



# REECOX

www.reecox.co.uk

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

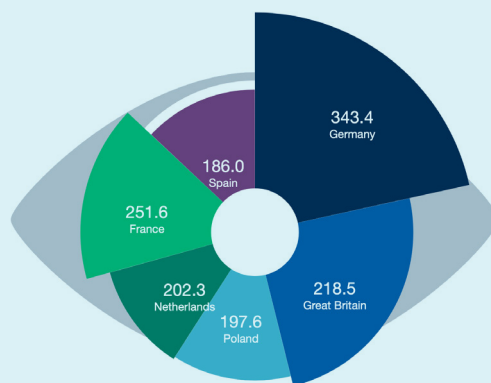
Despite the clear evidence of an overwhelmingly positive trend in the most recent quarterly reports and some significant growth in the European real estate sector (as measured by the Euro Score), the tendency towards the end of the year was rather sobering. Having closed December at 257.9 points, the 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.

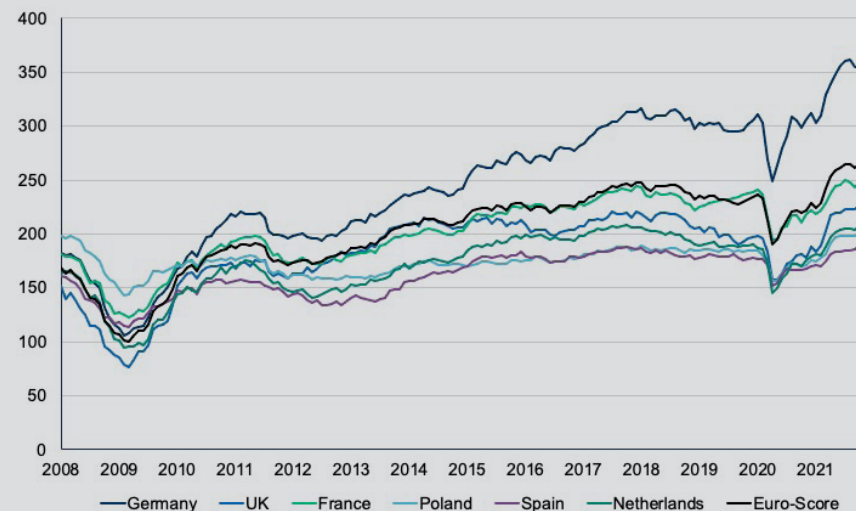
Over the course of 2021 as a whole, however, every country monitored saw an increase without exception. The steepest rises were reported in the United Kingdom (+16.2 %), followed by France (+13.3 %) and the Netherlands (+13.2 %). Both Poland (+12.4 %) and Germany (+10.0 %) also posted double-digit growth 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



## REECOX POLAND REMAINS JUST UNDER THE 200-POINT MARK

After recording consistently positive quarter-for-quarter performance compared with other European markets since September 2020, the Polish real estate economy index saw its first slight decline towards the end of 2021. Having lost 0.5 % to stand at 197.6 points, the REECOX Poland remained just under the 200-point mark at the end of December. Over the course of the year as a whole, the REECOX Poland was one of many buoyant markets and posted double-digit growth of 12.4 % compared to December 2020.

Although the REECOX Poland posted consistently stable performance on the surface, there were contradicting trends at input-variable level. After going from strength to strength since the start of the year, the WIG Real Estate share index fell by a significant 10.2 % compared to the closing level at the end of September. At roughly 2,841 points – just shy of the 3,000-point mark once again – the index was at its lowest level since April 2021. Likewise, the Polish blue-chip index WIG 20 recorded a (comparatively smaller) loss of 1.9 % quarter on quarter to stand at around 2,267 points. The 8.8 % decline in November played the leading role here. By contrast, the Polish business climate, as measured by the Economic Sentiment Indicator (ESI), finished 2021 on a positive note at 107.7 points.

## COMMENT ON THE MARKET

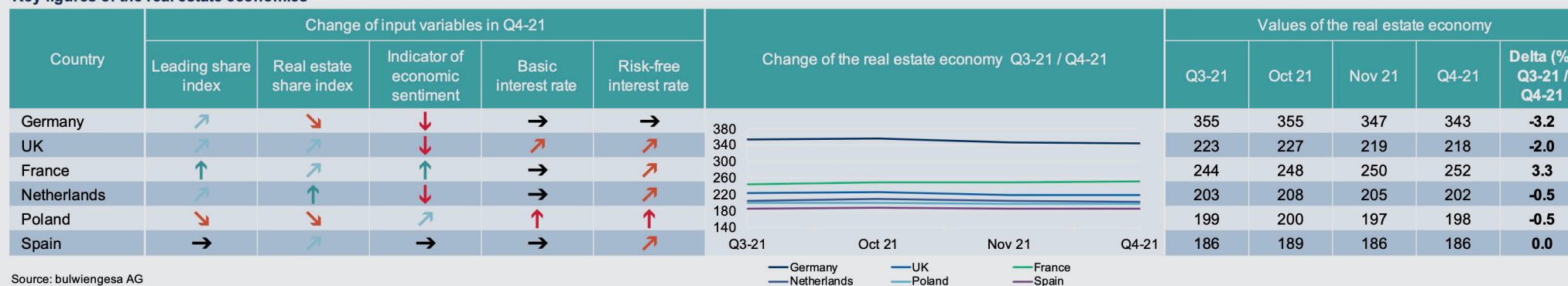


Beata Latoszek,  
Managing Director  
Office Warsaw

“Towards the end of the year, an increase in benchmark interest rates dealt the Polish real estate sector a slight blow, with the main impact affecting the residential property asset class. Further rise of interest rates cannot be ruled out, somewhat dampening the tremendous optimism in the housing sector. In the Polish office sector, on the other hand, we are witnessing a bit more stability in terms of prices and returns. What we are seeing more and more is that some companies have reduced the amount of office space they occupy due to remote working arrangements. In addition, demand for flexible office space has risen. This trend is set to continue even once the pandemic is over. Only after that do we expect to see more momentum when it comes to new office construction projects. By contrast, the logistics sector has been undergoing very dynamic development. With 23 million square metres of logistics space and a vacancy rate of 5 %, 2021 was a record-setting year. The good geographic location and the shift of production activities from Asia to Poland are attracting many developers and investors, who have now moved beyond merely buying completed properties to start building facilities themselves. Further growth is expected in the logistics market in 2022.”

*“The good geographic location and the shift of production activities from Asia to Poland are attracting many developers and investors.”*

### Key figures of the real estate economies



### 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**