

Q1 2025

AVISON YOUNG REAL ESTATE MARKET REPORT



AVISON
YOUNG



AVISON YOUNG

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ECONOMIC CONDITIONS

The economic and capital market forecasts could currently be updated daily. The (geo)political and economic conditions are changing rapidly, increasing uncertainty from this side once again. Market reactions to Germany's finance and investment package for infrastructure, climate protection, and defense are reflected in sentiment surveys: the Sentix investor confidence, purchasing manager index, as well as ZEW and Ifo economic expectations, have significantly risen in March. For example, the ZEW economic expectations jumped to their highest level in over two years.

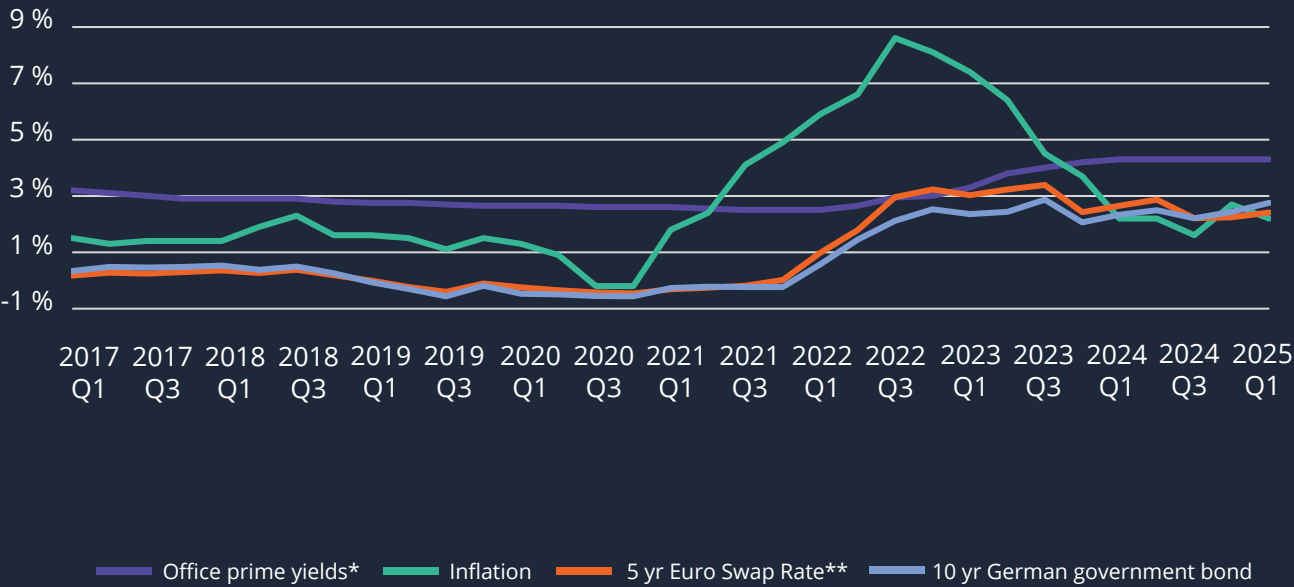
Many sectors will benefit from the package. Its long-term nature of 12 years particularly means more planning security and less uncertainty for companies, enabling them to invest, hire staff,

and build factories. This could overcome the previous weakness in growth and investment domestically. Goldman Sachs estimated in early March that the package could boost Germany's economic growth by up to one percentage point per year from 2025 to 2027 with swift implementation. However, the recent geopolitical developments will slow the upswing, and some institutes have accordingly lowered their economic forecasts for the year 2025 in early April.

Inflation stabilised at 2.2% in March, yet potential inflation drivers have increased. ECB President Lagarde spoke of exceptionally high uncertainty in mid-March. However, forecasts still predict a slight decline in price development.

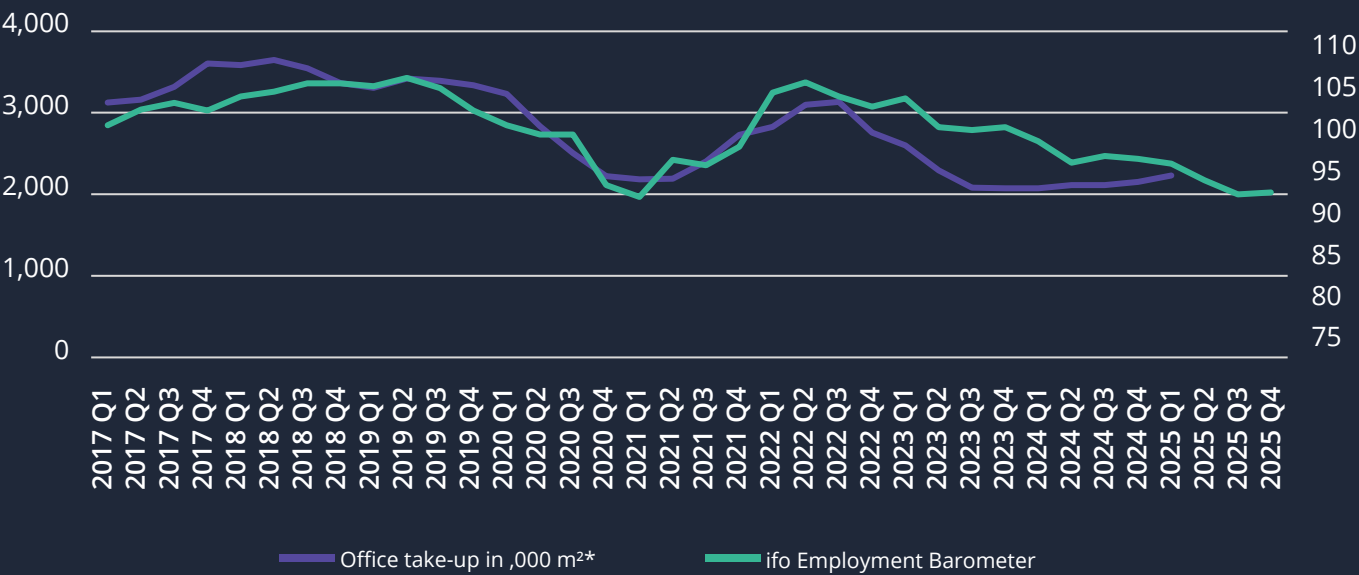


PROPERTY YIELD, INFLATION, SWAP RATE, GOVERNMENT BOND



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

INVESTMENT MARKET

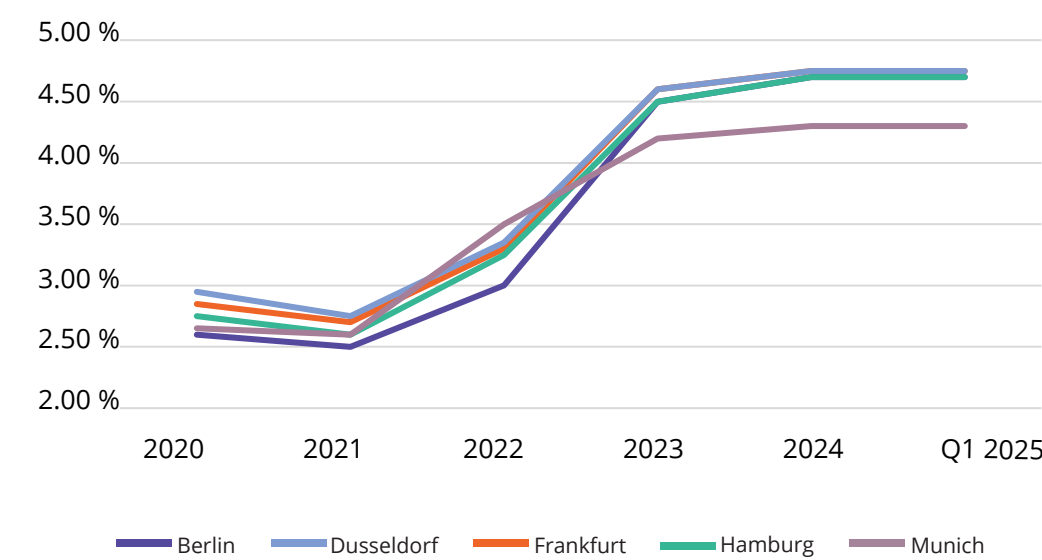
The transaction volume in commercial real estate, amounting to around €5.1 billion in the first quarter, was about 3% below the previous year’s result. For the first time, office properties again represented the largest segment (25%) among asset classes. Activities overall are increasing, and the gap between selling and purchasing prices has closed in many cases, though it remains too high in many others. Office prime yields remained stable in the first quarter.

