pbbIX
Office Property Market Germany
2025 | Q2

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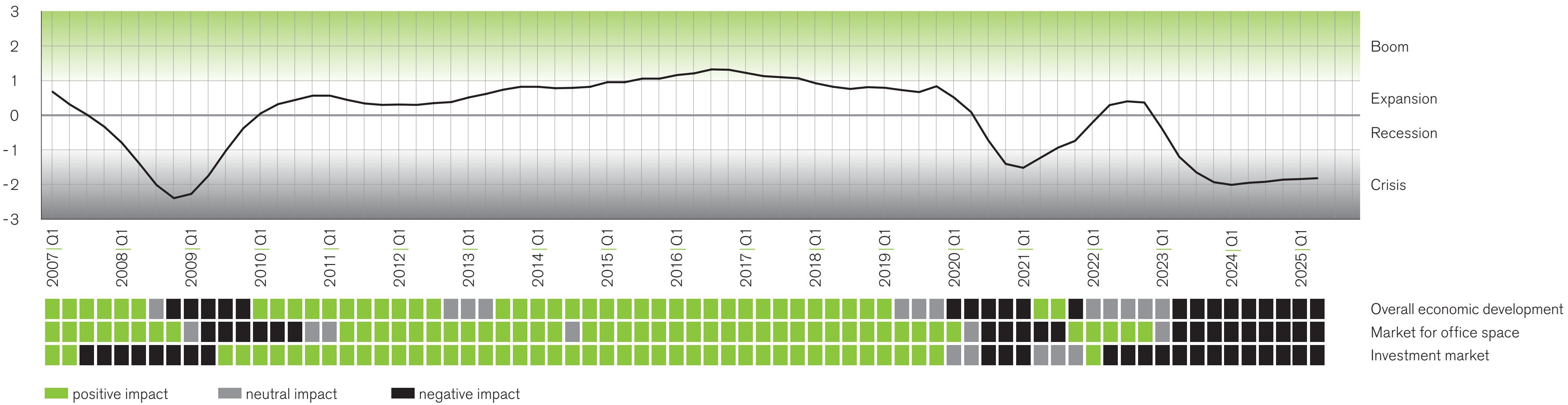
Overview

Since the **second quarter of 2024**, the pbbIX has been **rising steadily**, albeit in small increments. The index reached a value of -1.83 in the second quarter of 2025 (previous quarter: -1.85). This means that the German office markets are in a sustained **sideways movement** with only a tentative tendency towards recovery. After the beginning of 2025 was still characterised by low economic growth, **the economic conditions deteriorated again** in the second quarter following the pull-forward effects at the beginning of the year. **Demand** for office space remained **below average** against the backdrop of **economic weakness and structural changes** in office use. On the **investment market,** turnover **declined** further compared with the weak previous quarter and remained at its lowest level since 2009 in the first half of the year. Initial yields nevertheless showed **initial signs of compression**. Despite the ECB halving its deposit rate to 2.0% since June 2024, **uncertainty** about the economic and interest rate outlook **persists**.

The overall economy contracted slightly by 0.1% in the second quarter. According to current information from several credit and research institutions, only **slight GDP growth of + 0.2% is expected for 2025** as a whole. Looking ahead to the second half of the year, scepticism about a sustained economic recovery has increased. The construction industry is hoping for a recovery in the medium term thanks to the infrastructure package. According to the **ifo index**, business expectations in the construction industry are currently at their highest level since the beginning of 2022.

