City Survey

Q2 2026

Preface

If you want to be able to identify opportunities on the market, you need access to extensive data. That is what the Colliers City Survey provides. Updated quarterly and presented in a clear and concise format, this publication provides you with data on take-up, transaction volumes, yield forecasts, and other relevant market indicators. Browse the different chapters for in-depth insight into Germany's leasing and investment markets.

What happened in Q2 2026 and what to expect in 2026: Read the Colliers City Survey to find out!

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Macroeconomic environment

Economic uncertainty, geopolitical tensions and higher financing costs continue to shape the market environment – Rising capital market interest rates are increasing pressure on pricing and yield requirements. Investor demand remains strongest for high-quality assets with stable cash flows and sustainable income profiles.

Letting market

Office letting market is becoming increasingly polarized – Large-volume lettings remain stable, demand for premium space is becoming more selective. Increased vacancy rates and regional differences in the development pipeline result in an overall subdued market environment with opportunities for high-quality assets and prime rents continuing to rise.

Asian occupiers shape Germany's core industrial and logistics leasing markets – Demand across the core markets remains stable, supported by the return of large-scale lettings. Rental growth is concentrated primarily in existing stock, while newly developed properties are experiencing longer marketing periods. The high number of active space requirements points to a further pick-up in market activity in the course of the year.

Investment market

The moderate market recovery on the investment market has paused – Geopolitical uncertainties are increasingly influencing pricing and investor sentiment, while prime yields have already started to rise. At the same time, greater product availability and pricing adjustments are creating attractive entry opportunities. Market expectations are adapting to the new geopolitical challenges, creating selective investment opportunities.

Geopolitical realities converge with evolving occupier requirements in the industrial and logistics sector – Geopolitical realities and forward-looking occupier requirements are shaping industrial and logistics markets. Investors are increasingly focusing on single-asset transactions, while resilient leasing activity and demand for modern, future-ready space continue to provide momentum. Specialist properties are also gaining in appeal, while rising yields reflect the changed macroeconomic environment.

Slowed momentum in the retail investment market – While smaller sized transactions continue to dominate market activity, the sustained strength of the food-anchored retail segment is providing stability. In perspective, the restructuring of existing portfolios creates new opportunities, while a robust sales pipeline points to increased transaction potential in the second half of the year.

Operator quality as a key driver of value creation in the hotel sector – Flexible operating models and strong operational performance are becoming increasingly important determinants of market success and are moving higher up investors' agendas. Supported by robust tourism demand, consolidation processes and new operator models are shaping market activity. At the same time, international capital is once again increasingly recognizing Germany as an attractive investment destination.

Small-volume core deals form the new backbone of the residential investment market – Single-asset deals continue to underpin the market, while the absence of large-scale deals and portfolio sales is constraining momentum amid rising yields. Investor demand is clearly focused on recently built core assets in Germany's major metropolitan markets. Financing is expected to remain a key bottleneck and a decisive market filter throughout the year.

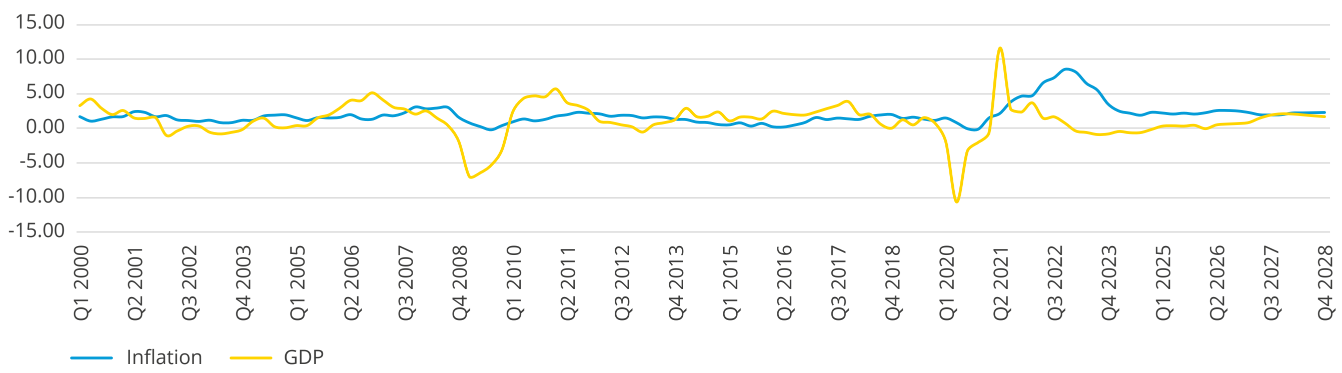
Office investments gain momentum beyond the top 7 – Price corrections are already more advanced in many secondary cities, although large-scale core transactions remain rare. Low investment risk and stable cash flows are moving increasingly into focus. As a result, the market recovery could begin earlier outside Germany's leading office markets.

Chapter 1

Macroeconomic environment

The economic situation in Germany in the first half of 2026 is characterized by conflicting forces and remains marked by uncertainty. The main cause of the ongoing strain is geopolitical tensions, particularly in the Middle East, which have led to massive energy price shocks and disruptions in global supply chains. Restricted transport routes are hampering trade and making it difficult for businesses to plan ahead, as they are increasingly forced to operate on a short-term basis. Against this backdrop, growth forecasts have been revised: Oxford Economics expects gross domestic product to grow by 0.5% this year and by 1.6% in 2027. Furthermore, structural deficits are holding back economic development, although a highly expansionary fiscal policy involving massive additional spending on defence and infrastructure is supporting growth. Consequently, the economic picture is mixed, particularly as the government's budget deficit is rising significantly. However, the inflation rate has eased somewhat recently and is forecast to have fallen to 2.3 per cent in June 2026 (core inflation: 2.5%). This decline is due to levelling-off energy prices, which have moderated following the initial shocks. Although the underlying propensity to spend and save remains stable, losses in real purchasing power are dampening consumer confidence. The rest of 2026 is expected to remain a challenging period. However, following a temporary period of stagnation, the economic recovery is likely to continue gradually as the year progresses. Increased uncertainty is increasingly becoming a permanent structural feature of the global economy.

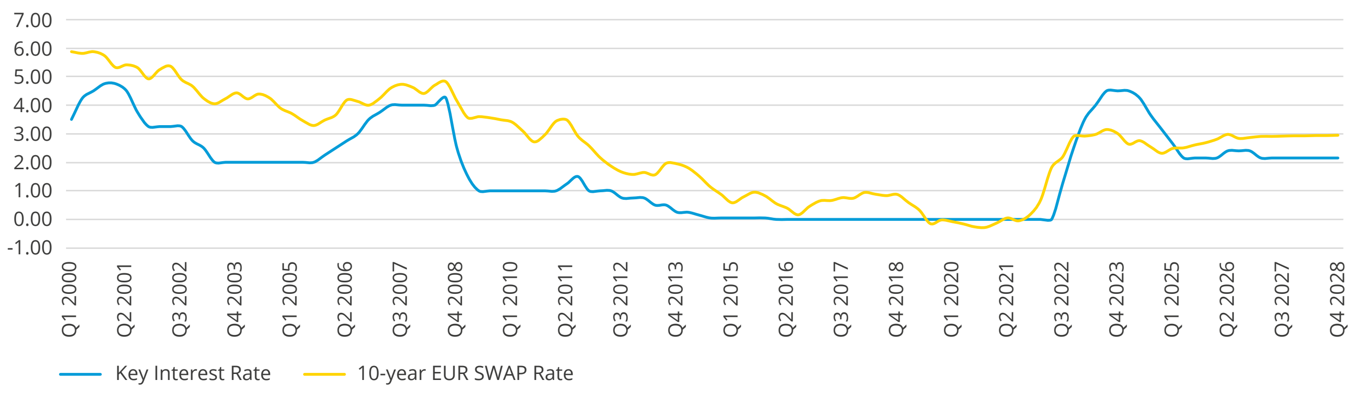
Economic Growth and Inflation Trend (in % yoy)



Sources: Oxford Economics (July 2026), Colliers; Forecast starting Q3 2026

The European Central Bank's (ECB) monetary policy responded directly to renewed price pressures in the first half of 2026. After the deposit rate had been left at 2.0% for some time, the ECB raised all three key interest rates by 25 basis points each on 11 June 2026. The deposit rate now stands at 2.25%, the main refinancing rate at 2.40 per cent and the marginal lending rate at 2.65%. The central bank cited persistent inflation risks as the reason for this move and raised its inflation forecast for the euro area in 2026 to 3.0%. The Governing Council of the ECB does not commit to future interest rate decisions in advance but acts strictly based on data from meeting to meeting. At the same time, the capital market proved volatile in the first half of 2026, with financing costs on the rise. Ten-year EUR swap rates hovered around the 3.00% to 3.05% mark at the mid-year point. Overall, the macroeconomic environment therefore remains challenging, particularly for interest-rate-sensitive sectors such as the property market.

