



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

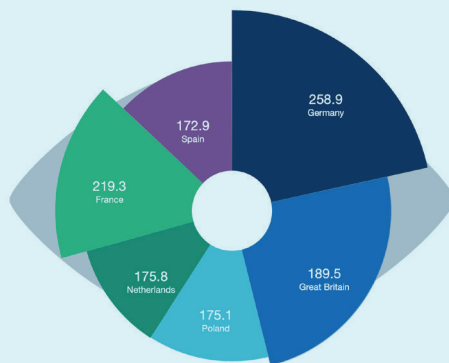
REECOX EURO SCORE DOWN IN FOUR SUCCESSIVE QUARTERS

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.

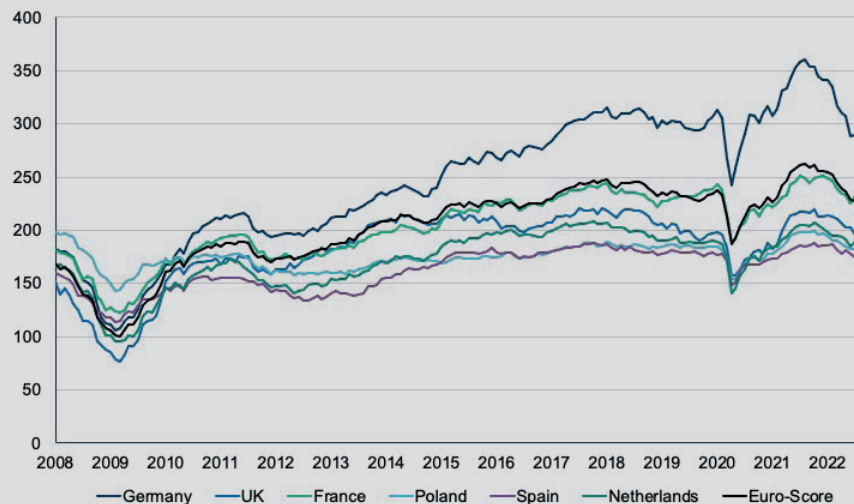
The downward trajectory of the REECOX index continued for the fourth quarter in a row. The REECOX Germany was once again bottom of the pile, experiencing a double-digit slump of 10.3 % to 258.9 points. Relatively minor losses were posted by the REECOX France (down 2.6 % to 219.3 points) and the REECOX 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 NETHERLANDS CONTINUES NEGATIVE TREND IN Q3

The Dutch real estate index has recorded a negative performance for the fourth quarter in a row. After recovering slightly at the beginning of the third quarter (July: +2.7 %), the REECOX Netherlands again posted losses in August (3.4 %) and September (4.0 %). An overall performance of -4.7 % meant that the index stood at 175.8 points at the end of the third quarter, placing it within the mid-range of the Deutsche Hypo REECOX.

Although all market variables contributed to the current trend in the Dutch real estate index, they varied considerably in terms of their impact. The FTSE EPRA/NAREIT Netherlands real estate share index made a positive start to the third quarter (July: 10.4 %), before dropping in both August (6.7 %) and September (14.2 %). The index fell by 11.6 % compared to the previous quarter to around 316.9 points, its lowest level since May 2020. The blue-chip index AEX 25 suffered much lower losses, declining by 2.8 % quarter on quarter to stand at roughly 640.6 points. Assessments by real estate experts within the scope of the Economic Sentiment Indicator (ESI) amounted to an index value of 90.6 points at the end of the quarter – a significant fall of 8.4 % as against Q2.

COMMENT ON THE MARKET



Wouter de Bever,
Managing Director
Office Amsterdam

“The Dutch real estate market is at a turning point. The rapid hike in interest rates has led to many deals being called off or postponed. Rising initial yields have caused real estate values to fall by 10 % to 15 %. The inflation rate in the Netherlands is one of the highest in Europe, standing at 14.5 % in September 2022. Because rental income in the Netherlands is subject to indexation, price growth also affects the real estate market. Uncertainty about rises in rental costs as well as high energy prices are weighing heavily on the retail sector. In addition, the savings rate among consumers has increased, pushing down consumer demand.

The logistics industry is under pressure, with initial yields here falling to 3 %. Demand for residential real estate remains very high due to population growth and immigration. Building new properties is a crucial task, but a large number of investors are adopting a wait-and-see approach because of the many uncertain factors (material costs, shortage of workers and measures to reduce greenhouse gas emissions). The general feeling is that the current situation is leading to paralysis. The next three to five months are likely to remain quiet until the market has stabilised. Watch this space!”

“The current situation is leading to paralysis.”

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	↘	↓	↓	→	↑		289	289	278	259	-10.3
UK	↘	↓	↓	↑	↑		202	196	198	190	-6.4
France	↘	↘	↓	→	↑		225	232	228	219	-2.6
Netherlands	↘	↘	↓	→	↑		184	190	183	176	-4.7
Poland	↓	↘	↓	↑	→		183	182	179	175	-4.3
Spain	↓	↘	↓	→	↑		178	175	175	173	-2.9

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