NAI apollo

Investment Market Germany

2024

Your space is our mission.

„As a general rule, the most successful man in life is the man who has the best information.“

Quote from von Benjamin Disraeli

If you require any further information, please do not hesitate to contact us. We can put you in touch with our specialists who are always happy to provide you with expert support. We look forward to hearing from you.

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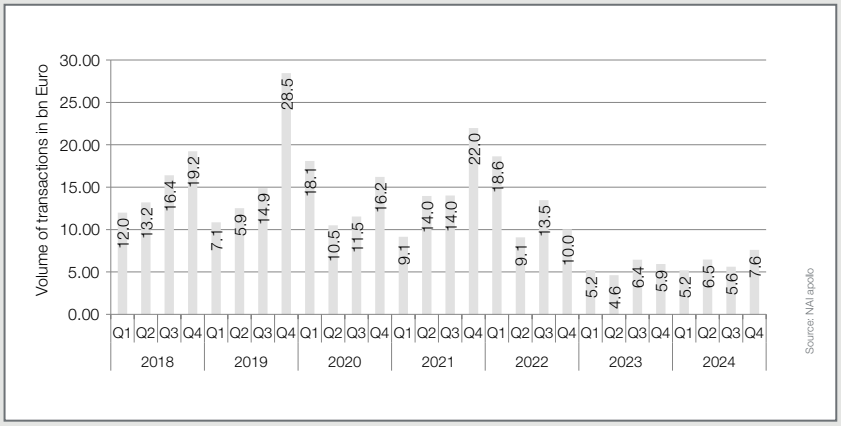
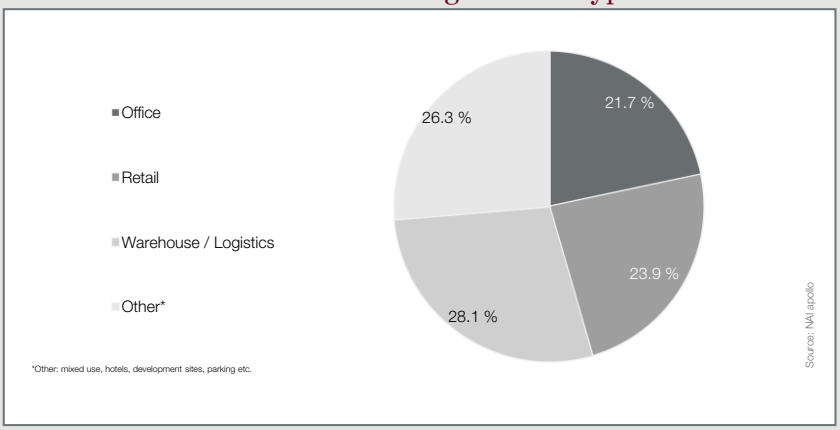
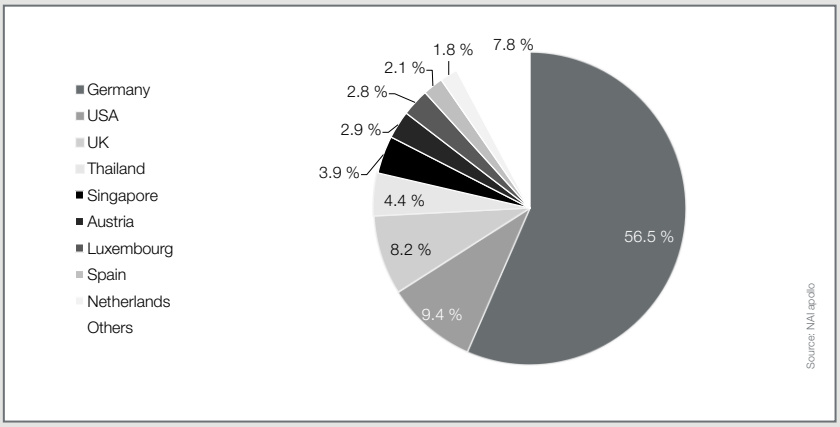
Volume of transactions 2018 – 2024



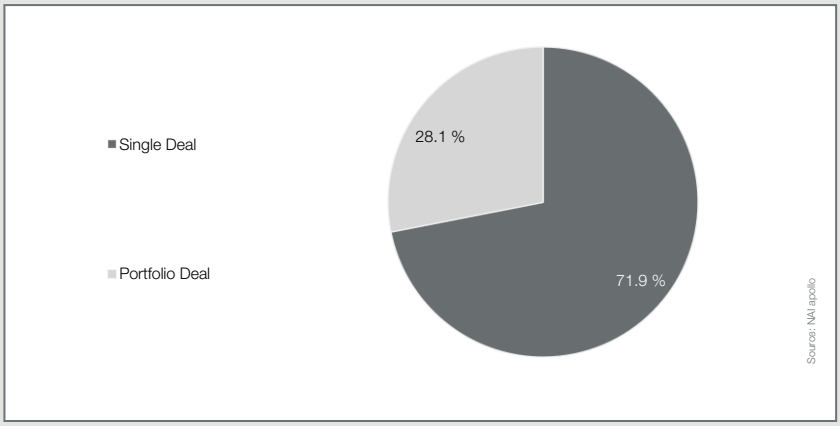
Volume of transactions according to asset type 2024



