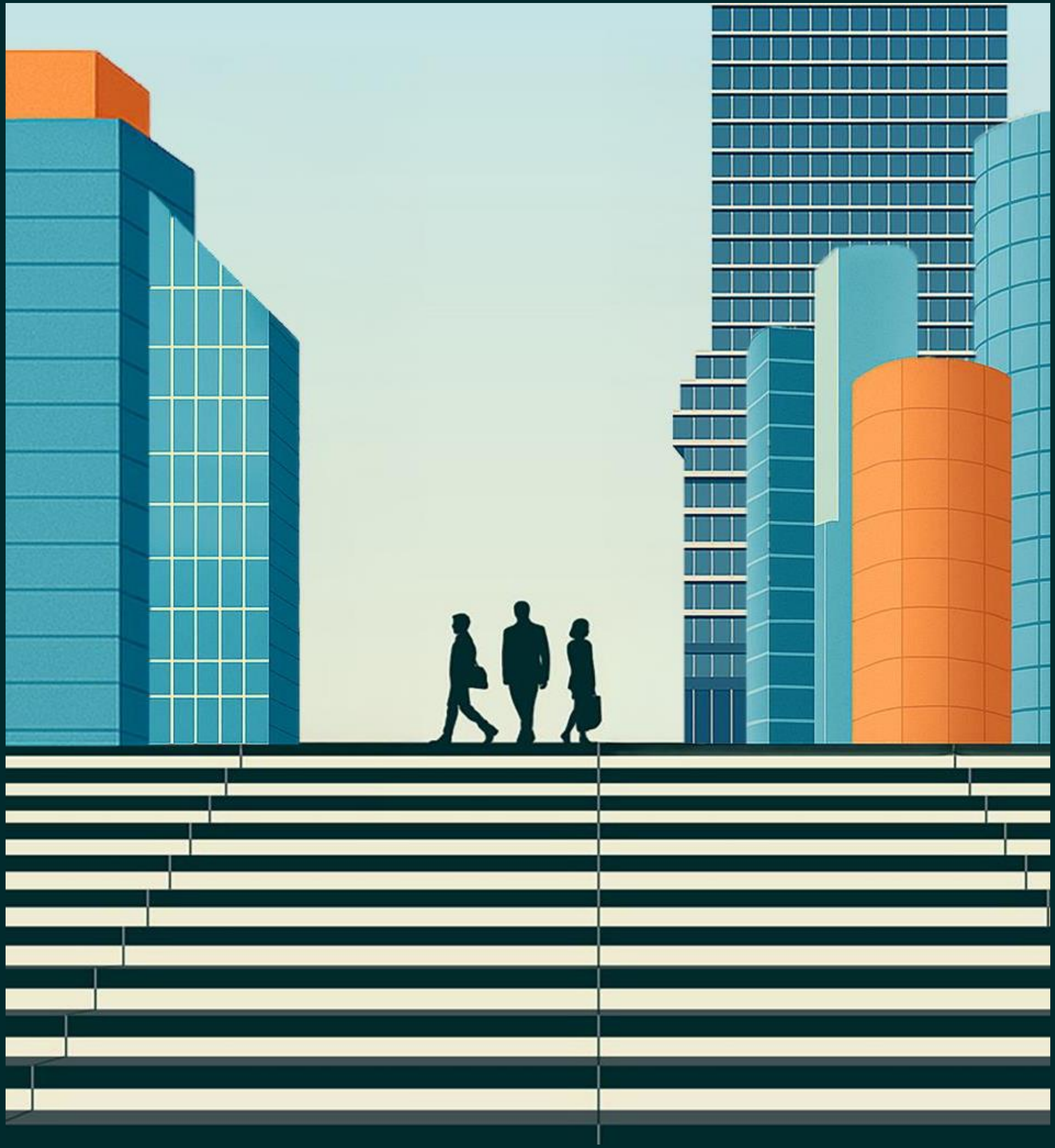
Intelligent Investment

2026 Germany Real Estate Market Outlook

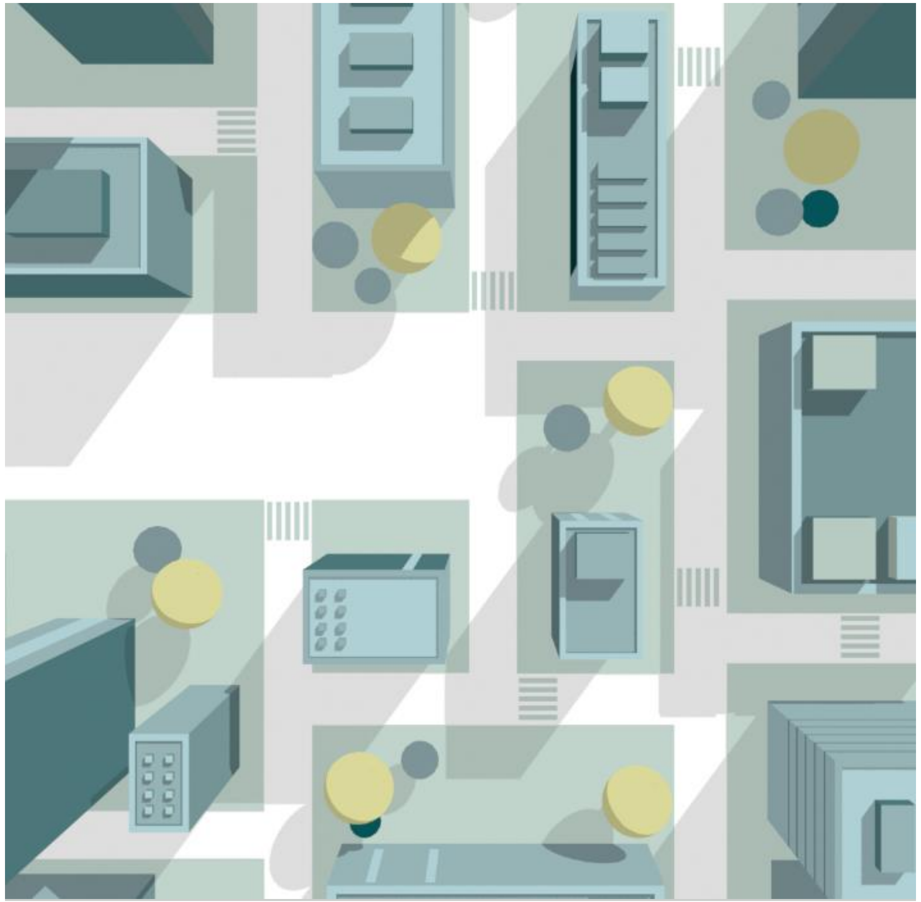
REPORT

CBRE RESEARCH
JANUARY 2026

CBRE



Content



Executive Summary

— Germany' **economy** is set for a gradual recovery over the course of 2026, with support coming principally from government spending and exports accelerating again. In an environment of moderate inflation, we are not expecting further rate cuts from the ECB.

— The gradual improvement on the **investment markets** will hold steady, underpinned by income-oriented strategies and greater willingness on the part of banks and alternative lenders to grant loans. Transaction dynamics hinge on whether buyer and seller price expectations continue to converge.

— **Residential** will remain the dominant asset class in 2026, all the more as institutional capital will be increasingly allocated to this sector. The structural imbalance between supply and demand will send rents up further despite brisker construction activity. **Modern Living/PBSA** is increasingly becoming an investors' darling.

— The demand for **industrial and logistics real estate** will continue to trend up in tandem with the gradual economic recovery. In this context, public investment in infrastructure and defense will directly benefit the sector. Less construction activity, coupled with largely lower vacancy rates prevailing in established markets, suggest a moderate increase in rents.

— Hybrid working models, revaluations and investors adopting a much more selective approach have fundamentally changed the expectations placed on **office.** Flight to quality is determining the market like never before. Companies are often downsizing while instead investing more intensively in quality, contemporary office space, and the attractiveness of a location. Rents in central locations with limited supply are continuing to rise.

— As far as **retail real estate** is concerned, properties with systemic relevance, economic resilience and stable cash flows feature on the investor radar. Trophy properties are also sought after. Mixed-use is the key to success in existing stock with upside potential.

— The **hotel market's** stable fundamentals, combined with growing investor interest, indicate a sustained uptrend in the transaction volume.

— **Data centers** remain on their organic growth trajectory, especially on the back of a boost to demand from AI-driven requirements. Supply, constrained by capital- and time-intensive construction measures, along with the low vacancy rate in existing stock are positively impacting operators' rental expectations.

Preface by

Dr. Jan Linsin

Head of Research Germany

Welcome to CBRE's Real Estate Market Outlook 2026 Germany

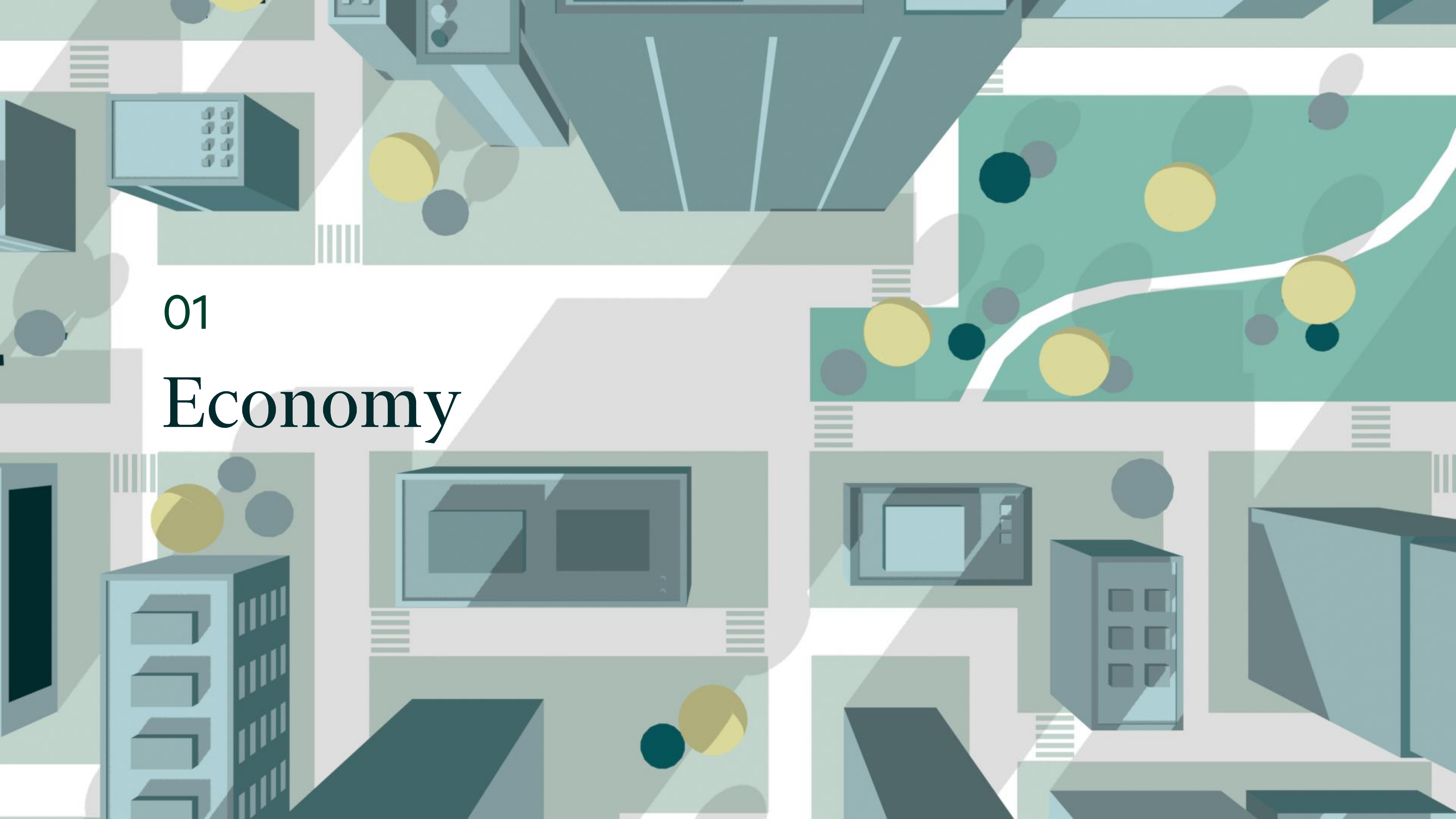
The signs are all pointing to recovery, albeit a slow one. In a persistently challenging geopolitical environment, the upswing in the German economy should pick up more momentum again and return to a growth path in 2026. The real estate market will also gradually recover in this new cycle. We nevertheless expect differences compared to earlier cycles. Long-term interest rates are likely to continue at a high level, which limits the potential for yield compression. Instead, returns will be primarily income oriented, with a deep understanding of market factors, the quality of properties and user requirements, paired with proactive asset management, being of vital importance.

The investment market is at an early stage of recovery: Transaction momentum that clearly accelerated in the final quarter of 2025 thanks to numerous smaller transactions and a well-filled deal pipeline, including very large landmark transactions, suggest a confident outlook for the remainder of the year. The ongoing strategic optimization of existing portfolios, along with a further recalibration of the new market price level aligned with the market are significant contributing factors in this context.

While prime yields are likely to hold steady, total returns will be driven by rising rents, especially in markets and asset classes where property is scarce and demand strong. This tenet applies most particularly to prime office in core locations, residential and in the big box logistics segment.

