PART D. GERMANY

Munich and Berlin



Berlin, Potsdamer Platz. Architectural illustration.

This part reproduces the German edition. It compares Munich and Berlin (Section D3) and then sets out Munich in Part D-I and Berlin in Part D-II, with offices in depth. Both metros are compared with Germany on the same Eurostat regional accounts for employment, but their pay measures differ.

Data vintage. Metropolitan employment and GDP run to 2023 for both metros and population to 2025. Pay runs to 2023 (Upper Bavaria) and 2024 (Munich city) for Munich and to 2025 for Berlin. Office market figures run to Q2 or Q3 2026, and Berlin's housing policy position to October 2026.

D1. Executive summary and recommendations

Recommendations. Munich: prioritise core Grade A offices in the central business district for underwriting, subject to entry price; underwrite rental housing selectively, in well-connected locations and taking account of rent regulation; underwrite refurbishment of older offices to Grade A only in central locations and with a substantial pre-let. Berlin: prioritise newly built rental housing for underwriting, subject to entry price and regulatory risk; underwrite core Grade A offices only selectively, in the strongest central locations and subject to entry price; do not prioritise refurbishment of older offices to Grade A while vacancy is still rising. On relative value, Munich is the stronger office case and Berlin the stronger rental housing case. Munich combines job growth twice Germany's rate, output per job a third above the national level and the highest pay in Germany, which supports premium space. Against that, office vacancy has more than tripled since 2019 to about 8% to 9%, almost all of it outside the core, population growth has slowed sharply since 2019 and German growth is forecast to stay weak. The Berlin region has added jobs more than twice as fast as Germany since 2012, its real pay has risen faster than Germany's and its population keeps growing, while housing completions fell 28% in 2025. Against that, office vacancy has risen almost sevenfold since 2019 to about 9% to 11%, Berlin's own employment has fallen slightly since 2025, and the incoming city government plans to socialise the holdings of large private landlords. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

Two metros, one method. This German edition applies the Observatory's method to the Munich and Berlin regions: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Germany, the demand- and supply-side drivers of growth and the forces behind it, followed by the office market, housing and capital markets and illustrative strategies. Section D3 compares the two metros; Parts D-I and D-II set out each in full.

The case rests on seven comparative findings:

1. **Both regions have added jobs about twice as fast as Germany, and Berlin has led since 2019.** Workplace jobs rose 15.4% in the Munich region and 15.3% in the Berlin region between 2012 and 2019, against 7.7% for Germany, and 3.8% and 5.1% between 2019 and 2023, against 1.4%, to 2.04 million and 2.93 million. Munich's own competitive gain explains about half of its job growth before 2019 and 60% after; Berlin's explains 46% and 59%.
2. **Munich's output and pay are far above the national level; Berlin's output has grown fast from a lower base.** The Munich region produced 6.0% of German GDP in 2023, up from 5.6% in 2012, with output per job 34% above Germany's. The Berlin region's share rose from 5.4% to 6.2%, but its output per job is still 3% below the German level. The median full-time wage in Munich city was EUR 5,362 a month in 2024, 34% above the German median. Berlin's real GDP has grown faster than Germany's every year since 2013, by 1.1% against 0.2% in 2025.

3. **Real pay rose in both before 2019; Berlin's held up after 2019.** Upper Bavaria's real compensation per employee rose 11.0% in 2012 to 2019 and fell 2.3% in 2019 to 2023, broadly in line with Germany. Berlin's rose 15.3% and then a further 1.8%, taking pay from the national level in 2012 to 7% above it in 2023. Before 2019 these patterns are consistent with demand-induced expansion and a stronger wealth effect, but they do not estimate labour-supply elasticity. Upper Bavaria and Berlin city differ in geography; the pay series are compared by direction only. Post-2019 interpretation must consider inflation in both areas.
4. **Technology drives both; Munich is also specialised in finance and business services.** In Munich city, employees in information and communication almost doubled between 2012 and 2024, to 111,400, about 3.4 times the German share, and the region's finance, real estate and business services have a location quotient of 1.46. In Berlin city, jobs in information and communication more than doubled between 2012 and 2023, to 170,600, about 2.3 times its share of German employment, with real pay per employee up 13.6%; professional and administrative services added 121,500 jobs.
5. **Population growth has slowed in both and depends on migration.** The Munich region's population rose 1.1% a year between 2012 and 2019 but only 0.3% a year between 2019 and 2025, to 2.96 million, partly reflecting statistical revisions; births now barely exceed deaths, and the Bavarian statistics office projects only 3.2% growth to 2044. The Berlin region grew 10.4% between 2012 and 2025, to 5.41 million, but deaths now exceed births by about 15,000 a year, and on Berlin's population register net arrivals from abroad fell from about 25,500 in 2024 to 4,541 in 2025.
6. **Demand drives growth in both; Munich's labour market is tight, while Berlin has a large labour reserve beside a tight skilled market.** Upper Bavaria ranks 2nd among EU regions on the European Commission's innovation output indicator and Munich hosts seven DAX companies, while German defence spending rose about 24% in 2026; with a Bavarian employment rate of 84.3% and unemployment around 5%, there are few spare workers, so demand growth shows up in pay as well as jobs (Section D4.4). Berlin's unemployment rate was 10.4% in October 2026 and its employment rate 76.9%, against 81.2% for Germany, yet skilled pay keeps rising (Section D9.4); its employment fell 0.1% in 2025, the first fall since 2020.
7. **Prime offices are scarce in Munich; in Berlin offices are in surplus and housing is short.** Munich's prime rents reached EUR 58 to 62 per m² per month in 2026, up about half since 2019, and CBD vacancy is below 2% (CBRE), but overall vacancy rose to 8.1% (BNP Paribas Real Estate) or 9.3% (Cushman & Wakefield) in Q3 2026, with 1.9 million m² vacant; the prime office yield is 4.20% to 4.40%. In Berlin, vacancy reached 9.6% (BNP Paribas Real Estate) in Q3 2026, with 2.09 million m² vacant, 60% of it modern space, while prime rents reached EUR 47 to 49 per m² per month; housing completions fell to 11,027 in 2025, and asking rents rose to EUR 15.80 per m² per month.

The assumptions this advice is most sensitive to: German growth and the path of ECB rates and energy prices, which drive yields; whether occupiers keep concentrating in central, modern space; whether both regions' populations and labour supply keep growing, which in Berlin depends on a recovery in migration; the housing policy of the next Berlin city government, including the planned socialisation law; and whether Berlin's office take-up keeps recovering faster than vacancy rises.

D2. Introduction: purpose, method and areas

This edition assesses whether, and how, an institutional investor should commit capital to real estate in the Munich and Berlin regions, and how the two compare. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Areas covered. For Munich, the metropolitan area is Planning Region 14 (Region München): Munich city and the eight surrounding districts of Dachau, Ebersberg, Erding, Freising, Fürstenfeldbruck, Landsberg am Lech, Munich district and Starnberg, with 2.96 million residents on 1 January 2025; Munich city had 1.51 million residents on the official estimate. For Berlin, it is Eurostat's Berlin metropolitan region (DE001MC): the city of Berlin, Potsdam and eight surrounding districts of Brandenburg (Barnim, Dahme-Spreewald, Havelland, Märkisch-Oderland, Oberhavel, Oder-Spree, Potsdam-Mittelmark and Teltow-Fläming), with 5.41 million residents on 1 January 2025; Berlin city had 3.69 million residents on the official estimate and the Brandenburg districts 1.72 million. Germany is the reference economy throughout. Office sections use the brokers' own market definitions, which cover Munich city and its periphery and the city of Berlin.

Method and data. The data come from workbooks compiled for this edition, mainly from Eurostat's regional accounts and demographic statistics for the districts of each region, the Federal Employment Agency (BA), the City of Munich and the statistical office of Berlin-Brandenburg. Employment is workplace jobs, including the self-employed, in six broad sector groups for each region from 2012 to 2023. Finer sectors are available for Munich city only as employees covered by social insurance on 30 June, which exclude the self-employed and most civil servants, and for Berlin city, which is itself a NUTS region, as workplace jobs. GDP is nominal, as volume GDP is not published for the districts. Pay comes from different sources: for Munich, compensation per employee for Upper Bavaria, a larger region that contains Planning Region 14, from 2012 to 2023; for Berlin, compensation per employee by sector from the state accounts, from 2012 to 2025, compared with Eurostat's figures for Germany to 2023; and for both, BA median monthly pay of full-time employees for the city and districts (2020 to 2024 for Munich, 2020 to 2025 for Berlin). Real values use Germany's consumer price index. Growth is compared over 2012 to 2019 and 2019 to 2023. The population series contain statistical breaks, including revisions after the 2022 census, so changes after 2019 should be read with caution. Pay levels are not compared with other editions, whose pay statistics are defined differently, and the two metros' pay series are compared by direction only.

Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

The investment cases. The report tests six illustrative strategies:

Table D1. The strategies tested

City	Strategy	Asset	Location	Risk style
Munich	A	Stabilised, fully let Grade A office building	Central business district (city centre)	Core
Munich	B	Older office building, refurbished to Grade A	City fringe, near rapid transit	Value-add
Munich	C	Rental housing, newly built	Munich city and well-connected districts	Core-plus
Berlin	A	Stabilised, fully let Grade A office building	Central locations (Mitte, Potsdamer Platz, City West)	Core
Berlin	B	Older office building, refurbished to Grade A	City fringe, near rapid transit	Value-add
Berlin	C	Rental housing, newly built	Berlin city and well-connected Brandenburg districts	Core-plus

Structure. Section D3 compares the two metros. Part D-I (Sections D4 to D8) covers Munich and Part D-II (Sections D9 to D13) Berlin: metropolitan growth, including the demand- and supply-side drivers, prospects by asset class, the office market, housing and capital markets, and strategy appraisal. Section D14 sets out risks and monitoring for both, and Section D15 lists sources.

D3. Munich and Berlin compared

Munich and Berlin both added jobs about twice as fast as Germany between 2012 and 2023, but from different positions: Munich from the highest pay and output per job in Germany, Berlin from output per job below the national level, with faster growth in jobs and real pay since 2019.

D3.1 Growth on matched data

Table D2. Munich and Berlin scorecard

Indicator	Munich region	Berlin region	Germany
Workplace jobs, 2012 to 2019	+15.4%	+15.3%	+7.7%
Workplace jobs, 2019 to 2023	+3.8%	+5.1%	+1.4%
Workplace jobs, 2023	2.04 million	2.93 million	
Share of German GDP, 2012 and 2023	5.6% and 6.0%	5.4% and 6.2%	
Output per job relative to Germany, 2023	34% above	3% below	
Real compensation per employee, 2012 to 2019	+11.0% (Upper Bavaria)	+15.3% (Berlin city)	
Real compensation per employee, 2019 to 2023	-2.3% (Upper Bavaria)	+1.8% (Berlin city)	-2.3%
Jobs per resident, 2012 to 2019	+7.2%	+6.7%	
Jobs per resident, 2019 to 2023	+3.3%	+4.4%	
Population, 1 January 2025	2.96 million	5.41 million	
Population change, 2024	+25,263	+28,113	
Natural change, 2024	+615	-15,026	
Net migration, 2024, including statistical adjustment	+24,648	+43,139	
Growth type, 2012 to 2019	Consistent with demand-induced; stronger pay effect	Consistent with demand-induced; stronger pay effect	
Growth type, 2019 to 2023	Jobs growth with falling real pay	Consistent with demand-induced; elasticity unconfirmed	

Sources: Tables D5, D6, D18 and D19 and Sections D4 and D9; authors' calculations from Eurostat regional accounts and the sources cited there. The pay series cover Upper Bavaria and Berlin city, so they are compared by direction only.

Reading. On matched Eurostat data the two regions grew at almost the same rate before 2019, and Berlin faster since. They differ in level and in where their people come from: Munich's output per job is 34% above the German level and Berlin's 3% below, and Munich's natural change is close to zero while Berlin's deaths exceed births by about 15,000 a year, so Berlin depends more on migration. Real pay rose in both before 2019, the pattern that best supports premium space, but only Berlin's kept rising through the 2022 to 2023 inflation surge.

D3.2 Competitive engines

Both metros are technology hubs; Munich adds finance and business services. In Munich city, insured employees in information and communication are about 3.4 times the German share, and the region's finance, real estate and business services have a location quotient of 1.46. Berlin city's location quotient for information and communication is 2.28, but for finance it is 0.85, below the German average. The measures differ: Munich's city figures count insured employees and are indicative, while Berlin's count workplace jobs (Tables D10, D11, D23 and D24). Each metro's own competitive gain, measured by shift-share against Germany, explains about half of Munich's job growth before 2019 and 60% after, and 46% and 59% of Berlin's (Tables D12 and D25).

