



# 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

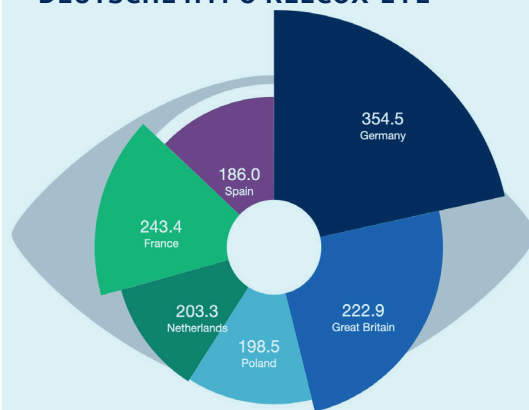
## UPTURN IN REECOX EURO SCORE SLOWED

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 %

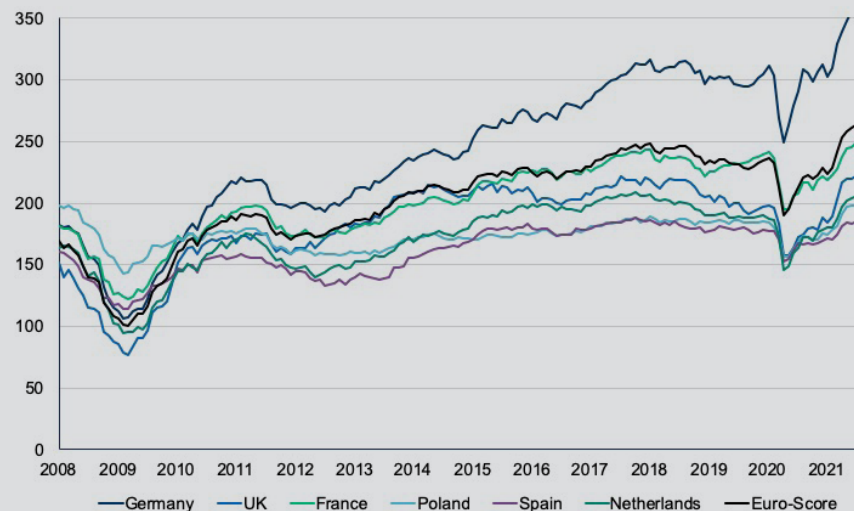
quarter-on-quarter to just under 200 (198.5 points). Following four positive quarters, Germany and the Netherlands posted negative quarter-on-quarter trends for the first time, dropping 0.5 % in each case to 354.5 points (REECOX Germany) and 203.3 points (REECOX Netherlands). The poorest European performer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





## SPANISH REAL ESTATE ECONOMY INDEX HAS NO DISCERNIBLE WEAKNESSES

After recording the lowest increase among comparable European countries in the second quarter, the Spanish Real Estate Economy Index rallied in Q3 to achieve the joint highest growth alongside the United Kingdom, climbing by 1.4 % to 186.0 points. As a result, the REECOX Spain improved its performance for the fifth successive time.

Spanish equity markets proved very unstable at times in the third quarter. The blue-chip index IBEX 35 continued its negative trend from June, falling by 1.6 % in July. An increase of 2.0 % in August was followed by another decline in September of 0.6 %, which meant that the index closed the third quarter at 8,796.3. The Spanish real estate index FTSE EPRA NAREIT was even more erratic, sliding in July (-5.5 %) and September (-9.2 %) while jumping sharply by 17.2 % in August. Overall, it finished slightly above the level of the previous quarter (+0.5 %). The business climate as measured by the Economic Sentiment Indicator (ESI) in Spain was unable to build on the strong momentum from the previous month, but continued to rise by a total of 2.1 % to 109.4 points.

## COMMENT ON THE MARKET

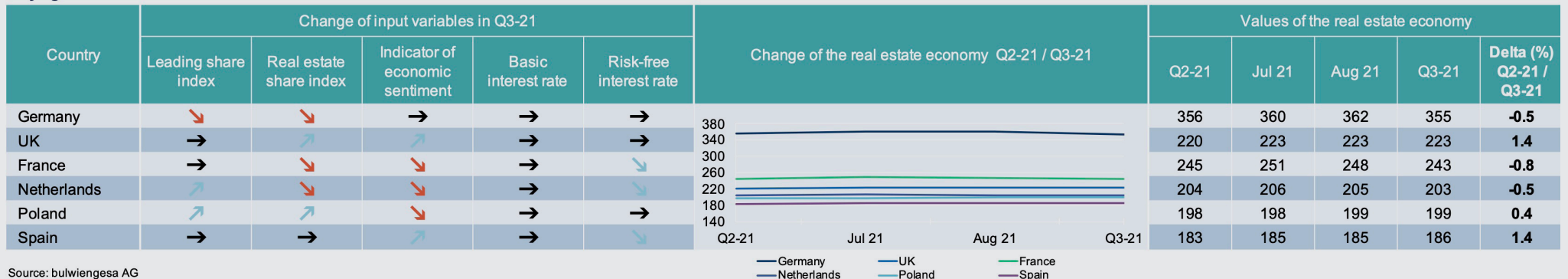


Maite Linares,  
Managing Director  
Office Madrid

“Optimism has returned to the real estate market, with investments picking up significantly and expected to reach a full-year volume of approximately EUR 12 billion by the end of 2021. A shift in demand among the various asset classes is being observed, namely from the more traditional retail and office segments to logistics and rental apartments. Both sectors have held their own during the pandemic. The logistics industry in particular has benefited from the pandemic, primarily due to the growth in the e-commerce sector. In Spain, e-commerce accounts for a much lower share of total retail sales compared with the European average. The country must now expand the logistics infrastructure required in this sector. An upturn is also evident in the hotel sector, with buyer and seller expectations increasingly aligning, thus raising the prospect of more transactions in future. Activity in Barcelona’s office segment is brisk, while barely any units are on the market in Madrid. Record figures are again being seen in Barcelona, and the market in Madrid will also recover at some point. Overall, the decline is not as serious as expected. Spain has not yet returned to level from 2019, but is not far off it.”

*“The focus has shifted from the more traditional retail and office segments to logistics and rental apartments.”*

### Key figures of the real estate economies



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