



STUTTGART

REPORT INVESTMENT MARKET

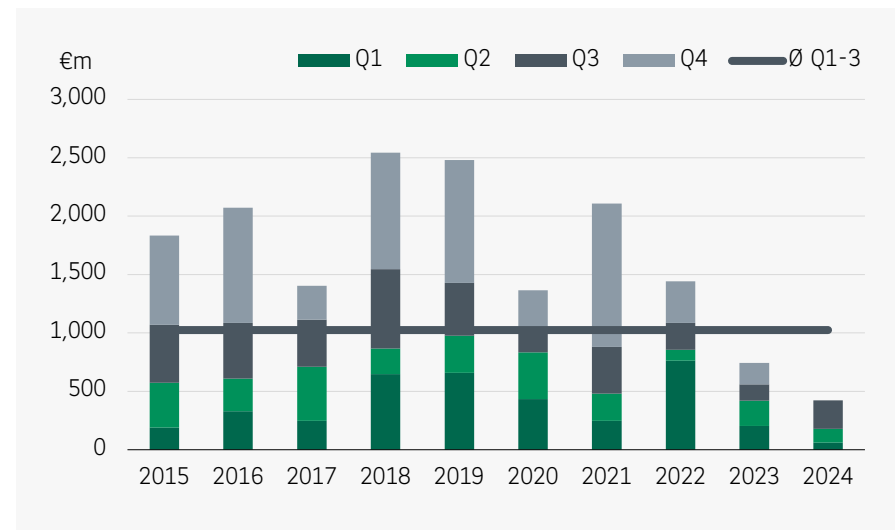
Q1-3 2024



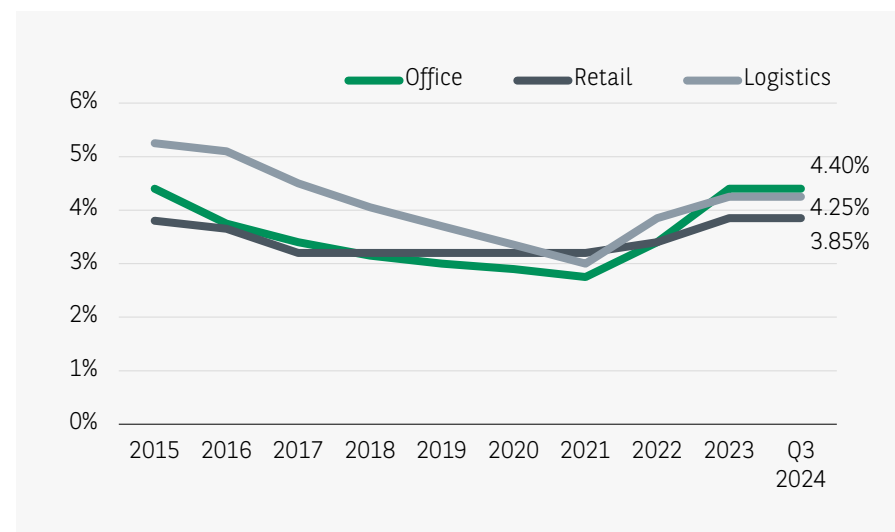
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Development of investment volume



