

MAGAZINE
of the Annual Report 2011



Deutsche
Wohnen

EXPERIENCING

ROOMS

TO GROW



The basic conditions are good: The German economy is excelling internationally, even in difficult times, and the positive development of the German real estate market has continued uninterrupted for more than 20 years. This is attracting investors from around the world. They are investing increasingly in residential property in Germany as this is seen as a particularly safe and attractive asset class. Especially in the German metropolitan areas positive letting trends and price developments are noticeable due to the high influx of population there.



Deutsche Wohnen AG is benefitting from this. As one of the leading German publicly-listed residential property companies, we are represented with a large residential portfolio in precisely these metropolitan areas. With our experienced team, we are able to continue to steadily optimise the value of our residential property through the professional management and development of our holdings. Furthermore: In the last year alone, we made extensive acquisitions and thereby expanded our existing portfolio to 51,103 units. Our real estate holdings are distinguished by a high level of quality and good locations. In this way, Deutsche Wohnen is excellently positioned to achieve an above-average participation in the growth potential of this market. The company also wants to grow sustainably and profitably in the future and to actively shape the further consolidation process of the sector.

experiencing rooms to grow

Experiencing rooms to grow – The German residential property market is located in the most stable economy in Europe and continues to be distinguished by its strong appeal and growing demand, especially in metropolitan areas. With a high-quality residential property portfolio Deutsche Wohnen is excellently positioned in this market. With the funds from last year’s successful capital increase, we can continue our profitable growth path and further scale our company platform. Through extensive refurbishment and modernisation work we are continuing to increase the value of our holdings, some of which are listed buildings. In addition, we have strengthened our existing core regions with our latest extensive acquisitions and, with Dusseldorf, we have also entered an attractive growth market.

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The German residential market continually offers attractive chances for growth.

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We sustainably optimise our portfolio with our acquisition strategy.

MORE ROOM FOR SUSTAINABLE GROWTH CREATED



LARS WITTAN // HELMUT ULLRICH // MICHAEL ZAHN

Despite tense markets Deutsche Wohnen completed the financial year 2011 very successfully: Positive figures, extensive acquisitions, successful capital increase. What were your personal highlights? What challenges do you see in the coming years?

M. Zahn: To paraphrase Henry Ford: "Success is a matter of adjusting one's efforts to obstacles and one's abilities to a service needed by others." Looking back, 2011 was a great year for Deutsche Wohnen. We have the right business model in the right markets. We were able to continue our operational success story last year, and also still manage with flying colours the last of the remaining challenges – to start the growth process. The reward was the successful capital increase at the end of the year.

This success is driven by people: Our shareholders, the Supervisory Board, our business partners – but especially by our employees. What therefore pleases me most is the realisation that a "Deutsche Wohnen spirit" has developed over the years, supported by a strong, highly motivated and professional team. That makes me grateful and generally very optimistic for the tasks that lie ahead.

To continue the success of the last three years is what I personally see as the greatest challenge and obligation to our shareholders.

We have achieved several, also difficult, stage victories in the last years. But we want the overall tour victory! To stay with the picture: It's still a long way to Paris!

L. Wittan: My own personal highlight was of course my appointment to the Management Board and the confidence that was shown in me by the Supervisory Board, but also by my two colleagues.

Moreover, the fact that we were able to complete the acquisition of a substantial number of apartments with such success – in terms of both the acquisition and the financing process – was the most outstanding event for me. The fact that we were able to acquire the right property in the right locations at a fair price was one side of the coin. The other side was that we successfully financed these investments in complex, difficult credit and capital markets with the necessary debt capital and equity capital. The capital increase was certainly the highlight here. Through our roadshow, I also had the opportunity to meet most of our investors in person and thus to lay the foundation for future cooperation with our shareholders. This, together with continuing our growth path, will be the challenge for me in 2012.

WE HAVE THE RIGHT BUSINESS MODEL IN THE RIGHT MARKETS.
Michael Zahn, CEO Deutsche Wohnen AG

H. Ullrich: In many conversations, conferences and roadshows I was able to experience the high esteem in which the capital market – investors, shareholders and analysts – holds the company and its management. Deutsche Wohnen is seen as very stable and successful, and with a straightforward strategy, which has high growth potential. The capital increase, which was successfully achieved in a turbulent capital market, and the good share price performance compared to the relevant indices, were evidence of the gratitude of the shareholders.

Confidence is a slowly growing plant which we have nurtured through many years of honest and transparent communication. But we cannot rest. Instead, we have to meet the high expectations placed in us. Only in this way can we attract the necessary capital for our growth path, and deepen and expand our shareholder base. Our benchmark are increasingly large European publicly listed companies.

At the end of my professional career, I count the past years at Deutsche Wohnen as the most successful. I am grateful and proud of having been able to contribute to this success.

RESIDENTIAL PROPERTIES WITH A STABLE VALUE
WE ARE EXCELLENTLY POSITIONED IN A STRONG MARKET.

+3.0%

Growth of
German
economy

+12.0%

Turnover in
residential
construction

5.97

EUR bn
invested in
larger German
residential holdings

IN GROWTH AND SECURITY

STABILE

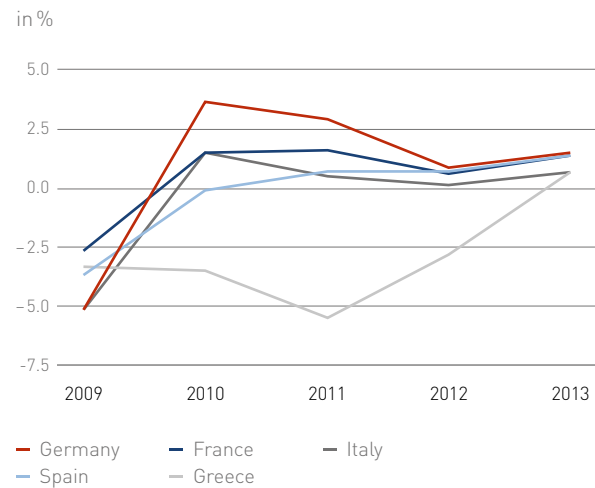
WEISSE STADT // BERLIN



Le Corbusier sees the task of the architect in the creation of
practical, functional and economical designs like, for example, the LC3 sofa.
In all of this he subscribes fully to the technical possibilities of the age.



Growth rates of real GDP in Europe



Source: Eurostat, 2012

SOUND

RESIDENTIAL PROPERTY OFFERS A SOUND INVESTMENT IN A DURABLE ASSET CLASS WITH STABLE RETURNS AND HIGH CASH FLOWS.



