

Portugal - actual market conditions in turbulent times

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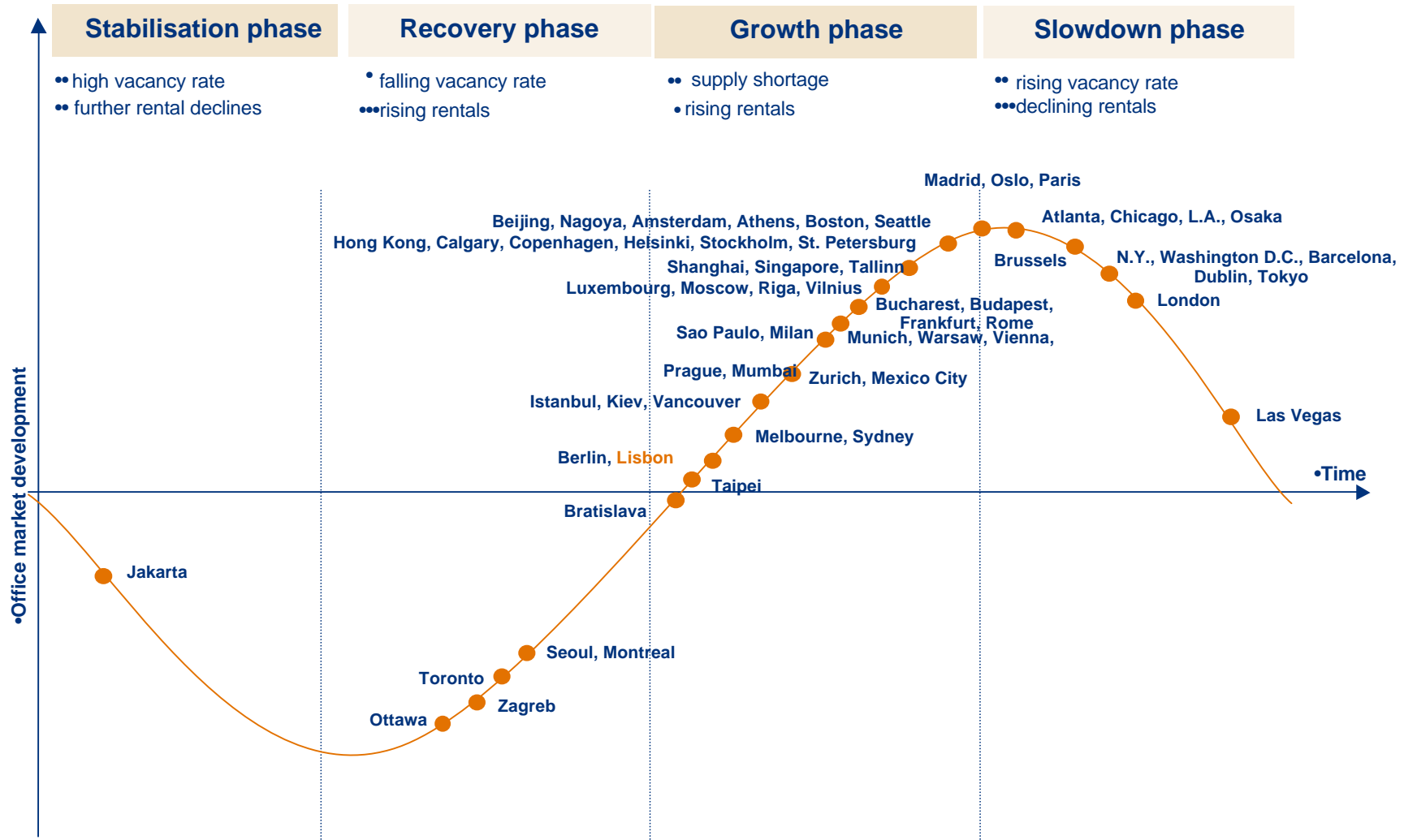
- Diagnosis of the present moment... what is going on with the liquidity crisis
- The present leading macro-indicators
- Alternative scenarios for investment in RE assets... a “devil” asset or a really “refuge”?
- What markets/segments will react better and quickly to the crisis
- What markets/segments will be the most damaged by the crisis

Current market developments

Trends on global property markets by end of 2008

- Office space markets across the world performed extraordinarily well this year. Turnover and rental rate increases were well above the historic average on most markets.
- As a consequence of global economic development, the real estate sector also lost growth momentum in the course of the financial crisis, albeit in a diluted form.
- Because of the long-term nature of companies' choices of location, and because of lease agreements, the office property markets' reaction has been muted. The stable rental income results in a continuation of cash-flow returns with low volatility.
- The greatest effects of the international financial crisis have been felt on the US market, with a slight increase in vacancies and reduced rental growth.
- Moderately rising rental rates are to be expected in Canada and many Asia/Pacific locations. These markets will increasingly be the focus of international investors in 2009.
- The world's strongest rental rate increases were in the GCC countries (e.g. in Dubai and Doha) where vacancy rates were close to zero. The extensive property additions and decreased economic growth mean that this development will not continue.
- Transaction volume on the real estate investment market has fallen by approximately 40 % year-on-year. As last year, the largest investment destinations in terms of transaction volume were the European markets followed by the American markets.
- Returns increased almost everywhere in the world in the first three quarters of 2008. This was a result of the subdued demand for real estate investments due to financing issues.
- Interest from potential investors in the security-oriented real estate asset class remains very high. As soon as the financing market regains momentum, insurance companies, pension funds, government funds and property funds will make extensive investments. This will be reflected in positive price development and falling returns again.

Current market developments Office market cycle of global investment centres



GDP growth, change compared to a year earlier			
	Q4 2007	Q3 2008	GDP shift
Denmark	1.5	-1.2	-2.7
Italy	-0.1	-0.9	-0.8
Ireland*	5.6	-0.7	-6.3
UK	2.9	0.3	-2.6
France	2.2	0.6	-1.6
Portugal	1.9	0.7	-1.2
Euro area	2.1	0.7	-1.4
Germany	1.7	0.8	-0.9
USA	2.3	0.8	-1.5
Spain	3.3	0.9	-2.4
Sweden	2.4	1.0	-1.4
Hungary	0.3	1.0	0.7
Belgium	2.3	1.2	-1.1
Austria	2.6	1.5	-1.1
Norway	4.7	1.5	-3.2
Netherlands	4.1	1.8	-2.3
Finland**	4.2	1.9	-2.3
Switzerland	3.7	2.4	-1.3
Greece	3.5	3.1	-0.4
Czech Republic	6.3	4.7	-1.6
Poland	6.6	4.8	-1.8
Slovakia	14.3	7.1	-7.2

* = Q2 2008 data
** = Estimate

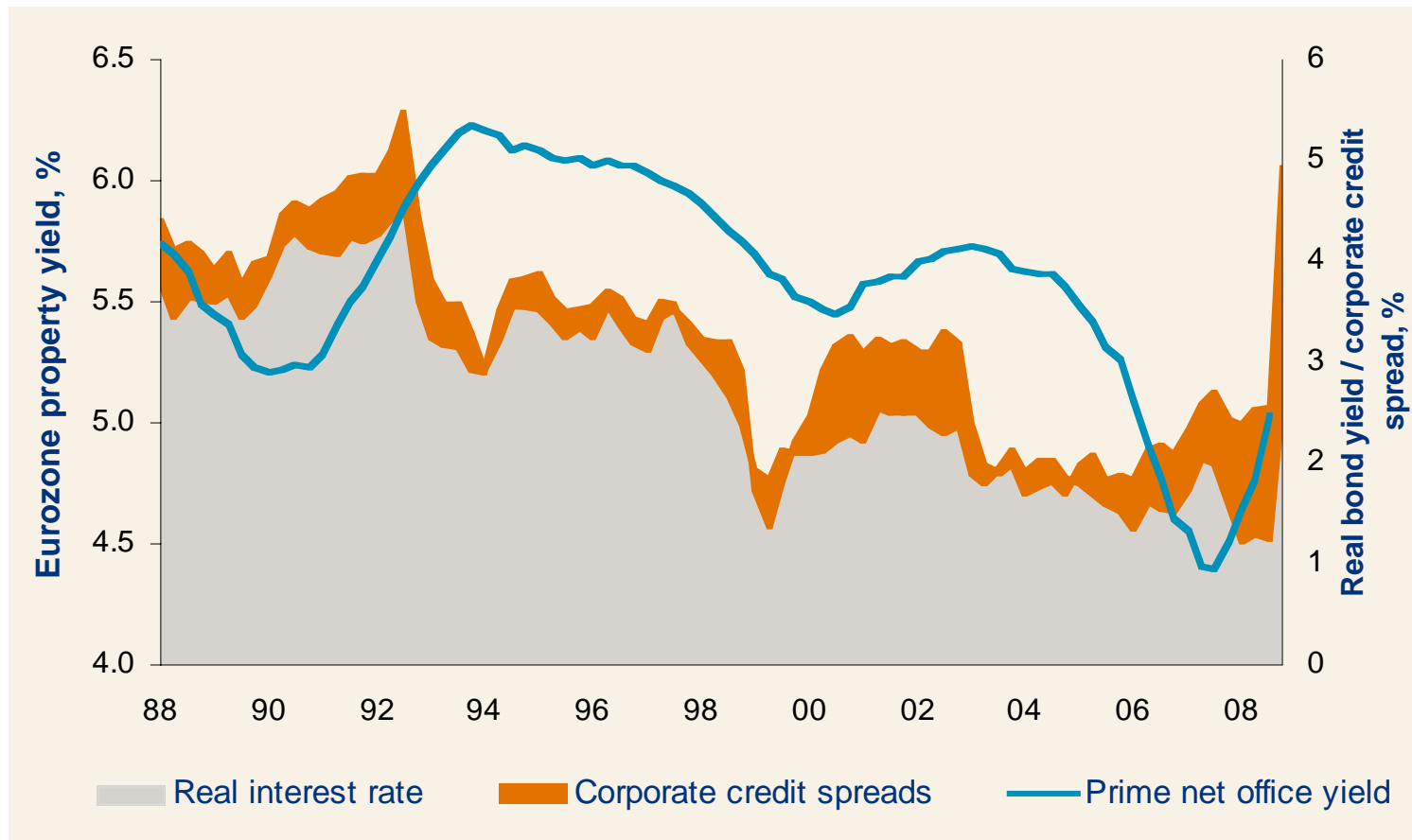
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Germanic and Benelux economies lower risk

