



GAGFAH S.A.

Investor Presentation

June 2007





---

## Disclaimer

This document has been issued by GAGFAH S.A. (the “Company”) and does not constitute or form part of and should not be construed as any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company or any present or future member of the group, nor shall any part of it nor the fact of its distribution form part of or be relied on in connection with any contract or investment decision relating thereto, nor does it constitute a recommendation regarding the securities of the Company.

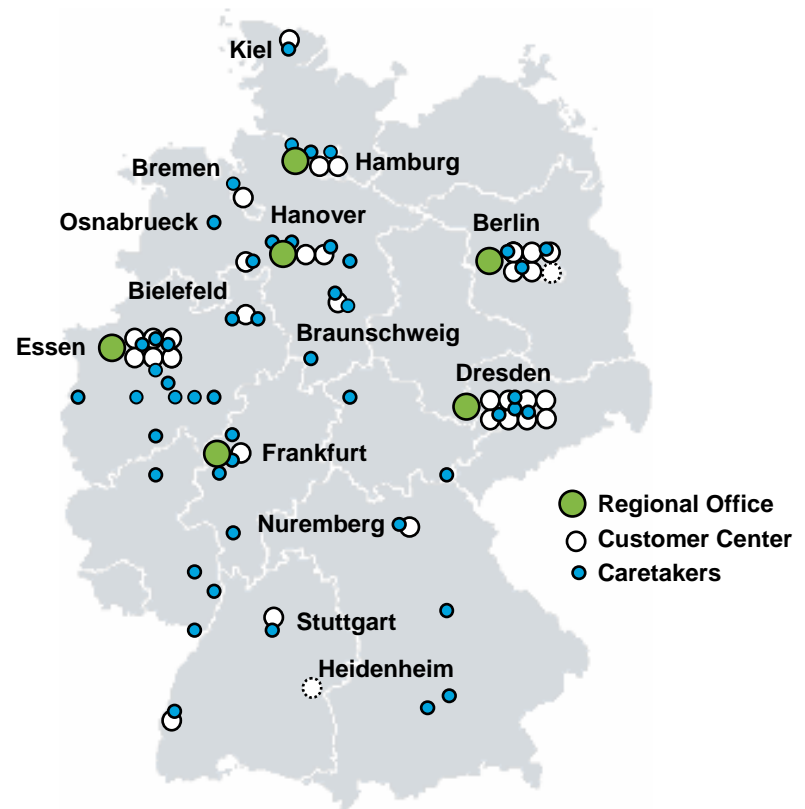
All information contained herein has been carefully prepared. However, no reliance may be placed for any purposes whatsoever on the information contained in this document or on its completeness. No representation or warranty, express or implied, is given by or on behalf of the Company or any of its directors, officers or employees or any other person as to the accuracy or completeness of the information or opinions contained in this document and no liability whatsoever is accepted by the Company or any of its directors, officers or employees nor any other person for any loss howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith.

The information contained in this presentation is subject to amendment, revision and updating. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company’s or, as appropriate, senior managers current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

**This document is not an offer of securities for sale in the United States of America. Securities may not be offered or sold in the United States of America absent registration or on an exemption from registration under the U.S. Securities Act of 1933, as amended.**

