

German Property Sector News:

Sale of Berliner Immobilien Holdings Grinds to a Halt

The much-touted privatisation deal of Berliner Immobilien Holdings (BIH) was stopped at the final hour, due to the unwillingness of the final bidders to match the Berlin Senate's hoped-for sales price, according to REFIRE. This setback comes at the end of a long multi-stage bidding process where potential buyers were whittled down to two final bidders.

The BIH portfolio of approx. 600 diverse properties, including 38,000 apartments and nearly 3,000 commercial units, was always going to be a complicated undertaking. The properties stem from a mixture of holdings bundled under the wing of the now-bankrupt Bankgesellschaft Berlin and carry ongoing liabilities to previous fund holders. In total, the portfolio consists of 4.8m sqm of space, generating annual rental income of approx. EUR 425m. Among early bidders for the BIH portfolio were Goldman Sach's Whitehall Funds and US specialist debt investor Lone Star, while Terra Firma, the European private equity group and owner of Germany's largest private landlord, Deutsche Annington, pulled out in the penultimate stages. The quality of the portfolio is said to be very mixed.

Union sees German Commercial Property Resilience

Real estate fund manager Union Investment Real Estate AG is steering clear of most emerging markets and believes the German commercial property price correction has largely petered out, according to Reuters.

"There is enough money underpinning the German property market which will help to hold prices, at least for the good quality properties," said Reinhard Kutscher, the company's chairman. Hamburg-based Union has EUR 14.5bn of assets under management through five open-ended property funds. While the UK's commercial property market has been the worst hit by the global downturn, with average prices falling 44% since the peak in mid-2007, Kutscher said the price adjustment in Germany is unlikely to be as drastic. Union has spent EUR 500m on acquisitions so far in 2009 and expects to invest another EUR 1bn by the end of the year, mainly in core Western markets such as Germany.

Four Subsidiaries of Vivacon AG Filed for Insolvency

According to a press release from Vivacon AG, dated 18 June 2009, four subsidiaries of the group have filed for insolvency at the local court in Cologne. The subsidiaries are Vivacon Immobilienportfolio XVI./2006 & Co. KG, Vivacon Immobilienportfolio III./2007 GmbH & Co. KG, Vivacon Immobilienportfolio V./2007 GmbH & Co. KH and Vivacon Immobilienportfolio VII./2007 GmbH & Co. KG. *"There is a liquidity gap, which cannot be bridged in the short time,"* according to management.

The liquidity gap is a result of high vacancy rates of the real estate assets. The four subsidiaries are focussed on residential properties in Salzgitter and Kassel and affect almost 4,000 units, or approx. 40% of Vivacon's entire portfolio of circa 10,000 residential units.

Real Estate Climate back on the Upswing, says King Sturge

King Sturge's Real Estate Climate index climbed to 55.6 points this month, having experienced a momentary setback last month. This equates to an 8.2% improvement from last month's figure of 51.4 points. For the first time this year all of the indicator values rose, signalling improved sentiment in the real estate industry. The Investment Climate rose 7.2% to 56.4 points from 52.6 points previously, the fifth consecutive month of improvement.

German Property Sector News (cont'd):

The Office Climate claimed the highest gain, from 30.2 points to 33.3 points, a 10.2% increase, while the Retail Segment stood at 56.3 points, the highest since September 2008. The Residential Index clocked 110.2 points, up 7.6% from 102.4 points in the previous month. Residential real estate *"remains not just the most stable real estate segment of all, but also shows a clearly positive tendency,"* according to King Sturge's report. The Real Estate Economic Situation rose from 121.9 points to 127.3 points.

According to the report, the increase in the Real Estate Climate index suggests that we are past the rock bottom stage. *"Now is the time to take advantage of the positive situation to consolidate and re-align the present business strategies. It is the only way for any of us in the real estate industry to emerge revitalised from the crisis,"* said Sascha Hettrich, Managing Partner of King Sturge Deutschland.

German Economic News:

Further Signs of Life in the Pfandbrief Market

June 2009 has continued to show signs of life returning to the German Pfandbrief market, following on from last month's report, with Deutsche Bank issuing EUR 1bn of bonds and Westdeutsche ImmobilienBank AG (WestImmo) placing a EUR 500m mortgage Pfandbrief on the capital market.

Deutsche Bank's AAA-rated Pfandbrief issue has a maturity of 7 years and a coupon of 3.75%. The issue was placed at a spread of 55 bps over the mid swap rate. In April 2009, Deutsche Bank obtained a license to issue Mortgage Pfandbrief from the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). The cover pool (EUR 1.57bn) is composed of assets from Deutsche Bank's mortgage loan book.

WestImmo's issue has a coupon of 3% and a maturity of 3.5 years. The issue was placed at a 55 bps spread over the swap average. About 45% has been sold to funds and other asset managers, with the remaining 55% mainly going to savings banks and the cooperative sector.