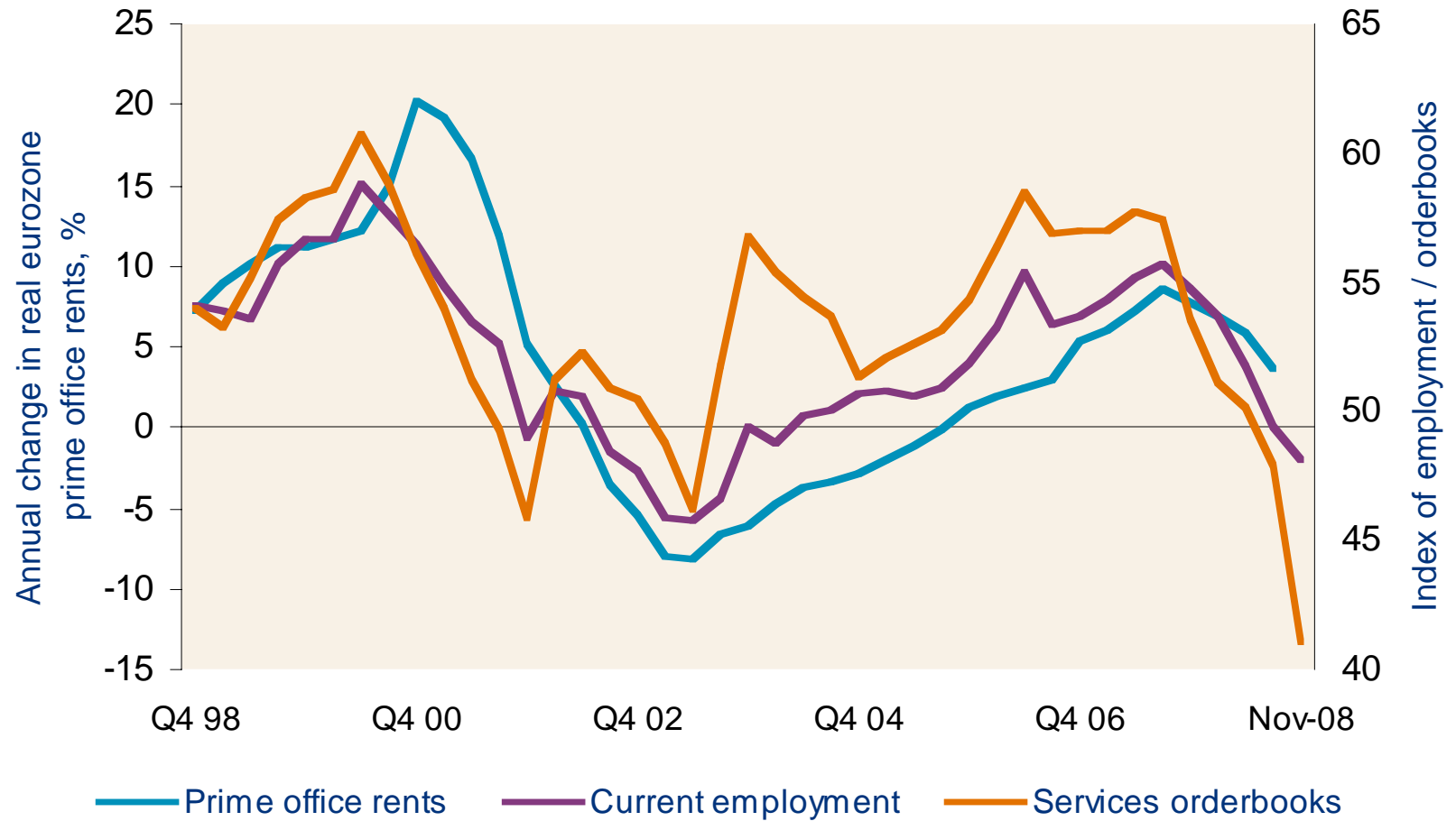
Risk ranking * = Good, ** = Average, *** = Poor

	Mortgage debt	Housing savings	Current Account	Govt budget position	GDP forecast, 2009-2011	GDP deviation from trend
Germany	*	*	*	**	0.9	-0.5
Sweden	**	*	*	**	1.4	-1.8
Switzerland	**	**	*	**	1.1	-1.2
Austria	**	*	*	**	1.2	-1.2
Netherlands	**	**	*	**	1.1	-1.0
France	**	*	**	***	1.0	-0.9
Finland	**	***	**	*	1.6	-2.0
Norway	**	***	*	*	1.5	-1.1
Italy	**	**	**	***	0.4	-0.6
Belgium	**	**	**	**	1.2	-1.1
UK	**	***	**	***	0.5	-2.3
Portugal	**	**	**	**	0.7	-0.3
Hungary	**	**	**	***	1.7	-2.0
Ireland	***	**	**	***	1.0	-4.1
Denmark	**	***	**	**	0.4	-1.7
Poland	***	**	**	**	3.2	-2.0
Spain	***	**	**	***	0.6	-3.0
Slovakia	***	**	**	**	2.3	-4.8
Czech Republic	***	**	**	**	2.7	-2.8
Greece	***	**	***	**	1.9	-2.4

