PERISKOP

# Germany's Investment Climate.

## Opportunities for International Investors and Project Developers

/ October 2026



## Executive Summary

Germany is undergoing a period of economic realignment. An improvement in the country's economic outlook could open up new investment opportunities, provided the recovery translates into stronger demand, improved financing conditions and a sustained revival in investment activity.

**For international investors, this gives rise to three key areas to consider:**

- **Economic outlook**: A renewed recovery in economic activity could support demand for commercial and residential real estate.
- **Structural investment needs**: The need to modernise infrastructure, energy supply, existing buildings and industrial sites creates long-term project potential that does not depend solely on short-term economic growth.
- **Market entry and investment timing**: Development projects with viable location strategies, realistic cost assumptions and a solid demand base may benefit from an economic recovery.

The economic forecasts provide the broader macroeconomic context.

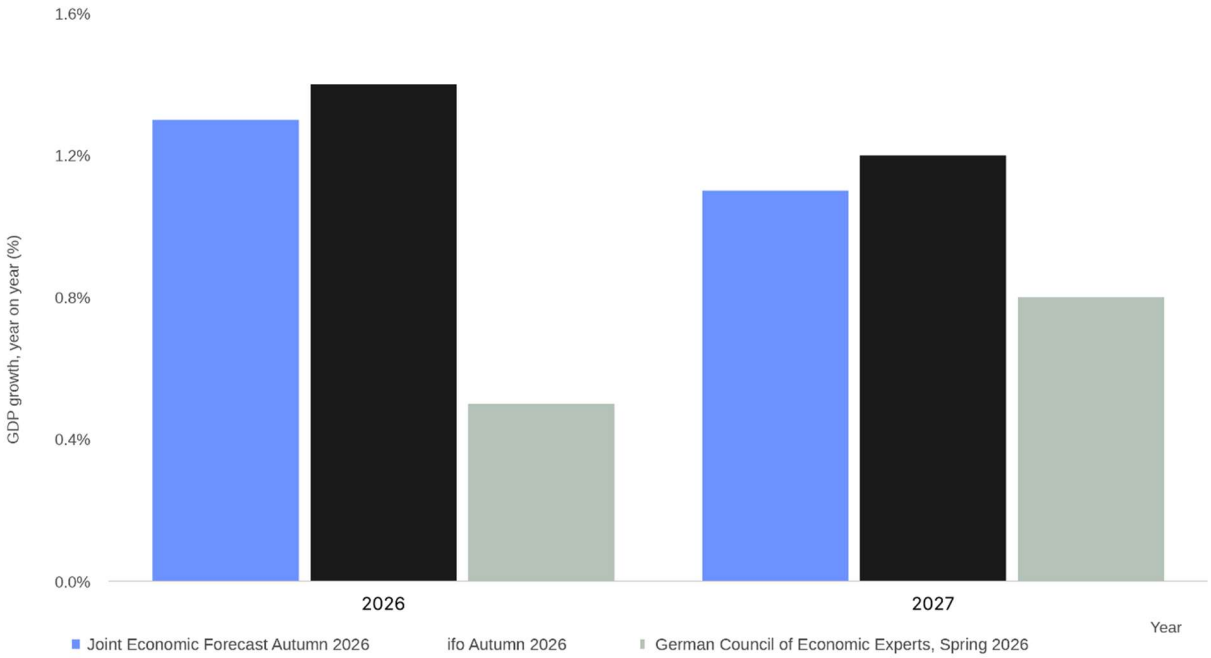
## 1. Improved economic forecasts as a starting point

Forecasts published in September 2026 point to a more favourable outlook for the German economy than anticipated in spring or summer. In particular, the "Gemeinschaftsdiagnose (Joint Economic Forecast)", a research project involving the leading economic research institutes[1], as well as the ifo Institut's autumn forecast, were revised upward.

The "Gemeinschaftsdiagnose" raised its expectations for 2026 by 0.7 percentage points and for 2027 by 0.2 percentage points compared with its spring forecast. The institutes attribute the revision to a more robust economic performance in the first half of 2026. At the same time, they emphasise that the recovery remains constrained by high energy prices and structural challenges.

