



Quarterly Economic & Real Estate Report Germany
Trends and prospects for the property market

Japan German Real Estate Bridge Newsletter

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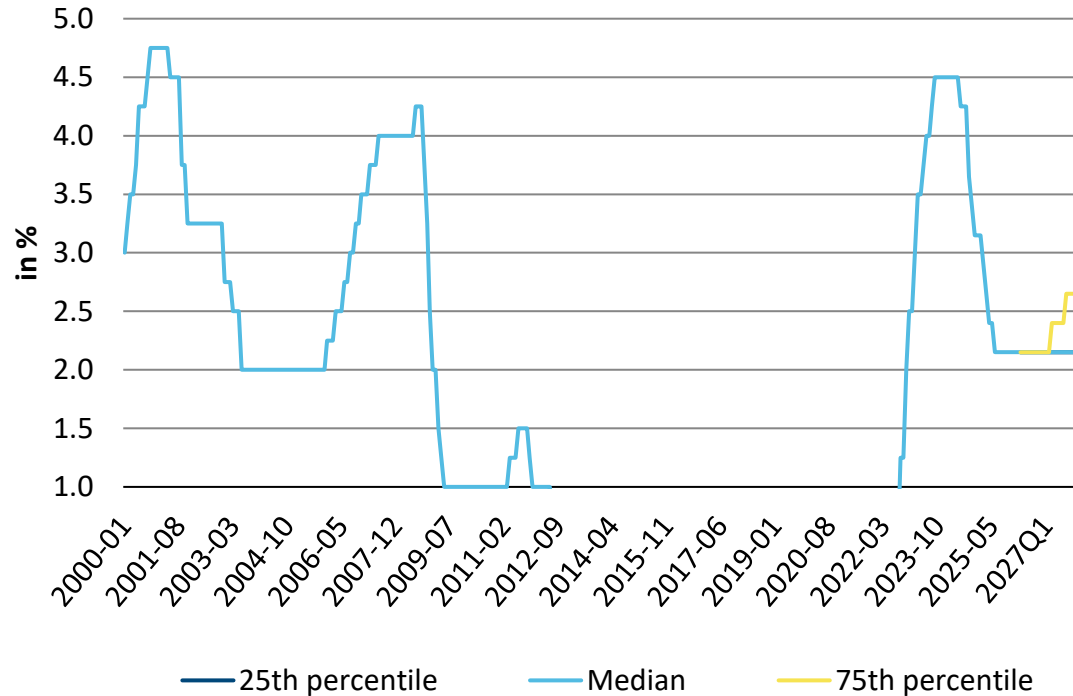
<https://www.bulwiengesa.de>



Comprehensive property market database for Germany with data since 1990.

<https://www.riwis.de>

Key interest rate development of the European Central Bank and expectations for the main refinancing rate (MRO) from April 2026 onwards



A key driver of the property sector, which has led to a sharp rise in purchase prices and a decade of euphoria, is the general level of interest rates. The ECB's interest rate turnaround has brought the euphoria to an abrupt end.

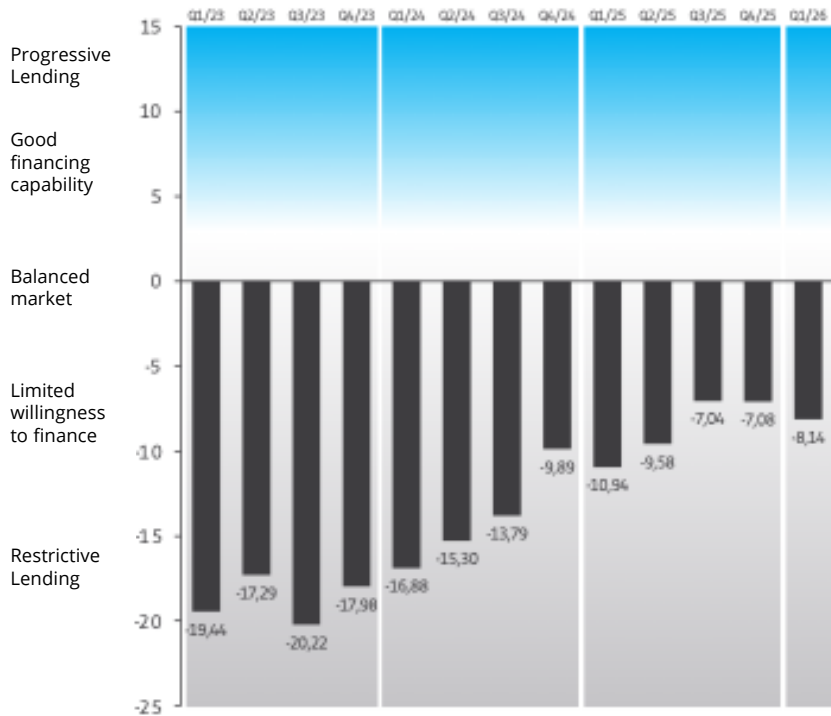
Interest rates have normalised again and the ECB's main refinancing rate currently stands at 2.15% after eight reductions since beginning of 2024.

