January 2026

PRAEMIA REIM GERMANY STANDPUNKT

Investors' view on the German Real Estate Market

Key Facts 2026

FORECAST ECONOMIC GROWTH (GDP)

+0.7 %

FORECAST INFLATION

+1.6 %

10-YEAR GOVERNMENT BOND YIELDS (January 2026)

+2.9 %

Source: Oxford Economics, Bundesbank

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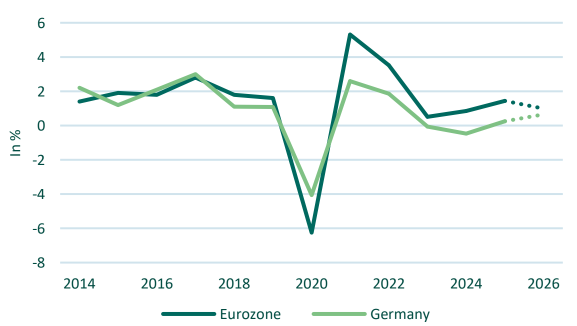
ECONOMY

Economic growth is stagnating, and geopolitical challenges are increasing. Consequently, it is difficult to identify positive macroeconomic signals for the German real estate industry. One such signal is the political push for substantial investment in infrastructure and security. While few real estate companies will benefit directly from increased defence spending and while the planned infrastructure projects do not align with most investors' profiles, the impact of these measures should not be underestimated. Added to this is the hope that the political situation in the US will lead to increased capital transfers to Europe. However, it remains to be seen whether this hope, which has been around for a year now, will amount to nothing more than a pipe dream — not least because Europe is highly dependent on the US in terms of security policy.

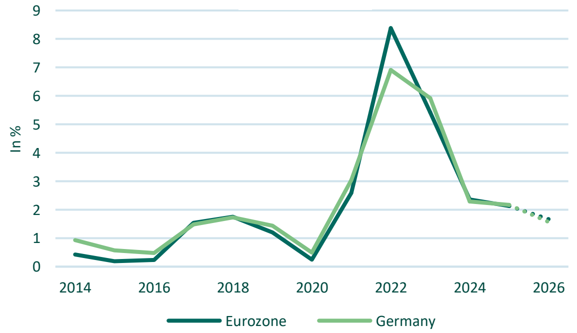
INFLATION

In addition to the prospect of an economic upturn thanks to the infrastructure package, positive financial conditions are also worth noting. Inflation is expected to remain below 2% until 2026, meaning that there are no plans for significant key interest rate hikes at this time. However, there has been a slight increase in yields on government bonds and construction interest rates. Nevertheless, real estate investments still offer an attractive risk premium and the possibility of increasing returns through debt financing. The days of zero interest rates, when investors flocked to real estate investments, are over and unlikely to return any time soon. In a tense economic situation, the real estate industry must manage on its own to bring about an upturn in a stable interest rate environment and convince investors of the advantages of real estate investments.

