REECOX

www.reecox.co.uk

DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

01-2020

Dear readers,

following a positive start to 2020, with initial growth in the Euro Score as well, the coronavirus pandemic and the associated restrictions have had a significant impact on all our lives. However, the magnitude differs substantially from country to country. These differences are also reflected in the development of the individual real estate share indices. While Germany has seen a significant 16.8 % decline, the Netherlands have been forced to deal with a massive 64.0 % slump. Differences are also apparent when it comes to the continuation of construction projects. Work continues on construction sites in Germany and the Netherlands, whereas other countries, such as France and the UK, have shut down the entire construction sector. As a result, a partially divergent trend in Europe's real estate market has emerged for the first time in many years. The progress in fighting the pandemic and the measures taken to stop its spread differ from country to country, and so will the recovery of the individual markets. The hope is that we are able to return to normality as quickly as possible following this difficult time.

Kind regards,
Sabine Barthauer

DEUTSCHE HYPO EURO-SCORE

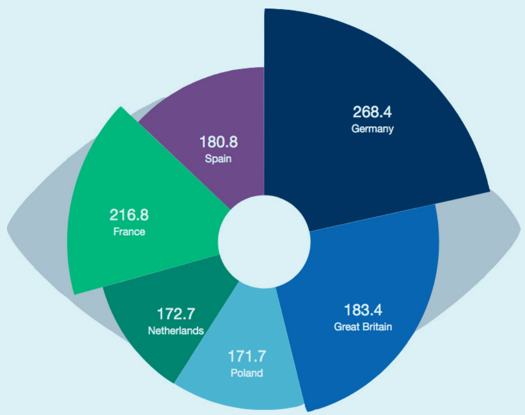
213.3

CORONAVIRUS CAUSES SIGNIFICANT DECLINE IN THE EURO SCORE

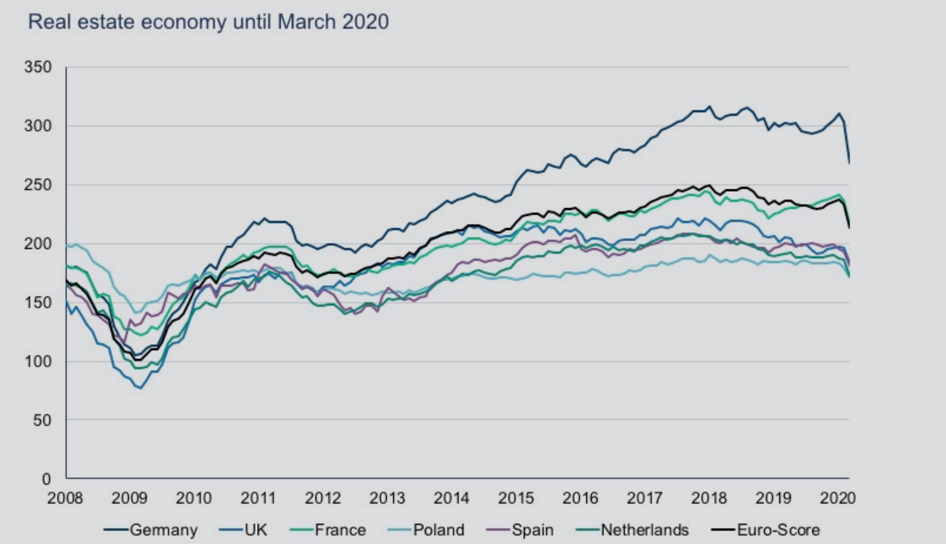
With 2019 having just ended on a cautiously optimistic note, the trend at the start of the new year remained slightly positive in January, resulting in a rise of 0.9 %. However, the first signs of a downtrend emerged in February, accompanied by a perceptible decline of 1.7 %. By March, at the latest, the coronavirus effect was making itself felt in the Euro Score as well, leading to a loss of 8.6 %. Compared to the previous quarter, the Euro Score fell by 9.4 % in total to 213.3 points, its lowest level since December 2014. A similarly dynamic development was last seen during the financial crisis in 2008.

