



# German Economy in Transition: Investment Opportunities Amid Policy Shifts and Market Recovery

CTP Capital Markets Day, Wuppertal



# Germany Economy at a Glance – Key Strengths

- **Europe's largest economy:** ~24% of EU GDP with 19% of EU's population.
- **Highly diversified export power:** chemicals, automotive, machinery & equipment.
- **Excellent infrastructure & logistics network:** ranks 3rd worldwide in World Bank's 2023 Logistics Performance Index.
- **Strong workforce & skills system:** dual vocational system, high STEM participation in higher education.
- **Innovation leader:** ~€130 billion annual R&D spending, strong patenting & high-tech output.
- **Attracts high levels of FDI:** top European destination for logistics & manufacturing projects.
- **New growth push:** €1 trillion infrastructure & defence investment plan announced 2025 after debt brake suspension; "Made for Germany" private-sector initiative adds €631 billion by 2028.



# NRW – Powerhouse in Germany and Europe

- **Economic weight:** GDP €872 bn (2024), larger than Switzerland or Poland; 20% of Germany's GDP.
- **Prosperity leader:** Per-capita GDP ~20% above EU average.
- **Industrial core:** Strength in **chemicals, machinery, and metals**, above EU average specialization.
- **Export hub:** €142 bn exports to the EU; strong ties to NL, FR, BE.
- **Innovation driver:**
  - 60 universities and universities of applied sciences, 189 STEM institutes, 5% of EU R&D spend.
  - ~26,000 patents (2017–2021), strong in digitalisation & green tech.
- **Transformation leader:**
  - Building Europe's first large-scale hydrogen import strategy (Delta Rhine Corridor, Duisburg steel decarbonisation).
  - Driving digital sovereignty (AI initiatives: ki.nrw, hyperscaler data centers).
- **Population sprawl:**
  - Densely populated region, esp. Rhine-Ruhr-Area, strong foreign and national migration flows in recent years.
- **Implication:**  
NRW is not just Germany's largest regional economy — it is a **stability anchor, innovation hub, and transformation driver** at the heart of Europe. It combines **scale, connectivity, and future-oriented industries**.



Source: IW-Consult 2025; „The importance of North Rhine-Westphalia for the EU”.

# The four + one “D” Megatrends in the (Real Estate) Markets



## one. Demographic Change

- **Ageing society:** Shrinking workforce, rising demand for healthcare & automation.
- **Regional shrinkage vs. urban growth:** Economic activity concentrates in cities/metropolitan areas.
- **Skilled labor shortages:** Dependence on immigration to sustain industrial capacity.

## three. Digitalisation

- **Remote work & digital services:** Changing location preferences and productivity patterns.
- **E-commerce expansion:** Driving logistics demand, reshaping supply chains.
- **Industry 4.0:** Automation, AI, and robotics transforming production and logistics.



## two. Decarbonisation

- **Energy transition:** High investment in renewables, hydrogen, and grid infrastructure.
- **Industrial transformation:** Energy-intensive sectors face restructuring; new opportunities in green tech.
- **Sustainable land use & mobility:** Infrastructure investment to balance growth with environmental goals.

## four. De-globalisation

- **Resilient supply chains:** Near-shoring, diversification, and higher inventories.
- **Cost pressures:** Rising input and financing costs, protectionism risk.
- **Migration flows:** Global workforce mobility remains a counter-trend.