pbbIX BIG 7 | Index



Overall economic outlook

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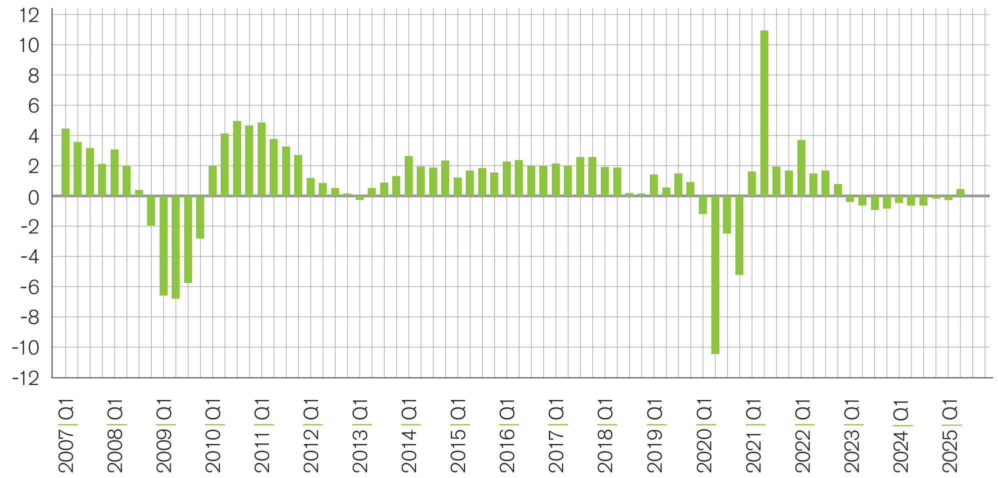
The **German economy** continues to **stagnate**. After real economic output grew by 0.3 % in the first quarter of 2025 due to pull-forward effects related to US tariff plans, it contracted slightly by 0.1 % in the second quarter, according to preliminary figures. According to the Federal Statistical Office, investment in equipment and construction was lower than in the previous quarter. Private and government consumption expenditure, on the other hand, rose.

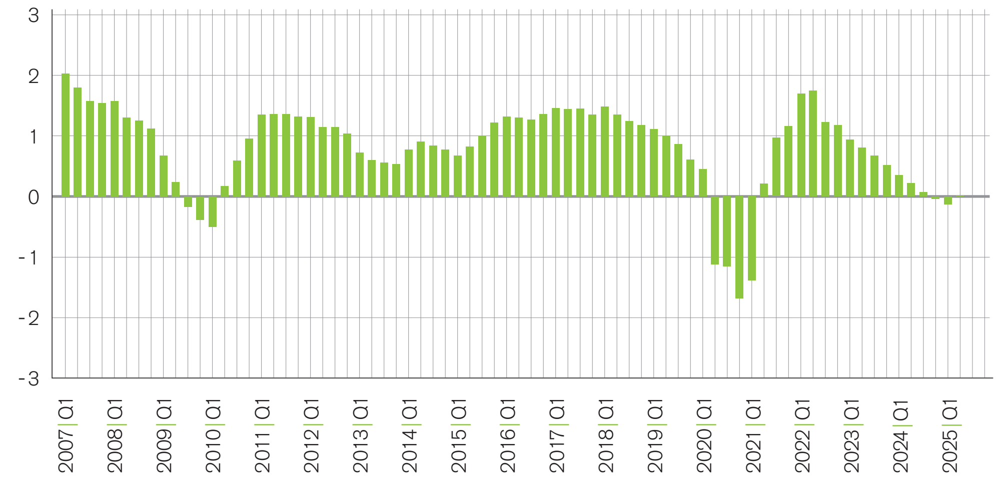
The **consumer price index stood at +2.0 %** in June 2025 compared with the same month last year, exactly in line with the ECB's inflation target. The German **labour market is stagnating** due to the sluggish economic development. In the second quarter of 2025, only 6,000 more people were in employment than in the same period last year. **At 6.2 %** in June 2025, the **unemployment rate remains at a moderate** level and has risen by 40 basis points over the last 12 months.

The **outlook** for overall economic development in Germany has **improved moderately** in recent months. However, the latest sentiment surveys in the German economy do not point to a rapid and substantial recovery. The **ifo** Business Climate Index rose for the fifth time in a row in July 2025 to **88.6 points**, but remained at a comparatively low level. Companies were more satisfied with current business, but their expectations remained sceptical.