GDP



Inflation



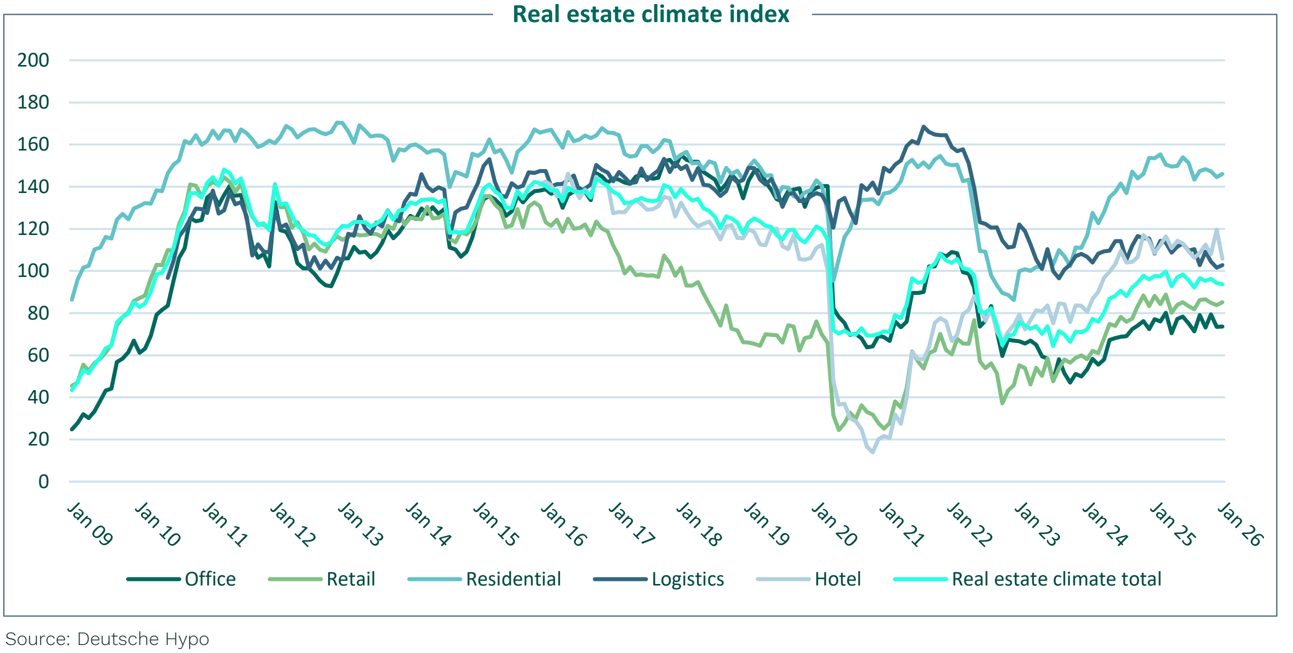
Source: Oxford Economics

GERMAN REAL ESTATE CLIMATE

At the start of the year, the mood in the real estate market remains cautious. The overall real estate climate stood at 93.6 points in January, which is well below the neutral 100-point line. Uncertainty, partly due to geopolitical challenges, is clearly evident. There are currently no signs of any significant political developments that could prompt a short-term change in sentiment in the German real estate sector. While the infrastructure package and additional defence spending are viewed positively, they are not directly relevant to most of the real estate sector. Furthermore, the hoped-for effects on the economy have yet to materialise.

A comparison of asset classes reveals that the situation remains unchanged. Residential real estate remains in first place by far, followed by the hotel and logistics segments. Office and retail real estate are at the bottom of the list. The existing uncertainties in the latter asset classes are currently being exacerbated by low economic growth combined with a weakening labour market.

In asset classes that are less dependent on the economy, such as residential and healthcare real estate, conditions are favourable for raising capital and exploiting investment opportunities.



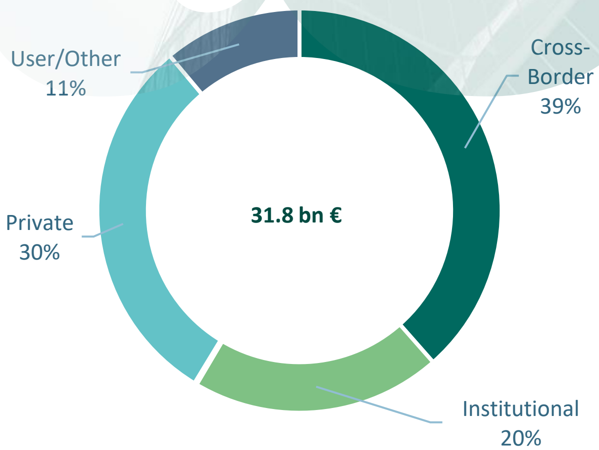
Source: Deutsche Hypo

TRANSACTION VOLUME

In the 'Real Estate Word of the Year 2025' survey initiated by Immobilien Zeitung, the terms 'construction turbo', 'rock bottom' and 'refinancing' took the top three places. The first two terms, in particular, reflect the industry's urgent desire for an upturn. Looking back at 2025, it is clear that the expected and hoped-for momentum has failed to materialise. With a transaction volume of around €32 billion, the result was almost identical to that of the previous year. The distribution between asset classes also shows a similar pattern to that seen in 2024, with the transaction volume for logistics real estate recording the most significant decline.

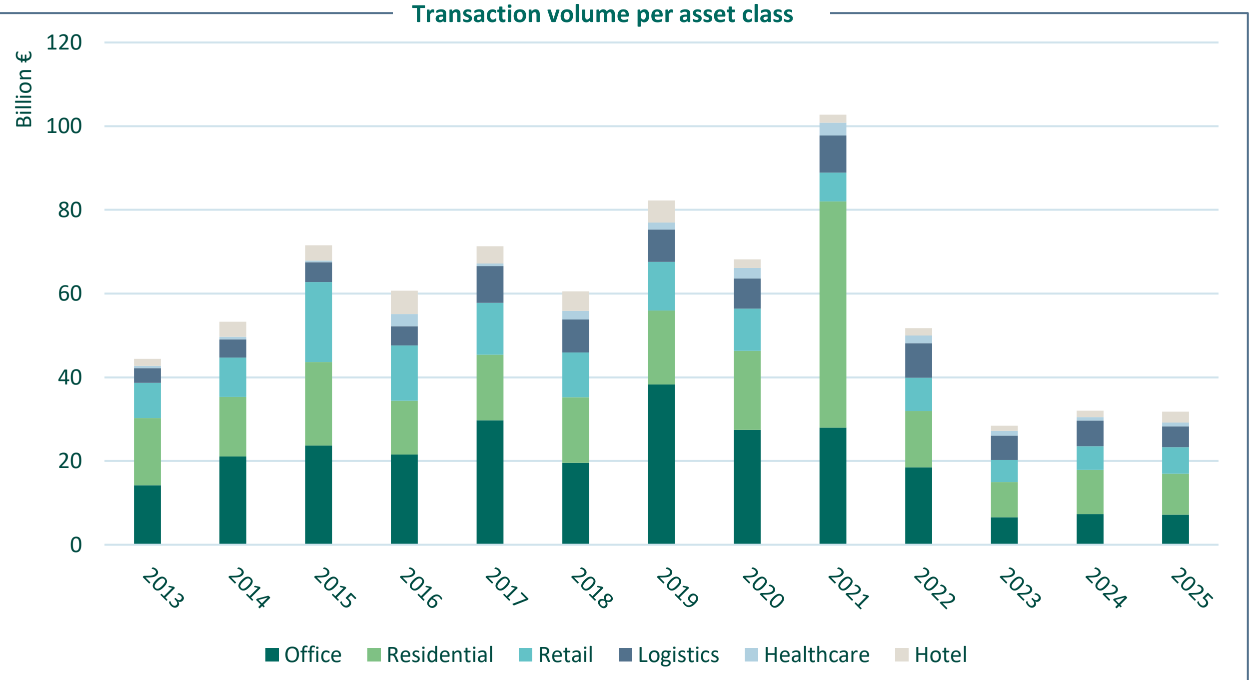
The key question for 2026 is whether domestic and foreign investors will invest more in German real estate. There is sufficient supply, particularly in the commercial asset classes. However, raising capital for real estate investments will continue to be a significant challenge in 2026. This means that portfolio holders and real estate asset managers must continue to focus on operational management. Demonstrating good tenant management and technical expertise in successfully implementing decarbonisation measures and renovations could also give them a competitive edge when it comes to fundraising.