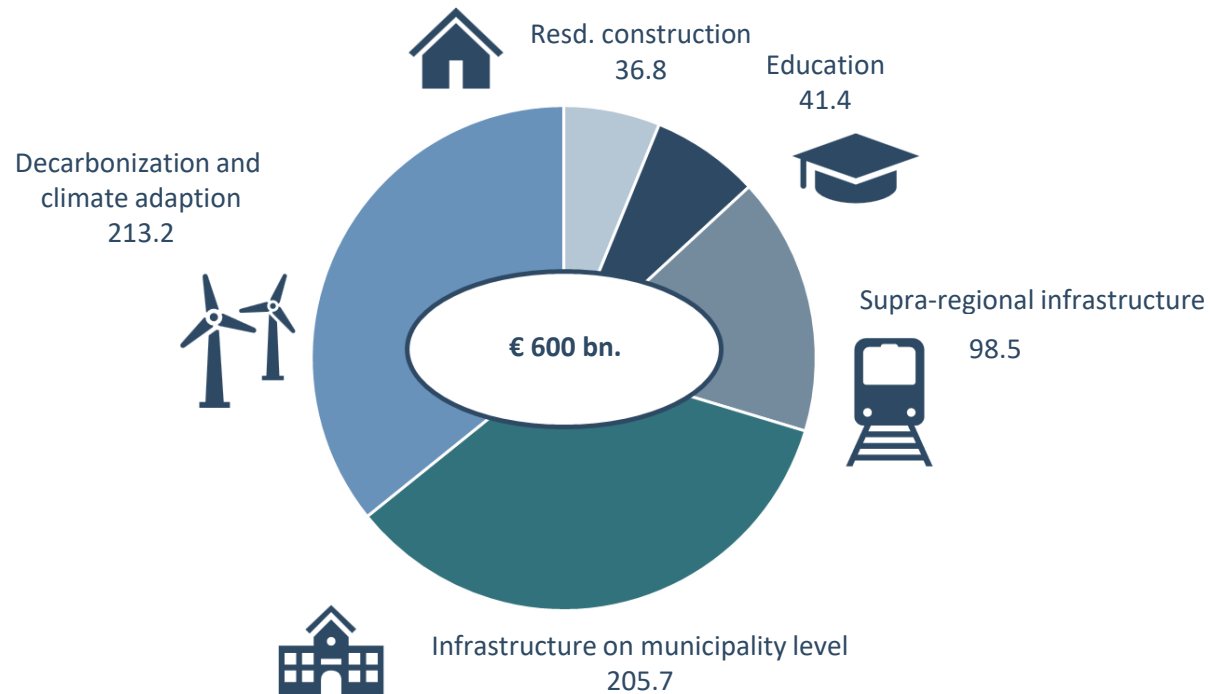
## + one. Deficit Spending

- **Fiscal shift:** Policymakers plan large-scale investment in **infrastructure, defense, and digitalisation**.
- **Multiplier effects:** Public investment in transport, energy grids, and green tech likely to boost industrial demand.
- **Opportunity for investors:** Infrastructure build-out supports logistics networks, regional growth, and long-term asset values.