Real gross domestic product | year-on-year change in %



Working population | year-on-year change in %



Market for office space

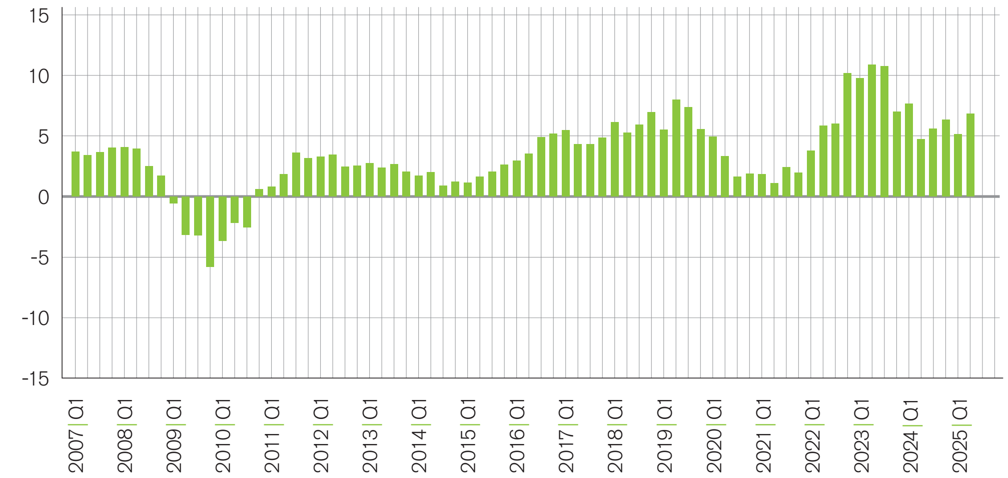
Given the economic and **global uncertainties**, the **economic stimulus** measures implemented to date are not sufficient to significantly boost demand for office space. **Space take-up** in the BIG 7 markets **fell by 8 % in the second quarter** (670,000 sqm) compared with the previous quarter, but at 1.4 million sqm in the first half of 2025 as a whole, it was 10 % higher than in the previous year. However, this represents a decline of 13 % compared with the 10-year average. The half-year performance varied greatly from city to city. In Berlin, for example, letting performance fell by 19 %, while Frankfurt am Main recorded an increase of 86 %.

Despite **below-average demand, vacancy rates continued to rise** on average across all markets. After 7.4 % in the first quarter of 2025, 7.7 % of office space was vacant in the second quarter. In terms of individual markets, vacancy rates ranged from **4.6 % in Cologne to 10.9% in Düsseldorf.** In terms of new construction, approximately 540,000 sqm of office space was completed in the first half of 2025, around 40 % less than in the same period last year. The decline compared to the 10-year average was 14 %. In the short term, the construction and real estate crisis means that no increase in the construction pipeline is expected.

In the second quarter of 2025, the **average prime rent** in the BIG 7 markets was **just under 7 % higher than a year earlier,** with Munich and Frankfurt recording the highest growth rates at 12 % and 11 % respectively. Competition for prime space will continue to drive rental growth in the top segment in the second half of the year.

Office space vacancies (BIG 7) | in % of the portfolio

Top rents (BIG 7) | year-on-year change in %



Investment market

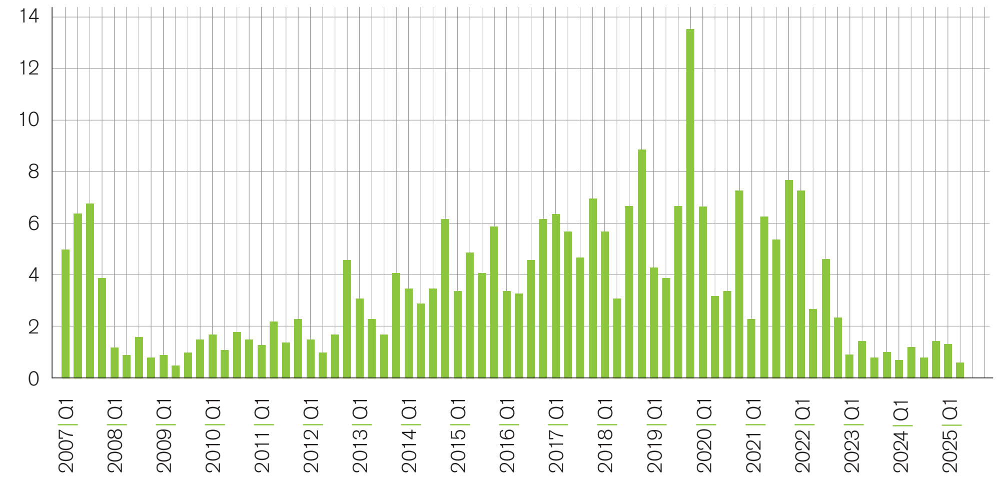
Cash inflows on the investment market remained at a very low level in the second quarter. Compared with the previous quarter, the investment volume **roughly halved**, amounting to only around € 570 million in the second quarter. Over the first six months of 2025, transaction turnover was approximately €1.8 billion, down 8 % on the previous year. Such a low investment volume was last seen in the first half of 2009 (€1.3 billion). By way of comparison, the average turnover for the last ten years was € 7.8 billion in each of the first half-years. The investment market continues to suffer from the prevailing conditions of high lending rates, high construction costs, a stagnating economy and global geopolitical turmoil.

