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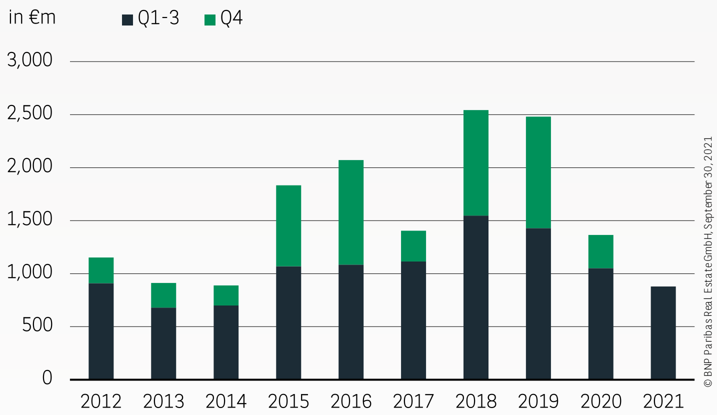
RESEARCH

At a Glance Q3 2021

INVESTMENT MARKET STUTTGART

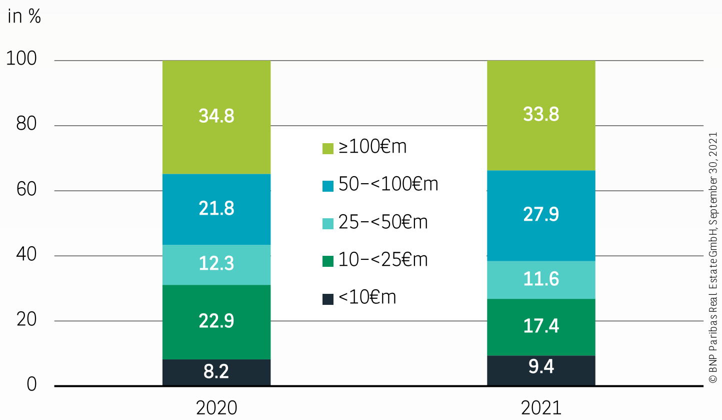
Investment volume in Stuttgart



INVESTMENT VOLUME STILL SLIGHTLY BELOW AVERAGE

With a commercial investment volume of around €880 million, the result on the Stuttgart investment market at the end of the third quarter is still slightly below average. However, with a minus of around 16% compared to both the prior-year value and the 10-year average, the gap is no longer as large as in the previous quarter. It is also pleasing to note that the sale of the Vision One office campus in Leinfelden-Echterdingen for around €160 million was another major deal in the triple-digit million segment in the third quarter. In addition, Union Investment had acquired the hotel tower under construction at Mailänder Platz in Stuttgart earlier for almost €140m in a forward deal. These transactions underline the fundamentally high level of interest and confidence in the location, although there is a lack of corresponding supply across the board. Consequently, the number of transactions recorded is below average at just over 30.

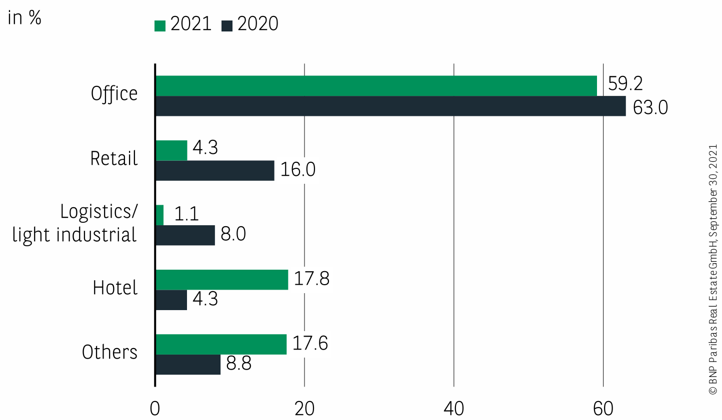
Investments by € category in Stuttgart Q1-3



SIZE CLASSES BASICALLY THE SAME AS IN THE PREVIOUS YEAR

The distribution of investments by size class corresponds to the previous year's result with only minor deviations. As before, the segment above €100 million is the strongest in terms of investment volume with a share of just under 34%. However, the next category, €50-100 million, has moved up to second place with almost 28%, in which even more was invested in absolute terms than in the previous year. The slight increase in the average volume per deal from €23 million to €27 million can also be attributed to this shift. Assets between €10 and 25 million contribute another 17%, while the segments €25-50 million with 12% and below €10 million with 9% provided similar market shares as before.

