PERISKOP

Real Estate Market Report Germany.

/ Q2 2026

1. GENERAL MARKET OVERVIEW

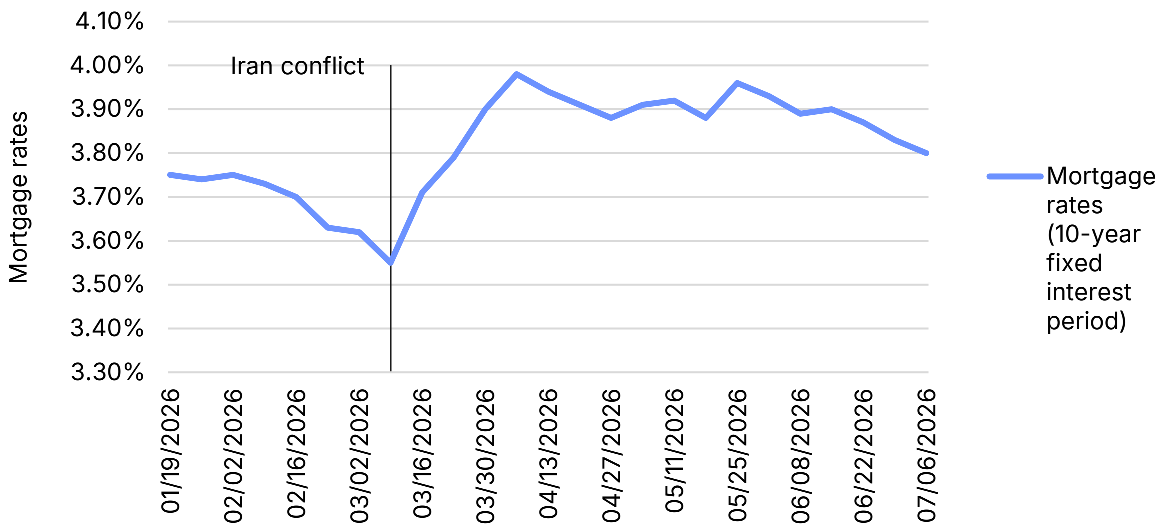
Macroeconomic Stagnation Amid the Middle East Conflict

In Q2 2026, the German economy continues to be dominated by the ongoing conflict in the Middle East and the associated rises in energy and commodity prices. Whilst sentiment in the manufacturing sector has stabilised at a low level following previous declines, momentum in the services sector has weakened noticeably. Consumer-oriented sectors such as retail and the hospitality industry are suffering from household reluctance to spend, resulting from losses in purchasing power and increased uncertainty. Industrial production stagnated in April compared with the previous month. New orders in the manufacturing sector fell by 3.8%, and in the less volatile three-month comparison, the trend was downwards at -3.1%. Inflation-adjusted retail sales (excluding motor vehicles) fell by 0.3% in April compared with the previous month and were also down by 0.3% year-on-year. Consumer price inflation slowed to +2.6% in May from +2.9% in April, driven by easing pressure on energy prices, whilst service prices continued to rise at +3.1% and core inflation rose slightly to +2.5%. Weakness persists in the labour market. Employment continued to fall in April, whilst unemployment in May was 31,000 higher than the previous year's level. Corporate insolvencies remain at elevated levels – although the IWH insolvency trend shows a 15% decline month-on-month to 1,518 cases in May, this figure is still 3% above the level recorded in May 2025. Overall, an economic recovery is likely to begin, if at all, only in small steps, depending on the further course of the conflict in the Middle East and the resulting trend in energy and commodity prices.