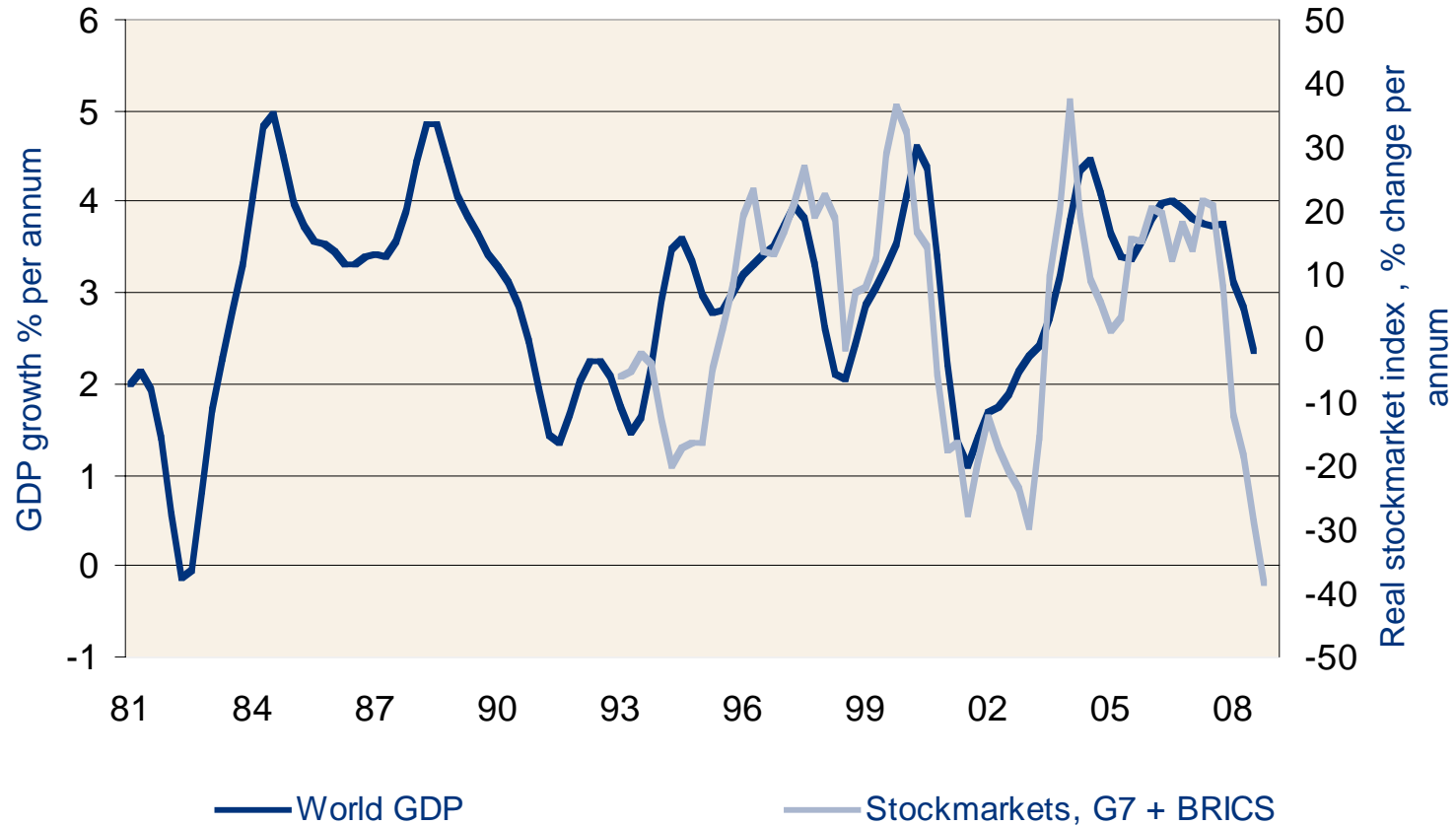
Lower risk ↑
Higher risk ↓



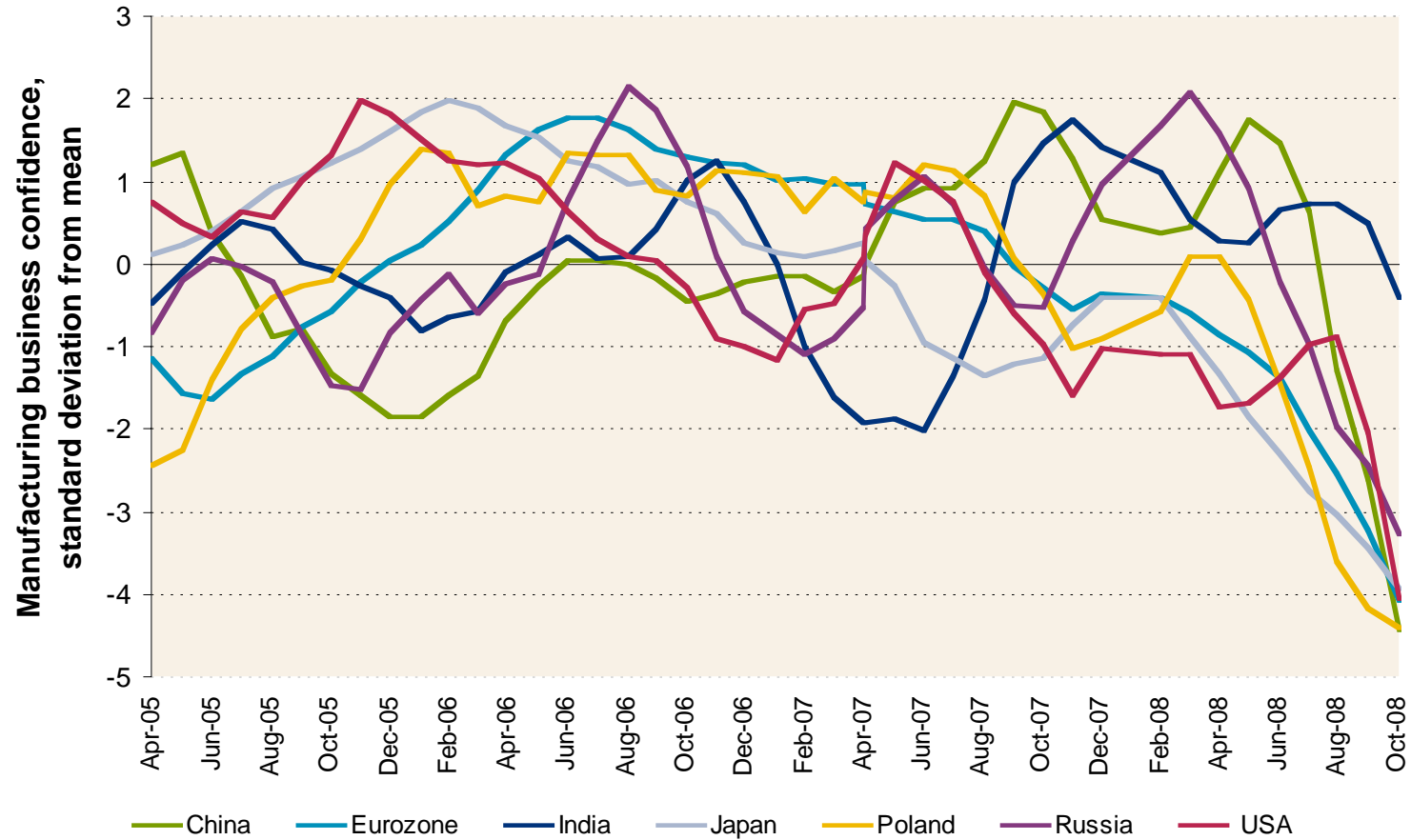
Demand drivers in sharp decline



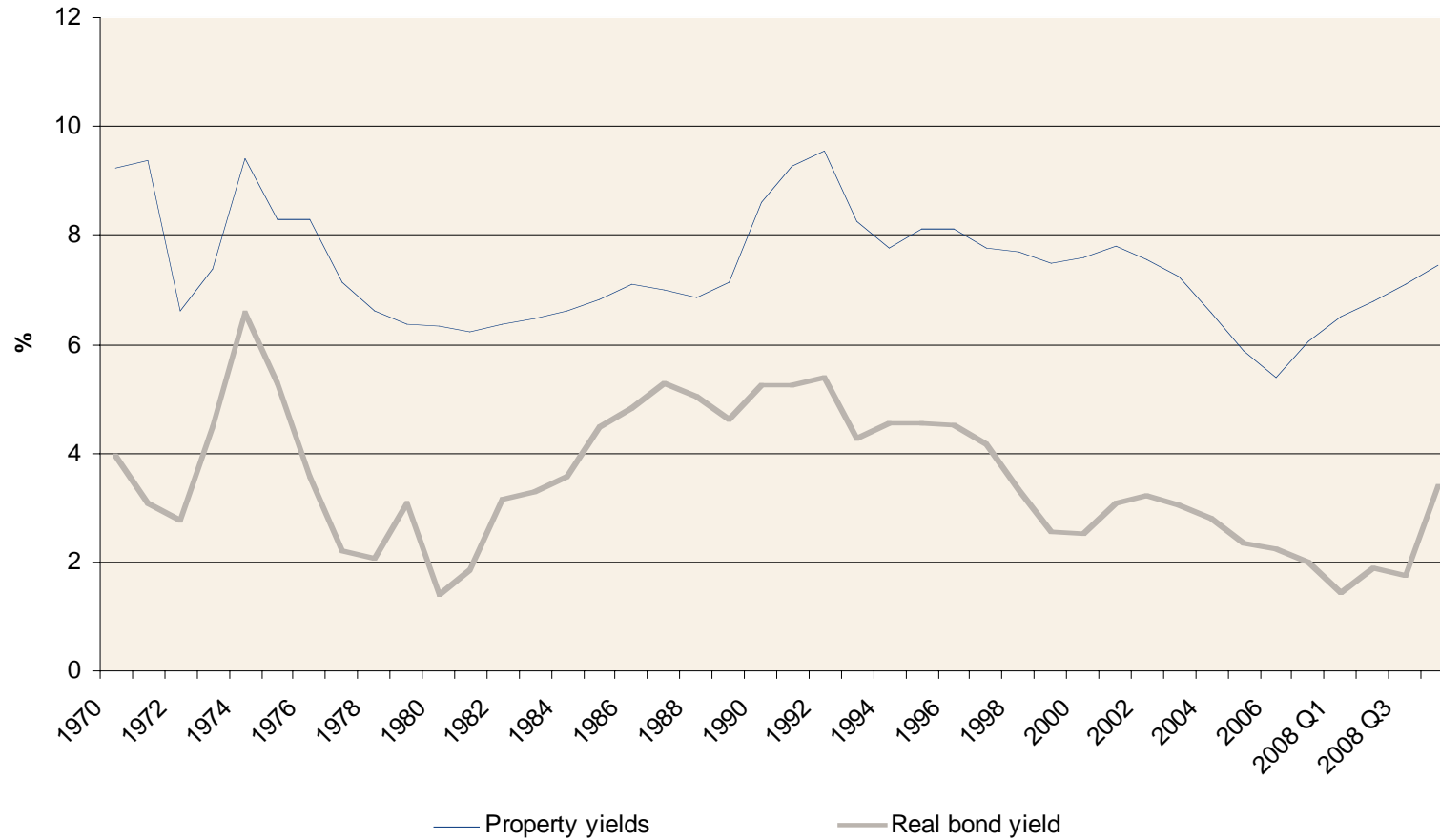
Global growth outlook still very poor



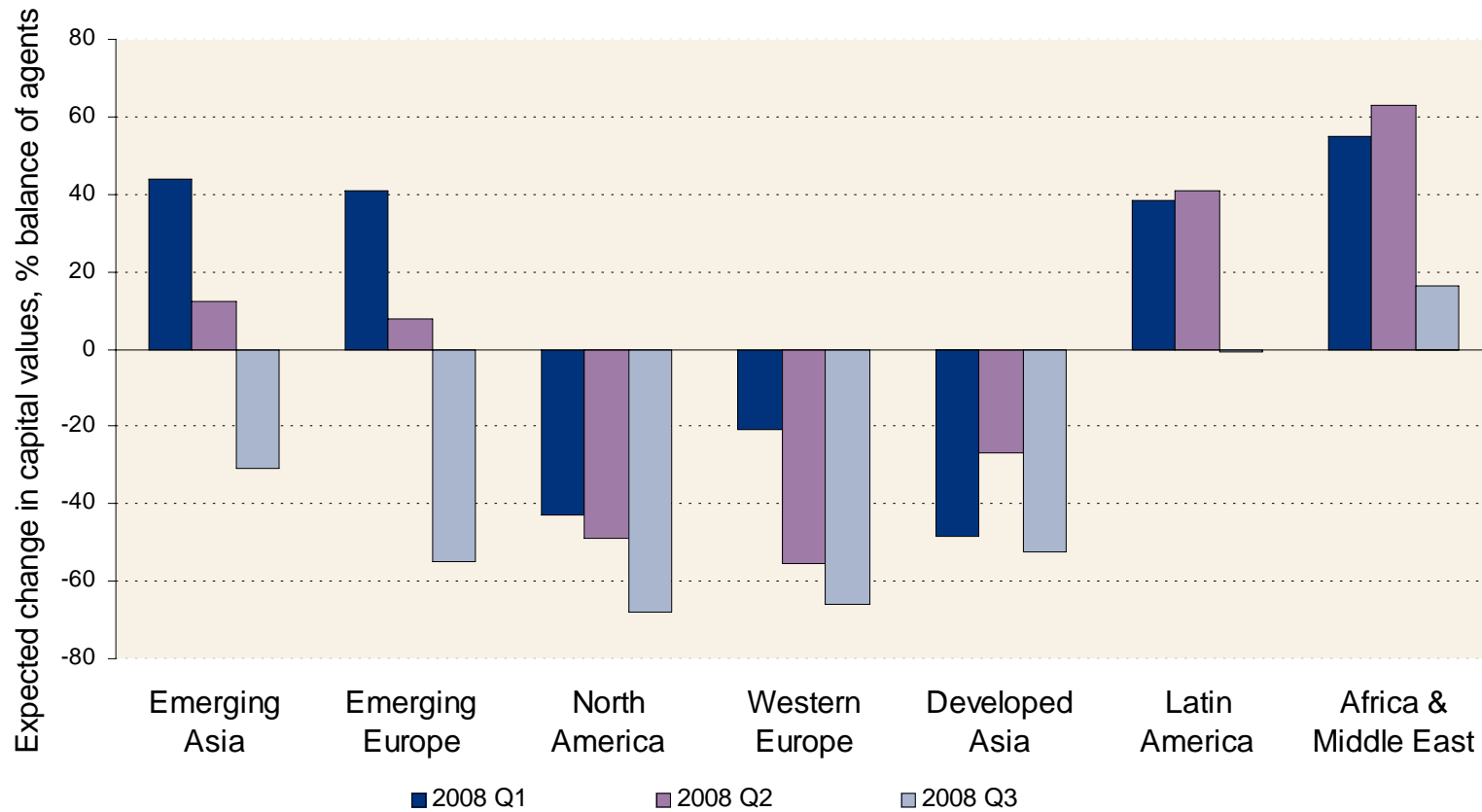
Business surveys point to near universal slowdown



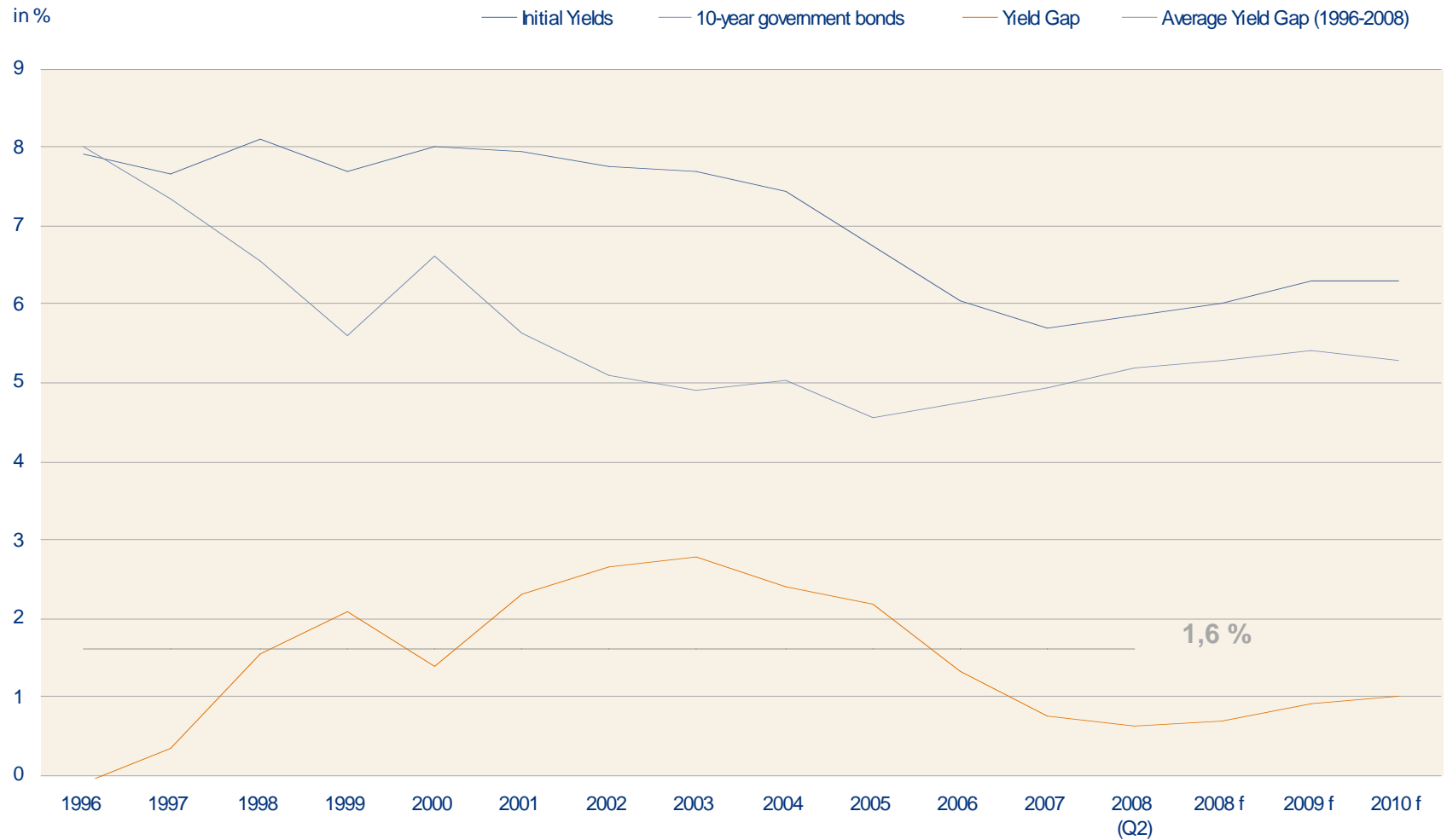
Property yield forecast – real bond yields main driver



