



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

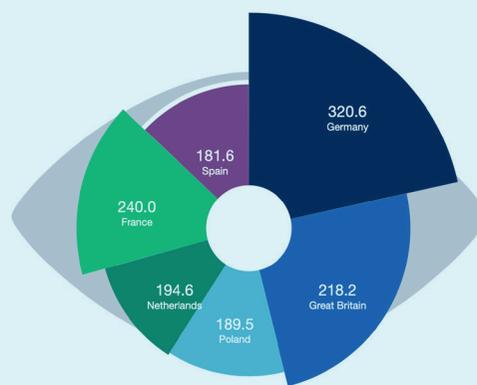
REECOX EURO SCORE STARTS THE YEAR NEGATIVELY

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.

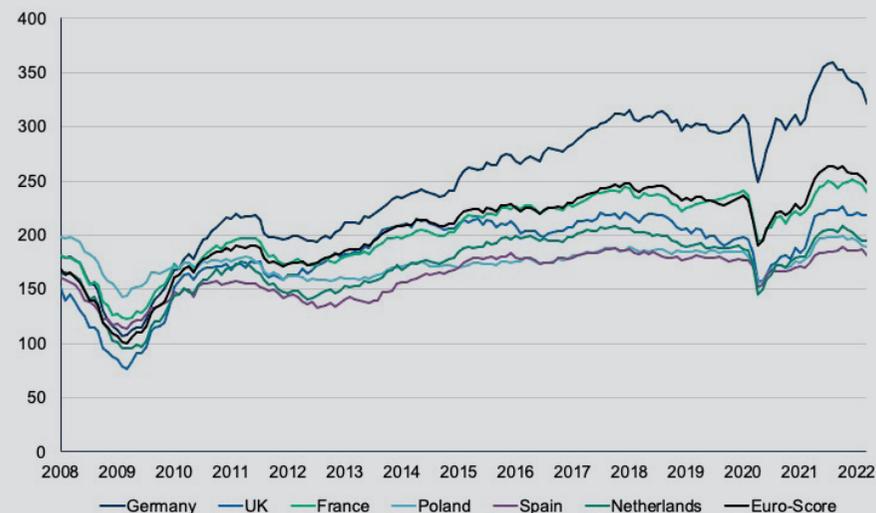
The REECOX France also performed poorly, losing 4.4 % quarter on quarter to stand at 240.0 points. Poland (-3.7 %), the Netherlands (-3.7 %) and Spain (-2.3 %) were in the mid range of the overall negative trend. The REECOX UK was the only index to remain virtually unchanged, ending March at a stagnant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





GERMAN REAL ESTATE INDEX SEES SIGNIFICANT LOSSES

The new year did not trigger a reversal of the negative performance recorded by the German real estate index in late 2021, with the REECOX Germany posting losses in all three months of the first quarter of 2022. March in particular, which saw a decline of 4.1 %, made itself felt in the worst possible way. However, the declines were not as sharp as they were at the start of the pandemic. All in all, the index recorded a significant drop of 6.0 % to 320.6 points.

Input variables were negative across the board. The German real estate index DIMAX again recorded a substantial decline, falling 11.5 % to end the first quarter at around 805.5 points – virtually where it was in April 2020. The German blue-chip index DAX also saw steep losses of 9.3 %, bringing it to around 14,415 points at the end of the quarter. The business climate, as monitored by the Economic Sentiment Indicator (ESI), posted moderate losses by comparison, losing 3.8 % in March after slight rises in January (+0.7 %) and February (+1.1 %). Overall, the indicator fell by 2.1 % to 109.2 points in the first quarter.

COMMENT ON THE MARKET



Peter Kleinhütten,
Head of Düsseldorf Office

„As the current situation shows, the risk of the German economy suffering a setback is higher than for other European countries, due to its strong dependence on foreign markets and export activity. Concerns are already mounting on the real estate market in connection with the fear of further interest rate hikes and the increasing interest in alternative investment opportunities, to name just two factors. Unusually strong inflation, rising construction prices, exorbitant transport costs and vulnerable supply chains are having a negative underlying impact on sentiment in the real estate sector. The effect is being felt by development projects in particular, and further challenges in construction cannot be ruled out going forward. However, the crisis has yet to put a dent in the real estate investment market, which remains robust and saw an agile start to the year. Logistics continues to perform well, even though the current crisis indicates that we need to reduce our dependencies and move away from a just-in-time mindset towards more resilient structures. The coronavirus pandemic has made us more resistant to crisis and given us greater experience, teaching us to navigate uncertainty better. We can only hope that we succeed in handling the current stresses – with their many uncertainties and challenging moments – with care and sound judgement and that we manage to use the momentum for transformation.”

“Concerns are already mounting on the real estate market.”

Key figures of the real estate economies



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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

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