



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

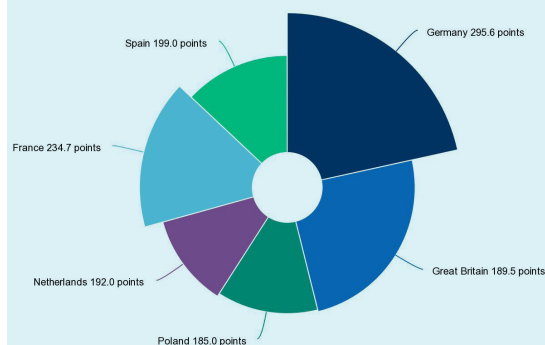
After the Euro Score of Deutsche Hypo REECOX had already experienced a slight decline in the second quarter, this development continued in the third quarter. August (-1.1 %) saw the most pronounced shift, while July (-0.1 %) and September (-0.4 %) were marked by stagnation. The Euro Score fell by 1.5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

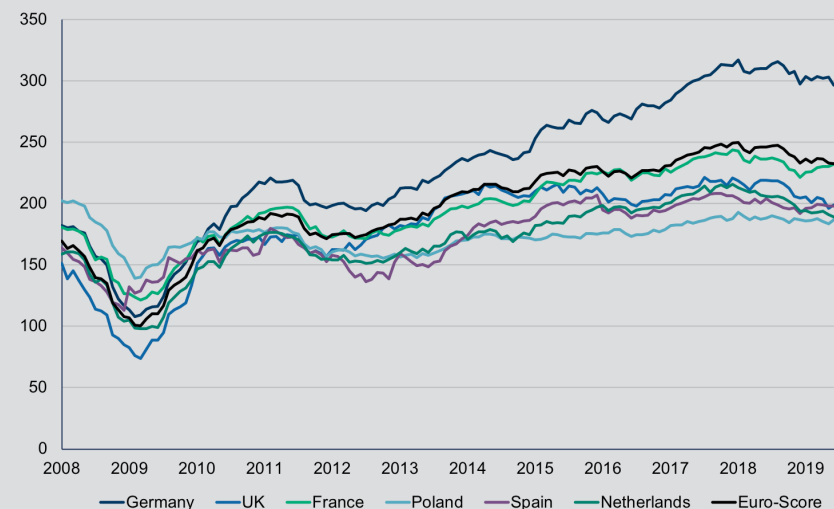
The REECOX France is a clear counterpoint to the recession in the UK. France's real estate sector grew by 1.2 %, marking the third positive quarter in a row. But the overall European winner is the Netherlands: after six consecutive quarters of decline, the REECOX Netherlands demonstrated the greatest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

The development of the Spanish real estate sector has been positive so far in 2019. Following a strong price increase at the beginning of the year, the second and now the third quarter indicated stability overall, which is a favourable development when viewed from a European perspective. At the end of the third quarter, the Spanish REECOX stood at 199 points, a 0.5 % increase on the previous quarter.

The slight upswing is due primarily to the positive momentum on the Spanish real estate market as indicated by real estate shares on the ES BCN 5 Property real estate index, which rose by around 7.9 % in the third quarter to its current level of 1,186 points – a value that has not been exceeded since December 2017. This is the third quarter in a row where a rise has been recorded, which points towards a positive trend. The Spanish leading stock market index, the IBEX 35, also saw robust development, rising by 0.5 % quarter on quarter to its current level of 9,244 points. Nonetheless, the third quarter was marked by a temporary decline to well below the 9,000-point mark. July (-2.5 %, 8,971 points) and August (-1.8 %, 8,812 points) demonstrated negative trends, while the price gains in September (+4.9 %) delivered a positive overall result for the third quarter. By contrast, business sentiment in Spain as recorded by the Economic Sentiment Indicator (ESI) fell slightly in comparison to the previous quarter by 0.6 % to 104.2 points.

COMMENT ON THE MARKET



Maite Linares,
Managing Director
Office Madrid

“In the third quarter of this year, the REECOX offered a good reflection of the current situation in Spain: although almost all economic parameters continue to appear positive, people are looking to the future with a certain amount of unease. Many market participants are asking when the cycle will come to an end and are already trying to prepare themselves as well as they can for that eventuality – even though there are currently no signs of an end! It’s more of a ‘perceived truth’, but is hardly surprising. The low-interest-rate phase is now more of a permanent state of affairs than a temporary one. That makes this cycle different from previous cycles, which is the very cause of the uncertainty.”

“The low-interest-rate phase is now more of a permanent state of affairs than a temporary one.”

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	→	↗	→	→	↘		198	199	200	199	0,5

Source: bulwiengesa AG

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

Disclaimer: The calculations presented in this publication were prepared by bulwiengesa to the best of their knowledge and with due care. Liability is assumed for material correctness within the scope of standard due diligence.

DEUTSCHE HYPO
Member of NORD/LB