



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

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Dear readers,

the coronavirus pandemic has brought considerable restrictions to our everyday lives and the economy. The resulting uncertainty is also visible in the Euro Score, which declined significantly in the first and second quarters. In the middle of the year, an initial recovery was seen in all countries monitored. This trend is also reflected in the business indicators. They had to accept significant slumps at the beginning of the pandemic, but companies are now assessing the current situation and economic development more positively again. Nevertheless, some significant differences can be noted between the countries. While the REECOX Germany has already returned to its pre-crisis level, the other countries monitored by REECOX have not yet been able to do the same. In addition, the infection rates have risen considerably in the past few weeks. This has the potential to quickly offset the positive development seen in the summer months. The challenge now is to contain the spread of infection as quickly as possible, as the long-term impact on the economy also depends on this.

Kind regards,
Andreas Rehfus

DEUTSCHE HYPO EURO-SCORE

222.1

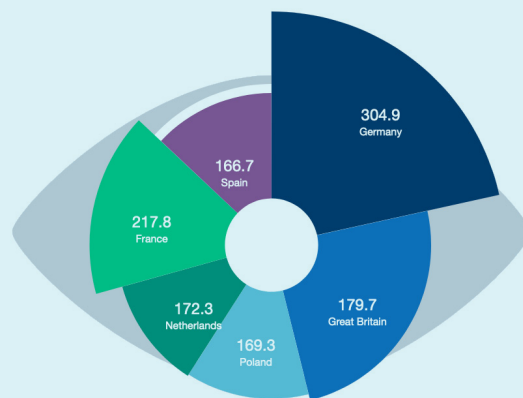
EURO SCORE NEARING PRE-CRISIS LEVEL

As a result of the coronavirus crisis, the first half of 2020 was characterised by a general economic downturn, which is also reflected in the dynamics of the Euro Score. The positive trends observed towards the end of the second quarter continued throughout the third quarter. However, the upward trend slowed down in September (+0.8 %) after a relatively strong July (+4.1 %) and August (+3.8 %). Overall, growth stood at 8.9 %, bringing the Euro Score up to 222 points and helping it to nearly match its pre-crisis levels.

A recovery in the German real estate sector was already noticeable in the second quarter. This trend accelerated in the third quarter, allowing the REECOX Germany to temporarily reach its pre-crisis level. At 10.1 %, the REECOX UK experienced the strongest growth. However, this growth must be seen in the context of the double-

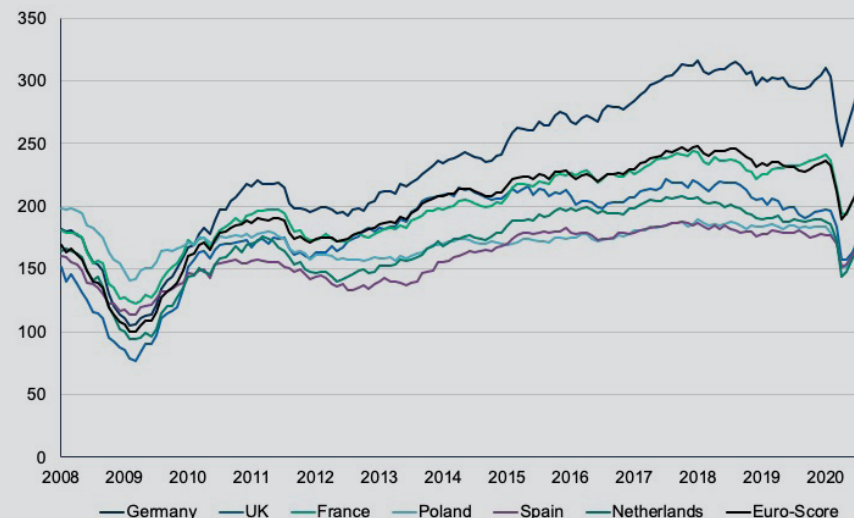
digit and even stronger decline in the previous quarter, which puts this development into perspective. The REECOX Spain showed a comparatively weak performance, increasing by only 3.2 % in the third quarter in light of the strong upward trend overall. The figures in France (+6.4 %), Poland (+6.8 %) and the Netherlands (+8.6 %) were in the mid range of the overall positive trend, but were not yet able to return to pre-crisis levels.

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 September 2020





GERMAN REAL ESTATE SECTOR BACK TO THE LEVEL SEEN AT THE BEGINNING OF THE YEAR

Germany is the first of the countries monitored by REECOX to return to pre-crisis levels. The rapid recovery in the second quarter therefore continued in the third quarter. The months of July (+4.3 %) and August (+6.1 %) in particular contributed to this, while September (-0.7 %) saw slightly muted development. In all, the REECOX Germany rose by 9.8 % and now stands at a strong 304.9 points. After a double-digit increase in share prices in the second quarter, performance in the third quarter was still positive, but much more restrained. The leading German index, the DAX, was flat in July and rose in August by around +5.1 %, before falling slightly by 1.4 % in September. Yet overall, the development of +3.7 % was still positive. Germany's DIMAX real estate share index also performed positively at the beginning of the quarter (July +2.4 %, August +5.4 %) and declined slightly in September to -3.5 %. Overall, the quarterly result of +4.2 % was positive again. While business sentiment, as measured by the European Sentiment Indicator (ESI), was not yet able to fully compensate for the decline caused by the coronavirus crisis in the second quarter in Germany, a clear recovery trend was evident in the third quarter. After five consecutive months of positive development, the business climate now stands at 95.5 points. While this is still not a positive value, it is a seamless continuation of the figures at the end of 2019.

COMMENT ON THE MARKET



Peter Kleinhütten,
Acquisition North
Rhine-Westphalia

“In the third quarter, it became further apparent that quality and above-average locations are able to hold out against the coronavirus crisis. Well-let core properties in A cities remain relatively unaffected. Once again, they are proving to be stable investments with unchanged or even slightly declining returns. In the area of project development, investors and developers continue to adapt to the new situation. In some cases, plans are being rewritten, with office and retail space being converted into residential space, for example. Urban quarter developments that combine different types of use continue to set a sustainable trend. The volume on the commercial rental market has approximately halved compared to 2019. Many participants continue to be on hold as they wait for the coming developments and make their decisions only for the short term. The long-lasting positive cycle on the real estate market is in a weakened state. Whether it can regain its momentum now depends crucially on whether the crisis is overcome reasonably and with a sense of proportion.”

“Quality and above-average locations are able to hold out against the coronavirus crisis.”

Key figures of the real estate economies

Country	Change of input variables in Q3-20					Change of the real estate economy Q2-20 / Q3-20	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q2-20	Jul 20	Aug 20	Q3-20	Delta (%) Q2-20 / Q3-20
Germany	↗	↗	↑	→	↑		278	290	307	305	9.8
UK	↘	↘	↑	→	↘		163	172	174	180	10.1
France	↘	↘	↑	→	→		205	207	216	218	6.4
Netherlands	↘	↘	↑	→	↑		159	163	172	172	8.6
Poland	↘	↗	↑	→	↘		159	165	170	169	6.8
Spain	↘	↘	↑	→	↘		162	167	166	167	3.2

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