

German Property Sector News

Slow but steady rise in German residential rents

IVD Wohnpreisspiegel 2009/2010 (IVD), an authoritative survey of rents payable on new lease contracts, report that tenants signing new residential leases found themselves paying 0.9% on average more than in the previous year. Among the notable findings in the IVD survey was a clear trend to higher proportional rent increases in larger cities (100,000+ inhabitants), at 1.9% nearly twice as high at the national average for 'cold' rent (i.e. without charges). Also, while existing housing showed the same uniform upward trend, the clear winners were new-build apartments on their first lease, irrespective of location, which showed an average nationwide increase of 1.2%.

IVG Immobilien confirms move to outsource property management

IVG Immobilien AG (IVG) is transferring its property management activities to two specialist partner companies, with effect from 1st January 2010. IVG's German property management will be reassigned to EPM Assetis GmbH, a subsidiary of Bilfinger Berger Facility Management Services, and Strabag Property and Facility Management GmbH. EPM Assetis will assume 66% of IVG's German portfolio, and Strabag the rest, with 35 IVG employees moving to EPM Assetis. IVG's decision comes as part of its re-focussing on its core business of investing and funds management.

WGF boosts residential portfolio with 1,200 Pirelli Real Estate units

Westfälische Grundbesitz und Finanzverwaltung AG (WGF) continued with property acquisitions this month as the company closed on the purchase of 1,187 residential units with a transaction volume of approximately €56m. The seller was Pirelli Real Estate. All the properties are located in the northern states of Lower Saxony and Schleswig-Holstein, the region where Pirelli was such an active buyer just a couple of years ago. The properties consist of three- to four-storey apartment blocks, with a total residential area of 70,731 sqm, equating to a sqm price of €791. The apartments are in well-renovated condition and are 97% occupied.

Pirelli RE has been on the selling side of most transactions in Germany in recent months, although it still owns and manages assets worth €7.4bn in Germany. It will continue to handle the asset management for the property portfolio it is selling to WGF.

German real estate starting off 2010 on an optimistic note

The King Sturge Real Estate Economy Index rose from 79.8 points to 85.1 points, the Investment Climate improved from 91.4 points to 95.0 points and the Rental Climate increased from 68.6 points to 75.5 points.

The Real Estate Economic Situation Index improved from 149.7 points to 154.1 points. The Office Climate index recorded an increase from 61.4 points to 66.9 points, while the Retail Climate index increased to 85.7 points from 80.5 points in the last month. The Residential Climate index increased from 124.5 points to 129.6 points.

German office market to see rents remaining under pressure in 2010

The German office property market is likely to remain weak through 2010, following a year which saw the total lease turnover in Germany's most important commercial centres fall by about 24% from the previous year. Despite improving figures in a number of critical exporting industries in the second half of 2009, German companies remain cautious about the economic outlook and expanding their operations; companies remain wary of hiring staff and committing to new office lease agreements.

Foreclosure sales fall by 2% in Germany in 2009

The total number of forced property sales by court order fell by 2% in 2009 compared to the previous year, according to the latest figures compiled by specialist publisher Argetra. A total of 86,617 compulsory auctions ordained by German courts took place during the year, of which nearly three quarters were properties being auctioned for the first time (i.e. not properties that had failed to meet a minimum reserve price set previously by the selling banks). The total value of properties offered at auction was €15.11 billion, down 1.8% on the previous year.

German Economic Sector News

IMF: German economy to grow faster than expected

The International Monetary Fund (IMF) is cautiously optimistic for Europe's biggest economy this year. Paired with fiscal stimulus measures, the IMF expects the German economy to expand by 1.5% in 2010, compared with 0.3% growth the IMF predicted last October. Global growth is estimated at 3.9%. In its biannual report on growth, the IMF says Germany's exporters will drive economic activity. In 2009, German manufacturers felt the full force of the recession, but orders picked up towards the end of the year.

German economy shrank 5% in 2009

The German economy shrank by 5% in 2009, hit by a slump in exports and investment. It was the first time in six years that the economy had shrunk, and it was the largest contraction since World War II, the Federal Statistics Office said.

Germany, Europe's largest economy, emerged from recession in the second quarter of 2009. The government predicts growth of 1.2% in 2010, but reports suggest it is set to raise its forecast to 1.5%.

German business confidence remains upbeat

The Ifo Business Climate Index rose to its highest level since July 2008 in January to 95.8 points from 94.6 points in the previous month. This represented the eleventh consecutive monthly improvement. The Business Situation Index, which is a measure of the current business environment, rose to 91.2 points from 90.4 points while the Business Expectations Index increased from 98.9 points to 100.6 points in January.

