



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

04-2020



Dear readers,

when we look back at the year 2020, it is clear that it was marked in particular by the coronavirus pandemic and its effects. Society and almost all industries were faced with significant challenges to best minimise the risk of infection while maintaining economic activities to the greatest extent possible. This was also reflected in the Euro Score: In the first and second quarters, it suffered substantial losses. In the middle of the year, an initial recovery was observed in all countries monitored, which also continued in the fourth quarter – albeit to a lesser extent. This recovery was largely driven by developments in the stock and real estate indices. A clear stabilisation was observed in all countries monitored. Overall, however, only the REECOX Germany was able to show a positive development of 2.2 % in 2020. The other countries have not yet returned to their pre-crisis levels. Increasing vaccination coverage will now be of particular importance for the further recovery, so that the spread of the virus can be contained in the long term.

Kind regards,
Andreas Rehfus

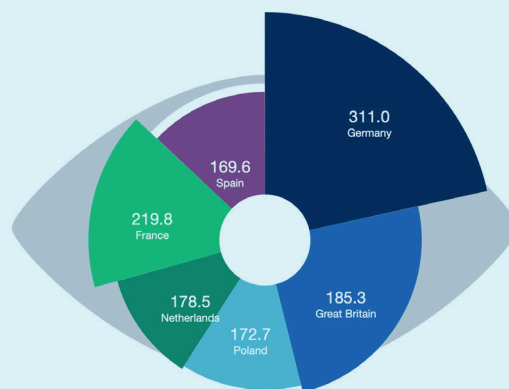
REECOX EURO SCORE SHOWING SUSTAINED UPWARD TREND

The recovery trends recorded for the Euro Score in the third quarter continued in the final quarter. Following a decline in October (-1.4 %), the months of November and December showed positive trends again, with increases of 1.3 % and 2.4 % respectively. It achieved 227 points at the end of the year, bringing it closer to the pre-crisis level. Nevertheless, the result for 2020 as a whole, a year dominated by the coronavirus pandemic, remains subdued overall at -3.0 % due to significant price declines in the spring.

A look at the individual indicators illustrates that the REECOX was able to build on the positive development of the previous quarter in all monitored countries in the fourth quarter. However, these were comparatively moderate increases of no more than 3.6 % (REECOX Netherlands). Over the year as a whole, there is one clear winner:

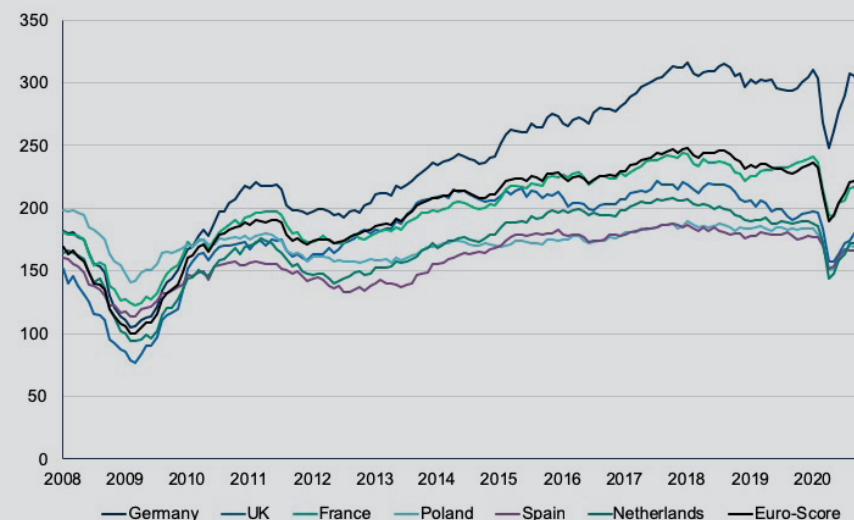
the REECOX Germany was the only index to achieve a positive annual result, rising 2.2 % to 311 points. All other countries suffered losses, some of them substantial. The highest decline was recorded in France (-8.2 % to 219.8 points), while the fall was lowest in Spain at -4.8 % to its current level of 169 points.

