GERMANY

REPORT
GROCERY INVESTMENT MARKET

EXPO 2025

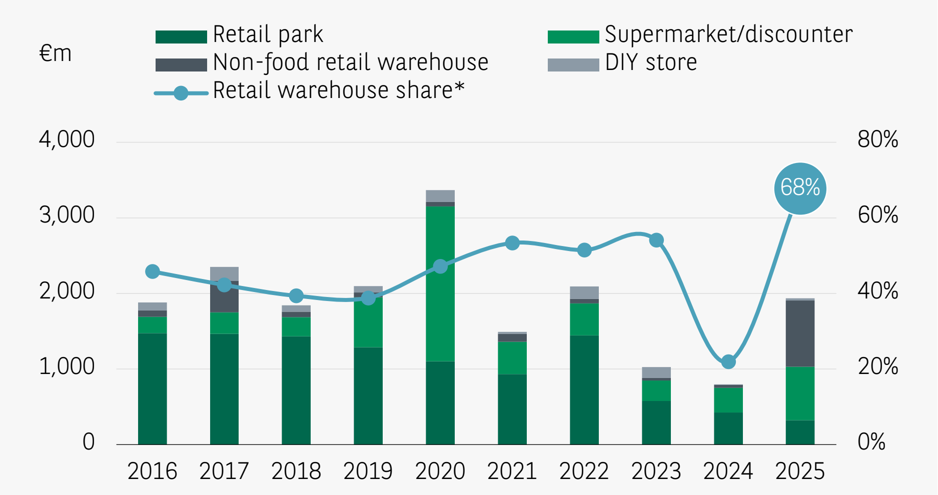
BNP PARIBAS REAL ESTATE

REAL ESTATE for a changing world

2025 MID-YEAR RESULT WITH STRONG YOY OUTPERFORMANCE

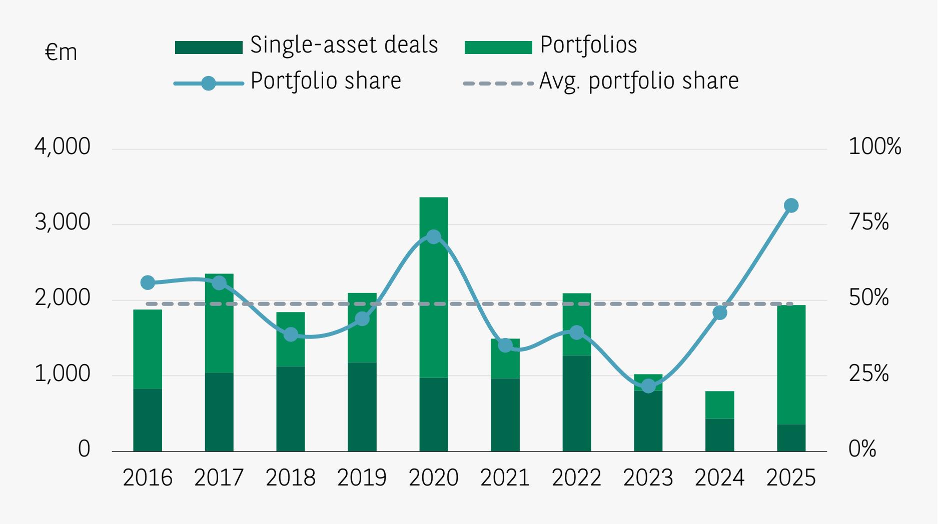
- The transaction volume in the retail warehouse segment amounted to over €1.9bn at mid-2025. This exceeded the previous year's weak result by around 1.5x as well as the 10-year average by almost 3%. Following a lower share of the total retail investment volume in the previous year, the sector now accounts for around 68%. This strong result can mainly be attributed to XXXLutz's acquisition of Porta Group, in which the prominent Austrian furniture filialist purchased more than 100 non-food retail warehouses in the high nine-figure range. This put the portfolio share at a high 81% at mid-year.
- However, the strong momentum in the food segment also contributed to the notable increase in retail warehouse transaction volume. In this context supermarkets and discounters particularly stood out, recording the second-best mid-year result in the past 10 years at more than €700m.

