

Summary

Spring Real Estate Industry Report 2026

**by the Immobilienweisen
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Dear Reader,



Muted growth prospects, persistent market uncertainty and an overall fragile economic environment are shaping the economic debate in Germany. The latest forecasts make one thing clear: the economic upturn is weak, momentum is low and pressures are high.

There is a sense that we have become entangled in a web of dependencies, constraints, laws, regulations and directives. What can offer us guidance in such a situation? With this Spring Report, we aim to provide a clear view of reality and the room

for manoeuvre that exists. It is not only important to understand what is not working, but also to recognise what is possible. And with whom.

The property sector is not a marginal industry. Accounting for around one-fifth of total economic value added, it is a key stabilising force and potential driver of growth in this country.

This report illustrates what is feasible, or what would be feasible if the property sector were given the necessary scope. It showcases the sector's capabilities and the framework conditions necessary for it to realise its full potential.

Decisive political action is now needed at all levels: in municipalities, in the federal states, at the federal level and across Europe. We must have the courage to question established routines, openly address conflicting objectives, and enable pragmatic solutions. The property sector does not seek special treatment, but fair, reliable, and investment-friendly conditions. Now.

The property sector is ready to take responsibility for providing affordable housing, vibrant and attractive cities, modern working environments and social cohesion. Standing still is not an option. The task now is to embrace structural change and prepare Germany for the future.

My sincere thanks go to the "Immobilienweisen" as authors for their profound analyses, and to all supporters whose contributions open up these perspectives and help enrich the debate.

A handwritten signature in blue ink, appearing to read 'I. Schöberl'.

Iris Schöberl
President of ZIA German Property Federation

Spring Real Estate Industry Report 2026 – Summary

1. Macroeconomic Development

After two years of decline, real **gross domestic product (GDP)** in Germany recorded only a slight increase of 0.2% in 2025. The period of economic weakness could once again not be overcome. Despite geopolitical tensions and the protectionist trade policy of the USA, the global economy expanded robustly: GDP rose 2.9 per cent, although Germany, hamstrung by structural weakness, remained decoupled from this upswing. Competitiveness indicators point to persistent friction: high energy costs, sluggish digitalisation, labour shortages, and regulatory investment deficits collectively break the locomotive. Growth of just over 1% is expected for 2026 (2027: 1.34%).

The **labour market** remained robust at first, but lost momentum as the year progressed. Although employment declined only slightly, sectoral differences became more pronounced: the winners were state-affiliated public service, as well as education and healthcare, while the construction and manufacturing industries experienced declines.

The seasonally adjusted **unemployment rate** edged higher (6.3% in November 2025, +0.2 percentage points year-on-year). Around 2.97 million individuals remained registered as unemployed. The Ifo Employment Barometer stood at 91.9 points in December, its lowest level since May 2020. Job cuts are likely to continue in industry, yet the overall unemployment rate is anticipated to fall by roughly 2% in 2026.

Inflation remained subdued in 2025 and hovered slightly above the ECB's inflation target of 2%. The consumer price index increased by 2.8% in January, and by 1.8% year-on-year in July. The increase is expected to reach approximately 2.2% for the year as a whole. However, excluding the decline in energy prices, inflation remained at around 2.8% throughout the year. Price pressures were driven primarily by rising labour costs. By contrast, the appreciation of the euro dampened prices by reducing import costs. For 2026, inflation of around 2.1% is expected (2027: 2.2%).

Financing conditions improved moderately in 2025. The key factor was the ECB's gradual loosening of monetary policy in an environment of stable inflation. In the first half of the year, the ECB lowered its key interest rate in four steps from 3.15% to 2.15%, after which it was kept constant. Despite lower short-term rates, the monetary policy stance remains restrictive, as long-term capital-market yields continue to be elevated. Only limited easing is anticipated in 2026. Persistently weak economic conditions are likely to further increase risk premia, thereby putting upward pressure on interest rates for corporate and household loans.