Product availability has further increased, partly through liquidity generation via sales. This trend will continue, and more Non-Performing Loans (NPLs) are expected to appear on the market. Some market players – for instance, due to outflows – remain cautious on the buyer side, whereas more and more investors see

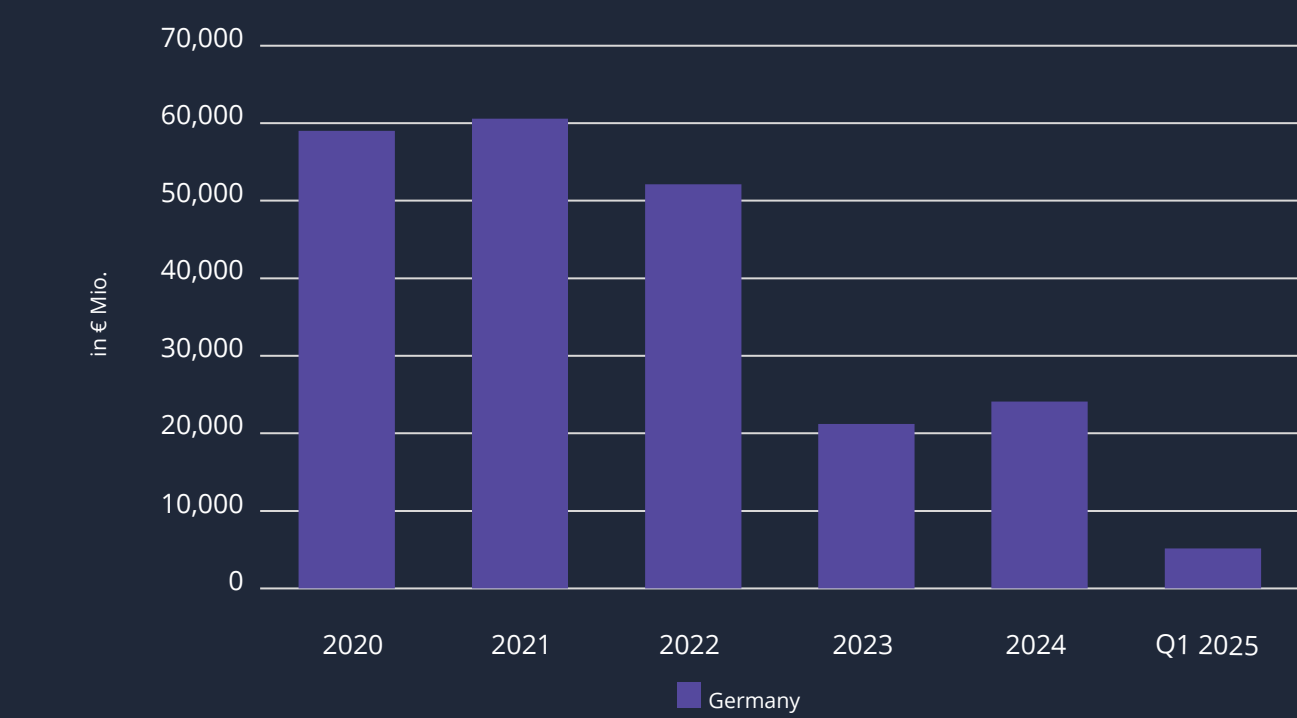
a good entry point, not only for office properties.

While the recovery of investment markets could be slowed by slightly higher interest rates, a somewhat reduced yield gap to government bonds, and initially prevailing bank restraint, it will be supported by the stronger projected economic growth and an increased geopolitical focus of many investors on Europe and Germany. Germany is expected to retain its top credit rating from rating agencies even with a rising debt ratio – this should support investments, not least due to the high legal certainty domestically. By the end of the year, the investment volume is expected to exceed that of 2024. In terms of yields, rather than the initially expected slight decline, a sideways movement might occur in the event of significantly rising government bond yields.

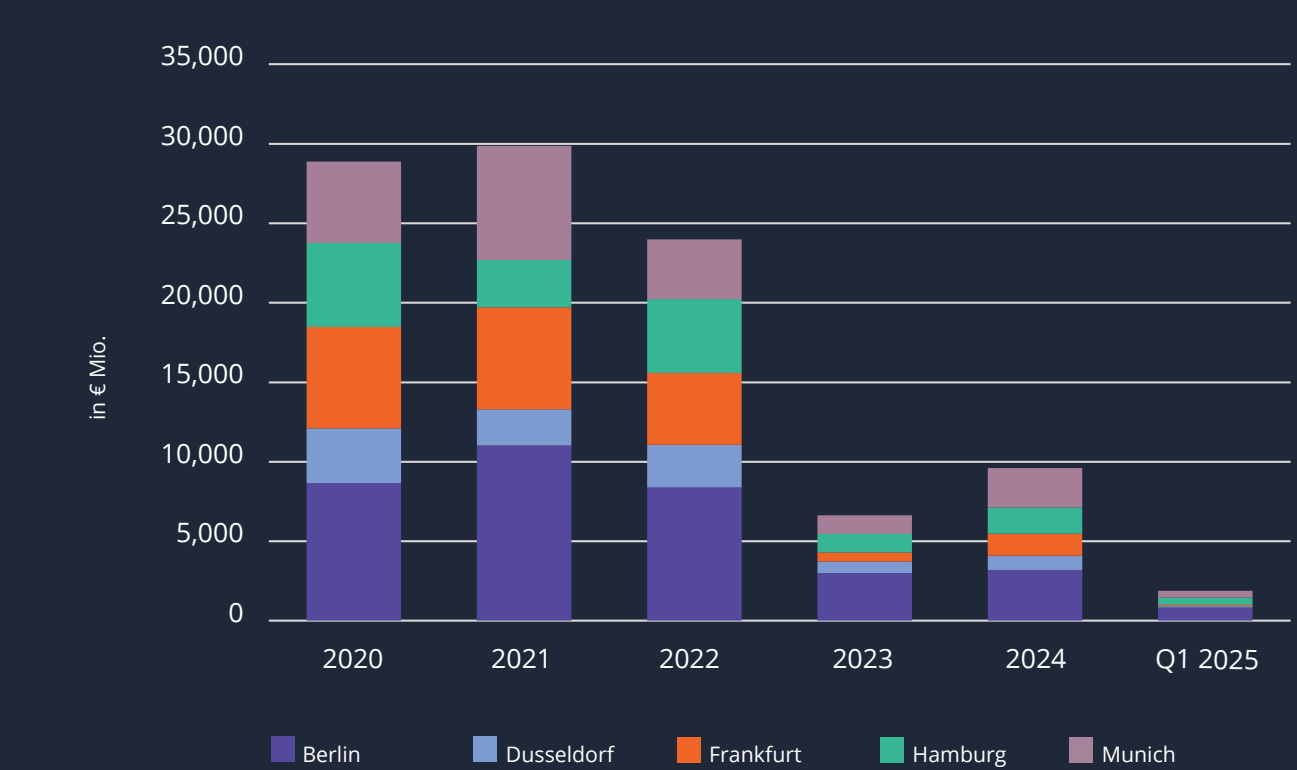
OFFICE PRIME YIELD



COMMERCIAL REAL ESTATE INVESTMENT VOLUME GERMANY



COMMERCIAL REAL ESTATE INVESTMENT VOLUME TOP 5 CITIES



OFFICE MARKETS

Looking solely at office space take-up in the first three months, the picture is mixed: 103,000 m² in Berlin represents the second weakest quarter in twelve years, while Frankfurt achieved a take-up of 193,800 m², the strongest quarterly take-up in over five years. The largest deal was the 73,000 m² project lease by Commerzbank as the global tenant in the Central Business Tower in Frankfurt on Neue Mainzer Strasse 57-59.

Overall, the general economic weakness in the first quarter was still reflected in office markets, with decision-making processes remaining prolonged, and many users tending to extend their existing rental contracts, although relocations via new rentals are increasingly being considered. The high percentage increases in office space take-up in Frankfurt and Hamburg are primarily due to very weak comparison quarters in the previous year.

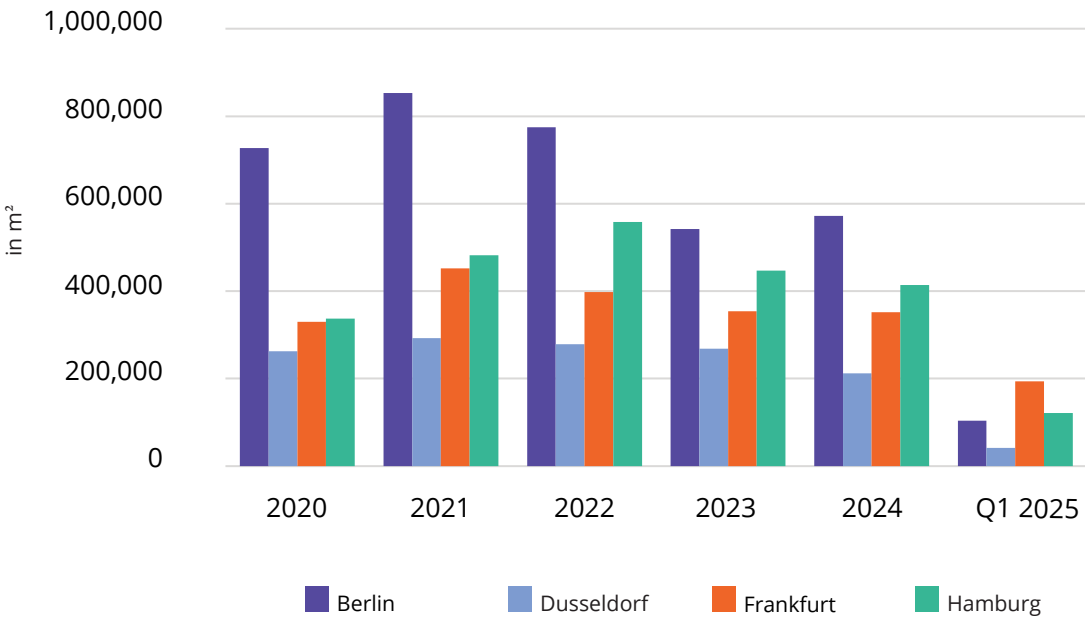
The differentiation in markets remains apparent: many office tenants strongly desire to improve location quality – often not targeting the CBD; frequently, relocation from (city) fringe areas to more central locations, or enhancing the location within the office submarket is driving demand. Meanwhile, overall vacancies continue to rise, and many no longer marketable offices are expected to be repurposed, especially in low-demand areas. The

construction pipeline does not provide enough new spaces to meet tenant demand, except in Berlin. For example, in central locations of Frankfurt, less than 20,000 m² of available space is expected to be completed by the end of 2026.