01

Economy



01
Economy

Gradual Economic Recovery in Challenging Times

The year 2025 proved to be generally very challenging for the German economy. With an uptick of 0.1% in economic growth, 2025 stands out positively from the two previous years of recession. In response to US trading policy and the introduction of extensive US tariffs, however, especially exports to that economic region declined significantly although exports overall suffered less of a downturn than expected. In this context, corporate investment proved to be a great deal more stable. By contrast, industrial production entered into a steep downtrend as did the construction sector, with economic output also contracting as a consequence of the sharp decline in housing construction investment. Despite the difficult environment, the labour market remained fairly robust, mainly as further job losses in the manufacturing industry were virtually offset by gains in the service sector, and here especially in the public sector. The German economy should shake off its economic doldrums in 2026 and above all in 2027, especially if the fiscal easing anticipated takes effect. Government investment is set to rise sharply due to plans for additional spending on defense and infrastructure measures. Exports should also resume their course of expansion over during 2026, especially as global trade and export demand are also set to grow substantially again.

Of crucial importance in this context, however, will be whether the German economy sharpens its international competitive edge through vigorous and urgently needed reforms. Private investment in residential construction is also showing the first tentative signs of recovery. Wages and salaries trending up sharply, accompanied by a steady improvement in the labour market, are providing support for households' real disposable income and thus for a moderate increase in consumer spending. Against the backdrop of growing capacity utilization, companies are also upping their investments again although the impact will only filter through in 2027. Long-term interest rates will remain at their high level and, owing to the cautious assessment by the bond markets with regard to public debt and political issues, have disengaged from short-term interest rates. At the start of 2026, the yield of 10-year Bunds came in at 2.85%, a good 0.4 percentage points (pp) above the year-earlier figure. As the eurozone inflation rate for 2026 is likely to settle below its target figure, we are not anticipating further rate cuts by the ECB. Consequently, focusing on the income front is becoming increasingly important for real estate investors in the current real estate cycle.

Figure 1: CBRE forecasts for key macroeconomic indicators

	2025 (preliminary)	**2026 (forecast)**
GDP growth (% versus PY)	0.3	0.9
Unemployment rate (%, ILO)	3.7	3.7
Consumer price index (%, Q4)	2.2	1.6
ECB key interest rate deposit facility (%, Q4)	2.0	2.0
Yield 10-year Bund (%, Q4)	2.8	2.6

Source: CBRE Macroeconomic House View, January 2026

01

Economy

Trends to Watch

— The possibility of faster-than-expected disinflation could prompt the ECB to lower interest rates in 2026. The most recent inflation data confirm that price pressure is easing and may possibly fade further. If inflation should drop more sharply than expected, the ECB might consider rate cuts with a view to stimulating growth. Such a scenario would further strengthen the already competitive lending environment in Europe and provide additional support for real estate investment.

— Ongoing political uncertainty and high sovereign debt in Europe could result in greater upward pressure on bond yields. Further political or geopolitical instability in Europe could therefore drive yields up in 2026, widening the gap between short-and long-term bonds.

— While 2026 is expected to see unemployment decline in most European economies, the growing dissemination of artificial intelligence (AI) may potentially trigger structural change. The number of companies that have announced plans to introduce AI is increasing, and they are actively adjusting their workforce levels by way of natural fluctuation or redundancy. The rapid change in the domain of AI is especially noteworthy. Quite apart from its direct impact on employment, AI could also change patterns of demand across a range of real estate segments in 2026 and beyond.

02

Investment Market

02
Investment Market

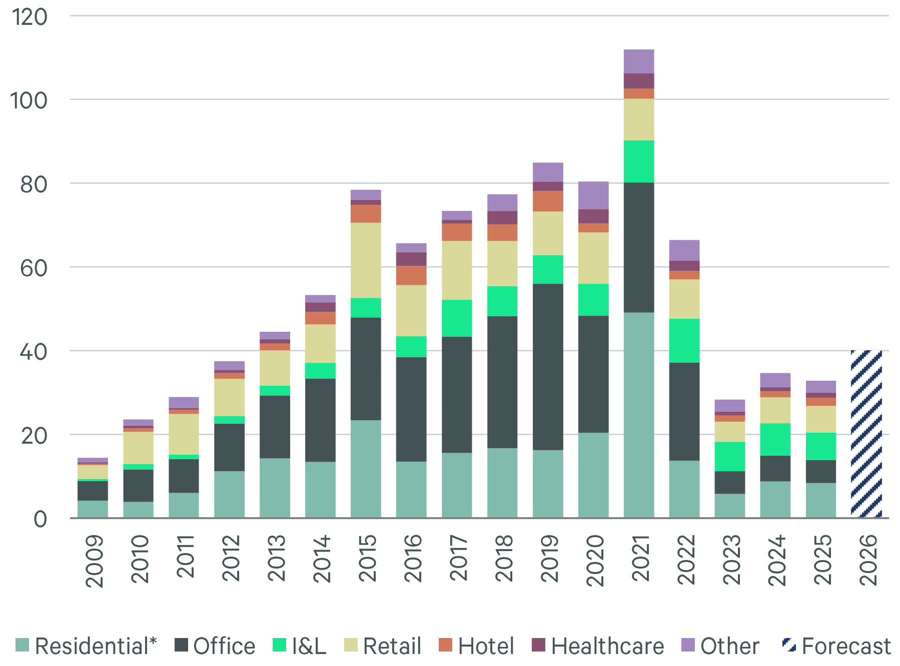
Dynamic Final Quarter in 2025 Evidences The Growing Interest of Real Estate Investors in German Assets

Gradual improvement in the investment market on the back of a well-filled deal pipeline, including various very large landmark properties

Recovery is still at an early stage, with the transaction volume considerably below its peak level – and the years from 2012 to 2013 serve as a reminder that the market was far less diversified in terms of its constituent sectors and capital base. The emergence of new, alternative sectors and a wide spectrum of investors targeting Germany signifies room for growth. In line with our forecasts at an earlier point in time, this recovery cycle is nevertheless moving at a slow pace. Investor interest is rather more based on income-oriented performance than on yield compression and/or favourable loans facilitated by lower interest rates. We assume that more assets will be offered for sale this year as sellers have adjusted to current values. Loans falling due or the reallocation of equity will continue to play a key role in investors' decision to sell.

Rental growth will maintain its position as the most important driver of capital growth in 2026 as well. Investors with higher requirements for return will therefore have to be creative if they want to leverage upside potential. Choosing the right operating partner with asset management competence will be imperative here. M&A activities will be ongoing as buyers seek to exploit arbitrage opportunities in book values. Transaction activities are set to benefit from a supportive real estate financing market that finances a wide range of sectors and investment strategies with borrowed capital. In this environment, banks will likely continue to adopt a very selective approach and require even greater transparency in terms of cash flows, realistic capex planning and property risks; foreign banks/alternative lenders will also engage in the value-add segment. A well-filled deal pipeline, including very large landmark transactions, suggests an investment volume of between €35 billion to €40 billion in 2026.

Figure 2: Investment transaction volume by asset class (€bn)



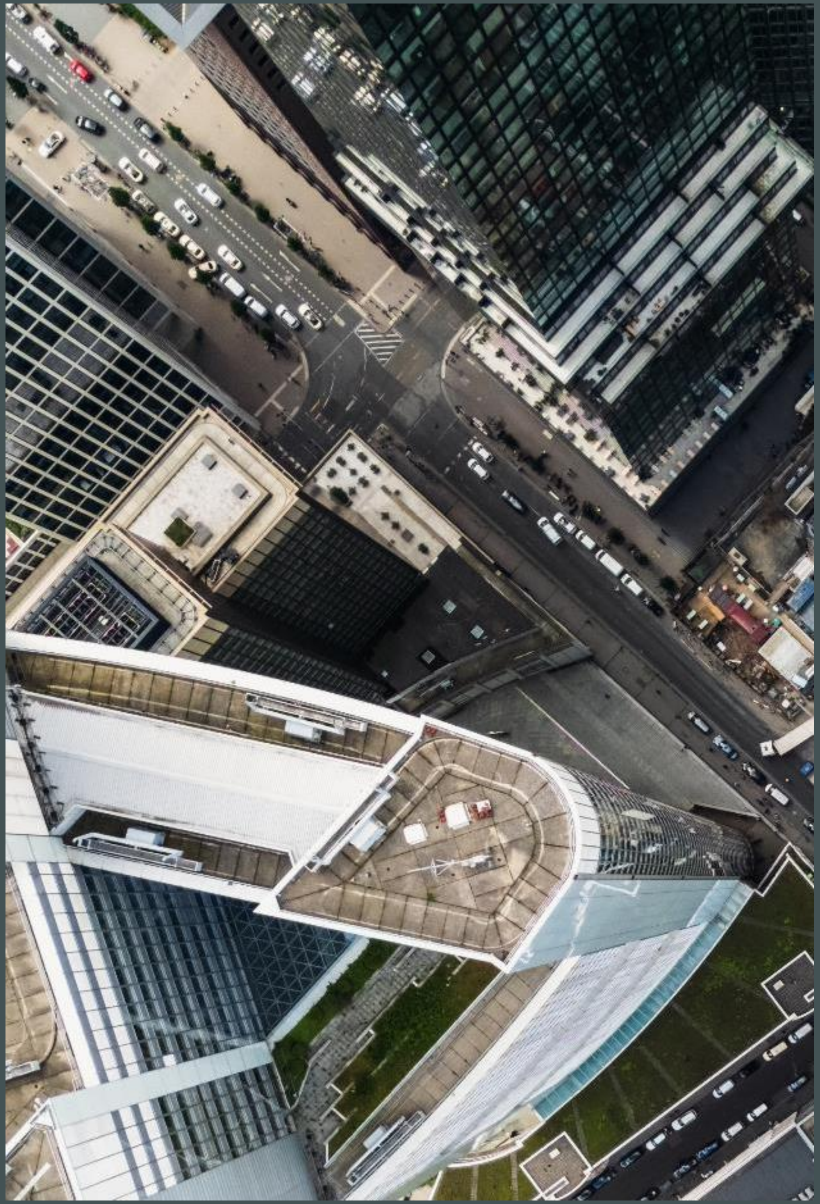
Source: CBRE Research; note: *Transactions ≥50 units

02

Investment Market

Trends to Watch

- The residential real estate sector has firmed up its position as the largest investment sector and will likely continue to function as the most important investment engine, also because the streamlining of commercial portfolios held by institutional investors has progressed to an advanced stage, thereby freeing up capital for reallocation to residential. Furthermore, construction activity has picked up slightly again and should bring new properties to the market.
- In terms of the office segment, we anticipate that the investment market will gradually rebound. Upon successful implementation, a well-filled deal pipeline could act as a stimulant and significantly boost transaction activity in 2026. While steady state is expected in prime office yields, non-prime product can be expected to undergo further differentiation by location. In this case, higher returns on purchase may be necessary to offset the risks from vacancy and capex measures.
- In the logistics segment, large-scale deals above the €100 million mark were seldom in 2025 since, due to the size of the deals, potential sellers were ultimately not prepared to come down on price as required by various investors. We are nevertheless seeing that the interest of international as well as German investors in larger tickets is gaining traction again. Against this backdrop, the segment will benefit from many investors anchoring reshuffling their portfolios in favour of logistics in their strategies.
- We assume that the recovery in investments in retail will continue, driven by the attractive price level and sound operating results. Large shopping centers will stage a comeback. The demand for retail parks, grocery-anchored properties and city center properties will hold steady. Above all from international players with good liquidity and a focus on value-add and core plus are screening the German market for retail properties.
- The hotel market’s stable fundamentals, combined with growing investor interest in traditional hotel properties, along with subsegments such as serviced apartments, suggest sustained upward momentum, with investors keener on core investments again.
- Investments in data centers or complementary sectors such as the energy infrastructure are poised for growth that will be fueled by the demand for AI and more favourable lending conditions.



03

Residential

03
Residential

Buyers Are Targeting Energetic Refurbishment – Core and Core Plus Remain Scarce

The German market for residential transactions proved largely stable in 2025. At €8.4 billion, the investment volume dropped to around 5% below the year-earlier figure, which was mainly attributable to fewer large-scale portfolio transactions. A key trend continues to dominate the market: Many investors are opting for brown-to-green strategies and acquiring properties in need of refurbishment. Properties are then upgraded in terms of energy optimization and subsequently leased or sold on for more as condominiums as far as permitted in the regulatory environment. Consequently, the value-add risk category advanced 8pp to 44%, as opposed to the core and core plus segment that shed more than 20%. Capital is fundamentally available, particularly from international investors and family offices. A slight expansion in market volume is possible, but a significant recovery seems unlikely in view of supply scarcity.