## GAGFAH Overview

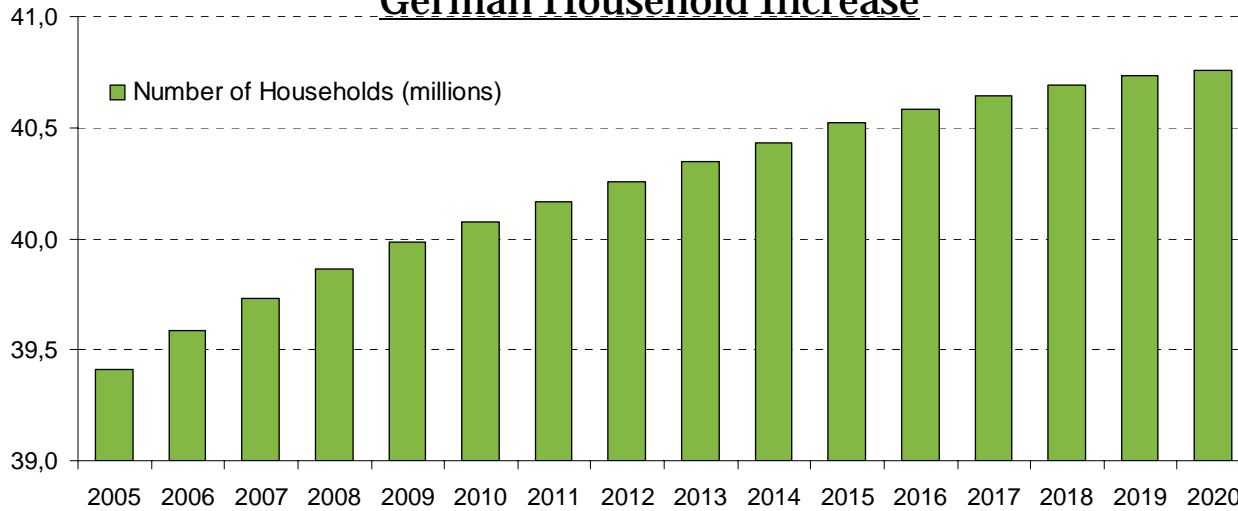
- GAGFAH is the largest listed owner and operator of residential real estate in Germany
- Over €9 billion in asset value and owns and manages >176,000 units<sup>1)</sup>
- GAGFAH's size and geographical diversity makes it a dominant player in the market
- ~ 95% of earnings derived from rental income
- Nationwide operational presence with ability to service and acquire new assets in all markets



<sup>1)</sup> As of mid May 2007; incl. all owned units and new units we have acquired or agreed to acquire since IPO

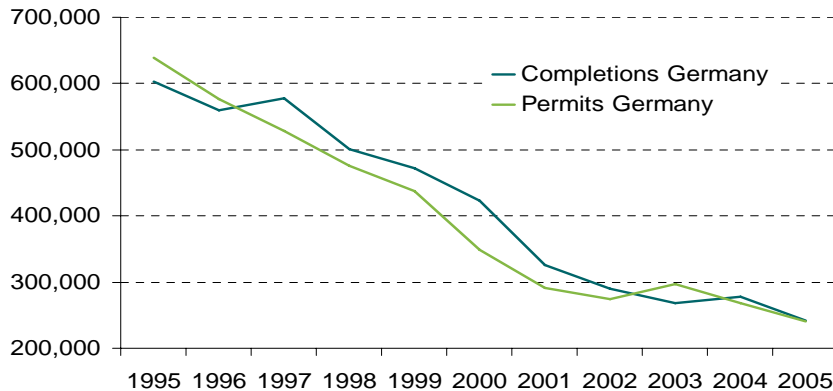
## Favorable Market Conditions

### German Household Increase



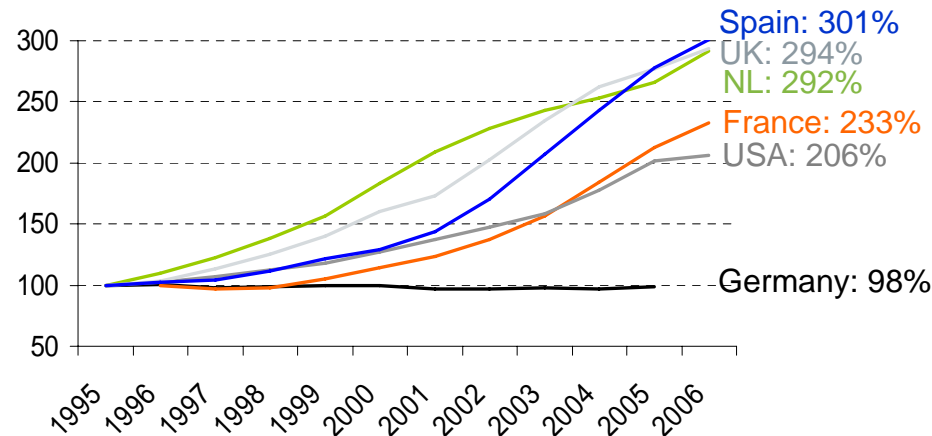
Source: German Federal Office for Building and Regional Planning