Investors composition 2025



OUTLOOK
Over the past three years, the German real estate market has stabilised at a lower level. There are many indications that this trend will continue into 2026. At the same time, the disparity between asset classes is becoming more pronounced. While there is high investor demand and scarce supply of residential and residential-related properties, putting upward pressure on prices, many commercial properties are struggling to find prospective buyers.

Transaction volume per asset class



Source: RCA

SUMMARY ASSET CLASSES

Asset Class	Transaction Volume 2025	Transaction Volume 5-year-average	Cross-Border Volume 2025	Prime Yields Q4/2025	Trend Transaction Volume previous year
Office	€ 7.2 bn	€ 17.6 bn	€ 2.0 bn (28 %)	4.4 % (A-Cities)	↙
Residential	€ 9.7 bn	€ 21.1 bn	€ 2.5 bn (26 %)	3.4 %	↙
Retail	€ 6.3 bn	€ 7.2 bn	€ 2.9 bn (47 %)	4.5 % (High-Street-Shops)	↗
Healthcare	€ 0.9 bn	€ 1.9 bn	€ 0.2 bn (25 %)	5.4 % (Nursing home)	↗
Hotel	€ 2.6 bn	€ 1.7 bn	€ 1.2 bn (45 %)	5.3 %	↗
Logistics	€ 4.9 bn	€ 7.2 bn	€ 3.1 bn (64 %)	4.4 %	↙

Source: RCA. CBRE

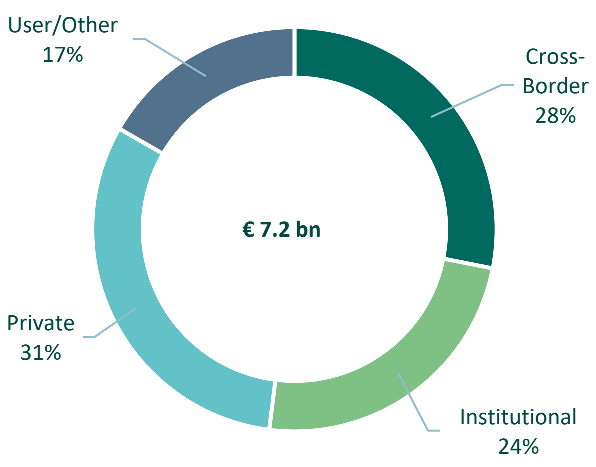
OFFICE

OFFICE TRANSACTION VOLUME 2025	€ 7.2 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME 2025	€ 2.0 bn
PRIME YIELDS OFFICE A-CITIES Q4/2025	4.4 %
PRIME YIELDS OFFICE SECONDARY-CITIES Q4/2025	5.1 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS YEAR	↙

The term 'rock bottom', which came second in the 'Real Estate Word of the Year' survey, probably primarily refers to the situation in the office market. However, it is questionable whether 2026 will actually mark the beginning of an upturn, as this would require the market to have reached its lowest point in the previous year. It can initially be said that the subdued mood on the German office real estate market continued until the end of 2025. With a transaction volume of €7.2 billion, office properties saw a slight decline of 1% compared to the previous year. Since 2013, only 2023 recorded a lower transaction volume. Prime yields remain stable. They currently stand at 4.4% in A cities and 5.1% in B cities.

Many players are pinning their hopes on planned 'landmark transactions' such as the Operturm in Frankfurt this year. The successful sale of one of Germany's most recognisable office towers is intended to encourage other office investors. However, it is unlikely to have a positive impact on demand for peripheral and older office properties. The rental market is also stable at a lower level. Although space take-up slightly exceeded last year's level, it is still well below the ten-year average. The vacancy rate is rising steadily. This is due to new working models and rising unemployment figures.