Interest Rate Trend (in % yoy)

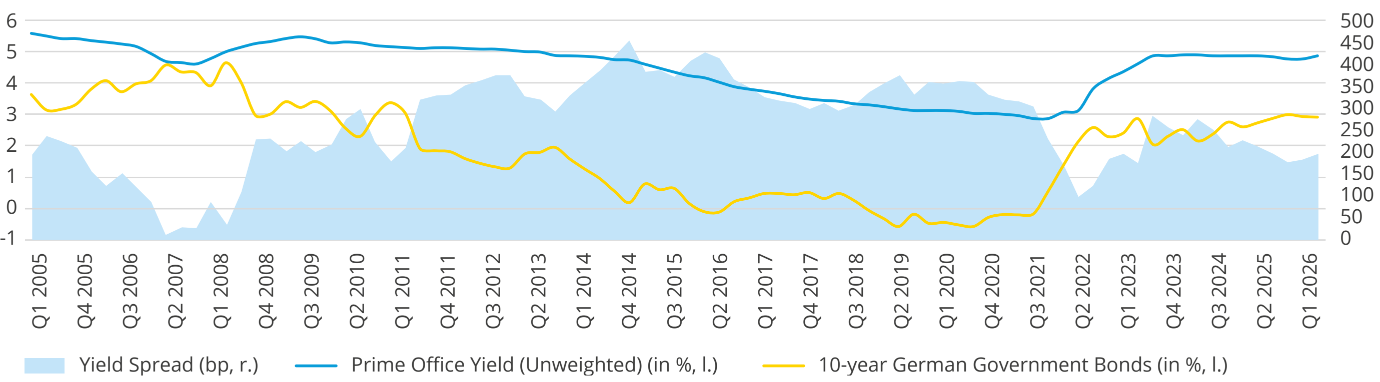


Sources: Oxford Economics (July 2026), Colliers; Forecast starting Q3 2026

The financing environment remains characterized by heightened volatility. The yield on ten-year German government bonds peaked at around 3.20% in May 2026 and had returned to around 2.98% by the end of June. Short-term market movements continue to be significantly influenced by global macroeconomic data and the interest rate policies of the ECB and the US Federal Reserve. In light of extensive government investment programs and sustained higher defence spending, we are witnessing a noticeable fiscal expansion. This macroeconomic scenario suggests that long-term capital market interest rates are more likely to rise than fall in future. For the property markets, this means an ongoing market adjustment within a challenging interest rate environment characterized by a general trend towards rising yield requirements. Investors are increasingly focusing on high-quality properties with sustainable income streams and sound risk profiles.

Capital market interest rates relevant to the property sector have already risen significantly since March. Ten-year German government bonds are once again trading around the three per cent mark. For ongoing purchase price negotiations, which are still based on interest rate assumptions from the start of the year, this often means a reassessment. At the same time, property investments face stiffer competition from government bonds, which have become more attractive again due to their lower risk.

Bond and Real Estate Yields (in % yoy)



Sources: Oxford Economics (July 2026), Colliers; Forecast starting Q3 2026

Chapter 2

Letting market office

2.1 Office letting market is showing marked polarization

By mid-2026, the German office lettings market is proving to be a two-speed market. Whilst the economic climate is dampening overall market activity, the seven largest office locations are diverging increasingly. In the first half of 2026, around 1.3 m sqm of office space was let in these locations, 7% less than in the previous year and 15% below the average for the past ten years. Whilst Berlin (+44%) and Munich (+36%) recorded significant growth, benefiting in particular from a buoyant large-tenant segment, Dusseldorf (-2%) remained largely stable. By contrast, Hamburg (-12%), Cologne (-33%), Stuttgart (-38%) and, in particular, Frankfurt (-57%) suffered declines.

Top Fact

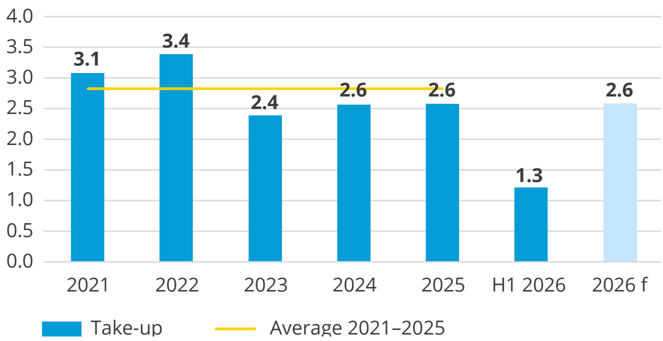
1.3

m sqm take-up across the top 7 markets (-7% yoy)

> **The subdued economic climate is prolonging decision-making processes in many companies. Nevertheless, we do not see this as a fundamental obstacle.**

Rather, a selective trend is evident. Major tenants continue to make strategic decisions on space where the location, property quality and macroeconomic outlook are compelling. Whilst the absence of lettings exceeding 10,000 sqm in markets such as Frankfurt is weighing on space turnover in the short term, it does not alter the underlying demand for transformation.

Office Space Take-up in the Top 7 (in m sqm)



Source: Colliers

Large-scale lettings remain stable – total let area down

With 36 deals exceeding 5,000 sqm, the number of large-scale lettings in the first half of the year was only slightly below the previous year's figure of 40, representing a decline of around 10%. However, the total floor area involved fell by 21%, an indication that the market lacked particularly large individual deals:

A significant proportion of the largest deals are concentrated in Berlin and Munich. These two markets account for seven of the ten largest lettings in the first half of the year. These included the two largest individual deals, both of which were owner-occupier projects: a BImA development in Berlin covering around 31,500 sqm and the start of construction on Apple's project in Munich, covering just under 30,000 sqm.

In the other markets, by contrast, activity was less dynamic. Frankfurt stands out in particular. Following 12 deals exceeding 5,000 sqm in the first half of 2025, only three were recorded in the first six months of this year. This decline was a key driver behind the fall in space take-up.

The 'flight to quality' is becoming increasingly selective

The 'flight to quality' continues to shape the office lettings market, though no longer to the same extent in all markets. A look at the past 18 months reveals significant differences. In Berlin, Frankfurt and Munich, project developments, new-builds or extensively refurbished properties each accounted for over 40% of take-up. Dusseldorf and Hamburg follow with around 25% each, whilst Stuttgart (17%) and Cologne (15%) account for significantly lower shares.

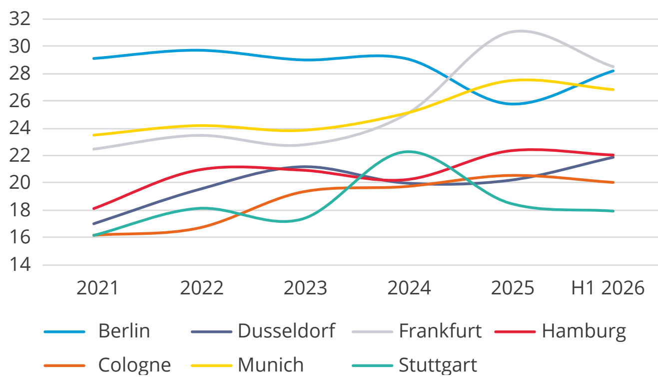
> **There is a growing trend whereby demand for high-quality office space is no longer distributed equally across all seven leading markets.**

Whilst the focus on quality remains undiminished at some locations, the availability of suitable space is becoming a greater priority elsewhere. As a result, the top seven markets are once again diverging more sharply. This growing differentiation is also reflected in rental price trends. Consequently, the gap between the markets is widening once again.

Top rents are diverging

Prime rents rose again in several markets during the first half of the year, reaching new highs. Munich tops the ranking at 62.00 €/sqm, followed by Frankfurt at 56.00 €/sqm. In Berlin, the 50.00 €/sqm mark was exceeded for the first time, at €50.90/m². The difference between the highest and lowest prime rents currently stands at around 88%.

Average Rents Top 7 (in €/sqm)



Source: Colliers

had converged significantly in the wake of a largely widespread flight to quality. Since then, a greater divergence in rent trends has once again become apparent. The trend is becoming more selective and is increasingly concentrated in those markets where high-quality space is available and continues to meet correspondingly high demand. Whilst individual locations are seeing further rent increases, other markets are developing at a much more moderate pace. Consequently, it is no longer possible to identify a uniform nationwide trend in rent development. For landlords, developers and investors, this means that the micro- and macroeconomic conditions of each location must be analyzed and assessed in greater detail than ever before.

IT remains the strongest sector – structural change is becoming apparent

The IT sector remains the largest user group, accounting for around 16 per cent. The manufacturing sector follows with around 13% and is showing particularly strong growth in Munich. This sector now accounts for more than 30%, driven primarily by technology-oriented companies and high-growth sectors such as robotics and sensor technology.

This trend highlights that the economic transformation is increasingly being reflected in the office lettings market, and that technology-driven uses are continuing to gain in importance. In addition, a growing demand for space from the defence and aerospace sectors can be observed in Munich in isolated cases, which is already being reflected in a number of larger lettings. However, despite accounting for around 7% of Munich's take-up, the segment remains of secondary importance at the level of the top seven markets and accounts for only around 2% of take-up across Germany as a whole.

