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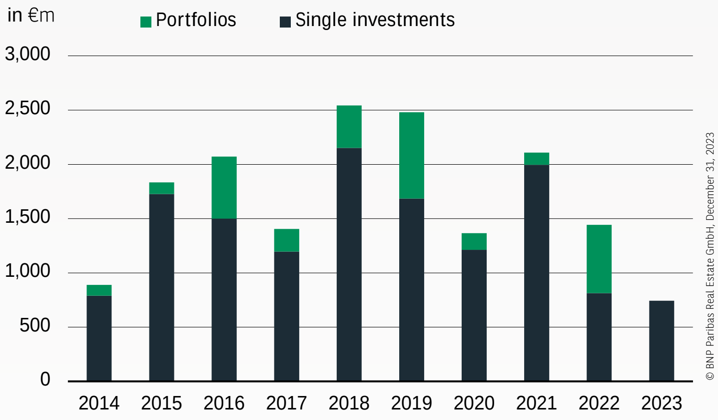
RESEARCH

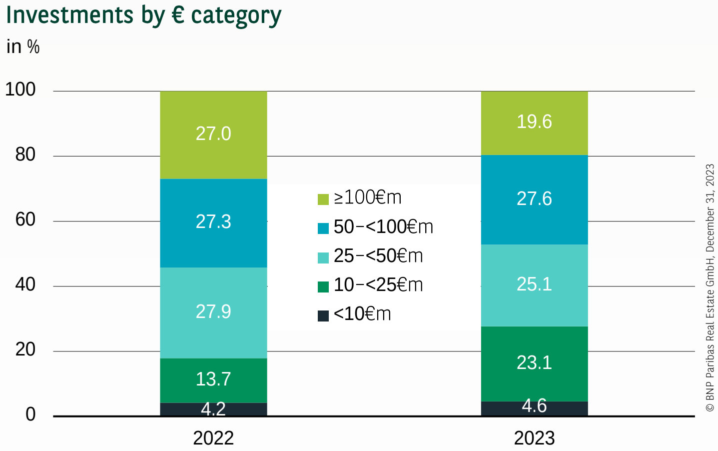
At a Glance Q4 2023

INVESTMENT MARKET STUTTGART

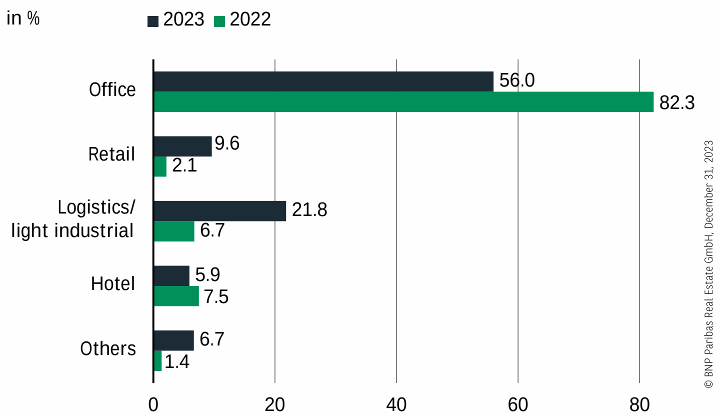
Investment volume



Investments by € category



Investments by type of property



INVESTMENT VOLUME BELOW €1 BILLION

The moderate level of transactions in the first three quarters was not followed by a sustained upturn in the last three months of the year. With a total of only €744 million, the Stuttgart market achieved its weakest result in the last ten years. This represents a decline of more than 48% compared with the previous year and a decline of almost 56% compared with the ten-year average. From a structural point of view, it is worth noting that the volume is derived exclusively from single transactions. There have been no significant portfolio sales to date, which would have benefited the Stuttgart market proportionately. Last year, however, there were pro rata package sales of around €630 million, in particular in connection with Brookfield's majority acquisition of Alstria. Looking at single transactions, turnover is only 8.5% lower than in 2022, which is the smallest decline in transaction volume among the major German locations. However, this is still a weak performance as few large deals were completed. The only deal in the triple-digit million range was the sale of the Calwer Passage.

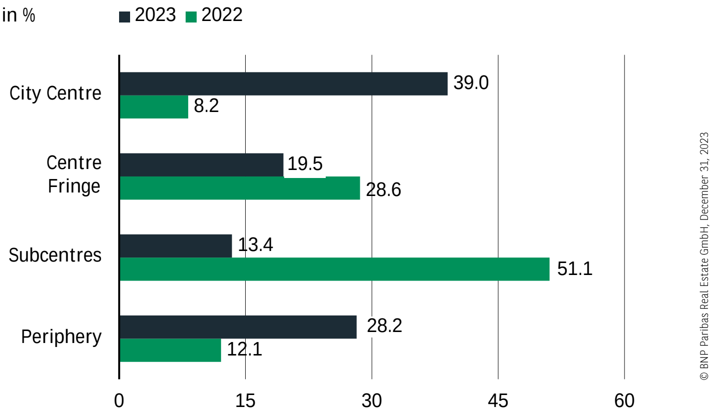
RELATIVELY HOMOGENEOUS SIZE CLASS DISTRIBUTION

Compared to many other cities, Stuttgart has a relatively balanced distribution across size classes. This was confirmed again in 2023 despite the low investment volume. The share of the three classes between €10 million and €100 million is around 23% and 28% respectively, deviating only slightly from the average values of the last ten years. Deals in the three-digit million range are typically the most complex, although this year they only account for just under 20% of all deals. It is important to note that this percentage is based on a single deal, namely the sale of the Calwer Passage.

