

### German Property Sector News

#### Goldman Sachs buys LEG's 93,000 Apartments in Germany

The state of North Rhine-Westphalia has sold its housing corporation for €3.4bn (including debt) to Whitehall, the real estate investment fund of Goldman Sachs. In the largest deal this year in the residential market, Whitehall won the bidding for Landesentwicklungsgesellschaft NRW (LEG) that owns 93,000 apartments and also has 930 employees. Other bidders were reported to be Deutsche Annington, which bid €100m less than Whitehall, and a joint offer from the Tomkin Group, the Irish social housing operator, and First Title Insurance, which bid €3bn. Whitehall's offer represented a price just under €600 per sqm, but also was done at rumoured 21 times net rents. In addition, market sources indicate the acquired properties need significant capex.

#### Gagfah, Deutsche Wohnen Shares Fall as Merrill Cuts Targets

On Wednesday June 25, Gagfah and Deutsche Wohnen, Germany's two largest publicly traded residential landlords, slumped to their lowest levels in Frankfurt trading, after Merrill Lynch & Co. slashed its price estimates. Gagfah fell as much as 13% and finished down 12% at €9.03. Deutsche Wohnen plunged as much as 28% and ended down 20% at €9.20. Stahli referred to the sale earlier this month of 93,000 apartments by LEG (see first article), owned by the state of North Rhine-Westphalia, to Goldman Sachs Group Inc. for €3.4 billion (\$5.3 billion), including debt. Stahli felt the sale price implied that Gagfah's and Deutsche Wohnen's asset values were too high, and said in a note to clients that "...the LEG pricing at less than €600 per square meter appears to suggest German residential portfolio values are down by 30% to 40%".

#### Price of Building Land in Germany Rises 6.5% in 2007

In contrast to the prices of commercial and residential property in Germany over the period, the price of building land in the western part of the country has been rising steadily. According to statistics published by IfS Städtebauinstitut in Berlin, land values showed an increase of 6.5% in 2007 over 2006. The institute's study shows that the average price of land suitable for building purposes rose to €163 per sq.m in the west, just over double its cost ten years ago (€81.00 per sq.m). The eastern part of Germany is markedly different with prices averaging €47.00 per sq.m, compared to their price in 1998 of just under €50.00 per sq.m. These are average figures based on a small sample universe, with wide deviations from the norm. The city-state of Hamburg has seen the highest average price rise in the period, to €663 per sq.m., while Bavaria heads the regional list with an average price of €255 per sq.m, followed by Baden Württemberg with €186. The cheapest building land in the country is in Saxony-Anhalt, with an average price of €32 per sq.m.

According to Stefan Jokl, the head of IfS Städtebauinstitut, the rise in the price of building land has its roots in local politics. "The amount of new-build activity has completely collapsed in the last ten years. Planning permissions granted between 1998 and 2007 decreased by 61.7%, which would lead to the assumption that the price of building land should have gone down. But clearly local governments and municipalities have been restricting the amount of new land for building purposes, which has led to these disproportionate price increases".

### German Property Sector News Continued...

#### Positive Changes to German investment Law

Long awaited changes to the investment law came through this year and many German investors stand to benefit, according to Warburg Hender-son. The changes apply to both special funds and open-ended funds. Previously, both were allowed to buy only the shares of a company that directly held the assets. They can now buy a holding company that owns the shares of the company holding the vehicle. Like other international funds, German funds can now use Luxembourg or off-shore vehicles to reduce tax bills through double-tier structures. "We can now invest more efficiently," says Sebastian Lohmer, fund manager of Pramerica's TMW Wellfonds. "That covers our taxes in foreign countries and increases our after-tax return".

#### Dawnay Day Treveria Mulls Possible Company Sale

Dawnay, Day Treveria PLC, the AIM listed specialist investor in retail property in Germany, will conduct a strategic review to consider how value can be maximised for shareholders. The Board of Directors has noted the substantial discount at which the shares trade to the published Net Asset Value of the Company, and it will consider all alternatives available to the Company to maximise shareholder value, including returning funds to shareholders through asset disposals or a sale of the whole Company. The strategic review is at a very early stage and the Board intends to update shareholders when appropriate.

#### German Apartment Prices Rise 1.1% m-o-m in May

German house prices rose by 0.6% month-on-month in May, the first increase on the previous month since January, an index published by financial services group Hypoport showed on 16 June. May's monthly gain was led by a 1.1% increase in apartment prices and an 0.8% rise in the value of new homes. The price of existing homes dipped by 0.2%. The latest data suggests average apartment values of €1,637/sqm.

### Recent Economic News

#### ZEW Survey, June 2008 - Investors' Business Expectations Plunge

ZEW business expectations plunged to a reading of -52.4 in June, after -41.4 in May. The decline takes German investor sentiment to -2.1 standard deviations below its long-term average of 30.8, marking a new low in the current downturn and also the lowest reading since the recession of the early 90s. Current business conditions were reported to have stabilized during June, easing only slightly from 38.6 in May to 37.6 in June. Current conditions remain 1.3 standard deviations above their long-term average of -30.6, suggesting that the German economy remains in very good shape right now.