Weißer Stadt, Berlin-Reinickendorf

G

German economy excels in international comparison

Compared internationally, the German economy was again able to set itself apart from the general trend and grow relatively strongly with an increase of 3.0% in 2011. However, the German upswing of the last two years also ended with the final quarter of 2011. In addition to the global slowdown in growth, this was mainly due to the financial consolidation efforts in the eurozone.

Europe suffers under state and debt crises

Europe was strongly affected by the declining momentum of the global economy and the extensive consolidation measures in public sector budgets in 2011. The escalation of the debt crisis and the resulting crisis of confidence eventually led to a total GDP growth of only 1.6% – with large regional differences.

+3.0%
GROWTH OF THE GERMAN ECONOMY

Future outlook cautiously optimistic

In 2012 GDP growth of around 0.6% is predicted by the German Institute for Economic Research (DIW) for Germany. However, this crucially depends on how far and how quickly the Euro crisis can be overcome. In any case, growth here is expected to be higher than the European average, for which a minus of 0.2% is predicted. But German GDP will grow more strongly again in 2013.

New construction activities stronger than expected

In this difficult environment, the German construction sector developed in 2011 better than expected in spring, with growth of 7%, according to information from the Federation of the German Construction Industry. The driver for this development was housing construction, whose turnover has increased by around 12% in nominal terms. Lower unemployment rates, better income expectations of private households, low interest rates and the renewed interest of many investors in residential property contributed to this. And even if expectations regarding further developments in 2012 are clouded, the long-term prospects for the German construction industry remain good.

Housing construction permits in Germany



Source: Federal Statistical Office of Germany/LBS, 2011 *LBS forecast

GERMANY HAS BECOME THE BENCHMARK AND STABILITY-ORIENTED ANCHOR FOR EUROPE. AND THE GERMAN REAL ESTATE INDUSTRY HAS, AS EXPECTED, REMAINED VERY STABLE DURING THE CRISIS.

Wolfgang Wiegand, Council of Real Estate Experts, Presentation of the Spring Real Estate Industry Report 2012 on 7/02/2012 at the Quo Vadis

Investments in residential property continue to increase

According to current surveys by the regional public-sector building societies (Landesbausparkassen (LBS)), the German housing market is at the beginning of a clear growth path. The surveys show that buying interest is significantly up at present and that demand is expected to increase even further. This contrasts with a diminishing supply of available properties in many places. Even though there has been a sharp increase in newly built housing, shortages and, therefore, rising prices are already foreseeable. As housing prices in Germany – compared to many other countries – have remained practically unchanged over the past ten years, it can be assumed that there will not be a price bubble.

Residential asset class is seen as safe and increasingly attractive

BNP Paribas Real Estate Research on the German residential property investment market confirms this development. Consequently, around EUR 5.97 billion, and therefore 59% more than the previous year, was invested in larger residential holdings in Germany. Investment activity has thus gained considerable momentum once again with foreign investors having a share of around 29%. Nearly half of the investments went into residential property in Berlin, where, with nearly 47 transactions, a sales volume of EUR 2.5 billion was recorded. This shows that security-oriented residential investments are becoming increasingly attractive against a background of financial turbulence and rising fears of inflation.



Berlin-Treptow

Interest of institutional investors further increased

Residential property is also moving increasingly into the focus of institutional investors. According to analyses by CB Richard Ellis, they invested EUR 6.12 billion in 2011 in portfolio packages in Germany with at least 50 residential units. This is 44% more than in the previous year. While investments were often made in commercial property in the past, due to the uncertainty of valuations and rents in this sector, the more stable residential property sector – with positive rental trends in the metropolitan areas – has been recognised as a good alternative.

Prices for residential property prove attractive

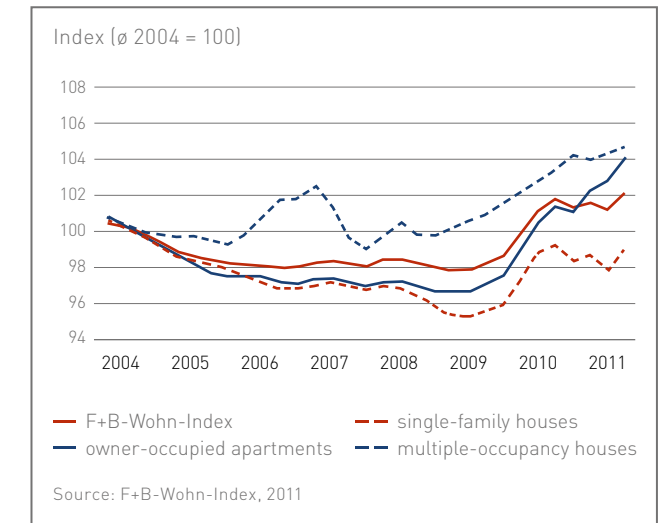
The high demand for housing has led to significant price increases for rent and acquisition, especially in metropolitan areas. Last year prices for residential property increased by around 5.5% according to Deutsche Bundesbank – after a plus of 4.5% in 2010. This increased interest is expected to continue in the future. Compared to other countries in Europe, Germany is thus seen in a particularly positive light by institutional investors because of its stability. Almost all respondents (99%; previous year: 86%) see Germany in 2012 as an attractive or very attractive property investment location according to the Ernst & Young trend barometer "Real estate investment market Germany 2012".

According to Berlin Hyp, the high-density areas in the metropolitan areas have the best prospects: Munich and Hamburg are seen as the most attractive, followed by Berlin, Frankfurt, Dusseldorf and Cologne. In the case of residential investments with a longer-term investment horizon the focus of the investors is on strategic aspects such as the condition of the properties and the year of construction, as well as the professionalism of the asset management.

Real estate shares increasingly popular as an investment form

Real estate shares have also proven to be a good investment. According to a study by the industry association European Public Real Estate Association (EPRA) real estate shares have yielded an average return of 7.2% per year since 1989. With such a return, these shares beat the open real estate funds which have achieved an average return of 5.0%. When the global economy picks up again, analysts anticipate high returns for the future as well. This potential is assessed primarily on the basis of the current low prices of real estate shares, considering the underlying value of the buildings.

Price development 2004 to 2011



THE POSITIVE DEVELOPMENT OF THE GERMAN INVESTMENT MARKET FOR RESIDENTIAL PROPERTY IS AGAIN INCREASINGLY STIRRING STRONG INTEREST FROM INTERNATIONAL INVESTORS. THE DEVELOPMENT IS POSITIVELY INFLUENCED BY THE FUNDAMENTALLY STRONG RENTAL MARKET.
 Konstanin Lüttger, Head of Residential Investment, CBRE Germany, October 2011

Increasing housing shortages, especially in metropolitan areas

As more and more people live alone, the generally declining population in Germany is accompanied by an increase in the number of households and in the amount of living space which each individual requires. Consequently, it can be assumed, according to calculations by the Federal Statistical Office of Germany, that there will be a growing demand for housing until 2025 – up to an estimated 41.14 million households. Metropolitan areas will even see up to 10% growth in households.