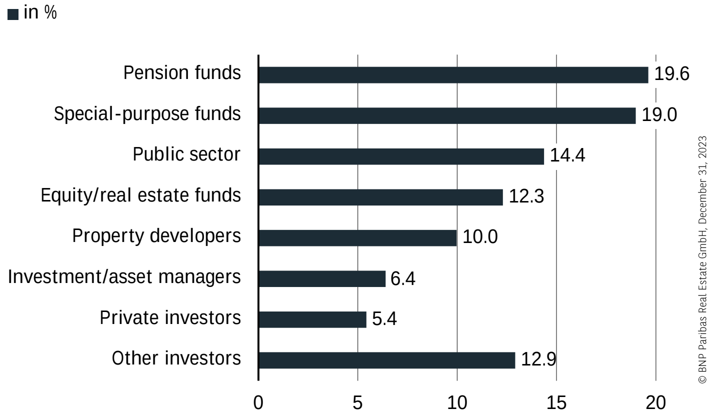
DESPITE DECLINE, OFFICE PROPERTY REMAINS AT THE TOP

Over 56% of the transaction volume was invested in office properties, primarily from small and medium-sized deals with an average price of just under €20 million. Logistics properties accounted for almost 22% of the volume, which is noticeably more than the previous year in both relative and absolute terms. Retail properties contributed almost 10% to the total volume, while hotels received less investment and accounted for nearly 6% of the turnover.

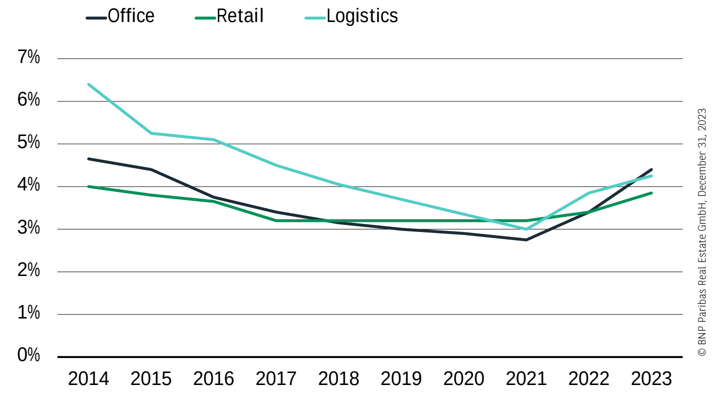
Investments by location



Investments by buyer group 2023



Net prime yields by type of property



CITY CENTRE WITH DISPROPORTIONATE SHARE OF TURNOVER

Stuttgart's city centre typically generates less investment volume compared to other large cities. This is because of the limited supply of space, resulting in fewer new developments entering the market. However, in 2023, city centre locations accounted for just under 39% of total investments, largely due to the sale of the Calwer Passage. Peripheral locations came in second place, contributing 28%. The subcentres accounted for only 13%, considerably less than usual. This low share reflects the particularly difficult and protracted pricing phase for office transactions.

MANY BUYER GROUPS INVOLVED IN THE MARKET

The small-scale property structure of many transactions attracted a wide range of buyers. Five investor groups achieved double-digit shares, accounting for around three-quarters of the total result. Pension funds and special-purpose funds invested the most, with just under 20% each. The public sector secured third place, contributing just over 14%. The primary group is composed of hedge funds, followed by equity/real estate funds at 12%, and property developers at 10%.

PRICES CONTINUE TO FALL SLIGHTLY

As with other locations, prices decreased in the fourth quarter due to central banks' key interest rate hikes at the beginning of the quarter, resulting in rising yields. The net prime yield for offices increased by 20 basis points to 4.40%, and logistics yields rose by 15 basis points to 4.25%. However, prime yields for inner-city commercial properties remained stable at 3.85%.

OUTLOOK

According to the latest economic forecasts, the expected economic upswing may be slower and less pronounced than previously expected. As a result, rental markets are likely to recover only slowly, so the tailwind for investment markets will be manageable. On the positive side, the pricing phase should be over and interest rates should have peaked. This provides investors with greater certainty and new opportunities to enter the market. In these circumstances, investment volume is likely to increase. This upward trend could accelerate significantly in the second half of the year.

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