

STUTTGART - LIGHT AND SHADOW ON THE REAL ESTATE MARKET
Office & Investment Market Report S1-2022

E&G REAL ESTATE



E & G Real Estate

Thinking about tomorrow – today

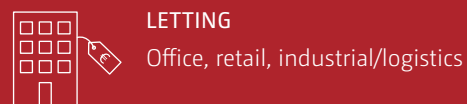
With more than 80 years of market experience and a broad expertise, E&G Real Estate are leading specialists for commercial property in southern Germany. Our clients appreciate the long-standing excellence in property consulting and the absolute discretion of our expert team. They know: at E&G Real Estate, their commercial property projects are in good hands.

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Also when it comes to investments in commercial and residential real estate, we are a preferred partner to institutional and semi-institutional investors. Our experienced consultants look forward to bringing your property projects to a good close.

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FUTHER PUBLICATIONS

- Investment Market Report – Southern Germany
- Industrial & Logistics Market Report – Stuttgart
- Office & Investment Market Report – Munich
- GPP Markt Report – Germany

These publications may be obtained free of charge per email at info@sug-re.de or at www.sug-realestate.de.

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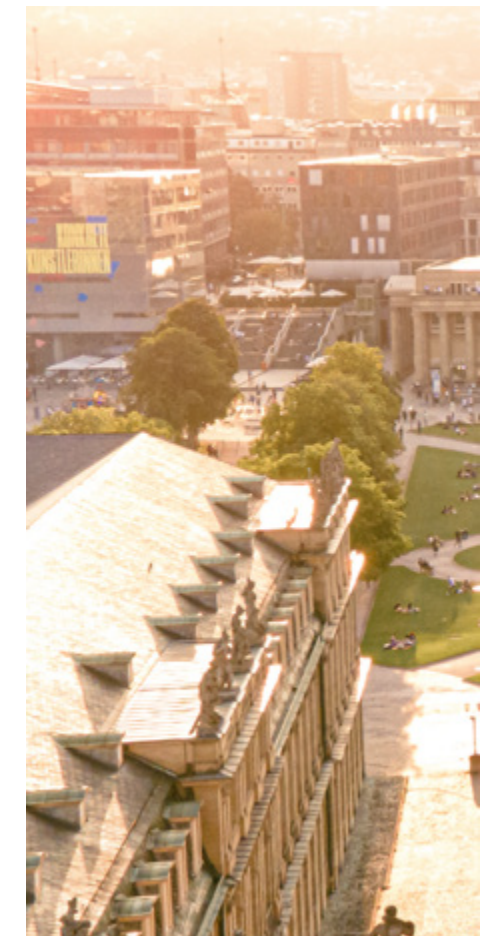
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Stuttgart Office Market S1-2022 Top-3-Deals

- Allianz SE (owner-occupier), Vaihingen, ca. 65,000 m²
- Komm.ONE, Weilimdorf, ca. 21,500 m²
- Ed. Züblin AG (owner-occupier), Möhringen, ca. 21,400 m²



Surprising record result on Stuttgart Office Market

By the end of the first half-year 2022, the Stuttgart Office Market has reported a record result: with a space take-up of around 213,000 m², the letting volume exceeded the result of S1-2021 by 314%. As a matter of fact, this figure already accounts for a greater space take-up than the annual results for 2021 and 2020.

SPACE TAKE-UP

After declining letting volumes in the past two years, many companies are now showing a rising demand for office space. So far these dynamics have not been slowed down by the economic impact of the Ukraine war. The first quarter 2022 had already seen a letting volume of ca. 88,000 m². This strong result was outperformed by around 126,000 m² in the second quarter. All in all, the space take-up was split quite evenly between owner-occupier deals and lettings. The greatest lease of the year was signed by Allianz SE for around 65,000 m² of office space at their own Allianz Campus in Stuttgart Vaihingen. The second biggest rental by Komm.ONE – an IT-servicer for local communities in Baden-Württemberg - followed at a distance with ca. 21,500 m² in Stuttgart Weilimdorf. At the same time, Ed. Züblin AG confirmed their local growth strategy with an owner-occupier deal for around 21,400 m² at their headquarters in Stuttgart-Möhringen.