Lending to businesses and private households increased, with housing-loan volume rising to €1,852 billion in Q3. However, underlying growth dynamics remain weak. Over the first three quarters, the nominal lending volume was on average 1.7% higher than in the same period of the previous year and thus slightly higher than in 2024. The persistently high level of construction interest rates and the predominantly restrictive lending policies of banks dampened lending.

The **construction sector** remained one of the most severely affected segments of the economy in 2025. Gross value added declined markedly year-on-year in each of the first three quarters by 4.15%, 4.44% and 2.98%, respectively. Compared to 2022, this represents a substantial collapse of around 25%. In September, the production index for building construction was at a level last seen in early 2017. Persistently elevated construction and financing costs, together with weak demand, continued to weigh particularly on residential construction, while civil engineering remained relatively stable. Owing to low permit numbers, capacity constraints, and the only gradually effective impact of interest rate cuts, only subdued stabilisation is expected for 2026. Should the continued weakness in construction activity lead to increased reductions in employment and capacity, the future completion of new housing units would be further adversely affected.

The **measures taken by the federal government** to date represent incremental adjustments rather than a fundamental structural change. The “construction turbo” allows for deviations from existing building planning law and is thus a step in the right direction, but it is not yet a game changer. Similarly, the special fund for infrastructure and climate neutrality will only provide a real boost to growth if the funds are used as a supplement rather than a replacement. Public demand is likely to strengthen civil engineering and public building construction, while residential construction will receive more indirect and delayed support. Instead, the regulatory framework should be improved to reduce production and provision costs and make investments economically attractive. The simplification and harmonization of planning and approval procedures is key. Existing rent regulations, in particular rent caps, reduce incentives for new construction and renovation investments, which exacerbates the supply shortage in the long term. In addition, high property transfer tax rates act as a barrier to market entry, while property tax makes housing more expensive.

2. Investment market for commercial real estate

The **transaction volume** for commercial real estate remained subdued in 2025 at around €23.2 billion (2024: €24.3 billion), reaching only one-third of the peak values between 2019 and 2021. The distribution of the investment volume across the different types of use is largely balanced. Office properties narrowly lead the rankings with €5.7 billion, representing an increase of 15% over the previous year (€4.9 billion). Logistics and industrial real estate follow closely behind in second place with €5.6 billion, recording a slight decline of 19% compared to 2024 (€6.9 billion). Retail real estate ranks third with €4.9 billion (2024: €6.0 billion). A moderate upturn is emerging for 2026, which will depend largely on the overall economic recovery and future monetary policy.

Yields remained largely stable across all types of use in A-tier cities in 2025. In the office segment, prime yields ranged between 4.3% and 4.7%, remaining largely at the previous year's level; only Stuttgart and Düsseldorf saw slight increases of around 10 basis points. Prime yields for logistics properties also stabilised at around 4.5% to 4.7%, while inner-city commercial buildings in prime locations continued to offer the lowest yields at 3.7% to

4.2%. The expected yield compression did not materialize, indicating that risk premiums remain elevated.

3. Office properties

The market for **office properties** continued to show no signs of recovery in 2025. The ongoing economic weakness, a challenging financing environment, and structural changes due to hybrid working models, artificial intelligence, ESG requirements, and increasing renovation needs continue to shape market activity. Policymakers can support this profound structural change, for example by easing building permit regulations for the conversion and mixed use of existing office properties and by introducing workplace regulations that reflect the hybrid working world.

Prime **yields** for office properties have largely stabilised in 2025. In A-tier cities, net initial yields remained at an average of around 4.5%, while B-tier cities stayed steady at around 5.2%; in C- and D-tier cities, there were slight increases of 10 basis points to 5.6% and 6.4% respectively. Munich remains the most expensive office location at 4.3%, followed by Berlin at 4.4%; the other A-tier cities range between 4.5% and 4.7%. For 2026, peak yields are expected to remain largely unchanged. Yield adjustments are noticeably slower in peripheral locations and for non-marketable properties.