On 19 March 2026, the ECB left interest rates unchanged for the sixth consecutive time

The inflation forecast has been revised upwards, as the war in the Middle East is expected to have a "significant impact on inflation".

In light of resurgent inflation fears due to rising oil prices, the markets are not yet expecting new interest rate hikes, but this can change soon.

Real Estate Finance: Quarterly Barometer in the first quarter of 2026 – a setback at the start of the year



- The barometer reading falls in the first quarter of 2026, with the year starting at -8.14.
- Sentiment therefore remains volatile, but has stabilised at a low level overall.

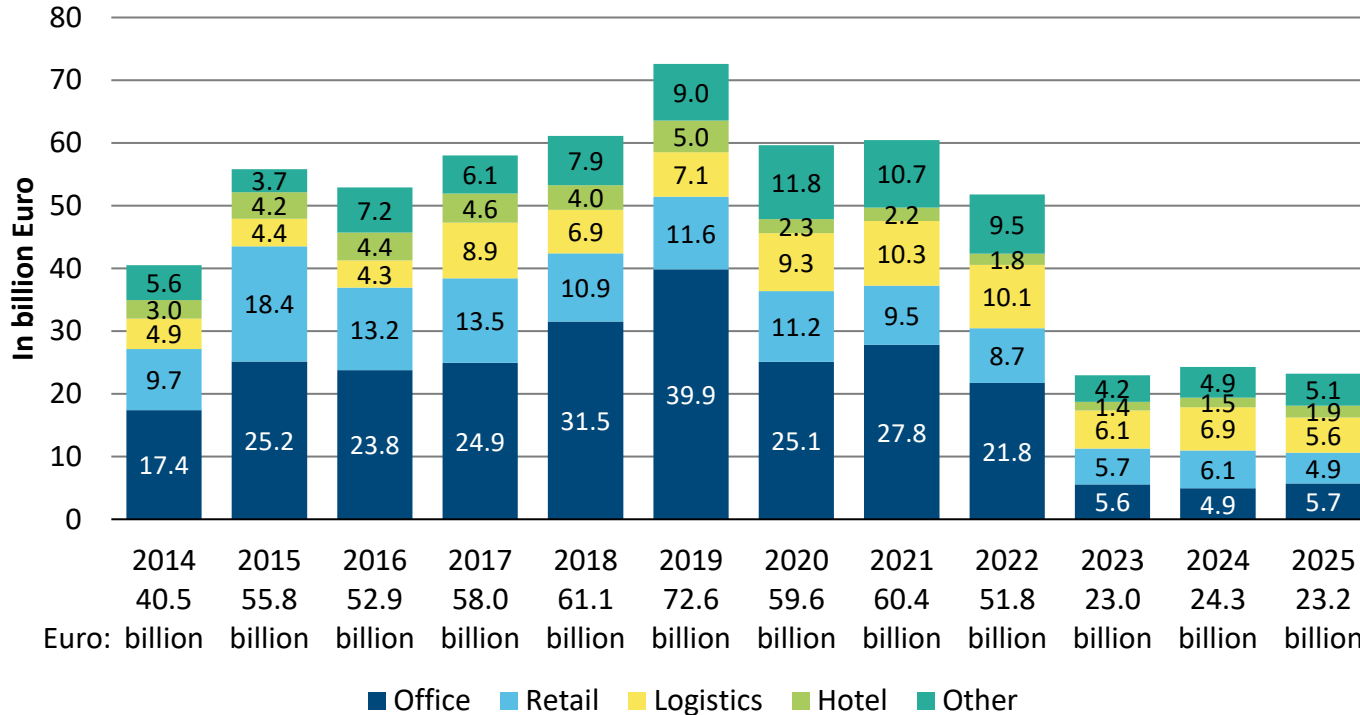
Proportion of institutions financing the respective segment ... for Property Owners