SECTORS

Due to the significant influence of the owner-occupier lease by Allianz SE, the financial industry has become the strongest occupier group with a share of 37% in the overall letting volume. Public tenants followed with around 16% and the construction sector with ca. 10% space take-up in the first half-year 2022. As a direct result of the aforementioned high-volume lettings, the sub-markets Stuttgart Vaihingen/Möhringen, Stuttgart CBD and Weilimdorf have reported the greatest space take-up.

AVAILABLE SPACE

The supply reserve of shortly available office space ranged at around 322,000 m², while the total office stock grew to approx. 8.38 million square metres. This corresponds to a vacancy rate of 3.8%, which constitutes a 0.7% increase compared with the previous year. Next to some office space being released at existing buildings, this increase was also spurred by the completion of various office projects.

OFFICE SPACE TAKE-UP BY SUB-MARKETS (IN M²)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	S1-2022
CBD	63,000	61,500	34,600	53,100	65,700	52,800	51,600	27,400	52,200	19,400	29,600	23,700
Inner City	97,500	58,400	51,000	44,200	53,500	32,200	39,300	28,400	35,200	22,400	27,900	37,700
Vaihingen/ Möhringen	56,300	18,200	62,000	34,700	56,300	141,200	52,000	30,200	32,600	20,800	46,400	99,000
Fasanenhof	12,500	7,400	5,700	9,100	10,300	19,600	18,600	6,700	12,000	3,200	5,600	4,600
Feuerbach/ Zuffenhausen	24,800	18,700	27,200	34,700	37,400	64,700	5,800	54,600	71,400	18,300	15,600	2,400
Degerloch	4,000	4,800	1,900	1,500	1,300	7,100	9,700	3,200	21,600	6,400	8,200	4,500
Weilimdorf	5,500	5,300	7,700	30,900	42,900	33,100	18,100	15,400	29,200	11,100	2,200	25,600
Bad Cannstatt/ Wangen	13,400	12,000	19,800	54,900	15,100	45,500	11,800	34,500	48,100	30,100	16,000	6,200
Leinfelden- Echterdingen	8,000	5,200	47,900	14,900	7,500	35,800	63,100	17,600	10,700	9,300	5,700	10,300
Total	285,000	191,500	258,000	278,000	290,000	432,000	270,000	218,000	313,000	141,000	157,200	214,000

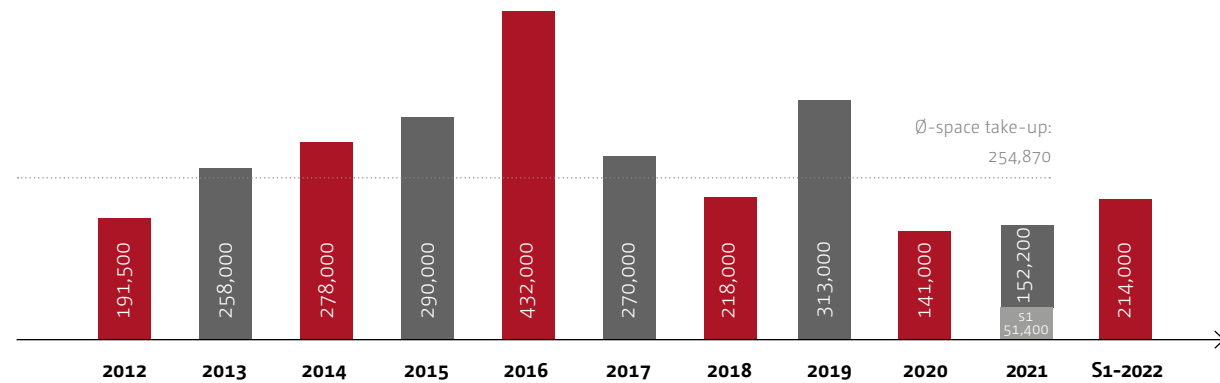
RENT LEVELS

Despite some economic challenges, office rents have been rising significantly. By 30 June 2022, the attainable peak rent ranged at €29.40/m². This result signifies an increase of 18% compared with the previous year. Such premium rents were exclusively achieved at upscale existing property, where significant rent adjustments could be implemented in new lettings. As the leases for several new build projects at the Inner City are currently being negotiated, further growth in premium rents can be expected in the near future. Average rents for all Stuttgart sub-markets including Leinfelden-Echterdingen ranged at €16.40/m², which is 5 % more than in the previous year.

