



Q4
2024

AVISON YOUNG
REAL ESTATE
MARKET REPORT



AVISON YOUNG

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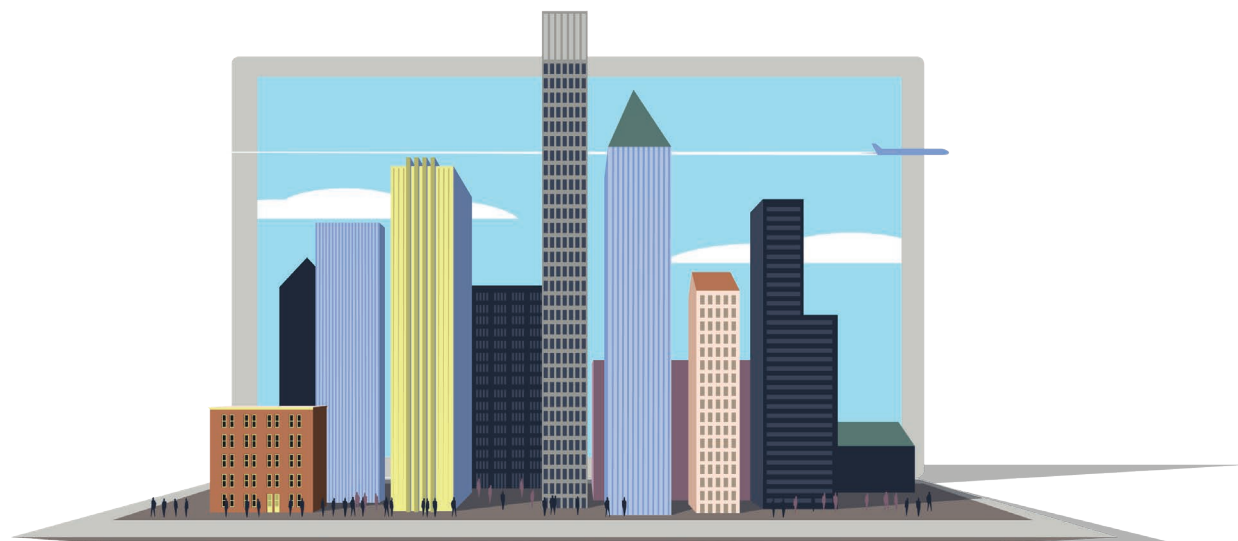
ECONOMIC CONDITIONS

The German gross domestic product (GDP) in 2024 decreased by 0.2% according to initial estimates. Calmer waters are not in sight for the German economy in the short term; on the contrary: the election of Donald Trump as the next U.S. President and the collapse of the "traffic light coalition" in November bring further uncertainty for now. This is reflected, among other things, in increased volatility in financial markets, such as the strong fluctuations in government bond yields. Looking ahead to the early general elections for the German Bundestag on February 23, 2025, there is hope that political uncertainties will be overcome quickly through the formation of a stable government with clear majorities. Moreover, not only are clear and reliable long-term framework conditions needed, but also economic policy stimuli. Structural challenges, in particular, must be addressed.

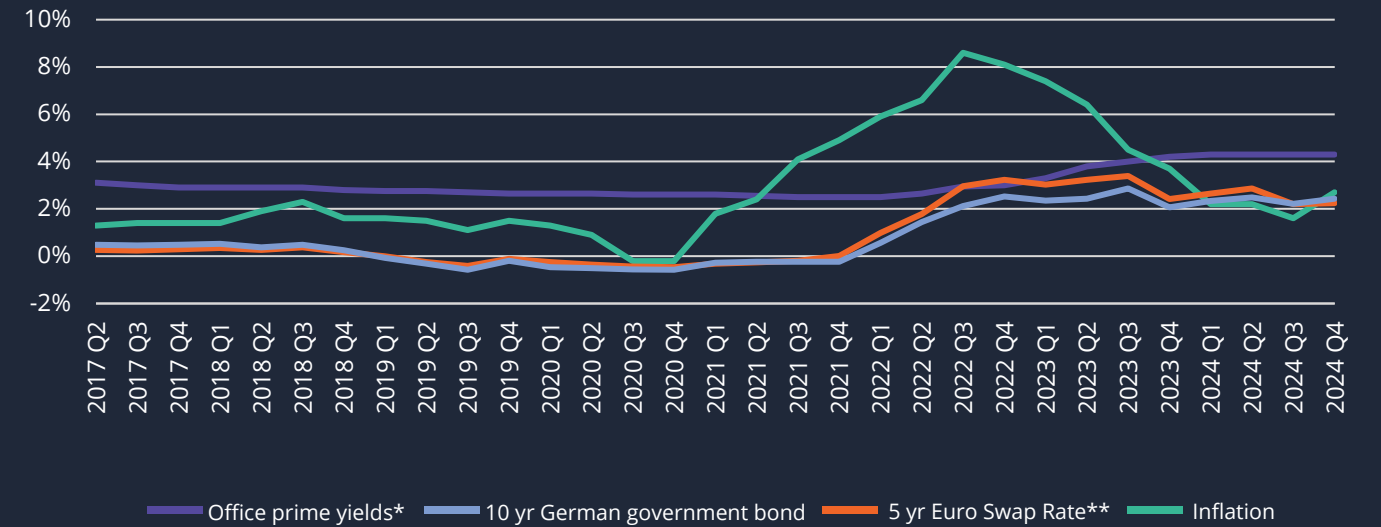
The inflation rate in Germany averaged 2.2% in 2024, down from 5.9% the previous year. However, Donald Trump's economic policies—among other things aimed at combating inflation—could have inflationary effects in the U.S. and, to some extent, in Germany. However, the specific implementations and consequences of his announcements are not yet clear. Overall, a slightly declining inflation rate is expected for both the Eurozone and Germany.

The number of employed people in Germany slightly decreased to 46.1 million in November, just below its record level. However, prospects are deteriorating, as companies are scaling back their staffing plans. Despite worsening employment prospects, the unemployment rate—standing at 6.0% at the end of the year, slightly above the level at the end of 2023—is expected to rise only marginally to just over 6% by the end of the year.

Current economic indicators and corporate investment expectations are weak. It appears that a gradual recovery in real estate markets may occur sooner than in the broader economy.

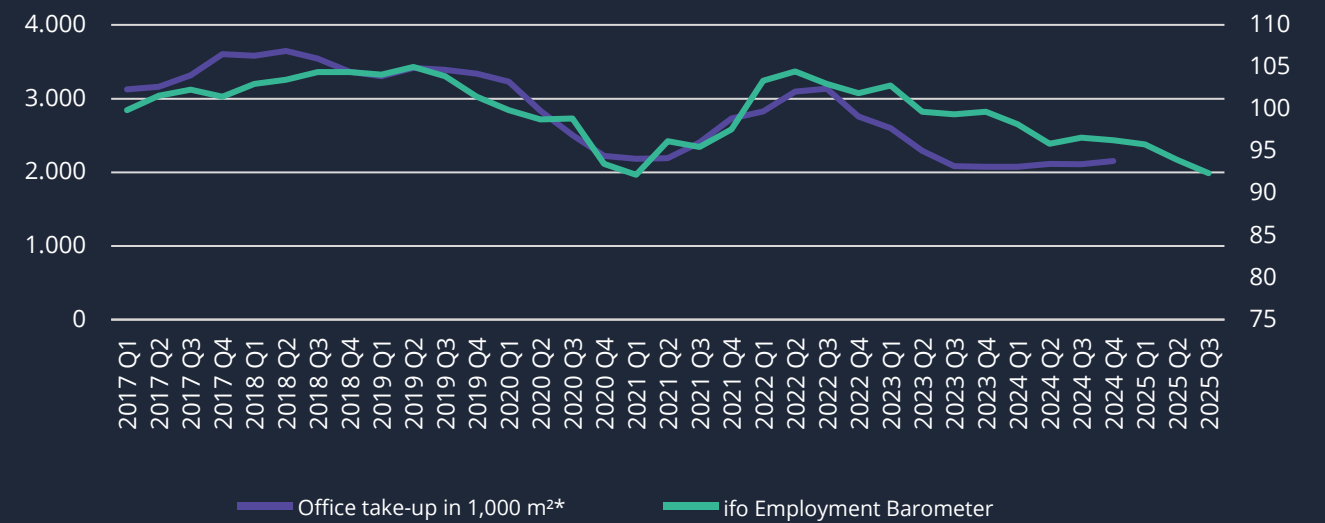


PROPERTY YIELD, INFLATION, SWAP RATE, GOVERNMENT BOND



*Net initial yield; ** *Nettoanfangsrendite; ** Zero-coupon Euro Swap curve 5 yr
Source: Avison Young, Federal Bank of Germany, Status: December 2024 / January

OFFICE TAKE-UP VERSUS IFO EMPLOYMENT BAROMETER



* Top 5 cities, 12 month rolling; ** Index; base year 2015; 3 quarters advanced
Source: Avison Young; Ifo Institute. Status: December 2024 / January 2025

INVESTMENT MARKET

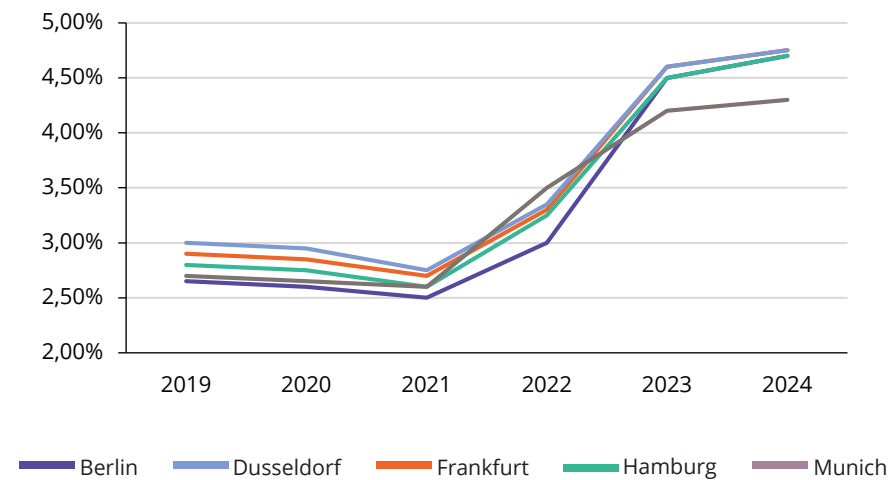
The German commercial real estate investment market ended the year with its strongest quarter since late 2022, achieving a small year-end rally. In 2024, approximately €24.1 billion in transactions were completed, with office buildings accounting for 21%, slightly more than the previous year. Optimism among market participants is growing, as evidenced by higher deal activity. While the overall level remains low, it is expected to rise further in 2025. Prime yields for commercial properties remained stable in the last three months of the year, with declines in yields anticipated during 2025.