Rents (prime rents) continued their upward trend in 2025, with the spread between prime and average values increasing. In A-tier cities, the weighted average of prime rents rose from €42.70 (2024) to €43.90/m² RAC (rental area for commercial use). Munich continued to record the highest rents at almost €60/m² and Frankfurt am Main at well over €50/m², followed by Berlin (€45.70/m²) and Düsseldorf (€44.00/m²), with Düsseldorf showing the strongest growth alongside Munich. Prime rents also rose significantly in B-tier cities, reaching an average of €19.50/m². The most expensive locations remained Bonn (€25.50/m²) and Hanover (€24.50/m²), followed by Mannheim, Dresden, and Leipzig (each above €20/m²). In C- and D-tier cities, prime rents rose to an average of €16.00 and €12.40/m², respectively.

In 2025, **take-up** in the 127 largest office markets fell by 8% year-on-year to just over 4.1 million m² RAC. There were significant differences between the various city categories. A-cities recorded a slight increase of 2.0% overall, but this was almost exclusively due to several large leases in Frankfurt am Main. In B-cities, space take-up fell significantly to around 840,000 m², reaching its lowest level in 20 years. Turnover in C-tier cities also fell by 25%, while the downward trend in D-tier cities continued with a further decline of 3%. The available data for 2026 points to continued subdued demand for space, with demand increasingly concentrated on attractive locations and high-quality properties.

New construction in the 127 largest office markets reached a volume of around 1.95 million m² RAC in 2025, which was about 24% below the previous year's level. This marks a turnaround after years of very high completion figures. The seven A-tier cities accounted for just under 1.0 million m² of new construction, with Berlin once again accounting for the largest share at around 400,000 m², followed by Hamburg and Munich with around 180,000 m² each. In the B-tier cities, the volume of new construction continued to

decline by around 24% to just under 400,000 m², with strongly diverging location developments. Completions also declined noticeably in the C- (-30%) and D-tier cities (-10%). Due to the significantly lower number of construction starts, completion figures are expected to continue to decline in 2026 and the following years. At the same time, the volume of renovation projects is increasing noticeably. The share of renovation projects in the office space pipeline in A-tier cities will be around 650,000 m² (around 25%) by 2027.

Vacancy rates continued to rise in 2025 in the 127 relevant German office markets to around 12.5 million m² RAC, corresponding to a vacancy rate of 6.3% (2024: 5.6%). The A-tier cities had the highest vacancy rates, averaging 8.4%, which is above the usual fluctuation reserve of 3%-5%. Frankfurt am Main (12%) and Düsseldorf (11.4%) stood out compared to Munich (8.3%), Berlin (8.5%) and Stuttgart, Hamburg and Cologne (6%-7%). In B-tier cities, the vacancy rate averaged 5.8%, with individual locations such as Münster, Wiesbaden, and Bonn remaining below 5%, while Mannheim (11.3%), Bremen (7.5%), and Essen (7.2%) had the highest rates. In C- and D-tier cities, the rate was just over 4% in each case. Overall, decentralized locations with poor transport links are experiencing a greater increase in vacancy rates than central locations with high-quality transport links and comprehensive infrastructure. Properties with structural or technical deficiencies are also more severely affected. The vacancy rate is likely to have peaked and is now stabilising at a higher level.

4. Logistics properties

In the market for **logistics properties**, purchase prices bottomed out more quickly than in most other property classes. However, macroeconomic uncertainties continue to cause caution. Demand for space declined once again. Regional developments vary greatly: in established logistics hotspots and in the vicinity of major cities, demand for modern, ESG-compliant space remains high. Vacancy rates there remain below 5%. Due to Europe's new security policy orientation, the less volatile armaments and defence sector is one of the new drivers of demand, with the focus on production. Dual-use properties with civilian and defence-related uses, such as logistics hubs, production facilities, or distribution centres, may gain in importance. At the same time, the special fund for infrastructure and climate neutrality is likely to improve the framework conditions for Germany as a logistics location. Politicians can strengthen the revitalization, redensification, and conversion of existing and conversion space through simplified approvals and realistic environmental requirements.

