

### German Property Sector News:

#### Deutsche Wohnen to Raise EUR 250m in Rights Issue

The shareholders of Deutsche Wohnen AG, Germany's second-largest listed residential real estate company, approved a rights issue at an EGM held in August. The company will issue 55.4m new shares at a subscription price of EUR 4.50 per share, increasing the company's share capital by 3.1x, from 26.4m to 81.8m shares. Shareholders will receive subscription rights and are entitled to buy 21 shares for each 10 shares held. The subscription period ends on 7 October 2009. Existing shareholders who choose not to subscribe to the issue could see their holdings diluted by as much as 210%.

According to a company statement, approximately half of the proceeds from the rights issue will be used to reduce liabilities of the Deutsche Wohnen Group. Merrill Lynch and UBS are fully underwriting the capital increase as joint global co-ordinators and book-runners.

#### Conwert Predicts Signs of Upswing in Residential Market

Conwert Immobilien said in a company statement that its recent acquisition of 1,016 apartments in Berlin was based on clear signs of an upswing in the market and a greater readiness by banks to finance solidly-backed deals. Conwert paid about EUR 67m to acquire the properties, which have a gross lettable area of approx. 76,600 sqm - equating to an average acquisition price of EUR 875 per sqm.

Conwert was joined by Kronberg International, with a 5.1% stake, in the consortium to buy the properties. The consortium will take over EUR 50m of existing financing on the portfolio, according to REFIRE. The properties were sold at above book value, at an implied LTV of approx. 74.6%.

#### Deutsche Land Recommends Offer from Black Sea Global

Deutsche Land, which focuses on commercial properties in Germany, has accepted a takeover offer from Black Sea Properties at £0.13 per share, valuing the company at £43m, excluding debt. The Board said the offer was fair given the uncertain state of the property market.

Black Sea said its offer was conditional solely on its receiving valid acceptances resulting in its acquiring more than 50% of the voting rights. Black Sea is a wholly-owned subsidiary of Rompetrol Holding, the investment vehicle of Romanian Dinu Patriciu.

#### IMW yet to close on Negotiated Sales Contracts

IMW first announced a possible sale of its PRIMA portfolio back in July of 4,570 residential and commercial units representing approx. 286,000 sqm for approx. EUR 220m, or EUR 770 per sqm. Since then, Boris Töpfer has resigned as managing director of the company and Marcus Wisskirchen will take over responsibility for the Asset and Property Management. No news has been released by the company with regards to the sale since the announcement in July.

#### German Real Estate Sentiment Increases Further

The King Sturge Real Estate Economy Index rose by 2.1% in August to 64.6 points which represents the ninth consecutive month of improvement. The Investment Climate improved by 1.8% to 71.4 points while the Rental Climate rose by 2.7% to 58.0 points.

The Real Estate Economic Situation Index maintained its upward momentum, advancing by 3% from 128.8 points to 132.7 points in August. Both the Office Climate and Retail Climate indexes were up in August, by 2.1% and 5.9% respectively. The Residential Climate index slipped 0.7% down to 115.4 points but remains the only segment above the reference point of 100.

### German Economic News :

#### Centre-Right Election Win to Boost Sentiment

The general election that took place this month in Germany brought a clear win for the centre-right, with the free-market FDP reaching their best result in post-war history and Angela Merkel's CDU/CSU suffering small losses. The change in government opens the possibility to revive the CDU's reform agenda after four years of an uneasy *Grand Coalition* with the Social Democrats. According to Morgan Stanley Research, the prospects for such reforms and promises of tax cuts should boost investor and business sentiment and, if indeed implemented, would make us marginally more optimistic on economic growth.

#### Hypo Real Estate's Return to Pfandbrief Well Received

Taking advantage of the recovery of the Pfandbrief markets, the now-nationalised Hypo Real Estate—aply renamed Deutsche Pfandbriefbank—waded back into the covered bond market earlier this month and saw its first major capital market refinancing three times over-subscribed as it placed a EUR 1.5bn Pfandbrief with investors. This was the group's first public issue for more than a year.

The bond has a maturity of five years and an annual coupon of 3.125%. The risk premium was 50 basis points above the benchmark swap rate of 2.7% at the time of issue. The bank said that 66% was placed with German investors, 14% in Scandinavia and 6% with investors in Southern Europe. The issue was arranged by a syndicate including Citibank, Commerzbank, Deutsche Bank, DZ Bank, HSBC and LBBW.

#### Germany Hardest Hit by Withdrawal of US Investors

The withdrawal of US investors from European real estate markets over the last two years has proportionally hit Germany the hardest, according to CB Richard Ellis. In 2007, at the peak of the market, US investors were the largest single player in the European commercial property market, making over EUR 20bn of acquisitions in the first half of 2007 alone. Although they were also active traders and generated over EUR 9.5bn in sales in the first half of 2007, American investors remained substantial net buyers.

Fast forward to 2009 and American investors are virtually absent from the European real estate market; total acquisitions across all of Europe in the first half of 2009 totalled just EUR 400m. This withdrawal from the market has not, so far, resulted in substantial sales, although EUR 700m of disposals in 1H09 did make them net sellers for the first time in several years.

