

**Q2
2025**

**AVISON YOUNG
REAL ESTATE
MARKET REPORT**

**AVISON
YOUNG**



AVISON YOUNG

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ECONOMIC CONDITIONS

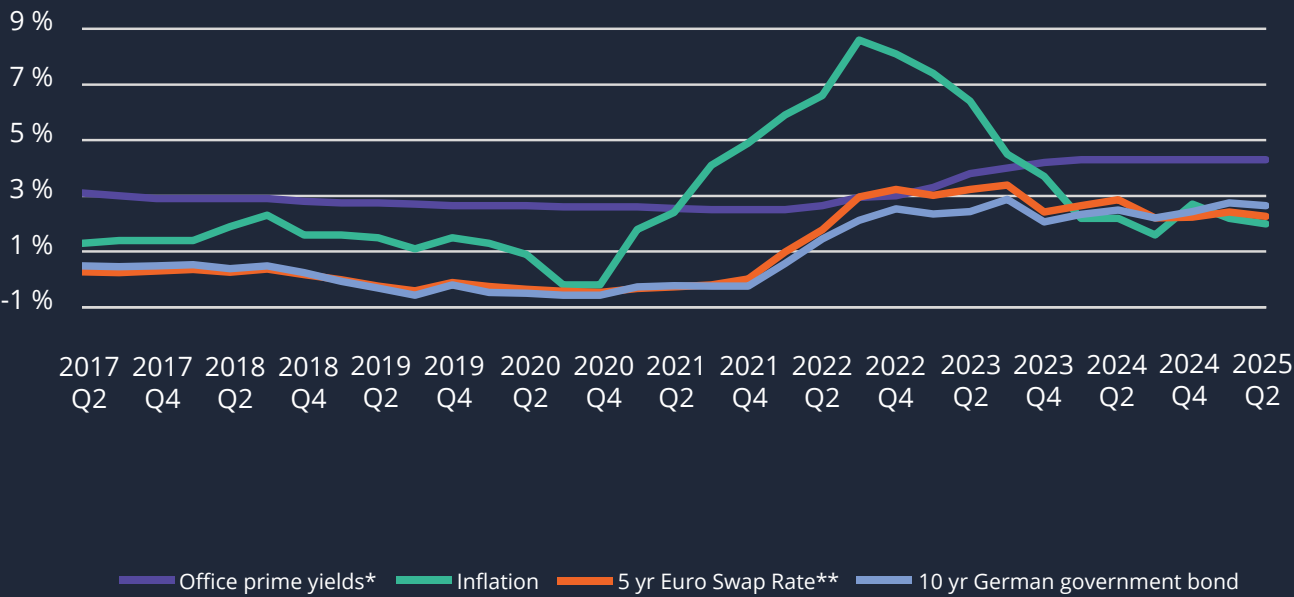
After a portion of the surprisingly strong GDP growth of + 0.4% in the first quarter was attributable to anticipation effects ahead of expected tariff hikes, zero growth is expected for the second quarter. Many of the measures decided and announced by the new government to strengthen Germany as a business location are already giving the economy hope for tailwinds, which is reflected in the improvement of expectation components of various sentiment indicators—such as the Ifo Business Climate Index, the ZEW Index, and the Purchasing Managers' Indices. The macroeconomic expansionary effects of these measures are likely to become clearly visible from 2026 onward. The Ifo Institute has raised its economic outlook for 2025 and 2026. According to Goldman Sachs, Germany is experiencing a “booster” from fiscal policy, and through the infrastructure package, economic performance is expected to increase by €1.30 for every euro spent by the federal government. Additionally, the recently announced investment offensive by German corporations aims to invest several hundred billion euros in Germany as a business location.

The inflation rate, which fell to an initial estimate of 2.0% in June, is likely to give further impulse to corporate activity, especially when combined with the repeatedly reduced central bank interest rates—the main refinancing rate was 2.15% at the end of June, down from 4.25% a year earlier. The cautious attitude of companies could gradually shift toward a more active stance, as economic uncertainty continues to decline according to the latest Ifo survey. This should enable firms to better forecast their business development, restore confidence in decision-making, and lead to more long-term investments. The real estate markets are expected to benefit as well, since most decisions there are of a medium to long-term nature. Furthermore, in many markets, a certain “habituation effect” regarding geopolitical disruptions appears to be emerging—but risks remain elevated and may materialise more clearly again.

The unemployment rate, a lagging indicator of economic development, remained stable at 6.2% in June, while employment and socially insured employment continued to grow marginally.



PROPERTY YIELD, INFLATION, SWAP RATE, GOVERNMENT BOND



*Net initial yield; ** Zero-coupon Euro Swap curve 5 yr
Source: Avison Young, Federal Bank of Germany. Status: June / July 2025

OFFICE TAKE-UP VERSUS IFO EMPLOYMENT BAROMETER



* Top 5 cities, 12 month rolling; **Index; base year 2015; 3 quarters advanced
Source: Avison Young; Ifo Institute. Status: June / July 2025

INVESTMENT MARKET

Market sentiment in the real estate sector has improved noticeably in the second quarter. However, this is not yet reflected in the raw investment figures: transaction volume between April and June was €4.9 billion, down 5.3% compared to the previous quarter and approximately €10 billion for the first half of 2024, which is 9.4% lower than the same period last year. Large deals remained rare; most transactions occur in the small- and mid-cap segments, typically under €50 million. About €2 billion was invested in office properties, meaning only every fifth euro went into offices, making this the least popular among major commercial asset classes. Retail and industrial properties accounted for the strongest segments with 25% and 24%, respectively. Some asset classes, such as data centers or Life Science properties, are gaining more focus but remain complex niche segments, contributing only a very small share of the total investment volume.

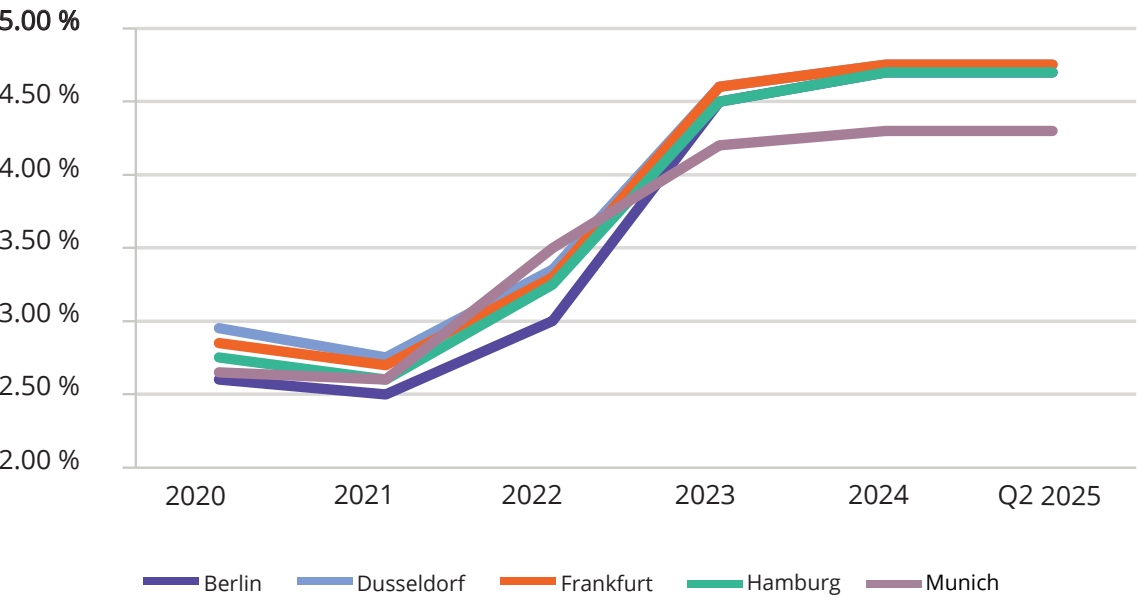
Investors with higher risk appetite were particularly active: private equity, for example, targets internal rates of return (IRR) of at least 15% with opportunistic preferred equity structures. In structured sales processes, which occur sporadically again, bidders with documented equity—such as family offices—offer significantly higher multiples than those without earmarked equity. In the Value-Add segment, where minimum IRRs of around 10% are expected, there is a lot of activity, while the core segment sees little movement, resulting in only few benchmark deals.

Many investors who have not been active for several quarters are now increasingly exploring entry into the German market, partly because prices in many segments are unlikely to decline further. It also appears that international investors see more opportunities in Germany's real estate market than domestic ones. Conversely, some large investors are under pressure to sell if their risk and liquidity management situation urges for asset disposals. As a result, they are almost fully excluded as net buyers compared to previous years.