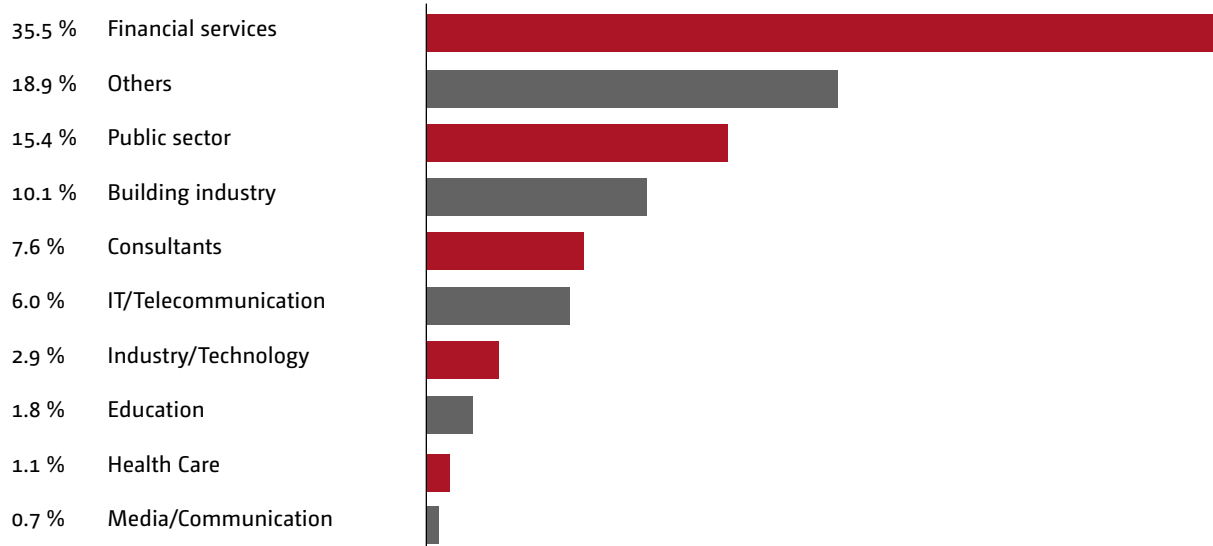
FORECAST

By the end of 2022, around 156,600 m² of newly built office space will have been completed. 64% of this space supply has already been pre-let. For the coming year, the completion volume will deliver ca. 119,400 m² of new office space, at a pre-letting rate of approx. 25 %. At the same time, project developers are becoming more prudent. In view of the current economic and geopolitical risks, project developments may become subject to high pre-letting rates again. In the wake of rising building costs and interest rates, some office projects may also be postponed. Against this backdrop, E & G Real Estate expect an overall letting volume of around 300.000 m² for the year 2022 — on the assumption that the on-going Ukraine war and the overall nervousness in the markets do not impede rental decisions on the Stuttgart Office Market.

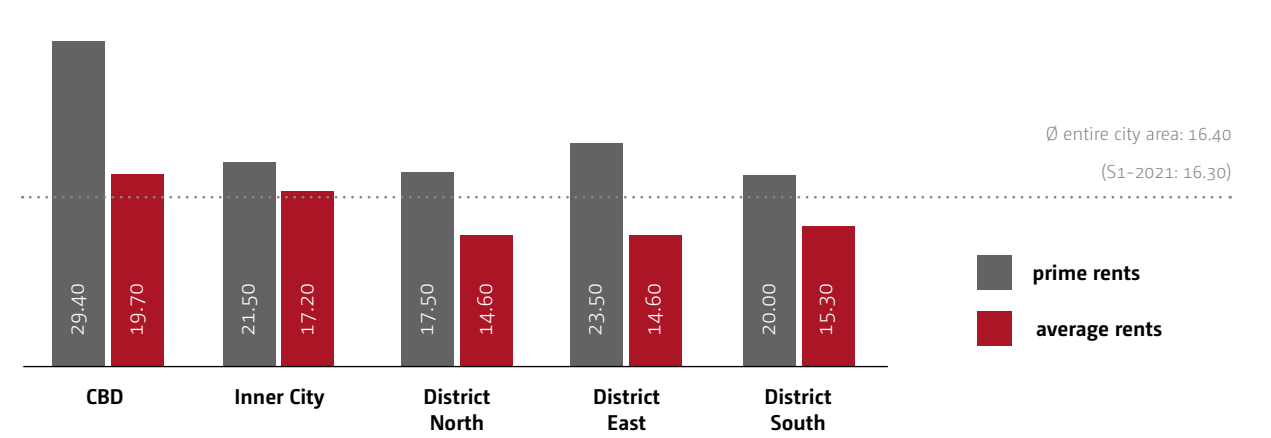
OFFICE SPACE TAKE-UP IN STUTT GART 2011-2021 (IN M²)



