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

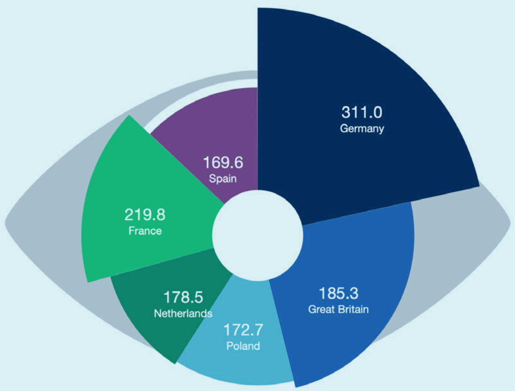
227.0

REECOX EURO SCORE SHOWING SUSTAINED UPWARD TREND

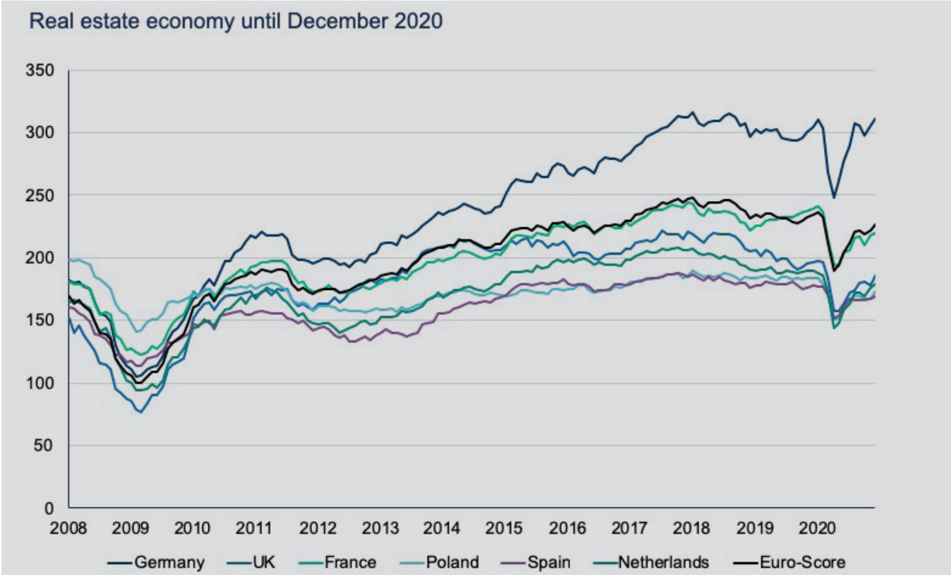
The recovery trends recorded for the Euro Score in the third quarter continued in the final quarter. Following a decline in October (-1.4 %), the months of November and December showed positive trends again, with increases of 1.3 % and 2.4 % respectively. It achieved 227 points at the end of the year,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

The positive development of REECOX UK, which has been ongoing since May, also continued at the start of the quarter in October. After a slight setback of 1.4 % in November, another significant recovery (+4.0 %) set in at the end of the year. With an overall positive quarterly performance of 3.1 % to the level of 185.3 points, the index was higher than at any time since March 2020. However, the full-year trend is comparable with the development of the other European markets monitored by REECOX. Compared to the final value in 2019 (196.7 points), a loss of 5.8 % was recorded.

The relief over an agreement in the Brexit trade deal between the UK and the European Union was also reflected in the development of British stock markets. Following the setbacks suffered by the FTSE 100 leading index in the third quarter, share prices rose by 10.1 % compared with the closing prices at the end of September. At 6,460 points, the 6,000 mark was surpassed again in November. The trend on the FTSE EPRA/NAREIT UK real estate share index is also positive. Specifically, it gained 13.3 % compared with the third quarter and stood at 1,103 points at the end of December. The recent significant improvement in sentiment among the real estate experts surveyed as part of the Economic Sentiment Indicator (ESI) also continued in the fourth quarter, albeit at a subdued +1.6 %.

COMMENT ON THE MARKET

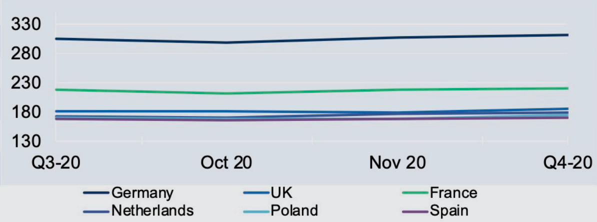
Markus Nitsche,
General Manager of
London Branch

“After four years of uncertainty, a first relief can be felt in the UK with the conclusion of the trade agreement. Nevertheless, it remains to be seen how the full agreement will actually turn out, as the financial sector has not yet been taken into account. Basically, investors currently have a relatively relaxed view on the market. Following the now completed Brexit, we are also cautiously optimistic again with regard to the office market: the feared exodus of jobs – especially in the financial sector – has failed to materialise. However, new short- to medium-term trends are emerging as a result of the coronavirus pandemic, in both the office and residential segments. The retail sector is still causing problems, whereas the logistics sector is in high demand. Despite all the optimism, it remains to be seen what impact the anticipated adverse effects on the real economy will have on the commercial real estate market. Above all, the decisive factor here is the further course of the pandemic.”

“After four years of uncertainty, initial relief can be felt in the UK with the conclusion of the trade agreement.”

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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