REECOX

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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

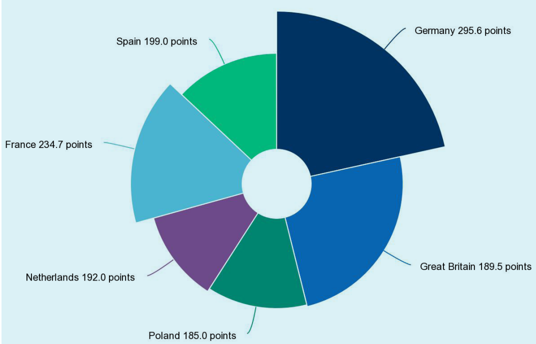
DECLINING TREND CONTINUES

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 %).

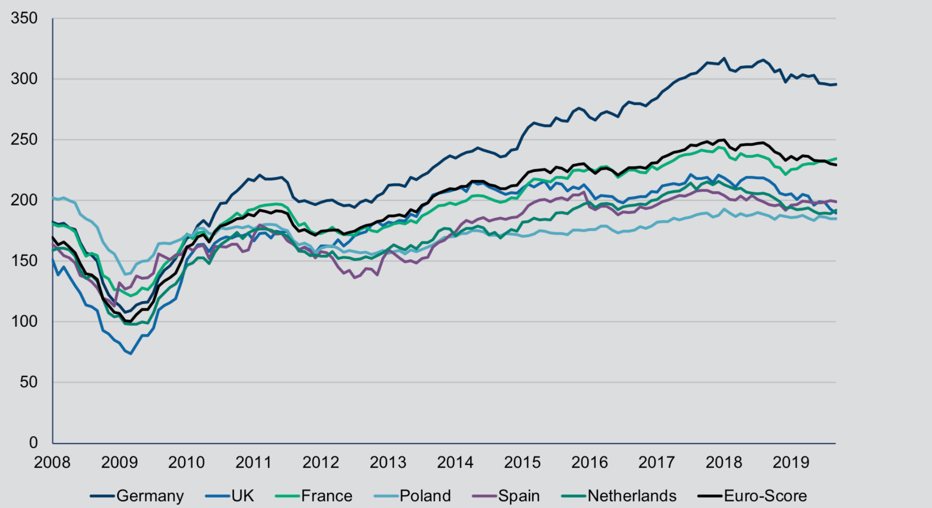
The REECOX France is a clear counterpoint to the recession in the UK. France's real estate sector grew by 1.2 %, marking the third positive quarter in a row. But the overall European winner is the Netherlands: after six consecutive quarters of decline, the REECOX Netherlands demonstrated the greatest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

The French REECOX is indicating positive development for the third consecutive quarter. Each of the past three months saw a rise, with a modest change in July (+0.1 %) growing into a stronger trend in August (+0.3 %) and September (+0.8 %). All told, the REECOX France rose by 1.5 % in the third quarter to its current level of 234.7 points – a level last seen in August 2018.

The rise has been carried primarily by the stock markets. France's benchmark stock market index, the CAC 40, is once again indicating price gains. Following a rise of 2.5 %, it is now at 5,677 points – the last time it was higher was in October 2007. The FTSE EPRA/NAREIT France real estate share index saw significant growth, increasing by 6.4 % in the third quarter to 3,898 points. September (+4.0 %) was marked by a particularly strong rise, while the index rose moderately in August (+2.9 %) after a slight decline in July (-0.5 %). Business sentiment as measured by the Economic Sentiment Indicator (ESI) was effectively stable, falling by 0.2 % to 103.9 points, with little volatility.

COMMENT ON THE MARKET

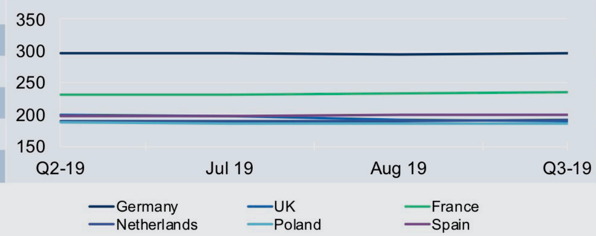
Anne-Isabelle Carbonnières, Managing Director Office Paris

"In France, we have a fable about a proud tree and a little reed. The tree is arrogant towards the reed whenever a light wind blows, but the tables are quickly turned when a powerful storm hits: the tree falls while the reed bends in the gale. The current French economy is rather like the reed – it bends in the face of political unrest and protectionist efforts, but does not break. And the real estate market too remains unfazed by uncertainty. We anticipate a record volume of € 35 million on the investment market this year. So is the long-awaited winter still some time away? That remains to be seen. The letting market is not as bullish as it once was. Though still at a very high level, letting has declined in both the logistics and office markets by 14 % and 11 % respectively. This is a development that should definitely be borne in mind."

"The French economy bends in the face of political unrest and protectionist efforts, but does not break."

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	→	↗	↘	→	↘		297	296	295	296	-0,3
UK	→	↗	↓	→	↘		199	199	193	190	-4,7
France	↗	↗	→	→	↓		232	232	233	235	1,2
Netherlands	↗	↗	↗	→	↓		189	190	189	192	1,5
Poland	↘	↗	→	→	↓		187	187	185	185	-1,0
Spain	→	↗	→	→	↓		198	199	200	199	0,5



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PUBLICATION DETAILS

Responsible for content:
bulwiengesa AG, Tobias Kassner
tobias.kassner@bulwiengesa.de
Moorfuhrtweg 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

DEUTSCHE HYPO
Member of NORD/LB