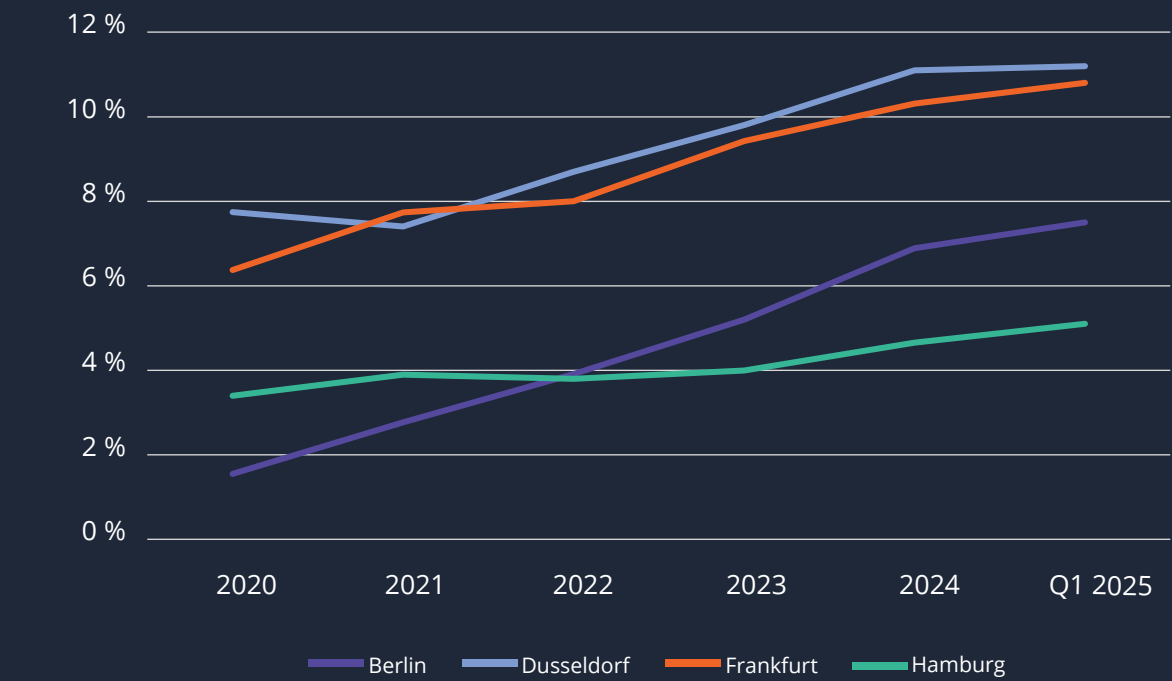
There were adjustments in rental price bands in almost all submarkets during the first quarter – partly upwards, partly downwards. Prime rents saw an increase in Hamburg and Frankfurt among the cities examined here. Throughout the year, prime rents are expected to rise again in several markets.

Even before the German billion-euro package was decided, relatively stable employment development was forecast for the coming years after the number of employees reached a record in 2024. According to updated forecasts, the unemployment rate in Germany will rise minimally, however, employment numbers in major real estate hubs are expected to continue increasing, with office employment growing stronger than overall employment. The German billion-euro package is expected to benefit occupier markets through a return of decisiveness among companies. However, if global trade conflicts were to escalate sustainably, this would also affect occupier markets through increased uncertainty and weaker economic development.

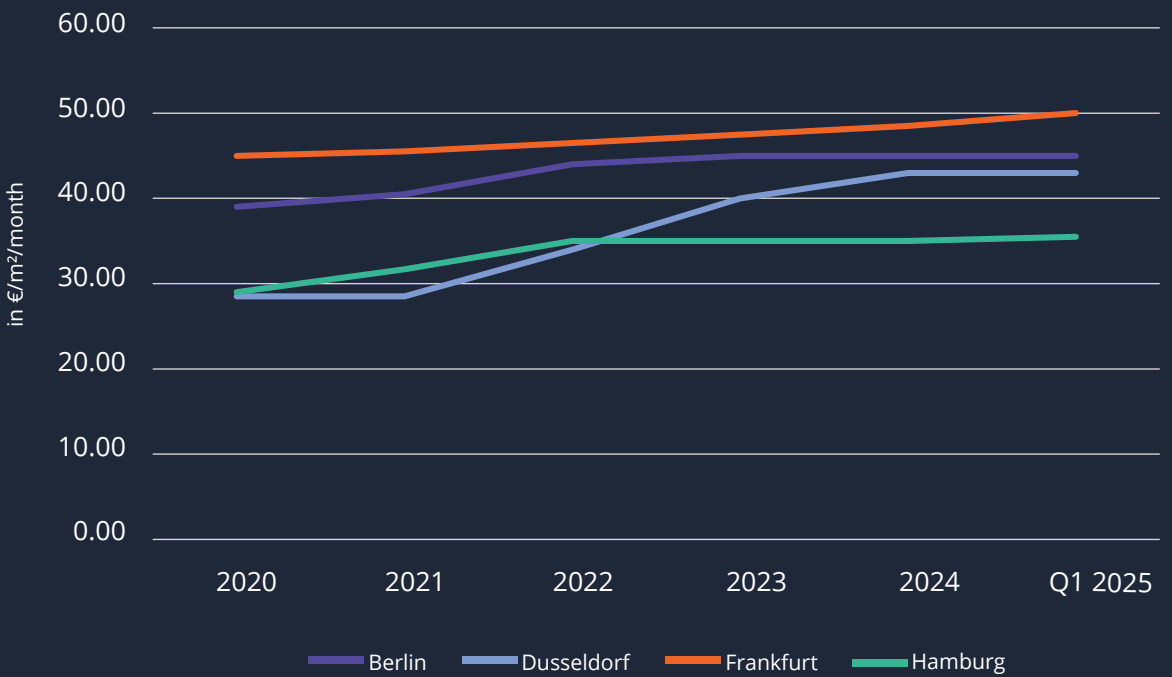
TAKE-UP: BERLIN, DUSSELDORF, FRANKFURT, HAMBURG



OFFICE VACANCY RATE



OFFICE PRIME RENTS



OFFICE MARKET BERLIN

In the first quarter, there were no lease agreements exceeding 10,000 m² in the Berlin office rental market, and only two agreements in the size category over 5,000 m². Lease extensions continue to be commonplace, and stay-versus-go processes have long been the norm in Berlin. Accordingly, the office space take-up of 103,500 m²—excluding extensions—represents a 36% decrease compared to the five-year average for first quarters. However, tenants are gradually becoming more open to exploring the market and considering new leases. It remains to be seen when these activities will actually impact space take-up figures. Although there are currently only a few large inquiries in the market, a transaction volume of 550,000 m² should be achievable by the end of the year.

Many tenants continue to place a high value on good locations and high-quality spaces. However, the absolute top segment is thinning out further, while ever-larger volumes of difficult-to-rent office spaces remain vacant for extended periods. The bulk of activities is currently taking place in the "middle" market segment—medium-sized segments and at medium rental prices. The remaining available space volumes expected to enter the market from the construction pipeline by the end of the year, which are distributed across various sub-markets, amount to around 185,000 m².





OFFICE MARKET
BERLIN

| | Q1 2025 | compared to previous year | Outlook* |
|----------------------------|---------|---------------------------|----------|
| Take-up (accumulated) (m²) | 103,500 | - 27 % | ↓ |
| Prime rent (€/m²/month) | 45.00 | +/- 0.00 € | → |
| Average rent (€/m²/month) | 27.20 | - 1.10 € | |
| Vacancy rate (%) | 7.5 % | + 177 bp | ↑ |

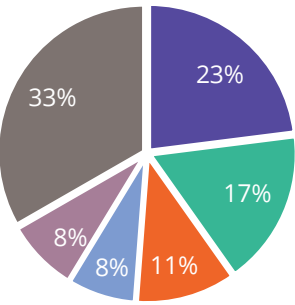
* in each case by end of year, except take-up: compared with previous year

