BNP PARIBAS REAL ESTATE

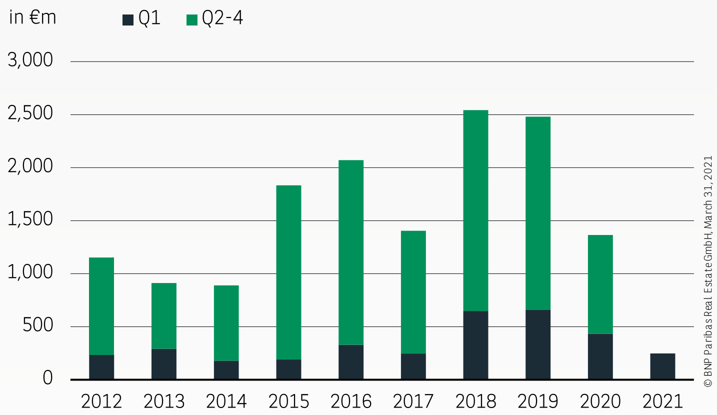
Real Estate
for a changing world

RESEARCH

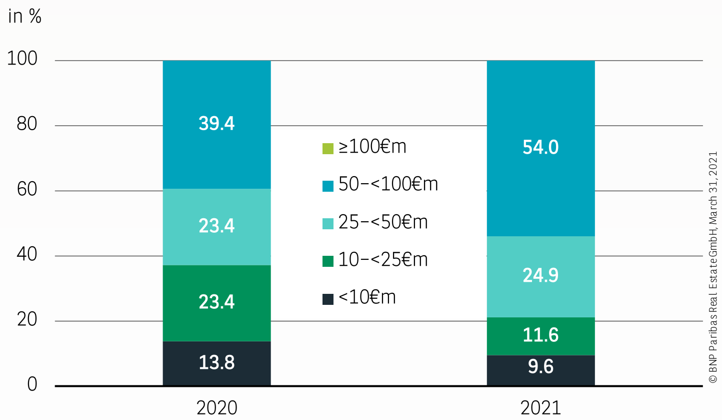
At a Glance Q1 2021

INVESTMENT MARKET STUTTGART

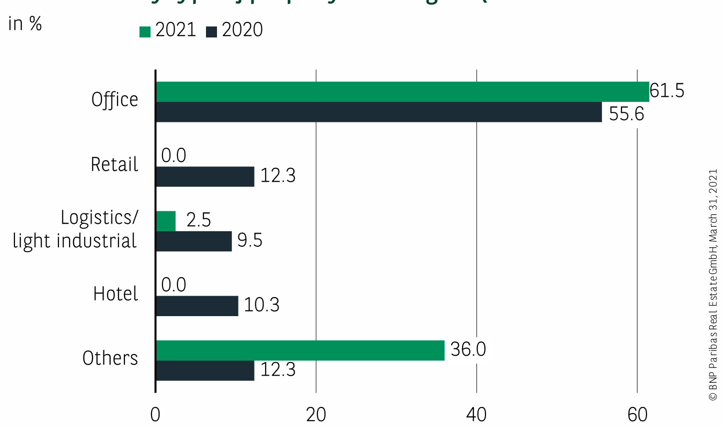
Investment volume in Stuttgart



Investments by € category in Stuttgart Q1



Investments by type of property in Stuttgart Q1



SUBDUED START TO THE YEAR

Like all other major investment locations, the Stuttgart investment market has had to pay tribute to the very good results of the previous year and the uncertainty still prevailing in large parts of the market regarding the further development of the Corona pandemic. With a transaction volume of €248 million, a moderate start to the year in a long-term comparison can be reported. Compared with the first quarter of 2020, when the effects of the pandemic were not felt until March, this represents a decline of just under 43%, and the long-term average is also missed by a good quarter. The main reason for the relatively modest result is an insufficient supply of investment properties. This applies in particular to large-volume deals in the triple-digit million range, which generally have a strong impact on investment volumes. In the first quarter of the current year, not a single deal was registered in this category. The number of sales transacted is also noticeably lower than in recent years.

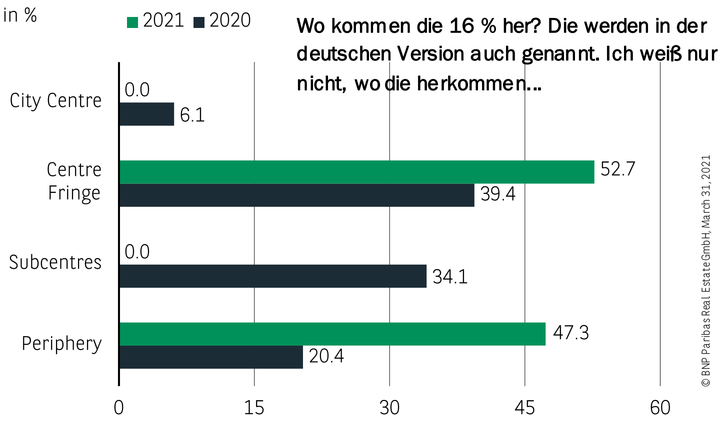
STILL LOW ACTIVITY IN ALL SEGMENTS OF THE MARKET

As already mentioned, no deal was closed in the top size category above €100 million in the first three months. However, the limited transaction volume to date is also reflected in the other categories as all market segments show lower results in absolute terms. Accordingly, the highest market share, at around 54%, is attributable to the size class between €50 million and €100 million. However, even here only two transactions were recorded in the first quarter. A further quarter is accounted for by purchases between €25 million and €50 million, which is roughly in the range of the previous year's share. By contrast, the proportion of smaller properties worth up to €10 million fell to just under 10%.

