CUSHMAN & WAKEFIELD

INSTANT INSIGHT

THE GERMAN INVESTMENT MARKET IN RECOVERY MODE

The example of German special funds

The worst is over – …

The German commercial investment market has now overcome the decline in transactions triggered by the interest rate turnaround. After a period of sideways movement in 2023 and 2024, there are now signs of a slight recovery. In the first nine months of 2025, investments totalling €16.1 billion were recorded.

The current real estate cycle therefore seems to have entered its turning point. Both domestic investors (53% share) and foreign investors (47% share) are using this as an opportunity to once again take advantage of investment opportunities.

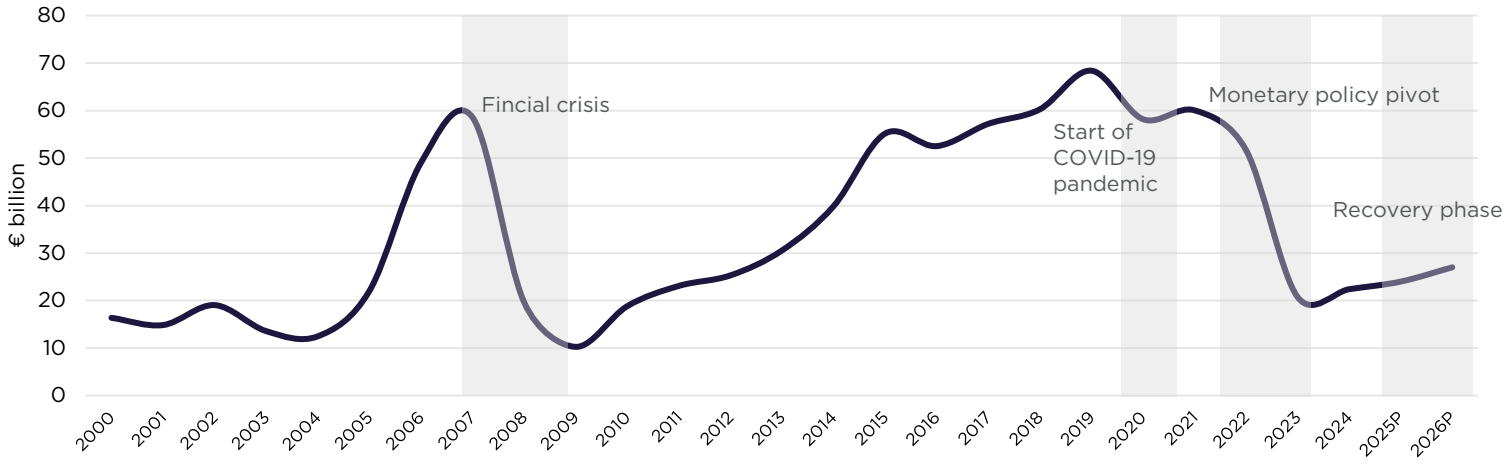
In the long term, the positive fundamentals prevail. For illustration, several aspects can be highlighted: The number of housing permits and completions remains well below demand, which is likely to lead to rising residential rents in the coming years. It remains to be seen to what extent the measures taken by the new federal government - such as the „Wohnungsbauturbo" - will affect construction activity in the medium term. Demand for modern and centrally located office space remains high, as do prime rents. Due to the increasing scarcity of such space, value-add strategies could become more of a focus for investors. Demand for warehouse and logistics space is also likely to increase, partly as a result of rising government spending, for example on defence equipment. The financial package approved for defence and infrastructure is likely to act as a significant catalyst here.

… - Confidence among institutional investors is growing

The significant increase in capital raising is particularly positive: private and institutional investors are once again mobilising more equity and debt capital – a clear sign of long-term confidence in the property market. This growth reflects investors' continued demand for stable returns from high-quality properties. Logistics and residential remain the preferred asset classes.

