

Intelligent Investment

# Germany Residential Market Q4 2025

REPORT

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Residential investment market with increasing buyer activity and continued rental momentum

CBRE RESEARCH

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# Residential investment market

## Investment Volume

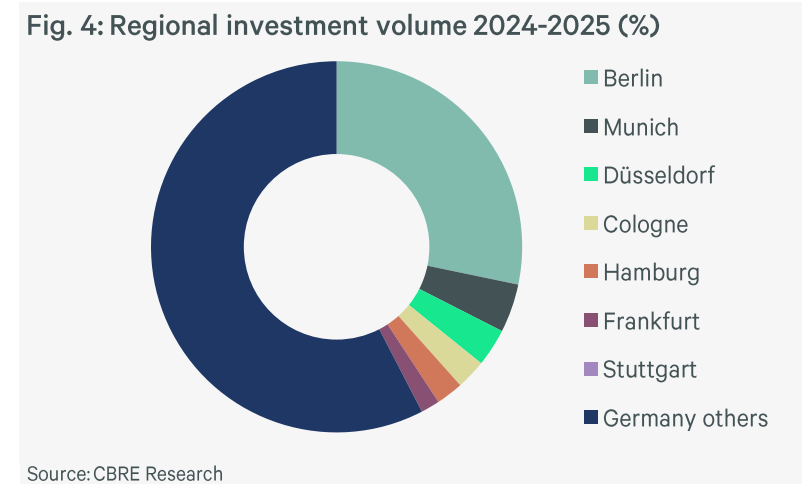
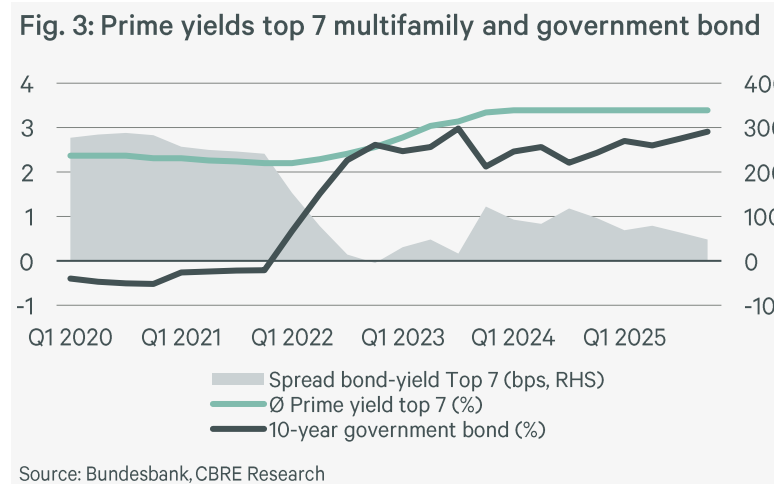
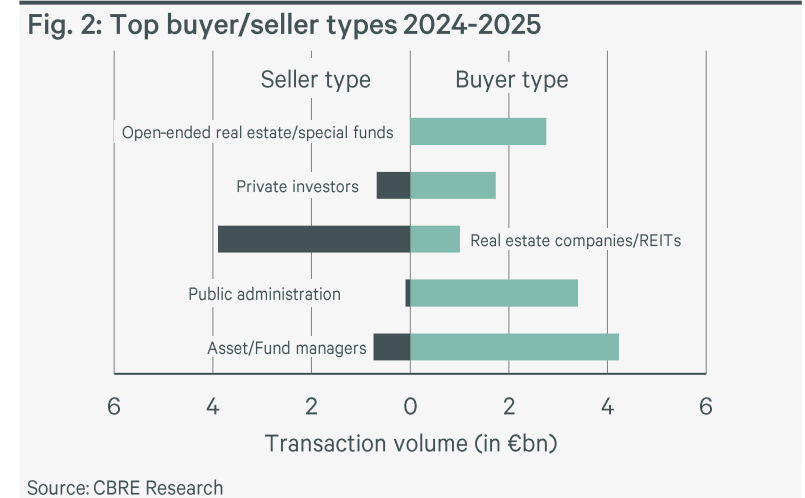
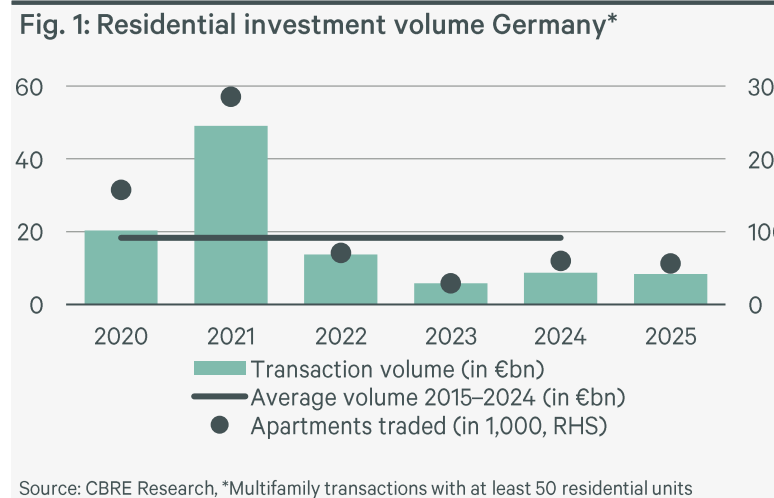
The multifamily investment market recorded a transaction volume of €8.4bn in 2025, slightly below the prior year. Residential remained the highest-turnover asset class in the German commercial real estate investment market with a 25% share. The number of transactions increased by more than 40% to 200 deals, while the average deal size decreased to approximately €42m. Large portfolio transactions were significantly lower than in the previous year, whereas single-asset transactions reached €4.3bn, marking a three-year high. Prime yields in the Top 7 cities remained stable at 3.40%.