#### Inflation worries could dampen German consumer outlook

German consumers are likely to be less ready to spend money in July as concerns grow about the impact of rising energy bills, clouding the outlook for Europe's largest economy, a report by market research firm GfK showed. The GfK's forward-looking consumer sentiment index, based on a survey of 2,000 Germans, fell to 3.9 for July after a revised 4.7 for June, the Nuremberg-based group said on Tuesday. The mid-range forecast of economists polled by Reuters had been for a reading of 4.6 after an originally reported 4.9 in June. The lowest forecast was for a 4.0 reading. "Spiraling energy costs and the threat of a further massive rise in the price of gas are increasingly dampening the consumer mood in Germany," GfK said in a statement.

Speymill Deutsche Immobilien Company plc (AIM: SDIC, SDCC) is a pan-German residential property investment company which listed on AIM on March 2006, raising £170m on admission. In May 2007, the Company raised a further €250m through a placing of C Shares which were admitted to trading on AIM on 10 May 2007. The Company's objective is to provide Shareholders with an attractive level of income together with the prospect for long-term capital growth. The Manager is Speymill Property Group Limited and the Investment Adviser is GOAL Service GmbH. The Manager and Investment Adviser are responsible for identifying new investment opportunities. The Manager is a subsidiary of Speymill Plc (AIM: SYG) while the Investment Adviser is a joint venture partner.

To read previous editions of Speymill Deutsche Monthly Monitor, please go to: [www.spg.co.im](http://www.spg.co.im) (Latest News, Miscellaneous)

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### German Residential Property Focused Companies

Company	Ticker	Price 26/06/08	% change YTD	Market Cap (€m)	Price/NAV
Deutsche Wohnen	DWNI.DE	9.85	-60%	254	21%
<b>Franconofurt</b>	<b>FFM.DE</b>	<b>3.88</b>	<b>-55%</b>	<b>34</b>	<b>34%</b>
Speymill Deutsche Immobilien SDIC.L		0.60	-34%	101	44%
<b>TAG Tegernsee</b>	<b>TEG.DE</b>	<b>5.47</b>	<b>-17%</b>	<b>178</b>	<b>48%</b>
Colonia Real Estate	KBU.DE	7.82	-54%	175	54%
SDCC	SDCC.L	0.55	-34%	136	55%
Bau-Verein Hamburg	BVH.DE	4.42	-6%	159	62%
Gagfah	GFJ.DE	9.13	-27%	2,059	65%
Puma Brandenburg	PUMA.L	0.77	-3%	135	70%
<i>Average NAV Valuation</i>					50%
<b>Trading Companies</b>					
Estavis	E7S:DE	5.98	-62%	48	50%
Vivacon	VIA.DE	6.27	-53%	124	70%
Patrizia	P1Z.DE	3.27	-42%	170	85%
<i>Average NAV Valuation</i>					68%

### German Commercial Property Focused Companies

Commercial/Retail	Ticker	Price 26/06/08	% change ytd	Market Cap (€m)	Price/NAV
Hamborner	HAB.GR	7.87	-12%	179	23%
Eurocastle	EUI1.DE	7.00	-69%	447	25%
Develica Deutschland	DDE.L	0.33	-55%	83	33%
ORCO	ORC.FP	37.15	-55%	404	37%
IVG	IVG.DE	12.26	-47%	1,422	42%
Deutsche Land plc	DLD.L	0.34	-31%	66	47%
Dawnay Day Treveria	DTR.L	0.55	-31%	340	47%
DIC Asset	DAZ.DE	15.70	-27%	492	74%
Deutsche Euroshop	DEQ.DE	24.02	2%	826	102%
IMW Immobilien	GARY.DE	23.5	-16%	357	110%
<i>Average NAV Valuation</i>					54%

### Speymill Market Commentary

#### Residential:

The German (non-trading) residential stock sector has suffered further throughout the month of June. The worst performing was Franconofurt, which fell 47% from EUR7.28 to EUR3.88. Deutsche Wohnen also fell steeply from EUR16.06 to EUR9.85, suffering a drop of 39%. On average the sector saw stock prices fall by 20%. SDIC and SDCC fell by only 19% and 16% respectively, thus slightly outperforming the sector. With the price of Puma Brandenburg staying constant and Bau-Verein Hamburg stocks falling by only 2%, these companies topped the sector in terms of share price performance. Colonia Real Estate, last month's worst performing company, saw share prices fall by a further 28% this month. The weighted sector price average discount to NAV is 50%.

#### Commercial:

This sector fared slightly better than Residential, with the weighted average decrease of 9%. IMW Immobilien and Deutsche Euroshop were the only two tracked commercial companies which traded at a premium to NAV, with Dawnay Day Treveria performing the best with a price drop of only 3%. Eurocastle performed the worst, with its share price falling 30%. Commercial companies were trading at average 54% of NAV.

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