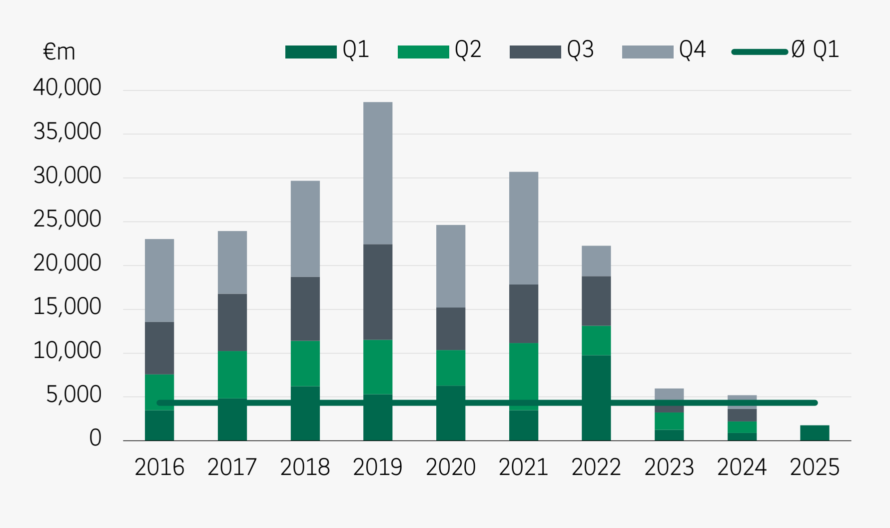
GERMANY

REPORT

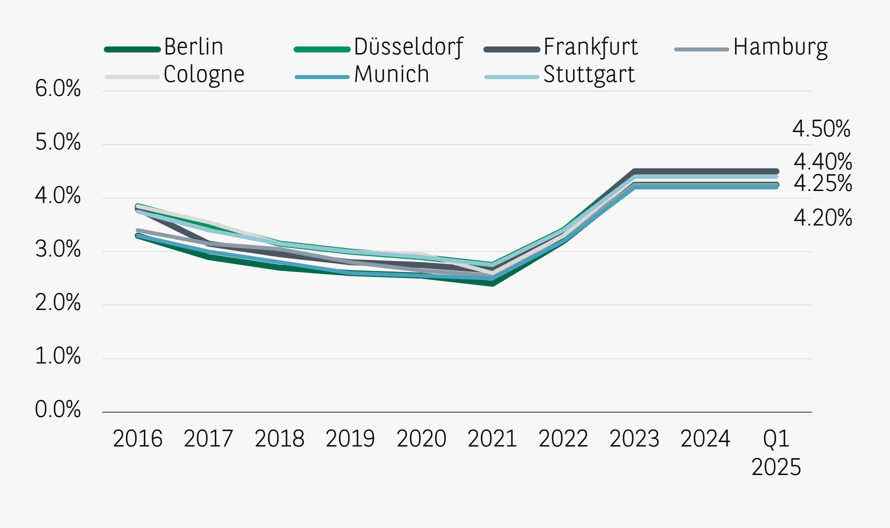
OFFICE INVESTMENT MARKET

Q1 2025

Development of office investment volume



Office net prime yields in A-locations



OFFICE INVESTMENT MARKETS: STRONG START TO THE YEAR

- In the first quarter of 2025, office properties regained their traditional leading role, which they had lost to logistics properties in the last two years. With an investment turnover of around €1.75 billion, they were able to double their previous year's figure. With a share of almost 30% of the overall result, they have been the asset class with the highest turnover to date. The sale of the Upper West in Berlin contributed to the good result with well over €400 million. But even without this benchmark transaction, offices would have secured first place.
- This is due to an increase in the number of sales as well as a noticeable rise in the average purchase price from just over €17 million (Q1 2024) to currently around €30 million per sale. A number of transactions were registered in the mid-market segment between €25 million and €100 million in particular. This shows that investors are increasingly regaining confidence in the medium and long-term development of the German office markets.
- The situation with regard to yield trends has currently changed considerably. This is due to higher financing costs in recent weeks and higher yields on German government bonds. As a result, the net prime yields at the beginning of the year are unchanged. For offices, they average 4.36% for A-locations. Munich remains the most expensive location at 4.20 %. It is followed by Berlin and Hamburg with 4.25%. Cologne and Stuttgart are quoted at 4.40% and Frankfurt and Düsseldorf at 4.50%.

