



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

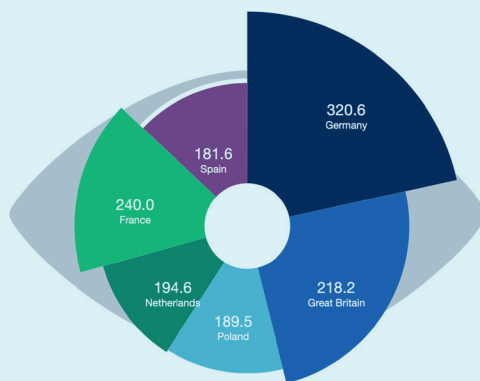
REECOX EURO SCORE STARTS THE YEAR NEGATIVELY

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.

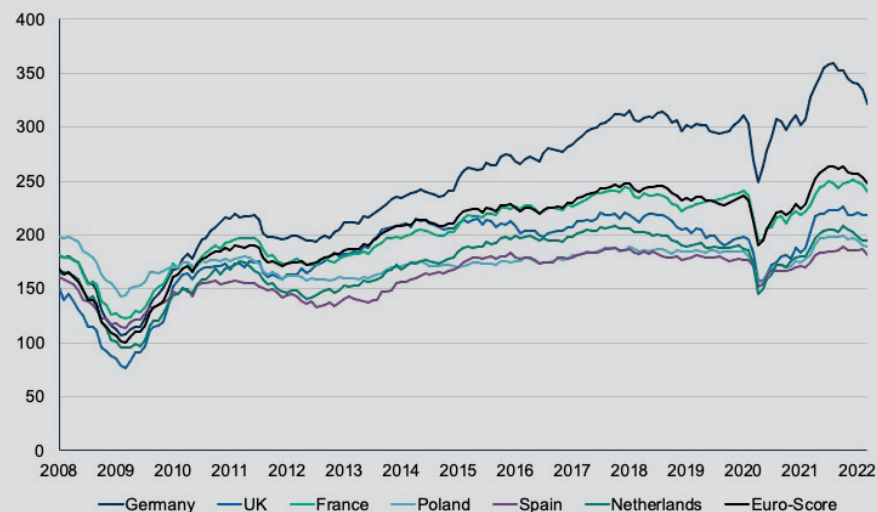
The REECOX France also performed poorly, losing 4.4 % quarter on quarter to stand at 240.0 points. Poland (-3.7 %), the Netherlands (-3.7 %) and Spain (-2.3 %) were in the mid range of the overall negative trend. The REECOX UK was the only index to remain virtually unchanged, ending March at a stagnant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





FRENCH REAL ESTATE INDEX POSTS 4.4 % DROP

The French real estate index saw the second-largest decline of any European country over the course of the first quarter (-4.4 % quarter on quarter). On the heels of moderate declines of 0.9 % in January and 0.8 % in February, the index recorded a significant drop of 2.7 % in March to stand at 240.0 points.

The performance of the input variables behind the French REECOX was a mixed bag at the start of the year. The French blue-chip index CAC 40 fell by a substantial 6.9 % from its record high in the previous quarter to finish March at 6,659.9 points. The business climate, as measured by the Economic Sentiment Indicator (ESI), posted a similarly marked decline of 7.0 %, bringing it down to 105.7 points. By contrast, the FTSE EPRA/NAREIT France real estate share index recorded moderate losses in February (-1.3 %) and March (-1.5 %) on the heels of a positive January (+3.3 %). Accordingly, the index was virtually stable quarter on quarter, rising 0.4 %.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

„Inflation has risen constantly over the past few months. In France, it currently stands at 4.5 % – lower than the eurozone average of 7.5 %. The comparatively low inflation rate is attributable to the extensive support measures taken by the state, particularly the caps on electricity and gas prices, which are benefiting private households and businesses alike. The private sector is currently seeing the highest growth since October 2018, with many stocking up on commodities and materials as a precaution. That stockpiling is also being driven by uncertainty on account of the war in Ukraine, the further course and impact of which are anyone’s guess. The high inflation rate underscores the popularity of the real estate asset class. Thanks to the continued recovery in the letting market in the first three months, the year is expected to see letting of at least 2 million sqm, bringing 2022 back into line with the 10-year average. Even though the outcome of the upcoming parliamentary elections remains to be seen, the results of the French presidential election have contributed to greater clarity.”

“The letting market continued to recover in the first three months.”

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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