On the other hand, new properties have only been built to a limited extent in recent years, so housing will become scarce particularly in the increasingly popular metropolitan areas. In 2010 residential holdings in Germany amounted to around 40.3 million residential units. The need for new construction, which covers the higher numbers of households as well as the need for replacement, is about 183,000 residential units per year nationwide, according to the forecast on housing market of the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR).

Frankfurt/Main and Berlin also prove convincing in a European comparison

In addition to Munich and Hamburg, the most sought-after German metropolitan areas are, in particular, Berlin, Frankfurt/Main and Dusseldorf. In a ranking of European business locations by the agents Cushman & Wakefield, Berlin has made a giant leap to fifth place. So after Frankfurt/Main in third place, the German capital city is the second-highest German city. Managers of Europe's 500 largest companies evaluated the cities according to factors such as market access, transport links, telecommunications, office costs and the quality of the workforce. Dusseldorf came in in 14th place as the fourth German city behind Munich. In Berlin's favour are factors such as its wide range of cultural attractions, the noticeable spirit of change and innovation, its universities, as well as, on the other hand, an attractive residential market. This mix attracts young and highly educated people in particular.

Most popular business locations in Europe

	Position 2011	Position 2010	Trend	Position 1990
London	1	1	=	1
Paris	2	2	=	2
Frankfurt/Main	3	3	=	3
Amsterdam	4	6	↑	5
Berlin	5	7	↑	15
Barcelona	6	5	↘	11
Madrid	7	8	↑	17
Brussels	8	4	↘	4
Munich	9	9	=	12
Zurich	10	13	↑	7
Geneva	11	14	↑	8
Milan	12	11	↘	9
Stockholm	13	16	↑	19
Dusseldorf	14	10	↘	6
Hamburg	15	15	=	14

Source: Cushman & Wakefield, 2011

Berlin-Wilmersdorf



Dusseldorf scores with high purchasing power

Dusseldorf is one of the German metropolitan areas which are attracting increasing numbers of people, according to "Capital Immobilien-Kompass 2011" (Capital Property Compass 2011). A solid economic structure and high purchasing power, also thanks to the arrival of many large companies, result in a sustainably high-growth residential property market. There is already a shortage of around 9,700 apartments in Dusseldorf. At the same time, the number of inhabitants is increasing – the population is expected to increase from the current level of 580,000 to 600,000 people by 2025 – and the number of single-person households is increasing, too. It is expected that this supply shortage will lead to further increases in rents here as well. The subject of acquiring real estate will thus become increasingly interesting. For instance, in 2010 private property was sold at a value of EUR 950 million – a 10-year high. This, in turn, is leading likewise to rising acquisition prices for residential property in Dusseldorf.

Rents in top locations are rising

The growing attractiveness of German metropolitan areas is reflected in rising rents, especially in top locations. According to the Empirica Institute, rents in urban municipalities have recently risen by 5.8% – the largest increase since records began in 2004. Nevertheless, Berlin in particular, with an average in-place rent of around EUR 5.21, is still inexpensive in international comparison, and is thus seen as attractive. In Frankfurt/Main the average price increase since 2009 has been around 4.4% a year.

Residential property market in Germany 2011

	Rent for first occupancy in top location in EUR/sqm ¹⁾	Change to previous year in %
Berlin	13.8	3.8
Dusseldorf	13.0	1.8
Frankfurt/Main	16.4	2.8
Hamburg	17.3	1.8
Cologne	13.7	1.5
Munich	17.9	2.3
Stuttgart	13.3	1.9
Average	15.1	2.6

¹⁾ estimated figures for 2011
 Source: DG Hyp, 2011

IMPROVED PERFORMANCE

WE DELIVER WHAT WE PROMISE.



The USM Haller modular furniture (USM stands for the manufacturer Ulrich Schärer AG, Münsingen) was founded in 1963 by Fritz Haller and designed by Paul Schärer. The USM Haller advanced to become **universal furniture** that is popular in medical practices, law firms, schools, reception areas as well as in the private sector. It has a high status character in certain target groups. In 1980 it was admitted into the new collection of the State Museum for Applied Art in Munich. In 2001 it was admitted into the permanent collection of the Museum of Modern Art in New York.

11.84 EUR

EPRANAV per share

47.5 EUR m

Recurring FFO

46.0 EUR m

Adjusted EBT

BETTER

THROUGH QUALITY AND DISCIPLINE

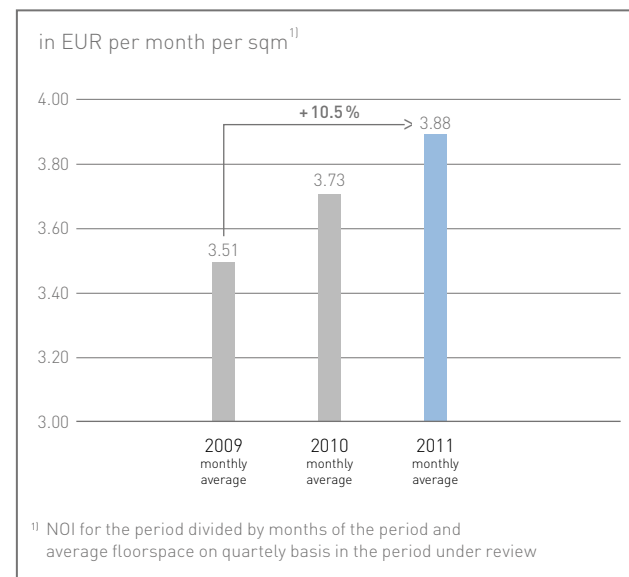
DEUTSCHE WOHNEN
 SCALES ITS SUCCESSFUL
 BUSINESS MODEL AND
 IS EXTREMELY WELL
PREPARED
 FOR THE FUTURE.

