GERMANY

REPORT

RESIDENTIAL INVESTMENT MARKET

Q1 2025

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REAL ESTATE

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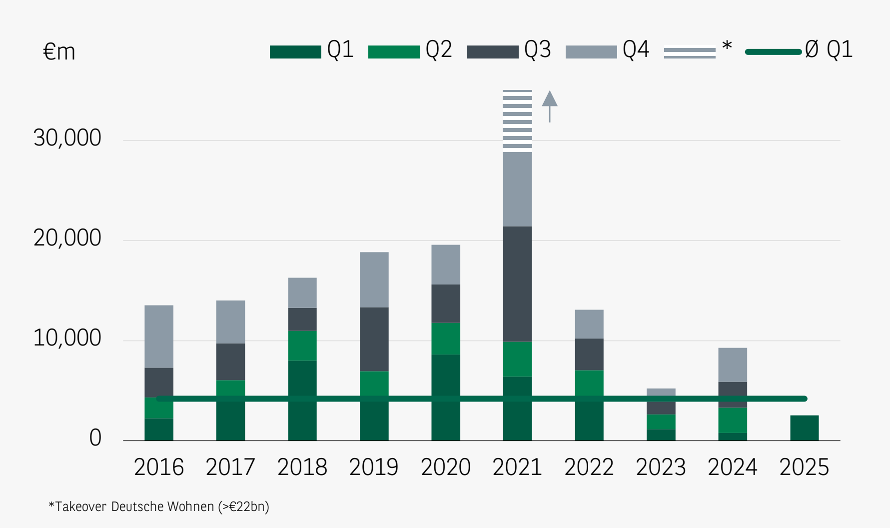
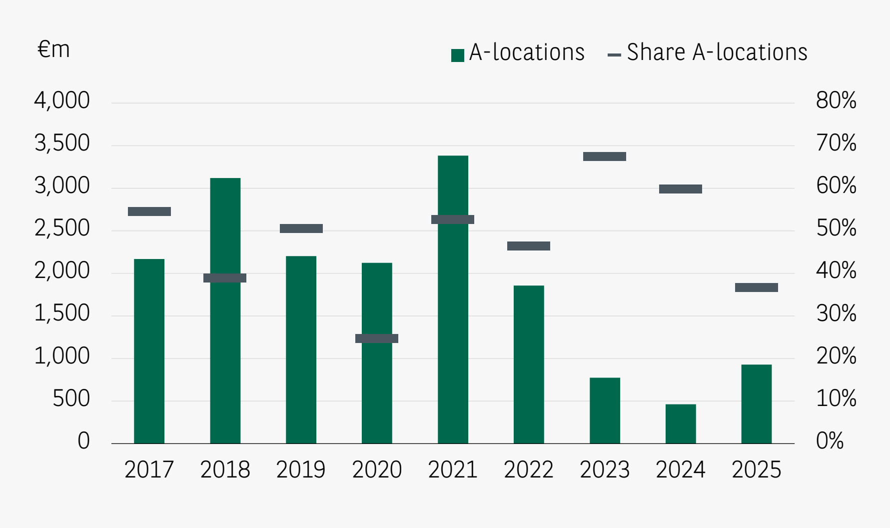
Investment volume residential portfolios



