



# 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

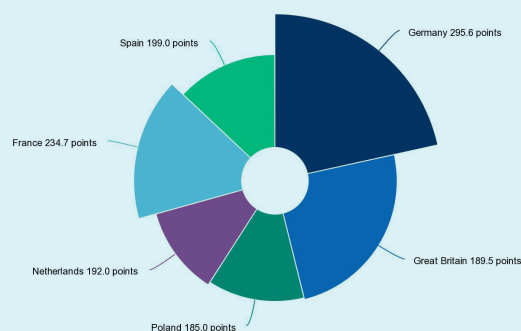
After the Euro Score of Deutsche Hypo REECOX had already experienced a slight decline in the second quarter, this development continued in the third quarter. August (-1.1 %) saw the most pronounced shift, while July (-0.1 %) and September (-0.4 %) were marked by stagnation. The Euro Score fell by 1.5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

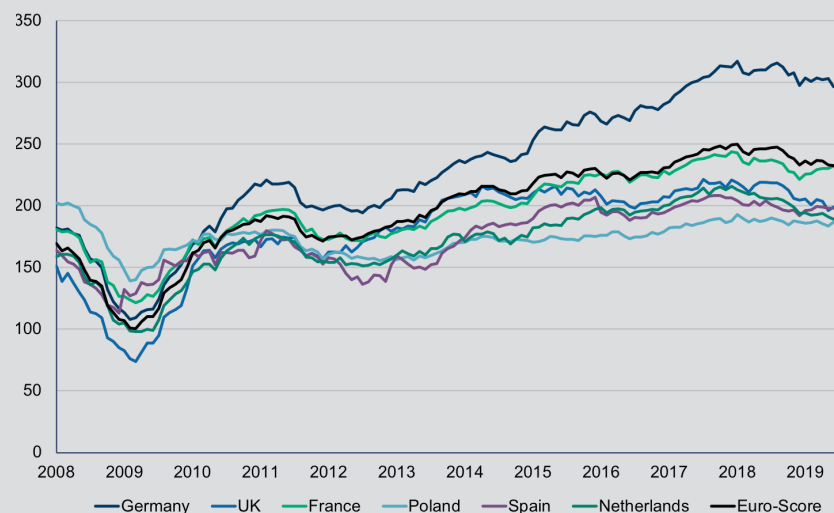
The REECOX France is a clear counterpoint to the recession in the UK. France's real estate sector grew by 1.2 %, marking the third positive quarter in a row. But the overall European winner is the Netherlands: after six consecutive quarters of decline, the REECOX Netherlands demonstrated the greatest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





## DUTCH REAL ESTATE MARKET HAS SEEN POSITIVE DEVELOPMENT

Following consistently negative quarter-on-quarter development since the beginning of 2018, the Dutch real estate sector saw its first glimmer of hope in the third quarter 2019: with a 1.5 % rise to 192.0 points, it achieved the most positive change among all European countries surveyed.

All input variables contributed to this turnaround. The AEX 25 leading stock market index has seen generally positive development since early 2019, with growth of 3.3 % in the third quarter contributing significantly to the positive results of the Dutch REECOX. The months of July (+1.8 %) and September (+3.9 %) sent positive signals, while August (-2.4 %) saw slightly muted development. Overall, the index reached a new peak at 580.2 points, last surpassed only in May 2001. The FTSE EPRA/NAREIT Netherlands real estate share index also saw overall positive development, even though July (-7.9 %) and August (-1.3 %) still had negative signs. September's rise of 11.5 % marked a clear turning point, however, resulting in a positive overall quarterly trend of +1.4 % to 823.8 points. The prolonged deterioration in business sentiment as recorded by the Economic Sentiment Indicator (ESI) also appears to have come to an end. After an approximately year-long period of decline, it is climbing once again with a quarter-on-quarter rise of 1.8 % to its current level of 104.1 points.

## COMMENT ON THE MARKET



Wouter de Bever,  
Managing Director  
Office Amsterdam

"As interest rates are expected to remain low, there seem to be few suitable alternatives to real estate investments – in spite of significantly falling returns. Sentiment is positive, and demand remains enormous for all types of real estate, even though it is becoming more and more difficult to find real estate investments at reasonable prices. But in view of the significant price increases, how likely is it that there will be further leeway for real estate yields to continue falling? Even though it seems like anything could happen during the current real estate cycle, there are indeed some initial investors who are growing cautious in light of the level that has been reached and who are increasingly taking a wait-and-see attitude. Although real estate yields have not yet bottomed out, we are very close to seeing that happen."

*"Sentiment is positive, but we are seeing the first move towards caution."*

### 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
							Q2-19	Jul 19	Aug 19	Q3-19	

Source: bulwiengesa AG

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

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