



REECOX

www.reecox.co.uk

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

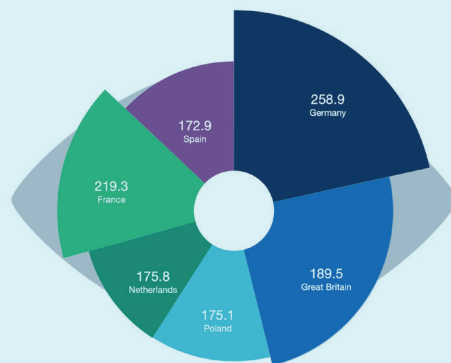
REECOX EURO SCORE DOWN IN FOUR SUCCESSIVE QUARTERS

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.

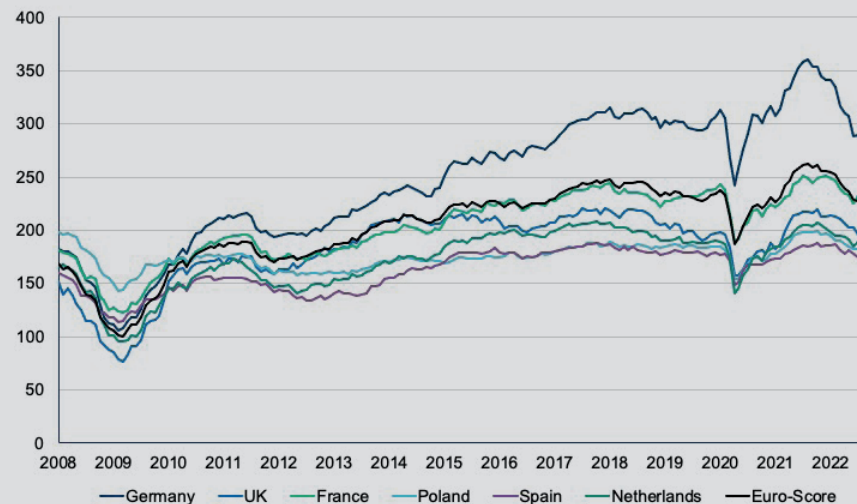
The downward trajectory of the REECOX index continued for the fourth quarter in a row. The REECOX Germany was once again bottom of the pile, experiencing a double-digit slump of 10.3 % to 258.9 points. Relatively minor losses were posted by the REECOX France (down 2.6 % to 219.3 points) and the REECOX 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





RECOX FRANCE POSTS LOWEST DECLINE IN EUROPE OF 2.6 %

The RECOX France remains on a downward trend. After a slight increase in July (2.9 %), the French real estate index again recorded losses in August (1.9 %) and September (3.6 %). Compared with Q2, the overall decline in the third quarter amounted to 2.6 % – the lowest among the European countries. The index closed Q3 at 219.3 points.

Following the significant losses in Q2, the slide in the French equity markets in the third quarter was relatively moderate. France's blue-chip index CAC 40 fell by 2.7 % as against the previous quarter to around 5,762 points. The modest decline was due to a positive performance in July (8.9 %) combined with a fall in both August and September. The real estate share index FTSE EPRA/NAREIT France began the third quarter with strong growth, rising by 14.1 %. However, the losses in August (8.2 %) and September (11.1 %) meant that the index also closed Q3 on a negative note, declining by 6.9 % to around 2,154 points. Business sentiment, as measured by the Economic Sentiment Indicator (ESI), also developed negatively, recording a drop of 5.4 % to end the third quarter at 96.8 points.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

„We are still facing a challenging market environment. The investment market has proved strong to date, growing by 34 % year on year to reach a total volume of € 19.7 billion in the first nine months of 2022. However, it is already apparent that a quiet phase is coming, since buyers and sellers are apart on the issue of pricing. Those who can afford to wait and see are doing so for now – the market is on hold. Meanwhile, the letting market continued its positive trend: 1.48 million square metres not only represent a 20 % increase compared to the previous year, but are also roughly equal to the 10-year average. City centre locations remain highly sought-after, with around a 50 % share of transactions. Activity was also on the rise in La Défense, which performed at 16 % above the 10-year average. Demand for office space will hopefully continue, as small and medium-sized businesses in particular are looking for premises. It remains to be seen how structural topics will develop in the coming months.”

“It is already apparent that a quiet phase is coming.”

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
						140					

Source: bulwiengesa AG

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.: +49 511 361-5118

Disclaimer: The calculations presented in this publication were prepared by bulwiengesa to the best of their knowledge and with due care. Liability is assumed for material correctness within the scope of standard due diligence.

DEUTSCHE/HYPO

NORD/LB Real Estate Finance

NORD/LB