TOP 5 DEALS IN Q1

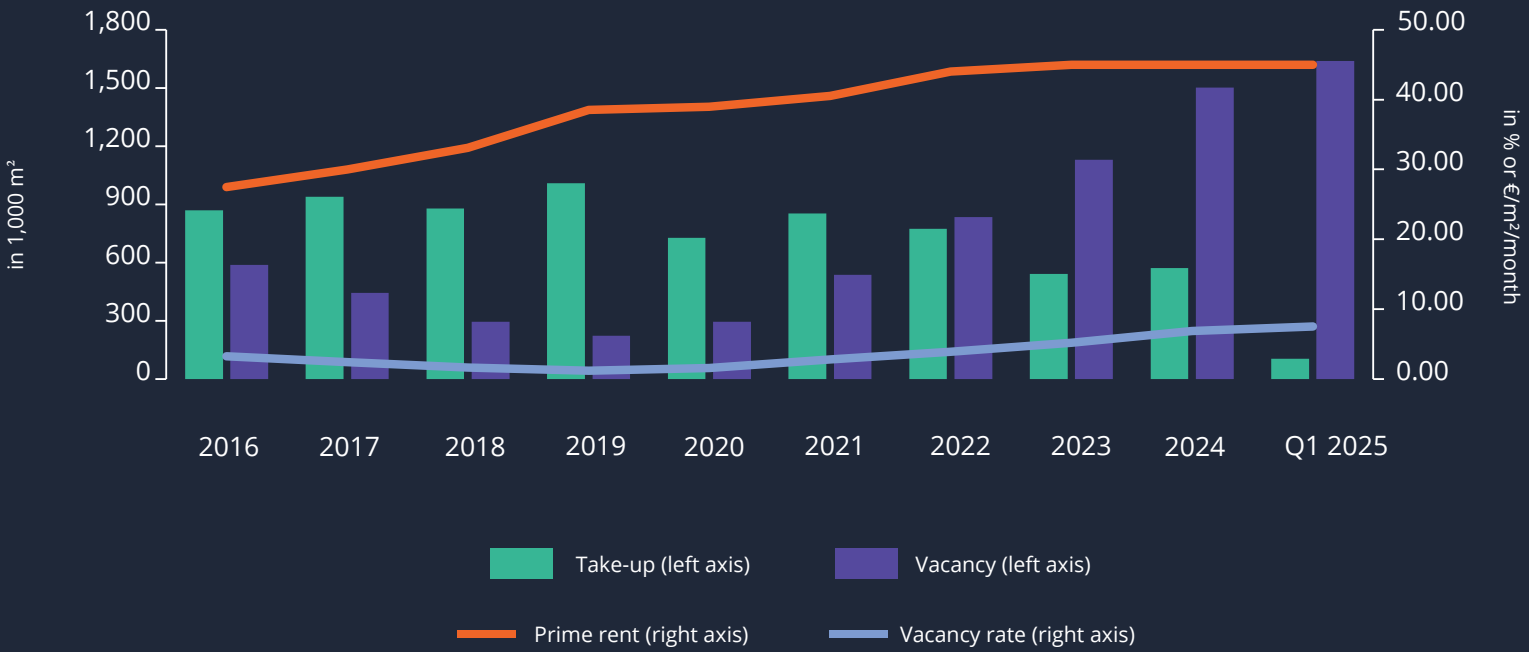
| | |
|--|----------|
| Jobcenter Beilsteiner Straße 113-113b East | 7,700 m² |
| Federal Environment Agency Thielallee 88-92 Steglitz-Zehlendorf | 5,200 m² |
| Creditreform Berlin Brandenburg „Port Faraday“ - Alt-Moabit 90 a-d Mitte | 2,200 m² |
| ABK Allgemeine Beamten Bank „Haus Friedrichstadt“ - Friedrichstraße 194-199 Mitte | 2,100 m² |
| Johnson Controls Systems „BrainBox Berlin“ - Eisenhutweg 108 East | 1,900 m² |

TAKE-UP TOP 5 BY SECTOR

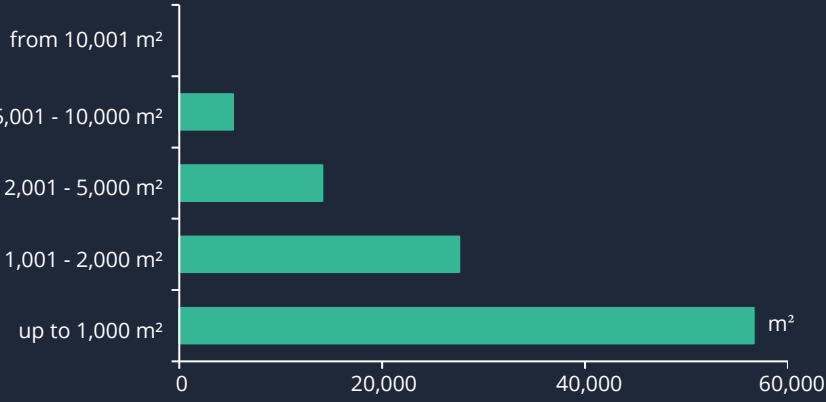
- Services
- ITT
- Public Authority
- Banking / Finance
- Manufacturing
- Other



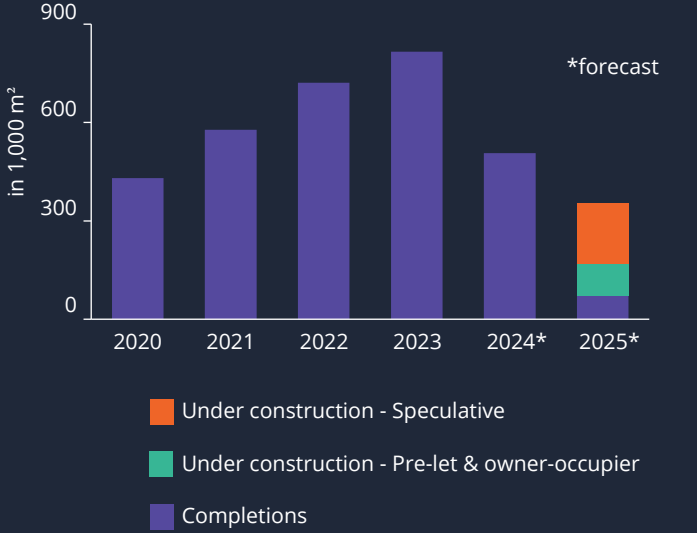
TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

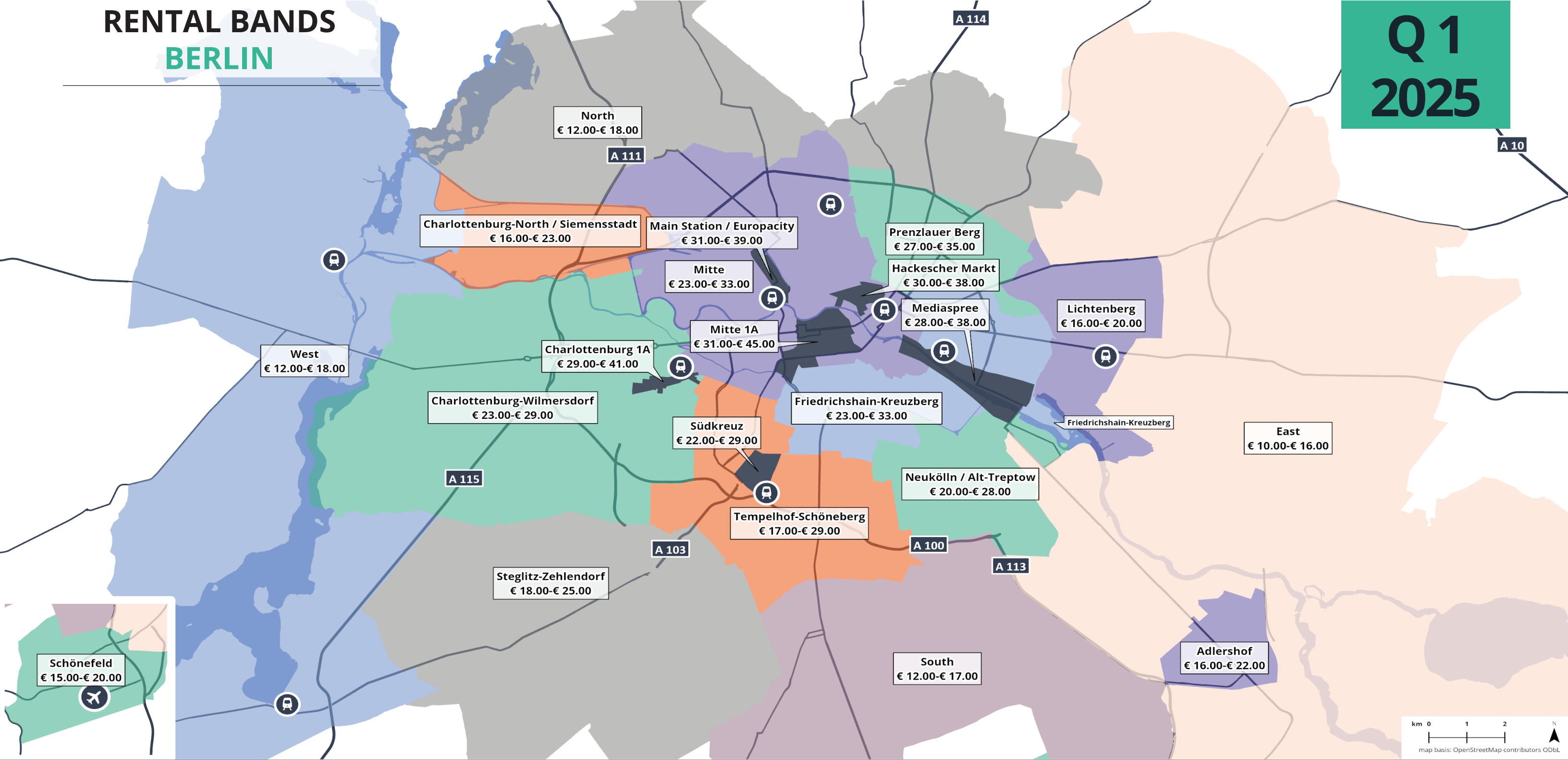


COMPLETIONS



RENTAL BANDS BERLIN

Q 1
2025



OFFICE MARKET DUSSELDORF

The Dusseldorf office market experienced a very weak start to the year. The office space take-up of 41,800 m² is the third-lowest quarterly take-up in 20 years and is 40% below the five-year Q1 average. Particularly responsible for this was the lack of large transactions. There was no deal over 10,000 m² and only one deal over 5,000 m², the lease by GALERIA in the Hafen submarket. Central locations were hardly represented even in mid-sized transactions. Currently, there are several large inquiries in the market, but the likelihood of lease extensions rather than new deals is high in many cases. Nevertheless, the annual space take-up could surpass last year's volume.