Segment	Share
Office	75.8%
Residential for Owner Operators	84.8%
Shopping Centers/Retail	48.5%
Logistics	60.6%
Hotel	48.5%
Social Real Estate	15.2%
Micro Apartments	51.3%
Car Parks	21.2%
Other	6.1%

... for Developments

Segment	Share
Office	48.5%
Residential for Owner Operators	66.7%
Residential for Sale	51.5%
Shopping Centers/Retail	12.1%
Logistics	48.5%
Hotel	30.3%
Social Real Estate	9.1%
Micro Apartments	51.5%
Car Parks	9.1%
Other	0.0%

Commercial Real Estate Investment Volume by Asset Class in Germany



Commercial transaction volume in 2025 at around €23 billion (-5% compared to 2024)

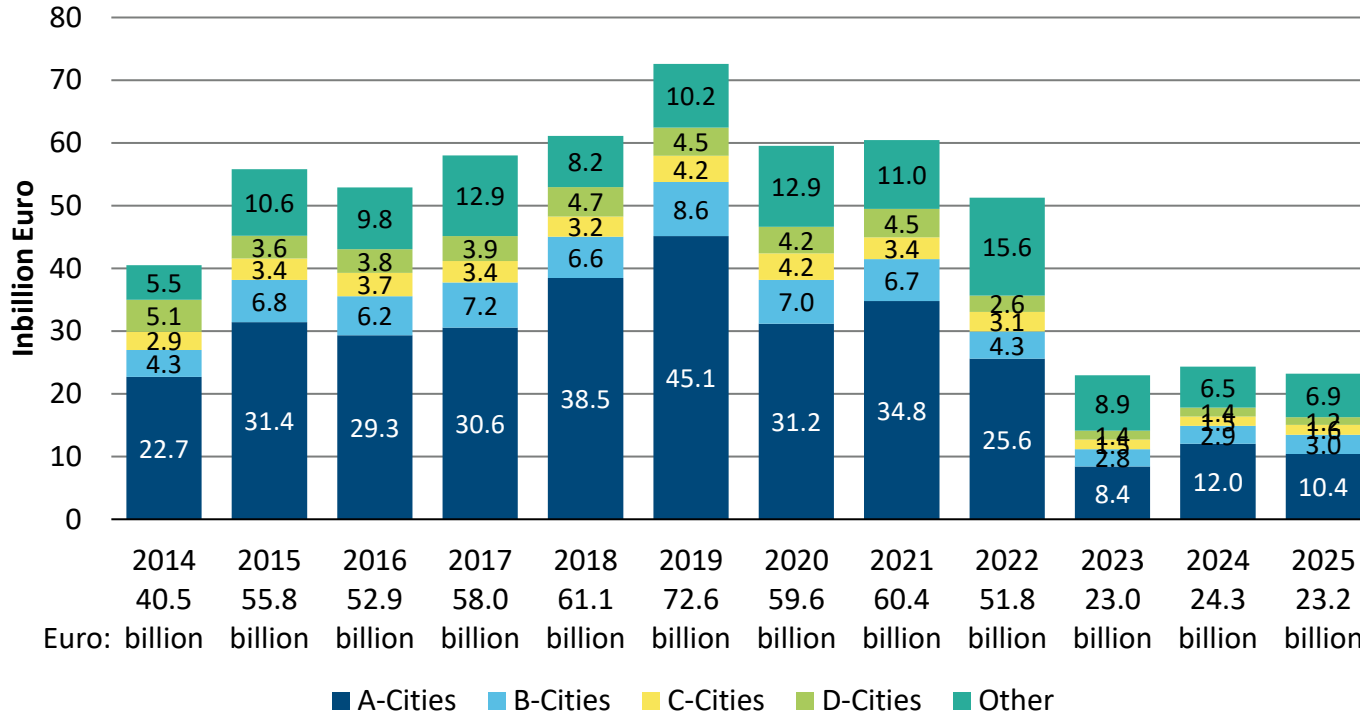


Well below the average (years 2015 to 2024) of €52 billion (-55%)