Successful capital increase in 2011 enables further growth

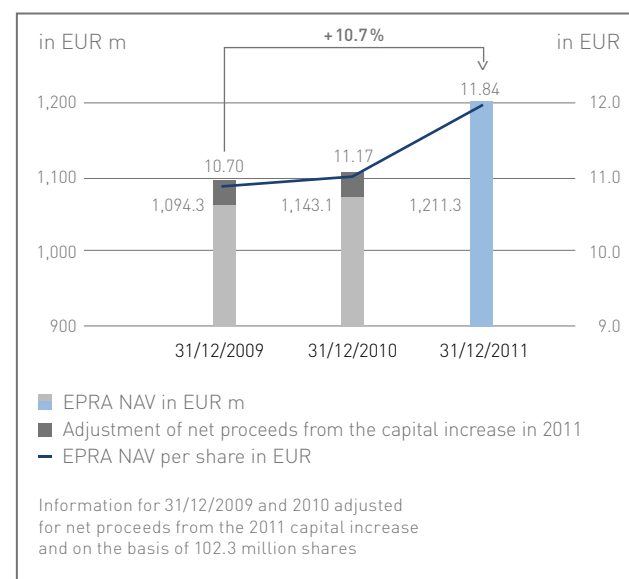
In November 2011 – despite a difficult capital market environment – we successfully carried out a capital increase with subscription rights against cash contributions. The share capital was increased by EUR 20.46 million to EUR 102.3 million with a partial utilisation of the authorised capital. Deutsche Wohnen accrued total net proceeds of almost EUR 180 million. With these funds we are able to continue our growth path and further scale the existing company platform.

The successful placement of shares – especially the high take-up quota of 96 % – demonstrates shareholders' confidence in Deutsche Wohnen and its chosen growth path, as well as the strong appeal of the residential asset class.

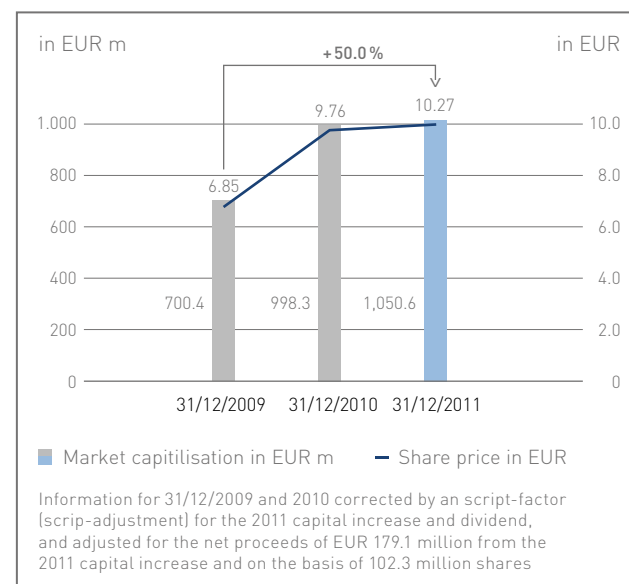
Net operating income from residential property management significantly increased



Increase in Net Asset Value (EPRA NAV)



Share price and market capitalisation of over EUR 1 billion reflect successful company development



WE DELIVER
 WHAT WE PROMISE.

PROMISE:

Change in strategy 2007 – Focus of the portfolio on the German metropolitan areas

...DELIVERED!

We have sustainably strengthened our portfolio in core regions – which currently make up 93 % – by making acquisitions exclusively in metropolitan areas and by continuously streamlining the portfolio in structurally weak markets over the last two financial years. The disposal portfolio was reduced from previously 7,000 apartments to 3,300 today.

PROMISE:

Improved profitability through active asset management

...DELIVERED!

We have taken advantage of the continuing demand-driven momentum in our core regions. It was possible to almost double the recurring FFO from EUR 25.1 million to EUR 47.5 million over the last two years.

On a like-for-like basis in-place rents from holdings in the core regions have been increased by an annual average of 2.7 % since 2007. In the last financial year, the annual growth rate was at 3.8 %, and 4.8 % in our Berlin letting portfolio.

On a like-for-like basis we have reduced the vacancy rate in the letting portfolio by almost two thirds from 4.3 % to 1.5 %. In our Berlin letting portfolio the vacancy rate was 1.2 % at the end of the financial year; in Frankfurt/Main it was just 0.5 %.

PROMISE:

Scaling of company platform through accretive acquisitions

...DELIVERED!

Since the second half-year of 2010, we have acquired around 8,000 residential units – of these, 6,000 apartments in Berlin – at attractive conditions and were able to impressively demonstrate the scalability of our company platform.

With these acquisitions, we are able to achieve significant economies of scale with an above-average NOI margin of around 80 % (2010 portfolio: 70.5 %), a recurring FFO (before tax) of EUR 13 million p.a. and a recurring FFO yield (before tax) of around 8 %.

PROMISE:

Deleverage and evaluation of interest rate management

...DELIVERED!

In particular with its capital increase in 2009 Deutsche Wohnen significantly pushed forward with its deleverage. The repayment of loans totalling EUR 506.5 million over the last three years while simultaneously readjusting interest rate hedges has now led to a much-improved Loan-to-Value-Ratio of 55 % and a reduction of current interest expenses from previously EUR 107.3 million (2008) to EUR 81.6 million p.a. today.

The current capital and interest rate structure, combined with a permanent improvement in our financial performance, has sustainably strengthened the confidence of the banks in the business model of Deutsche Wohnen, and has brought us new strategic financial partners.

All of these measures have contributed to a significant increase in the profitability of Deutsche Wohnen because it was the clear intention of the company not to improve its profit at the expense of its expenditure on maintenance and modernisation. Our goal for 2012 is at least EUR 55 million recurring FFO – without consideration of further acquisitions in 2012 which will have positive effects on the FFO. This clearly demonstrates our strength and the confidence in our business model.

As in 2010 we will again allow our dividend policy to be guided by the recurring FFO, meaning that the Management Board and Supervisory Board will propose to the Annual General Meeting a pay-out of EUR 23.5 million (2010: EUR 16.4 million) or EUR 0.23 per share.

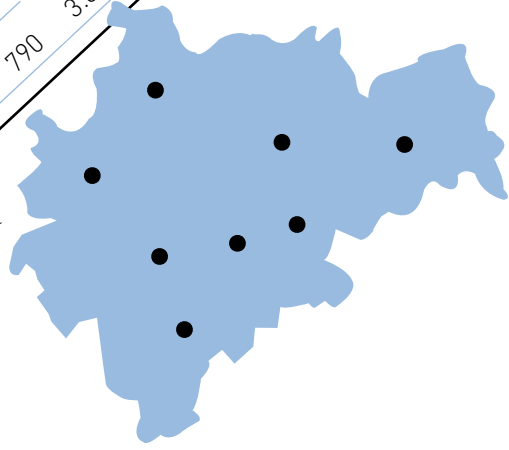
RESIDENTIAL PROPERTY PORTFOLIO

OUR BERLIN

Rent in EUR/sqm: **5.45**
 Residential units: **27,152**
 Rent development 2011¹⁾: **4.3%**
 Vacancy rate²⁾: **1.3%**
 Publicly subsidised share: **8.5%**
 Development of vacancy rate²⁾: **-20.7%**