Completions amounted to 15,000 m² by the end of March, and ongoing construction activities are expected to bring an additional 80,000 m² to the market in the next three quarters—of which around 80% are vacant spaces. Although the overall vacancy rate grew only minimally on a quarterly basis, the pressure on many owners remains high, as do incentives in many market segments. The prime rent remained unchanged again; however, a slight increase is expected by the end of the year. Demand for top spaces in central locations is also likely to pick up again.





OFFICE MARKET
DUSSELDORF

| | Q1 2025 | compared to previous year | Outlook* |
|----------------------------|---------|---------------------------|----------|
| Take-up (accumulated) (m²) | 41,800 | - 26 % | ↑ |
| Prime rent (€/m²/month) | 43.00 | + 1.00 € | ↑ |
| Average rent (€/m²/month) | 19.35 | - 1.59 € | |
| Vacancy rate (%) | 11.2 % | + 100 bp | ↑ |

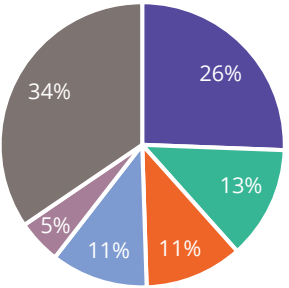
* in each case by end of year,except take-up: compared with previous year

TOP 5 DEALS IN Q1

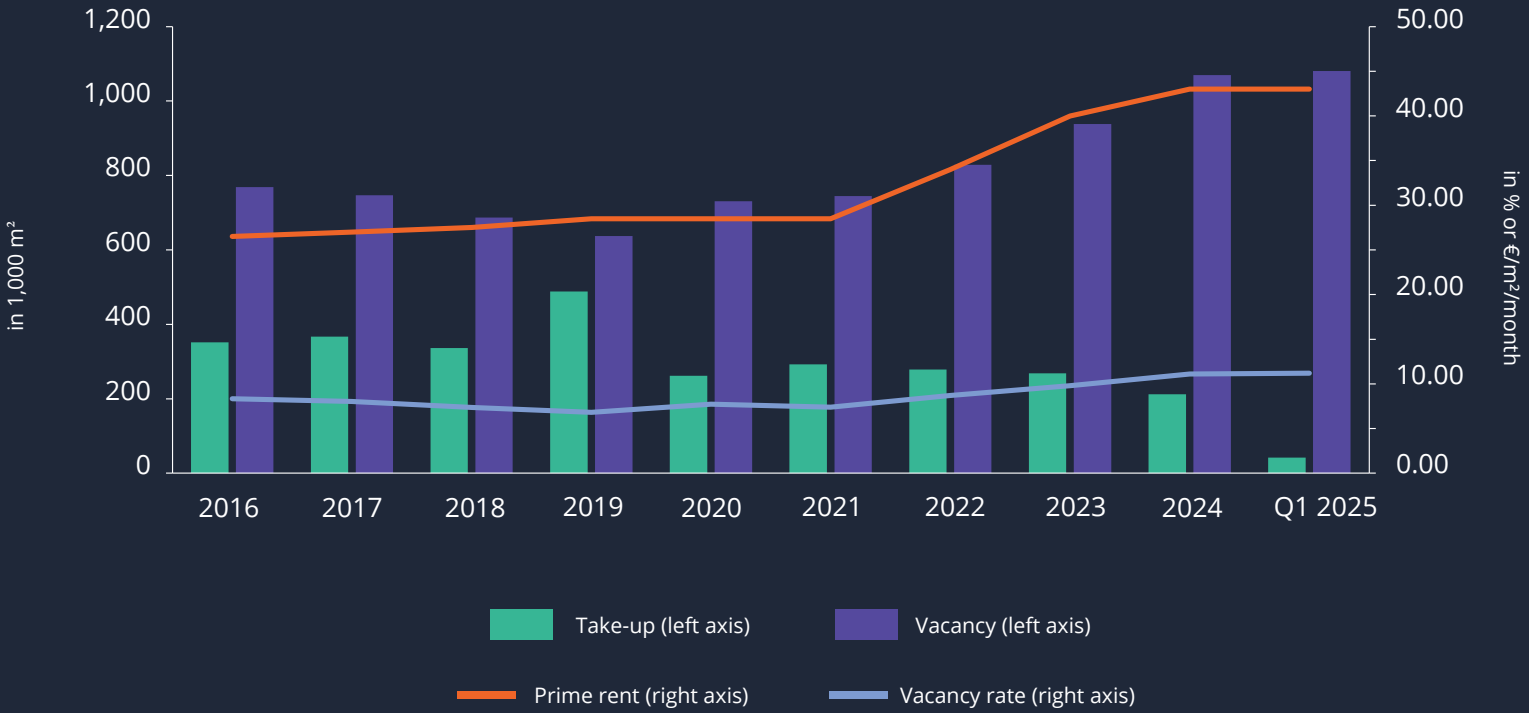
| | |
|---|----------|
| GALERIA „rwi4“ – Völklinger Straße 4 Hafen | 6,800 m² |
| Dr. Hilton & Partner „KÖ-Galerie“ – Königsallee 60 CBD | 2,900 m² |
| AGES Maut System „EUREF-Campus“ – Ahrensplatz North | 1,900 m² |
| RICOH Deutschland „Gewerbepark Am Trippelsberg“ – Am Trippelsberg 43-45 Süd | 1,300 m² |
| vivenu „MIZAL“ – Plockstraße South | 1,100 m² |

TAKE-UP TOP 5 BY SECTOR

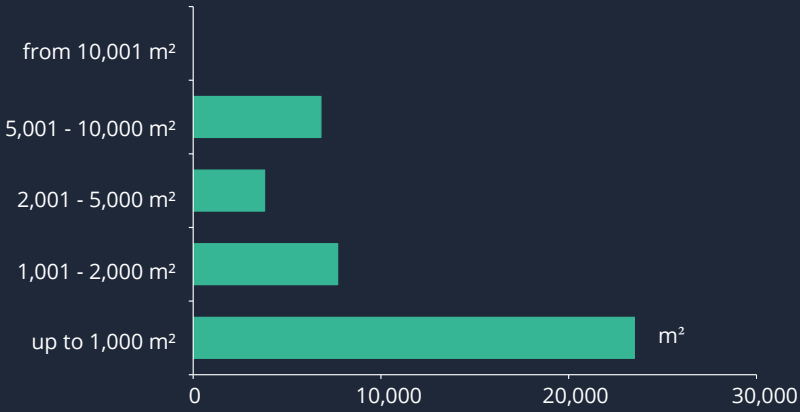
- Trade / E-Commerce
- ITT
- Health / Pharma
- Consulting
- Services
- Other



TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

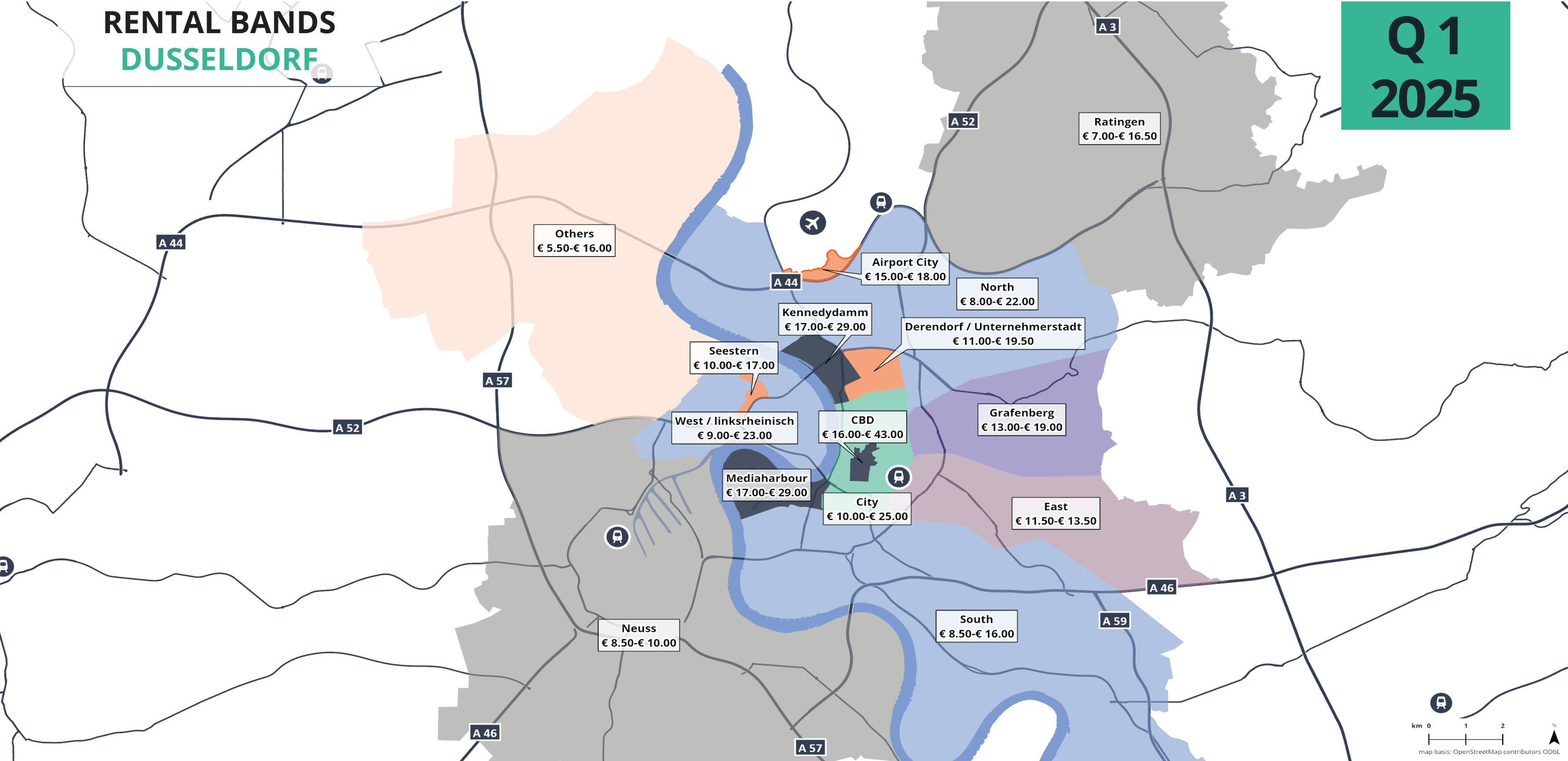


COMPLETIONS



RENTAL BANDS
DUSSELDORF

Q 1
2025



OFFICE MARKET FRANKFURT

In the first quarter, 38% of Frankfurt's space take-up was attributable to Commerzbank's project lease of 73,000 m² in the Central Business Tower. The last deal of similar magnitude in Frankfurt dates back to 2009, when Deutsche Bahn leased 72,000 m² across two buildings: the Silvertower with about 50,000 m² and the adjacent former executive building of Dresdner Bank. The three largest deals in the first quarter of 2025 were leases in new constructions or total renovations—a clear vote for top quality, especially in large inquiries.

