

German Property Sector News:

WGF AG buys Corestate German portfolio for €100m

Westfälische Grundbesitz und Finanzverwaltung AG (WGF), the Düsseldorf-based private property trading group, recently purchased a largely residential German portfolio for approximately €100m. The seller was Corestate Capital, based in Zug, Switzerland, which like WGF specialises in buying residential portfolios for improvement and subsequent resale.

The portfolio, which is predominantly located in North Rhine-Westphalia, consists of 1,879 apartments and 95 commercial units.

Conwert reaps profit from booming apartment sales

Conwert Immobilien (Conwert) announced its results for the first nine months of 2009. Conwert, which now has €2.52bn in assets equally invested in Germany and Austria, posted a revenue of €414.5m an increase of 70%, EBITDA of €80.67m an increase of 17%, and an FFO of €51.38m an increase of 45% from the previous year. Property sales were better than expected having increased 155% to €268.5m.

The strong figures posted is an upshot of record sales of its freehold flats and apartment buildings over the period, while seeing rental income continuing to increase across its portfolio. In addition to the buoyant market for apartment sales, estimated to be €300m by the end of 2009, Conwert also recently bought a further 1,000 older high-quality apartments in Berlin for €67m. The figures were underpinned by rental income increasing by 9% on the previous year to nearly €120m, which Conwert said was due to an increase in rents on new leases in Austria and a lowering of the vacancy rate in Germany, which reduced by 15% to 17.7%.

Cash-rich Deka Immobilien buys Hamburg property from Carlyle

Deka Immobilien, one of Germany's largest manager of property funds, has bought a prestige property located on Hamburg's Hohe Bleichen from Cerep Libri GmbH (a subsidiary of US private equity firm, The Carlyle Group).

The property is a newly-built office and commercial building which has approximately 10,350sqm of office space and 1,500sqm of retail space. The parties did not disclose a purchase price, however recent reports have suggested a figure of €70m.

German real estate sentiment increases further

The King Sturge Real Estate Economy Index rose in November from 78.2 points to 79.8 points. The Investment Climate improved from 90.0 points to 91.4 points. The Rental Climate increased from 66.8 points to 68.6 points.

The Real Estate Economic Situation Index improved from 146.8 points to 149.7 points in November. The Office Climate index recorded a decrease to 61.4 points from 58.5 points in November, while the Retail Climate index increased to 80.5 points in the last month. The Residential Climate index decreased from 127.0 points to 124.5 points.

German Economic News:

Germany passes tax relief package

Germany's upper house of parliament has approved Chancellor Merkel's tax relief plans aimed at helping the economy. The plans set out by the Chancellor will cost the state approximately €8.5bn. Some of the regional states had threatened to block the plans saying they could not afford them. It is hoped the tax relief package will boost domestic demand by lowering tax rates for firms as well as introducing tax breaks for families. The proposals will also reduce the tax on hotel sales.

German economic institutes raise 2010 GDP outlook on stimulus

Two German economic institutes raised their forecasts for the country's economic growth next year, saying stimulus programs passed by Chancellor Merkel's government will help bolster the economy.

The IFW institute has forecast growth to 1.2 percent from 1 percent, saying domestic demand will pick up, led by consumer spending. The IMK institute said the economy will expand 2 percent, saying the government's measures contribute significantly to the economy heading strongly into the New Year.

German budget plan foresees record borrowing

On 16th December the new German government agreed on a budget that would drastically ramp up borrowing next year as the country emerged from its worst economic crisis in decades. The 2010 budget for Germany, the largest European economy, is 7.3 percent larger than the one for this year, raising the budget to €325 billion.

With Germany ramping up its borrowing, the already outsized budget deficit will increase next year. The IFW institute warned that Germany's public finances will deteriorate to a budget deficit of 5.2% of real gross domestic product in 2010 and 5.8% in 2011, which is above the 3% limit set by the European Union.

