pbbIX
Office Property Market Germany
2025 | Q 4

DEUTSCHE PFANDBRIEFBANK

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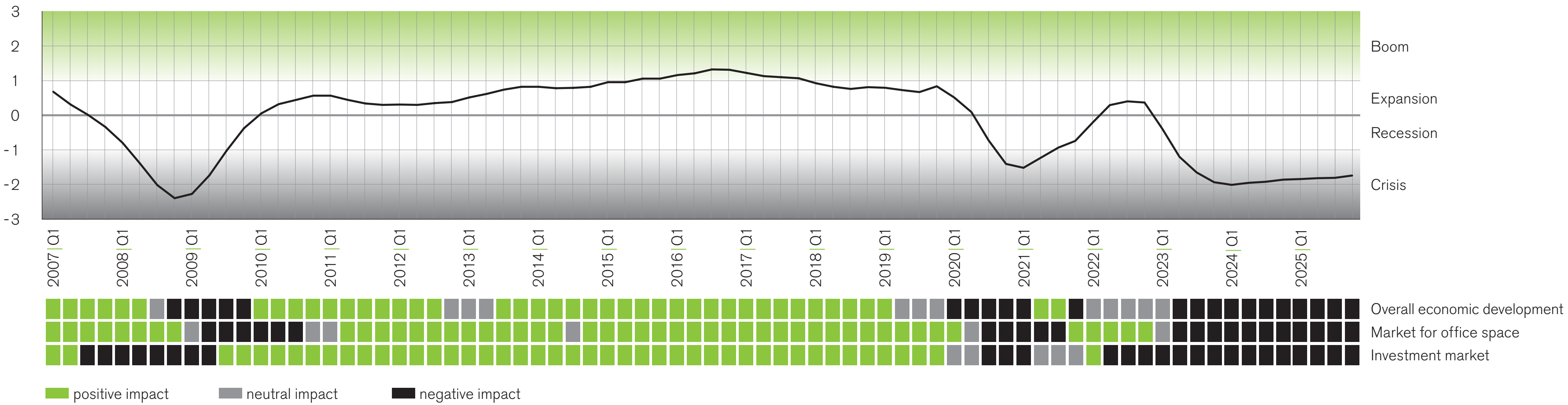
Overview

The upward trend observed since the second quarter of 2024 remains intact at **the end of 2025**. The pbbIX rose **more rapidly** in the fourth quarter of 2025 than in previous quarters, reaching a **value of -1.74**. The year 2025 as a whole was characterised by very **low economic growth**. Against a backdrop of continuing economic **uncertainty**, demand for office space stagnated at the below-average level of the previous year. In the prime segment, initial yields remained stable or recorded slight compression depending on the location, with capital values rising mainly due to continuous **rental growth**.

After an uneven year, the **overall economy** grew **slightly**, with **GDP up 0.2%** on the previous year. Despite key interest rate cuts since mid-2024, the German economy barely moved in 2025 and was unable to have a lasting positive impact on the office property markets. Uncertainty about further economic development continues for the time being, meaning that cautious activity on the office markets will continue in the short term.

The latest sentiment surveys in the German economy initially point to a **continued sideways trend in the economy**. According to the **ifo Business Climate Index**, the German economy is starting the new year without momentum and **expectations for the economy as a whole** are clouding over slightly. The business climate in the main construction sector has brightened. This was due to improved current business conditions.