German retail warehouse transaction volume H1

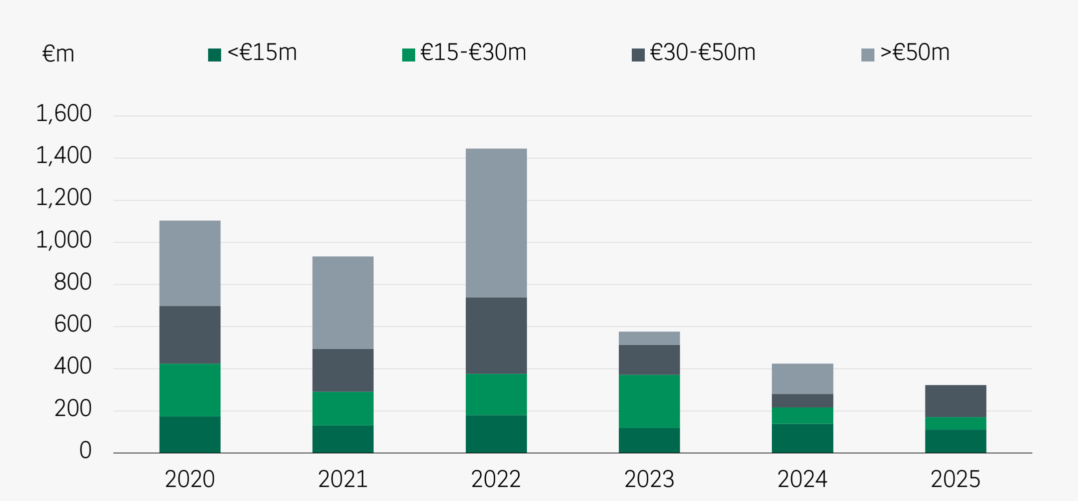


*in German retail transaction volume

Retail warehouse transaction volume: single vs. portfolio deals H1



Retail park transaction volume* by deal size H1



*exclusively food-anchored retail and local shopping centres

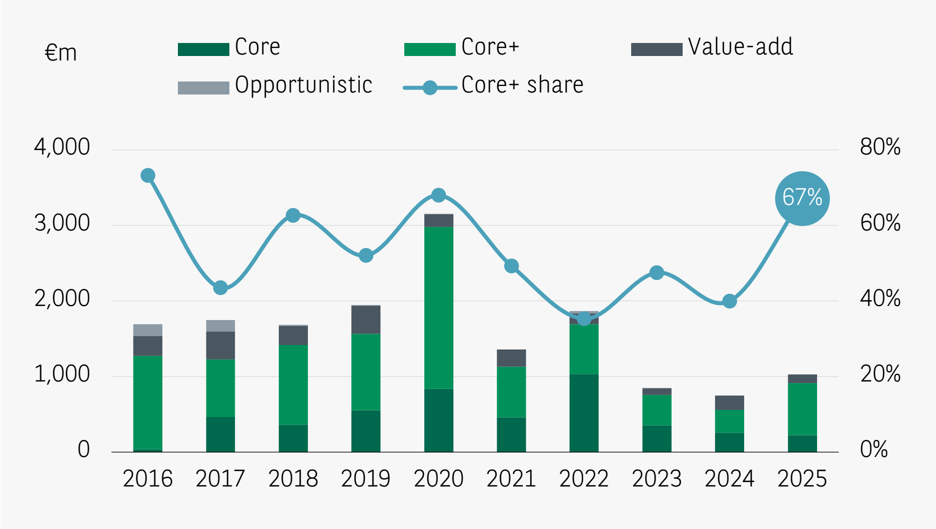
HIGH INVESTMENT ACTIVITY EVEN IN TURBULENT TIMES

- Investor's demand for food retail warehouses in established local supply locations remains high. In this respect Investors like the fact that sales in this asset class do not depend on the economic cycle during these still volatile times. The sector can also be described as the blue-chip segment of the German retail investment market. Investors poured a total of roughly €1bn into food-anchored properties in H1 2025, reflecting a year-on-year increase of around 37%. While the core segment saw a moderate decline of 13%, core+ investments experienced a very good momentum with transaction volume more than doubling year-on-year to €690m in H1, the highest since 2020.

