



# 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

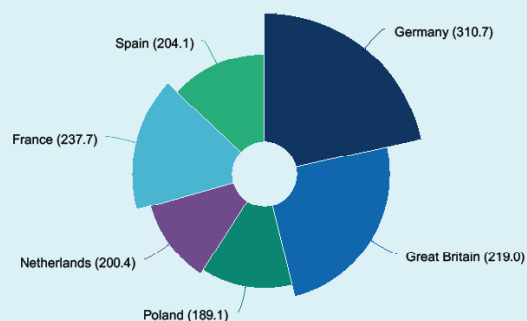
European real estate markets have seen rapid, positive development since mid-2016. The first downward trend in quite some time emerged in the first quarter of 2018 but did not continue in the second quarter. April saw a significant rally following the dip in the previous months, and the rest of the quarter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

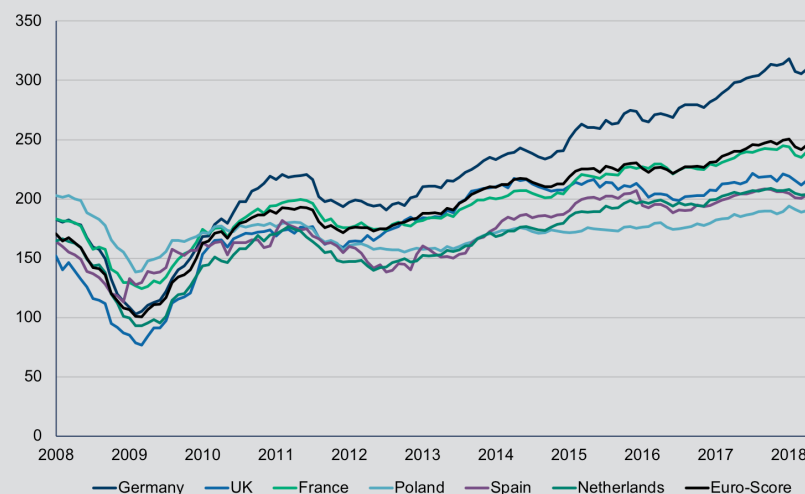
A look at the month-on-month development, however, paints a different picture than the performance on a quarterly basis. Compared to May, the countries observed saw a trend towards stagnation or even a slight decline in June. Spain, where the market recovered to a 1.8 % growth following a weak May, was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





## DUTCH REAL ESTATE MARKET SLACKENS

The Dutch real estate market peaked in 2017, having climbed to over 208 points. In the first half of the year, it fell sharply by 1.4 % compared to the previous quarter and stood at 200.4 points at the end of Q2. A look at the past quarters reveals overall stagnation at a high level.

The current cooling trend in the market can be attributed to nearly all input variables. In particular, the significant 8.3 % month-on-month drop in the Dutch benchmark index AEX 25 to 507.2 points had a pronounced impact, indicating a quarterly decline of -4.2 % compared to the first quarter despite an interim high in April. The development of the FTSE EPRA/NAREIT Netherlands real estate index was less clear-cut. Although the months of May and June were each characterised by declines, the significant rise in April (+6.0 %) meant that the second quarter ended at 1,157.2 points in June and posted a 2.5 % increase compared to the previous quarter. Meanwhile, business sentiment appears to have reached a turning point. The Economic Sentiment Indicator (ESI), which reflects real estate experts' opinion of the business climate, stood at 109.9 points in June for a 1.6 % decline month-on-month, or -2.6 % compared to the previous quarter.

## COMMENT ON THE MARKET

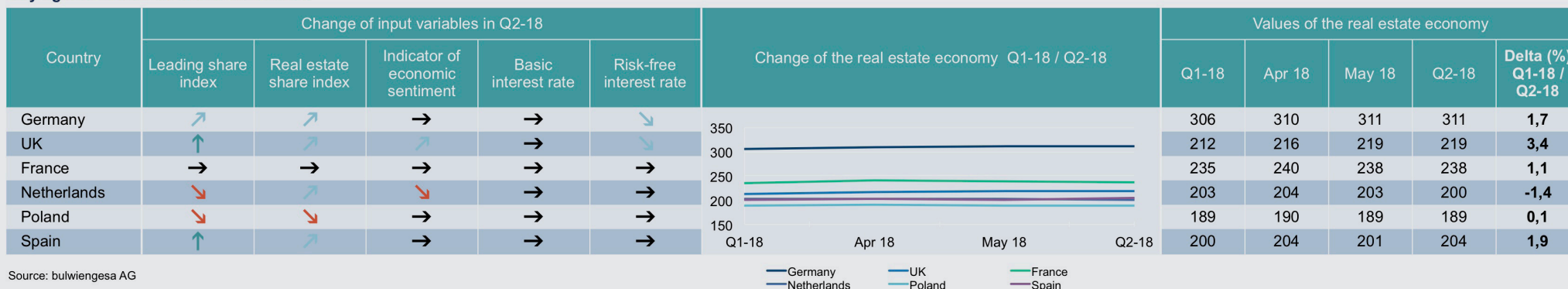


Wouter de Bever,  
Managing Director  
Office Amsterdam

"I'm not surprised that the real estate market in the Netherlands has slackened somewhat in recent times. Market players are feeling a sense of uncertainty due to political developments on both sides of the Atlantic and the associated trade disputes, as well as due to the lack of attractive investment opportunities. Equities are volatile, and government bonds are not an option in terms of yields. What's more, real estate investments become less and less interesting for investors the higher sales prices rise. Right now, returns on residential, office and retail properties only stand at just over 3 %. The fact that the commercial real estate market in the Netherlands reached a transaction volume of more than € 10 billion (CBRE) in the first half of 2018 can be explained quite simply by the lack of investment alternatives."

*"Market players are feeling a sense of uncertainty."*

### Key figures of the real estate economies



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