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 %.

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

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
**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**

“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.”

**The UK real estate market remains particularly attractive for investors from the USA and Asia.**

---

**Key figures of the real estate economies**

<table>
<thead>
<tr>
<th>Country</th>
<th>Leading share index</th>
<th>Real estate share index</th>
<th>Indicator of economic sentiment</th>
<th>Basic interest rate</th>
<th>Risk-free interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>→</td>
<td>→</td>
<td>↓</td>
<td>→</td>
<td>→</td>
</tr>
<tr>
<td>UK</td>
<td>→</td>
<td>→</td>
<td>↓</td>
<td>→</td>
<td>↓</td>
</tr>
<tr>
<td>France</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>↓</td>
</tr>
<tr>
<td>Netherlands</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
</tr>
<tr>
<td>Poland</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
</tr>
<tr>
<td>Spain</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
</tr>
</tbody>
</table>

**Values of the real estate economy**

<table>
<thead>
<tr>
<th>Country</th>
<th>Q2-19</th>
<th>Jul-19</th>
<th>Aug-19</th>
<th>Q3-19</th>
<th>Delta (%) Q2-19/Q3-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>297</td>
<td>296</td>
<td>295</td>
<td>296</td>
<td>-0,3</td>
</tr>
<tr>
<td>UK</td>
<td>199</td>
<td>199</td>
<td>193</td>
<td>190</td>
<td>-4,7</td>
</tr>
<tr>
<td>France</td>
<td>232</td>
<td>232</td>
<td>233</td>
<td>235</td>
<td>1,2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>189</td>
<td>190</td>
<td>189</td>
<td>192</td>
<td>1,5</td>
</tr>
<tr>
<td>Poland</td>
<td>187</td>
<td>187</td>
<td>185</td>
<td>185</td>
<td>-1,0</td>
</tr>
<tr>
<td>Spain</td>
<td>198</td>
<td>199</td>
<td>200</td>
<td>199</td>
<td>0,5</td>
</tr>
</tbody>
</table>

Source: bulwiengesa AG

---

**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