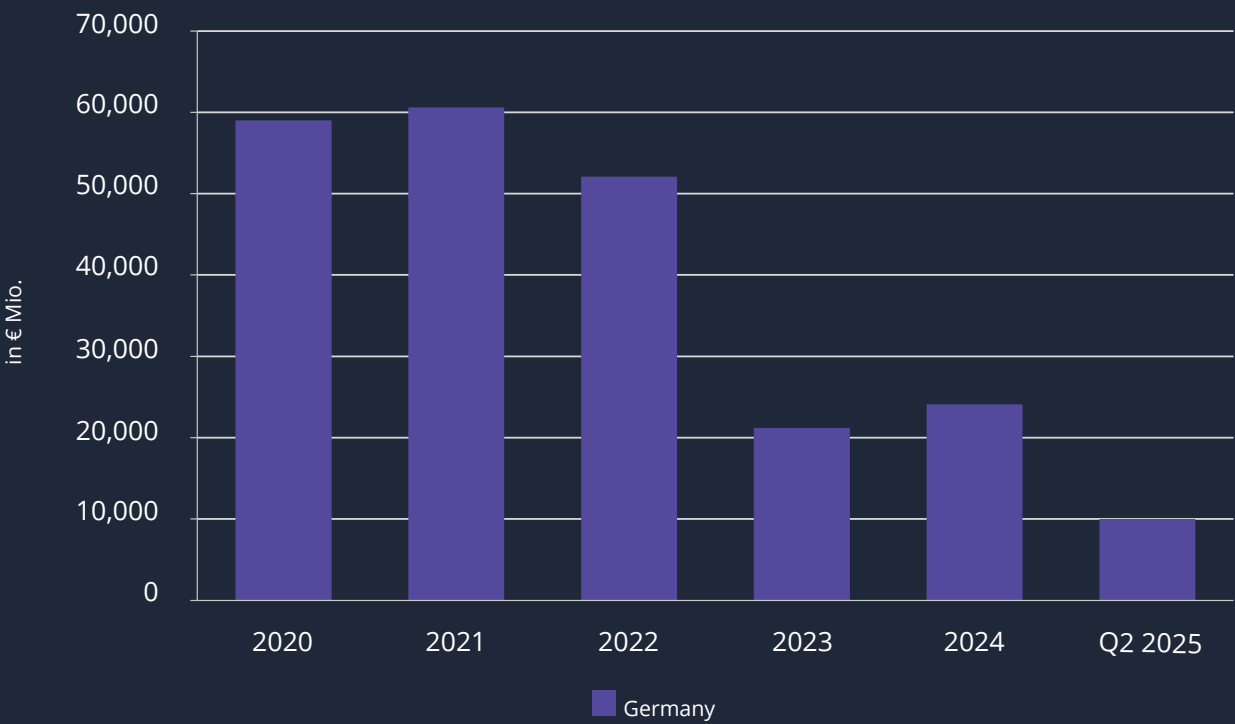
On the financing side, the situation remains challenging: many "standstill agreements" with banks regarding distressed loans have not yet provided solutions—asset disposals may become more common. The still-turbulent financing market, combined with stricter banking regulation, leads to continued cautious lending and more restrictive conditions, although good products with sustainable, solid cash flows remain attractive.

The yield on 10-year German government bonds reflects market volatility, although at the end of June, at 2.65%, it was slightly below the March value. Expectations for the upcoming quarters are for sideways movement or slight upward trends. Prime yields for real estate are expected to remain stable or trend sideways initially.

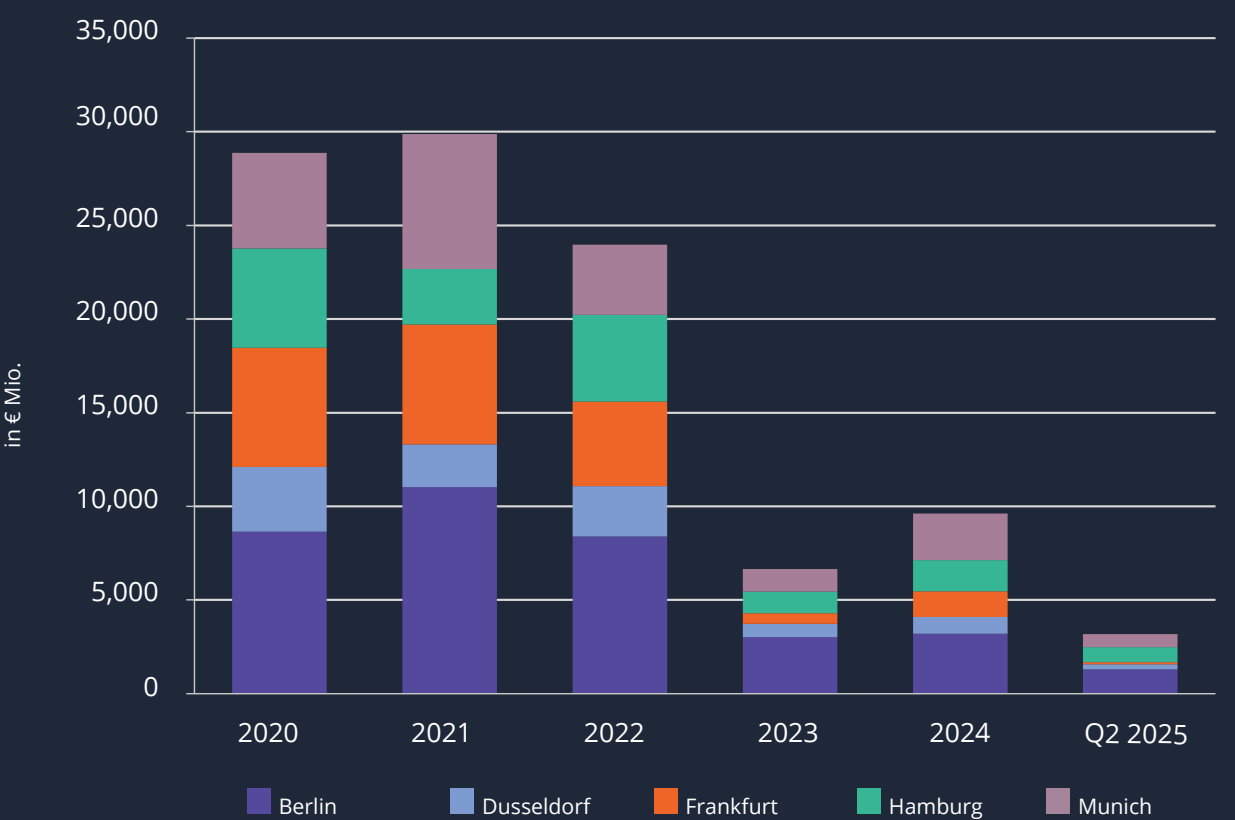
OFFICE PRIME YIELD



COMMERCIAL REAL ESTATE INVESTMENT VOLUME GERMANY



COMMERCIAL REAL ESTATE INVESTMENT VOLUME TOP 5 CITIES



OFFICE MARKETS

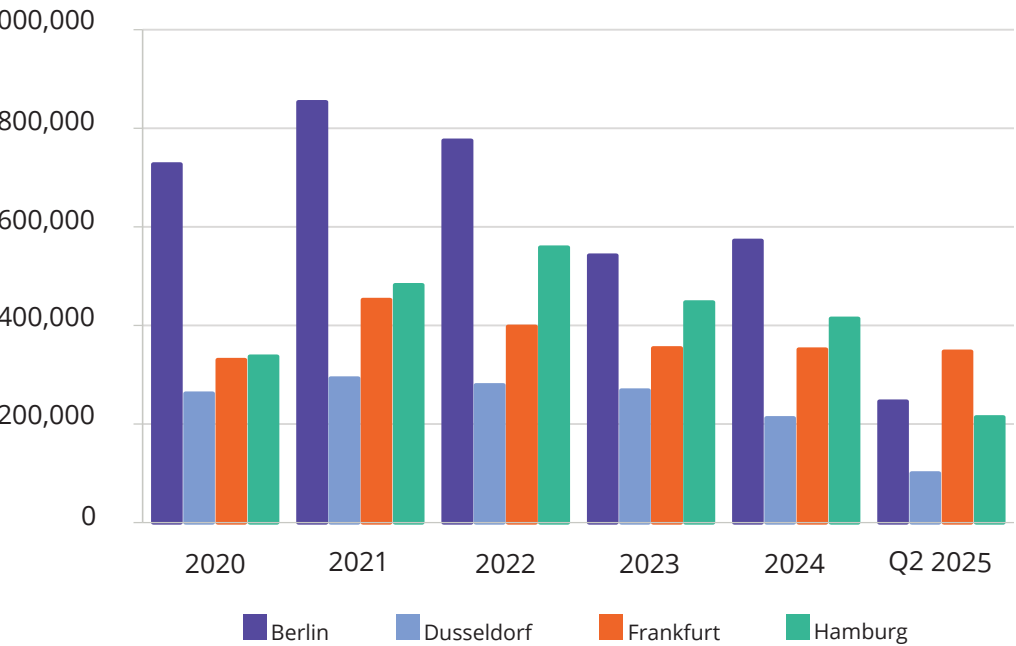
After the first six months of the year, the markets considered here—Berlin, Hamburg, Düsseldorf, and Frankfurt—recorded an office space take-up volume totaling 907,800 m², a 17% increase compared to the same period last year and 7% above the five-year average. However, development across these major office hubs was highly uneven. What they have in common is that vacancies rose again, and there are hardly any speculative construction starts, despite a scarcity of prime spaces in top locations. This situation continues to support high prime rents.