pbbIX BIG 7 | Index

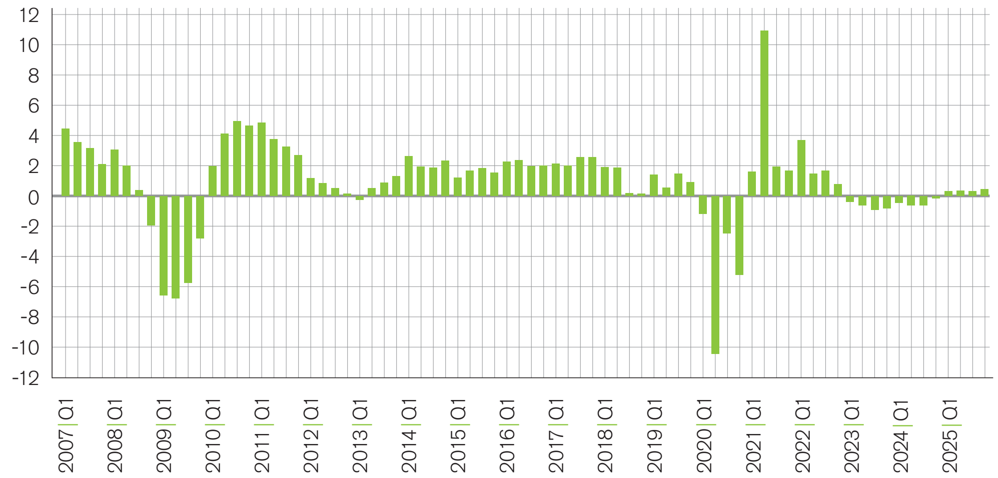


Overall economic outlook

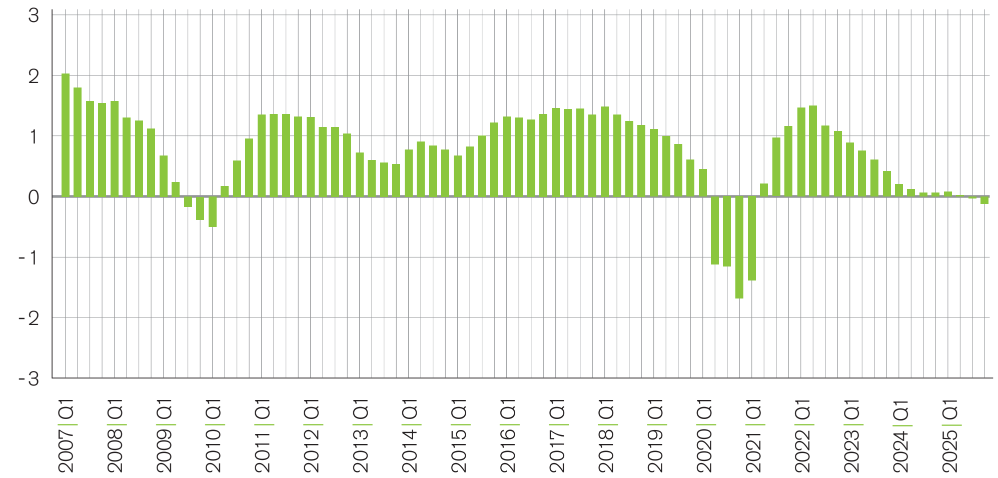
Following the **recessionary years of 2023 and 2024**, the German economy entered a period of stagnation in 2025. According to initial estimates, **real economic output rose by +0.3 % in the fourth quarter of 2025** compared with the previous quarter. The German economy thus ended 2025, a year marked by economic and structural challenges, with a **slight increase of 0.2 %** compared with the previous year. The growth is primarily attributable to increased consumer spending by private households and the government. In contrast, **exports declined** due to higher **US tariffs**, the appreciation of the euro and stronger competition from China. In addition, **investment** in equipment and construction remained **weak**. Price-adjusted **gross value added** in **the construction industry** fell again **by 3.6 % and the number of insolvencies** increased. Persistently high construction prices significantly slowed down building construction and finishing work in particular.

After remaining consistently **above 2 %** throughout 2025, the **inflation rate fell to 1.8 %** in **December**. Compared with the previous year, **consumer prices rose by 2.2 % in 2025 as a whole**. The expected upturn in the economy, particularly from the second half of 2026 onwards, as a result of **economic stimulus programmes**, suggests that economic growth of around **1.0 % can be expected** for 2026 as a whole. Compared to the previous year, the number of **people in employment fell by around 57,000**. In contrast, growth in the number of people in employment of 28,000 was still recorded in 2024. At **6.2 %** in December 2025, the **unemployment rate** remains at a moderate level.