2011	Residential units	Rent development ¹⁾	Vacancy
NEUKÖLLN/BRITZ	8,452	4.0% to 5.06 EUR/sqm	1.3%
STEGLITZ-ZEHLENDORF	5,948	3.8% to 5.62 EUR/sqm	1.8%
CHARLOTTENBURG-WILMERSDORF	3,428	4.8% to 6.41 EUR/sqm	1.2%
TEMPELHOF-SCHÖNEBERG	2,812	6.0% to 5.21 EUR/sqm	1.8%
PANKOW	1,494	5.9% to 5.57 EUR/sqm	2.5%
REINICKENDORF	2,766	5.0% to 5.09 EUR/sqm	3.7%
TREPTOW-KÖPENICK	935	2.6% to 5.45 EUR/sqm	2.5%
LICHTENBERG	527	0.7% to 5.73 EUR/sqm	2.8%
OTHERS	790	3.0% to 5.41 EUR/sqm	

Statements relate to total portfolio
¹⁾ Development of rents is based on the like-for-like development
²⁾ without acquisition 2011

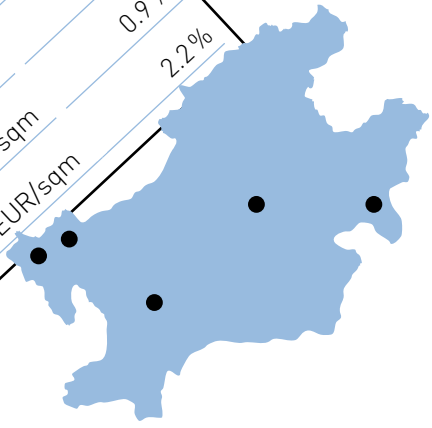


FRANKFURT

Rent in EUR/sqm: **6.99**
 Residential units: **4,090**
 Rent development 2011¹⁾: **2.2%**
 Vacancy rate: **1.4%**
 Publicly subsidised share: **2.7%**
 Development of vacancy rate: **-38.7%**

2011	Residential units	Rent development ¹⁾	Vacancy
ZEILSHEIM	889	1.9% to 6.70 EUR/sqm	0.7%
UNTERLIEDERBACH	853	1.8% to 7.05 EUR/sqm	1.0%
GRIESHEIM	629	2.7% to 6.84 EUR/sqm	3.0%
FECHENHEIM	578	1.7% to 7.15 EUR/sqm	0.8%
WESTEND-NORD	430	3.5% to 6.97 EUR/sqm	0.9%
OTHERS	711	2.1% to 7.42 EUR/sqm	2.2%

Statements relate to total portfolio
¹⁾ Development of rents is based on the like-for-like development



VALUE-ENHANCING MANAGEMENT
WE TREAT OUR HOLDINGS WITH SPECIAL CARE.

IN FORM AND FUNCTIONALITY

VALUABLE

ONKEL-TOM-SIEDLUNG // BERLIN

50,626
holdings/residential units

5.57 EUR / sqm
average in-place rent

2.4%
vacancy rate

In Germany, the Beetle practically sold itself. The agency DDB designed advertisements with slogans such as "It runs and runs and runs..." To a large extent, it is thanks to these advertising campaigns, which repeatedly referred to, and always with new details, the quality, durability and easy maintenance of the Beetle, that a "VW Beetle myth" emerged.



D

**Deutsche Wohnen committed to
“Classic Modernism”**

Within the asset class residential, Deutsche Wohnen AG stands out through the relative dominance of a construction period: Almost 30% of our 50,626 apartments were built in the 20s and 30s of the last century.

This great period in architecture – Classic Modernism – was characterised by architects such as Walter Gropius, Le Corbusier, Mies van der Rohe and Bruno Taut. These architects not only developed pioneering forms of living for the masses – they also achieved the highest quality standards in construction. Even 90 years after construction, they are still a guarantee today for apartments, which are convincing both in their floor plan and their attention to detail. The most impressive example of these eternally young-at-heart Berlin Modernism (Berliner Moderne) housing estates is the “Hufeisensiedlung” (Horseshoe Estate) in the large Britz metropolitan estate. Built by Bruno Taut for GEHAG from 1925 until 1930, it has been in our company’s portfolio ever since.

OUR EXPERIENCED, **COMPETENT**
TEAM CONTINUOUSLY FOLLOWS
THE STRATEGIC GOAL OF
OPTIMISING THE VALUE OF OUR
RESIDENTIAL PROPERTIES.

EXPERIENCE

Berlin-Treptow



Housing portfolio of special quality

Our portfolio has a large share of around 25% listed residential buildings, particularly because of this special dominance of the 20s and 30s. In Berlin a total of around 11,000 residential units are in listed buildings. From experience, we know that requirements for listed buildings do not have to be disadvantageous for owners who act strategically. The listed holdings are virtually fully let, achieve high new-letting rents and have a positive effect on the image of Deutsche Wohnen AG. Also beyond the housing industry sector, the special quality of these properties, as well as the responsible and economically successful management of these buildings, is acknowledged. In November 2011, our CEO, Michael Zahn received the Ferdinand-von-Quast-medal – the city of Berlin’s highest award for the conservation of historical monuments.