Vacancy rates continue to rise – development pipeline varies by region

The cumulative vacancy in the top 7 markets had risen to around 9.0 m sqm by mid-2026. With a vacancy rate of 9.2%, the highest level since 2007 was reached. The increase affects all seven locations but must be viewed in a highly nuanced manner. Only 14% of the vacancy is attributable to space completed since 2020. Berlin is an exception, where this proportion stands at 22% (over 500,000 sqm). These figures take on greater significance in the context of the completion pipeline. By the end of 2028, around 3.5 m sqm of office space will be completed in the top seven markets, of which around 52% is currently pre-let. Here too, Berlin occupies a special position with a pipeline of more than 1.2 m sqm and a pre-let rate of just 48%. In the other markets, new-build activity is significantly more restrained.

Top Fact

9.2

%
vacancy rate across the top 7 markets

> **The rise in the vacancy rate is less a sign of a crisis than the result of a far-reaching market correction.**

Existing properties that are outdated in terms of energy efficiency and design are becoming increasingly unattractive. At the same time, a look at the project pipeline shows that the risk of overcapacity in the modern segment is heavily concentrated in certain regions. Whilst Berlin faces a real challenge in terms of absorbing new supply, the supply of new-build space in Frankfurt, Hamburg and Cologne is set to remain limited for the foreseeable future, thereby curbing the rise in vacancy rates.

Outlook: A subdued year overall with selective opportunities

> **No sudden reversal in the trend for demand for space is expected in the second half of the year, meaning that a take-up of between 2.5 and 2.6 m sqm for 2026 as a whole is a realistic prospect.**

The market will require extremely careful selection in the coming months. Office property remains in demand, but investors and property developers need a deep understanding of local conditions and must focus squarely on future-proof, ESG-compliant, premium-quality developments.

Key Figures Top 7 Office Letting Markets (as of H1)

	Berlin	Dusseldorf	Frankfurt	Hamburg	Cologne	Munich	Stuttgart
Take-up H1 2026 (in sqm)	367,800	101,000	152,100	189,400	72.000	350,900	55,600
Take-up H1 2025 (in sqm)	256,300	103,000	353,900	215,000	107,000	258,800	90,200
Change yoy	+44%	-2%	-57%	-12.%	-33%	+36%	-38%
Prime rent H1 2026 (in €/sqm)	50.90	45.00	56.00	38.00	33.00	62.00	37.00
Prime rent H1 2025 (in €/sqm)	47.50	43.00	52.00	36.00	33.00	55.50	37.00
Change yoy	+7%	+5%	+8%	+6%	±0%	+12%	±0%
Average rent H1 2026 (in €/sqm)	28.20	21.90	28.50	22.00	20.00	26.85	17.90
Average rent H1 2025 (in €/sqm)	27.00	19.40	29.00	21.30	21.70	26.60	21.10
Change yoy	+4%	+13%	-2%	+3%	-8%	+1%	-15%
Vacancy H1 2026 (in sqm)	2,276,800	935,000	1,472,900	900,000	451,000	2,394,900	608,600
Vacancy H1 2025 (in sqm)	1,859,900	837,900	1,332,900	722,000	340,500	2,251,200	543,900
Vacancy rate H1 2026	9.5%	11.4%	12.8%	6.2%	5.5%	10.2%	7.0%

Source: Colliers

Chapter 2

Letting market industrial & logistics

2.2 Asian occupiers are shaping Germany's core industrial and logistics letting markets

The German industrial and logistics property market continued its recovery in the first half of 2026. Total take-up reached 3.8 m sqm, exceeding the previous year's result by 28%. Leasing activity was particularly dynamic, with letting take-up increasing by 41% compared with the first half of 2025. A key driver of this growth was the return of large-scale occupier transactions. After such deals had been largely absent in the previous year, 13 lease agreements for more than 50,000 sqm had already been recorded during the first six months of 2026.

Top Fact

3.8

m sqm take-up in the industrial & logistics sector (+28% yoy)

Germany continues to reinforce its position as one of Europe's leading logistics markets. Shifts in global supply chains and geopolitical developments are having an increasing impact on occupier demand. Additional momentum is being generated in particular by Asian companies and sectors with security-sensitive logistics requirements. However, this additional demand continues to face constrained supply. In particular, the limited development pipeline and shortage of modern logistics space are restricting market activity.

Among the largest transactions completed in the first half of the year were two lettings to Asian occupiers. A 58,000 sqm new-build development in Rieste and a 52,000 sqm existing property in Oelde. These were complemented by a build-to-suit development of approximately 65,250 sqm for the German Armed Forces' clothing management operations in the Nuremberg region.

Asian companies accounted for 11% of total take-up in the first half of the year, remaining well above the previous year's level. Demand is particularly strong for modern logistics facilities in regions offering good access to international trade flows, including Frankfurt, Hamburg and the Ruhr region. At the same time, short planning horizons and, in some cases, the limited creditworthiness of Asian occupiers continue to present challenges for landlords and investors. Not every requirement can be accommodated, as suitable space is often unavailable. In addition, investment processes may take longer where an occupier's credit profile is considered less robust.

Demand in the top 8 markets remains stable

At the end of the first half of 2026, the top 8 logistics markets achieved take-up of 1.2 m sqm, only 3% below the previous year's figure. In five of the eight locations, a noticeable recovery in demand is already evident.

Despite some significant regional differences, a uniform trend is emerging. The number of deals is increasing, while the average area size is decreasing. Around 63% of all deals were in the segment below 3,000 sqm. This is mainly due to a change in the demand structure due to new user groups, such as padel providers, as well as an increased focus on central locations.

Among the top 8 markets, Frankfurt recorded the highest take-up at 294,600 sqm, followed by Hamburg at 180,700 sqm. Both markets benefit from direct access to global supply chains, although their longer-term performance has diverged. Frankfurt achieved a 6% increase compared with the same period of the previous year and exceeded its five-year average by 35%. Hamburg, by contrast, recorded a 21% year-on-year decline, largely due to the limited availability of suitable space. The Leipzig region posted the lowest take-up at 70,000 sqm. Despite comparatively good space availability, ongoing economic uncertainty continues to result in pronounced decision-making restraint among occupiers.

With the exception of Dusseldorf, Frankfurt and Hamburg, all other markets recorded a higher number of transactions than in the same period of the previous year, providing a clear indication of increasing market activity. A total of 26 large-scale lettings were registered in the first half of the year, including 16 in the second quarter alone. The largest transactions included Siemens leasing more than 30,000 sqm in Offenbach, H&G AG taking approximately 27,800 sqm in Hamburg, and a build-to-suit development of around 20,000 sqm for WISAG AG in Krefeld.

Asian occupiers had a stronger presence in Frankfurt, where they accounted for 4% of take-up, Hamburg at 9%, Dusseldorf at 11% and, most notably, Cologne at 24%. In Berlin, by contrast, demand was driven primarily by European retail and e-commerce companies. In Munich, companies from the defence sector were particularly active, accounting for 18% of total take-up and providing a significant source of demand. Stuttgart presented a different picture. The economic challenges facing the region's industrial base are resulting in job cuts and plant closures, while new demand is emerging from the leisure and sports sector, particularly from padel operators.

> **Current market indicators point to a continued moderate but clearly discernible recovery in occupier demand.**

However, the figures require a differentiated interpretation. A key constraint remains the shortage of available space, combined with a limited development pipeline, affecting almost all of the top 8 logistics markets. Berlin and Leipzig are currently the only notable exceptions. International occupiers in particular are encountering levels of space scarcity that are often unfamiliar from other markets. As a result, many large-scale requirements cannot be accommodated within the core markets and are either postponed or redirected to available space in peripheral locations.

Rent growth: occupier focus shifts to stock while new-build space remains vacant

Both prime and average rents recorded moderate year-on-year growth across the top 8 logistics markets. Average rents rose more strongly, increasing by 5%, compared with growth of 3% in prime rents. As in the first quarter, Frankfurt recorded the strongest rental growth. Prime rents for newly developed properties increased by 7%, while rents for existing space rose by as much as 10%. By contrast, rental growth remained more subdued in Berlin and Leipzig, where comparatively high levels of space availability persist. Munich and Stuttgart remain the most expensive markets, with prime rents of 10.30 €/sqm and 8.90 €/sqm respectively. Both locations recorded year-on-year growth of 5%.

Top Fact

3

% prime rent growth across the top 8 markets (yoy)

> **Three key factors are required to support further rental growth: strengthening demand, a suitable yet constrained supply of space, and occupiers with sufficient willingness and capacity to pay.**

This combination is currently most evident in Frankfurt, Dusseldorf and Cologne. Munich and Stuttgart occupy a distinct market position due to their high proportion of existing stock, limited availability of development land and occupier base focused on light-industrial properties. As a result, both markets are developing their own specific dynamics.

Based on the space requirements currently in the market, occupier demand is expected to gain momentum in the second half of the year. However, any additional impact on rental growth is likely to emerge only over the medium term.