The ifo Institut also sees the recovery continuing in its autumn forecast. It expects real economic growth of 1.4% in 2026 and 1.2% in 2027. Compared with its summer forecast, this represents upward revisions of 0.6 and 0.4 percentage points, respectively, for the first two forecast years. In spring, the German Council of Economic Experts had forecast growth of just 0.5% for 2026 and 0.8% for 2027.

[1]Deutsches Institut für Wirtschaftsforschung (DIW Berlin), ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e. V. in Kooperation mit dem Österreichischen Institut für Wirtschaftsforschung (WIFO), Kiel Institut für Weltwirtschaft, Leibniz-Institut für Wirtschaftsforschung Halle (IWH) und RWI – Leibniz-Institut für Wirtschaftsforschung




*Comparison of growth forecasts. Real GDP change year on year.*

Sources: Gemeinschaftsdiagnose Autumn 2026, ifo Autumn Forecast 2026 and Sachverständigenrat Frühjahrsgutachten (German Council of Economic Experts Spring Report) 2026. The Council's earlier forecast is included for comparison over time; it is not a current autumn estimate.

## 2. Key growth drivers and their implications for project development

### 2.1 Exports and industrial activity

According to the "Gemeinschaftsdiagnose" (Joint Economic Forecast), the initial recovery was driven largely by unexpectedly strong exports and higher value added in manufacturing. The global AI boom provided a boost, and Germany also benefited from production and logistics disruptions affecting competitors as a result of the Iran war.

Private consumption and business investment, by contrast, remained weak.

This creates a range of opportunities for project developers. A pickup in industrial activity could, over time, support demand for production space, modernised commercial sites, specialised logistics properties and premises for industry-related services.

Locations with an established industrial base, strong transport links, secure energy supplies and access to a skilled workforce are particularly relevant. For such projects, developers should substantiate actual regional demand through company relocations, specific occupier enquiries or pre-leasing.

## 2.2 Public investment and infrastructure

According to the ifo Institut, expansionary fiscal policy is a key factor supporting the economic recovery and partly offsetting the burden of higher energy prices. According to "Deutsches Institut für Wirtschaftsforschung" (DIW), rising public spending on defence and infrastructure is contributing positively to economic growth, although Germany's debt ratio is also increasing.

For project development, this is particularly relevant in locations that could benefit from improved access or upgrading through public infrastructure investment. Examples include sites along major transport corridors, urban development areas and commercially zoned land near infrastructure projects. Properties intended for security-, defence- or technology-related uses—so-called Defence Properties—are also attracting greater attention and becoming a distinct market segment that is increasingly investable by institutional investors (see also Periskop's March 2026 white paper, Defence Properties).

## 2.3 Energy efficiency and modernisation

In its spring report for 2026, the "Sachverständigenrat" (German Council of Economic Experts) identifies high energy prices in Germany as a key obstacle to economic recovery. The energy price shock triggered by the Iran war had slowed the nascent recovery. Over time, the expansion of renewable energy is expected to lower average wholesale electricity prices, while electricity demand is rising, among other things, due to electric vehicles, heat pumps and data centres. The government is also seeking to counter these pressures with relief measures for industry.

Energy price trends are directly relevant to real estate investment. They affect construction costs, operating costs, the economic viability of commercial occupiers and the attractiveness of energy-efficient buildings.

This may give projects with low operating costs, efficient building systems, future-proof heating and reliable energy infrastructure a competitive advantage.

For international investors, this advantage should be communicated not only through sustainability credentials but, wherever possible, through specific metrics: projected energy consumption, annual operating costs, capital expenditure on building systems and potential savings compared with similar existing buildings.

## 2.4 Financing conditions and real estate investment

Financing conditions remain a key factor in any sustained revival of the German real estate market. After initially easing its monetary policy, the European Central Bank raised its deposit facility rate back to 2.5% in September 2026 in response to persistent inflation risks. As a result, the interest-rate environment remains considerably more challenging for real estate investors than during the prolonged period of low rates, directly affecting

borrowing costs, project appraisals and achievable returns on equity. At the same time, according to PwC's Construction Finance Study Q2 2026, credit availability has improved compared with previous years, making more transactions financeable in principle. According to CBRE, yields have stabilised in many segments, although broad-based yield compression is not yet evident. Accordingly, the spread between real estate yields and financing costs remains a key investment criterion.