The ZEW Indicator of Economic Sentiment for Germany showed a decrease in December from a value of 50.4 points to 47.2 points. This value is still well above the indicator's historical average of 26.9 points. The Current Conditions Index also rose from -60.6 points to -56.6 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 an NAV-to-NAV basis on 16 October 2008.

The Company's objective is to provide Shareholders with a moderate 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)

Nigel Caine
Chief Financial Officer
Tel: +44 (0) 1624 640860
Fax: +44 (0) 1624 618280
n.caine@speymill.co.im

Ben Tang
Analyst
Tel: +44 (0) 1624 640860
Fax: +44 (0) 1624 618280
b.tang@speymill.co.im



Speymill
Property Group Limited
www.spg.co.im

Speymill Deutsche Monthly Monitor January 2010 continued



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German Residential Property Focused Companies

| Company | Ticker | Price (€) 29/01/10 | Change YTD | Market Cap (€m) | Total Assets (€m) | LTV | Price/ NAV |
|---|---------|-----------------------|---------------|-----------------------|-------------------------|------|---------------|
| GAGFAH | GFJ.DE | 6.56 | 3% | 1,438 | 10,000 | 68% | 46% |
| Deutsche Wohnen | DWNI.DE | 7.36 | 10% | 548 | 3,085 | 67% | 19% |
| Conwert Immobilien | CWI.AV | 8.33 | 1% | 707 | 2,976 | 56% | 48% |
| Speymill Deutsche Immobilien | SDIC.L | 0.29 | 0% | 98 | 1,455 | 78% | 39% |
| IMW Immobilien | GARY.DE | 7.00 | -18% | 140 | 976 | 63% | 50% |
| Colonia Real Estate | KBU.DE | 4.31 | -1% | 124 | 935 | 74% | 44% |
| TAG Tegernsee | TEG.DE | 4.40 | -2% | 147 | 793 | 68% | 59% |
| Bau-Verein zu Hamburg | BVH.DE | 3.30 | 7% | 71 | 305 | 65% | 67% |
| Taliesin | TPF.LN | 7.00 | -7% | 27 | 103 | 60% | 69% |
| Franconofurt | FFM.DE | 3.20 | -2% | 29 | 62 | 108% | 31% |
| <i>Weighted Average NAV Valuation *</i> | | | | | | | 43% |

Trading Companies

| | | | | | | | |
|------------------------------------|--------|------|-----|-----|-------|-----|-----|
| Patrizia | P1Z.DE | 3.13 | 2% | 160 | 1,450 | 77% | 65% |
| Estavis | E7S.DE | 1.80 | 2% | 14 | 250 | 30% | 18% |
| Vivacon | VIA.DE | 0.94 | 19% | 16 | 952 | 47% | 9% |
| <i>Weighted Average Price/NAV*</i> | | | | | | | 56% |

*Weighted by Market Capital

Speymill Market Commentary

Residential

In general, the listed German residential sector saw decreases in share price. The biggest decrease in share price this month was seen by IMW with a drop of 18% to €7.00. Deutsche Wohnen was the best performing stock with a 10% increase to €7.36. SDIC's share price remained stable at €0.29.

Commercial

The listed German commercial sector remained relatively stable. The biggest movements in share price this month was seen by Treveria with a 44% increase to €0.14 and DIC asset with a 9% increase to €8.90. The biggest decrease in share price this month was seen by Develica with a drop of 10% to €0.04.

German Commercial Property Focused Companies

| Company | Ticker | Price (€) 29/01/10 | Change YTD | Market Cap (€m) | Total Assets (€m) | LTV | Price/ NAV |
|------------------------------------|--------|-----------------------|---------------|-----------------------|-------------------------|-----|---------------|
| IVG | IVG.DE | 5.49 | 3% | 620 | 7,670 | 71% | 33% |
| Eurocastle | EST.AS | 0.38 | 6% | 22 | 5,777 | 77% | 116% |
| DIC Asset | DAZ.DE | 8.90 | 9% | 256 | 2,223 | 76% | 85% |
| ORCO | ORC.FP | 6.32 | -1% | 12 | 2,142 | 80% | 51% |
| Deutsche Euroshop | DEQ.DE | 22.76 | -4% | 895 | 2,131 | 48% | 85% |
| Treveria | TRV.L | 0.14 | 44% | 60 | 2,042 | 93% | 14% |
| Develica Deutschland | DDE.L | 0.04 | -10% | 16 | 890 | 98% | 37% |
| Hamborner | HAB.GR | 8.19 | 3% | 181 | 226 | 29% | 76% |
| <i>Weighted Average Price/NAV*</i> | | | | | | | 24% |

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Chief Financial Officer
Tel: +44 (0) 1624 640860
Fax: +44 (0) 1624 618280
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Analyst
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