

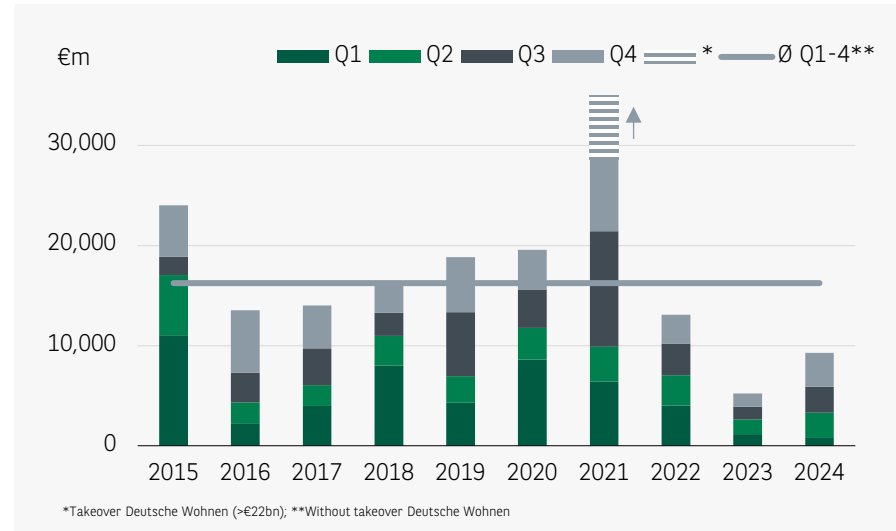
GERMANY

# REPORT

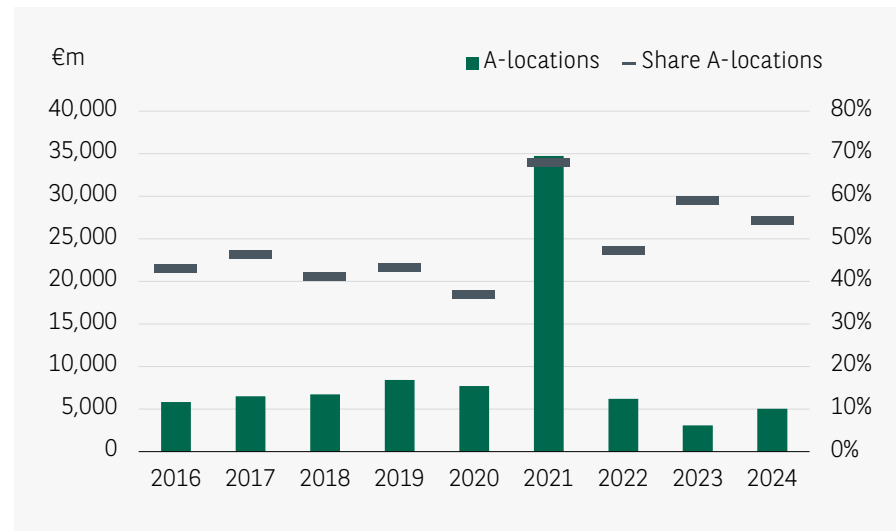
# RESIDENTIAL INVESTMENT MARKET

2024

## Investment volume residential portfolios



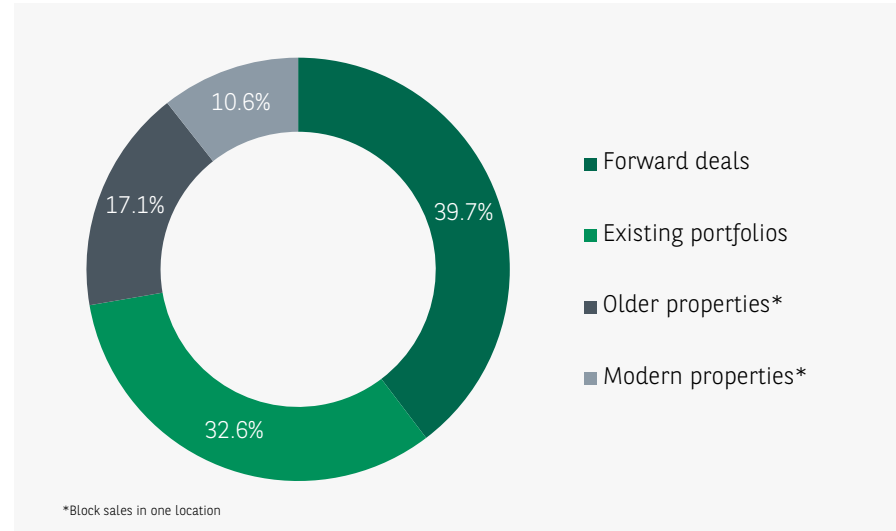
## Residential investment volume in A-locations



## RESIDENTIAL INVESTMENT: ASSET CLASS WITH HIGHEST VOLUME IN 2024

- The German residential investment market continued its recovery in the fourth quarter. The investment volume increased significantly in 2024 compared to the previous year, with €9.3 billion being invested in larger residential portfolios (30 residential units or more). This makes the residential investment market the asset class with the highest turnover in 2024, well ahead of logistics (approx. €6.9 billion), retail (€6.3 billion) and office investments (€5.2 billion). Although the long-term average was undercut by 50%, the previous year's result was significantly exceeded by 78%. In addition, development sites worth a good €600 million were sold, which also indicates