



Real Estate Stress indexes

A management tool
for real estate markets

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Real estate cycles are driven by both **endogenous** (situation of real estate markets) **and exogenous** (macroeconomic factors having an impact on real estate) **dynamics** and combine the characteristic fluctuations of each sector of activity and those more marked in asset prices.

These dynamics are therefore more uncertain, sometimes more brutal, and certainly more difficult to follow, including by the local teams focused on the marketing and development of the activity, hence **the interest of having “stress risk” indexes in the short to medium term, which are essential tools for a good management.**

These Real Estate Stress indexes aim at alerting on the **tensions affecting a country's real estate market** and the **risks of major price reversals**, based on a combination of key variables having an impact on these markets.



Insight into real estate cycles using *Real Estate Stress Indexes* developed by TAC ECONOMICS

Real Estate Stress Indexes (RESI) were developed by TAC ECONOMICS to provide robust **early warning indications on real estate markets' dynamics**. RESI are computed on a quarterly basis by crunching relevant data on the combination of macroeconomic and real estate factors.

RESI are currently available for France, the UK, Belgium, Canada, Spain, Poland and Morocco, but other countries can be added to meet specific requests. RESI can also be developed for local real estate markets (cities, regions). RESI provide valuable inputs for time-wise and country-wise comparisons of real estate cycles.

Each country is rated using the same methodology, with an **overall Real Estate Stress Index**, itself broken down into a **Macroeconomic Risk Index** and a **Real Estate Risk Index**.



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The Risk Indexes are calculated as a **combination of variables** (GDP, inflation, unemployment rate, interest rate, real estate prices, housing starts, building permits, etc.), **the levels of which indicate the degree of risk**. All RESI variables and Indexes are normalized in a range from 1 (lowest degree of risk, strong support for the real estate market) to 10 (highest degree of risk, negative for the real estate market). This therefore allows particularly useful comparative readings.

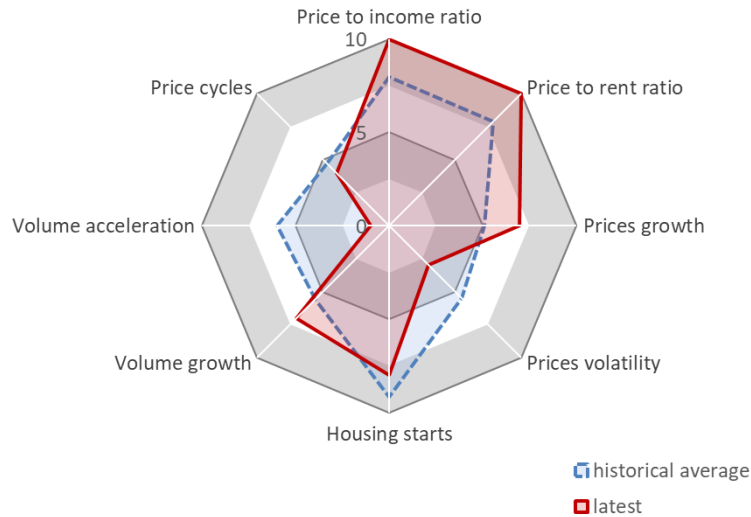
All variables included in the Indexes have been tested for their link with the real estate markets with a short- to medium-term time lead on cycle reversals.

The following illustrations show a higher risk of stress in the UK than in France, where the macroeconomic component provides strong support to the market.

