



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

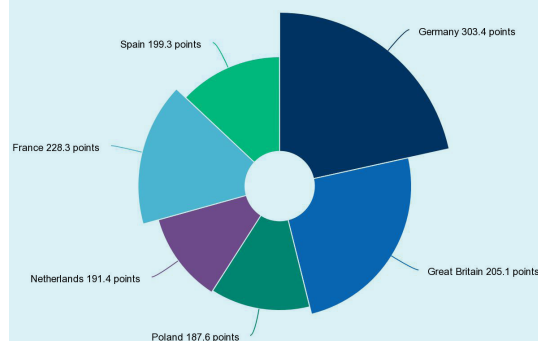
236.8

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.

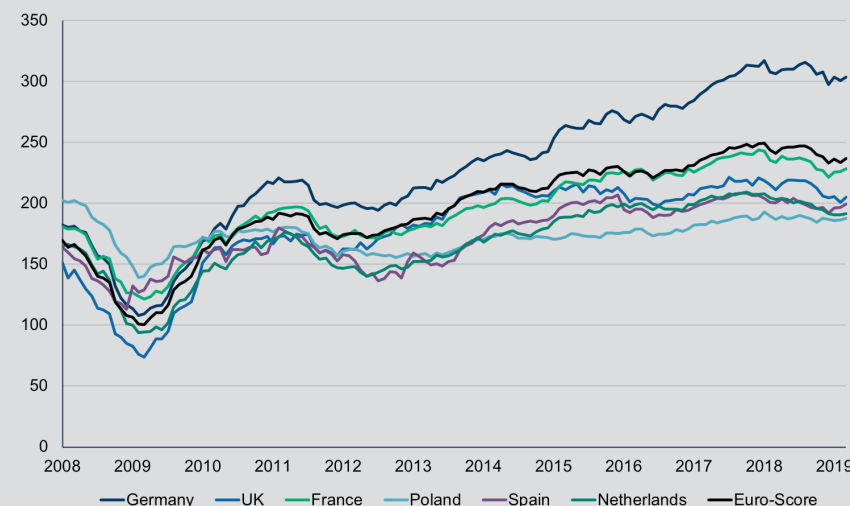
The positive pan-European trend was generally observed in all the countries included by the Deutsche Hypo REECOX. Developments in France and Spain were particularly positive. Following significant drops in the previous year, they each saw a rise in all three months of the first quarter. Those countries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





REECOX FRANCE RECOVERS AT THE START OF THE YEAR

Following significant negative development at the end of 2018, which brought the French REECOX into line with the rest of Europe, there was a turnaround in the first quarter of 2019, with positive development over all three months compared to the preceding months. That resulted in a total rise of 3.2%, to 228.3 points.

The rate of change differed among the input variables. The French leading share index CAC 40 recorded significant growth: from a closing level of under 5,000 points in January, it climbed relatively consistently to approximately 5,350 points at the end of the quarter. That represents an increase of 13.1% compared to the previous quarter. The real estate leading share index FTSE EPRA/NAREIT France also played a significant role in the overall development of the REECOX. Following a clear jump in January, it rose slightly in the following months to its current level of 3,733 points. That resulted in a total increase of 14.3%. However, that general positive trend is not reflected by expert assessments as measured by the Economic Sentiment Indicator (ESI). Its level of 101 points in March 2019 represented a slight rise of 0.5%, and left it below the level seen in October 2016.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“Emmanuel Macron’s € 10 billion package of measures has surely contributed to predictions of economic growth above the European average in France this year. The fact that France has significantly lower exports than Germany, and is therefore less dependent on the global economy, is an even more significant factor. That is currently benefiting our economy. And the real estate market is also in good shape. In fact, it’s in such good shape that demand is now outpacing supply – particularly in the office segment. Vacancy rates of 2.3% in Paris and 5.4% in the region demonstrate that very clearly. While construction continues apace, demand is simply too high. Interest from foreign investors also remains high. The market continues to boom, and there is no end in sight for the cycle.”

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Key figures of the real estate economies



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