D3.3 Drivers of growth: demand side and supply side

Demand drives growth in both metros, but their labour markets differ. Munich's labour market is tight: with a Bavarian employment rate of 84.3% and unemployment around 5%, there are few spare workers, so demand growth shows up in pay as well as jobs. Berlin has a large labour reserve beside a tight skilled market: its unemployment rate was 10.4% in October 2026 and its employment rate 76.9%, against 81.2% for Germany, yet skilled pay keeps rising. Sections D4.4 and D9.4 set out the demand- and supply-side drivers for each metro.

D3.4 Office and housing markets

Table D3. Office and housing markets compared

Indicator	Munich	Berlin
Central office vacancy	Below 2% in the CBD (Q2 2026, CBRE)	Rate not published; 0.20 million m² vacant in top locations
Market office vacancy, Q3 2026	8.1% (BNP Paribas RE; Cushman & Wakefield 9.3%)	9.6% (BNP Paribas RE; JLL 9.3%; CBRE 8.6%; Cushman & Wakefield 10.6%)
Vacant office space	1.9 million m²	2.09 million m², 60% of it modern
Prime office rent, per m² per month	EUR 58 to 62	EUR 47 to 49
Prime office yield, net	4.20% (CBRE 4.4%)	4.60%
Asking housing rent, per m² per month	EUR 23.70 (Q2 2026)	EUR 15.80 (Q3 2026)
Completions per new household, 2024	0.77	1.50
Completions per added household, 2013 to 2024	1.20	Not reliable (Section 3.4)
Price of an 80 m² home, years of household income, 2024	9.5 (asking prices)	8.3 (resale transactions)
Main renters' rent burden, 2022	30.5%	27.4%

Sources: Sections D6, D7, D11 and D12 and Section 3.4; brokers as cited there. Housing ratios are the authors' calculations; price concepts differ between the two cities, so their levels are not directly comparable.

Reading. Munich's office market is split between a scarce centre and a periphery where vacancy has more than tripled since 2019. Berlin's vacancy has risen almost sevenfold since 2019 and 60% of its vacant space is modern, so its surplus extends to good buildings. Housing is the reverse case: Berlin's completions fell to 11,027 in 2025 while its population keeps growing, and its asking rents are about a third below Munich's, where rent regulation limits increases in much of the existing stock.

D3.5 Relative implications for real estate

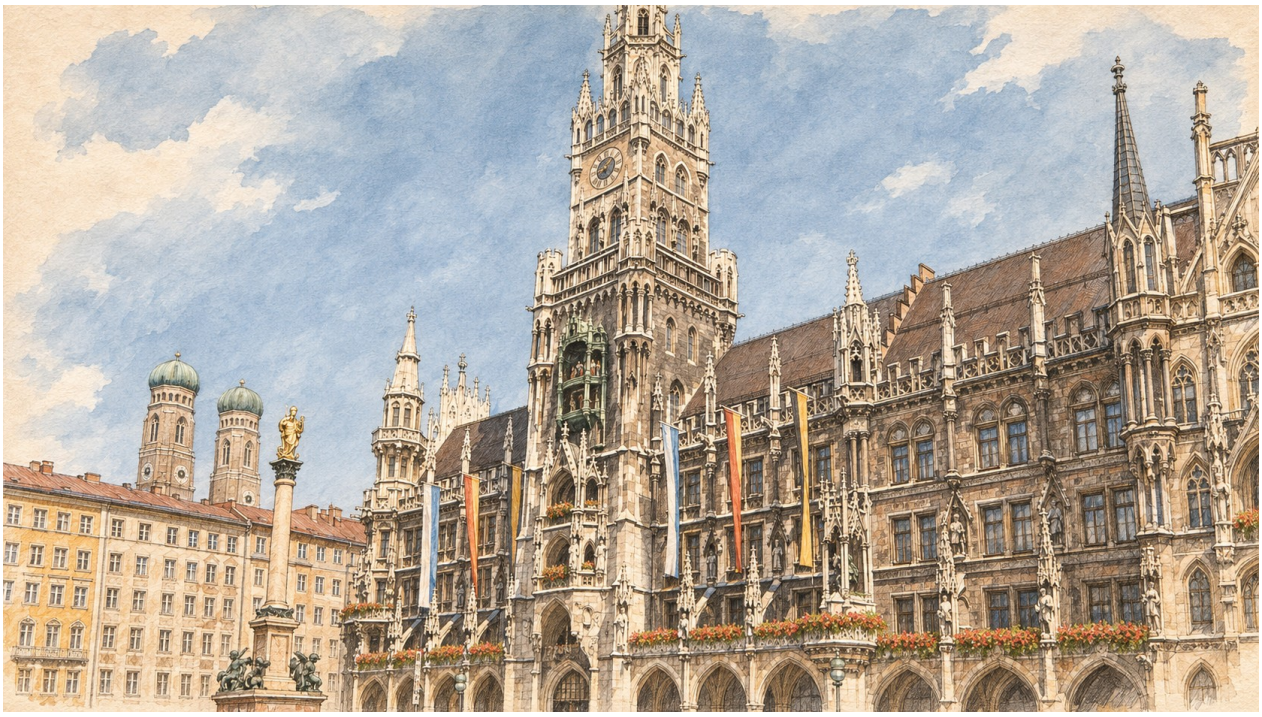
Table D4. Market-level recommendations compared

Asset class	Munich	Berlin
Core offices	Prioritise for underwriting in the CBD, subject to entry price	Underwrite selectively in the strongest central locations, subject to entry price
Value-add offices	Only in central locations, with a substantial pre-let	Do not prioritise while vacancy is rising
Rental housing	Underwrite selectively, taking account of rent regulation	Prioritise new-build rental, subject to entry price and regulatory risk

Source: summary of the recommendations in Section D1 and the appraisals in Sections D8 and D13. These are market-level judgements by the authors, not asset-level investment approvals.

Overall. Munich is the stronger office case and Berlin the stronger rental housing case. Munich's premium rests on pay and output per job far above the national level and a scarce centre. Berlin's rests on faster recent growth in jobs and real pay and a housing shortage, set against an office surplus and the political risk of the planned socialisation law.

Part D-I. Munich



Marienplatz and the Neues Rathaus, Munich. Illustration adapted from a photograph by Gary Todd, Wikimedia Commons · CC0 1.0

D4. Munich: metropolitan growth patterns

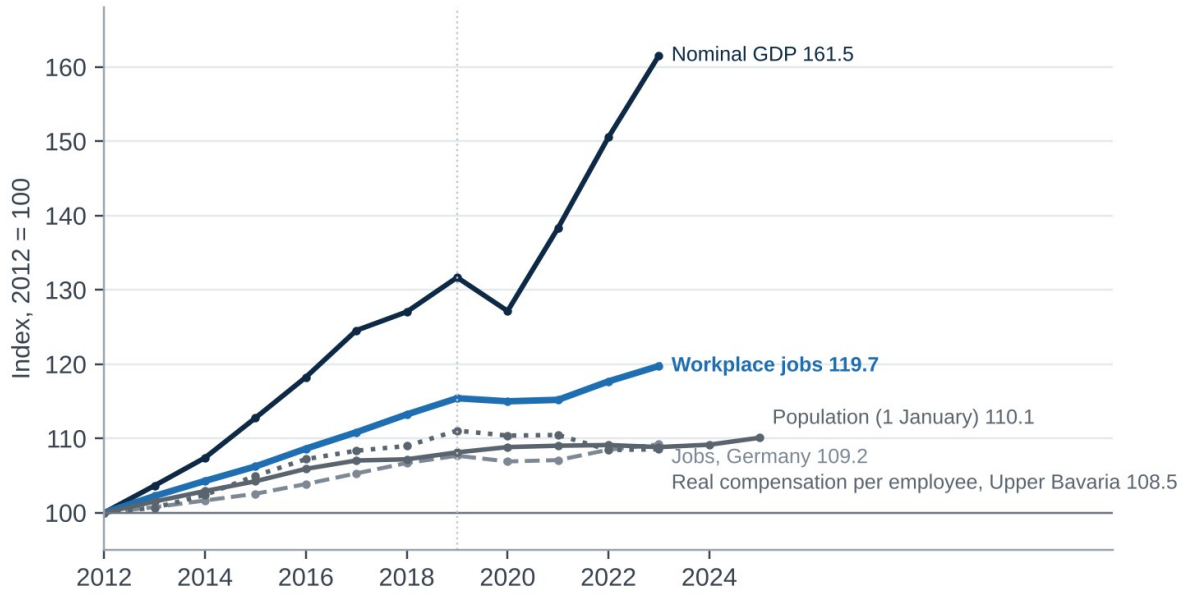
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (4.1), growth and pay by sector (4.2), specialisation and competitiveness against Germany (4.3), the demand- and supply-side drivers of growth (4.4) and the forces behind growth (4.5).

D4.1 Summary growth indicators

The Munich region grew much faster than Germany in jobs and output, faster in population, and with real pay rising strongly until 2019.

Figure D1. Jobs and output outgrew Germany; real pay rose until 2019

Summary growth indicators, Munich region (Planning Region 14), 2012 to 2023 (index, 2012 = 100)



Sources: Eurostat regional accounts (workplace jobs and nominal GDP by district) and population on 1 January; Eurostat compensation of employees and employees for Upper Bavaria (DE21); Germany CPI (Destatis, via finanz-tools.de); as compiled in the Munich data workbook; authors' calculations. Population to 2025.

Population. The region's population rose from 2.69 million on 1 January 2012 to 2.96 million on 1 January 2025 (+10.1%), against 4.0% for Germany, and its share of the national population rose from 3.3% to 3.5%. Growth slowed from 1.1% a year between 2012 and 2019 to 0.3% a year between 2019 and 2025, and the population fell in 2022. The authors understand that the 2022 census lowered population estimates across Germany, so part of the slowdown is likely to be statistical, but the data do not show how much.

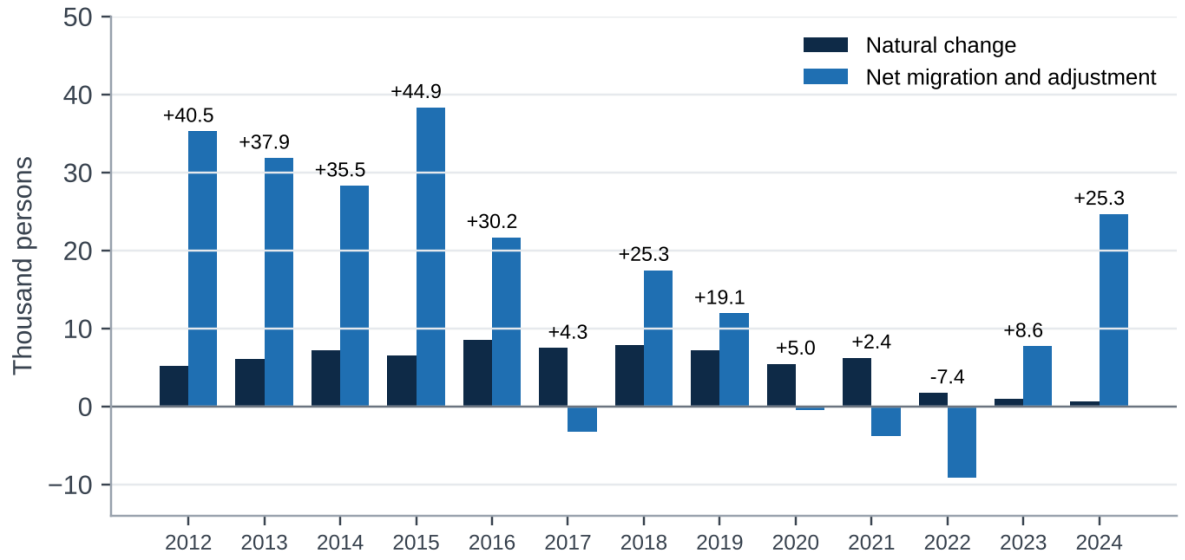
Employment. Workplace jobs rose from 1.71 million in 2012 to 2.04 million in 2023 (+19.7%). They grew 15.4% to 2019, against 7.7% for Germany, held almost flat through 2020 and 2021, and then grew 3.9% in 2022 and 2023.

Output and pay. Nominal GDP rose from EUR 155.8 billion in 2012 to EUR 251.7 billion in 2023 (+61.5%), faster than Germany's, so the region's share of German GDP rose from 5.6% to 6.0%. Output per job was EUR 123,100 in 2023, 34% above the German level. Munich city's own accounts show nominal GDP of EUR 152.0 billion in 2024, up 3.7%. Compensation per employee in Upper Bavaria was EUR 63,757 in 2023, 21% above Germany; after inflation it rose 11.0% between 2012 and 2019 and fell 2.3% between 2019 and 2023. The BA median for full-time employees in Munich city was EUR 5,362 a month in 2024; after inflation it was 1.6% below 2020, a similar fall to Germany's 1.8%.