Capital Markets Ease After Iran Ceasefire with Continued Interest-Rate Uncertainty

Interest rate and financing prospects in the summer of 2026 remain shaped by the Iran conflict and the associated geopolitical risks, even though capital markets have eased somewhat recently following the ceasefire. The ECB has recently raised key interest rates. At the same time, inflation in Germany fell to around 2.3% in June, bringing it back close to the target, whilst in the eurozone it remains above the target at 2.8%. Against this backdrop, although further interest rate hikes cannot be ruled out, the data initially suggest a wait-and-see approach. For property financing, it is not so much the level of the key interest rate as developments at the long end of the yield curve that are decisive. There was a noticeable easing here in June: the 10-year swap rate fell over the course of the month from around 3.02% at the start of the month – following interim highs of just over 3.11% – to around 2.90% by the end of the month. Mortgage rates for 10-year fixed-rate mortgages remained at elevated levels in the first half of the year, fluctuating between 3.55% and 3.98%, most recently standing at 3.80% (6 July 2026). Overall, the financing environment remains challenging but functional: banks are conducting more rigorous checks, adopting a more restrictive stance and demanding higher levels of equity capital, whilst uncertainty regarding energy prices, supply chains, risk premiums and the future monetary policy response is keeping volatility high. Against this backdrop, a significant fall in long-term interest rates is not expected in the short term under the base scenario. At the same time, the trend in long-term capital market interest rates remains volatile in light of the renewed escalation in the Middle East, meaning that the easing on the swap market cannot yet be interpreted as a sustained trend reversal. The decisive factors here are not only the ECB's key interest rates, but also inflation expectations, government bond yields, swap spreads, bank margins and the risk premium of the respective asset. At the time of publication, the conflict with Iran has intensified once again. This affects the German property market predominantly indirectly, particularly via energy prices, inflation expectations, long-term interest rates, financing margins and higher general risk aversion. Further escalation is likely to impact, above all, the pace of transactions and the financing of complex business plans. A sustainable easing of tensions, however, would only be expected once energy prices stabilise and risk premiums decline on a sustained basis. Predictability and the early involvement of financing partners for transactions and refinancing are therefore becoming increasingly important.

MORTGAGE RATES OVER THE PAST 6 MONTHS



Source: interhyp.de, as of: 07/10/2026

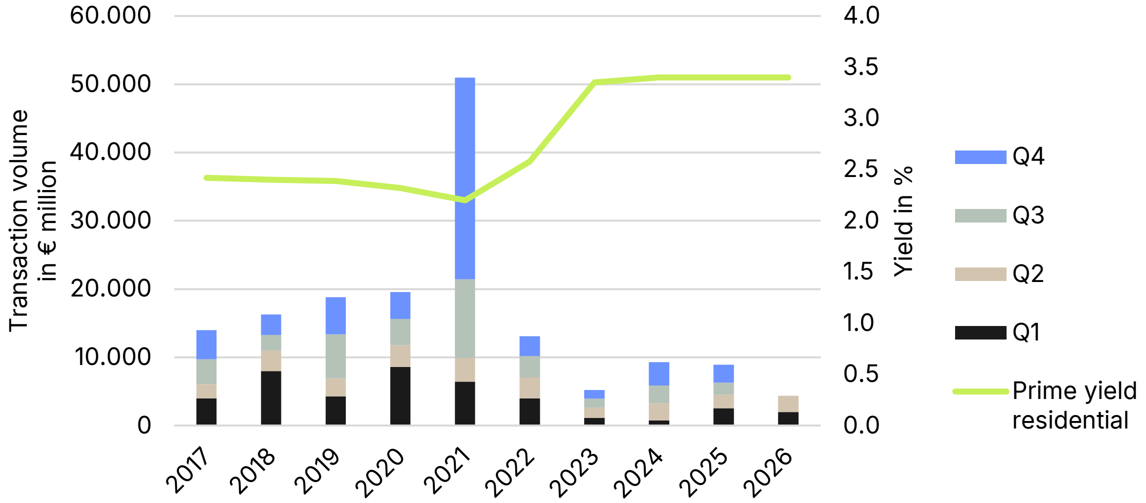
Germany Benefits from Europe's Resurgent Capital Market Momentum

