



# REECOX

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DEUTSCHE HYPO  
REAL ESTATE ECONOMY INDEX

## 02-2021



Dear Readers,

*The figures for the second quarter of 2021 give reason for optimism. Having posted considerable growth over the past three quarters, the Euro Score trend continued in the second quarter of 2021, with the indicator rising by a substantial 8.1 % to a new all-time high. All monitored countries are showing increasing recovery. This development is also reflected in the business sentiment. Across all monitored countries, the business sentiment saw double-digit growth again for the first time since tumbling at the beginning of the pandemic, indicating significantly improved economic sentiment and companies' optimistic outlook on their future prospects. The improvement in sentiment is due not least to a sharp fall in COVID-19 infection figures in the second quarter of 2021, rising vaccination rates and associated hopes of a gradual return to normality. Let's hope that the positive trend continues in the coming months.*

Kind regards  
Frank Schrader

DEUTSCHE HYPO EURO-SCORE

# 261.2

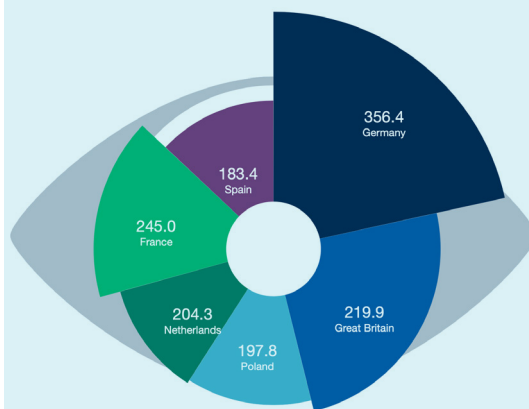
## REECOX EURO SCORE REACHES NEW ALL-TIME HIGH

After performing positively in three successive quarters, the trend in European real estate market activity as measured by the Deutsche Hypo REECOX (Euro Score) continued in the second quarter of 2021. Overall, the Euro Score improved by 8.1 % to 261.2 points compared to the previous quarter. As a result, the index has not only exceeded pre-crisis levels, but has also reached an all-time high (since January 1991).

A look at the individual indicators illustrates that the REECOX was again able to perform positively across all monitored countries in the second quarter, with the only minor differences being in the extent of the quarter-on-quarter uptick. Poland recorded the highest level of growth, of 9.0 % to 197.8 points, just 0.1 % ahead of the Netherlands. Germany (+8.4 % to 356.4 points), the UK (+8.3 % to 219.9 points) and France (+7.4 % to 245.0 points) registered similar rates of growth compared to

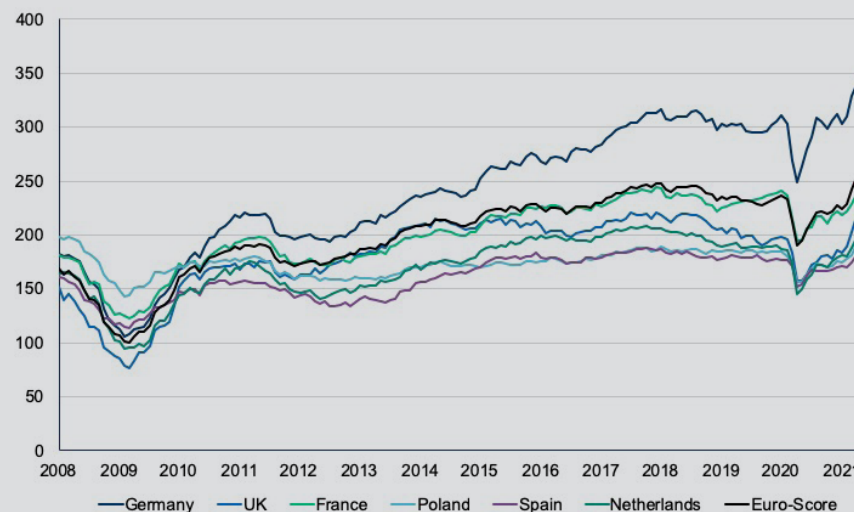
the previous quarter. The REECOX Spain was the worst-performing indicator. It still posted an increase of 4.9 % to 183.4 points, but was the only monitored country in Europe not able to generate growth across all three months of the second quarter.

### 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 June 2021





## SPANISH REAL ESTATE MARKET ACTIVITY REMAINS ON RECOVERY COURSE

After a solid start to the year, the positive trend in the Spanish real estate market continued in the second quarter. Increases were recorded in April (+3.6 %) and May (+1.6 %), with June (-0.4 %) proving to be the sole outlier. The Spanish REECOX closed the quarter at 183.4 points, up 4.9 % on the previous quarter. However, this was the lowest quarter-on-quarter rise of all monitored European markets.

The Spanish stock markets performed well overall in the first quarter, and the positive trend continued into the second quarter, albeit at a more moderate pace. The Spanish benchmark index, the IBEX 35, developed positively for most of the quarter (April +2.7 %, May +3.8 %, June -3.6 %) and closed at 8,821.2 points, up 2.8 % on the previous quarter. The Spanish real estate index, the FTSE EPRA NAREIT, performed similarly: growth in April (+4.0 %) and May (+7.0 %) was followed by a notable slump in June (-7.4 %). All in all, the index performed positively in the second quarter, with an increase of 3.1 % to 23.8 points. Business sentiment in Spain as recorded by the Economic Sentiment Indicator (ESI) rose in comparison to the previous quarter by 10.6 % to 107.2 points.

## COMMENT ON THE MARKET



Maite Linares,  
Managing Director  
Office Madrid

"Despite the positive trend observed over the past few months, the expectations of a strong recovery slowed somewhat towards the end of the second quarter as new coronavirus mutations emerged. The developments have also impacted the tourism industry that is so vital to Spain, with major uncertainty surrounding new regulations. The real estate market is seeing a high level of activity once again, as investment volume has risen across almost all sectors and in some cases nearing pre-crisis levels. In particular, demand for prime office buildings has risen sharply. After months of uncertainty regarding the developments around remote work, it appears that many major companies will be looking to combine remote and office work. Vacancy rates are lower than expected, thanks partly to current economic growth. Rental properties are also in demand, including from international funds and institutional investors. As an inflation-proof asset class, the real estate sector continues to benefit from low interest rates and moderate inflation outlooks. At the moment, optimism is palpable in the market, and the prospects for the second half of the year appear positive."

*"At the moment, optimism is palpable in the market."*

### Key figures of the real estate economies

Country	Change of input variables in Q2-21					Change of the real estate economy Q1-21 / Q2-21	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q1-21	Apr 21	May 21	Q2-21	Delta (%) Q1-21 / Q2-21
Germany	↗	↗	↑	→	→	380	329	339	348	356	8.4
UK	↗	↗	↑	→	→	340	203	217	220	220	8.3
France	↗	↗	↑	→	↗	300	228	237	245	245	7.4
Netherlands	↗	↗	↑	→	→	260	188	197	202	204	8.9
Poland	↑	↑	↑	→	↗	220	182	191	198	198	9.0
Spain	↗	↗	↑	→	↗	180	175	181	184	183	4.9
						140					

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