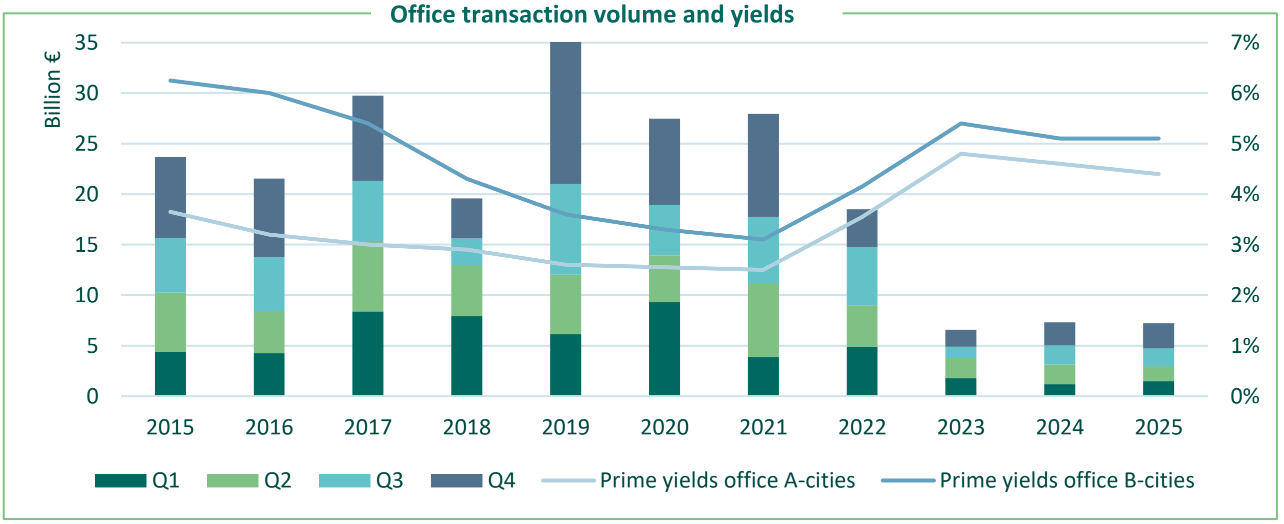
Investors composition office 2025



OUTLOOK

Whether 2025 will indeed mark the much-cited ‘rock bottom’ for the office market is uncertain. Although prime yields and transaction volumes have stabilised, many office properties, especially those in decentralised locations, still face structural problems. Even large individual transactions would do little to change this. Consequently, the office market's recovery could take longer than some market participants currently anticipate.

Office transaction volume and yields



Source: RCA, CBRE

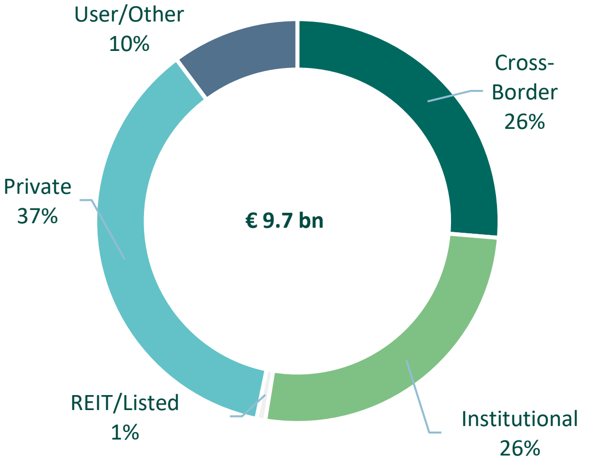
RESIDENTIAL

TRANSACTION VOLUME RESIDENTIAL 2025	€ 9.7 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME 2025	€ 2.6 bn
PRIME YIELDS RESIDENTIAL Q4/2025	3.4 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS YEAR	↙

With a transaction volume of €9.7 billion, German residential real estate maintains its position as the frontrunner in the asset class comparison. However, it fell just short of last year's volume. The prime yield remains at 3.4%.

Despite much discussion about the so-called 'construction turbo' (see Real Estate Word of the Year), this appears to reflect real estate players' hopes for the promised simplifications and revival of residential construction, rather than the expectation that the 'construction turbo' will provide a significant boost to the housing market. This impression was confirmed by the Ifo Business Climate Index, published in December 2025. This survey-based index, which covers various economic sectors in Germany, revealed that respondents from the construction sector complained about a lack of demand and structural problems. The latest building permit figures paint a slightly more positive picture: although they remain well below the high approval figures of 2016 to 2022, there is still a slight upward trend. From January to November 2025, 215,500 flats in new and existing buildings were approved in Germany. This was an increase of 11.3%, or 21,900 flats, compared to the same period the previous year.