a positive outlook for future development activities. On a positive note, the first major value-add deals were once again concluded. An increased number of registered large-volume core deals proves that a marketable price structure has emerged after the uncertainties of the previous quarters.
- The solid investment environment of A-cities, and Berlin in particular, was in high demand last year. At the end of the year, the German capital had a high volume of €3.4 billion and an above-average share of 37% of the total residential investment volume (Ø10 years: 28%), or a very high market share of 67% of the residential investment volume in A cities. Seven major deals in excess of €100 million and two large-volume nationwide portfolios in the triple-digit million range with shares in the capital city underline the high level of confidence in the German residential investment market in general and the Berlin market in particular.

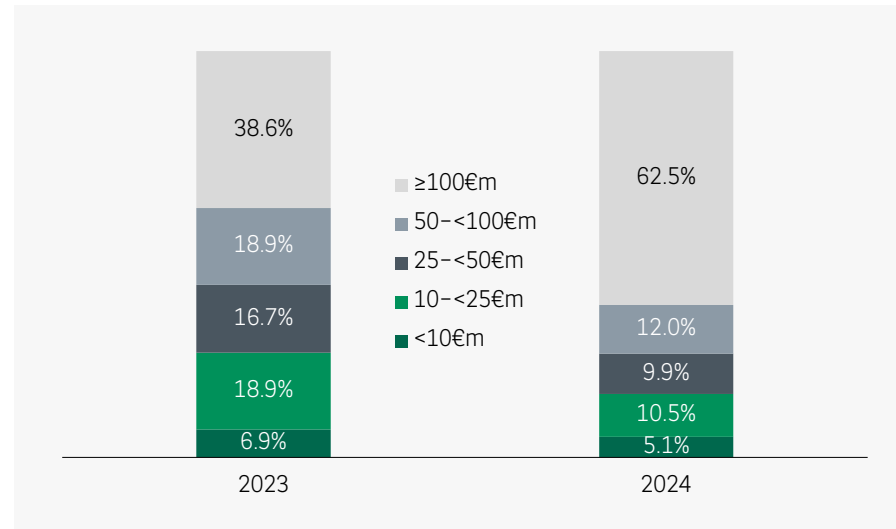
## Residential investments by asset class 2024