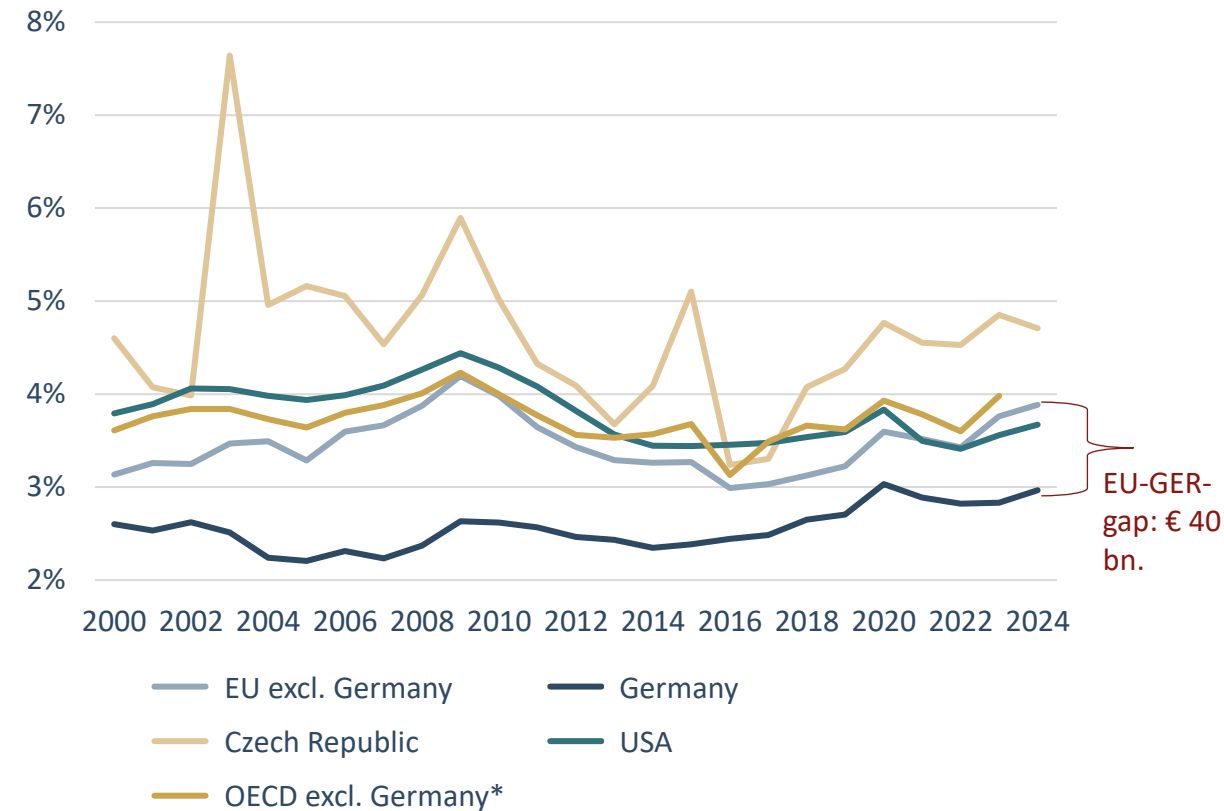


# Accumulated and Future Public Investment Needs

Public investment needs in Germany, in billions of euros, next ten years, 2024 prices



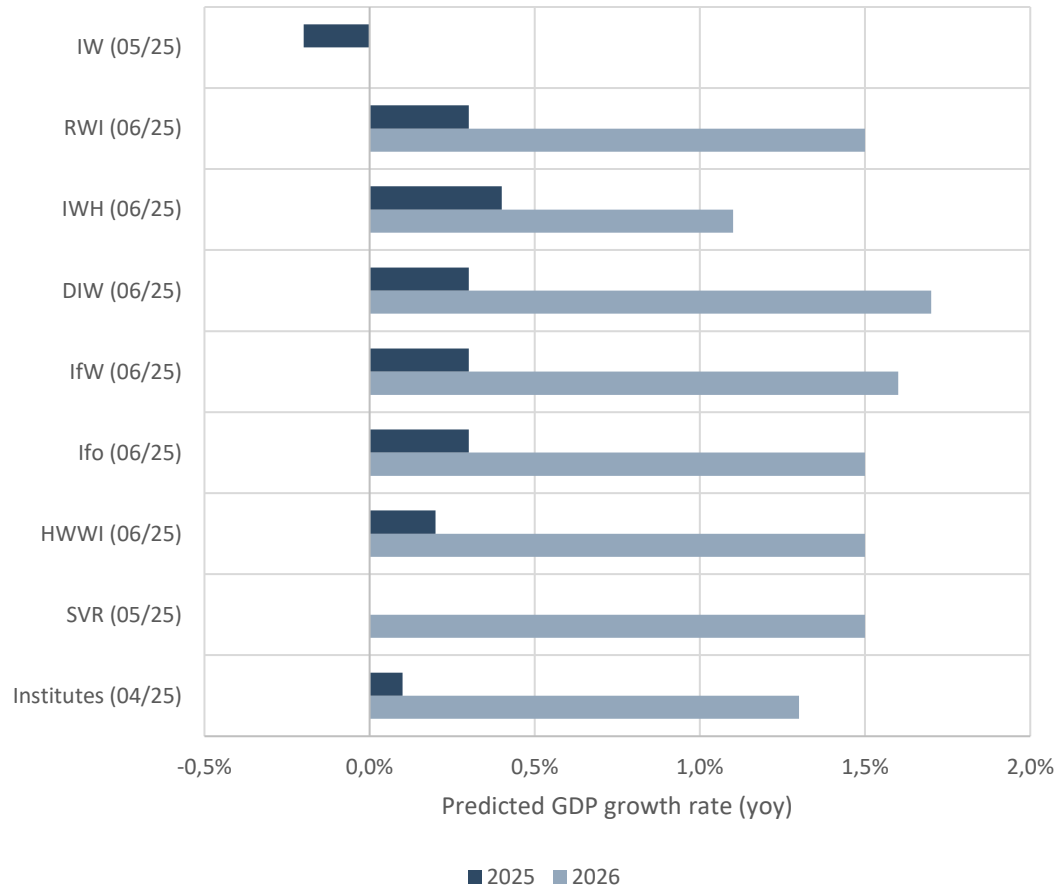
Big differences in public investment – Germany has some catching up to do



