# 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*

**DEUTSCHE HYPO EURO-SCORE**

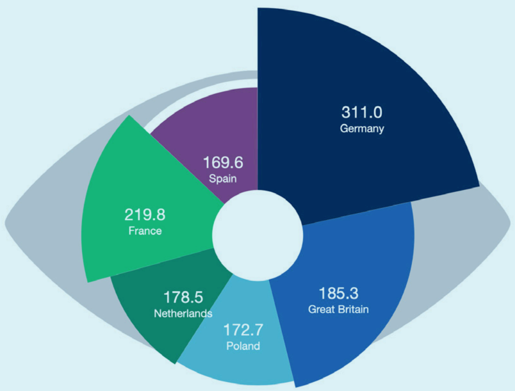
**227.0**

## 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.

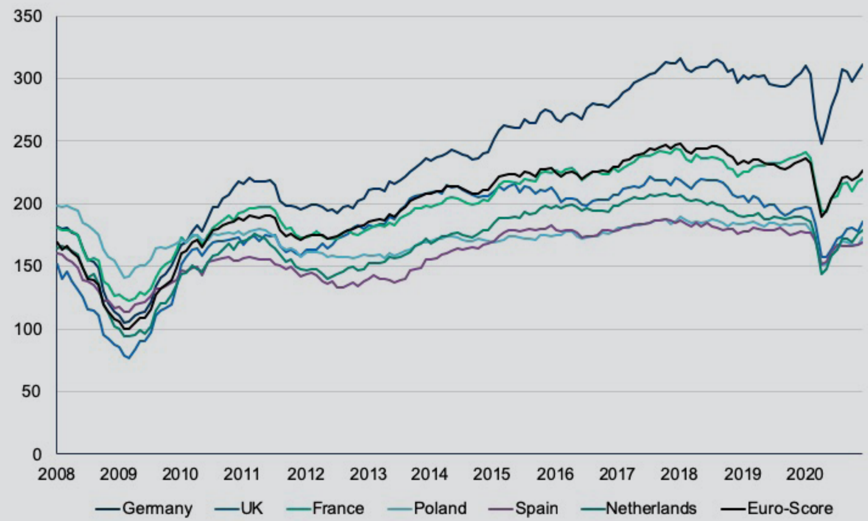
A look at the individual indicators illustrates that the REECOX was able to build on the positive development of the previous quarter in all monitored countries in the fourth quarter. However, these were comparatively moderate increases of no more than 3.6 % (REECOX Netherlands). Over the year as a whole,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



# DUTCH REAL ESTATE SECTOR CONTINUES APPROACHING LEVEL AT BEGINNING OF YEAR

The real estate sector in the Netherlands continued the recovery trend seen since May in the fourth quarter. With the exception of the October figure (-1.9 %), increases were recorded in November (+3.9 %) and December (+1.6 %). At the end of the year, the REECOX Netherlands stood at 178.5 points – the highest level since the outbreak of the coronavirus pandemic. Nevertheless, with an annual result of -6.0 %, development was below average overall.

The fourth quarter was shaped by positive momentum on the stock markets without exception. The leading stock market index, the AEX, ended the year at 624 points, the highest level in 2020 and consequently above the February level before the outbreak of the COVID-19 pandemic. Compared with the previous quarter, a double-digit increase of 14.0 % was observed. The FTSE EPRA/NAREIT Netherlands real estate share index recorded a remarkable performance, rising sharply by a total of 81.9 % to 420 points after reaching a historic low at the end of the third quarter. The decisive factor behind this rapid increase was the 68.9 % growth in November. The Dutch business climate also ended the fourth quarter on a positive note. After an initial dip in sentiment in October (-2.4 %), the months of November and December were positive again. However, the double-digit increase in the previous quarter was not achieved. Overall, the business climate rose by 1.4 % in comparison, to 93.2 points.

# COMMENT ON THE MARKET

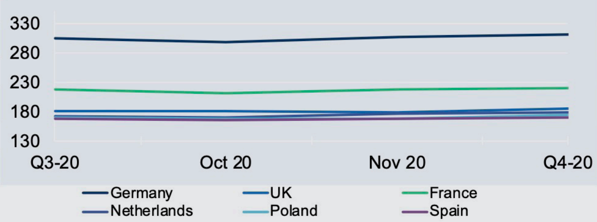
Wouter de Bever,
Managing Director
Office Amsterdam

"Overall, the commercial real estate business in the Netherlands performed relatively well in 2020 despite adverse circumstances. The total volume across all asset classes reached around € 18 billion. The increase in the transfer tax due on the purchase of homes, announced for 2021 and implemented accordingly, led to anticipated transactions in the past year. Irrespective of this, demand for these properties will remain high in 2021 as supply remains tight. Projects halted last year, which also take account of current sustainability standards in particular and thereby lead to high CO2 savings, are now being resumed. The logistics market continues its upswing. Hotel and retail investments, on the other hand, are cause for concern. The real estate markets are adapting to the changed conditions caused by the coronavirus and by the requirements of climate protection. Market participants can be successful if they meet these challenges with creativity and new concepts."

*"Overall, the commercial real estate business performed relatively well in 2020 despite adverse circumstances."*

**Key figures of the real estate economies**

| Country | Change of input variables in Q4-20 | | | | | Change of the real estate economy Q3-20 / Q4-20 | Values of the real estate economy | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leading share index | Real estate share index | Indicator of economic sentiment | Basic interest rate | Risk-free interest rate | | Q3-20 | Oct 20 | Nov 20 | Q4-20 | Delta (%) Q3-20 / Q4-20 |
| Germany | ↗ | ↗ | ↘ | → | → | | 305 | 298 | 305 | 311 | **2.0** |
| UK | ↑ | ↗ | ↗ | → | → | | 180 | 181 | 178 | 185 | **3.1** |
| France | ↑ | ↑ | ↓ | → | ↘ | | 217 | 210 | 218 | 220 | **1.5** |
| Netherlands | ↑ | ↑ | ↗ | → | ↘ | | 172 | 169 | 176 | 178 | **3.6** |
| Poland | ↑ | ↗ | ↘ | → | ↘ | | 169 | 168 | 167 | 173 | **2.0** |
| Spain | ↑ | ↗ | ↗ | → | ↘ | | 167 | 166 | 167 | 170 | **1.7** |

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