Where population growth comes from. Population change is the sum of natural change and net migration. Births have exceeded deaths in every year since 2012, but natural change has fallen from 7,000 to 8,500 a year before 2020 to only 615 in 2024, so migration now drives growth (Figure D2 and Table D5). Net migration was negative from 2020 to 2022, a period that includes statistical adjustments.

Figure D2. Natural increase has almost disappeared; migration drives growth

Components of population change, Munich region, 2012 to 2024 (thousand persons; labels show total change)



Source: Eurostat, demographic balance by district, as compiled in the Munich data workbook. Net migration includes statistical adjustment, including census revisions.

Table D5. Components of population change, Munich region, 2024

Births	Deaths	Natural change	Net migration and adjustment	Population change
27,505	26,890	+615	+24,648	+25,263

Source: Eurostat, demographic balance (demo_r_gind3) for the nine districts, as compiled in the Munich data workbook. The data do not split migration into international and domestic flows, and the authors lack data on migrants' skills.

Jobs per resident. The region had 0.70 jobs per resident in 2023, against 0.55 for Germany, reflecting in-commuting from beyond the region and high participation. The ratio rose 7.2% between 2012 and 2019 and 3.3% between 2019 and 2023, against 4.2% and 1.2% for Germany: jobs have grown faster than population. This can reflect falling unemployment, higher participation or more commuting into the region; the census revision of population after 2019 also raises the ratio, and the data cannot separate these effects.

Synthesis by period. Table D6 summarises growth in each period and the type of growth it indicates.

Table D6. Synthesis of growth patterns by period, Munich region (average annual % change)

Area	Period	Population	Jobs	Real pay	Nominal output	Indicative mechanism	Main forces
Munich region	2012-19	+1.1	+2.1	+1.5	+4.0	Consistent with demand-induced; stronger pay effect	Technology, business services and industry; strong migration
Munich region	2019-23	+0.2	+0.9	-0.6	+5.2	Jobs and output growth with falling real pay	Technology and business services; 2022 to 2023 inflation; weak population growth
Germany	2012-19	+0.5	+1.1	+1.6	+3.4	National reference	
Germany	2019-23	0.0	+0.4	-0.6	+4.5	National reference	

Sources: Eurostat population on 1 January, workplace jobs and nominal GDP for the nine districts and Germany; Eurostat compensation per employee for Upper Bavaria (DE21) and Germany, deflated by Germany's CPI; authors' calculations. Real pay is for Upper Bavaria. Population growth after 2019 is affected by census revisions. Falling real pay after 2019 may reflect inflation, hours and worker composition as well as labour-supply shifts. Its cause is not identified; the same rule is applied across metros in Table 4b. Growth types follow the framework in Section D2 and are indicative.

Forecasts. The Joint Economic Forecast of September 2026 expects German GDP to grow 1.3% in 2026, 1.1% in 2027 and 0.4% in 2028, with consumer price inflation of 2.8% and 3.2% in 2026 and 2027; it cites the energy price shock from the Iran war and a shrinking labour force as limits on the recovery. The Bavarian statistics office projects the region's population to grow from 2.96 million at the end of 2024 to 3.06 million in 2044 (+3.2%), and Munich city's from 1.51 million to 1.58 million. The City of Munich's own projection, on a different population base, is considerably higher. Regional economic forecasts were not available to the authors.

Table D7. Historical and forecast growth, Munich region

Indicator	History	Forecast	Forecast source
Population	+10.1%, 2012 to 2025	+3.2%, end-2024 to 2044	Bavarian State Office for Statistics, 2026
Jobs	+19.7%, 2012 to 2023	Germany: employment broadly flat, 2026 to 2028	Joint Economic Forecast, September 2026
Nominal output	+61.5%, 2012 to 2023	Germany real GDP +1.3% (2026), +1.1% (2027), +0.4% (2028)	Joint Economic Forecast, September 2026
Real pay	Upper Bavaria +8.4%, 2012 to 2023	Germany CPI +2.8% (2026), +3.2% (2027)	Joint Economic Forecast, September 2026

Sources: history as Figure D1; Bavarian State Office for Statistics, regional population projection to 2044, as presented to the Regional Planning Association Munich, 21 July 2026; Joint Economic Forecast, autumn 2026, press release of 24 September 2026, as published by DIW Berlin.

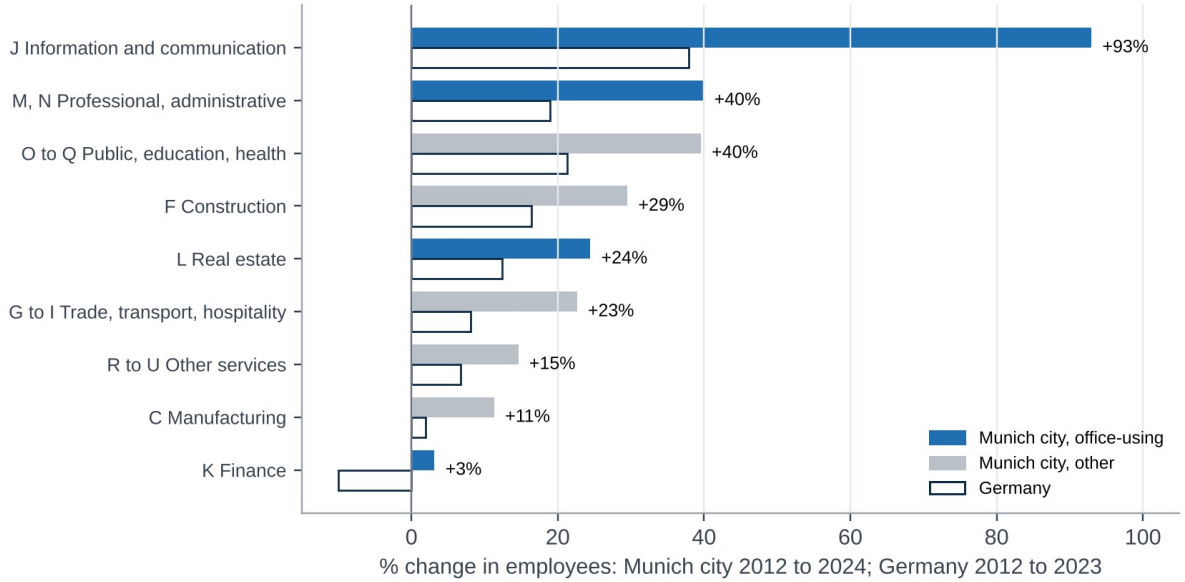
Reading for the investor. Munich's growth before 2019 was the strongest kind for real estate: fast job growth with rising real pay, at the highest pay levels in Germany. Since 2019 job growth has continued at more than twice the national rate, but population growth and real pay have stalled, and the national outlook is weak.

D4.2 Growth and pay by sector

Growth was led by technology, business services and public services, while finance and manufacturing grew slowly.

Figure D3. Technology employment almost doubled in Munich city

Employees covered by social insurance by sector, Munich city, 2012 to 2024, and employees in Germany, 2012 to 2023 (% change). Office-using sectors in blue.



Sources: City of Munich, statistical yearbooks (employees covered by social insurance at the workplace, 30 June); Eurostat regional accounts (employees, Germany); as compiled in the Munich data workbook; authors' calculations. The two series differ in coverage and period and are compared only for direction.

Table D8. Workplace jobs by sector, Munich region

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Germany jobs growth	Share of jobs 2023	LQ 2023
K-N Finance, real estate, business services	418.1	510.2	+22.0%	+9.4%	25.0%	1.46
G-J Trade, transport, hospitality, ICT	496.4	607.0	+22.3%	+7.1%	29.7%	1.17
O-U Public and other services	494.8	584.7	+18.2%	+16.5%	28.6%	0.87
B-E Industry excluding construction	220.0	248.7	+13.0%	+1.6%	12.2%	0.69
F Construction	64.3	82.5	+28.4%	+9.8%	4.0%	0.70
A Agriculture	13.4	10.9	-18.9%	-12.2%	0.5%	0.43
All sectors	1,707.0	2,044.0	+19.7%	+9.2%	100.0%	1.00

Source: Eurostat regional accounts (workplace jobs including self-employed) for the nine districts and Germany, as compiled in the Munich data workbook; authors' calculations. Only six broad sector groups are published for the districts.

Table D9. Compensation per employee by sector, Upper Bavaria

Sector	Employees growth 2012 to 2023	Compensation per employee 2023 (EUR)	Index, Germany = 100	Real 2012 to 2019	Real 2019 to 2023	Real 2012 to 2023	Germany real 2012 to 2023
K Finance and insurance	-4.5%	101,024	110	+6.0%	-1.6%	+4.4%	+9.0%
J Information and communication	+67.0%	94,156	113	-3.2%	-4.3%	-7.3%	+10.4%
C Manufacturing	+12.8%	88,769	131	+14.9%	-5.2%	+8.9%	+6.4%
M, N Professional and administrative	+35.8%	69,702	129	+12.6%	+4.4%	+17.5%	+25.1%
L Real estate	+10.4%	59,195	113	+23.6%	+5.0%	+29.8%	+21.3%
O to Q Public administration, education, health	+23.2%	52,660	103	+10.1%	-3.4%	+6.4%	+7.3%
F Construction	+35.5%	51,666	107	+11.8%	-1.8%	+9.8%	+6.2%
G to I Trade, transport, hospitality	+13.8%	49,830	121	+13.9%	-2.7%	+10.9%	+9.2%
R to U Other services	+10.4%	34,434	115	+9.7%	-9.2%	-0.4%	+4.1%
All sectors	+21.4%	63,757	121	+11.0%	-2.3%	+8.4%	+9.2%

Source: Eurostat regional accounts (compensation of employees, including employer social contributions, divided by employees), Upper Bavaria (DE21) and Germany, as compiled in the Munich data workbook; Germany CPI; authors' calculations. Upper Bavaria is larger than the Munich region. Compensation is an employer cost, includes part-time employees and is affected by changes in the mix of jobs.

Growth types by sector. Before 2019, most sectors in Upper Bavaria combined job growth with rising real pay, consistent with demand-induced expansion and a stronger pay effect; labour-supply elasticity is not estimated. Professional and administrative services is the clearest case: employees rose 36% between 2012 and 2023 and real pay 17.5%, with pay 29% above the sector nationally. Information and communication is the exception: employees rose 67% but real pay per employee fell 7.3%, while it rose 10.4% nationally, which suggests rapid hiring, possibly at lower average pay, rather than a shortage of workers. After 2019 real pay fell in most sectors as inflation surged, except in professional services and real estate. Munich city's median full-time pay in 2024 was highest in manufacturing (EUR 7,305), finance (EUR 6,953) and information and communication (EUR 6,691), all well above the German medians (BA).

D4.3 Specialisation and competitiveness

The Munich region is specialised in finance, real estate and business services and in trade, transport and ICT, and its specialisation has held or risen since 2012.

Table D10. Location quotients by sector, Munich region (Germany = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
K-N Finance, real estate, business services	1.44	1.45	1.46	25.0%	Highly specialised, stable
G-J Trade, transport, hospitality, ICT	1.12	1.16	1.17	29.7%	Specialised, rising
O-U Public and other services	0.94	0.89	0.87	28.6%	Below average, falling
B-E Industry excluding construction	0.68	0.68	0.69	12.2%	Below average, stable
F Construction	0.66	0.70	0.70	4.0%	Below average
A Agriculture	0.51	0.46	0.43	0.5%	Low

Table D11. Employees by detailed sector, Munich city

Sector	Employees 2012	Employees 2024	Growth 2012 to 2024	Germany growth 2012 to 2023	Share 2024	Indicative LQ
J Information and communication	57,761	111,447	+92.9%	+37.9%	11.5%	3.36
K Finance and insurance	58,658	60,495	+3.1%	-10.0%	6.2%	2.77
M, N Professional and administrative	164,660	230,335	+39.9%	+19.0%	23.7%	1.81
L Real estate	9,027	11,233	+24.4%	+12.4%	1.2%	1.10
O to Q Public administration, education, health	142,196	198,428	+39.5%	+21.3%	20.4%	0.76
G to I Trade, transport, hospitality	132,263	162,170	+22.6%	+8.1%	16.7%	0.76
R to U Other services	42,795	49,041	+14.6%	+6.7%	5.1%	0.81
C Manufacturing	95,527	106,322	+11.3%	+2.0%	11.0%	0.63
F Construction	18,194	23,561	+29.5%	+16.4%	2.4%	0.46
All sectors	733,967	970,646	+32.2%	+12.3%	100.0%	1.00

Source for Table D10: Eurostat regional accounts, workplace jobs, nine districts and Germany; authors' calculations. Source for Table D11: City of Munich, statistical yearbooks (employees covered by social insurance at the workplace, 30 June), and Eurostat regional accounts (employees, Germany, 2023); authors' calculations. The indicative quotients in Table D11 compare Munich city's insured employees in 2024 with all employees in Germany in 2023, so they are approximate; they exclude the self-employed and most civil servants in Munich.