Key Figures Top 8 Industrial & Logistics Letting Market (as of H1)

	Top 8	Berlin / Brandenburg	Dusseldorf	Frankfurt / Rhein-Main	Hamburg	Cologne	Leipzig	Munich	Stuttgart
Take-up H1 2026 (in sqm)	1,222,000	154,700	171,400	294,600	180,700	145,700	70,000	89,900	115,100
Change yoy	-3%	-29%	6%	5%	-21%	64%	-61%	6 0%	154%
Forecast take-up end of 2026	↗	↗	→	→	→	↗	→	→	↗
Number of deals H1 2026	270	37	25	46	28	32	18	46	38
Average size per deal H1 2026 (in sqm)	4,526	4,181	6,856	6,404	6,454	4,553	3,889	1,954	3,029
Prime rent H1 2026 (in €/sqm)		8.50	8,80	8.80	8.50	8.00	5.90	10.30	8.90
Change yoy		2%	4%	7%	0%	4%	0%	5%	5%
Prime rent forecast end of 2026		→	↗	↗	→	↗	→	→	→
Average rent H1 2026 (in €/sqm)		7.70	7.10	7.50	7.30	6.50	5.50	9.50	7.90
Average rent forecast end of 2026		→	↗	↗	→	↗	→	→	→

Source: Colliers

Chapter 3

Investment market

3.1 Four steps forward, one step back – the moderate market recovery on the investment market takes a break

The market recovery that has just begun is being dampened before it has even got off the ground. In the first half of 2026, property worth €15.1bn was traded in Germany. This meant that the transaction volume in the investment market (residential and commercial) was just 1% below the previous year's figure. The institutional residential segment, comprising properties with ten or more residential units, accounted for just under €4.2bn, 3% less than in the same period the previous year. Commercial property, at €11.0bn, almost exactly matched the half-year figure from the previous year. Whilst the strong first quarter bolstered the half-year results, market activity slowed down noticeably between April and June

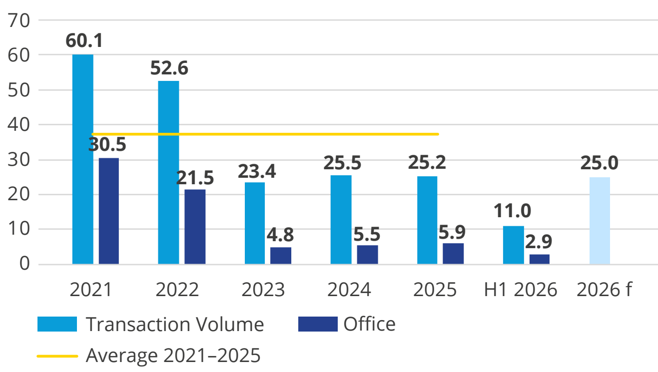
Top Fact

€15.1

bn transaction volume (-1% yoy)

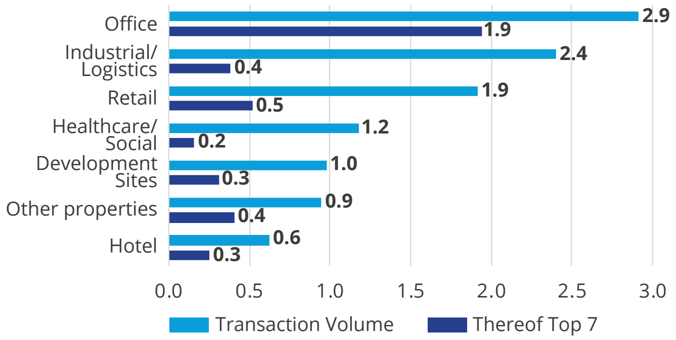
In the commercial segment, the transaction volume in the second quarter was around 40% below the level at the start of the year. At the same time, the number of deals fell by a quarter, causing the average deal size to drop to below €20m.

Transaction Volume in total and Office (in € bn.)



Source: Colliers

Transaction Volume in Germany by Property Type (in € bn.)



Source: Colliers

As expected, the effects of the war in Iran have been felt in the property market

> **As expected, the moderate market recovery has stalled following the outbreak of the war in Iran.**

After four consecutive quarters in which the transaction volume exceeded €6bn, three-month turnover fell for the first time to just over €4.2bn between April and June.

This increased reluctance to invest is evident, amongst other things, in the postponement or even cancellation of long-awaited flagship transactions. The most prominent example is the Frankfurt Opernturm, the sale of which had been hoped to mark a return to large-scale core transactions. It would have been the largest single transaction in Europe since 2022.

The number of major deals worth over €100m also remained modest in the second quarter, with fewer than ten transactions. The largest known transaction of the quarter – and the third-largest of the first half of the year – was the acquisition of two German properties from a German-Dutch logistics portfolio by the Singapore-based fund Frasers Logistics & Commercial for around €275m. Portfolio sales accounted for a total market share of 26%, remaining well below the long-term average of between 35 and 40%. Whilst four portfolio transactions had exceeded the €200m mark at the start of the year, smaller property packages comprising just a few properties dominated the market between April and June.

Although individual deals in the region of over €100m remain rare due to the lengthy marketing and due diligence processes, they do continue to take place. This is demonstrated, amongst other things, by the sale of the Munich office building at Prinzregentenplatz 7–9 for €167m. CONREN Land acquired the property on behalf of a European family office from Union Investment's UniImmo:Germany open-ended property fund. The top seven markets, which have accounted for more than half of the transaction volume over many years, continue to be disproportionately affected by the current market situation, with a market share of 36%.

Pure scale continues to be viewed as a risk factor amongst the remaining players. As the volume of properties increases, risk premiums on financing rise disproportionately, credit checks become stricter and financing commitments are withheld – as the example of the Frankfurt Opera Tower shows.

Rising prime yields are already evident

Investors' increased price sensitivity is now evident across all liquid asset classes.

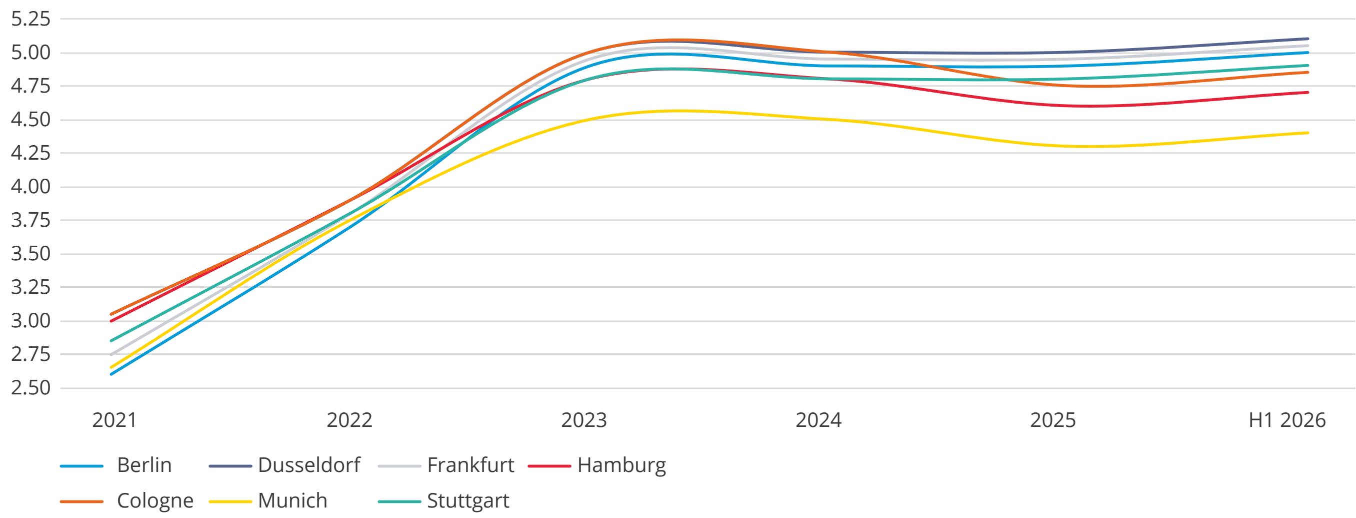
> **Across all location and risk categories, yields are on the rise again – even in the premium segment, following a prolonged period of price consolidation.**

For example, in the top 7 office centres, slight yield premiums of 10 basis points were observed, whilst for logistics properties in the eight top German destinations, these premiums were as high as 25 basis points. Even in the food-anchored retail park segment, it is becoming increasingly difficult to secure the asking prices set at the start of the year, despite sustained high demand and an attractive product offering.

Top Fact

4.40–5.10
%
% prime gross initial yield office

Prime Yield Office (in %)



Source: Colliers

Expanding the product range and adjusting prices as an opportunity

The increasing pressure on large holders to sell is likely to lead to further price adjustments. Open-ended retail funds are being affected by falling values and a loss of appeal compared with government bonds, which are once again offering higher yields. In June, net outflows reached a record high. This has already resulted in the suspension of redemptions and first fund liquidation.

However, the growing supply – particularly in the core-plus and value-add segments – combined with price reductions, also presents a potential driver for increased market activity, which is not necessarily reflected in a rise in volume. For active, risk-taking buyer groups who are primarily looking in the small to medium-sized market segment and wish to enhance value in the long term, the window of opportunity will remain open for a while yet.

