

German Property Sector News:

IVG raises €72m in capital increase and continues disposals

Germany's largest listed property company raised €72m in fresh funds through a placing of 10m new shares at a price of €7.20 to finance further growth. IVG's market capital now stands at €126m. IVG has also been stepping up its disposal programme to achieve its divestment target for the year. The company, raised approximately €470m in five separate real estate sales across Europe, which included a sale in Düsseldorf, over the past several weeks. Total sales for the year are now over €1bn. IVG said the properties were sold at an average of 0.9% below book value.

Dr. Niesslein, the company's CEO, said that IVG benefited from a "dramatic" increase in interest from investors, with pension funds, institutional investors, wealthy family offices and non-German buyers turning to real estate in the second half of the year in the search of higher returns than holding cash.

Invesco to boost German investment by up to €350m

In a recent media interview Fabian Manegold, director of transactions Germany, said Invesco Real Estate planned to invest between €150m and €350m in its funds in Germany. The company currently has assets worth €420m in Germany. Germany is considered to be under-represented in its overall portfolio. Ute Geipel-Faber, senior director for client relations, said Invesco had traditionally followed German investors abroad rather than the other way round. But with investment flows returning to Germany, the company now wants to build up its portfolio in Germany itself.

Deutsche Land to be de-listed following Black Sea takeover

Following its takeover by Black Sea Global Properties, Deutsche Land plc will withdraw from the AIM-listed market in November. Deutsche Land's management recommended shareholders accept an increased offer of 13p from Black Sea. Black Sea currently has 97% share acceptances, and so is effectively buying the company for £43m.

Taking into account net debt of £382m, the company has an enterprise value of £425m. After taking write-downs on valuations, Deutsche Land's net asset value had reduced to 22.6p as at 30 June 2009.

German real estate sentiment increases further

The King Sturge Real Estate Economy Index rose in September from 64.6 points to 75.6 points; the fastest growth hike in its history. The Investment Climate improved from 71.4 points to 84.4 points while the Rental Climate increased from 58.0 points to 67.0 points.

The Real Estate Economic Situation Index maintained its upward momentum, improving from 132.7 points to 142.6 points in September. The Office Climate index achieved a major gain in September, improving nearly 29% to 56.8%. The Retail Climate index gained another 14.1% to 74.1 points in September. The Residential Climate index improved by 7.5% to 142.6 points.

German Economic News :

Merkel begins new term

Germany's new coalition government, made up of the CDU and FDP, was sworn in after Chancellor Angela Merkel was formally re-elected for a second term by MPs on 28 October 2009.

Merkel has already promised, what is seen by many as controversial, tax cuts in an effort to boost growth and kick-start Europe's largest economy, despite Germany's budget deficit. According to the EU Commission Germany's budget deficit will be 3.9% of GDP this year and 5.9% next year.

Unemployment decline in Germany

Unemployment in Germany unexpectedly fell in October. According to latest Federal Labour Agency statistics, Germany's unemployment rate declined to 8.1%, lower than the previous 8.2% and median forecasts of 8.3%. The current rate of unemployment in the euro zone is 9.6%, the highest in more than 10 years.

Munich tops European list of investment locations

The annual E-REGL index, published by investment managers LaSalle, has highlighted Munich as the most attractive European city for investors over the medium-term. Laselle comment that a number of factors, including significant wealth, and a highly-diversified local business structure, will lead to strong economic and employment growth in Munich, despite the current slowdown.

According to LaSalle, Munich should withstand the current economic turmoil better than any other European location. LaSalle anticipate that after a period of negative growth, property markets across Europe are nearing the bottom. However, a recovery will be selective, with larger, more liquid markets seeing a growing share of activity, particularly in the prime segment.

German prime office yields stable over 3rd quarter

Savills, an International real estate adviser, said prime yields on office buildings in the five largest German office markets – Berlin (5.4%), Düsseldorf (5.2%), Frankfurt (5.4%), Hamburg (5.0%) and Munich (4.8%) – remained stable over the past three months, putting a halt to the two-year outward yield spread in the cities' central business districts. Yields are up 70 basis points on average compared to their autumn 2007 low.

Lars-Oliver Breuer, Savills head of investment in Germany, said he did not expect to see yields rising further, "as demand for office buildings has picked up slightly during the past few months and many players are recovering from their state of shock".

German business sentiment brightens again

The Ifo Business Climate Index rose further in October to 91.9 points from 91.3 points in the previous month. This represented the seventh consecutive monthly improvement. The Business Situation Index, which is a measure of the current business environment, rose to 87.3 from 87.1 while the Business Expectations Index improved from 95.7 in September to 96.8 in October.

