



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

01-2021



Dear readers,

After 26 years at Deutsche Hypo, I am moving on to take on new challenges outside of the NORD/LB Group. I would like to thank you

for your interest in Deutsche Hypo REECOX. Frank Schrader, who is set to head up the bank's real estate business as part of Deutsche Hypo's integration into NORD/LB, will be taking over responsibility for future commentary. All the best for the future!

Kind regards,
Andreas Rehfus

Dear readers,

I look forward to taking on my new role and providing my commentary for Deutsche Hypo REECOX, which was able to continue its positive development in the first quarter of 2021 with a 6.6 % increase in the Euro Score. It is hoped that the spread of coronavirus infections can be curbed, particularly through a rising vaccination rate, and the European real estate market can continue its recovery.

Kind regards,
Frank Schrader



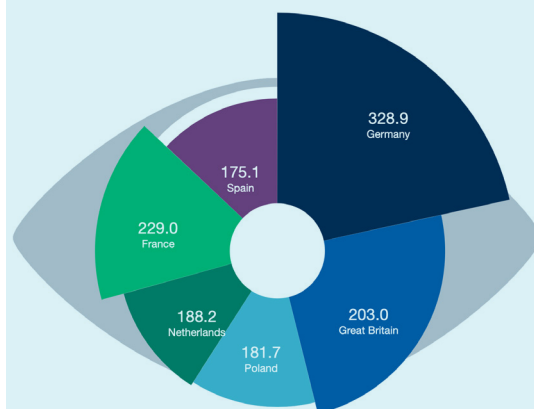
REECOX EURO SCORE STARTS THE YEAR POSITIVELY

European real estate market activity as measured by Deutsche Hypo REECOX (Euro Score) made a strong start to 2021. The index picked up where it left off in the final quarter of 2020 following a brief interim low at the beginning of the year (January: -1.2 %). In February and March, the index recorded growth of 2.0 % and 5.7 % respectively. Overall, the Euro Score improved by 6.6 % to 241.9 points compared to the previous quarter. Not only has the index returned to its pre-crisis level, it also stands at its highest level since September 2018.

The positive pan-European trend was generally observed in all the countries included by Deutsche Hypo REECOX. The UK performed particularly well during this period, with February and in particular March seeing a significant upturn after a slight dip at the start of the year. All told, REECOX UK rose by 9.6 % to 203.0 points. Germany (+5.8 %

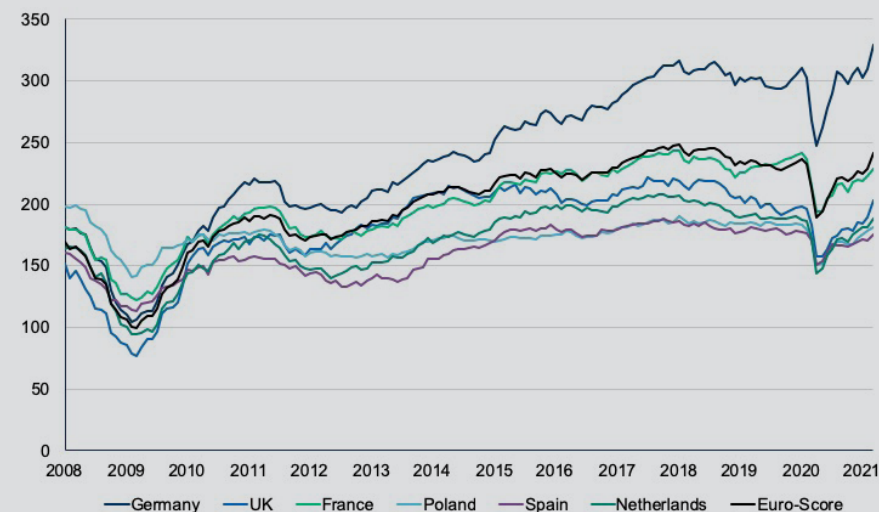
to 328.9 points), the Netherlands (+5.4 % to 188.2 points) and Poland (+5.2 % to 181.7 points) rounded out the midfield. The lowest quarter-on-quarter growth was recorded in France (+4.2 % to 229.0 points) and Spain (+3.2 % to 175.1 points). Compared to all of the countries monitored as part of REECOX, real estate market activity is by far the highest in Germany at the beginning of 2021.

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 March 2021



DEUTSCHE HYPO EURO-SCORE

241.9



REECOX GERMANY SETS NEW ALL-TIME HIGH

The German real estate sector made a strong start to 2021, with growth of 2.1 % and 6.3 % in February and March respectively following a 2.5 % decline in January. The index closed the first quarter at 328.9 points, which equates to quarter-on-quarter growth of 5.8 %. Not only did the peak surpass the high from the final quarter of 2020, it also marks an all-time high for REECOX (since January 1991).

The development of the input variables was partly contradictory. Germany's benchmark index, the DAX, continued its positive trend from the end of 2020 and stands at just under 15,000 points at the end of the quarter, an increase of 9.4 % compared to the previous quarter. However, the generally positive sentiment on stock markets was not reflected by developments in the real estate share segment as measured by the German real estate share index DIMAX. After rising to a record high at the end of the quarter in 2020, it fell by 4.4 % to 955.4 points. By contrast, the business climate as measured by the European Sentiment Indicator (ESI) was able to even out its losses from the end of 2020. At the end of March the business climate indicator stood at 103.7 points, which represents a double-digit increase of 10.0 % compared to the previous quarter.

COMMENT ON THE MARKET



Alois Algermissen,
Head of Hanover
Office

"In the first quarter of 2021, the coronavirus-related restrictions to economic and social activity continued to have a controlling influence on the German real estate market. There was a further downturn in the hotel and shopping real estate market due to the lockdown, which mainly affected the tourism and retail industries. Only a very small number of new financing agreements were concluded in this sector. There is still no consensus on the direction that the office market will take moving forward. The logistics real estate market once again delivered robust figures. Residential investments also recorded positive impetus, particularly owing to the decision by the German Federal Constitutional Court to overturn the rent cap, which should lead to higher rents on residential properties. The project development market remains tense, with ongoing projects being affected by the first wave of cost increases. Construction companies' capacities are limited and it is becoming more expensive to purchase raw materials. Another factor is urban and city centre planning in the post-coronavirus era. Creative and economical design concepts are in demand, with rental income under pressure in the medium term. The sector remains in flux."

"Residential investments recorded positive impetus."

Key figures of the real estate economies



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