Offices are the biggest losers in the changed interest rate environment since 2022, but there will be a notable rebound in 2025 compared with the previous year

Commercial Real Estate Investment Volume by City Type in Germany



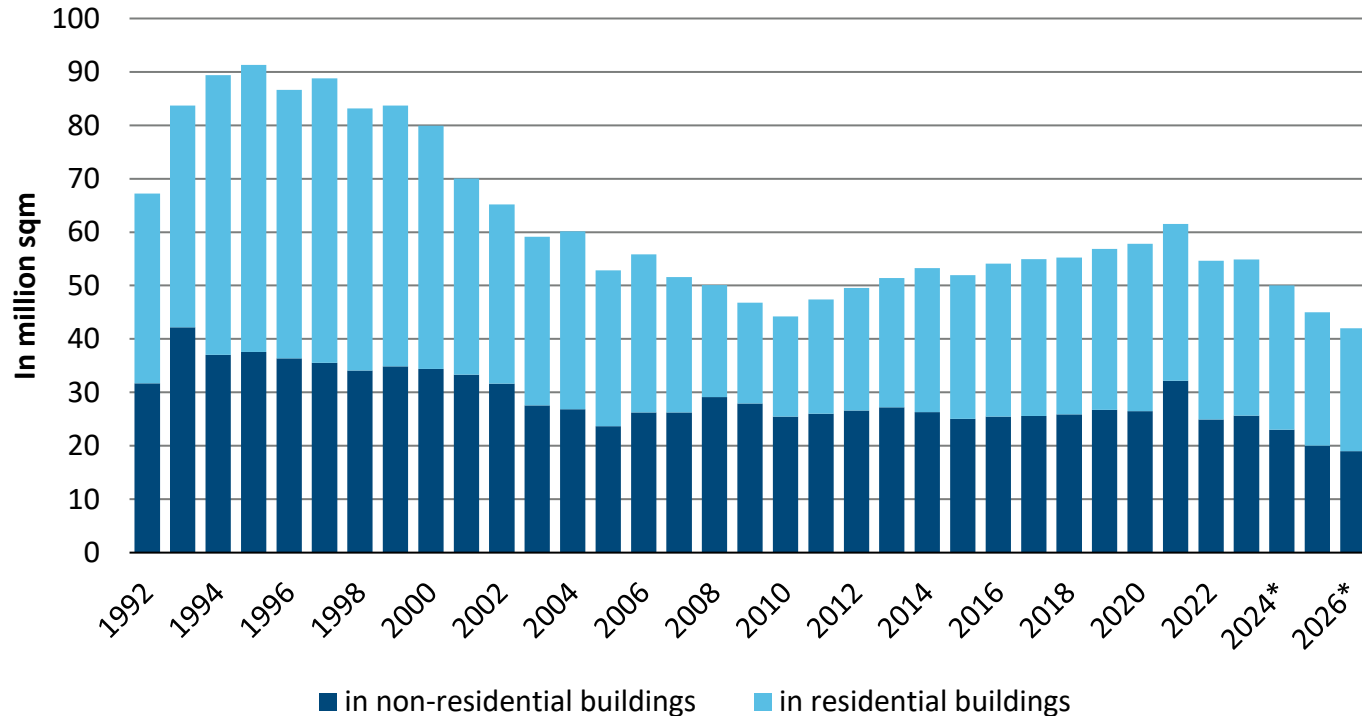
Weak transaction volumes in major A-cities continue to characterise the subdued investment market



“Other” remains relatively stable, as **logistics transactions** account for a certain volume of activity in this sector

