



# 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

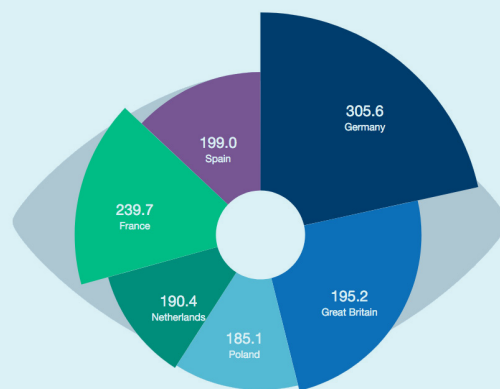
## EURO SCORE ENDS 2019 ON A POSITIVE NOTE

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

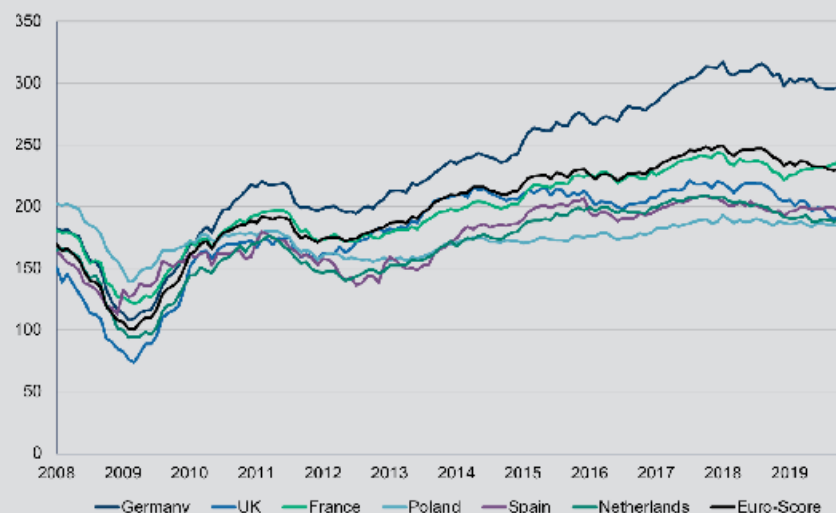
points) and Spain ( $\pm 0$  % to 199 points) remained virtually unchanged – something that can be seen as positive given the political uncertainty on the global stage. The real estate sector in the Netherlands, which gained 1.0 % to stand at 190.4 points, recorded slightly positive momentum. By contrast,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

The Dutch real estate sector can look back on a phase of ups and downs. After years of growth, 2018 saw a significant downturn. Looking back at 2019, the index generally performed positively in this context, having only lost 0.6 % year on year. The fourth quarter made a significant contribution to this development, with the REECOX Netherlands gaining 1.0 % to stand at 190.4 points, thereby fuelling hopes that it may have bottomed out.

Once again, the major share of support for this positive trend came from stock markets. The AEX 25, the leading stock market index, picked up on the momentum established at the start of the year and was able to continue posting significant gains in the fourth quarter to stand at 604.6 points – the highest it has been since January 2001. With an increase of 4.5 %, the FTSE EPRA/NAREIT Netherlands real estate share index has seen even greater upward movement, allowing it to end the year at 860.5 points. At +1.9 %, however, overall performance in 2019 was generally modest on account of significant mid-year losses. Meanwhile, the deterioration in the business climate continued. The Economic Sentiment Indicator (ESI) dropped 1.2 % quarter on quarter, but remained in positive territory at 100.4 points.

## COMMENT ON THE MARKET

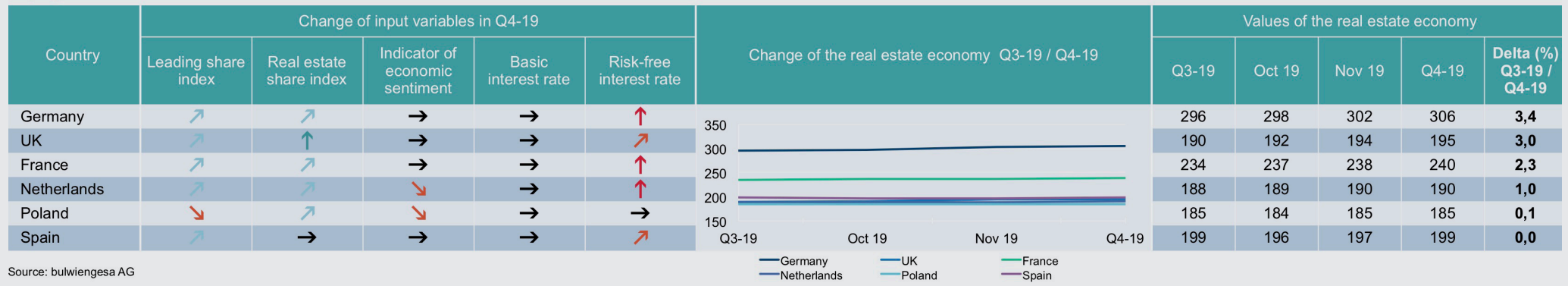


Wouter de Bever,  
Managing Director  
Office Amsterdam

“One of the highest-turnover years on the real estate market is now behind us. Due to a lack of attractive investment alternatives, sustained low interest rates and pressure from institutional investors continue to boost the market. Real estate yields have fallen to a level that would have been inconceivably low a few years ago. A shortage of space is also exacerbating the situation for residential real estate. With the regulations for new buildings poised to grow stricter in order to meet climate targets, the circumstances appear unlikely to change in the immediate future. Housing prices are high in and around major cities and will remain so going forward. Given the record levels, members of the younger generation in particular are uncertain whether buying residential real estate is still worthwhile. For many, however, the question is not so much wanting to buy as being able to buy. Demand will continue to rise as long as the conditions do not change.”

*“Affordable housing wanted”*

### Key figures of the real estate economies



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