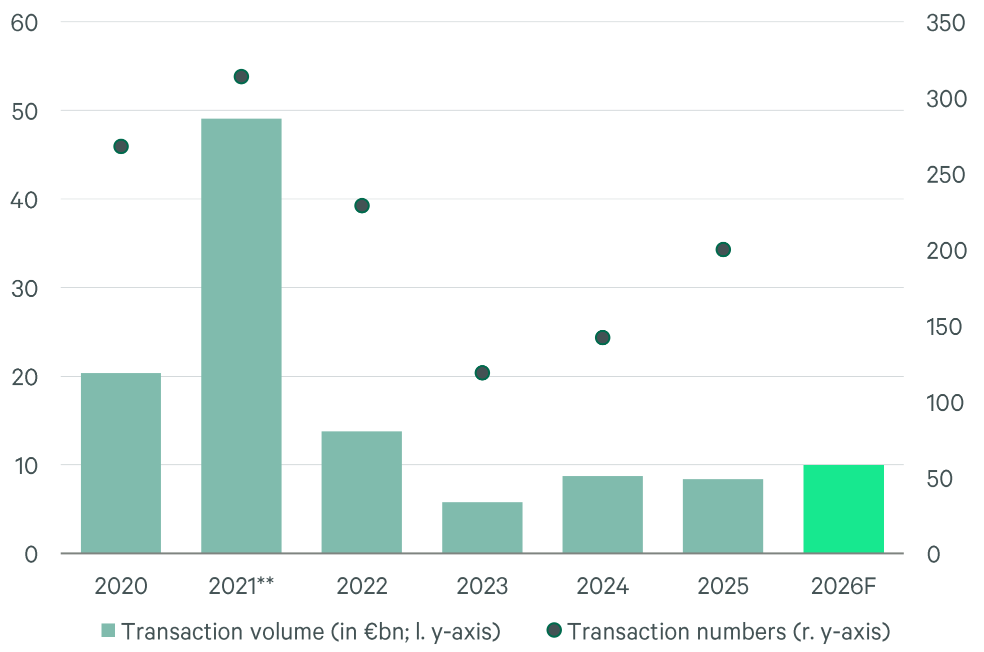
An overall investment volume of up to €10 billion can be expected in 2026, accompanied by stable prime yields. Price correction in the residential segment appears to have come to an end and, given moderate inflation, interest rates should largely remain where they are.

Financing new construction nevertheless remains challenging. Forward funding already established in the municipal sector is becoming more important. Financially strong international investors are using this tool as well, also for entering the German market.

New construction will continue to hug low levels in 2026. Only 250,000 apartments were completed in 2024. This number is likely to drop to around 200,000 units a year by 2026 as a result of the low building permit figures from previous years. As from 2027, numbers can be expected to rise again as permits were up slightly at the last count. At the same time, housing policies are in the process of slow change, with rules and regulations being simplified. The demand for energetically optimized buildings and for social housing is on the rise. Germany’s “Gebäudetyp E” (simple or experimental building) is aimed at lowering building costs. Serial and modular construction is coming more to the fore.

Prime rent will probably stabilize for the time being. Average rents continue to rise, however, even though affordability in urban centers such as Berlin, Frankfurt and Munich is curbing momentum.

Figure 3: Transaction volumes and number of deals*



Source: CBRE Research
Note: *Transactions ≥50 units; **2021 transaction volume driven by Vonovia SE’s takeover of Deutsche Wohnen AG worth €22 billion (only residential)

03
Residential

Trends to Watch

— The transaction market should settle at a stable level in 2026, with numerous single-asset deals and little supply in the core segment. International capital is available and seeking opportunities for entry. By year-end, transactions in a volume of up to €10 billion are achievable. Despite limited supply, forward funding is attracting greater attention from private sector investors. Value-add remains the dominant risk class.

— The number of completions is likely to fall in the short term as too few building permits were issued in previous years. Slight growth in the construction volume can be expected as from 2027. In the longer term, supply nevertheless remains far short of the German government's target of building 320,000 homes a year. Demand especially in major cities is therefore likely to outstrip supply.

— As before, the rental market will be determined for the foreseeable future by supply shortages and rents rising. In all relocation decisions, affordability takes center stage in many regions and for many households. In the prime segment, headroom for further rental price remains limited due to the lack of affordability and possible homeownership alternatives. In the mid-range segment, a notable increase in rents is likely despite additional attempts at regulation.

— The range of subsidies has been supplemented by funding programs being reintroduced or newly launched. The focus here has been placed on social housing and the energetic refurbishment of existing stock, with the latter in particular presenting financial challenges in the context of current regulations prevailing in the rental market.

— Along with funding, housing policies are increasingly concentrated on simplifying building rules and regulations and facilitating new construction. "Gebäudetyp E" could set a simple and cost-effective standard. Developers and portfolio holders are increasingly opting for modular and serial building with a view to reducing costs, ensuring profitability and keeping rents at moderate levels.

04

Modern Living / Purpose-Built Student Accommodation (PBSA)

04
Modern Living

Modern Living Is An Investor's Darling – But Supply Is Limited

Rents for PBSA, Co-Living and Micro Living concepts are generally at a comparable level.

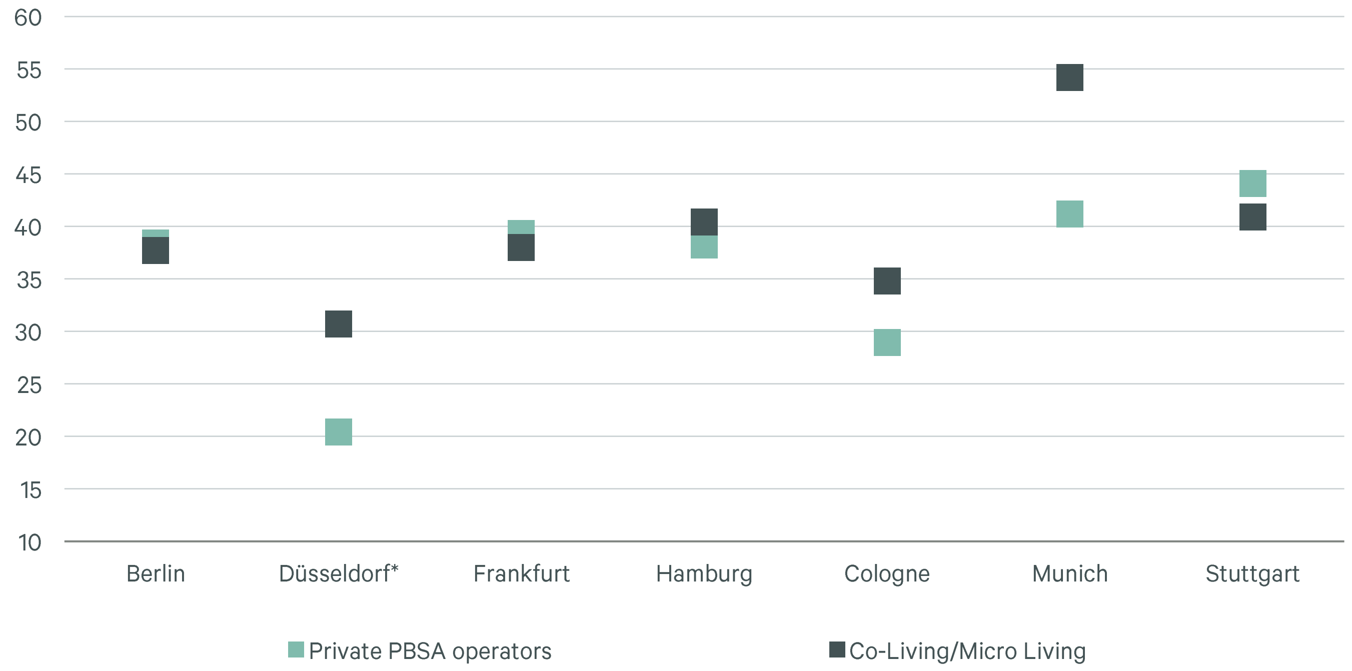
Following absolute rock-bottom transaction activity in the Modern Living segment, including student living, micro and co-living in 2024, the year 2025 delivered a volume of €267 million, which is more than double. The number of transactions tripled, from five to 14.

Investors currently consider Modern Living the most desirable niche segment. Demand continues to run at a high level. Growing target groups such as international students and young professionals are confronted by a market with insufficient availability of living space. At the same time, specific supply is extremely limited. At the present point in time, only around six to 14% of students can be provided with an apartment.

Consequently, rents in this segment have partly risen faster than inflation. Rents currently average between around €30 to €55 per sqm and month for so-called all-in rent. Thanks to still manageable regulation and the potential for adjusting rents, flanked by additional optional sources of income such as separate services, the segment is viewed as a robust safeguard against inflation. Discussion on more stringent regulations is hotting up and is creating uncertainty although applicable more to furnished apartments let privately than to professional Modern Living concepts.

A number of larger portfolios and platforms worth several €100 million are currently in the market. As these deals were not brought over the line in 2025, they can be expected to boost volumes additionally in 2026. An investment volume exceeding €500 million appears realistic depending on whether the deals announced are finalized.

Figure 4: Median of rents by concept in the Top 7 markets (€/m²/month)

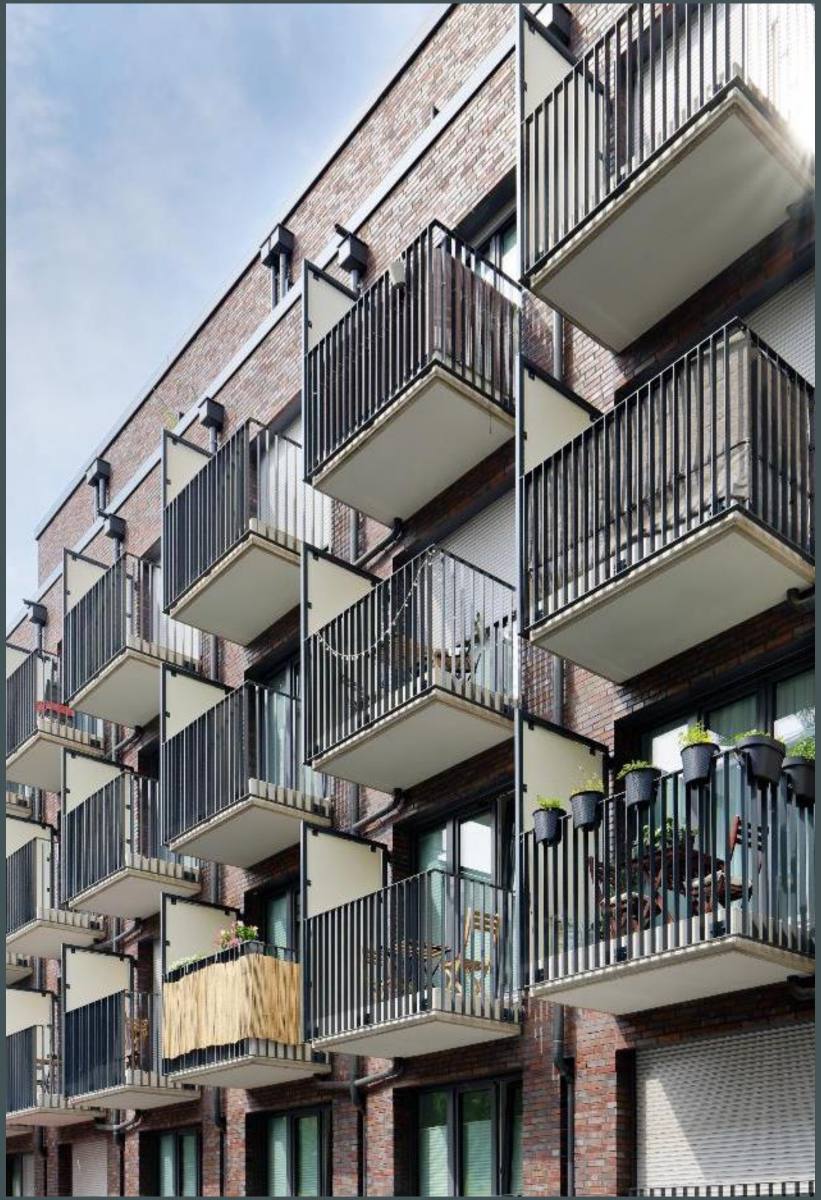


Source: CBRE Research
Note: *The price of PBSA in Düsseldorf could not be validated due to the insufficient number of offers.

04

Modern Living

Trends to Watch



- Interest in modern living, particularly from international platforms, but also selectively from specialized residential investors, continues to run high. In 2026, the transaction volume for Modern Living will be determined through the sale of larger platforms to international investors.

- Given the fundamental supply deficit of younger and/or new properties, the yields for outstanding properties can be expected to fall further. Acquisition processes will continue to be characterized by longer due diligence processes. Particularly in the case of high leverage, business models will require granularity and transparency when presented to financing parties.