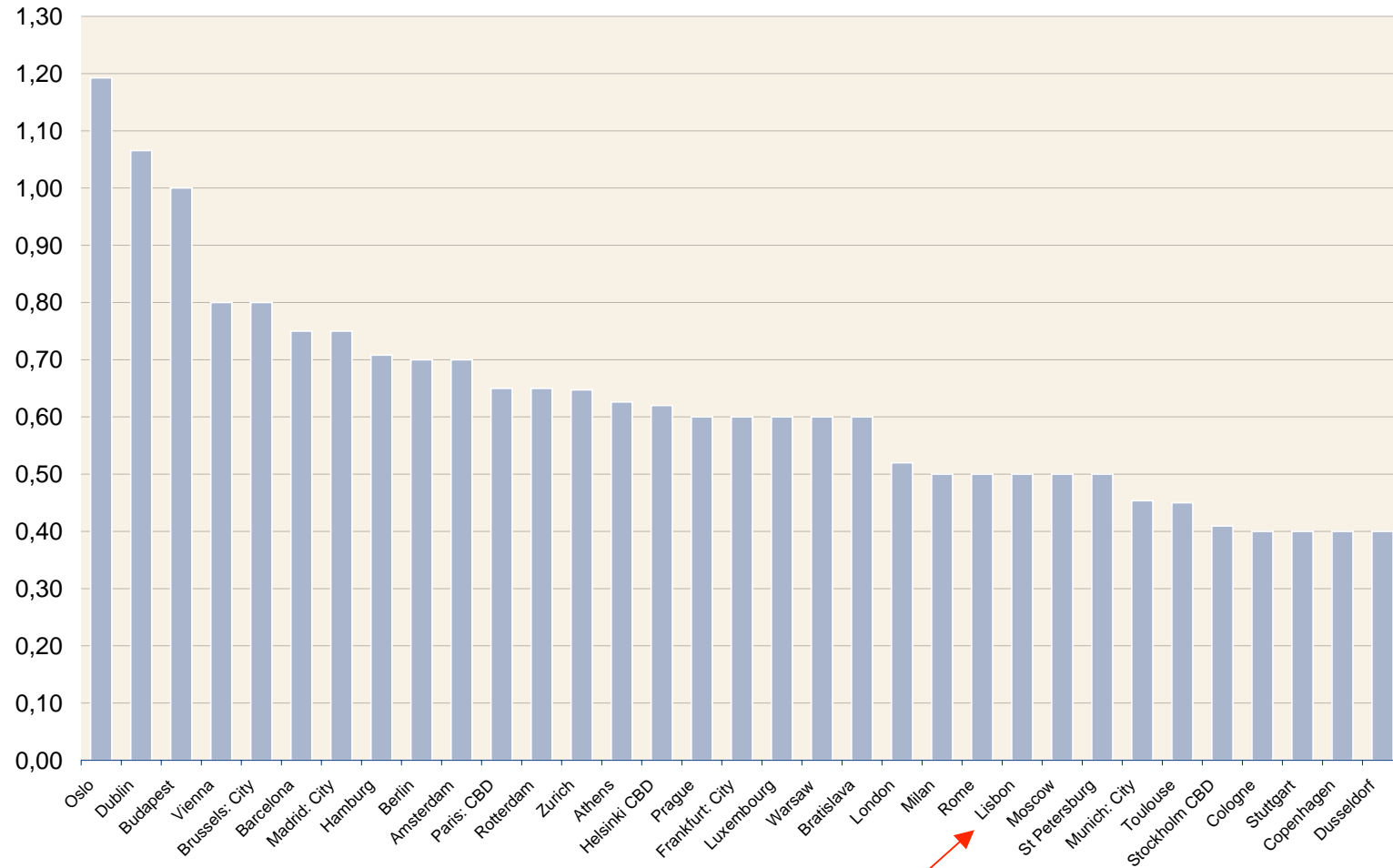
Sentiment on values weak across most locations



Yield gap global 1996-2010

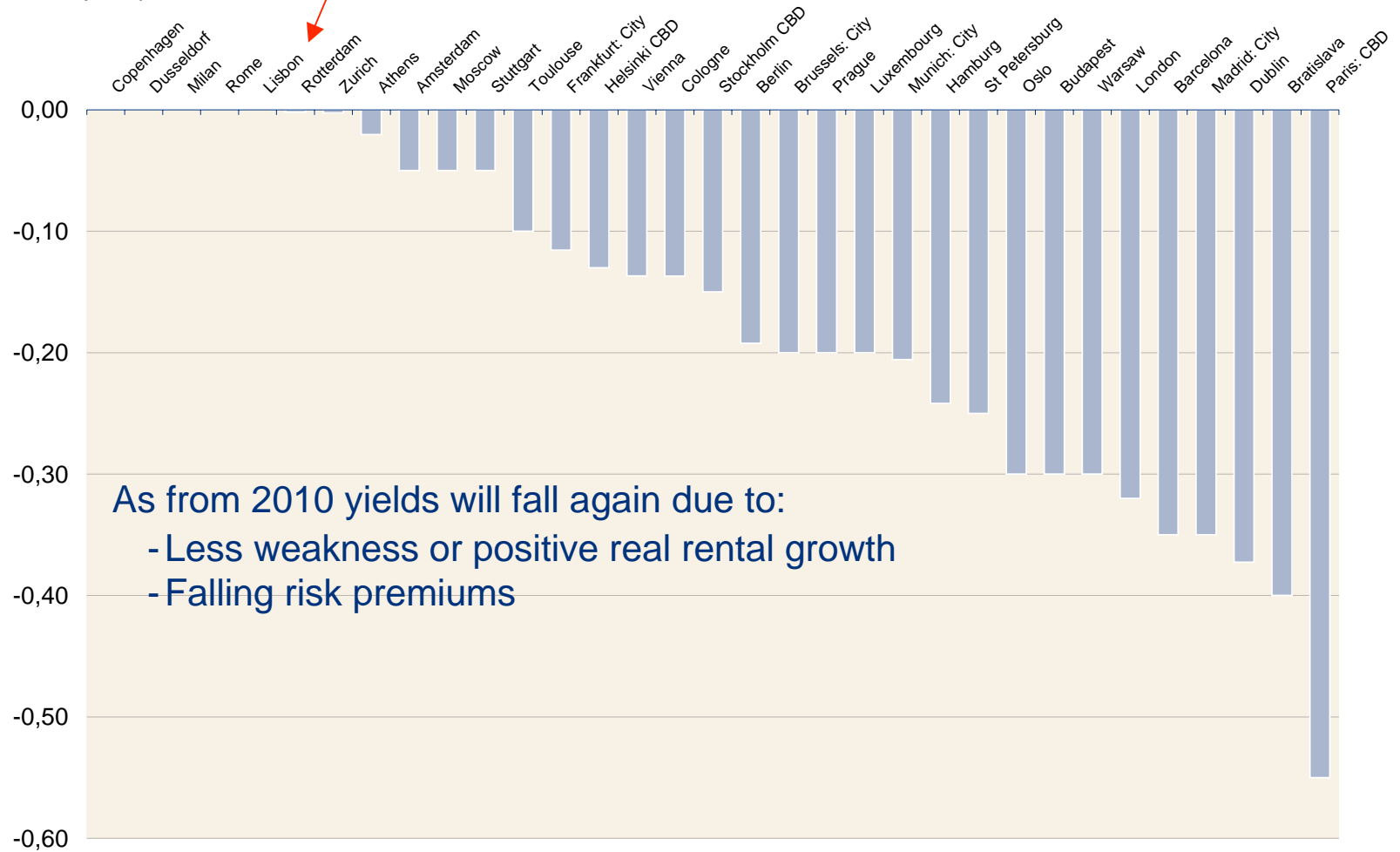


Yield Shift (in percentage points)