Construction Volume in Germany

1992 to 2026



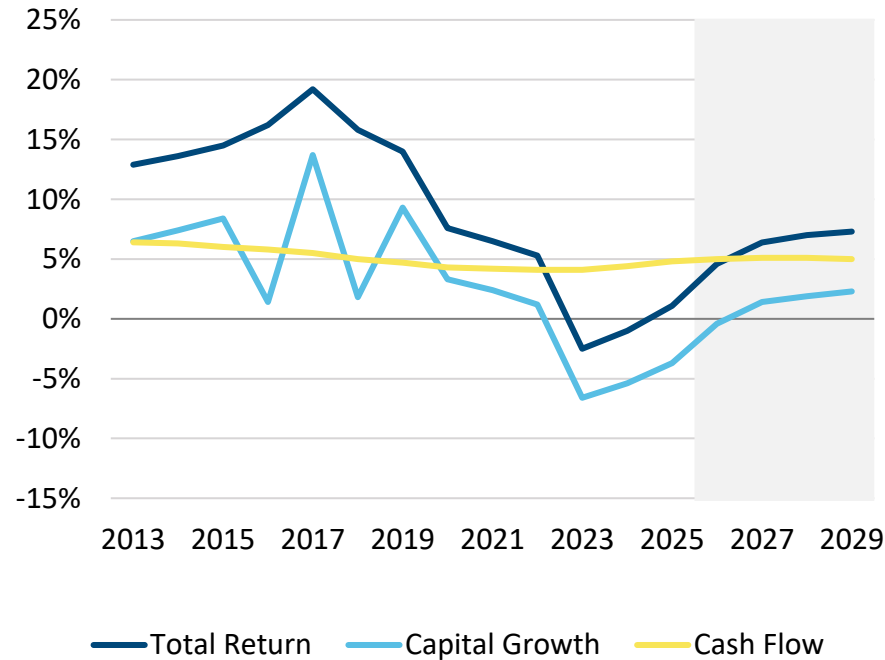
After six years of continuous growth, **construction activity in 2023 was stable** compared to the previous year.



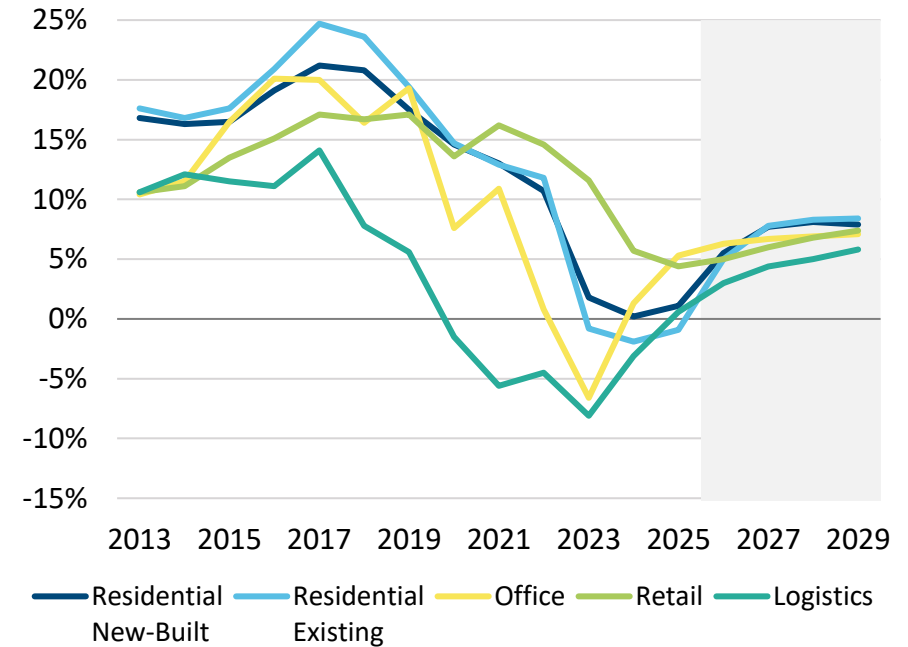
This result is due to the continued subdued construction activity in almost all types of use. A declining volume of completions is expected for the coming years.