International capital flows are showing increasing signs of stabilisation at the start of 2026, despite heightened geopolitical and macroeconomic uncertainty. Globally, investment in existing assets rose by 15% year-on-year in Q1 2026, whilst Europe also recorded a noticeable increase of 14%. Against this backdrop, Europe remains a key destination for cross-border capital, underpinned by the high liquidity and transparency of its major markets. Over a rolling 12-month period, Germany ranks as the third-largest destination for cross-border investment behind the United Kingdom and the US, thereby confirming its role as a core market for international allocations. At the same time, the sectoral focus of global capital flows points to sustained selective demand, as the residential segment in particular, along with industrial and logistics property, continue to hold high market shares by global standards and thus also remain the focus of many investors in Europe. The stabilisation of pricing and robust yield premiums relative to financing costs also create fundamentally supportive conditions for a gradual return of core capital. Against this backdrop, Germany is benefiting from a broader international investor base. A growing willingness to execute larger transactions is emerging as market transparency, financing conditions and risk premiums continue to normalise.

Residential Investment Market with a Broad Transaction Base and Selective Uptick in Q2 2026

The German residential investment market concluded the first half of 2026 with an overall solid, albeit selective, performance. According to BNP, CBRE, Savills, JLL and Colliers, the transaction volume amounted to around €3.6 billion – €4.4 billion, which was only slightly below the previous year's level. At the same time, the market structure has broadened significantly compared with the previous year: Depending on the source, the number of deals rose by 20–30%, whilst large-volume portfolio transactions remain the exception. Medium-sized individual deals in the €15 million – €50 million range dominate market activity and, at around 41% (Colliers), account for significantly more volume than the long-term average. In Q2 2026, JLL recorded a 58% increase in volume compared with the previous quarter, and the return of larger property portfolios, as well as the rise in value-add transactions to around 20% of total volume, underline a gradual broadening of the market. Foreign investors, particularly those from the Anglo-Saxon region, were significantly more active in Q2 2026 and expanded their net position by around €1.3 billion. Depending on the source, prime yields remain largely stable in the range of 3.4–3.6% for prime properties in the top seven cities, although Colliers has already recorded a moderate rise to 4.1% for newer existing properties. The increasing number of small and medium-sized transactions thus points to improved market functionality. However, this does not yet indicate broad-based price stabilisation or a return to the liquidity levels seen in earlier market phases. Large-volume portfolios, weaker micro-locations and properties with high capital expenditure or regulatory risk remain significantly more difficult to place. The market currently values, above all, transparent cash flows, low operational complexity and financially viable business plans.

RESIDENTIAL TRANSACTION VOLUME (GERMANY) AND YIELD DEVELOPMENT (TOP 7 CITIES)

