

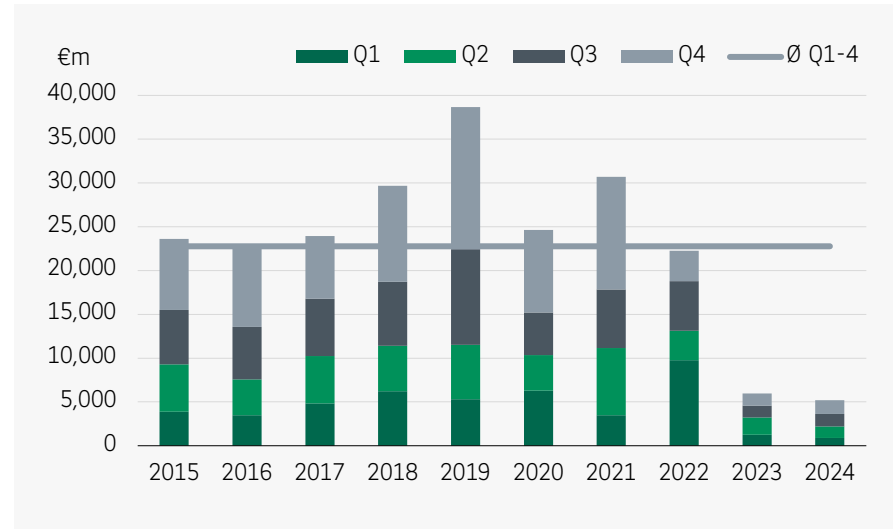
GERMANY

REPORT

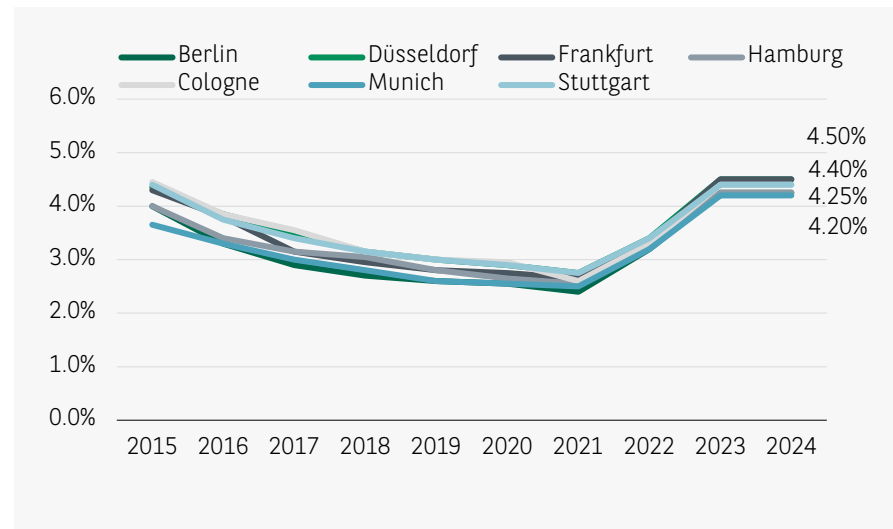
OFFICE INVESTMENT MARKET

2024

Development of office investment volume



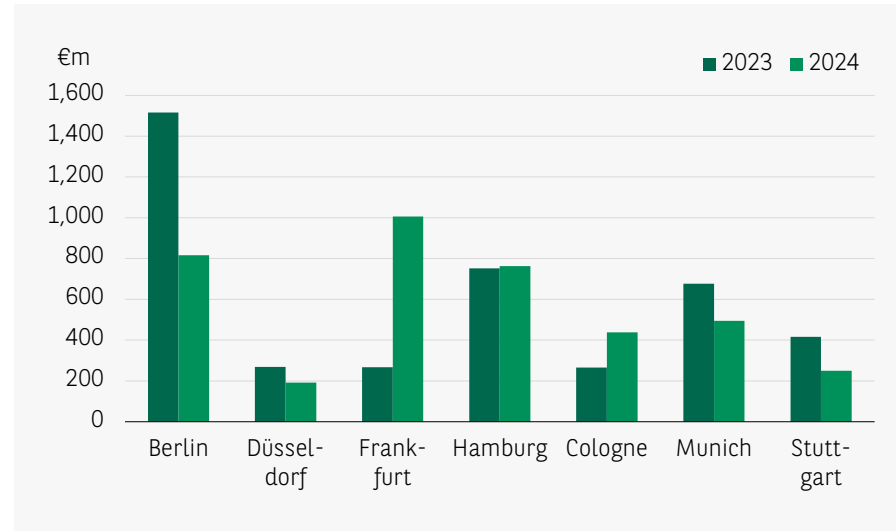
Office net prime yields in A-locations



BOTTOM REACHED: OFFICE INVESTMENT MARKETS AT A TURNING POINT

- In 2024, a good €5.2 billion was invested in office properties across Germany. Compared to the previous year's already weak result, this represents a further decline of almost 13%. At just 20%, the extremely low share of the total commercial transaction volume is also the lowest figure ever recorded. The office markets are therefore likely to have bottomed out and will participate more strongly in the overall improvement in investor sentiment than in previous years.
- In general, it has been confirmed that office properties were by far the most affected by the difficult economic environment and higher interest rates. In addition, there was a certain amount of uncertainty regarding the future development of working from home. However, the latest figures clearly show that the trend is moving back to the office. This will also stimulate investment turnover.
- In the current environment, major deals have so far only been made in exceptional cases. One indication of this is that only seven deals in the three-digit million range were recorded in 2024. It is also worth noting that foreign investors, who are traditionally an important investor group for large properties in particular, have only accounted for 16% of result. This is also a comparatively low figure.
- Prime yields stabilized in the final quarter, so that they are at the same level as before in all major locations. The average net prime yield for offices in the A-locations is therefore 4.36%. Munich remains the most expensive location at 4.20%, followed by Berlin and Hamburg at 4.25%.