The **aggregate prime** yield in the BIG 7 office sector is experiencing **slight compression** for the first time since the beginning of 2022, the peak of the last real estate cycle. The price pressure can be seen in the development of net initial yields for prime properties. The initial yield currently averages 4.25 % across the BIG 7 office markets, down 3 basis points on the previous quarter. The yield spread compared with the current yield on 10-year German government bonds stood at 172 basis points at mid-year. Twelve months ago, it was similarly high at 180 basis points.

The **structural problems** in the office markets are compounded by **uncertainty about economic development**. The massive economic stimulus programmes and planned investment spending will not take effect until 2026. The investment markets will only **recover moderately** in the coming quarters.

Net initial yield (BIG 7) | in %

Investment volume (BIG 7) | in € billion

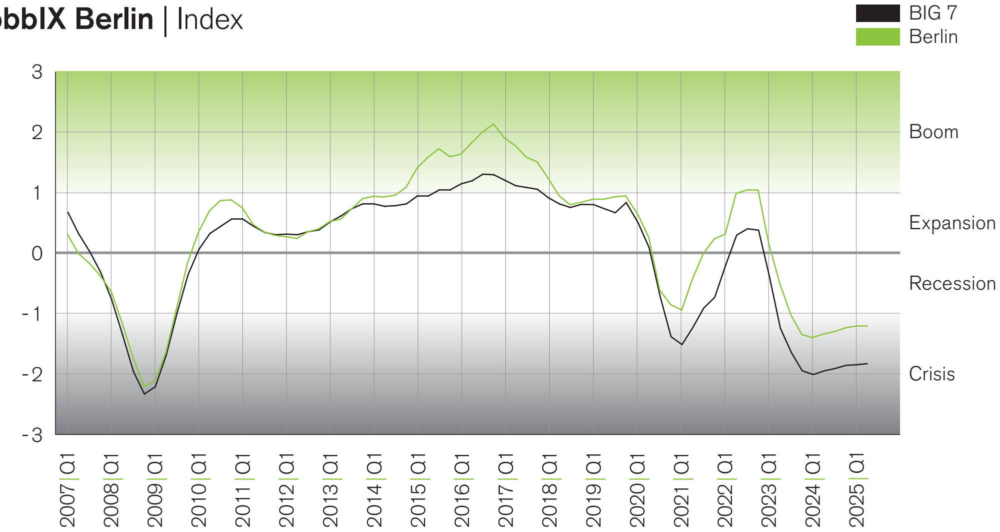


BIG 7

BERLIN

In the first half of 2025, approximately 240,000 sqm of office space was let, representing a decline of 19 % compared with the same period of the previous year. This was the lowest half-year result since the first half of 2009. The vacancy rate rose by 240 basis points to 8.0 % over the last 12 months. The prime rent remained stable compared with the previous quarter at € 46 per square metre (up € 2 per square metre year-on-year). On the investment market, inflows into the office segment doubled in the first half of the year compared with the same period last year to approximately € 780 million. However, this still represents a decline of 60 % compared with the 10-year average. The net initial yield for prime properties remained stable at 4.2 % in the second quarter compared with the beginning of 2025.

