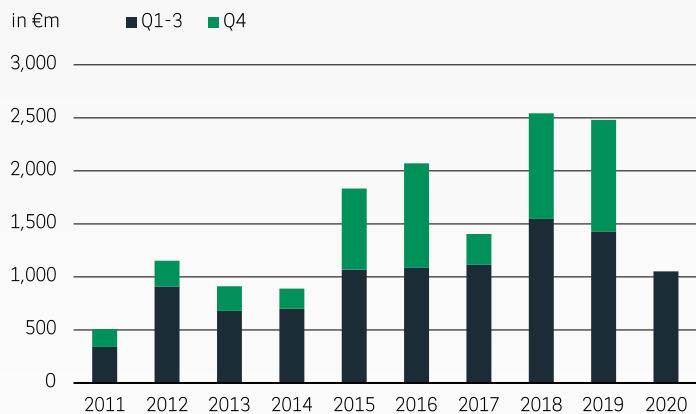




At a Glance **Q3 2020**

# INVESTMENT MARKET STUTTGART

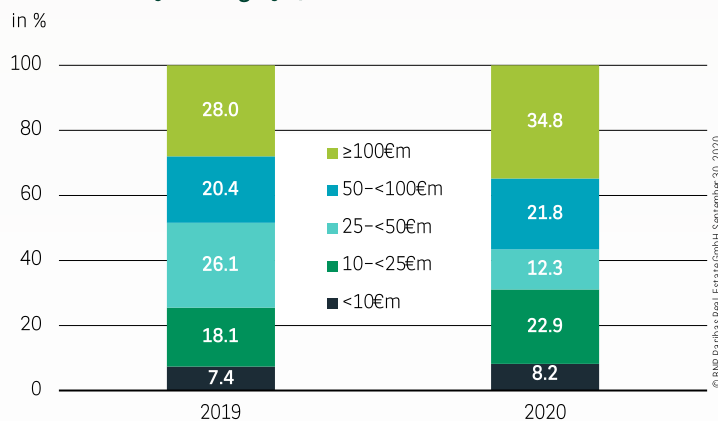
## Investment volume



## INVESTMENT VOLUME MATCHES LONG-TERM AVERAGE

By the end of September 2020, a good €1 billion have been invested in the Stuttgart investment market. Although the very good result of the previous year was clearly missed (-26% compared to Q1-Q3 2019), the figure is +6% above the ten-year average. After a very solid start to the year, the second quarter saw a surprisingly strong result, as opposed to the nationwide trend. However, investment activity slowed somewhat in the summer months: In the third quarter, € 220 million was invested in commercial real estate, which is still a solid quarterly result for the Stuttgart market. The shortage of supply in Stuttgart continues to dominate the market.

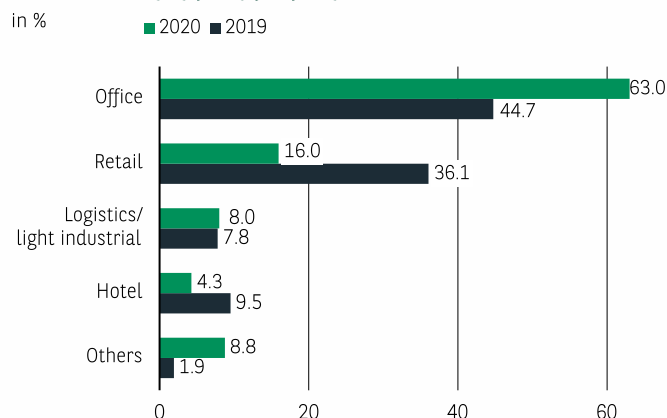
## Investments by € category Q1-3



## AFTER LOCKDOWN DEALS OVER € 100 MILLION CLOSED

Transactions with an investment volume of more than €100 million had a market share of around 35% by the end of September. It is noteworthy that these major deals were successfully concluded in the second and third quarter, a time that was characterized by great uncertainty. The most recent deal in this size category is the purchase of the Look 21 office property by DIC Asset AG. Market activity in the size category between € 10 million and € 25 million is very stable, representing a market share of around 23% or € 241 million by the end of Q3 (Q1-Q3 2019: € 258 million). A total of 15 contracts have been concluded in this size class to date. Investment activity in the range of € 25 million to € 50 million is comparatively moderate, with € 129 million or four contracts concluded.

