



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

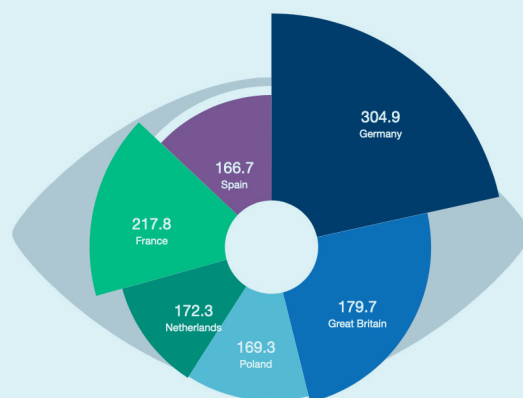
EURO SCORE NEARING PRE-CRISIS LEVEL

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-

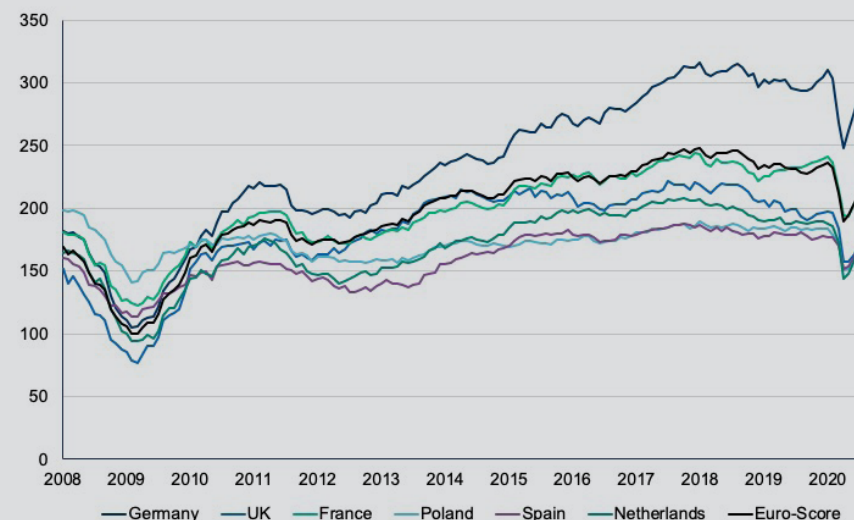
digit and even stronger decline in the previous quarter, which puts this development into perspective. The REECOX Spain showed a comparatively weak performance, increasing by only 3.2 % in the third quarter in light of the strong upward trend overall. The figures in France (+6.4 %), Poland (+6.8 %) and 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





DUTCH REAL ESTATE SECTOR CONTINUES GROWTH COURSE

The second quarter was a harbinger of the trend: April saw the market slump after coronavirus spread to Europe in March. However, the recovery trend started in May and June and continued into the third quarter (July +2.9 %, August +5.2 %, September +0.2 %). The sector gained a total of 8.6 % compared to the previous quarter to stand at 172.3 points. The stock market recovery in the second quarter failed to continue in the third quarter. The leading share index, the AEX, only recorded a moderate decline of 2.1 % to 547 points and therefore remains above the value recorded in February prior to the outbreak of the pandemic. The FTSE EPRA/NAREIT Netherlands real estate share index responded much more dramatically, tumbling by just under one-third. Significant losses were reported in July (-10.2 %) and August (-9.1 %), and the trend accelerated again in September (-14.8 %). As a result, the index closed the quarter down 30.5 % at an all-time low of 231 points. By comparison, Dutch business sentiment has been experiencing an ongoing upward trend since May. Sentiment was positive across all months in the third quarter, leading to an increase of 18.7 % over the quarter as a whole.

COMMENT ON THE MARKET

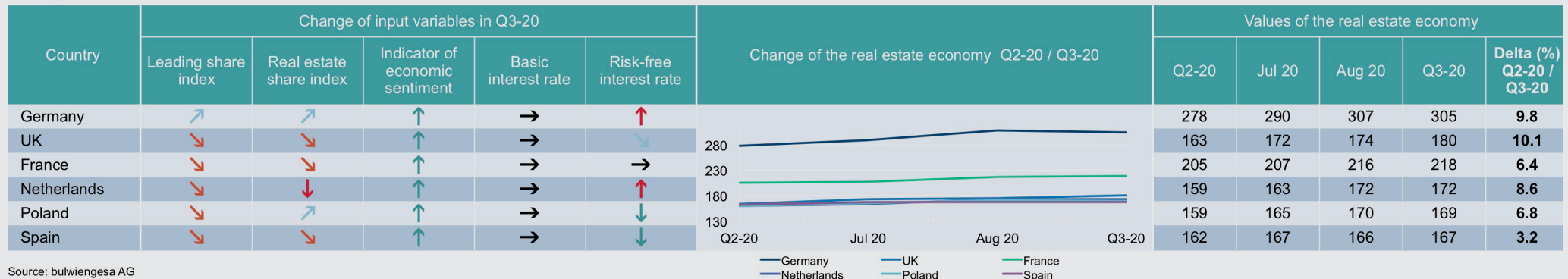


Wouter de Bever,
Managing Director
Office Amsterdam

“Transaction volume barely increased in the third quarter and remains down around 40 % on the previous year. The only sectors able to withstand the downturn are residential and logistics. Debate on future need for office space continues to gather momentum in the wake of decisions by numerous major companies to direct a significant share of their workforce to work from home permanently. Whether such concepts are viable and what this means for major office locations remains a contentious issue. People are social beings and require a sufficient amount of contact with others. Few would be keen to commit to a profession that mostly takes place within their own home. The forecast for the real estate market remains cautious for the remainder of the year. The market will continue to be shaped by uncertainty, and initial lockdowns were imposed in October. Let’s hope that we are able to strike the right balance between the necessary restrictions and maintaining a viable economy.”

“The forecast for the real estate market remains cautious for the remainder of the year.”

Key figures of the real estate economies



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