Sources: Left: German Economic Institute & Institute for Macroeconomics and Economic Research, 2024. Right: German Economic Institute, AMECO database, Eurostat.\* Time series for Chile, Colombia, Costa Rica, and Turkey are incomplete; Government investment (gross fixed capital formation of the government) as a percentage of GDP, nominal.

# Growth Likely to be Back by Next Year

## Predicted GDP Growth Rates



## German GDP – Broader Context

- **Q2 2025 contraction (-0.3%)** reflects temporary weakness in industry & especially construction.
- **Volatility around zero growth** is typical at turning points; Q1 2025 was +0.3%.
- **Households stronger ahead:** Real wages rising, inflation near 2% → consumption support.
- **2025 = Stabilisation year:** Economy finding its floor after energy shock & rate hikes.
- **Medium-term outlook positive:** Recovery expected in 2026 as global demand and financing conditions improve, conditional on government delivering on stimulus and investment.

Sources: IW: German Economic Institute; Institutes: Association of German Economic Research Institutes; SVR: German Council of Economic Experts; DIW: German Institute for Economic Research; IfW: Kiel Institute for the World Economy; HWWI: Hamburg Institute of International Economics; IWH: Halle Institute for Economic Research; RWI: Rheinisch-Westfälisches Institut für Wirtschaftsforschung, Essen

