



# 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

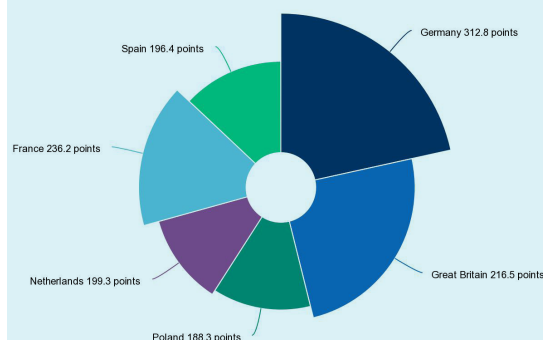
## EURO SCORE STAGNATES IN THE THIRD QUARTER

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.

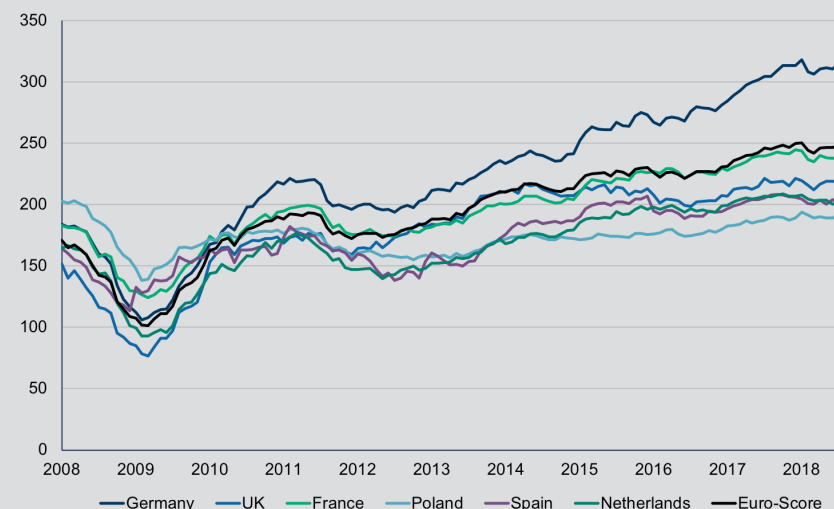
With the exception of Germany, the real estate economy indices for the countries included in REECOX displayed de facto negative development compared to the second quarter, although the development of many countries was closer to stagnation. In Spain the decrease of 3.8 % was comparatively significant. 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





## SPANISH REAL ESTATE ECONOMY INDEX FALLS BELOW 200 POINTS

While the Spanish Real Estate Economy Index reached new highs in autumn 2017 and, most recently, this summer, in the third quarter it fell to 196.4 points, a decline of 3.8 % compared to the second quarter.

This development was primarily due to the significant decline in the IBEX 35, which fell below the 10,000-point mark after peaking briefly in June. It ended the quarter at 9,389.2 points, a significant decrease of 10.1 % compared to the second quarter. The downward trend was mostly seen in July and August, with the index largely stagnating in September. That means a clear trend has yet to emerge. The ES BCN 5 Property real estate index also declined: Following positive development in the summer, in the third quarter it fell by 6.7 % compared to the previous quarter, to 1,005.2 points. The assessment of the business climate by real estate experts as reflected by the Economic Sentiment Indicator (ESI) also decreased in the third quarter, following stable development in the first two quarters of 2018. The index's current level of 105.5 points represents a fall of 3.6 % compared to the previous quarter, to a level last seen in December 2016.

## COMMENT ON THE MARKET



Maite Linares,  
Managing Director  
Office Madrid

"The REECOX fell slightly in the third quarter. That development doesn't surprise me because the primary driver was the IBEX 35, which has displayed a negative trend over the past three months. Does that represent a turning point? I think the IBEX 35 currently reflects a number of uncertainties with regard to the European Union and the global economy – more than the present situation in the Spanish economy. We continue to see a lot of activity on the Spanish real estate market, above all in the areas of retail and logistics, but the office asset class has also recovered significantly after a weak start to the current year. A number of portfolio transactions were recently completed. That means demand remains very high – but there is a lack of available properties."

*"The office asset class has recovered significantly after a weak start to the current year."*

### 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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