



# REECOX

DEUTSCHE HYPO  
REAL ESTATE ECONOMY INDEX

## 02-2018



Dear readers,

*The European real estate market currently presents itself as extremely resilient. While we observed a negative development of the REECOX in the first quarter of the year, we are now almost back at the level of last year.*

*It almost seems as if nothing could shock the market. However, the ongoing trade dispute between the US and China (and Europe) is indeed a cause for concern. Both the German and the European real estate sectors are built on an open European market. The loss of free world trade would have fatal consequences, and not just for the real estate sector. Europe's economy appears intact. It is now up to politicians to create stable and secure conditions for the future, too.*

Kind regards,  
Sabine Barthauer

DEUTSCHE HYPO EURO-SCORE

# 246,5

## EURO SCORE POSTS GAINS AGAIN IN Q2

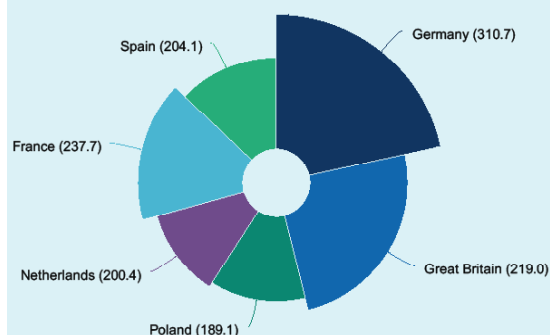
European real estate markets have seen rapid, positive development since mid-2016. The first downward trend in quite some time emerged in the first quarter of 2018 but did not continue in the second quarter. April saw a significant rally following the dip in the previous months, and the rest of the quarter posted mostly positive development. The REECOX Euro Score currently stands at 246.5 points, which corresponds to growth of 2.0 %, or 4.9 points, compared to the first quarter. It remains to be seen how the Euro Score develops moving forward. A clear trend is not discernible at the present time. However, the real estate market remains at one of the highest levels of all times.

With the exception of the Netherlands, development was positive over the quarter in all of the countries investigated. The substantial 3.4 %

rise in the UK real estate market, which has a major impact on the calculation of the Euro Score due to its size and the corresponding weighting, stands out. Real estate market development in the second-largest European market, Germany, was also positive. Despite seeing a particularly pronounced decline at the start of the year, the value of 310.7 in Q2 was up 1.7 % on the previous quarter, placing it above the level recorded in September 2017.

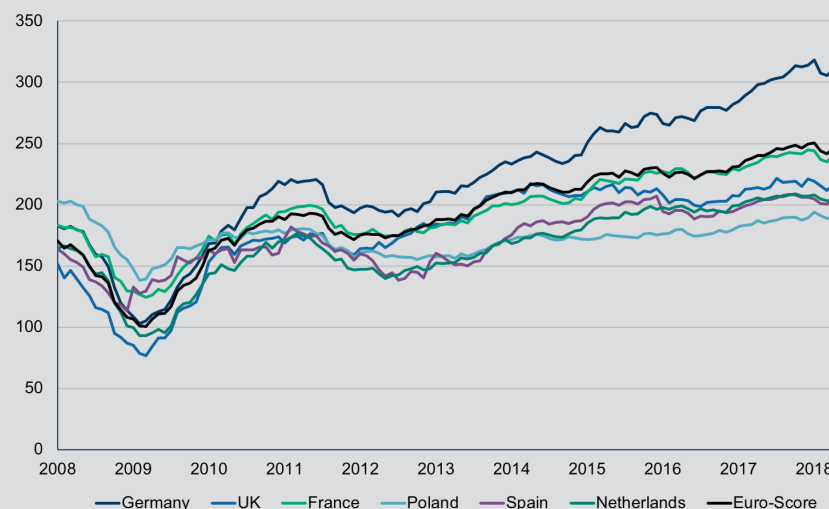
A look at the month-on-month development, however, paints a different picture than the performance on a quarterly basis. Compared to May, the countries observed saw a trend towards stagnation or even a slight decline in June. Spain, where the market recovered to a 1.8 % growth following a weak May, was an exception to the rule.

## 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 June 2018





## SPANISH REAL ESTATE MARKET CONFIRMS HIGH LEVEL

After peaking in the autumn of 2017 (208.4 points), the Spanish real estate market had been consistently posting declines in recent times. The index stabilised somewhat at 200.4 points towards the end of the first quarter and even increased to 204.1 points in the second quarter despite a renewed decline in May.

The positive development overall was fuelled mainly by the significant rise in the IBEX 35 following its fall below the 10,000-point mark and subsequent recovery. At 10,444.5 points, the index posted a substantial 8.8 % increase compared to the first quarter. The performance of the ES BCN 5 Property index was characterised by a dip in May. All told, growth (at 1.8 %) was less marked compared to the first quarter as a result. Despite the marginal rise in the interest rate for 10-year government bonds, the Economic Sentiment Indicator (ESI), which reflects real estate experts' opinion of the business climate, finished at 109.4 points for a slight increase of 0.4 % compared to the previous quarter.

## COMMENT ON THE MARKET



Maite Linares,  
Managing Director  
Office Madrid

“With the first quarter having been characterised by a slight start-of-the-year lethargy and an element of uncertainty, sentiment picked up again substantially in the second quarter. The economy appears to be in good shape, and the GDP growth forecast for 2019 has been upgraded. The real estate market – including the residential real estate market, which has recovered significantly in recent times – continues to be very attractive for investors. Demand for interesting properties is high, and rents are rising, both in 1A locations and in many B locations. Extensive investments are being made in the logistics sector in particular, even outside of the Madrid and Barcelona regions. Although the Spanish market is in good shape, the current geopolitical situation harbours risks. The party may be over soon if the punitive tariffs dispute does not quiet down in the near future.”

*“Extensive investments are being made in the logistics sector in particular, even outside of the Madrid and Barcelona regions.”*

### Key figures of the real estate economies

Country	Change of input variables in Q2-18					Change of the real estate economy Q1-18 / Q2-18	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q1-18	Apr 18	May 18	Q2-18	Delta (%) Q1-18 / Q2-18
Germany	↗	↗	→	→	↘		306	310	311	311	1,7
UK	↗	↗	↗	→	↘		212	216	219	219	3,4
France	→	→	→	→	→		235	240	238	238	1,1
Netherlands	↘	↗	↘	→	→		203	204	203	200	-1,4
Poland	↘	↘	→	→	→		189	190	189	189	0,1
Spain	↗	↗	→	→	→		200	204	201	204	1,9

Source: bulwiengesa AG

Germany UK France  
Netherlands Poland Spain

### PUBLICATION DETAILS

#### Responsible for content:

bulwiengesa AG, Tobias Kassner  
tobias.kassner@bulwiengesa.de  
Moorfuhrweg 13, 22301 Hamburg  
Tel.: +49 30 278768-23

#### Responsible for publication:

Deutsche Hypothekenbank, Carsten Dickhut  
Carsten.Dickhut@deutsche-hypo.de  
Osterstraße 31, 30159 Hannover  
Tel.: +49 511 3045-580

**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**  
Member of NORD/LB