## Trends

- Existing owners focused on performance optimization rather than large-scale disposals. On the buyer side, elevated financing costs and stricter equity requirements continued to widen bid-ask spreads.
- Value-add strategies accounted for 44% of total volume and thus formed the dominant buyer segment. International investors increased their use of forward fundings to enter the German residential market, reaching a market share of 35%, a 10-percentage-point increase YoY.

## Outlook

For 2026, a further market recovery is expected, supported by capital reallocation by institutional investors toward residential assets and a moderate improvement in construction activity. A transaction volume of up to €10bn with stable prime yields appears realistic.



# Housing supply and demand

## Residential Supply

The residential market continues to be shaped by structural undersupply, while developers remain challenged by high construction costs and restrictive lending conditions. Building permits for multifamily housing remain low but show initial signs of recovery, which is expected to continue into 2026. At the same time, the supply of rental housing continues to decline, while for-sale listings in the Top 20 markets are stable or slightly increasing.

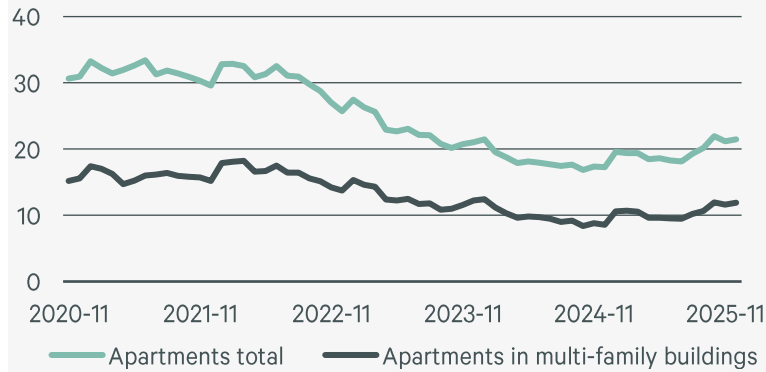
## Vacancy Index

Market-active vacancy remains low across most German cities. In the Top 20 markets, supply remains tight, particularly in the southern and western regions and in metropolitan areas, where vacancy rates often fall below 2%. Vacancy rates above 8% in rural eastern German regions are primarily driven by structural factors. Similar patterns appear in western transformation regions, where vacancy is also elevated.

## Outlook

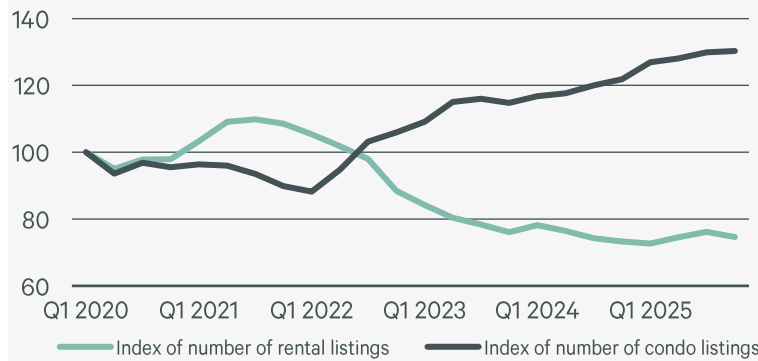
Despite high construction costs, a modest recovery in building permits is emerging. Residential construction lending volumes stabilized at €49.3bn in Q3 2025 but remain approximately 5% below the prior year. Listing data indicates continued low rental supply and increasing opportunities for condominium buyers.