The market is also seeing increased activity in a broader sense: while lease extensions in existing spaces were the chosen option for many companies for a long time, more tenants are now considering a possible relocation, often aiming for an improved location. Submarkets like Banking District, City, and Westend represented 54% of the space take-up—compared to 35% in the previous three years. Conversely, areas with poor connectivity and low quality of stay, which also offer few high-quality office spaces, are increasingly under pressure. In terms of industries, banks/financial services and lawyers/notaries showed the greatest demand activity, representing 69% of the total market and 90% of the take-up volume in the three central submarkets. By the end of the year, the 500,000 m² mark in space take-up should be clearly exceeded. The prime rent and certain submarket rents are expected to continue rising, due to the ongoing shortage of high-quality spaces: by the end of 2026, not even 20,000 m² of free spaces are expected to come onto the market from the construction pipeline in the mentioned central locations.





OFFICE MARKET
FRANKFURT

| | Q1 2025 | compared to previous year | Outlook* |
|----------------------------|---------|---------------------------|----------|
| Take-up (accumulated) (m²) | 193,800 | + 112 % | ↑ |
| Prime rent (€/m²/month) | 50.00 | + 2.50 € | ↑ |
| Average rent (€/m²/month) | 28.95 | + 4.80 € | |
| Vacancy rate (%) | 10.8 % | + 120 bp | ↑ |

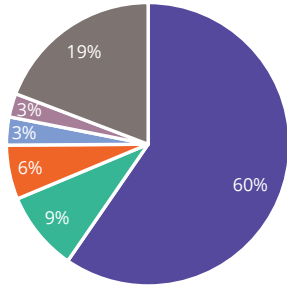
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TOP 5 DEALS IN Q1

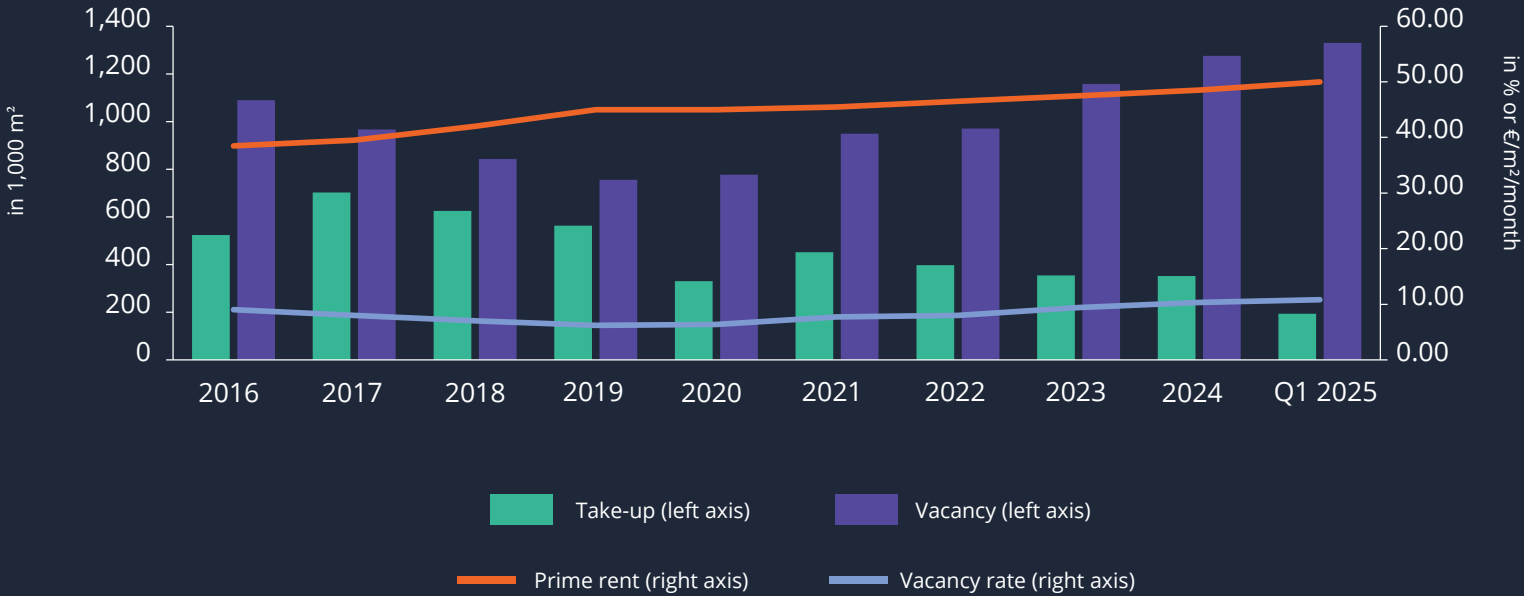
| | |
|--|-----------|
| Commerzbank „Central Business Tower“ – Neue Mainzer Str. 57-59 Banking DistrictI | 73,000 m² |
| ING Diba „Hafenpark Quartier“ – Honsellstraße 21-25 Eastend | 32,000 m² |
| White & Case „Central Parx“ – Bockenheimer Landstr. 10 Westend | 10,100 m² |
| 1&1 Drillisch AG „The Dock 2.0“ – Lindleystraße 11 Eastend | 3,700 m² |
| Eintrach Frankfurt Fußball AG Otto-Fleck-Schneise 6 South | 3,700 m² |

TAKE-UP BY TOP 5 SECTOR

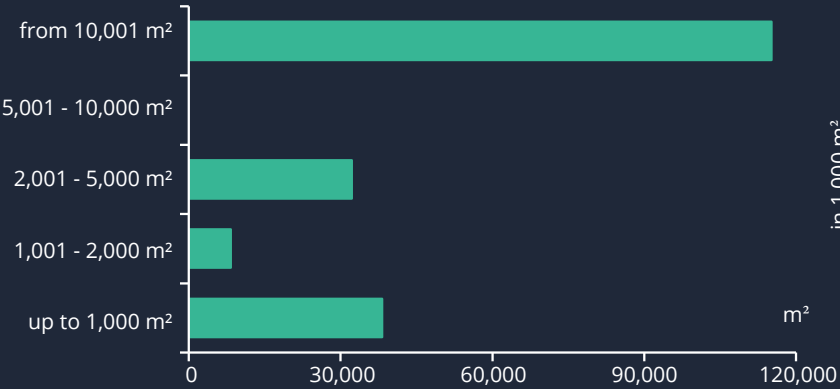
- Banking / Finance
- Legal
- Building Sector
- Services
- ITT
- Other



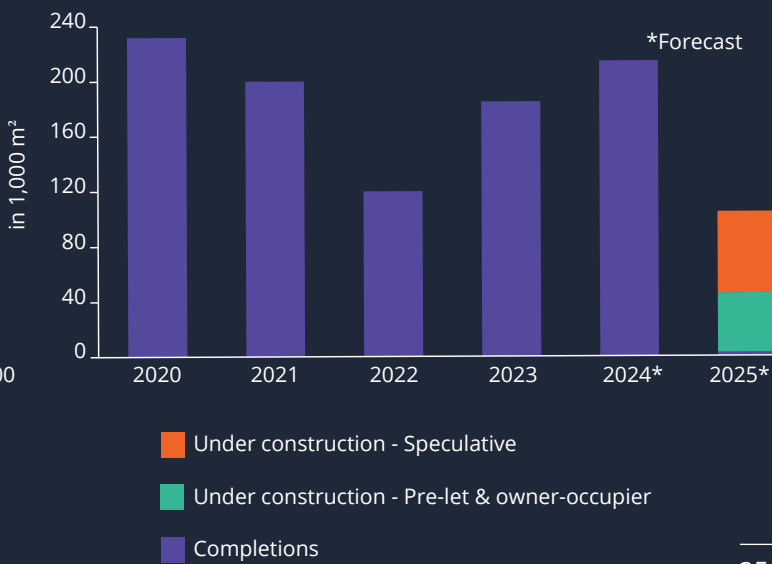
TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