Compared to the first half of 2024, take-up volumes range from -15% in Berlin to +99% in Frankfurt. In Hesse’s office hub, seven deals over 10,000 m² contributed to an exceptionally strong half-year result, while in Berlin, only one such deal occurred. Local economic indicators from chambers of (industry and) commerce show mixed signals: recent corporate surveys point to weak to moderate office demand over the coming months in Berlin and Düsseldorf, with Hamburg performing slightly better, while Frankfurt could show more momentum. While it will be challenging for Berlin to match last year’s total of 572,000 m² by year-end, Hamburg, Düsseldorf, and Frankfurt are currently on track to surpass their 2024 targets. The rise in vacancy rates has slowed slightly, but volumes are

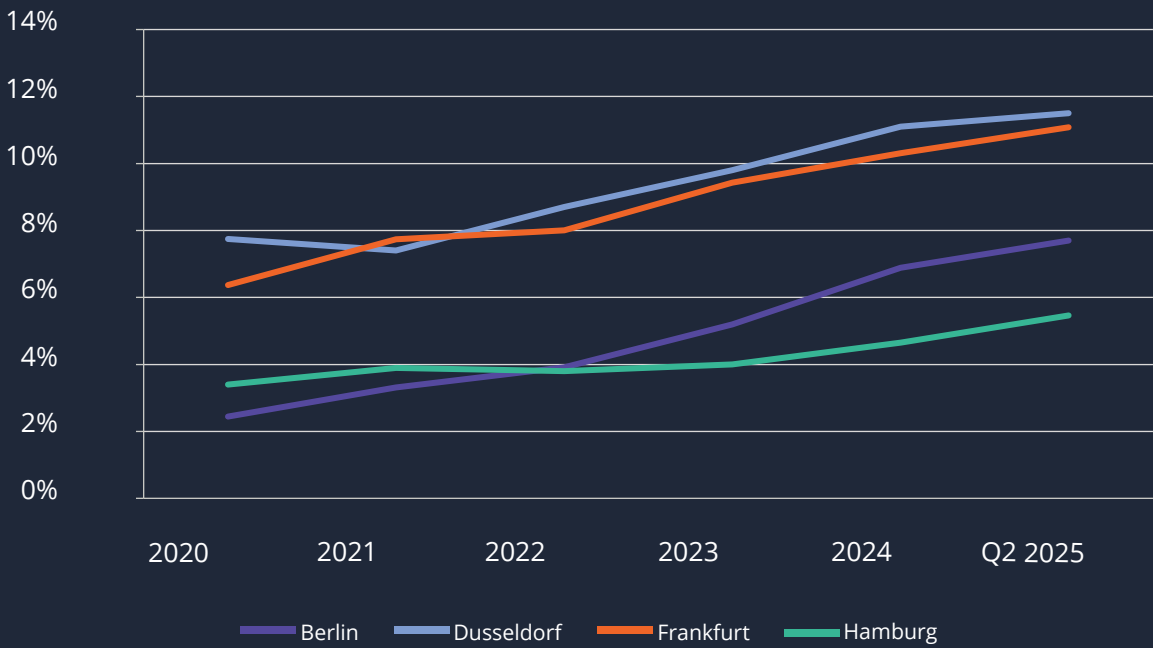
expected to remain high in the medium term. Despite increased office employment numbers over recent years, the leased office space—except Berlin—has decreased, along with the space per employee. Over the next few years, office employment is expected to grow slightly faster than total employment, but the growth rates will be very modest. This, combined with the decoupling of office employment growth from office space demand, suggests that overall office space demand will likely remain moderate, with some local exceptions. Many office properties will become unviable in the medium to long term due to insurmountable structural, technical, energy-related, or other deficiencies. For such assets, conversion to other uses or demolition may offer opportunities for urban redevelopment.

Further increases in prime rents are expected in most office hubs, driven by limited supply in the top segment and sustained “flight-to-quality” demand from various user groups. Outside this segment, rents could continue to rise in some submarkets, with incentives remaining limited, while other locations may face higher incentives and declining nominal rents.

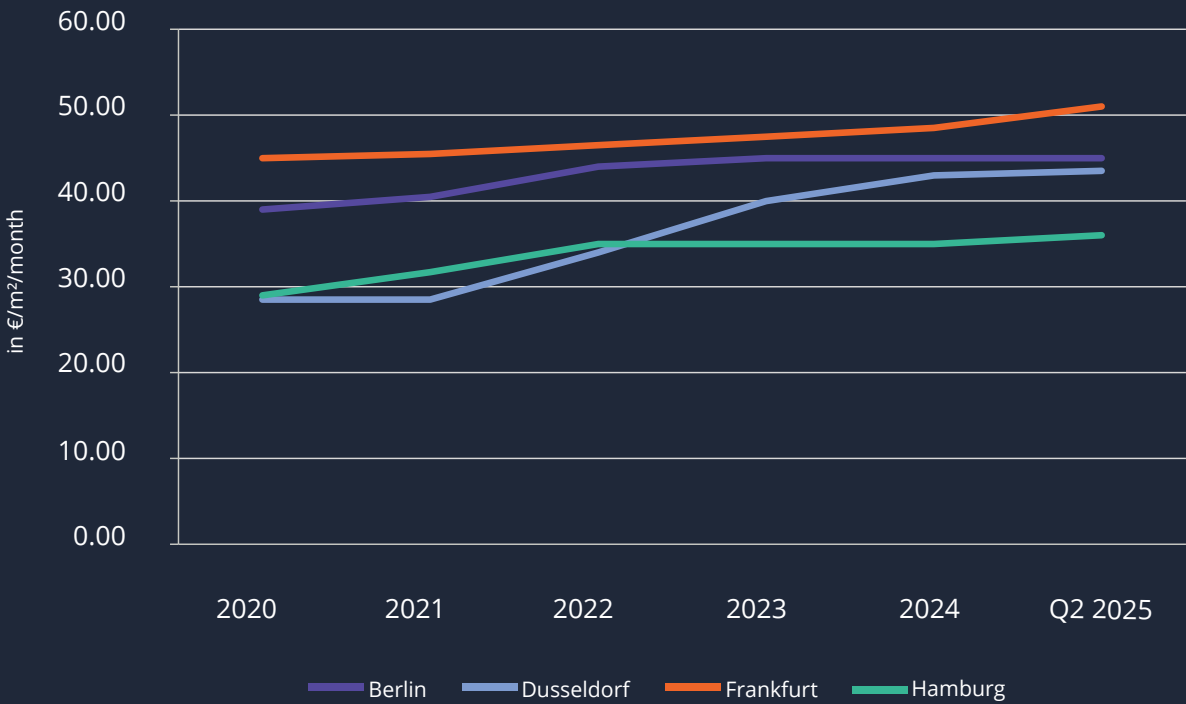
TAKE-UP: BERLIN, DUSSELDORF, FRANKFURT, HAMBURG



OFFICE VACANCY RATE



OFFICE PRIME RENTS



OFFICE MARKET BERLIN



The take-up volume in the second quarter of 142,600 m² was slightly below that of the first quarter. Looking at the half-year perspective, there is a minus of 25% compared to the five-year average take-up. The statistically effective demand in Berlin remains weak in quantitative terms. Contract extensions, however, continue to be very popular, not only from the owner's but also from the tenant's perspective. In weak locations, vacancy is building up, which cannot be quickly resolved even with reduced rents and higher incentives. Leasing times are becoming longer for such spaces. The total vacancy has increased once again: the vacancy rate rose by 30 basis points compared to the previous quarter

The average rent has again decreased slightly as several of the largest deals occurred outside prime locations, and due to the comparatively lower rents, this has reduced the average rent. Top-segment demand has kept the headline rents stable.

