

Investment Market Germany

Q3 2024



„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.



DR. KONRAD KANZLER

Head of Research

+ 49 (0) 69 970505-614

konrad.kanzker@nai-apollo.de



DR. MARCEL CROMMEN

Managing Partner

+ 49 (0) 69 970505-143

marcel.crommen@nai-apollo.de



ALEXANDER WALDMANN

Director - Research

+ 49 (0) 69 970505-618

alexander.waldmann@nai-apollo.de



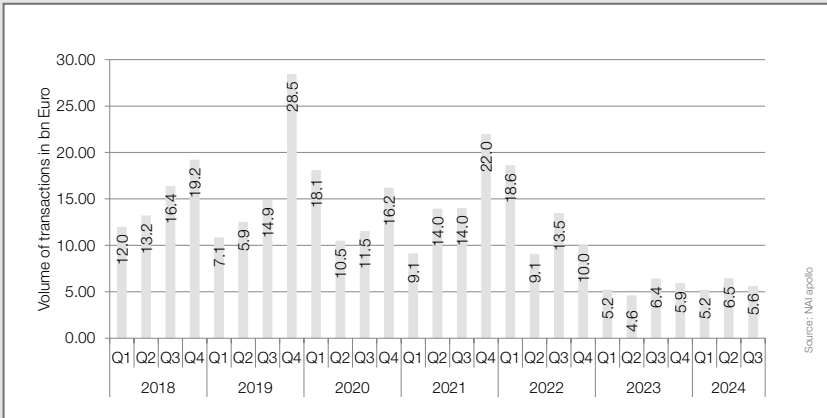
LENNY LEMLER

Director Director Investment / Partner

+ 49 (0) 69 970505-175

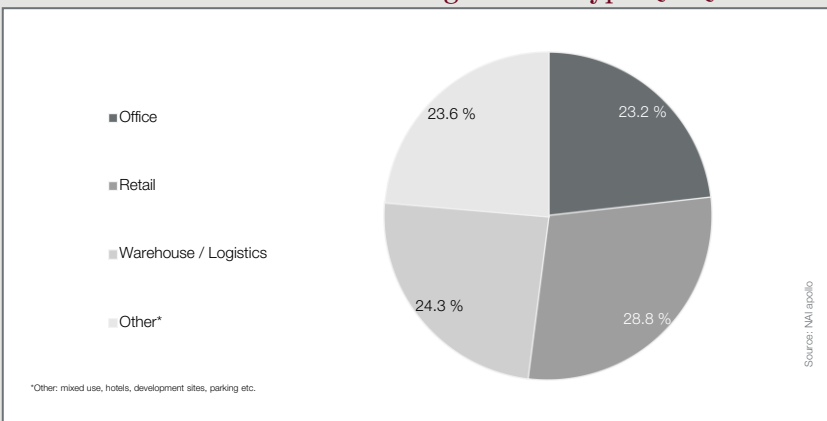
lenny.lemmer@nai-apollo.de

Volume of transactions 2018 – Q3 2024



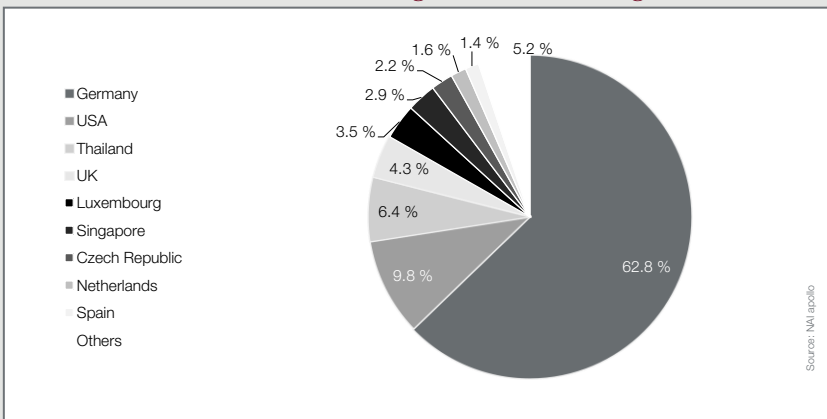
Despite Germany's strained economic situation, the commercial real estate investment market continued its moderate recovery in the third quarter of 2024. Investments totaling €5.6 billion were recorded between July and September, bringing the total for the first three quarters to €17.29 billion. This represents an increase of approximately 6.2 % compared to the same period in the previous year (Q1-Q3 2023: €16.27 billion). However, the current figure is 50 % below the medium-term average for 2019 to 2023 (Q1-Q3 average: €34.6 billion).

