



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

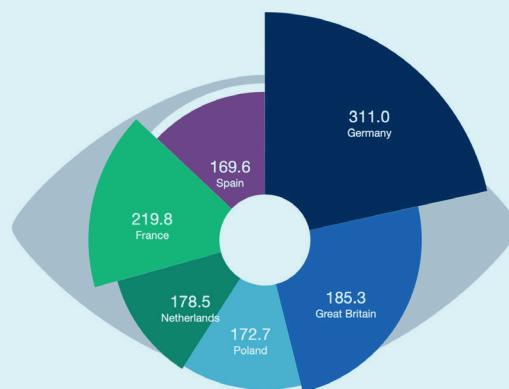
REECOX EURO SCORE SHOWING SUSTAINED UPWARD TREND

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:

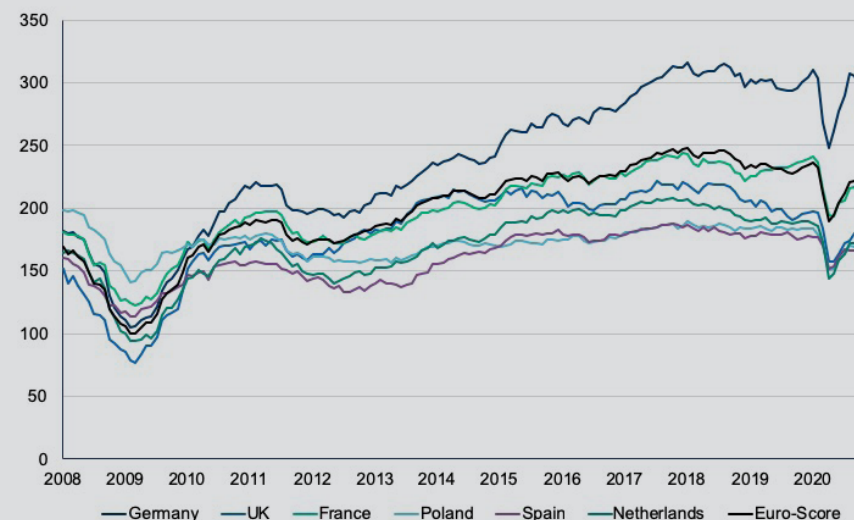
the REECOX Germany was the only index to achieve a positive annual result, rising 2.2 % to 311 points. All other countries suffered losses, some of them substantial. The highest decline was recorded in France (-8.2 % to 219.8 points), while the fall was lowest in Spain at -4.8 % to its current level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



FRENCH REAL ESTATE SECTOR CONTINUES ITS RECOVERY

After a consistently successful third quarter in 2020, the positive trend on the French REECOX continued in the fourth quarter. The negative figure in October (-3.0 %) was more than offset by increases in November (+3.8 %) and December (+0.9 %). At the end of the year, further positive impetus was provided by a quarter-on-quarter increase of 1.5 % to 219.8 points. However, the REECOX France recorded by far the strongest decline for 2020 as a whole in a direct country comparison (-8.2 %).

The predominantly positive performance of the French REECOX at the end of the year was largely due to the development of the stock markets: the leading French index, the CAC 40, closed the fourth quarter with an outstanding increase of 15.6 % compared to the closing level at the end of September. As a result, it recorded the highest value since the beginning of the coronavirus crisis. The FTSE EPRA/NAREIT France real estate share index posted even stronger gains, rising a total of 26.2 % to 2,925 points in the fourth quarter. While October saw a sharp drop of 9.1 % and December (+2.0 %) was up only marginally, the upward trend was mainly driven by the upturn (+35.9 %) in November. By contrast, the business climate as measured by the European Sentiment Indicator (ESI) saw rather subdued development. In contrast to the double-digit growth in the previous quarter, the fourth quarter ended with a decline of 6.0 %. The months of October (-3.4 %) and November (-5.0 %) in particular contributed to the low level of sentiment.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“The impact of the coronavirus pandemic can also be seen in the French economy: GDP fell by a significant 8.3 percent year on year despite substantial government support. The challenge will be to gradually reduce this support again. Overall, it is noticeable that the coronavirus has exacerbated the tendencies already observed in the market. A trend reversal can be seen on the office market in particular: only 35 % of employees want to work in the office 100 % of the time – something that will have a considerable effect on the office market. Tenants are acting quite cautiously, and occupancy rates are at an all-time low. Compared to the ten-year average, 2020 saw a 45 % decline, due in part, of course, to the two strict lockdowns in spring and autumn. By contrast, the investment market is more stable and, with a volume of 25 billion, is 7 % above the ten-year average. The logistics market is partly overheated, due to very high demand in the e-commerce sector among others. The availability and efficacy of the vaccines are now particularly important in determining how things will develop from here.”

“The coronavirus has exacerbated the tendencies already observed in the market.”

Chiffres clés des économies immobilières

Pays	Changement des variables d'entrée au T4-20					Changement dans l'économie immobilière T3-20 / T4-20	Les valeurs de l'économie immobilière				
	Indices boursiers de référence	Indices boursiers immobiliers	Indicateur de climat économique	Taux de l'intérêt de base	Taux d'intérêt sans risque		T3-20	oct 20	nov 20	T4-20	Delta (%) T3-20 / T4-20
Allemagne	↗	↗	↘	→	→		305	298	305	311	2,0
Grande-Bretagne	↑	↗	↗	→	→		180	181	178	185	3,1
France	↑	↑	↘	→	↘		217	210	218	220	1,5
Pays-Bas	↑	↑	↗	→	↘		172	169	176	178	3,6
Pologne	↑	↗	↘	→	↘		169	168	167	173	2,0
Espagne	↑	↗	↗	→	↘		167	166	167	170	1,7

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