After the significant increases in previous years, prime **yields** remained stable or rose only marginally in 2025 compared with 2024. In A-tier cities, they've stabilised around 4.5%, in B-tier cities 5.4%, in C-tier cities 6.0%, and in D-tier cities 6.5% (year-on-year). After years of volatility, the consolidated return level allows for more realistic calculations and facilitates long-term portfolio strategies.

After years of continuous increases, **rents** stabilised at a higher level in 2025. In A-tier cities, they reached €9.31/m² (2024: €9.22/m²). In B-tier cities, €6.65/m² (2024: €6.55/m²), and in locations in the catchment areas of C- and

D-tier cities, they are €6.11/m² (2024: €6.09/m²) and €5.48/m² (2024: €5.46/m²), respectively.

New construction remained robust in 2025 despite high construction costs, restrictive financing conditions, and subdued demand. Projects postponed from the previous year caused the volume of completions to rise to around 5.1 million m². The highest volume of completions was in the Halle/Leipzig region, followed by East Westphalia-Lippe, the Bremen/North Sea ports area, and Berlin. The development pipeline for 2026 is well filled. A volume of 4.6 to 4.7 million m² is realistic. Germany has a functional logistics real estate portfolio of around 167 million m², of which 27% is less than ten years old – a consequence of the most intensive development phase the market has seen to date.

5. Corporate real estate

Corporate real estate (CRE) comprises all real estate used directly for a company's operational activities. This includes a wide range of production, storage and office space with a diversified, stabilising user structure. In view of the structural change in many key German industries, corporate real estate management (CREM) plays a decisive role as a driver of transformation processes. Strategies range from the conversion of industrial production facilities to the use of offices/business parks or production properties. The latter makes CREM activities, rarely observed in proprietary portfolios, visible on the real estate investment market as well.

Business parks and production properties, strongly influenced by CREM, outperformed broader economic indicators in 2025. **New construction** in 2025 amounted to around 2.1 million m² (60% production property). The project pipeline for 2026 (2.2 million m²) suggests a further expansion of completion volume.

The cumulative **investment volume** for industrial parks and production properties is expected to amount to just under €1.5 to €1.6 billion in 2025, following around €1.6 billion in the previous year. One of the drivers is the defence industry, whose production realignment will make defence companies more important for the transaction market.

Yields have largely levelled off. The ECB's rate cuts and bottoming purchase prices stabilised prime yields for business parks at 6.3%. For production properties – assets with specific usage requirements and more limited third-party usability – the figure edged up to 7.2% (2024: 7.1%) due to uncertain prospects in the manufacturing sector.

Rents remained steady in 2025. Flex spaces (agile, modular office configurations) in economically strong conurbations reached a peak rent of €18.20/m² at year-end (2024: €18.10/m², +0.6% year-on-year). Production space remained unchanged at €10.80/m². Warehouse space recorded slight increases, driven by e commerce, which is also generating demand for hall space in urban business parks.

6. Hotel properties

The market for **hotel properties** market was in a phase of consolidation in 2025. Following the economic boom caused by the pandemic recovery and the European Football Championship, the market returned to more stable, structurally driven patterns. Rising operating, personnel, and energy costs remain challenging and are increasing the pressure for consolidation in the operator market.

The number of **overnight stays** reached an estimated 498 million in 2025, 55% of which were in hotels and bed and breakfasts. The pre-crisis level of 2019 was reached again for the first time. Demand varied depending on the region and segment: leisure and city tourism remained stable, but the structural decline in the business travel and MICE segment had a dampening effect.

The **investment market** recovered significantly in 2025. The transaction volume rose to €1.9 billion, up around 35% on the previous year. Market momentum picked up over the course of the year, driven by large-volume individual deals and portfolio transactions. International investors dominated market activity. More than half of the total volume was accounted for by A-tier cities. The market recovery is expected to continue in 2026.

