



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

03-2022



Dear Readers,

REECOX continues its downward trajectory in the third quarter. For the third successive time, all the countries monitored by REECOX show a negative trend. At 213.0 points, the Euro Score is also at its lowest level in more than two years. This reflects the ongoing uncertainty facing European real estate markets due to the current economic and geopolitical situation. The unease in the market is plain to see, with all countries suffering significant falls in their share and real estate share indices, as well as in economic sentiment indicators.

This quarterly report for Q3/2022 is our last publication for the Deutsche Hypo REECOX. In future, we will focus on the Deutsche Hypo Immobilienklima, a monthly report that gauges sentiment in the German real estate sector by surveying around 1,200 real estate experts. We will continue to follow developments in the neighbouring European markets, but will present our coverage in a different format. However, our partner bulwiengesa plans to continue REECOX.

Kind regards,
Frank Schrader

DEUTSCHE HYPO EURO-SCORE

213.0

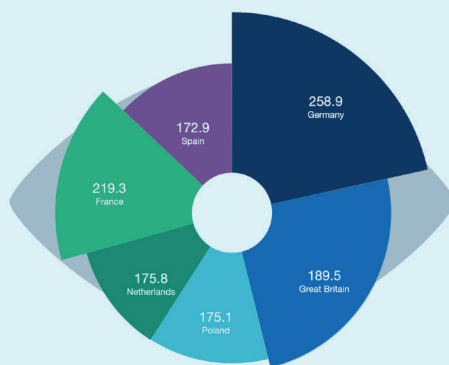
REECOX EURO SCORE DOWN IN FOUR SUCCESSIVE QUARTERS

The European real estate index of the Deutsche Hypo REECOX (Euro Score) again posted a consistently negative performance in the third quarter of 2022. Following relatively modest losses in July (0.7 %) and August (1.5 %), the downward trend intensified in September in particular, with a decline of 4.9 %. Overall, the index fell by 7.0 % to roughly 213.0 points – a level last seen in July 2020.

REECOX UK suffered the second-highest decline among the European countries, dropping by 6.4 % to 189.5 points.

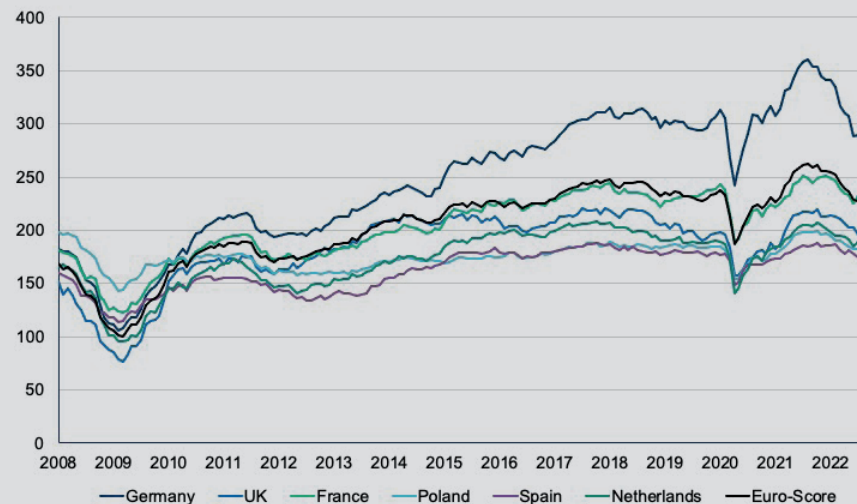
The downward trajectory of the REECOX index continued for the fourth quarter in a row. The REECOX Germany was once again bottom of the pile, experiencing a double-digit slump of 10.3 % to 258.9 points. Relatively minor losses were posted by the REECOX France (down 2.6 % to 219.3 points) and the REECOX Spain (down 2.9 % to 172.9 points). Poland (down 4.3 % to 175.1 points) and the Netherlands (down 4.7 % to 175.8 points) were in the mid-range of the overall negative trend. The

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 September 2022





REECOX SPAIN REMAINS IN NEGATIVE TERRITORY

Once again, there was no recovery in the Spanish real estate index in the third quarter of 2022. The REECOX Spain stood at 172.9 points at the end of September, down 2.9 % overall on the previous quarter. However, the loss posted in the third quarter corresponds to the second-lowest decrease when compared with other European countries.

The dramatic slump in Spain's FTSE EPRA NAREIT real estate index at the end of the second quarter was followed by a significant rise of 10.1 % in July. However, the index recorded huge losses once again in August (7.1 %) and September (14.0 %) to close the third quarter at 18.9 points. The Spanish blue-chip index IBEX 35 also experienced a significant slide, falling by 9.0 % quarter on quarter to stand at roughly 7,367 points. In contrast to the Spanish equity markets, business sentiment decreased by 4.9 % as early as July. Compared with the previous quarter, it was down 5.1 % to 96.7 points at the end of Q3.

COMMENT ON THE MARKET



Maite Linares,
Managing Director
Office Madrid

“Current inflation rates and the resulting rise in interest rates represent a major challenge for the economy. It remains to be seen how these factors will affect various parameters such as consumption and government debt. The actual consequences for the real estate sector are equally uncertain at present. While some transactions are currently continuing, we are already seeing a variety of postponements. However, a full-blown halt is not yet apparent. Real estate prices are nevertheless expected to fall across all sectors. Logistics and residential properties are consistently in demand, and office space is also highly sought-after. The easing of pandemic restrictions has enabled the hotel sector to continue its recovery and return to roughly the level seen in 2019. That said, it will be some time before the losses of recent years can be made up. The overall mood is cautious – the market is waiting to see how things develop.”

“The overall mood is cautious – the market is waiting to see how things develop.”

Key figures of the real estate economies

Country	Change of input variables in Q3-22					Change of the real estate economy Q2-22 / Q3-22	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q2-22	Jul 22	Aug 22	Q3-22	Delta (%) Q2-22 / Q3-22
Germany	↘	↓	↓	→	↑	380	289	289	278	259	-10.3
UK	↘	↓	↓	↑	↑	340	202	196	198	190	-6.4
France	↘	↘	↓	→	↑	300	225	232	228	219	-2.6
Netherlands	↘	↘	↓	→	↑	260	184	190	183	176	-4.7
Poland	↓	↘	↓	↑	→	220	183	182	179	175	-4.3
Spain	↓	↘	↓	→	↑	180	178	175	175	173	-2.9

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Germany UK France
Netherlands Poland Spain

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