According to CBRE, early signs of a market recovery can be seen in transaction volumes: in the first half of 2026, real estate worth around €16.2 billion changed hands in Germany, 13% more than in the same period a year earlier. Nevertheless, the market remains selective, with a particular focus on high-quality assets and liquid locations. For international investors, this means that an economic recovery alone is not a sufficient basis for entering the market. What matters is whether purchase price, achievable yield, borrowing costs and expected appreciation once again form a viable combination.

## 3. Germany's location advantages

- **A more favourable economic starting point.** Upward revisions to growth forecasts suggest that the German economy is more resilient in 2026 than previously expected. This could strengthen the case for investment decisions.

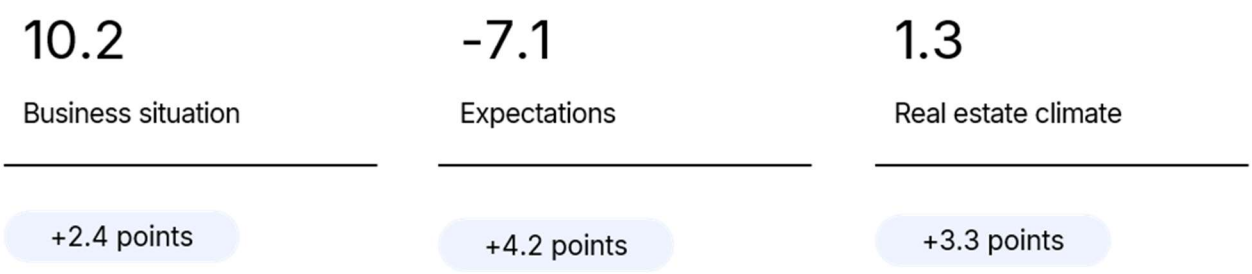
- **Long-term demand driven by modernisation.** The need for modern infrastructure, more efficient buildings and competitive business locations may create development opportunities, even if overall economic growth remains limited in the medium term.

- **Integration into the European market.** For internationally oriented projects, Germany should be considered in the context of European value chains and supply chains. At the heart of the continent and as the EU's largest economy, Germany serves as a European logistics hub.

## 4. Sentiment in the real estate industry

Sentiment indicators provide an early picture of economic trends in a sector, such as real estate. The latest survey by the "Zentraler Immobilienausschuss" (German Property Federation - ZIA) and the "Institut der deutschen Wirtschaft" (German Economic Institute – IW) shows that sentiment in Germany's real estate industry improved slightly in the third quarter of 2026, following the sharp decline in the previous quarter.

ZIA-IW REAL ESTATE SENTIMENT INDEX – SEPTEMBER 2026



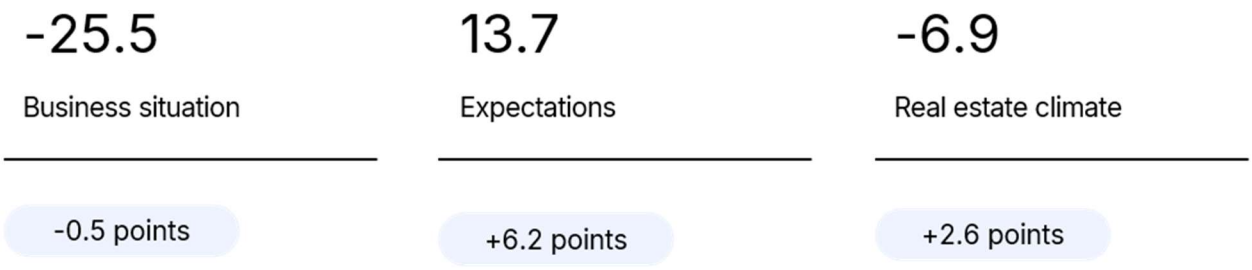

Index points and change from the previous quarter. Survey period: August 13 to September 7, 2026. Source: ZIA/IW.

Business conditions are seen as having improved slightly, and expectations have brightened somewhat, although they remain in negative territory. The real estate climate has moved into positive territory. The figures point to the start of a stabilisation, but not yet to a sustained recovery. Developments in project development are particularly noteworthy.

### 4.1 Project developers: Expectations improve significantly

While project developers' current business conditions have reached the lowest level of all the real estate segments surveyed, their expectations for the future have improved markedly and are at their highest level in several quarters.