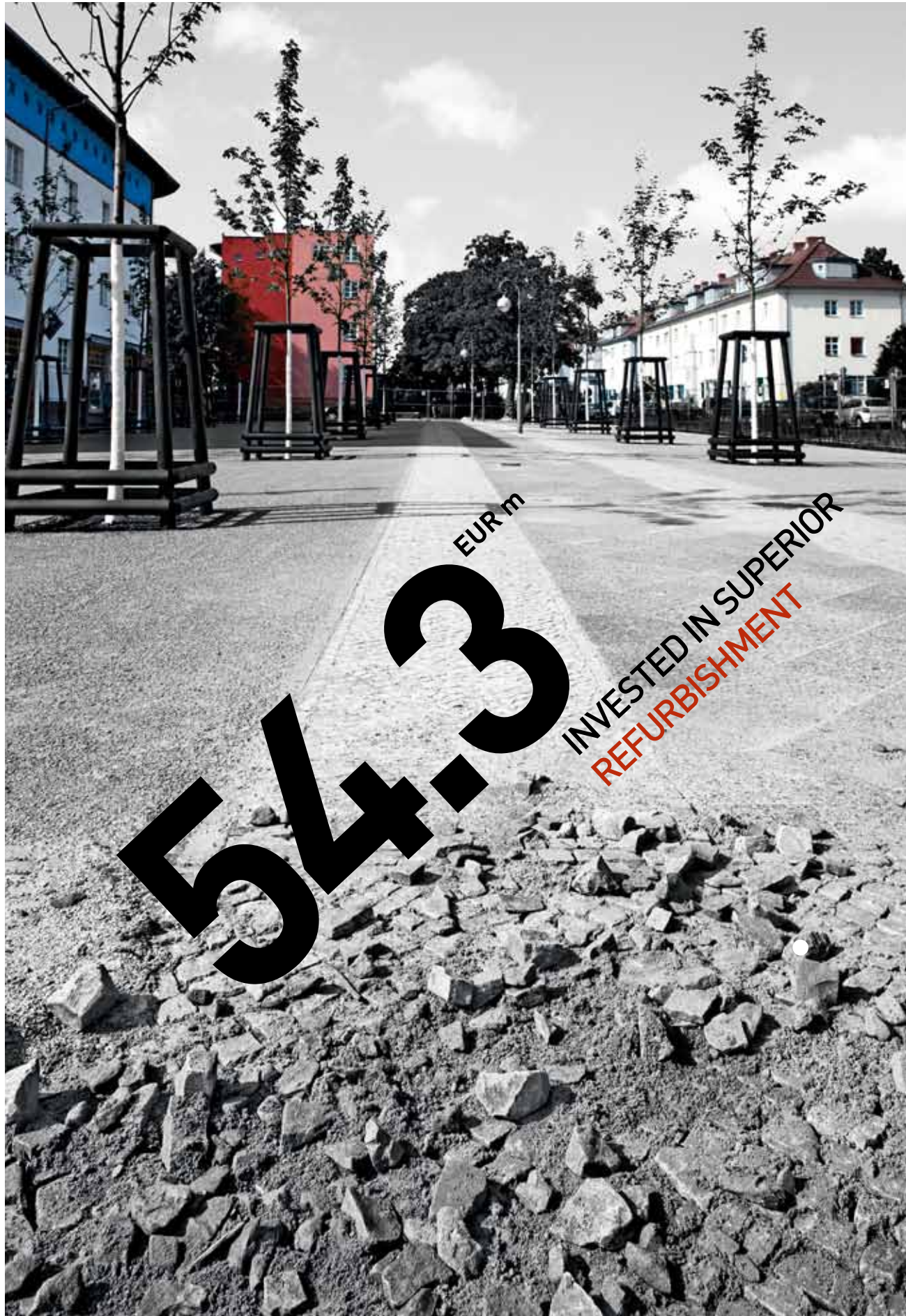
Holdings in ideal locations

Moreover, the core portfolio of Deutsche Wohnen AG, both in Berlin and also in Mainz, Frankfurt/Main or Dusseldorf, is characterised by the special micro-areas in which it is located in each of these cities. Our holdings are mainly situated in middle-class residential neighbourhoods that are attractive for urban people. Close to the city, but not too “hip”, and thus neither loud nor touristy. Characterised by an unconstrained construction type and lots of greenery. Apartments in economically strong and dynamically growing large German cities, which are attractive due to their architectural quality, their well-maintained condition and their family-friendly environment.

Investments secure long-term high returns

We are convinced that high and stable returns are generated in well-kept and maintained residential areas with responsible tenants. We therefore invested a total of EUR 54.3 million in portfolio maintenance in 2011, which corresponds to EUR 18 per sqm. Extensive investments are also planned for the next years: in 2012 we will spend more than EUR 22 per sqm on our property.

25%
**LISTED RESIDENTIAL
BUILDINGS**



Hufeisensiedlung, Berlin-Britz

U

UNESCO World Heritage – Estates of Berlin Modernism

Our three UNESCO World Heritage estates in Berlin are being extensively refurbished – a process that started in 2009 and will continue until 2014. Deutsche Wohnen is investing EUR 26 million in the buildings and outdoor facilities in the “Ringsiedlung Siemensstadt” (Ring Estate Siemensstadt), which was built by Walter Gropius and Hans Scharoun, among others, in the “Hufeisensiedlung” which was built by Bruno Taut, and in the “Weiße Stadt” (White City) in Berlin-Reinickendorf, which was built by Salvisberg and Büning, among others. Approximately one third of the costs are being subsidised by the programme for “National World Heritage Sites” under the Federal Ministry of Transport, Building and Housing and by the State of Berlin. The average vacancy rate in these settlements, which are close to the city but quiet and green, is in the meantime around just 1%.

Environmental protection in listed buildings, too

The refurbishment and maintenance work on the UNESCO housing estates is subject to high standards for listed buildings. In spite of this, in 2011 we also managed to take energy-efficient aspects into account again, and thus make a contribution to environmental protection. By insulating the top-floor ceiling and the basement ceiling in the buildings in the so-called “Red Front” in Fritz-Reuter-Allee, “Hufeisensiedlung”, it was possible to achieve energy savings of 60% in the corresponding parts of the building. Furthermore, in 2011 the main work on a particularly environmentally friendly project was carried out. In the “Weiße Stadt”, we are installing a block heating station, which will not only considerably reduce CO₂ emissions, but will also help to stabilise energy costs for the tenants. The block heating station in the UNESCO World Heritage Site will be connected to the grid in the first quarter of 2012.

Architecture, building culture and urban development count

The great value attached to the UNESCO estates in Deutsche Wohnen AG’s holdings is shown by the fact that two information stands in “Siemensstadt” and “Hufeisensiedlung” were established in 2011. Although this was part of the funding approval requirements of the UNESCO federal and state funds, we made a large commitment in terms of personnel and finance and designed two extraordinary meeting points, which go far beyond the actual obligations. In “Siemensstadt” a pavilion by Fred Forbart was elaborately restored in accordance with the specifications for the preservation of historical monuments, as was a commercial-residential unit directly in the horse-shoe of the “Hufeisensiedlung”. In these information stands, residents, visitors, tourists and other interested persons can learn about the particularities of the Berlin Modernism housing estates. The conceptualisation, the architectural construction and operation of such unique information stands emphasise the commitment of Deutsche Wohnen AG to architecture, building culture and urban development.

Development boost in Hanau

The Hanau holdings contain the largest holdings of Deutsche Wohnen AG with listed building status in the Rhine-Main area. Just a few years ago, the holding in Freigerichtstraße/Dunlopstraße, which was acquired in 2006, was regarded as problematic and characterised by oven heating, the most basic of bathrooms and sealed-off balconies. The 387 residential and commercial units from the 20s and 30s have been undergoing extensive refurbishment since March 2011. By November 2012 we will have spent around EUR 11 million on this project.

