



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

01-2022



Dear Readers,

After many months of recovery, the Euro Score was forced to take a hit at the end of the past year. The negative trend continued at the start of 2022, with the Euro Score down by a substantial 3.5 % and losses on the books in each country monitored by the REECOX. The war in Ukraine – the further course and impact of which are anyone's guess – played a significant role in the downturn, which comes on the heels of a gradual recovery from the effects of the coronavirus pandemic.

Shortages of materials and labour are also causing problems. The real estate market is feeling the pinch of the related bottlenecks and is having to delay construction projects in some cases. Rising prices are having an additional effect, and close monitoring of inflation (following its sharp rise in recent months) and interest rate policy will remain essential.

Kind regards
Frank Schrader

DEUTSCHE HYPO EURO-SCORE

248.0

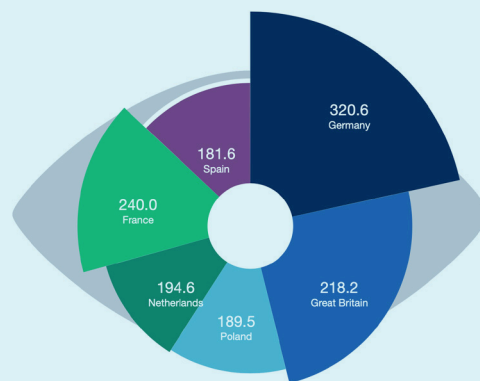
REECOX EURO SCORE STARTS THE YEAR NEGATIVELY

The European Real Estate Economy Index performed positively in 2021 as a whole, largely as a result of the often significant growth in the first three quarters. In the fourth quarter of 2021, however, the index posted a decline – one that continued in the first months of 2022. After initial stability in January, February saw a loss of 1.2 %, which was followed by a drop of 2.3 % in March. Compared to the previous quarter, the index fell by a substantial 3.5 % to stand at 248.0 points.

Negative pan-European development was generally observed in all the countries included in the Deutsche Hypo REECOX. With a decline of 6.0 %, performance in Germany was particularly discouraging. A downward trend was apparent throughout the first three months of the year, leaving the index to finish the quarter at 320.6 points.

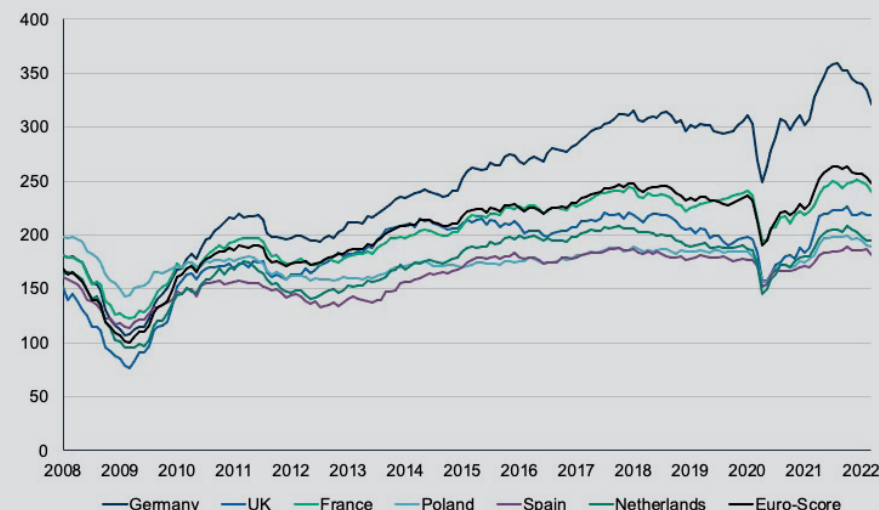
The REECOX France also performed poorly, losing 4.4 % quarter on quarter to stand at 240.0 points. Poland (-3.7 %), the Netherlands (-3.7 %) and Spain (-2.3 %) were in the mid range of the overall negative trend. The REECOX UK was the only index to remain virtually unchanged, ending March at a stagnant 218.2 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 March 2022





REECOX SPAIN'S UPWARD TRAJECTORY ENDS AS YEAR BEGINS

The positive trend on the Spanish real estate index, in place since the third quarter of 2020, ended as the new year started. At 181.6 points as at the end of the first quarter of 2022, the REECOX Spain was down 2.3 % compared to the previous quarter. While January (0.0 %) and February (+0.5 %) saw virtually stagnant development, the index tumbled by 2.9 % in March.

The positive performance of the Spanish real estate share index FTSE EPRA NAREIT continued in the first quarter of 2022, once again posting price gains of 5.1 % to stand at 25.9 points. By contrast, the Spanish blue-chip index IBEX 35 recorded a loss of 1.2 % in January, followed by further declines in February (-1.6 %) and March (-0.4 %). All in all, it finished the first quarter at 8,445.1 points, having lost 3.1 %. Business sentiment, as measured by the Economic Sentiment Indicator (ESI), also developed negatively, recording a drop of 3.2 % to 104.8 points. March (-5.8 %) was responsible for the decline, following positive performance in January (+0.6 %) and February (+2.2 %).

COMMENT ON THE MARKET



Maite Linares,
Managing Director
Office Madrid

“With the economy slowly recovering from the coronavirus-related restrictions, the war in Ukraine is adding a significant amount of uncertainty back into the equation. Although Spain may be less directly affected than Germany on an economic level, the country is highly dependent on the business climate in Germany and the UK due to factors such as tourism accounting for a substantial share of GDP. While it remains to be seen how the situation will affect the sector, activity on the real estate market is currently high, especially in the office and residential segments. Some shopping centres have seen their customer numbers return to levels last recorded in 2019. The logistics sector continues to be the most attractive segment. The hotel market was optimistic going into 2022 but now faces an uncertain near-term future on account of the war in Ukraine. All in all, the real estate market is benefiting from the high rate of inflation, which currently stands at 8.4 %. In some cases, clients are moving up their refinancing in anticipation of higher interest rates. Right now, the main concern is how long inflation will last and how high interest rates will rise – both of which will play a decisive role in growth going forward.”

“Clients anticipate higher interest rates.”

Key figures of the real estate economies

Country	Change of input variables in Q1-22					Change of the real estate economy Q4-21 / Q1-22	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q4-21	Jan 22	Feb 22	Q1-22	Delta (%) Q4-21 / Q1-22
Germany	↓	↘	↘	→	↑	380	341	340	334	321	-6.0
UK	↗	↘	↗	↑	↑	340	218	221	219	218	0.0
France	↘	→	↓	→	↑	300	251	249	247	240	-4.4
Netherlands	↓	↘	↘	→	↑	260	202	198	195	195	-3.7
Poland	↘	↘	↓	↑	↑	220	197	195	190	190	-3.7
Spain	↘	↗	↓	→	↑	180	186	186	187	182	-2.3
						140					

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— Germany — UK — France
— Netherlands — Poland — Spain

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Responsible for content:

bulwiengesa AG, Laura Hahn
Hahn@bulwiengesa.de
Nymphenburger Straße 5, 80335 München
Tel.: +49 89 23 23 76-11

Responsible for publication:

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

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