German Property Index (GPI) 2013 to 2029

GPI – all Segments

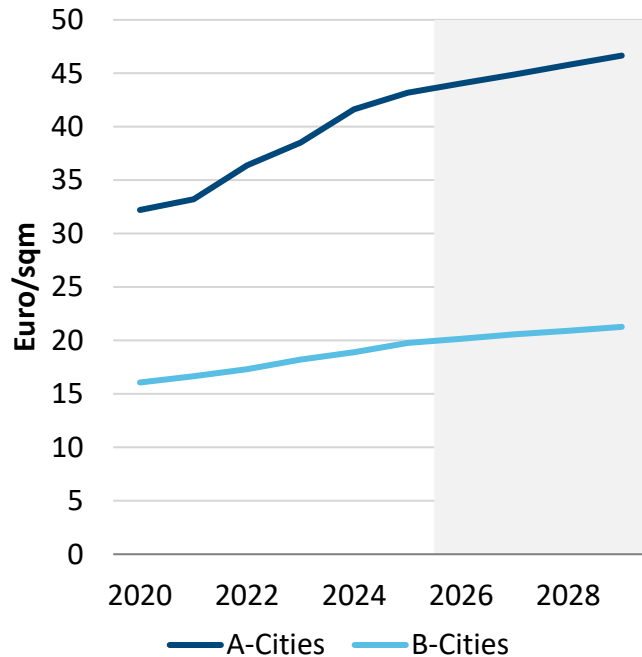


GPI – Total Return by Asset Class

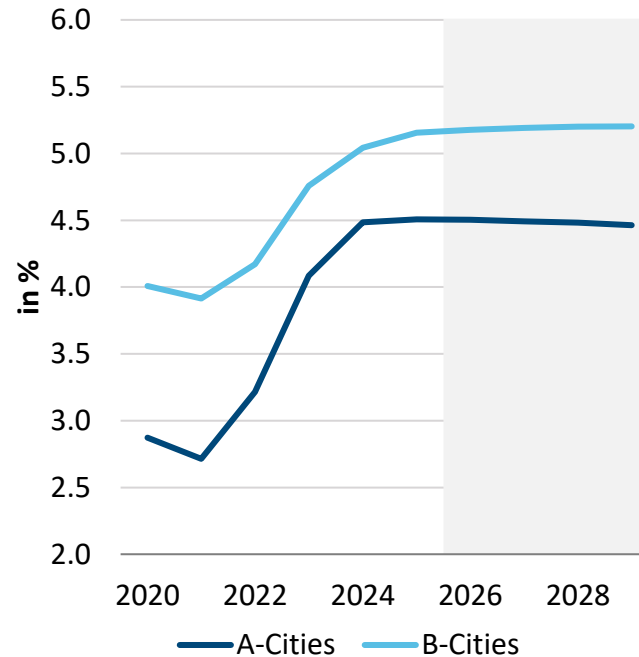


Key Facts German Office Market

Prime Rent



Prime Net Initial Yield



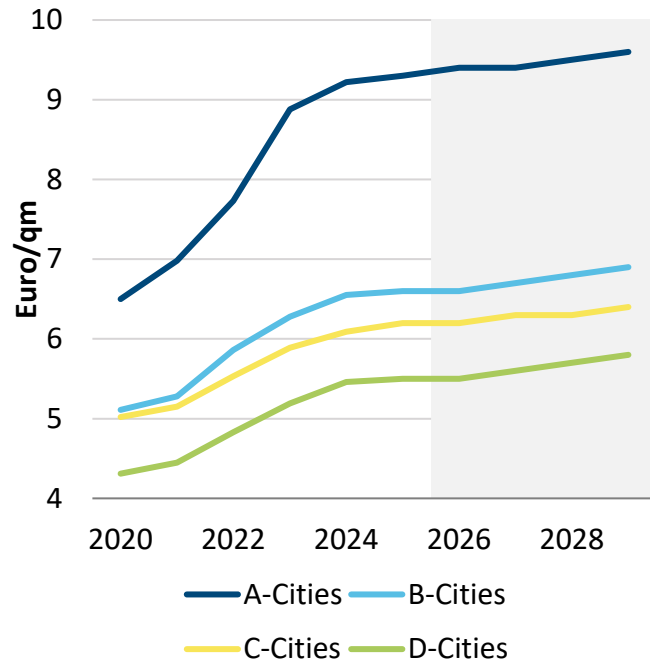
Prime rents continued their upward trend. The apparent paradox of rising rents alongside increasing vacancy rates therefore persists. This is driven by tenants' heightened expectations regarding location and property quality, as well as their willingness to pay for premium space. This trend is reinforced by the persistently high construction costs for new builds and comprehensive refurbishments, which are directly reflected in rental prices.



