Office real estate investment market not yet gaining momentum

▼ €0.1bn
Investment volume Q2 2025

▶ 0%
Portfolio quota

▲ 16%
Share of international Investors

▶ 5.50%
Prime office yield top major provincials

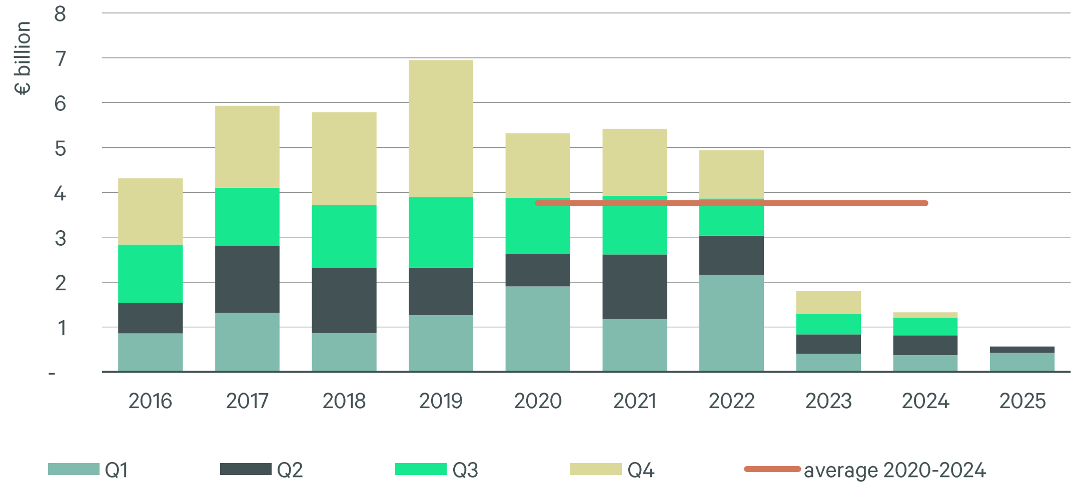
▼ 2.60%
10Y Bund

Arrows indicate change from previous quarter

The office investment market in the B locations and regional centers reached a transaction volume of just under €570m in the first half of 2025, 30% less than in the same period last year. In contrast, the top 7 locations, which accounted for 73% of the office investment volume, recorded a higher transaction volume than in the same period last year.

- While the transaction volume in the first quarter of 2025 was still higher than the previous year's figure, the second quarter of the year lagged significantly behind – also due to the lack of large transactions above the €50m mark
- As a result of the continuing demand for high-quality office space, rents on the German office markets increased compared to the same period last year. In the medium term, users' ability to make decisions is also likely to be positively influenced by the better signals from the leading macroeconomic indicators
- Outlook: the positive signals from the letting market and economic conditions are likely to increasingly fuel market momentum; marginal downward adjustments are possible for prime yields

FIGURE 1: Investment volume office properties in Germany ecxl. Top 7 markets



Source: CBRE Research

Market overview

While office investors already act selectively in the top locations, they were even more reluctant in the B locations and regional centres and only invested if the location, product, quality and thus the price absolutely fit the investment and investment profile. Accordingly, portfolio transactions remained an absolute exception.

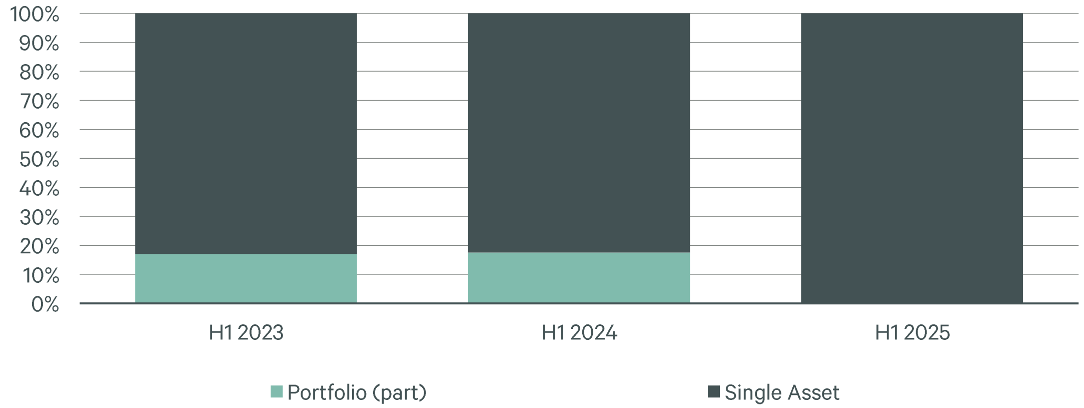
- 57% of capital – less than in the same period last year – flowed into core and core plus products, while their share in the top 7 locations increased to 65%
- Value-add products, on the other hand, accounted for 22%, compared to 13% in the top investment centers
- The average deal size fell by just under a fifth to around €13m, which was significantly below the German office property investment market as a whole (€21m)