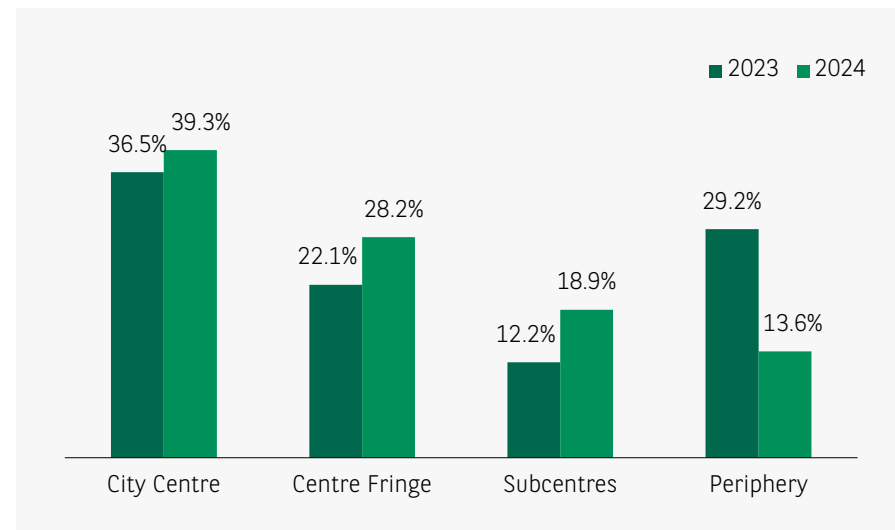
Net prime yields by type of property



VOLUME WITH POTENTIAL FOR GROWTH MORE MOMENTUM FROM QUARTER TO QUARTER

- Around €420 million was invested in the Stuttgart market for commercial property investments by the end of the third quarter of 2024. This is around a quarter below the previous year's result and almost 60% below the long-term average. This is the lowest result since 2011.
- Even if the figures still look very disappointing at the moment, there are still positive things to report. For example, a market upswing can certainly be recognised over the course of the year, which is currently reflected in a doubling of the investment volume every three months. While only around €60 million was placed in the first quarter, this figure rose to almost €120 million in the following quarter. A further €240 million has been added in the past three months.
- The fact that the gradual increase in market momentum is largely due to the fact that office transactions have recently been below average is a further indication of the brightening market sentiment.
- In line with this, a look at the development of yields shows that the pricing process is likely to have reached its peak. Apart from exceptional off-market transactions such as Königstrasse 35, net prime yields across all major asset classes have largely moved sideways since the beginning of the year. Accordingly, yields for office properties remained unchanged at 4.40% at the end of the third quarter. Logistics properties are just below this at 4.25%. Meanwhile, retail high street properties in prime locations are quoted at 3.85%.

