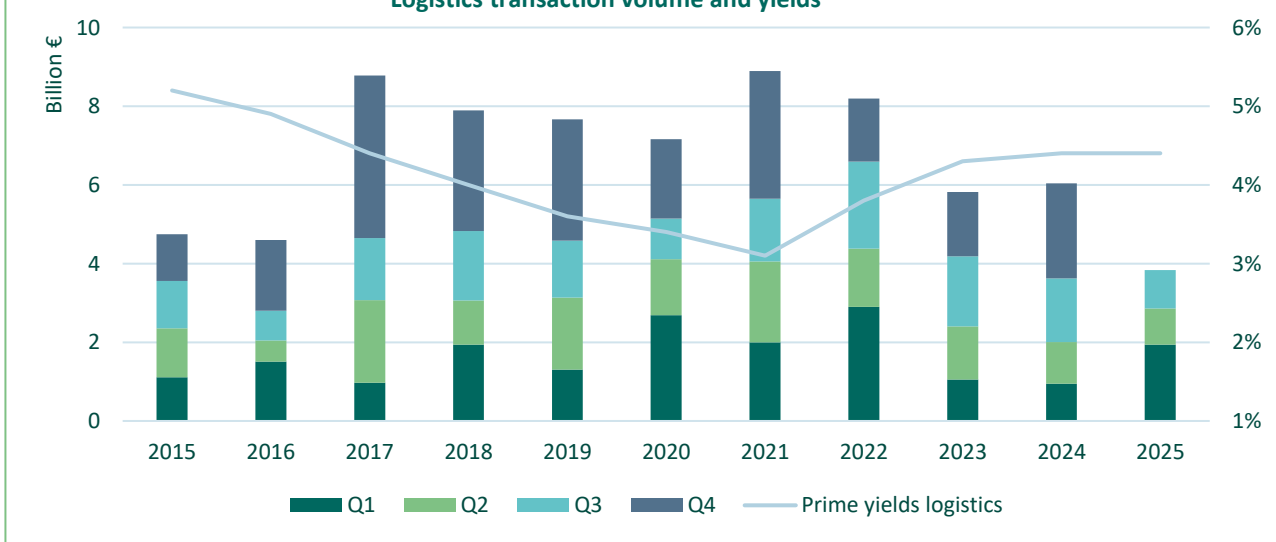
Investors composition logistics Q1-Q3/2025



OUTLOOK

Both transaction volume and prime yields remain stable. Demand, particularly from foreign investors, remains high. There has also been a slight increase in space take-up. The situation on the German logistics market is therefore positive, although the economic weakness of the German economy is currently slowing down the even more dynamic development of the logistics sector.

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 450 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 €35 billion of assets under management. Its conviction-based allocation breaks down into:

51 % healthcare/education,
27 % offices,
8 % residential,
6 % retail,
5 % hotels,
3 % logistics.

Its pan-European platform manages 61 funds and has more than 80.000 investor clients, 59% of which are individual investors and 41% 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

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