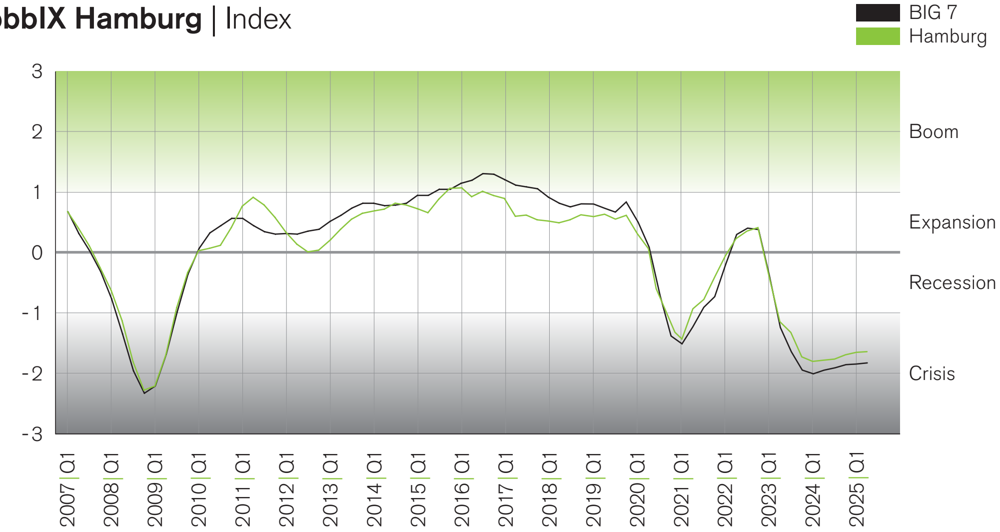
pbbIX Berlin | Index



HAMBURG

On the Hamburg office market, rental performance rose by 16 % year-on-year in the first half of the year, with a turnover of approximately 230,000 sqm. In terms of sectors, take-up was driven primarily by public administration, industrial companies and business-related service providers. Against the back-drop of above-average new construction activity in the first half of the year, the vacancy rate rose to 6.1 % as of 30 June. This represents an increase of 110 basis points year-on-year. The prime rent remained stable at € 36 per square metre compared with the previous quarter. In the investment market, office properties worth approximately €170 million changed hands in the first half of the year, representing a further decline in turnover of around 20 %. The net initial yield fell by 5 basis points to 4.2 % for the first time since the beginning of 2024.

