



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

02-2022



Dear Readers,

The many challenges that exist around the world are reflected in the performance of the Euro Score: the persistent negative trend

remained unbroken in the second quarter – the REECOX fell for the eighth month in a row to end the second quarter at 229.5 points. Whereas a recovery looked likely last year, a number of exceptional events (interest rate hikes/inflation, volatile supply chains, current conflict hotspots, fears of recession in certain parts of the world, living with the pandemic, etc.) are creating significant amounts of uncertainty. The parallel occurrence of these rare events has been unprecedented. The real estate industry has been adversely affected by these factors, as can be seen in the performance of the real estate stock indices, which plummeted dramatically in the second quarter. In some cases, changes in the conditions for financing have led to transactions being put on hold, so the market has not yet been able to establish a price level that unites both buyers and sellers. We can only hope that the summer months will be somewhat calmer and that the second half of the year will usher in a return to stronger transaction activity.

Kind regards
Frank Schrader

DEUTSCHE HYPO EURO-SCORE

229.5

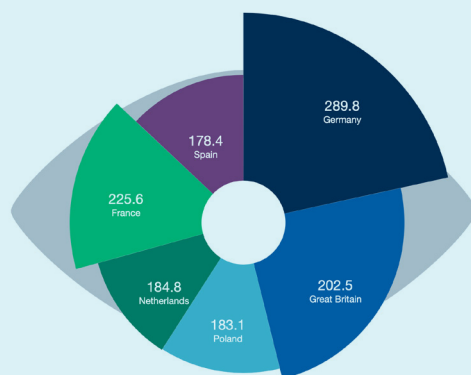
NEGATIVE TREND IN REECOX EURO SCORE CONTINUES

Having commenced a downward trajectory in November 2021, the Deutsche Hypo REECOX European Real Estate Economy Index (Euro Score) continued to post a consistently negative performance in the second quarter of 2022. All in all, the Euro Score declined by 6.0 % quarter on quarter to stand at 229.5 points – the last time it was lower than this was in January 2021.

to 184.8 points) and France (down 5.6 % to 225.6 points). Once again, Germany recorded the largest decrease, with the REECOX falling by 8.7 % to 289.8 points.

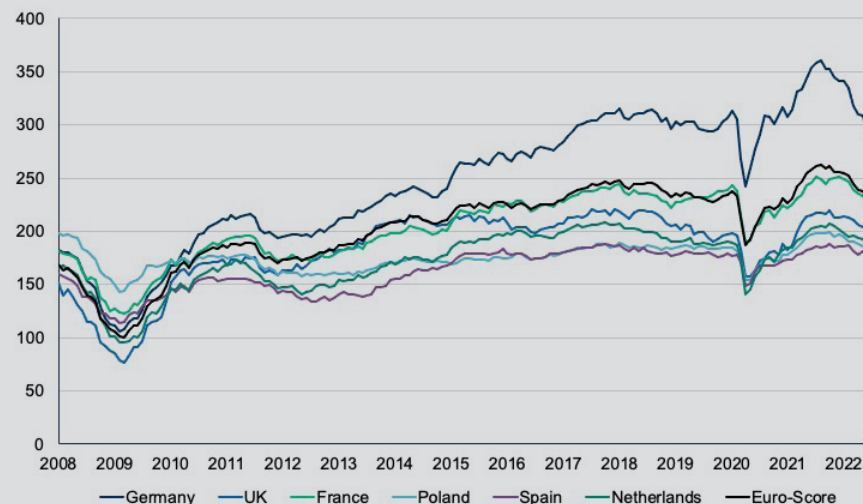
A look at the individual indicators illustrates that the REECOX again performed negatively across all monitored countries in the second quarter. With a comparatively moderate decline of 1.7 %, REECOX Spain recorded the lowest quarter-on-quarter percentage decrease. This is followed at a slight distance by Poland (down 3.6 % to 183.1 points) and the United Kingdom (down 3.9 % to 202.5 points). Virtually identical quarter-on-quarter declines were seen in the Netherlands (down 5.5 %

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 June 2022





REECOX SPAIN RECORDS A MODERATE DECLINE

The Spanish real estate index continued its downward trajectory in the second quarter of the year. However, it recorded the smallest rate of decline (-1.7 %) of all of the European markets monitored by REECOX. The loss of 1.9 % recorded in April was almost offset by a 1.8 % increase in May. However, this was followed by yet another decline in prices of 1.6 % in June, bringing the index down to 178.4 points.

The positive performance of the Spanish real estate index FTSE EPRA NAREIT had already come to an end by the beginning of the second quarter (-2.2 %). A virtually unchanged performance in May (+0.1 %) was followed by a steep decline in June (-15.3 %). The index tumbled by 17.0 % quarter on quarter to stand at 21.5 points at the end of June. The decline in the Spanish blue-chip index IBEX 35 was noticeably slower, falling by 4.1 % to close out the quarter at 8.098.7 points. This was primarily due to poor performance in June (-8.5 %). Quarter on quarter, business sentiment dipped only slightly, by 2.2 % to 102.4 points. This was due primarily to the substantial increase in May (+4.1 %).

COMMENT ON THE MARKET



Maite Linares,
Managing Director
Office Madrid

“Despite the announcement of rising interest rates and lower than expected economic growth, the real estate market in Spain continues to record high levels of activity. If the current pipeline can be sustained, a new investment record may be reached by the end of the year. That said, investors are already looking ahead to the end of the cycle, and in certain cases, some transactions have already been delayed in order to have greater certainty with regard to pricing. Pricing for developments has also been affected. As in previous quarters, the residential rental segment is the most appealing – at approximately EUR 1.3 billion, this is where investment volumes were once again the highest. Logistics properties also continue to attract the attention of investors. Having only generated modest levels of investment in recent quarters, the office segment in Madrid rebounded in the second quarter of 2022 and is once again seeing a great deal of activity. The challenges that may emerge after the summer depend on the speed of any interest rate hikes, as potential restrictions on the supply of energy will greatly affect market trends in the latter half of the year.”

“Investors are already looking ahead to the end of the cycle.”

Key figures of the real estate economies

Country	Change of input variables in Q2-22					Change of the real estate economy Q1-22 / Q2-22	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q1-22	Apr 22	May 22	Q2-22	Delta (%) Q1-22 / Q2-22
Germany	↓	↓	↘	→	↑	380	317	310	308	290	-8.7
UK	↘	↓	↘	↑	↑	340	211	206	203	203	-3.9
France	↓	↓	↘	→	↑	300	239	235	234	226	-5.6
Netherlands	↓	↓	↓	→	↑	260	196	194	192	185	-5.5
Poland	↓	↘	↘	↑	↑	220	190	188	185	183	-3.6
Spain	↘	↓	↘	→	↑	180	182	178	181	178	-1.7
						140					

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