The **outlook** is dominated by select-service products, budget hotels and serviced apartments. Digitalisation, automation and ESG criteria are evolving from differentiating features to operational requirements. Trends such as bleisure and workation – business travel blended with leisure – support concepts that offer flexible uses, lower staffing requirements and integrated communal and workspaces. New construction will remain limited in 2026, with the focus continuing to shift towards portfolio optimisation and conversions.

7. Retail properties

The German **retail sector** generated sales of around €680 billion in 2025, representing nominal growth of 2.5% and real growth of 0.9% compared with the previous year. An increase to €747 billion is forecast by 2029. Online retail is expected to grow at an average annual rate of 4.4%, while brick-and-mortar retail is expected to grow by 2.0%. Nevertheless, with a market share of around 85%, it remains the dominant form of distribution and is therefore central to retail property.

Consumer sentiment remained subdued in 2025 and has been characterised since 2022 by a decoupling of purchasing and saving tendencies. Despite a fundamental willingness to buy, an increasing share of households now prefers saving over spending. Brick-and-mortar retailers therefore focus more sharply on needs-based and planned purchases, while impulse purchases recede. This shift has a direct impact on retail properties and increases the pressure to adapt in terms of digitalisation, space concepts, location quality and economic viability. Of the approximately 120 million m² of retail space, the non-food sectors are likely to lose around 10 million m² by 2035. At the same time, space for short-term, periodic demand assortments, which already account for around 30%, will increase.

The **investment market** for retail properties appeared stable in 2025. At around €6.1 billion (depending on the delineation), the transaction volume was roughly on a par with the previous year. Of this, €2.3 billion was attributable to high-street retail properties and department stores, €1.6 billion to retail stores, €1.2 billion to grocery retail properties and €0.6 billion to shopping centres.

Depending on the property category and specific risk, **yields** (net initial yields, prime) remained unchanged from the previous year, ranging from 4.3% for high-street retail properties to 5.8% for shopping centres. Grocery retail properties and retail warehouse centres remained in the middle of the range at 4.8% and 5.1% respectively.

Rents for retail space (high-street retail properties, average rents, prime locations) remain under pressure in all city categories. In A-tier cities, the monthly rent is €112.40/m² (2024: €114.00/m²). In B-tier cities, the figure is €64.70/m² (2024: €66.00/m²), and in C and D-tier cities, it is €44.50 and €26.60/m² respectively (2024: €45.00 and €27.00/m²). There is an increasing trend towards a tenant's market. Tenants with strong credit ratings are using their increased bargaining power to tailor contract terms more closely to their business models.

A **sustainable approach** to retail property development involves identifying clear added value to create new incentives for visitors and stabilise footfall in the long term. This requires the integration of complementary uses such as catering, health and wellness, leisure activities, services and experience-oriented formats. The economic viability of a conversion depends on the conversion costs, the achievable rents and the purchase price. Building regulations remain a bottleneck, as compliance with current new building standards is required when changing the use of an existing building. Transformation processes are significantly delayed by complex and cost-intensive changes to development plans.

8. Healthcare and social properties

In the market for **healthcare and social properties**, investment demand remains high due to demographic change, while construction activity is low due to investment barriers. Current supply shortages include 400,000 to 500,000 residential units in the senior living segment and a significant gap in barrier-free living. By 2035, the shortfall may reach 3.7 million units. Political attention and stable framework conditions – in particular harmonised state nursing home laws, quality and documentation requirements, and streamlined approval procedures – are essential to enable long-term investment in a needs-based and climate-neutral care infrastructure.

On the **investment market**, transaction volume decelerated slightly in 2025 (after increases in the previous year). A total of €1,220 million was transacted (2024: €1,307 million, -7%). Of this, €885 million was attributable to care homes (2024: €912 million) and €335 million to healthcare properties, such as medical centres and clinics (2024: €395 million). International investors and private equity firms remain active, particularly in restructuring and insolvency-related acquisitions.

