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

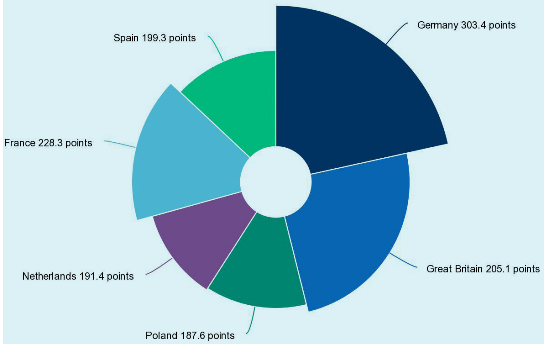
236.8

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.

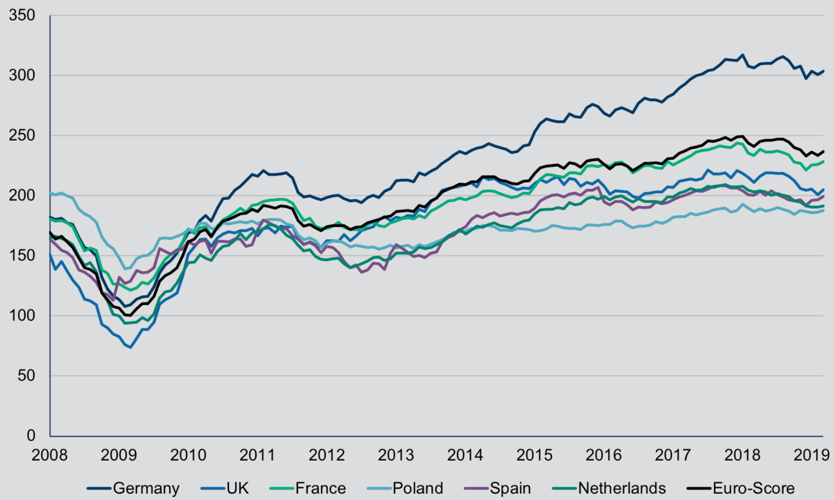
The positive pan-European trend was generally observed in all the countries included by the Deutsche Hypo REECOX. Developments in France and Spain were particularly positive. Following significant drops in the previous year, they each saw a rise in all three months of the first quarter. Those countries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



POLISH REAL ESTATE ECONOMY INDEX RECORDS A FURTHER SLIGHT GAIN

The consistency that characterised the Polish real estate market in 2018 has continued in early 2019. Compared to the previous quarter, the REECOX rose by just under one point, or 0.5%, to its current level of 187.6 points.

Meanwhile, the development of the input variables was somewhat contradictory. The Polish leading share index WIG 20 rose slightly, by 1.6%, ending March at 2,312 points. The Polish real estate index WIG Developers presented a very different picture: Following decreases in the last three quarters, it saw a dramatic double-digit rise of 15.5% to approximately 2,213 points, above its level a year earlier. That is remarkable in that, apart from January 2018, this constitutes its highest level since 2011. However, according to the Economic Sentiment Indicator (ESI), the assessments of Polish real estate experts do not point to further increases. Following a decline of 1.7% to 104.8 points, the index is at its lowest level since autumn 2017.

COMMENT ON THE MARKET

Beata Latoszek,
Managing Director
Office Warsaw

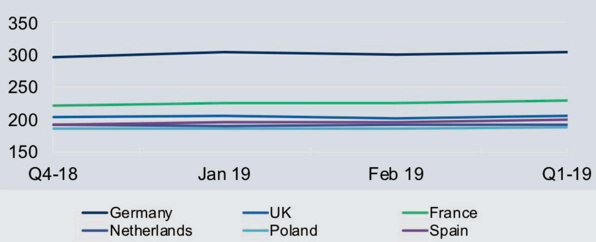
“Like a perpetual motion machine: the Polish real estate market just keeps going and going and going. The Polish Real Estate Economy Index displayed positive development without significant upward or downward movement, with a rise of 0.5% in the first quarter. Foreign investors’ showed continued interest in Poland. Moreover, investments beyond the real estate sector, such as in securities and bonds, are not very attractive at the moment. That has resulted in returns on top office properties in Warsaw falling as low as 4%. That means returns in the Polish property market are increasingly converging with those in Western European real estate markets. But that is not scaring off investors. Quite the opposite: they just keep on buying. Seen objectively, the situation is bizarre: everyone expects the market to weaken, but there continue to be no signs of that happening. The transactions continue – like a perpetual motion machine...”

“Like a perpetual motion machine: the Polish real estate market just keeps going and going and going...”

Key figures of the real estate economies

Country	Change of input variables in Q1-19				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate
Germany	↑	↗	↘	→	↘
UK	↗	↑	↓	→	↘
France	↑	↑	→	→	↘
Netherlands	↑	↗	↘	→	↘
Poland	↗	↑	↘	→	↘
Spain	↗	↑	↗	→	↓

Change of the real estate economy Q4-18 / Q1-19



Country	Values of the real estate economy				
	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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