



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

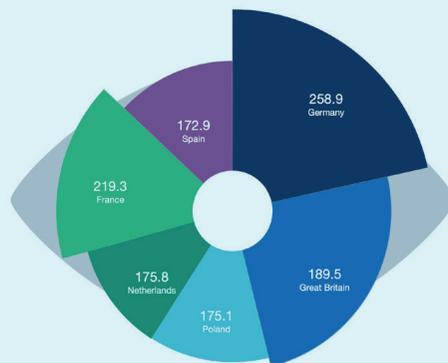
REECOX EURO SCORE DOWN IN FOUR SUCCESSIVE QUARTERS

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 GERMANY DOWN SHARPLY ONCE AGAIN

The German real estate index continued its downward trajectory in the third quarter, again recording the sharpest decline (10.3 %) of all of the European markets monitored by REECO. While July saw very little change (+0.1 %), the negative trends in August (3.8 %) and September (6.9 %) played a significant role in the overall performance for Q3. At the end of the third quarter, the REECOX Germany stood at 258.9 points.

Once again, the majority of the negative trend was accounted for by the German real estate share index DIMAX, which plunged by 19.4 % overall to 480.4 points – a figure last seen in September 2006. The German blue-chip index DAX also trended downwards, albeit to a less significant extent in relative terms. It continued its slide by falling 5.2 % compared to the previous quarter to stand at around 12,114 points. The key factors here were the losses in August (4.8 %) and September (5.6 %). Apart from the country's equity markets, the negative performance of the German real estate index is being driven to a large extent by expectations regarding the German business climate. The latter slumped by 11.8 % in the third quarter to 92.2 points.

COMMENT ON THE MARKET



Florian Meyer,
Head of Hamburg
Office

“The rise in interest rates – in particular the steepness of the hike – is severely affecting the market. We have seen enormous changes in the period between MIPIM in March 2022 and Expo Real in October 2022. All in all, the normalisation of the interest rate market is a welcome development. However, the sheer pace of market movements makes the situation in the real estate sector challenging. Although the mood at Expo Real was better than expected in the current situation, many market participants are pessimistic in their outlook. The uncertainty is leading to a wait-and-see approach amongst buyers and sellers and to a decrease in transactions.

Business is falling sharply in the property development sector in particular, whereas the office market is proving surprisingly stable despite the overall data. In Hamburg, take-up and transactions are approaching the pre-pandemic level. The market in city centres in particular has proven to be stable. However, new working models are expected to lead to increased vacancy in backoffice locations.”

“All in all, the normalisation of the interest rate market is a welcome development. However, the sheer pace of market movements makes the situation in the real estate sector challenging.”

Key figures of the real estate economies



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