

Deutsche Bank Securities Inc.

German real estate stocks

Current status – Initiative Immobilienaktie

October 2006



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Deutsche Bank



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German real estate stocks

Current status & history



German real estate stocks

HISTORY

Boring?

Neglected sector

Double taxation disadvantage

Limited importance vs funds sector

German real estate stocks

Actually c70 property companies with focus on Germany

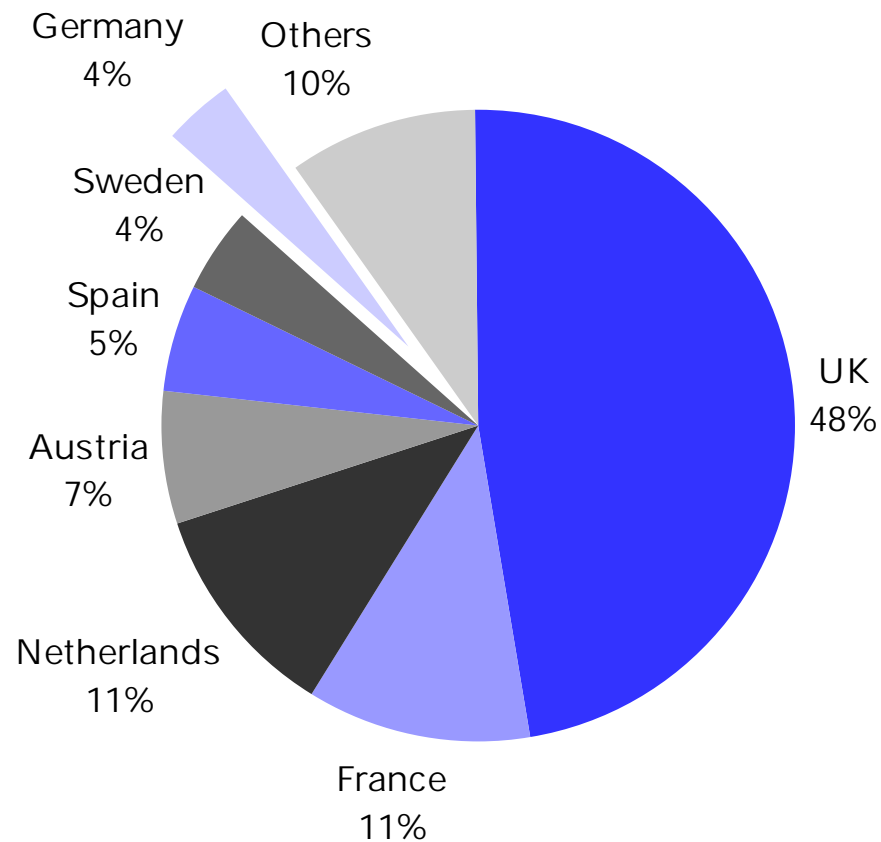
Name	Last price (€)	Market Cap (€m)	Free-float Mcap (€m)				
Agrob AG Stämme	10.95	41	10	OAB Osnabrücker Anlagen- und Beteiligungs-AG	1.11	1	na
Adler Real Estate AG	4.00	60	1	Rathgeber AG	2,100.00	132	0
AIG International Real Estate KGaA	38.50	151	35	RCM Beteiligungs AG	2.51	19	9
Anterra Vermögensverwaltung AG	24.60	83	42	Rücker Immobilien AG	3.55	13	6
AMIRA Verwaltungs AG	500.00	40	36	Schlossgartenbau AG	532.00	112	5
Areal Immobilien und Beteiligungs-AG	1.51	2	0	Sinner AG	14.20	25	4
Bastfaserkontor AG	1,350.00	13	7	SPAG St. Petersburg Immobilien und Beteiligungs-AG	5.10	27	17
Bauverein zu Hamburg AG	6.10	128	15	Stilwerk AG	5.50	55	3
Berliner AG f. Industriebeteiligungen	1,600.00	26	1	Stodiek Europa Immobilien AG	12.90	188	10
B&L Immobilien AG	25.77	283	26	TAG Tegernsee	8.70	283	144
Colonia Real Estate AG	29.72	467	193	VIB Vermögen AG	7.95	97	80
Deinböck Immobilien AG Stämme	0.55	na	na	Vivacon AG	19.76	380	318
Design Bau AG	9.15	44	17	Westgrund AG	23.50	25	24
DIC Asset AG	26.48	539	210	Zucker & Co. Immobilien und Beteiligungen AG	12.00	2	1
Deutsche Beamtenvorsorge Immobilienholding AG	1.30	13	13	PATRIZIA Immobilien AG	20.50	972	447
Deutsche Euroshop AG	54.53	937	759	Windsor AG	6.24	56	56
Deutsche Grundstücksauktionen AG	20.34	33	33	IFM	8.87	75	64
Dt. Immobilien Holding AG (ex-STEUCON)	3.60	40	1	HII Hanseatische Immobilien Invest AG	13.03	20	6
Deutsche Wohnen AG (ex put option, split 25 Sept)	46.47	929	819	PRIMAG AG	3.90	3	1
Deutsche Real Estate AG	2.97	61	9	IC Immobilien Holding AG	12.30	34	15
DIBAG Industriebau AG	34.51	621	35	Deutsche REIT (former Dolorit Basalt)	13.78	33	7
Franconofurt (former FRIMAG)	12.60	83	24	Francono Rhein Main AG	3.10	87	22
GBWAG Bayerische Wohnungs-AG	68.50	445	111	AGIV Real Estate AG	0.06	2	1
GAG Immobilien AG	27.50	515	78	HAGEDA AG	550.00	110	18
Germania-Epe AG	5.56	11	11	Ravensberger BAU AG	0.40	4	2
Real Quadrat Immobilien AG (ex-GIVAG)	0.57	7	7	Dinkelacker AG	605.00	182	9
GBH Grundstücks- und Baugesellschaft AG	42.10	303	54	Bien Zenker - Das Haus	12.00	30	
Hamborner AG	30.30	230	93	Eurocastle Investment Ltd (EUR)	32.87	1,502	691
Hasen Immobilien AG	52.20	25	3	Dawnay, Day Treveria plc (EUR)	1.17	519	519
Haus&Heim Wohnungsbau-AG	1,600.00	12	1	Rubicon Europe (AUSS\$)	1.05	270	270
IMW Immobilien AG	159.84	64	na	Puma Brandenburg Ltd (GBP)	105.25	195	195
IVG Immobilien AG	28.35	3,289	2,460	Speymill Deutsche Immobilien (GBP)	95.50	162	162
Nymphenburg Immobilien-AG	385.00	216	na	Deutsche Land (GBP)	75.25	77	77
				Hansteen Holdings plc (GBP)	126.00	158	158
				Develica Deutschland Ltd (€)	0.97	243	243
				Summit Germany Ltd (€)	1.02	82	82
				TOTAL		15,883	8,770

