



# REECOX

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DEUTSCHE HYPO  
REAL ESTATE ECONOMY INDEX

## 04-2019



Dear readers,

*following the decline in the Euro Score in the second and third quarters, the question arose, "Have we passed the peak?"*

*The fourth quarter, however, showed us that we most certainly had not, with all countries posting stable or positive development. While the gains may no longer be as impressive as they were in previous years, we still find ourselves at a very high level. At the same time, we need to be aware that we are in a cyclical market and that the tense situation on the global stage harbours uncertainties. Despite the increasing emergence of specific facts regarding the Brexit decision process, the actual impact will not start to become visible until next year. Moreover, the existing geopolitical risks – especially the conflict between Iran and the US – are fuelling a degree of uncertainty in the market. It remains to be seen how these aspects will affect the Euro Score.*

Kind regards,  
Sabine Barthauer

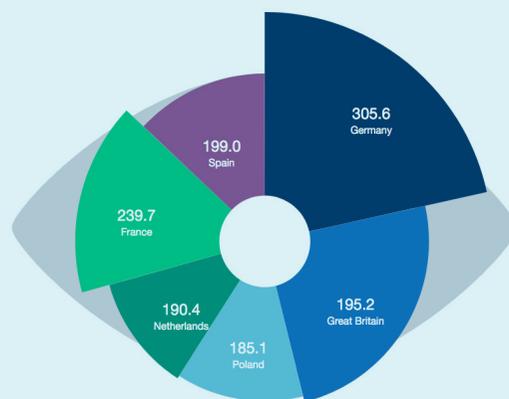
## EURO SCORE ENDS 2019 ON A POSITIVE NOTE

A look back at 2019 shows that the European real estate sector saw slight recovery, posting an increase of 0.9 %. Despite a significant decline in 2018, the Euro Score started the year by recovering somewhat in the first quarter of 2019. Towards the middle of the year, the negative developments in the UK's real estate sector as a result of Brexit played a major role in shaping developments at the European level. The clarity achieved in the Brexit process in the fourth quarter has had a positive impact on the REECOX UK and appears to be fuelling a general improvement in sentiment. By the end of the year, the Euro Score had gained 2.7 % compared to the third quarter to stand at 235.2 points.

A look at the individual indicators illustrates that the REECOX index saw positive or at least stable development in all monitored countries in the

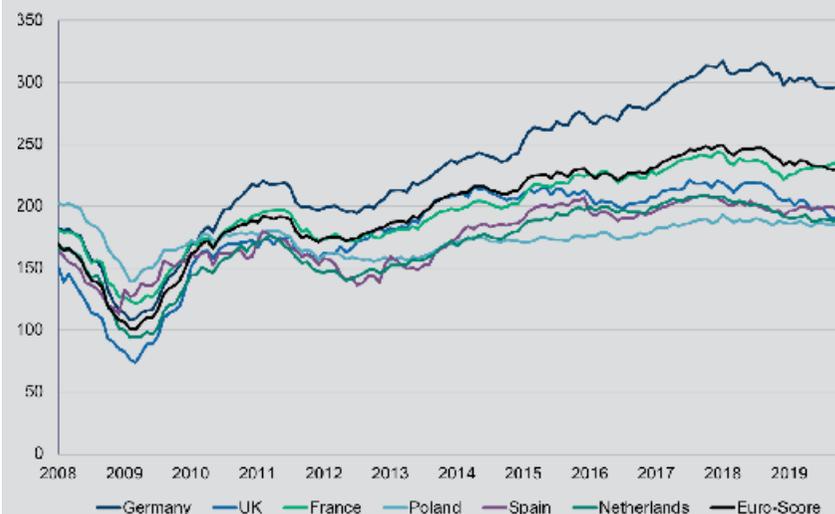
fourth quarter. As in other recent quarters, Poland (+0.1 % to 185.1 points) and Spain ( $\pm 0$  % to 199 points) remained virtually unchanged – something that can be seen as positive given the political uncertainty on the global stage. The real estate sector in the Netherlands, which gained 1.0 % to stand at 190.4 points, recorded slightly positive momentum. By contrast, substantial growth was recorded in Germany (+3.4 % to 305.6 points), the United Kingdom (+3.0 % to 195.2 points) and France (+2.3 % to 239.7 points). All told, France's REECOX saw the most positive development by far, having consistently posted gains every quarter. In France, the index was up 8.4 % year on year.

### 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 December 2019



DEUTSCHE HYPO EURO-SCORE

# 235.2



## REECOX GERMANY CLIMBS ABOVE 300 POINTS

With relief nowhere on the horizon, the third quarter's early look back at the year came to some sobering conclusions. However, the REECOX Germany managed a significant trend reversal in the fourth quarter, bringing 2019 to a positive close at over 300 points. The index rose by 3.4 % to stand at 305.6 points – its highest level in 2019. Year on year, the REECOX Germany gained 2.8 %.

The very positive development of the German REECOX on the whole was supported by all key input variables. For the leading German share index, the DAX, the only way in the final quarter of the year was up. In particular, the months of October and November saw substantial growth, allowing the DAX to rise above the 13,000-point mark for the first time in a long time. The index finished the fourth quarter at 13,249 points, for a quarter-on-quarter increase of 6.6 %. Germany's DIMAX real estate share index also saw similarly positive development and finished the fourth quarter 5.8 % higher at 907.2 points, breaking through the 900-point mark for the first time in REECOX history. By contrast, business sentiment as measured by the European Sentiment Indicator (ESI) was rather cautious in the fourth quarter but posted positive development on the whole. Despite having fallen below the 100-point mark for the first time in a while in the previous quarter, and despite appearing poised to fall into negative territory, sentiment was once again evenly balanced at exactly 100 points at the end of the year.

## COMMENT ON THE MARKET



Thomas Hansen,  
Head of Hamburg  
Office

“The positive development of the REECOX is also reflected in the real estate market in Hamburg, where demand remains high. At the same time, there are only a few properties at attractive prices. With project developers in particular therefore seizing opportunities quickly, it is not at all uncommon for available spaces to remain undeveloped for another two to four years after purchase. One cause of concern for the entire sector at the present time is the sharp rise in construction costs, which are also often difficult to calculate. Although the high price level in the market currently provides relief from these concerns, it would be wise to keep an eye on developments. Otherwise, we currently see no signs of a trend reversal in the market. Instead, there is still a sense of euphoria, even though market players are indeed bearing their exit strategies in mind in order to turn a profit in the near future. After all, who can say what the market will look like in two or three years?”

*“Market players are bearing their exit strategies in mind.”*

### Key figures of the real estate economies



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