



# REECOX

DEUTSCHE HYPO  
REAL ESTATE ECONOMY INDEX

## 03-2018



Dear readers,

*this year's EXPO REAL trade fair impressively demonstrated that the real estate sector is performing very well*

*in all of Europe's core markets. We have recently concluded a large number of transactions, and we had specific discussions about many more in Munich. The continued dynamism of the market is reflected in the development of our REECOX: The Euro Score has decreased by just 0.5 %, meaning it continues to maintain its historic high. Europe currently faces numerous challenges, particularly in the political sphere. However, with regard to the economy, all the signs indicate that Europe does not need to be concerned about the real estate sector at the moment, one of its most important industries. In the six markets we observe, the economic conditions are good to very good. And, following a successful EXPO REAL, we can say that there is a confident mood – in all locations and perhaps more than ever.*

Kind regards,  
Sabine Barthauer

DEUTSCHE HYPO EURO-SCORE

# 245.4

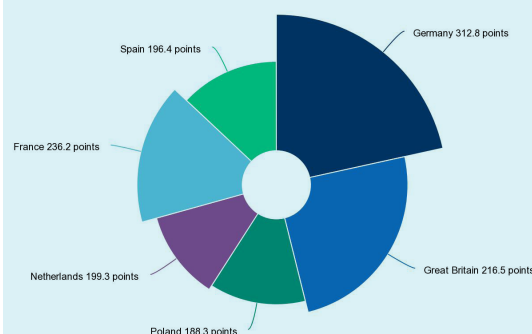
## EURO SCORE STAGNATES IN THE THIRD QUARTER

After continuous positive development since mid-2016, the European Real Estate Economy Index (REECOX Euro Score) decreased for the first time in the first quarter of 2018. But the second quarter laid rest to the assumption of a general change in trend in the European real estate sector. There was again no clear trend in the third quarter. While the Euro Score displayed de facto negative development, the slight 0.5 % decrease suggests more of a stagnation than a downward development. Development also varied during the quarter: While the months of July (+0.5 %) and August (+0.5 %) were positive, there was a month-on-month decrease of 1 % in September, representing a comparatively negative trend. The REECOX Euro Score currently stands at 245.4 points. Considering the ambivalent development in the first half of the year, it remains to be seen

which direction the REECOX Euro Score will take in the future. Even though there is an increasing number of negative signs, a clear trend cannot be determined. From a historical perspective, the European Real Estate Economy Index continues to maintain a very high level.

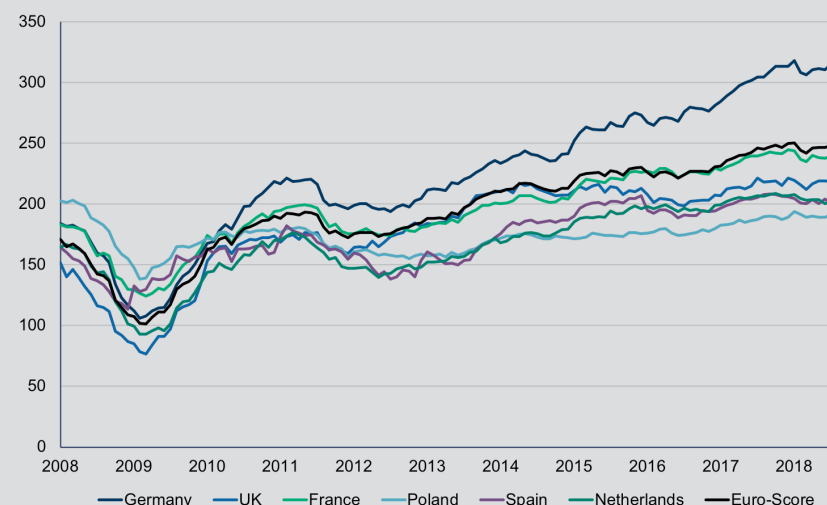
With the exception of Germany, the real estate economy indices for the countries included in REECOX displayed de facto negative development compared to the second quarter, although the development of many countries was closer to stagnation. In Spain the decrease of 3.8 % was comparatively significant. However, in September the real estate economy indices of all the countries observed presented a slightly gloomier picture compared to the previous month.

## 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 2018





## GERMAN REAL ESTATE ECONOMY INDEX STANDS OUT POSITIVELY

In the third quarter, the German Real Estate Economy Index displayed slight positive development and is currently at a level of 312.8 points. That represents an increase of 0.7 % compared to the second quarter. While (slight) negative trends can be seen in all the other countries assessed in the REECO, the German Real Estate Economy Index was the only one to develop positively compared to the previous quarter.

That positive trend was primarily due to the rising DIMAX, which increased by 3.6 % compared to the previous quarter, to 841.44 points. In September the DIMAX fell by 3.7 % compared to the previous month, following significant positive development in July and August. Overall, the DAX was stable. While July and August were characterised by contrary developments, in September there was a moderate decline of 0.9 % compared to the previous month. On the last trading day in September, the German leading share index reached a level of 12,226.7 points, representing a slight decrease of 0.6 % compared to the previous quarter. Following an overall decline in the Economic Sentiment Indicator (ESI) in the first half of the year, in the third quarter it rose again slightly, by 0.5 % compared to the previous quarter, to 112.5 points.

## COMMENT ON THE MARKET



Harald Nolterieke,  
Head of Munich  
Office

“The mood at EXPO REAL was very confident once again. The positive energy at the exhibition centre was tangible. Investors are looking for investment opportunities across Germany. In Munich’s real estate market alone, many large-volume transactions will be concluded before the end of the year. Wherever you look there is pressure to invest. Capital is now increasingly looking for asset niches – with the hope of returns. For example, “light Industrial” properties are increasingly of interest to investors in the logistics sector. All in all, the real estate industry continues to perform well. However, I am concerned by the level of completions, which is far too low. The lack of specialist staff and the excessive workload for construction companies are having a negative impact on the industry. The biggest risk for developers at the moment is that they will be unable to find a construction company at a reasonable price.”

*“The lack of specialist staff is having a negative impact on the industry.”*

### Key figures of the real estate economies

Country	Change of input variables in Q3-18					Change of the real estate economy Q2-18 / Q3-18	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q2-18	Jul 18	Aug 18	Q3-18	Delta (%) Q2-18 / Q3-18
Germany	→	↗	→	→	→	350	311	315	316	313	0,7
UK	↘	↘	↗	↗	↗	300	219	219	219	216	-1,1
France	↗	↘	↘	→	→	250	238	239	238	236	-0,6
Netherlands	↗	↘	→	→	→	200	200	202	201	199	-0,6
Poland	↗	↘	↘	→	→	150	189	191	190	188	-0,4
Spain	↘	↘	↘	→	→	100	204	201	199	196	-3,8

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Germany UK France  
Netherlands Poland Spain

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