Volume of transactions according to investors' origin 2024



Volume of transactions accor. to deal structure 2024

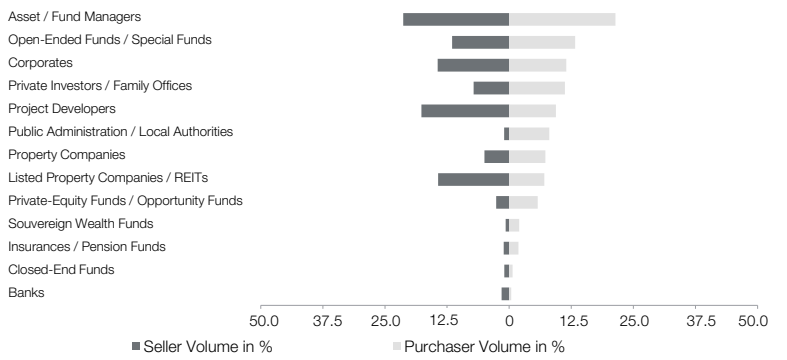


The German commercial investment market experienced a moderate revival in the fourth quarter of 2024 and achieved the highest transaction volume in the last two years. The €7.6 billion that was registered can with high probability be interpreted as a turnaround in the current cycle. This result is 35.2 % (Q3 2024: €5.6 billion) above the previous quarter and 28.1 % above the previous year's figure (Q4 2023: €5.9 billion). The commercial transaction volume for 2024 as a whole amounts to around €24.9 billion, which corresponds to an increase of 12.1 % compared to 2023 (€22.2 billion).

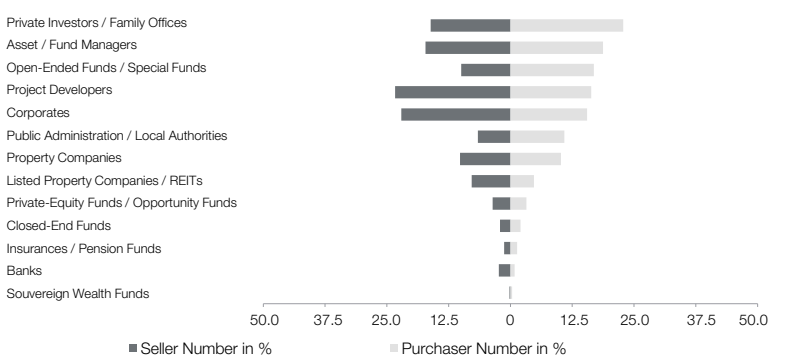
Growth was recorded for both single-asset transactions and portfolio deals in 2024. However, portfolio deals demonstrated stronger momentum with an increase in traded volume of 24 % compared to the previous year (+€1.3 billion). A total of almost €7 billion was traded in this segment. Particularly noteworthy is the high portfolio ratio of 52.3 % in the logistics property segment, which had a significant impact on the overall volume. Substantial portfolio sales in the last twelve months include a 90 % share in five logistics properties acquired by LaSalle IM, the sale of twelve logistics properties by Branicks to P3 Logistics Parks (with prices of over €300 million each), three logistics properties sold by Union Investment to Prologis for around €350 million and the FOX portfolio with four logistics properties sold to EQT Exeter for a triple-digit million euro amount, with NAI apollo acting as broker.

Single-asset investments reached a volume of €17.9 billion at the end of 2024 (+8.1 % y-o-y). Notable single-asset transactions include KaDeWe in Berlin (transaction volume in the billion euro range), 'Fünf Höfe' and '12-14, Maximilianstraße' in Munich (each in the three-digit million euro range), the trade fair grounds and 'ROSSIO' office complex in Cologne (€385 million and €270 million respectively) and, finally, Therme Erding (well over €300 million).

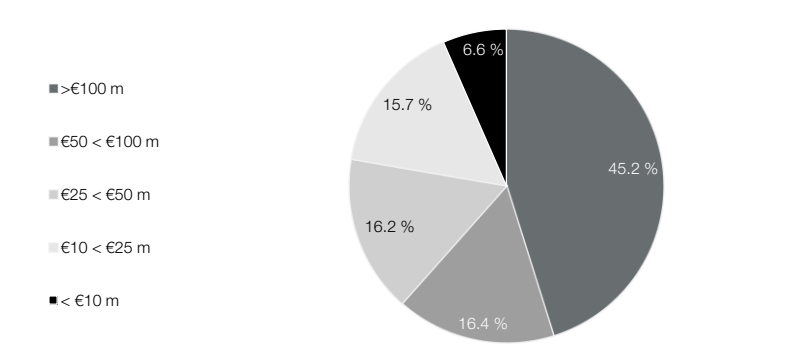
Volume of transactions accor. to type of investor 2024



