



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



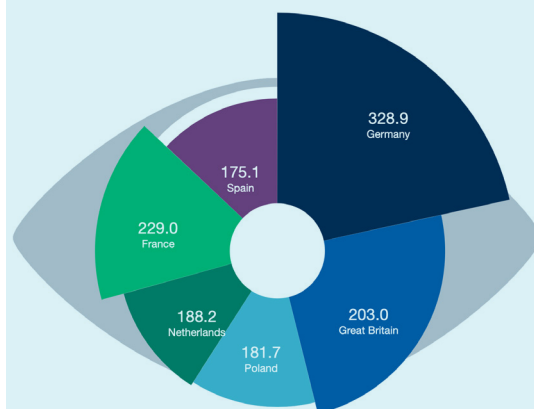
REECOX EURO SCORE STARTS THE YEAR POSITIVELY

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 %

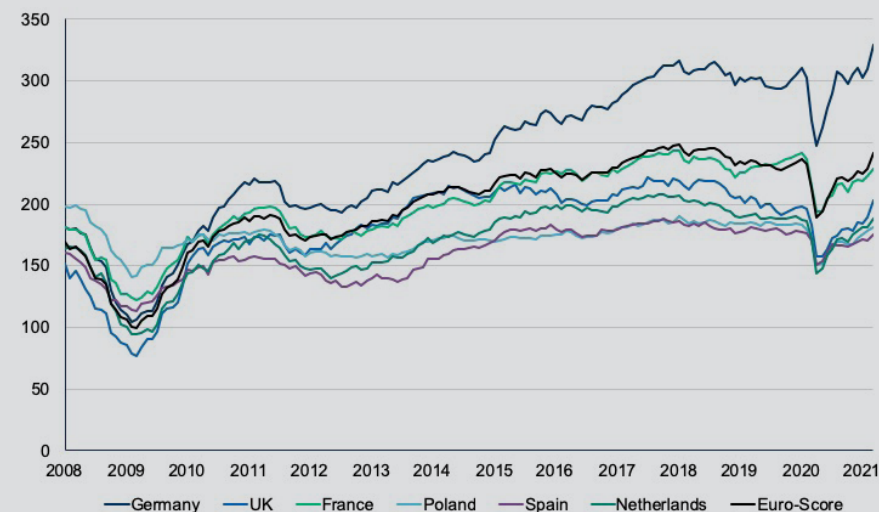
to 328.9 points), the Netherlands (+5.4 % to 188.2 points) and Poland (+5.2 % to 181.7 points) rounded out the midfield. The lowest quarter-on-quarter growth was recorded in France (+4.2 % to 229.0 points) and Spain (+3.2 % to 175.1 points). Compared to all of the countries monitored as part of REECOX, 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 FRANCE REMAINS ROBUST

REECOX France was able to continue the recovery course it began midway through last year in the first quarter of 2021. The index slipped slightly in January, but went on to record growth in both of the next two months. The index reported quarter-on-quarter growth of 4.2 %, closing the first quarter of 2021 at 229.0 points.

The positive overall development of REECOX France was primarily due to the development of France's benchmark CAC 40 index and the business climate. The CAC 40 continued to develop dynamically, rising by 9.3 % to 6,067 points and reaching its highest level since February 2000. Meanwhile, the FTSE EPRA/NAREIT France real estate share index suffered a slight setback at the beginning of the year. In contrast to the double-digit growth in the previous quarter, it closed the first quarter of 2021 with a marginal decline of 0.8 %. This figure is due to the 4.0 % slump in January. Economic expectations, as reflected by the Economic Sentiment Indicator (ESI), are also a little more positive again: The business climate stood at 89.2 points at the end of the year, but the situation has improved markedly since then. At the end of the first quarter it reached a level of 96.8 points, an increase of 8.5 % compared to the previous quarter.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

"The increase in people working from home caused by the coronavirus pandemic is also having an impact on residential properties. Prices have fallen for the first time in Paris city centre, while the market in the Paris suburbs is booming. Interest in residential properties among institutional investors is also extremely high: Last year, € 5.5 billion was invested in this asset class, which equates to an increase of 41 % compared to 2019. Overall investment of € 30 billion is expected this year, € 1 billion more than in 2020. Restaurants in France are currently facing major difficulties, as the many seasonal workers they customarily employ having sought alternative employment due to the pandemic. There is currently a shortage of around 100,000 workers in this sector. The hotel industry – and particularly business hotels – is also suffering. Another factor is the significant overheating of stock markets in the US, which poses potential risks. We hope that the rate of vaccination continues to rise and that we can enjoy a more relaxed summer."

"Interest in residential properties among institutional investors is extremely high."

Key figures of the real estate economies



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