Since the start of the year, these buyer groups have primarily included asset managers investing on behalf of family offices and private investors (24% market share). These are followed by open-ended property and specialist funds, as well as corporates and owner-occupiers (15% each). Private investors and family offices account for 14%.

Outlook: Expectations are adjusting to the geopolitical reality

> **Although the market recovery has stalled, a return to the state of shock that followed the outbreak of the war in Ukraine is not expected.**

The far-reaching reorientation of investors following the end of the zero-interest-rate era is largely complete. However, a sustained strengthening of investor confidence is inevitably linked to a resolution of the Iran conflict and the mitigation of its global economic consequences. Given the usual transaction lead times, it is to be expected that the third quarter will also proceed with the handbrake on. For the year, transaction volumes are expected to be slightly lower, likely to hover at around €25bn at previous year level.

Key Figures German Investment Market (as of H1)

	Germany	Berlin	Dusseldorf	Frankfurt	Hamburg	Cologne	Munich	Stuttgart
Transaction volume commercial H1 2026 (in €m)	10,954	757	800	286	757	270	1,059	40
Transaction volume commercial H1 2025 (in €m)	10,914	1,140	330	139	788	300	985	60
Change yoy	0%	-34%	142%	105%	-4%	-10%	7%	-34%
Largest investor group	Asset / Fund Managers 24%	Corporates / Owner-occupiers 30%	Asset / Fund Managers 54%	Corporates / Owner-occupiers 42%	Asset / Fund Managers 40%	Asset / Fund Managers 29%	Private Investors / Family Offices 43%	Private Investors / Family Offices 87%
Largest seller group	Project Developer 21%	Asset / Fund Managers 44%	Project Developer 39%	Asset / Fund Managers 69%	Project Developer 31%	Asset / Fund Managers 32%	Public Sector 23%	Private Investors / Family Offices 61%
Most active property tape	Office 27%	Office 45%	Office 54%	Office 75%	Office 42%	Office 61%	Office 41%	Office 76%
Prime office yield		5.00%	5.10%	5.05%	4.70%	4.85%	4.40%	4.90%
Prime retail yield		5.00%	5.00%	4.85%	4.50%	5.00%	4.10%	4.90%
Prime logistics yield	5.00%							
Prime hotel yield	4.75%							

Source: Colliers

Chapter 3

Investment market industrial & logistics

3.2 In industry and logistics, geopolitical realities clash with forward-looking user requirements

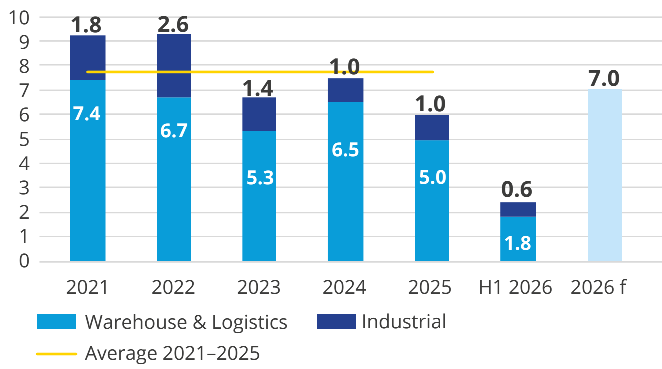
Geopolitical upheavals and changing macroeconomic conditions will challenge the German industrial and logistics investment market in the first half of 2026. At the same time, new impulses for security-oriented special properties are being created. The current half-year results prove the resilience of the market segment. With a transaction volume of €2.4bn, the market was almost at the previous year's level (-1%). In view of the macroeconomic headwinds, this sideways movement is a clear signal of the strength of this type of use. In a long-term comparison, however, the subdued investment activity remained visible. The volume was 30% lower than the ten-year average and 34% lower than the five-year average. In the overall commercial context, the industrial & logistics sector took second place with a market share of 22% behind offices (27%).

Top Fact

€2.4

bn industrial & logistic transaction volume (-1% yoy)

Transaction Volume Industrial & Logistics (in € bn.)



Source: Colliers

> **The biggest operational challenge since the start of the year has been the noticeable tightening of financing conditions as a result of geopolitical tensions.**

Whilst the outlook at the start of the year was positive thanks to the recovery in the lettings market and strong rental growth, we are currently in a pronounced price-discovery phase. Core assets are not currently achieving their target exit multiples due to tighter lending conditions. However, as investor demand for logistics space remains as high as ever, this is leading to a classic stalemate. We observe that buyers and sellers are currently finding it difficult to agree on prices. This is prolonging the already extended exclusivity periods and slowing down transaction activity.

For the time being, investors are continuing to focus on single transactions

In the first half of the year, single deals accounted for around €1.6bn, or 68%, of the transaction volume. More than half (54%) of these deals were carried out by international investors. The proportion of individual transactions is in line with the five-year average. Transaction activity thus continues to follow established investment patterns. Large-scale transactions with a value of more than €100m, by contrast, remained the exception. Among the largest individual deals recorded were the purchase of the Mercedes-Benz logistics centre in Bischweier and the acquisition of a new-build property near Cologne by an open-ended special-purpose fund. Two further transactions were just below the €100m mark.

The rental market is providing a positive boost for the second half of the year

Some owners are currently deliberately postponing large-scale sales processes, waiting for greater certainty regarding future developments on the financial markets and for the geopolitical situation to ease somewhat. Consequently, patience and flexibility remain essential for both buyers and sellers.

> **At the same time, there are structural drivers on the letting side. These include increased trade flows between China and Europe, as well as rising demand for flexible dual-use logistics properties that can also be utilized by defence-related organizations.**

Germany is benefiting from its role as a key hub in Europe. Both trends are likely to provide a sustained boost to the rental market. This also makes German logistics property more attractive to international investors.

Nevertheless, financing conditions remain challenging. Well-capitalized buyers and project developers with high equity ratios currently have a clear advantage, as they can finance transactions more flexibly. Sellers, on the other hand, must prepare for longer processes, as ambitious exit multiples are currently achievable only in exceptional cases.

Outlook: Rising yields as a logical consequence of changes in capital market interest rates

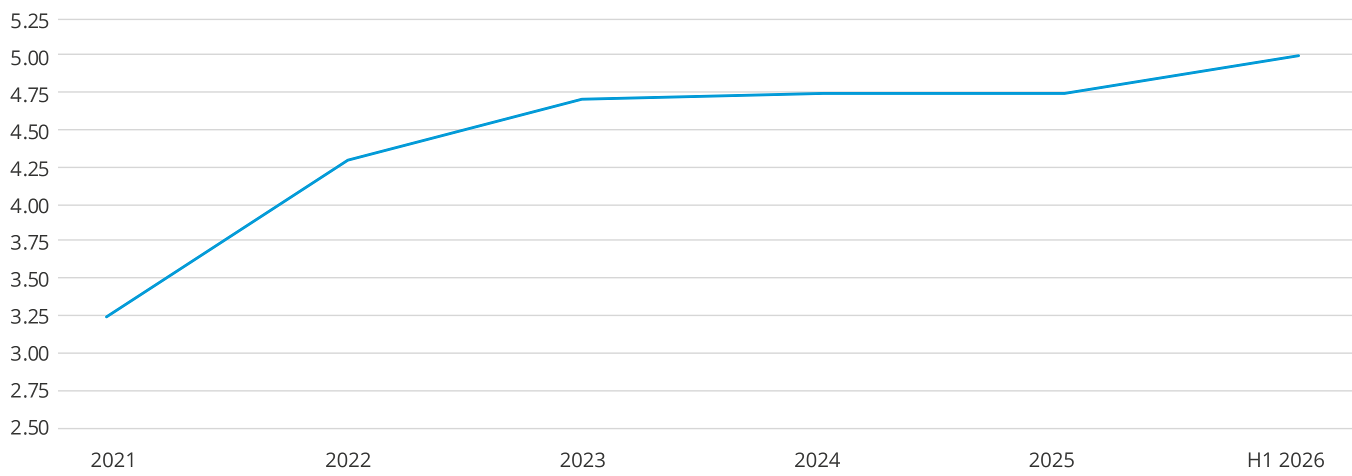
The gross prime yield for core logistics properties rose by 25 basis points to 5.00% in the second quarter for the first time in two years. The further development of geopolitical conflicts will continue to set the direction for yields in the coming months. As a result, asking prices are coming under pressure, and contracts are being renegotiated or scrutinized critically.

Top Fact

5.00

%
prime industrial & logistics initial yield

Prime Yield Industrial & Logistics (in %)



Source: Colliers

> **At the same time, the current market environment presents attractive opportunities for specialist property.**

There is a growing demand, from both users and investors, for properties with specific features. For investors, these asset types represent a high-yield addition to existing portfolios. Value-add investors in particular will find attractive entry opportunities here. A moderate upturn in market activity is expected in the second half of the year, with the total volume likely to remain roughly at the previous year's level.