pbbIX Hamburg | Index

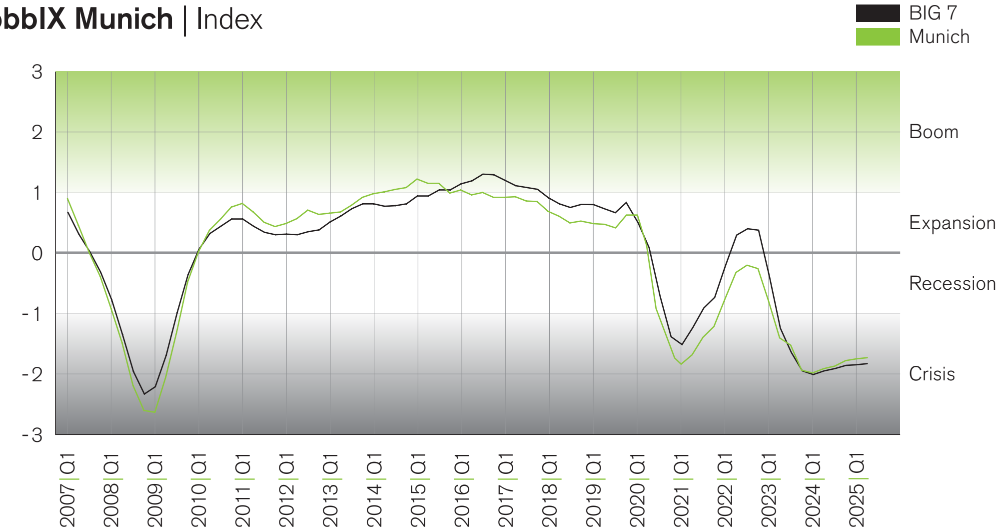


BIG 7

MUNICH

In Munich, demand for space declined noticeably in the second quarter. A total of 260,000 sqm was transacted in the first half of 2025, around 13% less than in the same period last year. The industry ranking was led by the industrial administration sector. The vacancy rate rose by a further 50 basis points in the second quarter to currently 7.6%. Demand for high-quality space in prime locations pushed the prime rent to a new record high of €58, an increase of €6 per square metre (up 12%) within 12 months. The investment market was unable to maintain the upturn seen at the beginning of the year, and turnover declined sharply in the second quarter. Neverthe-less, inflows in the first half of the year as a whole were around 45% higher than in the same period last year, at around €470 million. The yield level fell by 10 basis points to 4.05%.

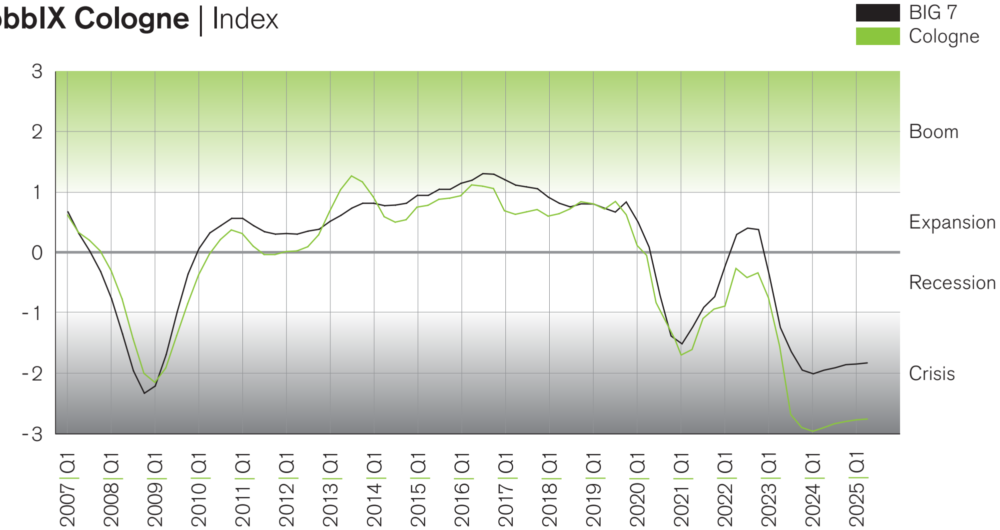
pbbIX Munich | Index



COLOGNE

Although the second quarter was weak with only 40,000 sqm of space taken up, the half-year result exceeded the previous year's figure by 50% with a total of around 110,000 sqm. With very little new construction and demand remaining below average, the vacancy rate rose to 4.6%, the lowest figure among the BIG 7 markets. The rate has risen by 110 basis points over the year. The prime rent is stable at €32.50 per square metre since mid-2023. In the first half, significantly less capital inflows were recorded on the Cologne office investment market than in the same period of the previous year (approx. €380 million), at around €100 million. The 10-year average for the first half of the year of approx. €410 million was therefore also missed by a wide margin. The net initial yield for prime properties was 5 basis points lower than in the previous quarter at 4.5%.