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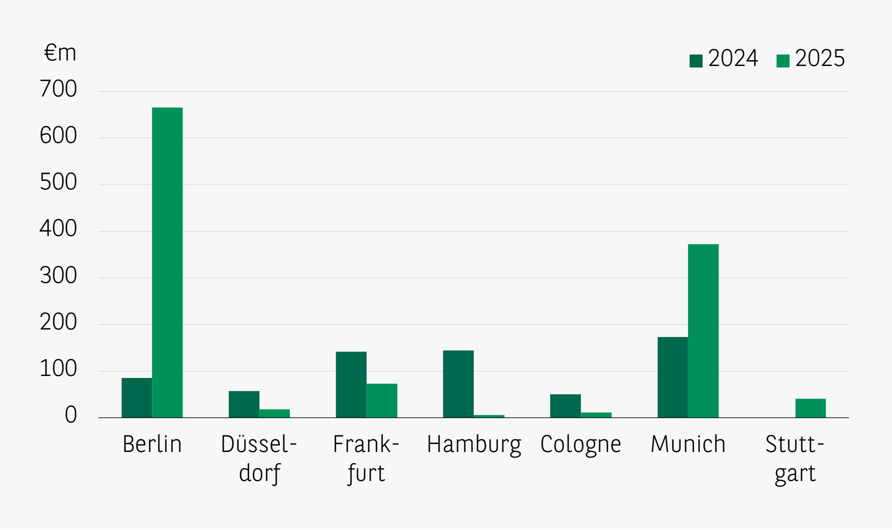
Office investments in A-locations Q1