Residential investment volume in A-locations



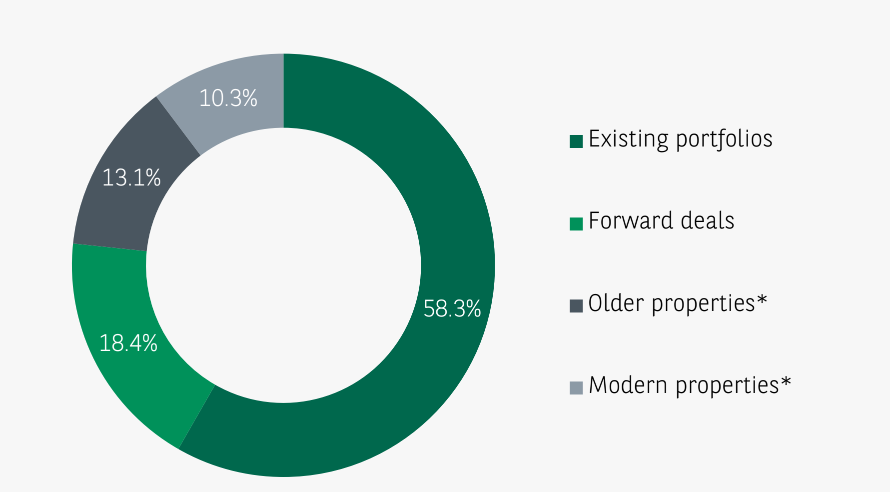
RESIDENTIAL INVESTMENT REMAINS ASSET CLASS WITH HIGHEST TURNOVER

- The German residential investment market was able to transfer the market recovery that began last year into the new year 2025. The investment volume increased significantly in the first three months compared to the previous year and around €2.5 billion was invested in larger residential portfolios (30 residential units or more). This means that the residential investment market continues to be the asset class with the highest turnover, well ahead of office (approx. €1.7 billion), logistics and retail (approx. €1.3 billion each). Although the long-term average was missed by 40%, the previous year's quarterly result was more than tripled.

- While larger existing portfolios still had an unusually low market share for the German residential investment market in the two previous years, they accounted for the largest share of the overall market in the first three months at €1.5 billion. On a positive note, the first major nationwide portfolios in the value-add segment were traded again. The increase in the number of large transactions and the significantly higher overall frequency of transactions finalised show that the uncertainties for investors are receding from the market and a sustainable price structure has emerged.

- What is striking about the distribution of the investment volume is that the solid investment environment of the A-cities has recently been less sought after. The A-cities only have a below-average market share of around 37% (Ø10 years: 48%). With an investment turnover of €545 million, Berlin also remains at a slightly below-average level of 22% (Ø10 years: 26%). One reason for this is likely to be the renewed importance of large-volume nationwide portfolios.

