



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

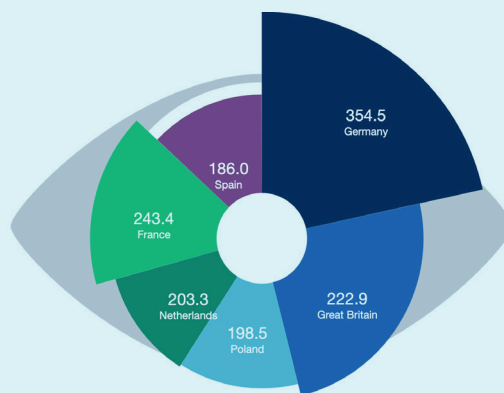
UPTURN IN REECOX EURO SCORE SLOWED

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 %

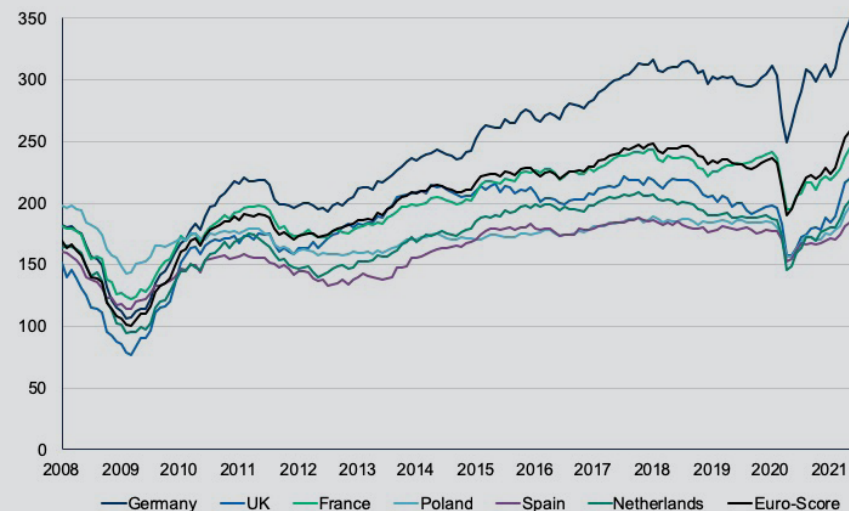
quarter-on-quarter to just under 200 (198.5 points). Following four positive quarters, Germany and the Netherlands posted negative quarter-on-quarter trends for the first time, dropping 0.5 % in each case to 354.5 points (REECOX Germany) and 203.3 points (REECOX Netherlands). The poorest European performer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





FRENCH REAL ESTATE ECONOMY INDEX DOWN SLIGHTLY

After being part of the general upturn in the first half of the year, the French Real Estate Economy Index fell by 0.8 % in the third quarter to 243.4 points – the biggest drop compared with the other countries monitored. Following a positive performance in July (+2.1 %), losses of 1.1 % and 1.7 % were recorded in August and September respectively.

The overall downturn in the REECOX France is primarily due to the development of the FTSE EPRA/NAREIT France real estate share index and the business climate. The FTSE EPRA/NAREIT France experienced a considerable slump in the third quarter, declining by 6.8 % compared with Q2, and had slid below the 3,000 mark as of the end of Q3 (2,905.7 points). After double-digit growth in the previous quarter, the business climate fell by 1.4 % to 111.1 points as a result of share price losses in August (-3.4 %) and September (-1.2 %). By contrast, France's blue-chip index, the CAC 40, proved largely stable at 6,520.0 points at the end of the third quarter, following a slight increase of 0.2 % compared with Q2.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“Following a significant economic downturn due to the coronavirus pandemic, many areas are now booming once again. Growth is exceeding forecasts, and unemployment is at a level seen before the Lehman crisis. Thanks to support measures, many businesses are doing better than ever. However, the usually resilient real estate market is facing challenges in certain areas, as is evident in developments on the office real estate market: the proportion of people working from home has increased sharply due to the pandemic, and employees appreciate the advantages of not commuting. Now the task for employers is to make offices attractive so that staff will want to come and work in them. These changes are also reflected in the level of demand, with new office tenants needing 20 % less space overall. This trend will also have implications for the construction industry. Renovations, green buildings and flex offices are the current megatrends. By contrast, the residential and logistics markets remain extremely attractive, again yielding top returns. Investments in 2021 are expected to total EUR 15 to 16 billion.”

“Renovations, green buildings and flex offices are the current megatrends.”

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	↘	↘	→	→	→		356	360	362	355	-0.5
UK	→	↗	↗	→	→		220	223	223	223	1.4
France	→	↘	↘	→	↘		245	251	248	243	-0.8
Netherlands	↗	↘	↘	→	↘		204	206	205	203	-0.5
Poland	↗	↗	↘	→	→		198	198	199	199	0.4
Spain	→	→	↗	→	↘		183	185	185	186	1.4

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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:

Norddeutsche Landesbank – Girozentrale
Deutsche Hypo – NORD/LB Real Estate Finance
Franziska Pöppel
Franziska.Poeppel@deutsche-hypo.de
Osterstraße 31, 30159 Hannover
Tel.: +49 511 3045-552

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