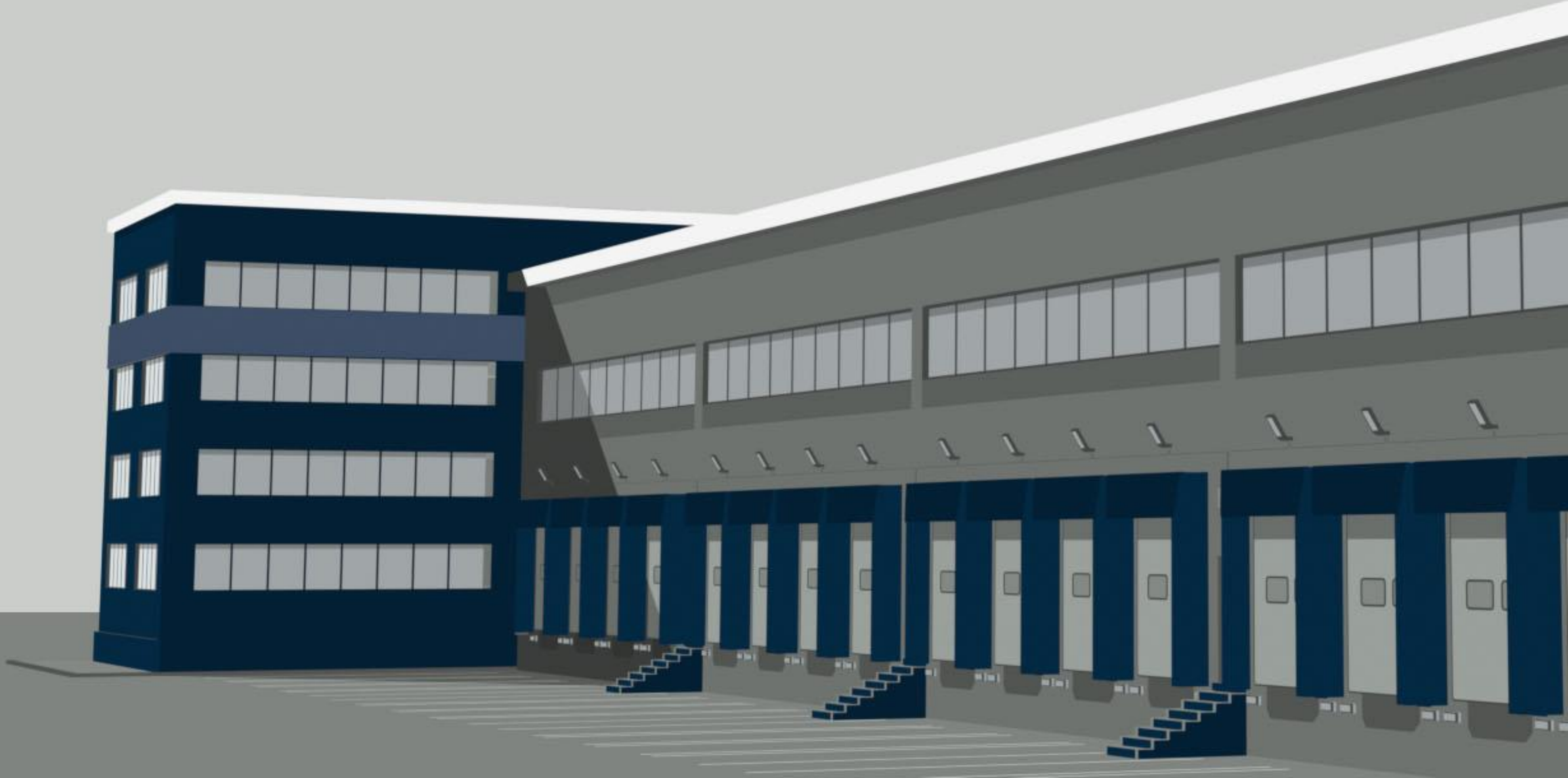
- The fragmented market is exposed to high consolidation pressure. If operators from southern and western Europe succeed in entering the market, the starting point for internationalizing the operator market can be assumed over and done with.

- Owing to higher fluctuation rates compared to traditional residential, along with rising energy costs, operators will be exposed to greater pressure from incidental costs. Optimized incidental costs, supplemented by a calculated margin, will therefore evolve into an increasingly important revenue component and make a growing contribution to lifting the overall operating result.

- Although rents in the top locations in particular continue to display strong momentum, there is a latent regulation risk in respect of municipalities and the legislator.

05

Logistics



05
Logistics

Established Markets Significantly Expanding Their Market Share

Improving efficiency along the value chain is the key to reducing costs and competitiveness.

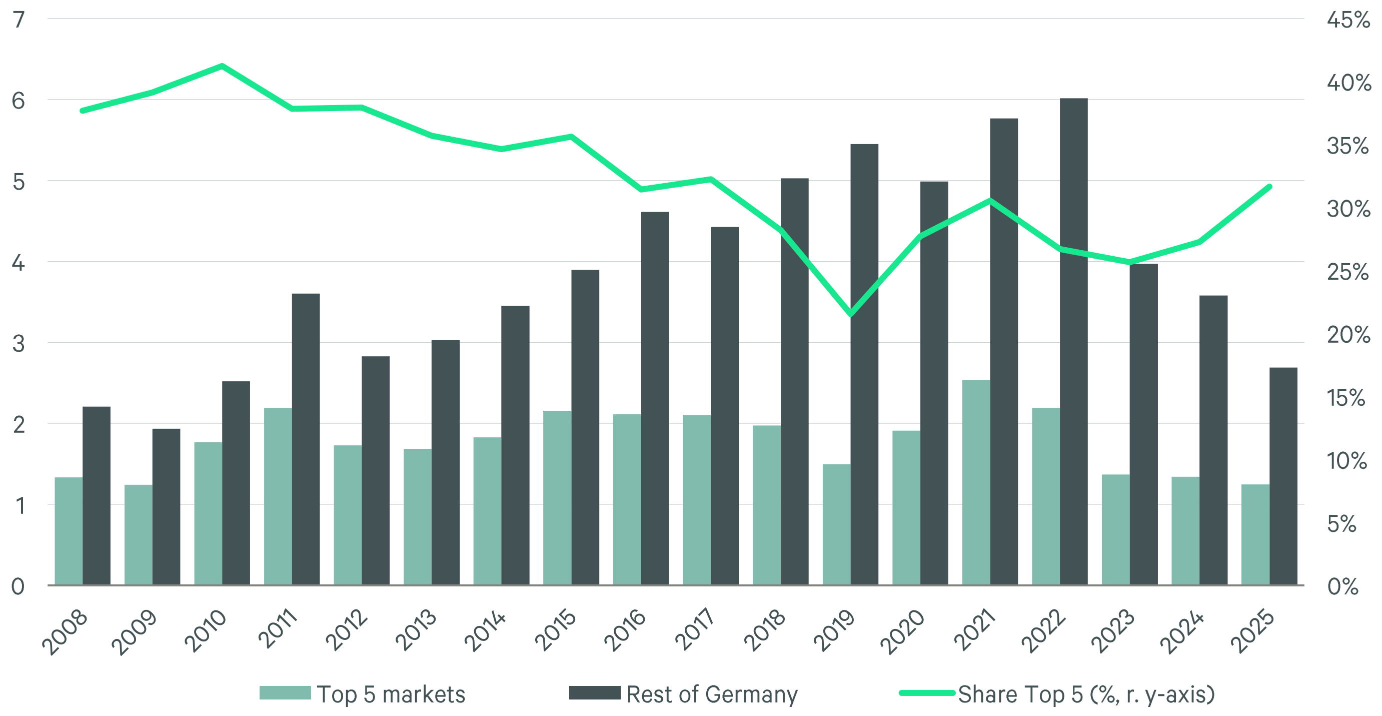
Germany's industrial and logistics market presented a disparate picture in terms of its dynamics in 2025. While the leasing market regained momentum, delivering 5.2 million sqm by year-end and growth of 6% compared to the previous year, the investment volume in industrial and logistics properties dropped 14% to €6.6 billion. The transaction volume nevertheless increased steadily over the course of the year and, despite the decline, logistics properties that captured a market share of 27% remain the most important asset class on Germany's commercial real estate market, ahead of retail.

Above all, established occupier markets in Germany's industrial and logistics segment along the "Blue Banana", from Hamburg via the Ruhr region and on to the environs of Munich, saw strong occupier and investor demand. This contrasts with peripheral markets where reticence caused by economic conditions was observed.

In 2026, demand in the industrial and logistics real estate market is expected to gain traction again in conjunction with the economic growth anticipated in Germany. The sector is likely to benefit directly from planned government spending on infrastructure and defence, which is expected to provide stimulus for the manufacturing industry after its slump.

As part of the upturn in demand, the topic of efficiency is expected to take centre stage, permeating all levels – whether an improved location, from macro location right through to micro connection and accessibility by the workforce or the process optimization of existing management systems and supply chains.

Figure 5: Development of take-up in the Top 5 markets and the rest of Germany (million m²)



Source: CBRE Research

05
Logistics

Trends to Watch

- Given the general economic challenges, new construction has recently dwindled. In particular, fewer speculatively built properties have recently been brought onto the market. As soon as Germany begins to generate appreciable economic growth, a significant upswing can be expected here as many developers have been land banking and have sites ready for construction that can be put on the market at short notice.
- Demand is also anticipated in e-commerce, among other areas. Chinese e-tailers in particular, along with their 3PL providers in the transport and logistics segment, are set to play an important role here and will increasingly be screening regions other than North Rhine Westphalia that was their focus in 2025. Market recovery is generally expected in the case of many, but not all those trading online, in 2026.
- Reaping the benefit of savings and operational advantages in the long term will necessitate substantial investment in new technologies in particular – digitalization and automation harnessing AI and IoT – in order to mitigate pressure from the cost front and skills shortages through enhancing efficiency.
- The gap between prime logistics properties and the broader market is likely to widen, which will reinforce the flight to quality. In this scenario, opportunities will arise for leveraging and repositioning old properties in good locations to accommodate the growing demand for modern standards.
- Demand on the investment market for value-add properties with upside potential is tangible, with the scarcity of adequate assets braking higher investment volumes. The market is, however, likely to benefit from portfolio adjustments that many investors have integrated into their strategies.

06

Office & Occupiers

06

Office & Occupiers

Differentiation by Location And Property Quality

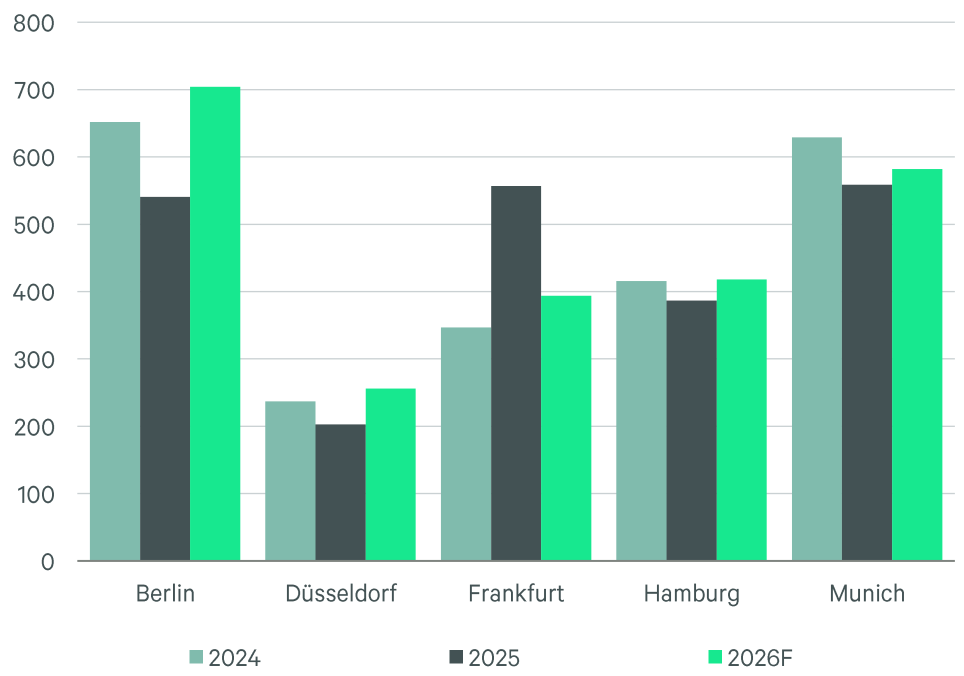
The Top 5 office markets were characterized by heterogeneous development in 2025. The reticent approach and a focus on optimizing existing stock impacted deal structures very differently depending on the location. Small-scale segmentation dominated in Berlin: Despite a weak take-up trend, the number of deals concluded rose by 22%, as opposed to the average deal size that declined. Hamburg, Munich and Düsseldorf reported stable demand in the mid-range segment (1,000–2,500 sqm), while Frankfurt generated record take-up, driven by major lettings of more than 10,000 sqm in new buildings. With the exception of Frankfurt, the uncertain economic situation, marked by global challenges and inflationary pressure, resulted in risk-averse leasing decisions that were partly also reflected in the forecasts for 2026.

Office space on offer in the Top 5 cities expanded considerably. While outdated properties located away from the city center increasingly stand empty, first-rate assets available in CBD locations are thin on the ground. At the same time, the volume of new buildings completed declined, which further limits the availability of prime office space. The pipeline for the next three years falls considerably short of earlier forecasts and is largely concentrated on well-connected city fringe locations.

The very limited supply of premium office space in CBD locations, on the one hand, and much weaker demand for older stock in decentralized locations, on the other, is accelerating the division in the market and highlighting the current flight to quality. While the premium segment is breaking records, older premises in secondary and tertiary locations are coming under growing price pressure as occupiers' requirements for quality presuppose extensive upgrades to office space. Rising average rents reflect great willingness to pay for ESG-compliant properties in good locations. Prime rents have therefore also risen significantly compared to the previous year, especially in Hamburg (+14% to €41.00/sqm/month), Frankfurt (+12% to €55.00) and Munich (+5% to €60.00).

This constellation indicates that intrinsic value and sustainability will remain key success factors in the office rental market in 2026. Swift absorption of available office space can be expected in central locations due to quality-oriented demand and the low volume of new buildings. With occupiers focusing ever more concertedly on sustainability and attracting employees, the supply of contemporary, ESG-compliant office space for landlords is increasingly becoming a competitive advantage.

