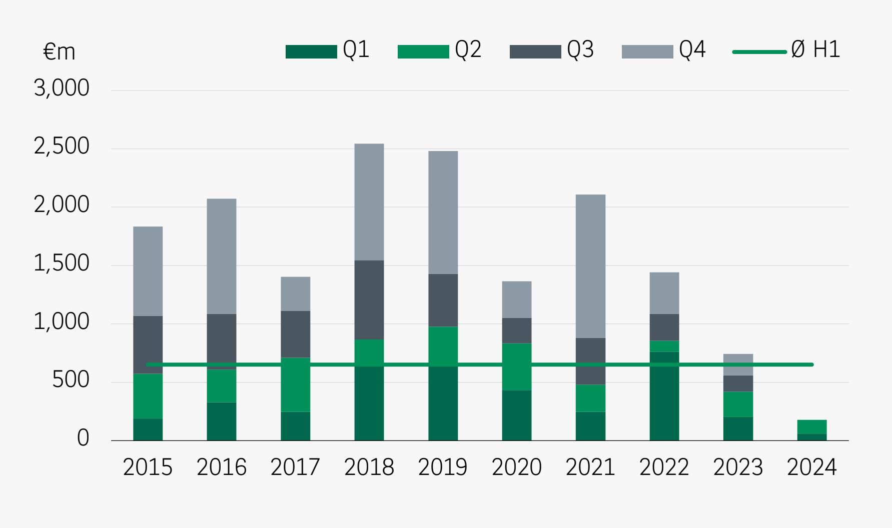
STUTTGART

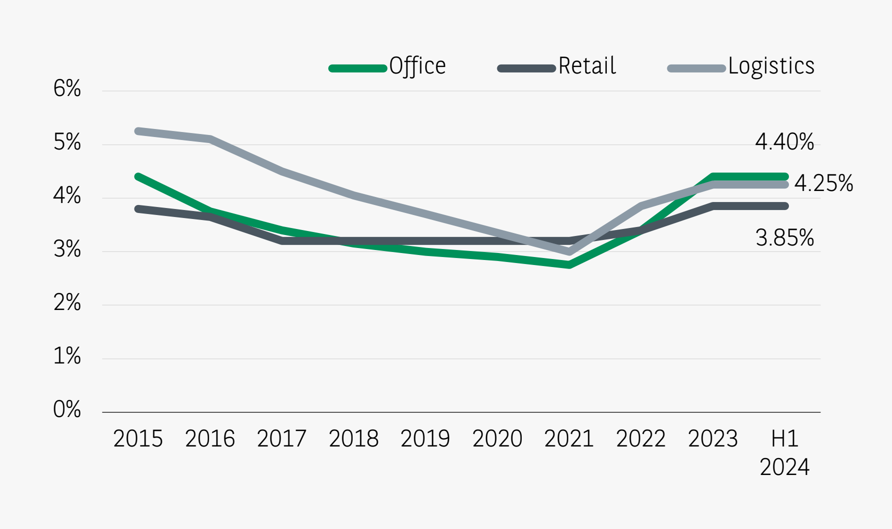
REPORT INVESTMENT MARKET

H1 2024

Development of investment volume



Net prime yields by type of property



DESPITE NOTICEABLE RECOVERY: INVESTMENT MARKET WITH SUBDUED ACTIVITY

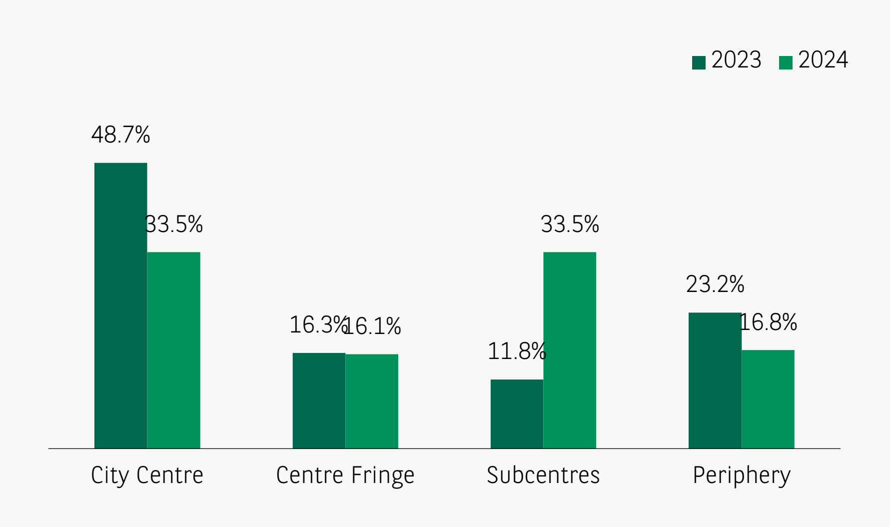
– An investment volume of just under €180 million was recorded for the Stuttgart investment market in the first half of 2024. This was around 57% below the previous year's result and the 10-year average of around €650 million also remains a distant prospect (-73%).