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



Working population | year-on-year change in %



Market for office space

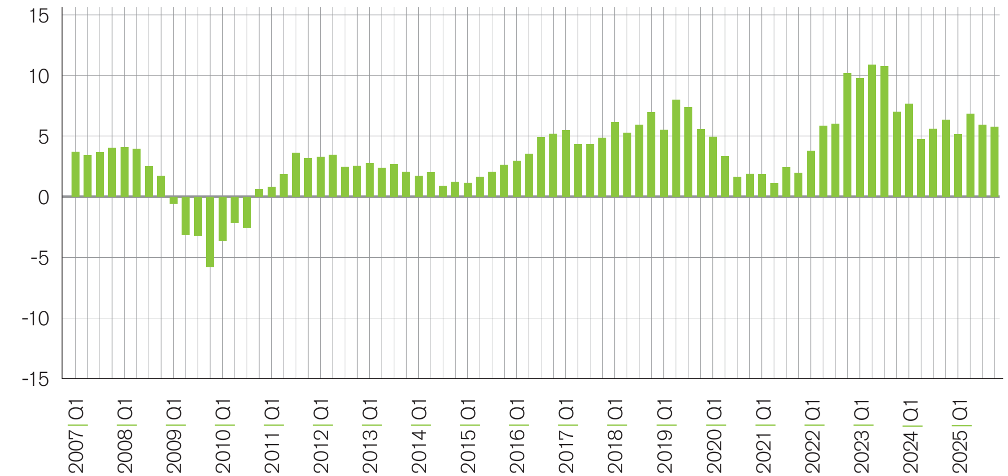
The **stagnating economy** continues to affect the office space markets of **the BIG 7**, which are suffering from weak demand. Rental turnover remained virtually unchanged **in the fourth quarter at around 650,000 m²** compared with the **previous quarter (630,000 m²)**. As in the previous year, only around **2.7 million m²** was **let** over the year as a whole due to the lack of economic tailwinds. The **public sector** in particular **drove** demand for space, with the share of business-related service providers rising sharply over the course of the year. However, the current **sales result** is **still 23% below the 10-year average of 3.5 million m²**. In the wake of an expected economic recovery, a moderate upturn in letting activity is expected, particularly from the second half of 2026 onwards.

With a **completion volume of 1.1 million square metres, new construction activity** was around a **third lower than in the previous year**. Nevertheless, the **vacancy rate** rose significantly, reaching a weighted average **of 8.1 %** across all **BIG 7 markets** at the turn of the year, **130 basis points higher** than twelve months earlier. This is also the highest vacancy rate since the fourth quarter of 2013. In terms of individual markets, **vacancy rates** range **from 5.0 % in Cologne to 11.3 % in Düsseldorf**.

In line with **demand** for **high-quality space**, prime rents continued to trend upwards. In the fourth quarter of 2025, they were **almost 6 % higher** than a year earlier. Due to **demand for premium space** in prime locations, prime rents remain under upward pressure.