Source: Bloomberg , share price based on 13th October 2006

Large number of listed stocks, but limited free-float & liquidity
Companies listed, but virtually no access to equity in the past

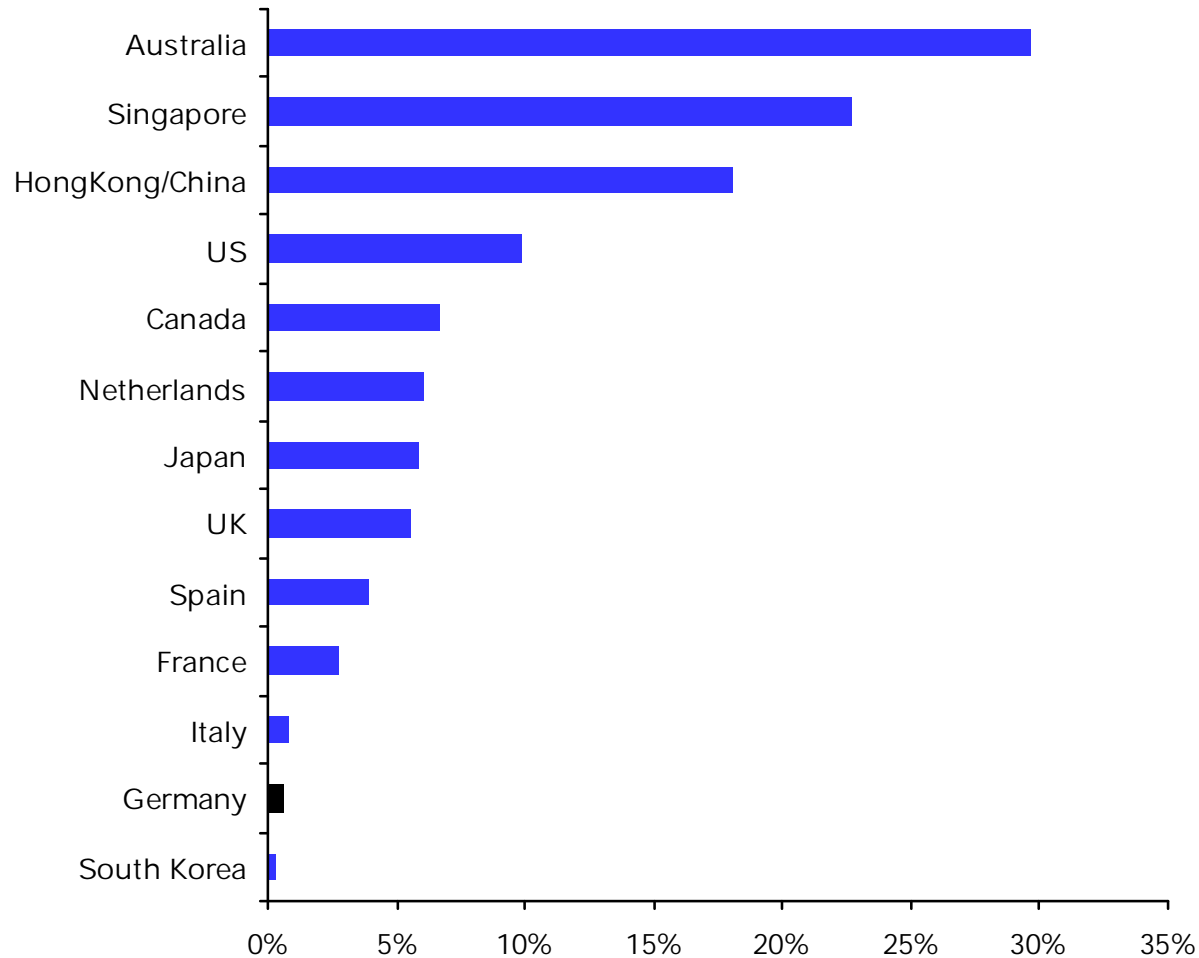


Property stocks market cap in Europe



Source: EPRA, end of June 2006

Listed property stocks in % of property assets



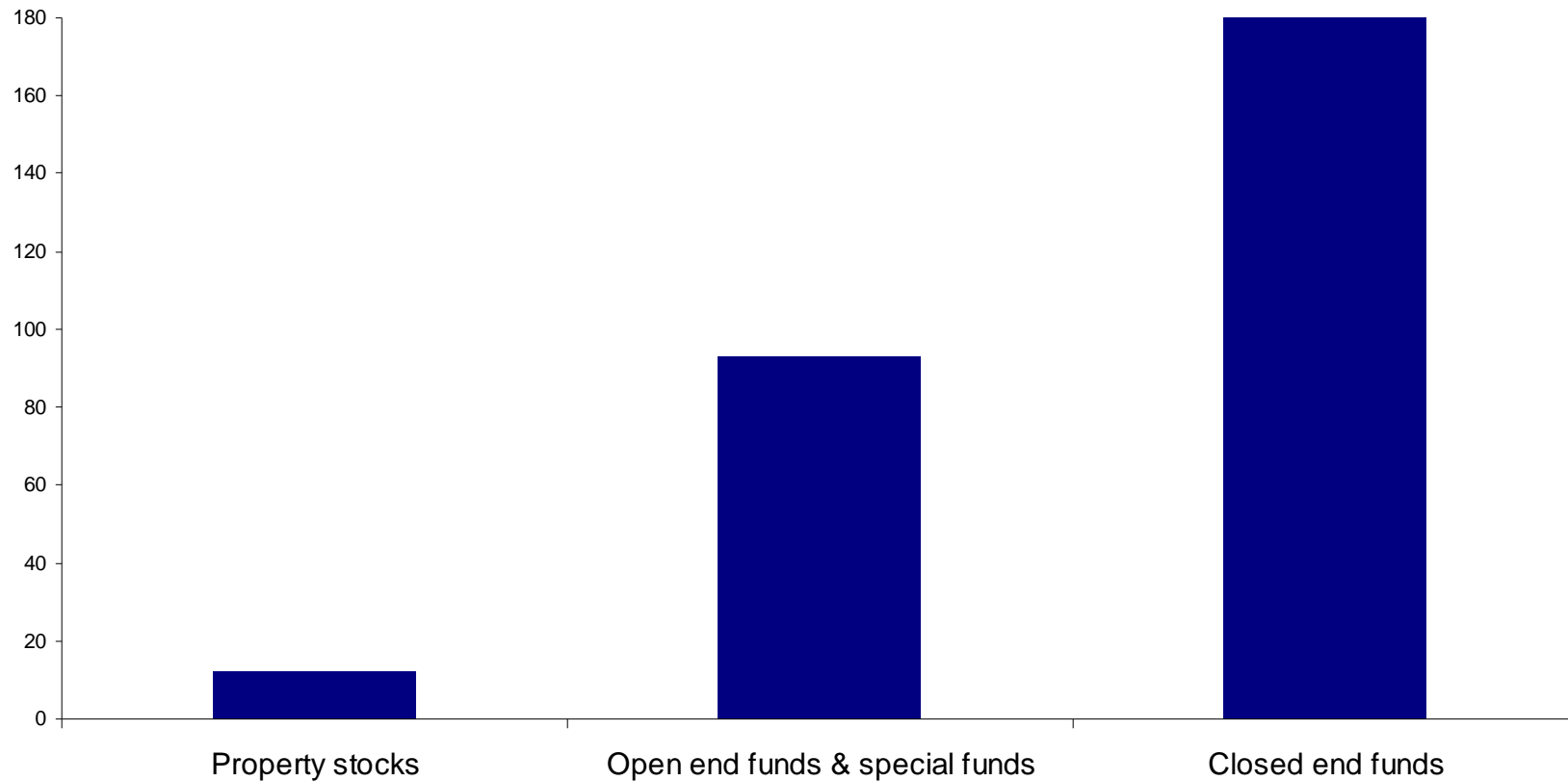
Despite importance of real estate in general, not a single stock in the German DAX index at this stage.

Limited liquidity of asset class

Source: EPRA Statistical Bulletin, End of 2005



Property investment products (€bn) Property stocks underdeveloped versus other products



