

REVIEW RESIDENTIAL INVESTMENT MARKET

GERMANY Q4 2025

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



Q4 2025

RESIDENTIAL INVESTMENT MARKET

- RESIDENTIAL: ASSET CLASS WITH HIGHEST INVESTMENT VOLUME
- MOMENTUM PICKED UP IN THE FINAL QUARTER

KEY FIGURES

8,911 ▽ -4.1% y/y
Investment volume (€m)

54.3 ▽ -23.0% y/y
Portfolio share (in %)

31.3 ▽ -23.0% y/y
Deal size (in €m)

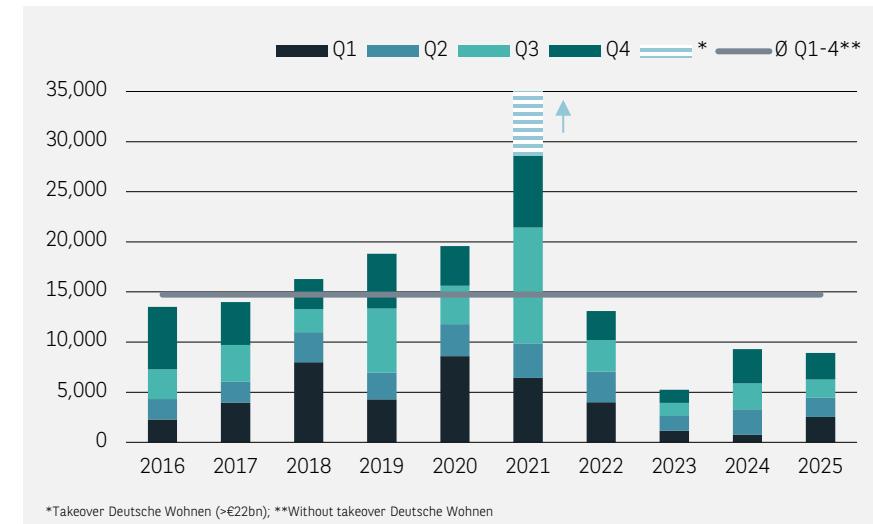
MARKET OVERVIEW

In the fourth quarter of 2025, the German residential investment market continued its market recovery from the first half of the year with slightly increased momentum. In total, around €8.9 billion was invested in larger residential portfolios of 30 residential units or more in 2025. This was just short of the previous year's result (by 4%). Residential is thus the asset class with the highest investment volume in the German real estate market. The solid result for this market phase and the improved sentiment are reflected in the increased contribution of large-volume portfolios, including those from the value-add segment, as well as forward deals. In particular, the renewed demand for nationwide portfolios is driving the market recovery and shows that investors are increasingly realizing investment opportunities even outside the A-cities.

The registered investment volume increased again in the final quarter compared to the two previous quarters. This is also visible in an increased transaction frequency, which can be seen as a positive indicator for the market. Despite the continuing weakness of the economy and existing geopolitical risks, the German residential investment market is well supported by the good prospects on the occupier side and the improved availability of capital. This is reflected in an extensive deal pipeline that will have a significant impact on market dynamics in the coming months.



Investment volume residential portfolios



Residential investment volume in A-locations





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RESIDENTIAL INVESTMENT MARKET

- ABOVE-AVERAGE SHARE OF FORWARD DEALS
- INVESTOR BASE MUCH BROADER AGAIN

INVESTMENT MARKET STRUCTURE

Large deals of more than €100 million currently account for a third of the total investment volume. Although this is the highest share of the segment, the large-volume segment contributes less to the total volume than the long-term average (53%). In contrast, the size segments up to €100 million were comparatively buoyant at a good €5.9 billion and were also able to post a result in the range of the long-term average in absolute terms.

Forward deals registered an above-average share of 29%. Modern existing properties account for a share of 12% (Ø10 years: 6%), which also indicates an increased attractiveness in this segment. This development reflects both the improved access to debt capital in recent quarters and the continued strong demand for new-build properties. Large-volume existing portfolios are also currently making an increased contribution to the total investment volume, with a share of 40%.