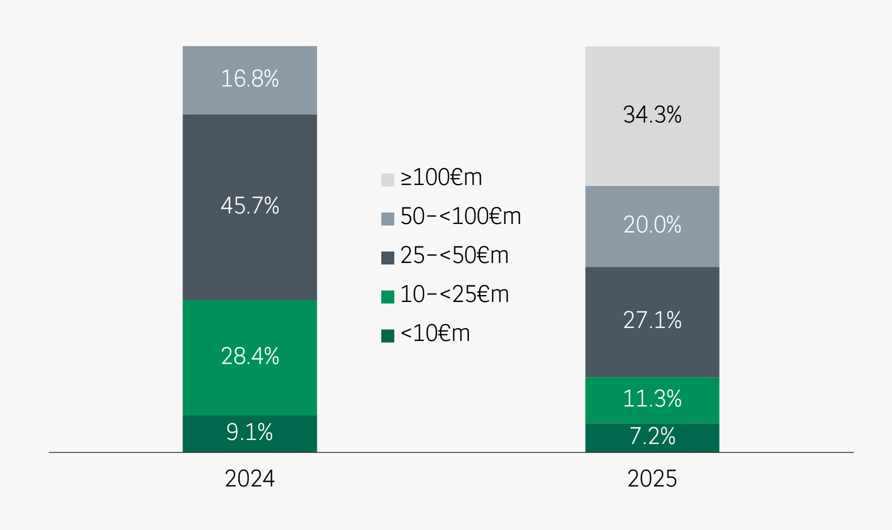


SIGNIFICANT INCREASE IN SALES AT A LOCATIONS

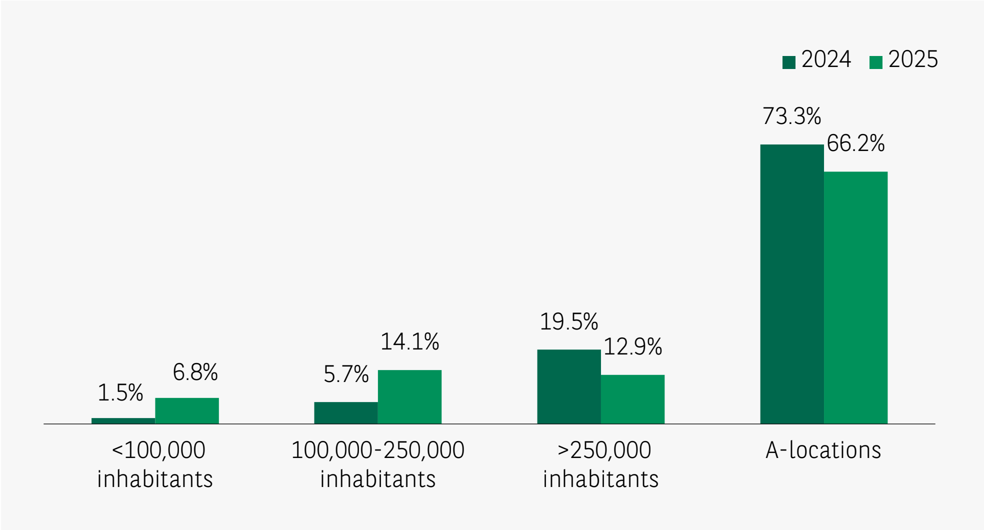
– Investment turnover in the German A-locations totalled just under €1.19 million and was significantly higher than in the previous year (+82%). Berlin is in first place with around €665 million. Sales increased almost eightfold, not least due to the sale of the Upper West. Munich is in second place with €373 million and an increase of 115%. The podium is completed by Frankfurt. In the metropolis on the Main, €73 million was invested (-48%). Stuttgart followed with €41 million, Düsseldorf with €18 million (-69%), Cologne with €11 million (-78%) and Hamburg with €6 million (-96%).

– Even though market activity in the major cities has generally become somewhat livelier, there are still relatively few major transactions. In the first three months of the year, only two transactions in the three-digit million range were recorded. Against this backdrop, very different developments can be observed within the individual markets in some cases.

Office investments by € category Q1



Office investments by city size Q1*



*excl. portfolios

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OUTLOOK

- How the office investment markets will continue to develop depends on a wide variety of factors. Possible effects result from both national and international contexts, the dynamics of which are difficult to predict. On the one hand, there are major risks for the entire global economy resulting from the tariffs announced by the USA, which could lead to a full-blown trade war. A worst-case scenario would have dramatic consequences for the further economic development of many countries.

- On the other hand, the special funds agreed for Germany, in conjunction with the greater financial leeway for defence spending, could provide additional growth impetus. Economic growth could be higher than currently forecast, which should benefit the occupier markets.

- Tailwinds are also likely to come from the office letting markets. They have been stable overall since summer 2024 and are slowly picking up speed. Take-up in Q1 2025 was almost 16% above the previous year's level, including some signal deals such as Commerzbank's 73,000 m². There are still signs of significant growth in rents, both at the peak and on average, driven by rising demand for modern space while construction activity remains low.

- From today's perspective, an accelerated recovery of the German economy is the most likely scenario, which will make investments more attractive again. In addition, many investors are likely to turn more towards the safe asset class of property. As a result, the transaction volume should continue to rise slightly over the course of the year. The situation is different in terms of yield development. Due to the changed framework conditions, yields are very likely to remain stable in the coming quarters.

Key facts office investment market Germany

INVESTMENT VOLUME	Q1 2024	Q1 2025	CHANGE
Total (€m)	**871**	**1,747**	**+100.6%**
Portfolio share	1.7%	0.0%	-1.7%pts
Share above €100 million	0.0%	34.3%	+34.3%pts
Share of A-cities	75.0%	67.9%	-7.1%pts
Share of foreign investors	13.1%	13.0%	-0.1%pts

NET PRIME YIELDS	Q1 2024	Q1 2025	CHANGE
Berlin	4.25%	4.25%	+0bps
Düsseldorf	4.50%	4.50%	+0bps
Frankfurt	4.50%	4.50%	+0bps
Hamburg	4.25%	4.25%	+0bps
Cologne	4.40%	4.40%	+0bps
Munich	4.20%	4.20%	+0bps
Stuttgart	4.40%	4.40%	+0bps

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CONTACT

BNP Paribas Real Estate GmbH

Franc Gockeln
Head of National Investment Team
Managing Director

Goetheplatz 4 | 60311 Frankfurt
Phone: +49 (0)69-298 99-0
E-Mail: franc.gockeln@bnpparibas.com

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