



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

02-2020



Dear readers,

After 34 multifaceted and successful years at the NORD/LB Group, I am shifting my activities from Hanover to Hamburg, where I will be taking on new challenges at DZ HYP starting in January 2021. Many thanks go out to all of you for all your support of the Deutsche Hypo REECOX over the years. My fellow Member of the Board of Managing Directors Andreas Rehfus will be taking my place. As part of the shift, he will also be taking over the responsibility for commenting on the Deutsche Hypo REECOX. I wish you all the best in the future!

Kind regards,
Sabine Barthauer

Dear readers,

The coronavirus pandemic is a huge challenge for the real estate sector, as in other areas. After a significant decline in the Euro Score in the first quarter, an increasingly positive trend was noted at the end of the second quarter. Still, it is too early to make solid forecasts about the long-term effects. It remains to be seen where things will go from here.

Kind regards,
Andreas Rehfus



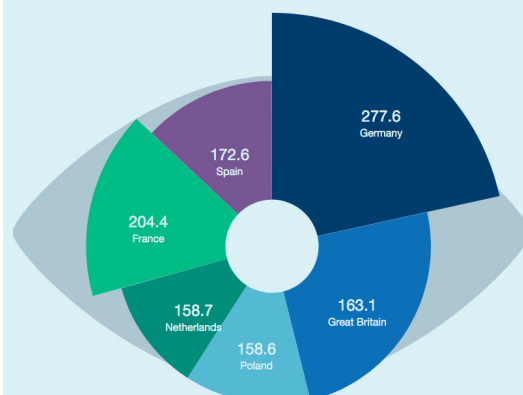
EURO SCORE DOWN OVERALL – POSITIVE TREND AT END OF THE QUARTER

In the first quarter of 2020, the Euro Score was dominated by the effects of the coronavirus pandemic, posting a decline of 9.4 % in all – the sharpest drop since the 2008 financial crisis. Across almost all of the countries monitored by REECOX, the second quarter started out in April with the steepest decline. Germany was an exception, having passed the peak back in March. Overall, the Euro Score lost 10.7 % that month. There was a modest positive trend in May, which saw a gain of 2.4 %, followed by a marked improvement in the overall economy in June, with growth at 5.0 %. Overall, the Euro Score lost about 4.0 % quarter on quarter.

In retrospect, the huge impact of the coronavirus crisis on the REECOX Germany, which already occurred in March, turns out to have been premature. The German real estate sector was the only one of the real

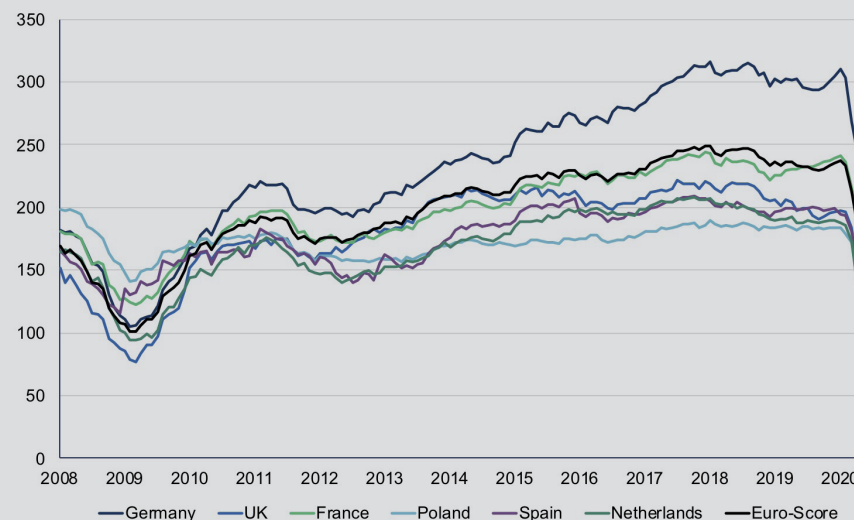
estate markets monitored by REECOX to close the second quarter with a gain (+3.4 %). While the decline in most of the other real estate markets was less sharp in the second quarter compared to the first, the negative trend intensified in the UK (Q1: -6.8 %, Q2: -11.0 %) and Poland (Q1: -6.7 %, Q2: -7.6 %) in the second quarter. In both cases, it should be borne in mind that the decline in the first quarter was below average because restrictions to fight the pandemic were put in place later in those countries. The United Kingdom has experienced the sharpest decline due to the impact of the pandemic since the start of the year, at 17.5 % (average -14.0 %).

