



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 Rehfuß 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 Rehfuß



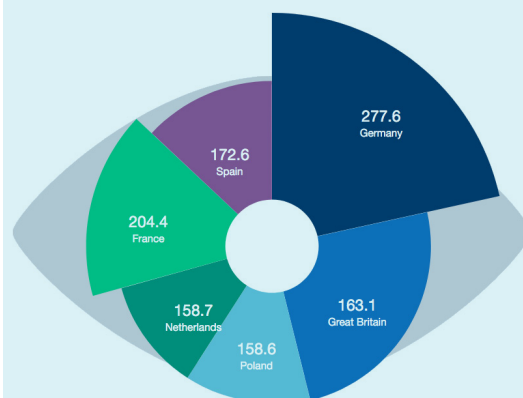
EURO SCORE DOWN OVERALL – POSITIVE TREND AT END OF THE QUARTER

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

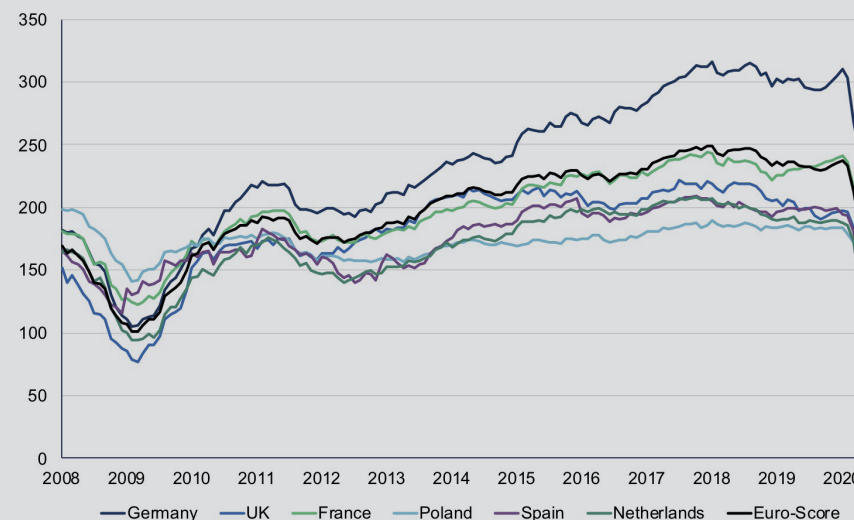
estate markets monitored by REECOX to close the second quarter with a gain (+3.4 %). While the decline in most of the other real estate markets was less sharp in the second quarter compared to the first, the negative trend intensified in the UK (Q1: -6.8 %, Q2: -11.0 %) and Poland (Q1: -6.7 %, Q2: -7.6 %) 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



DUTCH REAL ESTATE SECTOR ON TRACK FOR RECOVERY

The REECOX Netherlands has already shown a consistent weakness since the beginning of the year. The first decrease caused by the coronavirus pandemic came in March, resulting in a significant loss at the end of the first quarter. The negative trend continued in April, with a drastic decline of 16.7 %. May (+2.9 %) and June (+7.3 %) brought a noticeable upturn, bringing the total decline for the second quarter to 8.1 %.

After declines in every month of the first quarter, the AEX 25 leading stock index moved in the opposite direction, posting a gain of 15.8 % quarter on quarter and thus well on its way to regaining pre-crisis levels. Activity on the FTSE EPRA/NAREIT Netherlands real estate share index was less robust. After losing nearly two-thirds in the first quarter, a significant recovery emerged here as well in April (+11.2 %), but it was followed by a renewed downturn, with a loss of 8.8 % in May. June brought another growth of 4.6 %, so the index posted a gain of 6.1 % compared to the previous quarter. Unlike in the case of the Dutch stock indexes, the full impact of the coronavirus was not felt in the business climate until the start of the second quarter, in April, with a drop of about one-third that month. The months after that saw clear growth rates, at 5.3 % in May and 12 % in June. Overall, the business climate is gloomier in the second quarter, continuing the negative trend that started in late 2018.

COMMENT ON THE MARKET



Wouter de Bever,
Managing Director
Office Amsterdam

“The impacts of the coronavirus on the commercial real estate business continue to be felt in the Netherlands, as elsewhere. In the Holland market subsegment, transaction volume fell by about 16 percent in the first half of 2020 from the same period of last year, to € 6.9 billion. Individual coronavirus hotspots are continuing to cause uncertainty. Figures of € 14 to 16 billion are expected for 2020 as a whole. In contrast to the financial crisis in 2008/09, however, the real estate market remains attractive to investors. Residential real estate is the preferred investment class, and investments in logistics properties such as warehouses also have good prospects. The effects on the office market are evident as more and more people are working from home, but should not have overly negative consequences in the long term. New space concepts are in demand for this asset class, however. The recovery on the hotel market is expected to take longer. Worldwide travel restrictions have caused a collapse in occupancy at hotels in city centre locations, including in Amsterdam.”

“In contrast to the financial crisis in 2008/09, the real estate market remains attractive to investors.”

Key figures of the real estate economies



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