Financing gaps are emerging in the coming years, which cannot all be bridged. Banks remain focused on risk minimization, particularly in light of the Basel IV regulations (effective January 1, 2025) and the increasing number of distressed commercial real estate loans. Banks are primarily competing for core products, while alternative capital providers are required for properties in other risk categories. Despite improved market conditions, restrictive financing remains a bottleneck for many investment products. Most investments in 2024 were concentrated in the core and core-plus segments.

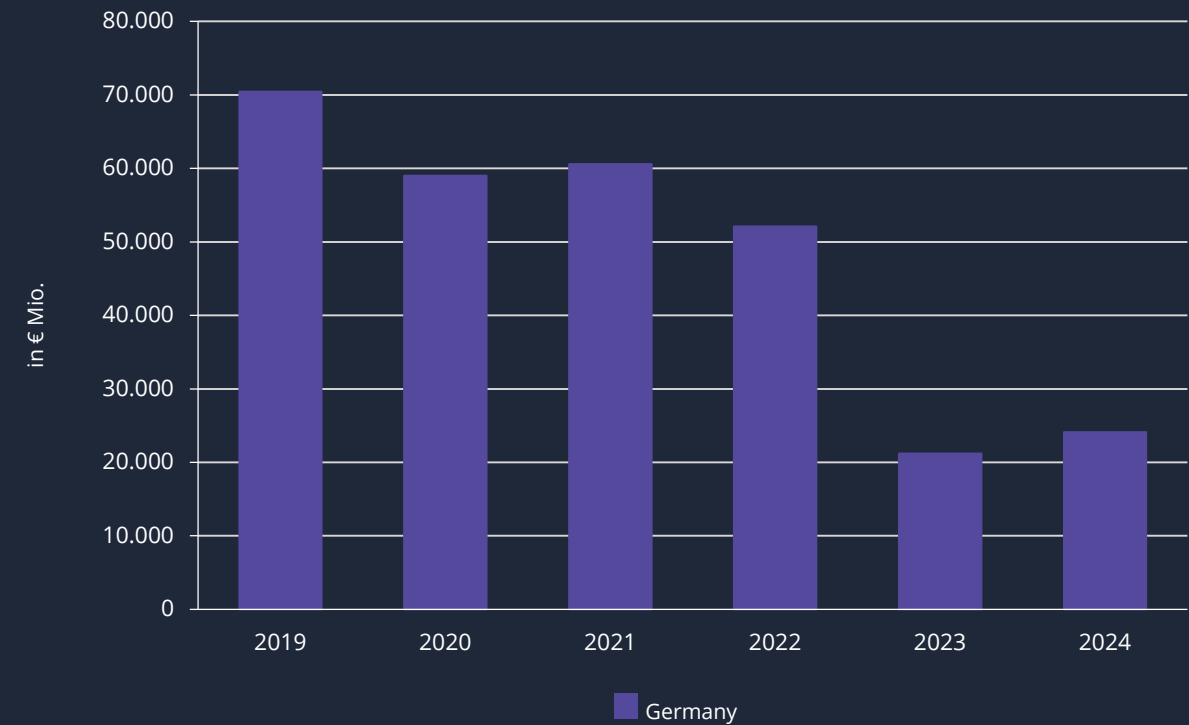
The recent ECB interest rate cuts in October and December, along with declining financing costs, have lowered the returns on alternative investments. The stable prime yields for office properties in Q4 mean that the yield spread between prime office properties and 10-year German government bonds was around 221 basis points at the end of 2024, compared to 215 basis points at mid-year. While this shows a return advantage for real estate, a one-to-one comparison of these parameters is not feasible, as other criteria must also be considered.

Many economists expect the ECB's main refinancing rate—at 3.15% at the end of 2024—to decrease to just over 2% by the end of 2025. Futures markets at the end of 2024 even anticipated a more substantial reduction. These rate cuts would notably lower short-term financing costs, while having lesser effects on longer-term loans. Overall, slightly positive momentum for real estate investments is expected. Despite ongoing challenges, sentiment in the real estate financing market is gradually improving.

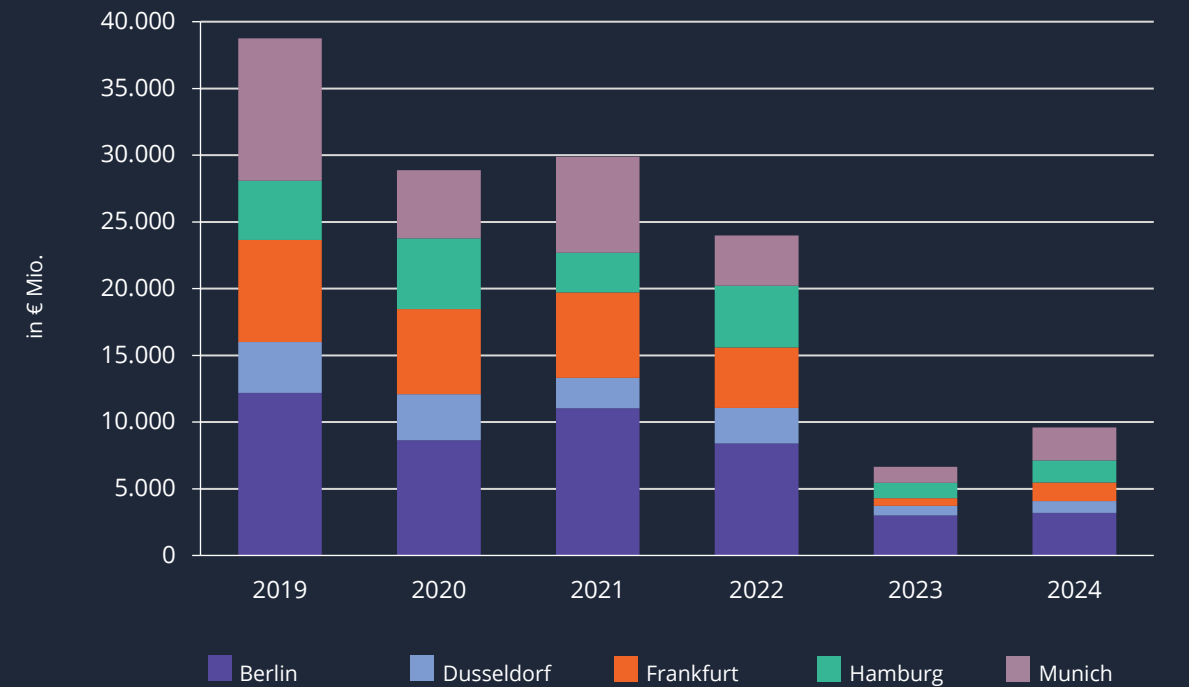
OFFICE PRIME YIELD



COMMERCIAL REAL ESTATE INVESTMENT VOLUME GERMANY



COMMERCIAL REAL ESTATE INVESTMENT VOLUME TOP 5 CITIES



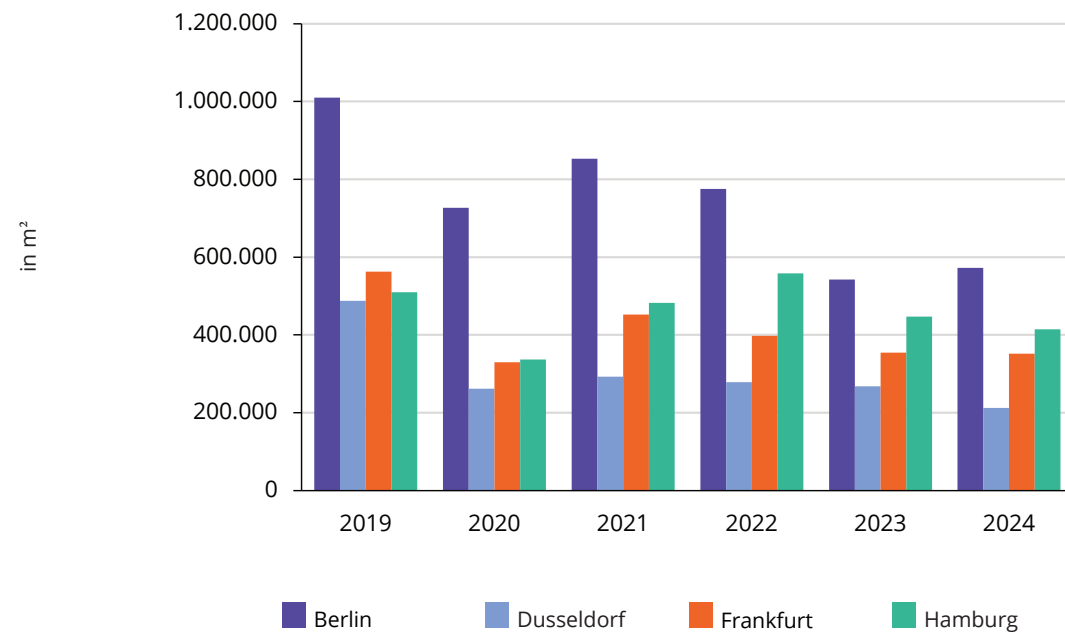
OFFICE MARKETS

In 2024, around 1.55 million m² of office space was transacted across the four major office markets examined, a 4% drop compared to the previous year. Except for Berlin, other markets recorded declines in transaction volumes compared to the prior year. Without the active participation of the public sector as tenants, results would have been even weaker. The market's segmentation remains unchanged: landlords of top-tier products are in a strong negotiating position, while they show more flexibility in secondary locations—though their financial leeway is limited due to high costs. The creditworthiness of prospective tenants is increasingly important for landlords, as it ensures cash flow security and mitigates risks.

