



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

01-2019



Dear readers,

the Euro-Score had a good start to 2019. The positive trend was observed in all six countries covered by the index. This

type of almost parallel development has been seen before in the past, and clearly reflects the close relationships between the European countries. We are also aware of those close connections in our day-to-day business: many investors are active across borders and pursue pan-European strategies. The economy as a whole benefits from the advantages of a united Europe. But that has not stopped the voices of Europe's critics becoming louder – a worrying development. That's why it's more important than ever that we stand together for Europe – because it is the only way forward. We need the EU, for our economy and for lasting peace. That's why I hope that we will embody the idea of a united Europe even more strongly after the European elections, and that the countries will move even closer together!

Kind regards,
Sabine Barthauer

DEUTSCHE HYPO EURO-SCORE

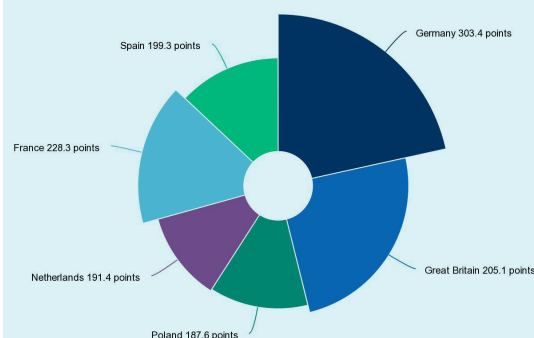
236.8

EURO-SCORE STARTS THE YEAR POSITIVELY

The European Real Estate Economy Index performed negatively over 2018 as a whole, largely as a result of the clear negative trend in the fourth quarter. That makes the renewed positive development in the first quarter of 2019, which resulted in a slight recovery at the start of the year, even more welcome. Following negative development of the Euro-Score over four consecutive months, the trend was finally ended by a slight rise (+1.3%) in January. While that rise was almost completely cancelled out by a further fall in February (-1.1%), the positive trend continued in March (+1.3%). Overall, the first quarter was volatile but ended with an increase of 1.6 % in the Euro-Score, leaving it at its current level of 236.8 points.

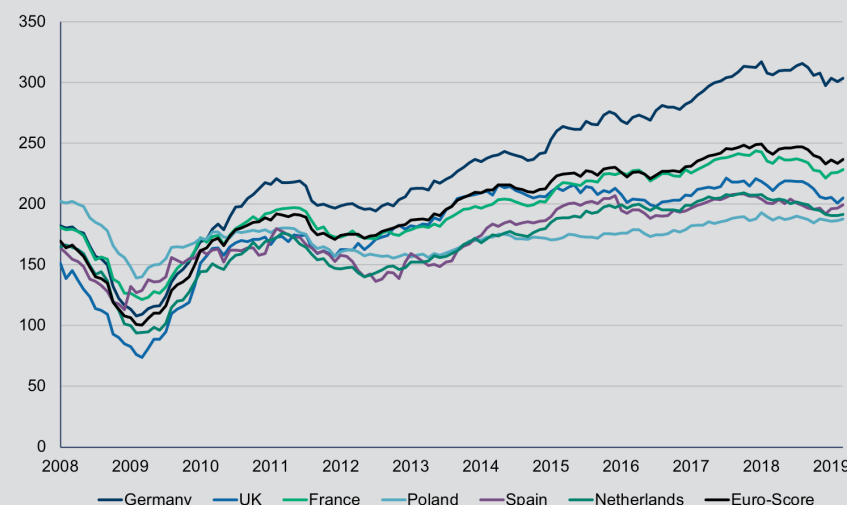
The positive pan-European trend was generally observed in all the countries included by the Deutsche Hypo REECOX. Developments in France and Spain were particularly positive. Following significant drops in the previous year, they each saw a rise in all three months of the first quarter. Those countries also displayed above-average performance over the first quarter as a whole. In France the Real Estate Economy Index rose by 3.2%, while Spain saw an increase of 3.8%. The other countries saw decreases in individual months of the first quarter but, with the exception of the UK, none of those setbacks exceeded one percentage point.

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 March 2019





GERMAN REAL ESTATE ECONOMY INDEX STARTS THE YEAR STRONGLY

After the fourth quarter of 2018 put a damper on the development of the German Real Estate Economy Index, the first quarter of the new year has brought some relief. While growth of 2% to 303.4 points was moderate, the REECOX value is again above the 300 point mark, which it had fallen below for the first time since May 2017.

However, the development of the various input variables was extremely varied: The DAX performed well in the first quarter of 2019, climbing to 11,525 points at the end of March. That equated to strong growth of 9.2%, although that rise did not cancel out the losses from the second half of 2018. The DIMAX achieved similar positive development, rising by 888 points or 11.9% compared to the previous quarter. That set a new record, exceeding the previous high in August 2018. However, the positive development of the stock markets is not yet reflected by the Economic Sentiment Indicator (ESI). At 106.6 points, it fell by 2.5% to its lowest level since September 2016.

COMMENT ON THE MARKET



Alexander Firsching,
Head of Berlin Office

“Everyone is talking about Berlin, even 1,100 kilometres away. At this year’s Mipim in Cannes, Berlin was the first subject in every discussion about investments in Germany. And there were a lot of discussions about Germany... the German real estate market is considered a ‘safe haven’ and continues to attract a lot of attention – including from international investors. Thanks to its ongoing growth, the Berlin real estate market is a particular area of focus. The recent debate about expropriation comes at a bad time and could endanger Berlin’s development, which has been positive for years, by scaring off potential investors. There is one thing we should not forget: Unlike in France, where Paris has a pre-eminent position, international investors in Germany have plenty of alternative investment opportunities. If they no longer like the conditions in Berlin, they will quickly turn their backs on the capital and try their luck in Frankfurt, Munich, Hamburg, Stuttgart, Düsseldorf or Cologne.”

“The recent debate about expropriation comes at a bad time and could endanger Berlin’s development, which has been positive for years.”

Key figures of the real estate economies

Country	Change of input variables in Q1-19					Change of the real estate economy Q4-18 / Q1-19	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q4-18	Jan 19	Feb 19	Q1-19	Delta (%) Q4-18 / Q1-19
Germany	↑	↗	↘	→	↘		297	303	301	303	2,0
UK	↗	↑	↘	→	↘		205	206	201	205	0,3
France	↑	↑	→	→	↘		221	225	226	228	3,2
Netherlands	↑	↗	↘	→	↘		191	190	191	191	0,0
Poland	↗	↑	↘	→	↘		187	186	187	188	0,5
Spain	↗	↑	↗	→	↓		192	196	197	199	3,8

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Germany UK France
Netherlands Poland Spain

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