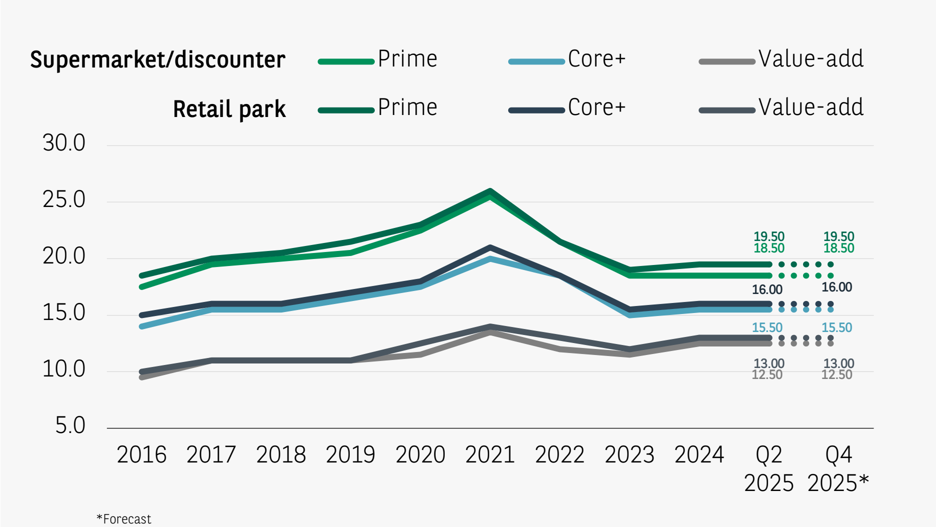
- Prime yields remained stable in H1 2025. Just as at the end of the year 2024, food-anchored retail warehouses and retail parks recorded multiples of up to 18.5x and 19.5x, respectively.

TWINPEAKS Portfolio | Bensheim

Food retail investments by risk class H1



Multiples by asset type and risk class



*Forecast

Selected food retail portfolio deals in the past 10 years*

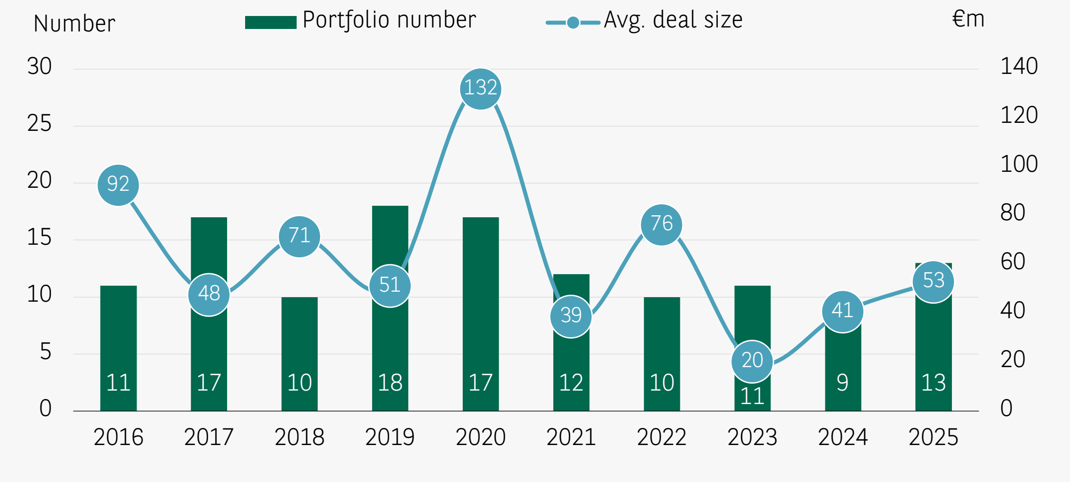
Year	Portfolio name	Volume in €m	Number Assets	Seller	Buyer
2025	Penka	120	22	PK-Höchst	Habona
2025	Three Lions	70	3	Patrizia	confidential
2024	Blue Mountains	>200	31	Branicks	GRR
2024	Saphir	120	16	Lidl	Captiva
2023	Kiwano	900	188	X+bricks	Slate
2023	Royal Blue	240	76	Pimco	Aldi Süd
2022	Oceans	380	13	Hahn	CEV
2022	Oyster	100	3	Gold Tree	HIH
2021	Touchdown	440	12	Patrizia	MEAG
2021	Power Bowl	315	50	Patrizia	GPEP
2021	Truffle	230	35	Habona	GPEP
2020	Reverse	490	120	TLG	X+bricks
2020	Tandem	110	6	Edeka Rhein-Ruhr	Redos
2019	Salt and Pepper	310	13	Patrizia	Hahn
2019	Superfood	230	68	Patrizia	GPEP
2018	Olymp	370	12	Nuveen	Redos
2018	Benchmall	150	42	Fundreal	GRR
2017	Quest	400	85	PGIM	Patrizia
2017	Bordeaux	250	10	AEW	Redos
2016	Forum	320	25	Savills IM	Patrizia
2016	Victoria	250	21	LaSalle IM	Patrizia

