



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

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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

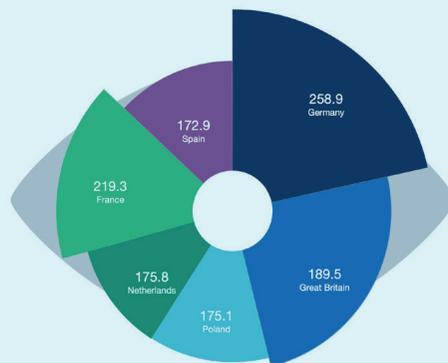
REECOX EURO SCORE DOWN IN FOUR SUCCESSIVE QUARTERS

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 UK DOWN 6.4 %

The UK real estate index continued its downward trend in the third quarter. It began the period with a 3.3 % decline in July, but then increased slightly by 1.2 % in August, before falling again by 4.3 % in September to produce an overall performance of -6.4 % at the end of the third quarter. The REECOX UK therefore stands at 189.5 points after suffering the second sharpest slide compared with the other European countries.

The FTSE EPRA/NAREIT UK real estate index posted a significant loss in the third quarter. Following slight declines in July (2.4 %) and August (1.0 %), the downturn peaked in September with a plunge of 21.5 % to 869.6 points. The FTSE 100 blue-chip index also showed a negative trend. Its initial gain of 3.5 % in July was erased by declines in August (1.9 %) and, in particular, September (5.4 %). Overall, the index fell by 3.8 % in the third quarter to around 6,894 points. Economic expectations, as reflected by the Economic Sentiment Indicator (ESI), remain negative. The ESI closed the quarter at 85.0 points, down 7.4 % on Q2.

COMMENT ON THE MARKET



Claudia Nacke,
Head of Real Estate
Finance UK, London
Branch

“The general outlook remains stark with economies enduring inflation and recession resulting from a variety of global issues. Combined with recent stormy political events in the UK and the swift and sharp reactions this has caused, it is fair to say that Q3 2022 has been more turbulent and uncertain than ideal. The new, new government appears to enjoy more market confidence and a general belief in its ability to handle the most pressing economic and social issues. Meanwhile, the Bank of England took a significant interest rate step in November by raising the prime rate by 0.75 points to 3.0%.

In line with these events, the real estate industry has been quieter with many investors pausing and re-evaluating investment decisions in Q3 and little change anticipated for Q4. Overall, we expect the coming year to be quieter as investors and lenders work through their strategies in the changed economic environment. However, opportunities remain for long dated income, offices with strong ESG criteria and residential, with logistics also remaining of interest to UK investors.“

“Overall, we expect the coming year to be quieter.”

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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