pbbIX Cologne | Index

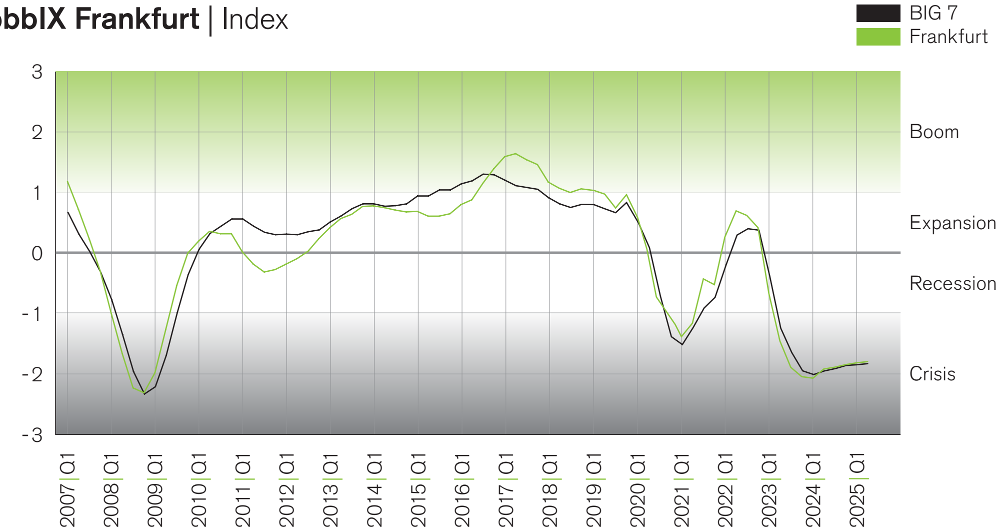


BIG 7

FRANKFURT

With take-up of approximately 350,000 sqm, around 86 % above the previous year's figure, the Frankfurt office market ended the first half of 2025 on a very dynamic note. Average new supply and high take-up pushed the vacancy rate down to 10.2 % in the second quarter. Nevertheless, an increase of 160 basis points was reported within a year. Strong demand, particularly for modern premium space with ESG-compliant facilities, is fuelling further rent increases. The prime rent rose by € 5 to € 52 per sqm in the last 12 months. Cash inflows in the first half of the year fell by two-thirds year-on-year to just €150 million. This was the lowest half-year turnover since the first half of 2009. The net initial yield for properties in prime locations remained unchanged at 4.6 % in the second quarter.

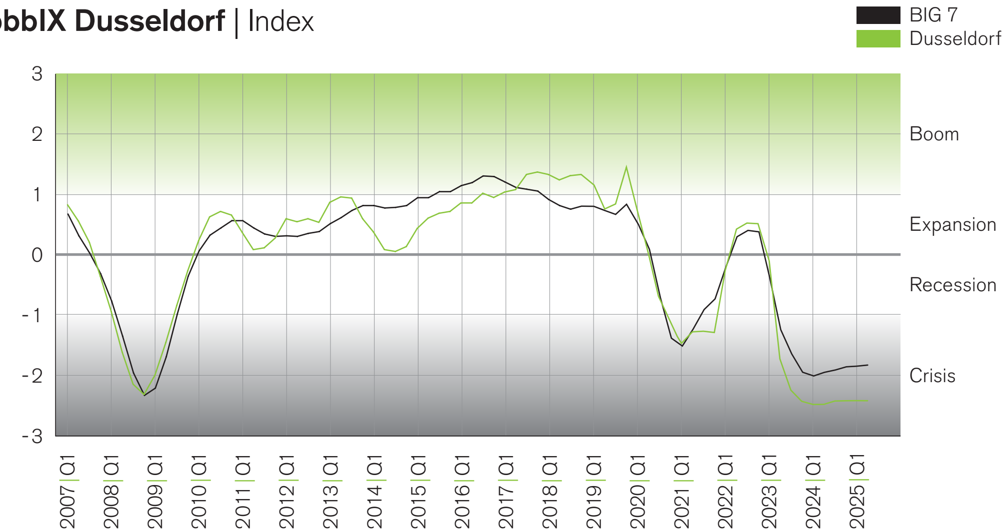
pbbIX Frankfurt | Index



DUSSELDORF

On the Düsseldorf office market, letting performance rose by around 50 % in the second quarter of 2025 compared with the previous quarter to approximately 70,000 sqm. This means that a total of around 115,000 sqm was transacted in the first half, representing a year-on-year decline of 10 %. The vacancy rate rose from 10.0 % to its current level of 10.9 % over the last 12 months, its highest level since the end of 2014. The prime rent increased from € 43.50 to € 45 per square metre over the course of the year. Cash inflows on the investment market remain at a very low level. At around €110 million, the first half only just reached half the previous year's level. In a 10-year comparison, the current cash turnover was even 86 % below the long-term average. The net initial yield fell by 5 basis points to 4.5 %.