### Construction Trends in Units



Source: German Federal Office for Statistics

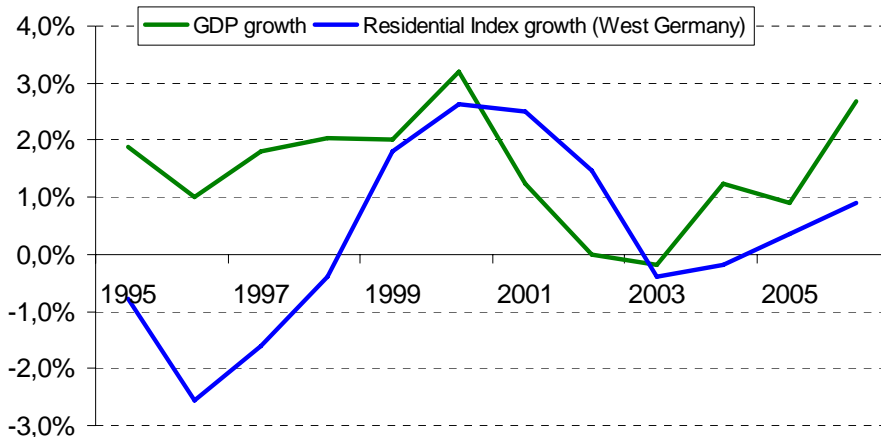
### House Prices



Source: Compiled by the Company

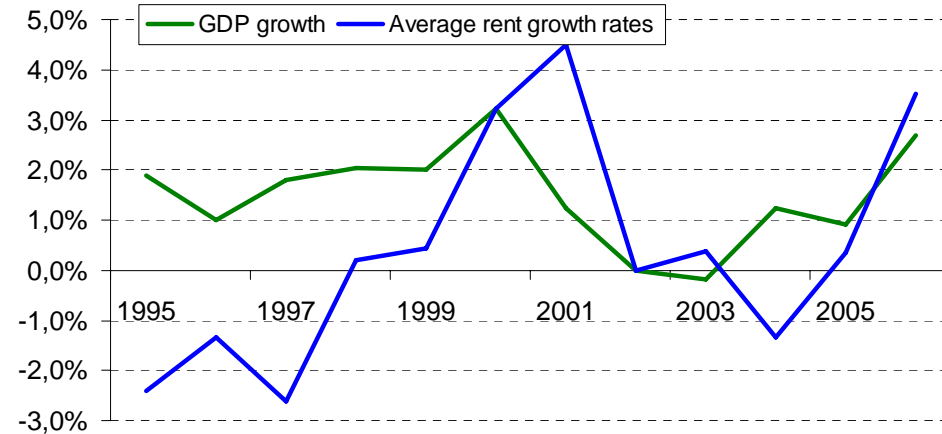
## The Housing market and the Economy

GDP growth vs. residential index growth



Source: German Federal Office for Statistics and BulwienGesa AG; West Germany

GDP growth vs. average rent growth rates\*



\* Munich, Hamburg, Cologne, Frankfurt am Main and Essen

Source: German Federal Office for Statistics and Feri Finance Research

## The Housing market and the Economy

- The housing market tends to track movement in the economy, with a lag

## Overview TOP 10 locations of GAGFAH Group

Location	Number of GAGFAH units	Growth Population***	Job growth** (2006)	Growth Residential units*	Growth Rent €m <sup>2</sup> ** (2006)	Growth Price rental units €m <sup>2</sup> ** (2006)
Dresden	42.885	1,8%	2,7%	-0,1%	5,1%	3,0%
Berlin	27.331	0,3%	1,1%	0,2%	1,9%	4,3%
Hamburg	10.168	0,6%	1,9%	0,3%	4,2%	1,6%
Hanover	5.540	0,8%	-0,1%	0,2%	2,2%	-0,9%
Heidenheim	4.857	-0,4%	0,1%	-0,2%	3,9%	2,4%
Bielefeld	4.175	-0,2%	0,5%	0,5%	3,8%	1,6%
Osnabrück	3.600	-0,3%	1,6%	0,4%	2,1%	2,1%
Brunswick	2.816	n.a.	0,0%	0,3%	2,1%	1,0%
Cologne	2.437	0,1%	-0,2%	0,4%	4,2%	2,5%
Essen	2.386	-0,4%	0,1%	0,2%	1,9%	1,0%
<b>Weighted average of TOP 4 locations</b>	<b>85.924</b>	<b>0,5%</b>	<b>1,3%</b>	<b>0,2%</b>	<b>2,9%</b>	<b>2,8%</b>