About 54% of the 95,700 m² of office spaces completed in Q2 are already leased. Especially in central locations, once again hardly any available space came onto the market. The second half of the year is unlikely to bring significant relief for supply there. Annual take-up volume for 2025 is expected to be below last year's 572,000 m², partly because many active lease searches are likely to result in renewals rather than new deals. Still, the 550,000 m² level remains achievable.



OFFICE MARKET
BERLIN

	Q2 2025	compared to previous year	Outlook*
Take-up (accumulated) (m²)	246,000	- 15 %	↓
Prime rent (€/m²/month)	45.00	+/- 0.00 €	→
Average rent (€/m²/month)	26.85	- 1.20 €	
Vacancy rate (%)	7.8	+ 177 bp	↑

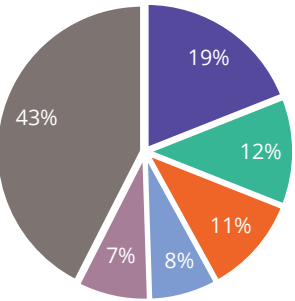
* in each case by end of year, except take-up: compared with previous year

TOP 5 DEALS IN H1

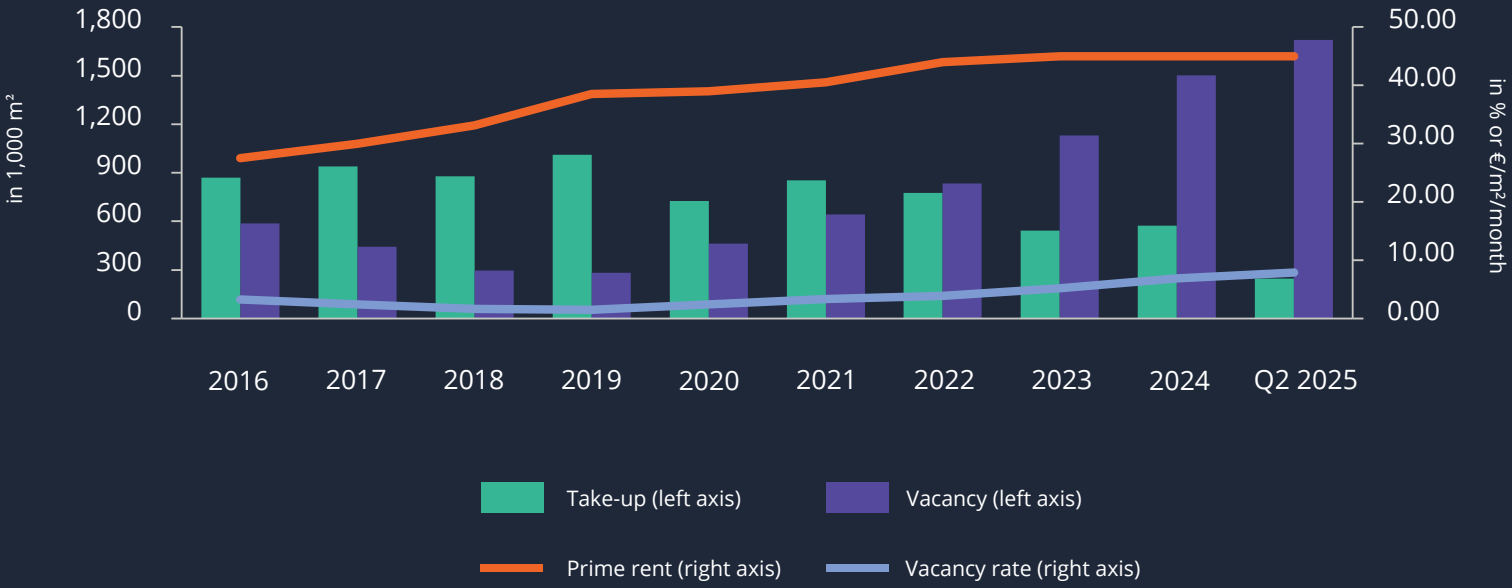
WISTA für House of Games “LUX Tower” – Rotherstraße 8-11 Mediaspree	10,900 m²
Jobcenter Beilsteiner Straße 113–113b East	7,700 m²
Goldbeck Am Seegraben 2 East	7,000 m²
TU Berlin “Ei8ht Floors” – Franklinstraße 28-29 Charlottenburg - Wilmersdorf	5,900 m²
Federal Environment Agency Thielallee 88-92 Steglitz - Zehlendorf	5,200 m²

TAKE-UP BY TOP 5 SECTOR

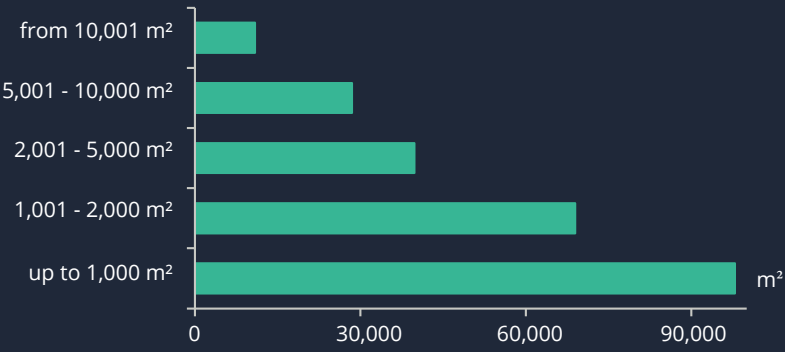
- Services
- Building Sector
- ITT
- Manufacturing
- Public Authority
- Other



TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

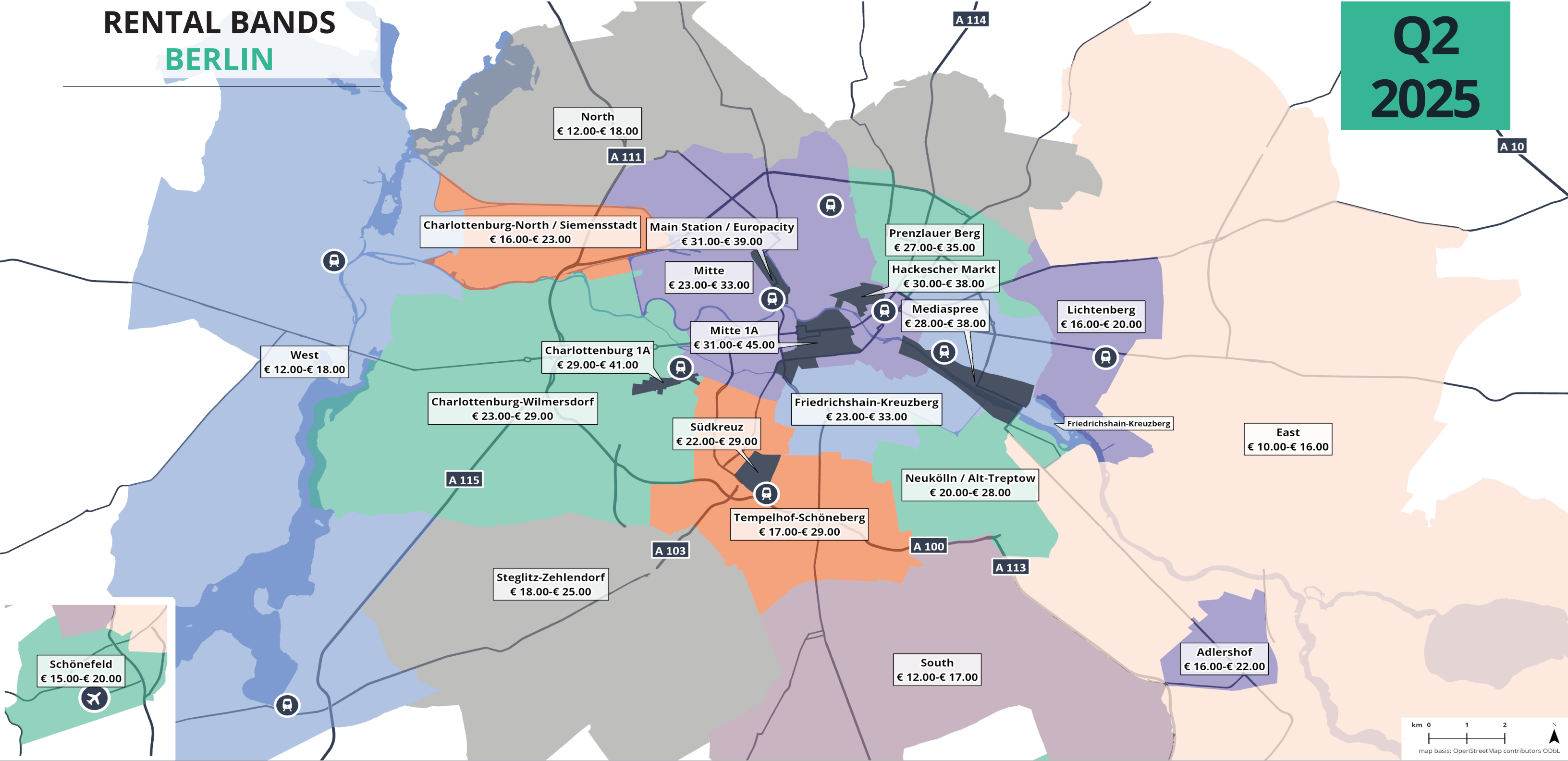


COMPLETIONS



RENTAL BANDS
BERLIN

Q2
2025



OFFICE MARKET DUSSELDORF

Although three of the five largest deals in H1 were completed in Q2, and transaction volume from April to June was more than double that of January–March, the total of 100,100 m² is still 23% below the five-year average. The absence of deals above 10,000 m² is particularly noticeable. The high-demand top segment continues to attract interest; two of the five largest deals in H1 were project leases. The limited supply drives prime rents upward, but the average rent has been declining for about a year and a half. Short-term availability of prime spaces remains very tight through at least year-end: Until then, the project development pipeline in central locations will not even bring 20,000 m² of additional free spaces to the market. Such spaces in the CBD, for example, will remain similarly scarce in the coming year.

Vacancy rates have further increased, reaching levels last seen in 2013, with the trend expected to continue. Existing spaces outside central locations are often leased with high incentives, and vacancies may increase further.





OFFICE MARKET
DUSSELDORF

	Q2 2025	compared to previous year	Outlook*
Take-up (accumulated) (m²)	100,100	- 6 %	↑
Prime rent (€/m²/month)	43.50	+ 1.50 €	↑
Average rent (€/m²/month)	19.60	- 1.10 €	
Vacancy rate (%)	11.5	+ 120 bp	↑

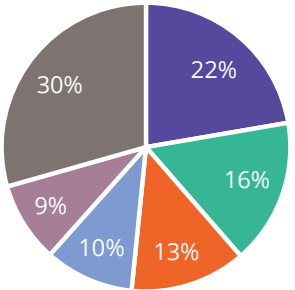
* in each case by end of year, except take-up: compared with previous year

TOP 5 DEALS IN Q1

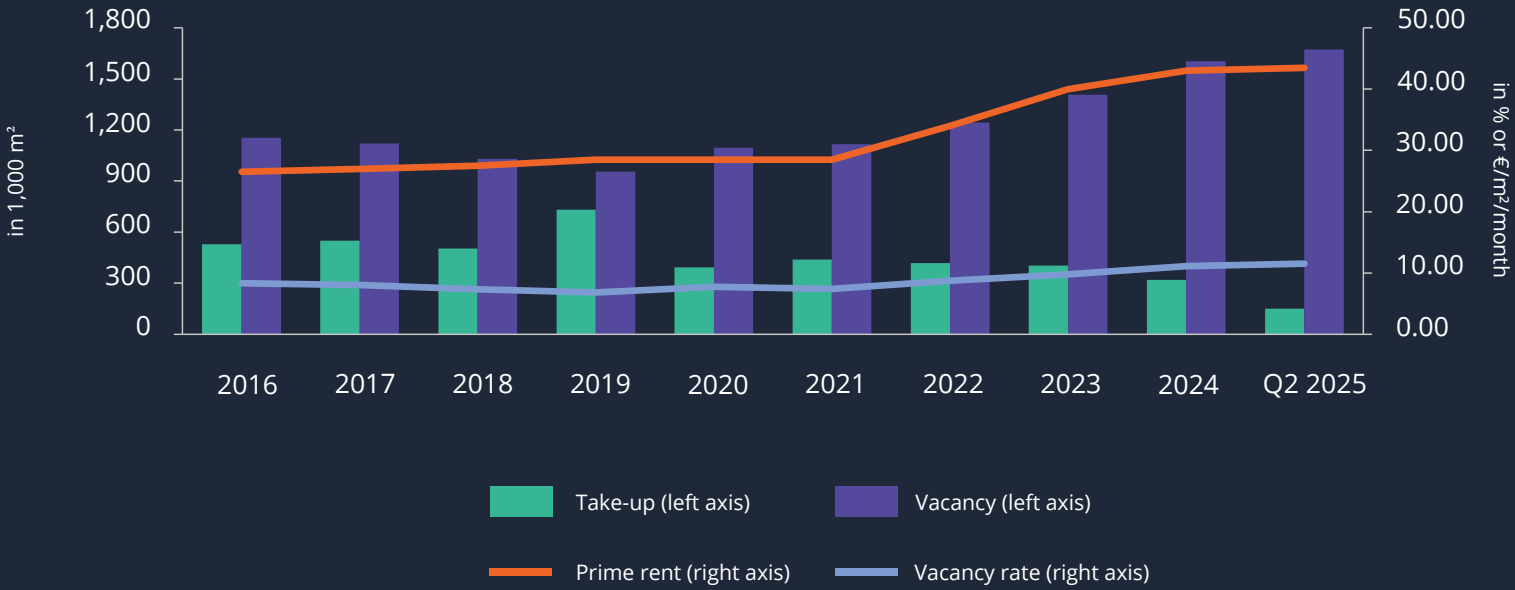
Helaba „Heylo“ – Schwannstraße 6 Kennedydamm	7,700 m²
GALERIA „rwi4“ – Völklinger Straße 4 Harbour	6,800 m²
Stadtentwässerungsbetrieb Düsseldorf „OFFICEHOME Rise“ – Völklinger Straße 2 Hafen	4,600 m²
SICK Vertriebs-GmbH „BÖ69“ - Böhlerstraße 69 West/linksrheinisch	3,600 m²
Dr. Hilton & Partner „KÖ-Galerie“ – Königsallee 60 CBD	2,900 m²

TAKE-UP BY TOP 5 SECTOR

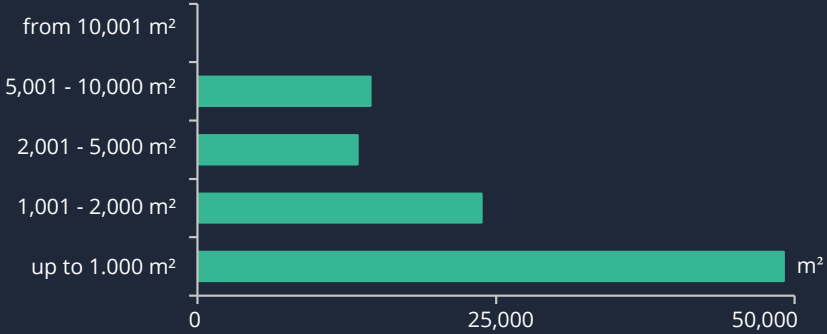
- Trade / E-Commerce
- Services
- Consulting
- Health / Pharma
- Banking / Finance
- Other



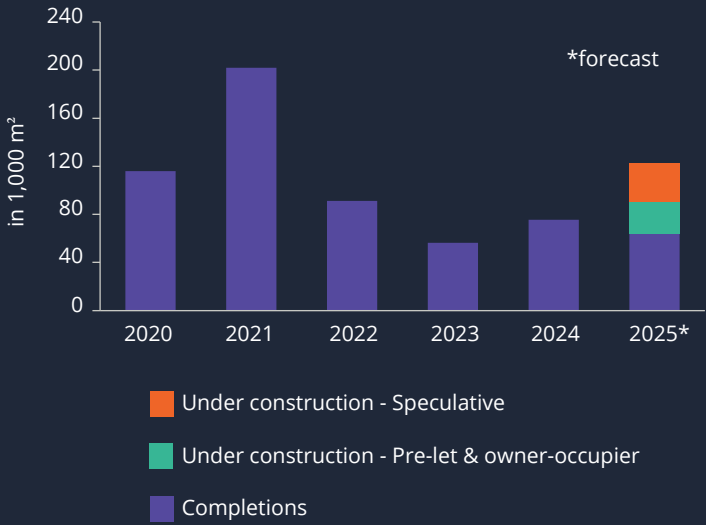
TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

