

REVIEW RESIDENTIAL INVESTMENT MARKET

GERMANY Q1 2026

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



SO FAR NO SUSTAINABLE VOLUME RECOVERY

POSITIVE: INCREASING TRANSACTION FREQUENCY

KEY FIGURES

1,958

Investment volume (€m)

▽ -22,4% y/y

37,9

Portfolio share (in %)

28,0

Ø Deal size (in €m)

▽ -26,8% y/y

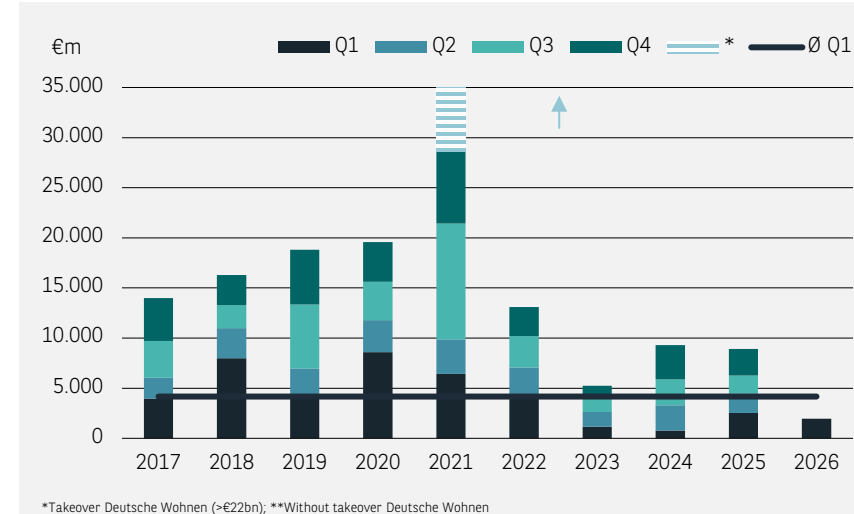
MARKET OVERVIEW

The German residential investment market has made a solid start to 2026. In the first three months, a total of just under €2.0 billion was invested in larger residential portfolios of 30 residential units or more. However, the brightening of investor sentiment that has been observable for several quarters has not yet been reflected in a noticeable rise in volume. Compared to the strong prior-year quarter, the residential investment volume declined by 22%. However, the previous year's result was characterized by a number of large-volume portfolios, while a noticeably higher number of transactions was recorded in the current quarter. In particular, there has been a lack of large-volume, nationwide portfolio deals so far.

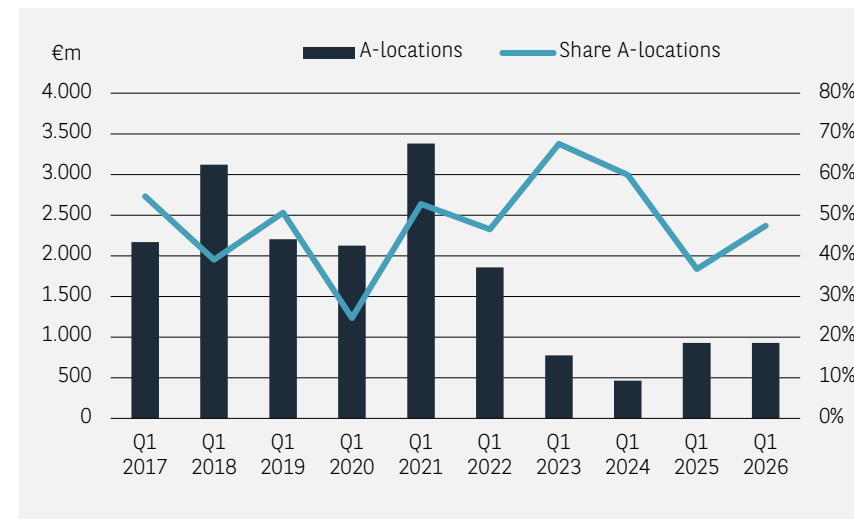
Due to the overall rather fragmented structure of the sales, the increased transaction frequency has not yet been directly reflected in the result. With a total of around 70 registered transactions, more deals were counted in the first quarter than at any time since 2022, which can be seen as a positive indicator of the current market development. Despite economic weakness and geopolitical risks, the German residential investment market continues to benefit from strong occupier market prospects and high demand from investors.