Number of transactions accor. to type of investor 2024



Volume of transactions accor. to volume category 2024



Prime yields Q4 2024

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	4.40 %	4.15 %	4.35 %
Dusseldorf	4.50 %	4.30 %	4.35 %
Frankfurt a. M.	4.50 %	4.30 %	4.35 %
Hamburg	4.45 %	4.25 %	4.35 %
Munich	4.40 %	4.10 %	4.35 %
Total	Ø = 4.45 %	Ø = 4.20 %	Ø = 4.35 %

Source: NAI apollo

Portfolio deals in the logistics segment significantly contributed to the fact that this asset class was the strongest performer in the year as a whole, with €7 billion or a market share of 28.1 %. The high level of interest in this asset class is illustrated by growth of over a fifth compared to the previous year. The second-highest volume of €5.9 billion was attributable to retail property. In addition to the sales of large commercial properties in Munich and Berlin, the market was also impacted by the large number of department store transactions as a result of the Signa insolvency. Compared to the previous year, the volume of retail investments increased by around 10 %. Office properties landed in third position with around €5.4 billion, which is slightly below the 2023 figure (€5.5 billion) and thus represents the weakest annual result since 2009 (€4.4 billion). This reflects not only the current economic situation in Germany and the associated decline in office letting volumes, but also structural mega topics such as working from home and ESG. ‘Other uses’ recorded a transaction volume of around €6.6 billion, of which around €1.36 billion was attributable to hotels. This means that the hotel segment dipped slightly below the previous year (2023: €1.44 billion).

As in previous cycles, international players appear to be leading the way in (re-)entering the market. The recent growth is based exclusively on the rise in international buyers, which increased their investment volume by 48 %, from around €7.3 billion in 2023 to €10.8 billion. The USA, UK, Thailand and Singapore stand out with the highest volumes. Domestic players invested €14.1 billion in German commercial property in 2024, which is actually slightly below the previous year’s figure (2023: €14.9 billion).

Among the investor types, ‘asset / fund managers’ and ‘open-ended funds / special funds’ continue to be the most prominent, although they have lost significant market share compared to previous years. They are followed by ‘corporates’ and ‘private investors / family offices’. The latter group has a remarkably high market share of around 11 %. This equity-strong investor group increasingly utilised opportunities to enter the market. On the seller side, ‘asset / fund managers’, ‘project developers’, ‘corporates’, ‘listed property companies/REITs’ and ‘open-ended funds / special funds’ stand out.

The increased focus by international players on larger purchases also affected how overall investments were distributed among different deal size categories. Looking at transactions above €100 million, 30 % more was invested than in the previous year. A significant increase in volume was also recorded in the €50m to €100m category, with an increase of around one fifth. As the size categories decrease, a fall in investment levels compared to 2023 becomes apparent.

An economic upturn in Germany is still a long way off. In its ‘Winter 2024 Economic Forecast’, the ifo Institute predicts a price-adjusted decline in gross domestic product (GDP) of 0.1 % for 2024. This is the fifth year in a row that the German economy has not recorded any significant growth. In addition to cyclical causes, the reasons are primarily structural in nature. According to the ifo Institute, aspects of digitalisation, decarbonisation, demographics and deglobalisation make a permanent realignment of production structures necessary. In its baseline scenario, the ifo Institute assumes that gradual de-industrialisation will continue and that no fundamental changes are to be expected in the coming years. In this scenario, GDP growth of just 0.4 % is forecast for 2025 and 0.8 % for 2026. Unemployment is expected to reach the peak of the current cycle in 2025 at 2.96 million or 6.3 % and fall only slightly to 6.2 % in 2026. Accordingly, few positive impulses are expected for the German property industry.

Although ECB interest rate cuts in the region of 100 basis points can be expected in 2025, by the end of the year both the risk-free interest rate and the five-year and ten-year euro interest rate swaps are likely to be around the level seen at the end of 2024 (see Helaba Research: Weekly Outlook 10 January 2025). It remains to be seen how long-term interest rates will develop, particularly in view of the current global uncertainties. Trump’s potential tariff plans in combination with a possible expansionary monetary policy and rising inflation, as well as the resulting changes in exchange rates and interest rates compared to the eurozone, are difficult to estimate at present.

Similarly, an escalation of the conflict between China and Taiwan could fuel inflation in Europe again and thus have an impact on interest rate policy.

In the fourth quarter of 2024, commercial property yields in the top locations remained stable compared to the previous quarter. Compared to the previous year, only logistics yields fell by 5 basis points. Overall, prime yields therefore range between 4.20 % and 4.45 % on average across the top 5 markets, depending on the asset class.

Prime yields for office properties at the end of 2024 range from 4.40 % in Berlin and Munich to 4.50 % in Dusseldorf and Frankfurt.

For high-street properties, prime yields within the top 5 markets range from 4.10 % in Munich to 4.30 % in Dusseldorf and Frankfurt.

For logistics properties, a prime yield of 4.35 % can be reported for all top 5 markets.

Over the course of 2025, selective yield decreases of 10 to 20 basis points are possible, depending on the actual economic development and the related demand for space, the exact development of interest rates and the impact on borrowing costs, among other factors.

We expect to see a slightly higher transaction volume in 2025 owing to rising investor interest in combination with an expanding marketing pipeline. The current forecast is for a volume of up to €30 billion this year.

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