GERMANY

REPORT

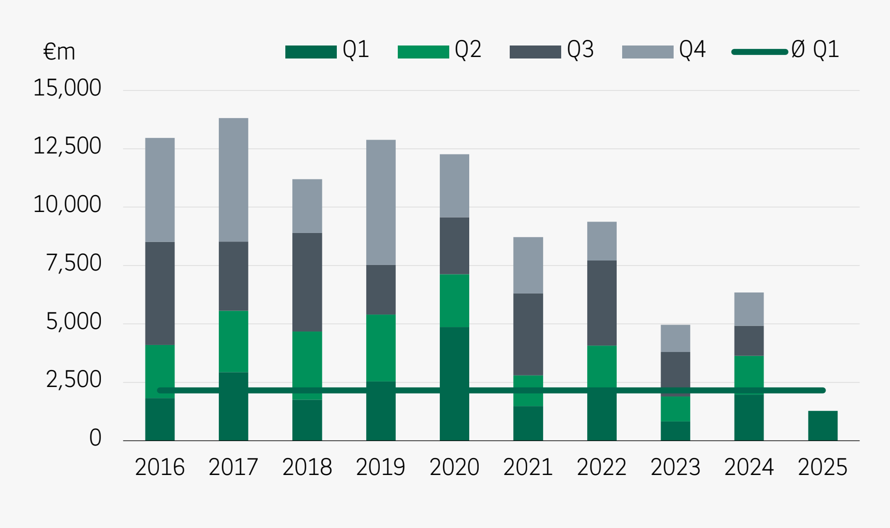
RETAIL INVESTMENT MARKET

Q1 2025

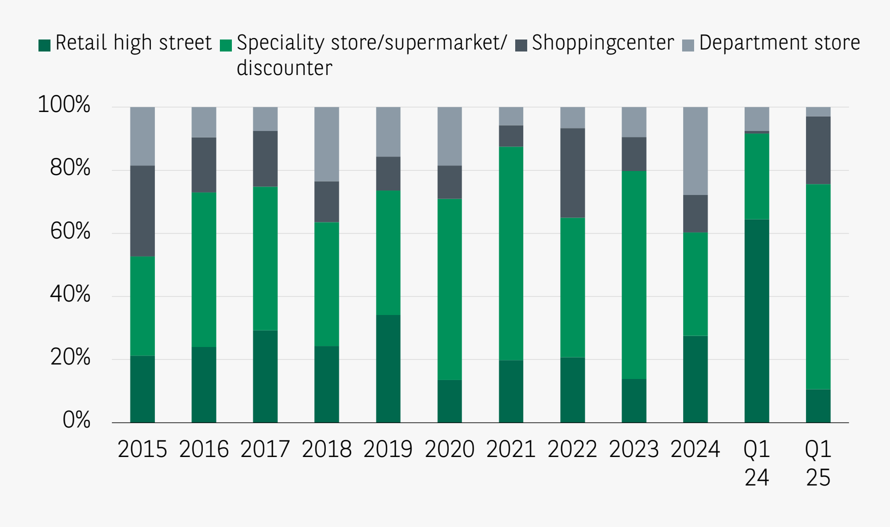
BNP PARIBAS REAL ESTATE

REAL ESTATE for a changing world

Development of retail investment volume



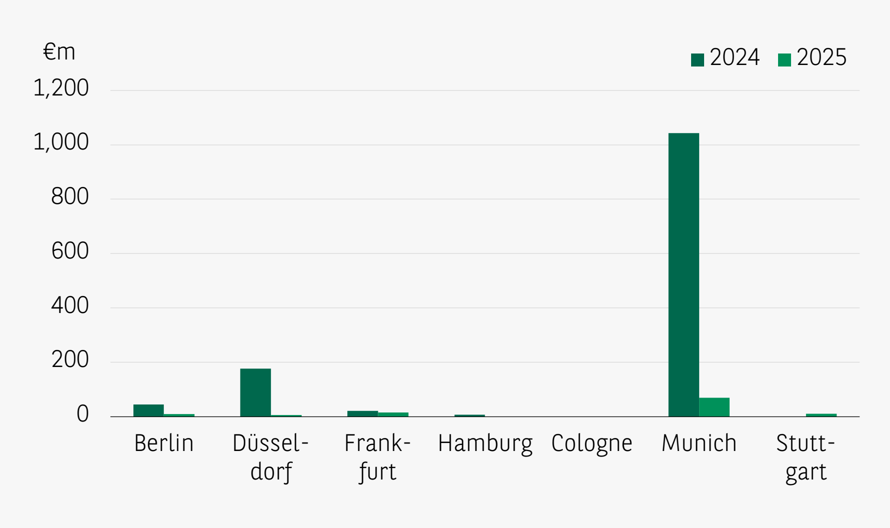
Retail investments by type of property Q1