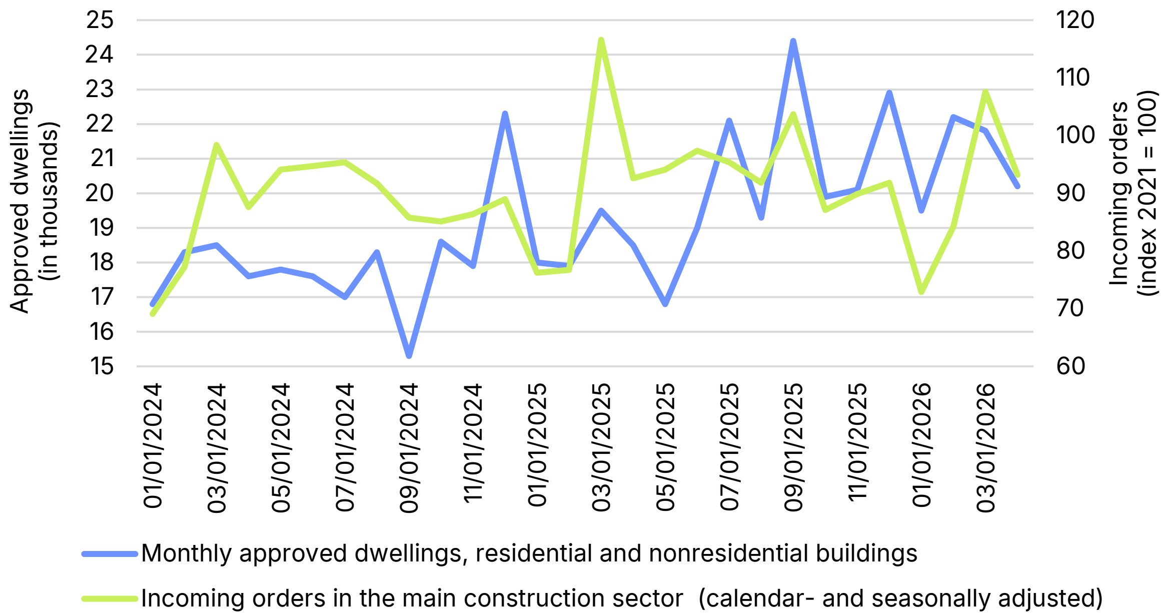


Source: CBRE Research + BNP Paribas, as of: 06/30/2026

Building Permits on a Clear Upward Trend Despite Muted Construction Activity

The upward trend in the number of building permits continued at the start of 2026. From January to April 2026, a total of 83,700 dwellings in new and existing buildings were approved in Germany, an increase of 13.2% compared with the same period last year. In new-build projects alone, 68,400 dwellings were approved (+13.4%), with multi-family dwellings accounting for the largest share at 44,300 approved units (+14.7%). Two-family dwellings (+22.9%) and single-family dwellings (+11.7%) also saw increases. In April 2026, 20,200 dwellings were approved – around 9.2% more than in the same month of the previous year. In the main construction sector itself, however, the picture is more mixed. Real, calendar- and seasonally-adjusted order intake in the main construction sector stagnated in April 2026 compared with the previous month. Building construction fell by 6.7%, whilst civil engineering rose by 6.5%. In the less volatile three-month comparison from February to April 2026, order intake was 0.4% higher overall than in the previous quarter. The trend in turnover is more positive: in April 2026, real turnover rose by 3.6% compared with the same month of the previous year, and by 6.3% in nominal terms to €10.0 billion. Employment in April 2026 increased by 1.4% compared with the same month of the previous year to around 545,000 people in work. Overall, this paints a mixed picture: the rise in building permits should initially be viewed as a leading indicator, but does not yet constitute evidence of a broad-based recovery in new construction activity. There remain significant hurdles between the granting of a planning permission, the approval of funding, the start of construction and completion; consequently, the key factor in assessing the market is the proportion of approved projects that will actually proceed to the implementation stage over the next two to three quarters. Against this backdrop, the question remains as to whether the current momentum in planning permissions will actually translate into increased construction activity. Of the €327 million earmarked in the special fund for housing construction, only around €37 million was disbursed last year, which underlines the need for action to create investment-friendly framework conditions.