Source: BVI, Loipfinger, E&G



Business models

Property...

...holder

...developer

...trader

...privatization

...asset management for third parties

...broker/auctions

...Limited number of liquid 'holding' companies



German real estate stocks

Recent events



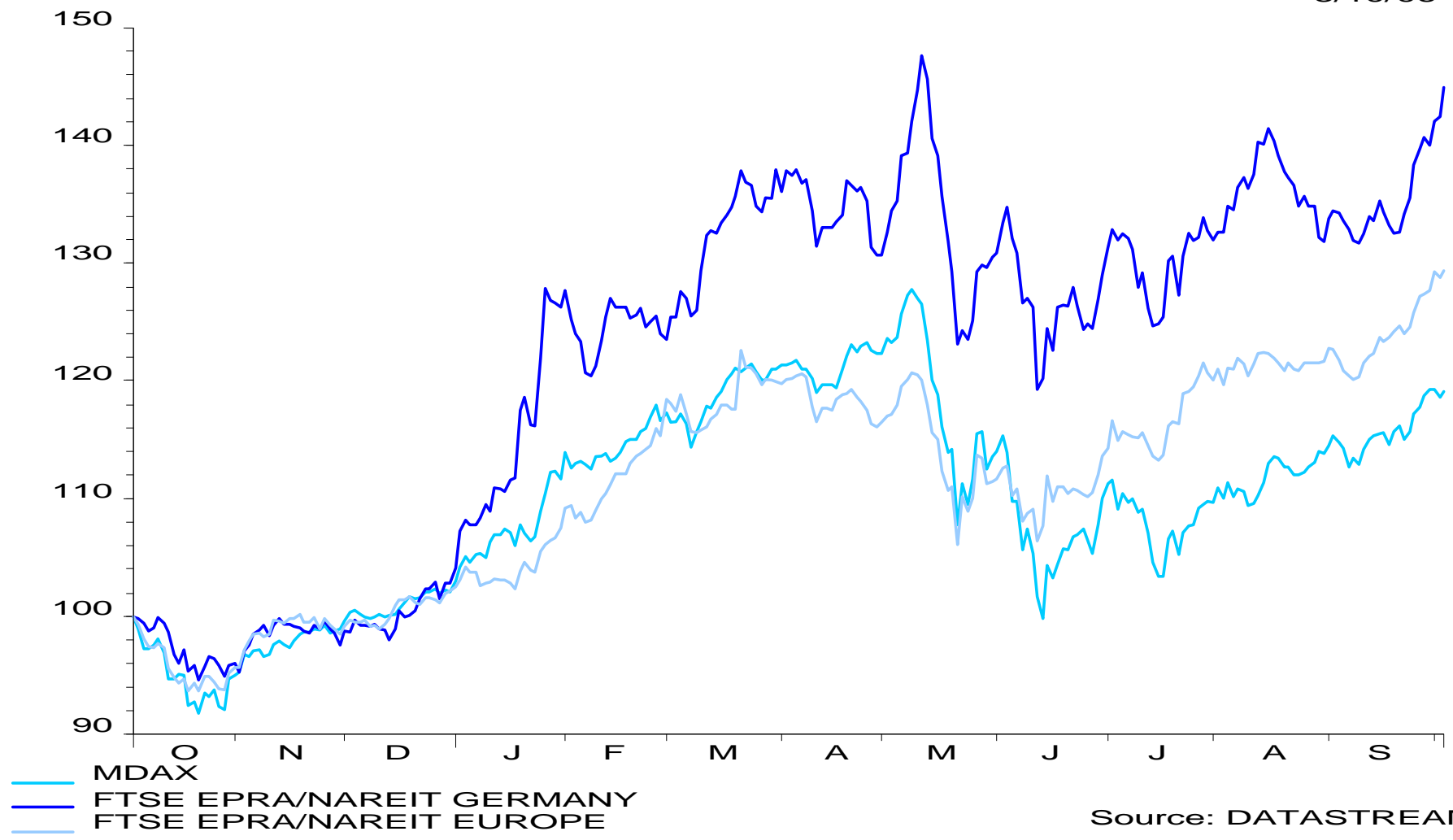
Recent events

- **Waking the sleeping giant!**
- **Arrival of private equity money & US/UK investors**
- **REITs discussion**
- **Yield contraction in other markets**
- **International investor money flows -> victim of other markets' success?**
- **Interest rate environment**
- **Economic recovery**
- **Yield spread NOI yield vs cost of debt**
- **IPO activity**