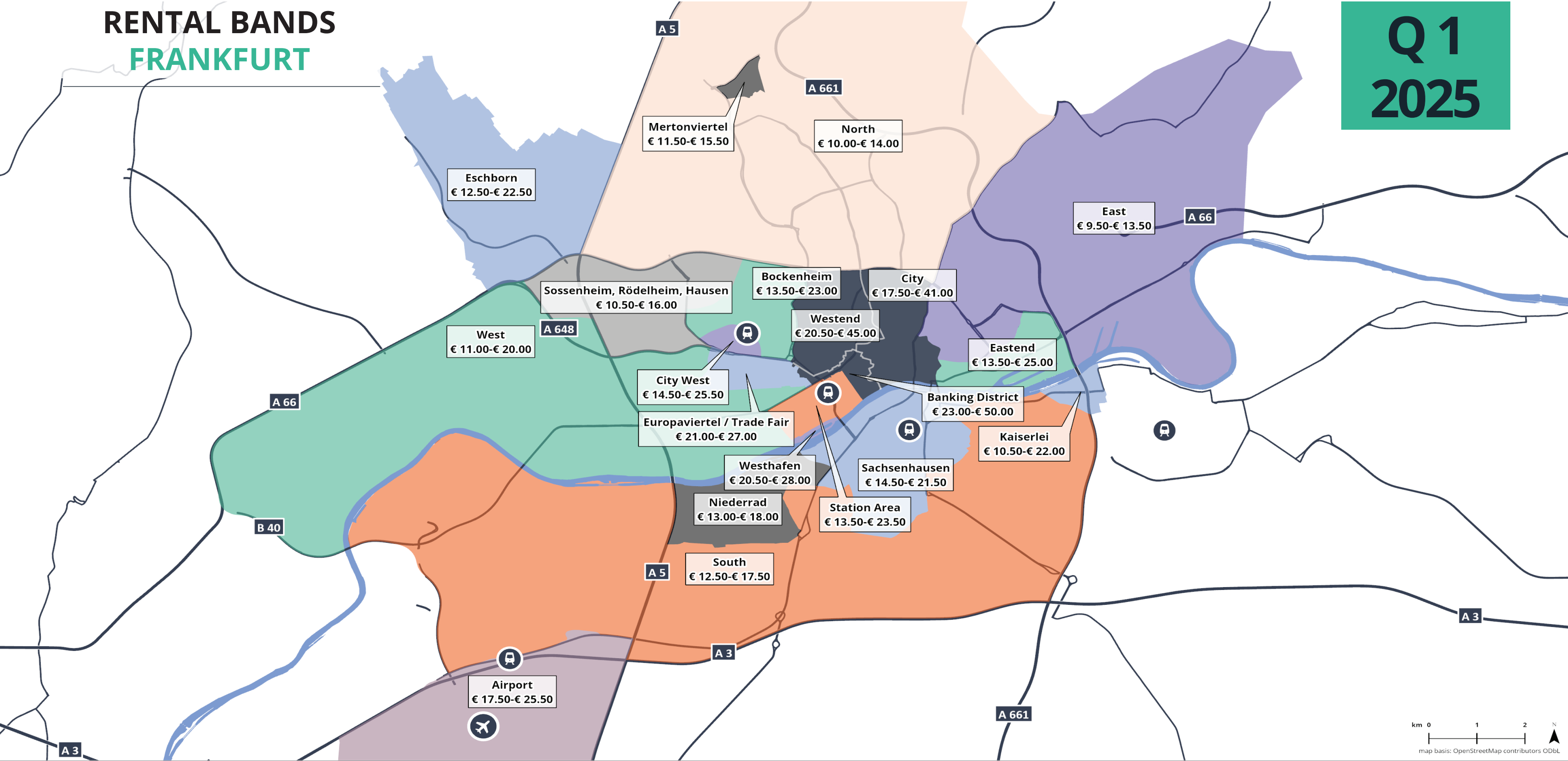


COMPLETIONS



RENTAL BANDS
FRANKFURT

Q 1
2025



OFFICE MARKET HAMBURG

The office space take-up of 121,600 m² after the first three months represents an increase of 51% compared to the previous year's quarter and 14% compared to the 5-year average. The nine deals in the segment larger than 3,000 m² are spread across eight different submarkets—indicating broad market demand. This solid result was achieved despite protracted decision-making processes and many users extending their leases—and such extensions are not counted as space take-up. However, more tenants are now actively exploring the market, especially with a view to potentially improving location and space quality. In these cases, the costs of higher rents are often offset by optimizing space size.

The increase in the vacancy rate from 4.7% to 5.1% is solely due to vacated spaces, as no vacant spaces from the construction pipeline came onto the market between January and March. Even until the end of the year, the volume of available spaces within the completions is limited, especially in central locations: only around 37,000 m² of vacant spaces are expected in the City and HafenCity. These volumes may not increase until 2026; however, many of the spaces will likely be leased again by then.

Many users will again be forced to extend their leases as they cannot find a suitable product on the market. The prime rent remained stable at €35.00/m²/month, as did the rent ranges in submarkets and incentives. The average rent experienced an increase of 4.1%, rising to now €21.45/m²/month.





OFFICE MARKET
HAMBURG

| | Q1 2025 | compared to previous year | Outlook* |
|----------------------------|---------|---------------------------|----------|
| Take-up (accumulated) (m²) | 121,600 | + 51 % | ↑ |
| Prime rent (€/m²/month) | 35.50 | + 0.50 € | ↑ |
| Average rent (€/m²/month) | 21.45 | - 0.05 € | |
| Vacancy rate (%) | 5.1 % | + 70 bp | → |

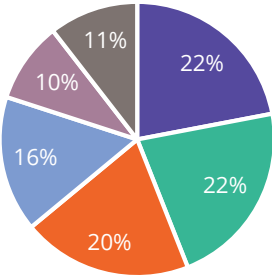
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TOP 5 DEALS IN Q1

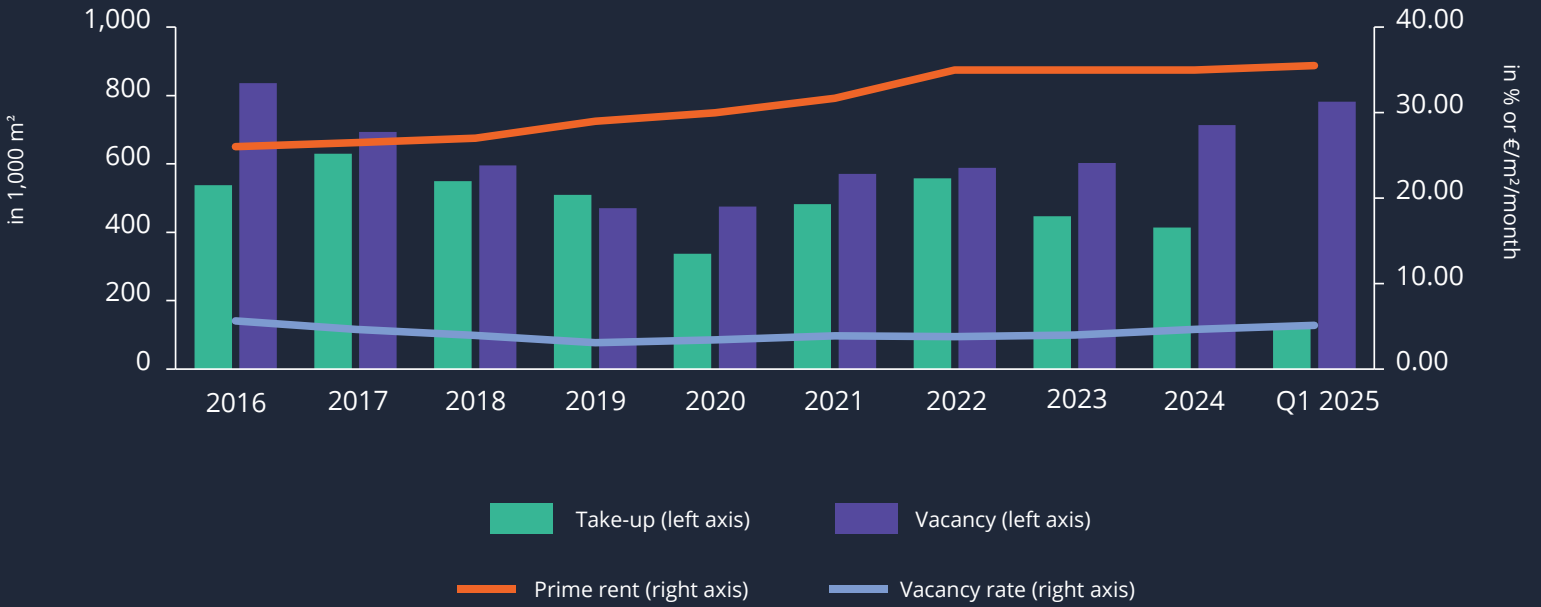
| | |
|--|-----------|
| Hamburg Commercial Bank „Ajour“ – Mönckebergstraße 3 City | 13,400 m² |
| Körber Technologies „Körber Campus“ Bergedorf | 7,900 m² |
| Freie und Hansestadt Hamburg, Personalamt „Ballin Voyage“ – Ferdinandstraße 18-24 City | 7,800 m² |
| Aurubis AG Brooktorkai 18 HafenCity | 7,500 m² |
| Freie und Hansestadt Hamburg, Bezirksamt Neue Große Bergstraße 3 Altona | 4,400 m² |

