



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

04-2021



Dear Readers,

Just about two years ago, we started hearing the initial reports about the coronavirus. Since then, the virus has been having an impact on every aspect of our lives and has brought about more than just a few changes. The effects have been palpable in the real estate sector as well and continue making themselves felt to this day. Still, an investment volume of around € 60 billion in the German commercial property sector in 2021 suggests that the demand for real estate remains very high – and that the asset class itself has lost none of its appeal.

This positive trend is also reflected in the Euro Score. Despite seeing a slight decline in the fourth quarter following months of gains, the increase of 12.6 % year on year indicates that the real estate market has recovered overall. The hope remains that the spread of the coronavirus can be contained once again in 2022. In addition to the challenges posed by the pandemic, the key issues we see are inflation, central bank policy and the development of interest rates.

Kind regards
Frank Schrader

DEUTSCHE HYPO EURO-SCORE

257.9

REECOX EURO SCORE FALLS SLIGHTLY AS THE YEAR ENDS

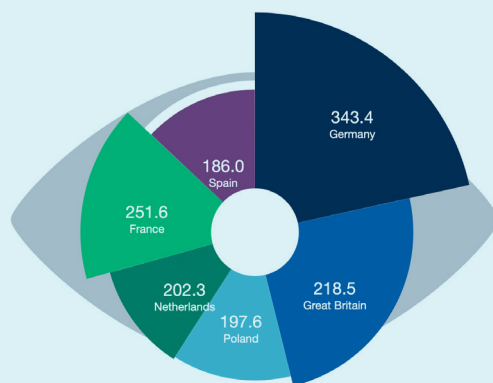
Despite the clear evidence of an overwhelmingly positive trend in the most recent quarterly reports and some significant growth in the European real estate sector (as measured by the Euro Score), the tendency towards the end of the year was rather sobering. Having closed December at 257.9 points, the Deutsche Hypo REECOX (Euro Score) fell by 1.5 % compared to the previous quarter. While October saw gains (+1.1 %), November (-2.3 %) and December (-0.3 %) were beset by losses. Overall, the Euro Score increased by a remarkable 12.6 % last year. The last time a rise of this nature was observable over the course of a year was in 2013.

Towards the end of the year, the majority of the countries monitored by the REECOX exhibited downward trends – albeit to a different extent in each case. The clearest negative movement was in Germany (-3.2 %) and the United Kingdom (-2.0 %), whereas the Polish and Dutch real estate

sector indices more or less stagnated (-0.5 % each). The REECOX France stood out for all the right reasons in the final quarter of 2021. By rising 3.3 % to 251.6 points at the end of the year, the index posted the strongest growth in Europe.

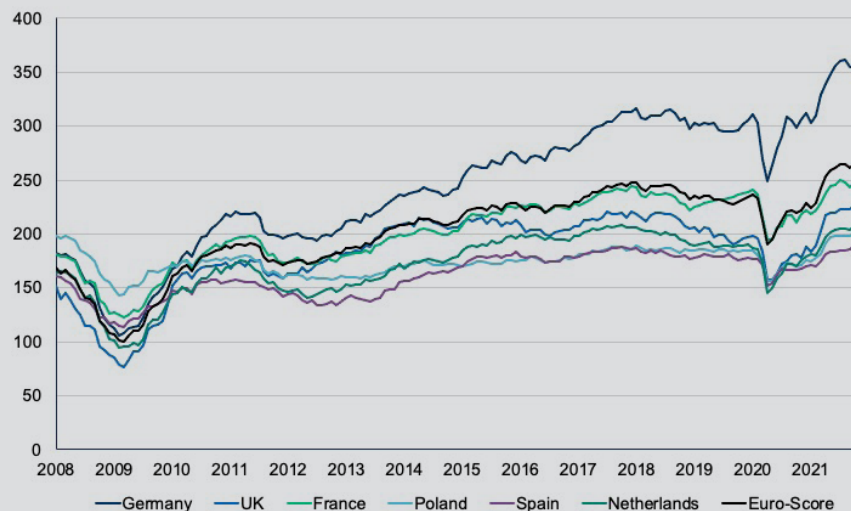
Over the course of 2021 as a whole, however, every country monitored saw an increase without exception. The steepest rises were reported in the United Kingdom (+16.2 %), followed by France (+13.3 %) and the Netherlands (+13.2 %). Both Poland (+12.4 %) and Germany (+10.0 %) also posted double-digit growth rates compared to the previous year. Although the REECOX Spain was the worst-performing index, at +9.5 %, it was the only one to remain positive in every quarter.

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 December 2021





SPANISH REAL ESTATE SECTOR STABLE

The REECOX Spain recorded generally positive development in 2021 and improved from 169.9 points in December 2020 to 186.0 points at the end of 2021. Overall, the REECOX value for Spain increased by 9.5 % in 2021, which still represents the smallest rise compared with the other countries. The fourth quarter of 2021 saw a sideways move. A loss of 1.8 % in November was offset by rises in October (+1.6 %) and December (+0.3 %).

The performance of the input variables behind the Spanish REECOX was a mixed bag in the fourth quarter of 2021. The Spanish real estate share index FTSE EPRA NAREIT lost a bit of momentum compared to its stellar development in the preceding quarter and closed the fourth quarter with a gain of 2.8 % to stand at 24.6 points. The Spanish blue-chip index IBEX 35 recorded moderate rises in October (+3.0 %) and December (+4.9 %). However, those gains were offset by a marked decline of 8.3 % November. Overall, it was in slightly negative territory (-0.9 %) compared with the previous quarter. Meanwhile, the business climate, as measured by the Economic Sentiment Indicator (ESI), was largely stable. Quarter on quarter, it only decreased slightly, by 0.8 %, to its current level of 108.5 points.

COMMENT ON THE MARKET



Maite Linares,
Managing Director
Office Madrid

“Development was positive in 2021. The investment volume of € 13 billion represented a significant increase. The logistics and residential property sectors led the way, with a tremendous number of investments and strong project development business. Increasingly, interest is also present in second-tier cities. A recovery is likewise emerging in the hotel sector. While tourism figures have yet to reach the level last seen in 2019, the investment year was a strong one for the hotel sector. Development was consistent when it came to office real estate. In the retail segment, the individual subsectors saw divergent trends. Although the food segment performed very well, sectors such as shopping centres still have some catching up to do. For 2022, we expect to see approximately the same trends and developments as we did in 2021. However, supply bottlenecks, substantial price hikes for certain materials and the high inflation rate will spell challenges going forward. It remains to be seen how inflation will affect the high levels of demand and ultimately impact consumption.”

“The investment volume of € 13 billion represented a significant increase.”

Key figures of the real estate economies

Country	Change of input variables in Q4-21					Change of the real estate economy Q3-21 / Q4-21	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q3-21	Oct 21	Nov 21	Q4-21	Delta (%) Q3-21 / Q4-21
Germany	↗	↘	↓	→	→	380	355	355	347	343	-3.2
UK	↗	↗	↓	↗	↗	340	223	227	219	218	-2.0
France	↗	↗	↗	→	↗	300	244	248	250	252	3.3
Netherlands	↗	↗	↓	→	↗	260	203	208	205	202	-0.5
Poland	↘	↘	↗	↗	↗	220	199	200	197	198	-0.5
Spain	→	↗	→	→	↗	180	186	189	186	186	0.0

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Germany UK France
Netherlands Poland Spain

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