Source: German federal labor office, BulwienGesa AG, Feri Finance Research

\*Dec 2004 – Dec 2005; \*\*Dec 2005 – Dec 2006; \*\*\* Dec 2004 – Dec 2006

## Our Objectives

### Value

Our objective is to build long-term value for our shareholders

- Increase FFO through organic and accretive growth
- Pay out significant portion of FFO over time as quarterly dividends

#### Organic Growth

- Capture rental growth
- Increase occupancy
- Control expenditure



#### Accretive Growth

- Acquisitions
- Privatizations
  - Sale of individual units

## Organic growth – rents

### Accomplishments

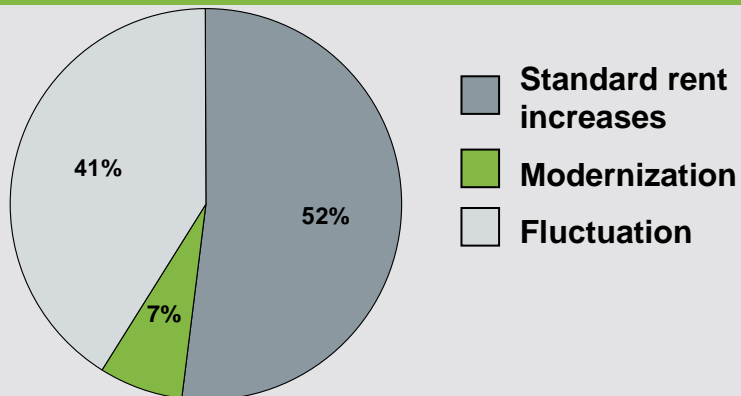
- Monthly review of approx. 150k units in 400 locations
- 27,500 individual rent increases led to an avg increase of 6% (2006)
- Only 450 objections (1.6%), all overruled

### Goal 2007 – on total portfolio



per sqm; same store residential  
Numbers include rounding effects

### 2007 rent growth based on



### Upside Potential



**GAGFAH's portfolio is currently 8% below market\***

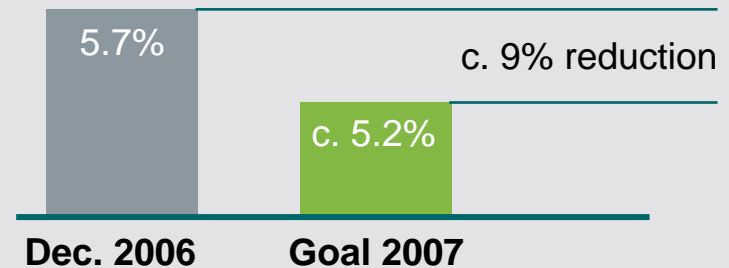
\*Note that some restrictions apply on our ability to increase rents

## Organic growth – lease-ups

### Accomplishments

- ~ 75,000 contacts to potential tenants
- ~ 15,000 lease-ups to hold occupancy level
- ~ 1,000 lease-ups to reduce vacancy rate
- Weekly performance reviews in 32 customer centers
- High sense of urgency: immediate action in case of negative variance
  - step 1: action plan to correct variance
  - step 2: meeting with COO

