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

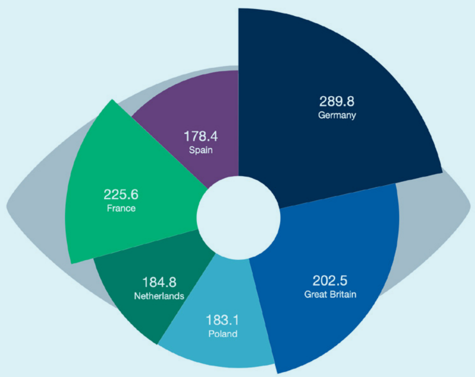
229.5

NEGATIVE TREND IN REECOX EURO SCORE CONTINUES

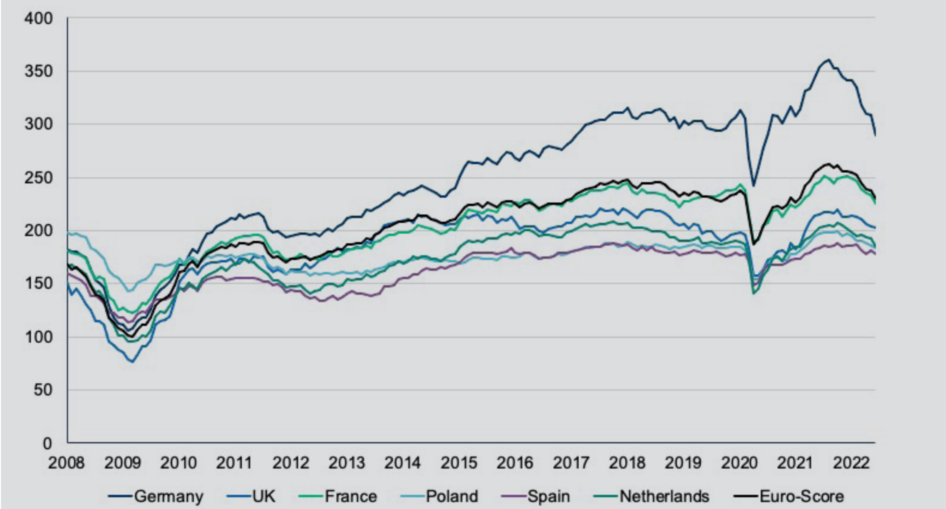
Having commenced a downward trajectory in November 2021, the Deutsche Hypo REECOX European Real Estate Economy Index (Euro Score) continued to post a consistently negative performance in the second quarter of 2022. All in all, the Euro Score declined by 6.0 % quarter on quarter to stand at 229.5 points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

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 % 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.

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).



REECOX NETHERLANDS REMAINS UNDER THE 200-POINT MARK

REECOX Netherlands continues to record a negative performance. A moderate decline in April (-0.6 %) and a further drop in May (-1.1 %) were followed by a comparatively sharp downturn of 3.8 % in June to stand at 184.8 points. This means that the Dutch real estate index continued to hover below the 200-point mark as the second quarter drew to a close.

With a quarter-on-quarter slump of 9.0 % to 659.2 points, the AEX 25 leading share index was again faced with substantial losses. The FTSE EPRA/NAREIT Netherlands real estate share index was hit even harder: it plunged in the second quarter, knocking around 25.3 % off its value. This was mainly triggered by a slump in share prices in June (-21.6 %). By the end of June, it stood at a mere 358.4 points. Moreover, the downward spiral in business confidence as reported by the Economic Sentiment Indicator (ESI) continued in the second quarter of 2022, resulting in a 4.7 % quarter-on-quarter decline to 99.3 points.

COMMENT ON THE MARKET

Wouter de Bever,
Managing Director
Office Amsterdam

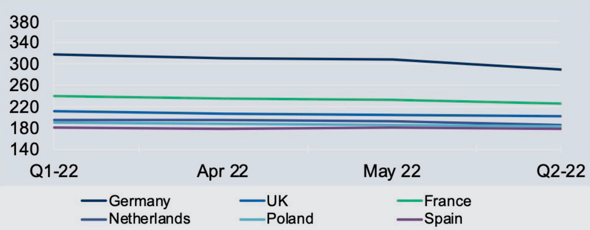
"The real estate market in the Netherlands is relatively stable, yet still heavily impacted by the current uncertainty. The high cost of materials is leading many investors to adopt a wait-and-see approach regarding future developments. As a result, construction activity in Amsterdam is currently at a low level for both residential and office properties. As in the previous year, logistics is the most successful asset class – driven mostly by the boom in the online retail sector. The vacancy rate for logistics properties is at a historically low level of 3 %. The significant rise in demand in the retail sector is striking: in the first quarter of 2022, investments in retail properties have more than tripled year on year, growing from EUR 108 to EUR 369 million. Local shopping centres especially are very popular. A recovery is likewise emerging in the hotel market segment. Whereas holidays in rural areas were in demand over the past two years due to the coronavirus pandemic, large cities are now becoming increasingly popular. Occupancy rates have returned to pre-coronavirus levels. The extent to which this development will also be reflected in the hotel investment market remains to be seen. Generally, there is hope that the Dutch real estate market will be re-energised over the calm summer months in order to rebound as autumn approaches."

"Investments in retail properties have more than tripled year on year."

Key figures of the real estate economies

Country	Change of input variables in 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	↓	↓	↘	→	↑	317	310	308	290	-8.7
UK	↘	↓	↘	↑	↑	211	206	203	203	-3.9
France	↓	↓	↘	→	↑	239	235	234	226	-5.6
Netherlands	↓	↓	↓	→	↑	196	194	192	185	-5.5
Poland	↓	↘	↘	↑	↑	190	188	185	183	-3.6
Spain	↘	↓	↘	→	↑	182	178	181	178	-1.7

Change of the real estate economy Q1-22 / Q2-22



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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 Wolter
Franziska.Wolter@deutsche-hypo.de
Friedrichswall 10, 30159 Hannover
Tel.: +49 511 3045-552

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