Performance – 12 months

5/10/06



Source: DATASTREAM

Performance

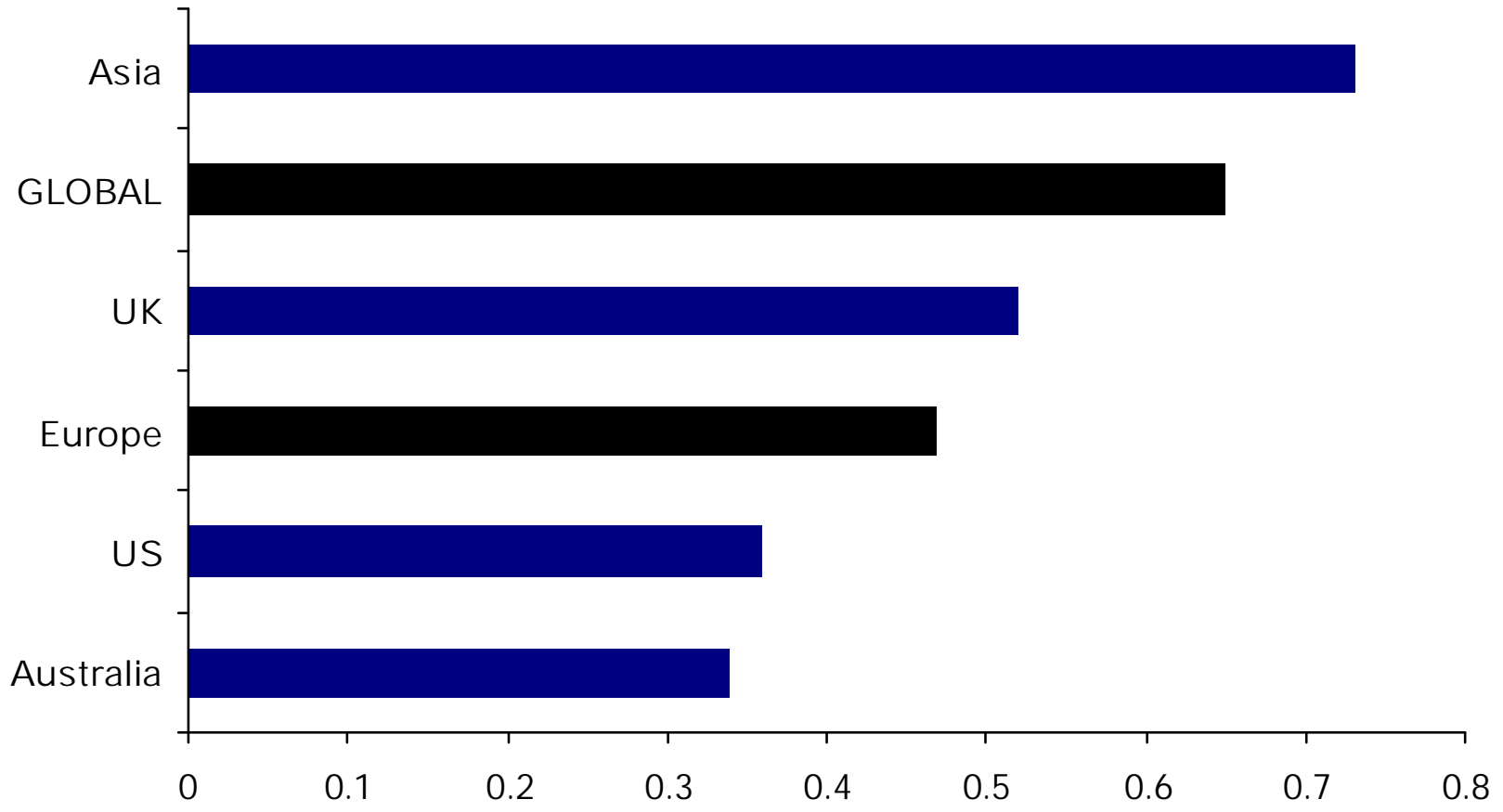
	1m	3m	6m	12m	24m	since IPO
DAX	2.31	5.54	0.54	17.68	49.91	
MDAX	3.30	6.79	-1.84	19.14	66.07	
FTSE NAREIT/EPRA Germany	7.79	9.09	5.12	44.89	126.11	
FTSE NAREIT/EPRA Eurozone	7.61	12.94	7.17	24.75	77.65	
FTSE NAREIT/EPRA Europe	5.46	10.91	7.76	29.42	74.98	
IVG Immobilien AG	13.25	20.45	20.15	74.76	200.20	311.84
PATRIZIA Immobilien AG	-0.47	9.38	-5.62	n/a	n/a	13.51
Deutsche Wohnen AG	-1.95	-6.47	-7.04	27.09	96.40	70.86
Deutsche Euroshop AG	2.86	0.16	-4.11	19.78	55.70	43.33
DIC Asset AG	13.99	37.13	n/a	n/a	n/a	10.36
Eurocastle Investment Ltd.	-3.21	7.95	-11.06	n/a	n/a	67.50
Vivacon AG	-1.20	18.74	-47.92	-29.54	353.70	245.01
Colonia Real Estate AG	4.03	-10.03	-29.24	261.12	n/a	1689.20
Dawnay Day Treveria	0.00	0.00	-10.32	n/a	n/a	13.00

Source: Deutsche Bank Research, Bloomberg, share prices based on 13th October 2006