APPROVED DWELLINGS AND INCOMING ORDERS IN THE MAIN CONSTRUCTION SECTOR



Source: Destatis, as of: 07/14/2026

Housing Construction Boost from the BauGB Amendment and Extended EH55 Funding

In the spring and summer of 2026, the Federal Government is relying on two parallel measures to revitalise the stagnating housing construction sector. On the funding front, the Federal Government and KfW have extended the Efficiency House 55 subsidy scheme – which was introduced on a temporary basis in December 2025 – beyond the originally planned deadline of the end of June 2026, until 31 December 2026 at the latest. The programme aims to reduce the construction backlog, which currently comprises around 760,000 residential units in Germany that have been approved but not yet built. Subsidised loans of up to €100,000 per residential unit can be applied for at an effective annual interest rate of currently 1.0% (for a ten-year term), provided that a valid planning permission is in place and the building is heated exclusively using renewable energy sources. Of the €800 million in funding originally allocated, around €343 million remains available. There are no plans to increase this amount. According to the Federal Ministry of Construction, the programme has so far enabled around 33,700 residential units from the construction backlog to be brought into use. On the planning law front, on 27 May 2026 the Federal Cabinet adopted a draft bill to modernise urban development and regional planning law, which is due to come into force on 1 January 2027. Key elements of the amendment to the German Building Code (BauGB) include the complete digitalisation of urban land-use planning, the avoidance of duplicate assessments and repeated public consultation procedures, a streamlining of environmental assessments, and the introduction of binding procedural deadlines. In practice, however, the impact of the reform is likely to remain limited at first, as the amendment does not fundamentally alter the main causes of lengthy approval procedures – environmental and species protection assessments, coordination between authorities and objections under neighbours' rights. It will therefore be crucial to see how consistently the new instruments are applied at local authority level, as the varied experiences with the Bauturbo scheme – which has been in force since October 2025 – have already demonstrated.

2. SPECIAL MARKET OVERVIEW — TOP 7

German Office Leasing Markets Show Marked Polarisation at Mid-Year

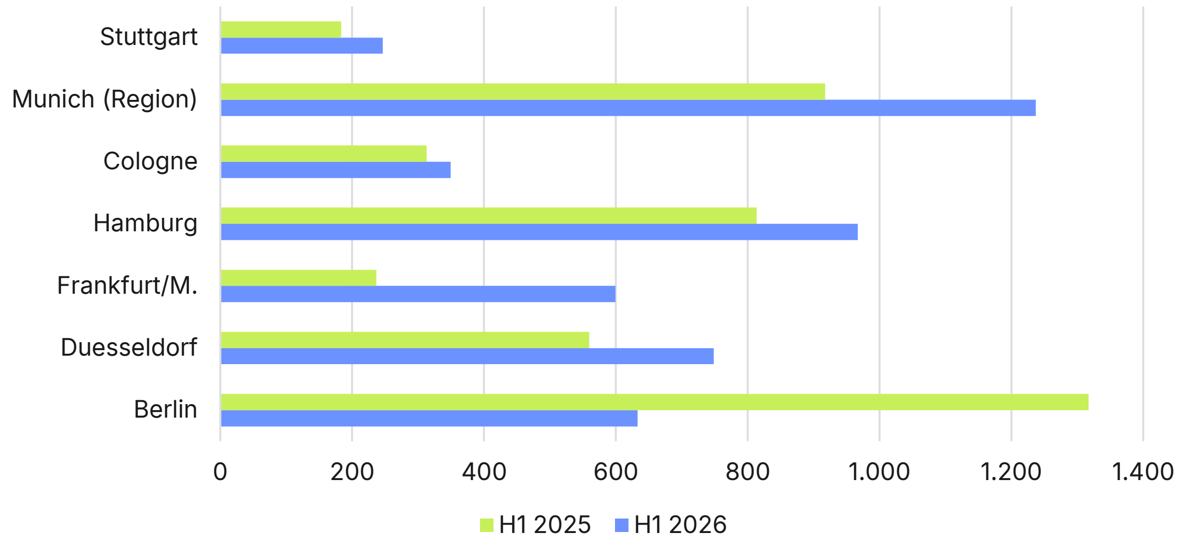
At mid-year 2026, the German office lettings market is characterised by a two-speed market. According to BNP, Savills and Colliers, around 1.29–1.30 million sqm of office space was let in the Top 7 markets in the first half of the year, representing a decline of around 6–7% compared with the same period last year and 12–15% below the ten-year average. Performance across individual locations is increasingly diverging: Berlin (+44–51%) and Munich (+36–38%) saw significant year-on-year growth, benefiting in particular from a buoyant large-tenant segment and their appeal to technology and AI companies. By contrast, Frankfurt (–57%), Stuttgart (–38%) and Cologne (–33%) recorded substantial declines, whilst Düsseldorf and Hamburg remained largely stable. Prime rents are consequently diverging: Munich leads the way at €59.50/sqm –

