The Stuttgart investment market has made a brilliant start to the new year. With a transaction volume of 648 m €, the previous year’s good result was beaten by more than 160 % and at the same time a new turnover record was set. Just how strong the first quarter was is shown by the fact that the ten-year average was topped by 186 %. Compared to the other A-locations in Germany, Stuttgart is on a par with Düsseldorf and well ahead of Cologne. One of the main reasons for this is the relatively high number of sales realised at the start of the year, with the result that almost 20 deals were included in the analysis. In addition, a few major transactions were also recorded, driving up the investment volume accordingly. These include the sale of the Kodak site for around 79 m €, the Salamanderhaus for approx. 73 m € and the rear part of the former headquarters of the EnBW Group known as the Lederer-Bau to the State of Baden-Württemberg for approx. 50 m €.

The record turnover was boosted in particular by a relatively high number of major deals by Stuttgart standards. Against this background, it is not surprising that transactions over 50 m € account for the lion’s share of the result with 62 %. In the same period of the previous year they only accounted for just over 24 %. Medium-sized deals between 25 and 50 m € also contributed almost 22 % to turnover, while the contribution of smaller properties reduced in relative terms. Overall the spread across the size categories suggests that demand on the investor side is built on a broad base.

As in almost all other major locations, office properties top the asset class table. Overall their share in total turnover is just above 62 %. In Stuttgart too, investors are expecting demand from occupiers to remain strong in the medium term, with corresponding potential for rent increases which they would like to benefit from. In second place is the collective group others with a contribution of just under 21 %. Others include in particular development land and mixed-use properties. The bronze medal position is taken by hotels with just over 12 %, ahead of logistics properties, which contribute just under 5 %.
SUBCENTRES PARTICULARLY STRONG

The biggest investment, as in the same period of the previous year, was in the Subcentres, which contribute almost half to the result. In second place are the Centre Fringe areas with a share in turnover of just under 24%. The top three is completed by the Periphery with almost 16%. As in the previous year, the wooden spoon goes to the City Centre, which only managed a contribution of just over 11%. However, this is not down to a lack of investor interest in Stuttgart's top location, but quite simply the fact that there is hardly any offer available. It is all the more pleasing that in some cases investors are switching to other locations, underlining their great confidence in the future of the overall market.

RELATIVELY BROAD SPREAD OF INVESTORS

All in all, a wide range of different investor types contributed to the transaction volume. First place was taken by equity/real estate funds, which acquired the Kodak site and a large mixed-use property among others. Second place was taken by property developers and third place by pension funds, each with a double-digit share in turnover of just over 19% and over 11% respectively. Listed real estate companies/REITs, special-purpose funds and the public sector all contributed significantly to market activity with around 8% each. The share of foreign investors totals 61% and is therefore higher than in most of the other major investment locations.

YIELDS STABLE AT THE START OF THE YEAR

Following a further noticeable drop in prime yields in the previous year, they were stable in the first quarter of 2018. The net prime yield for office properties is currently 3.40%, meaning a mid-table position for Stuttgart compared to other German A-locations. For inner city office buildings in the best locations, the comparable figure is 3.20%, while the prime yield for logistics properties is, at 4.50%, at the same level as in the other major German logistics agglomerations.

OUTLOOK

The very good investment volumes in recent years show that Stuttgart has become one of the most attractive investment locations and investors have great confidence in the future outlook. Against the background of the very good fundamental economic data and very strong demand from occupiers, this will not change in the current year. Therefore a very high transaction volume is again expected for 2018. Provided that sufficient space is available, it cannot be ruled out that the 2 bn € mark will be exceeded for the second time after 2016.