



# 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

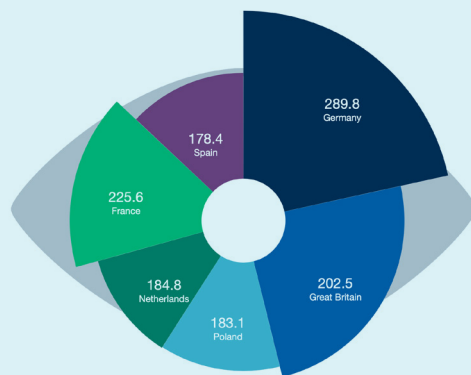
## NEGATIVE TREND IN REECOX EURO SCORE CONTINUES

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.

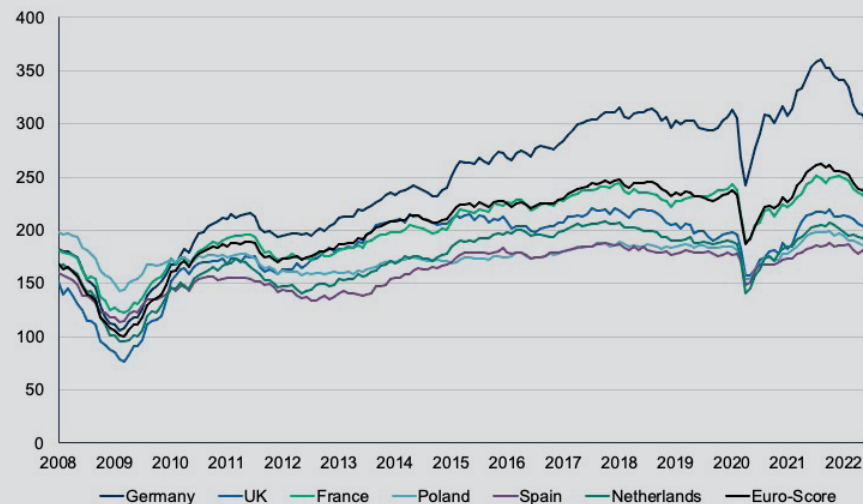
A look at the individual indicators illustrates that the REECOX again performed negatively across all monitored countries in the second quarter. With a comparatively moderate decline of 1.7 %, REECOX Spain recorded the lowest quarter-on-quarter percentage decrease. This is followed at a slight distance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



## RECOX POLAND NEGATIVE TREND CONTINUES

Having already recorded a negative performance in the first quarter, RECOX Poland failed to recover in the second quarter of 2022: the index stood at 183.1 points at the end of June, which corresponds to a quarter-on-quarter decline of 3.6 %. However, the losses posted in the second quarter correspond to the second-lowest decrease when compared with other European countries.

Input variables were negative across the board. With a 5.9 % decline to 2,549.2 points, the WIG Real Estate share index was still relatively stable compared with many other European real estate indices. The WIG 20, Poland's leading stock market index, was already substantially lower at the start of 2022. The downward price trend continued in April (-12.9 %) and, after a relatively unchanged performance in May (-0.8 %), continued its downward trajectory in June (-8.0 %) as the quarter drew to a close. At approximately 1,696 points, this was the lowest level (-20.5 % quarter on quarter) recorded since October 2020. Confidence among real estate experts surveyed for the Economic Sentiment Indicator (ESI) slumped for the second quarter in a row and stood at 96.0 points at the end of June, corresponding to a 2.1 % quarter-on-quarter decline.

## COMMENT ON THE MARKET

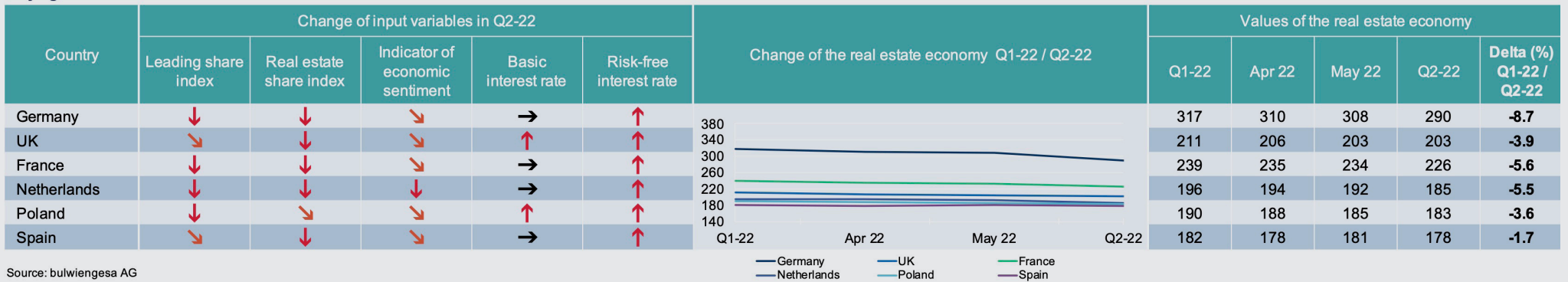


Beata Latoszek,  
Managing Director  
Office Warsaw

“The boom in the Polish logistics sector continued apace in the second quarter of 2022. The brisk demand for warehouse space is not only due to pandemic-related developments, but also to the relocation of business operations from Ukraine to Poland following the outbreak of the war there. At 4.5 million m<sup>2</sup>, the area covered by projects under construction is twice as high as in the successful 2021 – which was already a record year. The appeal of the Polish logistics market for foreign investors has contributed to a 19 % year-on-year increase in transaction volumes. Rents are expected to grow by 30 % per m<sup>2</sup> by the end of 2022. Yields remain stable in spite of an inflation rate of 15.5 %. By contrast, the office property market paints a more varied picture: compared to other cities, Warsaw accounts for the highest volume with 6.2 million m<sup>2</sup> of new, modern office space. However, only about 250,000 m<sup>2</sup> is currently under construction, 80 % of which is scheduled for completion by the end of 2023. The increasing popularity of working from home has impacted space requirements and consequently also the demand for new buildings. This has led developers to postpone new projects to future dates and to adopt a wait-and-see approach. This poses the risk of a supply gap for 2024/25 followed by potential rent hikes. This trend is having a positive impact on towns located in the surrounding areas. Large foreign companies are looking to the periphery, where the volume of office space is smaller but construction activity is brisker.”

*“The area covered by logistics projects under construction is twice as high as in the previous year.”*

### Key figures of the real estate economies



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