Domestic players dominate the market

International investors, especially in more difficult market phases, prefer the more transparent and better-known top markets.

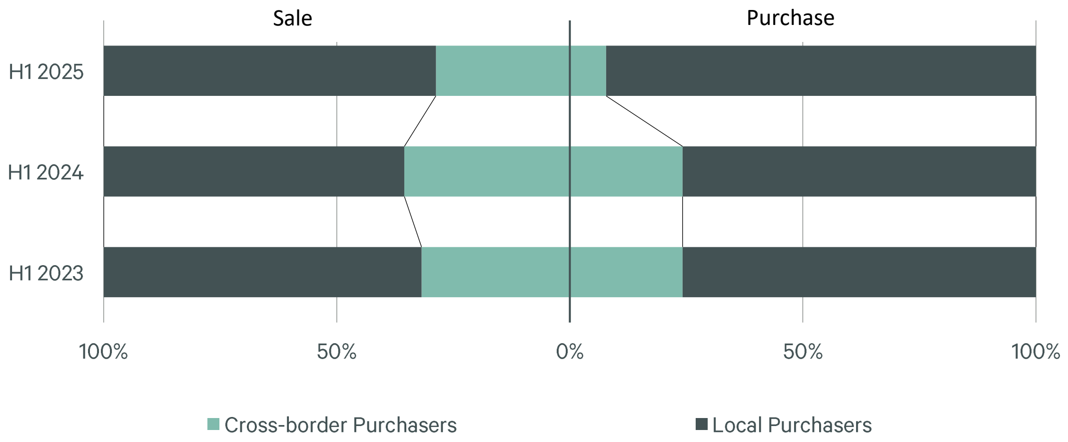
- This offers good exploratory and purchase options for local and regional players, not only for equity-rich private investors, who made up the third largest net buyer group, after real estate companies and the public administration
- Beyond the top markets, only Dortmund achieved a transaction volume in the three-digit million range with € 114m (and was thus ahead of the top locations Frankfurt am Main and Stuttgart) – mainly through purchases by the public sector in the first quarter
- This was followed by Hanover with just under €80m, as well as Leipzig and Bonn with just under €50m each, but the majority of this was already invested in the first quarter of 2025

FIGURE 2: Investment volume by type of transaction



Source: CBRE Research

FIGURE 3: Investment volume by investors' nationalities



Source: CBRE Research

Prime yields remained stable

As in the other asset classes, prime yields for office properties remained stable in the top markets as well as in the B locations and regional centers.

- The prime yields for first-class office properties in the top locations of the B locations and regional centers thus remained at 5.5%, while secondary locations continue to show 6.3%. The average of prime yields in the top 7 markets is currently 4.96%

- Since the reduction of the main refinancing rate and the deposit rate by 0.25%-points by the European Central Bank at the beginning of July, these have been 2.15% and 2% respectively. a further interest rate cut is expected in the course of the year. Nevertheless, the yields on the ten-year German government bond and the euro swap rate (ten years) are 2.6%, each a good 0.2%-points higher than at the beginning of the year

