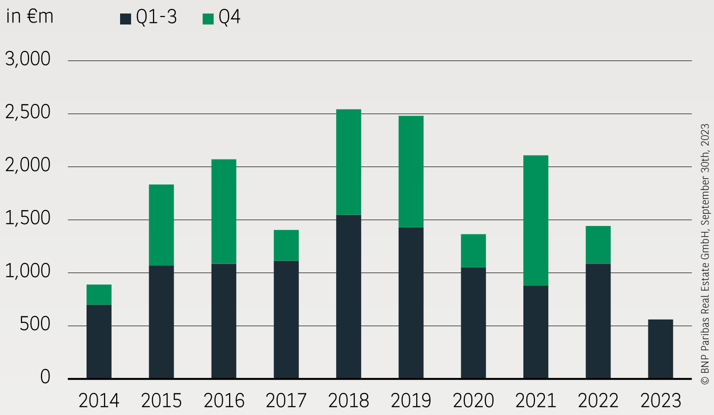
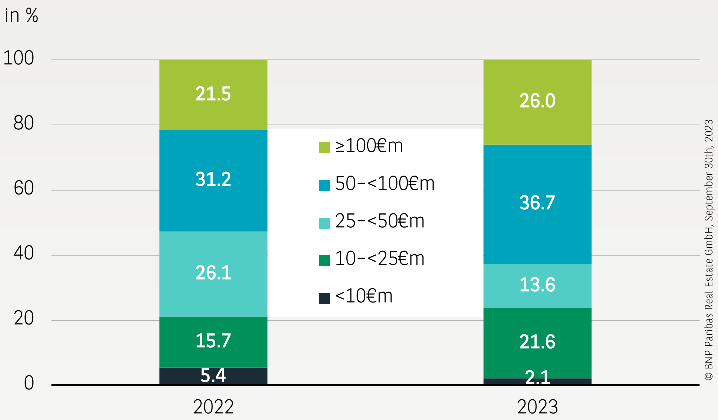
At a Glance **Q3 2023**

INVESTMENT MARKET STUTTGART

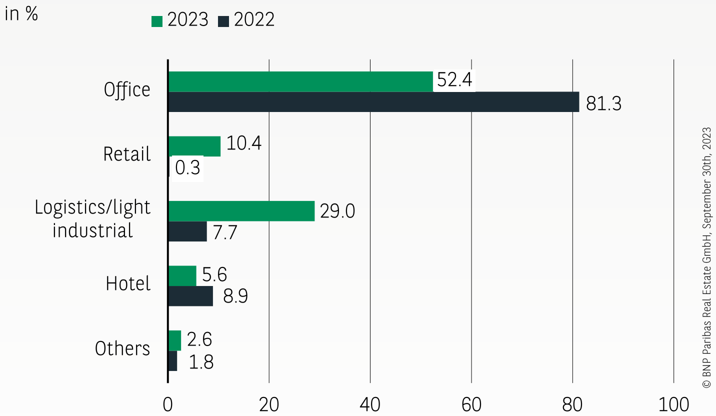
Investment volume in Stuttgart



Investments by € category in Stuttgart Q1-Q3



Investments by type of property in Stuttgart Q1-Q3



ONLY MODERATE TRANSACTION ACTIVITY IN Q3

The Stuttgart investment market again failed to show any sustained recovery in the course of the third quarter. After the first nine months of the year, the transaction volume was only €561 million, representing a year-on-year decline of 48% and a drop of around 47% on the long-term average. However, the state capital of Baden-Württemberg is certainly not isolated in this regard. The market is currently characterized across all regions by the challenging financing environment and the overall economic situation. Compared with the other A-cities, Stuttgart is in second-last place in terms of the volume invested, but has seen the smallest percentage decline compared with previous years. The sale of the Calwer Passage in the second quarter is by far the largest and only registered transaction in the triple-digit million range on the Stuttgart investment market in the year to date. Meanwhile, no transactions of properties within larger portfolios have yet been registered, which means that the entire result is based on single deals.

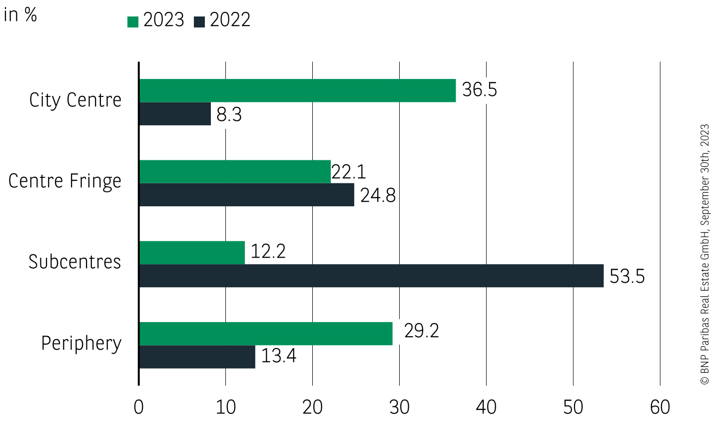
FEW LARGE DEALS DETERMINE MARKET DEVELOPMENTS

Due to the comparatively low number of transactions at present, a few single deals are having a noticeable impact on the distribution of investments by size category. For example, an unusually high share of around 63% is accounted for by deals above the €50 million mark. In absolute terms, the €352 million registered in this segment is nevertheless around a third below the long-term average. While transactions in the <€10 million range play only a very minor role with a proportionate share of 2%, the medium size classes of €10 to €50 million contribute around 35% to the result.

