New housing only feasible through density increase and conversions

Due to the strong local economy and the sustained demand for manpower, Stuttgart exhibits high net inward migration and consequently a continuous growth in population. The population of Stuttgart grew by 4.3% between 2013 and 2017. The number of new residential completions, 2,129 in 2017, also showed slight growth. The annual target of 1,800 new units set by the Stuttgart Alliance for Housing was exceeded once again. Nonetheless, the number of completions is significantly less than the estimated demand for housing. This is because while the number of households grew by around 4.3% between 2013 and 2017, the housing stock grew by just 2.4% in the same period. The number of residential building permits has also recently fallen by around 30% compared with the previous year. Therefore an increase in completions cannot be expected to lead to a significant easing in the housing market. Due to the shortage of building land in Stuttgart, new housing can really only be created through increasing densities and converting existing space. So for example, more than 200 new apartments are to be built on one of the largest municipal development sites, the former Olga Hospital. Due to capacity constraints for building land, even the largest project developments in Stuttgart have only a relatively small number of residential units. As a result of higher unsatisfied demand in central areas, housing demand is currently increasingly spreading to the periphery and to surrounding areas. In order to provide affordable housing in the districts of the city centre, the proportion of subsidised housing required in any development on municipal land must increase beyond the current 20%. However, without creating larger development areas or stronger political influence on housing policy, it is likely to be difficult to guarantee the provision of sufficient affordable housing in the future.

Selected developments under constructions

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Residential units</th>
<th>Completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wohnquartier Giebel</td>
<td>Giebel</td>
<td>approx. 340</td>
<td>2023</td>
</tr>
<tr>
<td>Wohnquartier Olga-Areal</td>
<td>West</td>
<td>approx. 220</td>
<td>2019</td>
</tr>
<tr>
<td>Wohnen am Höhenpark Killesberg</td>
<td>Feuerbach</td>
<td>approx. 200</td>
<td>2019</td>
</tr>
<tr>
<td>Hansa-Areal</td>
<td>Möhringen</td>
<td>approx. 180</td>
<td>2020</td>
</tr>
<tr>
<td>Wohnquartier Am Schwanenplatz</td>
<td>Stuttgart Ost</td>
<td>approx. 100</td>
<td>2019</td>
</tr>
</tbody>
</table>

Source: JLL; Status: January 2019
Further acceleration in rent increases

Asking rents increased in Stuttgart by 6.2% overall in H2 2018 compared to the level in the same period last year. The average level is now €14.55/sqm/month. The highest price category (€24.15/sqm/month) showed the highest increase compared to the previous year with a rise of 14.5%. The increase in the lowest-price segment (2.5%) was significantly lower. Due to continuing high demand, apartments with less than 45 sqm in particular showed strong price increases (16.2% to a current level of €19.70/sqm/month). An analysis of rental trends by location also shows large local differences. In particular, districts close to the main north-south transport axis show the highest rises in average rental levels. On the northern edge of the city are the districts of Stammheim and Zuffenhausen. In the south, Vaihingen stands out as experiencing large increases in average rents. Rents in this area have increased by up to 26% in the last two years.

Source: IDN immodaten, JLL; Status: January 2019
Asking rental prices Stuttgart

Rent Level
Average in €/sqm/month on postcode level

- < 13.00
- 13.00 < 15.00
- 15.00 < 16.00
- 16.00 < 17.00
- >= 17.00

Source: JLL, IDN Immodaten GmbH, Infas Geodaten GmbH
Local shifts in demand for owner-occupied properties in Stuttgart

By contrast [with the rental market], purchase price growth of 8.4% in the Stuttgart market for condominium apartments is under the 5-year median of 9.8%. On average, residential properties are offered for sale at a price of €4,410/sqm. While the lowest-price segment showed a price rise of 8.7%, the rise in the top-price segment was barely 5.7%. In Stuttgart, the highest purchase prices can be seen in the hillside areas to the east and northwest of the city centre. Currently, the highest rates of price growth can be found in the neighbouring districts. For example, the average price in Feuerbach rose by nearly 70% between H2 2016 and H2 2018. Also, previously reasonably-priced locations such as the areas between Vaihingen and Möhringen or in Bad Canstatt have seen strong price increases of up to 30% in asking prices. The local variances in price development result primarily from shifts in local demand which are driven by differences in local price levels.

Source: IDN immodaten, JLL; Status: January 2019
Asking condominium prices Stuttgart

Condominium price level
Average in €/sqm on postcode level

- < 4,000
- 4,000 < 4,500
- 4,500 < 5,000
- 5,000 < 5,500
- >= 5,500

Source: JLL, IDN Immodaten GmbH, Infas Geodaten GmbH