

German Property Sector News:

HPX apartment index shows German flats up 2.25% YTD

The HypoPort index of German apartments shows that prices have been steadily rising since the low in March of this year. With a 0.4% rise over the last month and a 2.25% rise over the year to date, there are good signs that prices in the market are beginning a sustained recovery, although prices remain 13% below the peak in November 2005.

GSW plans IPO for 2010

The Berlin residential owner and manager, GSW, is reportedly preparing for Germany's first residential IPO in three years. This follows a recent batch of well subscribed share issues from the likes of IVG Immobilien, Deutsche Wohnen and Deutsche Euroshop. The market is currently proving fairly receptive to such issues with Deutsche Wohnen's recent issue raising an estimated €249.5m. Analysts predict a market cap in the range of €800-900m following the IPO, representing a significant gain compared to the €405m paid by the consortium in 2004. GSW holds 250,000 units in the Berlin area and manages a further 18,000 units for third parties.

ORCO Germany in debt-for-equity deal

ORCO Germany avoided insolvency last month by converting a €17.5m loan from its parent company, OPG, into 11m new shares. OPG increases its stake in the fund to 65%. However, with the parent company currently protected from its creditors by French law, it is unclear whether the fund is sustainable in the medium term. ORCO posted losses of €18m for the first 9 months of the year and has so far been unable to complete sale and financing arrangements on a number of projects.

Pirelli RE to continue asset sales and considers merger

Pirelli RE raised €657m from asset sales in the first 9 months of this year, of which €275m were in Germany. The company's target for disposals this year was €1bn, which it still intends to meet.

The parent group is also reportedly currently considering a merger with Fimit, an Italian real estate firm. Fimit are currently concentrated in the Italian market, with €4bn under management.

German real estate sentiment increases further

The King Sturge Real Estate Economy Index rose in October from 75.6 points to 78.2 points. The Investment Climate improved from 84.4 points to 90.0 points while the Rental Climate decreased from 67.0 points to 66.8 points.

The Real Estate Economic Situation Index improved from 142.6 points to 146.8 points in October. The Office Climate index recorded a modest increase to 58.5% from 56.8% in October, while the Retail Climate index gained another 5.5% to 78.2 points in the last month. The Residential Climate index improved to 127 points from 124.3 points in the previous month.

IVG to externalise asset management?

IVG are considering hiving off their asset management arm and Immobilien Zeitung report that EPM Assetis and Strabag PFS have been engaged to take over the management of a number of its properties. IVG Asset Management had previously managed 750 properties.

German Economic News :

Conflicting views on German GDP growth in 4th Quarter

According to the German Finance Ministry, a slowdown in economic growth is anticipated as consumption weakens. Walter Otremba, Deputy Finance Minister said the Ministry's view was that "Weaker private consumption will become apparent as people worry about jobs and income", while the ending of fiscal schemes to support consumer spending are also likely to play a role.

This position is not held elsewhere, however; both Commerzbank and Citibank anticipate an acceleration in GDP growth to 0.8%. This growth would be mainly driven by exports and investment. The EU Commission appears to agree, increasing its expectations for growth in 2010 and 2011 to 1.2% and 1.7% respectively.

German business sentiment brightens again

The Ifo Business Climate Index rose further in November to 93.9 points, up by 2 points from the previous month. This represented the eighth consecutive monthly improvement. The Business Situation Index, which is a measure of the current business environment, rose to 89.1 points from 87.3 points while the Business Expectations Index improved from 96.8 points in October to 98.9 points in November.

The ZEW Indicator of Economic Sentiment for Germany showed a decrease in November from a value of 56.0 points to 51.1 points. This value is still well above the indicator's historical average of 26.7 points. The Current Conditions Index also rose from -72.2 points to -65.6 points in the last month.

Consumer confidence dips on back of employment concerns

Consumer confidence fell by 3.7% in November according to GfK Market Research, this is largely based on fears of a future fall in employment despite four months of improving unemployment figures.

