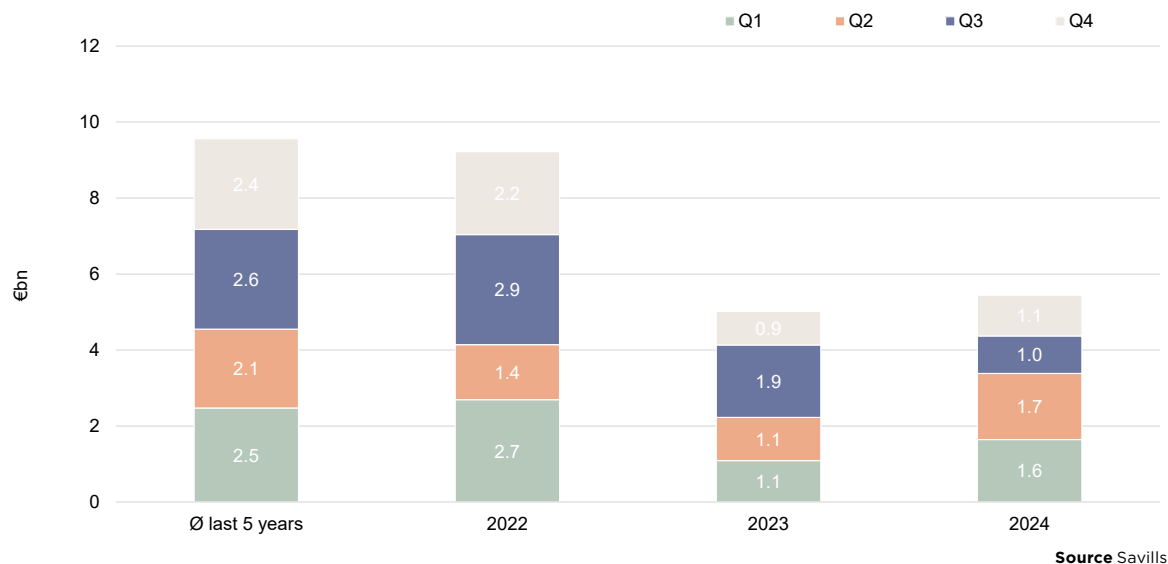


Retail Property Market



Graph 1: Retail transaction volume Germany



FOCUS ON SELECTED FIGURES



1.1

The transaction volume in the final quarter totalled EUR 1.1 billion.



97.54

According to the HDE, consumer sentiment improved slightly at the end of the year, reaching a level of 97.54 points.

Stability on shaky ground

The German investment market for retail properties achieved a transaction volume of €5.4 billion in 2024. A look at the composition of this transaction volume reveals that it was largely driven by several large single transactions, such as the sale of the Fünf Höfe, Pasing Arcaden, and KaDeWe. The ten largest transactions in 2024 accounted for nearly 60% of the total investment volume. To assume general liquidity for large-volume properties would be an oversimplification. Given the investment limits of many investors in the mid-double-digit million range, special circumstances are required for transactions of this scale to occur. Some of the large deals from last year were insolvency sales. A further look at the ten largest transactions of the year confirms this: six of the ten were insolvency sales. Overall, the share of insolvency sales in all individual transactions was around 10.3%, significantly higher than the previous record of 6.3% from 2014.

Transaction volume for supermarkets reaches long-term low

While large-volume deals dominated the overall transaction volume, the number of transactions was mainly influenced by two segments: high street properties and supermarkets. The latter, however, reached a long-term low with a transaction volume of €581 million. By way of comparison, the average volume in the previous five years was €2.2 billion. The number of individual transactions also dropped significantly—from nearly 60 in 2023 to just 35 in 2024. The number of portfolio transactions remained stable, but large-volume transactions were few and far between. Another reason for the decline in transaction volume in grocery retail sector was the absence of owner-occupier purchases, which had accounted for a significant share in 2023. Food retailers reduced their investments from €340 million in 2023 to around €42 million last year. The lack of large deals and owner-occupier purchases highlights the volatility of this comparatively small market