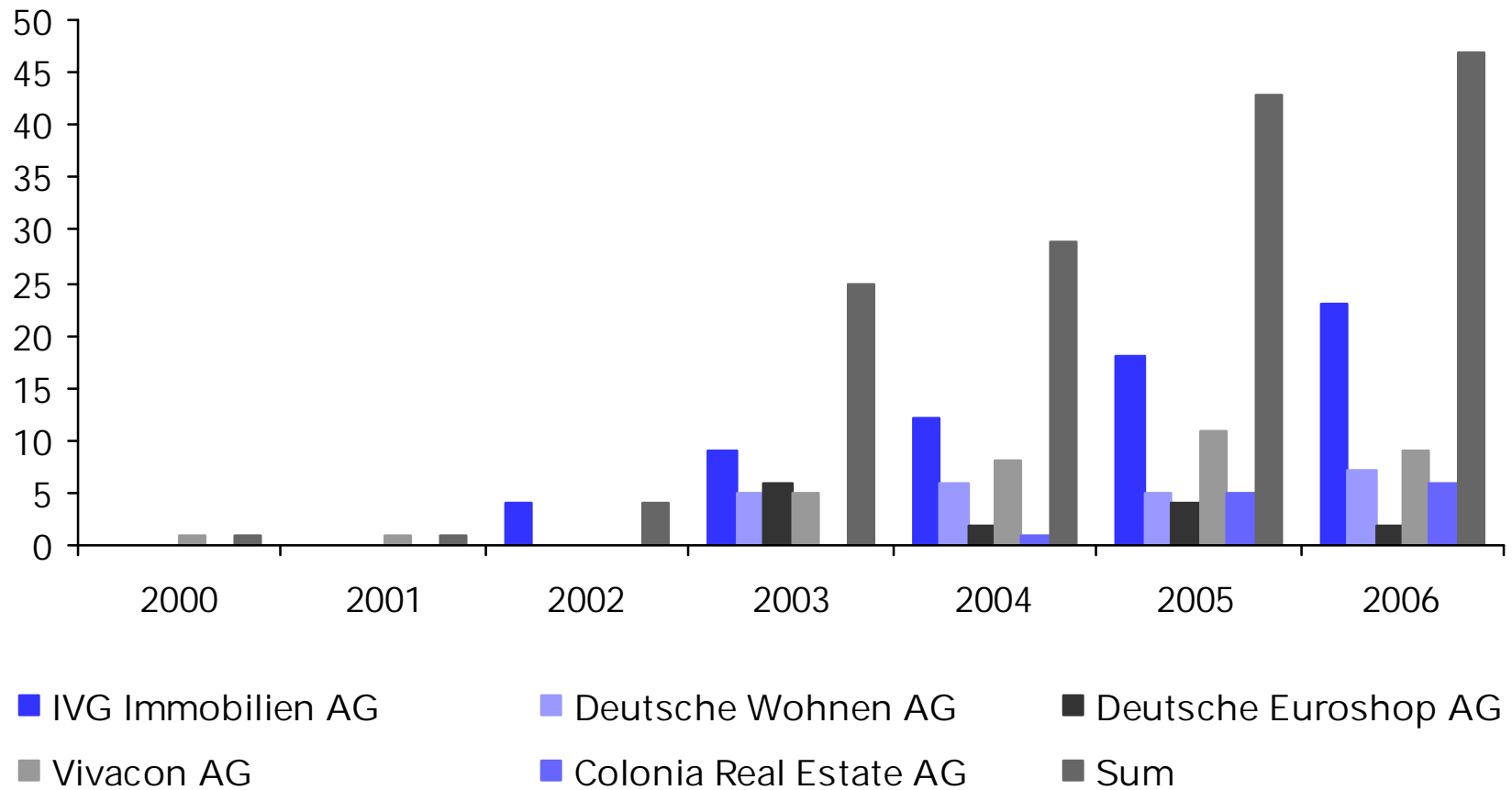


Correlation vs general equities market EPRA/NAREIT vs MSCI



Source: Datastream

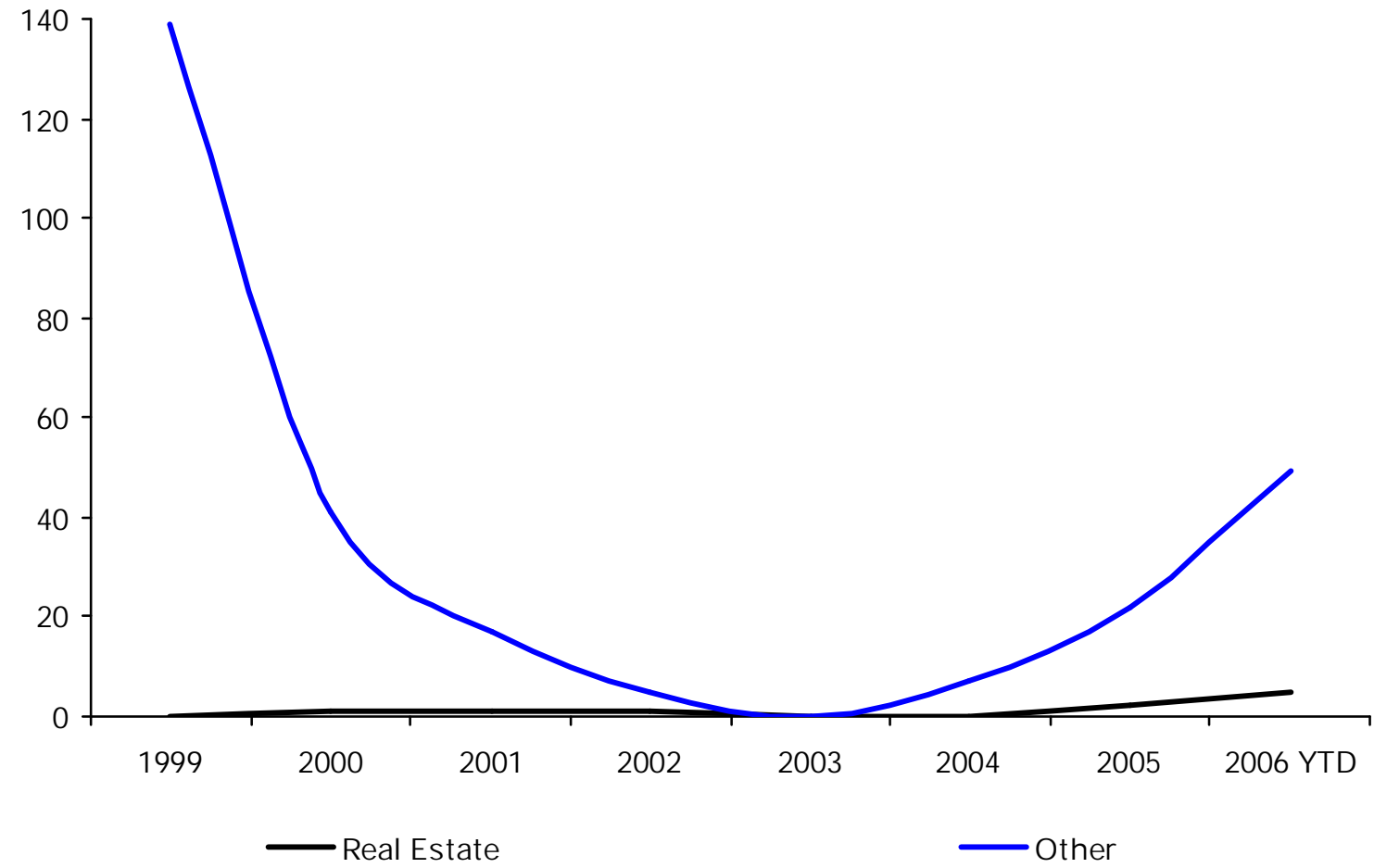
And.....action! Press releases as indication of... ...business activity