Table D12. Shift-share decomposition, Munich region, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
K-N Finance, real estate, business services	+71.1	+32.1	+2.7	+36.4	+21.0	+7.0	-1.9	+16.0
G-J Trade, transport, hospitality, ICT	+88.1	+38.1	-4.1	+54.1	+22.5	+8.3	-6.8	+20.9
O-U Public and other services	+64.0	+37.9	+15.3	+10.8	+25.8	+7.9	+20.8	-2.9
B-E Industry excluding construction	+26.8	+16.9	-6.3	+16.3	+1.9	+3.5	-11.1	+9.4
F Construction	+14.2	+4.9	-0.8	+10.0	+4.1	+1.1	+1.3	+1.6
A Agriculture	-1.3	+1.0	-2.1	-0.3	-1.2	+0.2	-0.8	-0.6
Total	+263.0	+130.9	+4.8	+127.3	+74.0	+28.0	+1.6	+44.4

Source: Eurostat regional accounts, workplace jobs, nine districts and Germany, as compiled in the Munich data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2023. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. In Munich city, information and communication employs 11.5% of insured employees, about 3.4 times its share in Germany, and finance 6.2%, about 2.8 times; professional and administrative services is the largest office-using sector, at 23.7%. In the broader region, public and other services (28.6%) and trade, transport, hospitality and ICT (29.7%) are the largest groups.

What the decomposition shows. Munich's own competitive gain, the regional shift, explains almost half of its job growth before 2019 (127.3 thousand of 263.0 thousand) and 60% after (44.4 thousand of 74.0 thousand). Trade, transport, hospitality and ICT, and finance, real estate and business services gained share in both periods, as did industry, which held its jobs while industrial employment in Germany fell after 2019. Public and other services grew mostly because the sector grew nationally. The region's sector mix contributed little; its growth comes from gaining share within sectors.

D4.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables D12a and D12b rate each driver for the Munich region. The ratings are the authors' judgement from the evidence shown.

Table D12a. Demand-side drivers of growth, Munich

Driver	Rating	Evidence
National economic influences	Weak, but the mix lets Munich outgrow Germany	German GDP grew 0.2% in 2025 and Bavaria's 0.5%; Munich city's insured employees reached a record 976,230 in 2025, up 0.6%, against 0.1% for Bavaria and Germany; Munich's competitive gain explains about half of its job growth before 2019 and 60% after (Table D12)
Amenities, infrastructure and tax	Strong	Munich Airport handled 43.4 million passengers in 2025 (+4.4%); the second S-Bahn trunk line, costing more than EUR 11 billion, is not expected before 2035; taxes are largely national
Clusters and innovation	Very strong	Upper Bavaria ranks 2nd among EU regions on the European Commission's Regional Innovation Output Indicator, after Stockholm; seven DAX companies; 19.3 start-ups per 100,000 residents and EUR 2.7 billion of venture capital in 2025; motor vehicles provide 25.9% of Upper Bavaria's industrial jobs
Population growth	Weak	Population growth slowed to 0.3% a year after 2019 and natural change was only +615 in 2024 (Table D5); the region is projected to grow 3.2% to 2044
Visitor spending	Moderate	19.7 million overnight stays in 2025 (-0.2%), 44.5% of them international
Government spending	Moderate and rising	German defence spending of about EUR 108 billion in 2026, up about 24%; the number of defence start-ups in the region has doubled to about 60 (IHK Munich)

Sources: City of Munich, Münchner Jahreswirtschaftsbericht 2026 and population statistics; vbw, Bayern-Daten 2026 and Wirtschaftsdaten Oberbayern 2025; European Commission JRC, Regional Innovation Output Indicator; aeroTELEGRAPH, 8 January 2026; Schwäbische, 8 April 2025; tageskarte, 17 March 2026; Euronews, 1 September 2026; authors' calculations (shift-share).

Table D12b. Supply-side drivers of growth, Munich

Driver	Rating	Evidence
Immigration for non-wage reasons	Moderate	Net migration and adjustment provided 98% of the region's growth in 2024 (Table D5); 30.6% of Munich city's residents are foreign nationals; the city register shows net migration of only about 4,800 in 2025
Labour force participation	Weak (little room left)	Bavaria's employment rate is 84.3% (ages 20 to 64), against 81.2% for Germany; unemployment was 5.0% in the Munich employment agency district in 2025 and 4.0% in Bavaria; the region has 0.70 jobs per resident, against 0.55 for Germany
Public policy programmes	Mixed	The EU Blue Card requires a salary of at least EUR 50,700 in 2026 (EUR 45,934 in shortage occupations), which suits Munich's high-wage jobs; family reunification for people with subsidiary protection was suspended for two years in June 2025

Sources: Eurostat demographic balance, as compiled in the Munich data workbook; City of Munich, population statistics; Statistikportal, employment rate 2025; City of Munich, Münchner Jahreswirtschaftsbericht 2026; vbw, Bayern-Daten 2026; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, 27 June 2025.

How the drivers explain the growth pattern. Munich's innovation, high-value industry and specialised services provide demand-side evidence. Employment and real-pay gains before 2019 are consistent with demand-induced expansion and a stronger wealth effect. Unemployment around 5%, recruitment conditions and migration inform the labour-supply interpretation, but do not identify an elasticity or prove migrants' motives. After 2019, falling real pay alongside jobs growth admits several explanations, including inflation and composition; an independent labour-supply shift is not established.

What could change the balance. Defence spending is a new demand driver and may absorb workers leaving the car industry, where BMW is cutting up to 8,000 jobs (Euronews). The main risks are the car industry's decline and energy prices on the demand side, and housing costs that deter newcomers on the supply side, which would keep labour supply tight and slow job growth.

D4.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Munich's growth has been driven by its role as one of Germany's leading centres for technology, business services, finance and high-value industry, which has added jobs at high pay, rather than by population growth.

1. **Technology and business services.** Employees in information and communication almost doubled in Munich city between 2012 and 2024, and professional services rose 40%.
2. **High-value industry.** Industry's jobs held up after 2019, against a national decline, and manufacturing pays the highest median wage in the city.
3. **Rising real pay until 2019.** Real compensation per employee rose about 1.5% a year, consistent with demand-induced expansion and a stronger wealth effect; labour-supply elasticity is not estimated.
4. **Slowing population growth.** Natural increase has almost disappeared, and population growth since 2019 has been weak, which may limit labour supply.

Will these forces persist? The sector strengths are durable, and CBRE reports that technology, robotics, defence and life sciences firms are driving office demand. The constraints are weak national growth, higher energy costs and interest rates, a shrinking labour force nationally and high housing costs, which make it harder to attract workers.

D5. Munich: growth prospects and real estate markets

Over the next five to ten years, Munich's high-pay, high-productivity growth most clearly supports prime offices and housing; it supports logistics, while secondary offices face high vacancy.

Table D13. Asset classes and Munich's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Strong for prime, weak for secondary	Technology, business services and finance concentrated and growing	Grade A in the CBD and well-connected city locations	Vacancy above 8%, mostly outside the core
Rental housing	Strong	High pay; asking rents EUR 23.70 per m² and rising	New rental housing near rapid transit	Rent regulation; slowing population growth
Logistics	Moderate	Industry holding up; trade and transport growing	Urban and airport-area distribution	Prime yield up 35 bp in H1 2026
Hotels	Moderate	Trade fairs and business travel	Central hotels	Cyclical
Social infrastructure	Moderate	Public services growing with the national trend	Healthcare and education	Public funding

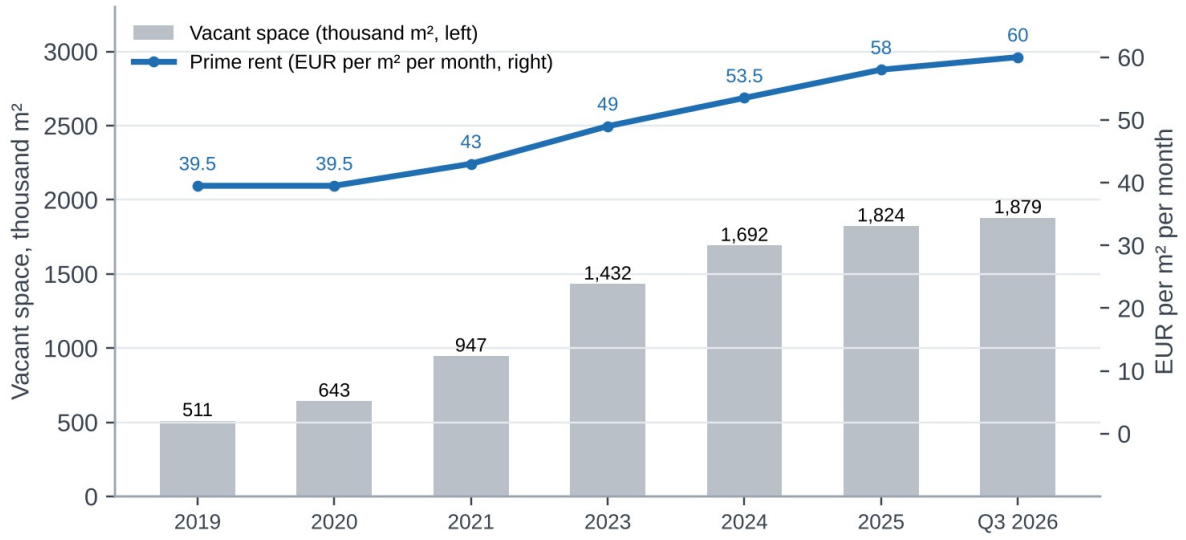
What the growth evidence does not support. Speculative office development or buying older offices outside the core without a pre-let, since vacancy is concentrated there. Industrial space for basic manufacturing is also not supported, although high-value industry has held up.

D6. Munich: the office market

Munich's office market is divided: prime rents are at record levels and the CBD is almost full, while overall vacancy has more than tripled since 2019.

Figure D4. Vacancy has more than tripled since 2019, while prime rents rose by half

Vacant office space and prime rent, Munich office market (city and periphery), 2019 to Q3 2026



Source: BNP Paribas Real Estate, Munich office market reports, Q4 2019 to Q3 2026, as compiled in the Munich data workbook. 2022 is not included in the workbook.

Table D14. Munich office market indicators

Indicator	Value	Period	Source
Vacancy rate	8.1% (Cushman & Wakefield 9.3%)	Q3 2026	BNP Paribas RE; Cushman & Wakefield
Vacancy, CBD	Below 2%	Q2 2026	CBRE
Vacant space	1.88 million m² (0.51 million in 2019)	Q3 2026	BNP Paribas RE
Prime rent	EUR 60 per m² per month	Q3 2026	BNP Paribas RE (C&W EUR 58; CBRE EUR 62 in Q2)
Average rent	EUR 26.90 per m² per month	Q3 2026	BNP Paribas RE (C&W EUR 28.05)
Take-up, January to September	485,000 m² (+19%)	2026	BNP Paribas RE (C&W 467,200 m², +16%)
Under construction	628,000 m² (C&W 883,500 m², 41% pre-let)	Q3 2026	BNP Paribas RE; Cushman & Wakefield
Prime yield	4.20% net (CBRE 4.4%)	H1 2026	BNP Paribas RE; CBRE
Investment volume, all property	EUR 1,237 million (+34.8%), 46.9% offices	H1 2026	BNP Paribas RE

Sources: BNP Paribas Real Estate, Munich office market reports (as compiled in the workbook) and Munich investment market H1 2026; Cushman & Wakefield, Munich office leasing release, 6 October 2026; CBRE, Munich Office Market Q2 2026. Providers' market definitions and figures differ.

Demand. Take-up rose about 16% to 19% in the first nine months of 2026, depending on the provider. Industry, transport and logistics accounted for 24% of take-up in Q3, technology and consultancy 17% each, and finance about 11% (Cushman & Wakefield); CBRE reports demand from technology, robotics, defence and life sciences firms. Large lettings include Google's campus on Arnulfstraße.

Supply and vacancy. Vacant space rose from 0.51 million m² in 2019 to 1.88 million m² in Q3 2026 (BNP Paribas RE), although it rose only slightly over the past year. Between 628,000 and 884,000 m² is under construction, depending on the provider, and Cushman & Wakefield reports that 41% of it is pre-let.

Rents and a two-tier market. The prime rent rose from EUR 39.50 per m² per month in 2019 to EUR 60 in Q3 2026 (BNP Paribas RE), about 52%, well ahead of consumer prices, which rose about 20% between 2019 and 2024. Average rents rose more slowly, to about EUR 27 to EUR 28. CBRE reports average rents of EUR 43.65 in the city centre against EUR 14.29 in the periphery. The gap between prime central space and the rest, not overall scarcity, is the main feature of the market.