TAKE-UP TOP 5 BY SECTOR

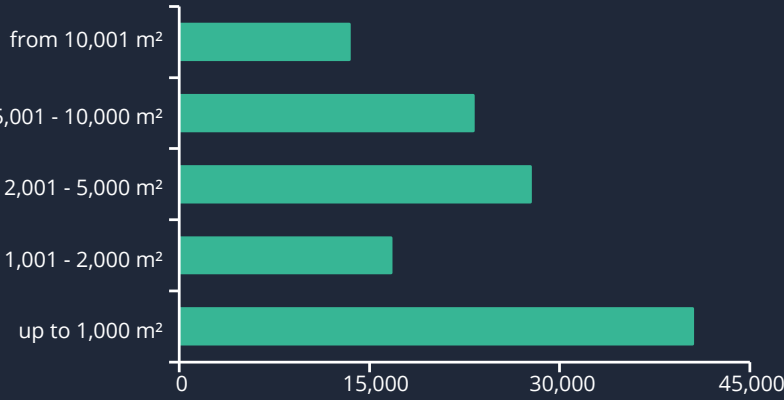
- Manufacturing
- Public Authority
- Banking / Finance
- Transport / Logistics / Tourism
- Services
- Other



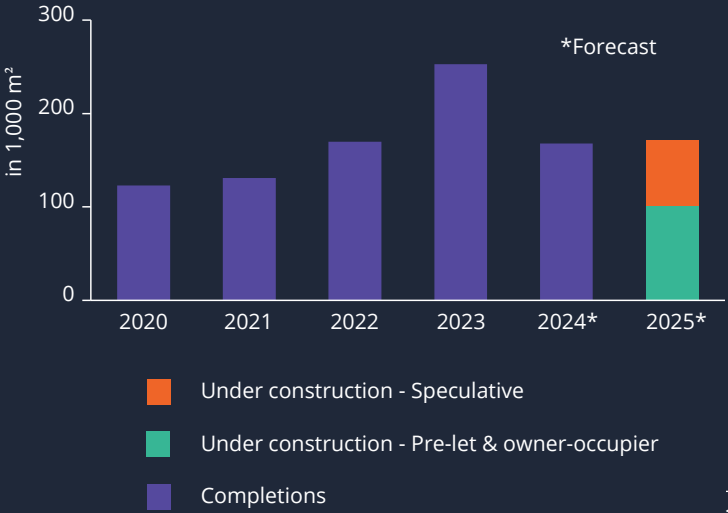
TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

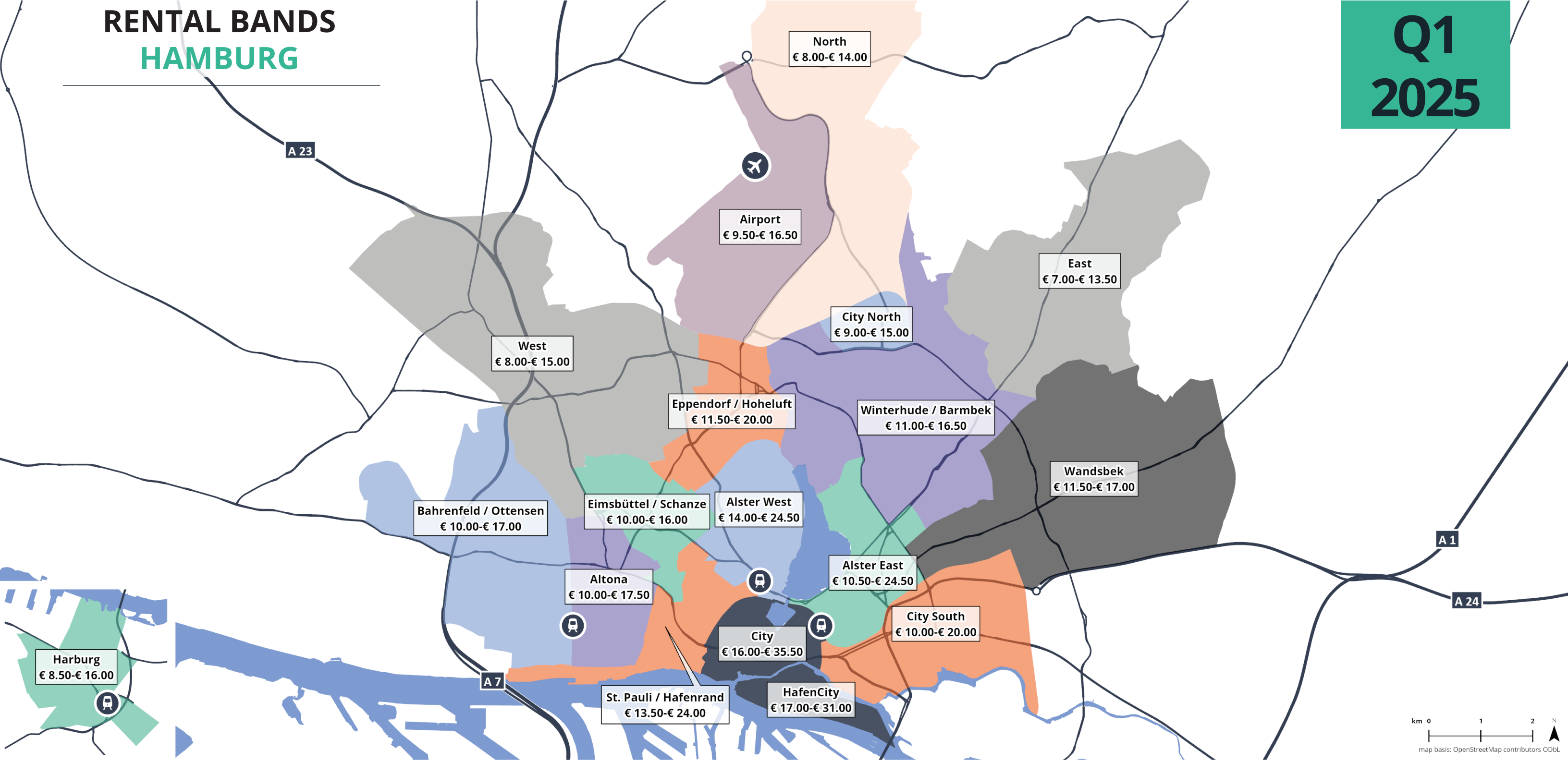


COMPLETIONS



RENTAL BANDS
HAMBURG

Q1
2025



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map basis: OpenStreetMap contributors ODbL

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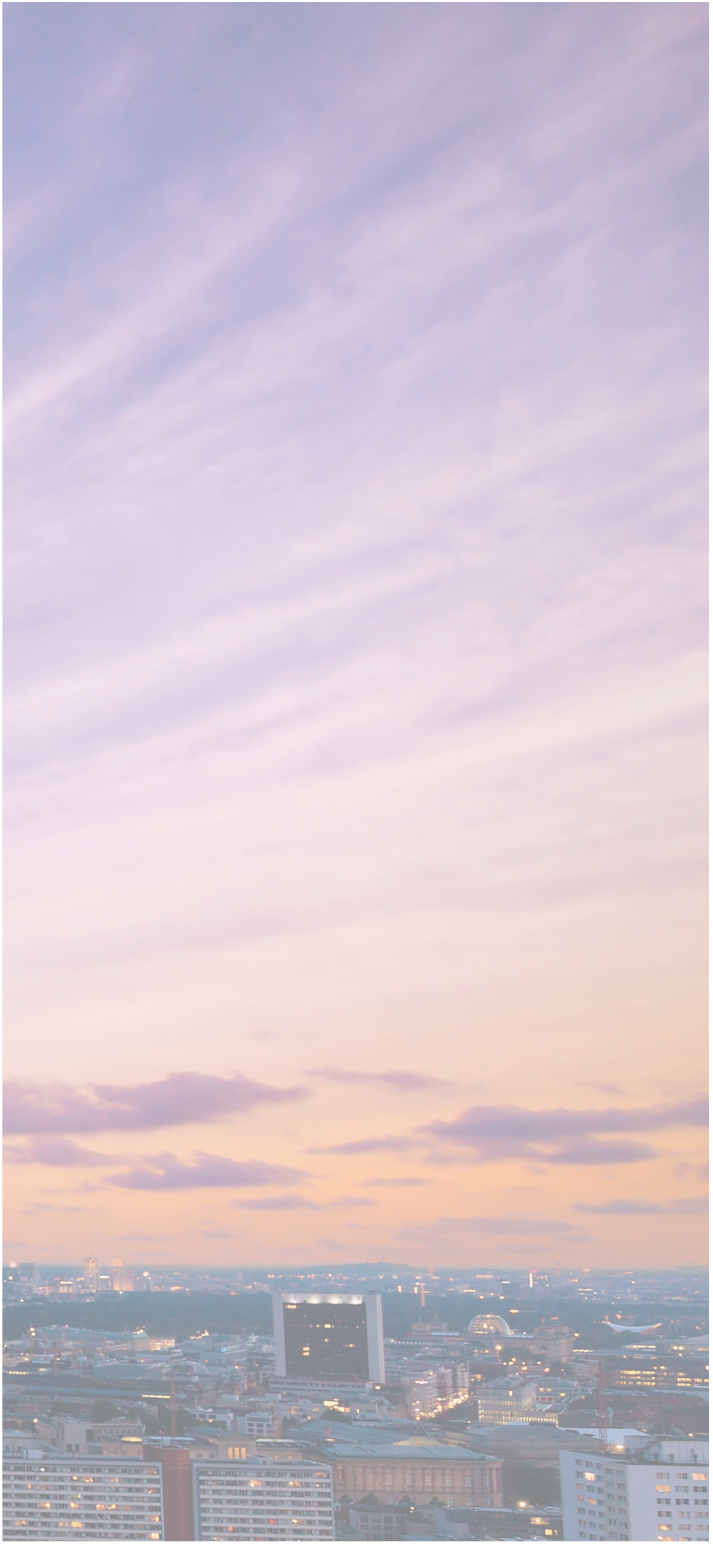


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SCAN ME





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