



# 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

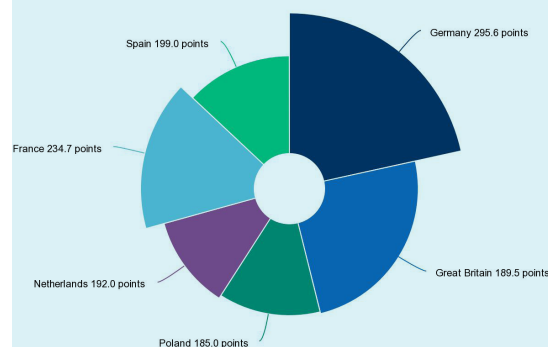
After the Euro Score of Deutsche Hypo REECOX had already experienced a slight decline in the second quarter, this development continued in the third quarter. August (-1.1 %) saw the most pronounced shift, while July (-0.1 %) and September (-0.4 %) were marked by stagnation. The Euro Score fell by 1.5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

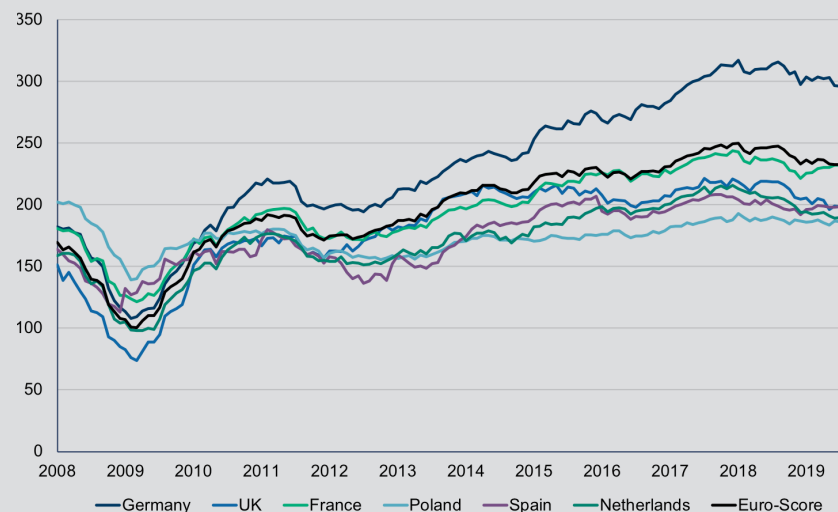
The REECOX France is a clear counterpoint to the recession in the UK. France's real estate sector grew by 1.2 %, marking the third positive quarter in a row. But the overall European winner is the Netherlands: after six consecutive quarters of decline, the REECOX Netherlands demonstrated the greatest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

## DEUTSCHE HYPO REECOX-EYE



The REECOX real estate 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





## POLISH REAL ESTATE SECTOR SHOWS NO SIGNS OF WEAKNESS

Poland's real estate sector has demonstrated relatively stable development over the past two years, while the other markets monitored by the REECOX have seen losses, some of which have been quite considerable. Although the REECOX Poland indicated stronger negative momentum overall in the third quarter with a decline of -1.0 % to 185 points, this cannot yet be regarded as weakness – particularly as the month-to-month changes in the recent past have been highly significant.

Poland's leading stock market index, the WIG 20, posted a considerable decline in the third quarter. July (-2.2 %) and August (-6.2 %) in particular contributed to this, while September leaves room to hope. Overall, the WIG 20 retreated by 6.6 % compared to the previous quarter to its current level of 2,173 points. Meanwhile, the WIG Developers real estate index has been continuing on its positive course. It had positive momentum for the third consecutive quarter, rising by +2.5 % to 2,300 points – a level it had not reached since June 2011. Business sentiment as reported by the Economic Sentiment Indicator (ESI) continued to fall, indicating a negative trend once again with a -0.9 % decline to 102.1 points.

## COMMENT ON THE MARKET



Beata Latoszek,  
Managing Director  
Office Warsaw

“The result of the parliamentary elections was eagerly awaited in October. It is now clear that the ruling party PiS will be able to govern by itself in parliament. However, it is also clear that the party has lost its absolute majority in the senate. This means the government can no longer implement its legislative plans single-handedly going forward, which is causing representatives of the business community to look ahead with a great deal more optimism. As a result, sentiment has improved once again compared to the second quarter 2019. Office and logistics properties in particular are likely to continue benefiting in Poland. Polish logistics service providers are among the top players in Europe, giving Poland the potential to become Europe's logistics hub. In contrast to retail, where forecasts are less optimistic, office property continues to experience strong demand. In Warsaw alone, 700,000 m<sup>2</sup> of new office space are currently under construction. All the same, we will wait to see whether the confidence displayed by the business representatives is also reflected in measurable figures.”

*“Poland has the potential to become Europe's logistics hub.”*

### 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

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

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