Figure 6: Office take-up and forecast (1,000 m²)



Source: CBRE Research

06
Office & Occupiers

Trends to Watch

— Office is increasingly viewed as a strategic asset for winning and retaining employees. The importance that office users attribute to location and fit-out is on the rise, leading to growing demand for premium office space in top locations.

— Differentiation in the market of contemporary, ESG-compliant office premises in well-connected city center locations, on the one hand, and properties no longer in line with the market and requiring refurbishment in decentralized locations, on the other, is on the rise. As a result, rents are climbing at the top end of the market and on average for premium office space, as opposed to older properties that are increasingly coming under price pressure.

— Fresh supply (vacancy, sublets, speculative pipeline) is mainly restricted to non-CBD locations. Conversely, the supply of premium office space in central business locations is dwindling. Consequently, fiercer competition for these premises will be the order of the day.

— With the volume of new construction overall trending down, premium office space will become even rarer. This also applies to properties built to contemporary construction standards in less central locations as a more cost-effective alternative to expensive downtown locations.

— The new real estate market cycle that is now under way will be characterized by a stronger orientation toward proactive asset management. A precondition for participating stakeholders will be a deep understanding of the market, the micro location, and of the property and occupiers.

Topics for Occupiers: Office, Structural Change, Technology

Re-interpretation of office

The large majority of companies want their staff to work 60% to 80% in the office. In reality, this frequently turns out quite differently. Realizing measures of this kind is fragmented in Germany, but with far less consistency on average than in the US, for instance.

Flight to quality continues to feature as the dominant strategy in endeavours to make the office attractive and promote its use. Relocations are almost exclusively restricted to more central, easily accessible locations and sites with well developed urbanity. If budgets are insufficient, the tendency is to less floor space rather than compromising on requirements for location and quality.

The office features as more of a productivity than as a cost factor. This being the case, re-interpreting office is what is needed. A run-of-the-mill office is no longer able to able to achieve synthesis between the people working in it and corporate objectives. Successful, vibrant offices are possible but are the product of partly complex analyses paired with concepts.

Adjusting to structural change

Parts of Germany's economy are currently experiencing a structural crisis, which is impacting the area of real estate belonging to companies. The tasks of corporate real estate management (CREM) will become more strategic and less operational, meaning more responsibility, for budgets for instance, along with greater requirements placed on CREM competence, especially as regards an understanding of the core business.

Against the backdrop of all-pervasive cost pressure CREM teams will become leaner rather than larger. Operational tasks will therefore currently be increasingly outsourced to service providers again, with the intensity of collaboration varying.

In their role as supporting the core business, CREMs will concentrate on reshuffling portfolios, cutting costs and procuring liquidity, for instance through sale and leasebacks. Recalibrating portfolios will first and foremost entail adjusting first and foremost to changing political conditions (e.g., relocating production to the US due to tariffs) and streamlining portfolios, meaning reduction and consolidation.

Options for harnessing technology

Artificial intelligence has become an omnipresent issue, but the search is often for meaningful areas of application.

Large Language Models (LLMs) in shielded environments have become widely established and are frequently used for research and text analysis. Drafting texts and presentations is also becoming more efficient with the aid of LLM.

Harnessing artificial intelligence beyond LLM is still in its infancy in many cases, particularly with more complex models such as "Agentic AI". A bottleneck in this instance is the availability of data that is partly trapped in incompatible systems or not even accessible in a comprehensive form.

Furthermore, many companies are not yet aligned in organizational and cultural terms to the doubtless huge opportunities of integrating and using AI. This transformation is one of the most pressing tasks companies are faced with.

06

Office & Occupiers

Trends to Watch

— In 2026, the world of occupiers will be determined by a wide variety of trends. The following two trends stand out in terms of their changed significance for real estate occupiers – cyber security and sustainability.

— Cyber security is one of the greatest concerns of corporate real estate managers. Along with securing the building, their task is to digitally secure networked buildings and systems. Conventional IT security is not included in this context as this generally does not fall within the remit of CREM.

— The growing degree to which buildings are networked and the wide use of drones signifies new security risks for companies. The parties responsible for real estate are confronted with challenges that cannot be solved with the usual CREM tools and competences. The spectrum ranges from industrial espionage through to danger from terrorism and activists.

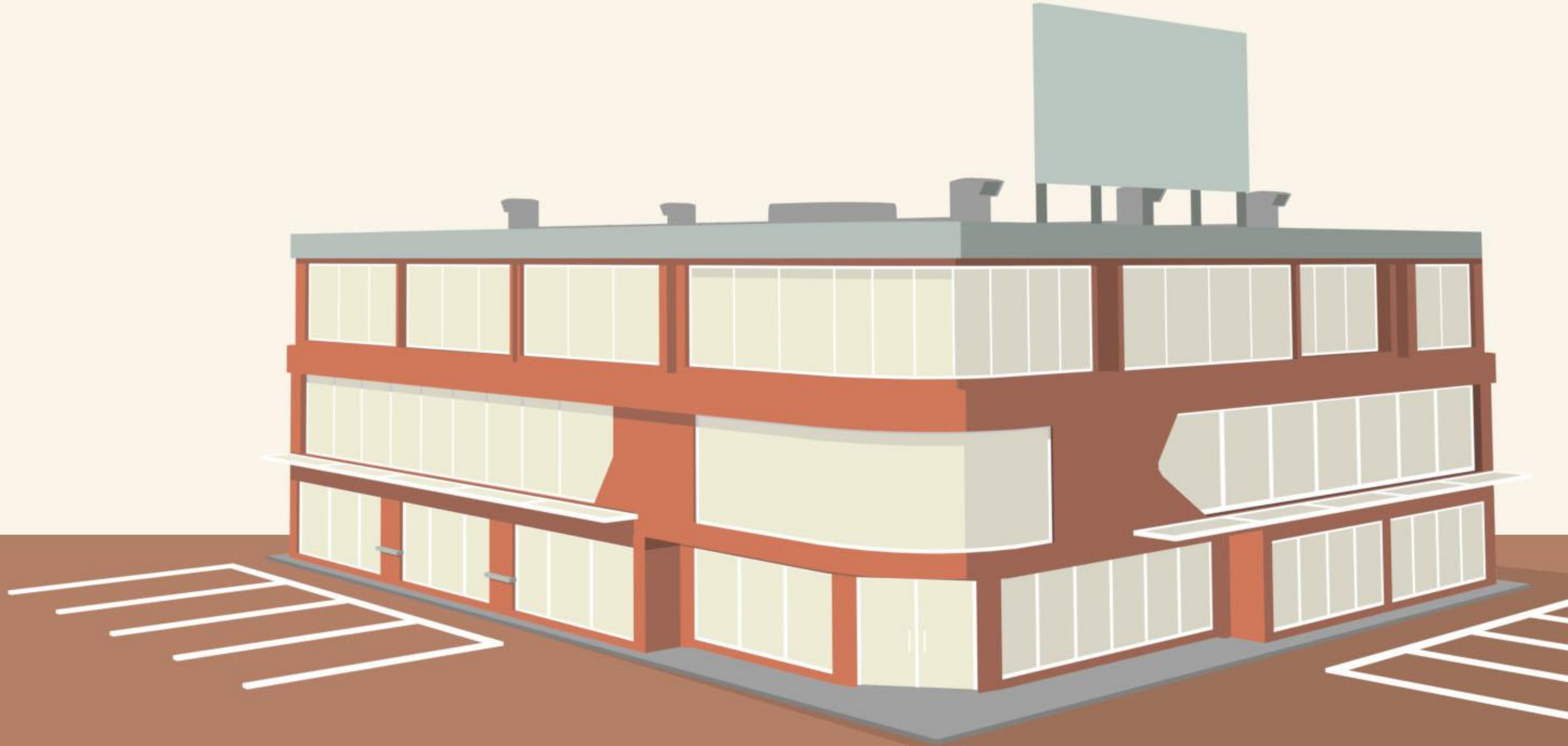
— With no respite expected in the development of these disturbing issues, the security of real estate infrastructure is set to become a key area of CREM, with most organizations still at the stage of arming themselves to meet this challenge. The same applies to the supply side.

— Sustainability has functioned as one of the strongest drivers of activity in the field of real estate in recent years. At present, public awareness is receding into the background. More pressing topics are coming to the fore in many companies. Changes in prioritization are attributable to the ongoing economic crisis as well. Many companies are battling for access to the global market or even for survival. The geopolitical trend reversal also exerts huge influence on sustainably topics.

— Many companies have already crafted their sustainability strategies. The market is nevertheless moving away from strategic concepts toward a pragmatic approach to ESG. Emphasis is placed on minimizing risk, on controllability and on financial resilience and therefore less on topics associated with communication or image.

07

Retail



07
Retail

Retail Still Adjusting to Difficult Conditions

Challenging underlying conditions

Germany's consumer market got off to a subdued start to the new year. The consumer climate index dipped by 26.9 points in January 2026, sending it clearly into negative territory. In response to political debate in Germany and global uncertainty, a marked tendency to save, at its the highest since the financial and economic crisis, is burdening retail. The segment of non-food retail is taking the greatest hit, particularly in the case of long-term needs. Although an increase in real wages, along with another slight decline in inflation, fans hopes for a moderate recovery in consumer sentiment and rising consumption over the course of the year, the high cost of personnel, energy and rents are eroding retail companies' earnings. At the same time, structural change in retail is ongoing. Online business is expanding its market position to the detriment of stationary retail, particularly in the non-food segment where slight growth can also be expected.

Changed consumer demands

Consumer behaviour is shaped by heterogeneous developments. Quite apart from the mere availability of goods, customers demand better service, both in online business with good usability and in stationary retail with physical attendance by competent sales staff. In technological terms, this demand for service is bolstered by unified commerce, the next stage in omni-channel retailing in which all sales channels are so closely networked that customers can easily and smoothly switch platforms. In addition, circular economy concepts are gaining in strategic importance. Integrating second hand offers or repair services is evolving into a core criterion when consumers are selecting suppliers. Despite this demand for quality, price sensitivity remains high, underscoring the relevance of discounts and special offers in winning customers.

Retail still in transformation

Retail's necessary transformation arising from conditions in the environment varies from sector to sector. While the food trade, the domain of drugstore and beauty, along with gastronomy (also thanks to cuts in value added tax at the start of the year) enjoy positive prospects for development, traditional suppliers and part of the textile industry are under great pressure to adjust. This also applies to concepts with little product range differentiation. As far as expansion is concerned, companies are rigorously concentrating on prime locations in city centres and established retail park locations. In this context, greater willingness to compromise in terms of floor area plays a role, as opposed to location quality that goes without saying as an indispensable criterion.

Retail continues to undergo structural change, with the motto of "to trade is to change" losing none of its relevance. Shifts in values and consumer sentiment are driving the transformation of retail, with businesses focusing on the topics of specialization, customer proximity and digitalization.