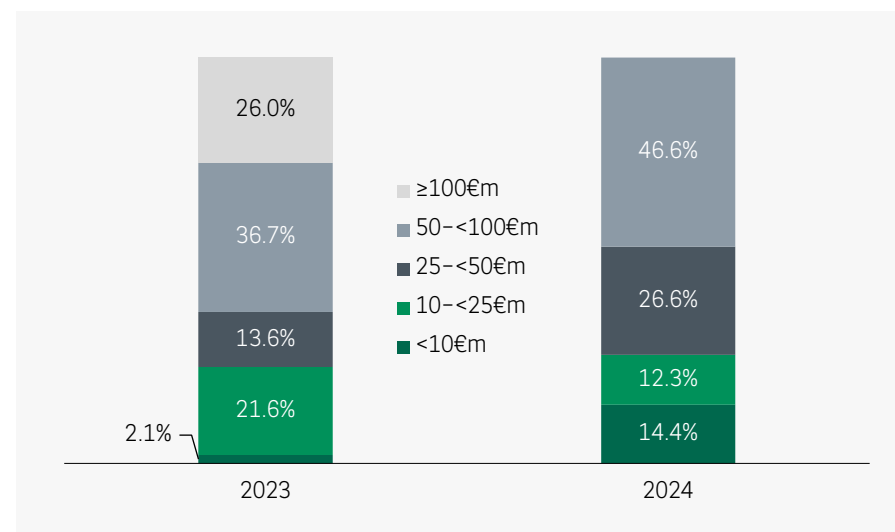
Investments by location Q1-3



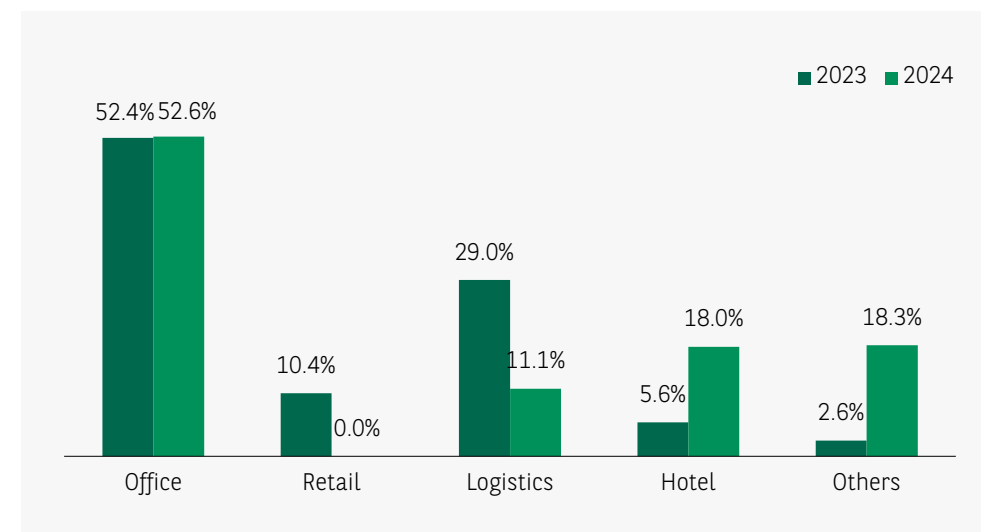
NO TRANSACTION ABOVE €100 MILLION YET

- No major transaction above €100 million has been recorded on the Stuttgart market so far this year. Accordingly, the market is significantly smaller than usual with an average deal volume of only around €22 million. The largest deal of the year to date is the sale of a commercial building with an office focus in the high double-digit million euro range brokered by BNPPRE.
- The distribution of the volume across the individual location categories is dominated by the City Centre and Centre Fringe, not least due to the high proportion of office transactions in Stuttgart, particularly in comparison to the A-locations. Together, they account for a good two thirds of the result, which is significantly higher than their usual share (10-year average: 45%).

Investments by € category Q1-3



Investments by type of property Q1-3



OUTLOOK

- The Stuttgart investment market is currently still far below the market dynamics of the pre-crisis years. Nevertheless, the gradual increase in transaction volumes over the course of the year indicates that the market is at the beginning of a recovery phase.
- This is due not least to the turnaround in interest rates that has now been initiated. The ECB's expansionary monetary policy is likely to continue in the final quarter and be reflected in one or two further interest rate cuts before the end of the year. Even if this will not have an immediate impact on the long end of the interest curve, the interest rate steps will nevertheless provide a better basis for calculation. Accordingly, institutional investors are also likely to become increasingly active again. So far this year, they have only been responsible for 41% of the total volume in Stuttgart. Their share is usually well above 80%.
- Meanwhile, the economic headwind could have a somewhat dampening effect on market momentum. Current economic forecasts assume that GDP will only grow slightly, if at all, by the end of the year, which could affect demand for space on the occupier markets. However, at least the office lettings market is bucking this trend at the end of the third quarter and is sending out a strong signal with a 4% increase in nationwide take-up compared to the previous year. This should contribute to a further increase in investor confidence in the office asset class. The Stuttgart market should benefit from this in particular, as office investments have been the focus of investment in the state capital for years.
- Meanwhile, prime yields are expected to continue to move sideways until the end of the year. An initial slight yield compression cannot be ruled out at the beginning of 2025.

Key facts investment market Stuttgart

INVESTMENT VOLUME	Q1-3 2023	Q1-3 2024	CHANGE
Total (€m)	561	423	-24.6%
Portfolio share	0.0%	1.6%	+1.6%pts
Share above €100 million	26.0%	0.0%	-26.0%pts
Office share	52.4%	52.6%	+0.2%pts
Share of city locations	36.5%	39.3%	+2.8%pts
Share of foreign investors	7.5%	13.0%	+5.5%pts

NET PRIME YIELDS	Q3 2023	Q3 2024	CHANGE
Office	4.20%	4.40%	+20bps
Retail	3.85%	3.85%	+0bps
Logistics	4.10%	4.25%	+15bps

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