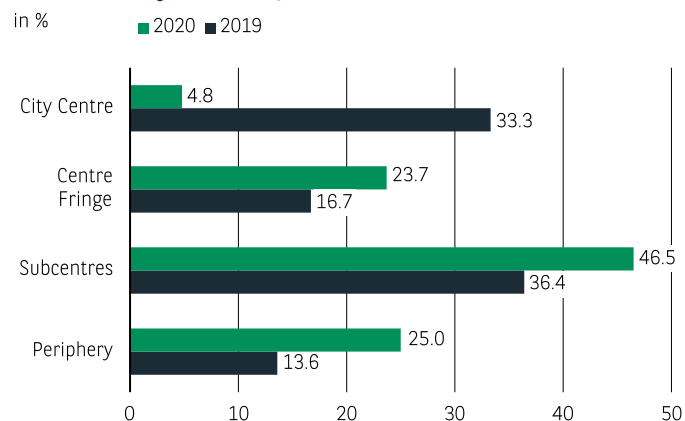
## Investments by type of property Q1-3



## OFFICE INVESTMENTS DOMINATE THE MARKET

In the first three quarters, around € 662 million was invested in office properties in the Stuttgart market area. This brings their market share to an impressive 63%. Even the good figure from the same period last year was exceeded by just under 4%. Of the 14 contracts concluded in this asset class in the third quarter, Look 21 and Gate 9 are particularly noteworthy, as they are among the five largest office investments in the Stuttgart market so far. Significantly less turnover is registered for the retail segment with € 168 million invested to date (-67 % compared to the same period last year). Logistics real estate is also very popular in Stuttgart, achieving an investment volume of € 84 million by the end of Q3. If it weren't for the lack of supply, a higher result could have been realized by now.

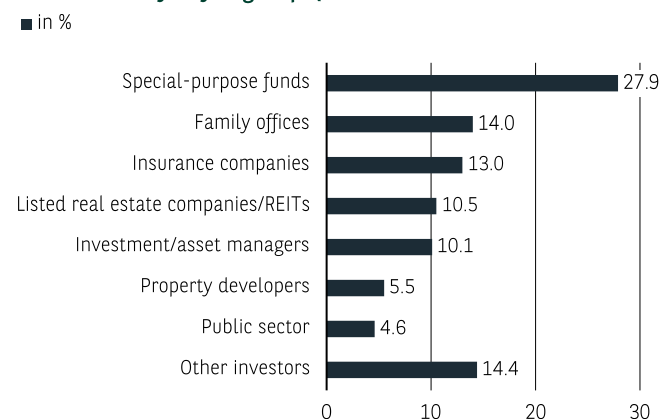
## Investments by location Q1-3



## SUBCENTRES WITH ALMOST 50 PERCENT MARKET SHARE

By the end of September, around €490 million had been invested in Stuttgart's Subcentres. In these locations investment focus was on development sites and on office real estate, including the Wissenscampus and Gate 9 office projects. The Stuttgart Periphery accounts for a further 25% market share. While in these locations transactions cover all asset classes from light industrial to retail, investment activity is clearly driven by deals with an investment volume of around €20 million. The situation is different in the Centre Fringe with a total investment volume of around €250 million. Here the sale of Look 21 was a main driver of turnover. Sales in Stuttgart's City Centre submarket, which is in strong demand, have so far been below average at just under 5%. The lack of supply is once again evident here.

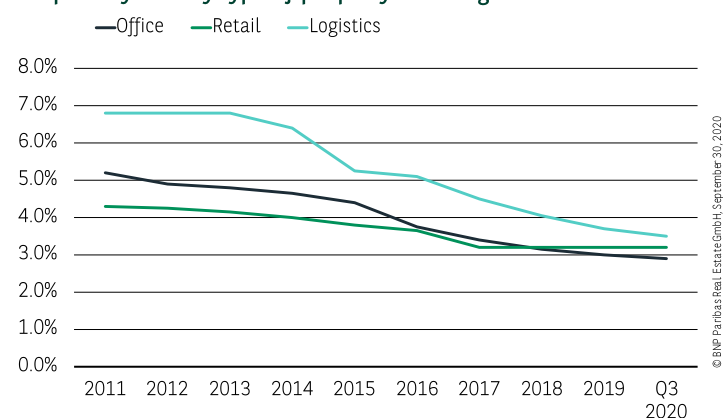
## Investments by buyer group Q1-3



## SPECIAL-PURPOSE FUNDS WITH ALMOST 30% MARKET SHARE

With an investment volume of around €294 million, special-purpose funds generated almost 28% of total investment volume by the end of September. This corresponds to a year-on-year increase of 15% (Q1-Q3 2019: €256 million). Six transactions, some of them large-volume, are responsible for the result of this buyer group. Family offices are much more active in the Stuttgart market area in 2020. They have invested around €147 million in the current year in six transactions, already increasing their full-year 2019 result by 145%. In the previous year, family offices had only concluded two contracts. Insurance companies, listed real estate companies/REITs and investment / asset managers account for market shares of over 10% each.

## Net prime yields by type of property in Stuttgart



## YIELD COMPRESSION CONTINUES

As in the other top markets, the compression of yields in the asset classes office and logistics continued in Stuttgart in the third quarter. The interplay of a continuing supply shortage and strong investor demand has resulted in a decline of 10 basis points in the prime office net yield to currently 2.90%. The logistics segment, which is certainly one of the winners of the Corona pandemic, even reported a decline of 20 basis points to 3.50%. The prime yield for commercial retail buildings in highstreets has held firm since 2018 and is at 3.20%.

## OUTLOOK

The lack of supply will continue to be the determining factor for the Stuttgart investment market. Investors have confidence in the location and in particular in the logistics and office segments, which is also reflected in the large number of development plots traded. For the year 2020 as a whole, the long-term average volume of up to €1.5 billion is expected to be reached, with yields remaining low.

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