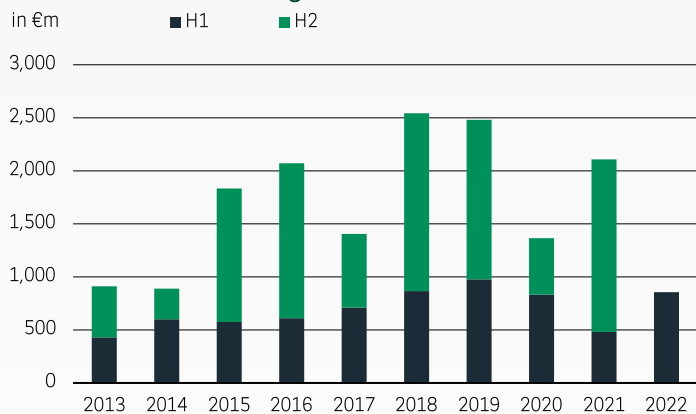




At a Glance **Q2 2022**

INVESTMENT MARKET STUTTGART

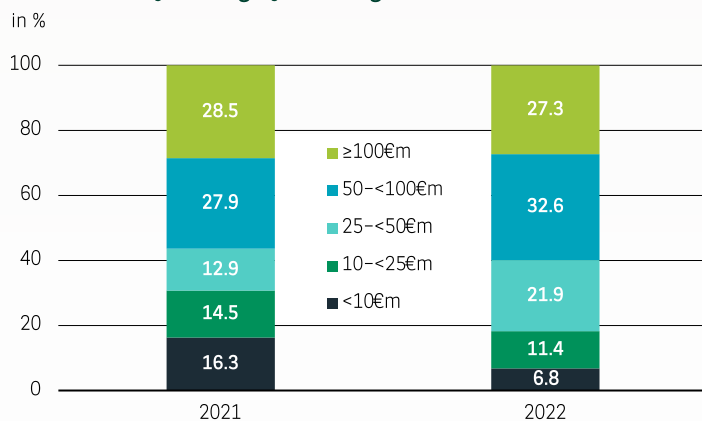
Investment volume in Stuttgart



GOOD HALF-YEAR RESULT THANKS TO STRONG Q1

After the outstanding start to the year, market activity on the Stuttgart investment market slowed down considerably in the second quarter. While more than €760 million was invested in Stuttgart commercial real estate in the first quarter with the help of the alstria acquisition by Brookfield, the investment volume did not exceed the €100 million threshold in the second quarter. Thanks to the strong start to the year, the volume at mid-year nevertheless topped the previous year's figure by 78% and was also almost a quarter above the long-term average. Due to the localisation of the alstria portfolio in the Stuttgart market area, the share of properties that changed hands in package sales is exceptionally high at 62%. If only individual sales are taken into account, the volume remains around one fifth below the previous year's figure.

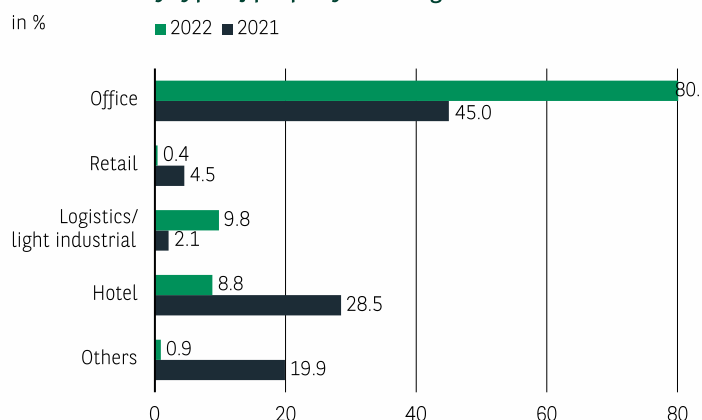
Investments by € category in Stuttgart H1



SLIGHTLY HIGHER AVERAGE VOLUME/DEAL

Compared to the same period last year, the average volume per asset has risen from around €22 million to around €33 million. The reason for this is the significantly increased volume, especially in the two segments between €25 and 100 million. The investment total in the €50-100 million category has roughly doubled, so that this category is responsible for almost one third of the result. The volume of smaller deals between €25 and 50 million, on the other hand, has even tripled and they account for a share of 22%. The contribution of assets in the three-digit million range is roughly at the previous year's level with a good 27%, whereas properties for €10 to 25 million have fallen back to a share of 11%. In fact, however, the volume is even higher than at mid-year 2021. In contrast, relatively and absolutely less was invested in the smallest category below €10 million (under 7%).