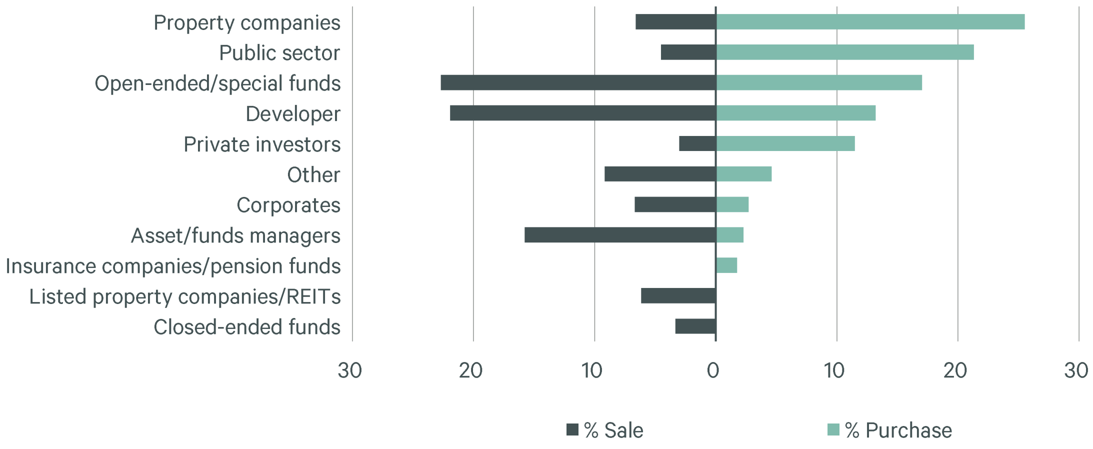
Outlook

The positive prospects of an end to the recession in the current year and growth in the following years provide a good foundation for the prospects on the German real estate investment market.

- After a more moderate development in the second quarter, transaction momentum in the European real estate markets is likely to pick up again, as the resilience of the European and, above all, the German economy makes real estate investments attractive; however, long-term interest rates have not fallen as much as expected six months ago, limiting yield erosion in the short term and thus benefiting investors looking for earnings growth

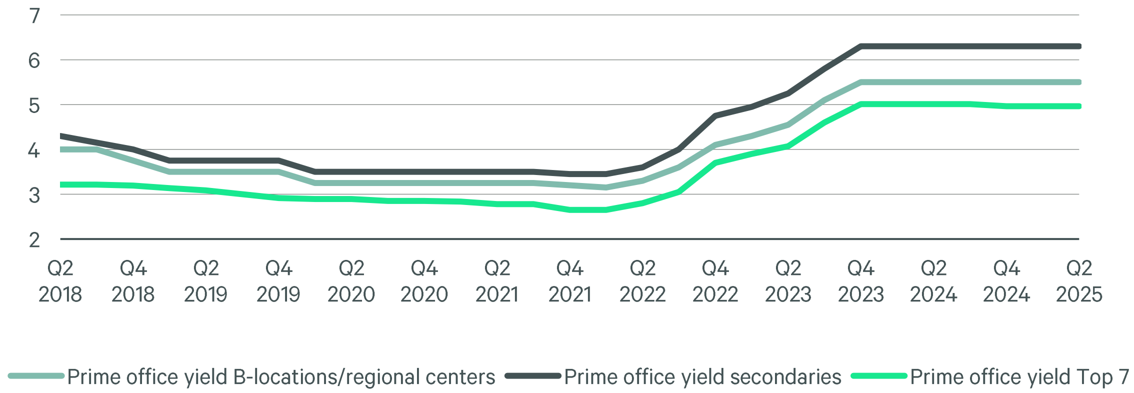
- In the coming months, minor downward adjustments to prime yields are conceivable. It can be observed that in the core segment and for absolute, liquid premium products, the price expectations between buyer and seller have continued to converge. Above all, wealthy individuals and family offices are buying at higher multipliers

FIGURE 4: Investment volume by type of investor



Source: CBRE Research.

FIGURE 5: Prime office yield



Source: CBRE Research - *Bonn, Bremen, Dortmund, Dresden, Duisburg, Erfurt, Essen, Freiburg, Hanover, Leipzig, Mainz, Mannheim, Münster, Nuremberg, Potsdam, Wiesbaden .

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