



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

DEUTSCHE HYPO EURO-SCORE

235.2

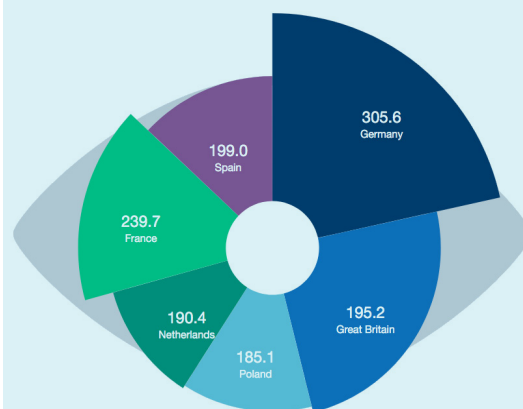
EURO SCORE ENDS 2019 ON A POSITIVE NOTE

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

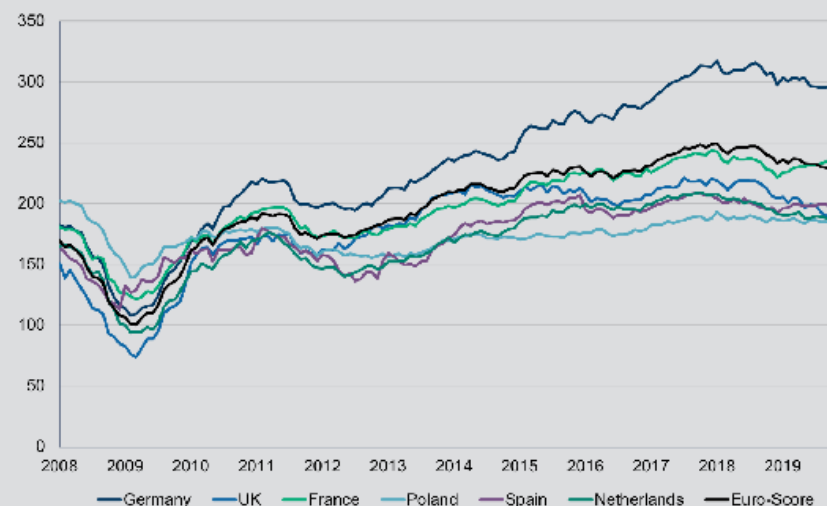
points) and Spain (± 0 % to 199 points) remained virtually unchanged – something that can be seen as positive given the political uncertainty on the global stage. The real estate sector in the Netherlands, which gained 1.0 % to stand at 190.4 points, recorded slightly positive momentum. By contrast, 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.

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





FRENCH REECOX ENDS 2019 WITH SUBSTANTIAL GAINS

In 2019, the REECOX France posted gains every quarter and saw the most positive development by far of all European markets monitored by REECOX. The year ended with even more positive momentum, lifting the index to 239.7 points, equating to an increase of 2.3 % compared to the previous quarter. All told, 2019 saw a rise of 8.4 % to a level last reached in January 2018.

As in the previous quarter, this remarkable development is primarily attributable to the performance of stock markets. The CAC 40, the leading French share index, posted a price gain of 5.3 % compared to its closing value at the end of September. At 5,978 points – just shy of the 6,000-point mark – the index was at its highest level since June 2007. The FTSE EPRA/NAREIT France real estate share index posted even stronger gains, rising a total of 9.7 % to 4,276 points in the fourth quarter. October in particular saw a substantial, 6.3 % upswing. But even the months of November (+0.2 %) and December (+3.0 %) contributed to the positive momentum. While stock markets rejoiced, the business climate, as measured by the Economic Sentiment Indicator (ESI), saw rather subdued development. The ESI remained virtually unchanged in the fourth quarter and posted a slight decline of -0.5 % to 103.0 points.

COMMENT ON THE MARKET

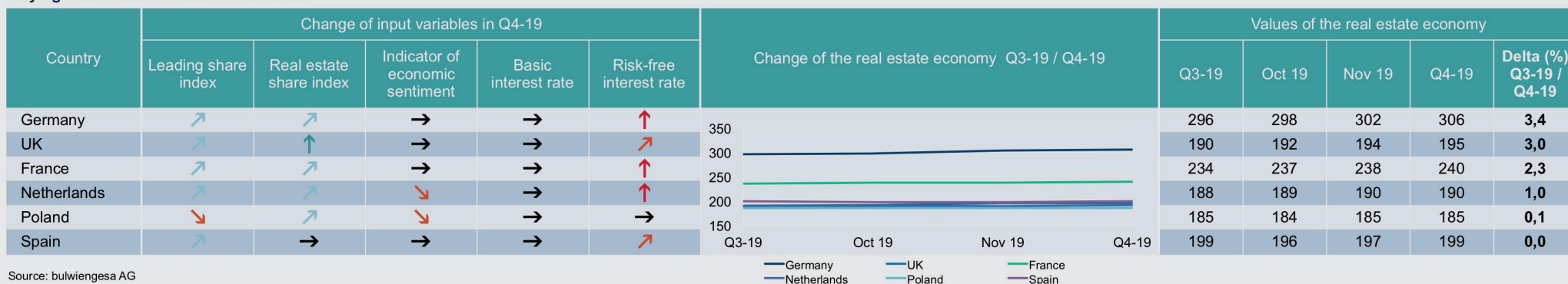


Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“2019 was a record year for the real estate market. Investment volume, at € 41.5 billion, was 19 % higher year on year – and letting, at 2.3 billion square metres, was also above the ten-year average. Demand remains high, as reflected rather notably in the volume of space under construction. In the office segment alone, construction is under way on 2.25 million square metres, which is 13 % more than in the previous year. These investments take the changing demands facing office real estate into account. Due to structural change, also known as ‘new work’, flexibility in terms of time, organisation and location is gaining importance, and working spaces need to adapt. At the same time, telecommuting is growing ever more popular, which will also affect the future demand for space. New construction plans must take such factors into consideration! Given the circumstances, would it be appropriate to speak of a bubble? Perhaps. But I do not think the bubble will burst any time soon. Instead, we expect to see a breather in 2020, as indicated by the anticipated growth rate of 1.4 % in Europe.”

“Due to structural change flexibility in terms of time, organisation and location is gaining importance.”

Key figures of the real estate economies



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