Prime yields remained stable in all segments in 2025 at the previous year's level. The prime yield for care homes was 5.10%, for assisted living 4.50% and for medical centres 4.75%. Investors continue to focus on core properties with long-term leases, sustainable construction quality and stable operating structures.

9. Education properties

There is a massive investment backlog in **education properties**, particularly in schools, which require around €68 billion in investment, and daycare centres, which require €11 billion. The actual municipal investment volume planned for 2025 totals only €13.3 billion and €3.7 billion, respectively, while demand continues to rise.

As an **investment**, they're complex from a regulatory perspective, yet they deliver stability thanks to high tenant creditworthiness (local authorities, federal states, non-profit organisations) and long lease terms of 20 to 30 years. Additionally, they contribute to ESG and impact investing goals.

Yields on nurseries and daycare centres range between 4.1% and 5.6% with an average investment of €5 million, while school properties offer 3.8% to 5.9% (investment: €75,000 to €150,000 per school place) and universities achieve values between 5.3% and 7.3% (investments in some cases exceeding €200 million).

10. Residential real estate

The **residential real estate market** continues to develop unevenly: construction activity will remain subdued as the massive slump in permits (-43.5% in 2024 compared to 2021) and insolvencies in the construction industry will cause delays in completions. As a result, only just under 235,000 homes are likely to have been completed by 2025. For 2026, only 215,000 completed homes can be expected. After that, completions will rise again. After all, around 238,000 permits are expected for 2025, which is 10.5% more than in the previous year. This contrasts with an annual demand of 257,400 residential units until 2040. Demand remains highest in Berlin due to the strong influx of people from Germany and abroad, with 8.5 flats per 1,000 inhabitants.

The crisis in **new construction** requires active policies aimed at solving the central structural problems of the housing market. The federal government's track record to date has been mixed overall. Some measures were implemented in 2025 (construction turbo, reactivation of EH-55 subsidies). However, as feared, other important issues are only being addressed slowly (reduction of construction costs, building type E, acceleration of planning and approval processes) or not at all (reduction of ancillary purchase costs, in particular property transfer tax). It is therefore foreseeable that no significant impetus can be expected in new construction and that incentives for construction investment will even decline due to announced tightening of tenancy law.

Activity on the **investment market** picked up again in 2025 but remained below expectations. Trade tax revenues rose by 18.5% year-on-year in the period to November 2025, meaning that the total purchase prices paid in

2025 are likely to return to the level seen in 2022, which was, however, marked by the interest rate turnaround and is just under 16% below the peak reached in 2021. Even though one of the main motives for investing in residential property is inflation protection, the risk premium (compared to risk-free government bonds) is still not high enough four years after the end of the low-interest-rate phase to attract sufficient investment back into the housing market. Structural reforms are needed that consistently combine subsidy policy and tax law.

Rents for flats have continued to rise: the average asking rent in the fourth quarter of 2025 was 4.1% higher than in the same quarter of the previous year. In the A-tier cities, the rise in rents slowed slightly to 2.9%. The strongest increases were in Cologne (+7.6%, €15.00/m²), followed by Hamburg (+5.4%, €14.41/m²) and Munich (+4.6%, €22.62/m²). More moderate increases were seen in Stuttgart (+3.9%, €15.91/m²) and Düsseldorf (+3.8%, €14.00/m²), while the smallest increases were recorded in Frankfurt am Main (+2.1%, €17.19/m²) and Berlin (+0.7%, €15.78/m²). Further rent increases are expected in 2026.

