



# JLL'S VICTOR OFFICE INDEX STABILIZES



The decline in value for German offices in top metropolitan areas appears to be coming to an end. In the third quarter of 2024, the JLL index of price and rent development in the best office locations in Berlin, Hamburg, Munich, Frankfurt and Düsseldorf was marginally higher than in the second quarter. The sum of the one-year change in value and cash flow yields was positive in all cities except Frankfurt.

Prime yields have recently only moved sideways (i.e. have not risen any further). In conjunction with the continued positive development in rents for top offices, this is the explanation for the stabilization of the Victor office index, according to JLL.

For Munich, the return on value change over the year is even slightly positive; together with rental growth, the city delivers a total return of 5.1% p.a. Frankfurt is at the other end of the scale with a negative total return of -2.3% p.a. (change in value component: -6.6%).

The Victor Index tracks performance in an indicator curve that peaked at around 235 points at the beginning of 2022.

In the third quarter of 2024, it is still 166 points, which represents a slight increase of 0.4% compared to the second quarter of 2024. However, the index is down on the third quarter of the previous year. It has fallen by a further 3.2% since September 2023. However, the one-year decline also appears to be gradually leveling off: Between June 2023 and June 2024, the index had plummeted by a whopping 11%.



SENTIMENT:

# FEAR OF WAR INSTEAD OF INTEREST RATE WORRIES



Growing concerns about political stability, wars and the economy are preoccupying the European real estate industry in the annual survey conducted by the Urban Land Institute (ULI) and the consultancy firm PwC. London dominates the metropolitan ranking.

For their trend study, the ULI and PwC ask European managers from the real estate industry every year for their assessments and plans. This time, 1,143 took part. Compared to previous years, concerns about interest rate and inflation trends have lost much of their weight; instead, the greatest threats are now seen in economic growth, unrest and wars. In addition to sentiment, investment preferences are also surveyed: London tops the list of the most popular European cities for 2025. However, Madrid is now the second most popular investment location instead of Paris (now in third place). At least four German cities made it into the top ten: Berlin (4), Munich (5), Frankfurt (8) and Hamburg (9).



Among the asset classes, data centers have the best prospects in 2025: On a scale of 0 (hopeless) to 5 (best chances), **data centers rank in the top 4.6 range**, followed by **renewable energy infrastructure (4.5)**, **student and rental apartments and logistics**. Only peripheral office properties can be found in the unloved segment below the 2.5 mark. However, centrally located offices are also conspicuously poorly positioned (3.2). Even hotels and social housing fare better with scores of 3.8 and 3.9 respectively.



## BERLIN APARTMENT BUILDING MARKET SLUMPS BY 51%

The transaction volume on the Berlin apartment building market slumped by 51% in the third quarter of 2024 compared to the previous quarter, while average prices rose slightly.

Only €463 million was transacted on the market for residential and commercial properties between July and September. In the second quarter, the figure was still 947 million euros. At the same time, the average price per square meter rose by around 6% to EUR 2,300/sqm. Both developments are due to a lack of major transactions, which had boosted the

market in the first two quarters but statistically lowered average prices. This is the conclusion reached by the analyses of Schick Immobilien, which presented the apartment building market report based on figures from the expert committee and its own calculations. Due to the good figures in the first half of the year, the transaction volume after three quarters is 35% higher than in the same period of the previous year. Calculated over nine months, average prices of EUR 2,142/sqm were lower than in the first three quarters of the previous year (EUR 2,361/sqm).

With 19 transactions, Charlottenburg-Wilmersdorf saw the most deals in the third quarter of 2024. The districts of Reinickendorf (16), Steglitz-Zehlendorf (15) and Mitte (14) follow in the ranking. The highest volume was recorded in the district of Marzahn-Hellersdorf, where few but large properties were sold for €88.2 million.



## PRICES FOR NEW-BUILD APARTMENTS RETURN TO PREVIOUS PEAKS

**The German Real Estate Index (Greix) shows in its nine-month analysis that prices for rare new-build apartments are once again approaching the record level of 2022, particularly in A-cities. Growth in condominiums nationwide is now exceeding the previous year's figures.**

Prices for condominiums and single-family homes have risen again compared to the previous quarter, according to the Greix Index for the third quarter of 2024. This index is not based on asking prices, but on notarized sales from expert committees. According to the index, condominiums have become 1.4% more expensive nationwide in a quarter-on-quarter comparison. Single-family houses rose by 1.3%.

In contrast, the value of multi-family houses fell slightly by 0.4%, although their prices had risen by a very strong 4.4% in the previous quarter. However, there was a high degree of volatility in this segment in particular due to the low number of transactions, meaning that it was of limited value.



For the first time since the slump around two years ago, prices for condominiums exceeded the level of the same quarter of the previous year in the third quarter of 2024, according to the Kiel Institute for the World Economy, which compiles the Greix together with the expert committees and Econtribute. According to the report, condominiums became 0.9% more expensive nationwide. The value of new-build apartments in Germany's top 7 cities was particularly stable. Prices there had already almost returned to their 2022 highs and were only 1.5% lower in the third quarter of 2024. Single-family homes remained roughly the same in terms of price nationwide. In contrast, according to the Greix Index, multi-family homes fell by 2.8%, although the decline is steadily decreasing compared to previous quarters. As in the previous quarter, the overall price trend was above inflation rates.

Although the number of residential real estate transactions increased again in the third quarter, it was still "noticeably below that of the boom years at around 75% of the average for 2019 to 2021", according to the Greix report. The proportion of new builds has fallen from around 20% to 10% compared to the average of the boom years.