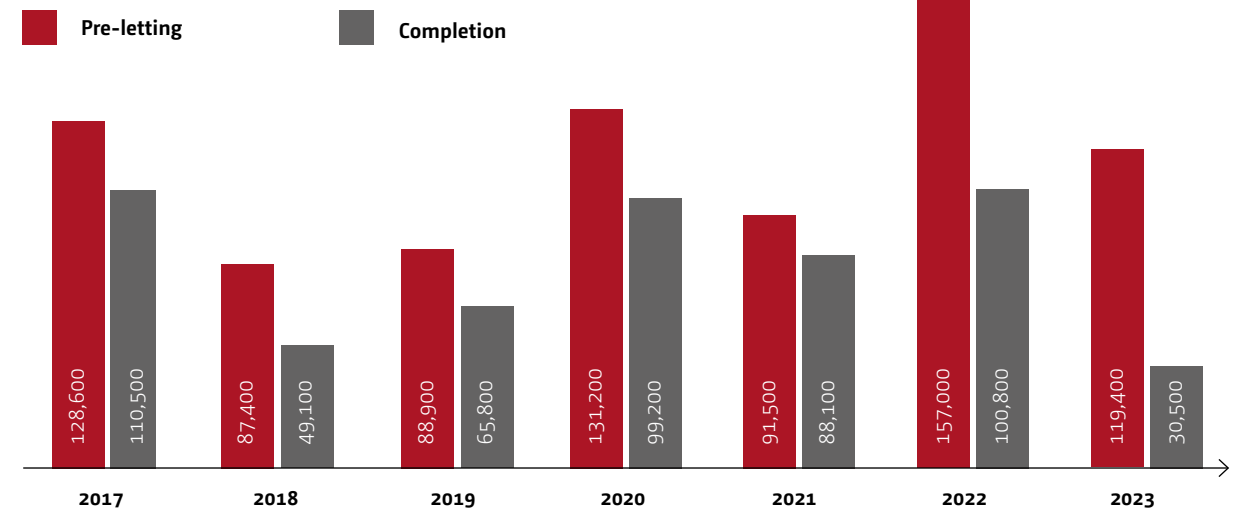
SPACE TAKE-UP BY OCCUPIER GROUP (IN %)



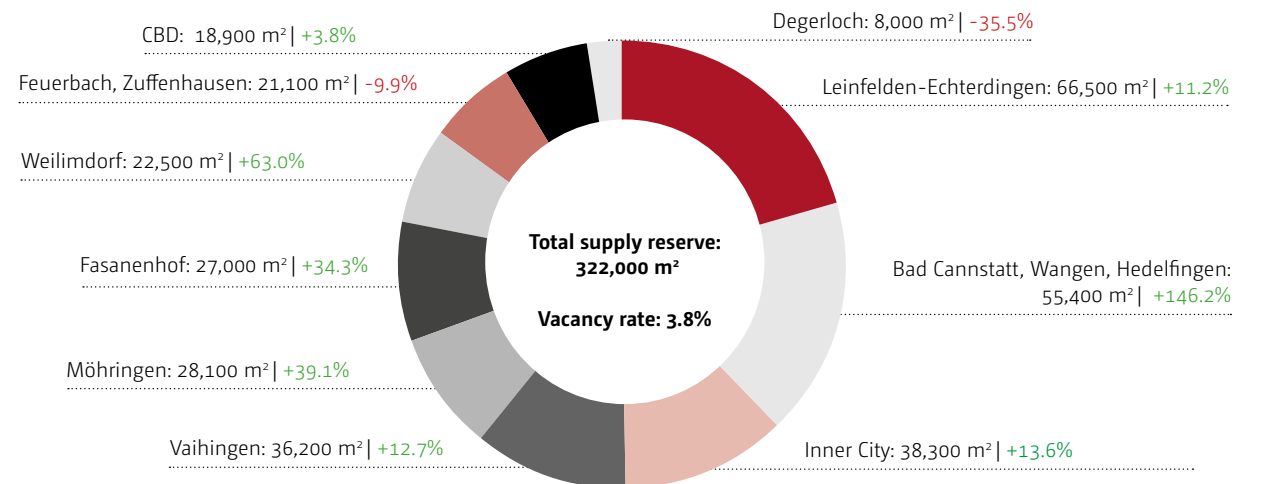
PRIME AND AVERAGE RENTS – SUB-MARKETS 2021 (IN €/M²)



COMPLETION VOLUME – STUTT GART (IN M²)



SUPPLY RESERVE BY 31 DEC. 2021 (COMPARED WITH 2020)



Source: Research E & G Real Estate GmbH ©, as of 30 June 2022

Your contact partners

Looking forward to consulting you!

