



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

03-2021



Dear Readers,

After recording strong growth at times in the past four quarters, the Euro Score experienced a slight slowdown in its

positive trend in the third quarter of 2021, rising by 0.2 % overall to 261.8 points. Several countries saw minor quarter-on-quarter losses for the first time since the second quarter of 2020, with the Euro Score falling in Germany, France and the Netherlands. While the second half of the year began well in all countries monitored, September in particular was marked by downturns.

All in all, we are still at a very high level, and real estate remains an extremely sought-after asset class. The important thing at present is to keep a close eye on interest rates and inflation. At 4.1 % in Germany, the latter is currently at its highest since 1993. Taking into account the extraordinary effects from the second half of the year, it remains within the ECB's target corridor when viewed from a two-year perspective. Nevertheless, negative interest rates and these inflation figures are leading to a devaluation in real terms, increasing the pressure on central banks.

Kind regards
Frank Schrader

DEUTSCHE HYPO EURO-SCORE

261.8

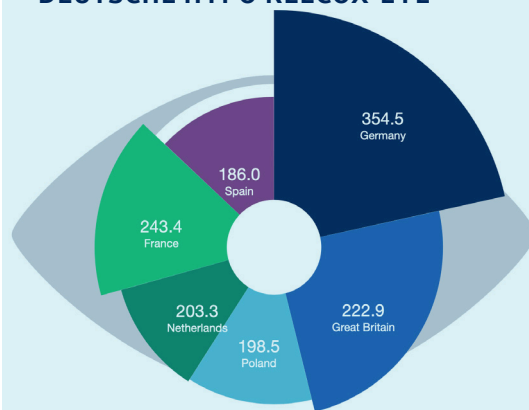
UPTURN IN REECOX EURO SCORE SLOWED

Following the positive developments in the first half of 2021, the Deutsche Hypo REECOX European Real Estate Economy Index (Euro Score) remained virtually unchanged in the third quarter. At 261.8 points, the index is only slightly above the figure at the end of the second quarter (+0.2 %). Nevertheless, it reached another all-time high (since January 1991).

Overall, the REECOX did not display any significant upward or downward movements in any of the countries monitored. While growth rates of up to 9.0 % (REECOX Poland) were observed in the second quarter, development in the individual countries was more or less stable in the third quarter. The highest increases were recorded in Spain and the United Kingdom (1.4 % in each case). The REECOX UK climbed to a new all-time high of 222.9 points. The REECOX Poland was up 0.4 %

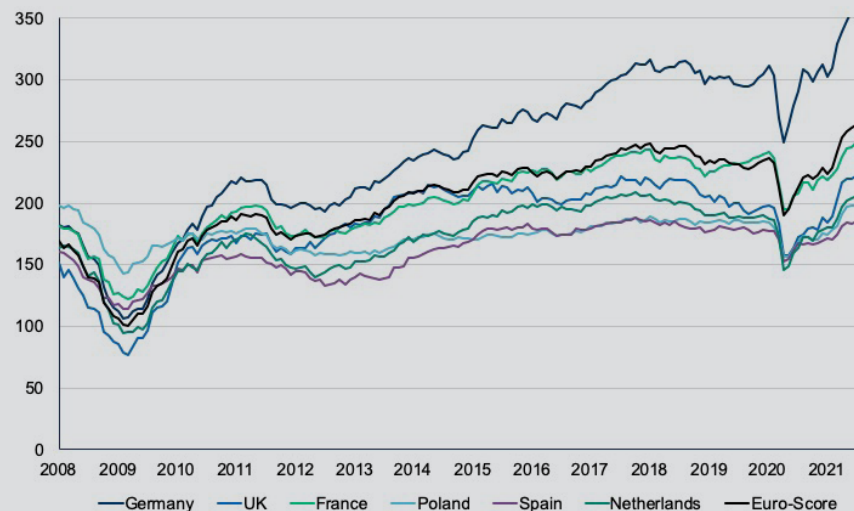
quarter-on-quarter to just under 200 (198.5 points). Following four positive quarters, Germany and the Netherlands posted negative quarter-on-quarter trends for the first time, dropping 0.5 % in each case to 354.5 points (REECOX Germany) and 203.3 points (REECOX Netherlands). The poorest European performer was the REECOX France, which fell by 0.8 % to 243.4 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 September 2021





REECOX GERMANY REACHES ANOTHER ALL-TIME HIGH

The German real estate sector made considerable gains in the first quarter and continued this trend in the second quarter of the year. All in all, the REECOX Germany climbed by an impressive 8.4 % to 356.4 points, which marks a new all-time high in the history of the REECOX (since January 1991).

The REECOX Germany continues to perform positively across all input variables. The German benchmark index, the DAX, was also continuously positive from April to June and closed the quarter at 15,531 points. The German real estate index, the DIMAX, also made a significant contribution to the positive overall development, recording consistent price gains since March 2021 and closing June at just over 1,000 points. This equates to a quarter-on-quarter increase of 8.1 %. The positive development of the stock markets is also reflected in the German business climate as measured by the European Sentiment Indicator (ESI). Following a double-digit quarter-on-quarter increase of 13.0 %, the indicator closed June at a new all-time high of 117.2 points.

COMMENT ON THE MARKET



Ingo Albert,
Head of Frankfurt
Office

„Generally speaking, the commercial real estate market is in good spirits. However, caution continues to prevail in the retail and hotel sectors. In particular, it is clear that hardly any banks are currently willing to get involved in hotel financing. The long wait-and-see period goes on here, despite a visible upturn in the market and capacity utilisation figures that are rising, but are only profitable in some cases. By contrast, the logistics market is booming everywhere – even outside prime locations. A shift in user behaviour away from just in time delivery is frequently being observed. Investor interest is still high, prices continue to rise, and no dip is in sight. In the case of office real estate, a trend reversal has been apparent since the middle of the year, with tenant demand picking up sharply. The need for space per employee is largely unchanged. However, more flexible standards and greater volumes of general space are required. Residential real estate remains in short supply. The new governing coalition’s plans for this sector are eagerly anticipated. The limiting factors increasingly affecting all asset classes are the rise in construction costs and correspondingly high construction prices.“

“In office real estate, an upturn in tenant demand has been apparent since the middle of the year.”

Key figures of the real estate economies

Country	Change of input variables in Q3-21					Change of the real estate economy Q2-21 / Q3-21	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q2-21	Jul 21	Aug 21	Q3-21	Delta (%) Q2-21 / Q3-21
Germany	↘	↘	→	→	→	380	356	360	362	355	-0.5
UK	→	↗	↗	→	→	340	220	223	223	223	1.4
France	→	↘	↘	→	↘	300	245	251	248	243	-0.8
Netherlands	↗	↘	↘	→	↘	260	204	206	205	203	-0.5
Poland	↗	↗	↘	→	→	220	198	198	199	199	0.4
Spain	→	→	↗	→	↘	180	183	185	185	186	1.4
						140					

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— Germany — UK — France
— Netherlands — Poland — Spain

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