ZIA-IW REAL ESTATE SENTIMENT INDEX – SEPTEMBER 2026 – PROJECT DEVELOPMENT

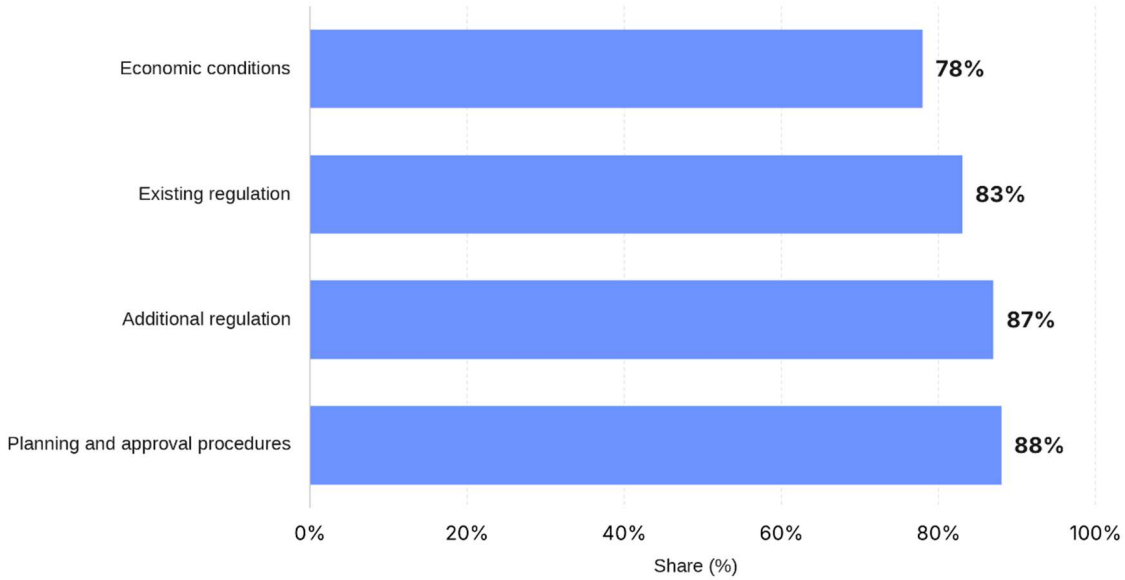



Source: ZIA/IW. Survey period: 13 August to 7 September 2026.

This points to a nuanced message for international investors: Germany's project development market remains under pressure, while improved expectations indicate that surveyed companies anticipate more favourable conditions ahead.

## 4.2 Investment barriers and the importance of local development expertise

The ZIA's special survey on investment barriers is particularly revealing:




*ZIA survey on investment barriers*

Source: ZIA Real Estate Sentiment Index, September 18, 2026

The results show that, alongside economic factors, companies surveyed view planning and permitting procedures as well as regulatory uncertainty as significant barriers to investment.

This highlights the role of an experienced local developer for international investors: a local partner can facilitate access to the German real estate market, liaise with authorities and municipalities, manage permitting processes and coordinate the delivery of complex projects.

For international investors, therefore, the improved economic outlook is not the only relevant factor; so is a local partner's ability to manage the specific challenges of the German real estate market professionally.

## 5. Opportunities and risks by real estate segment

The improved macroeconomic outlook does not affect all real estate segments equally. The key question is whether the demand drivers in each segment are already responding to an economic recovery or whether structural barriers must first be overcome.