Fig. 5: Housing supply and demand\* (in 1,000s of units)



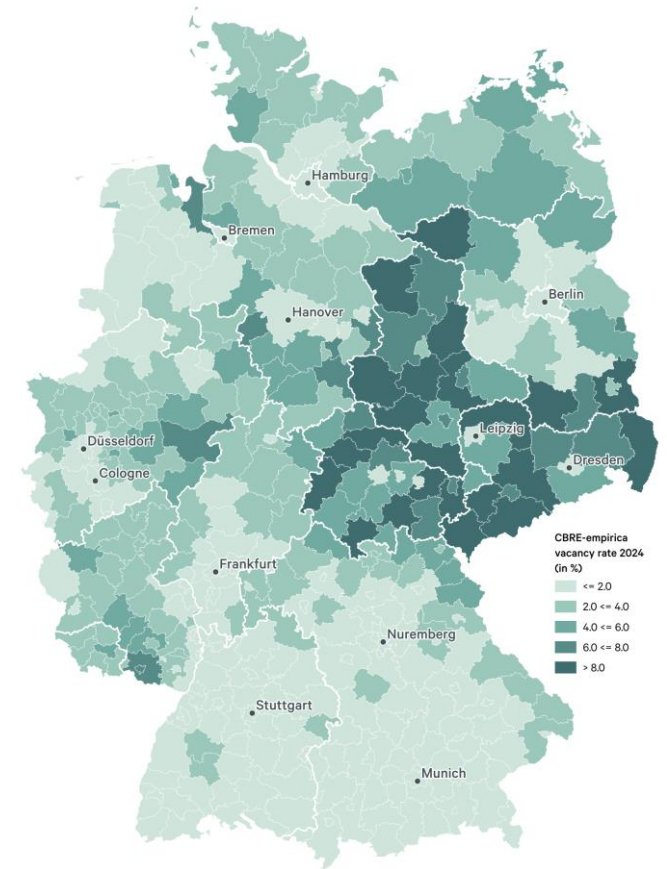
Source: Destatis, \*3-month rolling

Fig. 6: Index rental and condo listings top 20\* (Q1 2020=100)



Source: CBRE Research based on Value AG data, \*12-month rolling

Fig. 7: Vacancy rates in Germany 2024 (in %)



Source: Geobasis-DE / BKG 2024, empirica Regionaldatenbank

Source: CBRE Research, CBRE-empirica Vacancy Index, Destatis

# Rents and prices\* for owner-occupied apartments

## Rental Market

Across the Top 20 markets, median rents rose by approximately 5%, reaching new highs in many locations. Leipzig recorded rental growth of 7.5%, followed by Düsseldorf at 7.1% and Dresden at 6.9%. The Time-on-Market Index for rental listings, which indicates the availability of rental supply, has been declining continuously since mid-2024 and reached a new low of 91 points.

## Condominium Market

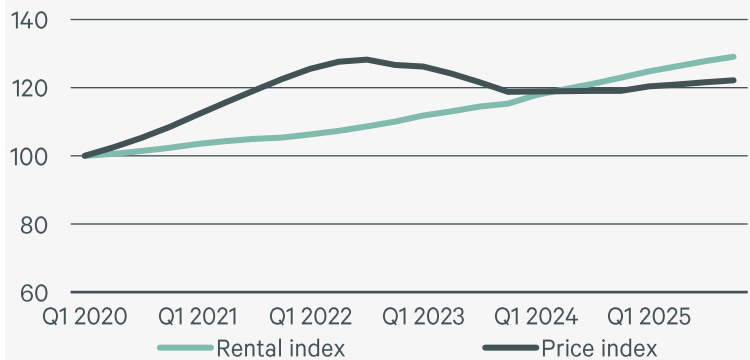
Listing prices for condominiums stabilized in the Top 20 markets and are rising in several cities. Average asking prices currently stand at approximately €4,100 per sq m, slightly higher than in the prior year. Essen recorded the strongest price increase at 8.8%, followed by Bonn at 8.1% and Dresden at 4.8%. Marketing periods for condominiums sized 60–79 sq m have shortened considerably. The national average is currently 67 days; a reduction of 27 days compared with the prior year.