Contact:

T — +49 711/20702-700

F — +49 711/20702-702

Find out more:

www.eug-realestate.de

www.bueroflaeche-stuttgart.de

Follow us:



ULRICH NESTEL
Partner
Head of Office & Retail Letting

T — +49 711/20702-710

M — Ulrich.Nestel@eug-re.de



SEBASTIAN DEGEN
Consultant Office Letting

T — +49 711/20702-711

M — Sebastian.Degen@eug-re.de



HELGA SCHÖNER
Consultant Office Letting & Research

T — +49 711/20702-714

M — Helga.Schoener@eug-re.de



MATTHIAS HÄGELE
Consultant Office Letting

T — +49 711/20702-712

M — Matthias.Haegle@eug-re.de



ALJOSCHA NIKOLOFF
Consultant Office Letting

T — +49 711/20702-713

M — Aljoscha.Nikoloff@eug-re.de



HANS-WERNER PETRAK
Consultant Commercial Real Estate

T — +49 7031/7344-686

M — Hans-Werner.Petrak@eug-re.de



MANUELA BATZ
Sales Assistant

T — +49 711/20702-715

M — Manuela.Batz@eug-re.de

Our locations

E & G Immobilien

With our offices in Stuttgart and Munich, we are at home on the commercial property market in southern Germany. Also in residential property, we are your trusted partner all the way. Visit us at our shops in the Stuttgart Region.

E & G REAL ESTATE STUTT GART

Börsenplatz 1
70174 Stuttgart

T — +49 711/20702-700

M — stuttgart@eug-re.de

E & G REAL ESTATE MUNICH

Herzog-Rudolf-Straße 1
80539 München

T — +49 89/1795 94-0

M — muenchen@eug-re.de

E & G PRIVATE IMMOBILIEN STUTT GART

Börsenplatz 1
70174 Stuttgart

T — +49 711/20702-800

M — stuttgart@eug-pi.de

E & G PRIVATE IMMOBILIEN ESSLINGEN

Pliensastraße 7
73728 Esslingen

T — +49 711/310 593 9-0

M — esslingen@eug-pi.de

E & G PRIVATE IMMOBILIEN LUDWIGSBURG

Stadtkirchenplatz 4
71634 Ludwigsburg

T — +49 7141/29 99 19-0

M — ludwigsburg@eug-pi.de

E & G PRIVATE IMMOBILIEN BÖBLINGEN

Herrenberger Straße 12
71032 Böblingen

T — +49 7031/73 44 68-0

M — boeblingen@eug-pi.de

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Stuttgart Investment Market S1-2022 Top-3-Deals

- **Alstria Office Reit-AG, Stuttgart:** Share acquisition by Brookfield Properties, approx. €410m
- **Atlanta Business Center, Möhringen:** Alstria Office Reit-AG (vendor), Züblin AG (buyer), approx. €63m
- **Hampton by Hilton/Premier Inn, City:** Project developer (vendor), Real I.S. (buyer), approx. €51m



Standstill on the Stuttgart Investment Market

In the second quarter 2022, only €120m were invested on the Stuttgart Property Market, i.e. around 60% less than in the same quarter of 2021. Together with the first quarter, a total transaction volume of approx. €650m can be reported for S1-2022. This result actually exceeds the previous year by around €90m, but has been largely due to a one-off effect.

TRANSAKTION VOLUME

The year 2022 started quietly into its first quarter – apart from the one-off effect created by the takeover of the majority of shares of Alstria Office REIT-AG by Brookfield Asset Management. In the wake of rising interest rates and the corresponding market uncertainties, the transaction volume reached a historical low in the second quarter. Many buyers remain reluctant to invest in face of rising interests and geopolitical challenges. While investors are re-assessing the current situation, their investment decisions are put on hold. At the same time, they have annual investment targets to meet. Therefore, investment dynamics can be expected to pick up again in the second half of the year.