*the 2 largest transactions of the year

PORTFOLIOS CONTINUE TO DRIVE INVESTMENT MOMENTUM

- Food retail investments are still dominated by portfolio deals while the other commercial asset classes have seen a very low dynamic following the change in the interest rate in 2022. Although average portfolio deal size had temporarily fallen to around €20m by mid-2023, it has increased again in the meanwhile, landing at around €53m in H1 2025. Transaction sizes are therefore once again attractive to institutional investors, particularly to those from outside of Germany.
- Apart from the Penka portfolio, no other food retail transaction with a volume of more than €100m has been finalised this year to date. However, this is solely due to the lack of product. Investor's demand is high and portfolios in the range of more than €50m are being quickly absorbed by the market. This once again confirms the strong momentum in the portfolio segment between €50m and €100m recorded in the summer months. Some investors are taking advantage of this favourable moment to add small-volume portfolios to expand their portfolio strategies.

Food retail portfolio deals in H1

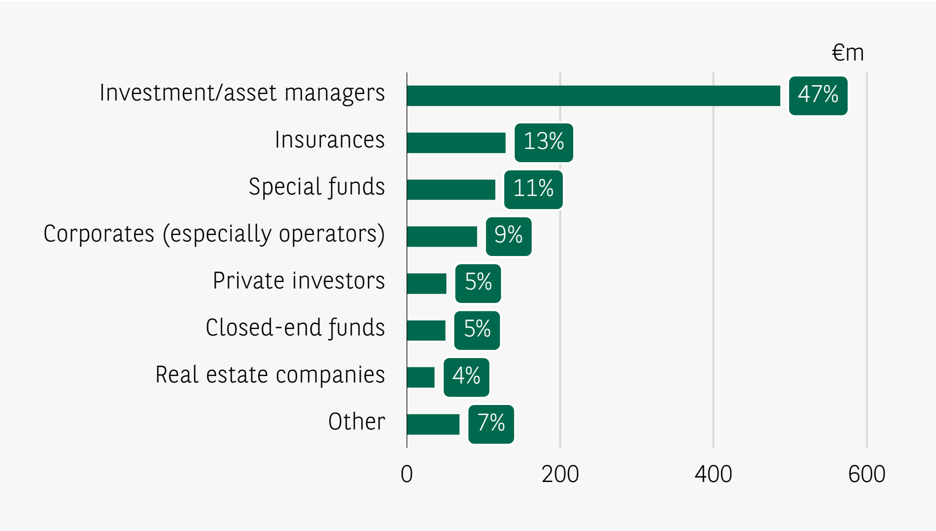


INVESTMENT MANAGERS BY FAR MOST ACTIVE

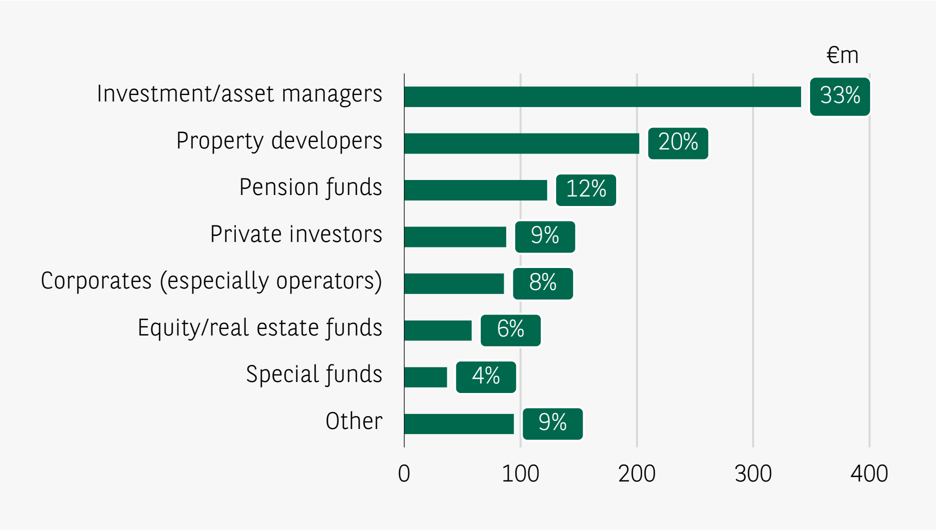
- Investment and asset managers continue to be the most active players in the market, pouring around €487m into German food retail assets in the first half of the year (this includes the aforementioned acquisitions by Slate). That gives them a total market share of around 47%. Insurance companies and special funds were almost on a par at 13% and 11%, respectively. Habona Invest's acquisition of the Penka portfolio on behalf of an insurance company had a positive impact on the insurance sector's share. Special funds particularly targeted single assets and smaller portfolios.
- Investment managers generated lively transaction activity in the smaller and medium-sized portfolio segment with a market share of 33% on the seller side of investments. Property developers came in second with 20%, snapping up smaller portfolios in addition to numerous single assets, particularly in cities with a population of less than 100,000. Thanks to the Penka portfolio deal, pension funds recorded a share of 12%.