D7. Munich: housing and capital markets

Housing. Rents are high and rising. The average asking rent for apartments in Munich was EUR 23.70 per m² per month in Q2 2026, up 3.7% on a year earlier (as reported by NADR; the underlying data provider is not named). Pay in Munich is the highest in Germany, but so are housing costs, and German rent regulation limits rent increases in much of the existing stock. Residential yields and transaction prices were not verified by the authors from a named source and are not shown.

Demand, supply and affordability. On the authors' calculation, 2024 population growth in Planning Region 14 implies about 14,000 new households (applying the city's household size to the region, which probably overstates them), against 10,784 completions in new residential buildings, a ratio of 0.77. Over 2013 to 2024 completions covered 1.20 of household growth, so 2024 was a weak year against a stronger record, and completions fell to 7,328 in 2025. At asking prices for existing apartments, the price of an 80 m² home fell from 12.4 years of household income in 2021 to 9.5 in 2024. Main renters in the city spent 30.5% of net income on gross cold rent in 2022 (microcensus), and asking rents for unfurnished relets equal about 28% of mean household income (Section 3.4).

Capital markets. Property investment in Munich reached EUR 1.24 billion in the first half of 2026, up 34.8% and the only German market above EUR 1 billion at mid-year, with offices accounting for 46.9% (BNP Paribas RE). The net prime office yield was unchanged at 4.20%, while the prime logistics yield rose 35 basis points to 4.60%. The ECB raised its deposit rate in June and September 2026 and held it at 2.50% on 29 October.

Table D15. Munich pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, net	4.20% (CBRE 4.4%)	H1 2026	BNP Paribas RE; CBRE
Prime retail yield, net	3.45%	H1 2026	BNP Paribas RE
Prime logistics yield, net	4.60% (+35 bp)	H1 2026	BNP Paribas RE
Asking rent, apartments	EUR 23.70 per m² per month (+3.7%)	Q2 2026	As reported by NADR
ECB deposit rate	2.50%	29 October 2026	ECB, as reported

Sources: BNP Paribas Real Estate, Munich investment market H1 2026; CBRE, Munich Office Market Q2 2026; NADR, 22 July 2026; ECB decision of 29 October 2026, as reported by Trend.az.

Reading for the investor. Munich's H1 2026 prime office yield of 4.20% differs by 170 basis points from the later ECB deposit rate of 2.50% effective from 16 September. The corresponding arithmetic differences for Milan and Vienna also use yields from their separately dated sources. These are not contemporaneous spreads and do not establish relative risk premia. Weak German growth and the need to test entry pricing remain material considerations.

D8. Munich: strategy appraisal

Strategy A offers secure income in the tightest part of the market, and its main risk is the price paid as rates rise; Strategy C has strong demand but faces regulation and affordability limits; Strategy B faces high vacancy outside the core. All figures are illustrative.

Table D16. Value sensitivity to yield, Munich prime office (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, CBD (BNP Paribas RE)	4.20%	+13.5%	+6.3%	-5.6%	-10.6%
A: prime office, CBD (CBRE)	4.40%	+12.8%	+6.0%	-5.4%	-10.2%

Source: authors' calculations on the net prime office yield of 4.20% reported by BNP Paribas Real Estate (H1 2026) and 4.4% reported by CBRE (Q2 2026).

A 25 basis point move changes value by about 5.4% to 6.3%, and a 50 basis point move by about 10% to 13.5%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table D17. Summary assessment of the Munich strategies

Factor	A: core CBD office	B: refurbishment to Grade A	C: rental housing
Market tightness	CBD vacancy below 2%	Overall vacancy 8% to 9%, mostly outside the core	High rents, rising
Demand base	Technology, business services, finance, high-value industry	Same, seeking modern central space	Highest pay in Germany; slowing population growth
Pricing	Yield 4.20% to 4.40%; prime rent EUR 58 to 62	Depends on location and quality achieved	Yield not verified
Main risk	Paying a full price as rates rise	Lease-up against 1.9 million m² vacant	Rent regulation; affordability
Verdict	Prioritise for underwriting, subject to entry price	Underwrite only in central locations with a substantial pre-let	Underwrite selectively

From growth to space. Table D17a traces each material source of Munich's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table D17a. From growth to space: Munich

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	New rental homes near rapid transit	Completions covered 0.77 of new households in 2024 and 1.20 over 2013 to 2024, and fell to 7,328 in 2025 (Section D7)	**Construction, slowing.** Supply kept pace over the long run but fell behind in 2024 and 2025. Asking rents for relets equal about 28% of mean household income; rent regulation limits increases in much of the existing stock.
Technology, business services and finance jobs	Grade A offices in the CBD and well-connected city locations	CBD vacancy below 2%; vacant space 1.88 million m² (0.51 million in 2019), mostly outside the core; 628,000 to 884,000 m² under construction, 41% pre-let	**Construction in the core; absorption doubtful elsewhere.** Central demand is being met by pre-let construction. The peripheral surplus does not match where growing firms want to be, and buying it without a pre-let is not supported.
Output and income	Premium space	As above; price of an 80 m² home fell from 10.3 to 9.5 years of household income (2019 to 2024)	**Quality.** Output per job is 34% above Germany's and real compensation rose 11.0% to 2019, which supports premium space, although it fell 2.3% after 2019.
Productive capital and industry	Specialised premises for technology, robotics, defence and life sciences	Not measured	**Not assessed.** German defence spending rose about 24% in 2026 and these firms are driving office demand (CBRE), but the edition does not measure laboratory or production space.
Trade and transport	Urban and airport-area distribution	Not measured	**Not assessed.** The prime logistics yield rose 35 basis points in H1 2026.

Sources: Sections D4 to D8 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Munich has two office markets that growth treats differently: a scarce core being extended by pre-let construction, and a periphery where vacancy has more than tripled since 2019 and growth is unlikely to fill it. Its high-value industry may need specialised space that this edition has not measured.

Recent evidence and what it supports testing. Cushman & Wakefield attributes 24% of Q3 2026 take-up to industry, transport and logistics and 17% each to technology, media and telecommunications and to consultancy (Section D6). The city's 2025 housing data show average asking rents of €25.93 per m² a month for first lettings and €22.52 in the existing stock. In the authors' judgement, the occupier split can be used to screen central office assets, after checking how much take-up reflects expansion rather than relocation, while housing viability has to be tested against achieved rents and the rent rules that apply to the specific property.

Part D-II. Berlin



Brandenburg Gate and Pariser Platz, Berlin. Illustration adapted from a photograph by Manfred Brückels, Wikimedia Commons · CC BY 3.0

D9. Berlin: metropolitan growth patterns

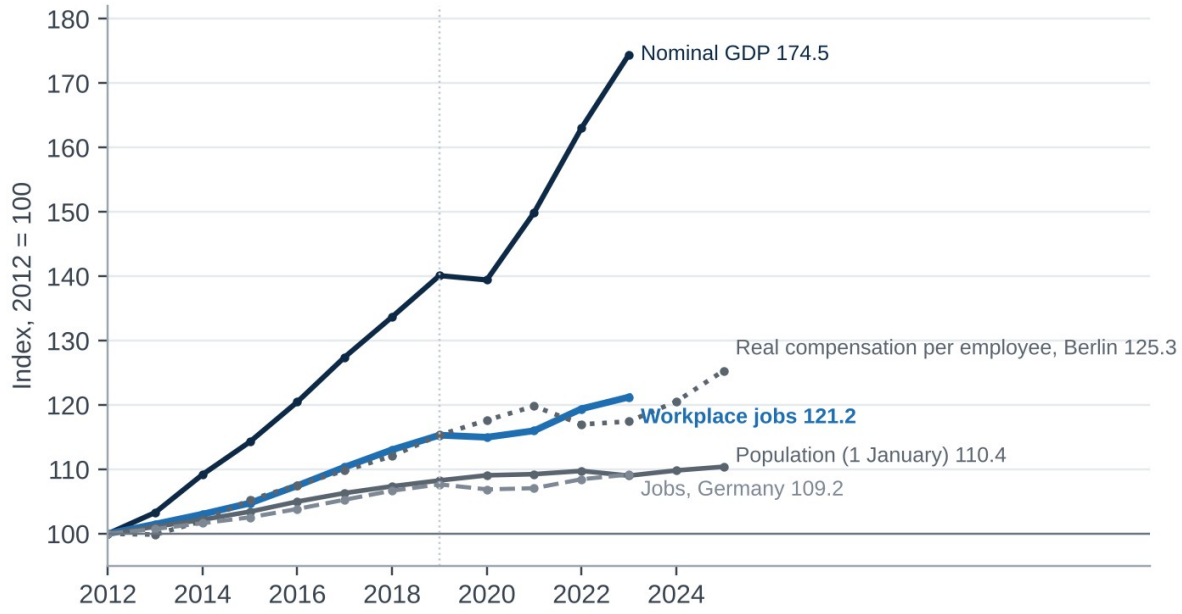
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (9.1), growth and pay by sector (9.2), specialisation and competitiveness against Germany (9.3), the demand- and supply-side drivers of growth (9.4) and the forces behind growth (9.5).

D9.1 Summary growth indicators

The Berlin region grew much faster than Germany in jobs, output and population, and its real pay rose faster than Germany's in both periods.

Figure D5. Jobs, output and real pay all outgrew Germany

Summary growth indicators, Berlin region (DE001MC), 2012 to 2023 (index, 2012 = 100)



Sources: Eurostat regional accounts (workplace jobs and nominal GDP by district) and population on 1 January; Statistical Office for Berlin-Brandenburg, compensation of employees and employees for Berlin; Germany CPI (Destatis, via finanz-tools.de); as compiled in the Berlin data workbook; authors' calculations. Population and real pay to 2025.

Population. The region's population rose from 4.90 million on 1 January 2012 to 5.41 million on 1 January 2025 (+10.4%), against 4.0% for Germany, and its share of the national population rose from 6.1% to 6.5%. Berlin city grew 10.8% and the Brandenburg districts 9.6%. Growth slowed from 1.1% a year between 2012 and 2019 to 0.3% a year between 2019 and 2025, and the population fell in 2023, a year with a statistical break. The authors understand that the 2022 census lowered population estimates across Germany, so part of the slowdown is likely to be statistical, but the data do not show how much.

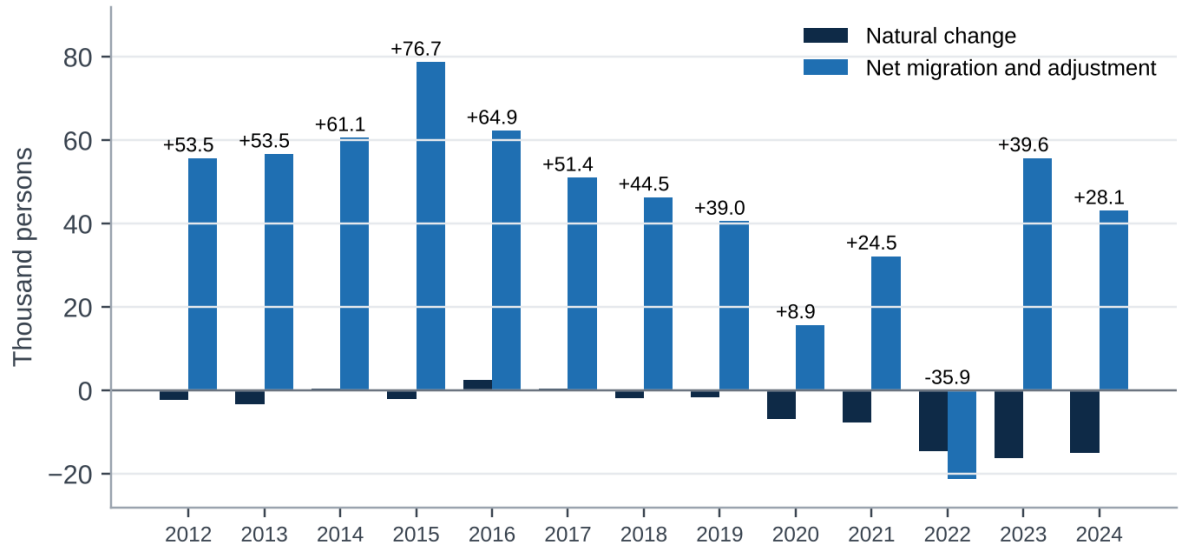
Employment. Workplace jobs rose from 2.42 million in 2012 to 2.93 million in 2023 (+21.2%). They grew 15.3% to 2019, against 7.7% for Germany, dipped in 2020 and then grew 5.1% between 2019 and 2023, against 1.4% for Germany. Berlin city's own figures show 2.20 million workplace jobs in 2024; its statistical office reports a fall of 0.1% in 2025 and of 0.3% in the first quarter of 2026, in line with Germany.