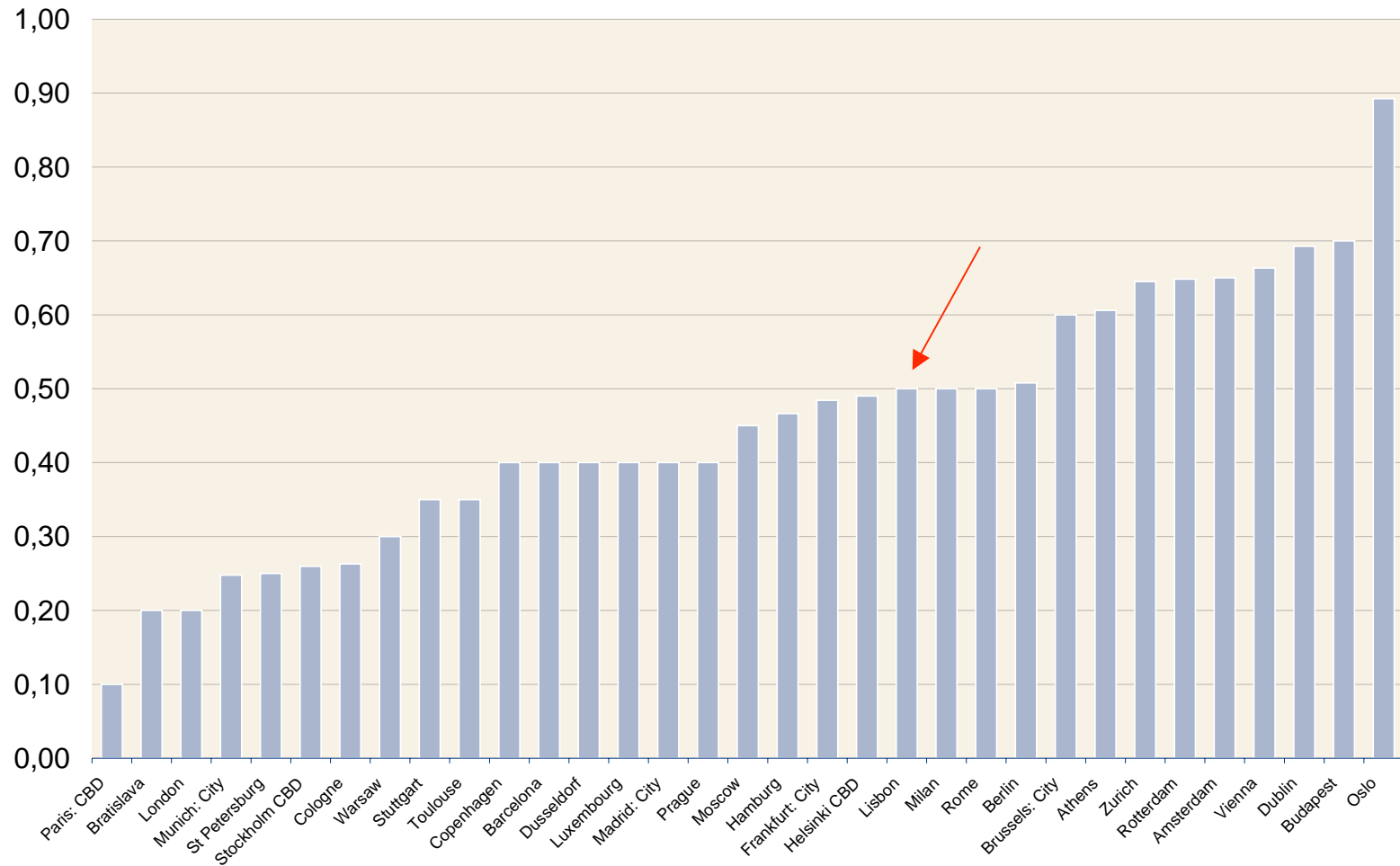


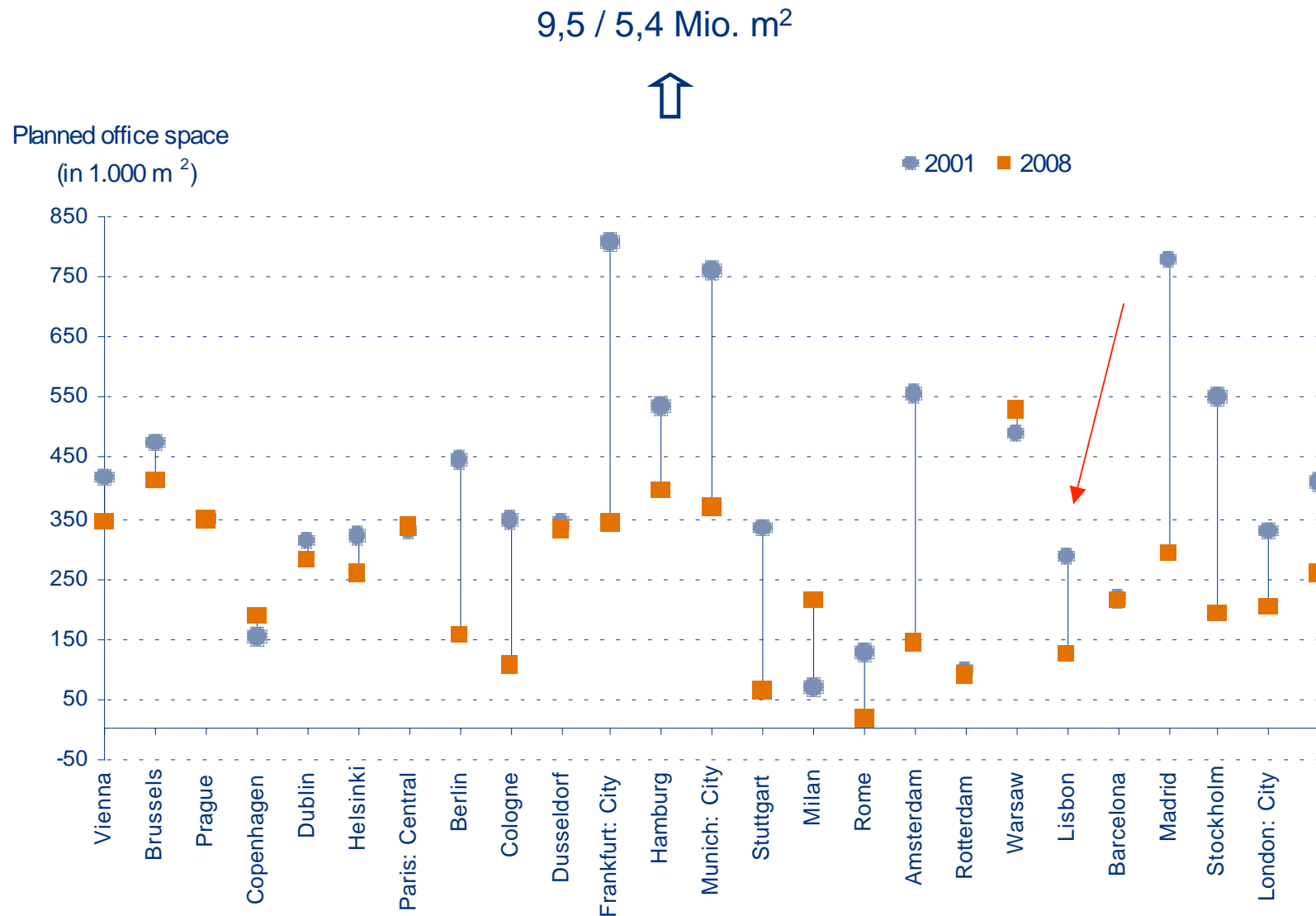
Yield Shift 2010-2012

Yield Shift (in percentage points)

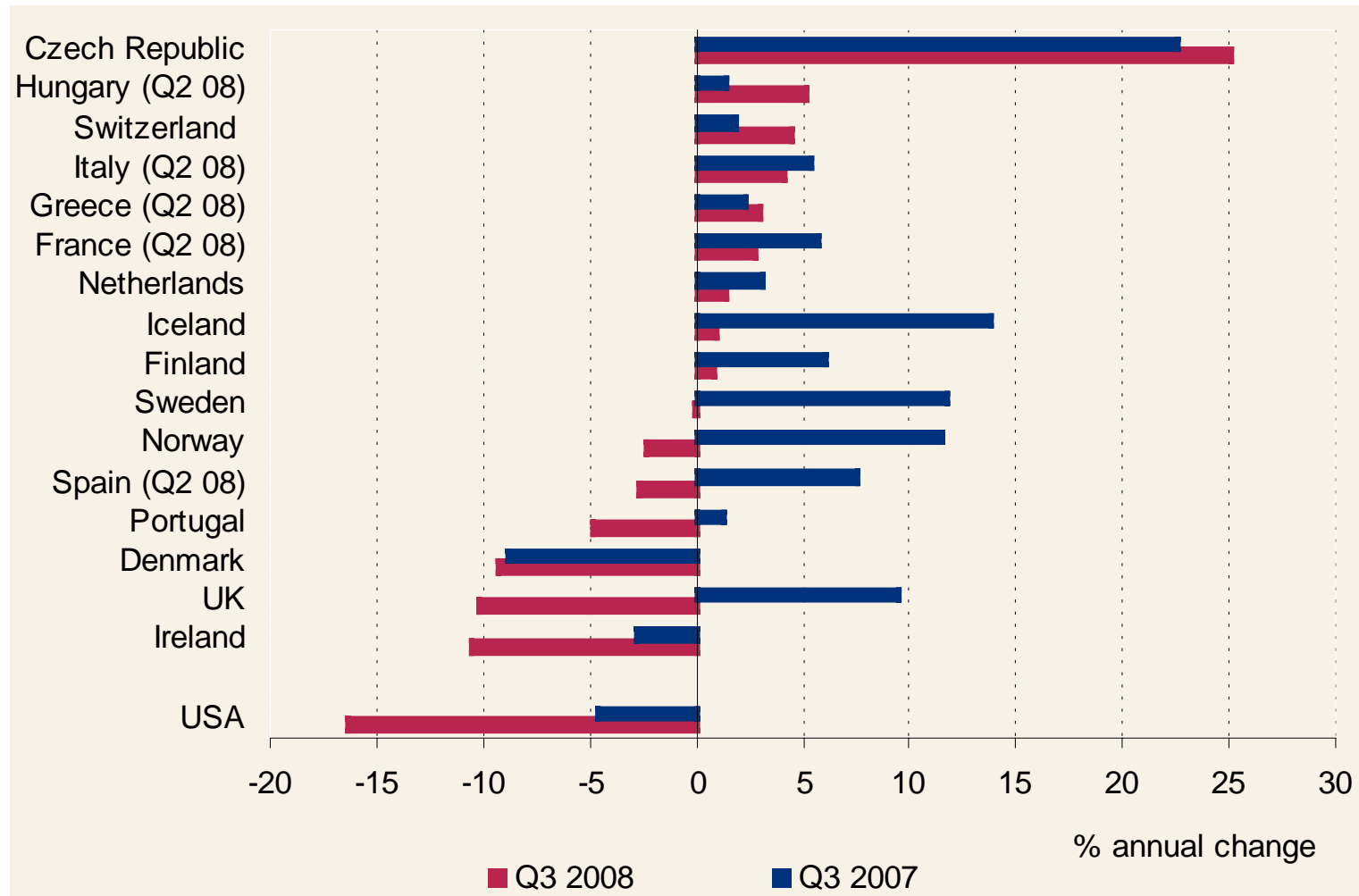


Yield Shift (in percentage points)





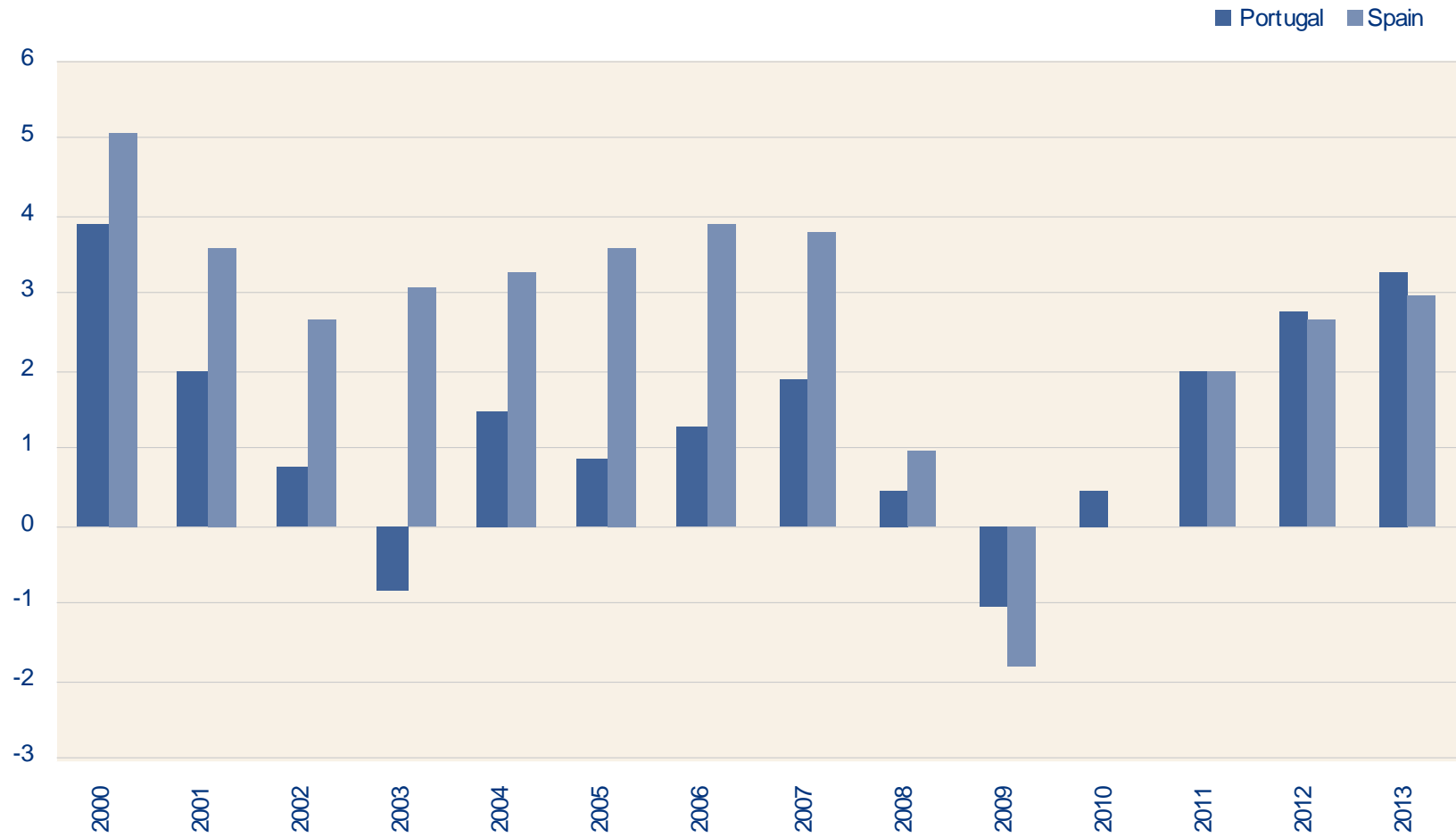
House prices falling in several European markets