Germany has felt the impact of this withdrawal the most, as it accounted for nearly half of all US investment into Europe between 2006 and 2009, a total of EUR 36bn.

#### German Business Sentiment Brightens Again

The Ifo Business Climate Index rose further in September to 91.3 points from 90.5 points in the previous month. This represented the sixth consecutive monthly improvement. The Business Situation Index, which is a measure of the current business environment, rose to 87.0 from 86.2 in August while the Business Expectations Index improved from 95.0 in August to 95.7 in September.

The ZEW Indicator of Economic Sentiment for Germany showed further improvement in September from a value of 56.1 points to 57.7 points. This value is well above the indicator's historical average of 26.6 points. The current economic situation index in Germany improved in September, rising 3.2 points to -74.0.

According to the ZEW report, the economic outlook for Germany mainly depends on the recovery of the world economy and better prospects for German exporters.

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](http://www.speymilldeutsche.com) (News & Reporting, Miscellaneous)

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# Speymill Deutsche Monthly Monitor September 2009 continued



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## German Residential Property Focused Companies

Company	Ticker	Price (€) 25/09/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
GAGFAH	GFJ.DE	7.33	74%	1,655	9,853	68%	53%
Deutsche Wohnen	DWNI.DE	6.90	32%	181	3,303	67%	19%
Speymill Deutsche Immobilien	SDIC.L	0.33	210%	110	1,482	78%	37%
Conwert Immobilien	CWI.AV	9.16	154%	782	1,189	52%	59%
IMW Immobilien	GARY.DE	14.00	-1%	231	976	63%	72%
Colonia Real Estate	KBU.DE	4.22	23%	120	835	67%	35%
TAG Tegernsee	TEG.DE	3.13	46%	102	629	86%	34%
Bau-Verein zu Hamburg	BVH.DE	2.78	24%	65	131	146%	52%
Franconofurt	FFM.DE	3.60	20%	32	62	108%	41%
Taliesin	TPF.LN	7.50	8%	27	95	60%	74%
<b>Weighted Average NAV Valuation *</b>							<b>50%</b>

## Trading Companies

Company	Ticker	Price (€) 25/09/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
Patrizia	P1Z.DE	3.62	99%	189	1,517	72%	65%
Estavis	E7S.DE	1.61	-15%	13	250	30%	15%
Vivacon	VIA.DE	0.91	-79%	18	952	47%	7%
<b>Weighted Average Price/NAV*</b>							<b>57%</b>

\*Weighted by Market Capital

## German Commercial Property Focused Companies

Company	Ticker	Price (€) 25/09/09	Change YTD	Market Cap (€m)	Total Assets (€m)	LTV	Price/ NAV
IVG	IVG.DE	6.77	6%	785	7,876	71%	29%
Eurocastle	EUI1.DE	0.80	208%	51	7,508	77%	5%
ORCO	ORC.FP	8.10	23%	89	2,466	62%	9%
Treveria	TRV.L	0.16	112%	97	2,236	74%	18%
DIC Asset	DAZ.DE	8.61	23%	270	2,215	69%	53%
Deutsche Euroshop	DEQ.DE	23.74	-5%	898	2,007	49%	85%
Develica Deutschland	DDE.L	0.06	-34%	14	1,194	68%	14%
Deutsche Land plc	DLD.L	0.16	112%	97	670	66%	24%
Hamborner	HAB.GR	8.48	47%	193	226	29%	75%
<b>Weighted Average Price/NAV*</b>							<b>53%</b>

## Speymill Market Commentary

### Residential

Conwert Immobilien has been added to the list of residential focused real estate companies covered in the comparisons above. The company is active primarily in Austria and Germany, with a small interest in the Czech Republic, Slovakia and Hungary. The company owns about EUR 1,189m of properties in Germany. Puma Brandenburg has been removed from the list following its delisting from the stock exchange after being taken private by Shore Capital this month.

In general, the listed residential sector did fairly well in the month of September, with all stocks witnessing an increase in share price except for Deutsche Wohnen. As mentioned on the previous page, Deutsche Wohnen is carrying out a rights issue and the share price has fallen to reflect this. Colonia Real Estate was the best performing company in September, with its share price rising by 31% over the month. This is likely to be following the news of the company's successful sale of over 1,000 apartments in Berlin to Conwert Immobilien. SDIC remains the best performing stock this year, with a 210% increase in its share price YTD.

### Commercial

The listed German commercial sector saw a rally in the month of September, with the sector average discount to NAV narrowing to 47% from 51% in August. DIC Asset was the best performing stock in September, with a share price increase of 29% for the month. IVG, Germany's largest listed commercial real estate company, also witnessed a strong rally in its share price for the month of September, rising by 24% to EUR 6.77 per share. ORCO, the best performer last month with a 64% increase in its share price, was the worst performing stock in September. Its share price dropped 21% over the course of the month. Eurocastle remains the best performing commercial real estate stock so far this year, with the company's share price increasing by 208% YTD.

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