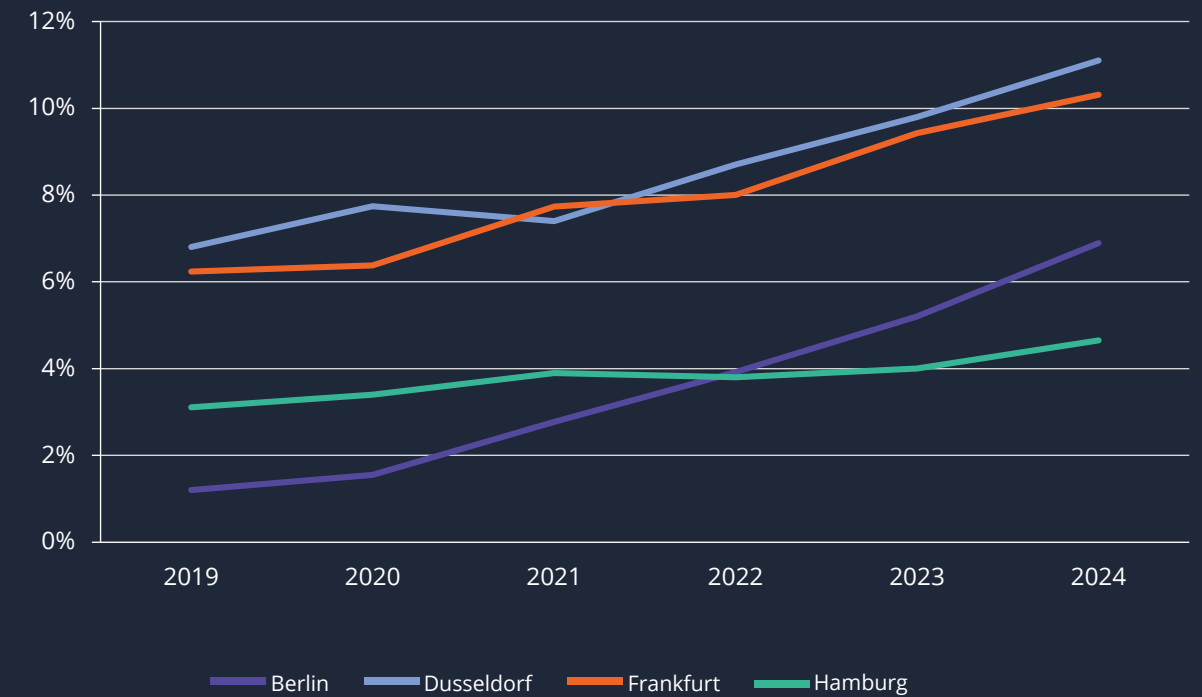
High construction costs and Basel IV requirements continue to hinder new construction projects. Speculative developments are avoided, and pre-leasing rates of 70% are not uncommon even in prime locations. However, many tenants—often for cost reasons—opt for lower-quality spaces on the city fringes or in peripheral areas rather than high-end, ESG-compliant properties in central business districts.

Over the next few quarters, the labor market will provide hardly any growth impulses for the office markets. The expected increase in GDP by just under 0.5% in 2025 will also be a weak driver, while the greatest impulses are likely to come from space optimization and the implementation of new work concepts. The costs of higher rents will continue to be offset by reducing square footage. This will lead to ongoing increases in vacancy rates, especially for outdated properties. The completion of still-available spaces in project developments, on the other hand, will only contribute to rising vacancies to a very limited extent—Berlin being the sole exception. Nevertheless, 2025 is expected to be a better year for the office markets.

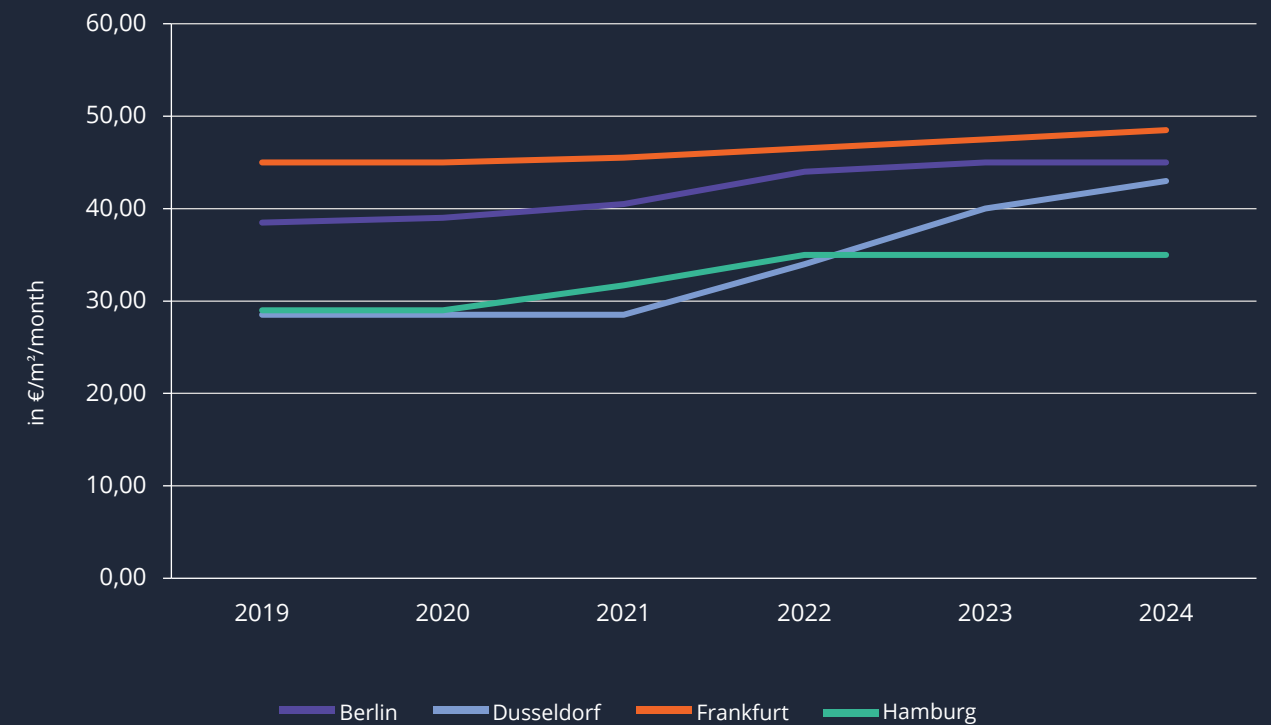
TAKE-UP: BERLIN, DUSSELDORF, FRANKFURT HAMBURG



OFFICE VACANCY RATE



OFFICE PRIME RENTS



OFFICE MARKET BERLIN



Among Berlin office tenants, decision-making confidence increased somewhat by the end of the year. While lease extensions remain a frequent outcome when a contract approaches its end, tenants are becoming more open to new leases and relocations. The last quarter, with a space turnover of 150,100 m², was the strongest of the year and the second strongest in more than two years. This was partly driven by the year's third-largest deal, Deloitte GmbH's lease of 20,300 m² in the Hackescher Markt submarket. Overall, total space turnover reached 572,300 m², a 6% increase compared to the previous year. However, this represents a 27% decrease compared to the five-year average.

Vacancies grew significantly over the year: the vacancy rate rose by about 170 basis points to 6.9%, partly due to completions of still-available spaces in project developments. New speculative developments are being initiated only very selectively. Property owners' reactions to vacant spaces are becoming increasingly differentiated depending on the location and quality of their properties, with many intensifying their marketing efforts. In several submarkets, rental price ranges slightly declined, while Berlin's prime rents remained stable; the latter is expected to see stable or slightly rising development in 2025. Space turnover is expected to be roughly in line with 2024 levels, considering the current market inquiries.



