



REECOX

www.reecox.co.uk

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

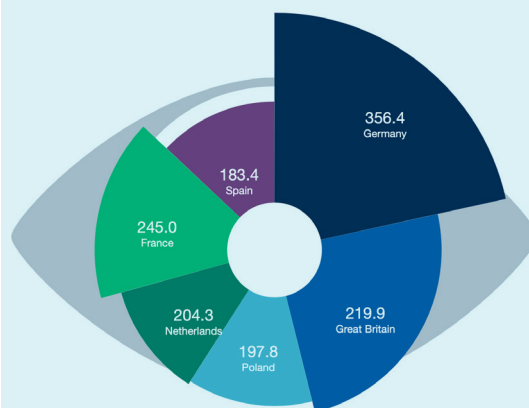
REECOX EURO SCORE REACHES NEW ALL-TIME HIGH

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

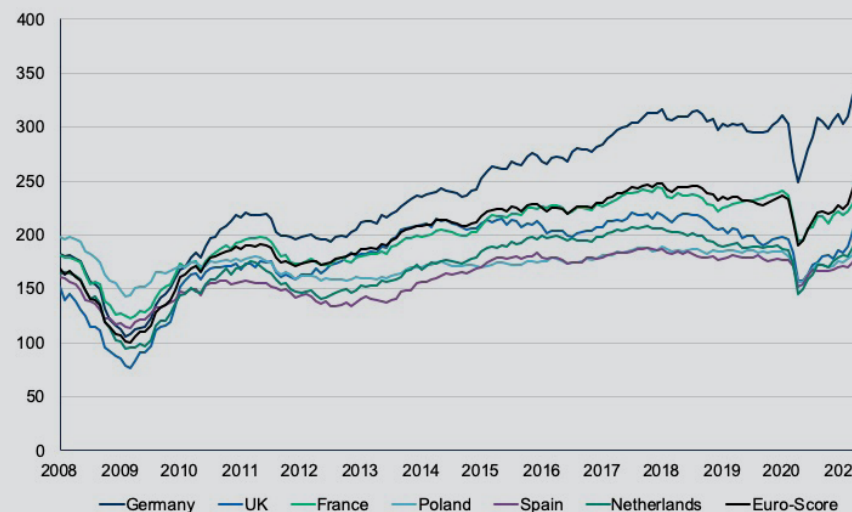
the previous quarter. The REECOX Spain was the worst-performing indicator. It still posted an increase of 4.9 % to 183.4 points, but was the only monitored country in Europe not able to generate growth across all three months of the second quarter.

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 UK REMAINS ROBUST

The positive trend on the REECOX UK has continued for the fourth quarter in succession. Following significant growth of 6.9 % to 217 points in April, the REECOX UK posted stable rises of 1.2 % in May and 0.2 % in June. All in all, the indicator climbed by 8.3% in the second quarter to 219.9 points, which is on a par with the figure recorded in May 2018.

The business sentiment as measured by the Economic Sentiment Indicator (ESI) made the largest contribution to second-quarter performance; its positive trend has been maintained since February. All in all, the ESI gained 14.6 % to stand at 105.3 points – the highest value recorded since October 2018. The UK stock markets also performed well, albeit to a less significant extent in relative terms. Britain's leading stock market index, the FTSE 100, rose by 4.8 % quarter on quarter to close at just over 7,000 points. The FTSE EPRA/NAREIT UK real estate share index posted similar gains, ending the second quarter with growth of 4.5% to 1,256.5 points.

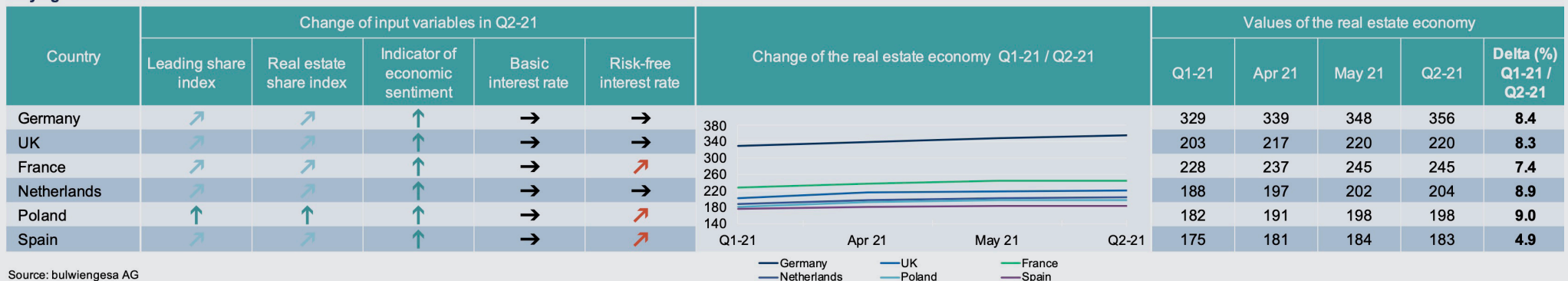
COMMENT ON THE MARKET

"With high and rising vaccination levels and the easing of lockdown restrictions in July, continued month on month GDP growth and a strong forecast for the year we are seeing a degree of optimism returning to the UK economic outlook. This optimism is also reflected in much stronger occupier and investor activity. Fears for the death of the Central London office sector appear to have been misplaced. The trend of increasing take up of office space in Central London is continuing in Q2 and most encouragingly space under offer has risen sharply quarter on quarter. Changing working practices for many see growing appetite for high quality, flexible offices. Occupancy levels are also rising in residential sectors recently as employment confidence increases, lockdown ends and foreign students are beginning to return to the UK. It remains to be seen what impact the Delta variant - or any potential new variant - has on a largely vaccinated population, and the spectre of inflation lurks in the background. However, there is renewed confidence that we are heading towards a more stabilised economy."

Claudia Nacke, Head of Real Estate Finance UK, London Branch

"Fears for the death of the Central London office sector appear to have been misplaced."

Key figures of the real estate economies



PUBLICATION DETAILS

Responsible for content:

bulwiengesa AG, Laura Hahn
Hahn@bulwiengesa.de
Nymphenburger Straße 5, 80335 München
Tel.: +49 89 23 23 76-41

Responsible for publication:

Norddeutsche Landesbank – Girozentrale
Deutsche Hypo – NORD/LB Real Estate Finance
Franziska Pöppel
Franziska.Poepfel@deutsche-hypo.de
Osterstraße 31, 30159 Hannover
Tel.: +49 511 3045-552

Disclaimer: The calculations presented in this publication were prepared by bulwiengesa to the best of their knowledge and with due care. Liability is assumed for material correctness within the scope of standard due diligence.

DEUTSCHE HYPO
NORD/LB Real Estate Finance

NORD/LB