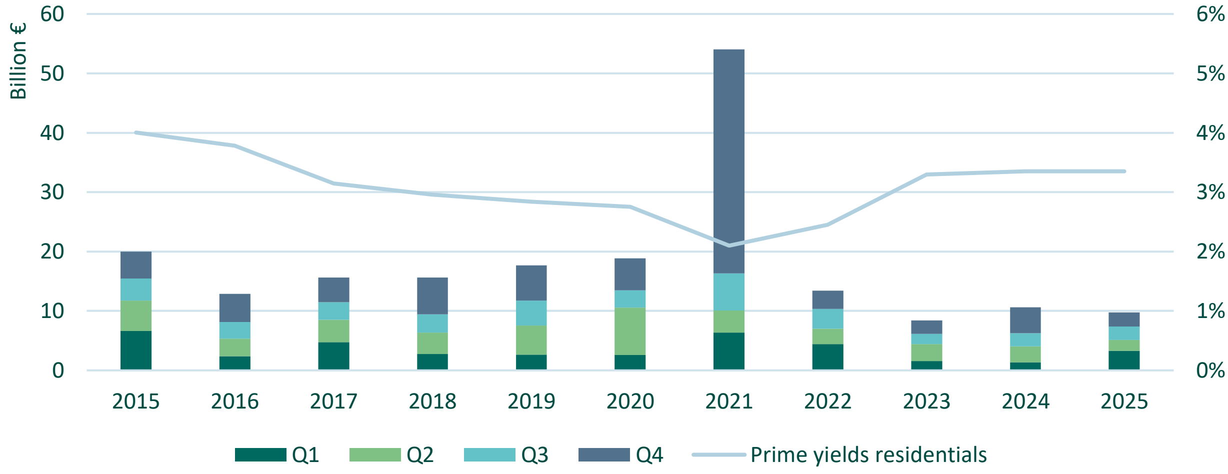
Investors composition residential 2025



OUTLOOK

Residential real estate retains its appeal among investors and offers good prospects for attractive returns, thanks to the potential for rent increases. In addition to traditional housing options, apartment concepts tailored to specific target groups are also in high demand. The greatest risk to residential investments is increased regulatory intervention in the rental market, which could affect furnished apartments in future. A good understanding of operator concepts and national and local regulations is essential for residential investments.

Residential transaction volume and yields



Source: RCA. CBRE

RETAIL

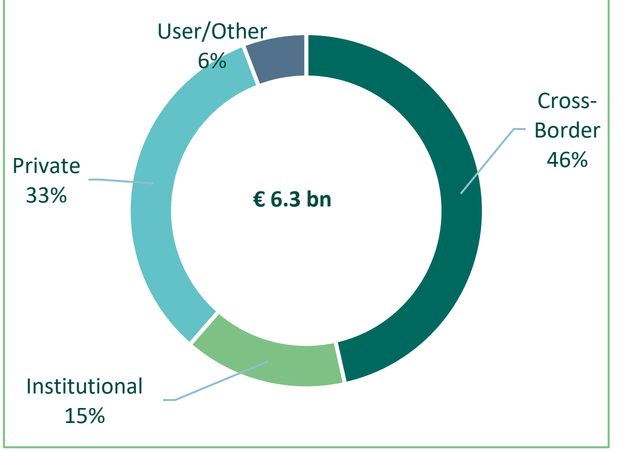
TRANSACTION VOLUME RETAIL 2025	€ 6.3 bn
THEREOF CROSS-BORDER TRANSACTION VOLUME 2025	€ 2.9 bn
PRIME YIELDS HIGH-STREET-SHOPS Q4/2025	4.5 %
PRIME YIELDS SUPERMARKETS Q4/2025	4.6 %
PRIME YIELDS SHOPPING-CENTER Q4/2025	5.9 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS YEAR	↗

With a transaction volume of €6.3 billion, retail real estate ranks third in the asset class comparison. This equates to 20% of the total transaction volume, which is an increase of 12.4% compared to the previous year.

The prime yields for supermarkets and shopping centres are currently 4.6% and 5.9%, respectively. For high street shops, the prime yield is 4.5%.The last quarter of 2025 saw the strongest transactions, with a volume of €2.4 billion. This included both portfolio deals, such as the forward deal for Captiva's Rewe portfolio and Slate's purchase of the retail portfolio, as well as large individual transactions. The portfolio deals mainly involved supermarkets.

The somewhat buoyant mood in the transaction market could be influenced even more strongly in future by the overall economic environment, including low economic growth and geopolitical uncertainties. Looking at the HDE consumer barometer for December 2025, it is clear that consumer sentiment has deteriorated despite the Christmas season. If consumers continue to be reluctant to spend, 2026 is also likely to be similarly subdued.

