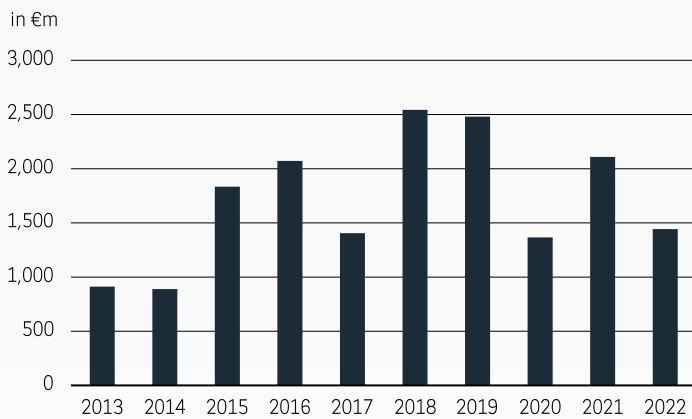




## At a Glance Q4 2022

# INVESTMENT MARKET STUTTGART

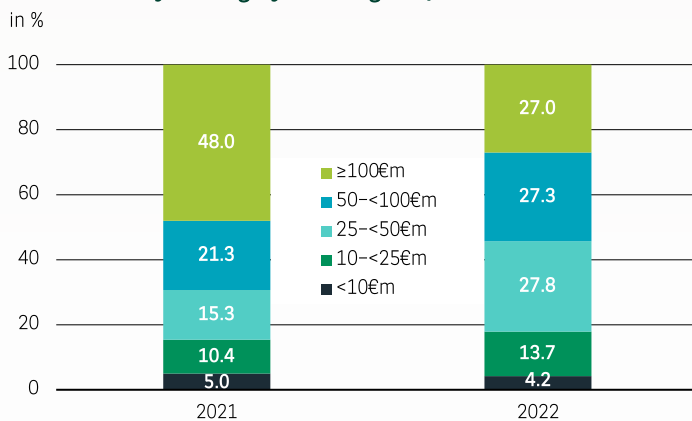
### Investment volume in Stuttgart



### ➤ ONLY MODERATE DECLINE DUE TO STRONG Q1

The Stuttgart investment market showed a mixed performance in 2022. The commercial transaction volume amounted to €1.44 billion, falling short of the 2021 annual result by around 32%. Meanwhile, the long-term average was missed by 15%, which is a comparatively moderate decline given the difficult market environment in the past year. However, this is mainly due to the very good start of the year. Driven by the objects in Stuttgart that were part of the large-volume acquisition of alstria by Brookfield, €761 million were already recorded after the first three months. From the second quarter onwards, as in all of Germany's top locations, the increased economic uncertainties and the significant rise in financing costs were noticeable in form of a more wait-and-see attitude on the part of many investors. However, the fact that a solid result of €356 million was achieved in the final three months of the year should be seen as a positive sign. With the purchase of two construction sites in the W2 Campus by the DSV Group and the acquisition of an office package by Pandion, two large-volume deals were registered in the final quarter.

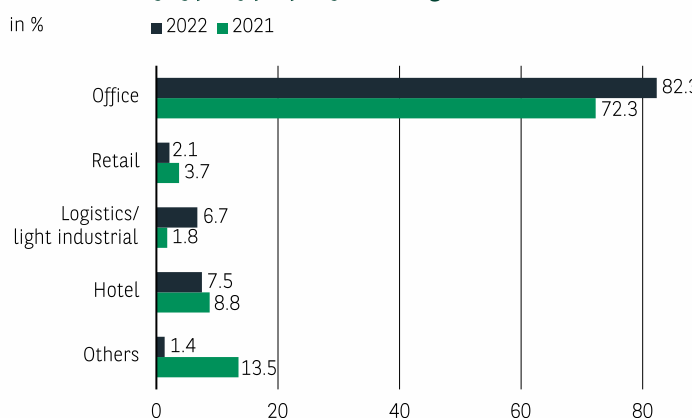
### Investments by € category in Stuttgart Q1-4



### ➤ HOMOGENEOUS DISTRIBUTION AMONG THE SIZE CLASSES

The distribution of the volume across the individual size classes shows a comparatively even picture. Around €400 million was invested in each of the individual segments above the €25 million threshold. Meanwhile, the share of transactions accounted for by properties up to €25 million is 18%. Translated into absolute figures, this corresponds to €258 million, which is 35% below the long-term average.