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

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



Investment market

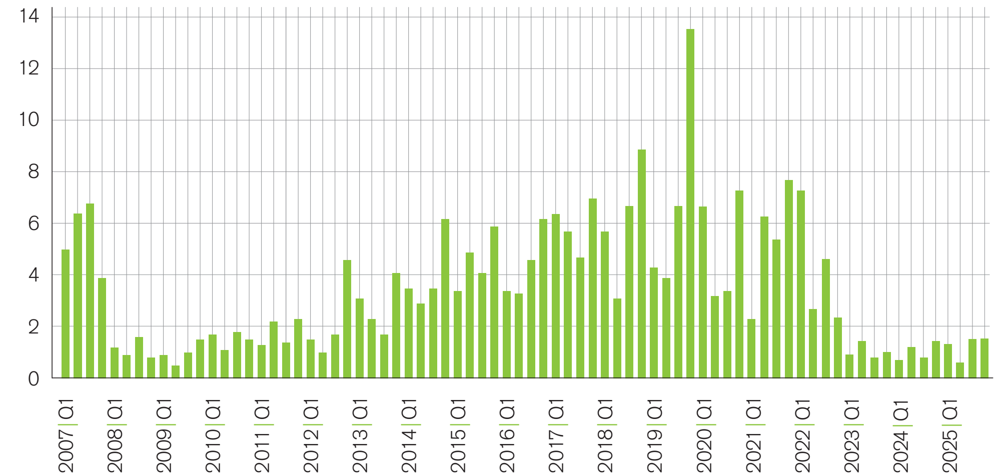
Cash inflows into the **BIG 7 office investment markets** in **the fourth quarter of 2025** were **around 3 % below the previous quarter**. The recessionary trend in the **office investment markets** thus continued unabated. In the fourth quarter, **office properties worth around €1.5 billion** were acquired in the **BIG 7 markets**. Over the whole of 2025, **office investments totalled €4.8 billion, up 17 % on the previous year's figure**. However, this is still a long way off the average for the last ten years of **around €18 billion per annum**.

The **ECB key interest rate** was lowered by a total of **200 basis points** between June 2024 and June 2025. Nevertheless, the recovery of the investment markets remains very tentative amid **higher lending rates, rising construction costs, resilient office user markets** and only a slow economic upturn. **Prime yields** in the office sector have been **falling** very slowly since the beginning of 2025, after peaking in this cycle in 2024. The **net initial yield** in the prime segment has fallen by **5 basis points** over the **last 12 months** and **currently** stands at an average **of 4.23 % across the BIG 7 office markets**. The yield spread compared with the current yield on **10-year German government bonds was 153 basis points at the end of 2025**, down from 204 basis points at the end of 2024.

Large deals and portfolio transactions were few and far between in 2025 due to the uncertain macroeconomic situation, high financing and equity requirements, and still divergent price expectations. In the context of a gradual, slow economic recovery and the expected positive effects of the special infrastructure fund, a slight **upturn** in transaction **activity is expected** in 2026.

