

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



Economy and Logistics Turn the Corner

Germany

Q2 2026

Market Outlook

Germany's economy returned to modest expansion in Q4 2025, with GDP rising 0.3% q-o-q and 0.4% y-o-y as firmer domestic demand offset weaker inventories and external trade. Final consumption led the recovery, rising 0.7% q-o-q, while investment advanced 1.0% q-o-q on stronger civil engineering activity and fiscal stimulus rollout. For 2025 as a whole, GDP expanded by 0.3% after two years of contraction, with private consumption acting as the main stabiliser despite stagnant investment and a drag from net exports. The labour market held firm, with employment at a historic high of 46.1 million at end-2025 and unemployment at 4.0% in February 2026, while nominal wages rose 4.2% y-o-y in 2025, delivering real-wage growth of 1.9%. CPI averaged 2.2% in 2025 and eased to 1.9% in February 2026, as core inflation declined to 2.5% and services inflation also began to soften. Looking ahead, GDP growth is set to strengthen to 0.8% - 1.0% in 2026 and 1.5% in 2027, underpinned by fiscal stimulus, wage-driven consumption, improving financing conditions and a gradual revival in investment.

Germany's logistics market closed 2025 with clearer recovery across both occupier and capital markets. Leasing activity rose 24% y-o-y to 1.74 million sqm in Q4, the strongest quarterly result in three years, lifting full-year take-up to 6.05 million sqm, up 13% y-o-y. Logistics investment also strengthened, reaching €2.1 billion in Q4, up 16% q-o-q, and €6.5 billion for the full year, equal to 20% of total German CRE investment. Vacancy stayed relatively tight at 5.0%, with several core hubs near fully occupied. Prime rents advanced across most leading markets, with Munich up by 7.1% y-o-y to €11.25/sqm/month and Frankfurt recording the strongest 10.2% y-o-y rental uplift. Into 2026, demand is expected to improve further, while constrained modern supply and better financing conditions point to firmer rental and investment prospects...

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