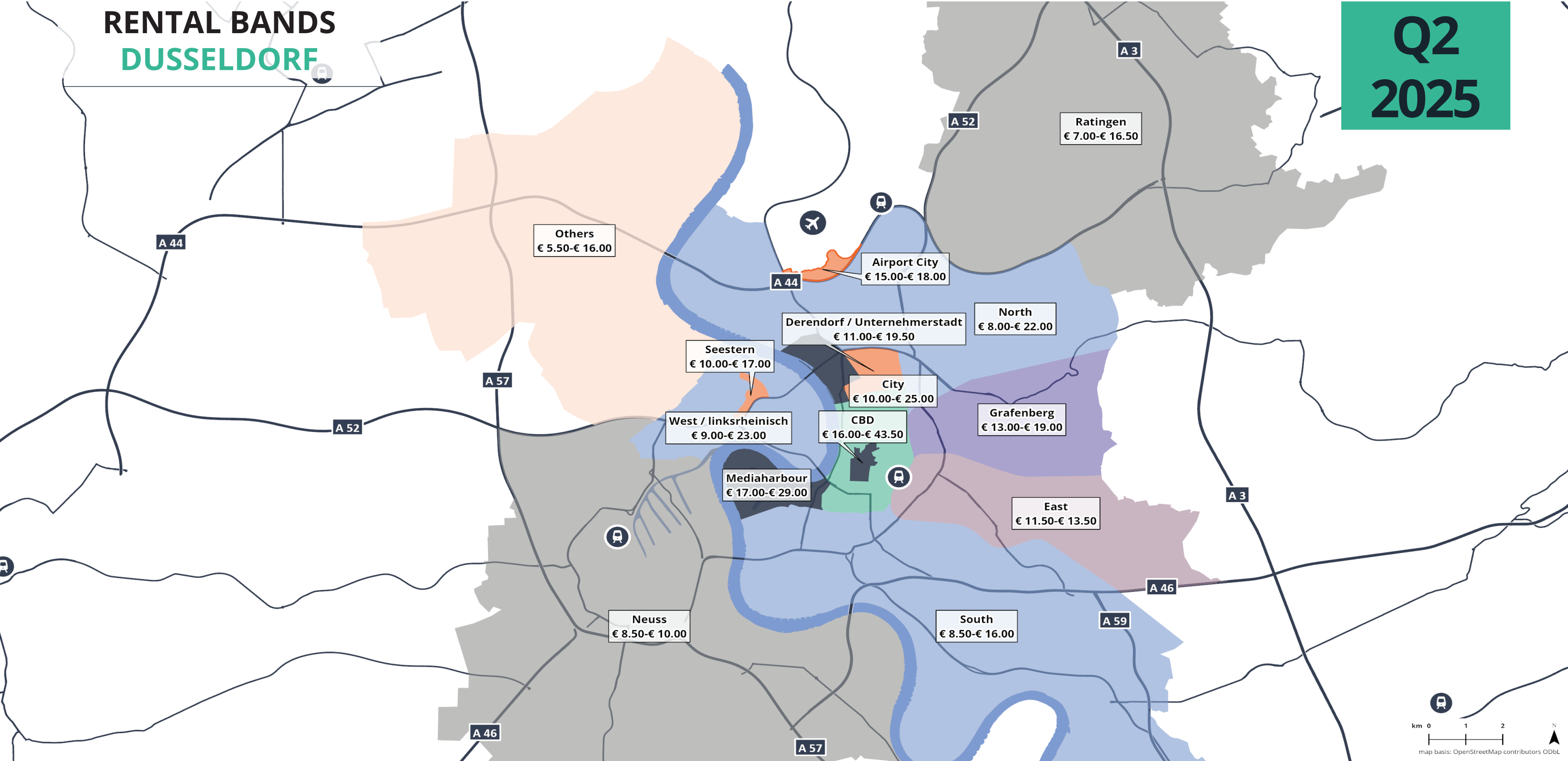


COMPLETIONS



RENTAL BANDS
DUSSELDORF

Q2
2025



OFFICE MARKET FRANKFURT



By mid-year, the office take-up volume in Frankfurt reached nearly all of previous year's total. The 347,300 m² were 103% above the five-year average. After three deals over 10,000 m² totaling 55,000 m² in 2024, seven such deals worth 177,000 m² had already been completed in H1. No other real estate hub has seen so many large transactions. That this was not an exception in the first quarter is evident from the fact that three of the five largest deals took place in the second quarter. Despite the spatial consolidation of the financial industry in Frankfurt, more than every third square meter was attributed to this sector alone. Financial firms leased two out of three square meters in the Banking District – thus, the concentration process continues to focus on central locations.

Vacancy rates have risen to a level by mid-year that hasn't been seen in the last 10 years. However, the steepest increase may now be behind us. One reason is that only a few available spaces will enter the market from the construction pipeline in the coming quarters, and speculative project developments remain rare. Not only has the prime rent risen again in the second quarter – the high rents, especially for large deals, have pushed the average rent to a record level. Prime rents are likely to continue rising in the future, and space take-up will reach its highest level in five years by year-end.



OFFICE MARKET
FRANKFURT

	Q2 2025	compared to previous year	Outlook*
Take-up (accumulated) (m²)	347,300	+ 99 %	↑
Prime rent (€/m²/month)	51.00	+ 3.50 €	↑
Average rent (€/m²/month)	30.10	+ 6.05 €	
Vacancy rate (%)	11.1	+ 110 bp	→

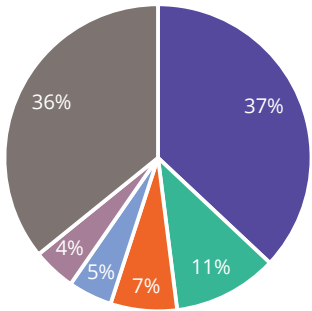
* in each case by end of year, except take-up: compared with previous year

TOP 5 DEALS IN H1

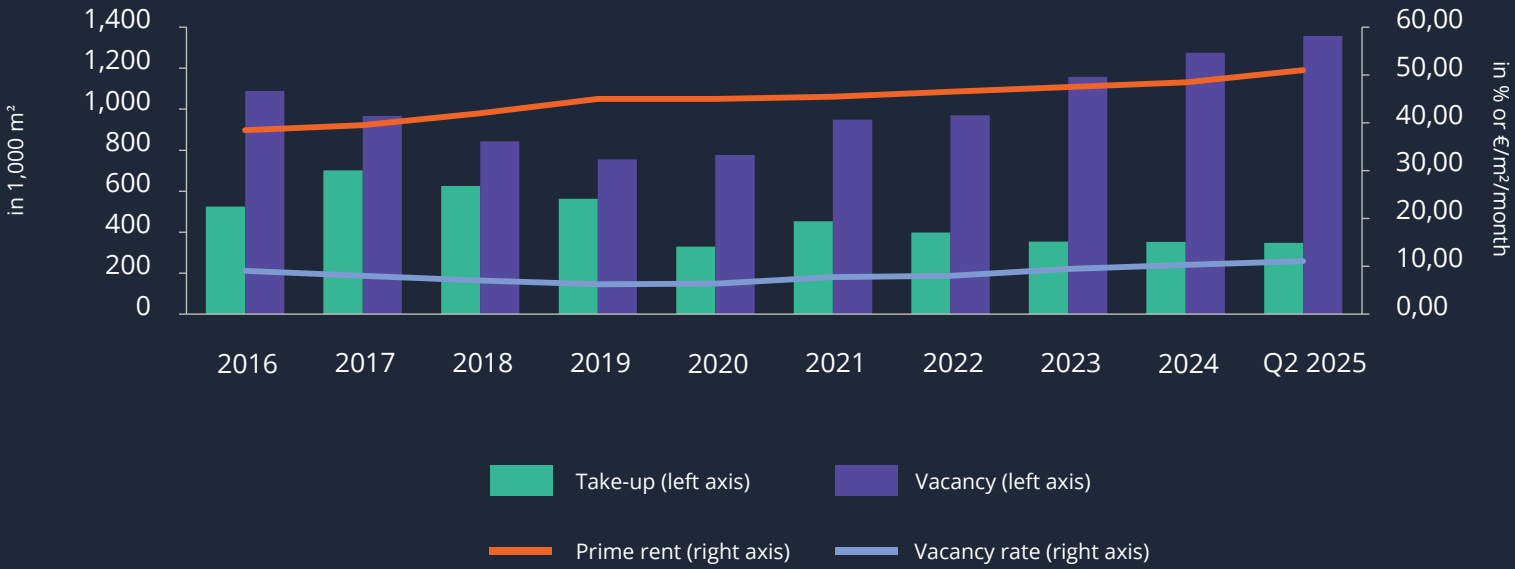
Commerzbank „Central Business Tower“ – Neue Mainzer Str. 57-59 Banking District	73,000 m²
KPMG „Opernturm“ und „Park Tower“ Westend	33,400 m²
ING Diba „Hafenpark Quartier“ – Honsellstraße 21-25 Eastend	32,000 m²
Condor „Alpha Rotex“ – Edmund-Rumpler-Straße 3 Airport	15,200 m²
Deutsche Rentenversicherung „City-Haus I“ – Platz der Republik 6 Banking District	13,000 m²

