



# REECOX

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DEUTSCHE HYPO  
REAL ESTATE ECONOMY INDEX

## 02-2019



Dear readers,

*Europe is in agreement: Since early 2018, the development of the REECOX quarterly values in at least five of the six*

*markets observed has been aligned – and that trend continued in the second quarter of 2019: With the exception of France where, happily, the REECOX rose, the Real Estate Economy Indices in all the other markets fell. That development is, among other things, due to the deteriorating business climate in all the markets observed, with the exception of France. Escalating trade disputes and the weakening of the global economy are having an increasingly negative effect on sentiment in all markets. At any rate, companies consider their current situation and outlook to be significantly worse than in previous years. As a result of the dependence of the real estate sector on economic development, the impact of those trends on our industry is now also noticeable. We will see how sustainable the current development is as the year progresses.*

Kind regards,  
Sabine Barthauer

DEUTSCHE HYPO EURO-SCORE

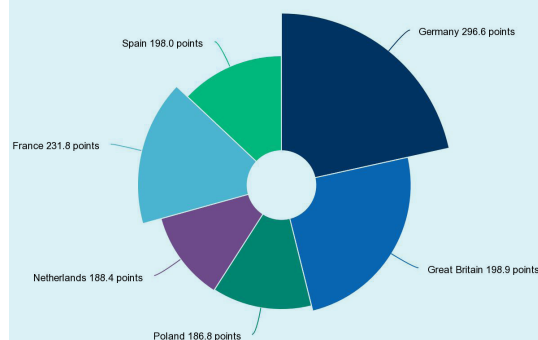
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## EUROPEAN REAL ESTATE ECONOMY FACES HEADWIND

Deutsche Hypo REECOX's European Real Estate Economy Index (Euro Score) fell slightly in the second quarter. Following a short high in the first quarter, that continued the negative trend seen in 2018. While there were no significant changes in the months of April (-0.3 %) and June (-0.2 %), developments in May (-1.3 %) resulted in the negative trend for the quarter as a whole. The Euro Score therefore fell by 1.8 % overall, to its current level of 232.7 points. „With the exception of the French Real Estate Economy Index, the index values for all the countries observed by the Deutsche Hypo REECOX decreased in the second quarter. That meant REECOX France developed positively for the second

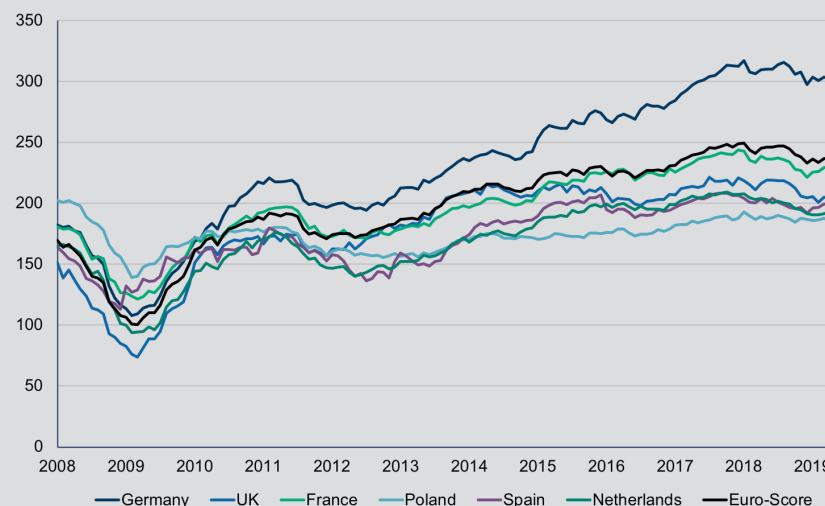
consecutive quarter. That clearly contrasted with the situation in the United Kingdom: The REECOX UK displayed the largest comparative loss, falling below the 200 point mark. A year-on-year comparison underlines its dramatic development: Compared to June 2018, the index fell by approximately 20 points to its lowest level since summer 2016. Noticeable, though less dramatic, declines were also seen in Germany (-2.2 %) and the Netherlands (-1.6 %). Meanwhile, the Real Estate Economy Indices in Poland (-0.4 %) and Spain (-0.6 %) were more or less stable. It should, however, be noted that REECOX Spain declined slightly but constantly, while developments in Poland were more volatile.“