STRONG MOMENTUM IN THE PORTFOLIO SECTOR; HOWEVER, SALES DRIVERS ARE STILL LACKING

- The retail investment market carried the momentum from year-end 2024 into the first quarter of 2025, albeit without being able to report an extremely high total volume in the interim results. Despite the good market momentum and a total investment volume of around €1.28 billion, the first three months of the year merely lacked the key sales drivers that were still decisive in the same quarter of the previous year. This observation is underlined by the fact that larger transactions of €50 million or more fell by 45%, while deals up to the €50 million mark were able to roughly maintain their previous year's level (-5%).
- In a comparison of the three most important commercial property types, the retail investment market did not take the top position as it did 12 months ago, but overall the top asset classes are once again relatively close to each other in a long-term comparison: office investments have regained the lead with a good €1.7 billion, while logistics and retail properties are almost on a par at almost €1.3 billion each.
- The portfolio segment is sending out positive signals, achieving the best Q1 result of the last 5 years (€682 million) and thus generating a higher volume than individual deals (€598 million). This phenomenon has only occurred sporadically over the years and was generally associated with larger company takeovers. The very good demand situation in the portfolio sector is currently primarily benefiting the retail warehouse and food sector which contributes almost 65% to the total. Shopping centres account for almost 22%, demand for high street properties remains consistently high, particularly in the small-scale segment (around 11%) and department stores' investments have so far recorded a low 3%.