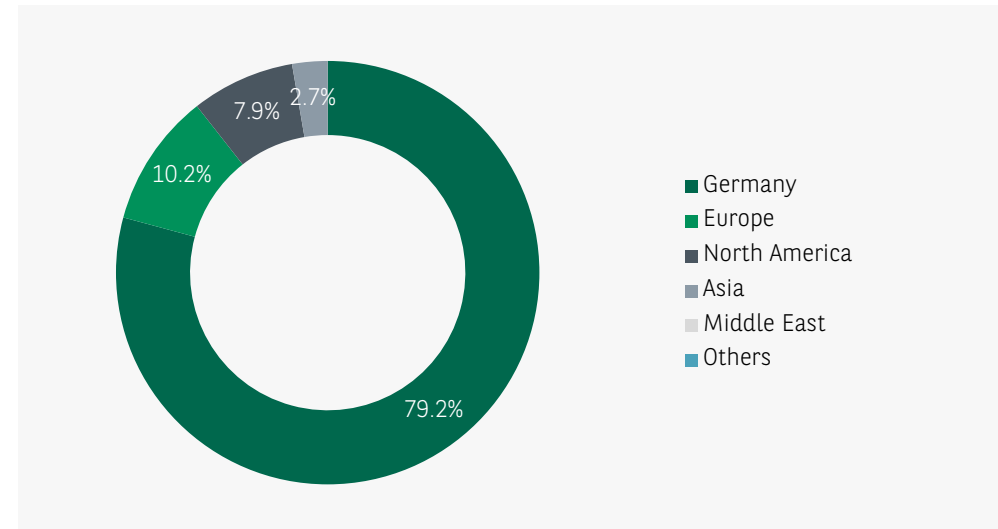
## FORWARD DEALS CURRENTLY DOMINATE THE MARKET

- The above-average market share of 62% of large-volume deals over €100 million (Ø10 years: 57%) is evidence of the consolidation phase that is currently being completed and the presence of “dry powder”. A total of €5.8 billion was registered here.
- Forward deals dominated the German residential investment market to a much greater extent than in previous years at 40% (Ø10 years: 23%). Even in absolute terms, they reached an above-average figure of just under €3.7 billion.
- The distribution of buyer groups is also not necessarily typical of the German residential investment market. The public sector is by far the strongest buyer group with a turnover of around €2.3 billion or a market share of 25% (Ø10 years: 8%).

## Residential investments by € category



## Residential investments by origin of capital 2024



- The significant increase in the number of registered transactions, particularly in the large-volume segment, and the renewed interest of investors in the value-add segment are evidence of the consolidation phase that is currently being completed. The sale of larger nationwide portfolios and the first deals with a lighthouse character have already been reported. The above-average market share of forward deals is also evidence that investment activity is continuing to gather pace and that investors have confidence in the German residential investment market. Mirroring this, a compression of prime yields by 10 to 20 basis points in the top locations can be reported for the first time since 2021. The fundamental data, which already improved last year, is likely to continue to improve in 2025 and give the residential investment market an additional tailwind. The further progress of the European monetary authorities in the interest rate reduction cycle will also contribute to this. The key interest rate is expected to be cut to the neutral level of 2% in 2025. This should further simplify the procurement of debt capital. In addition to the existing pent-up demand, the strong population growth of the last two years is currently creating very high demand on the rental housing market. On the other hand, the supply side is unable to compensate for the increased demand, particularly in the top locations, due to the persistent crisis in new residential construction. As a result, rental prices have recently risen more sharply than they have for many years - a process that is likely to continue in the short and medium term. In combination with the completed valuation corrections and the lower bond yields, this speaks for an investment in German residential real estate. We expect the recovery on the German residential investment market to gather momentum in 2025. There is a good chance that net prime yields will continue to fall in 2025 and that the investment volume will once again be in the double-digit billion range by the end of the year.

### Key facts residential investment market Germany

INVESTMENT VOLUME	2023	2024	CHANGE
Total (€m)	5,230	9,295	+77.7%
Share above €100 million	38.6%	62.5%	+23.9%pts
Share of A-cities	59.0%	54.3%	-4.7%pts
Share of foreign investors	32.4%	20.8%	-11.6%pts
Ø-number of units per transaction	191	352	84.3%

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