



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.

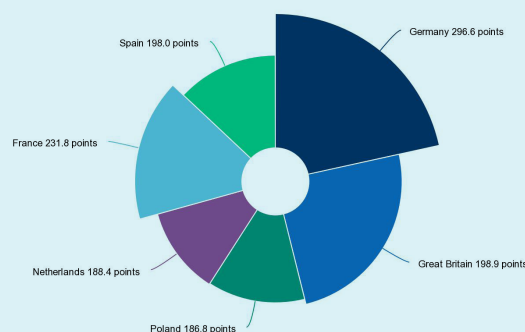
Kind regards,
Sabine Barthauer

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

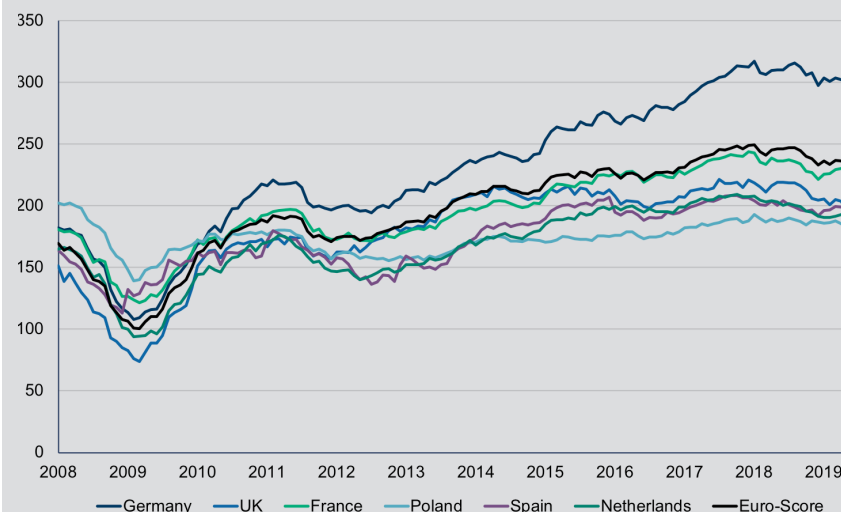
consecutive quarter. That clearly contrasted with the situation in the United Kingdom: The REECOX UK displayed the largest comparative loss, falling below the 200 point mark. A year-on-year comparison underlines its dramatic development: Compared to June 2018, the index fell by approximately 20 points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

After a short break at the start of the year, the significant negative development of the UK Real Estate Economy Index that began in mid-2018 continued relatively clearly in the second quarter of 2019. With a rate of change of -3.0 %, the REECOX UK fell more than any other country, to its current level of 198.9 points. It is the first time it has been below the 200 point mark since summer 2016.

„The overall negative development of the REECOX UK was primarily due to the development of real estate shares and the business climate. The considerable volatility of the real estate index FTSE EPRA/NAREIT UK continued. Following a strong rise at the start of the year, the index saw a double-digit fall in the second quarter. A decrease of 10.9 % brought it to its current level of 1,148 points. The business climate as measured by the Economic Sentiment Indicator (ESI) developed consistently, though negatively: It fell for the third consecutive quarter, remaining below the 100 point mark at 95.1 points. That meant confidence in economic development was negative at the end of the quarter for the first time since summer 2013. The UK leading share index FTSE 100 was not affected by the negative development of the input variables described above. Following a clearly positive start to the year, growth of 2.0 % to 7,426 points in the second quarter was again comparatively significant.“

COMMENT ON THE MARKET

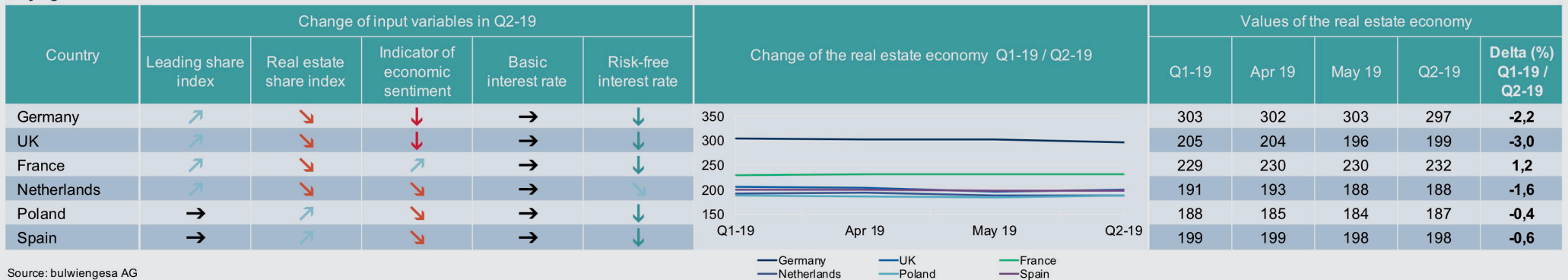


Markus Nitsche,
General Manager of
London Branche

“It is over three years since the Brexit referendum. Uncertainty over such an extended period is normally poisonous for any economy - normally. But the British economy has so far been unfazed by that unpredictability. Now we have a new prime minister who wants Brexit at any cost – even if that means leaving the EU without a deal. However, until now the market has seen that possibility as unlikely. That’s why the motto here continues to be ‘business as usual’. The United Kingdom is one of the world’s largest economies – and Europe’s most important real estate market. That is why the market remains attractive to investors. The current weakness of the pound sterling makes investment in British properties particularly interesting for foreign investors. Of course, we are all awaiting 31 October 2019 with baited breath. Whatever that day brings, hopefully it will, at least, end the uncertainty.”

“That’s why the motto here continues to be ‘business as usual’.”

Key figures of the real estate economies



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