### Goal 2007



Same store residential; incl. privatization units

### Goal 2007



**Reducing  
vacancy of  
core portfolio  
to < 4.8%\***

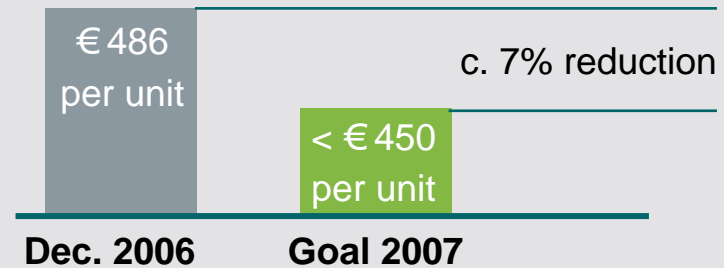
\*without privatization

## Organic growth – cost savings

### Measurements

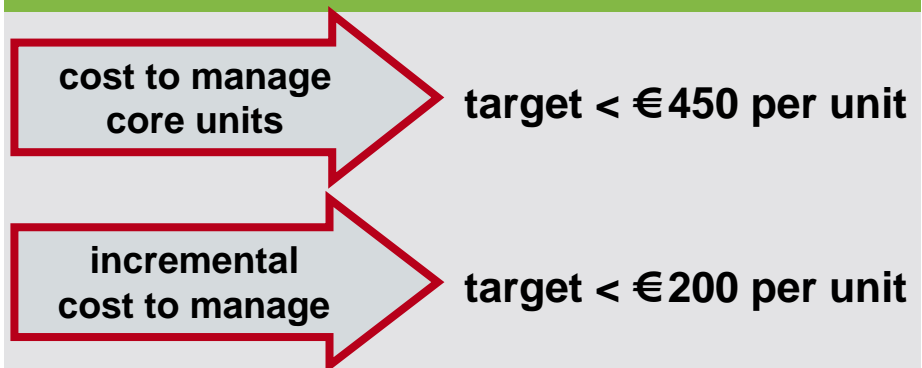
- Further cost reductions possible through:
  - Centralized Purchasing (economies of scale)
  - Consolidation of operations
  - Continued rationalization of repairs & maintenance / capex
  
- Substantial cost savings potential through acquisitions from non-strategic owners

### Goal 2007



G&A and personnel costs;  
excluding privatization and acquisition departments

### Potential

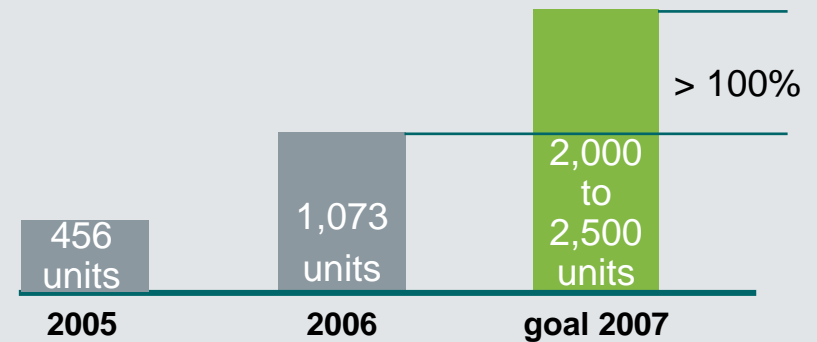


## Accretive growth - privatizations

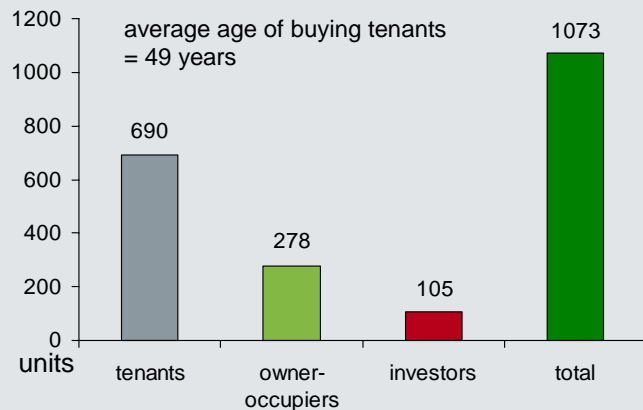
### Business Model

- Sale of individual units
- Mix of internal and external sales forces (40/60 – 2006)
- Sale only if accretive (hold vs. sell and reinvest)

