



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

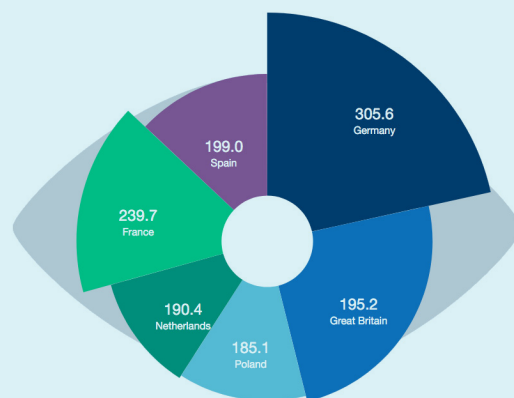
EURO SCORE ENDS 2019 ON A POSITIVE NOTE

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

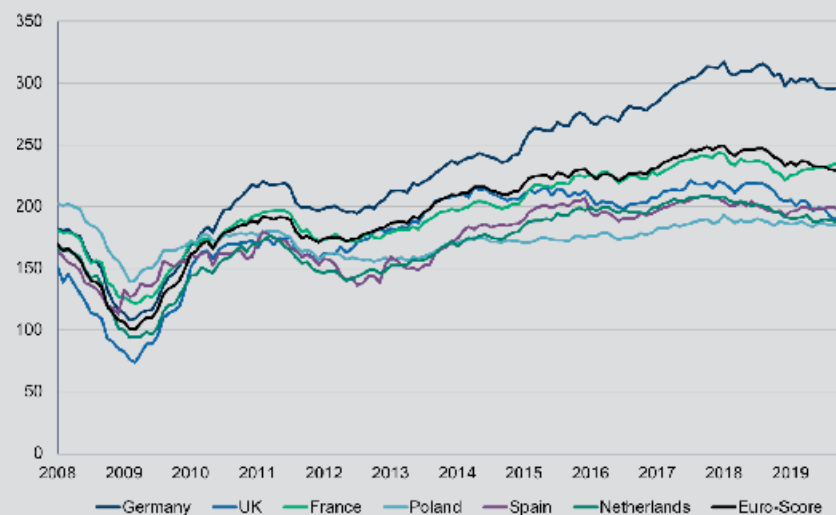
fourth quarter. As in other recent quarters, Poland (+0.1 % to 185.1 points) and Spain (±0 % to 199 points) remained virtually unchanged – something that can be seen as positive given the political uncertainty on the global stage. The real estate sector in the Netherlands, which gained 1.0 % to stand 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 REECOX real estate 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





POLISH REAL ESTATE SECTOR POSTS BALANCED PERFORMANCE FOR 2019

Unlike the other markets monitored by REECOX, the Polish real estate sector displayed remarkable stability in 2018. That same development continued in 2019. After a minor year-on-year decline of 0.8 %, the index now stands at 185.1 points. At the same time, all other markets – with the exception of the UK and the Netherlands – benefited from positive developments in the real estate market last year. In this context, the REECOX Poland's performance last year was therefore somewhat below average.

Although the REECOX Poland posted consistently stable performance on the surface, we saw contradicting trends at input-variable level. The positive momentum of the WIG Developers real estate index continued this past quarter as well, gaining roughly 6.9 % quarter on quarter to stand at 2,460 points – its highest level since May 2011. By contrast, the WIG 20, Poland's leading stock market index, was unable to recover from its significant losses in the third quarter and fell by an additional 1.1 % to 2,150 points. In terms of individual months, its performance was rather mixed. Whereas October was still positive (+1.0 %), November (-1.6 %) and December (-0.4 %) had a substantial effect on the deterioration in sentiment.

COMMENT ON THE MARKET



Beata Latoszek,
Managing Director
Office Warsaw

"A record year is now behind us! The real estate transaction volume of € 7.8 billion marked a new high. As expected, office real estate accounted for the major share of that total, coming in at € 3.9 billion. In Warsaw, yields fell to a record low of 4.3 %, and the conditions remain unchanged for 2020. With investors' appetites still voracious and each good project capable of attracting up to 10 serious potential buyers, the focus is increasingly shifting to other regions, such as Kraków, Wrocław or Tricity. Consideration is also being afforded to other asset classes. Alongside office real estate, logistics real estate is also in high demand. Meanwhile, other sub-markets – such as hotels, social housing, residential real estate and health care properties – are also attracting attention from investors. Despite historically low yields, the level of reliability with regard to generating said yields in the long term is considered to be high."

"Office real estate in Warsaw dominates the market."

Key figures of the real estate economies



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