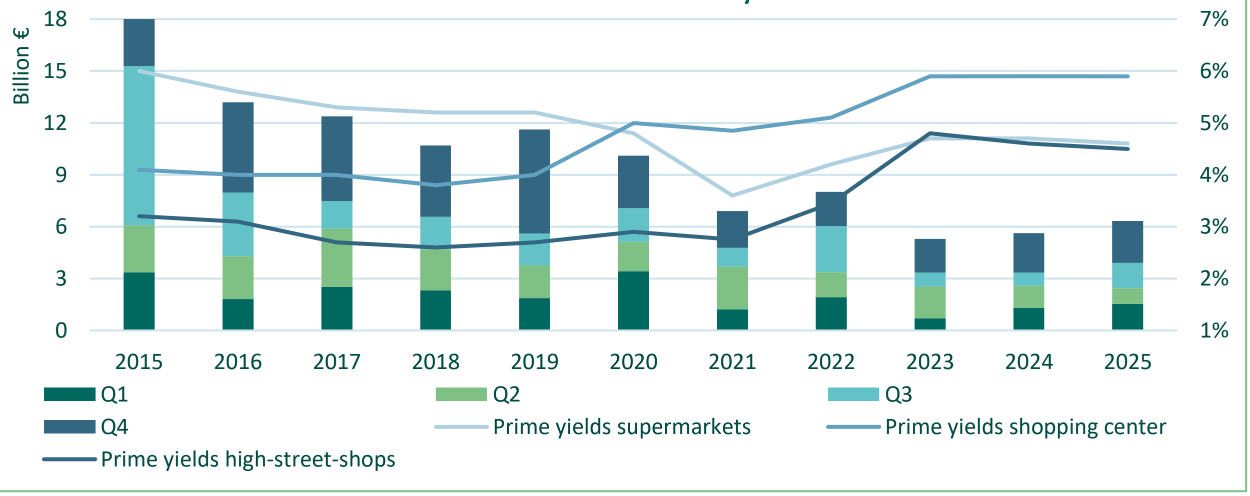
Investors composition retail 2025



OUTLOOK

Although the retail sector did not experience a major upturn in terms of Christmas sales, 2025 was not a crisis year for German retail real estate. In fact, looking at the transaction market, there was a slight upturn. Whether and to what extent this trend will continue remains uncertain in view of cautious consumer behaviour and low economic growth.

Retail transaction volume and yields



Source: RCA. CBRE

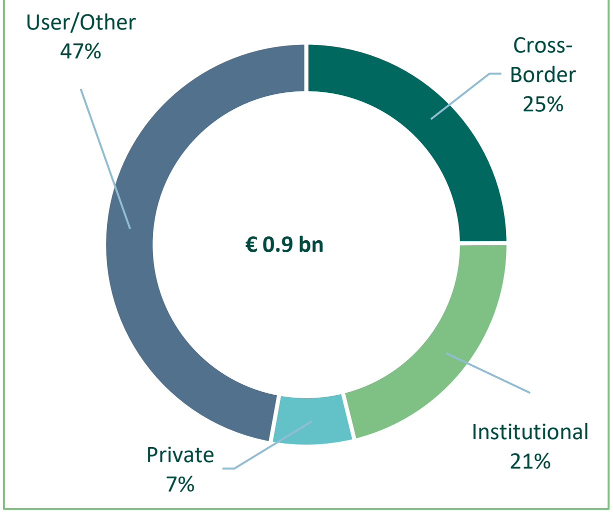
HEALTHCARE

HEALTHCARE TRANSACTION VOLUME 2025	€ 0.9 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME 2025	€ 0.2 bn
PRIME YIELDS HEALTHCARE Q4/2025	5.4 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS YEAR	↗

In terms of transaction volume, it seems that the German healthcare market ran out of steam in the second half of the year. The anticipated major upturn following the strong first two quarters did not materialise. In 2025, the transaction volume for German healthcare real estate was €0.9 billion. This represented a 20.6% increase on the previous year. However, it is well known that transaction volumes in niche asset classes are strongly influenced by large transactions. Therefore, the transaction volume of just under €1 billion in 2025 must be viewed in the context of the portfolio transaction carried out by the City of Hamburg at the beginning of the year, which had a volume of more than €300 million. The prime yield for nursing homes currently stands at 5.4%.

Domestic investors are currently exercising great restraint, particularly with regard to care investments. Consequently, foreign buyers are the primary participants in bidding processes for larger nursing home portfolios. Despite the fact that the fundamentals are excellent and there are attractive properties available, many investors are still too hesitant to invest money in a niche market such as healthcare properties after three years of crisis in the real estate market. Over the next 12 to 18 months, therefore, it is likely that less risk-averse (foreign) investors will be the driving force behind greater market momentum in the healthcare sector.

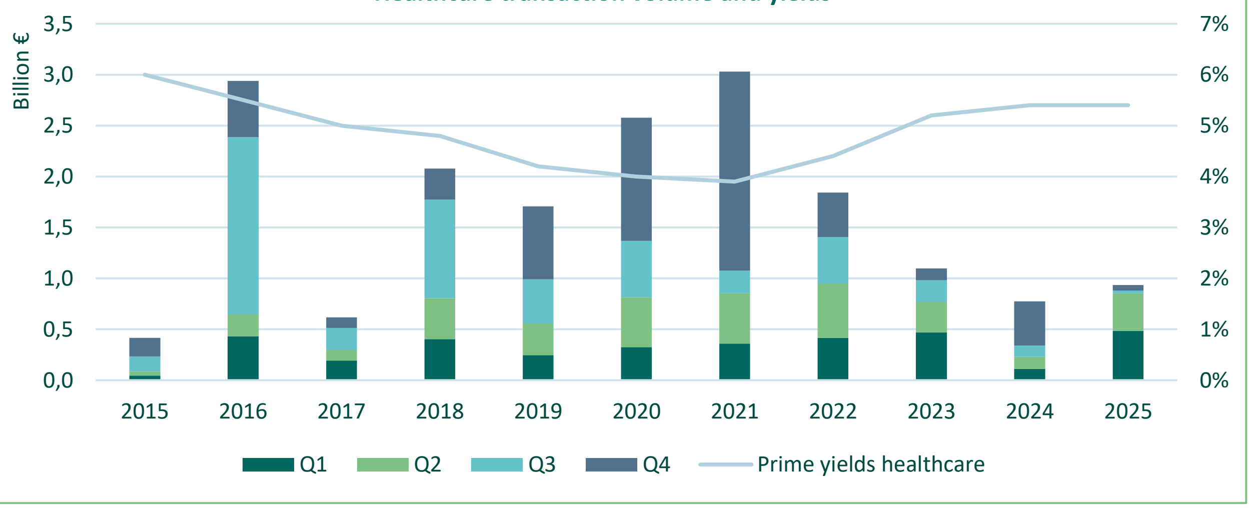
Investors composition Healthcare 2025



OUTLOOK

By the end of the year, the healthcare real estate market had lost considerable momentum. Investors continue to exercise great restraint when it comes to care investments. There are many indications that, even by 2026, few investors will be willing to provide capital for such investments. However, they can currently benefit from attractive purchase prices. Higher demand is expected for outpatient medical care facilities, including from traditional investor groups such as pension funds.

