

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



## Recovery Builds as Logistics Power Ahead

Germany

Q1 2026

### Market Outlook

The German economy showed resilience in Q3, delivering flat q-o-q growth (0.0%) alongside a modest 0.3% y-o-y expansion. This performance was supported by solid government consumption, up 0.8% q-o-q, and modest investment growth of 0.3% q-o-q, driven mainly by machinery and equipment spending lifted by defence orders. These positive contributions offset weaker private consumption, down 0.3% q-o-q, and a slight drag from net exports. The labour market stayed tight, with unemployment holding at 3.8%, well below the EU average, and nominal wages rising 4.9% y-o-y. Inflation has normalised to 2.3%, with core inflation at 2.7%, and is expected to ease to 2.2% in 2025. Fiscal reforms, including a €500 billion infrastructure fund and higher defence spending, are set to widen the deficit to 4.0% in 2026 while supporting a firmer recovery. GDP growth is forecast at 0.0% to 0.2% in 2025 and 1.0% to 1.5% in 2026, underpinned by fiscal support, wage-driven consumption and a gradual investment revival.

Germany's logistics market kept its upward trajectory in Q3 2025, with both occupier demand and investment activity gaining momentum. Leasing reached 1.6 million sqm in Q3, up 8.3% y-o-y and the strongest quarterly volume since early 2024, bringing Q1–Q3 2025 take-up to 4.3 million sqm. Logistics investment rose 25% y-o-y to €1.8 billion in Q3, leading the German CRE market and lifting the YTD total to €4.4 billion. The vacancy rate edged up by 0.2 pp to 4.3% in Q3 2025, while the top five logistics regions stayed tighter at 3.5%, with Munich and Rhine-Main close to fully let at under 1%. Prime rents held firm at €8.96/sqm/month in Q3 2025, up 2.9% y-o-y, with Munich posting the national high at €10.7/sqm/month. Looking ahead, the market is set to extend its expansion into 2026, underpinned by e-commerce growth, supply-chain reconfiguration, defence-related spending, and a broader economic recovery...

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