

German Property Sector News:

German Homes — Good as Gold

German residential property is joining gold as a safe haven for many investors disillusioned with equities and afraid other assets will be eaten away as measures to combat the financial crisis prompt a spike in inflation.

"Residential property is boring. There is no 'sexy story'. But today, boring is beautiful. Capital preservation is more important than high returns," said Udo Scheffel, CEO of German residential property company GBW.

The German cities of Munich and Hamburg were the top two 2009 investment locations in Europe in ULI/PwC's latest annual survey of real estate executives and fund managers, and four German cities were in Europe's top 10, the only European country with more than one city within the shortlist.

"Germany is the best port in a storm right now," said one survey respondent. *"Residential will become more popular as it retains its value,"* said another.

Hypo Real Estate as Good as Nationalised

Chancellor Angela Merkel's Cabinet has approved a draft bill allowing the state to seize control of property lender Hypo Real Estate Holding AG (HRE). The bill, specific to the Munich-based lender, allows the government to carry out compulsory purchases of shares held in HRE.

Germany's constitution currently forbids the expropriation of shareholders, but the state considers HRE to be too important to fail. To assuage lawmakers wary of Germany's first bank nationalization since the 1930s, the Cabinet will insert caveats to ensure such a step can be taken only as a last resort.

According to Wolfgang Gerke, president of the Bavarian Center of Finance in Munich, *"The legislation reflects the facts: the bank is only being kept alive with taxpayers' cash, truckloads of it, and even if it's small consolation to Hypo's shareholders, this one-off step may be necessary."*

Ulrich Wilhelm, Merkel's chief spokesman, said that nationalisation would only become an option after all other attempts to obtain a controlling majority have failed. Merkel, while stressing that she wanted to avoid nationalizing Hypo Real Estate, admitted that *"the interests of shareholders are secondary."*

Deutsche Land Holds Out for A Better Deal, Again

Deutsche Land has rejected a second *"inadequate"* takeover proposal from its former management company head. In a Stock Exchange announcement, Deutsche Land said the indicative offer of 15p per share from Prostar did not represent a *"basis upon which to continue discussions"*.

Prostar, headed by Jonathon Elkington, the former head of Deutsche Land's management company, made an offer of less than 15p a share in November which Deutsche rejected. An indicative offer of 15p a share was made in February but Prostar dismissed the offer as being *"Inadequate"* and indicated that *"none of Prostar's proposals are in the best interests of shareholders"*.

German Property Sector News: (cont'd)

IMW Posts Loss After Write-downs

IMW Immobilien AG reported an after-tax loss after writedowns of €84.8m in its Berlin-focussed residential portfolio. The firm reiterated that any losses related to two investment vehicles that were declared insolvent after a long running dispute with creditor Wachovia Bank were ring-fenced from the rest of the group, but provided no further details.

Eurocastle Refinances Debt, but at what Price?

Eurocastle Investment Ltd. has announced the successful refinancing of its €236m Mars Floating Facility. With the debt extension, Eurocastle has agreed to transfer half of its equity investment in the combined Mars portfolios to the lender. The amended debt facility matures in 2012 with an interest rate of 175bps above the 3M Euribor and amortization payments of €36m, €50m and €75m at the end of 2009, 2010 and 2011, respectively.

German Economic News:

Residential Real Estate Attracting Interest

Some economists believe the huge monetary and fiscal measures being deployed by governments and central banks worldwide to boost growth and lending could lead to significant inflation down the road, which would benefit real estate prices.

Residential real estate proved more stable and less risky during a turbulent 2008 compared to offices, retail space, hotels or warehouses, measured by property consultants King Sturge's German market sentiment index.

"Residential will become more attractive for investment because low new housing construction volumes mean rents will grow and small valuation fluctuations guarantee stable returns," said Sascha Hettrich, partner at King Sturge in Germany. *"Institutional investor interest in residential property has increased noticeably,"* said AXA fund manager Ulf-Harald Koepke.

German GDP Plummets at Record Pace

The latest estimates of German GDP for 4Q2008 confirmed that activity plunged by a record 2.1% q-o-q, driven largely by sharp falls in exports. The downturn in exports is expected to have further to run and GDP is expected to fall by at least 3% in 2009, according to Capital Economics. Exports dropped by a massive 7.3% q-o-q, the fastest decline since 2Q1991. With consumer confidence very weak and unemployment now rising, there is little prospect of a quick recovery.

Sentiment Stabilising but at Record Low

February saw a small fall in the Ifo business climate index down to 82.6 from 83.0 at the start of 2009. Despite the small fall, the Pan-German series of business sentiment among the 7,000 German companies is starting to show some signs of stabilisation. The manufacturing sector experienced another decline and remains clearly the weakest link. Retail and Wholesale trade sectors remain broadly stable, whilst the construction sector experienced another improvement this month.