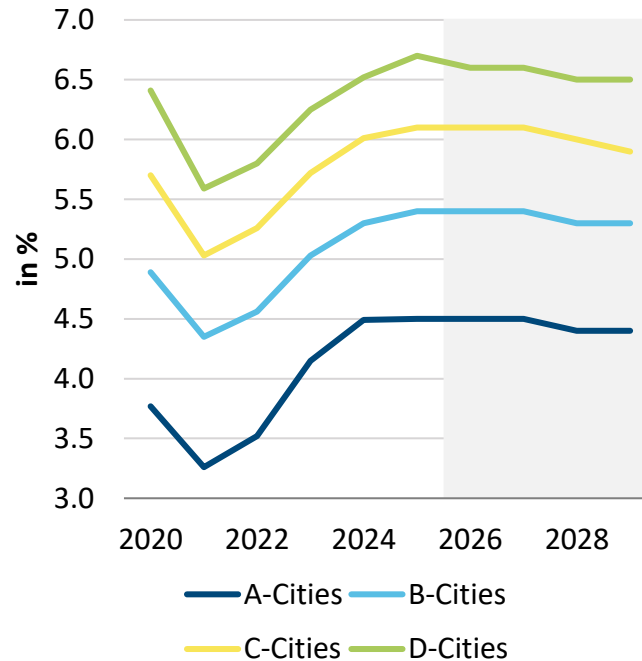
Against this backdrop, **prime yields for office properties have largely stabilised**, with only isolated instances of slight increases. Net initial yields in A-class cities remain at an average of 4.5%. B-class cities are holding steady at 5.2%. In C- and D-class cities, average prime yields rose by 10 basis points each to 5.6% and 6.4% respectively.

Key Facts German Logistics Market

Prime Rent



Prime Net Initial Yield



After years of continuous increases, **rental rates stabilised at a higher level last year**. Increases were recorded only in a few regions, including prime locations, logistics hubs in the Ruhr area such as Essen, Dortmund and Duisburg, and the Nuremberg metropolitan area. In the remaining locations, however, prices remained flat. The high building standards – particularly with regard to ESG compliance – continue to support prices, without, however, preventing the overall stabilisation of rent levels.



Against this backdrop, **prime yields for logistics properties have largely stabilised**, with only isolated instances of slight increases. Net initial yields in A-class cities remain at an average of 4.0%. B-class cities are holding steady at 5.4%.

Appendix: Germany

Population (2025): 83,50 Million people

GDP (2025): 4,47 Billion Euro

Employment (2023): 46,01 Million people

Year	ECB key interest rate (year end)	GDP nominal, Y-o-Y	Inflation, Y-o-Y	Employment, Y-o-Y	Unemployment Rate	Population, Y-o-Y
2019	0,00%	1,1%	1,4%	0,9%	5,0%	0,2%
2020	0,00%	-3,7%	0,5%	-0,7%	5,9%	0,0%
2021	0,00%	2,6%	3,1%	0,2%	5,7%	0,1%
2022	2,50%	1,8%	6,9%	1,4%	5,3%	1,3%
2023	4,50%	6,2%	5,9%	0,7%	5,7%	0,4%
2024	3,15%	2,0%	2,2%	0,2%	6,0%	0,2%
2025	2,15%	2,3%	2,1%	-0,1%	6,3%	0,2%
2026*	2,15%	2,8%	1,9%	0,0%	6,2%	0,1%
2027*	2,15%	3,4%	2,2%	-0,1%	6,2%	0,1%
2028*	2,15%	3,1%	2,1 %	-0,2%	6,0%	0,1%
2029*	2,15%	3,0%	2,1 %	-0,3%	5,8%	0,0%

* Forecast (Date March 2026)