With government programmes in support of reduced working hours, which have been credited with Germany's relatively robust employment performance through the crisis coming to an end, significant lay-offs are anticipated. Chancellor Merkel has commented that she believes unemployment will rise in 2010.

German corporate and personal tax cuts anticipated for 2010

Germany is expected to run a larger budget deficit in 2010 than this year, largely due to new tax cuts influenced by the Free Democrat elements in the new governing coalition. Tax cuts with a value of €24bn are expected, which would increase the expected fiscal deficit from 3% in 2009 to 5.1% in 2010. Some of these tax cuts should assist real estate firms, such as a possible RETT exemption for transfers within groups and an easing of tax regulation relating to changes in ownership and corporate reorganisations. Also expected are policies to reduce the influence of exports on the full economy.

Germany posts substantial trade surplus

In the first 8 months of this year, Germany generated a surplus of €83bn, down from €128bn in the same period last year. Despite the drop off, German trade has been better than expected. Germany's figures contributed to an unexpected trade surplus for the Eurozone.

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)

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Speymill Deutsche Monthly Monitor November 2009 continued



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German Residential Property Focused Companies

Company	Ticker	Price (€) 26/11/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
GAGFAH	GFJ.DE	6.41	54%	1,447	10,000	68%	45%
Deutsche Wohnen	DWNI.DE	7.03	-22%	575	3,085	67%	20%
Conwert Immobilien	CWI.AV	8.89	140%	755	2,976	56%	48%
Speymill Deutsche Immobilien	SDIC.L	0.32	212%	107	1,455	78%	43%
IMW Immobilien	GARY.DE	11.00	-43%	181	976	63%	75%
Colonia Real Estate	KBU.DE	5.00	46%	142	935	74%	44%
TAG Tegernsee	TEG.DE	4.08	89%	132	793	68%	55%
Bau-Verein zu Hamburg	BVH.DE	2.88	25%	67	305	65%	57%
Taliesin	TPF.LN	7.50	8%	27	103	60%	74%
Franconofurt	FFM.DE	3.18	1%	28	62	108%	36%
<i>Weighted Average NAV Valuation *</i>							44%

Trading Companies

Patrizia	P1Z.DE	3.68	106%	191	1,450	77%	64%
Estavis	E7S.DE	2.29	27%	18	250	30%	18%
Vivacon	VIA.DE	0.67	-84%	13	952	47%	7%
<i>Weighted Average Price/NAV*</i>							57%

*Weighted by Market Capital

German Commercial Property Focused Companies

Company	Ticker	Price (€) 26/11/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
IVG	IVG.DE	6.59	4%	764	7,670	71%	32%
Eurocastle	EU11.DE	2.35	135%	149	5,777	77%	110%
DIC Asset	DAZ.DE	8.90	9.1%	279	2,223	76%	78%
ORCO	ORC.FP	7.74	19%	15	2,142	80%	52%
Deutsche Euroshop	DEQ.DE	24.25	-4%	916	2,131	48%	88%
Treveria	TRV.L	0.12	59%	72	2,042	93%	30%
Develica Deutschland	DDE.L	0.05	-45%	16	890	98%	37%
Hamborner	HAB.GR	7.92	37%	180	226	29%	74%
<i>Weighted Average Price/NAV*</i>							67%

Speymill Market Commentary

Residential

SDIC remains the best performing stock this year, with a 212% increase in its share price YTD. The biggest changes in share price this month was seen by Deutsche Wohnen with a drop of 51 cents to €7.03 and Colonia Real Estate which gained 75 cents to reach €5. Colonia was the best performing stock. Conwert Immobilien also saw an increase in share price of 6.4% to €8.89.

Commercial

In general, the listed German commercial sector saw increases in share price. IVG, Germany's largest listed commercial real estate company, saw some recovery from last month's substantial loss with a 9.8% gain in share price to €6.59. DIC Asset's share price bounced back in November with a gain of 8.2% to €8.90. ORCO saw a decrease in share price this month of 4.6%, as did Treveria which lost 43% of its value in November.

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