According to research by Morgan Stanley, the tentative signs of stabilisation suggest that further falls in real GDP are likely to be less dramatic than that of 4Q2008. However, the rather timid rebound suggests that the downside risks to the economy have not yet evaporated.

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).

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

Floris van Dijkum
Global Chief Investment Officer
Tel: +44 20 3355 1407
Fax: +44 20 7659 6296
f.vandijkum@speymill.com

Huang Khoo
Analyst
Tel: +44 20 3355 1401
Fax: +44 20 7659 6296
h.khoo@speymill.com



Speymill
Property Group (UK) Limited
www.spg.co.im

Speymill Deutsche Monthly Monitor February 2009 continued

German Residential Property Focused Companies

Company	Ticker	Price (€) 24/02/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
GAGFAH	GFJ.DE	2.37	-81%	535	10,586	64%	24%
Deutsche Wohnen	DWNI.DE	8.14	-63%	215	3,478	62%	23%
Speymill Deutsche Immobilien	SDIC.L	0.09	-90%	29	1,476	76%	6%
Colonia Real Estate	KBU.DE	3.14	-81%	72	988	57%	22%
TAG Tegernsee	TEG.DE	1.21	-82%	39	911	59%	11%
Puma Brandenburg	PUMA.L	0.50	-44%	69	782	65%	46%
Bau-Verein Hamburg	BVH.DE	1.80	-62%	42	366	58%	25%
Franconofurt	FFM.DE	2.90	-67%	26	161	46%	25%
<i>Weighted Average NAV Valuation *</i>							24%

Trading Companies

Patrizia	P1Z.DE	1.56	-72%	81	1,560	76%	35%
Estavis	E7S.DE	1.65	-89%	13	1,189	59%	14%
Vivacon	VIA.DE	2.03	-85%	40	258	44%	23%
<i>Weighted Average NAV Valuation*</i>							29%

*Weighted by Market Capital

Speymill Market Commentary

Residential

The weighted average German residential sector market capitalisation decreased by 16% this month. There were two companies whose share price moved contrary to this trend. Colonia, the best performing residential company, saw its share price increase by 15% over the period. SDIC finished a close second, with a share price increase of 11% this month - equivalent to a €3 million increase in market. At the period end, SDIC discount to NAV was 94%, still the largest discount in the sector. Puma Brandenburg also saw a slight increase in market capitalisation of 3%. At a 54% discount, Puma has the lowest discount to NAV in the sector by quite a margin (21% lower than the 75% discounts of both Franconofurt and Bau Verein zu Hamburg, the next highest valued residential companies).

The worst performing residential companies were TAG Tegernsee and Deutsche Wohnen who saw their share prices drop by 28% and 27% respectively this month. Gagfah, the market giant of the German residential sector, saw its market capitalisation fall by a further 18% this month. This performance means that in the past 3 months, Gagfah's market capitalisation has fallen by 75%, from €2,116 million to €535 million. The weighted average discount to NAV in the German residential sector is now 76%, an improvement of 9% in the past 3 months, mostly due to a drop in reported NAV.

Commercial

The German commercial real estate sector saw a weighted average share price decrease of 11% this month, thus outperforming the residential sector for the second month in a row. The worst performing companies were ORCO and Eurocastle, who both suffered a 50% fall. DIC Asset Management was also badly hit, with shares falling 38%. Treveria and Develica Deutschland both saw their market capitalisation increase by 4% this month; however it should be noted that both these companies are trading at very high discounts to NAV, 92% and 93%. The weighted average discount to NAV in the German commercial real estate sector is 55%

German Commercial Property Focused Companies

Company	Ticker	Price (€) 24/02/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
IVG	IVG.DE	3.95	-83%	458	9,004	68%	17%
Eurocastle	EU1.DE	0.50	-98%	32	6,697	82%	2%
ORCO	ORC.FP	4.15	-95%	45	3,051	50%	4%
Treveria	TRV.L	0.08	-90%	47	2,466	75%	7%
DIC Asset	DAZ.DE	2.85	-87%	89	2,211	71%	15%
Deutsche Euroshop	DEQ.DE	20.46	-13%	703	1,965	46%	73%
Develica Deutschland	DDE.L	0.08	-89%	18	1,194	71%	8%
IMW Immobilien	GARY.DE	16.00	-43%	243	896	63%	75%
Deutsche Land plc	DLD.L	0.08	-90%	47	675	70%	11%
Hamborner	HAB.GR	5.75	-36%	131	222	16%	17%
<i>Weighted Average NAV Valuation*</i>							45%

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Floris van Dijkum
Global Chief Investment Officer
Tel: +44 20 3355 1407
Fax: +44 20 7659 6296
f.vandijkum@speymill.com

Katy Riggall
Analyst
Tel: +44 20 3355 1406
Fax: +44 20 7659 6296
k.riggall@speymill.com