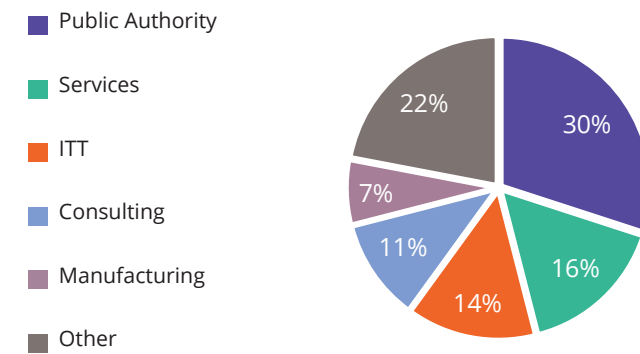
	Q4 2024	compared to previous year	Outlook*
Take-up (accumulated) (m ²)	572,300	+ 6 %	→
Prime rent (€/m ² /month)	45.00	+/- 0.00 €	→
Average rent (€/m ² /month)	28.35	- 0.11 €	
Vacancy rate (%)	6.9 %	+ 170 bp	↑

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

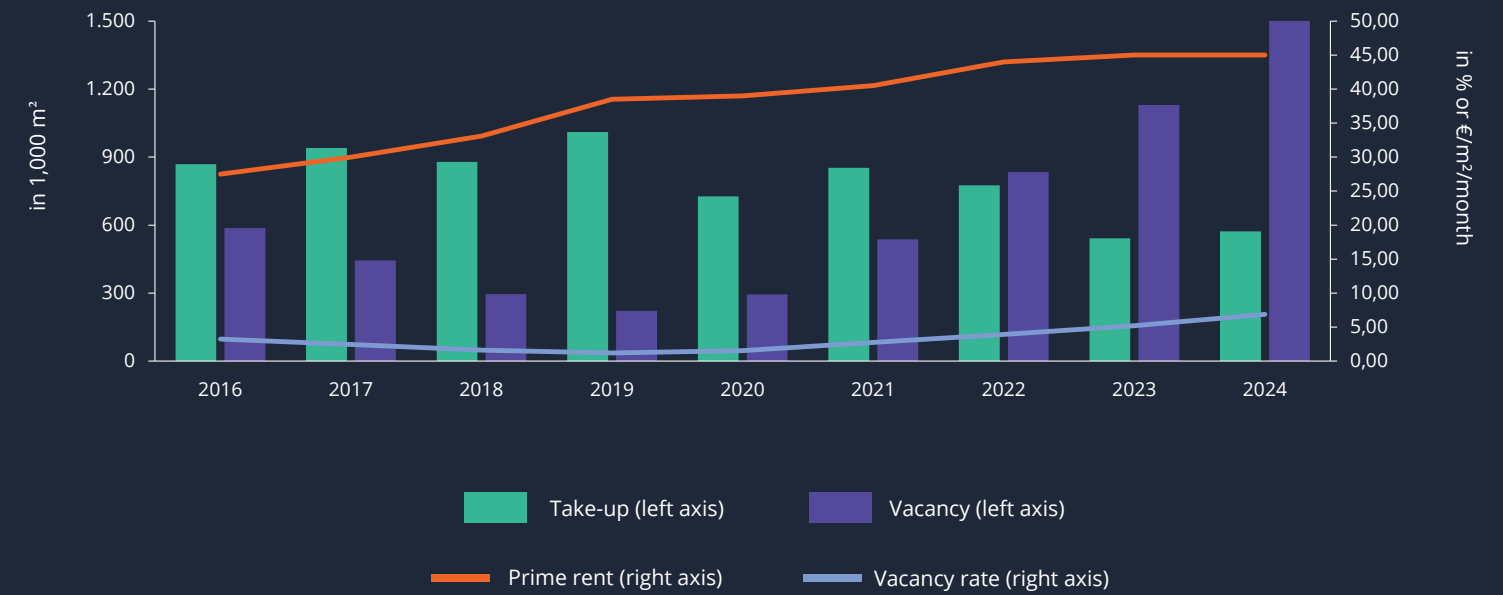
TOP 5 DEALS Q1-4

BlmA - Federal Ministry „X8“ – Markgrafenstraße 19a, Friedrichshain-Kreuzberg	25,000 m ²
BlmA - Federal Chancellery Willy-Brandt-Straße 1 Mitte	25,000 m ²
Deloitte "Campus Hackescher Markt" - Litfaß-Platz 1 Hackescher Markt	20,300 m ²
BlmA Elsenstraße 87-96 Neukölln/Alt-Treptow	19,000 m ²
Siemens AG Nonnendammallee, Charlottenburg-North/Siemensstadt	18,000 m ²

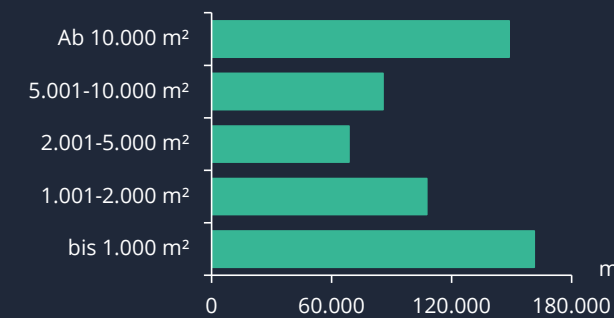
TAKE-UP BY TOP 5 SECTOR



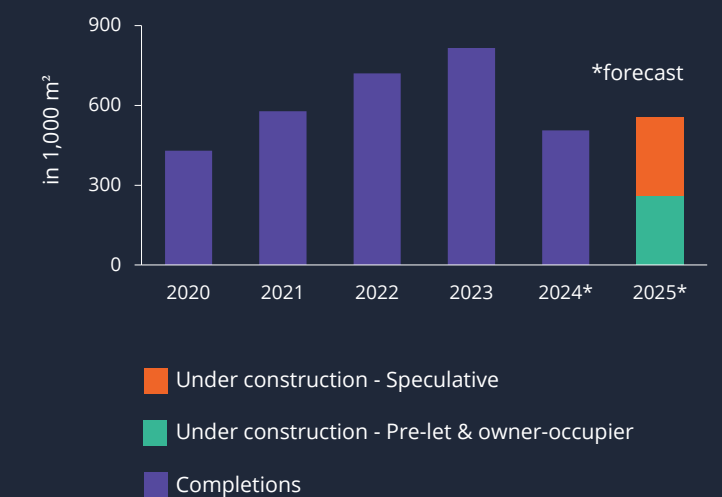
TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

