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 (+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.

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

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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).
**COMMENT ON THE MARKET**

“2019 was a good year for us. Despite the international uncertainty, the investment volume of €12 billion was on par with the previous year. The office and hotel segments in particular managed to make up for the tremendous decline of two-thirds to roughly €1.2 billion in the retail sector, which was primarily attributable to a lack of investments in shopping centres. The hotel sector is booming, thanks in no small part to a sharp rise in tourist numbers. Last year alone, the country registered 83 million visitors. Meanwhile, all asset classes are seeing a far-reaching transformation, with a greater focus being placed on service and customers across real estate categories. Properties are changing, and innovative usage concepts are in demand. It will be interesting to see where the journey takes us, especially seeing as how there is currently a lot of liquidity in the market...”

“A greater focus is being placed on service and customers across real estate categories.”

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**Key figures of the real estate economies**

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<tr>
<th>Country</th>
<th>Change of input variables in Q4-19</th>
<th>Change of the real estate economy Q3-19 / Q4-19</th>
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