Investment volume residential portfolios



Residential investment volume in A-locations





INVESTMENT MARKET STRUCTURE

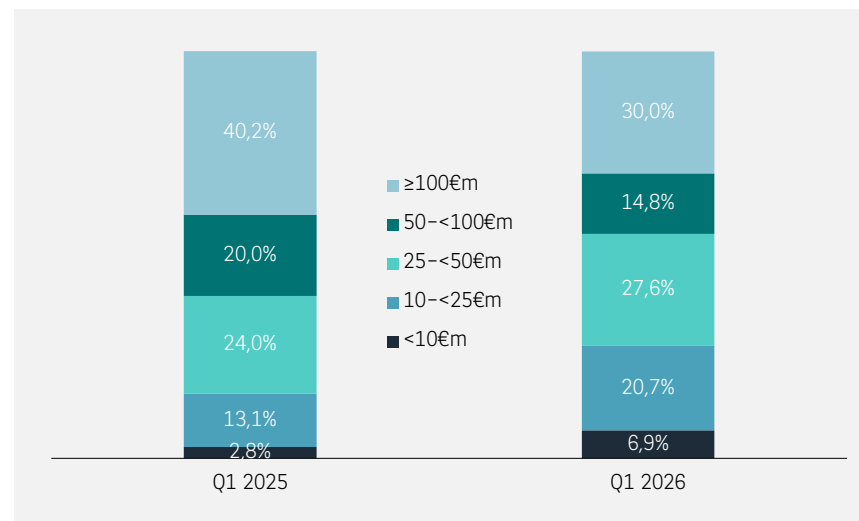
Medium-sized deals are currently dominating the market. Transactions between €10 million and €50 million have a market share of 48% (Ø 10 years: 28%). In contrast, the segment of large deals over €100 million is less lively than in the previous year at just under €590 million or a market share of 30%.

The volume of residential investment is distributed relatively evenly among the sub-segments. Although existing portfolios account for the highest share of the total at 28%, they are currently significantly less dominant in the market than the long-term average (Ø 10 years: 44%). The overall good availability of capital and the continued high demand for new-build properties are reflected in an above-average market share of 25% for modern existing properties (10-year average: 4%). With a transaction volume of around €490 million, this sub-asset class also achieved the highest volume ever recorded in a first quarter in absolute terms.

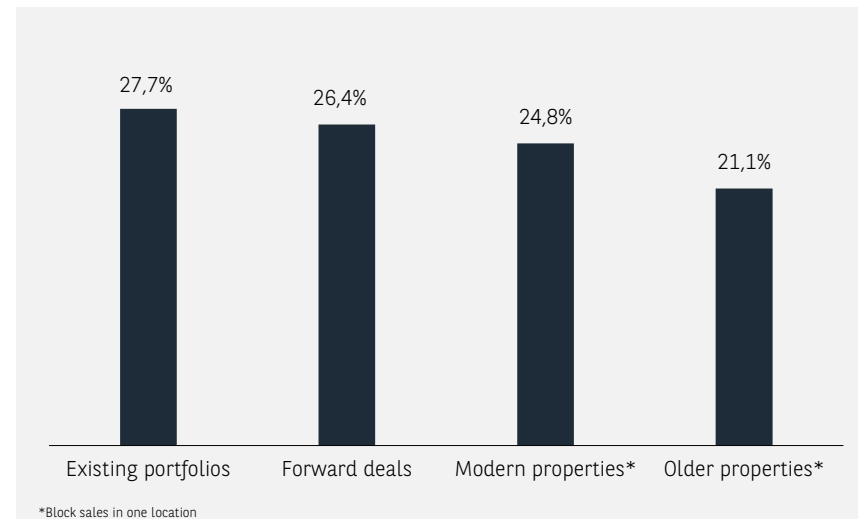
In the first three months, the investment volume was not as widely distributed among the various buyer groups as last year. Investment/asset managers accounted for the highest market share of 35% (Ø 10 years: 10%). With a transaction volume of €680 million, this group of buyers was as active on the buy-side as it was at the peak of the previous market cycle in 2021/2022.