VENDOR GROUPS

On the vendor side, Listed Real Estate Investment AG's/REITs dominated the market with a share of 73% in transaction volume. Private Owners and Project Developers followed with approx. 11% market share each. All other market participants played only a marginal role.

BUYER GROUPS

With a 63% share in transaction volume, fund managers were the most active buyer group in the first half-year of 2022. Further significant market share was generated by Open-ended Real Estate

Funds/ German Special Funds accounting for 16%, as well as by Corporates with 11% of the transaction volume.

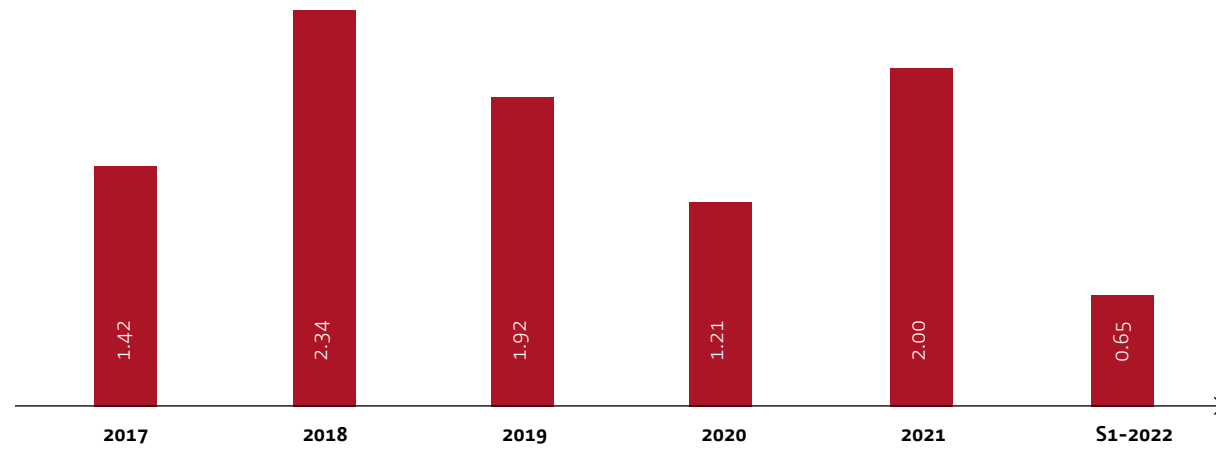
TYPES OF USE

All in all, only 15 transactions were concluded in the first half-year of 2022. Investors focused mainly on Office Property, which accounted for 75% of the transaction volume. Mixed-Use Property and Hotels followed with a market share of ca. 12% each.