Residential investments by asset class Q1 2025

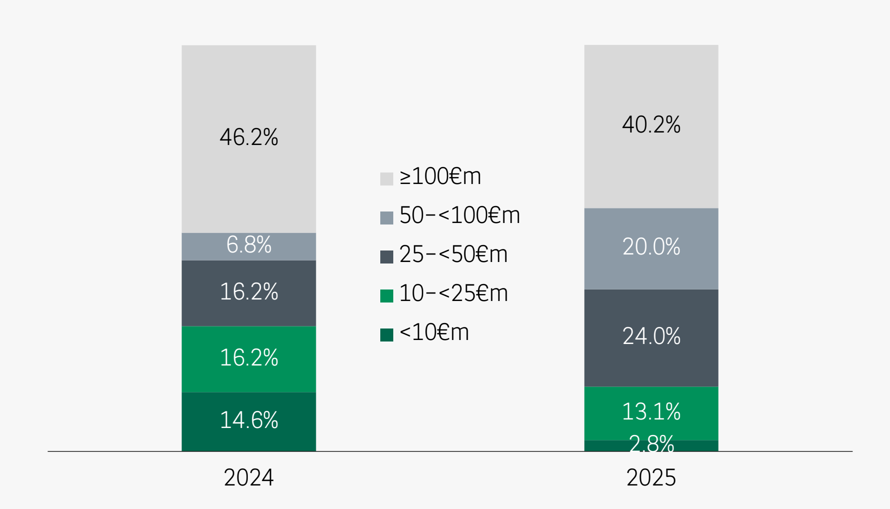


*Block sales in one location

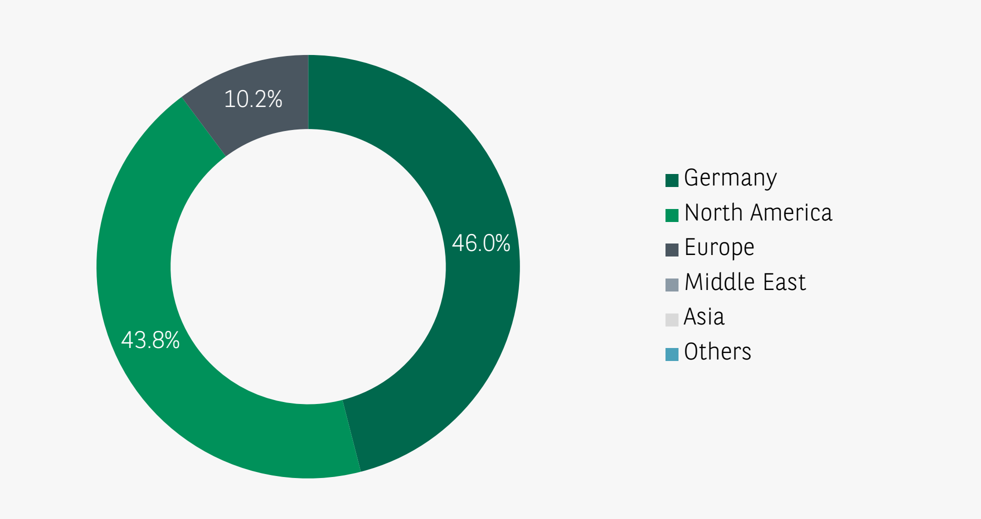
DEALS OVER €100 MILLION WITH 40% MARKET SHARE

- With a 58% market share (Ø10 years: 46%), existing portfolios dominate the market more strongly than in the past three years. However, with a cumulative total of just under €1.5 billion, they remain significantly below the ten-year average (just under €2.4 billion).
- Large deals over €100 million (Ø10 years: 50%) have the highest market share at 40% and an investment volume of around €1 billion to date. Three nationwide portfolios are responsible for this.
- In the current market environment, equity/real estate funds are by far the strongest buyer group with almost €1 billion and a market share of 39 % (Ø10 years: 10 %). They are often seen as first movers, as they can act flexibly and opportunistically with a high equity base. Property firms, special-purpose funds and investment/asset managers also have double-digit turnover shares.

Residential investments by € category Q1



Residential investments by origin of capital Q1 2025



OUTLOOK

- The noticeable increase in the number of transactions overall as well as in major transactions and the return of investor interest in the value-add sector can be seen as evidence that the consolidation and pricing phase has come to an end. The fact that the A-cities, which are usually particularly sought after as safe havens during periods of weakness, only recorded a below-average share of turnover in the first quarter is due to the return of the first major deals outside the A-cities and larger nationwide portfolios. The German residential investment market is increasingly regaining the confidence of investors and is able to assert itself as a reliable cash flow-generating asset class in volatile times and gain further momentum.
- Against the backdrop of the special funds adopted by the German government and the US government's tariff manoeuvres, further monetary easing by the ECB is currently more uncertain than ever. However, as the German fiscal package and US tariff policy tend to have opposing effects on SWAP rates, borrowing costs are likely to stabilise at the current level for the time being. The healthy fundamentals on the demand side, in particular the forecast population growth, also speak in favour of a further increase in investor interest. On the supply side, new residential construction will remain sluggish for the foreseeable future and will not be able to meet demand. This has already been reflected in the sharpest rent increases for many years. This process is likely to continue in the short and medium term.
- The market recovery is likely to gain momentum and breadth over the course of 2025. A realistic scenario is an investment volume in the double-digit billion range and a continuation of the yield compression that began in the past quarter until the end of the year.

Key facts residential investment market Germany

INVESTMENT VOLUME	Q1 2024	Q1 2025	CHANGE
Total (€m)	**771**	**2,522**	**+227.0%**
Share above €100 million	46.2%	40.2%	-6.0%pts
Share of A-cities	59.9%	36.7%	-23.1%pts
Share of foreign investors	29.2%	54.0%	+24.8%pts
Ø-number of units per transaction	115	288	+150.4%

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