



# 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

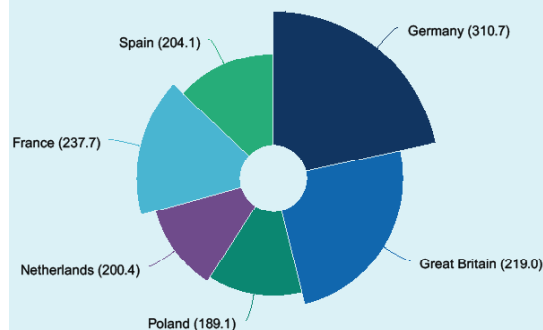
European real estate markets have seen rapid, positive development since mid-2016. The first downward trend in quite some time emerged in the first quarter of 2018 but did not continue in the second quarter. April saw a significant rally following the dip in the previous months, and the rest of the quarter 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.

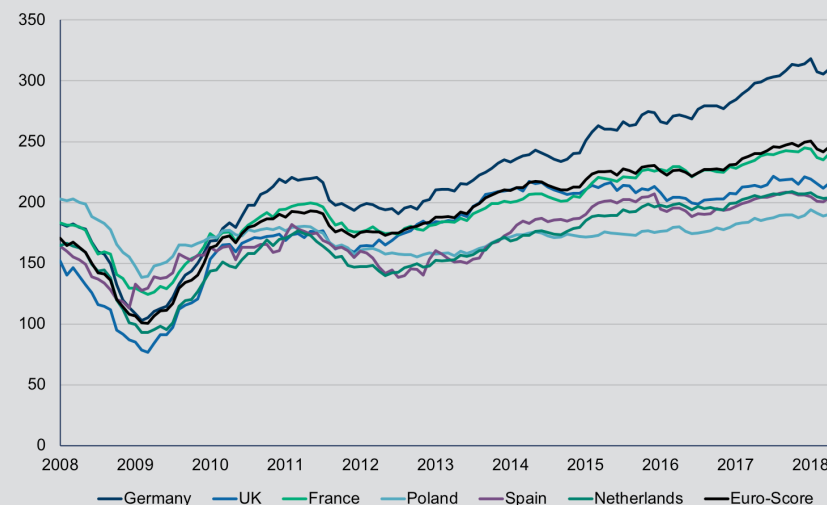
A look at the month-on-month development, however, paints a different picture than the performance on a quarterly basis. Compared to May, the countries observed saw a trend towards stagnation or even a slight decline in June. Spain, where the market recovered to a 1.8 % growth following a weak May, was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





## FRENCH REAL ESTATE MARKET STABLE AT HIGH LEVEL

In comparison to the previous quarter, the French real estate market was able to recover to a certain degree. At 237.7 points, it now stands roughly on par with the level seen at the start of the year, showing a slight improvement of 1.1 % compared to the first quarter. This increase was fuelled solely by April's strong performance, whereas the months of May and June, at -0.8 % and -0.1 %, saw a decline or stagnation. From a long-term perspective, the French real estate market has stabilised at a high level.

Following the significant first-quarter decline in all indices taken into account by REECO, the first month of the quarter April was marked by recovery. With a considerable growth of 6.8 % in April, the French stock market index CAC 40 posted positive performance but fell back to 5,120.7 points in May and June, which corresponds to a drop of 0.9 % compared to the first two quarters. The story was similar for the FTSE EPRA/NAREIT real estate index. After strong performance at the start of the quarter, June was overshadowed by a 2.1 % decline compared to the previous month, equalising the positive development and causing the index to stagnate compared to the previous quarter. The development of the Economic Sentiment Indicator (ESI) took a different path. Following a dip of 1.7 % in April, the ESI finished in positive territory in June at +1.1 % compared to the previous month. The interest rate for 10-year government bonds also fell slightly compared to the previous month, which had a positive effect on the real estate market.

## COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,  
Managing Director  
Office Paris

„The French real estate market continues to boom. The market is flush with funds, and demand remains high among French and international investors alike. All told, prices are very high. However, we have started to notice first price adjustments, especially for high-volume transactions and retail properties. People are no longer buying whatever they can get their hands on at any price. We have been in a good cycle for a very long time now, and it remains to be seen how long this phase will continue, especially in light of the most recent political developments in the world. The French economy, however, appears highly robust. As a result, I do not expect a major correction in the immediate future. Still, the best advice would be to take a critical look at every investment decision and focus on quality!“

*“People are no longer buying whatever they can get their hands on at any price.”*

### 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

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Germany UK France  
Netherlands Poland Spain

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