



# 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

## DECLINING TREND CONTINUES

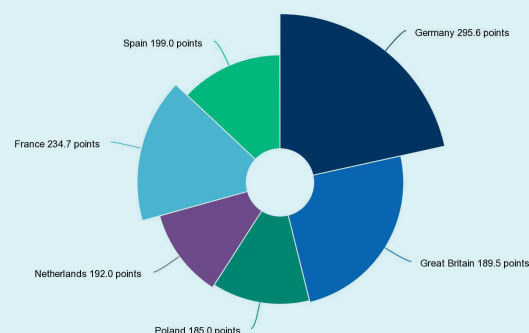
After the Euro Score of Deutsche Hypo REECOX had already experienced a slight decline in the second quarter, this development continued in the third quarter. August (-1.1 %) saw the most pronounced shift, while July (-0.1 %) and September (-0.4 %) were marked by stagnation. The Euro Score fell by 1.5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

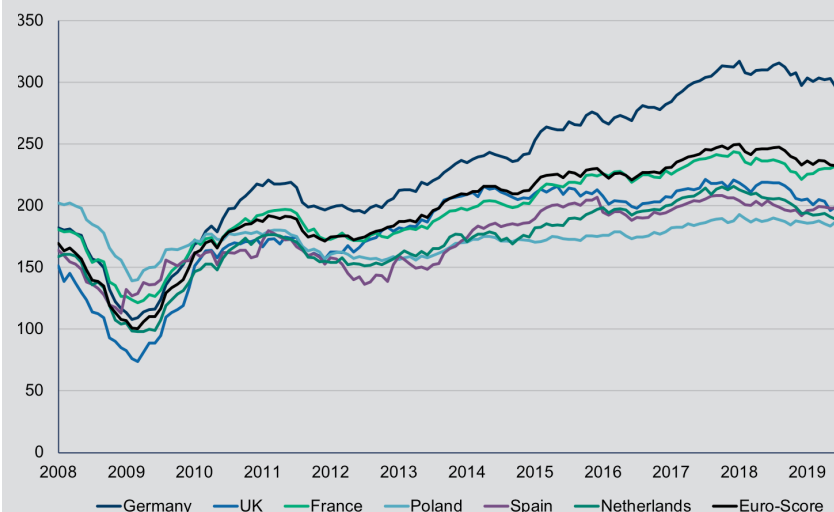
The REECOX France is a clear counterpoint to the recession in the UK. France's real estate sector grew by 1.2 %, marking the third positive quarter in a row. But the overall European winner is the Netherlands: after six consecutive quarters of decline, the REECOX Netherlands demonstrated the greatest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



DEUTSCHE HYPO EURO-SCORE

# 229.2



## REECOX UK INDICATES NEGATIVE TREND

In view of the continuing uncertainty during the third quarter as a result of the Brexit process, the British real estate index continued its descent. The REECOX value fell by 4.7 % quarter on quarter to 189.5 points, its lowest level since the summer of 2013.

What is striking about this generally negative development is that it is not determined by stock market performance, but by forward-looking expectations related to the business climate, as measured by the Economic Sentiment Indicator (ESI), which fell by 7.5 % in the third quarter to its current level of 88 points. The last time the index dipped below this level was in December 2011. The often-volatile FTSE EPRA/NAREIT UK real estate share index saw very positive development and grew by 6.6 % to 1,223.8 points. However, the UK's FTSE 100 leading stock market index remained stable, dropping by 0.2 % compared to the previous quarter to a level of 7,408.2 points.

## COMMENT ON THE MARKET



Markus Nitsche,  
General Manager of  
London Branche

“Although the REECOX declined somewhat in the third quarter, the UK real estate market is proving to be extremely resilient overall. In spite of all the uncertainties and political confusion, we have yet to see a major market correction. Instead, we are experiencing more of an uneventful sideways move. Of course, many players are being cautious. But thanks to its size and international significance, the UK's economy is by and large not in danger. That is why the UK real estate market remains particularly attractive for investors from the USA and Asia.”

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### 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

Source: bulwiengesa AG

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

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