



# 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

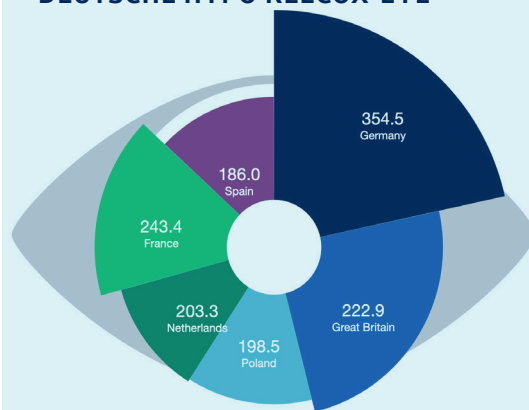
## UPTURN IN REECOX EURO SCORE SLOWED

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 %

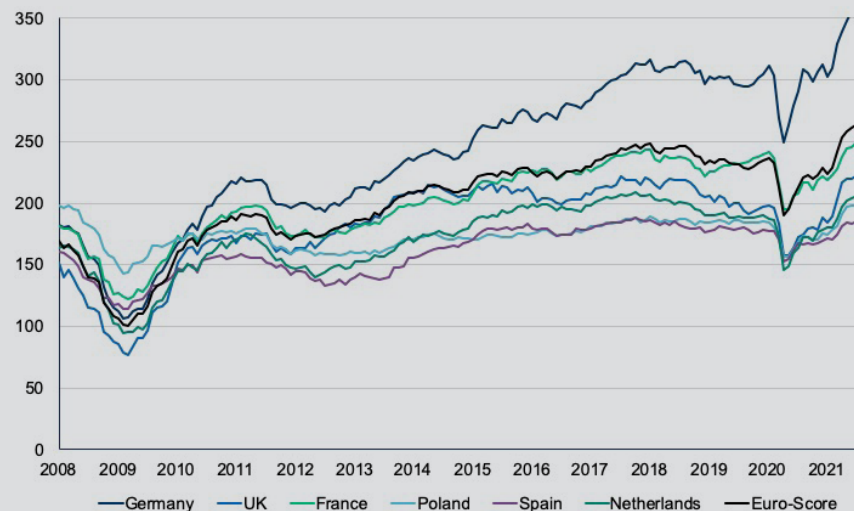
quarter-on-quarter to just under 200 (198.5 points). Following four positive quarters, Germany and the Netherlands posted negative quarter-on-quarter trends for the first time, dropping 0.5 % in each case to 354.5 points (REECOX Germany) and 203.3 points (REECOX Netherlands). The poorest European performer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



## POLISH REAL ESTATE ECONOMY INDEX VIRTUALLY UNCHANGED

After recording growth of 9.0 % in the previous quarter, the highest rate among the European markets monitored by REECO, the Polish Real Estate Economy Index remained virtually unchanged in the third quarter. The index was up 0.4 % quarter on quarter to stay just under 200 (198.5 points).

The performance of the input variables was mixed in the third quarter. While the Polish blue-chip index WIG 20 and the real estate share index WIG Real Estate again increased (+4.1 % and +5.0 % respectively on the previous quarter), scepticism grew in the business climate measured by the Economic Sentiment Indicator (ESI): the beginning of the third quarter saw a slight decline of 0.7 % – a trend that continued in August (-1.6 %). The mood brightened somewhat in September (+0.6 %). The ESI closed the quarter at 105.1 points, down 1.7 % on Q2.

## COMMENT ON THE MARKET



Beata Latoszek,  
Managing Director  
Office Warsaw

“The Polish real estate market recorded further improvement in the third quarter. The volume of transactions on the commercial real estate market reached approximately EUR 1.6 billion, up 50 % on the third quarter of 2020. The market forecast remains very positive because unofficial inflation is significantly above the officially reported level of 6 % and, due to a lack of investment alternatives, is fuelling greater interest in the Polish real estate market. Demand for logistics properties is still high. In particular, warehouses for light manufacturing are popular, as more and more firms from China are beginning to set up production in Europe. The Polish office market continues to be stable and is marked by consistently high returns, low vacancy rates and strong demand amid low supply. There is no sign of any price reductions in this segment. The situation for business hotels and shopping centres remains difficult. Further increases in the price of housing are expected in 2022; this sector still has upside potential compared with the western European market.”

*“Warehouses for light manufacturing are in greater demand, as more and more firms from China are beginning to set up production in Europe.”*

### 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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