### 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 June 2019





## REECOX FRANCE CONTINUES ITS POSITIVE DEVELOPMENT

The French REECOX made considerable gains in the first quarter, and that trend has continued in the second quarter of the year. It is thereby notable that the REECOX in France developed in contrast to the otherwise negative trend. Overall the REECOX France rose by 1.2 %, to its current level of 231.8 points. „Following the extremely volatile development of French stock markets since the middle of last year – at times with double-digit quarterly rates of change – there seems to be a cooling of that dynamism. The French leading share index CAC 40 continued to develop positively. Following a rise of 3.5 %, it is now at 5,539 points – the last time this level was higher than that was in December 2007. Meanwhile, the real estate share index FTSE EPRA/NAREIT France recently declined somewhat. Compared to the previous quarter, the index fell by 1.8 % to 3,665 points at the end of June. Economic expectations, as reflected by the Economic Sentiment Indicator (ESI), were also a little more positive again: The business climate almost fell below the 100 point mark in April, but the situation has noticeably improved since then. At the end of the quarter it reached a level of 103.9 points, a rise of 1.9 % compared to the previous quarter.

## COMMENT ON THE MARKET

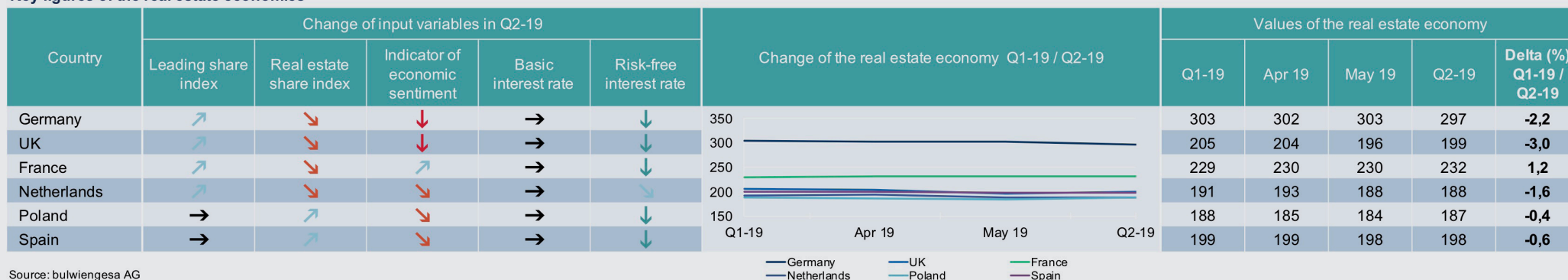


Anne-Isabelle Carbonnières,  
Managing Director  
Office Paris

“The French REECOX has developed positively for the second consecutive quarter. That is reflected by the real estate market: An investment volume of EUR 14 billion in the second half of the year helped it reach last year’s record level again. That was almost 50 % higher than the ten-year average. We are currently experiencing an extraordinary cycle. And even though it is clear that the cycle must end at some point, there are still no signs of that happening. Property is popular – not least because of a lack of alternative investments. All asset classes are thereby in demand, with one exception: retail. Here investment volume has fallen by a full 27%, compared to the previous year. Above all, the future of hypermarkets is uncertain. Consumer behaviour has changed and there is a lot of discussion about how to restructure these sealed spaces and put them to good use, taking into account sustainability. The greening of roofs and the re-purposing of large car parks are worthwhile initial steps.”

*“We are currently in an extraordinary cycle.”*

### Key figures of the real estate economies



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