Retail investments in A-locations Q1

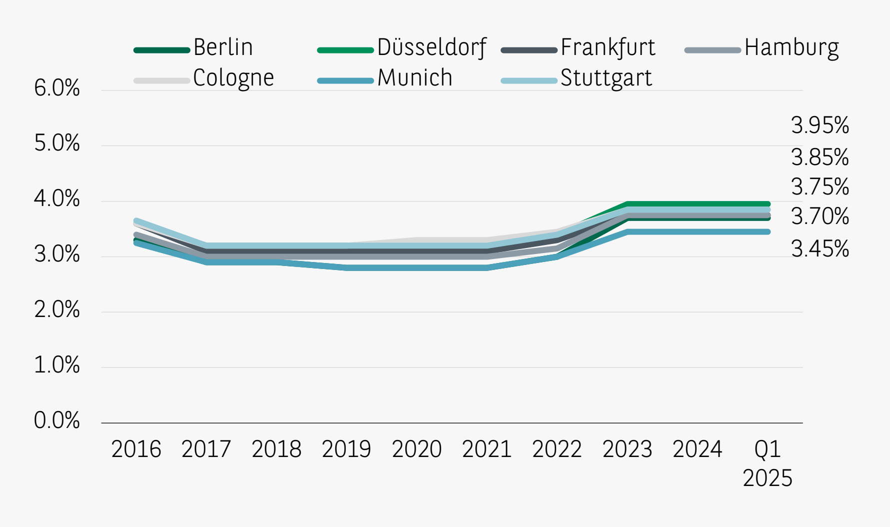


HARDLY ANY TURNOVER IN A-CITIES, PRIME YIELDS STABLE

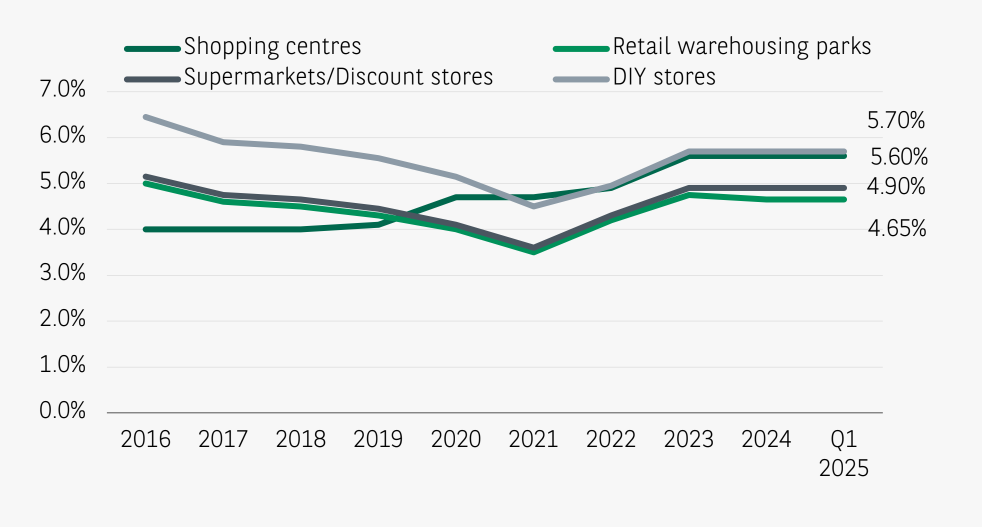
- In the context of the market-dominating volume of retail warehouses, it is not surprising that the A-locations, which are generally characterised by large-volume high street or shopping centre sales, have so far only been able to participate in the result to an limited extent. To date, only a few smaller properties have been sold in the top markets. However, this should be seen as a snapshot and it can be assumed that investment volumes in the high street sector in particular will pick up significantly over the remainder of the year.

- There were no changes in net prime yields in the first three months, after only retail parks increased in price again for the first time at the end of the year (4.65%). Individual food retailers remain at 4.90 %, shopping centres at 5.60 % and DIY stores at 5.70 %.

Retail high street net prime yields in A-locations



Retail net prime yields by type of property



*excl. portfolios

OUTLOOK

- Developments over the course of 2024 have noticeably improved the positioning of the retail investment sector within the commercial property market. The retail segment continued to benefit from this in the first quarter of 2025 and maintained its positive market sentiment.
- In view of the fact that several larger transactions are already in the preparation phase, we can also expect turnover to increase over the remainder of the year. Taking into account the dynamic developments at the end of the year with the numerous finalised sales processes and sometimes long lead times from the start of marketing to the notary, the current result is even put in a better light.
- In terms of property types, the overall focus of demand remains clearly on retail warehousing and food investments as well as portfolios in this segment. At the same time, however, there is currently also increasing momentum and offers in the shopping centre segment, among others. In addition, high street investments remain an asset class that is still in high demand, primarily in terms of macro and micro locations, given favourable conditions.
- Due to the very diverse investment opportunities that retail investments currently offer, the investor base from Germany and abroad is also relatively broad. This also represents a very good starting position in a resurgent investment environment.
- In the slipstream of the market conditions outlined above, the stabilisation trend in prime yields is expected to continue despite the recent slight increase in financing costs. In the specialist retail segment, however, it cannot be ruled out that prices will demonstrably rise again in the short to medium term, particularly for food-anchored property types.

Key facts retail investment market Germany

INVESTMENT VOLUME	Q1 2024	Q1 2025	CHANGE
Total (€m)	**1,974**	**1,280**	**-35.2%**
Portfolio share	14.0%	53.3%	+39.3%pts
Share above €100 million	61.8%	51.4%	-10.4%pts
Share of A-cities	65.4%	8.7%	-56.7%pts
Share of foreign investors	22.5%	60.2%	+37.7%pts

NET PRIME YIELDS	Q1 2024	Q1 2025	CHANGE
Berlin	3.70%	3.70%	+0bps
Düsseldorf	3.95%	3.95%	+0bps
Frankfurt	3.75%	3.75%	+0bps
Hamburg	3.75%	3.75%	+0bps
Cologne	3.85%	3.85%	+0bps
Munich	3.45%	3.45%	+0bps
Stuttgart	3.85%	3.85%	+0bps

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