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

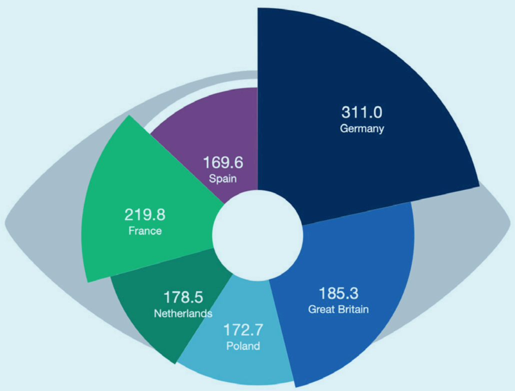
227.0

REECOX EURO SCORE SHOWING SUSTAINED UPWARD TREND

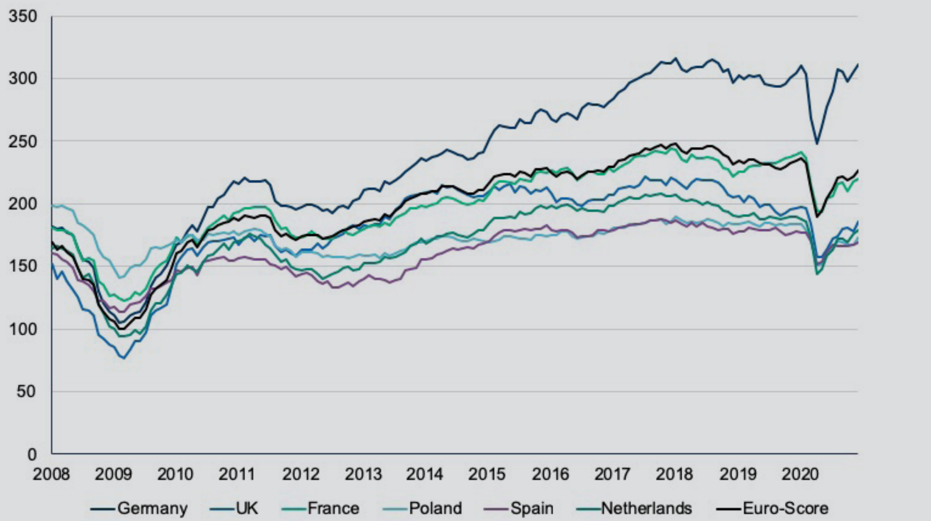
The recovery trends recorded for the Euro Score in the third quarter continued in the final quarter. Following a decline in October (-1.4 %), the months of November and December showed positive trends again, with increases of 1.3 % and 2.4 % respectively. It achieved 227 points at the end of the year, 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).



REECOX POLAND BRINGS THE YEAR TO A POSITIVE CLOSE

In the past, the Polish real estate sector showed stable development overall. However, a look back at 2020 shows a clear downward trend of 6.2 % year on year overall, as in almost all countries monitored by REECOX. Yet compared with the third quarter, a positive result of +2.0 % was recorded. The upward trend was driven exclusively by the upturn in December (+3.3 %).

The swift recovery of Polish stock markets after the start of the coronavirus crisis continued in the last quarter of 2020. The sharp fall of Poland's leading stock market index, the WIG 20, in October (-11.5 %) was quickly made up for by the double-digit upswing in November (+20.7 %) and a gain of 8.4 % in December, ending the fourth quarter at 1,983 points. The WIG Developers real estate share index also rose, gaining about 11.0 % from the third quarter, although its positive trend was briefly interrupted by a sharp dip of 7.8 % in October. Unlike the Polish stock market indices, the business climate as measured by the Economic Sentiment Indicator (ESI) recorded a slight slump in the fourth quarter. Despite positive growth rates in October and December, the quarterly result was negative overall (-1.7 %) due to the significant 12.9 % decline in November. At 76.6 points, the 100-point level at the beginning of the year is still a long way off.

COMMENT ON THE MARKET

Beata Latoszek,
Managing Director
Office Warsaw

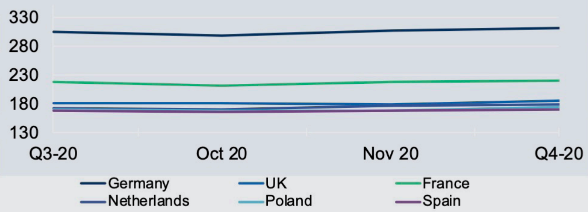
"In recent years, office properties have represented the most popular asset class in Poland. The coronavirus pandemic, in particular, has caused a shift in interests: logistics projects are more in demand than ever. In 2020 alone, the stock of modern logistics space amounted to 20 million square metres, and € 2.6 billion were invested in this area. By comparison, only € 1.9 billion was invested in the office sector. For this year, too, we expect the leading sector to be logistics real estate. New trends are visible in the residential sector: modern co-living projects are attracting great investor interest. While the focus was previously on investments in owner-occupied apartments, it is now on apartments for rent. The first major transactions with international investors have already been concluded. In total, an investment volume of € 5.3 billion was reached in 2020. Although this represents a decline of around 30 %, it is a solid result after taking the impact of the pandemic into account."

"Modern co-living projects are attracting great investor interest."

Key figures of the real estate economies

Country	Change of input variables in 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**

Change of the real estate economy Q3-20 / Q4-20



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