German Open-Ended Funds Reopening Earlier than Expected

Investors have been returning to German OEFs in recent months as interest rates on bank deposits have fallen rapidly. German OEFs have reported EUR 1.6bn in net inflows in the first four months of 2009. The improved sentiment is encouraging the remaining 'closed' funds, who account for almost a third of the sector's total value, to consider reopening sooner than expected.

German Business Sentiment Improves Further

The ZEW business expectations index rose, for the eighth month in a row, to +44.8 in June, up from +31.1 in May. This value is above the long-term average of +26.3. The continued recovery of economic sentiment reveals a consolidating optimism among the financial market experts, particularly towards further development in the banking sector, a positive signal with respect to future lending conditions by banks.

The German Ifo Business Climate index, a leading indicator of current German business activity, rose for the third month to 85.9 from 84.3 previously. The Ifo Business Expectations index rose for the sixth month in a row to an 11-month high of 89.5 from 85.9 previously. *"The survey results confirm that the German economy is gradually stabilising,"* said Ifo president Hans-Werner Sinn.

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).

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Speymill Deutsche Monthly Monitor June 2009 continued



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German Residential Property Focused Companies

Company	Ticker	Price (€) 26/06/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
GAGFAH	GFJ.DE	5.65	34%	1,275	9,853	68%	41%
Deutsche Wohnen	DWNI.DE	9.77	9%	258	3,303	67%	26%
Speymill Deutsche Immobilien	SDIC.L	0.22	107%	73	1,482	78%	24%
Colonia Real Estate	KBU.DE	2.86	-17%	81	835	67%	24%
TAG Tegernsee	TEG.DE	2.44	13%	80	629	86%	26%
Puma Brandenburg	PUMA.L	0.69	33%	95	681	74%	48%
Bau-Verein zu Hamburg	BVH.DE	1.86	-17%	43	131	146%	35%
Franconofurt	FFM.DE	2.99	0%	26	62	108%	34%
IMW Immobilien	GARY.DE	15.00	6%	247	976	63%	77%
Taliesin	TPF.LN	7.13	2%	26	95	60%	71%
Weighted Average NAV Valuation *							42%

Trading Companies

Patrizia	P1Z.DE	2.84	56%	148	1,517	72%	51%
Estavis	E7S.DE	1.45	-24%	12	250	30%	13%
Vivacon	VIA.DE	0.56	-87%	11	952	47%	4%
Weighted Average NAV Valuation*							45%

*Weighted by Market Capital

German Commercial Property Focused Companies

Company	Ticker	Price (€) 26/06/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
IVG	IVG.DE	4.52	-29%	524	7,876	71%	19%
Eurocastle	EU1.DE	0.60	131%	38	7,508	77%	3%
ORCO	ORC.FP	6.23	-5%	68	2,466	62%	7%
Treveria	TRV.L	0.13	73%	79	2,236	74%	14%
DIC Asset	DAZ.DE	5.12	-27%	161	2,215	69%	32%
Deutsche Euroshop	DEQ.DE	22.54	-10%	775	2,007	49%	81%
Develica Deutschland	DDE.L	0.11	18%	25	1,194	68%	25%
Deutsche Land plc	DLD.L	0.13	73%	79	670	66%	19%
Hamborner	HAB.GR	7.55	31%	172	226	29%	66%
Weighted Average NAV Valuation*							48%

Speymill Market Commentary

Residential

Puma Brandenburg was the best performing listed German residential company in June 2009, with a share price increase of 42% over the previous month due to the agreed take-over bid at 40% discount to NAV by its manager Shore Capital. SDIC's share price remained relatively stable with a 3% decline in June. SDIC remains the best performing stock year-to-date with an increase of 107% in 2009. Overall in June, the sector experienced a weighted average share price decline of 5% over the previous month. Excluding Gagfah, the sector weighted average share price increased by 1%. The weighted average discount to NAV in the sector now stands at 58%, a slight deterioration on last month's figure of 56%.

Vivacon, a residential trading company, announced that four of its property holding subsidiaries have filed for insolvency this month. Approx. 40% of its entire portfolio will be affected and its shares have plummeted by 64% compared to a month ago. Vivacon's share price has fallen by 87% in 2009.

Commercial

The listed German commercial sector has performed slightly better than the residential and trading companies in the month of June, with weighted average share price declines of 3%. However, this is slightly skewed by the 6% share price increase of Deutsche Euroshop, the largest company in the commercial sector by market cap. Excluding Deutsche Euroshop, the commercial sector has seen a weighted average decline in share price of 10% in June. Eurocastle remains the best performer year-to-date, with a share price increase of 131%, despite witnessing a 25% decline in its share price through the month of June. Deutsche Land and Treveria have both registered share price declines of 13% in June while IVG has seen its share price fall by 12% this month.

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