# What Companies expect of the new Government

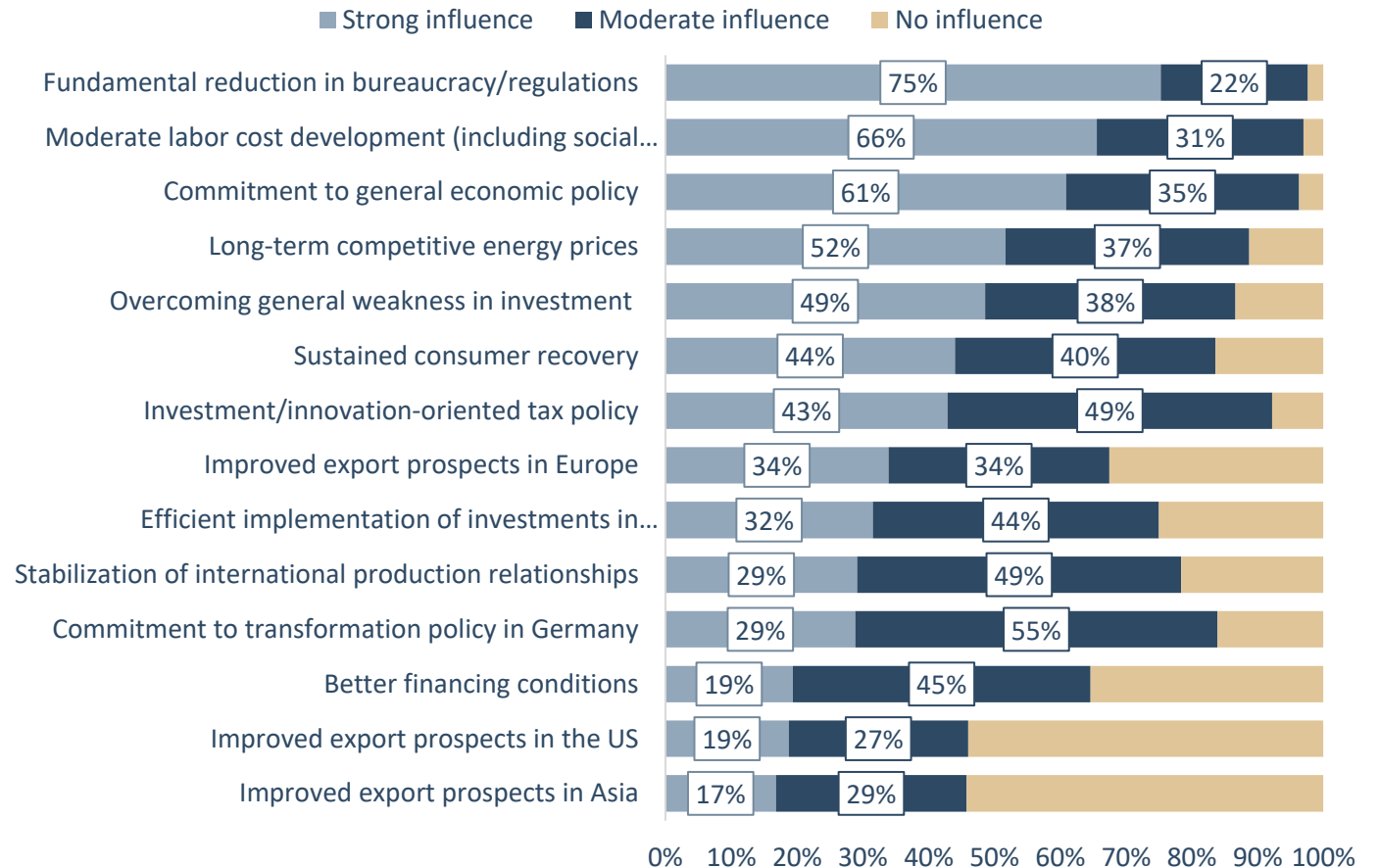
## Key Factors Driving Business Confidence in Germany

### Top positive influences

- Reduction of bureaucracy/regulations (75% see strong influence)
- Moderate labor cost development (66%)
- General economic policy commitment (61%)
- Competitive energy prices (52%)

### Implications for Investors

- Germany's **domestic policy reforms** (regulation, labor costs, economic strategy) matter far more for business confidence than external export demand.
- **Energy and financing conditions** are critical for competitiveness in industrial & logistics sectors.
- Stability and **policy predictability** remain the key to sustaining investor trust.
- Export growth opportunities are **secondary**, highlighting Germany's role as a **stable, internally-driven investment location**.



Source: IW economic survey, Spring 2025. Percentage of companies according to the effect of the specified influencing factors on confidence in their current business activities in Germany as a percentage of the companies surveyed.

# High Scarcity of Industrial Space – esp. in the West

Answer to: Is the current availability of industrial space in your area sufficient?