Chapter 3

Investment market retail

3.3 Slowdown in the retail investment market – opportunities for the second half of the year thanks to a well-stocked sales pipeline

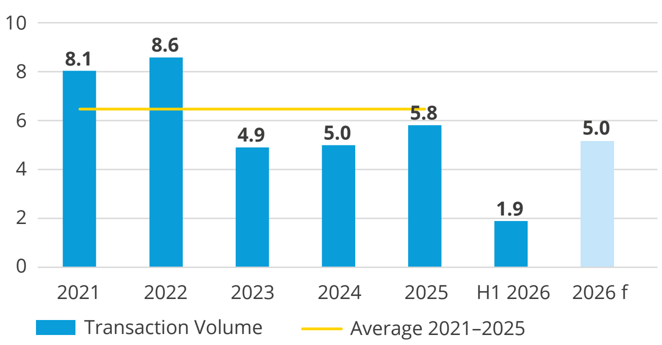
The environment for the German retail property investment market has been characterised by uncertainty and volatility so far in 2026, which is reflected in transaction activity. In the first half of the year, retail properties in Germany were traded for €1.9bn. This represents a year-on-year decline of 25%. Following a promising start to the year, with signs of a market recovery, geopolitical developments since March – in particular the economic implications of the war in Iran – have dampened momentum in the second quarter. Transaction volume fell by 41% in the second quarter. The number of deals almost halved. This decline was even steeper than that seen in the overall commercial property investment market, which recorded a 38% fall in transaction volume and a 23% drop in the number of deals over the same period. The market share of retail property in terms of transaction volume fell to 17% within three months, placing it in third place behind the office segment (27%) and the logistics segment (22%).

Top Fact

€1.9

bn retail transaction volume (-25% yoy)

Transaction Volume Retail (in € bn.)



Source: Colliers

Geopolitical conflicts slow down transaction activity

Developments in the Middle East in particular, together with the rise in capital market interest rates, had a noticeable negative impact on the investment climate in the second quarter.

> As expected, the property market has also come under pressure following developments in the Middle East. With interest rates on the capital markets having risen, financing conditions are proving more challenging than they were at the start of the year.

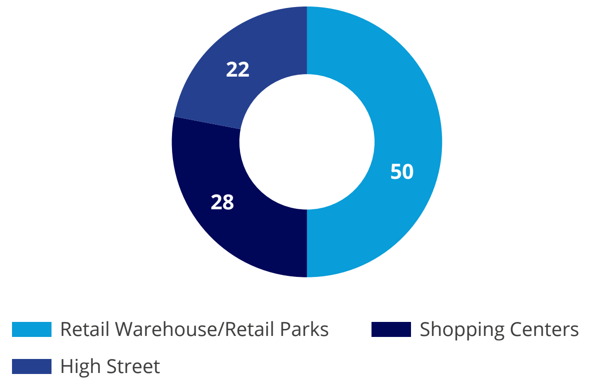
Ongoing purchase price negotiations are once again being scrutinised, and banks are adopting a more cautious approach. As the volume of property transactions increases, risk premiums on financing are having a disproportionately large impact, thereby slowing down large-scale transactions in particular.

Small-volume transactions are shaping market activity

In the first half of 2026, transactions below the 50-million-euro mark accounted for around 58% of the transaction volume and 94% of all deals. Market-defining sales in the core segment, such as the sale of a portfolio of 37 local retail properties by TREI Real Estate to Edeka subsidiary CEV, or that of the Höfe am Brühl shopping centre in Leipzig, were already completed in the first quarter. Consequently, the portfolio's share of the market fell to 18% by mid-year. With a few exceptions, small-scale property portfolios have recently dominated market activity.

Specialist retail outlets and retail parks maintained their position as by far the retail format with the highest turnover in the first six months of the year. They accounted for 50% of the transaction volume and 60% of all recorded sales in the retail sector. More than three-quarters of these properties have a food retailer as their anchor tenant. City-centre retail premises follow in second place with a 27% share of the volume, whilst shopping centres rank third with 13%.

Transaction Volume by Type of Building (in %)



Source: Colliers

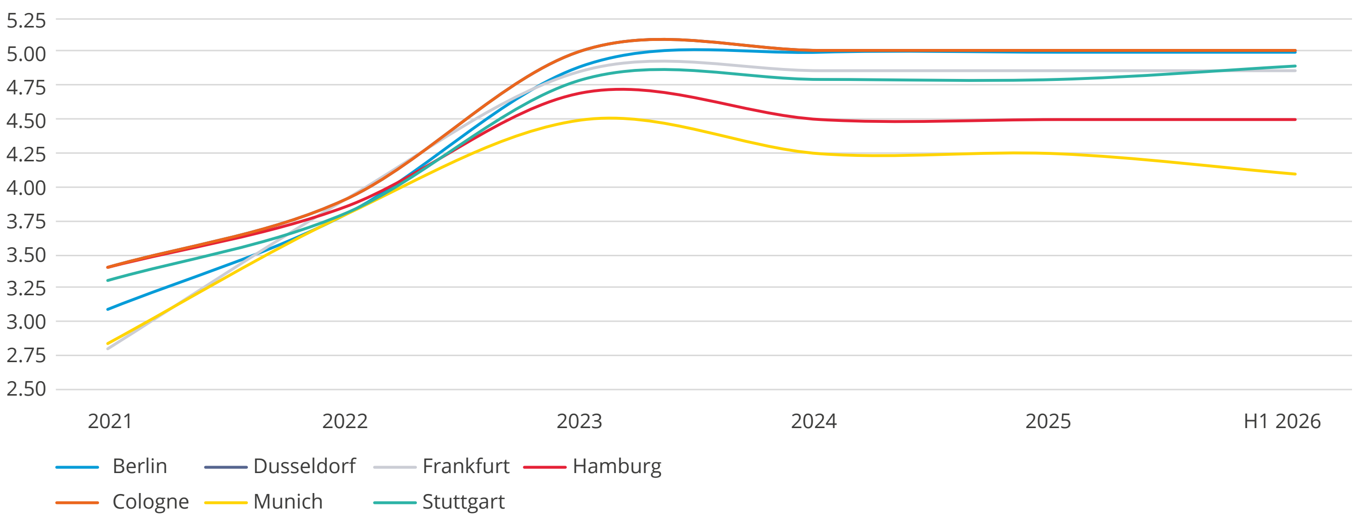
A well-stocked sales pipeline opens up opportunities for the second half of the year

Despite the weaker market performance in the second quarter, there remains potential for a pick-up in transaction activity as the year progresses.

> In recent weeks, too, numerous local retail portfolios – some with exceeding €100m – have been brought to market. Thanks to long-term leases with retailers of high credit standing, they continue to attract keen interest from well-capitalized investors, increasingly from abroad, and from corporate investors.

A key factor in a successful transaction is likely to be whether buyers and sellers can continue to agree on price expectations, given increasing price sensitivity. Measured against current bond yield levels, food-anchored retail parks, with a gross initial yield of 5.50%, and local retail parks, with a gross initial yield of 5.40% are significantly more attractive in terms of their risk premium than other established property types.

Prime Yield High Street (in %)



Source: Colliers

The rationalization of existing portfolios is creating a growing number of opportunities for city-centre properties and shopping centres with development potential – particularly in the core-plus and Value-Add segments. For risk-tolerant buyers who are primarily positioned in the small to medium-sized market segment and wish to realize long-term value creation potential, the market will offer an increasing number of buying opportunities in the coming months. In these risk categories, the variations in the pricing process are once again significantly greater than in the core segment.

Outlook: Forecast revised to previous year's level

> **Volatility in the financial markets and a reduced propensity to invest will continue to be a feature of the coming months.**

Although the resilience of the stabilized local retail segment continues to underpin the retail investment market, and there will still be investors for core properties, the other market segments will be affected even more severely by protracted purchase price negotiations and price pressure. Against this backdrop, a slightly revised full-year result of around €5bn in transaction volume is possible.

Chapter 3

Investment market hotel

3.4 Operator quality as the key to value creation – operational strength is becoming a key focus for hotel investors

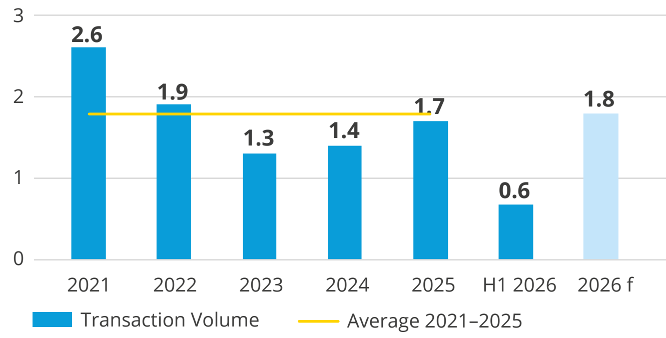
The German hotel market has continued to show resilience in the second quarter of 2026. Despite geopolitical uncertainties and a challenging financing environment, the sector is benefiting from stable demand. Business travel, trade fairs and conferences, as well as consistently high levels of leisure travel, are ensuring solid fundamentals. With a transaction volume of around €625m in the first half of the year, it is clear that valuable hotel investments are possible despite the challenging market environment – provided the operational foundations are sound.