Table 1: Retail market indicators at a glance

	Q1 - Q4 2024	Y-O-Y CHANGE	PAST 12 MONTH	Q-O-Q CHANGE
High street properties	1,726	+263%	1,726	+25%
Retail warehouse parks	723	-7%	723	-7%
Departments stores	1,628	+210%	1,628	+15%
Shopping centres	563	-5%	563	-5%
Supermarkets/discounter	581	-74%	581	-23%
Other	221	-49%	221	-34%
Total	5,443	+8%	5,443	+4%

Source Savills / transaction volume in million Euro

segment, where the transaction volume can quickly halve on a year-on-year basis. However, the reduced turnover volume is to be assessed differently from other types of commercial real estate, as it is not due to structural problems in the leasing market or a declining attractiveness for risk-averse investors. Rather, the decline is also attributed to the strong position of large owners in the segment: some are already anticipating a yield compression and are thus delaying sales. In particular, owners who purchased near the price peak in 2021 now see holding onto their properties as the more economically sensible option. This strategy is supported by stable cash flows from rents, which have risen sharply due to high inflation.

High street properties take the lead

With €1.7 billion, the transaction volume for high street properties nearly quadrupled compared to the previous year. This segment benefits from typically lower investment volumes and a broader buyer base, which helps cushion the withdrawal of institutional investors, at least in part. Family offices and private investors have been significant contributors to this volume: approximately one-third of purchases were made by this group, and more than two-thirds of the total acquisition volume—either directly or through investment vehicles—can be attributed to them. For this buyer group, the ongoing yield is often of secondary importance, with the long-term preservation of the property's value being the primary focus. As a result, they are able to accept prices that are attractive enough for many sellers to initiate the sales process, while other buyer groups, due to their higher yield requirements, are currently more cautious.

Retailers remain selective in their search for spaces

In 2024, there was increased activity in the letting market for high-street spaces, with market activity rising across all sizes of retail units. However, retailers remain highly selective as the sales performance remains under pressure from the slow recovery in consumer sentiment. And the revenue shortfall directly impacts funds available for expansion or space adjustments. A closer look at the market reveals that the heightened dynamics are sometimes driven by structural adjustments. Large-scale leases often involve downsizing measures, where more space is simultaneously returned to the market. As a result, it is becoming increasingly rare for large vacant spaces to be re-let to a single tenant. This increases the pressure on property owners to renovate the spaces to avoid prolonged vacancy periods and further rent reductions.

Outlook

For 2025, we expect a gradual and continuous stabilisation of the investment market, accompanied by an increasing number of sales processes. Since last year's transaction volume was largely driven by a few large-volume transactions, we believe that a higher investment turnover this year is only realistic if transactions of this magnitude take place again.

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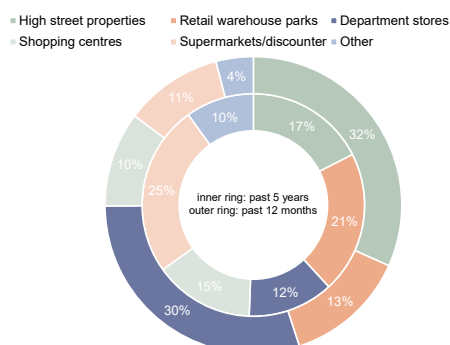
[Download the charts and raw data here](#)

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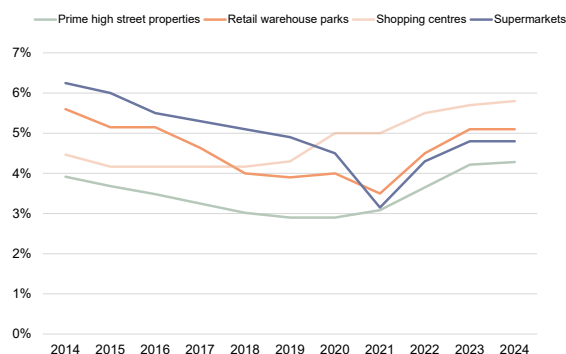
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Graph 2: Transaction volume by type of use



Source Savills

Graph 3: Prime yields retail properties



Source Savills

