



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

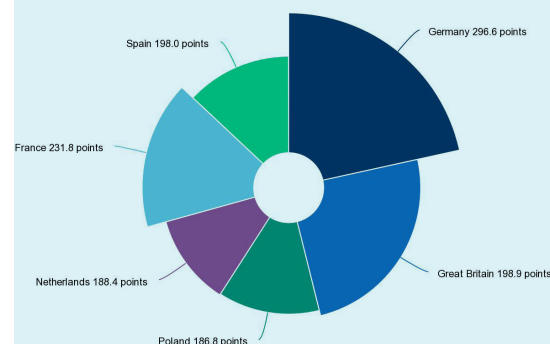
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EUROPEAN REAL ESTATE ECONOMY FACES HEADWIND

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

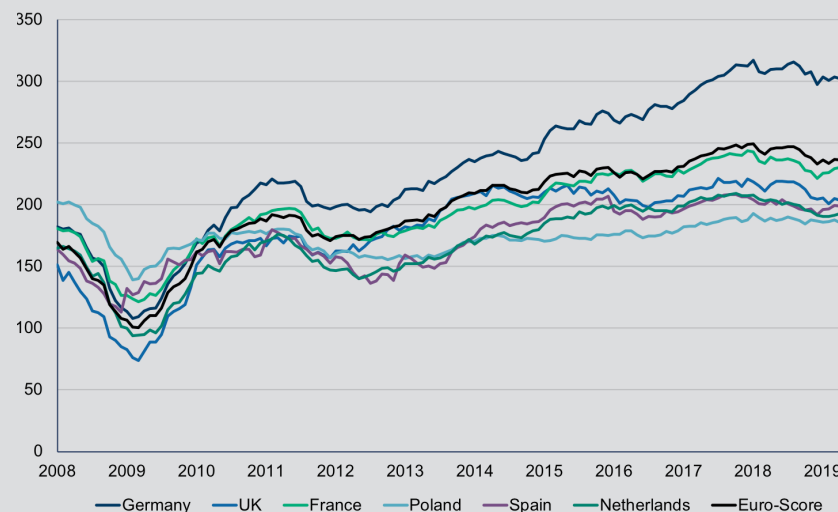
consecutive quarter. That clearly contrasted with the situation in the United Kingdom: The REECOX UK displayed the largest comparative loss, falling below the 200 point mark. A year-on-year comparison underlines its dramatic development: Compared to June 2018, the index fell by approximately 20 points 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 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 June 2019





POLISH REAL ESTATE ECONOMY INDEX MAINTAINS ITS HIGH LEVEL

The Polish Real Estate Economy Index continued its stable development (-0.4 %, 186.8 points) in the second quarter of 2019. Following an upward trend that lasted until the end of 2017, when the index reached its highest level since the end of the financial crisis, that high level has almost been maintained in Poland, while there was a negative trend in most of the other real estate markets observed by the REECOX.

There were no marked changes in the input variables in the second quarter. Stock market development was stable or positive. While the Polish leading share index WIG 20 and the real estate share index WIG Developers rose (+0.7 % and +1.5 % respectively) the business climate as measured by the Economic Sentiment Indicator (ESI) reflected increased scepticism: it developed negatively for the second consecutive quarter, falling to 103 points (-1.7 %).

COMMENT ON THE MARKET

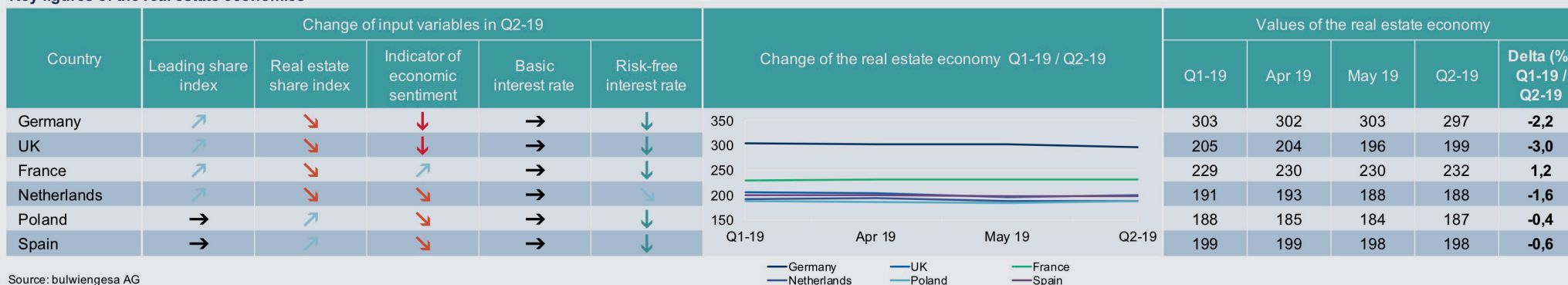


Beata Latoszek,
Managing Director
Office Warsaw

“The gains the Polish Real Estate Economy Index made in the first quarter of 2019 were lost again in the second quarter. The Deutsche Hypo REECOX for Poland therefore remains at the high level seen at the start of the year. Even though individual REECOX indicators, including share indices and the business climate indicator, are currently displaying contrary trends, we can conclude that Poland’s real estate market remains in good shape. That was confirmed by a study recently published by Deutsche Hypo. It found that investor demand for properties in Warsaw and regional markets such as Kraków, Wrocław or Tri-City is consistently high. Because, in the future, Poland will continue to benefit from the relocation of companies as a result of Brexit and the government’s plans to promote public-private partnerships (PPPs), I am convinced that the Polish real estate market will continue to grow. However, the effects of elections in October remain to be seen.”

“Poland will continue to benefit from the relocation of companies as a result of Brexit and PPPs.”

Key figures of the real estate economies



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