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 December 2020



DEUTSCHE HYPO EURO-SCORE

227.0



REECOX SPAIN CONTINUES MODERATE RECOVERY PATH

As in almost all countries monitored by REECOX, the Spanish real estate sector recorded a decline at the beginning of the fourth quarter, albeit at a relatively moderate rate of 0.5 %. However, slight increases were recorded in November and December, so that the overall performance in the final quarter of 2020 was positive at +1.7 %. In total, the REECOX value for Spain decreased by 4.8 % in 2020, which still represents the smallest decline compared with the other countries.

The volatile development of the Spanish stock markets continued in the final quarter of 2020. Spain's leading share index, the IBEX 35, fell again in October – as in September (-3.6 %) – by 3.9 %. One month later, a huge upward trend of 25.2 % was achieved. In a quarter-on-quarter comparison, the IBEX 35 consequently rose significantly by 20.2 % and, at 8,073 points at the end of the year, was once again close to the pre-crisis level of February 2020. The Spanish real estate index FTSE EPRA NAREIT Spain developed similarly: a double-digit decline (-16.5 %) in October to 16.0 points was followed by an increase of 33.7 % in November and a stable development of +0.2 % at year-end. In total, there was an increase of 11.8 % in the fourth quarter. The Spanish business climate, as monitored by the Economic Sentiment Indicator (ESI), recorded slight losses in September and October, but recovered again at the end of the year, with a 3.8 % increase to 90.8 points. However, it was not able to return to the level reached at the beginning of the year.

COMMENT ON THE MARKET

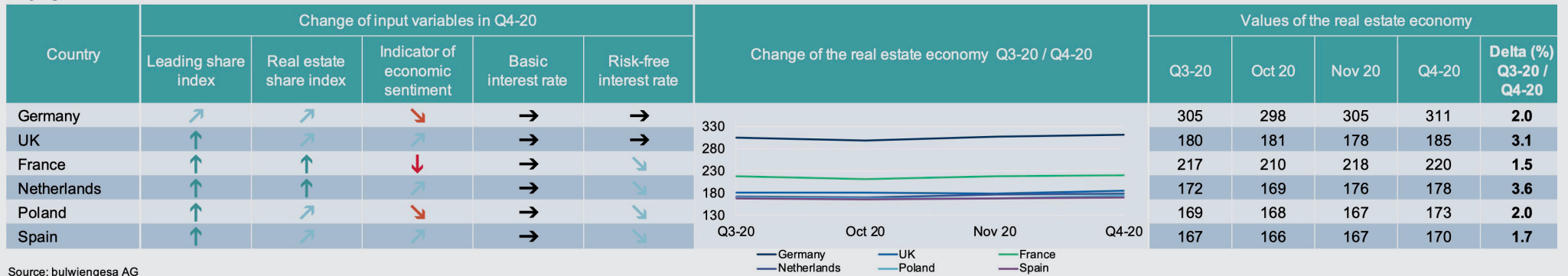


Maite Linares,
Managing Director
Office Madrid

“The year 2020 ended with two announcements that were very important: the start of the vaccination against the coronavirus and the conclusion of a trade agreement between the UK and the EU. An increase in the vaccination rate and a consequent easing of the situation would also mean relief for tourism, among other areas, which represents a very important sector of the economy for Spain, with a share of GDP of around 14 %. The market has stabilised somewhat under the circumstances. Compared to the previous months, we are therefore in a better position to estimate which properties will develop well in the future. Logistics properties continue to represent the most popular property type in the market. The retail sector faced major challenges even before the coronavirus pandemic, and the coronavirus has only made them more acute. Overall, we are positive about the new year and expect higher demand in all sectors in 2021. However, it is calculated that the situation will improve – making the pandemic's progress from here extremely crucial.”

“The market has stabilised somewhat under the circumstances.”

Key figures of the real estate economies



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