Healthcare transaction volume and yields



Source: RCA. CBRE

HOTEL

HOTEL TRANSACTION VOLUME 2025	**€ 2.6 bn**
THEREOF CROSS-BORDER INVESTMENT VOLUME 2025	**€ 1.2 bn**
PRIME YIELDS HOTEL Q4/2025	**5.3 %**
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS YEAR	↗

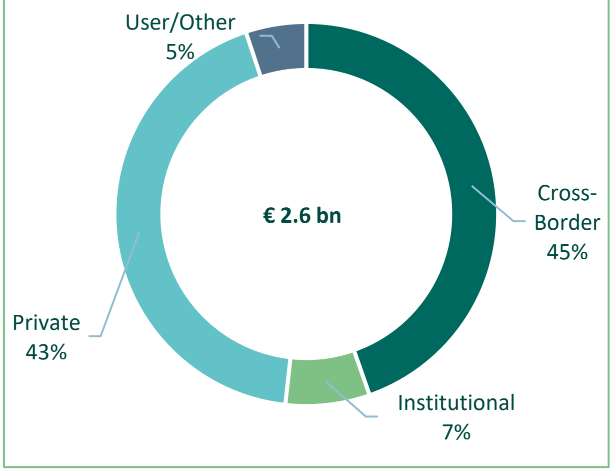
The German hotel industry recorded its most successful year since the start of the pandemic, with a transaction volume of €2.6 billion. The prime yield stands at a stable 5.3%. Foreign investors continue to account for a significant proportion of hotel investments.

The heterogeneity of the hotel transaction market continued in Q4 of 2025. The largest transactions of the year were the sales of the Upper West in Berlin and the Mandarin Oriental in Munich. Further sales followed in German A-cities, including major purchases by Deka in Cologne, such as the Motel One, the Adina Cologne Messe, and the 25hours Hotel The Circle. There were also a number of portfolio deals, such as Event Hotels' acquisition of the Keystone portfolio.

Alongside the positive headlines, the insolvency of hotel operator Revo was announced. This affects 125 hotels. According to the company, this is due to increased costs and its aggressive expansion strategy in recent years. While the Revo case is not representative of the hotel operator market due to its aggressive expansion strategy, cost increases in recent years also present challenges for other hotel businesses.

Figures published by the Federal Statistical Office paint a very positive picture of the hospitality industry in Germany: in the first eleven months of 2025, accommodation providers recorded a total of 465 million overnight stays. This exceeded the previous record of 465 million overnight stays in 2024 by 0.1%.

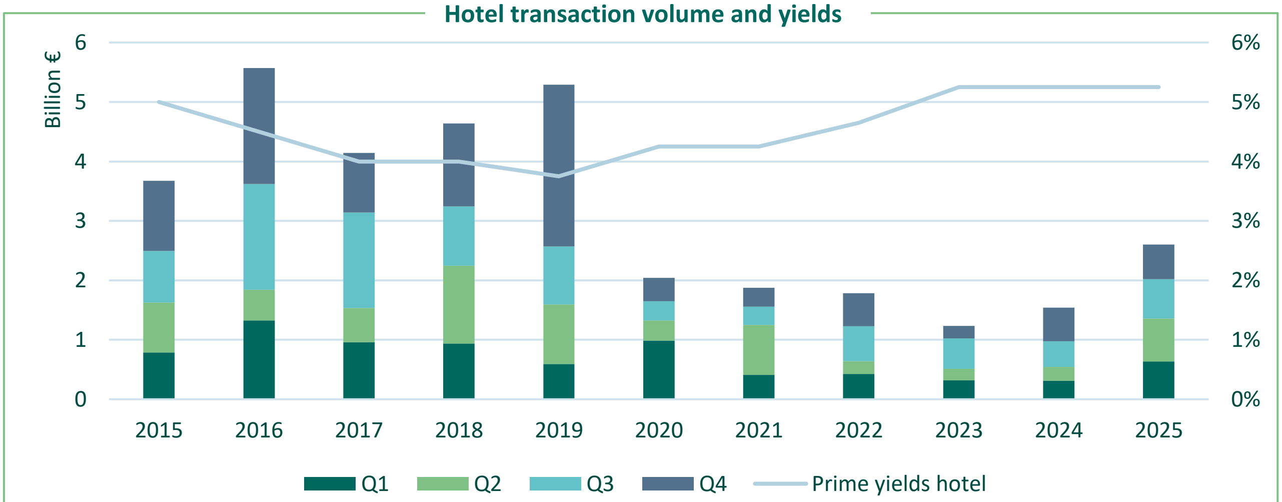
Investors composition hotel 2025



OUTLOOK

The German hotel market is currently booming. Transaction volumes are high, returns are stable, and the number of overnight stays is at a record high. Investor interest, particularly from overseas, remains strong. There are many signs that the German hotel industry is recovering and heading back towards pre-pandemic levels, so a downward trend is not expected in the near future. However, when investing in hotels, it is important to closely examine the creditworthiness and strategic direction of the operator (see Revo).