Top Fact

€625

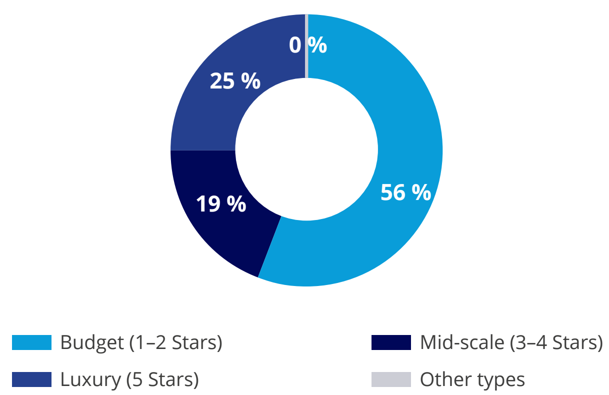
m transaction volume hotels (+13% yoy)

Transaction Volume Hotel (in € bn.)



Source: Colliers

Transaction Volume by Type of Hotel (in %)



Source: Colliers

Tourism remains a key driver of demand

In particular, the major urban and metropolitan regions, as well as established leisure destinations, recorded stable demand for overnight stays and consistent occupancy rates in the first half of the year. A key driver of this development was robust domestic demand. Furthermore, structural trends such as shorter but more frequent trips, the increasing convergence of business and leisure stays ('bleisure'), and the growing demand for flexible accommodation concepts are providing additional impetus. Hotel projects outside the traditional metropolitan locations are also increasingly benefiting from this development.

Operator quality is increasingly a key factor in investment decisions

In line with developments in the European hotel investment markets, many investors are increasingly focusing on the operational performance of operators. The operators' creditworthiness, the scalability of their business model, efficient cost structures and the terms of their lease and management agreements are playing an ever greater role in risk assessment and pricing. Operators with strong brands, digitized processes and efficient cost structures are benefiting particularly from this trend.

Consolidation and new operator models are shaping the market

> **At the same time, consolidation within the hospitality sector is continuing. Platforms with scalable brands and hotel companies with strong expertise in cost management and technology are further expanding their market position.**

International hotel groups are once again turning their attention more firmly to the German hotel market. In particular, changes in operators, restructuring and expiring contracts are creating opportunities for new market entrants and concepts. As a result, new players such as Brown Hotels and Prism are increasingly entering the market, broadening the range of established operator and brand concepts. Structured partnerships, as well as platform and joint venture models, are gaining in importance and are increasingly shaping the market structure. They enable investors to become more involved in day-to-day operations and thus play an active role in shaping value creation.

Flexible operating models are driving transaction activity

Serviced apartments remain one of the most dynamic segments of the hotel market. Increasing professional mobility, the influx of international skilled workers and the ongoing housing shortage are driving demand for temporary accommodation whilst also boosting investor interest. This is also reflected in the investment market: alongside traditional hotel transactions, extended-stay properties in particular have come into the spotlight for institutional and private investors. The sale of a Penta Hotel portfolio for more than €100m was the largest portfolio transaction of the first half of the year. At the same time, the sale of the luxury resort "Der Öschberghof" and the "BMW Boarding House" in Munich attracted a great deal of attention. These transactions demonstrate that, today, it is not so much the product segment that determines investment success, but rather the quality of the asset in question, the operator structure and the individual investment story.

The interest rate adjustment increases price sensitivity

The ECB's latest adjustment to its key interest rates has brought the financing side back into sharper focus. In the short term, this does not trigger a blanket revaluation of the hotel market, but it does make investors more sensitive to financing costs, exit yields and the long-term viability of lease agreements.

International investors are once again showing increased interest in Germany

> **International investors' interest in the German hotel market continues to grow.**

Germany is still regarded as a transparent and comparatively stable market, although the quality of operators, contractual structures and the long-term profitability of assets are becoming increasingly important factors in investment decisions.

The focus is not only on individual properties, but increasingly on platforms, operator structures and vertically integrated investments that enable scaling and operational value creation.

At the same time, other owner-operator platforms are pressing ahead with their expansion into Germany. This trend is underpinned by Europe's appeal as an investment destination. Against a backdrop of ongoing global uncertainties, the continent is once again attracting increased international capital flows.

Top Fact

4.75

% prime gross initial yield hotel

Chapter 3

Investment market residential

3.5 Small-volume core deals form the new backbone of the residential investment market

At present, a large number of smaller, highly efficient deals are underpinning the robust foundations of the German residential investment market. In the first half of 2026, the transaction volume for the institutional residential segment (ten or more residential units) stood at around €4.2bn, just 3% below the level for the same period last year. At the same time, the number of deals rose by 30%, a clear sign of an active market with a virtually balanced quarterly performance of around €2.1bn in each quarter. Market activity is increasingly shifting towards smaller transactions that are easier to finance.

Top Fact

€4.2

bn institutional residential transaction volume (-3% yoy)

Single deals with a core profile form the backbone of the market

In the first half of the year, individual transactions clearly dominated market activity. With a volume of around €2.7bn and a share of 64%, they formed the mainstay of investment activity. The key factors behind this are their lower complexity, the high level of transparency regarding the assets, and a simpler financing structure. The portfolio segment, on the other hand, remains under pressure. Excluding large-volume block sales, the transaction volume fell by 36% to €1.5bn. Although more portfolio transactions were recorded, the majority of those traded were smaller and more diverse blocks.

> **Core properties of recent construction continue to form the backbone of the residential investment market.**

Activity in new-build properties and project developments showed a positive trend. Their share of the transaction volume rose to 33%, or around €1.4bn, having stood at 25% in the same period of the previous year. Investors prefer low-risk, existing properties of a core nature. New-build investments, on the other hand, are scrutinized more selectively and only result in a transaction if the price is attractive. The key factors determining whether a transaction is concluded are, above all, financing, construction costs and realistic pricing.

Focus on key cities is intensifying

Furthermore, there has been a shift in the geographical distribution of investment activity. Overall, the top seven cities accounted for around €2.3bn, or 56%, of the transaction volume – an increase of 22% compared with the same period last year. This trend highlights increased risk aversion and investors' focus on liquid core markets with stable fundamentals.

With a transaction volume of around €1.3bn, Berlin was by far the most active market, followed by Hamburg with €345m, Munich with €220m and Frankfurt with €210m. In the other top seven locations, however, the transaction volume fell slightly.

Deal sweet spot between €15m and €50m

The breakdown by deal size also highlights the changing nature of the market. With a transaction volume of €1.7bn, deals worth between €15m and €50m accounted for 41% of the total volume (compared with 33% in the same period last year). The segment benefits from its currently relatively favorable financing conditions and offers investors more opportunities for risk diversification.

Large-scale transactions exceeding €100m, however, remain the exception. Their share of the total transaction volume fell to 35%, or €1.5bn, compared to 55%, or €2.3bn, in the same period of the previous year. Consequently, the number of major deals that shaped the market remained limited in the first half of 2026. Large-volume transactions are primarily feasible where there is clear pricing, stable financing and high-quality properties.

On the buyer side, asset managers and fund managers in particular shaped market activity, accounting for 34% of the total. This confirms the continued significance of institutional capital, which remains active despite challenging conditions and focuses primarily on core products. On the seller side, project developers and property developers once again dominated, accounting for 28%. Increased refinancing requirements are increasingly leading to further investment products coming onto the market in this sector.

Financing as a key bottleneck and market filter

Financing conditions have emerged as one of the key influencing factors so far this year and have tightened further following the outbreak of the Iran conflict. Banks are adopting a more restrictive approach, processing times have lengthened, and requirements regarding capital adequacy and property quality have increased. As a result, transactions are currently failing less often due to a lack of investor interest than because of their economic viability. Capital is generally available, but is being deployed in a much more selective manner.

Returns on an upward trend – greater focus on cash flows

Against this backdrop, market pricing has also been adjusted. Yields on residential investments have risen by an average of 25 to 30 basis points. For newer existing properties, the prime yield at mid-year stood at 4.10%, in the top seven cities and at 4.80% in other locations. These developments reflect adjustments to the changed framework conditions relating to financing costs and risk assessment, which have become increasingly relevant since March. At the same time, the importance of stable cashflows continues to grow, whilst speculative potential for capital appreciation is being scrutinized more closely.

Top Fact

4.1

% yield in the top 7 cities
4.80% in other locations

The residential investment market is not currently characterized by a lack of interest, but rather by economic viability. Liquidity is generally available but is being deployed in a much more selective manner.

Financing terms currently serve as a market filter and play a decisive role in determining which transactions can be carried out. Low-risk core products with stable cash flows and clearly predictable returns are in particularly high demand.

Rent trends vary

The rental markets remain the stabilizing factor, even though momentum has slowed slightly of late. In the top seven cities, average new rental rates for existing flats have risen by around 2% over the past twelve months and thus remain at a lower but stable and positive level.

At the same time, individual markets are developing at different rates. Whilst Dusseldorf and Hamburg continue to see dynamic growth in rents, other cities, particularly Berlin, are showing temporary downward trends. The average rent for new tenancy agreements for existing flats currently stands at around 16.90 €/sqm, with prime rents at around 24.30 €/sqm. However, the structural imbalance between supply and demand remains unchanged. The ongoing housing shortage continues to bolster the appeal of residential property.