Net initial yield (BIG 7) | in %

Investment volume (BIG 7) | in € billion

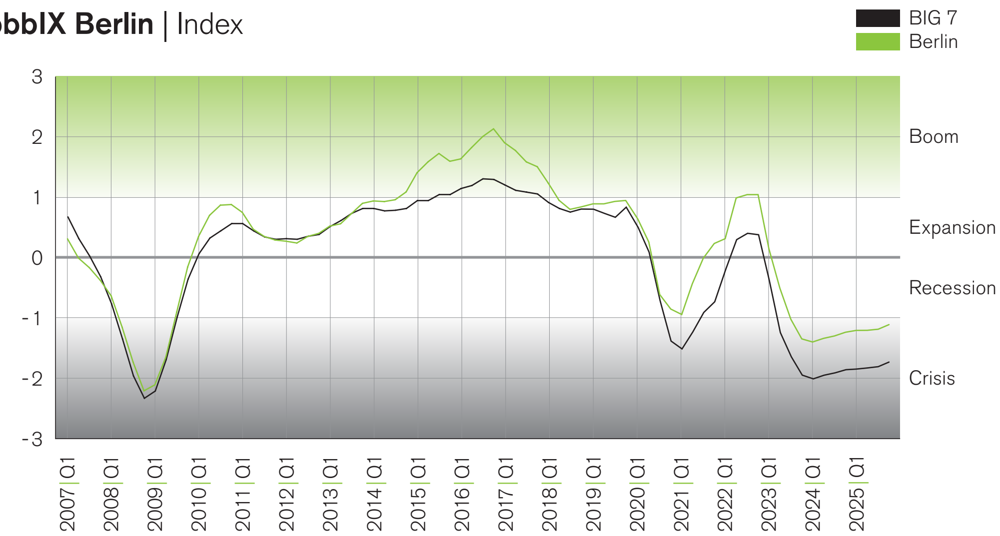


BIG 7

BERLIN

In 2025, the Berlin office market saw a take-up of 480,000 m². This represents a decline of 110,000 m² or 19 % compared to the previous year. The 10-year average was even missed by 40 %. Below-average space marketing is causing vacancy rates to rise. These rose by 150 basis points to 8.2 % over the year. The prime rent rose to €47 per m² at the end of the year, which is €1 per m² higher than at the end of 2024. In the investment market, inflows totalled €1.55 billion last year, 73 % more than a year earlier. Nevertheless, the current result remains around 60 % below the 10-year average. The net initial yield for prime properties remained stable at 4.2 % over the course of 2025.

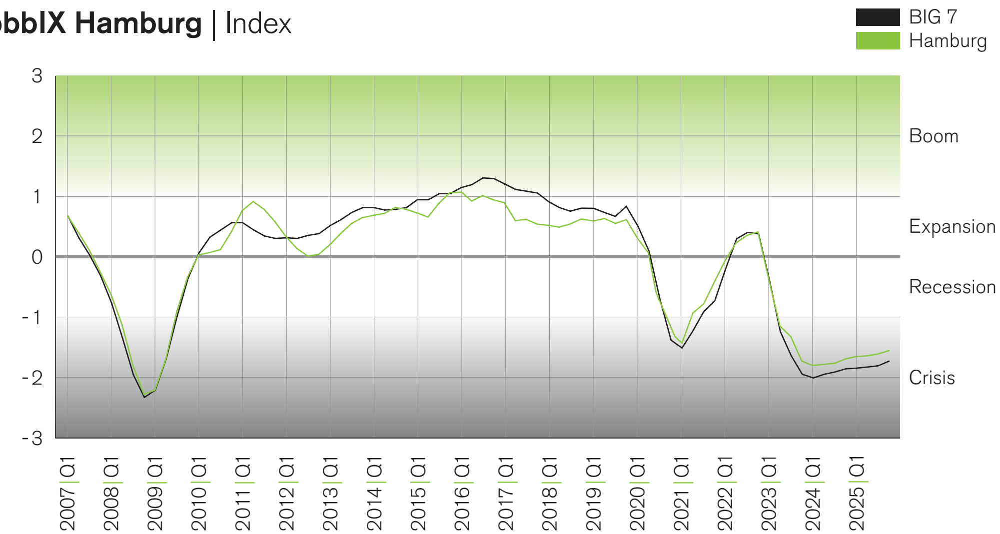
pbbIX Berlin | Index



HAMBURG

The Hamburg office market remained virtually stagnant in 2025. With annual take-up of around 410,000 m², the previous year's result was undershot by 4 %. At the end of the year, take-up remained virtually constant compared with the previous quarter at approximately 90,000 m². With new construction activity up by a third on the previous year, the vacancy rate rose by 140 basis points to 6.7 % by the end of the year. At the end of 2025, the prime rent reached the €40 mark for the first time, up 11 % on the end of 2024. On the investment market, office properties worth €740 million changed hands last year. This represents a decline of 12 % compared with the previous year. The net initial yield fell by 15 basis points to 4.05 % in the last quarter of 2025.