The ZEW Indicator of Economic Sentiment for Germany showed a light decrease in October from a value of 57.7 points to 56.0 points. This value is, however, well above the indicator's historical average of 26.7 points. The current economic situation index in Germany improved in October, rising 1.8 points to -72.2.

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 (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 October 2009 continued



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German Residential Property Focused Companies

| Company | Ticker | Price (€) 31/10/09 | Change YTD | Market Cap (€m) | Total Assets (€m) | LTV | Price/ NAV |
|---|---------|-----------------------|---------------|-----------------------|-------------------------|------|---------------|
| GAGFAH | GFJ.DE | 6.28 | 56% | 1,418 | 10,000 | 68% | 44% |
| Deutsche Wohnen | DWNI.DE | 7.54 | 36% | 617 | 3,085 | 67% | 21% |
| Conwert Immobilien | CWI.AV | 8.35 | 160% | 712 | 2,976 | 56% | 45% |
| Speymill Deutsche Immobilien | SDIC.L | 0.32 | 203% | 107 | 1,455 | 78% | 43% |
| IMW Immobilien | GARY.DE | 10.50 | -49% | 172 | 976 | 63% | 72% |
| Colonia Real Estate | KBU.DE | 4.25 | 48% | 120 | 935 | 74% | 37% |
| TAG Tegernsee | TEG.DE | 4.10 | 106% | 102 | 793 | 68% | 55% |
| Bau-Verein zu Hamburg | BVH.DE | 2.82 | 17% | 65 | 305 | 65% | 56% |
| Taliesin | TPF.LN | 7.50 | 8% | 27 | 103 | 60% | 74% |
| Franconofurt | FFM.DE | 3.65 | 18% | 32 | 62 | 108% | 41% |
| <i>Weighted Average NAV Valuation *</i> | | | | | | | 42% |

Trading Companies

| | | | | | | | |
|------------------------------------|--------|------|------|-----|-------|-----|-----|
| Patrizia | P1Z.DE | 3.75 | 121% | 188 | 1,450 | 77% | 65% |
| Estavis | E7S.DE | 1.89 | 0% | 15 | 250 | 30% | 15% |
| Vivacon | VIA.DE | 0.64 | -83% | 12 | 952 | 47% | 7% |
| <i>Weighted Average Price/NAV*</i> | | | | | | | 58% |

*Weighted by Market Capital

German Commercial Property Focused Companies

| Company | Ticker | Price (€) 31/10/09 | Change YTD | Market Cap (€m) | Total Assets (€m) | LTV | Price/ NAV |
|------------------------------------|--------|-----------------------|---------------|-----------------------|-------------------------|-----|---------------|
| IVG | IVG.DE | 6.00 | 5% | 756 | 7,670 | 71% | 29% |
| Eurocastle | EU1.DE | 2.16 | 258% | 130 | 5,777 | 77% | 101% |
| DIC Asset | DAZ.DE | 8.22 | 32% | 257 | 2,223 | 76% | 72% |
| ORCO | ORC.FP | 8.10 | 5.50% | 73 | 2,142 | 80% | 54% |
| Deutsche Euroshop | DEQ.DE | 23.35 | -4% | 882 | 2,131 | 48% | 85% |
| Treveria | TRV.L | 0.21 | 342% | 131 | 2,042 | 93% | 52% |
| Develica Deutschland | DDE.L | 0.05 | -26% | 16 | 890 | 98% | 37% |
| Deutsche Land plc | DLD.L | 0.13 | 77% | 43 | 600 | 91% | 50% |
| Hamborner | HAB.GR | 8.00 | 39% | 182 | 226 | 29% | 75% |
| <i>Weighted Average Price/NAV*</i> | | | | | | | 63% |

Speymill Market Commentary

Residential

SDIC remains the best performing stock this year, with a 203% increase in its share price YTD. The biggest change in share price was seen by IMW with a 25.0% drop to €10.50 and GAGFAH with a 14.3% drop to €6.28. The best performance stock this month was TAG with a 31% increase to €4.10. Deutsche Wohnen also seen an increase in share price of 9.3% to €7.54.

Commercial

In general the listed German commercial sector saw decreases in share price. IVG, Germany's largest listed commercial real estate company, saw a 11.4% drop in share price to €6.00. DIC's share price rally in September was halted in October with a decrease of 4.5% to €8.22. Other significant share price drops included Develica's and Deutsche Land, whose share price dropped 16.7% and 18.18% respectively. The sector did, however, see some increases in share price, Eurocastle saw an increase in share price in October, with a huge increase of 170.0% to €2.16 and Treveria saw its share price increase by 31.3% to €0.21.

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