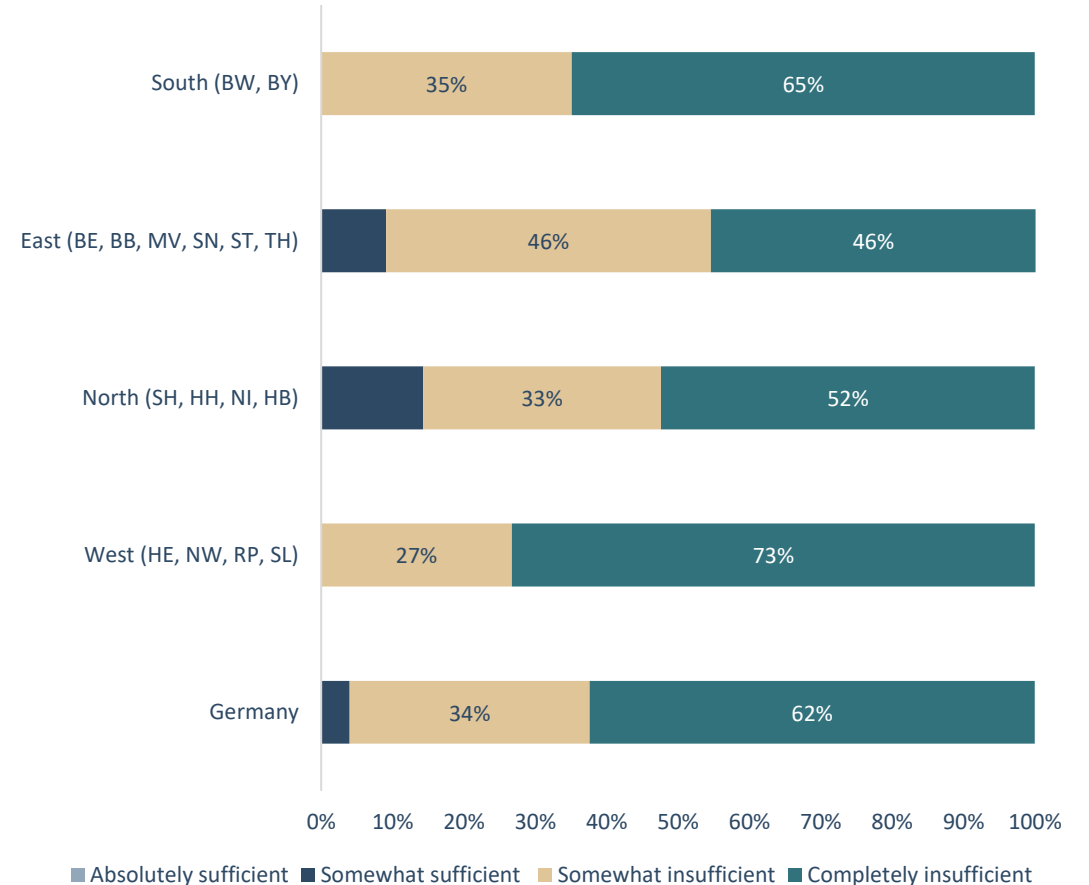
- **Severe shortage nationwide:** 96% of local agencies rate supply as insufficient.
- **62% “completely insufficient”** at national level – no region reports sufficiency.

## Regional differences:

- **West (NRW, HE, RP, SL):** 73% completely insufficient → most critical.

## Implications:

- **High unmet demand** for industrial/logistics sites across all German regions.
- **Rhein-Ruhr (West)** particularly constrained → strong rental growth potential.
- Scarcity of land = **barrier to entry & value protection** for existing assets.
- Development opportunities if zoning/permits can be secured, often lengthy process, esp. for greenfield-investments.



Source: IW Consult; Spring 2025. The results stem from the IW Economic Development Panel. Since 2022, IW Consult has been surveying all 400 district-level economic development agencies annually using a standardized online questionnaire.