Output and pay. Nominal GDP rose from EUR 150.0 billion in 2012 to EUR 261.7 billion in 2023 (+74.5%), faster than Germany's 50.7%, so the region's share of German GDP rose from 5.4% to 6.2%. Output per job was EUR 89,300 in 2023, still 3% below the German level, against 7% below in 2012. Berlin's real GDP grew 1.1% in 2025, against 0.2% for Germany, and 0.9% in the first half of 2026, the same as Germany. Compensation per employee in Berlin was EUR 56,778 in 2023, 7% above Germany, and EUR 63,299 in 2025; after inflation it rose 15.3% between 2012 and 2019, 1.8% between 2019 and 2023 and 8.7% between 2019 and 2025. The BA median for full-time employees in Berlin city was EUR 4,459 a month in 2025, 6% above the German median; after inflation it was 5.0% above 2020, against 0.9% for Germany.

Where population growth comes from. Population change is the sum of natural change and net migration. Deaths have exceeded births in most years since 2012 and by about 15,000 a year since 2022, so migration drives all growth (Figure D6 and Table D18). Net migration was low in 2020 and negative in 2022, a period that includes statistical adjustments.

Figure D6. Natural change has turned negative; migration drives all growth

Components of population change, Berlin region, 2012 to 2024 (thousand persons; labels show total change)



Source: Eurostat, demographic balance by district, as compiled in the Berlin data workbook. Net migration includes statistical adjustment, including census revisions.

Table D18. Components of population change, Berlin region, 2024

Area	Births	Deaths	Natural change	Net migration and adjustment	Population change
Berlin region	44,328	59,354	-15,026	+43,139	+28,113
of which Berlin city	33,749	37,686	-3,937	+26,821	+22,884

Source: Eurostat, demographic balance (demo_r_gind3) for the eleven districts, as compiled in the Berlin data workbook. The data do not split migration into international and domestic flows.

Jobs per resident. The region had 0.55 jobs per resident in 2023, the same as Germany, and Berlin city 0.60. The ratio rose 6.7% between 2012 and 2019 and 4.4% between 2019 and 2023, against 4.2% and 1.2% for Germany: jobs have grown faster than population. This can reflect falling unemployment, higher participation or more commuting into the region; the census revision of population after 2019 also raises the ratio, and the data cannot separate these effects.

Synthesis by period. Table D19 summarises growth in each period and the type of growth it indicates.

Table D19. Synthesis of growth patterns by period, Berlin region (average annual % change)

Area	Period	Population	Jobs	Real pay	Nominal output	Indicative mechanism	Main forces
Berlin region	2012-19	+1.1	+2.1	+2.1	+4.9	Consistent with demand-induced; skilled constraints possible	Information and communication, business services, public services; strong migration
Berlin region	2019-23	+0.2	+1.3	+0.4	+5.6	Consistent with demand-induced; elasticity unconfirmed	Information and communication, public services; weak population growth
Germany	2012-19	+0.5	+1.1	+1.6	+3.4	National reference	
Germany	2019-23	0.0	+0.4	-0.6	+4.5	National reference	

Sources: Eurostat population on 1 January, workplace jobs and nominal GDP for the eleven districts and Germany; Statistical Office for Berlin-Brandenburg, compensation per employee for Berlin; Eurostat compensation per employee for Germany; both deflated by Germany's CPI; authors' calculations. Real pay is for Berlin city. The Berlin and German pay series come from different releases and may differ in vintage. Population growth after 2019 is affected by census revisions. Growth types follow the framework in Section D2 and are indicative.

Forecasts. The Joint Economic Forecast of September 2026 expects German GDP to grow 1.3% in 2026, 1.1% in 2027 and 0.4% in 2028, with consumer price inflation of 2.8% and 3.2% in 2026 and 2027; it cites the energy price shock from the Iran war and a shrinking labour force as limits on the recovery. The Senate of Berlin's population forecast, adopted in November 2025, projects Berlin city to grow by about 109,000 residents between 2024 and 2040, to about 4.0 million on its register-based count, which is higher than the official estimate used in this edition. A forecast for the whole metropolitan region was not available to the authors.

Table D20. Historical and forecast growth, Berlin region

Indicator	History	Forecast	Forecast source
Population	+10.4%, 2012 to 2025	Berlin city +109,000, 2024 to 2040 (register count)	Senate of Berlin, November 2025
Jobs	+21.2%, 2012 to 2023	Germany: employment broadly flat, 2026 to 2028	Joint Economic Forecast, September 2026
Nominal output	+74.5%, 2012 to 2023	Germany real GDP +1.3% (2026), +1.1% (2027), +0.4% (2028)	Joint Economic Forecast, September 2026
Real pay	Berlin +17.5%, 2012 to 2023 (+25.3% to 2025)	Germany CPI +2.8% (2026), +3.2% (2027)	Joint Economic Forecast, September 2026

Sources: history as Figure D5; Senate Chancellery of Berlin, press release of 4 November 2025 on the population forecast 2024 to 2040; Joint Economic Forecast, autumn 2026, press release of 24 September 2026, as published by DIW Berlin.

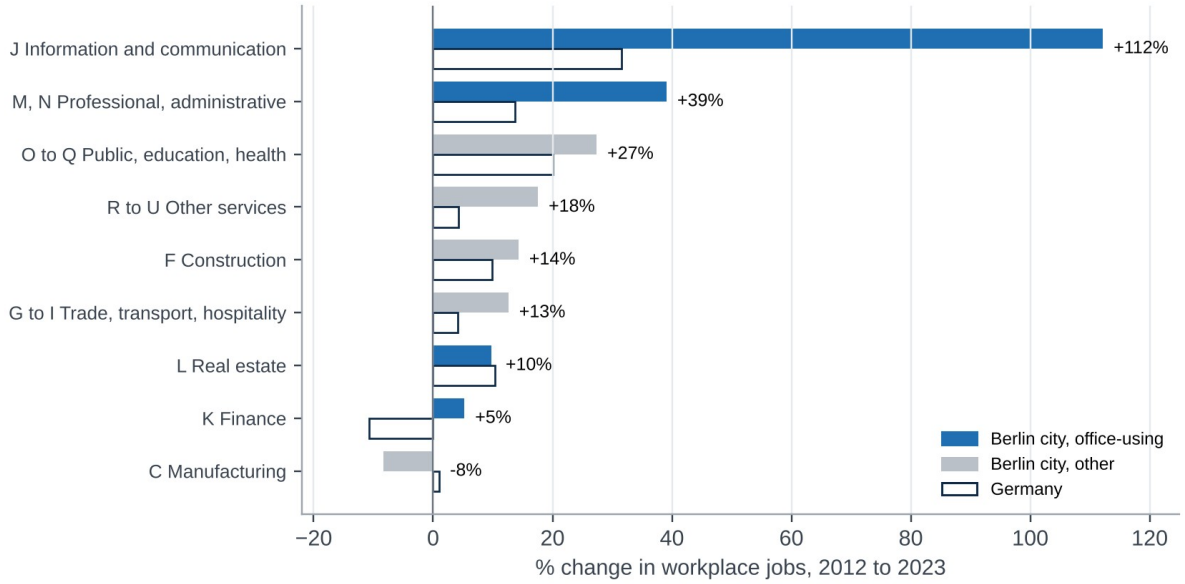
Reading for the investor. Berlin's growth has been strong in every dimension that matters for real estate: jobs, output, real pay and population all grew faster than Germany's, and real pay kept rising after 2019 when it fell nationally. The caution is that growth has slowed since 2025: employment has edged down, migration from abroad has fallen sharply and national growth is forecast to stay weak.

D9.2 Growth and pay by sector

Growth was led by information and communication, professional and administrative services and public services, while manufacturing shrank.

Figure D7. Information and communication jobs more than doubled in Berlin city

Workplace jobs by sector, Berlin city and Germany, 2012 to 2023 (% change). Office-using sectors in blue.



Source: Eurostat regional accounts (workplace jobs including self-employed), Berlin (DE300) and Germany, as compiled in the Berlin data workbook; authors' calculations.

Table D21. Workplace jobs by sector, Berlin region

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Germany jobs growth	Share of jobs 2023	LQ 2023
O-U Public and other services	895.5	1,104.5	+23.3%	+16.5%	37.7%	1.15
G-J Trade, transport, hospitality, ICT	631.2	778.9	+23.4%	+7.1%	26.6%	1.05
K-N Finance, real estate, business services	501.1	643.2	+28.4%	+9.4%	21.9%	1.28
B-E Industry excluding construction	229.1	233.5	+1.9%	+1.6%	8.0%	0.45
F Construction	144.0	156.1	+8.5%	+9.8%	5.3%	0.93
A Agriculture	17.0	15.0	-11.8%	-12.2%	0.5%	0.41
All sectors	2,417.8	2,931.2	+21.2%	+9.2%	100.0%	1.00

Source: Eurostat regional accounts (workplace jobs including self-employed) for the eleven districts and Germany, as compiled in the Berlin data workbook; authors' calculations. Only six broad sector groups are published for the Brandenburg districts.

Table D22. Compensation per employee by sector, Berlin

Sector	Employees growth 2012 to 2023	Compensation per employee 2023 (EUR)	Index, Germany = 100	Real 2012 to 2019	Real 2019 to 2023	Real 2019 to 2025	Germany real 2012 to 2023
K Finance and insurance	+10.8%	96,212	105	+4.5%	+1.5%	+11.8%	+9.0%
J Information and communication	+130.3%	85,147	102	+8.1%	+5.1%	+16.2%	+10.4%
C Manufacturing	-7.6%	66,985	99	+7.7%	-4.3%	+0.3%	+6.4%
L Real estate	+15.4%	64,192	123	+36.9%	+5.4%	+10.3%	+21.3%
O to Q Public administration, education, health	+28.2%	58,676	115	+16.7%	-1.5%	+5.4%	+7.3%
M, N Professional and administrative	+47.1%	57,160	105	+22.7%	+5.4%	+13.1%	+25.1%
F Construction	+29.7%	46,202	96	+1.7%	+3.9%	+8.0%	+6.2%
R to T Other services	+29.0%	41,895	n.a.	+14.6%	-2.8%	+1.4%	n.a.
G to I Trade, transport, hospitality	+16.8%	41,559	101	+16.8%	-0.4%	+4.8%	+9.2%
All sectors	+30.2%	56,778	107	+15.3%	+1.8%	+8.7%	+9.2%

Sources: Statistical Office for Berlin-Brandenburg, compensation of employees and employees by sector for Berlin, 2012 to 2025; Eurostat regional accounts, compensation of employees and employees for Germany, 2012 to 2023, as compiled for Munich (Part D-I); Germany CPI; authors' calculations. Compensation includes employer social contributions, is an employer cost, includes part-time employees and is affected by changes in the mix of jobs. The Berlin and German series come from different releases; other services are defined differently in the two sources, so no index is shown.

Growth types by sector. Most of Berlin's growing office sectors combined rapid job growth with rising real pay, a pattern consistent with demand-induced expansion; skilled-labour constraints remain a hypothesis. Information and communication is the clearest case: employees rose 130% between 2012 and 2023 and real pay per employee a further 16.2% between 2019 and 2025, unlike in Munich (Part D-I), where the sector's real pay fell as it grew. Professional and administrative services added 47% more employees with real pay up 22.7% before 2019. Manufacturing is the exception, with fewer jobs and flat real pay since 2019. The BA medians tell the same story: full-time median pay in Berlin city in 2025 was highest in finance (EUR 6,338) and information and communication (EUR 6,148), both above the German medians.

D9.3 Specialisation and competitiveness

The Berlin region is specialised in finance, real estate and business services and in public services, and Berlin city is highly specialised in information and communication.

Table D23. Location quotients by sector, Berlin region (Germany = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
K-N Finance, real estate, business services	1.21	1.29	1.28	21.9%	Specialised, risen since 2012
O-U Public and other services	1.20	1.16	1.15	37.7%	Specialised, falling slightly
G-J Trade, transport, hospitality, ICT	1.01	1.03	1.05	26.6%	Average, rising
F Construction	1.04	0.99	0.93	5.3%	Average, falling
B-E Industry excluding construction	0.50	0.44	0.45	8.0%	Low
A Agriculture	0.46	0.43	0.41	0.5%	Low

Table D24. Workplace jobs by detailed sector, Berlin city

Sector	Jobs 2012	Jobs 2023	Growth 2012 to 2023	Germany growth 2012 to 2023	Share 2023	LQ 2023
J Information and communication	80,390	170,560	+112.2%	+31.6%	7.8%	2.28
L Real estate	41,750	45,810	+9.7%	+10.3%	2.1%	1.88
M, N Professional and administrative	310,910	432,460	+39.1%	+13.7%	19.7%	1.45
R to U Other services	181,040	212,810	+17.5%	+4.2%	9.7%	1.45
O to Q Public administration, education, health	503,810	641,700	+27.4%	+20.1%	29.3%	1.12
G to I Trade, transport, hospitality	365,660	411,740	+12.6%	+4.1%	18.8%	0.86
K Finance and insurance	41,290	43,450	+5.2%	-10.7%	2.0%	0.85
F Construction	83,150	95,030	+14.3%	+9.8%	4.3%	0.75
C Manufacturing	122,170	112,010	-8.3%	+1.0%	5.1%	0.31
All sectors	1,750,960	2,190,900	+25.1%	+9.2%	100.0%	1.00

Source for Tables D23 and D24: Eurostat regional accounts, workplace jobs including self-employed, for the eleven districts, Berlin (DE300) and Germany, as compiled in the Berlin data workbook; authors' calculations. Rows in Table D24 exclude agriculture and energy, water and mining, so they do not sum to the total.