Volume of transactions according to asset type Q1-Q3 2024



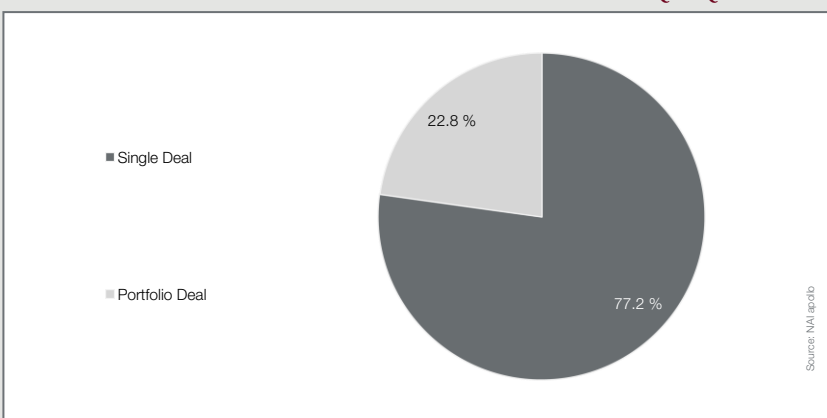
Growth momentum primarily stemmed from a rise in single-asset sales, which increased by 8.6 % year-on-year. Single transactions accounted for €13.35 billion, while portfolio transactions remained steady at €3.94 billion compared to the previous year (Q1-Q3 2023: €3.98 billion).

Volume of transactions according to investors' origin Q1-Q3 2024



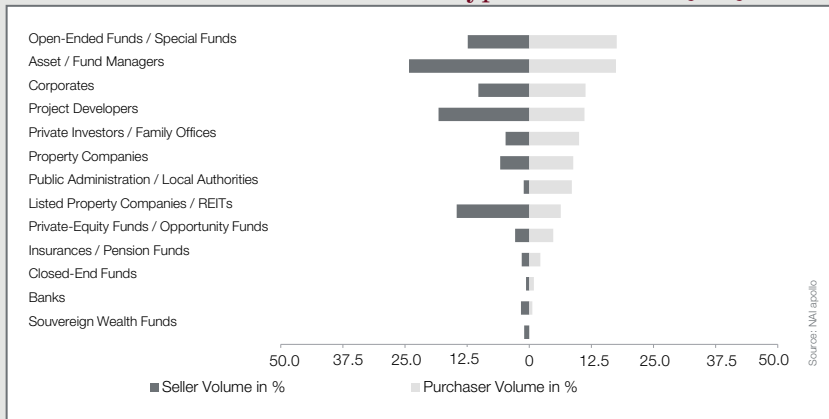
Key single-asset sales include the KaDeWe in Berlin (a transaction close to one billion EUR) and among others two Munich properties such as "Fünf Höfe" and "Maximilianstraße 12-14" (each in the three-digit million range). Major transactions in the third quarter include the City of Cologne's acquisition of the "ROSSIO" office complex for around €270 million and the sale of a logistics property in Dieburg to Clarion Partners Europe for approximately €100 million.