# Reasons for Scarcity of Industrial Space

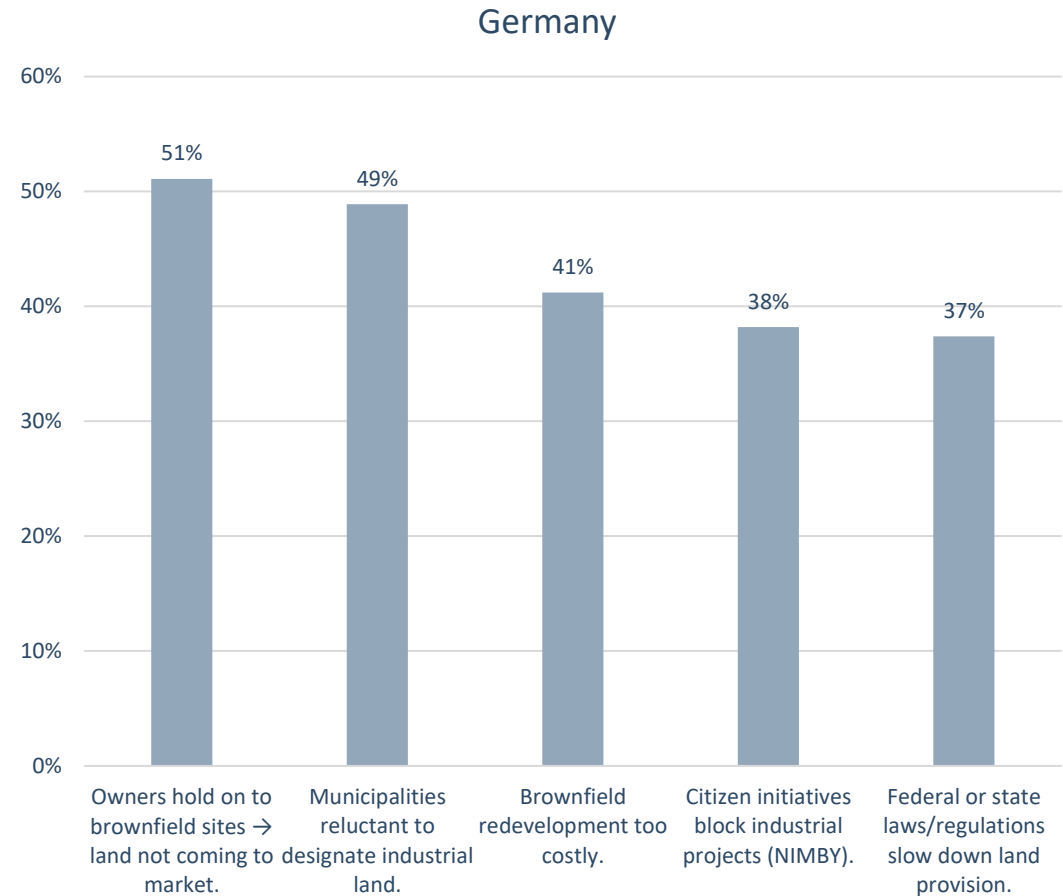
Answer to: What are the reasons for the lack of available industrial space in your area?

## Why is industrial space scarce?

- Many **brownfield sites are locked** because owners won't sell.
- **Redevelopment is costly**, which discourages bringing unused land back into play.
- **Local politics often block zoning** – many municipalities hesitate to designate new industrial areas.
- **Citizen initiatives push back** against new developments.
- **Complex regulations at federal/state level** slow down land provision.