Table D25. Shift-share decomposition, Berlin region, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
O-U Public and other services	+133.1	+68.7	+27.7	+36.8	+76.0	+14.6	+38.2	+23.1
K-N Finance, real estate, business services	+117.7	+38.4	+3.2	+76.0	+24.4	+8.8	-2.4	+18.1
G-J Trade, transport, hospitality, ICT	+109.6	+48.4	-5.2	+66.4	+38.1	+10.5	-8.6	+36.1
F Construction	+11.7	+11.0	-1.7	+2.3	+0.5	+2.2	+2.7	-4.4
B-E Industry excluding construction	-0.7	+17.6	-6.6	-11.7	+5.1	+3.2	-10.2	+12.1
A Agriculture	-1.0	+1.3	-2.6	+0.3	-1.0	+0.2	-1.0	-0.2
Total	+370.3	+185.4	+14.8	+170.1	+143.1	+39.6	+18.7	+84.8

Source: Eurostat regional accounts, workplace jobs, eleven districts and Germany, as compiled in the Berlin data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2023. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. In Berlin city, information and communication employs 7.8% of workers, about 2.3 times its share in Germany, up from 1.6 times in 2012; real estate and professional and administrative services are also concentrated. Finance is below the German average, unlike in Munich. Public administration, education and health is the largest group, with 29.3% of jobs, reflecting Berlin's role as the federal capital.

What the decomposition shows. Berlin's own competitive gain, the regional shift, explains 46% of its job growth before 2019 (170.1 thousand of 370.3 thousand) and 59% after (84.8 thousand of 143.1 thousand). Trade, transport, hospitality and ICT, and finance, real estate and business services gained share in both periods. Public and other services grew mostly because the sector grew nationally, which also gives the region a positive mix effect. Industry lost share before 2019 but gained after, which the authors understand partly reflects the Tesla plant in Oder-Spree, opened in 2022.

D9.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables D25a and D25b rate each driver for the Berlin region. The ratings are the authors' judgement from the evidence shown.

Table D25a. Demand-side drivers of growth, Berlin

Driver	Rating	Evidence
National economic influences	Weak, but Berlin has outgrown Germany	German GDP grew 0.2% in 2025; Berlin's real GDP grew 1.1%, faster than Germany's every year since 2013, but only in line with it (0.9%) in H1 2026; Berlin's employment fell 0.1% in 2025 and 0.3% in Q1 2026; Berlin's competitive gain explains about half of its job growth (Table D25)
Amenities, infrastructure and tax	Moderate	BER airport handled 26.05 million passengers in 2025 (+2.3%); taxes are largely national
Clusters and innovation	Strong	Berlin start-ups raised about EUR 2.7 billion in 2025 in 218 deals, second to Bavaria (EUR 3.3 billion); Berlin has led the ING innovation index of German states for 11 years; 283 AI start-ups, about 30% of Germany's, and more than 400 firms in the region working on dual-use technology; information and communication jobs more than doubled (Table D24); Tesla plans 3,500 new jobs at Grünheide in 2026
Population growth	Moderate	The region grew 10.4% between 2012 and 2025 but only 0.3% a year after 2019; deaths exceed births by about 15,000 a year (Table D18); the Senate projects Berlin city to grow by about 109,000 by 2040
Visitor spending	Moderate	29.4 million overnight stays in 2025, about the 2024 level, 41% of them international
Government spending	Moderate	Federal capital: public administration, education and health is 29% of Berlin's jobs (LQ 1.12); the 2026 state budget of EUR 43.8 billion includes EUR 3.9 billion of borrowing made possible by the reform of the debt brake and doubled funding for housing construction; public administration is among the largest office occupiers

Sources: Statistical Office for Berlin-Brandenburg, GDP 2025 (30 March 2026), GDP H1 2026 and employment 2025 and Q1 2026; aviation.direct, 14 January 2026; GREIX, Kiel Institute, Q3 2026, as reported by Mietervereinigung Berlin; EY Startup Barometer, 19 January 2026; ING, Innovation Index 2025, 22 August 2025; Berlin Partner, annual results 2025 (2 March 2026); ZDFheute, 25 June 2026; Senate Chancellery of Berlin, 4 November 2025; visitBerlin, 18 February 2026; Senate of Berlin, double budget 2026/27; Cushman & Wakefield, Berlin office leasing, 12 October 2026; authors' calculations (shift-share, location quotients).

Table D25b. Supply-side drivers of growth, Berlin

Driver	Rating	Evidence
Immigration for non-wage reasons	Strong, but slowing sharply	Net migration provided all of the region's growth in 2024 (Table D18); 24.9% of Berlin's registered residents are foreign nationals and 42.3% have a migration background; net arrivals from abroad on Berlin's population register fell from about 25,500 in 2024 to 4,541 in 2025
Labour force participation	Strong (a large reserve)	Berlin's employment rate is 76.9% (ages 20 to 64), against 81.2% for Germany and 81.8% for Brandenburg; women's rate 73.9%; unemployment was 10.4% in October 2026 (Brandenburg 6.3%), and 41.1% of the unemployed are foreign nationals
Public policy programmes	Mixed	The EU Blue Card requires a salary of at least EUR 50,700 in 2026 (EUR 45,934 in shortage occupations); family reunification for people with subsidiary protection was suspended for two years in June 2025

Sources: Eurostat demographic balance, as compiled in the Berlin data workbook; Statistical Office for Berlin-Brandenburg, register population at 31 December 2025; Statistikportal, employment rate 2025; Federal Employment Agency, labour market report for Berlin-Brandenburg, October 2026; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, 27 June 2025.

How the drivers explain the growth pattern. Berlin's technology and start-up cluster, business services and capital functions provide demand-side evidence, alongside employment and real pay growing faster than nationally. This is consistent with demand-induced expansion. Skill mismatches can allow recruitment constraints to coexist with unemployment and inactivity; a less elastic supply of skilled labour is a hypothesis, not an estimate from aggregate growth. Migration may respond to employment opportunities and also independently expand supply and local demand.

What could change the balance. The sharp fall in migration from abroad in 2025 and the slight fall in employment suggest growth is slowing. Start-up funding, defence technology and Tesla's expansion are the main demand supports; weak national growth and state budget pressure are the main risks. On the supply side, better matching of the unemployed to jobs would add labour, while high housing costs and a less welcoming migration policy would restrict it.

D9.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Berlin's growth has been driven by its emergence as Germany's main centre for technology and start-ups, alongside business services and the capital's public sector, which has added jobs at rising real pay.

1. **Technology and start-ups.** Information and communication jobs more than doubled in Berlin city between 2012 and 2023, and the sector's real pay kept rising.
2. **Business services and the capital.** Professional and administrative services added about 120,000 jobs, and public services grew with the national trend.
3. **Rising real pay from a lower base.** Real compensation per employee rose about 2% a year before 2019 and kept rising after it, closing and then reversing Berlin's gap with Germany.
4. **Population growth through migration.** Deaths exceed births, so migration drives population growth, and the inflow from abroad fell sharply in 2025.

Will these forces persist? The technology cluster is durable, and Cushman & Wakefield reports that information and communication firms were the largest office occupiers in 2026. The constraints are weak national growth, slowing migration, rising unemployment, state budget pressure and housing policy uncertainty.

D10. Berlin: growth prospects and real estate markets

Over the next five to ten years, Berlin's growth most clearly supports rental housing, which is short of supply; it supports prime offices only selectively, while secondary offices face rising vacancy.

Table D26. Asset classes and Berlin's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Rental housing	Strong	Population growth through migration; real pay rising; completions down 28% to 11,027 in 2025	New rental housing near rapid transit, in Berlin and the inner Brandenburg districts	Socialisation plans for large landlords; rent regulation
Offices	Moderate for prime, weak for secondary	Technology, business services and public administration growing	Grade A space in central locations	Vacancy about 9% to 11%, 2.09 million m², 60% of it modern space
Logistics	Moderate	Population and e-commerce; Tesla and battery production in Oder-Spree	Urban and airport-area distribution	Take-up down 7% in 2026; supply rising
Hotels	Moderate	29.4 million overnight stays, flat in 2025	Central hotels	Cyclical; airport capacity
Social infrastructure	Moderate	Public services growing; ageing population	Healthcare and education	Public funding

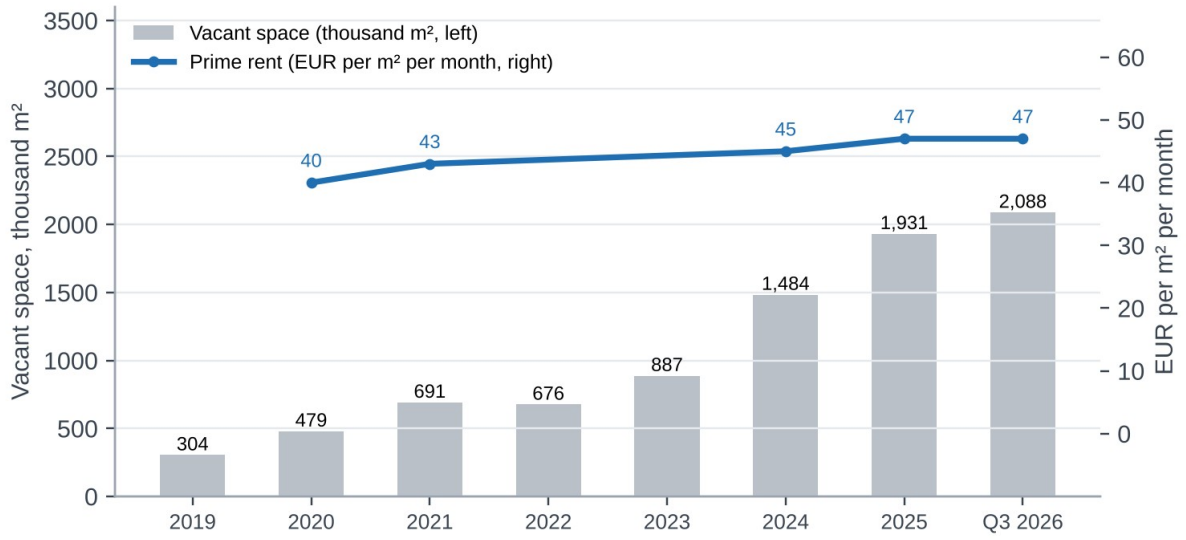
What the growth evidence does not support. Buying or refurbishing older offices without a pre-let, since vacancy has risen almost sevenfold since 2019 and most of it is in the City zone. Large existing rental portfolios also carry a specific political risk in Berlin, discussed in Section D12.

D11. Berlin: the office market

Berlin's office market has a large and growing surplus of space, but leasing has recovered strongly in 2026 and prime rents are at records.

Figure D8. Vacancy has risen almost sevenfold since 2019, while prime rents rose modestly

Vacant office space and prime rent, Berlin office market, 2019 to Q3 2026



Source: BNP Paribas Real Estate, Berlin office market reports, Q4 2019 to Q3 2026, as compiled in the Berlin data workbook. Prime rents for 2019, 2022 and 2023 are not included in the workbook.

Table D27. Berlin office market indicators

Indicator	Value	Period	Source
Vacancy rate	9.6% (JLL 9.3%; CBRE 8.6%; Cushman & Wakefield 10.6%)	Q3 2026	BNP Paribas RE; JLL; CBRE; Cushman & Wakefield
Vacant space	2.09 million m² (0.30 million in 2019), of which 1.26 million m² modern	Q3 2026	BNP Paribas RE
Vacant space by zone	City 1.28 million m²; city fringe 0.61 million m²; top locations (City West, City East, Potsdamer Platz) 0.20 million m²	Q3 2026	BNP Paribas RE
Prime rent	EUR 47 per m² per month	Q3 2026	BNP Paribas RE (JLL EUR 48; CBRE EUR 46.50; Cushman & Wakefield EUR 49)
Average rent	EUR 28.50 per m² per month	Q3 2026	BNP Paribas RE (Cushman & Wakefield EUR 27.70)
Take-up, January to September	541,000 m² (+49%)	2026	BNP Paribas RE (JLL 571,800 m², +61%; Cushman & Wakefield 563,800 m², +54%; CBRE 567,400 m², +38%)
Under construction	548,000 m², of which 424,000 m² still available	Q3 2026	BNP Paribas RE
Prime yield, net	4.60% (+10 bp in Q3)	Q3 2026	BNP Paribas RE
Investment volume, all property	EUR 1.0 billion (-56%)	Q1 to Q3 2026	BNP Paribas RE

Sources: BNP Paribas Real Estate, Berlin office market reports (as compiled in the workbook) and German investment market Q3 2026 (5 October 2026); JLL, office market release, 5 October 2026; CBRE, as reported by COLLECTION Business Centers, 8 October 2026; Cushman & Wakefield, Berlin office leasing release, 12 October 2026. Providers' market definitions and figures differ.