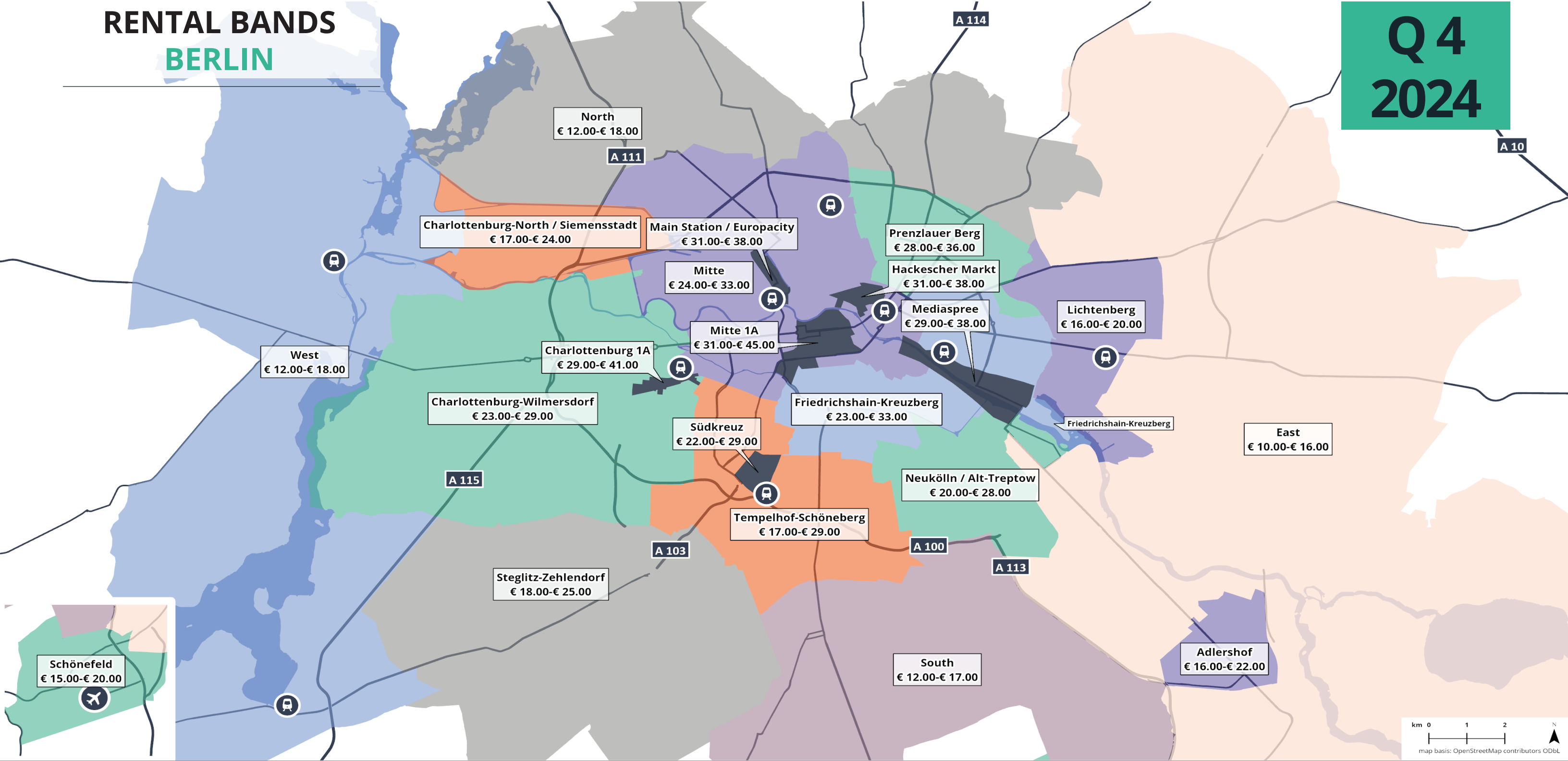


COMPLETIONS



RENTAL BANDS BERLIN

Q 4
2024



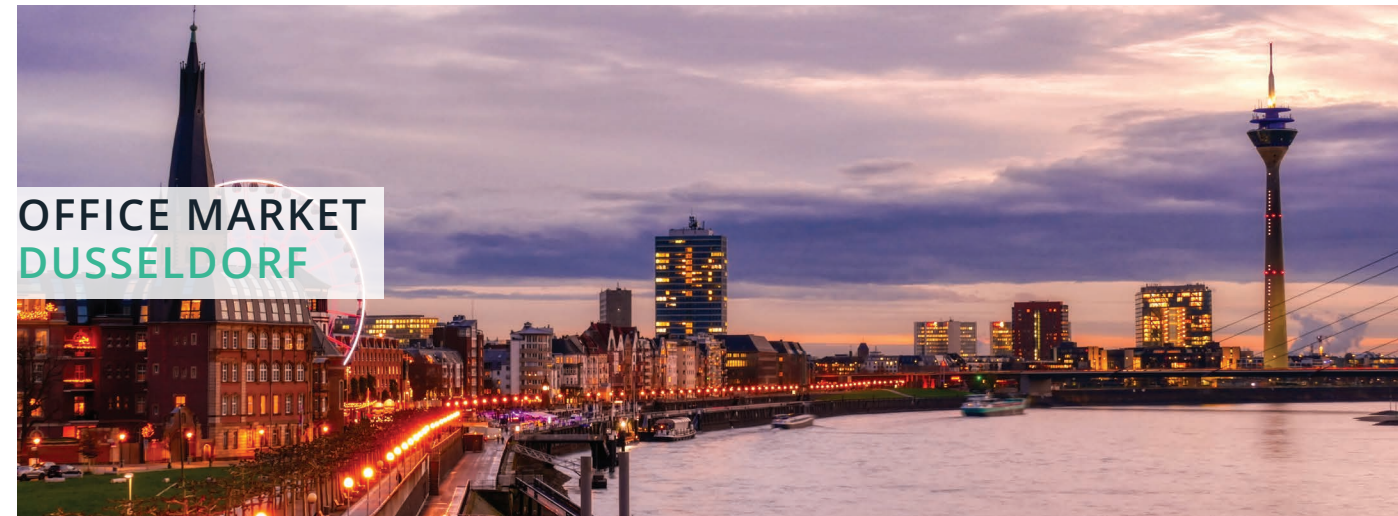
OFFICE MARKET DUSSELDORF

The year 2024 illustrates the polarization of the Düsseldorf office market: while space turnover reached only 212,000 m²—the lowest level since 2000—prime rents climbed to record highs. The vacancy rate continued to rise, approaching its previous peak.

The transaction volume was 21% below the prior year's figure and 33% below the five-year average for 2019–2023. Users, especially for large deals, remained highly cautious about long-term decisions. Among the year's largest transactions, only a 4,800 m² lease by the City of Düsseldorf was added in the fourth quarter. The trend toward lease extensions is expected to continue into 2025. The few speculative project developments are benefiting from the ongoing "flight to quality" among certain tenant groups. However, this primarily applies to prime locations; less desirable submarkets often face marketing challenges. The vacancy rate across the market as a whole will remain high. Some outdated office buildings will no longer find tenants without renovation and will need to be converted to other uses.

Prime rents, which increased by nearly 9% in the past 12 months alone, are expected to rise further in 2025, while space turnover will likely remain below average.





OFFICE MARKET DUSSELDORF

	Q4 2024	compared to previous year	Outlook*
Take-up (accumulated) (m ²)	212,000	- 21 %	↑
Prime rent (€/m ² /month)	43.00	+ 3.00 €	↑
Average rent (€/m ² /month)	19.90	- 1.95 €	
Vacancy rate (%)	11.1 %	+ 130 bp	↑

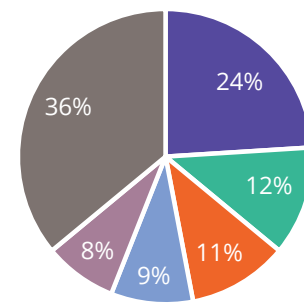
* in each case by end of year, except take-up: compared with previous year

TOP 5 DEALS Q1-4

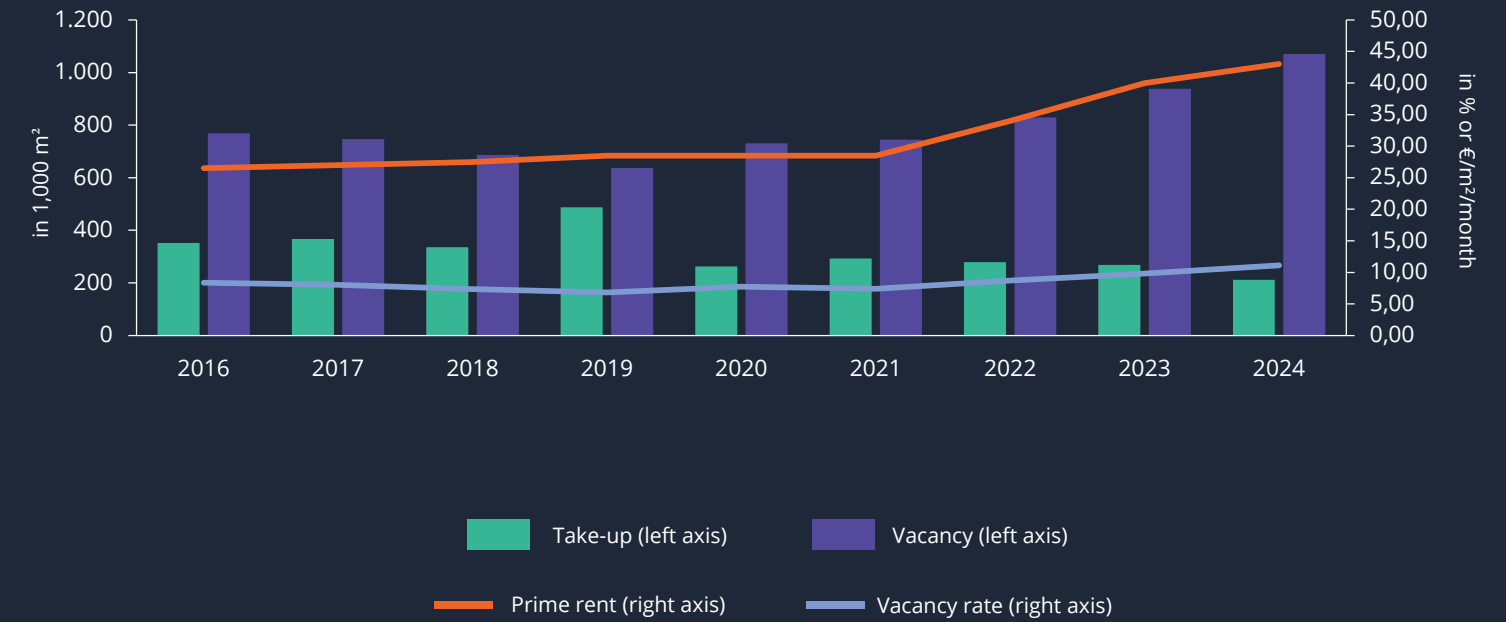
Building and Real Estate Management NRW Schwannstraße 10 Kennedydamm	7,000 m ²
Noerr Partnerschaftsgesellschaft mbB „Le Coeur“ – Benrather Straße CBD	6,000 m ²
City of Dusseldorf Immermannstraße 51-53 City	4,800 m ²
Oddo BHF Tersteegenstraße 14 Kennedydamm	3,900 m ²
voestalpine Böhler Welding Group „Albertusbogen“ – Heerdtter Lohnweg 35 West/linksrheinisch	3,900 m ²

TAKE-UP BY TOP 5 SECTOR

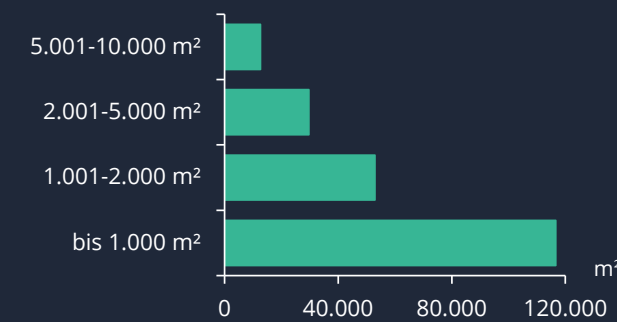
- Consulting
- Manufacturing
- Services
- Public Authority
- ITT
- Other



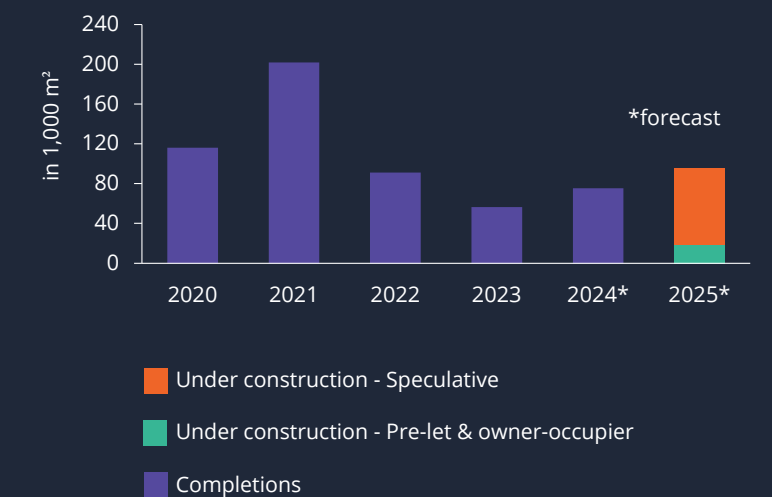
TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

