

### German Property Sector News:

#### GAGFAH Management Change

Burkhard Drescher left his post as CEO of GAGFAH in April citing 'irreconcilable differences' with the firm's owners, Fortress, over quality standards in GAGFAH's holdings and future business strategy.

GAGFAH plans to drive rents up to the maximum permissible legal level and further reduce maintenance investments in the company's properties, according to Robert Kauffman, the firm's Chairman. These moves were strongly criticised by Wolfgang Röken, chairman of the building and planning committee in GAGFAH's home state of North-Rhine Westphalia, who said the move would create "ghettos in our cities...allow[ing] complete residential blocks to fall into disrepair...with the tenants ending up getting the worst of it."

Dr. Franz-Georg Rips, the president of the Deutscher Mieterbund, Germany's leading tenant's association, was quick to comment on the changing of the guard at the top of GAGFAH. "With the removal of Mr. Drescher, Fortress is finally showing its true colours. I fear that from now on it's going to be all about rent increases and drastic cutbacks on necessary modernisation and maintenance expenditure", he said.

Fortress financed the acquisition of the GAGFAH, WOBA and NILEG portfolios with about €5bn of loans at circa 4%, added Dr. Rips. These loans are largely due for refinancing in 2011, according to company filings. It should also be noted that GAGFAH performs its own valuation on its property portfolio instead of using independent third-party valuers.

#### Vivacon Delays Final Results Amidst Refinancing Issues

Vivacon announced that it will post a loss of as much as €170m for the financial year 2008. The loss included a deficit of €140m from cancellations in the sales of some inherited properties, withdrawn purchases from buyers, including a transaction of 2,000 apartments, writedowns for residential portfolios, a loss from interest hedging instruments and restructuring costs, according to Sven Annutsch, head of investor relations at the firm.

According to Eckhard Rodemer, the firm's newly appointed CEO, Vivacon's refinancing needs in 2009 total €116m, of which €59m were due in the first quarter. The firm is currently in talks with its banks about all its loans for this year and aims to extend them all in one go. Vivacon has also stated that it will postpone publishing final results.

#### Develica Deutschland in Refinancing Talks

Develica Deutschland has announced that it is in discussions with its majority lender, Citibank, for a waiver and amendment to its credit facilities. The company said progress is being made "although it has taken longer to conclude than originally anticipated". According to the latest accounts published for the 6 month period ended 30 September 2008, LTV stood at 91.4% while cash amounted to €40.4m.

#### Deutsche Wohnen Seeking Capital to Fund Growth

Deutsche Wohnen is eyeing a €200—300m share sale as it looks to raise capital to fund its growth plans, according to a company spokesman, noting that the company still needed to firm up support from major investors and supporting banks. The raised capital would be used to help finance plans to double the size of its portfolio to roughly 100,000 apartments. Deutsche Wohnen has LTV of approx. 70%, according to its annual report.

### German Economic News:

#### Business Sentiment Increases for Another Month Running

The German Ifo business climate index increased for the fourth month in a row, from 82.1 to 83.7 in April, significantly higher than consensus estimates of 82.3. Additionally, the index measuring current conditions improved for the first time in around a year, an indicator that businesses are now seeing firmer signs of improvement, although the index remains at a very low level.

German GDP is still expected to fall by a whopping 6% this year, partly reflecting a very weak starting point, but the improvement in the business sentiment is a positive sign for the future.

Similarly, the German ZEW index rose significantly in April, from -3.5 to +13.0, far better than the expected increase to +2.0. Sentiment has now risen for six months running, from an extreme low of -63.0 in October 2008. A positive value for the ZEW index means that the number of investors expecting German economic conditions to improve in the next six months is larger than the number expecting conditions to worsen.

This is the first time since July 2007 that the German ZEW index has shown a positive number.

#### German Bank Support Plan Progressing Slowly

The German government's plans for further measures to support the banking sector might sound broadly encouraging, but no firm details will be announced until the summer. In 2008, the German government pledged a generous €500bn, or 22% of GDP, in lending guarantees and capital injections. However, since then, other governments, most notably the UK and the US, have moved on from capital injections to measures designed to insure banks against future losses and hence encourage them to lend. No similar measures have been announced in Germany.

#### German Government Bids for Hypo Real Estate

After months of speculation and slow progress, the German government has finally offered to buy property lender Hypo Real Estate (HRE), moving closer to the country's first bank nationalisation since the 1930s.

The German bank-rescue fund, Soffin, made a bid of €1.39 a share, or about €290m, for the Munich-based lender. The bid was 16% higher than the closing price of €1.20 the previous day. The government aims to acquire all of the outstanding shares with the offer. HRE has already received €102bn of credit lines and debt guarantees from the German government after a funding shortage at its Dublin-based Depfa Bank unit brought the company to the brink of bankruptcy.