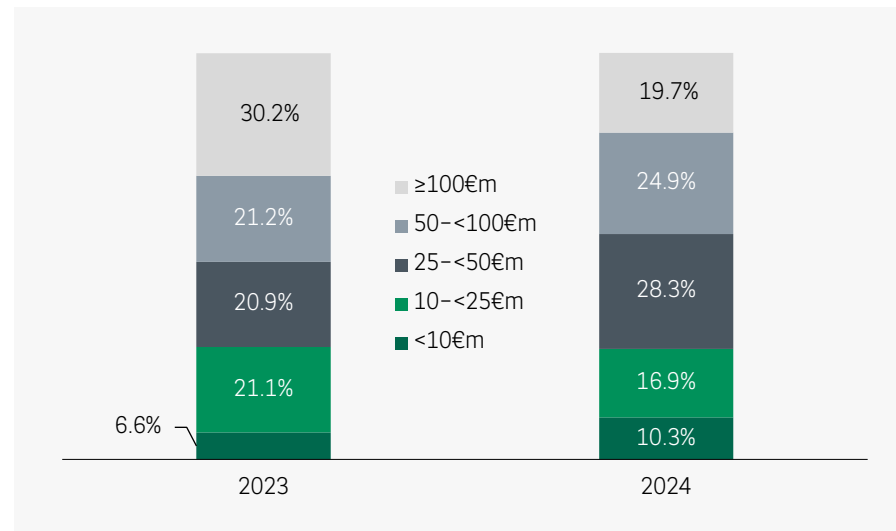
Office investments in A-locations



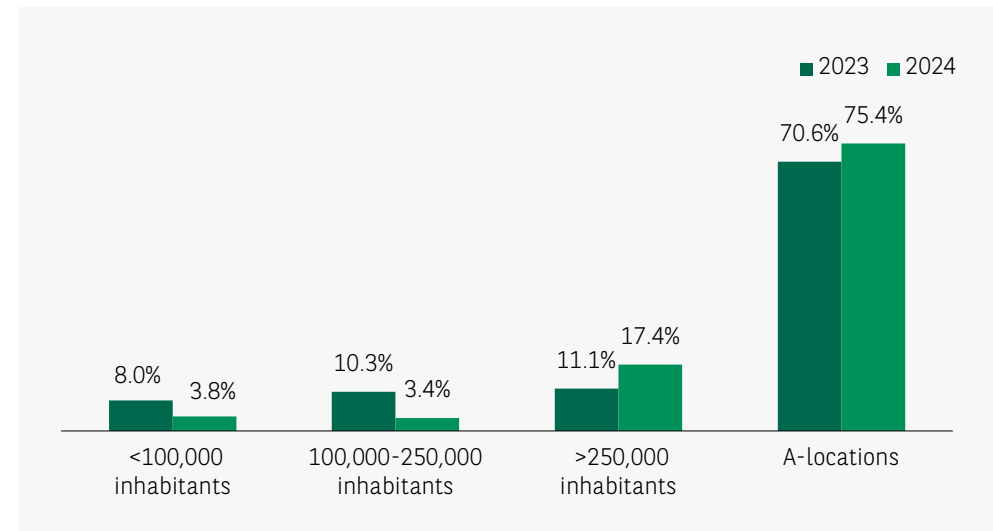
VOLUME IN A LOCATIONS ALMOST AT PREVIOUS YEAR'S LEVEL

- Although turnover in the A-locations is also lower than in 2023 at a good €3.96 billion, the decline of just 5% is significantly lower than nationwide. The most was invested in Frankfurt, where the billion euro mark was just broken. Berlin followed closely behind with €816 million and Hamburg with €763 million. Munich with €495 million and Cologne with €438 million are close behind and ahead of Stuttgart (€250 million) and Düsseldorf with €192 million.
- The main reason for the very moderate transaction volume is the lower proportion of large sales of €50 million or more. Compared to the previous year, this fell by a further 24% nationwide to just over €2.3 billion. The segment up to €50 million, on the other hand, was able to maintain the absolute investment volume and reached €2.9 billion. In other words, there is definitely demand from investors across the board. Only the large properties that are heavily dependent on financing are still often avoided.

Office investments by € category



Office investments by city size *



*excl. portfolios

OUTLOOK

- For 2025, it is becoming apparent that the office markets, just like other asset classes, will benefit more strongly from the emerging recovery. Despite the correlation between overall economic development and user demand, the prospects for the office investment markets will improve increasingly due to falling interest rates and a trend towards rising purchase prices. As a result, many investors are thinking hard about the timing for the right market entry and are once again looking more closely at existing investment products than in the past two years.