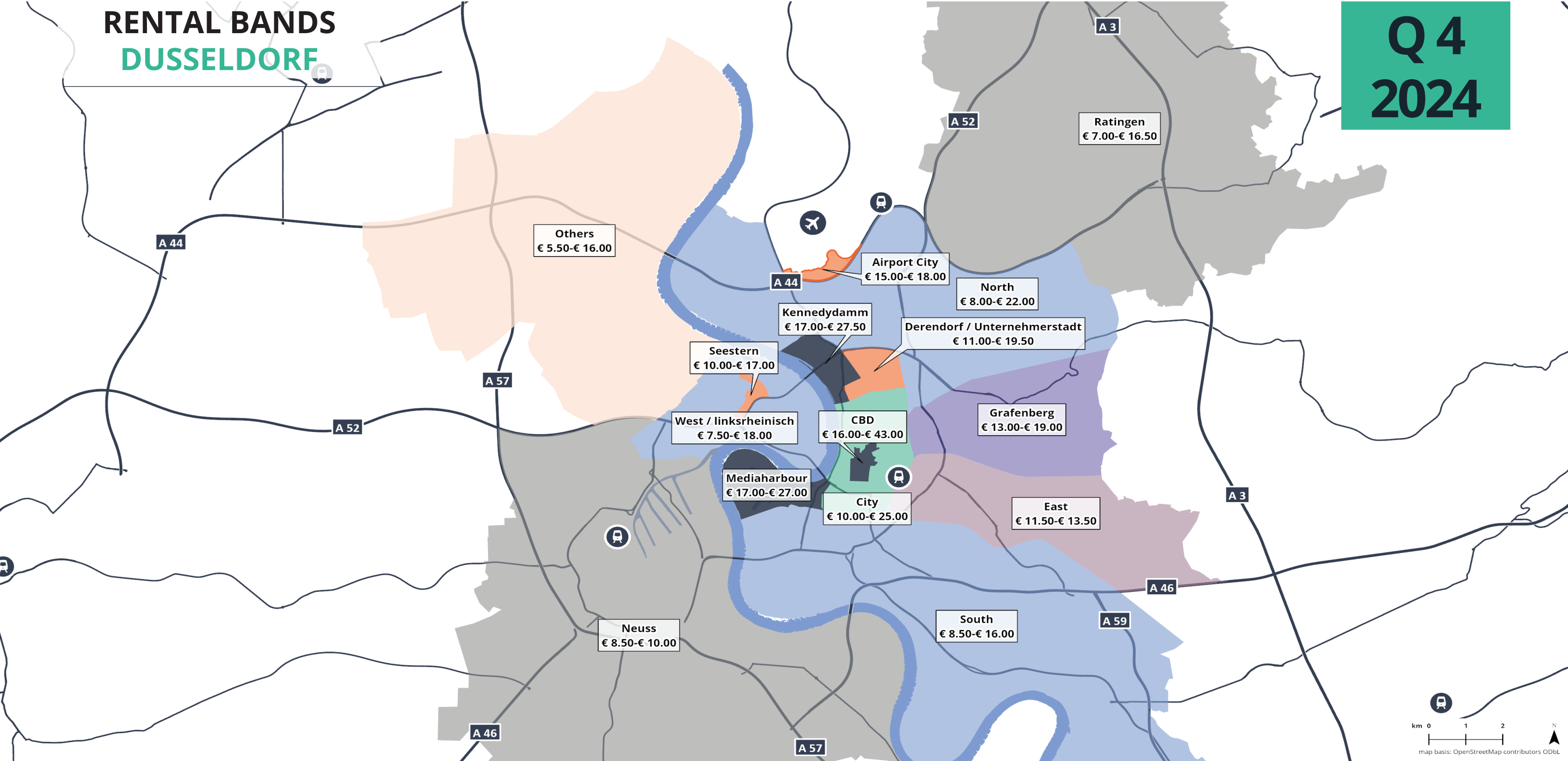


COMPLETIONS



RENTAL BANDS DUSSELDORF

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OFFICE MARKET FRANKFURT

With only two deals exceeding 10,000 m², the 2024 space turnover of 351,800 m² on the Frankfurt office market was one of the lowest in the last 25 years. Only four years had lower turnover. Even in the size segment above 5,000 m², there were only four transactions in the year's final quarter. While there are inquiries for about 400,000 m² of space on the market—solely in the size segment above 1,000 m²—not all these users will sign new leases, as only new leases are counted toward space turnover. Nevertheless, the take-up volume in 2025 is expected to significantly exceed the 400,000 m² mark.

Vacancies rose slightly again by the end of the year, almost entirely due to spaces being vacated through relocations. Only about 20,000 m² of available space entered the market in the last quarter from the construction pipeline. The project development volume remains modest in the long term. Even projects backed by equity-strong investors are almost exclusively launched with very high pre-leasing rates. Completions in 2025 are expected to bring less than 65,000 m² of available space to the market, with fewer than five project completions expected in central locations for the entire year. Therefore, the construction pipeline will have little impact on vacancy increases.

Prime rents rose in the last three months of the year to €48.50/m²/month and are expected to soon exceed the €50 mark. With the exception of the Banking District, rental price ranges in Frankfurt's submarkets remained stable.





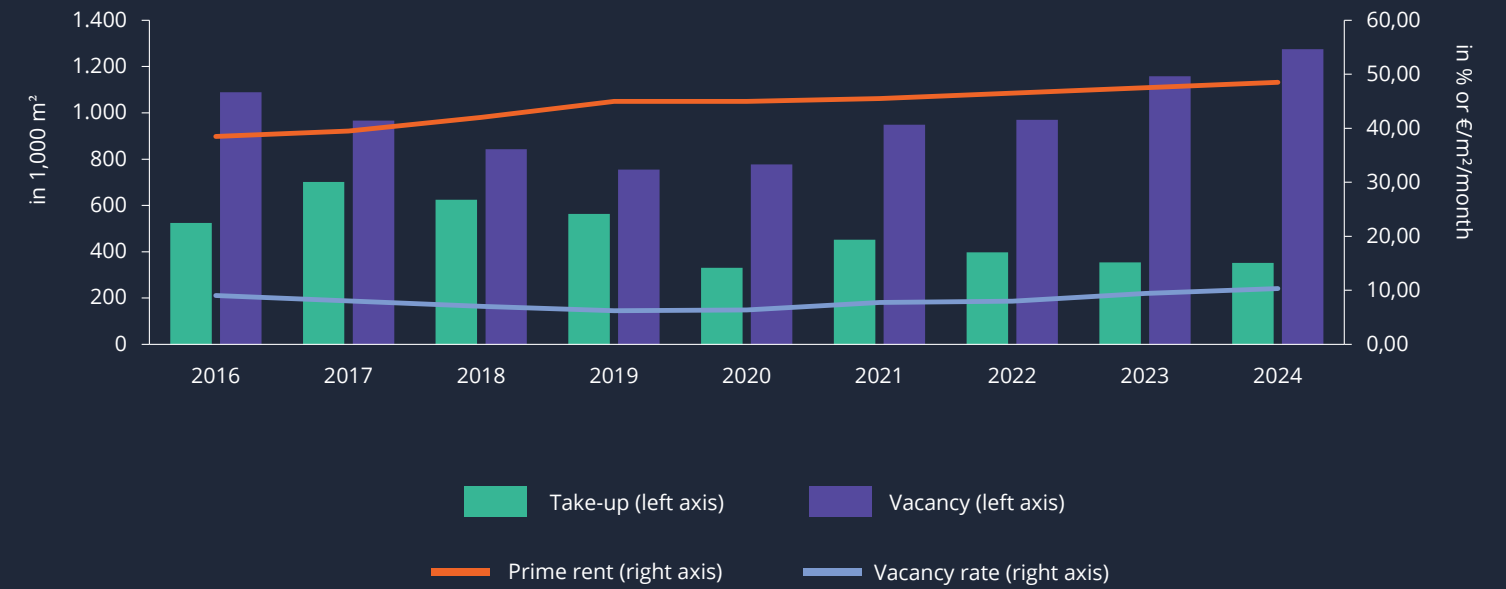
	Q4 2024	compared to previous year	Outlook*
Take-up (accumulated) (m ²)	352,000	-6 %	↑
Prime rent (€/m ² /month)	48.50	+ 1.00 €	↑
Average rent (€/m ² /month)	25.70	+ 2.80 €	
Vacancy rate (%)	10.3 %	+ 90 bp	↑

