CGL IM Financial Management Limited

Integrity, Collaboration and Commitment

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Recovery Takes Shape in Economy and Logistics

Germany   Q2 2025

Market Outlook

Germany's GDP contracted by 0.2% in 2024, weighed down by weak exports and investment, while consumption stayed resilient. Inflation moderated to an average of 2.2% in 2024, down from 5.9% in 2023. Real wages rose by 3.1% y-o-y, helping to enhance household purchasing power. The labor market held strong, with unemployment at 3.5%. Despite ongoing geopolitical tensions and tariff uncertainty, government spending is set to emerge as the main growth driver in 2025 and 2026. Following the formation of a new coalition government after the elections and the approval of the debt brake reform, Germany has adopted an expansionary fiscal stance. GDP is projected to increase slightly by 0.1% in 2025, driven by consumption and public investment. In 2026, growth is forecast to accelerate to 1.3%, underpinned by the rollout of government-funded programs, improved financing conditions, and a recovery in private investment and external demand.

Germany's logistics market showcased resilience in 2024, as investment rebounded significantly and leasing demand stabilized despite macroeconomic headwinds. Full-year take-up reached 5.3 million sqm, with Q4 alone accounting for 1.4 million sqm. Vacancy remained low at 3.9%, reflecting tight supply-demand dynamics across key markets. Prime rents rose year-on-year across all subregions, with average rents following a similar upward trend. Logistics investment surged 10% year-on-year to €7.7 billion, capturing 20% of national commercial real estate volume, driven by revived portfolio transactions and robust international capital. The outlook remains positive, with both demand and investment activity expected to strengthen, propelled by more favorable financial conditions, supportive fiscal policies, and a recovering economy. Constrained supply, coupled with a gradual recovery in demand, is expected to sustain rental levels in 2025…

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