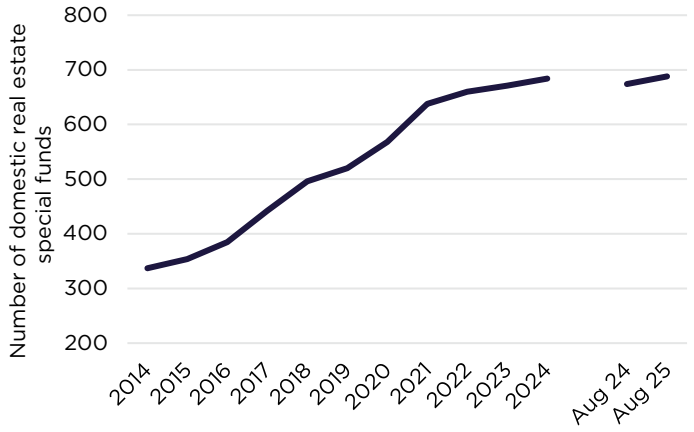
The activities of large investment managers to raise capital for European commercial real estate have gained significant momentum so far in 2025. By August, a total of €20.0 billion had been raised for funds targeting investments in Europe - more than in the whole of 2024 (€18.6 billion). If fundraising continues at this pace, the year-end total for 2025 could be around €30.0 billion - an increase of 64% over the previous year. This would mark a clear reversal of the declines seen in 2023 and 2024 and would be the first year-on-year increase since 2021.

DEVELOPMENT OF COMMERCIAL TRANSACTION VOLUME



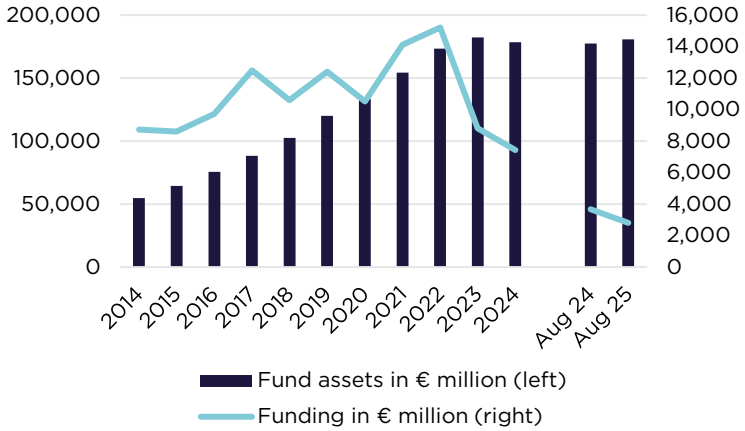
Source: Cushman & Wakefield Research

NUMBER OF SPECIAL FUNDS DOUBLED



Source: Bundesbank

FUND ASSETS AND INFLOWS SHOW SIGNS OF STABILISATION



Source: Bundesbank

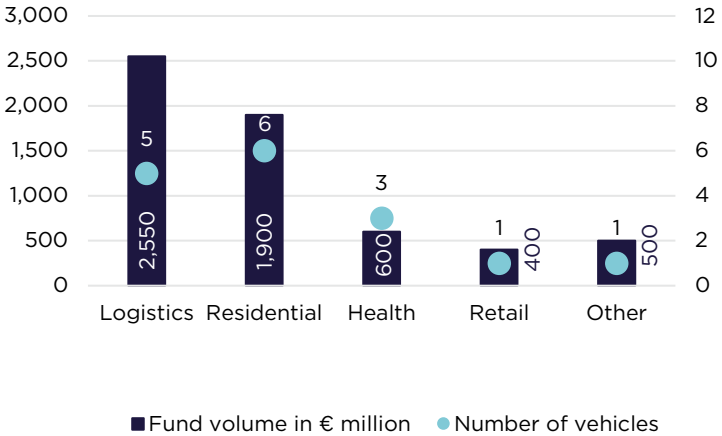
Special funds become increasingly important for the investment market

German special funds have accounted for a significant proportion of transactions in recent years. According to the Bundesbank, their number more than doubled between 2014 and 2024. In August 2025, the number stood at 688 - an increase of 14 vehicles within 12 months. This also points to a revival in market activity.

The corresponding fund volume has more than tripled in a long-term comparison (2014-2024) to €178 billion, which is why these funds have been among the strongest buyer groups on the commercial investment market in recent years. Of course, not the entire fund volume has been invested in Germany. It should also be noted that German institutional investors invest in domestic real estate not only through German special funds, but also through foreign vehicles such as Luxembourg SIF structures.

After the fund volume declined in 2024, due in part to value adjustments and sales, it increased by 1.9% (y-o-y) to approximately €181 billion as of August 2025. Net inflows have been declining since the interest rate turnaround, but appear to be stabilising in line with developments in the investment market. In Q1-3 2025, they amounted to €2.8 billion. It is highly likely that net inflows will soon reach their lowest point in the cycle.