Purchase prices for condominiums and single-family/two-family houses have been rising again since the second half of 2024. In the fourth quarter of 2025, advertised purchase prices for condominiums rose by 3.8% year-on-year across Germany. In the single-family/two-family houses segment, the increase was 2.8%. In A-tier cities, condominiums rose in price by an average of 2.6% and single-family/two-family houses by 1.6%. Specifically, purchase prices rose most sharply in Cologne (+4.9%, condominiums/single-family homes: €5,165/€4,641/m²), Düsseldorf (+4.7%, €4,943/€5,422/m²) and Hamburg (+4.1%, €6,360/€5,068/m²). In Frankfurt (+2.7%, €6,466/€5,285/m²), Berlin (+1.8%, €5,826/€4,875/m²) and Stuttgart (+1.1%, €4,686/€5,556/m²), the increase in prices was more moderate, and in Munich they stagnated at a high level (+0.7%, €9,100/€8,753/m²).

11. Future of inner-city development

Despite attractive seasonal events such as Christmas markets, festivals and other temporary events that attract large numbers of visitors, **city centres** continue to struggle with declining visitor numbers. Expectations of city centres and reasons for visiting are increasingly shifting away from pure shopping towards diverse experiences and quality of stay. While some cities are developing positively thanks to favourable conditions, the problems in other cities have worsened.

People's needs and demands have shifted. In addition to shopping, other strong **motives** now drive city-centre visits. These motives differ by age group and place of residence, including work, education, culture, art, events, medical care, housing etc. For visitors from outside the city, experience-creating activities – restaurants, places to linger, sights, cultural and leisure offerings – are stronger reasons to visit than they are for the local population. Experience quality, public-space appeal and investments in green-blue infrastructure (e.g. parks, water features) are gaining traction.

Retail remains an important component of attractiveness. It must respond innovatively to the changing needs of its customers. Experiential shopping,

in which shops are designed as showcases, showrooms, flagship stores or themed worlds, is a first step in this direction. Artificial intelligence enables new customer experiences on site, thus building bridges between digital and brick-and-mortar retail. Large department stores and shopping centres are already being converted into multi-use properties that combine several inner-city functions and public uses and can revitalise entire neighbourhoods as new traffic anchors.

Apartments in city centres are highly sought after due to their proximity to amenities and should continue to play an important role in the future. Proximity to social infrastructure, a minimum level of privacy, and a living environment that guarantees quality of life with green spaces and outdoor recreation and play areas are challenges. Conversion of vacant former retail properties for residential use is an obvious solution; however, exposed ground floors are best suited for residential use after careful adaptation, and the development of the upper floors involves considerable upfront investment. Further residential development therefore requires higher residential compatibility and corresponding adjustments to planning law, including greater use of the „urban area“ instrument and an adjustment of the TA-Lärm.

There is no single **blueprint** for liveable and vibrant city centres. Their design must be active, tailored to each individual city and customised – in close cooperation with all stakeholders, making use of the possibilities offered by building and planning law and the available funding programmes, which must be made permanent. Successful city centres require a coordinated combination of construction measures, innovative usage programmes and functioning organisational and cooperation structures. Politically, it is therefore advisable to promote resilient forms of cooperation such as business improvement districts or city centre management, to set up a city centre transformation fund for investment measures, and to establish binding integrated and interdepartmental city centre strategies, including climate resilience requirements for public spaces.

The authors of the Spring Real Estate Industry Report 2026



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About the publisher

The German Property Federation (ZIA) is the leading umbrella association for the property sector. With its registered office in Berlin and a European office in Brussels, it speaks through its more than 400 members, including more than 30 associations, on behalf of approximately 37,000 industry companies right across the value chain. ZIA provides comprehensive, unified representation for the interests of the real estate sector in all its diversity at both national and European level, including as a member of the Federation of German Industries (BDI) and the German Economic Institute (IW). The President of the association is Iris Schöberl.

With about 817,000 companies and approximately 3.4 million employees, the real estate sector is one of the largest and most dynamic in Germany. It generated approximately €720 billion in 2024, approximately 20% of Germany's gross value added and therefore more than the automotive sector, for example. The sector is aware of its role in climate protection and therefore reduced its CO2 emissions from 210 to 101 million tons per annum between 1990 and 2024.

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