



REECOX

www.reecox.co.uk

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

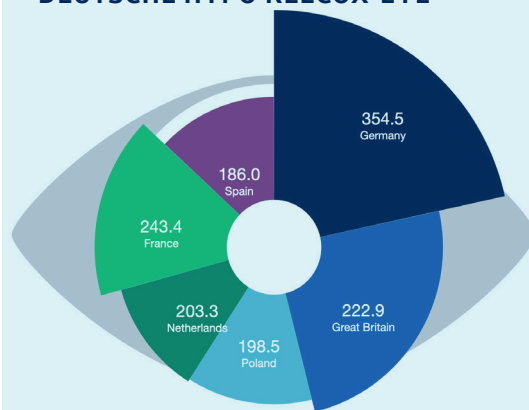
UPTURN IN REECOX EURO SCORE SLOWED

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 %

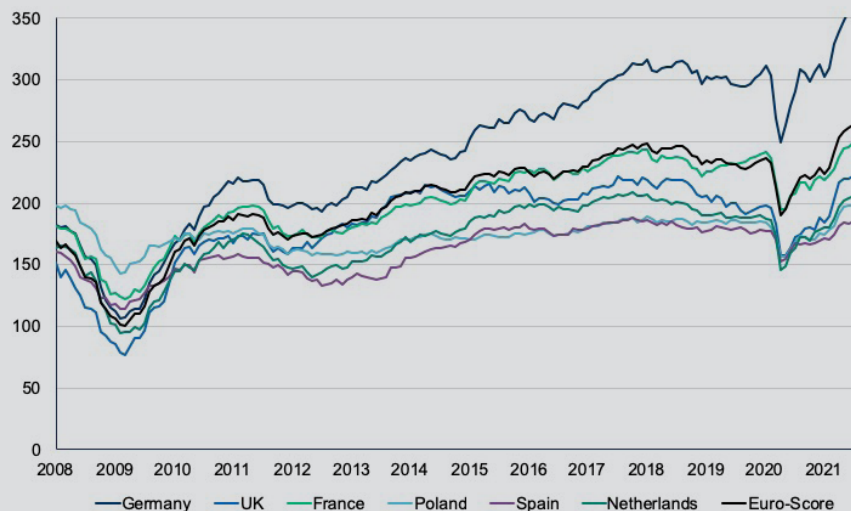
quarter-on-quarter to just under 200 (198.5 points). Following four positive quarters, Germany and the Netherlands posted negative quarter-on-quarter trends for the first time, dropping 0.5 % in each case to 354.5 points (REECOX Germany) and 203.3 points (REECOX Netherlands). The poorest European performer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

In the third quarter, the performance of the Dutch Real Estate Economy Index tracked that of the declining REECOX Germany. Compared with the summer months, the REECOX Netherlands fell slightly by 0.5 % to its most recent level of 203.3 points. A slender gain of 0.6 % in July was followed by a negative trend in August (-0.5 %) and September (-0.6 %).

Some input variables trended against the equity market as a whole. In the third quarter, the blue-chip index AEX continued the positive trajectory it had shown since the beginning of the year, closing at 771.9 points. This corresponds to an increase of 5.8 % compared to the previous quarter. However, this generally positive mood on the equity market was not reflected in the performance of real estate shares. After three positive quarters, the FTSE EPRA/NAREIT Netherlands real estate share index slumped by 12.1 % to 424.6 points. This downturn is attributable in particular to the drop in share prices of 13.4 % in September. The business climate in the Netherlands was also unable to maintain its extremely positive development in the previous quarter, falling by 2.4 % overall to 111.0 points.

COMMENT ON THE MARKET



Wouter de Bever,
Managing Director
Office Amsterdam

“The mood on the Dutch real estate market is generally upbeat, and the year is not even over yet. A large number of deals are in the pipeline, with the focus clearly being placed on housing. However, there is simply a lack of suitable opportunities in this sector, because not enough homes are being built. In some cases, it can take as long as eight years from concept to completion. Demand for office real estate in good locations remains very high. Although working from home has become a fixture of the business world, social contact is essential. This means it is only a matter of time before demand for office properties picks up again. The situation is similar in the retail sector, where investor interest in prime locations is growing. Repurposing and mixed use are commonplace in city centres, leading to dramatic changes – ideally in favour of housing. The boom in logistics real estate is continuing, driven mainly by interest from international investors. 2022 is eagerly anticipated due to hopes that, as vaccination rates rise, international tourists and trade fairs will return and therefore contribute to a recovery of the hotel real estate market.”

“The focus is clearly on housing!”

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					

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:

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

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
NORD/LB Real Estate Finance

NORD/LB