## Outlook

Rental growth is expected to continue into 2026, as a significant increase in new construction activity is not anticipated before 2027. Only then are the effects of the recent uptick in building permits and changes in the funding framework likely to materialize. Moderate price increases remain probable in the for-sale market.

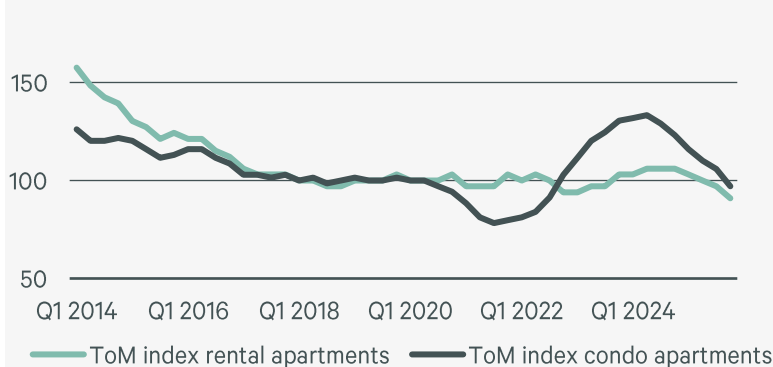
Note: The stated rental and purchase prices are based on apartment listings and do not represent actual existing rents and prices.

Fig. 8: Rental and price index top 20\* cities (Q1 2020=100)



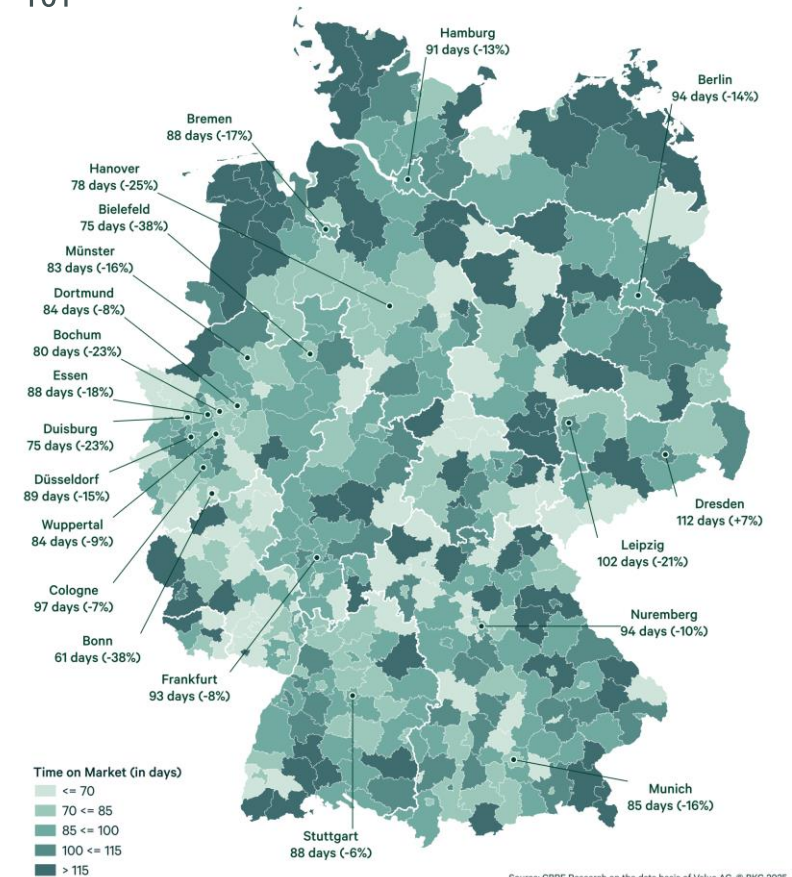
Source: CBRE Research based on data from Value AG, \*12-month rolling

Fig. 9: ToM index for rentals and condos\* (Q1 2020=100)



Source: CBRE Research based on data from Value AG, \*The Time-on-Market Index measures the relative change in average listing duration for units sized 30–130 sq m, using Q1 2020 as the baseline. The most recent data shows continued tightening in the rental market and shorter marketing periods for condominiums across the Top 20 markets.

Fig. 10: Time-on-Market\* of condos in the top 20 and change YoY



Source: CBRE Research on the data basis of Value AG, © BKG 2025

Source: CBRE Research based on data from Value AG, \*Time on Market: The map illustrates the length of time listings for condominiums with an average size of 60–79 sqm remain on the market, in days, in Q4 2025, as well as their percentage change compared to the previous year.

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