



REECOX

www.reecox.co.uk

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

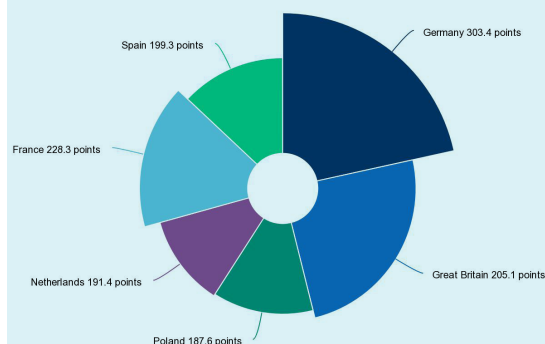
236.8

DEUTSCHE HYPO REECOX SEES DOWNTURN AT THE END OF THE YEAR

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.

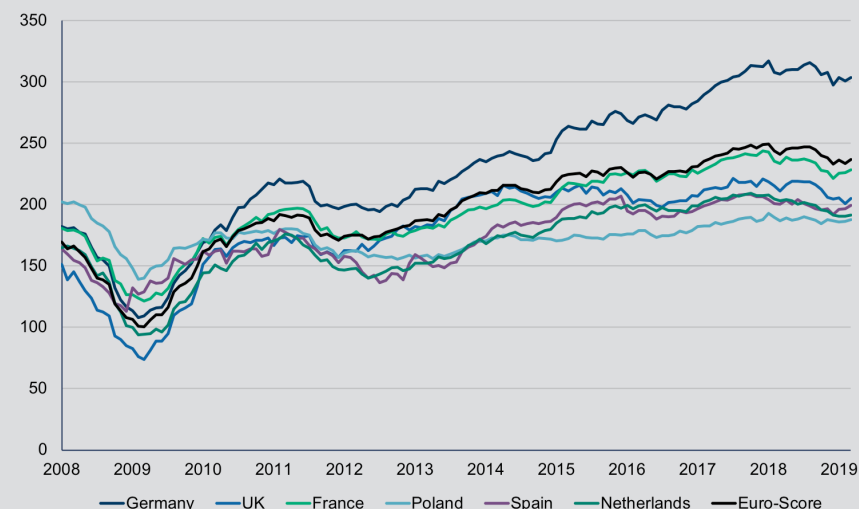
The positive pan-European trend was generally observed in all the countries included by the Deutsche Hypo REECOX. Developments in France and Spain were particularly positive. Following significant drops in the previous year, they each saw a rise in all three months of the first quarter. Those countries 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





SPANISH REAL ESTATE ECONOMY INDEX ACHIEVES THE HIGHEST INCREASE IN EUROPE, AT 3.8%

The dramatic development of the Spanish Real Estate Economy Index at the end of 2018 was followed by a noticeable recovery in the new year. It made a clear jump in January, followed by a slight positive development in the two months that followed. It ended the first quarter at 199.3 points, an increase of 3.8% compared to the previous quarter. That is even higher than in the third quarter of 2018, and represents a sigh of relief in spring following serious winter blues.

There was uniformly positive development in the input variables. The leading share index IBEX 35 rose sharply. Growth of 8.2% almost completely compensated for the dip in previous quarter. At 9,240 points, the index has almost returned to the level seen in September 2018. The recovery of the real estate index ES BCN 5 Property was even more marked: following a healthy rise of 16.9% to its current 1,064 points, it is approaching the level seen in summer 2018. The business climate as measured by the Economic Sentiment Indicator (ESI) usually moves less dramatically, so a direct comparison with the other input variables makes the increase of 2.3% to 106.7 points look slim. However, historically it represents a major jump: the last time it rose that fast in a single quarter was at the end on 2015.

COMMENT ON THE MARKET



Maite Linares,
Managing Director
Office Madrid

“We have started 2019 with great optimism. And why not? The real estate sector continues to be extremely stable, and forecast growth of 2.1 % in Spain is above the average expected growth in other European countries. The signs are positive. Now we have to capitalise on the positive momentum – among other things to prepare for the end of cycle. I see great potential for the sector, above all with regard to digitalisation and the digital transformation. To ensure that we can fully exploit it, we will need support from the political world. The most important condition is a stable government majority, which will be able to implement long-term, sustainable strategies for our country.”

“Now we have to capitalise on the positive momentum.”

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	↑	↗	↘	→	↘	350	297	303	301	303	2,0
UK	↗	↑	↘	→	↘	300	205	206	201	205	0,3
France	↑	↑	→	→	↘	250	221	225	226	228	3,2
Netherlands	↑	↗	↘	→	↘	200	191	190	191	191	0,0
Poland	↗	↑	↘	→	↘	150	187	186	187	188	0,5
Spain	↗	↑	↗	→	↘	150	192	196	197	199	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