Volume of transactions accor. to deal structure Q1-Q3 2024

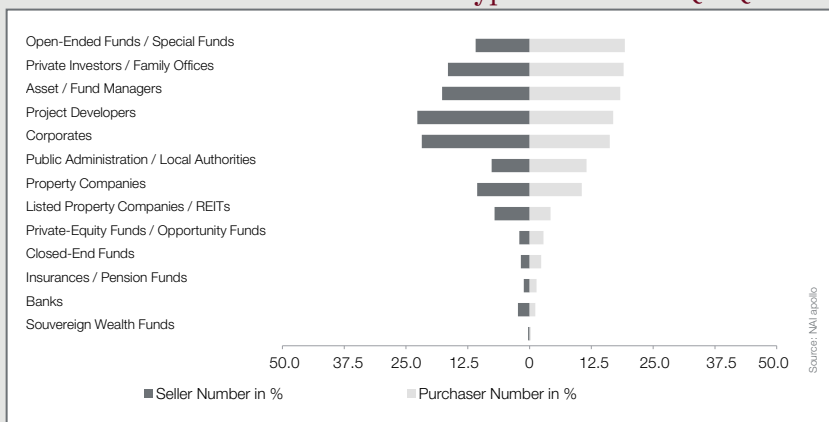


In portfolio transactions, logistics portfolios remain dominant. Notable deals include the sale of a 90 % stake in five logistics properties to LaSalle IM for over €300 million and the acquisition of a portfolio comprising eight logistics assets (six in Germany) by Clarion Partners Europe. In the retail segment, portfolio transactions in the double-digit million range primarily were registered.

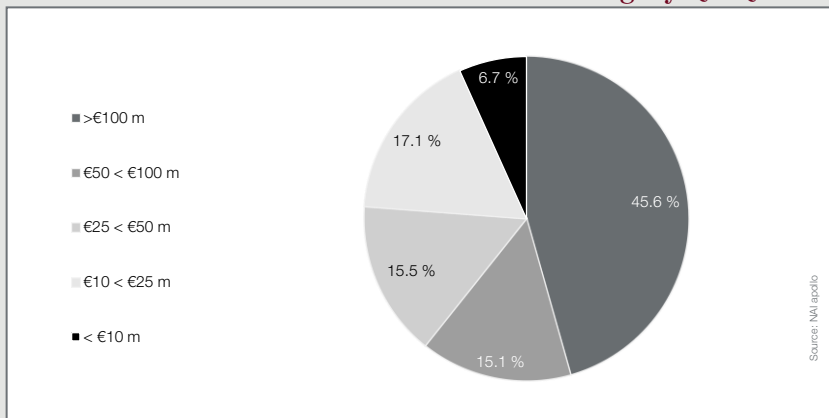
Volume of transactions accor. to type of investor Q1-Q3 2024



Number of transactions accor. to type of investor Q1-Q3 2024



Volume of transactions accor. to volume category Q1-Q3 2024



Prime yields Q3 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 %

One of the largest deals in Q3 also involved the logistics sector: Blackstone's acquisition of an 80 % stake in the Burstone portfolio, which includes seven German properties.

In total, retail properties remain the strongest asset class after the first three quarters, with a transaction volume of €4.98 billion, up 5.4 % year-on-year. Logistics properties recorded €4.21 billion, a 5.3 % increase driven mainly by portfolio growth (+44.2 % y-o-y). Office properties slightly surpassed the prior year's level with €4.01 billion (Q1-Q3 2023: €3.91 billion). Investors remain cautious regarding office buildings due to economic and structural challenges, including remote work trends and ESG requirements. "Other uses" totaled €4.09 billion, including €1.04 billion in hotel properties, which posted a remarkable 90 % increase (Q1-Q3 2023: €0.55 billion).

Although domestic players accounted for the majority of investment capital in the first nine months of 2024, totalling €10.86 billion (62.8 % market share), foreign investors are becoming increasingly active. Their €6.43 billion investment represents a one-third increase over the previous year, while domestic investment declined roughly by 5 %. The most active foreign investor nations include the USA, Thailand, the UK, Luxembourg, Singapore, and the Czech Republic. Except for Thailand, these countries exhibit a relatively high share of portfolio deals. International investors are expected to pursue more significant transactions in Q4 2024.