Source: Deutsche Bank Research, Company data

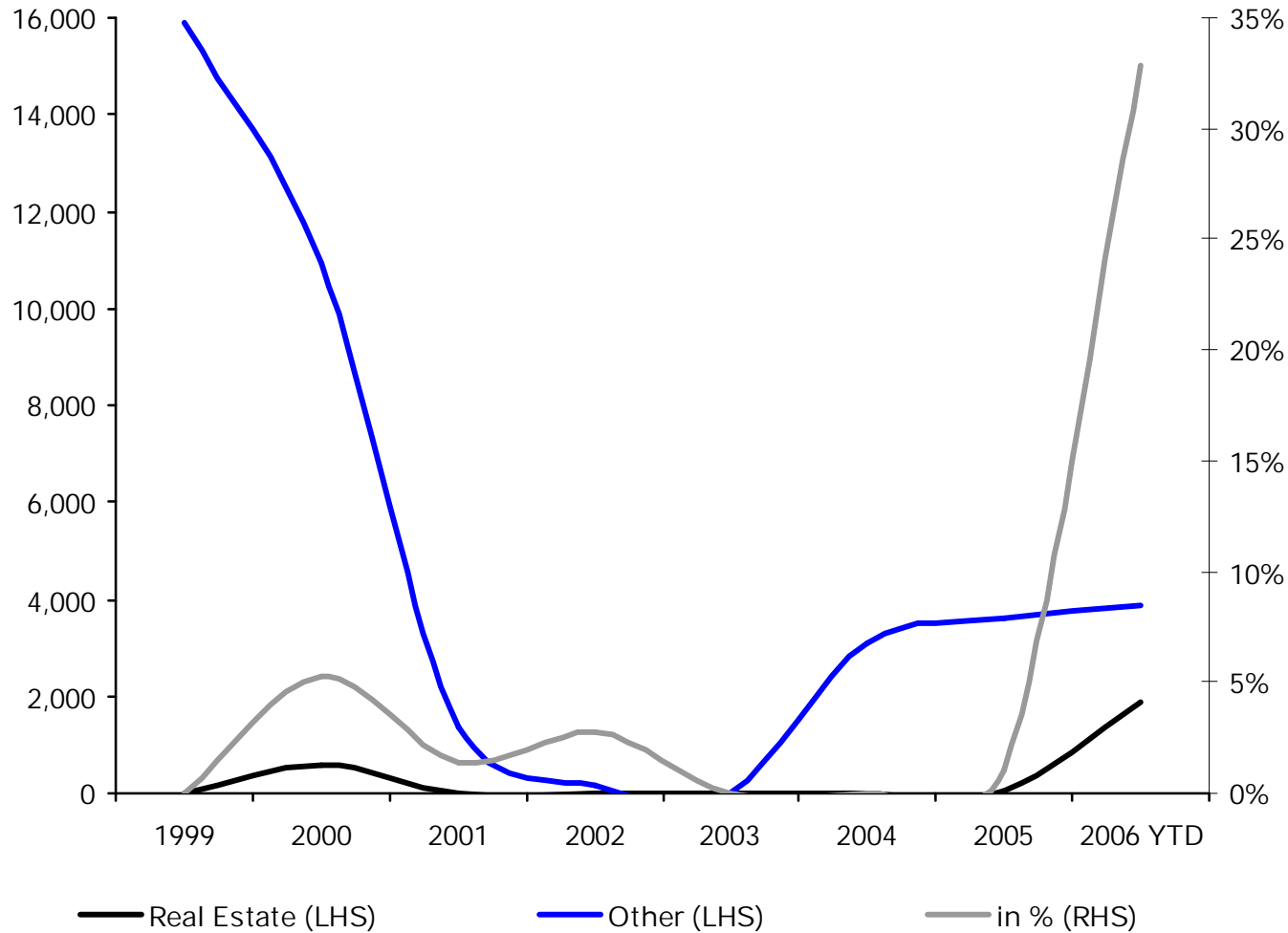


Number of IPOs in Germany



Source: Bloomberg

Volume of IPOs in Germany (€m)



Overall IPO recovery

Share of volume for real estate now at 33% in 2006

Press indicates further IPOs in the sector

Existing players lose scarcity value!

Source: Bloomberg

New kids on the block...

Name	Last price (€)	Market Cap (€m)	Free-float Mcap (€m)
PATRIZIA Immobilien AG	20.50	972	447
Windsor AG	6.24	56	56
IFM	8.87	75	64
HII Hanseatische Immobilien Invest AG	13.03	20	6
PRIMAG AG	3.90	3	1
IC Immobilien Holding AG	12.30	34	15
Deutsche REIT (former Dolorit Basalt)	13.78	33	7
Francono Rhein Main AG	3.10	87	22

Source: Bloomberg , share price based on 13th October 2006

Primarily smaller sized IPOs but significantly increased capital raising activity!

But...the market is not buying everything...
(Cancelled, delayed or IPO size lowered)

- VGP
- CWI
- Cordea Savills
- Estavis...

