DEUTSCHE HYPO REECOX SEES DOWNTURN AT THE END OF THE YEAR

While recent quarterly reports have not displayed a clear trend, and the European Real Estate Economy Index (Euro Score) has fluctuated, the direction at the end of the year is unequivocal: the REECOX Euro Score currently lies at 233.9 points, its lowest level in two years. Seen retrospectively, this development began in September, when the index value decreased by 1.0% compared to the previous month, ending the stagnation seen over the summer. By the end of the year, with decreases four months in a row, a dynamic had become established. Such distinct movement had not been seen since the first quarter of 2018, and before that mid-2016. In September the index was at 245.4 points, corresponding to a 4.7% decrease. Overall the Euro Score fell by 6.3% last year, the most significant annual decline since 2011. However, the key difference is that the REECOX stood at 172.2 points at the end of 2011 – compared to 233.9 points today.

There is no clear driver of the current developments. Instead the majority of the countries included in the REECOX are displaying negative tendencies – although to significantly different degrees. The clearest negative movement was in the United Kingdom (-5.4%) and France (-5.3%), while the Polish Real Estate Economy Index more or less stagnated (-0.4%). Over 2018 as a whole, Poland (-0.9%) was also a positive outlier while all other countries saw significant negative development. The steepest fall was in France (-8.6%), while the decrease in Germany was comparatively low (-4.7%).

Kind regards,
Sabine Barthauer
"We are currently experiencing two different realities"

"Following the negative stock market trends in the third quarter, they fell even further in the fourth quarter. When you consider those developments alongside the past year in real estate, then it becomes clear that we are currently experiencing two different realities. The Spanish real estate market remains in very good shape. The transaction volume has increased again compared to the previous year, demand remains high, and the overall impact of the conflict in Catalonia is hardly noticeable. However, we should bear in mind that the REECOX acts as an early indicator. If the current political uncertainty does not end soon, then sooner or later it will have an impact on our industry. Because political instability is poison for investors!"