LOGISTICS AND RESIDENTIAL PROPERTY IN FOCUS OF PLANNED SPECIAL FUNDS*



*Period: Q4 24 – Q3 25
**Mixed use, etc.

Source: Cushman & Wakefield Research

PLANNED DISTRIBUTION YIELDS

Asset class	Planned distribution yields
Logistics	5.00 to 6.00%
Residential	4.00 to 5.00%
Healthcare	up to 4.75%
Retail	4.25 to 6.00%

Source: Cushman & Wakefield Research

Special funds with a planned fund volume of up to €5.95 billion

In order to assess the potential future development of special funds, publicly accessible data on recently initiated and currently planned funds for the period Q4 2024 to Q3 2025 has been analyzed. As the legal structure of the special funds was not always clear, this may also include foreign special funds that have been launched by German fund managers. A total of 16 vehicles with a planned fund volume of up to €5.95 billion have been identified. The majority of these are funds that invest in Germany, with a few vehicles investing across Europe with a strong focus on Germany.

The bulk of the capital, €2.55 billion, is to be invested in "logistics", followed by "residential" with €1.9 billion, "healthcare" with €0.6 billion and "retail" with €0.40 billion. Depending on product availability, the funds surveyed are likely to emerge as buyers in the coming quarters.

Since special funds as institutional products are rarely communicated publicly and institutional investors do not always invest in the domestic property market via German vehicles, the number of currently planned or recently launched funds is likely to be significantly higher. In addition, not all special funds from the recent past are likely to be fully invested yet. In this respect, at least a moderate upturn in transaction activity can be predicted from this group of players.

The fact that real estate investments are attractive again is also reflected in the planned distribution yields of special funds. For residential properties, these are in the range of 4.00 to 5.00%, which is around 1.25% to 2.25% above the risk-free interest rate. In the logistics segment, distribution yields of 5.00 to 6.00% have been communicated, a delta of 2.25% to 3.25% to the benchmark, and distribution yields of 4.25% to 6.00% are expected for retail. The planned distribution yields thus reflect the real estate risk.

Distribution yields of up to 6.0% targeted

Logistics and residential properties in the focus of special funds

Positive outlook for the property investment market

All of this can be seen as an indication of renewed interest in real estate as an asset class. For institutional investors, this means that return expectations have been recalibrated. Overall, the new market cycle is emerging in an environment in which real estate investments are becoming attractive again - albeit with greater selectivity and regional differentiation. The positive outlook is also reflected in the growing confidence of institutional investors. Special funds in particular are once again focusing more strongly on the residential and logistics asset classes. Distribution yields of up to 6% underscore the profitability of the planned investments.

The combination of stabilised interest rates, attractive risk premiums and institutional capital availability thus forms the foundation for a sustainable, albeit moderate, recovery path for the real estate investment market in Germany. Following a commercial transaction volume of €22.4 billion in the previous year, growth of up to €24 billion can be forecast for 2025 as a whole - a clear signal of the incipient upturn, which is likely to strengthen further in 2026 with €25 to €30 billion.

SIMON JESCHIORO
HEAD OF CAPITAL MARKETS
GERMANY & INVESTMENT ADVISORY
Tel: +49 69 50 60 73 260
simon.jeschioro@cushwake.com

ALEXANDER WALDMANN
TEAM LEADER RESEARCH &
INSIGHT GERMANY
Tel: +49 69 50 60 73 598
alexander.waldmann@cushwake.com

CUSHMAN & WAKEFIELD

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is one of the leading global real estate services providers, offering services to companies and investors in all aspects of their real estate needs. With approximately 52,000 employees in nearly 400 offices and 60 countries, Cushman & Wakefield is one of the market leaders worldwide. In Germany, the publicly traded company has offices in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. Cushman & Wakefield delivers projects across the entire property cycle in the areas of brokerage, investment services, global occupier services, project & development services, integrated facility management, valuation & advisory and asset services. In addition, the company has received numerous awards for its culture and commitment to diversity, equity & inclusion (DEI) and environmental social governance (ESG). In 2024, its revenue amounted to $9.4 billion.

Learn more at www.cushmanwakefield.com or follow us on LinkedIn.