



REECOX

www.reecox.co.uk

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

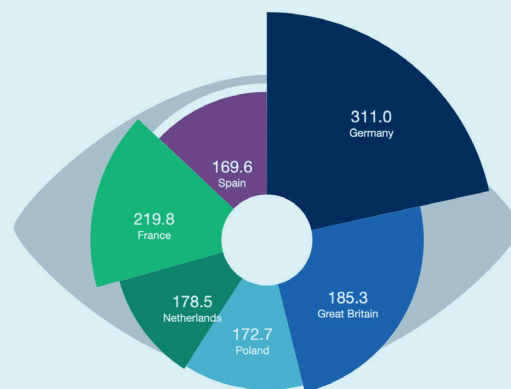
REECOX EURO SCORE SHOWING SUSTAINED UPWARD TREND

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:

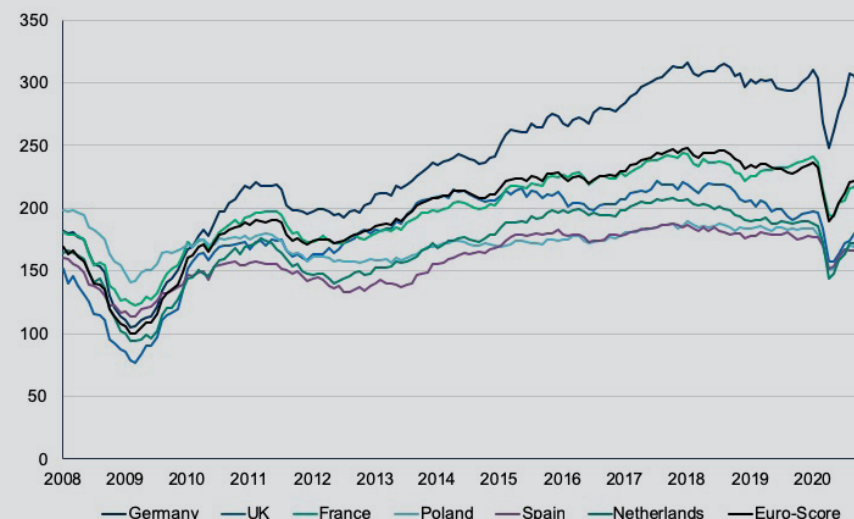
the REECOX Germany was the only index to achieve a positive annual result, rising 2.2 % to 311 points. All other countries suffered losses, some of them substantial. The highest decline was recorded in France (-8.2 % to 219.8 points), while the fall was lowest in Spain at -4.8 % to its current level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





GERMAN REAL ESTATE ECONOMY BRINGS THE YEAR TO A POSITIVE CLOSE

Following the ongoing recovery in the third quarter, the REECOX Germany rose again by 2.0 % in the fourth quarter. At 311 points, it not only surpasses the level at the beginning of the year, but also represents the highest level in 2020. The fourth quarter of 2020 saw a sideways move: although the REECOX fell by 2.4 % in October, the losses were significantly offset in November and December by increases of 2.6 % and 1.9 %, respectively.

Once again, the positive development was mainly driven by the stock markets. Following a significant decline of 9.4 % in October, Germany's leading index, the DAX, rose by 15.0 % in November, showing an overall positive performance of +7.5 % compared with the previous quarter. The DAX closed the year at just over 13,700 points, recording a new all-time high. The German DIMAX real estate share index recorded a similar development: after falling 4.3 % percent in October, it also recorded a new record high of 999 points at the end of the quarter. As a result, the overall quarterly performance, at +7.9 %, was slightly above the positive development of the leading German index, the DAX. By contrast, the business climate as measured by the European Sentiment Indicator (ESI) in Germany was unable to maintain the discernible recovery trend seen in the previous quarter: with an overall decline of 1.3 %, the business climate at the end of the fourth quarter stood at 94.3 points.

COMMENT ON THE MARKET



José Luis Calderón Martínez,
Head of Zentral-
akquisition and
Berlin Office

“Looking back at 2020 shows that the commercial real estate market continued to be an attractive and reliable investment opportunity. Despite the impact of the coronavirus pandemic, the fourth quarter was also robust, and continued buoyant investor demand was observed in the attractive residential, logistics and office real estate asset classes. The agreement now reached between the EU and the UK on Brexit – after many failed discussions – also represents a ray of hope for Germany's export-oriented trade sector. The situation remains challenging for stationary retail (except basic retail) and shopping centres, whose structural change has been accelerated by the pandemic. Increasing online trade in particular is contributing to a change in city centres. In the future, store closures and vacancies could jeopardise the attractiveness of urban centre areas, which make a significant contribution to inner-city life. Therefore, innovative concepts need to be developed to offer attractive city centres, which are essential for further good retail sales.”

“The situation remains challenging for stationary retail and shopping centres.”

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

Source: bulwiengesa AG

PUBLICATION DETAILS

Responsible for content:

bulwiengesa AG, Laura Hahn
Hahn@bulwiengesa.de
Nymphenburger Straße 5, 80335 München
Tel.: +49 89 23 23 76 41

Responsible for publication:

Deutsche Hypothekenbank, Dr. Pia Leipertz
pia.leipertz@deutsche-hypo.de
Osterstraße 31, 30159 Hannover
Tel.: +49 511 3045-580

Disclaimer: The calculations presented in this publication were prepared by bulwiengesa to the best of their knowledge and with due care. Liability is assumed for material correctness within the scope of standard due diligence.

DEUTSCHE HYPO
Member of NORD/LB