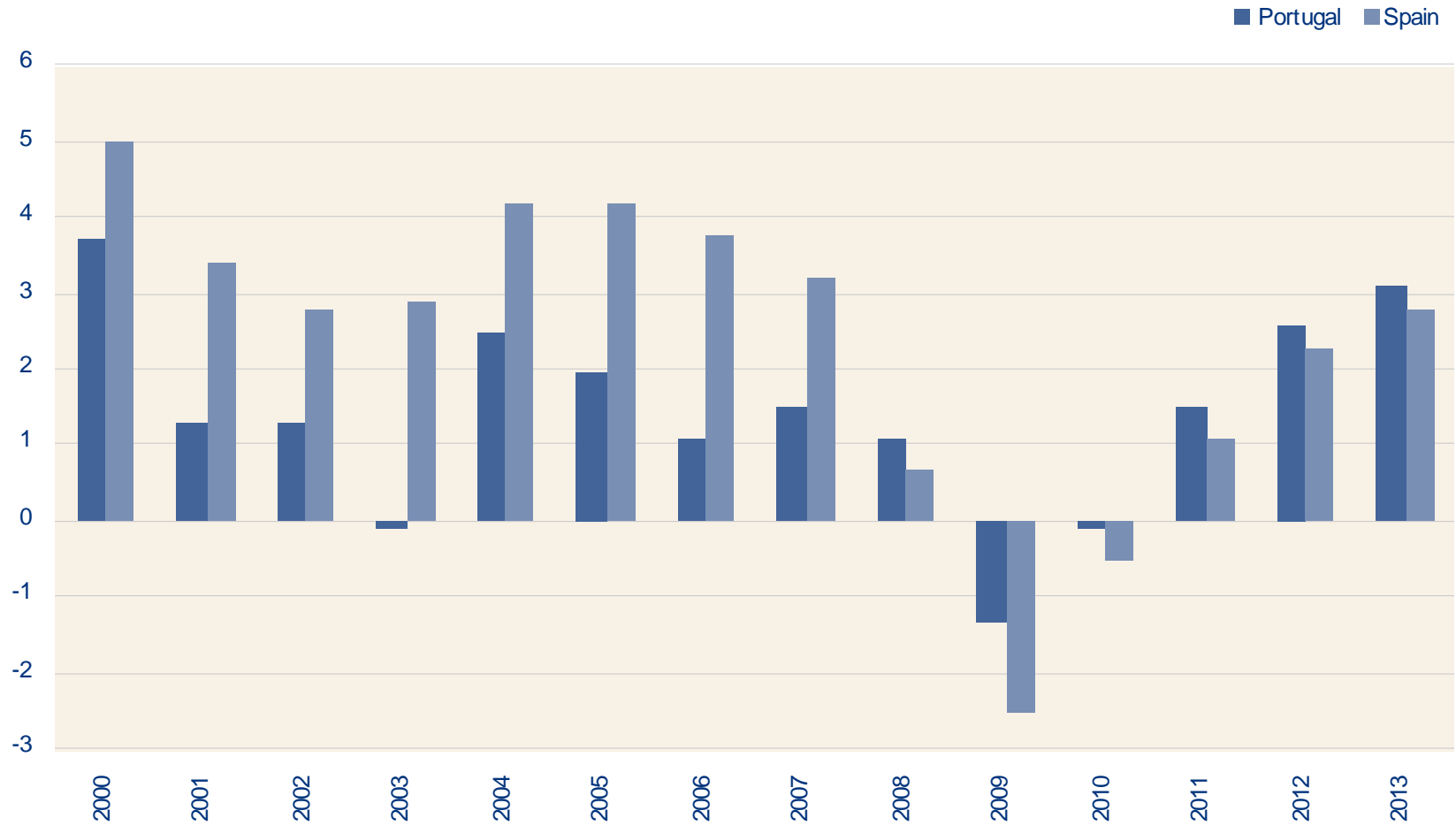
Mortgage debt per capita, euros (000s)			3 year growth rate per annum %
	2003	2006	
Romania	0.0	0.1	40
Poland	0.2	0.6	37
Slovakia	0.3	0.8	44
Czech Republic	0.2	0.8	49
Hungary	0.6	1.0	20
Italy	3.0	4.7	16
Greece	2.4	5.1	28
Austria	4.9	7.3	14
Portugal	6.4	8.7	11
France	6.2	9.2	14
Belgium	8.0	10.9	11
Spain	7.5	13.1	20
Finland	9.8	13.9	12
Germany	14.0	14.4	1
Sweden	15.0	19.2	9
UK	18.8	26.2	12
Ireland	15.0	29.3	25
Norway	22.7	30.5	10
Netherlands	24.9	32.2	9
Denmark	28.9	40.9	12
Switzerland	32.3	41.2	8

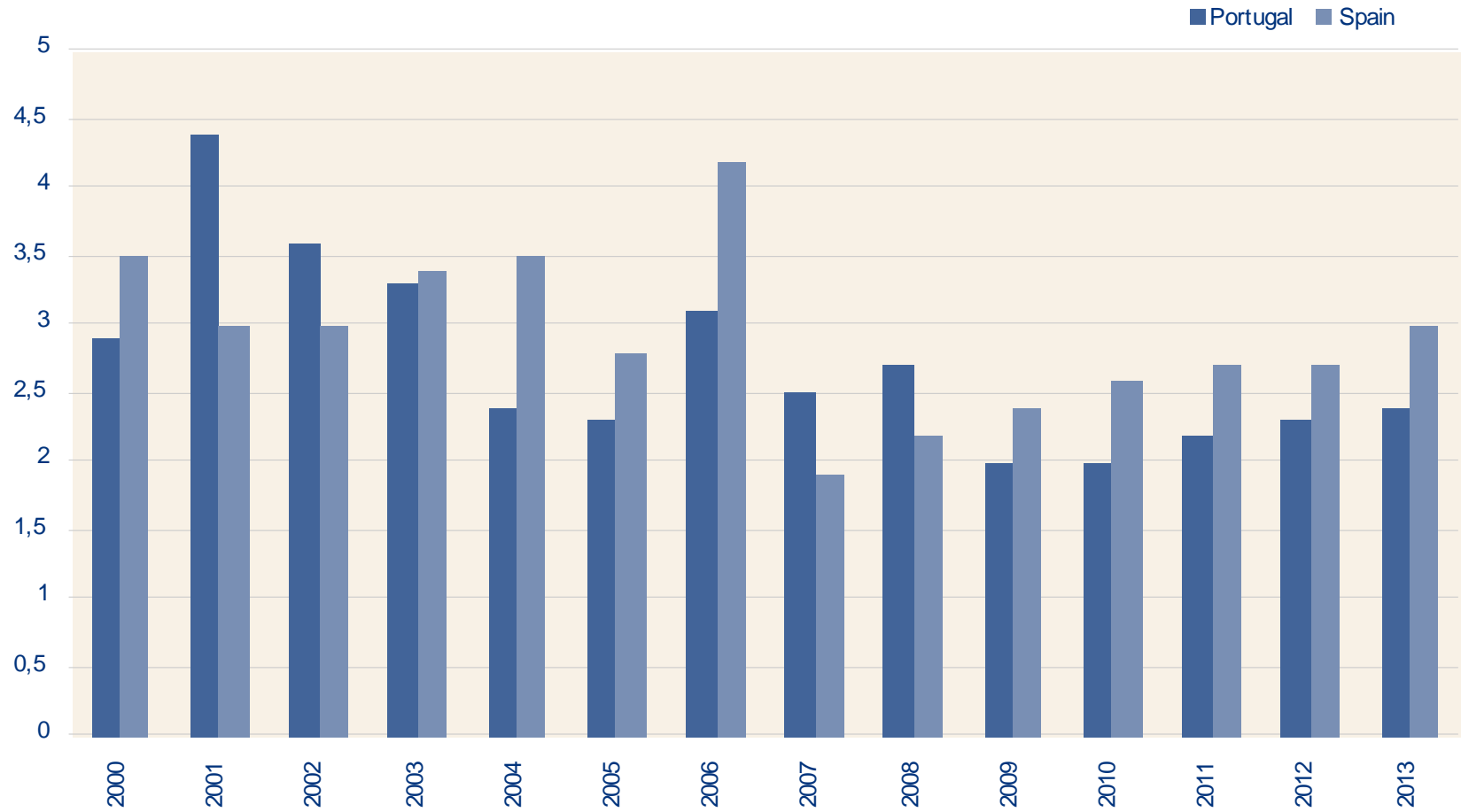
- Economical bottom of the Euro zone
- Lisbon as most important commercial centre in Portugal
- 20% of the rural population lives in Greater Lisbon
- Since 2001 annually GDP Growth lower than 2%
 - Cause: high unit labour costs, because many products contend with products from competitors of emerging countries.
- Excessive national dept forces Portugal in the long term to an inhibited growth consolidation
- Recession and weak economic figures in Spain tighten the situation in Portugal in additional by the next years

