



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.

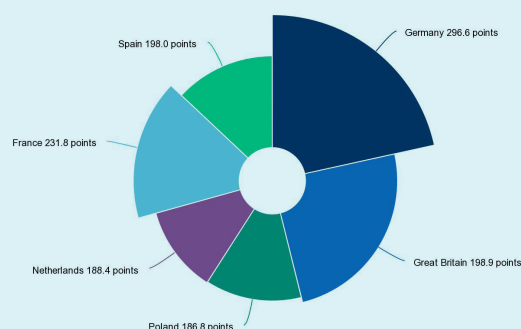
Kind regards,
Sabine Barthauer

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

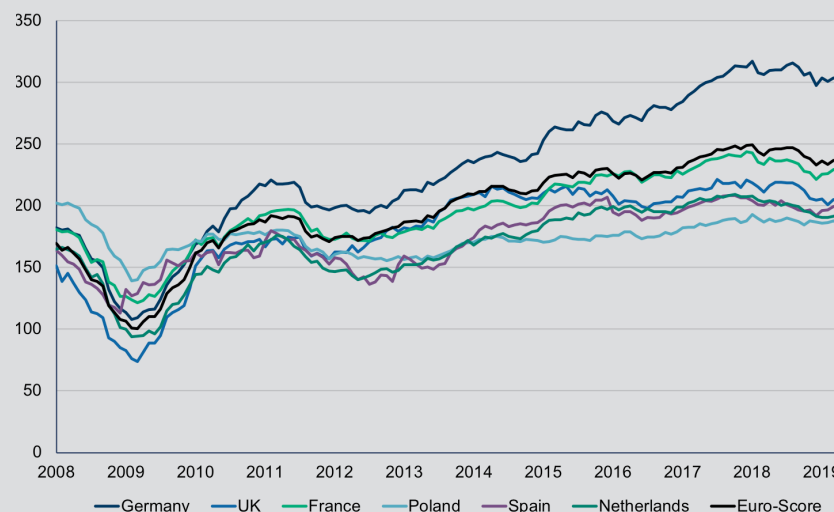
consecutive quarter. That clearly contrasted with the situation in the United Kingdom: The REECOX UK displayed the largest comparative loss, falling below the 200 point mark. A year-on-year comparison underlines its dramatic development: Compared to June 2018, the index fell by approximately 20 points 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



DEUTSCHE HYPO EURO-SCORE

232.7



REECOX NETHERLANDS FALLS SLIGHTLY IN THE SECOND QUARTER

The positive development of the Dutch Real Estate Economy Index towards the end of the first quarter initially continued at the start of the second quarter, but there was a significant decline in May. Towards the end of the quarter, the development of the REECOX Netherlands reached a temporary low of 188.4 points. Following that decline of 1.6 % compared to the previous quarter, the index is at its lowest level since spring 2015.

The negative development of the REECOX Netherlands was primarily driven by the clear decline in the real estate share index FTSE EPRA/NAREIT Netherlands. It fell by 9.6 % compared to the first quarter. After a brief rise in April, it slumped by approximately 100 points and made further losses in June, to its most recent level of 812.7 points. That was a new negative record for the whole period observed by the REECOX (since January 1991). The clear downturn in the real estate share index is not currently reflected by the stock market as a whole. Following very positive development at the start of the year, the second quarter was positive overall, ending June at 561.8 points, approximately 2.3 % higher than in the first quarter. Meanwhile the Economic Sentiment Indicator (ESI) continued to develop negatively: following a decline of 2.3 % it is now at a level of 102.8 points – its lowest level since August 2016.

COMMENT ON THE MARKET



Wouter de Bever,
Managing Director
Office Amsterdam

“If you want to know the state of the real estate market in the Netherlands, then you should visit the PROVADA trade fair in Amsterdam. It is both a place where deals are made and a barometer of sentiment. This year the trade fair attracted more than 26,000 visitors, setting a new record. No matter who you spoke to at the trade fair, everyone was positive. There was even some euphoria. The Dutch real estate market is performing better than ever. Demand for real estate is huge, particularly for residential, logistics, office and hotel properties. Considering that interest rate increases are not expected in the near future, investors have few real investment alternatives to real estate. And constantly increasing prices are not deterring them. The question is how long those developments can continue. Personally, I think prices are gradually topping out. But who knows? Perhaps the present minuscule returns can shrink even further. In the current real estate cycle anything seems possible.”

“In the current real estate cycle, anything seems possible.”

Key figures of the real estate economies



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