€62.00/sqm, Frankfurt stands at €56.00/sqm – €57.00/sqm, Berlin has exceeded the €50.00/sqm mark for the first time, Hamburg stands at €39.00/sqm, Düsseldorf at €46.00/sqm, Cologne at €33.50/sqm and Leipzig at €21.00/sqm. The spread between the highest and lowest prime rents now stands at around 88%. Total vacancy in the top seven markets rose to around 9.0–9.1 million sqm by mid-year, whilst the vacancy rate reached 9.2% – its highest level since 2007. This increase is concentrated primarily on older existing space in peripheral locations, whilst modern, ESG-compliant space in prime locations remains in short supply, maintaining upward pressure on prime rents.

Commercial Investment Market in the Top 7 Cities with a Differentiated Half-Year Result

The commercial property investment market in the top seven cities presents a mixed picture at mid-2026. Following a buoyant start to the year, transaction activity cooled noticeably in the second quarter as a result of the ongoing conflict with Iran, rising financing costs and increased geopolitical uncertainty. Market activity continues to focus on high-quality individual transactions, whilst large-volume portfolio sales remain the exception and the average deal size is significantly below the long-term average. There is marked variation across the top seven locations: Munich tops the ranking according to BNP with a half-year volume of around €1.24 billion, followed by Hamburg with €967 million. Berlin remains comparatively subdued with a half-year total of around €633 million. Office property remains the strongest commercial asset class, followed by logistics. In terms of net prime yields, noticeable increases have been recorded across all asset classes for the first time since the end of 2023: according to JLL, the average office prime yield in the top seven cities rose by 15 basis points to 4.46%. According to BNP, it rose to 4.49%, whilst logistics yields rose to 4.60%.

COMMERCIAL TRANSACTION VOLUME IN € MILLION, TOP 7 CITIES
H1 2025 / H1 2026



Source: BNP Paribas, as of: 06/30/2026

3. SPECIAL MARKET OVERVIEW — BERLIN / BRANDENBURG

Berlin Commercial Investment Market Records a Muted First Half of 2026

The Berlin commercial property investment market closed the first half of 2026 with modest results. According to BNP, around €633 million was invested, which is just under 52% less than in the same period last year. Market activity remains highly fragmented: Individual sales took place exclusively in size categories up to €50 million, whilst the average deal volume, at around €18 million, is significantly below the five-year average of €45 million. Among the top seven locations, only Munich stood out clearly with €1.24 billion, whilst Berlin recorded the highest number of transactions despite the weaker volume. In terms of turnover, retail investments dominated, accounting for around 26% of the total volume, driven in part by Berlin-based assets from two nationwide portfolio transactions in the food and specialist retail sectors. The office sector remains significantly under-represented at just over 13% at the mid-year point, but is likely to start the third quarter with a boost from the currently very dynamic office lettings market. Net prime yields have risen slightly as a result of higher financing costs: offices in the top segment now stand at 4.50% (+15 basis points), premium logistics at 4.60% (+10 basis points) and high-street properties at 3.95%. A noticeable upturn is expected in the second half of the year, provided the supply situation allows for it, although isolated yield adjustments cannot be ruled out given the continuing volatility in financing conditions.