TAKE-UP BY TOP 5 SECTOR

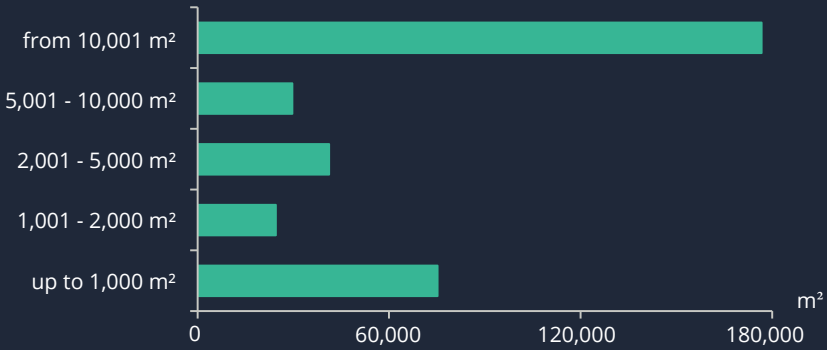
- Banking / Finance
- Consulting
- Legal
- Building Sector
- Manufacturing
- Other



TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

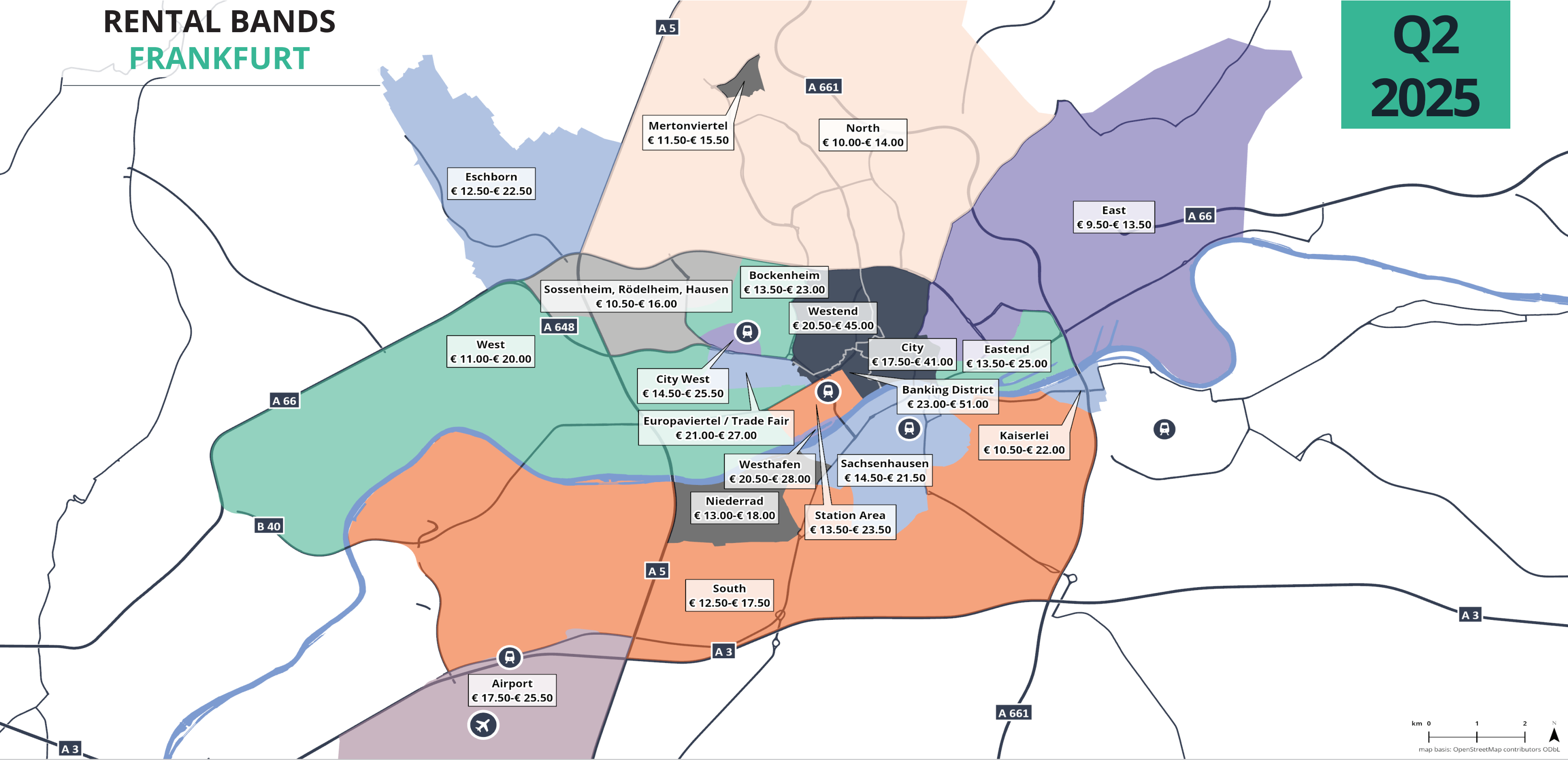


COMPLETIONS



RENTAL BANDS FRANKFURT

Q2
2025



OFFICE MARKET HAMBURG

The second quarter in the Hamburg office rental market was characterised by low transaction activities. Compared to the first quarter, the decline was 24% to a volume of now 92,700 m². This was not necessarily due to weak demand, even though companies' willingness to make decisions was rather limited against the backdrop of macroeconomic turbulence: Currently, there are few large lease inquiries in the market; in many cases, the relevant supply is simply too low – especially in central locations – and furthermore, there are numerous rental contract extensions that are not counted as space take-up. At least two large deals above 10,000 m² were recorded in the first six months. Besides the submarkets City and HafenCity, the Hammerbrook district is also in the focus of many companies, not least for budgetary reasons, as the location is characterised by relatively affordable rents.

Despite an increase to 5.5%, the vacancy rate, which has thus returned to the 2016 level, remains the lowest among the major real estate markets. This also applies to the vacancy volume of 839,400 m². Simultaneously, the prime rent has risen to now 36.00 €/m²/month. In the coming quarters, it could rise to a new record level.





OFFICE MARKET
HAMBURG

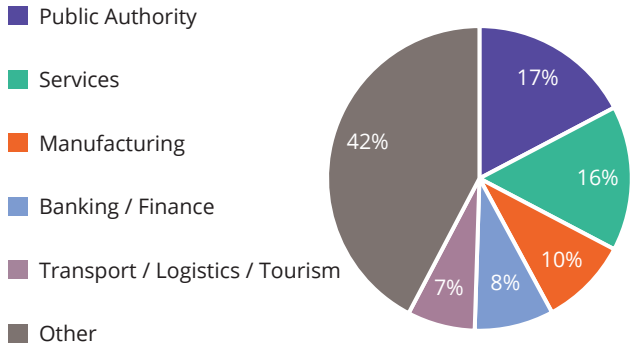
	Q2 2025	compared to previous year	Outlook*
Take-up (accumulated) (m²)	214,300	+ 13 %	↑
Prime rent (€/m²/month)	36.00	+ 0.50 €	↑
Average rent (€/m²/month)	21.50	+ 1.10 €	
Vacancy rate (%)	5.5	+ 100 bp	→