The state had previously acquired an 8.7% stake in HRE as a first step towards nationalisation. By gaining a majority stake with its offer, the government would clear the way for a capital increase that would essentially allow the state to squeeze out any remaining shareholders.

Soffin said that the €1.39 per share was an "attractive price" and was 10% above the statutory minimum price of €1.26, adding there is no minimum acceptance level for the bid. President Horst Koehler signed the bill allowing banks to be nationalised in April 2009.

Existing shareholders of HRE have been advised to accept the deal; the alternative is gloomy; either a dilutive capital increase or expropriation.

Speymill Deutsche Immobilien Company plc (AIM: SDIC) 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 C Shares were converted to Ordinary Shares on an NAV-to-NAV basis on 16 October 2008.

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 and Investment Adviser are subsidiaries of Speymill Plc (AIM: SYG).

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### German Residential Property Focused Companies

Company	Ticker	Price (€) 28/04/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/NAV
GAGFAH	GFJ.DE	4.49	7%	1,013	9,853	68%	33%
Deutsche Wohnen	DWNI.DE	15.24	70%	402	3,303	67%	41%
Speymill Deutsche Immobilien	SDIC.L	0.22	105%	73	1,482	78%	24%
Colonia Real Estate	KBU.DE	2.97	-14%	72	835	67%	25%
TAG Tegernsee	TEG.DE	1.99	-7%	65	629	86%	21%
Puma Brandenburg	PUMA.L	0.47	-3%	66	681	74%	33%
Bau-Verein Hamburg	BVH.DE	1.83	-18%	43	131	146%	34%
Franconofurt	FFM.DE	3.00	0%	26	62	108%	34%
IMW Immobilien	GARY.DE	17.00	20%	273	976	63%	87%
Taliesin	TPF.LN	7.25	4%	26	95	60%	72%
<i>Weighted Average NAV Valuation *</i>							41%

### Trading Companies

Company	Ticker	Price (€)	Change	Market Cap (€m)	Total Assets (€m)	LTV	Price/NAV
Patrizia	P1Z.DE	2.02	11%	105	1,517	72%	36%
Estavis	E7S.DE	1.50	-21%	13	250	30%	14%
Vivacon	VIA.DE	1.53	-65%	30	952	47%	11%
<i>Weighted Average NAV Valuation *</i>							29%

\*Weighted by Market Capital

### German Commercial Property Focused Companies

Company	Ticker	Price (€) 28/04/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/NAV
IVG	IVG.DE	6.61	3%	767	7,876	71%	28%
Eurocastle	EUI1.DE	0.50	92%	32	7,508	77%	3%
ORCO	ORC.FP	7.32	10%	79	2,466	62%	8%
Treveria	TRV.L	0.15	99%	91	2,236	74%	17%
DIC Asset	DAZ.DE	5.69	-19%	178	2,215	69%	35%
Deutsche Euroshop	DEQ.DE	21.44	-14%	737	2,007	49%	77%
Develica Deutschland	DDE.L	0.10	4%	22	1,194	68%	22%
Deutsche Land plc	DLD.L	0.15	99%	91	670	66%	22%
Hamborner	HAB.GR	7.00	22%	160	226	29%	62%
<i>Weighted Average NAV Valuation *</i>							46%

## Speymill Market Commentary

### Residential

SDIC's strong share price performance continued throughout April 2009. With a price increase of 59% during the month, SDIC significantly outperformed the German residential real estate sector. IMW Immobilien and Deutsche Wohnen also performed well with share price increases of 42% and 35% respectively. Taliesin and Colonia were the only two German residential property companies that saw their share prices decrease this month; these decreases were marginal at 3% and 1% respectively.

Overall the residential sector saw a weighted average share price increase of 23%. The residential sector's weighted average discount to NAV is now 59%. SDIC's discount to NAV, at 76%, is higher than the sector average. The highest discount to NAV in this sector is TAG Tegernsee at 79%. Colonia also has a high discount to NAV of 75%. The company with lowest discount to NAV in the German residential sector is currently IMW Immobilien; this may well be a result of the fact that it has the lowest LTV (63%) in the sector.

### Commercial

The German commercial real estate sector also saw a rally in share prices this month. The weighted average share price for the sector increased by 34%. No commercial companies saw net share price decreases this month, although both Eurocastle and Deutsche Euroshop saw their share price remain flat. The best performing listed German commercial property company was DIC Asset whose share price increased 69%. The weighted average discount to NAV of German commercial sector is currently 54%. The commercial companies with the highest and lowest discounts to NAV are Eurocastle and Deutsche Euroshop, with discounts of 97% and 23% respectively.

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