It is already clear now, during the construction measures, that these fully refurbished apartments are attractive for new tenants. Accordingly, after having just finished the first construction phase in 2011 with its 182 apartments, we were able to conclude over 80 new tenancy agreements with a top rent of over EUR 8 per sqm and an average rent of EUR 7.10 per sqm. By effective and consistent marketing of the refurbished vacant apartments we were also able to appeal to the intended target group and promote the positive development of the neighbourhood through a sustainable quality boost. These good experiences during the first phase of the work are encouraging for the second phase in 2012 with its more than 200 units.



Dunlopsiedlung, Hanau

R

Refurbishment of the “Krankenhausviertel” in Berlin-Pankow completed in 2012

The so-called “Krankenhausviertel” (hospital quarter) in Berlin also stands out due to its architecture and urban design quality. The residential area in Pankow with a total of 1,312 units was built from 1922 to 1936 – the listed building part mainly from 1924 to 1927 – by the architects Fenten and Klante. The estate in the north-east of the capital is distinguished by its large, green inner courtyards, which are available exclusively to the tenants.

Since 2010 and up until 2012, around 418 apartments are being repaired and refurbished by Deutsche Wohnen for around EUR 11 million. The entire estate will then have been refurbished. The remaining homes were connected to district heating, the upper floors and basement ceilings were insulated, the bathrooms were modernised and the windows partly replaced. In 2011, we invested EUR 5.8 million in a second construction phase, in order, among other things, to modernise each of 67 empty apartments to a high level. Here, as with Hanau or the UNESCO housing estates, we have managed to attract new tenant groups. With new lettings, it was possible to achieve top rents of over EUR 9 per sqm and an average of almost EUR 8 per sqm.

“Waldsiedlung” in Berlin-Zehlendorf always been popular

The “Waldsiedlung” (Forest Estate) in Berlin-Zehlendorf, the so-called “Onkel-Tom-Siedlung” (Uncle Tom Estate) around the underground station of the same name, is just as important as the UNESCO housing estates in its architectural significance. It was also built in the 20s of the last century for GEHAG by Bruno Taut, Hugo Häring and Otto Rudolf Salvisberg. The estate was built into the fringes of the surrounding woods and so still stands out today with its mature trees. The location in middle-class Zehlendorf with its ideal transport links has always been considered one of the best and most sought-after in Berlin.

Onkel-Tom-Siedlung, Berlin-Zehlendorf

COMPETENT
REFURBISHMENT WORK
DRAWING ON DECADES
OF EXPERIENCE



Krankenhausviertel, Berlin-Pankow

Deutsche Wohnen owns 796 apartments in the housing estate, and they have been undergoing repair and refurbishment work since 2007. Between 2007 and 2013 we will have invested EUR 17 million. The figure for 2011 alone was EUR 2.55 million. The connection of the housing estate to the district heating network was particularly important. In addition, the facades were repaired, the bathrooms or riser mains partly upgraded and the staircases refurbished. In the course of this work we were able to make another significant contribution to environmental protection in a listed ensemble. Through the construction measures on the system technology and the thermal building shells, the requirement for primary energy fell by 58 % relative to the previous condition of the building.

Internal process transparency increases added value

The implementation of such extensive modernisation or repair measures presents a residential property company with considerable challenges. Our decades-long experience in residential property management puts us in the position of being able to plan and carry out these complex procedures reliably and on time. We know how we can involve tenants in the process. This also makes it easier for us to implement the construction projects on time and within the pre-defined budget. Also in everyday life, our tenants benefit from our many years of experience in managing large property holdings. This is shown, for example, in the very short response times when tenants report defects. 95 % of defects can be remedied in less than five working days.

We are committed to 100 % internal transparency both in the care and maintenance of our portfolio, as well as in the management of contracts with our service providers. We can therefore develop strategies for action towards third parties without delay because the same information can be retrieved at any time and from any part of the group of companies. A transparent, SAP-based data structure across all purchasing segments with all cancellation periods or time frames for contract awards is available in a daily update.

8,000

acquisitions // residential units

410
acquisition price

EUR m

7.2%

net initial yield

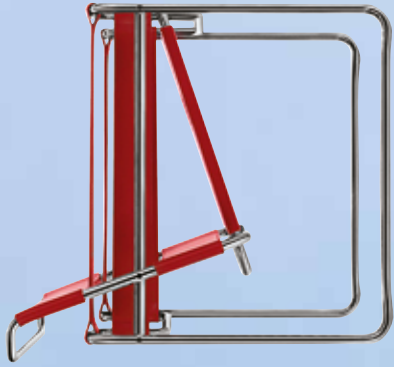
NEW PRO

TO NEW
GROWTH AREAS

IDEAL GROWTH

WE REALISE ACQUISITIONS IN
METROPOLITAN AREAS WITH STRONG GROWTH.

In 1925 Marcel Breuer designed the **B3 steel armchair** (later: "Wassily"), which was bolted together from different parts – not welded. He also worked on house designs as an employee of Walter Gropius' architecture firm, and spent several months in Paris studying architecture.



SKYLINE // BERLIN

Financial year 2011 was marked by acquisitions

Deutsche Wohnen used the financial year 2011 for extensive acquisitions and expanded its portfolio by the end of December to 51,103 units. In doing so, we primarily strengthened our existing core regions. However, with Dusseldorf, we were also able to enter a new growth market.

The growth strategy of Deutsche Wohnen is mainly designed to scale the business and to optimise the group's own portfolio. The structure of the group is designed to ensure that acquisitions can be integrated quickly and effectively. In addition to the central departments, such as Rent Management, Purchasing and Facility Management in the locations Berlin and Frankfurt/Main, there are eight Service Points located directly in the core regions of Deutsche Wohnen. Our partner companies are also established nationwide. In this way, we can quickly transfer newly acquired properties to the existing structures.

Deutsche Wohnen can make acquisitions as share deals through the purchase of company shares or as asset deals (purchase of pure property). The price, location, market potential, technical facilities and maintenance condition are among the main criteria for our decision when making an acquisition. On the basis of these factors, we distinguish between high-yield holdings and developing holdings. The former are technically well or very well maintained. The development potential is moderate, but this also means that the investment costs are low, as is the management effort. So the property can generate the desired cash flow from the first day. Developing holdings, in contrast, have a higher rent potential, which can be realised through investments or more efficient management. As our acquisition strategy targets both profiles, we can react to offers flexibly.

+ CONTINUE TO PAGE 30

SPACE
USING
FOR FURTHER
GROWTH

+ DEUTSCHE WOHNEN//ACQUISITIONS TEAM:
SVEN TOMITZA / LARS URBANSKY



LARS URBANSKY (35)

Lars Urbansky is the Director of the group subsidiary Deutsche Wohnen Corporate Real Estate GmbH and in this position is primarily responsible for the area of portfolio management. The focus of his work is the strategic direction of the portfolio. Lars Urbansky has worked for Deutsche Wohnen, previously GEHAG, since his apprenticeship.

