



# REECOX

www.reecox.co.uk

DEUTSCHE HYPO  
REAL ESTATE ECONOMY INDEX

## 03-2019



Dear readers,

*the Euro Score indicates a declining trend for the second quarter in a row. Does this mean that we have now*

*finally passed the peak? That remains to be seen. After all, the REECOX is still at a very high level of 229.2 points.*

*Over the past few years, we have been experiencing an unusual cycle which has to end at some point, of course. But right now there is still a lot of optimism on the market – as demonstrated by the recent EXPO REAL, for instance. Real estate is still a highly attractive asset class and is in high demand among investors. Nevertheless, in a market phase like this it is more important than ever to focus on quality and accurately weigh up risks for every investment decision. If you do that, you will be well prepared for the end of the cycle.*

Kind regards,  
Sabine Barthauer

DEUTSCHE HYPO EURO-SCORE

## 229.2

## DECLINING TREND CONTINUES

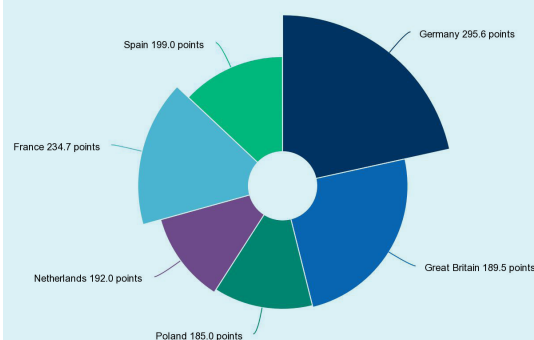
After the Euro Score of Deutsche Hypo REECOX had already experienced a slight decline in the second quarter, this development continued in the third quarter. August (-1.1 %) saw the most pronounced shift, while July (-0.1 %) and September (-0.4 %) were marked by stagnation. The Euro Score fell by 1.5 % quarter on quarter to 229.2 points.

However, the Euro Score's consistent momentum does not completely represent the composition of the input values. While persistent negative development in the UK (-4.7 %) was appreciable in the third quarter, the second-strongest decline of the quarter – namely Poland, at 1.0 % – was much more moderate. Germany's development was technically a

negative figure but essentially stagnant at -0.3 %. After declines in July (-0.1 %) and August (-0.3 %), September represented a slight upturn (+0.1 %). Spain's real estate market was also stable, with positive development in the two summer months (July: +0.3 %, August: +0.6 %) followed by a slight decline in September (-0.4 %).

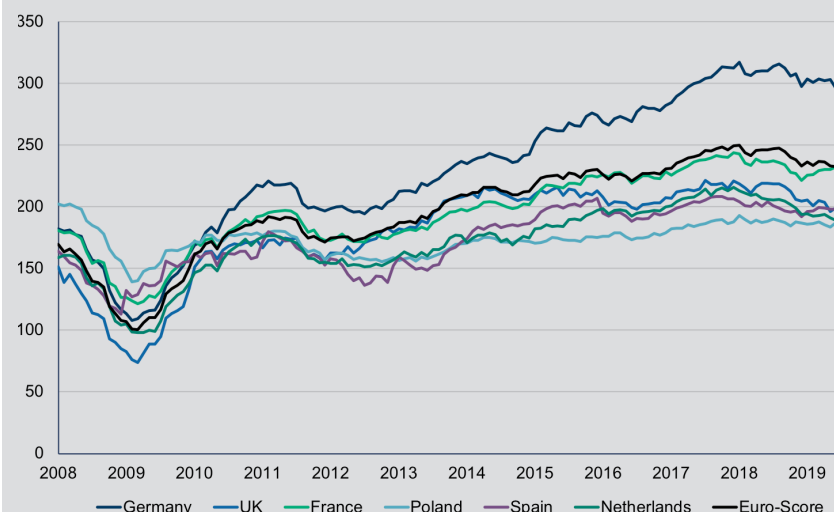
The REECOX France is a clear counterpoint to the recession in the UK. France's real estate sector grew by 1.2 %, marking the third positive quarter in a row. But the overall European winner is the Netherlands: after six consecutive quarters of decline, the REECOX Netherlands demonstrated the greatest level of positive development, at + 1.5 %.

## 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 September 2019





## REECOX GERMANY REMAINS STABLE

Following a positive start to the year and a significant mid-year decline, the German REECOX demonstrated stable development in the third quarter. Overall, the index fell by 0.3 % to 295.6 points, which is an above-average development in the European context. Nevertheless, the price remains below the 300-point mark and a recovery is currently not in sight.

Developments on the DAX, the leading German share index, were volatile. While July (-1.7 %) and August (-2.0 %) were marked by declines, September saw a 4.1 % increase to the current value of 12,428 points. Overall, the trend was slightly positive compared to the preceding quarter. The German DIMAX real estate share index made a key contribution to the development of the REECOX in the third quarter. A rise of 5.9 % to the current level of 867.6 points partially offset the significant decline seen in the second quarter. July (+5.5 %) stood out in particular, while the results in August (-0.4 %) and September (+0.7 %) remained essentially stable. In contrast to the positive trend on the German stock market, expectations regarding Germany's economic power continued to cool. Overall, business sentiment as measured by the European Sentiment Indicator (ESI) continued its decline, falling by 3.1 % to 99.4 points in the third quarter, marking the first time since July 2013 that business sentiment has fallen below 100 points.

## COMMENT ON THE MARKET



Alois Algermissen,  
Head of Hannover  
Office

"Sentiment on the real estate market remains positive. The ECB has famously announced that it will not raise interest rates in the foreseeable future. Real estate investments are therefore still attractive to investors compared to other asset classes. Liquidity is available, and the market is still receptive to all types of property, even though it is becoming more and more difficult to find real estate investments at reasonable prices. The upper limit of price and rent development appears to have been reached in A cities. As a result, the trend has been redirected towards B and C cities in expectation of further growth potential. One noticeable limiting factor, however, is the construction sector's resources and the emerging danger of a recession. However, the party is still in full swing for now."

*"No real estate bubble in sight yet."*

### Key figures of the real estate economies

Country	Change of input variables in Q3-19					Change of the real estate economy Q2-19 / Q3-19	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q2-19	Jul 19	Aug 19	Q3-19	Delta (%) Q2-19 / Q3-19
Germany	→	↗	↘	→	↘	350	297	296	295	296	-0,3
UK	→	↗	↓	→	↘	300	199	199	193	190	-4,7
France	↗	↗	→	→	↓	250	232	232	233	235	1,2
Netherlands	↗	↗	↗	→	↓	200	189	190	189	192	1,5
Poland	↘	↗	→	→	↓	150	187	187	185	185	-1,0
Spain	→	↗	→	→	↓	150	198	199	200	199	0,5

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— Germany — UK — France  
— Netherlands — Poland — Spain

### PUBLICATION DETAILS

#### Responsible for content:

bulwiengesa AG, Tobias Kassner  
tobias.kassner@bulwiengesa.de  
Moorfuhrweg 13, 22301 Hamburg  
Tel.: +49 30 278768-23

#### Responsible for publication:

Deutsche Hypothekenbank, Axel Seidenschwarz  
axel.seidenschwarz@deutsche-hypo.de  
Osterstraße 31, 30159 Hannover  
Tel.: +49 511 3045-580

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