



# REECOX

DEUTSCHE HYPO  
REAL ESTATE ECONOMY INDEX

## 04-2018



Dear readers,

*the decrease in the Deutsche Hypo REECOX in the fourth quarter of 2018 is the largest since 2011. At first*

*glance that development might seem a little surprising, as commercial real estate markets in the most important European states are still running well.*

*But when taking a second look, the current development of the REECOX was to be expected. If we consider the neverending chaos surrounding the Brexit, the social challenges in many European countries or the reduced growth forecasts. The fact that the stock markets are collapsing in this difficult environment, along with the Deutsche Hypo REECOX, is certainly alarming. But it is also understandable.*

Kind regards,  
Sabine Barthauer

DEUTSCHE HYPO EURO-SCORE

# 233.9

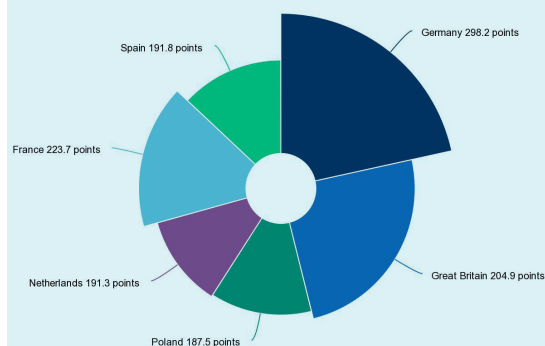
## DEUTSCHE HYPO REECOX SEES DOWNTURN AT THE END OF THE YEAR

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 dif-

ference is that the REECOX stood at 172.2 points at the end of 2011 – compared to 233.9 points today.

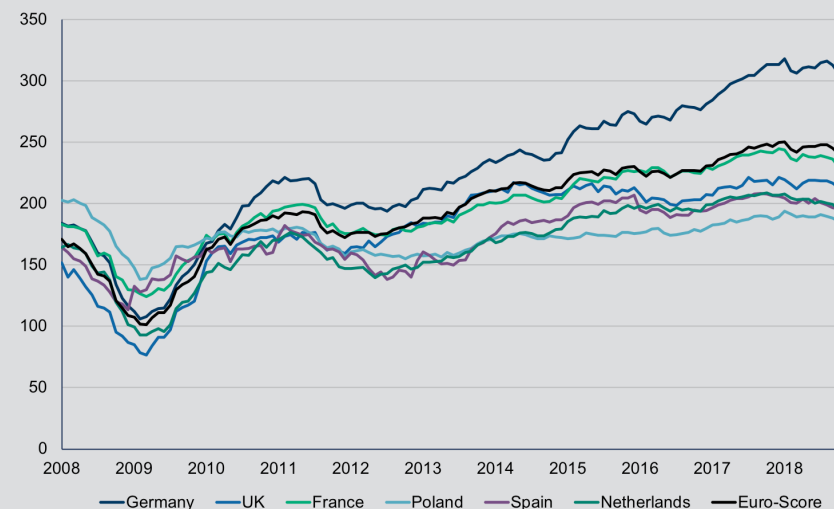
There is no clear driver of the current developments. Instead the majority of the countries included in the REECOX are displaying negative tendencies – although to significantly different degrees. The clearest negative movement was in the United Kingdom (-5.4 %) and France (-5.3 %), while the Polish 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 %).

### 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 December 2018





## SPANISH REAL ESTATE ECONOMY INDEX DECLINES FURTHER

Following the fall below the 200 point mark in the third quarter, the Spanish Real Estate Economy Index did not recover in the fourth quarter of 2018 either. Instead the index declined further: at the end of the year it reached a level of 191.8 points, which represents a decrease of 2.4 % compared to the previous quarter. However, the drop in the fourth quarter was lower than in the rest of Europe. Be that as it may, 2018 as a whole was characterised by almost constant negative development – following the highs of 2017.

All the market variables contributed to the current trend in the Spanish Real Estate Economy Index – although there were significant differences between the individual indicators. The IBEX 35 saw a further clear drop: It declined by 9.0 % compared to the previous quarter, to 8,539.9 points, a level not seen since June 2016. The real estate index ES BCN 5 Property displayed a similar development: It decreased by 9.4 % compared to the previous quarter, to 911.2 points, which was equal to the level at the end of 2016. Meanwhile, the business climate only declined slightly in the fourth quarter, cushioning the negative developments of the other input variables. The assessments of real estate experts as reflected by the Economic Sentiment Indicator (ESI) resulted in an index value of 104.1 points at the end of the year, a fall of 1.3 %.

## COMMENT ON THE MARKET



Maite Linares,  
Managing Director  
Office Madrid

“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!”

*“We are currently experiencing two different realities”*

### Key figures of the real estate economies

Country	Change of input variables in Q4-18					Change of the real estate economy Q3-18 / Q4-18	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q3-18	Oct 18	Nov 18	Q4-18	Delta (%) Q3-18 / Q4-18
Germany	↓	↓	↓	→	↓		313	306	308	298	-4,7
UK	↓	↓	↓	→	↓		216	213	207	205	-5,4
France	↓	↓	↓	→	→		236	230	229	224	-5,3
Netherlands	↓	↓	↓	→	↓		199	195	195	191	-4,0
Poland	→	↓	→	→	↓		188	186	189	187	-0,4
Spain	↓	↓	↓	→	→		196	196	196	192	-2,4

Source: bulwiengesa AG

### 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