pbbIX Hamburg | Index

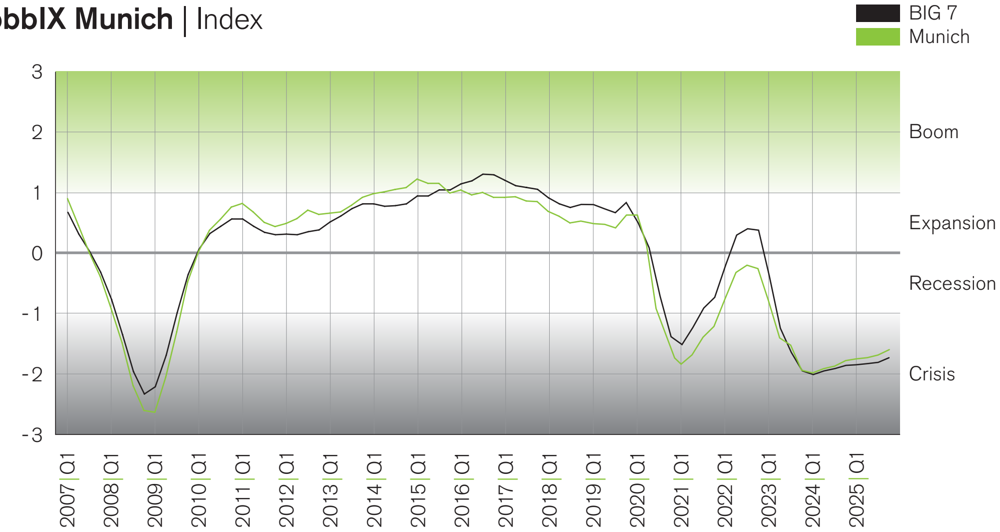


BIG 7

MUNICH

In Munich, the current quarter was the strongest since Q3/2022, with around 170,000 m². However, demand for space in 2025 as a whole fell by 5 % year-on-year to around 590,000 m². Compared to the 10-year average, current annual turnover was actually 16 % lower. At the end of 2025, the vacancy rate rose by 210 basis points year-on-year to 8.5 %. Demand for high-quality space in prime locations caused the prime rent to rise by 10 % and is currently at €60 per m², the highest price level nationwide. The investment market saw greater momentum in 2025. Compared to the very weak previous year, a total volume of €930 million was achieved, representing an increase of 70 %. The net initial yield for prime properties remained at 4.05 % in the fourth quarter.

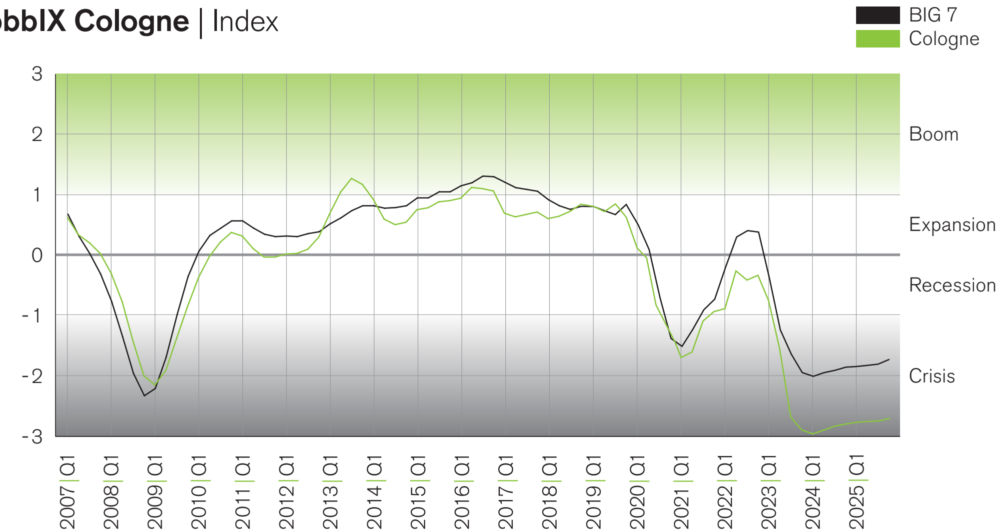
pbbIX Munich | Index



COLOGNE

Demand for office space reached around 240,000 m² for the year as a whole, representing an increase of 5 % on the previous year. Nevertheless, this sales figure was 19 % below the 10-year average. Despite very little new construction, below-average demand is having an impact on the vacancy rate, which rose to 5.0 %, its highest level since 2016. Within a year, the vacancy rate rose by 70 basis points. The prime rent has remained unchanged since mid-2023 and is stable at €32.50 per m². The situation on the Cologne office investment market remains unfavourable. Although inflows rose by 30 % in 2024 compared with the previous year, at around €610 million they remained around 50 % below the 10-year average. The prime yield remained unchanged at 4.5 %.

