**At a Glance Q3 2018**

**INVESTMENT MARKET STUTTGART**

### Investment volume in Stuttgart

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- **RECORD: 1.5 BN € MARK PASSED AFTER NINE MONTHS**
  With a transaction volume of 1.55 bn €, the Stuttgart investment market has generated an excellent result which not only eclipses the figure for the same period of the previous year (+39 %), but also the result for the whole of 2017 (+10 %). The Swabian metropolis takes sixth place among the A locations, generating a higher turnover than Cologne (1.29 bn €). In total, over 50 deals were registered, producing an outstanding result for both single sales (1.26 bn €) and portfolio transactions included on a proportionate basis (just under 300 m €). Particularly noteworthy is the sale of the office property Uhland Carré as the biggest investment in recent years, while the impact of the merger of Galeria Kaufhof and Karstadt is felt in the portfolio segment. These and a few other large-volume transactions have contributed to the increase in the average volume per property to 30 m €.

- **RESULTS IMPROVE IN ALL SIZE CATEGORIES**
  Accounting for 425 m € and a share of almost 28 %, sales over 100 m € take first place in the distribution by size category and improve on their previous year's result by 87 %. Over 400 m €, and therefore much more than in the first three quarters of 2017, was also invested in the second biggest segment (between 50 and 100 m €), which accounts for just under 27 %. The top three is completed by the category between 25 and 50 m € with a share of almost 24 %. However, the demand for smaller properties also remains high: Transactions up to 25 m € make up 62 % of all deals. While the smallest segment accounts for just under 6 %, the group between 10 and 25 m € generates just over 16 % of the volume.

- **OFFICES WELL AHEAD, RETAIL PROPERTIES ARE CATCHING UP**
  In the distribution of turnover by asset class, office properties are well ahead both nationwide and in Stuttgart. Even though their share has fallen compared to the same period of the previous year from a little more than two thirds to just over half, with 780 m € (+ 4 %) they still generate a better result than in the first nine months of 2017. Also among the big winners are retail investments, which increased their share by 10 percentage points to just over 21 % and their volume by an impressive 156 % to 330 m €. Logistics properties contribute around 8 %, while hotels account for just under 7 %.
AT A GLANCE - INVESTMENT MARKET STUTTGART - Q3 2018

Investments by location in Stuttgart Q1-3 2018 in %

- City Centre: 2018 - 11.5%, 2017 - 15.6%
- Centre Fringe: 2018 - 23.4%, 2017 - 28.2%
- Subcentres: 2018 - 34.3%, 2017 - 56.4%
- Periphery: 2018 - 21.9%

SIGNIFICANT INCREASES IN THREE OUT OF FOUR LOCATIONS

The distribution of investment volume shows clearly that demand is not concentrated on individual locations, but is spread across the entire market region. Against this background, three locations in the Subcentres (34%), the Centre Fringe (28%) and the Periphery (22%) contribute more than 20% to total turnover. In so doing, both the Centre Fringe (+68%) and the Periphery (+249%) improved significantly on their results in the same period of the previous year. In the Centre Fringe, in addition to the aforementioned Uhland Carré deal in particular the sale of the “Bahndirektion” (the old railway authority building), which is going to be the site of one of the biggest developments in Stuttgart’s inner city, is worthy of mention. A pleasing result was also generated by the City Centre, which improved its volume compared to the first three quarters of 2017 by 89% and contributes just under 16%.

Investments by buyer group in Stuttgart Q1-3 2018

- Equity/real estate funds: 2018 - 21.0%
- Open-ended funds: 2018 - 16.2%
- Property developers: 2018 - 11.9%
- Property firms: 2018 - 10.6%
- Special-purpose funds: 2018 - 10.3%
- Listed real estate companies/REITs: 2018 - 8.6%
- Pension funds: 2018 - 7.6%
- Others: 2018 - 13.8%

EQUITY/REAL ESTATE FUNDS RACE AHEAD

As they were at the half-year point, equity/real estate funds, which are responsible for a few major transactions well over 50 m €, are the number one investment group. With 21%, they account for over one fifth of turnover. Open-ended funds, on the other hand, are newcomers to the leading group and generate a share of just over 16%. In particular the impact of the sale of Uhland Carré is felt here. Next come property developers (12%), property firms (11%) and special-purpose funds (10%) in a head-to-head race. Also notable is the volume of foreign investors which, at almost 760 m € (share of 49%), is already an improvement on the result for the whole of 2017.

Net prime yields by type of property in Stuttgart

- Logistics: 2009 - 8%, 2010 - 7%, 2011 - 6%, 2012 - 5%, 2013 - 4%, 2014 - 3%, 2015 - 2%, 2016 - 1.7%, 2017 - 1.5%, 2018 - 1.2%

PRIME YIELD FOR OFFICES NOW 3.30%

The development in the net prime yields reflects the discrepancy between supply and demand. Prices have therefore continued to rise in the first three quarters. While the prime yield for logistics properties has fallen since the end of 2017 by 10 basis points to 4.20%, the prime yield for office properties has fallen this year by 10 basis points to currently 3.30%. Only office buildings have not experienced any further yield compression since the start of the year (3.20%).

OUTLOOK

In view of the fact that the Stuttgart investment market has already beaten the result for the whole of 2017 after nine months, nothing can stop an excellent result for 2018 as a whole. For there is nothing to suggest that the current momentum, which is distinguished by the high number of deals and broad distribution across the size categories, will slow in the final quarter. Against the background that further major deals are close to completion, the 2 bn € mark is within reach.

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Imprint: Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status September 30, 2018

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