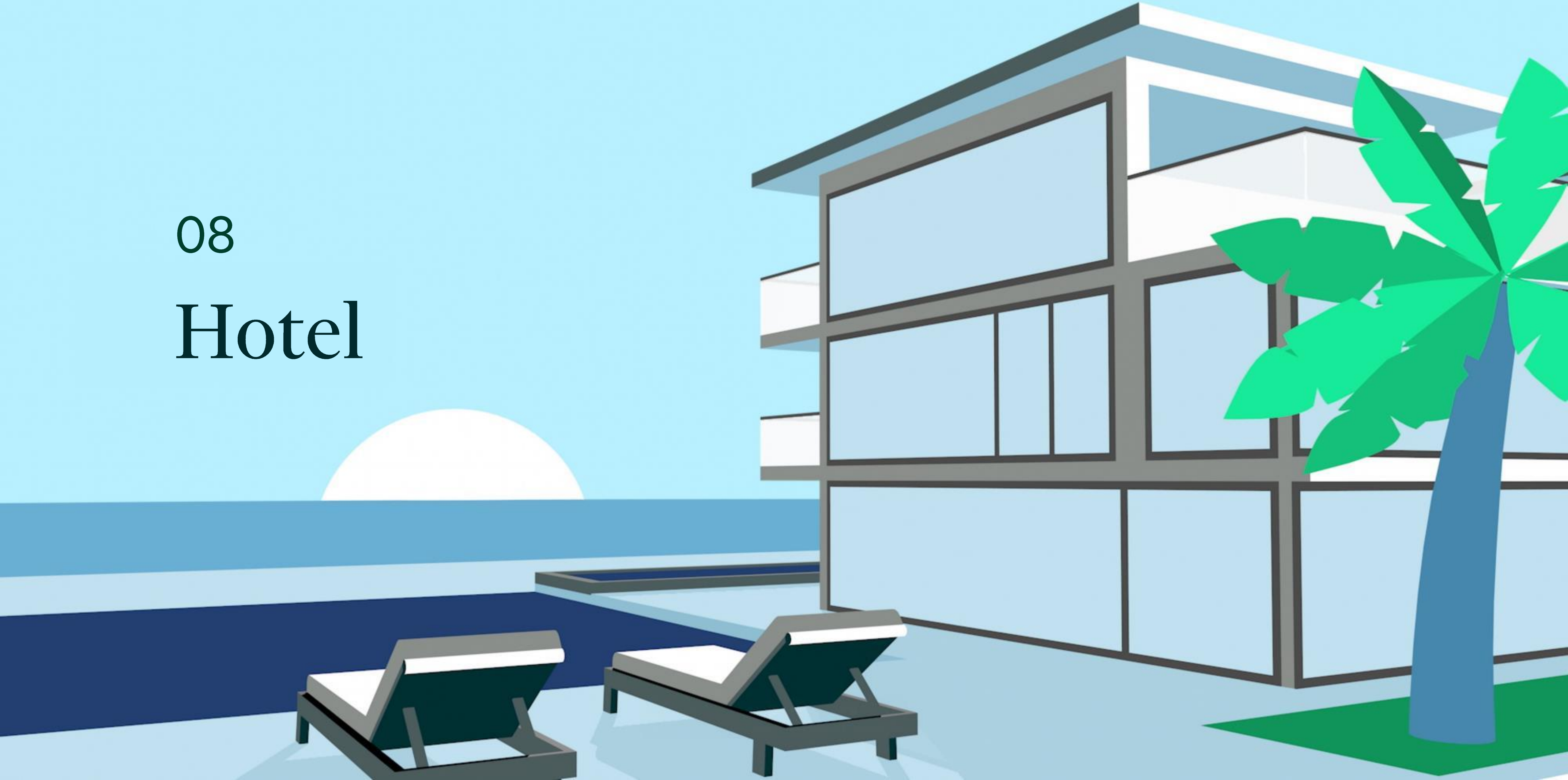
07
Retail

Trends to Watch

- Wages and salaries trending up sharply, accompanied by a gradual improvement in the labour market, are providing support for households' real disposable income and thus for a moderate expansion in consumer spending.
- Global uncertainty keeping the consumer savings rate high is likely to impact retail in varying degrees: While the propensity to purchase durable goods remains subdued, the demand for system-relevant (food) retail can be expected to hold steady.
- Retail is in the process of undergoing structural change, and the pressure to adapt to altered circumstances is great. Suppliers out of tune with the market and unable to compete will disappear, with the number of discontinued businesses having stabilized at pre-corona virus levels and new concepts crowding onto the market, while successful retailers will forge ahead with expansion.
- Online and offline continue to merge, and omni-channel is evolving into unified commerce, using only one common source of data (single source of truth) for the purpose of consistently managing stocks in real time, along with customer data and transactions via all channels. The aim is to guarantee a seamless customer journey.
- System-relevant retail properties with cyclical resilience generating stable cash flows will stay on the investor radar. Furthermore, trophy properties remain desirable, here well-established properties in the market and properties with upside potential where leverage consists of adjusting the tenant or occupier mix of the respective property.

08

Hotel



08
Hotel

Large-scale Deals And Growing Investor Interest

Following an uptrend in overnight stay figures that has held steady since 2021, the German market stabilized at a high level in 2025. Despite the comparatively low number of major events, such as the European Football Championship in 2024, accumulated overnight figures published up until November 2025 have settled slightly above the year-earlier level. Positive stimulus emanates from Germany's trade fair sector that is anticipating a higher number of events and exhibitors in 2026. At the same time, growth in the new hotels pipeline is below the historical average, which will determine positive supply and demand dynamics.

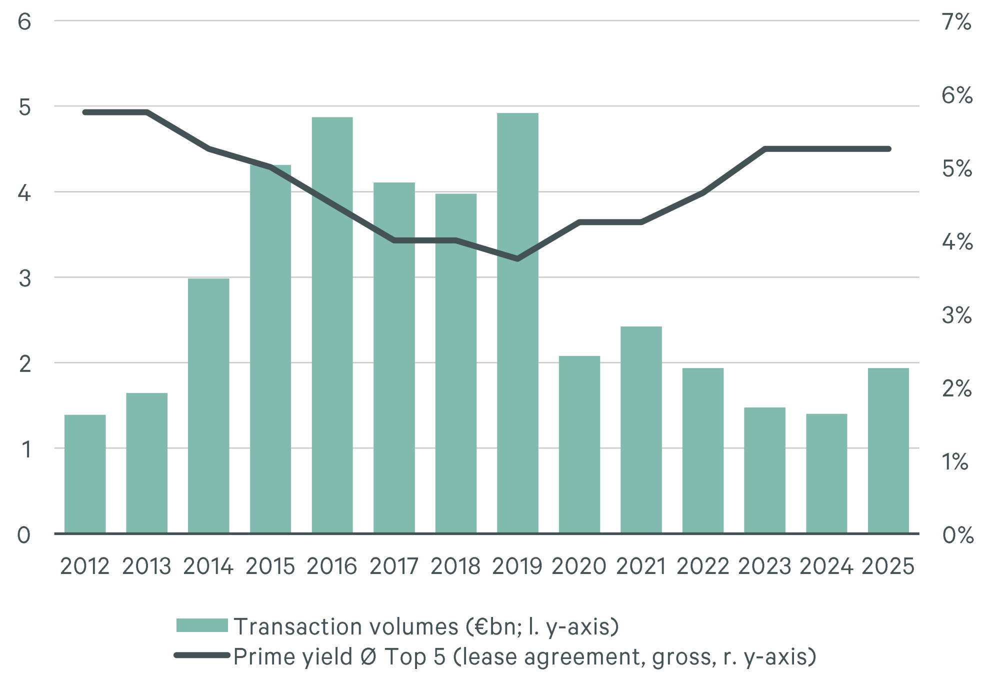
The current transaction volume of €1.9 billion on the back of this positive trend shows that the asset class of hotel is again increasingly emerging from its niche perception. With an upturn of 38%, hotels recorded the strongest growth in terms of volume of all the asset classes and are playing an ever more important role in the commercial real estate investment market.

Capital continues to concentrate on value-add strategies with repositioning, renovation and operational optimizations as the key value drivers of most operator-free hotels. However, more core transactions with long-term lease agreements have recently been observed, a few with the participation of German institutional capital.

The largest German hotel transaction in 2025, namely the sale of the Mandarin Oriental in Munich, is a prime example evidencing how global sources of capital currently consider the German hotel market an attractive and stable growth market. With 13 transactions above the €50 million mark, the year 2025 brought crucial market transparency while accelerating the pricing process.

The upbeat trend is likely to firm up further in 2026. The hotel market's stable fundamentals, combined with keener investor interest in hotel properties, suggest sustained upward momentum.

Figure 7: Hotel transaction volumes & prime yield



Source: CBRE Research

08
Hotel

Trends to Watch

- Upbeat sentiment: The pricing process in the hotel investment market has already reached an advanced stage compared to other asset classes, which is explained by yields already adjusted during the pandemic and going forward following the interest rate reversal. This scenario promotes positive sentiment and transaction volumes rising again.
- Owner operators: High net worth owner operators are currently especially active in terms of acquisitions. In 2025, they proved to be the strongest buyer group, strategically exploiting the lower purchase prices on the real estate market so as to strengthen their brand presence in the German market through acquisitions.
- Consolidation: Despite the generally positive momentum on the hotel market, operators are having to deal with higher operating costs and also partly with a sharp increase in rents and indexations. This development has already triggered a market shakeout and is likely to be conducive to further consolidation and strategic partnerships in the operator environment.
- Bleisure: The trend toward blended travel continues apace and is proving advantageous for hotel concepts capable of combining work-related and leisure requirements into a single offering – particularly in destinations that are appealing for people traveling for both business and leisure.
- Demographic shifts: Changed travel profile and growing prosperity in aspiring source markets open up opportunities for well-being hotel concepts and the luxury segment where room rate trends are increasingly disengaging from the overall market.

09

Healthcare & Senior Living

09

Healthcare & Senior Living

Notable Recovery on The Healthcare Real Estate Investment Market

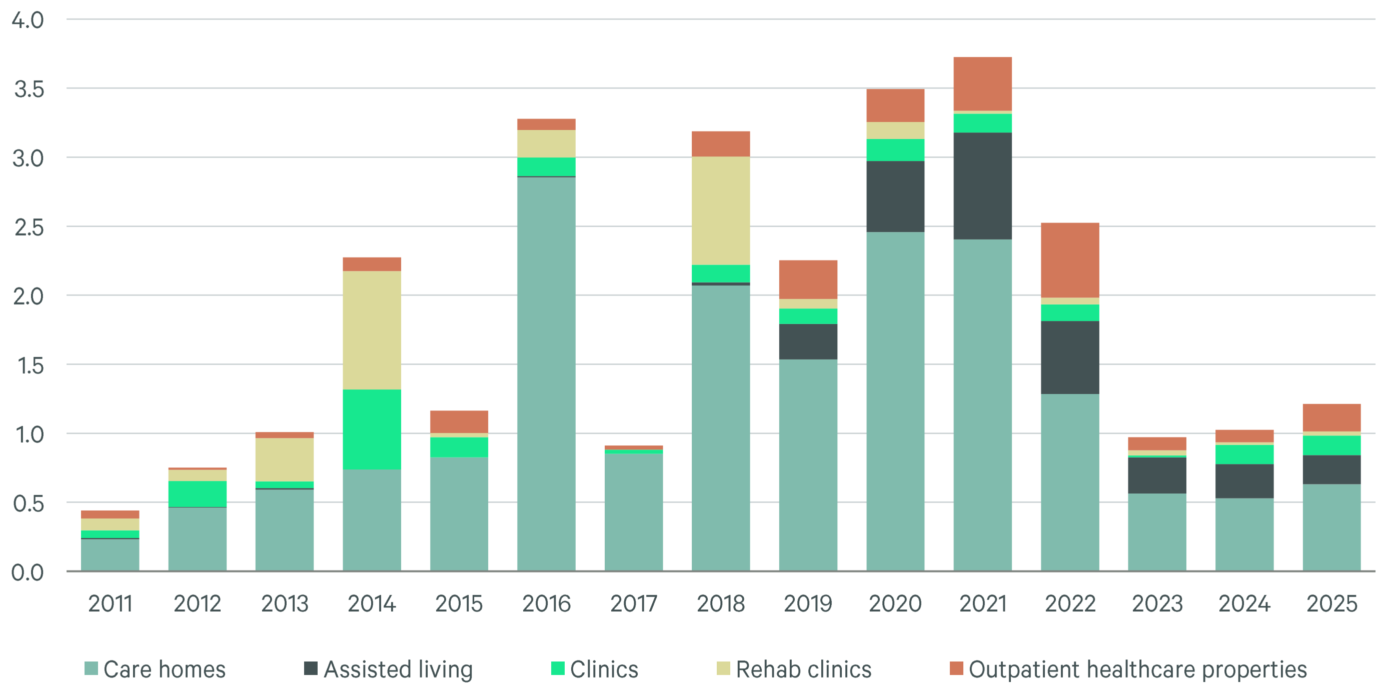
Demographic development is ensuring the long-term need for healthcare real estate.

Germany's healthcare real estate investment market continued to rebound in 2025 and, following the crisis year of 2023, clocked up significant growth for the second year in a row. The transaction volume climbed by 18% to around €1.2 billion. Care homes that captured a volume of €630 million remained the market's stable anchor, while outpatient healthcare properties such as medical centers saw particularly dynamic growth of 121% to €200 million.

In 2026, there are signs of a market environment that will be determined by selective single-asset transactions. Several large-scale deals not finalized in 2025 are on the verge, and new opportunities are at the preparatory stage. International investors are keeping a close watch on the German market and investigating opportunities for entry as the long-term demand for healthcare properties remains unabated.

As before, the key drivers consist of demographic development and the shift toward outpatient healthcare concepts that are increasingly important for flexible usage concepts. At the same time, pressure is growing on the policy makers to implement urgently needed reforms for future proofing the nursing care and healthcare landscape, up until now without concrete results. The risk of a number of nursing care insurance companies going insolvent emphasizes the urgent need for measures. For investors this means: Those prepared to factor in regulatory uncertainty are set to benefit from secure demand in the long term. All in all, the asset class of healthcare remains an attractive investment environment with robust fundamentals and clear growth drivers in 2026 as well.

Figure 8: Development of the transaction volume by usage type (€bn)



Source: CBRE Research

09

Healthcare & Senior Living

Trends to Watch

— Change – moving away from stationary to outpatient: Keeping a close eye on the changing needs of users, particularly against the backdrop of the shift away from stationary to outpatient care concepts, will be essential in accommodating the requirements of a dynamic market.

— Risk tolerance: This asset class requires investors to have a deep understanding of the complex interplay between property, operation and the regulatory environment. At the same time, embracing risk to invest despite the lack of political clarity about the sector's future structure is also a must. In return, the sector offers secure demand from occupiers in the long term.

— Selective transactions: Despite large-scale deals still in the market, single-asset transactions can be expected to dominate market activity.

— Alternative concepts for senior living: Senior living is enjoying growing demand from occupiers and investors but is nevertheless juxtaposed to limited supply. Consequently, more building activity is urgently needed. Innovative operator and leasing models that go beyond the conventional general lease, such as individual leasings in combination with service providers or management agreements, may also serve to enhance the segment's appeal.

— Secure market entry: The price correction relevant to existing stock has mainly come to an end, allowing buyers and sellers to negotiate on a realistic basis again. International investors who are confident in the long-term need for healthcare real estate in Germany are most especially keeping an eye on current momentum, with a focus on major portfolios and platform transactions in particular.