Although geopolitical uncertainties and the changed interest rate environment are currently dampening market sentiment, the macroeconomic fundamentals of the German housing market remain sound.

The ongoing housing shortage continues to drive high structural demand. As soon as the financing and interest rate environment stabilizes, the available liquidity is likely to increasingly translate into concrete transactions as the year progresses.

Outlook – Selective recovery with limited volume potential

The second half of the year is likely to see continued selectivity. Whilst larger transactions with a value of up to €2bn are in the pipeline, a rapid turnaround is not expected given the restrictive financing environment. A transaction volume of up to €8bn is a realistic figure for 2026 as a whole.

Despite this challenging transitional year, the residential investment market remains structurally well-positioned and is likely to retain its appeal for long-term investors. The combination of stable demand, limited supply and long-term secure cash flows forms the basis for sustainable market development, even if this takes place selectively and at a slower pace in the short term. Compared with other property sectors, residential property is therefore likely to continue to gain in relative attractiveness and, in the long term, attract additional investor capital.

‹ To the previous chapter

Chapter 3

Investment market B&C cities

3.6 Office investments beyond the top 7 are gaining momentum

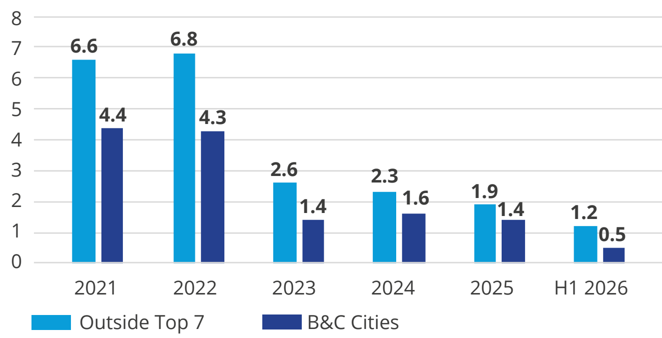
Office and commercial properties besides the seven major investment centres are currently being re-evaluated by investors. In the first half of the year, the transaction volume reached €1.2bn representing a 32% increase on the previous year's figure. This result was achieved despite a noticeable market slowdown in the second quarter following the war in Iran. In the top 7 cities, the transaction volume rose by 28%, a slightly less pronounced increase. Across all city categories, the office sector performed significantly better than the commercial property investment market, where transaction volumes remained virtually unchanged compared with the previous year.

Top Fact

€1.2

bn transaction volume outside top 7 (+32% yoy)

Transaction Volume Office/Mixed-Use outside top 7 (in € bn.)



Source: Colliers

The number of Office and commercial property transactions, however, presents a mixed picture. While deal count across the top 7 markets increased by 21%, the number of transactions recorded outside Germany's major A cities fell by 39%. In these markets the investment activity was concentrated in significantly larger single deals. The average deal size more than doubled, rising from €13m to €27m and now stands just slightly below the €32m average recorded across the top 7 markets.

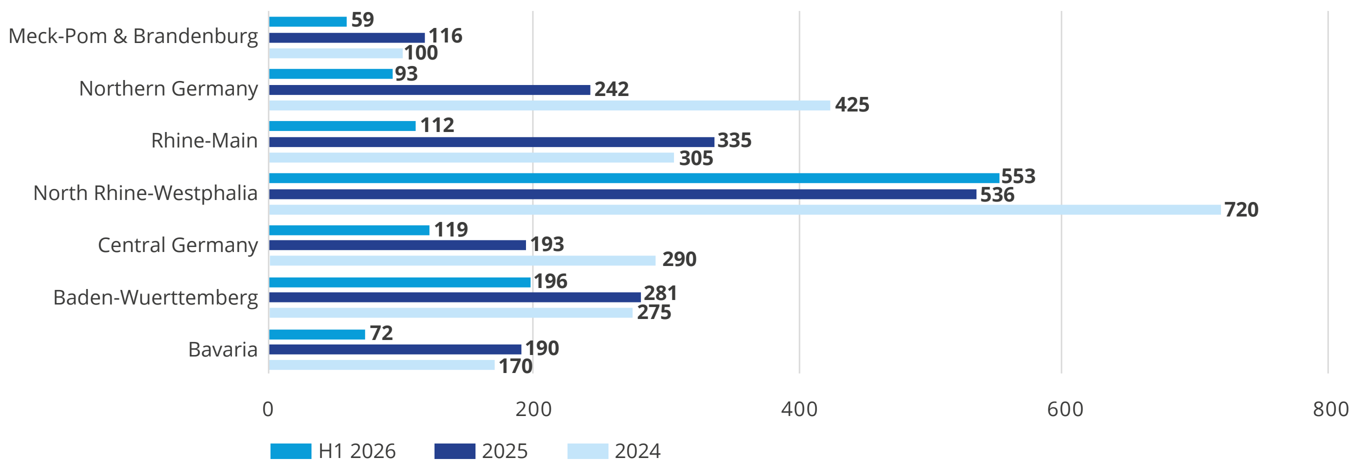
Large-scale core transactions in the triple-digit million-euro range remain rare. However, several of the few deals completed in recent months took place outside Germany's major metropolitan markets.

This includes the largest single-asset transaction recorded in Germany during the first half of the year: the State of North Rhine-Westphalia acquired an office property comprising a data centre and printing facility in Kaarst for €320m for owner occupation. Another notable transaction was the €100m acquisition of a portfolio of three life science properties in Heidelberg by Austrian fund manager GalCap.

> **These large-scale single deals indicate that, as investor interest in office properties gradually returns, locational preferences are also beginning to shift.**

The liquidity of a macro-location is no longer the sole determining factor in investment decisions. Instead, greater emphasis is being placed on criteria that offer the prospect of lower investment risk and stable cashflows. Properties occupied by long-term users are particularly sought after, including public-sector tenants and companies operating in future-oriented industries whose location decisions are driven by specific property and locational requirements. Especially in the case of large-volume assets, this significantly reduces vacancy risk.

Transaction Volume by Region (in € m.)



Source: Colliers

The generally smaller-scale deal structure in Germany's B and C cities is also well aligned with the current investor focus. Smaller sizes can be financed more readily with equity. Where debt financing is used, risk premiums are often lower, and lending decisions can be obtained more quickly. Measured by the number of acquisitions, regional private investors remain the most active buyer group, investing an average of €12m per deal. Asset and fund managers, by contrast, deploy significantly larger ticket sizes, averaging €50m per deal, and account for around one-third of total invested capital.

Outlook: Market recovery could start earlier outside the top markets

‹ To the previous chapter

> **If the geopolitical situation stabilizes in the near future, there is some evidence that market activity outside the top 7 will pick up faster than in the large investment centres.**

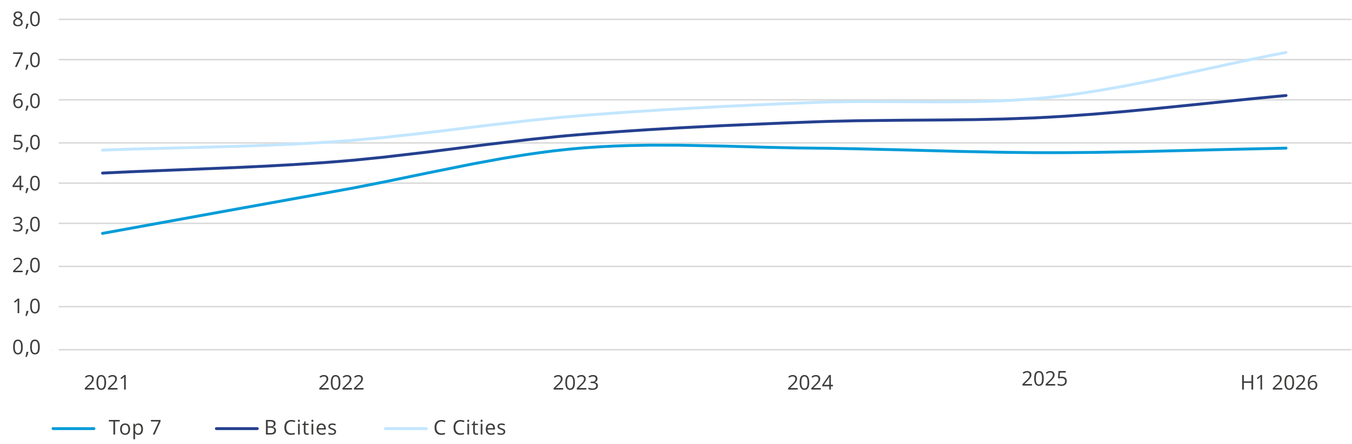
Higher risk premiums make smaller markets more attractive again in an environment of higher bond yields and encourage a reallocation of capital. At the same time, the price corrections in many B&C cities are already more advanced. Buyers and sellers are therefore often closer to each other. This should accelerate sales processes and provide additional support for market activity in the coming quarters.

Top Fact

Yields

6.10% B cities
7.20% C cities

Prime Office Yield (in %)



Source: Colliers