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).

Real estate economy until June 2020



DEUTSCHE HYPO EURO-SCORE

204.6



REECOX FRANCE POSTS FIRST GAIN SINCE START OF CORONAVIRUS CRISIS

In keeping with the general picture, the French REECOX has been hard hit by the coronavirus crisis. Signs of a decrease first emerged in February (-1.9 %), and the downturn steepened in March (-8.8 %) and April (-10 %). This significant negative trend ended in May, just as lockdown rules were being eased, and the REECOX France ended up nearly stagnant, with a marginal decline of just 0.2 %. June saw a perceptible reversal set in (+5.5 %), and the quarter ended accordingly with a minus of 5.2 %, at 204.4 points. After all of the input variables in the REECOX France were hard hit in the first quarter due to the coronavirus pandemic, the trend continued in part at the beginning of the second quarter. The market seems to have come through the worst of the crisis in the meantime, however. The French stock market in particular, represented by the CAC 40 leading index, showed signs of recovery across the board, with monthly growth in the single digits. Compared to the previous quarter, it increased by 12.3 % and closed the second quarter at around 4,934 points. The FTSE EPRA/NAREIT France real estate share index was more volatile. After an initial recovery in April with a gain of 1.8 %, the index lost 5.5 % in May. A renewed gain of 2.5 % in June was not enough to regain the lost ground, putting the index at a loss of 1.4 % overall for the second quarter, at about 2,664 points. The French business climate as reflected by the European Sentiment Indicator (ESI) did not feel the sharpest effect of the coronavirus pandemic until the second quarter, falling by more than 30.0 % in April. The trend was flat in May, and June brought a noticeable upward trend here as well. On the whole, business sentiment declined by 22.1 % from the previous quarter to stand at 77.1 points.

COMMENT ON THE MARKET

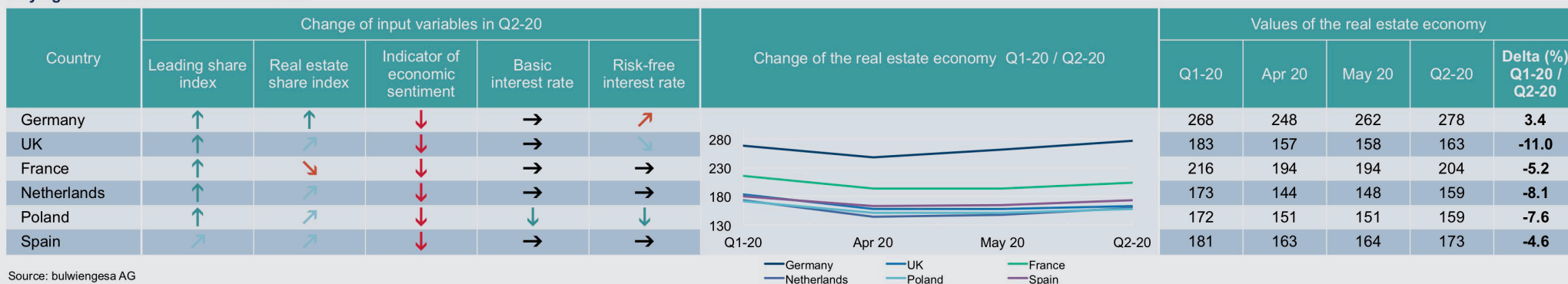


Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“Bit by bit, a clearer picture of the impact of the coronavirus pandemic on the economy in France is emerging. A decrease of about eleven percent is expected for 2020. Only cautious estimates of further development are possible – growth of eight percent is forecast for the coming year. Experts do not expect the economy to return to normality until 2022. And the effects of the pandemic extend to the real estate market, as in other sectors. Lockdown pushed the figures for take-up of rental space down sharply, especially on the office market, which fell by 40 percent in the first half of the year. The investment market has been positive, by contrast. Although the volume is down by 25 percent year on year, it is still 25 percent over the ten-year average. Vacancies in good locations should still be assumed to be low. Peripheral locations are an issue and vacancy rates will increase there. On the whole, we will have to wait for the end of the year to gain a clearer view of the actual impact on pricing and rents, which depend on a number of factors, chiefly the further course of the pandemic.”

“Lockdown pushed the figures for take-up of rental space down sharply, especially on the office market.”

Key figures of the real estate economies



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