Portugal: GDP Growth in %

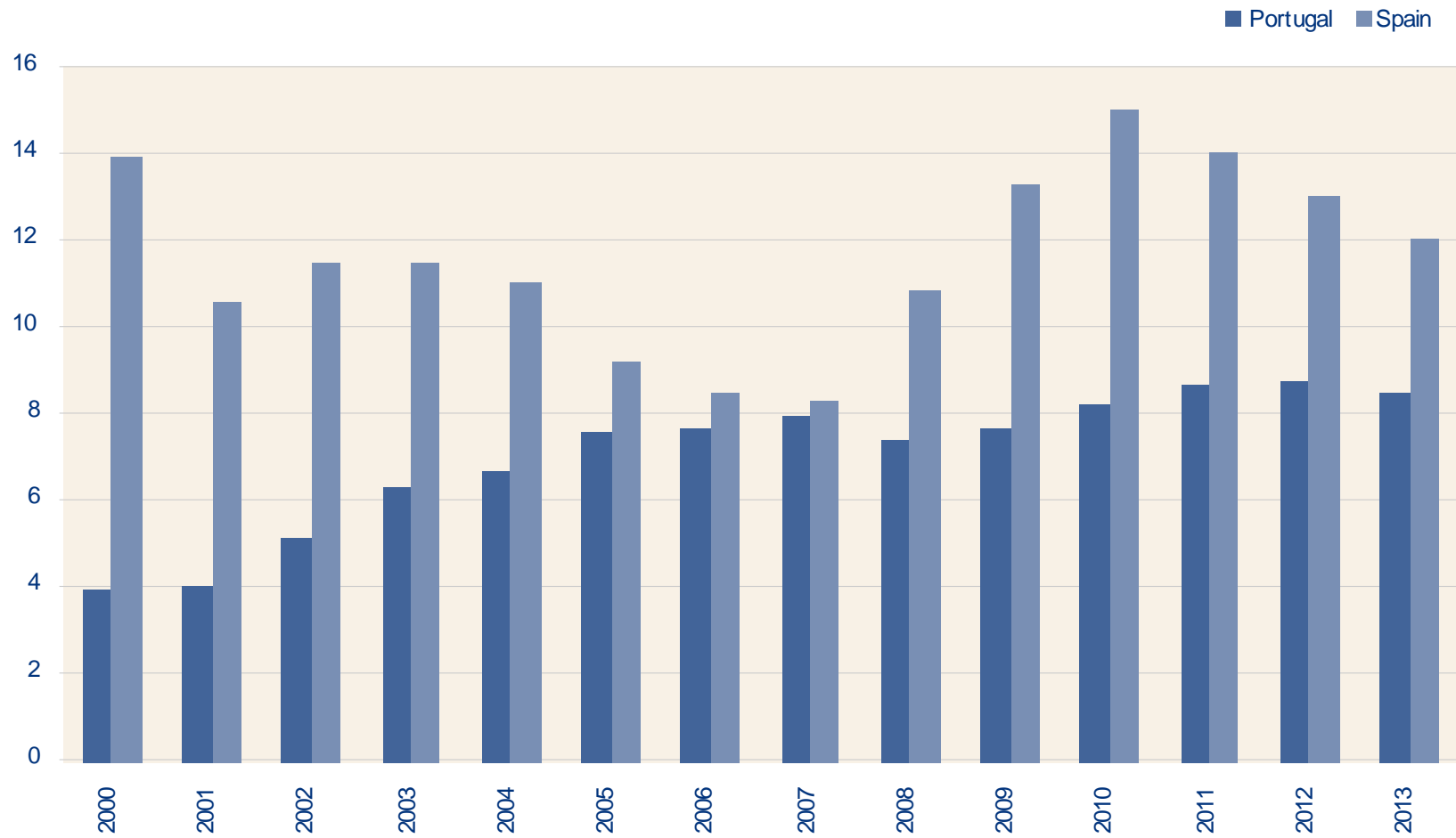


Portugal: Consumer spending in %



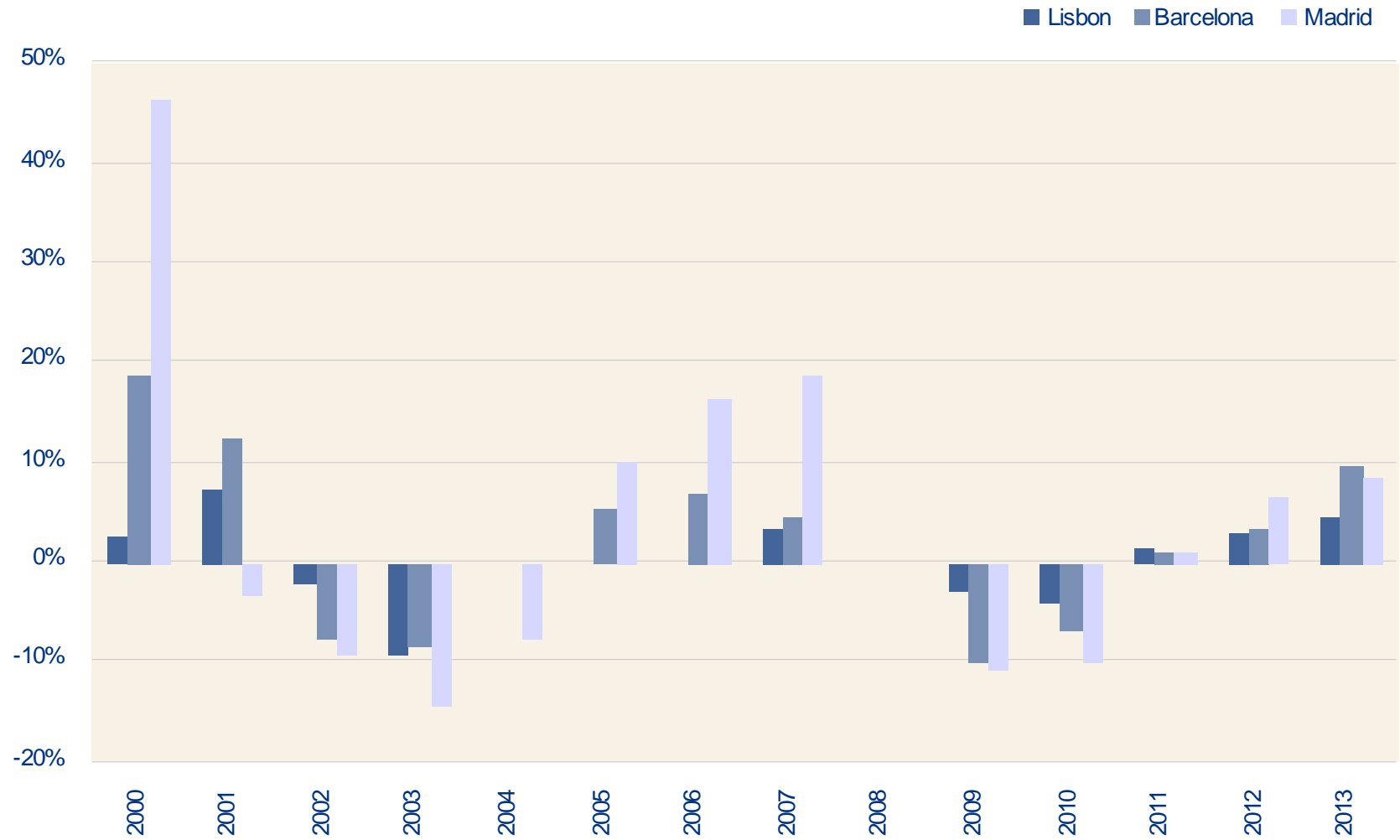


Portugal: Unemployment rate in %

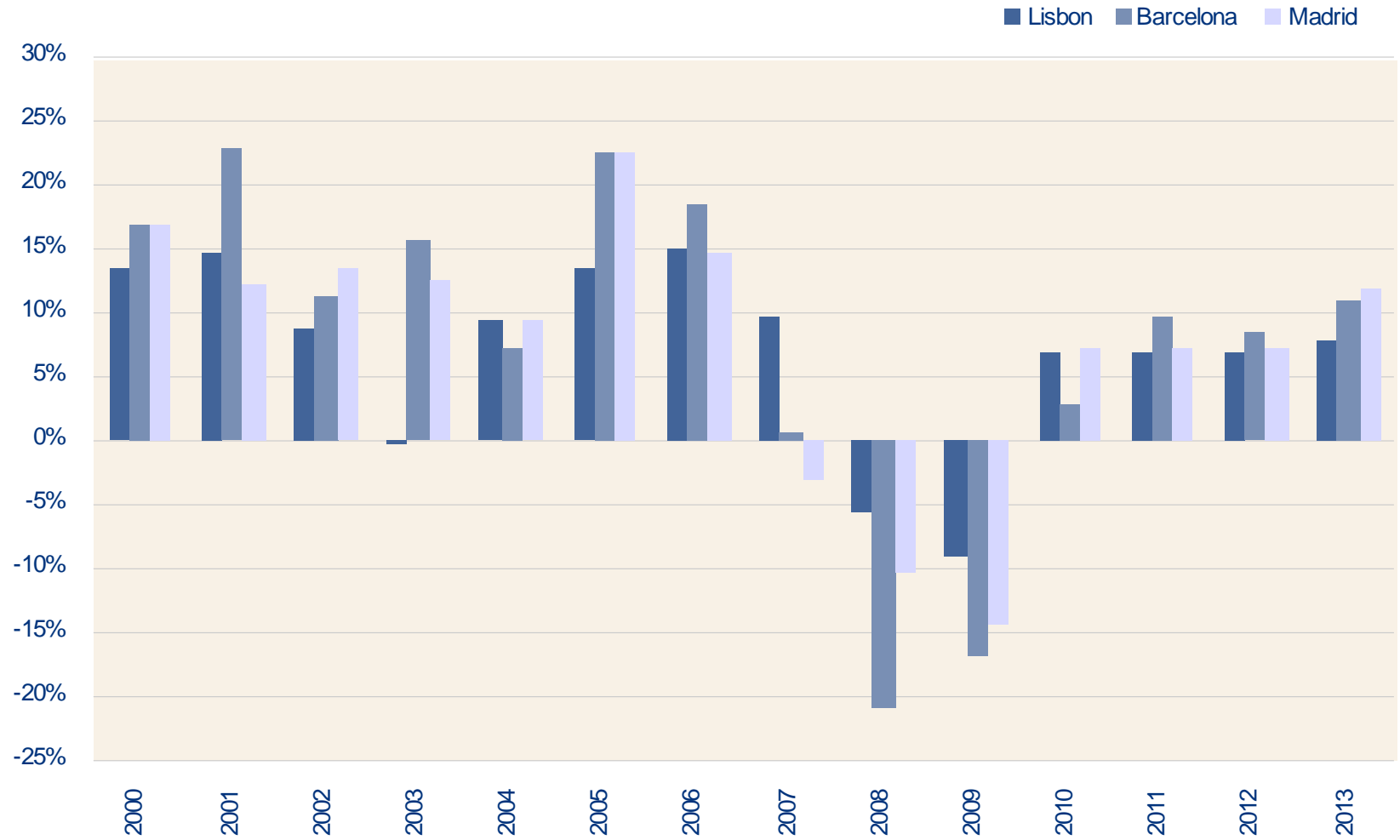


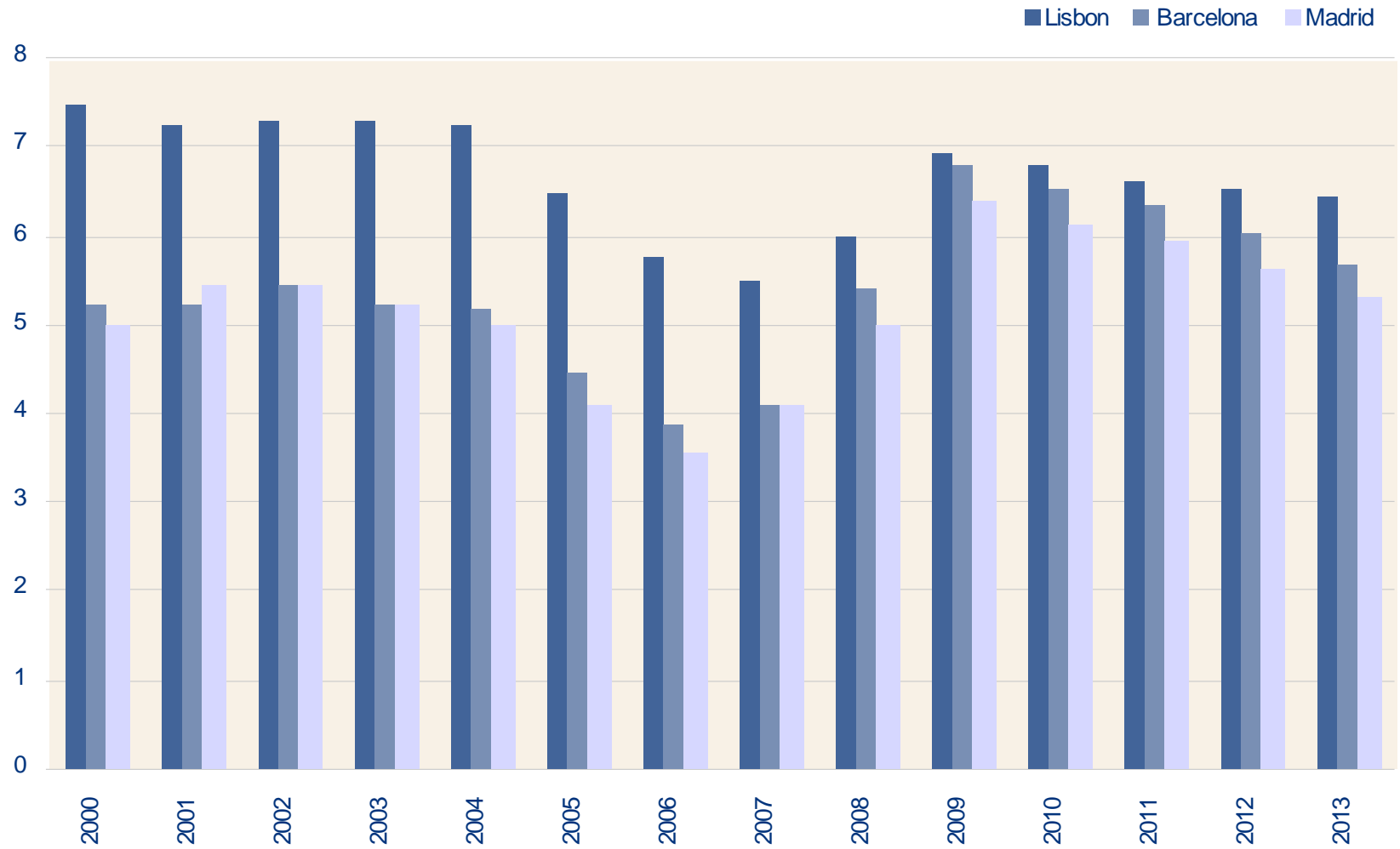
- Office stock round 2,6 Mio. m²
- Space take up hearken back at 22% to 80.000 m²
- Vacancy rate increased in the annual comparison softly to 9,3 %
- Prime rent on stable level around 20,67 €/m²/month
- Vacancy rate in the peripheral area with 15% extremely high, with an increasing trend due to new buildings coming in in 2009 (i.e. former Expo area)