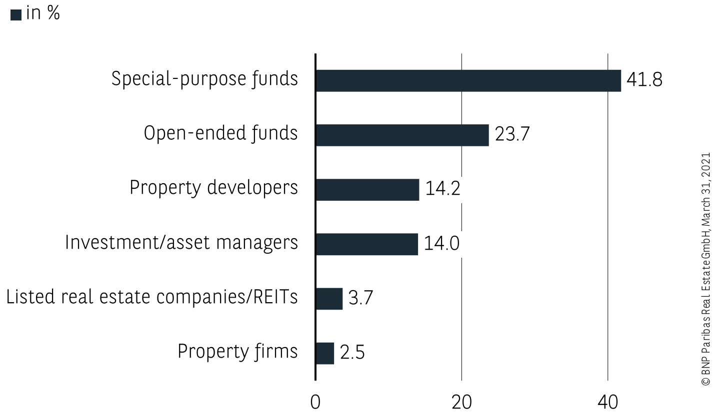
OFFICES CONTRIBUTE THE LION'S SHARE TO RESULT

Offices have once again topped the list of usage types, contributing just under 62% of total turnover. This is almost exactly in line with their long-term average. Just behind in second place is the collective category Other, which accounts for around 36%. This category includes one large mixed-use property and several smaller development plots. Logistics properties account for a further almost 3% of the result. In this segment, too, the market is characterized by far too little supply. In the remaining asset classes, no significant transactions have been recorded to date, but this can only be regarded as a snapshot at the start of the year.

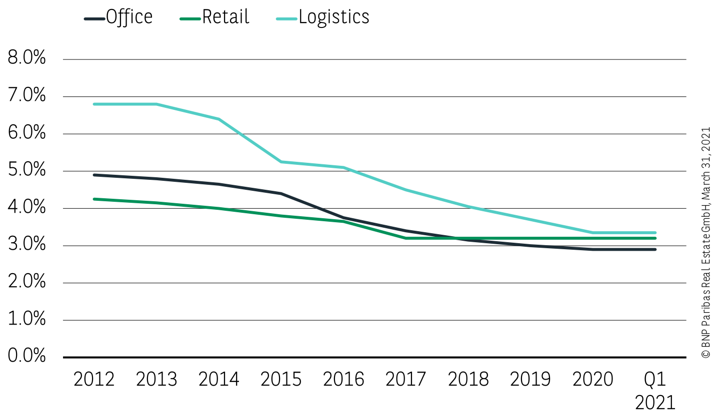
Investments by location in Stuttgart Q1



Investments by buyer group in Stuttgart Q1 2021



Net prime yields by type of property in Stuttgart



LACK OF SUPPLY, ESPECIALLY IN THE CITY

The fact that the Stuttgart investment market is currently suffering strongly from a product shortage is also underlined by the distribution of investment turnover across the market area. Although the share of city centre locations, at a good 16%?! , has traditionally been lower in Stuttgart than in most other metropolitan areas in recent years, not least due to the topography and the resulting shortage of land, the fact that no significant deals were registered in the first quarter is unusual even by Stuttgart standards. Peripheral locations in the surrounding area, which is part of the market area, have benefited from this and are responsible for just under half (47%) of the result. The top performers were the Centre Fringe locations, where investments were significantly higher than usual at 53%. As a result of the general conditions outlined above, they have taken on a kind of substitute function for the city center in terms of supply.

FOUR BUYER GROUPS DOMINATE THE MARKET

At the start of the year, four groups of buyers had a significant influence on market activity, each accounting for a double-digit share of sales. However, due to the still moderate results to date, this is primarily a temporary distribution which is likely to change noticeably in the further course of the year. Special funds have taken the lead with a sales share of just under 42%, followed by open-ended funds with around 24%. The leading quartet is completed by investment/asset managers and project developers, each responsible for around 14% of the transaction volume. Together, these four investor types account for a market share of almost 94%.

PRIME YIELDS UNCHANGED IN THE FIRST QUARTER

As in the other major investment locations, prime yields in Stuttgart are currently stable following the strong yield compression of recent years. The net prime yield for offices thus remains unchanged at 2.90%. Inner-city commercial properties in prime locations continue to trade at 3.20%. The same applies to logistics prime yields, which remain at 3.35% following the yield compression of previous years.

OUTLOOK

Even though the Stuttgart investment market still has room for improvement at the start of the year, this is not an indication of a lack of investor confidence, but is primarily due to the very limited supply available. On the basis of an ongoing vaccination campaign, which should also lead to a significant revival of the user markets in the medium term and trigger certain catch-up effects, it can be assumed from today's perspective that supply will increase in the further course of the year and that there will therefore also be a noticeable increase in transaction activity. It remains to be seen whether the yield compression of previous years will continue.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 31.03.2021

Further Information BNP Paribas Real Estate GmbH | Branch office Stuttgart | Phone +49 (0)711-21 47 80-50 | **www.realestate.bnpparibas.de**