



CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



Strong Base, Brighter Prospects

Germany

Q3 2025

Market Outlook

Germany's economy posted a modest rebound in Q1 2025, with GDP rising 0.4% q-o-q, led by a surge in net exports, resilient household consumption, and a recovery in investment. While a temporary 3.2% jump in exports lifted the headline figure, underlying momentum is increasingly supported by robust domestic fundamentals. Private consumption remained strong, fuelled by real wage growth and a tight labor market. Investment turned positive, driven by gains in construction and machinery. Inflation continued to ease, with CPI at 2.3% in Q1 and set to fall further in 2026. Expansionary fiscal policy, anchored by a €500 billion fund, is expected to reignite public and private investment and spur domestic demand. GDP is forecast to grow 0.2% in 2025 and accelerate to 0.7%–1.2% in 2026 as public investment scales up and global trade improves, positioning Germany for a sustained recovery.

Germany's logistics market sustained robust momentum in Q1 2025, with leasing activity rising 16% y-o-y to 1.2 million sqm and investment activity showing resilience, reaffirming a solid market foundation despite ongoing geopolitical uncertainty. The national vacancy rate edged up slightly to 4.5%, but key hubs like Munich, Frankfurt, Hamburg, and Düsseldorf maintained tight rates below 2% due to persistent supply constraints. Prime rents increased modestly by 4.0% y-o-y to €8.85/sqm/month, with Munich leading at €10.5/sqm/month. Logistics investment reached €1.19 billion in Q1 2025, comprising 16% of national CRE investment, solidifying its position as a top-tier asset class among investors. The logistics market is set for sustained growth in 2025, driven by a robust market foundation, structural tailwinds such as e-commerce expansion and nearshoring, and economic recovery...

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cglimresearch@cglim.com