pbbIX Cologne | Index

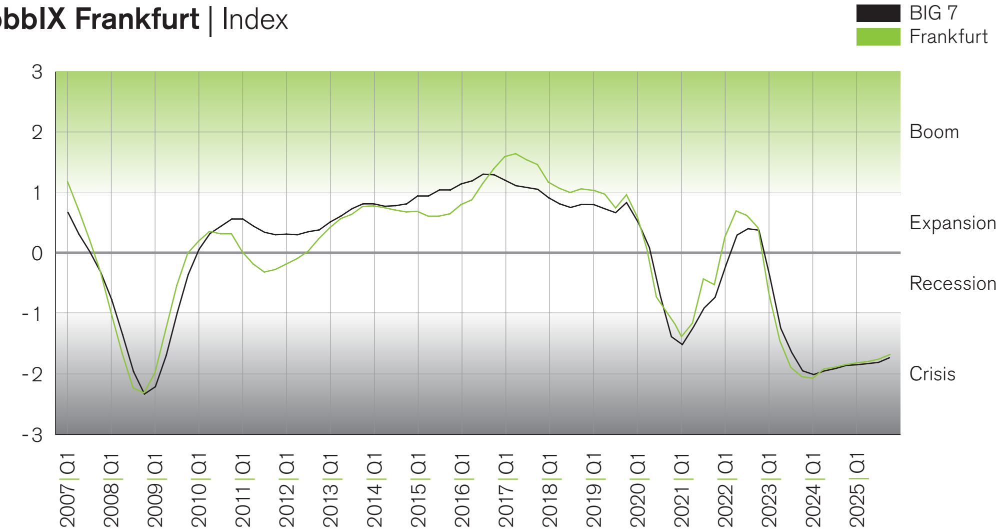


BIG 7

FRANKFURT

At 565,000 m², Frankfurt generated its highest take-up since 2019. This result represents a doubling compared to the previous year and an increase of 16% compared to the one-year average. Low new construction and high space absorption contributed to a stabilisation of vacancy rates over the course of the year. Nevertheless, the vacancy rate at the end of 2025 was 10.4%, 70 basis points higher than 12 months ago. The prime rent continued to trend upwards, reaching €52 per m² in the fourth quarter. As far as the investment market is concerned, the transaction volume has fallen by around half compared with the previous year to €390 million. The average turnover for the last ten years was €4.4 billion per annum. The net initial yield for prime properties in prime locations remained constant at 4.6% in the fourth quarter.