LOGISTICS PROPERTIES WITH ABOVE-AVERAGE VOLUME

The distribution of investments by property type is led by a wide margin by office properties (around 52%), due not least to Calwer Passage, which generates the majority of its rental income from office use. Logistics properties follow in second place, contributing 29%. With a total of just over €163 million, the asset class is even well above average in a long-term comparison (€94 million). The largest registered deal in this property type is the acquisition of the Bauknecht Business Park by Quantum for a special-purpose fund. While retail properties also made a double-digit contribution, accounting for a good 10%, hotels have so far accounted for only 6%.

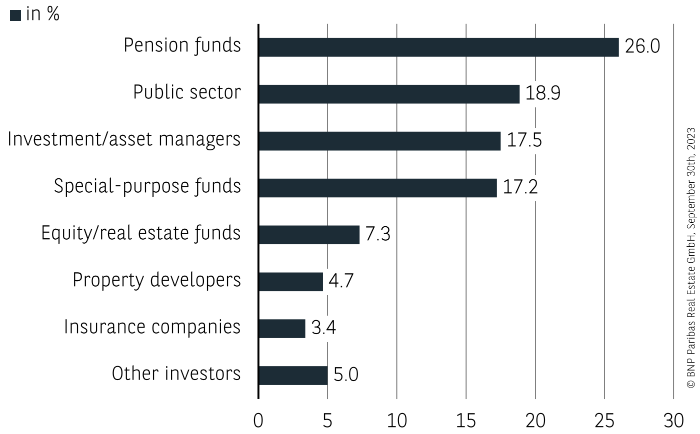
Investments by location in Stuttgart Q1-Q3



HIGH SHARE OF CITY & PERIPHERAL LOCATIONS

By the end of September, around €205 million had been invested in Stuttgart's city center locations, putting them at the top of the location rankings with a transaction share of just under 37%. In addition to the sale of the Calwer Passage, the sale of the Galeria property in Eberhardstrasse to the city of Stuttgart, which exercised its right of first refusal for the property, is also largely responsible for the strong performance. The periphery follows in second place, with a market share of a good 29% of the transaction volume. This primarily reflects the comparatively high investment activity in the logistics property class. While the centre fringe (22%) also breaks the 20% mark, the secondary locations, which are usually dominated by office transactions, currently account for only around 12%. At a low €68 million in a long-term comparison, this corresponds in absolute terms to their weakest result ever recorded.

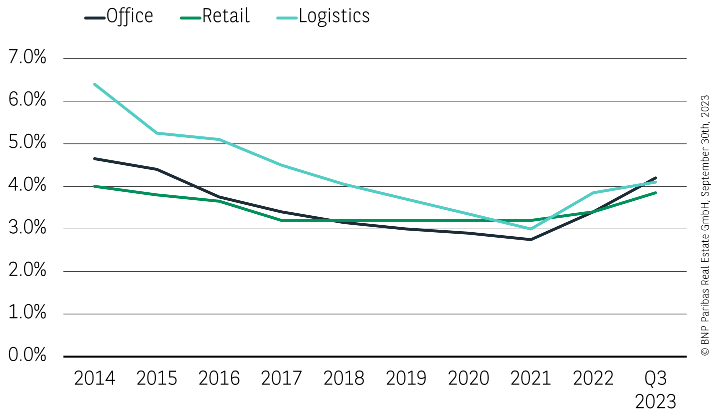
Investments by buyer group in Stuttgart Q1-Q3 2023



PENSION FUNDS AT THE TOP

At the end of the third quarter, transaction shares in the double-digit percentage range were reported for a total of four buyer groups. At the top of the ranking are pension funds with a share of 26%, which is mainly due to the purchase of Calwer Passagen by Versicherungskammer Bayern. In second place is the public sector with an unusually high share of around 19%. It is not only in Stuttgart that it has recently become increasingly common for local authorities to exercise their right of first refusal, particularly in inner-city locations, in order to better control the implementation of their urban development objectives. The podium is completed by investment/asset managers, who, with a share of 17.5%, are only just ahead of special-purpose funds (17%).

Net prime yields by type of property in Stuttgart



UPWARD TREND IN YIELDS CONTINUES

Against the backdrop of repeated interest rate hikes by the major central banks, yields in all asset classes also continued to rise. For example, the net prime yield for office properties rose by a further 30 basis to 4.20% compared with the previous quarter. While the logistics property type recorded an increase of 10 basis points to 4.10%, the rise for retail highstreet properties was comparatively moderate at 5 basis points to 3.85%.

OUTLOOK

As the general conditions are unlikely to change significantly in the final quarter, no extensive market recovery is expected in the last three months of the year. Accordingly, a further rise in yields is likely by the end of the year. However, as the overall economy gains momentum and the interest rate hike cycle comes to an end, a noticeable acceleration in investment transactions is likely to set in again by mid-2024 at the latest.

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