

## Real Estate Strategic Outlook: Germany

### Germany Remains Attractive

#### Governmental support expected to boost economic growth

Fiscal and infrastructure investments, combined with monetary easing, appear set to gain traction and could boost Germany's real estate market. We expect German GDP growth to exceed the euro area average over the coming five years, providing possible support for occupier markets. Consumer sentiment remains muted and saving rates are high, but real wage growth is positive.

### German Real Estate Market

#### Opportunities beyond beds & sheds

We believe international capital is returning, attracted by compelling entry points as the price recovery lags the UK and France. We see potential opportunities across cities and expect market liquidity to continue to recover. Fundamentals remain supportive with muted building activity potentially translating into robust rent growth. Some sectors – such as prime offices may remain attractive in terms of pricing on a European comparison.

#### Residential: prime, regional and subsegments

Persistent supply shortages are spilling into regional areas, driving above average rental growth. The impact of the government's initiative to accelerate housing construction—through streamlined regulations and digitalized planning—remains to be seen, but potential deregulation and affordability issues could tighten the gap between new build and existing rents in the longer term. Although the supply gap is not expected to close quickly, this could lead to moderate easing in new-build rents in the mid- to long-run.

We favour regional cities and commuter locations within economically strong metropolitan regions such as Frankfurt and Munich. Terraced and single-family housing is gaining appeal, offering potentially significant yield premium compared to multifamily and supported by remote work dynamics. Over the longer term, these areas may see further upside as autonomous vehicles improve accessibility in regions presently undervalued due to limited public transport. We also like operational subsectors like PBSA, co-living and micro living in Gateway cities such as Frankfurt, Munich and Berlin, driven by strong appeal among young professionals for compact, high-quality stock in prime urban locations.

#### Target on city and multi-let logistics

Logistics is expected to benefit from low vacancies and dedicated infrastructure and defence spending underpinning long-term resilience. Take-up reached 2.5 million sqm in H1 2025 and vacancy rates stabilized at 3.3% way below the European average, while the speculative pipeline shrank by 36%.<sup>1</sup> With infrastructure and defence investment on the horizon, we expect rental growth to pick up again and are

increasingly focused on multi-let assets and city locations. While Berlin sees high supply levels, we currently prefer southern Germany defence hubs such as Munich and see strong prospects in the Frankfurt metropolitan area as well as the Rhein-Ruhr region. Urban logistics continue to appear attractive in major cities, offering proximity to consumers. Multi-let industrial opportunities may help to capture higher yields and unlock rental growth through active asset management.

#### Refresh Office to Grade A- rents

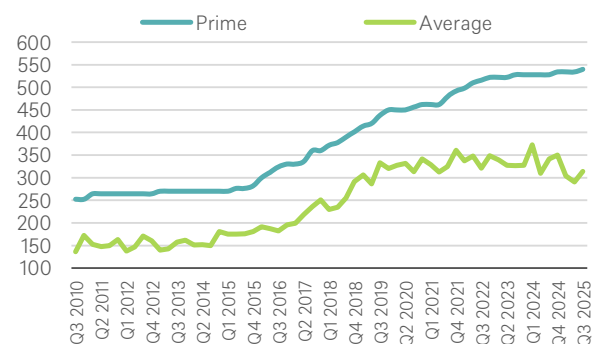
We see potentially attractive opportunities in acquiring well-located Grade B offices in cities such as Berlin and Munich, where targeted upgrades could deliver meaningful rental uplift. Market polarisation has been strong since the pandemic and may intensify further with the accelerating impact of the AI boom. As such, we expect AI to reduce overall office demand, hitting back-office markets with high concentrations of routine and automotive jobs hardest, with prime CBDs potentially benefitting from productivity gains and a consolidation to the centre.

#### Retail at turnaround? Interesting from lending perspective

The prolonged decline in retail rents appears to be gradually stabilising, and current yield levels look appealing. Take-up is increasing and some markets are already seeing signs of a turnaround in high street rents. Retail parks with food anchor stands out as attractive cash generating opportunities but remain relatively low yielding compared to other European markets. Retail currently appears to offer one of the more compelling opportunities from a debt perspective, as elevated yields may enhance interest coverage ratios and lower credit risk for price-adjusted assets.

### German Office Rental Dispersion top 5 cities

EUR per sqm / year



Source: CBRE, November 2025

<sup>1</sup> CBRE, 2025 Mid-Year Real Estate Market Outlook, September 2025

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