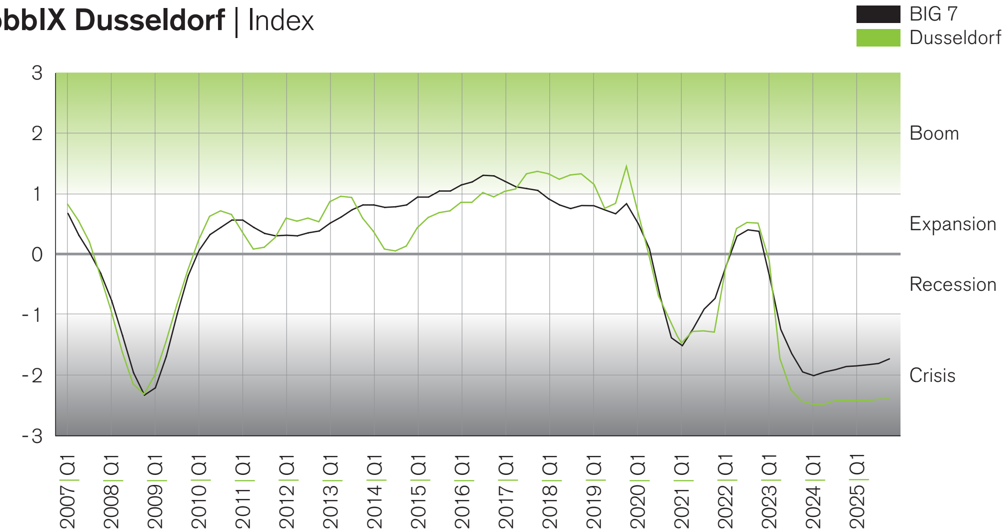
pbbIX Frankfurt | Index



DUSSELDORF

Demand for office space continued to decline in Düsseldorf in 2025. At around 230,000 m², ten per cent less space was transacted than in the previous year, the lowest turnover since the crisis year of 2009. The vacancy rate rose by 70 basis points within a year and was comparatively high at 11.3 per cent at the end of the year. This is the highest vacancy rate since Q2/2014. The prime rent increased by €2.50 to €46 per m² over the course of the year. Cash inflows into the investment market rose by 28% year-on-year in 2025, with turnover of €390 million. Nevertheless, the current sales result remained 77% below the 10-year average. In Düsseldorf, the net initial yield for office properties in the prime segment is 4.5%.

pbbIX Dusseldorf | Index

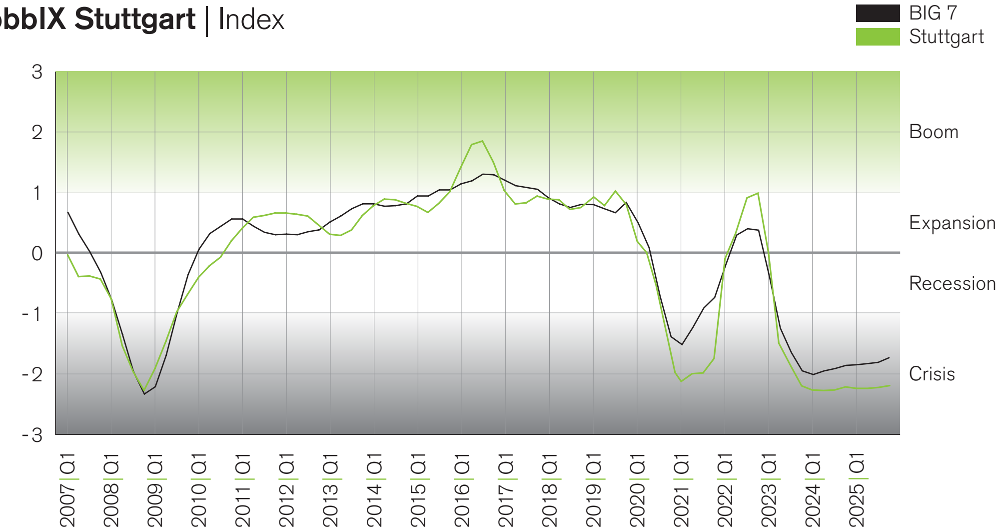


BIG 7

STUTTGART

The Stuttgart office market recorded lower demand for space last year. Total lettings amounted to around 155,000 m², compared with 200,000 m² in the previous year. A total of 140,000 m² was newly occupied in 2025, representing an increase of 150 % over the previous year. In line with the general trend, vacancy rates continued to rise, but remain comparatively low at 5.9 %. At the end of 2024, the vacancy rate was still 5.1 %. The prime rent remained stable at €37 per m² over the last 12 months. In the investment market, inflows fell to around €200 million in 2025, the lowest level since 2011. The net initial yield for prime properties has remained at 4.25 % for 24 months.

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)