Source: Bloomberg

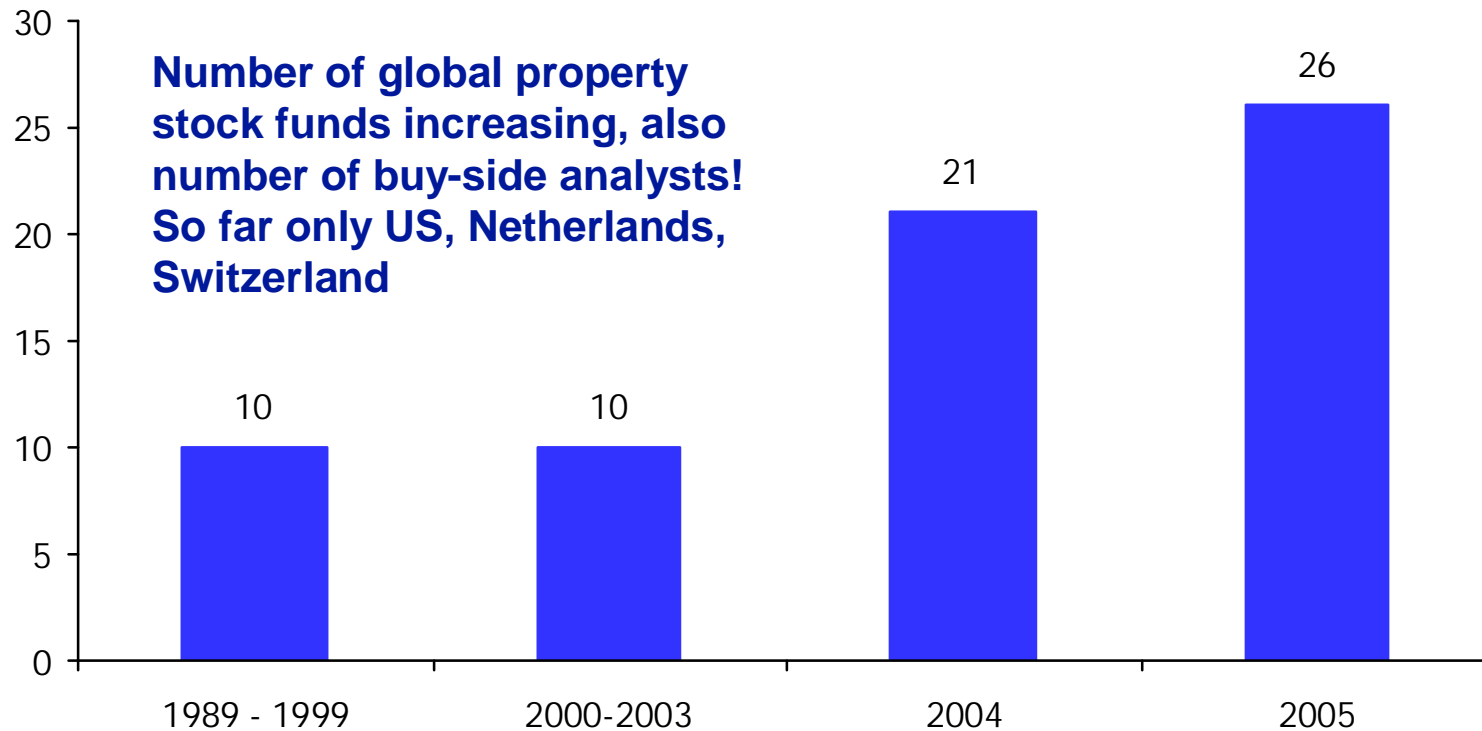
New trend Foreign REITs-like structures with Germany focus

Foreign real estate stocks with German exposure	Last price (€)	Market Cap (€m)	Free-float Mcap (€m)
Eurocastle Investment Ltd (EUR)	32.87	1,502	691
Dawnay, Day Treveria plc (EUR)	1.17	519	519
Rubicon Europe (AUS\$)	1.05	270	270
Puma Brandenburg Ltd (GBP)	105.25	195	195
Speymill Deutsche Immobilien (GBP)	95.50	162	162
Deutsche Land (GBp)	75.25	77	77
Hansteen Holdings plc (GBp)	126.00	158	158
Develica Deutschland Ltd (€)	0.97	243	243
Summit Germany Ltd (€)	1.02	82	82

Source: Bloomberg , share price based on 13th October 2006

Emergence of business models based on opportunistic strategies and financial investor background, leverage up in current interest environment!?

The buy-side: Launch of property stock funds accelerates



Source: EPRA, Deutsche Bank Research



German real estate stocks

Market view

Market view

German property stocks do not look so cheap any more, high expectations

Discounts to NAV have turned into (significant) premiums to NAV

Dividend yield has come down (EPRA average at 2.7%)

We expect further cash calls! Window of opportunity

However, underlying assets do not appear overvalued, especially not when comparing with other markets in Europe and globally

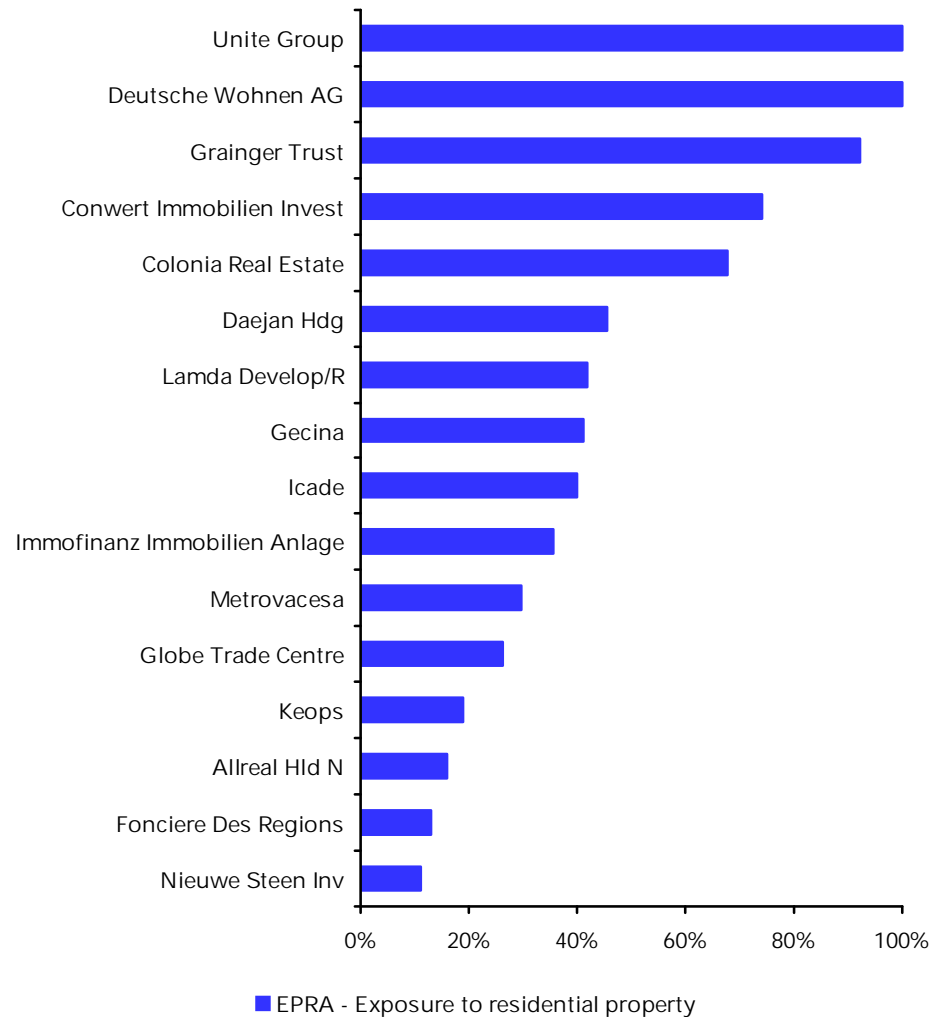
Office should benefit from economic recovery and attractive yields