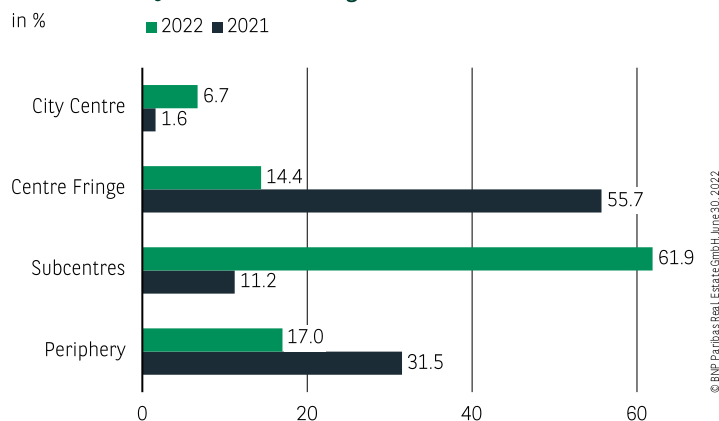
Investments by type of property in Stuttgart H1



HIGH OFFICE SHARE DUE TO ALSTRIA PROPERTIES

At over 80% of the result, office properties account for a significant share of market activity. In the past, their contribution was usually less than two thirds. This is again due to the alstria take-over, which resulted in a large number of Stuttgart office properties changing hands. At just under 10%, logistics properties also achieved a very good result, and an above-average amount was also invested in hotels, although their share of just under 9% is significantly lower than the very strong figure for the previous year. The contributions of retail properties and all other asset classes, on the other hand, are of subordinate importance at less than 1% each.

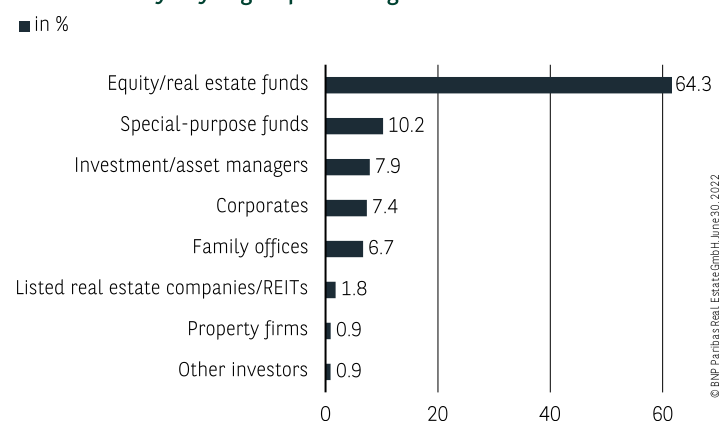
Investments by location in Stuttgart H1



SUBCENTRES WITH MORE THAN HALF THE TOTAL

Even though the Subcentres traditionally play a strong role in the Stuttgart market area, these decentralised locations account for an exceptionally high share of almost 62% at mid-year 2022. This is partly due to the fact that a large proportion of alstria's properties are located here. In contrast, the Centre Fringe, which was still strong in the same period of the previous year, has fallen back to a share of just over 14%, which also corresponds to a rather low contribution in a longer comparison. The same applies to the Periphery, which generated 17% after the extraordinarily high share from 2021. The contribution of the central city locations, which are in principle much sought-after, is again very low at 7%. As before, the supply here is extraordinarily limited and product rarely comes onto the market.

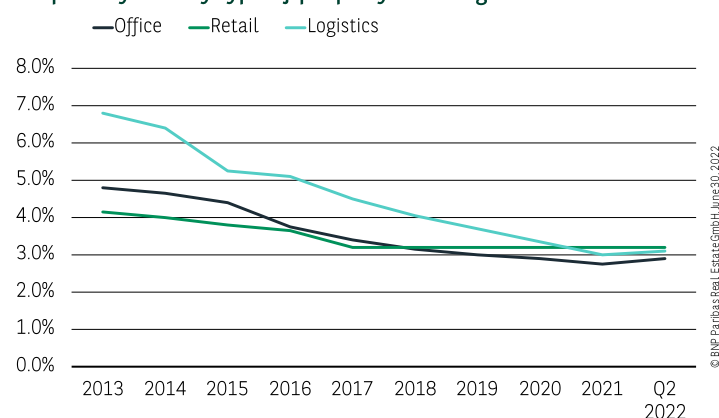
Investments by buyer group in Stuttgart H1 2022



EQUITY FUNDS ACCOUNT FOR ALMOST 2/3 OF THE RESULT

As at the beginning of the year, the buy side is dominated by equity/real estate funds following the alstria takeover by Brookfield. With a share of more than 64%, two out of three euros invested go to their account. Traditionally strong investors such as special-purpose funds and investment/asset managers follow far behind with contributions of a good 10% and just under 8% respectively on the other podium places. The equity-rich buyer groups corporates (a good 7%) and family offices (just under 7%) also broke the 5% barrier. The alstria takeover is again reflected in the share of foreign investors: at 73%, this is at the highest level of recent years.

Net prime yields by type of property in Stuttgart



YIELDS PARTIALLY INCREASED IN THE SECOND QUARTER

The changed general conditions have also left their mark on the Stuttgart market. For the first time since the financial crisis, yields have risen again, at least in some asset classes. For office properties, the net prime yield at mid-year was 2.90%, 15 basis points above the previous quarter. An increase was also observed in the logistics segment, although it was somewhat smaller with a plus of 10 basis points to 3.10%. In contrast, the price level for premium retail high street properties in the best locations remained stable for the time being, which with a top yield of 3.20% are to be set somewhat higher anyway.

OUTLOOK

The strong start to the year gave the Stuttgart investment market a good half-year result, although market activity slowed in the second quarter. Against the backdrop of rising interest rates, the price expectations of buyers and sellers continue to diverge somewhat, particularly in the core segment, despite the increase in yields that has already taken place. Finding a new, common basis is likely to take a few more months. By the end of the year, however, investment activity should pick up again.

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