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

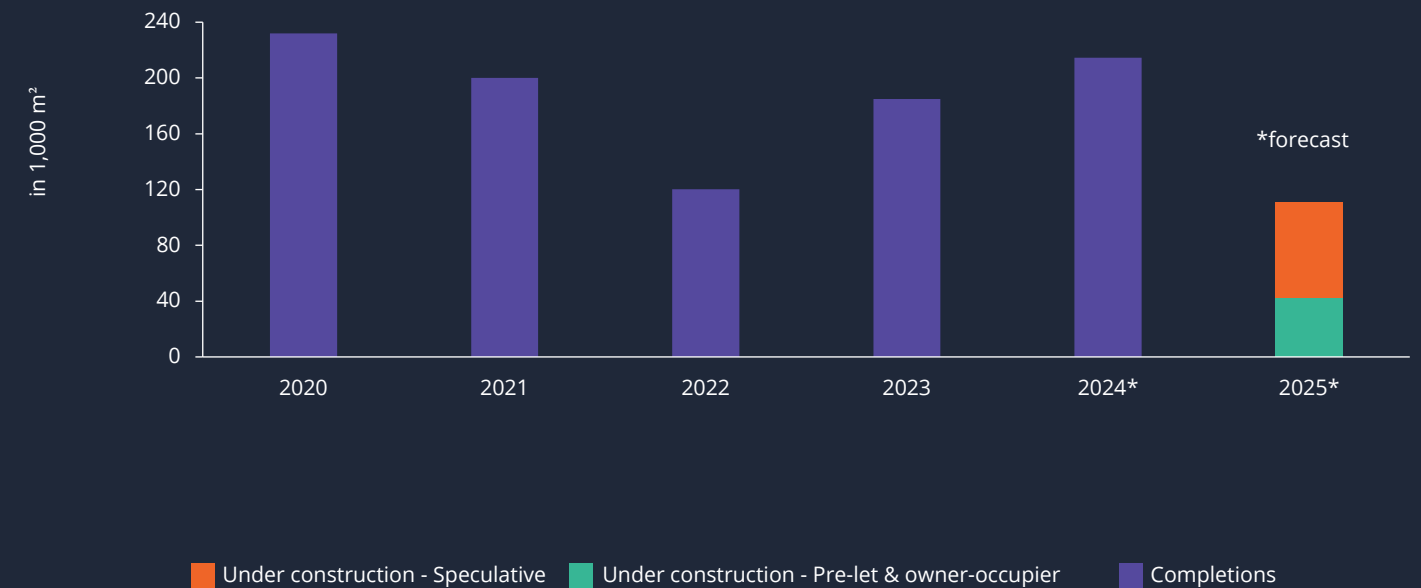
TOP 5 DEALS Q1-4

ECB / Banking Supervision „Galileo“ Banking District	36,700 m ²
Strabag Real Estate "SEED" - Europaviertel / Trade Fair City	10,000 m ²
Frankfurter Sparkasse Hauptwache 1 City	7,300 m ²
Frankfurt School of Finance "Bertramshof"- Am Steinernen Stock 1 North	6,700 m ²
City of Eschborn (City administration and library) Ludwig-Erhard-Straße 30-34 Eschborn	6,000 m ²

TAKE-UP, VACANCY AND PRIME RENT

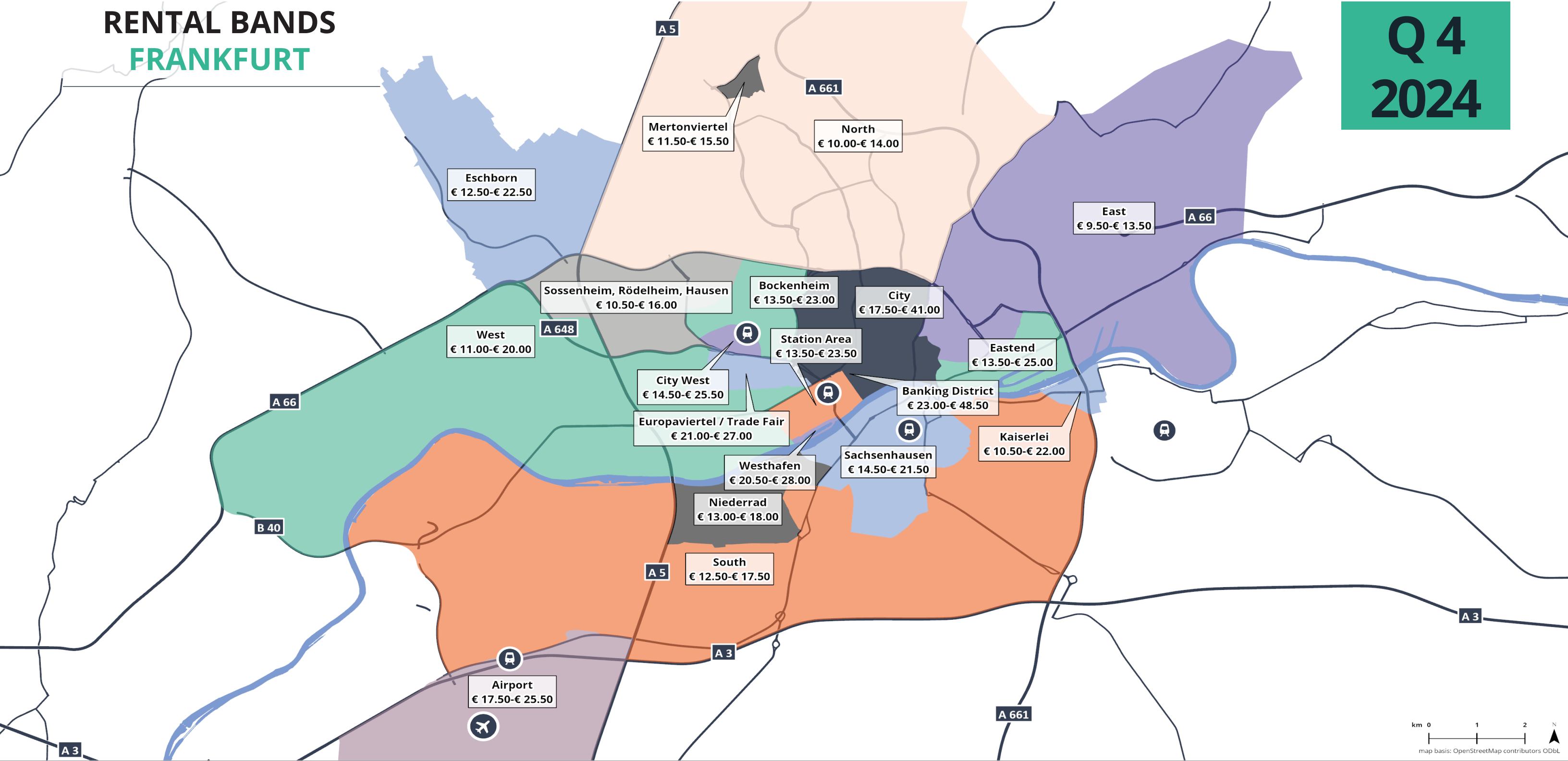


COMPLETIONS



RENTAL BANDS FRANKFURT

Q4
2024



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map basis: OpenStreetMap contributors ODbL

OFFICE MARKET HAMBURG

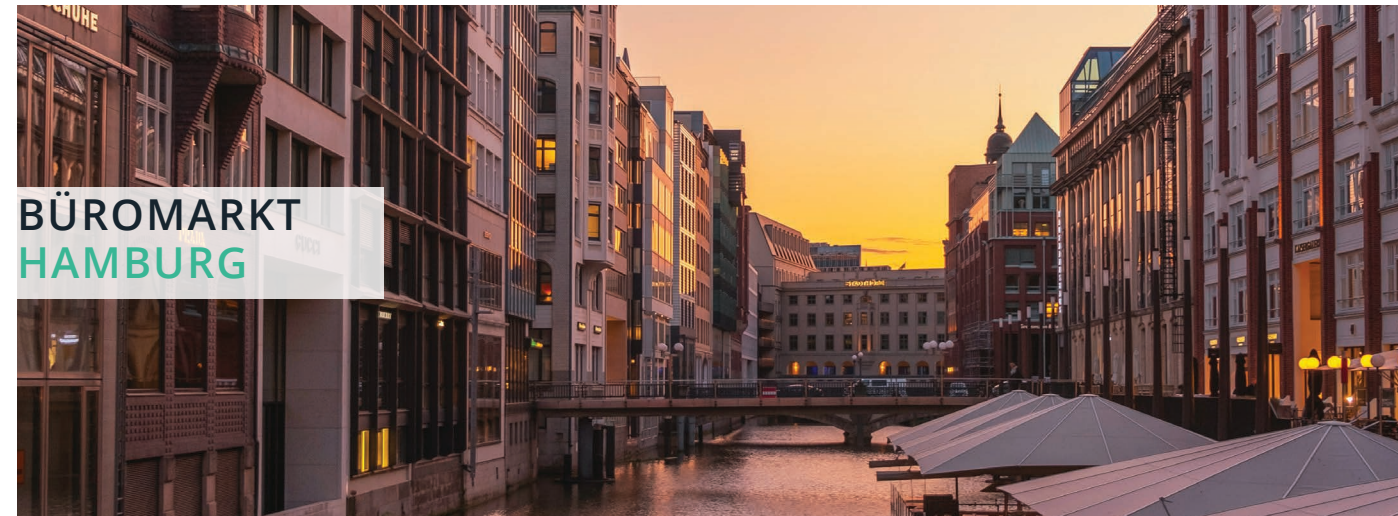
Although the fourth quarter was the strongest of the year, the Hamburg office market lacked dynamism overall in 2024. Space turnover was 7% below the already low volume of the previous year and 11% below the five-year average. The public sector was the strongest demand group, accounting for almost all the largest transactions. Among the top five deals alone, it was represented four times, with a total of 85,000 m².

While there are still companies expanding their office spaces, such activities are mostly occurring in smaller size segments. Otherwise, many office users continue to prioritize downsizing. Lease extensions are often preferred over relocations. While space turnover in 2025 may exceed that of 2024, the upside potential remains limited.

Completed project developments brought almost no free space to the market in the fourth quarter, and vacancy growth was minimal. The vacancy rate, now at 4.7%, remains the lowest among the office markets considered here. Of the completions expected in 2025—almost exclusively new buildings—60% are already pre-leased.