– Despite the subdued half-year result, there are increasing signs of a gradual recovery and an acceleration of market activity on the Stuttgart investment market. After an extremely weak start to the year with an investment volume of just €61 million in the first quarter, around €118 million was successfully placed on the market in the second quarter.

– In a persistently challenging market environment, the fact that the transaction activity is neither dominated by small deals with an investment volume of up to €10 million nor by a single major transaction is encouraging. Instead, three contracts in the range between €20 million and €60 million were successfully concluded in the second quarter, which indicates that the market is slowly gaining momentum again across the board.

– Prime net yields have stabilized at the level reached at the end of 2023. They remain unchanged at 4.40% for office properties. Mixed-use commercial properties in prime locations are expected to yield 3.85%, while prime logistics properties in the Stuttgart market area continue to achieve 4.25%.

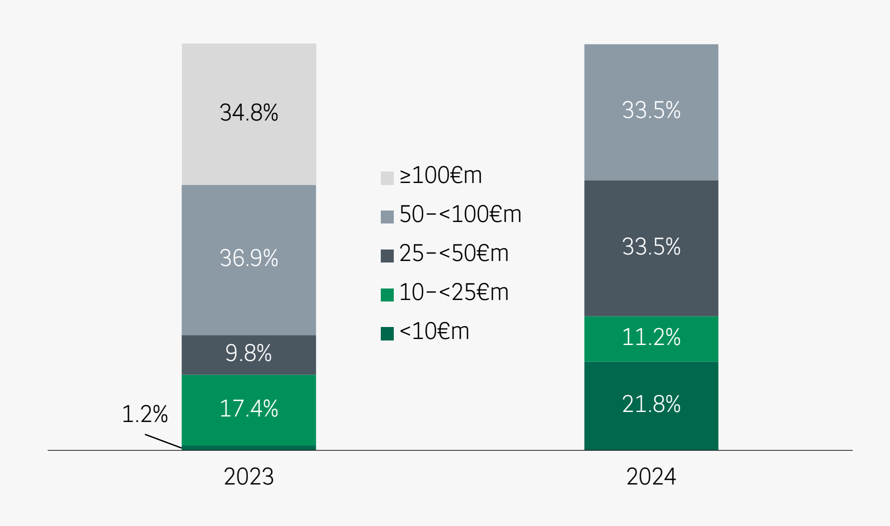
Investments by location H1



SIGNIFICANT UPTURN IN MID-SIZED SEGMENT

- The upturn in the mid-sized segment is particularly noticeable in the current market phase. Around 33% of the investment volume was generated by transactions in the €25 to 49 million and €50 to 100 million size categories each. A deal in the three-digit million range has not yet been concluded in the first half of 2024.
- The broad demand base in the Stuttgart market area is a positive factor. With the exception of retail properties, all asset classes contributed to the half-year result. Unlike the national average, office (38.5%) is by far the strongest asset class, ahead of logistics (22.5%) and hotel (14.5%). The purchase of two development properties brought the collective category of other properties to a strong 24.5%.
- Stuttgart is one of the few markets in which investments in city center and subcentres are balanced (with a market share of 33.5% each).

Investments by € category H1



Investments by type of property H1

OUTLOOK

- The Stuttgart investment market recorded an increase in transaction activity - albeit at a persistently low level - which resulted in a doubling of the investment volume in the second quarter. Nevertheless, the effects of the ongoing challenging conditions are clearly noticeable on the market. The continued increase in financing conditions and the delayed economic upturn, which is noticeably hampering the occupier markets, are also significantly slowing investment momentum at the half-year mark.
- However, the prospects for the Stuttgart investment market are gradually brightening. Leading economic research institutes are forecasting a gradual increase in the breadth and pace of economic momentum over the coming months, and the ECB's key interest rate cut in June is very likely to have been the first step in the descent from the interest rate plateau. The combination of falling financing costs and recovering occupier markets should provide a noticeable boost, although the upward momentum is likely to remain moderate for the time being but will fully develop in 2025.
- In view of the great resilience and sustainability that characterize the economy in the greater Stuttgart area and the generally healthy fundamentals of the Stuttgart real estate market, investment market activity is expected to accelerate further over the course of the second half of the year. A result above the previous year's level seems the most likely scenario, although there is currently considerable distance until the long-term average is reached. Prime yields should confirm their current level, although an initial yield compression at the end of the year cannot be ruled out.

Key facts investment market Stuttgart

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	**420**	**179**	**-57,4%**
Portfolio share	0,0%	3,9%	+3,9%pts
Share above €100 million	34,8%	0,0%	-34,8%pts
Office share	56,8%	38,5%	-18,3%pts
Share of city locations	48,7%	33,5%	-15,2%pts
Share of foreign investors	10,0%	26,9%	+16,9%pts

NET PRIME YIELDS	H1 2023	H1 2024	CHANGE
Office	3,90%	4,40%	+50bps
Retail	3,80%	3,85%	+5bps
Logistics	4,00%	4,25%	+25bps

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Edited by: BNP Paribas Real Estate Consult GmbH | As of: 30.06.2024

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