| Real estate segment | Potential opportunities | Risks to consider |
|---|---|---|
| Residential real estate | Modernisation, energy-efficient new construction, housing concepts tailored to demand, conversion, urban infill, modular construction, the German Building Type E concept | Construction costs, financing, household purchasing power, local demand, demographic trends, stringent regulation, including rent regulation |
| Healthcare real estate | Demographic change, growing demand for care and services, long-term leases, modernisation, and multi-tier housing and care concepts tailored to demand | Operator creditworthiness, regulatory requirements, technical and physical adaptability, staffing risks |
| Retail | Refurbishment tailored to occupiers and locations, focus on grocery retail, prime urban locations | Exposure to the economic cycle, competition from e-commerce, vacancies, strong dependence on location |
| Logistics | Supply chains (buffer storage), nearshoring, e-commerce (increased demand from Asian companies and the food sector), security-related uses, specialised uses such as cold storage | Exposure to the economic cycle, limited availability of space, transport links, power supply |
| Defence properties | Rising defence spending, long-term leases, creditworthy and public-sector occupiers, relative resilience to economic cycles | ESG and governance requirements, regulatory and security-related requirements |
| Office real estate | Modern, flexible and energy-efficient space, conversion to alternative uses | Vacancies, tenant demand highly dependent on location, changing space requirements, refurbishment needs |
| Industrial and manufacturing real estate | Modernisation of existing sites, specialist uses, attractive pricing, economic growth, AI as an opportunity | Energy prices, infrastructure, industrial transformation, limited alternative use potential |
| Mixed-use urban development | Integrating homes, workplaces and local amenities in line with local demand | Long planning and permitting timelines, financing, long-term capital commitment, infrastructure requirements |

The need for a differentiated perspective is particularly clear in the IW's autumn forecast of 21 September 2026. The IW expects growth of just under 1.2% in 2026, while also forecasting a 1.0% decline in construction investment. It cites weak residential construction, as well as higher construction costs and interest rates, among the factors weighing on investment. At the same time, Germany is short hundreds of thousands of homes, particularly in the top seven cities: Berlin, Munich, Düsseldorf, Hamburg, Cologne, Frankfurt and Stuttgart. The ifo Institut forecasts that around 185,000 homes will be built in 2026—far below the original policy target of 400,000 a year. For project developers, the

implication is clear: an improvement in the overall economy does not automatically mean a recovery in construction. Investment opportunities may arise precisely where there is demonstrable demand for a specific use, a proven business case and an existing supply shortfall to address.

As construction costs have risen, serial and modular construction methods are becoming increasingly relevant. These approaches can also help mitigate skilled labour shortages and housing shortages through shorter construction periods, greater planning certainty and improved sustainability, as discussed in detail in Periskop's white paper on modular construction.

Laws and initiatives such as the Bau-Turbo (construction fast-track initiative), Building Type E and the amendment to the "Baugesetzbuch-Novelle" (Federal Building Code – BauGB-Novelle) may also have a positive impact. Their aim is to make construction faster, more flexible and less costly for project developers. The Bau-Turbo accelerates planning and permitting procedures and, particularly in residential construction, makes it easier to deviate from existing planning rules. Building Type E allows greater flexibility to forgo costly comfort standards and recognised technical standards, provided that safety and statutory minimum requirements are met. The BauGB-Novelle amendment complements these measures with simplified procedures and more flexible options for land development and the redevelopment of existing buildings. Taken together, the measures are intended to reduce planning risks, construction costs and development times, thereby making new projects easier to deliver.

## 6. Conclusion and outlook

Germany's economic outlook in autumn 2026 is more favourable than expected at the start of the year. The leading economic research institutes have raised their growth forecasts. This improves the macroeconomic environment for businesses and potentially for investment in real estate and development projects.

At the same time, the recovery remains subject to uncertainty. The "Gemeinschaftsdiagnose" (Joint Economic Forecast) points to structural constraints on growth, while the IW continues to expect weak performance in construction investment in particular. High energy prices, inflation risks and geopolitical uncertainty must also be factored into long-term investment decisions. Interest rates remain challenging, financing costs affect project appraisals, yields have stabilised and transaction volumes are recovering, but the market remains selective.

Taken together, the autumn macroeconomic forecasts and the ZIA-IW Real Estate Sentiment Index paint a nuanced picture: while growth expectations for Germany are improving, the real estate industry remains in a phase of stabilisation.

This market environment may offer interesting investment opportunities for international investors. The improved outlook for the German economy and the first signs of stabilisation

in the real estate market provide a reason to reassess specific investment opportunities, without overlooking the structural risks that remain.

A compelling investment case can be made on this basis, provided it is supported by specific projects, transparent economic assumptions and professional risk management.

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## Contact

Lars Meisinger
Chief Executive Officer
Periskop Partners AG

l.meisinger@periskop.ag



Kaya Michaela Müssig
Director Marketing & PR
Periskop Partners AG

k.muessig@periskop.ag

