



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

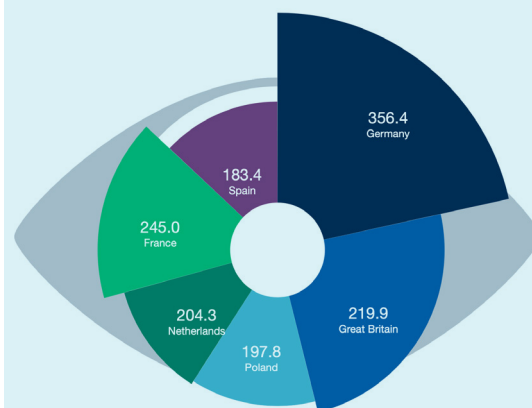
REECOX EURO SCORE REACHES NEW ALL-TIME HIGH

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

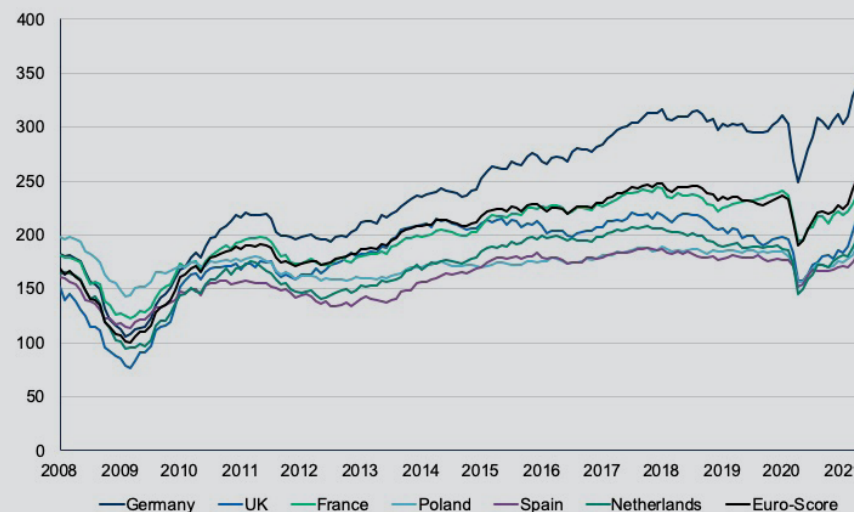
the previous quarter. The REECOX Spain was the worst-performing indicator. It still posted an increase of 4.9 % to 183.4 points, but was the only monitored country in Europe not able to generate growth across all three months of the second quarter.

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



DEUTSCHE HYPO EURO-SCORE

261.2



REECOX NETHERLANDS BACK OVER THE 200-POINT MARK

The Dutch real estate market performed well throughout the second quarter. While April (+5.2 %) was able to build on the relatively strong performance at the end of the first quarter, growth dipped a little in May (+2.2 %) and June (+1.3 %). The REECOX value rose by 8.9 % quarter on quarter to 204.3 points, a level it last exceeded in January 2018.

The positive overall performance is being driven to a large extent by expectations regarding the Dutch business climate, which reached a level in the second quarter that was last seen in August 2007. The business climate climbed by 16.1 % to 113.7 points. The Dutch stock markets performed a little less dynamically, with the AEX benchmark index rising by 4.2 % to 729.5 points. The FTSE EPRA/NAREIT Netherlands real estate index also recorded quarter-on-quarter growth, rising by 6.4 % to 483.2 points. The upward trend was driven primarily by the upturn in May (+4.1 %).

COMMENT ON THE MARKET



Wouter de Bever,
Managing Director
Office Amsterdam

“Right now we are seeing a tremendous boom in demand in residential construction, as in almost all major European cities. Laborious approval processes, new construction regulations and rising construction costs have led to a situation in which scant supply meets high demand, driving up prices significantly at still attractive initial yields for investors. On the other hand, yields for logistics properties have fallen to a historically low level. Nevertheless, this asset class – like the office property market – remains in high demand. A new trend in relation to office space is emerging, however, as demand remains high but is slowly shifting from conventional office properties to larger meeting rooms and open-plan spaces. The hotel and retail property market is challenging and remains affected by the downturn, although cautious optimism surrounds the return of international tourists. Investors continue to focus on property in prime locations, but uncertainty clouds the future development of the retail sector. At the end of the day, bricks-and-mortar retail is an essential part of the retail landscape, and the right mix of high-street shops and e-commerce will prove decisive.”

“Demand is slowly shifting from conventional office properties to larger meeting rooms and open-plan spaces.”

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

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