- A significant recovery across the board in the office investment sector is likely to set in once the economy picks up noticeably. At the same time, a number of major landmark deals are currently in preparation, the implementation of which should send positive signals to the markets.
- Another positive aspect is that most of the fundamentals of the German office markets continue to be extremely stable, meaning that market structures remain healthy. In an international comparison, this is an advantage for the major German locations, especially in perspective. The factors that speak in favor of the markets include the low vacancy rates, particularly in an international comparison, as well as the very low supply of space, particularly in the premium segment, and the continued rise in rents.
- Against the backdrop of the likely further fall in key interest rates and the signal effect of some benchmark deals, a moderate increase in transaction volumes can therefore be expected for 2025. At the same time, prime yields are likely to fall again slightly over the course of the year.

Key facts office investment market Germany

| INVESTMENT VOLUME | 2023 | 2024 | CHANGE |
|----------------------------|-------|-------|-----------|
| Total (€m) | 5,965 | 5,213 | -12.6% |
| Portfolio share | 1.2% | 6.0% | +4.8%pts |
| Share above €100 million | 30.2% | 19.7% | -10.5%pts |
| Share of A-cities | 69.8% | 76.0% | +6.2%pts |
| Share of foreign investors | 16.9% | 16.1% | -0.8%pts |

| NET PRIME YIELDS | 2023 | 2024 | CHANGE |
|------------------|-------|-------|--------|
| Berlin | 4.25% | 4.25% | 0bps |
| Düsseldorf | 4.50% | 4.50% | 0bps |
| Frankfurt | 4.50% | 4.50% | 0bps |
| Hamburg | 4.25% | 4.25% | 0bps |
| Cologne | 4.40% | 4.40% | 0bps |
| Munich | 4.20% | 4.20% | 0bps |
| Stuttgart | 4.40% | 4.40% | 0bps |

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