



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

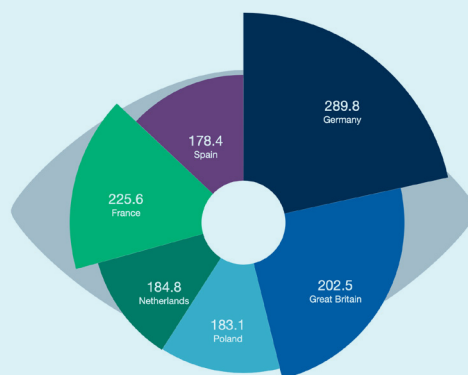
NEGATIVE TREND IN REECOX EURO SCORE CONTINUES

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.

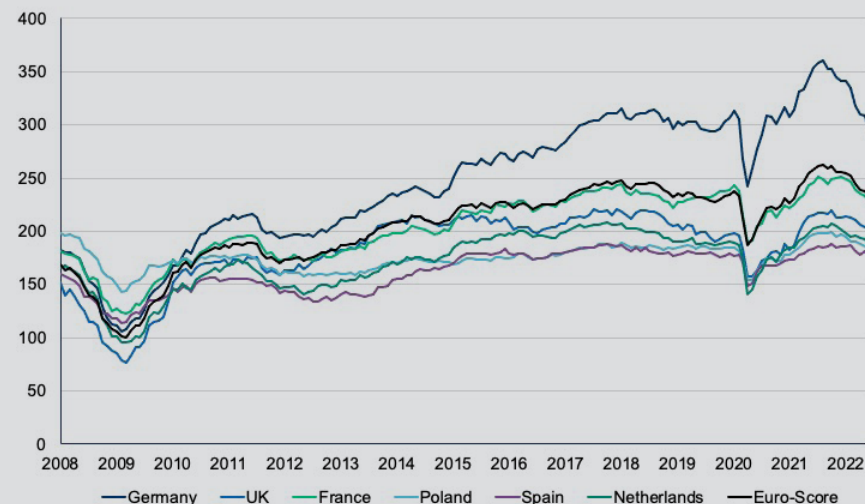
A look at the individual indicators illustrates that the REECOX again performed negatively across all monitored countries in the second quarter. With a comparatively moderate decline of 1.7 %, REECOX Spain recorded the lowest quarter-on-quarter percentage decrease. This is followed at a slight distance 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 FRANCE DOWN 5.6 %

The performance of REECOX France has been consistently weak since the start of the year. This negative trend persisted in April and May with losses of 1.7 % and 0.5 % respectively. A noticeable decline was also recorded in June: the REECOX fell by 3.4 % to stand at 225.6 points, bringing the total decline for the second quarter to 5.6 %. This means that the French real estate index again saw the second-largest drop of any European country.

The French stock markets sustained substantial price losses in the second quarter. The French blue-chip index CAC 40 maintained its already poor performance seen in the previous quarter, dropping back by 11.1 % to close out June at roughly 5,922.9 points. A decline of 8.4 % in June in particular played a role in this development. The real estate share index FTSE EPRA/NAREIT France recorded losses that were double that of the CAC 40, falling by 22.6 % quarter on quarter to stand at 2,313.6 points. After comparatively moderate declines in April (-4.8 %) and May (-1.9 %), the index declined by a total of 17.1 % in June. By comparison, the French business climate, as measured by the Economic Sentiment Indicator (ESI), was relatively stable, dropping by around 1.3 % to 102.8 points in the second quarter.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“The recovery of France’s office market continues apace: at around one million square metres, the total amount of office space let is 24 % higher year on year and roughly in line with the ten-year average. There is brisk demand for city centre locations, which have seen an increase of 53 %. The vacancy rate in Paris’s CBD has fallen from 4.1 % in October to its current level of 2.8 %. By contrast, with the exception of La Défense and Neuilly, things are not progressing as well in the out-lying areas. The investment market performed vigorously in the second quarter, reaching volumes of EUR 7 billion. Investments in office buildings increased by 4 % and by 49 % in the logistics segment year on year. Yields remain subdued, but pressure was evident as the second quarter drew to a close, with re-negotiations taking place between due diligence and closing no longer uncommon. Prices and investment terms will be forced to adjust going forward. The market is expected to decelerate until a new balance becomes established. Companies also have to expect higher costs, e.g. as a result of ESG requirements. Energy-efficient buildings will become even more desirable going forward, and the efficient utilisation of real estate will become mandatory.”

“Energy-efficient buildings will become even more desirable going forward.”

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

Source: bulwiengesa AG

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