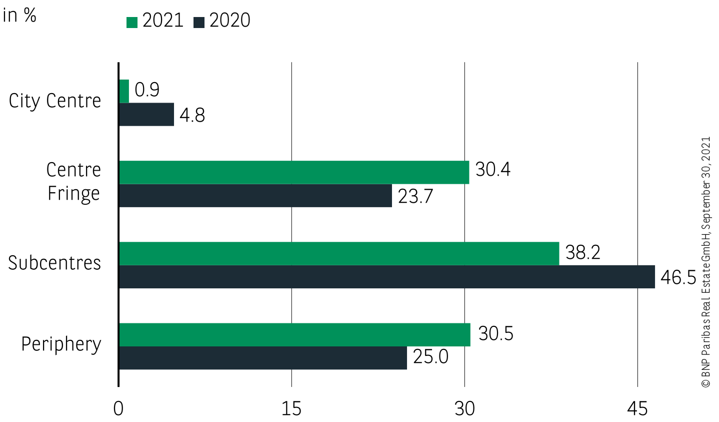
Investments by type of property in Stuttgart Q1-3



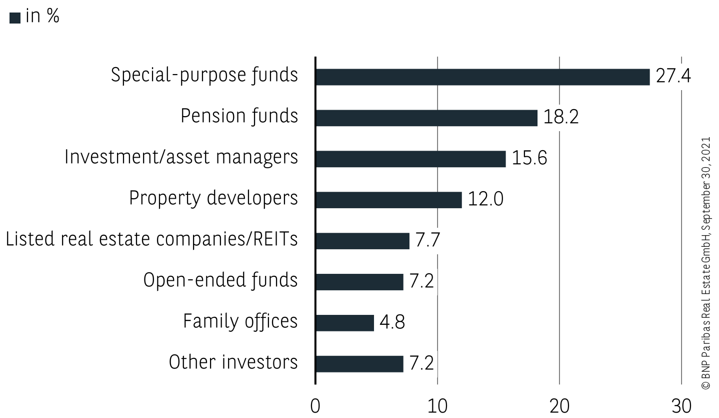
OFFICE INVESTMENTS IN THEIR USUAL STRENGTH

As usual, office investments, with around 59% of the volume, account for the bulk of demand, while the effects of the Corona pandemic can be seen in retail investments, which were strong in previous years: Their share has fallen to 4%. The contribution of logistics properties is also below average at only 1%. However, this is due less to the demand side than to the low supply. On the other hand, hotel investments make up an exceptionally high share of around 18% - fuelled by the sale of the hotel tower at Mailänder Platz. A further 18% is attributable to the collective category Others, which includes mixed-use properties as well as development sites.

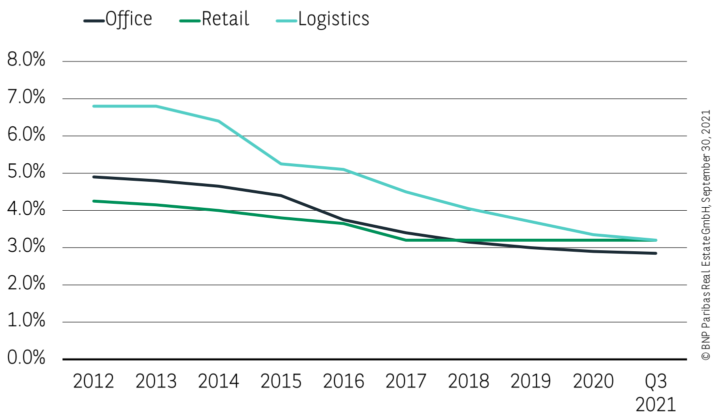
Investments by location in Stuttgart Q1-3



Investments by buyer group in Stuttgart Q1-3 2021



Net prime yields by type of property in Stuttgart



LIMITED SUPPLY IN THE CITY

Due to the relatively limited supply in the central locations, the distribution of investments across the market area, as in the previous year, does not correspond to the actual demand. For example, the City Centre accounts for only 1% of the volume, while the Subcentres, which include locations such as Vaihingen and Leinfelden-Echterdingen, are in the lead with 38% of the investment volume. A not insignificant contribution to this positioning was made by the sale of the Vision One office campus in Leinfelden-Echterdingen mentioned before. Nevertheless, these submarkets also account for by far the most deals in terms of numbers. The Periphery (including Böblingen, Sindelfingen, Leonberg and Ludwigsburg) and the Centre Fringe are also strongly represented, each with approx. 30.5%.

SPECIAL-PURPOSE FUNDS NO. 1 BUYER

As in the previous year, special-purpose funds are heading the field of buyer groups. With only few, but in some cases large-volume transactions, they contributed more than a quarter of the volume (27%). They are followed at a considerable distance by pension funds with a share of just over 18% and investment/asset managers with just under 16%. Property developers have secured a large number of development sites and also achieve a double-digit share of 12%. Their investment volume totals over €100 million, which is also a lot in a long-term comparison and testifies to the high confidence in the positive market development. A further 8% are attributable to listed real estate companies/REITs and a good 7% to open-ended funds. At around 24%, foreign investors are somewhat stronger represented than in the same period last year, but still underrepresented in a longer-term comparison.

FURTHER DECLINE IN OFFICE AND LOGISTICS YIELDS

In line with the nationwide trend, net prime yields for offices and logistics properties have also fallen again in the Stuttgart market. For office assets, they now stand at 2.85%, 5 basis points lower than in the previous year. In the logistics segment - the clear winner of the Corona pandemic - the prime yield has even fallen by an impressive 30 basis points in a 12-months comparison: at 3.20%, it is now on a par with the net prime yield for highstreet properties, which has been unchanged for several quarters.

OUTLOOK

The general conditions for the year-end business are good. However, the challenge is that the fundamentally high level of investor interest needs to be matched by a corresponding supply. The lack of attractive investment opportunities in central locations is likely to continue to dominate the market. The yield level should at least stabilise at the low level, and even a further slight decline in yields cannot be ruled out due to the high investor demand.

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