- MEDIUM-SIZED DEALS CURRENTLY DOMINATE THE MARKET
- MODERN PROPERTIES PARTICULARLY IN DEMAND

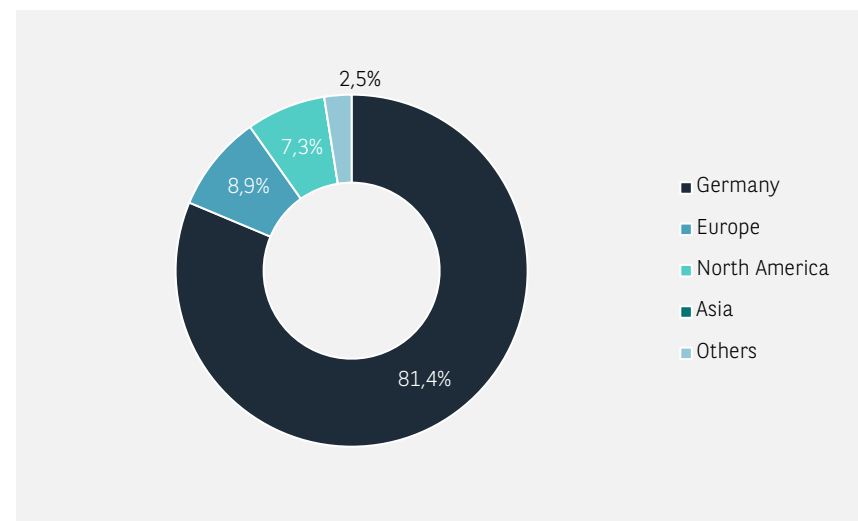
Residential investments by € category



Residential investments by asset class



Residential investments by origin of capital



*excl. portfolios



- SOLID OCCUPIER MARKET PROSPECTS & HIGH INVESTOR DEMAND**
- TRANSACTION VOLUME EXPECTED TO MOVE TOWARDS €10 BILLION BY THE END OF THE YEAR**

ECONOMIC INDICATORS

+0,6

GDP Forecast 2026
(in %)

2,86

10ys bond yield
Q1 2026 (in %)

86,4

ifo business climate index
(3/2026)

△ +15bps q/q

▽ -2,0pts m/m

Source: ifo economic forecast, Deutsche Bundesbank, ifo Institut

OUTLOOK

Against the backdrop of the persistently weak economy and the existing geopolitical and trade policy uncertainties, the residential asset class is once again proving to be resilient. Nevertheless, it remains to be seen to what extent the financing costs, which have recently risen again due to geopolitical developments, will affect pricing and thus prolong sales processes.

Regardless of the geopolitical environment, the solid environment on the occupier side remains intact. The demand for housing, which has been rising for years, is meeting declining new housing construction in Germany and is leading to a very tense supply-demand situation. In anticipation of a continuing excess demand in the short to medium term, the upward trend in rents is likely to continue. Overall, this suggests that investor demand will be sustainably high and will continue to increase.

From today's perspective, transaction momentum is expected to remain high over the remainder of the year, which should contribute to a revival of the residential investment market and a moderate increase in investment volume. A well-filled deal pipeline, numerous overhang transactions from 2025 and further portfolio adjustments are indications that the transaction volume could move back towards the double-digit billion range by the end of the year.



Investment market data

	Q1 2025	Q1 2026	CHANGE
Total (€m)	2.522	1.958	-22,4%
Share above €100 million	40,2%	30,0%	-10,2%pts
Share of A-cities	36,7%	47,4%	+10,7%pts
Share of foreign investors	54,0%	18,6%	-35,4%pts
Ø number of units per transaction	288	171	-40,6%

NET PRIME YIELDS	Q1 2025	Q1 2026	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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Q1 2026

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