



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

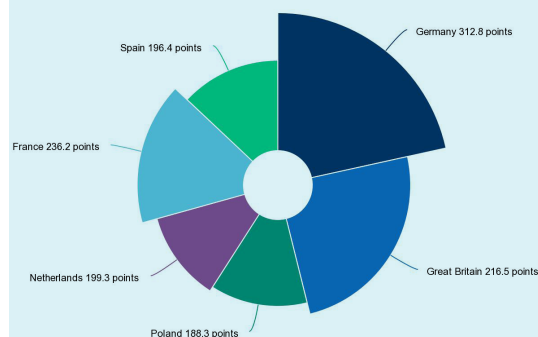
EURO SCORE STAGNATES IN THE THIRD QUARTER

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.

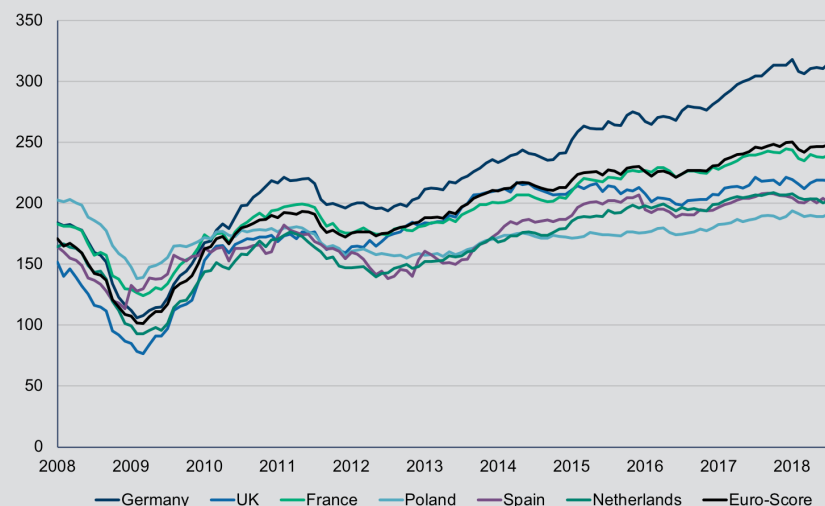
With the exception of Germany, the real estate economy indices for the countries included in REECOX displayed de facto negative development compared to the second quarter, although the development of many countries was closer to stagnation. In Spain the decrease of 3.8 % was comparatively significant.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





FRENCH REAL ESTATE ECONOMY INDEX AT A HIGH LEVEL

After the French Real Estate Economy Index fell in line with the general upturn in the second quarter, there was a slight decrease of 0.6 % in the third quarter, which was also in line with the Euro Score. At 236.2 points, the overall development of the French Real Estate Economy Index remains stable at a high level.

However, the overall steady trend is partially the result of contradictory developments in the contributing Indicators. While the French leading share index CAC 40 achieved significant positive development, with a rise of 7.3 % compared to the previous quarter, returning to the high seen in April, the real estate share index FTSE EPRA/NAREIT displayed a downward trend: Following a slight growth in June, there was a decline in August and particularly in September, resulting in a fall of 2 % compared to the previous quarter to 3,865 points. The development of the Economic Sentiment Indicator (ESI) also shows a downward trend. The sentiment indicator of real estate experts fell by 3 % compared to the previous quarter to its current level of 106.3 points.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“Ten years have passed since the financial crisis, which peaked with the collapse of the US bank Lehman Brothers. Since then, our industry has professionalised noticeably. Every investment decision is critically evaluated – by both banks and investors. That is also the case in the French real estate market, which has developed extremely positively overall during the last ten years. In the first half of 2018 alone, the transaction volume totalled EUR 12.5 billion – a year-on-year increase of 27 %. It is noteworthy that a total of approximately EUR 3 billion was invested in new buildings. The growing importance of “green properties” on the French real estate market is a significant driver of that development. Investors increasingly want sustainable, green investments – a trend that will become even more important in the future!”

“Investors increasingly want sustainable, green investments.”

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	↘	↘	↘	→	→	150	204	201	199	196	-3,8

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