Demand. Take-up rose between 38% and 61% in the first nine months of 2026, depending on the provider, back to about its ten-year average. Information and communication firms were the largest occupier group, followed by construction and real estate, public administration and transport (Cushman & Wakefield). The largest deals included the transport company BVG (about 39,400 m²), the Federal Environment Ministry (31,500 m², owner-occupied) and the software firm JetBrains (19,000 m²).

Supply and vacancy. Vacant space rose from 0.30 million m² in 2019 to 2.09 million m² in Q3 2026 (BNP Paribas RE), and it was still rising in 2026, although more slowly according to Cushman & Wakefield. Unusually, 60% of vacant space is classed as modern, so vacancy is not only a problem of old stock. Construction has slowed: 548,000 m² is under construction, of which 424,000 m² is still available, and few new speculative projects have started, so new supply is likely to shrink in the medium term.

Rents. The prime rent rose from EUR 40 per m² per month in 2020 to EUR 47 in Q3 2026 (BNP Paribas RE), about 18%, slightly less than consumer prices, which rose about 22% between 2020 and 2025. Average rents have been broadly flat, at about EUR 27 to EUR 29. The market is in surplus overall, with demand concentrating in the best central buildings.

D12. Berlin: housing and capital markets

Housing. Berlin is short of housing. Completions fell to 11,027 dwellings in 2025, down from 15,362 in 2024, the largest fall in ten years, and new-build completions fell by more than a third. The average asking rent was EUR 15.80 per m² per month in Q3 2026, up 1.4% on a year earlier (GREIX, Kiel Institute). Rent regulation limits rent increases in the existing stock.

Demand, supply and affordability. On the authors' calculation, 2024 population growth in the Berlin region implies about 15,200 new households, against 22,741 completions in new residential buildings across the region (1.50). The longer record is hard to read: in the city the microcensus shows only 71,800 more households between 2012 and 2024 while average household size rose from 1.75 to 1.85, which may reflect people doubling up for want of housing or breaks in the survey, so the city's 2013 to 2024 ratio (2.06) should not be read as a surplus. The price of an 80 m² resale apartment fell from 8.7 years of household income in 2023 to 8.3 in 2024. Main renters spent 27.4% of net income on gross cold rent in 2022 (microcensus), and median asking rents equal about 30% of mean household income (Section 3.4).

Housing policy. Die Linke became the largest party in the Berlin state election of 20 September 2026, with 25.7% of the vote. In October, Die Linke, the Greens and the SPD agreed an exploratory paper that would socialise, with compensation, the Berlin holdings of private housing companies above 10,000 apartments, exempting cooperatives and apartments built after 1 January 2021; they plan a socialisation law by mid-2028, and the paper includes a large municipal construction programme (ZDFheute, 17 October 2026). Coalition negotiations were due to begin in early November 2026, so the policy is not settled. The plan would mainly affect large existing portfolios, not new-build investment, but it raises the political risk of Berlin residential investment.

Capital markets. Property investment in Berlin was only EUR 1.0 billion in the first nine months of 2026, down 56% (BNP Paribas RE). The net prime office yield rose 10 basis points to 4.60% in Q3 2026. Across Germany's A-locations, BNP Paribas RE reports average net prime yields of 4.70% for logistics and 3.75% for new-build residential. The ECB raised its deposit rate in June and September 2026 and held it at 2.50% on 29 October.

Table D28. Berlin pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, net, Berlin	4.60% (+10 bp)	Q3 2026	BNP Paribas RE
Prime logistics yield, net, German A-locations	4.70%	Q3 2026	BNP Paribas RE
Prime yield, new-build residential, German A-locations	3.75%	Q3 2026	BNP Paribas RE
Prime logistics rent, Berlin	EUR 8.30 per m² per month	Q3 2026	BNP Paribas RE
Asking rent, apartments, Berlin	EUR 15.80 per m² per month (+1.4%)	Q3 2026	GREIX, Kiel Institute
ECB deposit rate	2.50%	29 October 2026	ECB, as reported

Sources: BNP Paribas Real Estate, German investment market Q3 2026 (5 October 2026) and Berlin logistics market Q3 2026; GREIX, Kiel Institute, Q3 2026, as reported by Mietervereinigung Berlin, 15 October 2026; ECB decision of 29 October 2026, as reported by Trend.az. Berlin-specific residential yields were not verified by the authors from a named source and are not shown.

Reading for the investor. Berlin's Q3 2026 prime office yield of 4.60% differs by 210 basis points from the ECB deposit rate of 2.50% effective from 16 September. Munich's earlier H1 yield of 4.20% differs by 170 basis points from that later policy rate. These observation dates do not match, so the difference between the two gaps cannot by itself explain relative pricing. Berlin's higher vacancy and weaker investment market remain separate underwriting considerations.

D13. Berlin: strategy appraisal

Strategy C has the strongest demand, with housing short and population growing, and its main risk is regulatory; Strategy A offers prime rents at records but in a market with high vacancy; Strategy B faces 2.09 million m² of vacant space. All figures are illustrative.

Table D29. Value sensitivity to yield, Berlin prime office (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, central Berlin (BNP Paribas RE)	4.60%	+12.2%	+5.7%	-5.2%	-9.8%

Source: authors' calculations on the net prime office yield of 4.60% reported by BNP Paribas Real Estate (Q3 2026).

A 25 basis point move changes value by about 5% to 6%, and a 50 basis point move by about 10% to 12%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table D30. Summary assessment of the Berlin strategies

Factor	A: core central office	B: refurbishment to Grade A	C: new-build rental housing
Market tightness	Prime rents at records; overall vacancy 9% to 11%	2.09 million m² vacant, 60% of it modern	Completions down 28% in 2025; rents rising
Demand base	Technology, business services, public administration	Same, but competing with modern vacant space	Population growth through migration; rising real pay
Pricing	Yield 4.60%; prime rent EUR 47 to 49	Depends on location and quality achieved	Yield not verified for Berlin
Main risk	Paying a full price in a market in surplus	Lease-up against high and rising vacancy	Rent regulation; socialisation plans (new builds exempt in the current proposal)
Verdict	Underwrite selectively, subject to entry price	Do not prioritise while vacancy is rising	Prioritise for underwriting, subject to entry price and regulatory risk

From growth to space. Table D30a traces each material source of Berlin's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table D30a. From growth to space: Berlin

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	New rental homes near rapid transit, in Berlin and the inner Brandenburg districts	Completions 1.50 per new household in 2024, then down to 11,027 in 2025 from 15,362; the 2013 to 2024 ratio is not reliable (Section 3.4); permits rose 40.7% to 13,754 in 2025	**Construction.** Completions are falling while the population keeps growing, although the rise in permits suggests supply may recover; median asking rents equal about 30% of mean household income. Net arrivals from abroad fell to 4,541 in 2025, which may slow demand.
Technology and business services jobs	Grade A offices in central locations	Vacancy 9.6%, 2.09 million m², 60% of it modern; 0.20 million m² vacant in top locations; 548,000 m² under construction, 424,000 m² still available	**Absorption.** Unusually, much of the vacant space is modern, so growth can be met from existing buildings; information and communication firms were the largest occupier group in 2026. There is no case for new speculative construction.
Income	Better space	Price of an 80 m² resale home 8.3 years of household income (2024)	**Supportive.** Real pay rose 15.3% to 2019 and a further 1.8% since, while output per job is still 3% below Germany's.
Productive capital and industry	Industrial and logistics space	Logistics take-up down 7% in 2026, supply rising	**Absorption of new logistics supply first.** Industry gained share after 2019, which the authors understand partly reflects the Tesla plant in Oder-Spree; logistics stock was not measured.
Visitors	Central hotels	Not measured	**Not assessed.** 29.4 million overnight stays in 2025, about the 2024 level.

Sources: Sections D9 to D13 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Berlin is the reverse of Munich: its offices can absorb growth in buildings that already exist, while its housing cannot, because completions are falling as the population grows.

Recent evidence and what it supports testing. BNP Paribas Real Estate recorded about 541,000 m² of take-up in January to September 2026, led by public administration (about 18%) and information and communication technologies (about 17%). Berlin's dwelling stock grew by 10,766 in 2025, including 9,383 homes in new buildings, while permits rose 40.7% to 13,754 (Amt für Statistik Berlin-Brandenburg; these figures cover the city only). In the authors' judgement, offices should be tested only where a building has a specific location or occupier advantage, and rental housing by comparing borough-level supply with local household growth.

D14. Risks, monitoring and review triggers

Table D31. Risks, indicators and suggested review triggers: Munich

Risk	Indicator to monitor	Suggested review trigger
Energy shock and rates	Energy prices; ECB deposit rate	Further ECB rate rises
Weak German economy	Joint Economic Forecast; industrial output	German GDP growth forecast below 0.5%
Office vacancy	Vacancy rate by submarket	Overall vacancy above 10% or CBD vacancy above 4%
Labour supply	Population and net migration	Population growth below the projection
Technology demand	Technology employment and take-up	Falling technology employment in Munich
Housing regulation	Changes to rent law	Tighter limits on new or modernised rental housing

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Table D32. Risks, indicators and suggested review triggers: Berlin

Risk	Indicator to monitor	Suggested review trigger
Housing policy	Coalition agreement; socialisation law; rent regulation	A law that extends to new-build stock or smaller landlords
Energy shock and rates	Energy prices; ECB deposit rate	Further ECB rate rises
Weak economy	Berlin employment; Joint Economic Forecast	A further year of falling employment in Berlin
Office vacancy	Vacancy rate and modern vacancy	Vacancy above 12%, or take-up falling back below 600,000 m² a year
Labour supply	Migration from abroad; unemployment	Net migration below natural decrease, so population falls
Technology demand	Start-up funding; ICT employment	Start-up funding below EUR 2 billion a year

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly, and the housing policy of the new Berlin city government should be reviewed as soon as a coalition agreement is published. A local partner with transaction, leasing and yield evidence would be needed before any investment.

D15. Sources

Munich

Official statistics and data workbook. Munich metro data workbook, compiled for this edition from Eurostat regional accounts (nama_10r_3empers, nama_10r_3gdp, nama_10r_2coe) and demographic statistics (demo_r_gind3, urb_lpop1), Federal Employment Agency pay statistics (December 2024), and City of Munich statistical yearbooks, retrieved 30 October 2026; Germany consumer price index (Destatis, via finanz-tools.de); Bavarian State Office for Statistics, regional population projection to 2044, as presented to the Regional Planning Association Munich, 21 July 2026.

Housing demand, supply and affordability. Authors' calculations in the metro data workbook, available from the authors, from: Bavarian State Office for Statistics, completions in new residential buildings by district; City of Munich, household register, Wohnungsmarktbarometer and housing market report (asking rents); German regional accounts (VGRdL), household disposable income by district; Destatis, Mikrozensus Zusatzerhebung Wohnen 2022.

Drivers of growth (Section D4.4). City of Munich, Münchner Jahreswirtschaftsbericht 2026 (3 July 2026) and population statistics; vbw, Bayern-Daten 2026 and Wirtschaftsdaten Oberbayern 2025; European Commission JRC, Regional Innovation Output Indicator; aeroTELEGRAPH, Munich Airport traffic 2025 (8 January 2026); Schwäbische, second S-Bahn trunk line (8 April 2025); tageskarte, Munich tourism 2025 (17 March 2026); Euronews, Munich's defence tech boom (1 September 2026); Statistikportal, employment rate 2025; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, family reunification (27 June 2025).

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Berlin

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Drivers of growth (Section D9.4). EY Startup Barometer (19 January 2026); ING, Innovation Index 2025 (22 August 2025); Berlin Partner, annual results 2025 (2 March 2026); ZDFheute, Tesla Grünheide (25 June 2026); aviation.direct, BER traffic 2025 (14 January 2026); visitBerlin, tourism annual review 2025 (18 February 2026); Senate of Berlin, double budget 2026/27 (22 July 2025); Statistikportal, employment rate 2025; Federal Employment Agency, labour market report for Berlin-Brandenburg, October 2026; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, family reunification (27 June 2025).

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