Rents remained stable, both in terms of submarket price ranges and Hamburg's prime rents. The same applies to incentives such as tenant improvements, especially given the increased construction costs.





	Q4 2024	compared to previous year	Outlook*
Take-up (accumulated) (m ²)	414,100	- 7 %	↑
Prime rent (€/m ² /month)	35.00	+/- 0 €	↑
Average rent (€/m ² /month)	20.60	- 0.90 €	
Vacancy rate (%)	4.7 %	+ 70 bp	→

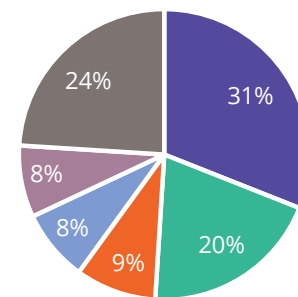
* in each case by end of year, except take-up: compared with previous year

TOP 5 DEALS Q1-4

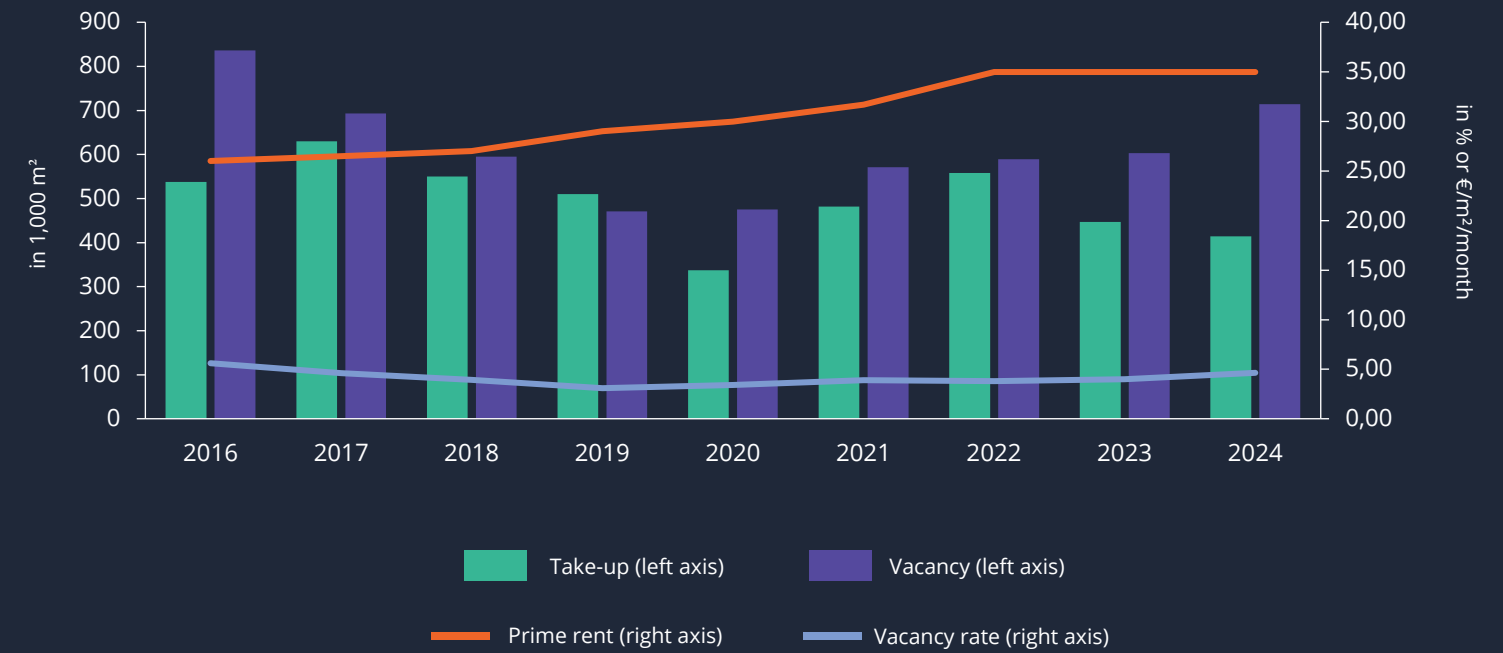
Free and Hanseatic City of Hamburg Gerhart-Hauptmann-Platz 50 City	25,600 m ²
ISZ Immobilien Service Zentrum „Arne Jacobsen Haus“ – Überseering 12 City North	24,000 m ²
Free and Hanseatic City of Hamburg „Tanzende Türme“ – Reeperbahn 1 St. Pauli / Hafensrand	21,000 m ²
STRABAG GmbH „BORX“ – Eiffestraße City South	18,100 m ²
Hamburg Tax Authority Adolphsplatz 3-5 / Großer Burstah 2-16 City	14,900 m ²

TAKE-UP BY TOP 5 SECTOR

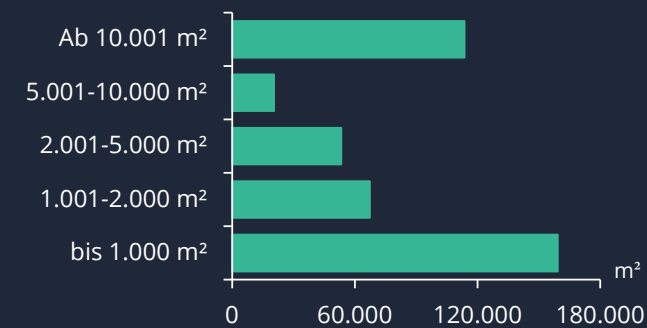
- Publicly Authority
- Building Sector
- Services
- Trade / E-Commerce
- Health / Pharma
- Other



TAKE-UP, VACANCY AND PRIME RENT



TAKE-UP BY SIZE CATEGORY

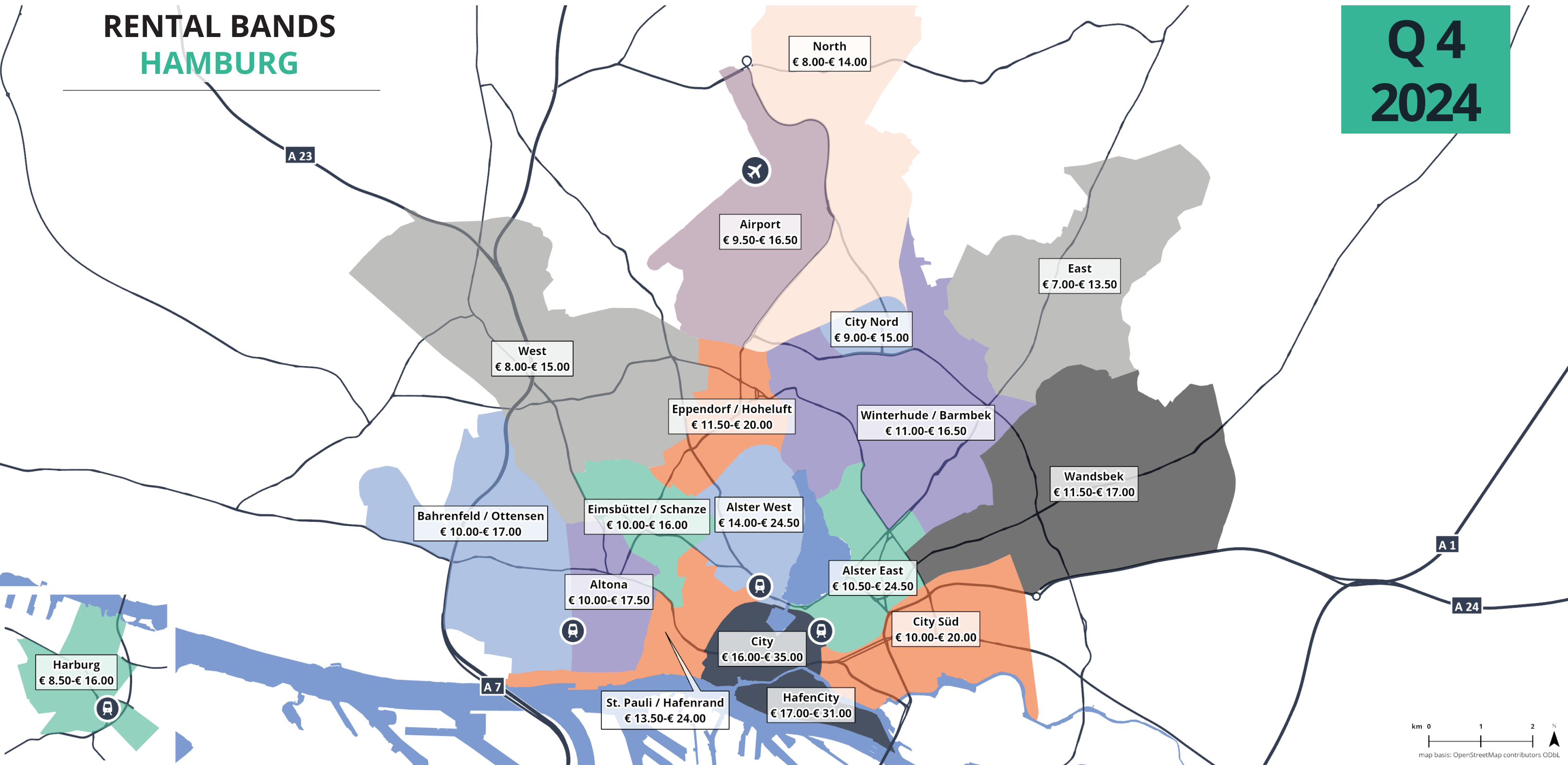


COMPLETIONS



RENTAL BANDS HAMBURG

Q 4
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map basis: OpenStreetMap contributors ODbL

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