SVEN TOMITZA (30)

Sven Tomitza has looked after the company's acquisitions as Portfolio Manager at Deutsche Wohnen Corporate Real Estate GmbH for two years.

Since July 2010, you have purchased around 8,000 units, including many in Berlin, which is increasingly being seen as a difficult market. How were you able to act so quickly here?

L. Urbansky: "Our strategy of focussing on German metropolitan areas has existed for some years. We started at an early stage to look at the market in Berlin, for example, and to activate the relevant contacts – with success: this year we were able to consistently draw on a well-stocked pipeline. Through our strong liquidity position we were also financially able to make extensive acquisitions here – and on attractive terms."

What are the greatest challenges when it comes to acquisitions, in your view?

S. Tomitza: "First of all: No-one sells the perfect property. He would most probably keep it. We as buyers first compile the mix of information on technical facilities, condition, location and development potential of the property. Taking our price expectations and those of the vendor into account, we then have to make a robust evaluation of the offer."

How does one get holdings in a difficult market?

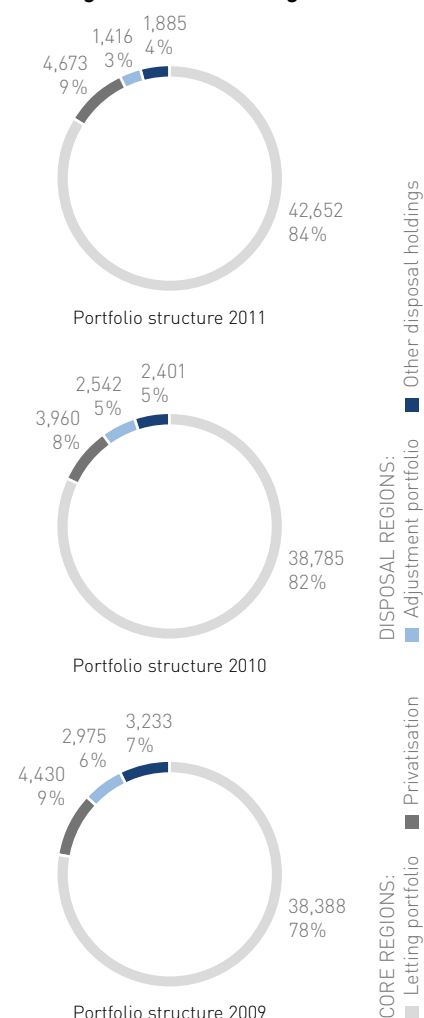
S. Tomitza: "It's difficult to give a general answer to that. Fundamentally, it is important to have a broad network. But it takes time to build this up. However, when people know what you are looking for and how you work, that is a great advantage for later business. We have built a good reputation through our serious manner and corresponding creditworthiness, and are considered as an attractive partner. Sometimes we are also offered portfolios exclusively, so these do not even appear on the market. Of course, that is the ideal scenario and so it doesn't happen that often."

L. Urbansky: "I would like to add something: Another key advantage is our speed. We are set up in such a way that we can act quickly and in a targeted way. By carrying out the entire due diligence internally, we can communicate across short distances and make decisions quickly. We get the best feedback from repeat business. That shows that both sides gained from the deal."

Where is your focus for the future?

L. Urbansky: "First, we will further expand our portfolio in the core regions and peripheries through acquisitions. But we see that it's becoming more difficult to buy holdings in Berlin on reasonable terms due to the high level of competition. The prices which we paid for our last acquisitions will hardly be feasible in future. On the other hand, we are rarely seeing any activity on the Frankfurt transaction market. For this reason, we have to keep a closer eye on new markets. We are confident that we can do this and we seize our opportunities – as the acquisition in Dusseldorf shows."

**Portfolio development:
Increasing share of core regions**



P **POTSDAM – HIGHEST POPULATION GROWTH OF REGIONAL CAPITALS**

Potsdam – rapid development at the gates of the capital

Deutsche Wohnen owns 515 new units in Potsdam since the last financial year, particularly in the “Waldstadt” (Forest City). These properties are convincing due to their attractive location – close to the city centre, while in a green environment –, good technical condition and stable tenant structure. The mainly five-storey properties are fully let.

Given the positive market development of the city, we are planning further acquisitions where there are suitable opportunities, and additional new construction projects on our own land because the housing market in the regional capital of Brandenburg has developed rapidly in recent years. The population of the city has been growing for eleven years now. According to a study of German regional capitals, Potsdam showed the highest level of growth with an increase of 3.7% (2006 to 2009), even ahead of Dresden (3.0%) and Munich (2.9%). This development is due to a positive migration balance on the one hand, and a high level of natural population growth on the other. In addition, with an average age of 42, Potsdam is the fourth youngest regional capital. Its proximity to Berlin and the surrounding area of Brandenburg is a further plus point. Among the East German regional metropolitan areas, Potsdam has the highest purchasing power and is thus even ahead of Berlin. And the demand for housing is growing in all segments.



Waldsiedlung Potsdam

D

Dusseldorf – Opening of a new growth market

With the acquisition of around 1,200 units in Dusseldorf, Deutsche Wohnen added another German metropolitan area to its portfolio. Half of the acquired properties are from the 30s and another large part was built in the 50s and 60s. The two- to four-storey properties have a minimal vacancy rate and the buildings themselves have a good building structure. It is possible to increase the rent potential further through suitable investments.

The expansion into further locations in the Rhineland area is a stated goal of Deutsche Wohnen as part of its acquisition strategy; not least because economies of scale would be possible through the integration and utilisation of existing structures. The growing population and rising demand for housing make the market attractive in the long term. Significant growth can be seen especially in the area of single-person households. Moreover, Dusseldorf is one of the German cities with the greatest economic strength, and its purchasing power is correspondingly high. Among the regional capitals in Germany, Dusseldorf is in second place here, after Munich.

Deutsche Wohnen continues growth path

We were able to optimise our portfolio considerably in recent years by means of value-enhancing acquisitions in growing metropolitan areas and portfolio adjustments in structurally weak areas. The share of the core regions in our portfolio structure has meanwhile increased to 93%.

The expansion of our own portfolio of residential property is also a major element of Deutsche Wohnen’s future business strategy. For this reason, we obtained the necessary resources in November 2011 by means of a capital increase with gross proceeds of around EUR 187 million. Above all, the existing core regions should be successively strengthened and expanded through further acquisitions. But we are also paying increasing attention to the opening of new, attractive markets.



Lierenfeld, Dusseldorf

1,200+ NEW UNITS IN DUSSELDORF

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