Rental growth in % - Office



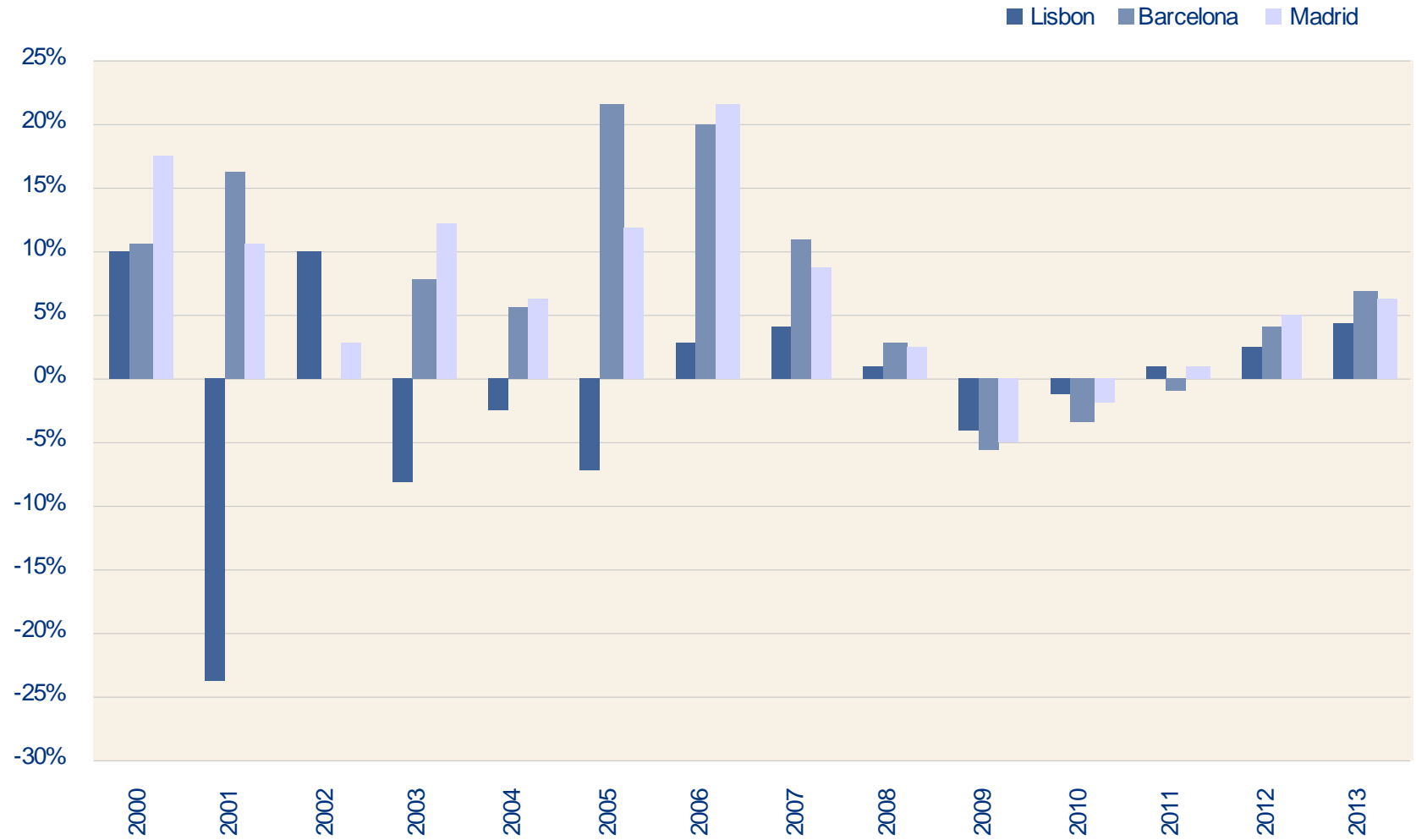
Total return in % - Office



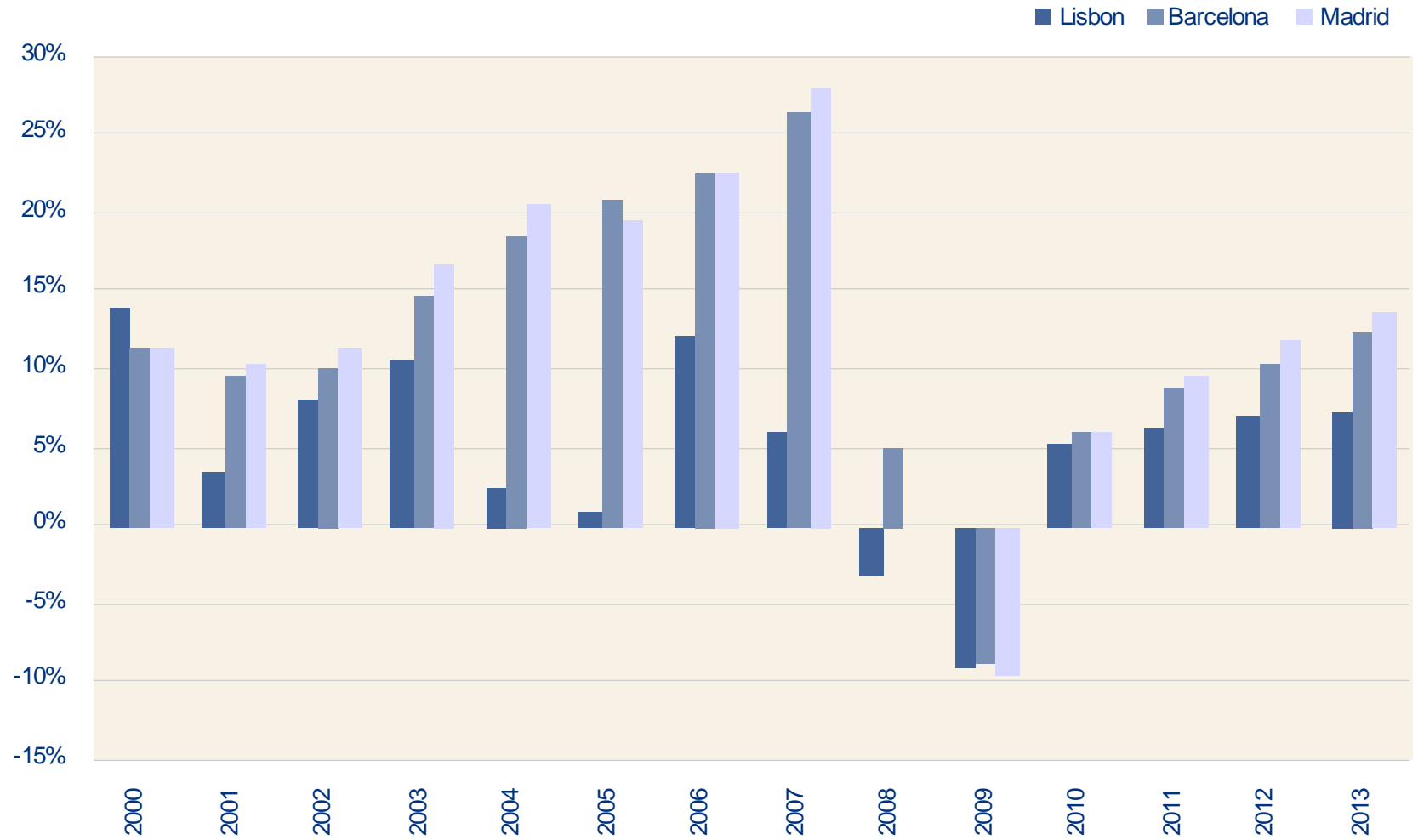


Sonae Sierra invests 212 Mio. Euro in three new shopping centre developments in Portugal, opening in 2010.

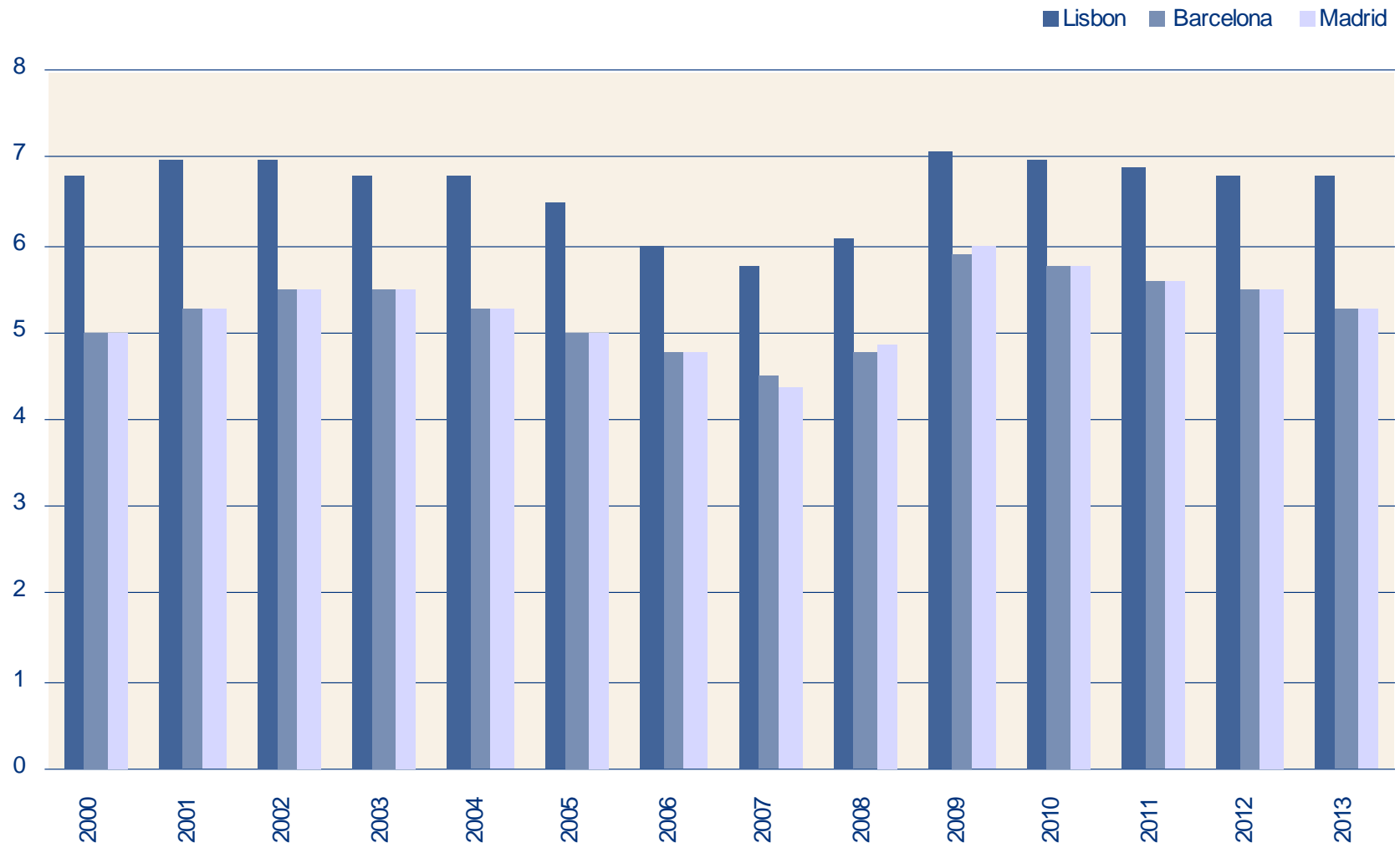
- Leira: 43,200 m² “Leira Shopping” 74 Mio. Euro – Anchor tenant C&A
- Caldas da Rainha: 24,000 m² “Centro Bordalo” 56 Mio. Euro – Anchor tenant C&A
- Maia (Greater Porto): 31,000 m² “Maia Jardim” 82 Mio. Euro



Total return in % - Retail



Net yield in % - Retail



- Decrease in transaction volume (Italy/Portugal/Spain) at 51% (Q3 2007 – Q3 2008)
- Q1 2008: Deka Immobilien contracted a participation amounting to 65 Mio. Euro for the Lisbon shopping centre “Loure Shopping” (23,600 m² of 39,000 m² in total). In the coming years shall develop a 6,500 unit residential area in the surrounding area.
- Q2 2008: Commerz Real invests in office building in Lisbon – 4,500 m², 20 Mio. Euro
- Q2 2008: Bouygues Immobilier sells three commercial buildings in Portugal for round about 70 Mio. Euro to Pramerica Real Estate
 - Retail development in Portmao (Algarve) – 12,000 m² (completion Q1 2009)
 - Two office buildings “Parque das Nacoes” (former Expo area Lisbon)
 - 10,000 m² and 5,000 m² office space (completion Q2 2010)
- Q3 2008: Cerquia (local) invests in a office building (2,138 m²) in Lisbon

- European economy expected to contract in 2009
- Lower inflation to allow interest rates to fall but economic recovery not before end 2009
- Forced sales will be catalyst for yield outshifts in Europe
- Short-term risks remain on downside (next 3 - 6 months)
- Economic recovery in 2010 onwards → lower default rates → lower cop bond spreads → lower risk premia in property yields
- More negative rental growth in 2009...
- ... but low construction activity paving way for next recovery
- Retail property returns likely to outperform due to less cyclical position, offices hardest hit
- Core European economies and countries with few imbalances (some Nordics) to outperform
- Countries which experienced housing booms, C/A and savings imbalances, like UK, Spain and Ireland, will under perform short-term
- Emerging Europe at risk due to dependence on foreign capital
- Opportunities expected to arise on way down (markets with sharpest correction i.e. UK, Madrid, Paris, Oslo)

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Has anybody seen the Crisis?





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Total Expense Ratio (TER)

The Total Expense Ratio (TER) expresses the sum total of costs and charges as a percentage of the average value of the fund within a financial year and thus includes all charges and costs incurred in connection with the fund investment, except for transaction costs and front-end load, if any.

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