## Implication:

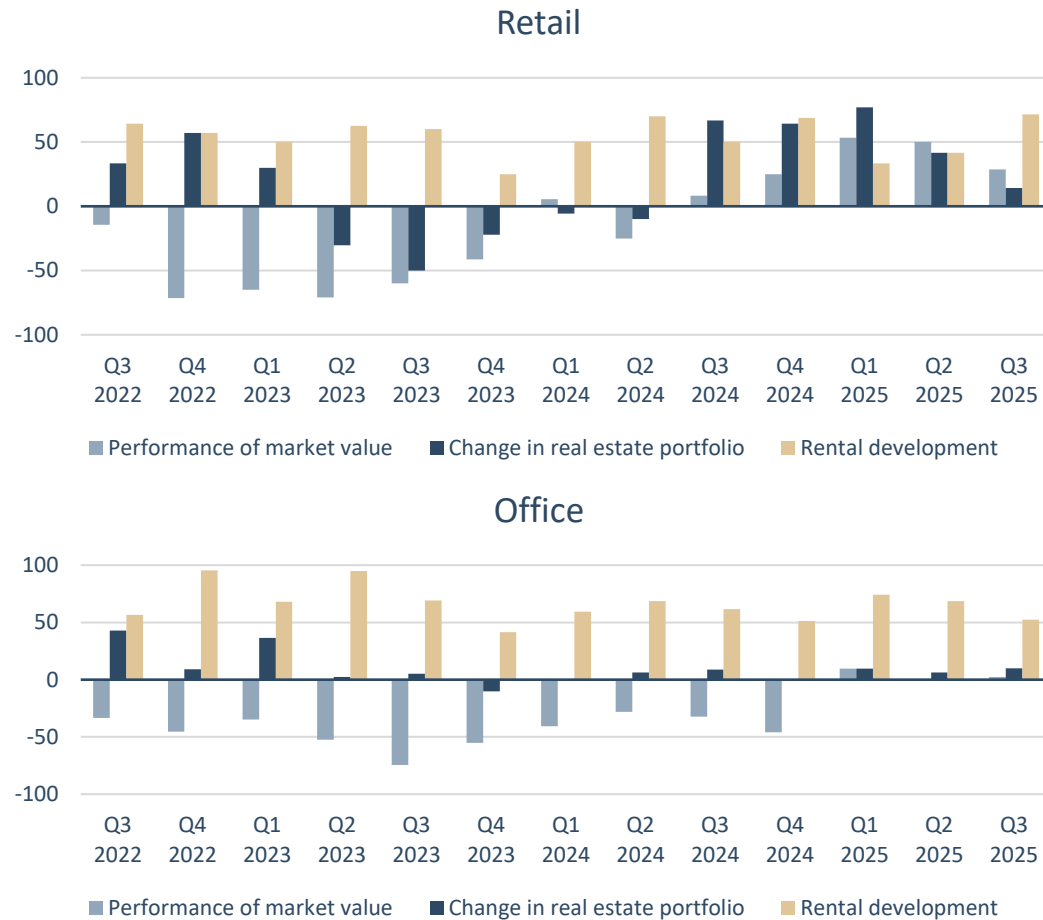
- Shortage is **structural, not temporary** → supports long-term value of existing assets.
- **Opportunities in brownfield redevelopment** for those with capital and expertise.
- **Engagement with municipalities & communities** becomes a strategic success factor.



Source: IW Consult; Spring 2025. The results stem from the IW Economic Development Panel. Since 2022, IW Consult has been surveying all 400 district-level economic development agencies annually using a standardized online questionnaire.

# Confidence in the Real Estate Sector on the Upswing

## Net Response Balance of Surveyed Real Estate Companies



Source: IW-ZIA Real Estate Sentiment Indicator, Summer (Q3) 2025. Only property holders, typically long-term investors.

### Expectations for the next 12 months:

- Survey among **asset holders** shows sentiment clearly improving.
- **Retail:** Owners expect continued rent growth and stabilising values after strong swings.
- **Office:** Still cautious, but signs of recovery in values and rental expectations from 2025.
- **Takeaway:** Owners are regaining confidence, indicating that the worst of the downturn may be behind us.

# Summary and Market Outlook

- **Strong fundamentals:** Germany remains Europe's economic engine with world-class infrastructure, skilled labor, and innovation capacity.
- **Real estate outlook:** Asset holders' sentiment is improving; early signs of stabilisation point to a gradual turnaround.
- **NRW (Rhine-Ruhr) advantage:** Industrial heartland with dense logistics hubs, access to major consumer markets
- **Aligned with megatrends:**
  - Demographics* → urban growth, rising demand for logistics
  - Decarbonisation* → energy transition drives new infrastructure and industrial activity
  - Digitalisation* → e-commerce and ICT boost logistics demand
  - De-globalisation* → reshoring increases need for local production & storage
  - Deficit spending* → public investment wave supports short-term turnaround and long-term growth
- **Takeaway:**
  - Current business climate is challenging, but...
  - Germany, especially the Rhine-Ruhr region, is strategically positioned at the crossroads of global megatrends, offering long-term resilience and opportunity.

Thank you for your attention!



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