ShoreLine Portfolio | Albersdorf

Top food retail buyer groups H1 2025



Top food retail seller groups H1 2025



Tenants: food retail vs. non-food retail warehouses*

Feature	Food retail	Non-food retail warehouses
Average location loyalty	17.8 years	15.4 years
Average rent	€10.75/sqm	€10.45/sqm
Number of prime tenants	6	15
Prime multiple	18.5x	13.0x

*Table is based on the analysis of approx. 2,500 leases, of which around 2,000 are with food retail tenants and 500 with non-food retail tenants.

Overview of top 15 non-food retail tenants*

NON-FOOD RETAIL PARKS ARE HIDDEN CHAMPIONS - AN UNDERESTIMATED, HIGHLY STABLE ASSET CLASS

– In addition to "traditional" investment products in the food retail sector, which have been popular for many years, non-food assets have positioned and established themselves very successfully in the second-tier retail warehouse segment.

– BNPPRE's analysis of a total of 2,500 leases, including 2,000 food retail and 500 non-food retail leases in the 400 sqm to 1,000 sqm segment, impressively shows why investors are broadening their investment horizon and are increasingly targeting non-food retail warehouses. Although this group of investors is still quite small, they are very active.

Key findings:

- The dominant use types in the non-food retail segment are drugstores, pet supplies, fashion & shoes and non-food discounters. This combination forms attractive **tenant clusters with high customer loyalty**.
- The **location preferences** of these non-food retailers are similar to those in the food segment. They are often located in the immediate vicinity of food retailers but can also be found in prime standalone locations.
- Non-food retail warehouses boast similarly **high location loyalty** as food retailers. The average lease term in the food retail segment is 17.8 years compared to 15.4 years in the non-food segment. This indicates that established tenants in successful locations are happy to opt for lease extensions.
- **Sustainable and rising rents** in both segments of €10.75 per sqm (food retail) and €10.45 per sqm (non-food retail) ensure that ongoing maintenance costs are covered.
- The **higher number of strong covenant tenants** in the non-food segment facilitates greater flexibility and stronger negotiating positions for new and re-lettings. While only 6 tenants account for 88% of the rental space analysed in the food retail segment, 15 tenants account for 85% of the rental space analysed in the non-food segment.
- The required retail space is typically under 800 sqm and therefore provides additional **flexibility in terms of re-letting** and use, resulting in further risk minimisation.
- The highest multiple in the non-food segment is currently recorded at 13x, compared to 18.5x in food retail. This offers investors an **attractive yield premium.**

CONCLUSION & KEY TAKEAWAYS

- The retail warehouse segment is sending out positive signals. Demand for attractive products remains high and transaction activity accelerated further in the first half of the year. At around €1.9bn, transaction volume has almost reached the full-year level recorded in 2024 (about €2.1bn).

- While transaction volume for retail parks in H1 2025 was recorded well below the previous year's level due to limited supply, supermarkets, discounters and the non-food segment posted very good figures. The non-food segment experienced a boost in transaction momentum, even without including the Porta acquisition. The small but very active group of investors is growing steadily and taking advantage of space, tenant and lease structuring opportunities.

- Investment activity in the retail warehouse segment is expected to remain high. In addition to the strong food retail segment, the non-food segment is also set to continue to grow. Adding non-food assets to food retail portfolios could potentially lead to increased returns. The segment offers attractive returns with high stability.

Key figures

TRANSACTION VOLUME	H1 2024	H1 2025	CHANGE
Retail warehouse total	799	1,937	142.5%
Portfolio share	45.8%	81.3%	35.5 pp
Foreign buyer share	22.8%	69.1%	46.3 pp
MULTIPLES	**H1 2024**	**H1 2025**	**CHANGE**
Prime supermarkets/discounters	18.5	18.5	+0.0
Core+ supermarkets/discounters	15.0	15.5	+0.5
Value-add supermarkets/discounters	11.5	12.5	+1.0
Prime retail parks	19.0	19.5	+0.5
Core+ retail parks	15.5	16.0	+0.5
Value-add retail parks	12.0	13.0	+1.0

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