Among investor types, "open-ended funds / special funds" and "asset / fund managers" were particularly active, followed by "corporates", "project developers" and "private investors / family offices". The seller side was dominated by "asset / fund managers", "project developers", "listed property companies / REITs", and "open-ended funds / special funds".

The observed recovery in Germany's commercial investment market has been driven by deals exceeding €50 million. Transactions in the €50-100 million range and those over €100 million each posted growth of more than 20 %. However, volumes in smaller transactions have declined. This renewed focus on larger deals suggests growing confidence among institutional investors in the German market.

However, Germany's economic outlook continues to deteriorate. Throughout the year, GDP forecasts were repeatedly revised downward. The current "Autumn 2024 Joint Economic Forecast", commissioned by the Federal Ministry for Economic Affairs and Climate Action, predicts a 0.1 % GDP decline (adjusted for price, seasonality, and calendar effects). Moderate growth of 0.8 % is expected for 2025. Sluggish economic performance is increasingly reflected in unemployment figures; in September, the unemployment rate rose by 0.3 percentage points year-on-year to 6.0 %. A significant decline in unemployment is not expected before 2026. A positive development, however, is evident in consumer prices: inflation in Germany fell to 1.6 % in September. In response to this downward trend, the European Central Bank (ECB) has reduced interest rates several times in recent months, with further cuts likely.

The market's anticipation of the ECB's interest rate cuts is already reflected in financing rates, limiting the potential for further immediate declines. However, the start of the rate-cut cycle and associated expectations provide positive impetus for the market. Additional rate cuts are expected to reduce financing costs further in the medium to long term, thus stimulating the markets, and make fixed-income investments less attractive.

Prime yields for office and high-street properties in Germany's top five markets remained stable in Q3 compared to the previous quarter. Logistics properties saw a slight decrease of 5 basis points on average.

In Q3 2024, the prime yield for offices in the top five markets remained steady at 4.45 %, marking a 25-basis-point increase over the past year. Berlin and Munich continue to have the lowest prime yields at 4.40 %, followed by Hamburg at 4.45 %, and Dusseldorf and Frankfurt at 4.50 %.

For high-street properties, the average prime yield in the top five markets stands at 4.20 %, up by 10 basis points compared to Q3 2023. Prime yields range from 4.10 % in Munich to 4.30 % in Dusseldorf and Frankfurt.

Logistics properties experienced a 5-basis-point decrease across all top five markets, bringing yields to 4.35 %.

Germany's commercial investment market is expected to continue its moderate recovery. While the macroeconomic situation remains tense and letting markets are likely to remain subdued in many asset classes in the coming quarters, transaction activity is anticipated to increase due to monetary policy stimuli and more transaction efforts by institutional investors. Hence, a transaction volume of up to €25 billion is projected for the full year 2024, with yields expected to further decline in 2025.

SERVICES

- ASSET MANAGEMENT
- VALUATION
- CORPORATE SERVICES
- FINANCE ADVISORY
- INVESTMENT
- RESEARCH
- LETTING

ASSET CLASSES

- OFFICE
- DATA CENTER
- RETAIL
- HEALTHCARE
- HOTEL
- INDUSTRY/LOGISTICS
- LIFE SCIENCE
- MICRO LIVING
- RESIDENTIAL

LOCATIONS

- BERLIN
- BONN/COLOGNE
- ERFURT
- ESSEN/MÜHLHEIM
- FRANKFURT a. M.
- KÖNIGSTEIN i. T.
- MANNHEIM
- MUNICH
- STUTT GART
- ULM



**OWNER-MANAGED,
PERSONALLY DEDICATED**



**TRANSPARENT
AND TRUSTFUL
COLLABORATION**



**INTERNATIONAL
CONNECTED**



**ESG-COMPLIANT
CORPORATE
PHILOSOPHY**



**LOCAL MARKET
EXPERTISE**



**COMPREHENSIVE SERVICE
SPECTRUM**



**EXCEPTIONAL
RELIABLE**