pbbIX Dusseldorf | Index

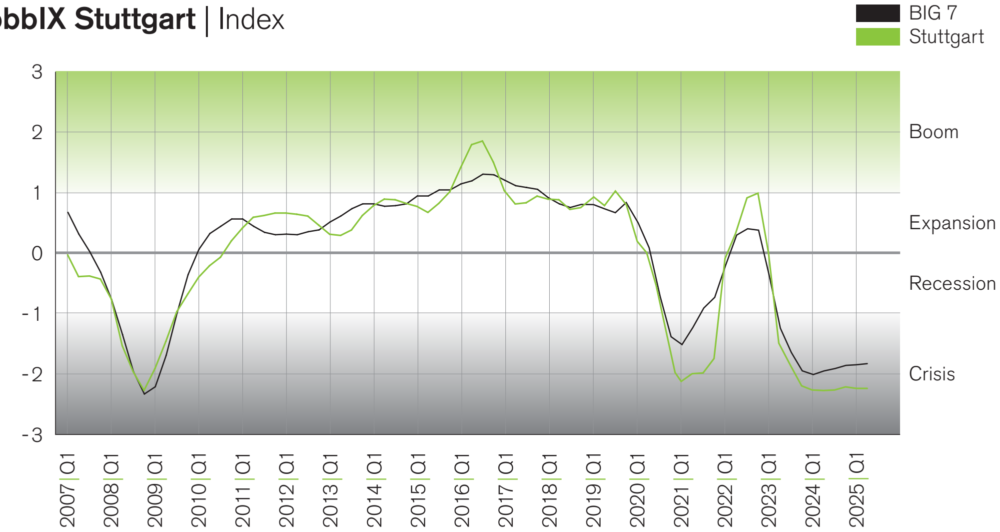


BIG 7

STUTTGART

At 60,000 sqm, the Stuttgart space market saw around 40% more transactions in the second quarter than in the previous quarter. This means that 100,000 sqm was let in the first half of the year, around 8% more than in the same period last year. The vacancy rate rose further to 5.7%, an increase of 70 basis points compared with mid-2024. The prime rent remained stable at €37 per sqm compared with the previous quarter. In the first half of the year, cash inflows of only around €50 million were recorded on the Stuttgart office investment market. This was 28% less than in the same period last year. This is the lowest result since the first half of 2011. The net initial yield for prime properties remained stable at 4.25% compared with the previous quarter.

pbbIX Stuttgart | Index



About the pbbIX real estate index

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SCOPE AND METHODOLOGY

As the last two decades have shown very clearly, the development of real estate markets is not a continuous trend that is free of disruption – instead, these markets are characterised by significant cyclical fluctuations. The pbbIX index family tracks economic developments on Germany's key office property markets. The index family comprises a total of eight indices: seven individual indices for the office real estate markets in Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart, plus a composite index which tracks overall economic development of the BIG 7 markets.

The indices are based on the results of a dynamic factor model, which brings together eleven variables, using time series to extract the key driving forces for economic trends of office property markets. Specifically, these variables relate to macroeconomic developments, the rental market, and the investment market across the seven office property markets covered. As a preparatory step for the factor analysis, the various market-related indicators are aggregated to form a single market indicator that measures overall development (for example, vacancies or new construction activity). The data list shown below sets out the indicators which were used for the dynamic factor analysis.

Over and above the office real estate market index, the presentation contains assessments regarding the components of 'macroeconomic developments', 'market for office space', and 'market for office investments'. The directional impact of these components on the composite indicator is colour-coded: GREEN indicates a positive, BLACK a negative and GREY a neutral impact.

DATA LIST OF THE DYNAMIC FACTOR MODEL

Overall economic development

- Real gross domestic product (YOY change in %)
- Workforce in the BIG 7 markets (YOY change in %)
- Consumer prices (YOY change in %)
- Current yield (Umlaufrendite) for public-sector bonds with a minimum remaining term of 10 years (in %)

Rental market

- Completed office and administration buildings (in sqm of usable space in the BIG 7 markets)
- Marketing volume (in sqm of rental space in the BIG 7 markets)
- Vacancies (in % of gross available area in the BIG 7 markets)
- Top rent (in € per sqm for the BIG 7 markets)
- Average rent (in € per sqm for the BIG 7 markets)

Investment market

- Initial net yield (in % for the BIG 7 markets)
- Inflow of funds (€ million)