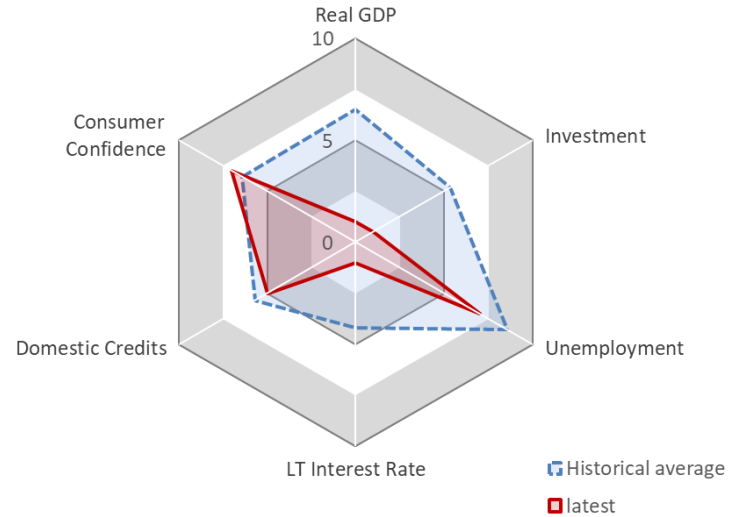


Real Estate Stress Index France – 2021T2

Real Estate Index

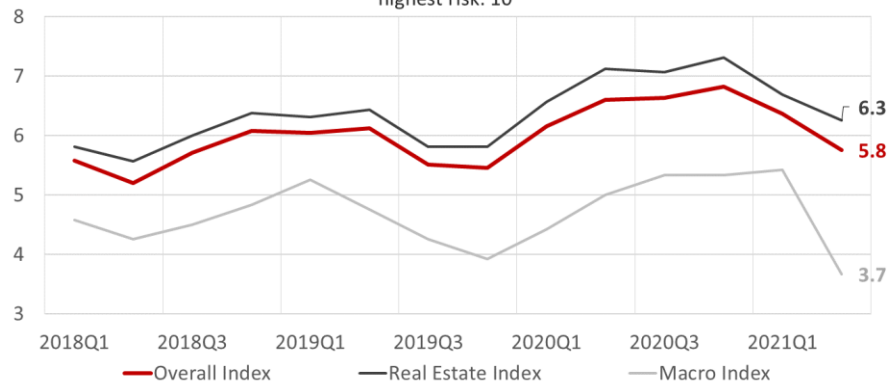


Macro Index



Real Estate Stress Index

highest risk: 10



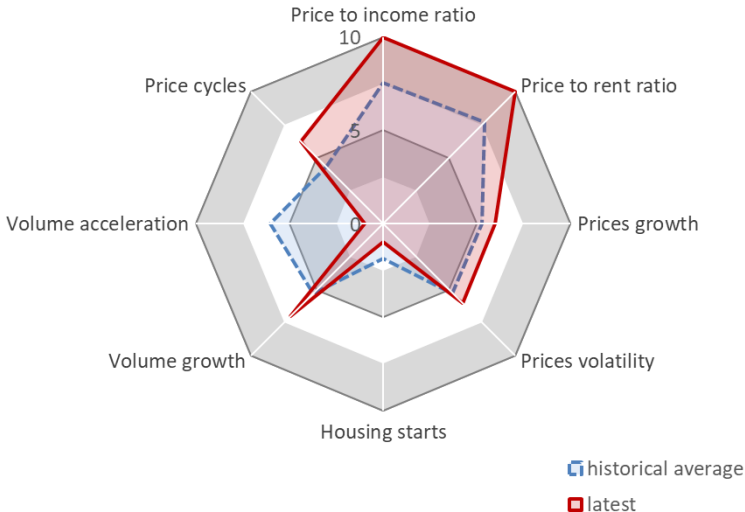
2005Q1-2021Q2

	Mean	Min	Max
Overall Index	6.5	4.9	7.8
Real Estate Index	6.5	4.6	8.2
Macro Index	6.1	3.7	8.3

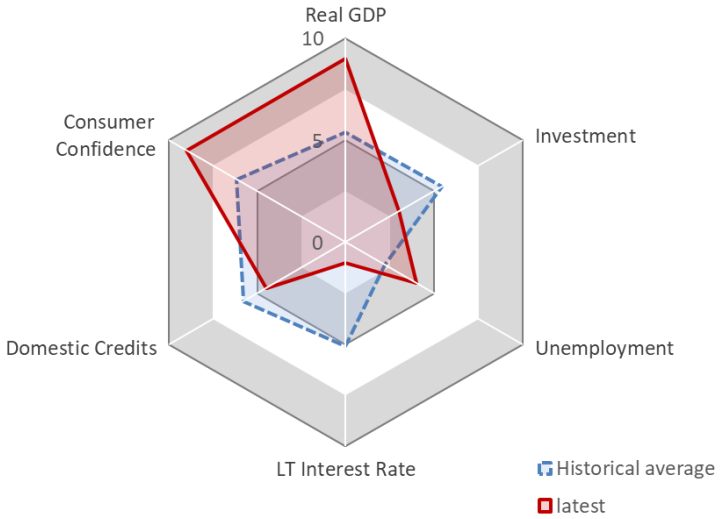


Real Estate Stress Index UK – 2021T2

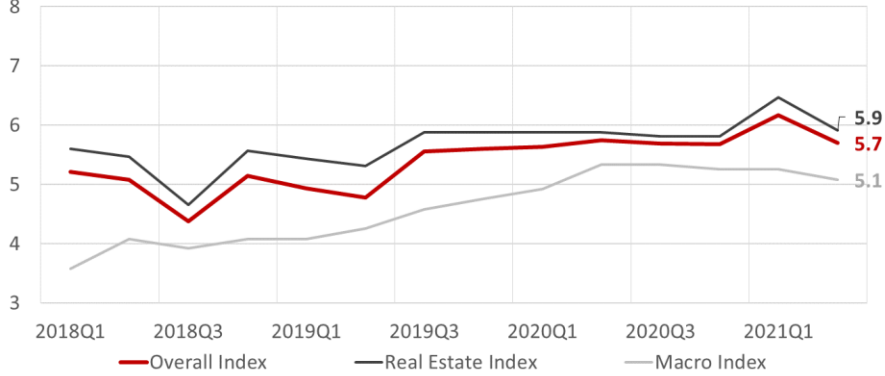
Real Estate Index



Macro Index



Real Estate Stress Index
highest risk: 10



2005Q1-2021Q2

	Mean	Min	Max
Overall Index	5.4	3.7	6.5
Real Estate Index	5.4	3.4	7.2
Macro Index	5.0	2.8	7.4



Need more information?

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