



REECOX

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DEUTSCHE HYPO
REAL ESTATE ECONOMY INDEX

02-2021



Dear Readers,

The figures for the second quarter of 2021 give reason for optimism. Having posted considerable growth

over the past three quarters, the Euro Score trend continued in the second quarter of 2021, with the indicator rising by a substantial 8.1 % to a new all-time high. All monitored countries are showing increasing recovery. This development is also reflected in the business sentiment. Across all monitored countries, the business sentiment saw double-digit growth again for the first time since tumbling at the beginning of the pandemic, indicating significantly improved economic sentiment and companies' optimistic outlook on their future prospects. The improvement in sentiment is due not least to a sharp fall in COVID-19 infection figures in the second quarter of 2021, rising vaccination rates and associated hopes of a gradual return to normality. Let's hope that the positive trend continues in the coming months.

Kind regards
Frank Schrader

DEUTSCHE HYPO EURO-SCORE

261.2

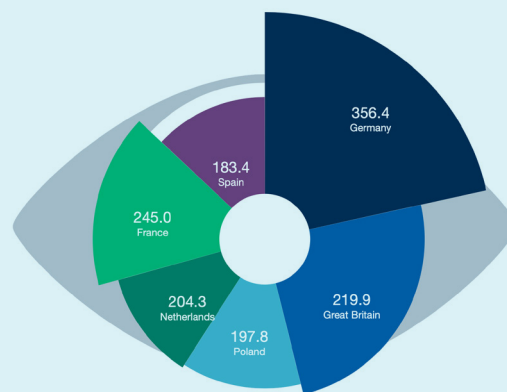
REECOX EURO SCORE REACHES NEW ALL-TIME HIGH

After performing positively in three successive quarters, the trend in European real estate market activity as measured by the Deutsche Hypo REECOX (Euro Score) continued in the second quarter of 2021. Overall, the Euro Score improved by 8.1 % to 261.2 points compared to the previous quarter. As a result, the index has not only exceeded pre-crisis levels, but has also reached an all-time high (since January 1991).

A look at the individual indicators illustrates that the REECOX was again able to perform positively across all monitored countries in the second quarter, with the only minor differences being in the extent of the quarter-on-quarter uptick. Poland recorded the highest level of growth, of 9.0 % to 197.8 points, just 0.1 % ahead of the Netherlands. Germany (+8.4 % to 356.4 points), the UK (+8.3 % to 219.9 points) and France (+7.4 % to 245.0 points) registered similar rates of growth compared to

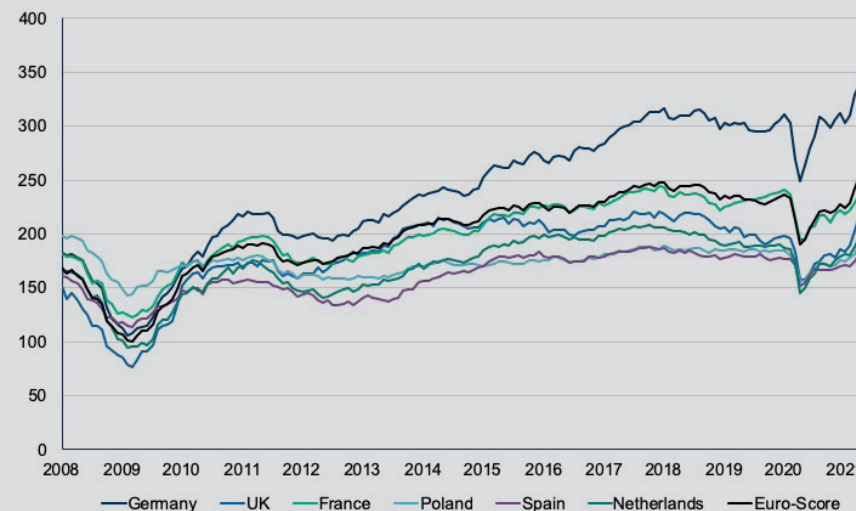
the previous quarter. The REECOX Spain was the worst-performing indicator. It still posted an increase of 4.9 % to 183.4 points, but was the only monitored country in Europe not able to generate growth across all three months of the second quarter.

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 June 2021





REECOX FRANCE RETURNS TO PRE-CRISIS LEVELS

The French REECOX performed positively in the second quarter of 2021 following its solid start to the year. The REECOX value rose to 245.0 points quarter on quarter, an increase of 7.4 %, meaning that the REECOX has now returned to and surpassed its pre-crisis level.

Performance on the stock markets is a major factor in the positive overall development. The French benchmark index, the CAC 40, recorded a rise of 7.3 % compared to the first quarter of 2021. The index finished June at 6,507.8 points. The FTSE EPRA/NAREIT France real estate share index also began the second quarter well with growth of 5.3 % in April and 6.6 % in May. It closed the second quarter up 7.5 % at 3118.6 points, despite a decline of 4.2 % in June. Business sentiment as measured by the Economic Sentiment Indicator (ESI) also developed extremely positively, recording double-digit growth of 16.6 % to 112.2 points.

COMMENT ON THE MARKET



Anne-Isabelle Carbonnières,
Managing Director
Office Paris

“The coronavirus pandemic has caused a considerable slow-down in processes in the real estate sector. All in all, the letting market declined by 8 % in terms of the ten-year average in the first six months of 2021. Investment volume was also down by a significant margin of 30 %. The vacancy rate rose slightly to 7.5 %. Trends that were beginning to emerge before the pandemic have accelerated, which has affected the office market, among others. Demand for serviced offices, which offer significantly more flexible rents, has increased dramatically. The logistics sector continues to boom, but we are seeing shifts here too: demand is centred on modular buildings that have a high level of versatility and can meet the requirements of the respective user. Demand for residential portfolios among institutional investors remains high, although supply is extremely scarce. The rising vaccination rate may have raised hopes of a return to a certain new normality, but we are not out of the woods yet and must keep a close eye on how the market develops.”

“Demand for serviced offices, which offer significantly more flexible rents, has increased dramatically.”

Key figures of the real estate economies

Country	Change of input variables in Q2-21					Change of the real estate economy Q1-21 / Q2-21	Values of the real estate economy				
	Leading share index	Real estate share index	Indicator of economic sentiment	Basic interest rate	Risk-free interest rate		Q1-21	Apr 21	May 21	Q2-21	Delta (%) Q1-21 / Q2-21
Germany	↗	↗	↑	→	→		329	339	348	356	8.4
UK	↗	↗	↑	→	→		203	217	220	220	8.3
France	↗	↗	↑	→	↗		228	237	245	245	7.4
Netherlands	↗	↗	↑	→	→		188	197	202	204	8.9
Poland	↑	↑	↑	→	↗		182	191	198	198	9.0
Spain	↗	↗	↑	→	↗		175	181	184	183	4.9

Source: bulwiengesa AG

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