10

Social Infrastructure

10
Social Infrastructure

Investor Interest in Social Infrastructure Hotting Up

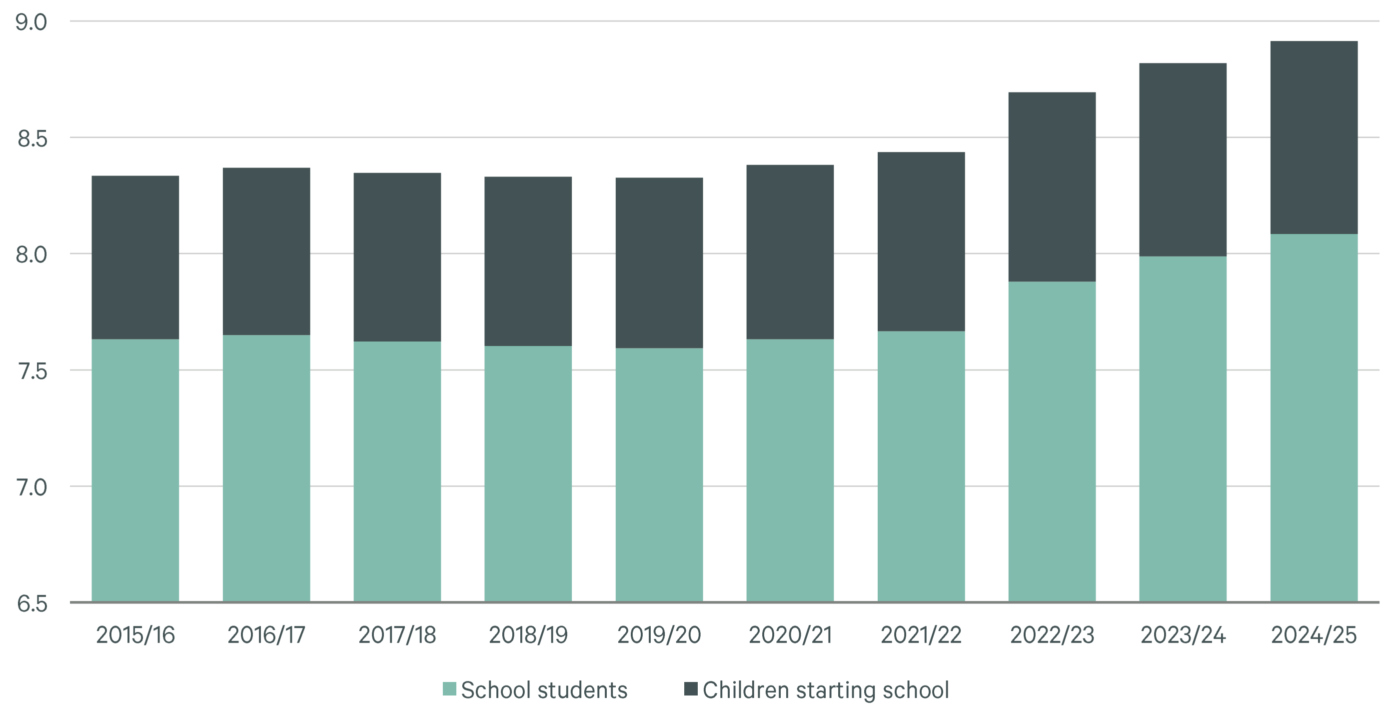
The need for social infrastructure facilities is high and virtually impervious to economic fluctuations.

Social infrastructure is increasingly attracting investor attention as it offers the possibility of combining attractive returns with significant social value, and thus actively contributing to a viable future for society. As a versatile asset class, social infrastructure is hallmarked by its heterogeneity through uniting various types of property and usage types under one definition. This partly includes asset classes that are already established, such as healthcare and care properties, but also educational, cultural and leisure facilities, along with public sector establishments.

As regards investment eligibility, healthcare and nursing property has already gained a foothold as a market in their own right. While public sector institutions such as courts or police stations, along with cultural and leisure facilities, examples being museums and sports venues, often offer long-term leases, with the former usually being concluded with the public sector, the latter in particular constitute architecturally demanding types of buildings.

Educational establishments, especially daycare centres and schools, are becoming increasingly attractive to institutional investors, which is also reflected by the launching of specialized funds. They offer a compelling investment profile that combines a high level of social impact, long-term rental stability, underpinned by demand in a steady uptrend with a structural financing deficit in the market segment. The renovation and investment backlog for school buildings that the KfW Municipal Panel 2025 estimates at €67.8 billion highlights the pressure to invest and the associated considerable opportunities.

Figure 9: Development in the number of pupils in general education (million)



Source: German Federal Statistical Office

10

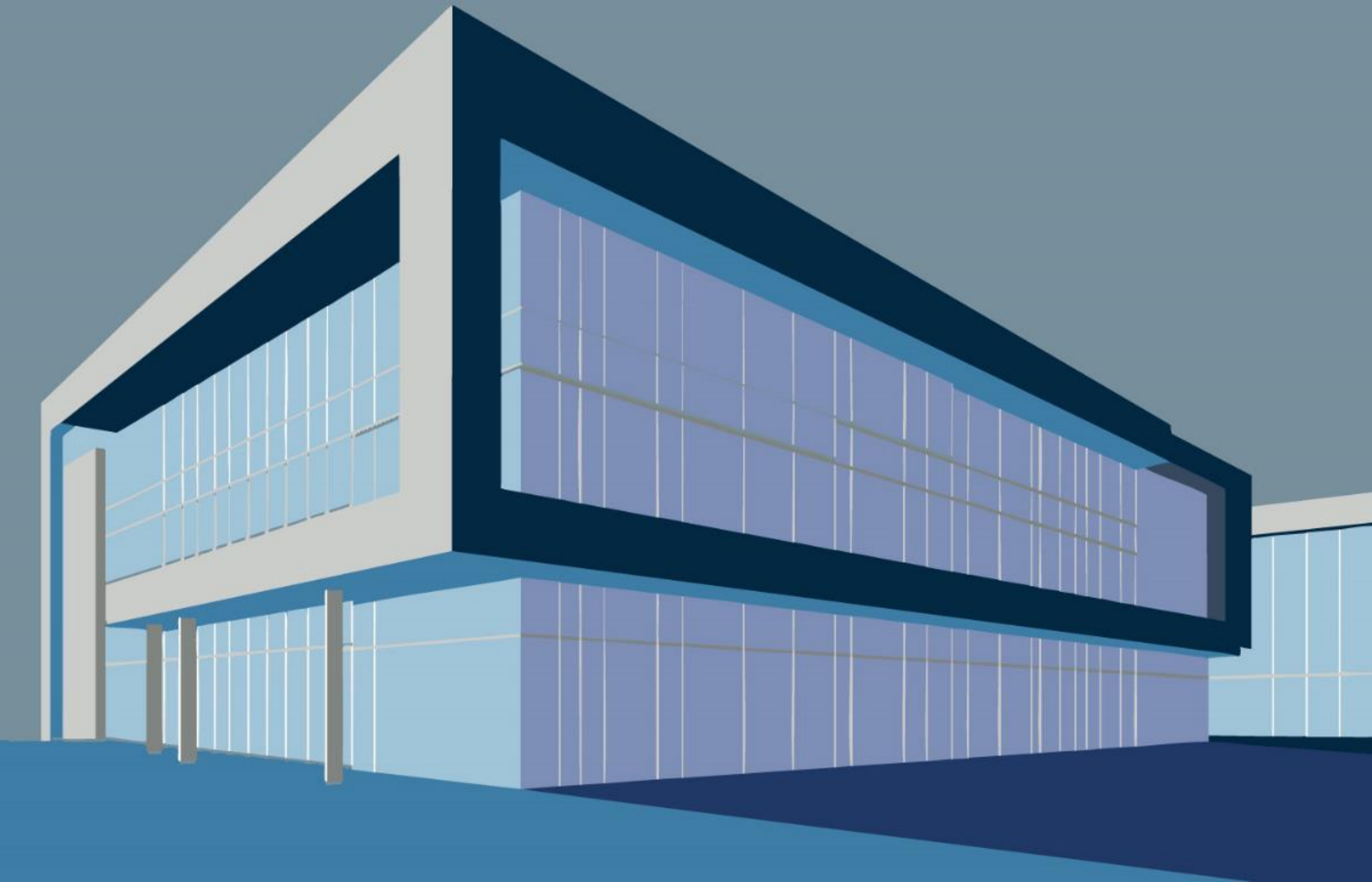
Social Infrastructure

Trends to Watch

- Attractive investment profile: Educational facilities unite societal relevance with long-term rental stability and structurally induced rising demand. At the same time, a financing deficit prevails in the market, offering attractive entry opportunities to investors.
- Cooperation: As education is a key mission for the whole of society, new models of collaboration between the public sector and the private economy are needed. Adopting a concerted approach is the only way of sustainably reducing the significant refurbishment and investment backlog in the education sector.
- Changes in the education environment: The growing need for full daycare, along with using digital forms of learning, signals new requirements for buildings while opening up headroom for contemporary real estate concepts and additional capacities.
- Portfolio diversification: Educational facilities with their own market momentum offer investors with a long-term horizon an expedient addition to their portfolios, while contributing to stable, reliable return.
- Availability of land: Suitable plots are limited as to their availability in downtown locations. A look at the repurposing potential of existing stock is therefore worthwhile, for instance office properties that no are longer marketable.

11

Life Sciences



11

Life Sciences

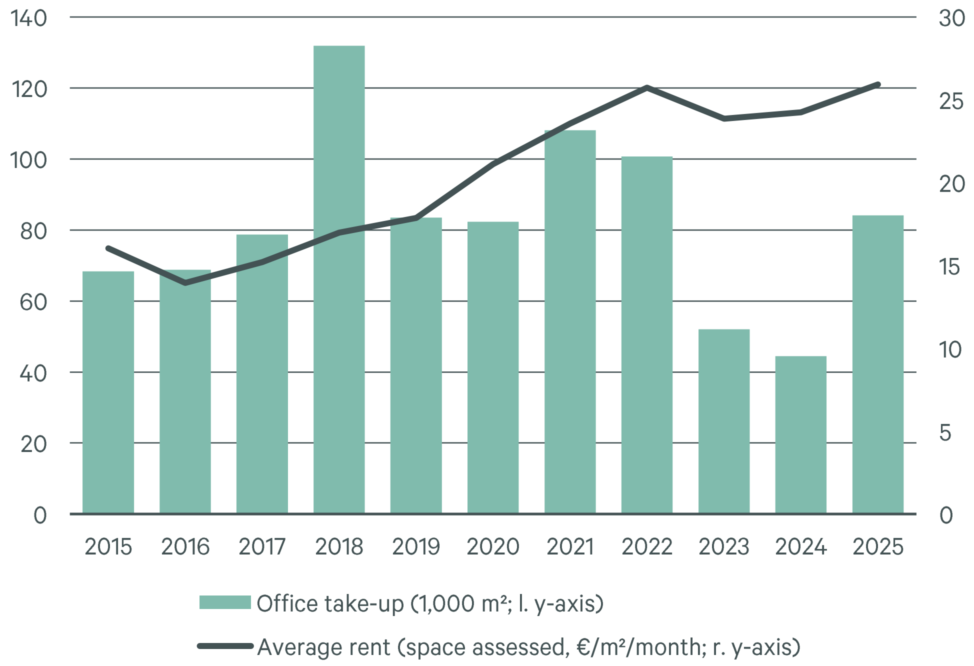
Pressure to Innovate Is Accelerating Lab Space Expansion

In 2025, the German life sciences real estate market moved on from the dent in its growth the year before. While the actual number of leases remained stable, large-scale transactions staging a comeback boosted take-up by around 80% to more than 84,000 sqm.

As data on pure the laboratory space often proves patchy due to high owner-occupier ratios, office premises take-up by life sciences companies serves as a reliable indicator for the sector's rate of expansion. The current boom in demand is less due to short-term effects and more to fundamental, sector-specific drivers: In view of patents expiring for a number of blockbuster drugs ("patent cliff"), established pharmaceutical groups are under a great deal of pressure to innovate, which is increasingly resulting in strategic takeovers (M&A) and expanding their own research pipelines. In addition, disruptive technologies and bio convergence, meaning the merging of AI and biotechnology, is driving the need for cutting-edge, hybrid variations on lab space. The third quarter of 2025 in particular highlighted this trend through strategic milestones such as the major 15,000 sqm development for a French biopharmaceutical company in Frankfurt.

Lease agreements also signed by a Swiss pharmaceutical company in Munich's "The Stack", as well as the Minaris owner-occupation project in Taufkirchen, are evidence that long-term capacity planning is now translating into genuine space absorption. While this current take-up results from precursor development cycles, the massive venture capital investments in 2025, topped by the record rounds of Tubulis and Amboss, suggest an optimistic outlook for demand in the years ahead. This inflow of capital acts as a leading indicator for future waves of expansion that will coincide with an already tight rental market. Weighted average rent rose by 7% in 2025 to around €26.00/sqm/month, with substantial markups already being paid for contemporary, ESG-compliant lab space. That the asset class has whetted the appetite of institutional investors is borne out by the *Life Science Centre Gräfelfing* investment transaction. This sale in an established cluster shows that prime life science properties in top locations are still able to generate attractive returns. While strategic innovation pressure on major conglomerates provides support for today's market, the current financing wave for start-ups secures the momentum of tomorrow.

Figure 10: Life sciences leasing market* and rental price development in the Top 5 markets



Source: CBRE Research; Note: *Research, pharma and biotechnology

11
Life Sciences

Trends to Watch

- Repurposing potential in existing stock: In view of the structural change in the office market, the technical inspection of existing stock for suitability as S1 and S2 lab space is moving into focus. While high security labs (S3/S4) generally remain financially untenable due to complex architectural barriers and high costs, standard laboratories offer realistic revitalization opportunities in urban clusters.