German December inflation rises to eight-month high on energy

German consumer prices posted their highest annual gain in eight months in December after energy costs increased. Crude oil prices have almost doubled in the past year, undermining confidence just as the economy begins to recover from the worst recession in more than six decades. While German economic growth accelerated in the third quarter, rising unemployment may prompt consumers to keep a rein on spending. The Bundesbank said this month that inflation will remain benign and predicted that unemployment will increase to 10.1 percent in 2011.

German business sentiment brightens again

The Ifo Business Climate Index rose further in December to 94.7 point from 93.9 points in the previous month. This represented the tenth consecutive monthly improvement. The Business Situation Index, which is a measure of the current business environment, rose to 90.5 points from 89.1 points while the Business Expectations Index increased from 98.9 points to 99.1 points in December.

The ZEW Indicator of Economic Sentiment for Germany showed a decrease in December from a value of 51.1 points to 50.4 points. This value is still well above the indicator's historical average of 27.0 points. The Current Conditions Index also rose from -65.6 points to -60.6 points in the last month.

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 a 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).

To read previous editions of Speymill Deutsche Monthly Monitor please go to: www.speymilldeutsche.com (News & Reporting, Miscellaneous)

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Speymill Deutsche Monthly Monitor December 2009 continued



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German Residential Property Focused Companies

Company	Ticker	Price (€) 30/12/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
GAGFAH	GFJ.DE	6.37	55%	1,438	10,000	68%	45%
Deutsche Wohnen	DWNI.DE	6.70	-16%	548	3,085	67%	17%
Conwert Immobilien	CWI.AV	8.32	-3%	707	2,976	56%	48%
Speymill Deutsche Immobilien	SDIC.L	0.29	263%	98	1,455	78%	39%
IMW Immobilien	GARY.DE	8.50	-53%	140	976	63%	61%
Colonia Real Estate	KBU.DE	4.35	59%	124	935	74%	45%
TAG Tegernsee	TEG.DE	4.50	168%	147	793	68%	60%
Bau-Verein zu Hamburg	BVH.DE	3.07	54%	71	305	65%	62%
Taliesin	TPF.LN	7.50	9%	27	103	60%	74%
Franconofurt	FFM.DE	3.25	5%	29	62	108%	32%
Weighted Average NAV Valuation *							43%

Trading Companies

Patrizia	P1Z.DE	3.06	85%	160	1,450	77%	52%
Estavis	E7S.DE	1.77	6%	14	250	30%	17%
Vivacon	VIA.DE	0.79	-69%	16	952	47%	9%
Weighted Average Price/NAV*							46%

*Weighted by Market Capital

German Commercial Property Focused Companies

Company	Ticker	Price (€) 30/12/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
IVG	IVG.DE	5.35	14%	620	7,670	71%	28%
Eurocastle	EST.AS	0.36	24%	22	5,777	77%	18%
DIC Asset	DAZ.DE	8.15	16%	256	2,223	76%	77%
ORCO	ORC.FP	6.40	-23%	12	2,142	80%	41%
Deutsche Euroshop	DEQ.DE	23.67	-5%	895	2,131	48%	89%
Treveria	TRV.L	0.10	43%	60	2,042	93%	14%
Develica Deutschland	DDE.L	0.05	-38%	16	890	98%	37%
Hamborner	HAB.GR	7.95	34%	181	226	29%	74%
Weighted Average Price/NAV*							69%

Speymill Market Commentary

Residential

In general, the listed German residential sector saw decreases in share price. The biggest decreases in share price this month was seen by IMW with a drop of 23% to €8.50 and Colonia Real Estate with a drop of 13% to €4.35. TAG Tegernsee was the best performing stock with a 10% increase to €4.50. SDIC was the best performing stock in 2009, with a 263% increase in its share price.

Commercial

The listed German commercial sector also saw decreases in share price. The biggest decrease in share price this month was seen by IVG with a drop of 19% to €5.35. Both ORCO and Treveria dropped 17% to €6.40 and €0.10 respectively. There was no change in share price for Develica Deutschland and Hamborner.

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