



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

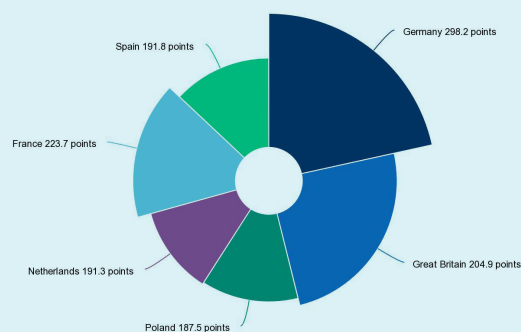
DEUTSCHE HYPO REECOX SEES DOWNTURN AT THE END OF THE YEAR

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.

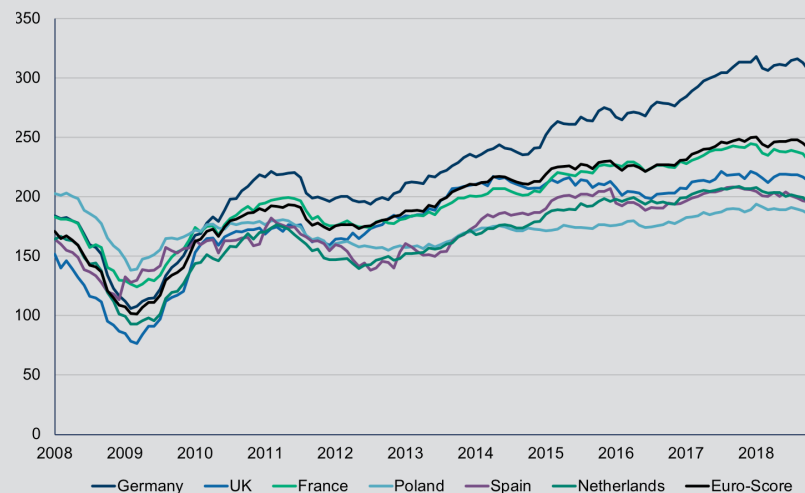
There is no clear driver of the current developments. Instead the majority of the countries included in the REECOX are displaying negative tendencies – although to significantly different degrees. The clearest negative movement was in the United Kingdom (-5.4 %) and France (-5.3 %), while the Polish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





REAL ESTATE ECONOMY INDEX FOR THE NETHERLANDS FALLS BACK TO ITS 2015 LEVEL

The fourth quarter 2018 did not reverse the trend in the Real Estate Economy Index for the Netherlands. After recent slowing of the downward trend that has continued since 2017, it accelerated again at the end of the year. With a decrease of 4.0 % compared to the third quarter, to 191.3 points, it reached a level last seen in 2015. Overall, the REECOX score for the Netherlands decreased by 7.6 % in 2018, the second highest decrease of any country.

The performance of the FTSE EPRA/NAREIT Netherlands real estate index, which fell by a full 20.1 % compared to the previous quarter, was primarily responsible for recent developments. Its level of 844.6 points on the last trading day in December was the lowest in 20 years. The Dutch leading index AEX 25 also saw a double-digit fall: a decrease of 11.2 % compared to the previous quarter brought it to its current level of 487.9 points. However, the negative development of the stock markets had almost no impact on the assessments of real estate experts as reflected by the Economic Sentiment Indicator (ESI). It only decreased by 1.4 % to 108.0 points, compared to the previous quarter.

COMMENT ON THE MARKET

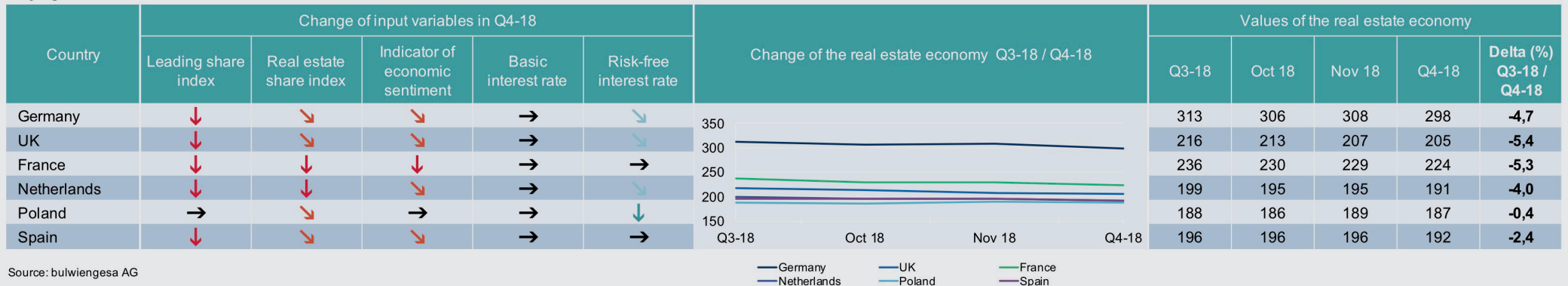


Wouter de Bever,
Managing Director
Office Amsterdam

“Regardless which market actor you speak to at the moment, there is one topic that keeps coming up: the development of yields. It is increasingly clear that there is a shortage of high-quality properties in the Netherlands, and that is exerting further downward pressure on returns. In the current low-interest environment investors simply have no alternative to real estate investment. A transaction volume of approximately € 20 billion speaks for itself. Even logistics properties are only generating returns of 4.5 % – that is really remarkable. Despite the current trend in the Deutsche Hypo REECOX, I have a cautiously optimistic outlook. The real estate market in the Netherlands remains intact. Above all, the asset classes residential, logistics and office properties remain in unusually high demand among domestic and foreign investors. Historically low unemployment in the Netherlands is surely having a positive effect.”

“Returns of 4.5 % on logistics properties, that is really remarkable.”

Key figures of the real estate economies



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