- Crisis-resilient alternative asset class: As an investment alternative, life sciences are garnering growing attention from investors and lenders on the lookout for stable investments options outside conventional segments In this context, capital is allocated on a highly selective basis, with prioritization placed on ESG-compliant properties in first rate cluster locations in close proximity to academic research establishments.

- High costs of removal as a guarantee for tenant retention: Significantly higher construction costs in the life sciences sector compared to other real estate segments result in greater cash flow stability. The massive investments made by tenants in highly specialized lab fit-out, as well as the necessary embedding in local innovation ecosystems, engenders above-average location-specific loyalty (sticky tenants).

- AI-integration is changing the demand for space: The use of artificial intelligence in research is causing demand to move away from pure wet labs to hybrid layouts with a high proportion of dry labs. This combination consisting of physical research and digital analysis significantly enhances the capacity for space to be used for other purposes as the installations these labs require are far less specific than traditional laboratory environments do.

- Energetic optimization as a key factor of value: Against the backdrop of high energy requirements for ventilation and air conditioning, decarbonization is set to become a critical factor for the intrinsic value of life sciences properties. Investors are therefore increasingly opting for innovative energy concepts and waste heat recovery in order to comply with ESG standards and also with the rising sustainability demands of occupiers with top credit standing.

12

Data centers

12
Data centres

Demand for Data centres Exceeding Supply, with Foreseeable Consequences

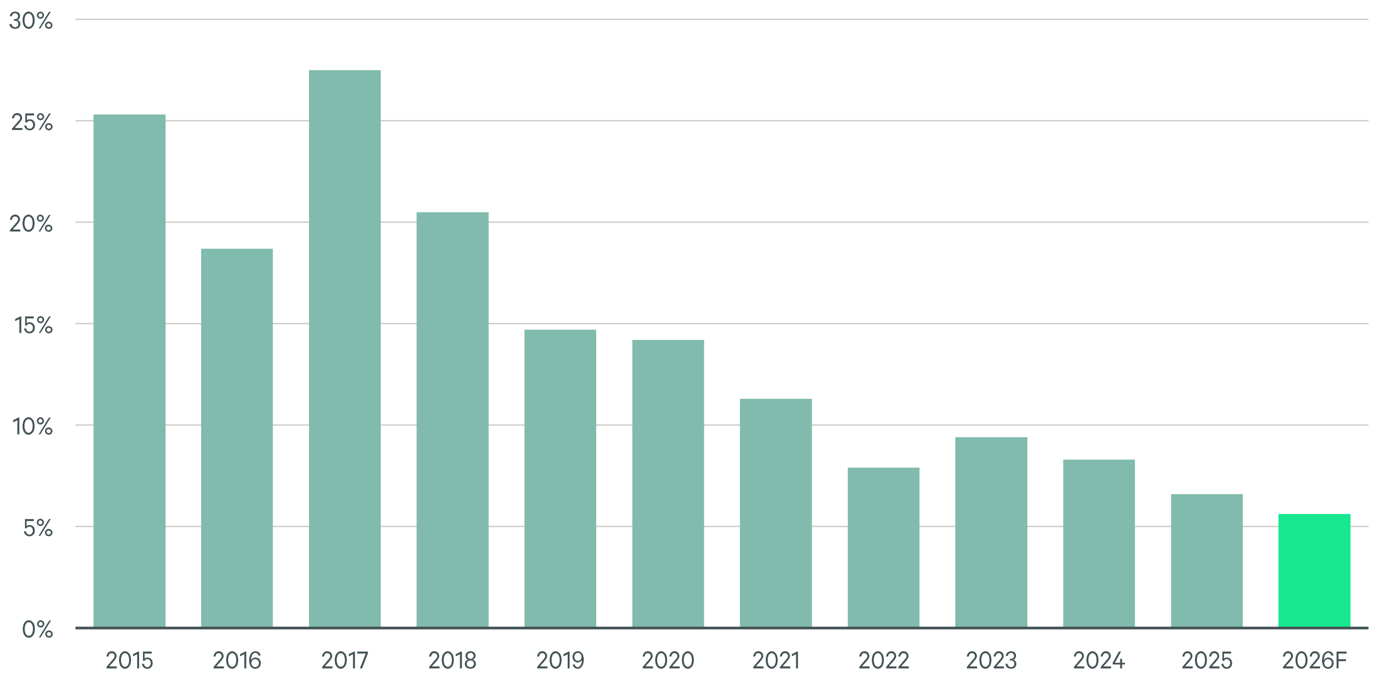
Organic growth in data centre demand ongoing – notable increase in demand on the back of AI requirements

Despite the massive expansion in capacity, vacancy rates in collocation data centres in Germany have been falling continuously since 2017. Between 2017 and 2025, the vacancy rate dropped from 27.5% to a mere 6.6%. Over the same period, the overall volume of data centre capacity quadrupled, from 260 MW to more than 1,415 MW. As before, large cloud providers are the main drivers of demand.

The rising need for data centre capacity for AI applications has exacerbated this trend in Europe since 2023, with the impact of AI demand only manifesting tangibly in Germany in 2025. In previous years, the Nordic countries, Italy, and Spain in particular derived special benefit from the growing demand for AI capacity due to their attractiveness for AI training. Rising AI inference, meaning the active phase of using AI, is now sending demand in Germany up sharply. This demand is fuelled from domestic sources as well as because Germany as central location within Europe enhances the location for AI services in neighbouring countries.

In 2026, CBRE anticipates rising demand for AI, further organic growth in the demand for data centre capacity from cloud, outsourcing and the general digital transformation in the domestic economy. Supply limited by capital- and time-intensive building measures and the low vacancy rate in existing stock will lead to a growing discrepancy between supply and demand in 2026 that will positively impact the rental expectations of data centre operators.

Figure 11: Vacancy rate of collocation data centres in Germany



Source: CBRE Research

12

Data centres

Trends to Watch

— The clear majority of AI requirements has been placed within the sphere of AI training in recent years, which has necessitated extremely high volumes of computing capacity, on occasion in remote locations. AI training will also constitute the lion's share of AI demand, while the proportion of AI inference will continue to increase in 2026. This scenario will lead to an additional increase in computer centre demand in familiar markets in Germany, with Frankfurt accounting for most of this demand. Consequently, AI inference will drive the supply-demand in balance, with foreseeable consequences in terms of price and return in the DC domain.

— The growing need for AI compute capacity will also result in a shift in the technical requirements placed on data centres. The need for high density capacity that can provide multiple times the usual cooling and power output continues to grow. This is fuelling a growing need for water-cooled data centres that, in turn, requires operators to invest in order to meet this demand. Both new developments and conversion measures in existing stock are ways in which operators seek to service this demand, making capital-intensive investment necessary. The construction costs for data centres will therefore continue to increase.

— Despite an amendment having been announced, Germany's new Energy Efficiency Act will result in a huge investment backlog for existing data centres if they do not meet the energy requirements. As this also applies to company-owned data centres, a further increase in sale-and-leaseback transactions can be expected, which will boost the data centre transaction volume. The ongoing operation of company-owned data centres for their own use will become increasingly financially unappealing to many German companies.

— The demand for data centre capacity is on the rise principally in Germany's established data centre markets. Individual large-scale projects, such as the Schwarz Group's construction project in Lübbenau, can nevertheless also be expected. These construction projects outside the core markets that go into the billions are standalones, so set apart from existing data centre markets and are primarily destined for use by their operators.

13

Sustainability

13
Sustainability

From Risk to Return: Financing What Shapes The Future

Investments in ESG are today's costs – but tomorrow's returns.

Physical climate hazards heighten financial risks
Extreme weather conditions causing damage on a growing scale are driving up insurance premiums and capital requirements. Financing costs are also rising, along with valuations falling in the real estate industry. Investors are increasingly factoring these risks into ESG analyses, while regulatory disclosure obligations (TCFD, CSRD) enforce transparency even though this is partially relativized by the EU Omnibus Regulation on harmonization and simplification. Companies that lack a clear strategy for adjusting are risking competitive disadvantage – resilience and diversification are decisive.

Financial backers are widening the scope of their risk analysis by adding ecological factors – biodiversity with growing importance
Along with climate risks such as heat and water stress, biodiversity, including topics relevant to real estate such as sealing the ground and water scarcity, are increasingly being incorporated into risk models and supervisory assessments. GRESB has integrated biodiversity strategies for the first time into its real estate assessment criteria, making dependence on the natural environment more transparent. This broader ecological analysis will influence financing and asset values in the future and, with improved data availability, will become increasingly important.

This presents financial backers across Europe with enormous financing requirements. Hundreds of billions of euros in additional funding will be needed each year to achieve decarbonisation targets, climate adaptation and other environmental standards. According to ECB estimates, around 2.7% to 3.7% of GDP a year will need to be invested in the EU, corresponding to an annual volume of around €840 billion and juxtaposed to the reality of only around €500 billion. Without targeted green and transition financing, this gap cannot be closed, which creates a structural business case for sustainable lending solutions. At the same time, long-term savings can be realized, for instance through lower energy costs, reduced carbon levies, and increased asset values in the context of efficiency improvements and heightened resilience in the face of physical climate hazards. This being the case, investments in green transition are not only establishing themselves as environmental measures but also as a clearly economically advantageous financing strategy.

Regulatory pressure on banks on the rise
Central banks and supervisory authorities are increasingly embedding climate and environmental risks in stress tests and credit assessments, with institutions having to systematically factor these risks into their risk models and capital planning. In parallel, price discounts for green assets and surcharges, along with restrictions on brown assets, form the topic of intensifying debate. Accordingly, carbon emission pathways and the transformation capacity of companies are evolving into key factors for lending conditions and financing headroom.

What does this mean?
ESG will remain a core issue as banks' risk models are becoming more stringent, climate-related damage is on the rise, accompanied by a massive increase in the financing requirements for decarbonization and adjusting to change. Properties will be increasingly valued in terms of their risk profile and financial feasibility. The direct impact of climate risks, regulatory capital and investment requirements, coupled with sustainable and ecological measures, will remain core topics and make ESG a question of credit quality, thus elevating it to a genuine market driver.

13
Sustainability

Trends to Watch

- Companies are gradually replacing manual data processes by integrated data platforms that ensure transparency and auditability. Uniform standards such as updated ISO net zero frameworks and digital tools enable comparability and foster trust. This development makes ESG data an integral part of corporate management and control, along with capital valuation.

- While enhancing data quality, artificial intelligence and automation are drastically reducing the effort entailed by ESG reporting. Companies are harnessing AI to monitor energy consumption, supply chains and compliance in real-time. These endeavours render ESG data management more efficient, more cost-effective and eligible for strategic use.

- Adjusting to climate change and biodiversity: Climate and biodiversity risks are not only analysed but also actively integrated into financial decisions and capital allocation with a view to strengthening resilience and creating value added.

Contacts

Research Germany

Dr. Jan Linsin
Head of Research Germany
jan.linsin@cbre.com

Jirka Stachen
Senior Director
jirka.stachen@cbre.com

Jan Schwarze
Director
jan.schwarze@cbre.com

Tobias Brandt
Associate Director
tobias.brandt@cbre.com

Anna Maria Burrichter
Senior Analyst
anna-maria.burrichter@cbre.com

Alicia Cinar
Senior Analyst
alicia.cinar@cbre.com

Dr. Steffen Heinig
Senior Analyst
steffen.heinig@cbre.com

Tamara Orth
Senior Analyst
tamara.orth@cbre.com

Dirk Turek
Senior Analyst
dirk.turek@cbre.com

Business Lines Germany

Kai Mende
CEO
kai.mende@cbre.com

Carsten Ape
Head of Office Leasing
carsten.ape@cbre.com

Frank Emmerich
Head of Retail
frank.emmerich@cbre.com

Nadine Gelke
Head of Data Center
nadine.gelke@cbre.com

Sandro Höselbarth
Head of Valuation & Advisory Services
sandro.hoeselbarth@cbre.com

Prof. Dr. Ralf J. Klann
Head of Debt & Structured Finance
ralf.klann@cbre.com

Stephan Leimbach
Head of Occupier Accounts & Consulting
stephan.leimbach@cbre.com

Marcus Lemli
Head of Capital Markets
marcus.lemli@cbre.com

Kai F. Oulds
Head of Industrial & Logistics
kai.oulds@cbre.com

Andrea Märtens
Head of ESG & Sustainability Solutions
Andrea.maertens@cbre.com

Helena Rickmers
Head of Hotel Investment
helena.rickmers@cbre.com

Henrik O. Schleicher
Head of Asset Services
henrik.schleicher@cbre.com

CBRE

Contacts

Global Research Leadership

Henry Chin, Ph.D.
Global Head of Research
henry.chin@cbre.com

Ada Choi, CFA
Head of Research, Asia Pacific
ada.choi@cbre.com

Tasos Vezyridis
Head of Research, UK&I and Continental Europe
tasos.vezyridis@cbre.com

Dennis Schoenmaker Ph.D.
Global Head of Forecasting & Strategic Insight
dennis.schoenmaker@cbre.com

Julie Whelan
Global Head of Occupier Thought Leadership & Research Consulting
julie.whelan@cbre.com

Kasia Dziewulska
Head of Global Operations, Global Research
kasia.dziewulska@cbre.com

CBRE