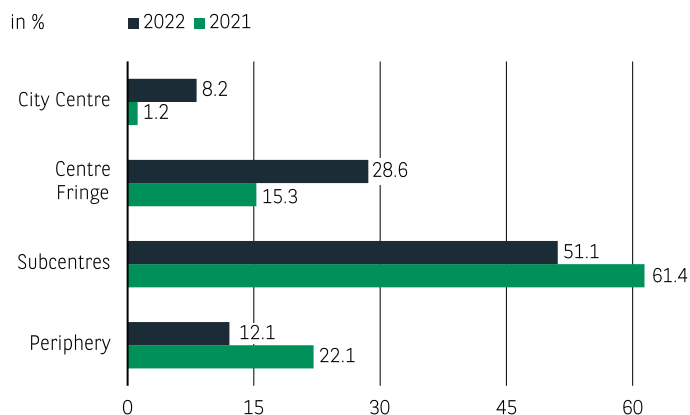
### Investments by type of property in Stuttgart Q1-4



### ➤ OFFICE PROPERTIES LONELY AT THE TOP

Office properties were by far the main focus of investment in the Stuttgart market last year, accounting for 82% of total volume, equivalent to €1.19 billion. This means that around 22% more than the long-term average was invested in the office segment, with the alstria takeover also playing a significant role in this. All other property types achieved below-average results. While hotel properties, at €108 million (-4%), still performed comparatively well in a long-term comparison, logistics investments (€97 million; -17%) played a much smaller role than usual. Meanwhile, the weakest annual result to date was recorded for retail investments at €31 million.

### Investments by location in Stuttgart Q1-4

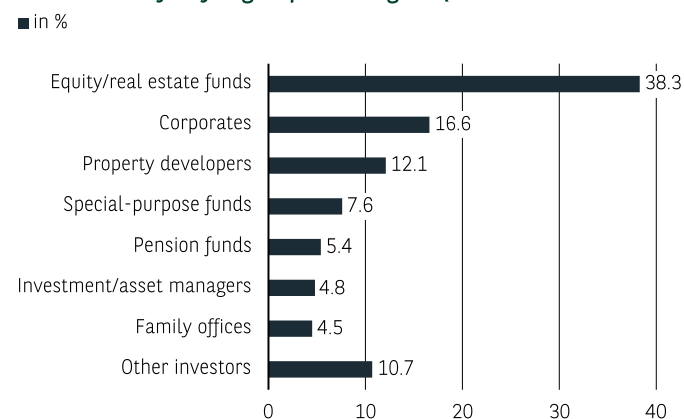


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### ➤ SUBCENTRES ARE THE MAIN FOCUS OF INVESTMENT

As in previous years, the subcentres were the main focus of investment in the Stuttgart market in 2022, accounting for 51% of the investments. The €737 million currently registered represent an increase of 16% on the long-term average. The city fringe also achieved a solid result with €412 million. In addition to a number of alstria properties, this submarket also includes the large-volume portfolio transaction by Pandion in the fourth quarter. The periphery (€175 million; -42%) and the city centre (€118 million; -43.5%) both achieved significantly below-average results.

### Investments by buyer group in Stuttgart Q1-4 2022



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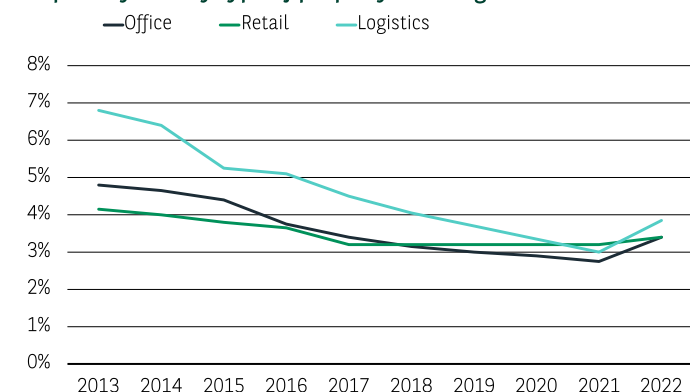
### ➤ EQUITY/REAL ESTATE FUNDS ACCOUNT FOR LARGE SHARES

In view of the large-volume majority takeover of alstria by Brookfield, the distribution of revenues among the individual buyer groups is unsurprisingly led by equity/real estate funds. They account for 39% of total volume or €551 million. Corporates follow at a considerable distance in second place. With €240 million, they contributed their highest ever registered volume. Their high contribution is based primarily on the largest single deal of the year, the aforementioned acquisition of two construction sites of the W2 Campus by the DSV Group. Project developers also accounted for a double-digit share (12%; €175 million).

### ➤ YIELDS CONTINUE TO RISE

The repeated increases in key interest rates by the major central banks have made financing increasingly expensive. Accordingly, the last quarter of the year also saw a further rise in yields. For example, the net prime yield for office properties increased by 25 basis points compared with the third quarter and now stands at 3.40%. While the rise in downtown retail properties was somewhat more moderate at plus 15 basis points to 3.40%, logistics properties saw by far the biggest jump. At the end of the year, they are yielding 3.85%, 50 basis points more than three months ago.

### Net prime yields by type of property in Stuttgart



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### ➤ OUTLOOK

From today's perspective, a two-part investment year 2023 appears to be the most realistic scenario. At the start of the year, the momentum of the commercial investment markets is still likely to be mainly determined by the restrained economic development and further interest rate steps. Against this backdrop, a further slight upward movement in yields cannot be ruled out. However, there are many indicators that an end to interest rate hikes will become foreseeable in the course of the second quarter, which should also bring the pricing phase to an end. Accordingly, it is likely that transaction activity will also pick up in the second half of the year.

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