Hotel transaction volume and yields



Source: RCA. CBRE

LOGISTICS

LOGISTICS TRANSACTION VOLUME 2025	€ 4.9 bn
THEREOF CROSS-BORDER INVESTMENT VOLUME 2025	€ 3.1 bn
PRIME YIELDS LOGISTICS Q4/2025	4.4 %
TRANSACTION VOLUME TREND COMPARED TO THE PREVIOUS YEAR	↙

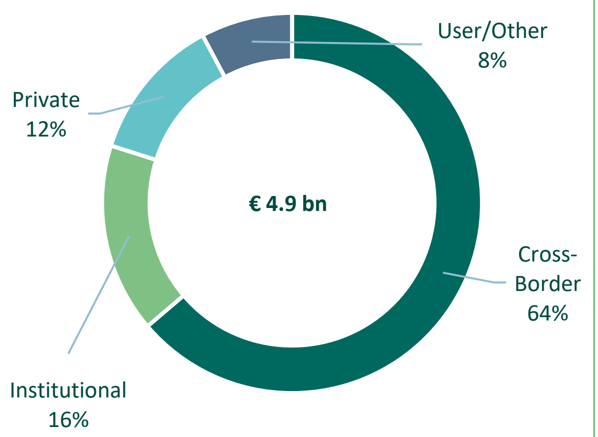
With a transaction volume of €4.9 billion, logistics real estate secured fourth place in the asset class comparison. While this clearly demonstrates the resilience of the logistics sector, it is the lowest volume in ten years. The proportion of foreign investors remains high at 64%. The prime yield is unchanged at 4.4%.

In addition to individual transactions in predominantly peripheral locations, it was portfolio transactions that dominated market activity. These included the sale of the Helix portfolio to Starwood Capital and the Urban Logistics portfolio, which comprises eleven logistics properties.

The rental market also showed stability. In fact, take-up in the previous year was slightly exceeded. Nevertheless, take-up is still well below the ten-year average of the boom years.

Despite trade conflicts and the current economic downturn, the logistics market has proven to be comparatively resilient, continuing to experience high demand from investors, albeit not at the same level as in previous years.

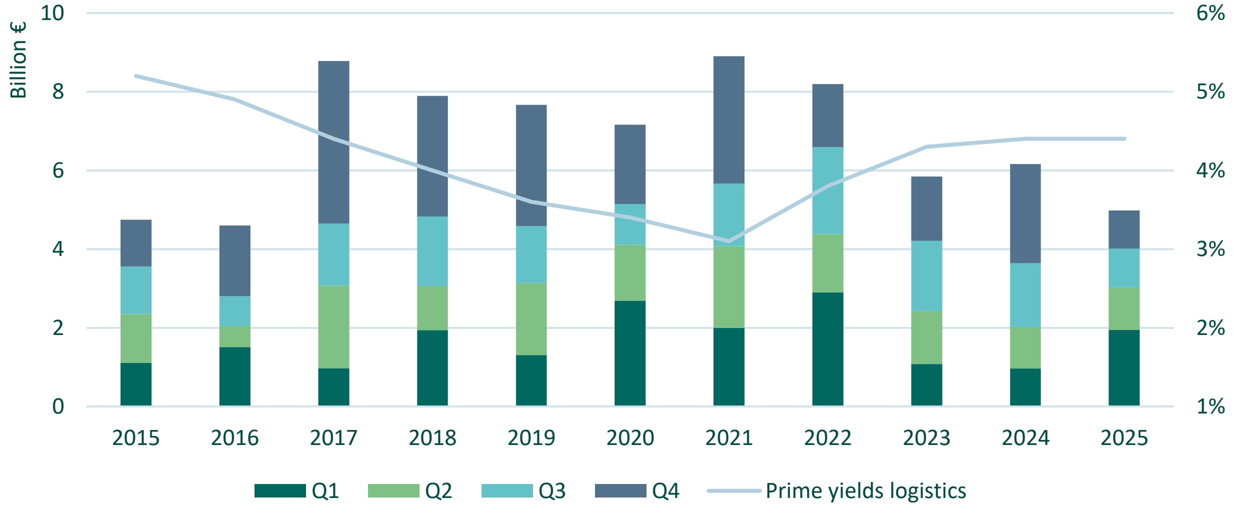
Investors composition logistics 2025



OUTLOOK

Even against the backdrop of recent geopolitical uncertainties, German logistics real estate has proven to be a resilient asset class. Despite minor declines in transaction volumes, there are many indications that the logistics sector will retain its robustness. Moreover, planned infrastructure and defence investments could facilitate a certain degree of recovery.

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, 41% of which are private investors and 59% institutional. Its real estate portfolio consists of around 1.300 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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