Berlin's 2026 Rent Index Shows an Increase in Local Comparable Rents

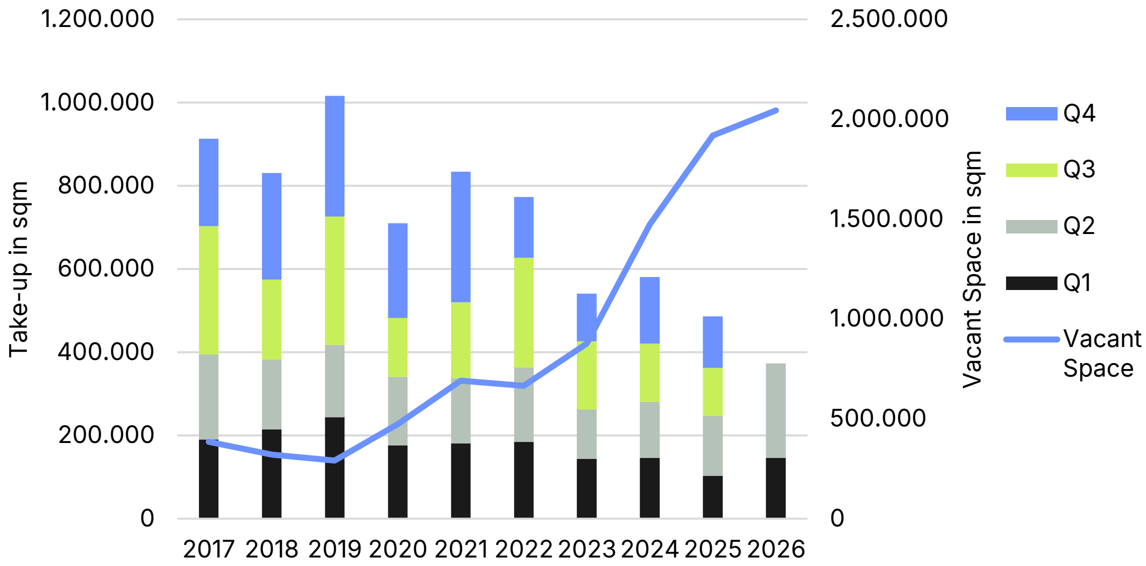
The Berlin Rent Index 2026 was published on 28 May 2026 and updates the reference framework for the local comparative rent in the non-rent-controlled housing stock. The average net rent excluding utilities stands at €7.71/sqm, which is €0.50/sqm higher than the figure of €7.21/sqm in the 2024 Rent Index. There have been slight shifts in the classification of residential areas: 29.4% of addresses are in basic residential areas (2024: 28.5%), 49.9% in average residential areas (2024: 52.1%) and 20.7% in good residential areas (2024: 19.4%). With this update, the comparative rent base used in tenancy law has therefore increased, further underlining the importance of small-scale distinctions in location and quality. For institutional property owners and financiers, the rent index remains relevant as a qualified benchmark, particularly as a basis for tenancy law calculations as well as for risk and plausibility checks.

Berlin Office Letting Market Posts a Strong H1 and Sees Large-Volume Deals Return

The Berlin office lettings market performed significantly better in the first half of 2026 than in the previous year, which had been a weak one. According to BNP, CBRE, Savills and JLL, between approximately 373,000 sqm and 405,100 sqm of office space was let, representing an increase of around 49% to 63% compared with the same period last year and exceeding the ten-year average by around 10–12%. The second quarter in particular made a decisive contribution to this encouraging interim result, marking the strongest period of the year in terms of turnover over the past five years, with several deals, some of which were very large. Alongside the return of large-scale lettings –

including the expansion of the Federal Ministry for Economic Cooperation covering around 31,500 sqm and the letting to JetBrains of around 18,500–19,400 sqm at the Hainwerk in Friedrichshain – transaction activity remained high in the smaller-scale segment as well. On the demand side, ICT and public administration dominate, accounting for a combined total of around 35–42% of total turnover, followed by business-related services. Geographically, activity is concentrated in Mitte, Friedrichshain and Schöneberg. Depending on the source, prime rents rose to between €46.50/sqm and €50.00/sqm – an increase of up to 8.7% compared with the previous year's level – driven by a continuing shortage of new-build space in prime central locations. The vacancy rate rose moderately to 8.4–9.6% by mid-year, as older existing space in peripheral locations came under increasing pressure, whilst high-quality, ESG-compliant space in prime locations remained in short supply.

OFFICE TAKE-UP AND VACANCY DEVELOPMENT IN BERLIN



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