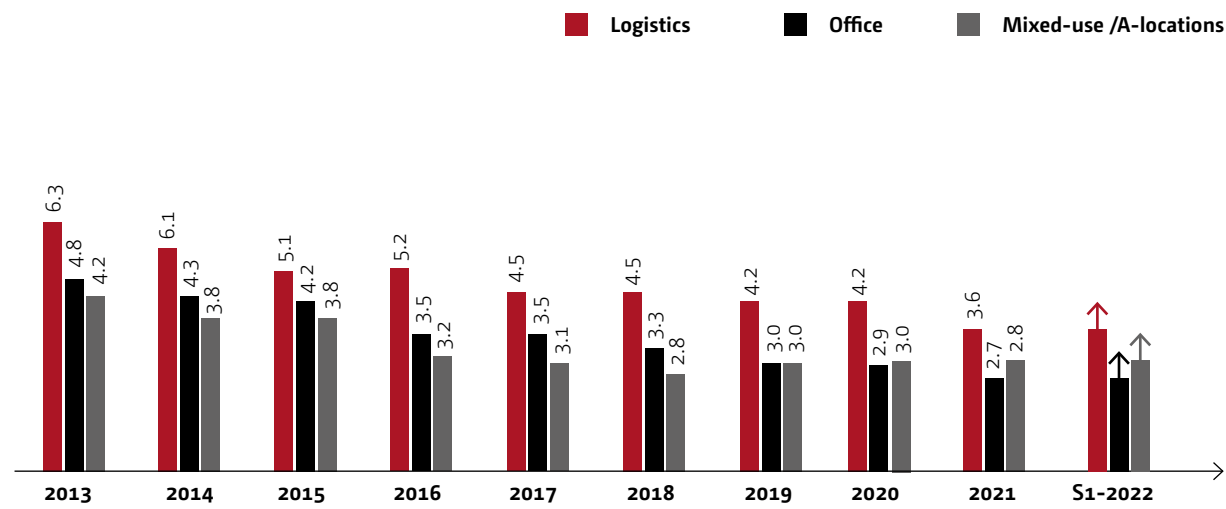
FORECAST

Due to current uncertainties regarding interest rates and the corresponding reluctance of investors, it remains challenging to give an accurate estimation for the year 2022. On the basis of current investment activities on the Stuttgart Property Market, it needs to be assumed that the transaction volume of the previous year will not be achieved and that any forecast must be adjusted accordingly. Therefore, E & G Real Estate currently projects a transaction volume of 1.2 billion euros by the end of the year.

TRANSACTION VOLUME STUTTGART (IN BN €)



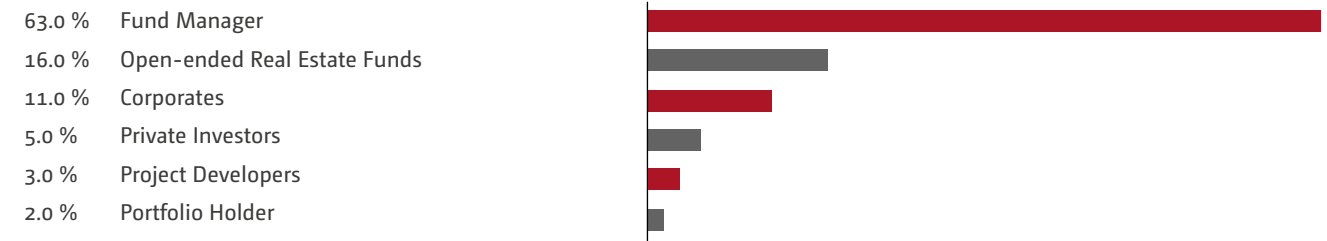
PRIME NET INITIAL YIELDS (IN %)



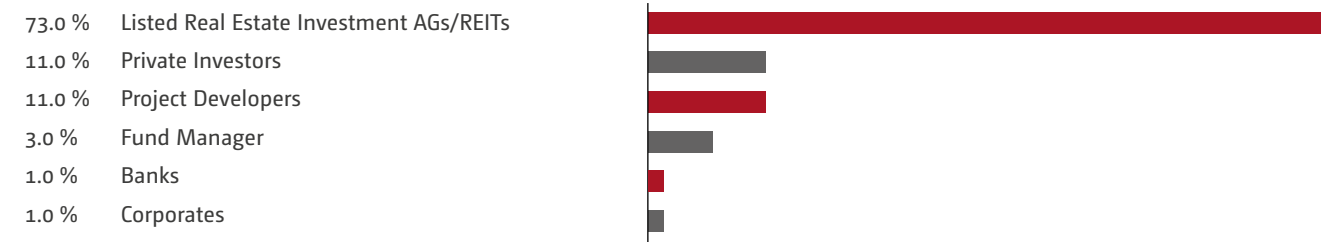
TYPES OF USE S1-2022



BUYER GROUPS S1-2022



VENDOR GROUPS S1-2022



Your Contact Partners in Stuttgart Looking forward to consulting you!

Sie erreichen uns unter:

T — +49 711/20702-700
F — +49 711/20702-702

Informationen im Internet:

www.eug-realestate.de
<https://campus.eug-immobilien.de>

Folgen Sie uns:



BJÖRN HOLZWARTH
Managing Partner

T — +49 711/20702-720
M — bjoern.holzwarth@eug-re.de



SIMONE WIEDMANN
Investment Consultant

T — +49 711/20702-724
M — simone.wiedmann@eug-re.de



MICHAEL LINDEN
Investment Consultant

T — +49 711/20702-722
M — michael.linden@eug-re.de



STEFAN KNÖDLER
Investment Consultant

T — +49 711/20702-721
M — stefan.knoedler@eug-re.de



JESSICA NASCHKE
Investment Consultant

T — +49 711/20702-723
M — jessica.naschke@eug-re.de



STEFFEN MAYER
Investment Consultant

T — +49 711/20702-725
M — steffen.mayer@eug-re.de



ELISA KOWALEWSKI
Sales Assistant

T — +49 711/20702-709
M — elisa.kowalewski@eug-re.de

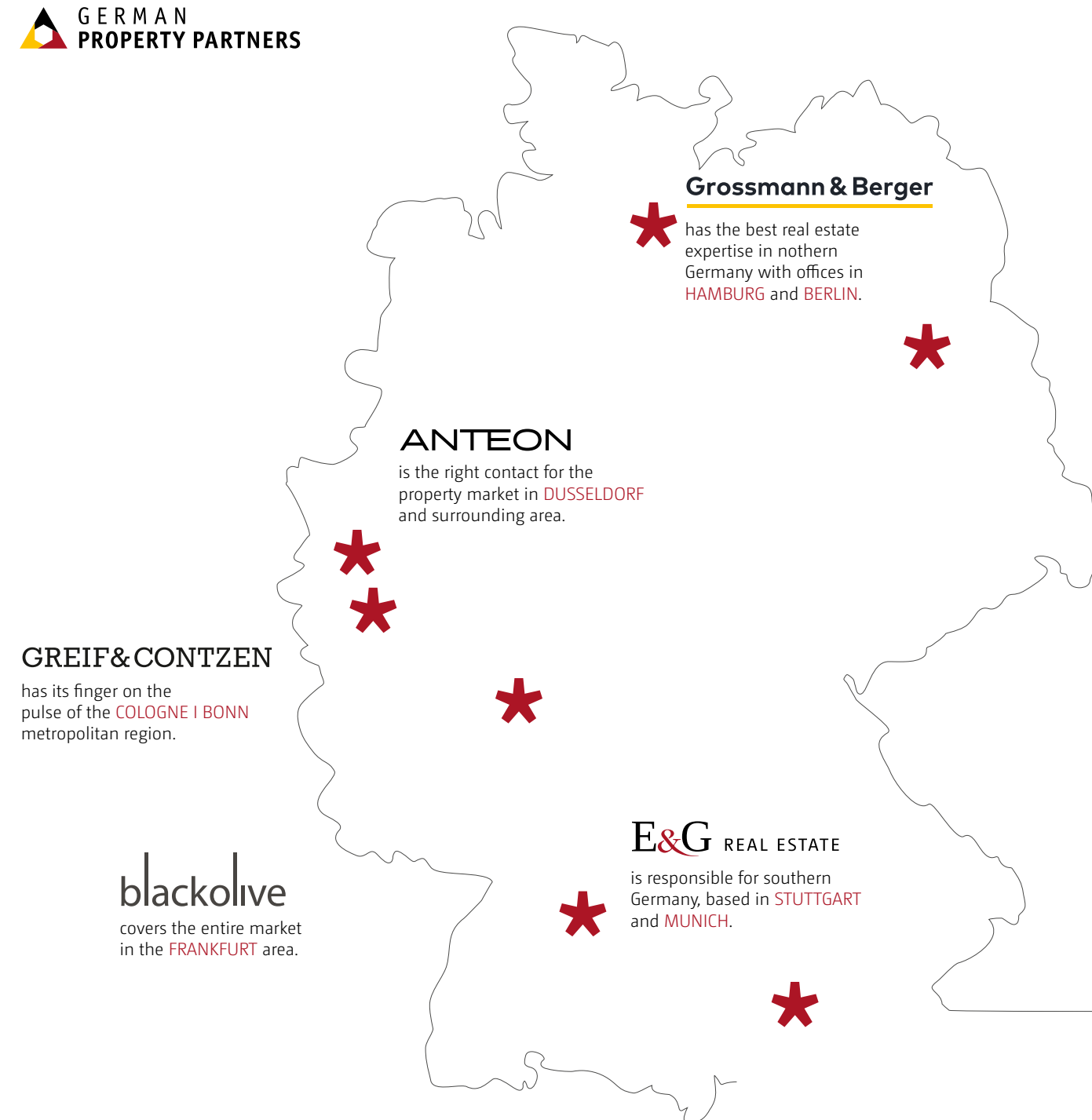


JACQUELINE FELS
Sales Assistant

T — +49 711/20702-708
M — jacqueline.fels@eug-re.de

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E & G Real Estate GmbH
Börsenplatz 1, 70174 Stuttgart

T — +49 711/20702-700
F — +49 711/20702-702

E — stuttgart@eug-re.de
W — www.eug-realestate.de

Follow us:



Court of Justice: Stuttgart, HRB 733293, Managing Partners: Björn Holzwarth, Lars Seidel, Alexander Zigan