* in each case by end of year, except take-up: compared with previous year

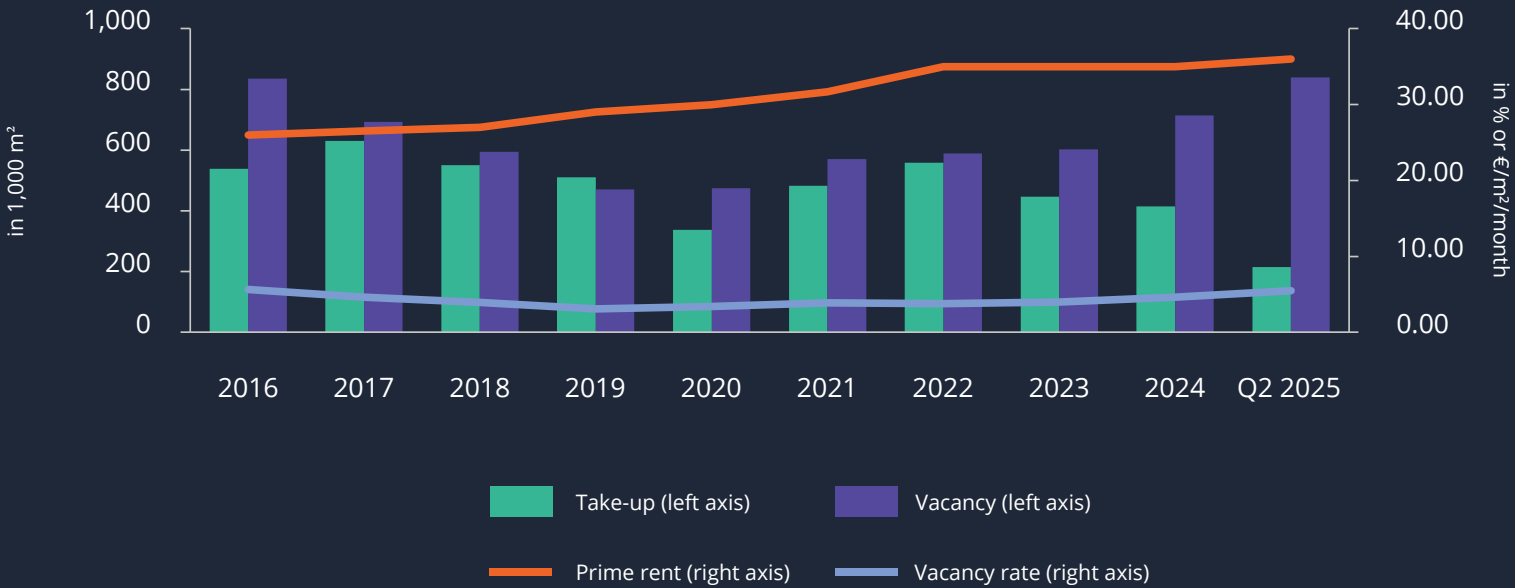
TOP 5 DEALS IN H1

Hamburg Commercial Bank „Ajour“ – Mönckebergstraße 3 City	13,400 m²
Freie und Hansestadt Hamburg, Bezirksamt Wandsbeker Marktstraße 63-65 Wandsbek	11,400 m²
Körber Technologies „Körber Campus“ Bergedorf	7,900 m²
Freie und Hansestadt Hamburg, Personalamt „Ballin Voyage“ – Ferdinandstraße 18-24 City	7,800 m²
Aurubis AG Brooktorkai 18 HafenCity	7,500 m²

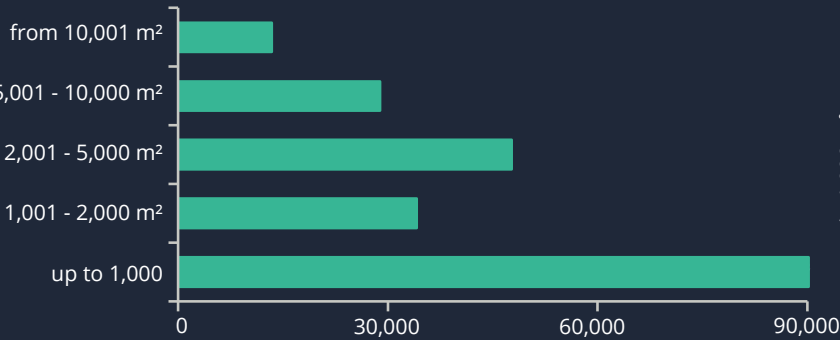
TAKE-UP BY TOP 5 SECTOR



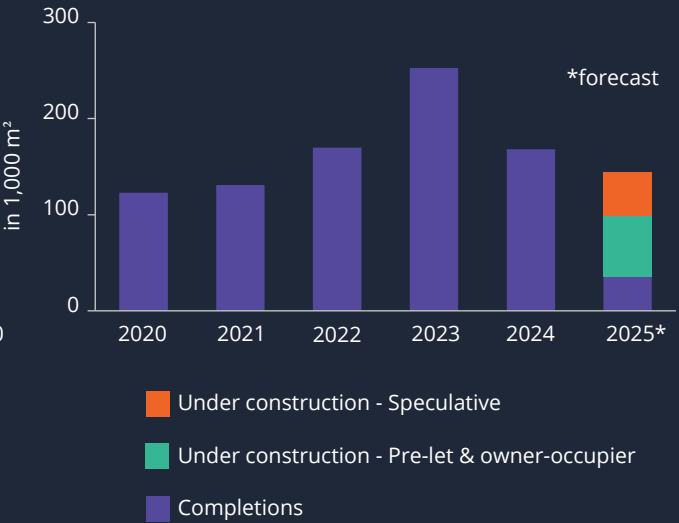
TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

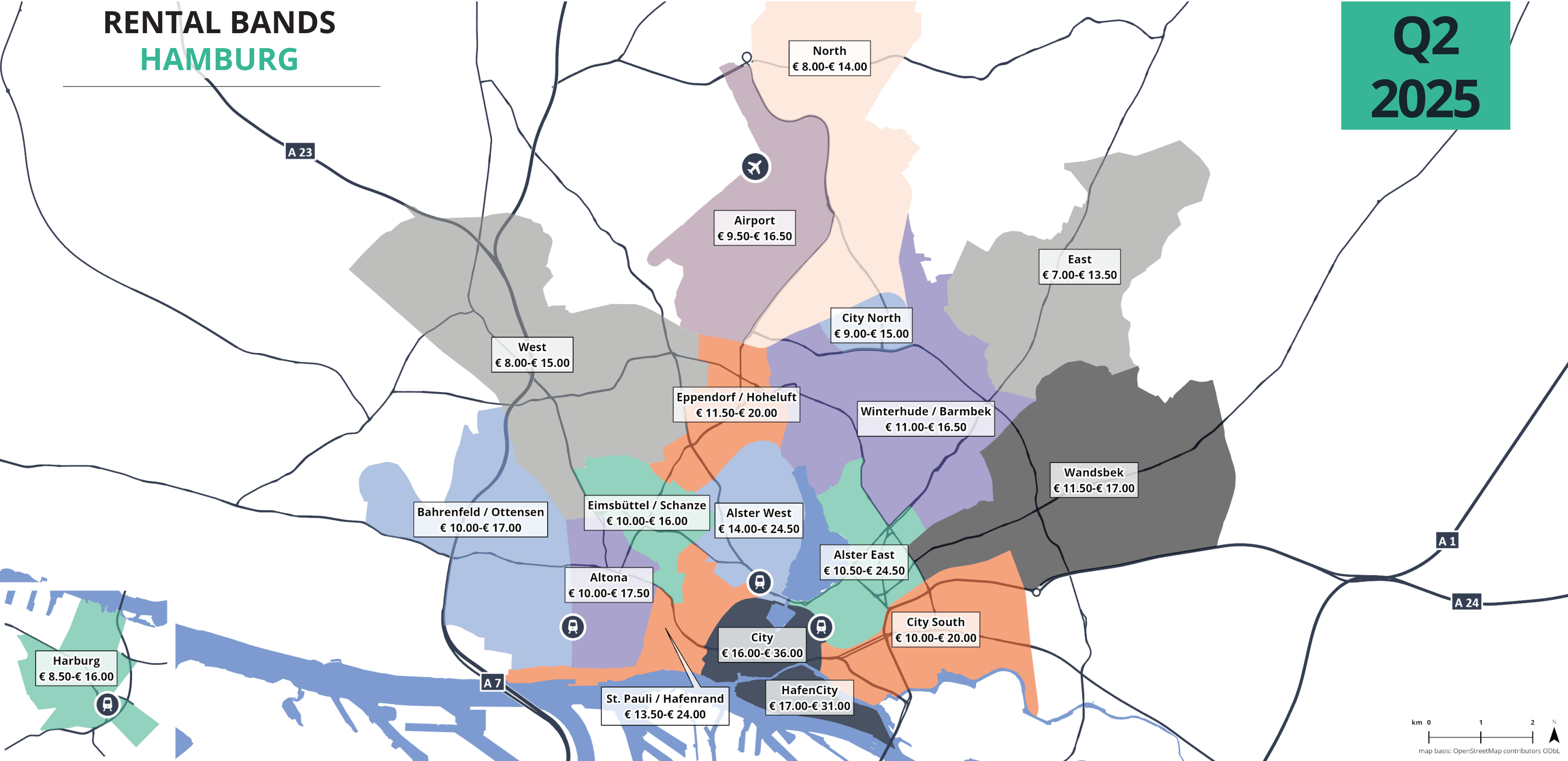


COMPLETIONS



RENTAL BANDS
HAMBURG

Q2
2025



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SCAN ME





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