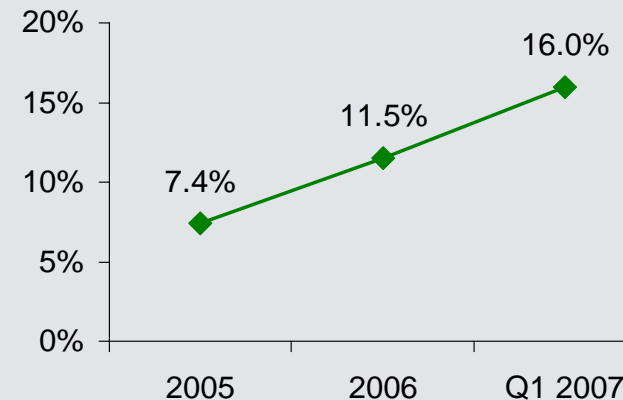
### Goal 2007



### Sales by customer groups 2006

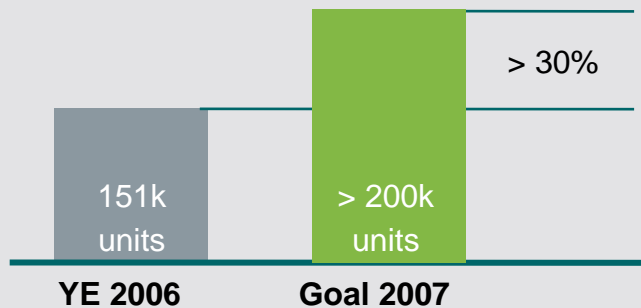


### Profit margin



## Accretive growth - acquisitions

### Our Goal 2007

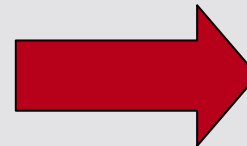


### Our market

- Attractive underlying fundamentals
- Ongoing consolidation process
- Opportunistic players no longer dominating
- Plenty of opportunities to grow
- Rising importance of competitive edge

### Our competitive position

- Nationwide platform
- Competitive cost structure
- Superior operational know-how
- Excellent access to capital
- Sophisticated integration experience



**GAGFAH is uniquely positioned in a highly attractive market**

## Deal flow – High volume of transactions

### Sellers of residential portfolios

- Public owners still selling despite political discussions (Zwickau, Halle, Leipzig, Schwerin, Greifswald, etc.)
- Financial investors increasingly looking for exit options
- Private individuals with substantial residential holdings



**Strategic  
Sweet Spot**



**Under-managed mid-sized portfolios**

## Acquisition track record, pipeline and outlook\*

### Track record since IPO

Acquired or have agreed to acquire (subject to contract) 25,835 units in 17 transactions for a total volume of approx. **€1.5 billion**

### Pipeline

Exclusive negotiations for approx. 25,000 units for **€1.8 billion**

Non-exclusive deals in process of underwriting for approx. 54,000 units for **€2.7 billion**

### Market outlook for acquisitions

- Deal flow will remain high, prices will reflect increased cost of debt
- Market will further consolidate: Shift from non-strategic to strategic owners
- Competitive landscape will change
- GAGFAH will further improve its competitive position

## Portfolio Assessment

Some market participants use NCR multiples as a proxy for property valuation

	in €m					
Net Cold Rent Q1 2007		159				
annualized		636				
Multiple	Value (in €bn)	Yield	NAV (in €bn)	NAV (€/share)	€/sqm**	
13	8.3	7.69%	2.3	10.27	807	
<b>13.2</b>	<b>8.4</b>	<b>7.57%</b>	<b>2.5</b>	<b>10.87</b>	<b>827</b>	
14	8.9	7.14%	3.0	13.09	876	
15	9.5	6.67%	3.6	15.91	935	
16	10.2	6.25%	4.2	18.73	994	
17	10.8	5.88%	4.9	21.55	1,063	
18	11.4	5.56%	5.5	24.37	1,122	

**In recent market transactions, mid-sized to large property portfolios\* traded at net cold rent multiples of between 14x - 18x.**

\*e.g. Immeo, DGAG, GHG, Baubecon (Source: Citigroup Research)

\*\* Enterprise value per square meter

Thank you!

