



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



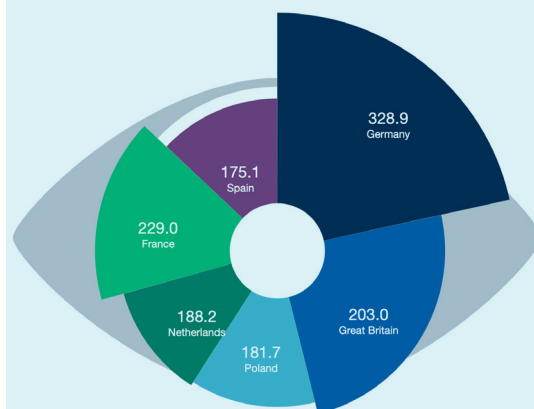
REECOX EURO SCORE STARTS THE YEAR POSITIVELY

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 %

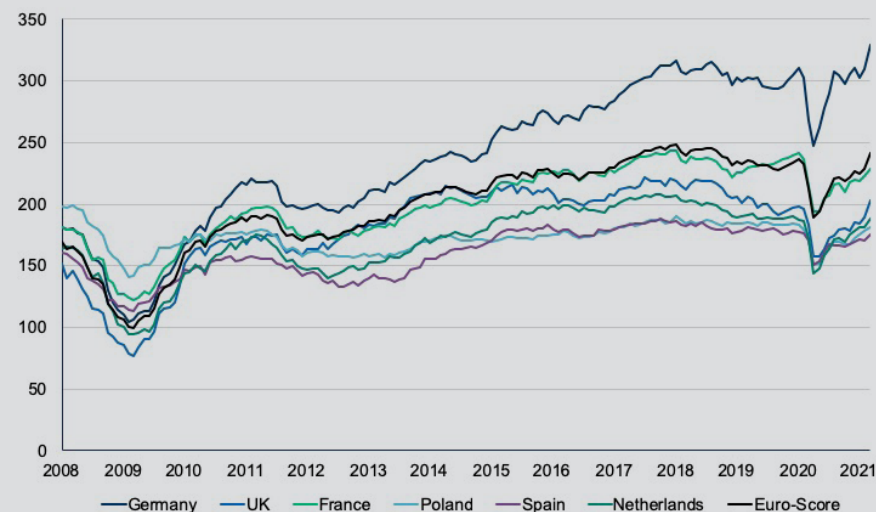
to 328.9 points), the Netherlands (+5.4 % to 188.2 points) and Poland (+5.2 % to 181.7 points) rounded out the midfield. The lowest quarter-on-quarter growth was recorded in France (+4.2 % to 229.0 points) and Spain (+3.2 % to 175.1 points). Compared to all of the countries monitored as part of REECOX,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



DUTCH REAL ESTATE MARKET ACTIVITY MAKES SUCCESSFUL START TO 2021

The positive performance of Dutch real estate market activity at the end of the year continued into the first quarter of 2021. Growth was reported in January (+1.6 %) and March (+3.8 %), with February proving to be the sole exception (-0.1 %) to the positive trend. At the end of the first quarter, REECOX Netherlands stood at 188.2 points, a 5.4 % increase on the previous quarter.

Input variables are positive across the board: The recovery of the leading share index AEX was once again significant, rising by 12.0 % to 699.8 points. Activity on the FTSE EPRA/NAREIT Netherlands real estate share index was a little less dynamic. After recording enormous growth of 81.9 % at the end of the year, the upswing in the first quarter of 2021 was significantly more reserved. An increase of 7.0 % in January was followed by an 8.7 % decline in February. March brought renewed growth of 10.5 %, meaning that the index recorded quarter-on-quarter gains of 8.0 %. The Dutch business climate continued to climb steeply at the start of the year, with the exception of a short interlude in February. Overall, the indicator increased by 5.0 % to its current level of 97.9 points.

COMMENT ON THE MARKET



Wouter de Bever,
Managing Director
Office Amsterdam

“Unfortunately, the situation regarding the coronavirus pandemic remained serious in the Netherlands in the first quarter of 2021. B and C retail locations came under pressure once again due to the ongoing closures. Hotel investments also had to contend with further reductions in market values. Investors continue to focus on the residential market and logistics properties, both of which remained the undisputed favourites. The situation is mixed bag in the office sector. There are many different opinions regarding demand for and configuration of office space. Working from home has definitely established itself as a firm fixture in the world of employment. Many employees no longer have their long daily commutes, and the quality of work has not declined. Activity in the commercial real estate sector has been brisk since the spring. Many projects are currently being planned, and demand for financing is high. Nevertheless, it is still difficult to predict where we will stand at the end of the current year. The future of the industry depends on how quickly and sustainably the economy recovers and restrictions are eased in May.”

“Investors continue to focus on the residential market and logistics properties.”

Key figures of the real estate economies

Country	Change of input variables in Q1-21					Change of the real estate economy Q4-20 / Q1-21	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q4-20	Jan 21	Feb 21	Q1-21	Delta (%) Q4-20 / Q1-21
Germany	↑	↓	↑	→	↑		311	303	309	329	5.8
UK	↑	↑	↑	→	↑		185	184	189	203	9.6
France	↑	→	↑	→	↑		220	219	223	229	4.2
Netherlands	↑	↑	↑	→	↑		178	181	181	188	5.4
Poland	↓	↑	↑	→	↑		173	175	178	182	5.2
Spain	↑	↑	↑	→	↑		170	171	171	175	3.2

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