Shopping/Retail waiting for sustainable consumer spending pick-up, nevertheless fight for assets, VAT increase with only smaller impact

Residential seems to be a „market break up“ story, a hedge against rising rents...



EPRA index still driven by commercial real estate



Only 17 out of 96 EPRA companies have exposure to the residential sector of more than 10%!

Source: EPRA, Deutsche Bank Research

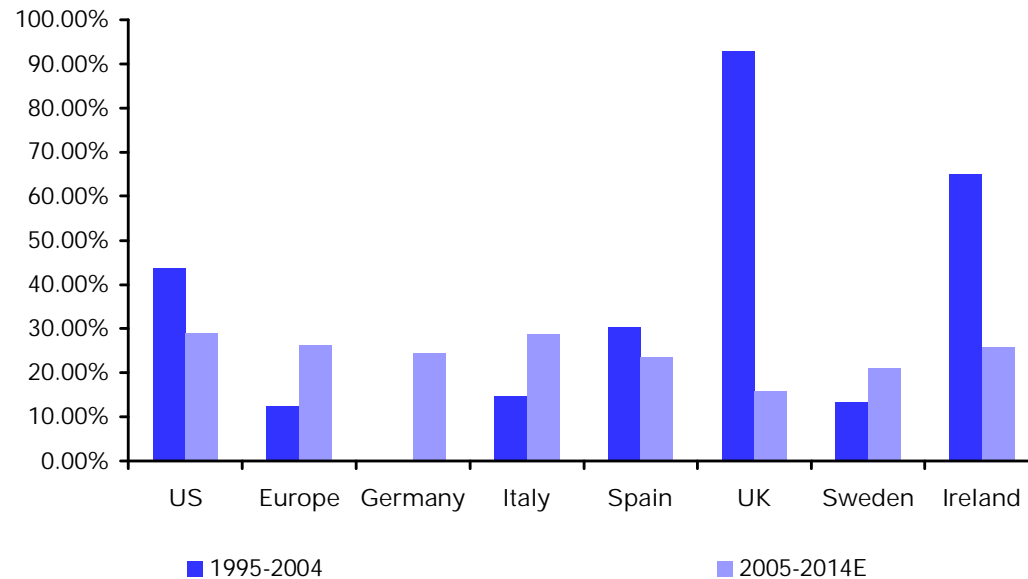
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Residential: The new sweet spot of real estate?

- Convergence process from public sector to private ownership
- Market break up, least efficient market, limited transparency
- Supply side on record lows, number of households to increase
- FERI forecasts rents to rise 24% during the next ten years



Source: FERI



Further trends & observations

Derivatives

Emergence of new products

Leverage

From 50/50 to 25/75 (E/D)
Positive % spread NOI yield
versus cost of debt

M&A activity

So far almost zero on listed stock
market, too early in the cycle,
still at the beginning of the
IPO wave (except HII->CWI)

German REITs

REITs bill looks attractive
Now let it (finally) fly !!!

Index

Deutsche Börse to create
German REITs index?

Retail investor

When will they jump on
the bandwagon? "Volksaktie"?

Professionals

Lack of industry experts with
understanding of capital markets,
clash of cultures



Valuation & Accounting for European property stocks

NNAV

FFO yield

Net Asset Value (NAV)

EV/EBITDA

IFRS 40 cost method

SOTP – Sum of the parts

CHAOS!?

P/E

Fair property yield

P/FFO

Revaluation gains

IFRS 40 fair value method

Dividend yield

Funds from operations (FFO)

NNNAV

- > Performance often times not comparable
- > Need for harmonization
- > More focus on cash-flow / FFO & yield!



Analyst suggestions to management

- **Transparency** **Tell us more, we are able to analyze bad news, but not a black box - discount for the latter would likely be higher!**
- **Communication** **Understate and overdeliver – it pays off in the long-run, build track record to ensure investors stay should the “German real estate“ story change to “out of fashion“ – manage expectations!**
- **Focus** **Focus on core competence to differentiate in market with increasing number of investment opportunities for institutional investors. Investors still want to buy a certain niche, theme or region, not a mixed bag!**
- **View** **Think like an investor! Would you invest in your own company? Analyze competitors, highlight your strengths!**
- **Convince** **Always have 5 convincing reasons to hand for investing into your stock! Investors (generalists) do not have the time to go into too much into detail – you are only one of thousands of investment opportunities!**



Appendix 1

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Buy: Expected total return (including dividends) of 10% or more over a 12-month period.

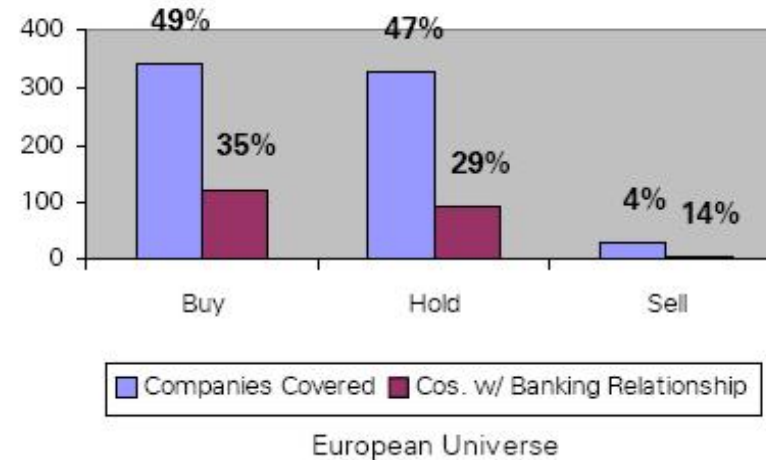
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