



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

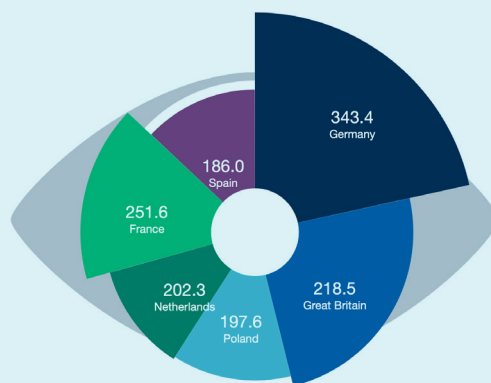
Despite the clear evidence of an overwhelmingly positive trend in the most recent quarterly reports and some significant growth in the European real estate sector (as measured by the Euro Score), the tendency towards the end of the year was rather sobering. Having closed December at 257.9 points, the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

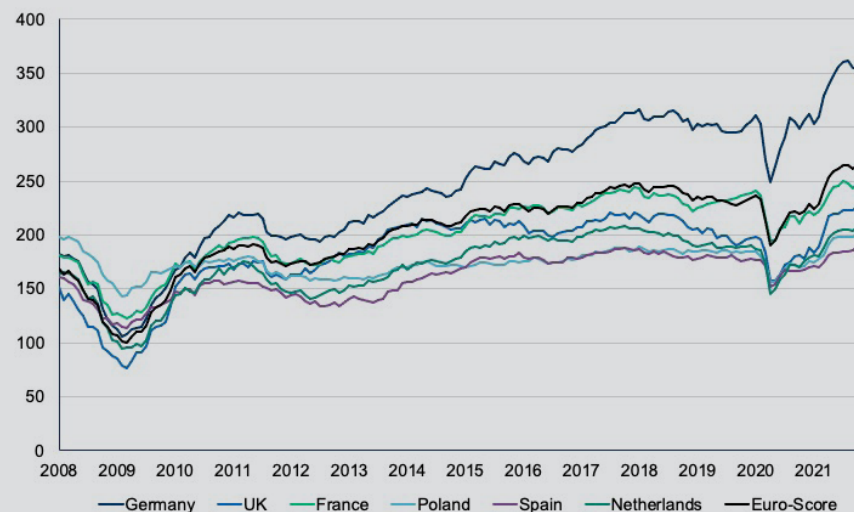
Over the course of 2021 as a whole, however, every country monitored saw an increase without exception. The steepest rises were reported in the United Kingdom (+16.2 %), followed by France (+13.3 %) and the Netherlands (+13.2 %). Both Poland (+12.4 %) and Germany (+10.0 %) also posted double-digit growth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

In the past, the German real estate sector showed positive development overall. A look back at 2021 indicates a clear upward trend of 10.0 % year on year, as in almost all countries monitored by REECOX. Yet compared with the third quarter, a negative result of -3.2 % was recorded, due mainly to the declines in November (-2.4 %) and December (-1.0 %).

The predominately negative performance of the German REECOX towards the end of the year was largely due to the development of the business climate and the German real estate share index DIMAX. The business climate, as measured by the Economic Sentiment Indicator (ESI), closed the fourth quarter with a decline of 4.2 % to 113 points. The DIMAX real estate share index posted even greater losses, falling a total of 9.1 % to 910 points in the fourth quarter. The German blue-chip index DAX, however, saw positive development. In contrast to the slight decline in the previous quarter, the fourth quarter ended with an increase of 4.1 %. The months of October (+2.8 %) and December (+5.2 %) in particular contributed to the high level of sentiment.

COMMENT ON THE MARKET

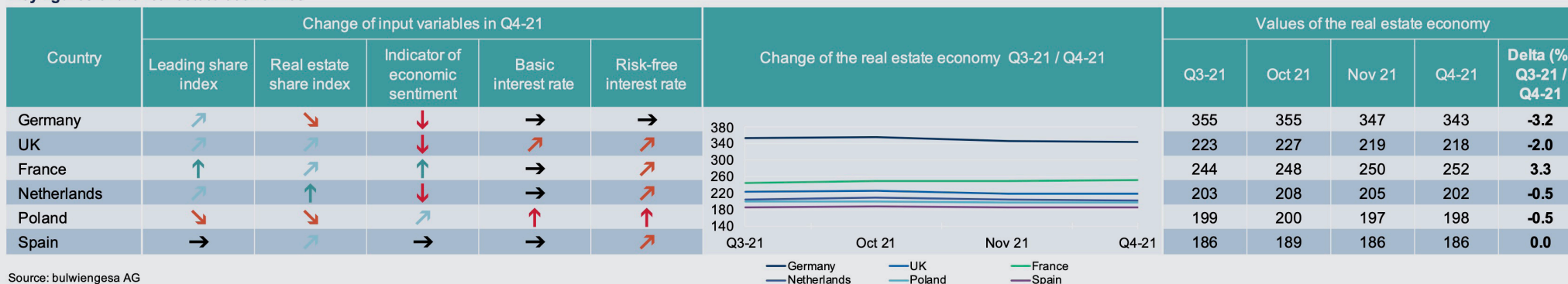


Harald Nolterieke,
Head of Munich
Office

„In 2021, the German real estate market proved once again to be a safe haven for investors. The logistics and residential property sectors in particular were among this year's winners, and the trend in terms of demand continues unabated. Major investors have shown tremendous interest in logistics properties and are finding them to be an attractive alternative to asset classes such as the retail and hotel sectors, both of which have been ravaged by the pandemic. Right now, we are seeing returns of 3.0 % to 3.5 % on logistics properties – a level otherwise reserved for top office properties in big cities. While the pandemic has further intensified the structural problems in the retail sector, the development of alternative reuse concepts, particularly in high-street districts, is a positive phenomenon. New concepts with a successful mix of offices, eateries and trade aimed at dramatically revitalising city centres and are doing the necessary job of breaking up the established retail monoculture. Across all asset classes and sectors, however, the mounting labour shortage is making itself felt. Along with the current supply bottlenecks, that shortage is the most significant limiting factor and increasingly driving down return on investment. Recently, it has also started having an impact on real estate market sentiment.“

“Across all asset classes and sectors, however, the mounting labour shortage is making itself felt.”

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