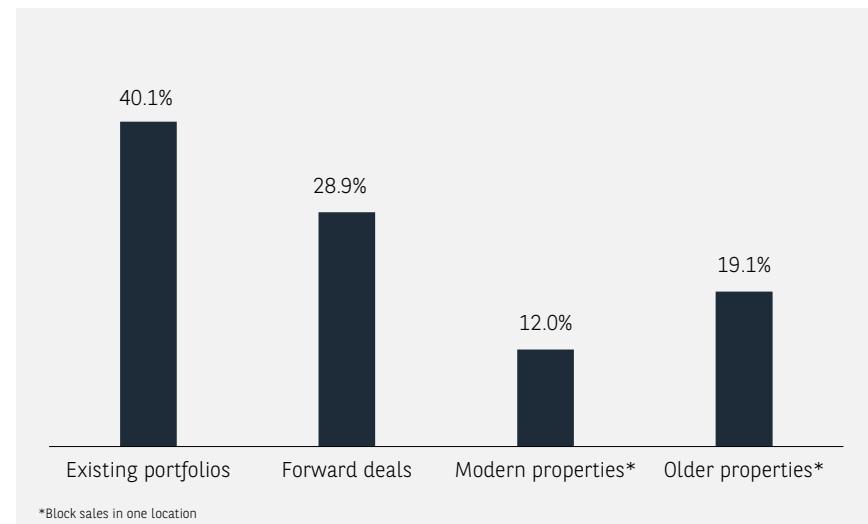
Evidence of the market recovery, which is also gaining momentum across the board, is the high demand from various buyer groups: five buyer groups each account for market shares in the double-digit percentage range or a transaction volume of over €1 billion. Investment/asset managers are the buyer group with the highest volume at €1.7 billion and have an above-average market share of 19%.

Residential investments by € category

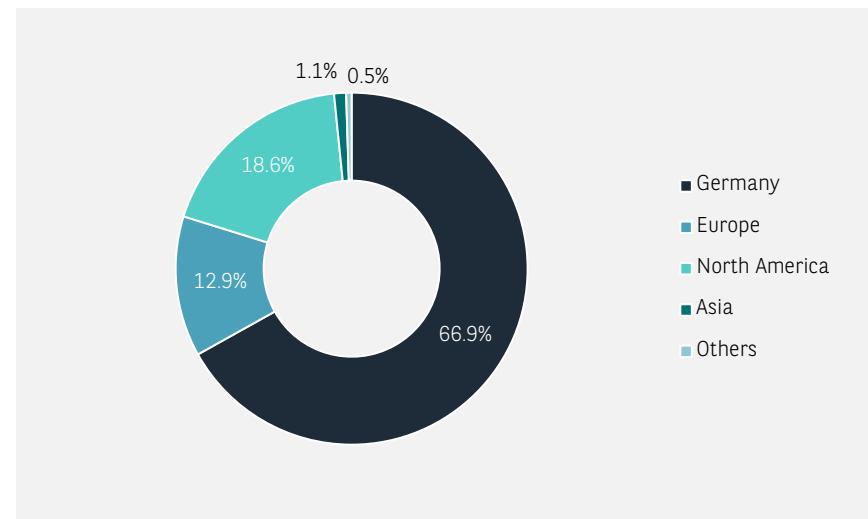


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Residential investments by asset class



Residential investments by origin of capital



*excl. portfolios

Source: BNP Paribas Real Estate GmbH, December 31, 2025



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- EXCESS DEMAND FOR HOUSING CAUSES RENTS TO RISE
- INVESTMENT VOLUME EXPECTED TO INCREASE FURTHER IN 2026

ECONOMIC INDICATORS

+0.1

GDP Forecast 2025
(in %)

2.7

10ys bond yield
0 Q4 2025 (in %)

87.6

ifo business climate index
(12 2025)

Source: ifo economic forecast, Deutsche Bundesbank, ifo Institut

OUTLOOK

The sustained increase in demand for housing in recent years has been offset by a decline in new residential construction and has resulted in a tense supply and demand ratio on the German residential real estate market. In the top markets in particular, this discrepancy manifests itself in very high rental price dynamics, especially in the new-build segment. It can be assumed that the trend of rising rents will continue, as the supply of housing is still not sufficient to meet the high demand. Consequently, the excess demand on the rental markets is likely to persist in both the short and medium term, which speaks for a permanently high and still growing investor demand. Anglo-Saxon investors in particular have already increasingly positioned themselves as buyers on the German residential investment market in 2025 and continue to show a pronounced interest in the German housing market.

An accelerated market recovery and a significant increase in investment volume are expected in 2026. The high level of yet uncompleted transactions, which has resulted from numerous investment products launched on the market in the course of 2025, makes a significant contribution to this. In view of a well-filled deal pipeline and the expected further portfolio adjustments, it can be assumed that the investment volume will be in the double-digit billion range again by the end of the year for the first time since 2022.



Investment market data

	2024	2025	CHANGE
Total (€m)	9,295	8,911	-4.1%
Share above €100 million	62.5%	33.5%	-29.0%pts
Share of A-cities	54.3%	38.0%	-16.4%pts
Share of foreign investors	20.8%	33.1%	+12.3%pts
Ø number of units per transaction	352	200	-43.2%

NET PRIME YIELDS	2024	2025	CHANGE
Berlin	3.45%	3.45%	0bps
Düsseldorf	3.65%	3.65%	0bps
Frankfurt	3.50%	3.50%	0bps
Hamburg	3.60%	3.60%	0bps
Cologne	3.80%	3.80%	0bps
Munich	3.45%	3.45%	0bps
Stuttgart	3.60%	3.60%	0bps



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