The REECOX fell sharply in all monitored countries in anticipation of a global recession due to the economic restrictions related to the COVID-19 crisis. However, the differences in the severity of the decline as compared to the previous quarter were only minor. The market signal was identical everywhere. So far, the development has been comparatively moderate in Poland (-6.7 % to 171.7 points) and the UK (-6.8 % to 183.4 points). The Netherlands (-9.0 % to 172.7 points), France (-9.4 % to 216.8 points) and Spain (-9.4% to 180.8 points) rounded out the middle. Meanwhile, the most significant decline materialised in Germany, where the REECOX recorded a double-digit fall of 11.8 %. Only twice before in the history of the REECOX – after the attack on the World Trade Center in September 2001 and during the financial crisis in October 2008 – have we seen a similar development in Germany, which is usually a safe haven. At 268.4 points, the index has once again fallen well below the 300-point mark.

DEUTSCHE HYPO REECOX-EYE



The Deutsche Hypo REECOX-Eye shows the current value of each real estate market compared to the others (length of iris) and the size of the respective investment market (breadth of iris).



COVID-19 PANDEMIC HITS FRENCH ECONOMY HARD

Back in January, it seemed conceivable that the positive trend from 2019 might continue. However, the pandemic packed a powerful punch towards the end of the first quarter, bringing the REECOX France down to 216.8 points. The corresponding decline of 9.4 % quarter on quarter resulted in the lowest figure for France since June 2015. In percentage terms, the decrease matches the average of the other European markets monitored by REECOX.

The pandemic had an even more significant impact on the CAC 40, the leading French share index, than on the real estate sector. The CAC 40 lost some 26.5 % compared to where it stood at the end of 2019. At 4,396 points, the index is at its lowest point since July 2016. The FTSE EPRA/NAREIT France real estate share index was even more strongly affected by the impact, losing 36.8 % quarter on quarter to stand at 2,703.5 points. Although January got off to an encouraging start with a 1.0 % rise, the first effects started to become noticeable in February (-9.0 %) before the index lost a total of 31 percentage points in March. The last time the index was lower was in May 2012. However, due largely to the very promising start to 2020, with some significant gains in January and February, the business climate deteriorated merely by a slight 0.8 % quarter on quarter. The fall to 100.6 points ultimately materialised in March.

COMMENT ON THE MARKET

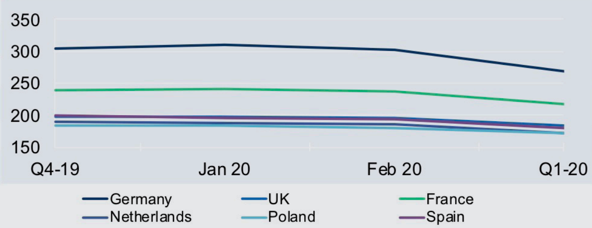
Anne-Isabelle Carbonnières, Managing Director Office Paris

"2019 was a record-breaking year for the French real estate market. However, the French REECOX is now falling dramatically on account of the coronavirus pandemic. France has been in lockdown since 18 March 2020, and the economy faces unprecedented challenges. The French government expects the economy to shrink by 8 % this year, even though it is currently very difficult to make forecasts. Right now, I see the phase in which we are forced to find our way out of the lockdown and back into normal life – rather than the decision to enter into the lockdown itself – as the greatest challenge. The return to normality is going to be a long and difficult process, one that will also be reflected in the letting figures, which are going to rise very slowly. The market is going to need years to absorb new buildings under construction. But as they say, hope springs eternal – the hope of being able to gradually return to the lives we know."

"What we know is that we don't know anything."

Key figures of the real estate economies

Country	Change of input variables in Q1-20					Change of the real estate economy Q4-19 / Q1-20	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q4-19	Jan 20	Feb 20	Q1-20	Delta (%) Q4-19 / Q1-20
Germany	↓	↓	↓	→	↘		304	311	303	268	-11,8
UK	↓	↓	↑	↓	↓		197	198	196	183	-6,8
France	↓	↓	→	→	→		239	241	236	217	-9,4
Netherlands	↓	↓	↘	→	↘		190	187	186	173	-9,0
Poland	↓	↓	↓	↓	↘		184	183	179	172	-6,7
Spain	↓	↓	↓	→	→		200	195	193	181	-9,4



Source: bulwiengesa AG

PUBLICATION DETAILS

Responsible for content:
bulwiengesa AG, Felix Schrader
felix.schrader@bulwiengesa.de
Moorfuhrtweg 13, 22301 Hamburg
Tel.: +49 40 42 32 22-27

Responsible for publication:
Deutsche Hypothekenbank, Axel Seidenschwarz
axel.seidenschwarz@deutsche-hypo.de
Osterstraße 31, 30159 Hannover
Tel.: +49 511 3045-580

DEUTSCHE HYPO
Member of NORD/LB