



# Capital Markets Day 2016

GROWING CASHFLOWS

**TAG**  
Immobilien AG

# TAG CMD 2016 Agenda I

Hotel Hilton

9:00

10:00 – 12:30

## Welcome / Get Together

### Presentations

#### Martin Thiel (CFO)

- Highlights Q1 2016
- Recent developments
- Strategy
- Outlook

#### Draženko Grahovac (Savills)

- Residential real estate market in Eastern Germany

#### Claudia Hoyer (COO)

- TAG portfolio East Germany
- Return on Capex
- Value creation potential:
  - Multimedia
  - Energy management

### Q&A

# TAG CMD 2016 Agenda II

12:30

-

15:30

Property Tour

Dresden

## Property Tour Dresden

- Haenel-Clauß-Straße (district Striesen) 391 units
  - Dresden market development/ new constructions
- Gubener Straße (district Prohlis) 150 units
  - Modernization strategy
  - Receivables Management
- Max-Klinger-Straße (district Leubnitz) 124 units
  - Facility Management

15:30

-

16:00 ct

- Lunch
- End of the venue
- Transfer to Dresden main train station/ Hotel and airport Dresden

# TAG CMD 2016 Team



**Claudia Hoyer**  
COO



**Martin Thiel**  
CFO



**Dr. Harboe Vaagt**  
CLO



**Heike Baumgart**  
LIM Dresden



**Dominique Mann**  
Head of IR/PR



**Draženko Grahovac**  
Head of Valuation Europe  
Managing Director Corporate Finance - Valuation  
Savills Immobilien Beratungs-GmbH



# PRESENTATIONS

GROWING CASHFLOWS

**TAG**  
Immobilien AG

# TAG Martin Thiel

CFO



Senftenberg, Ernst-Thälmann-Straße

# TAG 2016

TAG highlights Q1 2016

# TAG highlights Q1 2016

## Operational performance

	Q1 2016	Q4 2015	Q1 2015
▪ <b>Vacancy</b> (residential units)	7.5%	7.5%/7.7%*	8.9%
▪ <b>L-f-L rental growth Y-o-Y</b>	1.9%	1.6%	1.0%
▪ <b>L-f-L rental growth Y-o-Y</b> incl. vacancy reduction	3.8%	3.3%	2.5%
▪ <b>Net in-place rents</b> (EUR/sqm)	5.02	5.04/ 5.00*	4.98
▪ <b>FFO I</b> (EUR/m)	21.6	20.7	18.1
▪ <b>FFO I</b> (EUR/share)	0.17	0.16	0.15

\* : incl. acquisitions and disposals 2015

## NAV and LTV

	31 Mar-2016	31 Dec-2015	31 Mar-2015
▪ <b>EPRA NAV</b> (EUR/share)	10.76	10.64	10.24
▪ <b>LTV</b>	59.0%	60.7%	62.4%
▪ <b>LTV</b> (incl. convertibles)	61.0%	62.7%	65.2%

## Acquisitions and disposals

- **Acquisitions** Closing of acquisition signed in Dec-2015 in Saxony (972 residential units) at 31 Jan-2016. EUR 39.5m purchase price (equals 11.8x actual net cold rent of EUR 3.36m p.a.). Vacancy at 3.8%.
- **Disposals** 118 residential units signed in Q1 2016. Total selling price of EUR 6.5m. Book profit of EUR 0.7m in Q1 2016. Net cash proceeds of approx. EUR 5.5m.

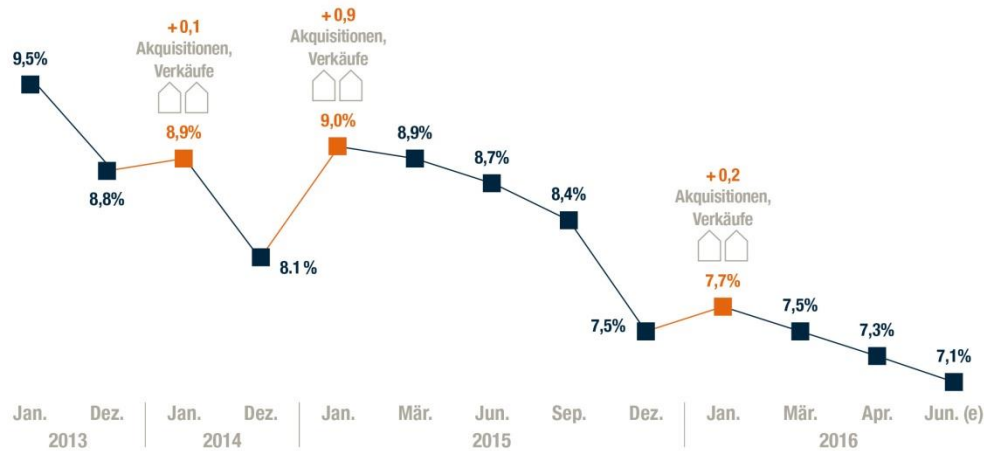


# TAG 2016

TAG recent developments

# TAG vacancy reduction development

## Residential units 2013 - 2016



- Realisation of development potential from newly acquired portfolios
- Proof of successful asset and property management over the last three years
- Increases in vacancy due to new acquisitions with higher vacancy and sales with lower vacancy (e.g. Berlin)

## Salzgitter region 2013 - 2016



- Continued strong vacancy reduction in the Salzgitter region with currently c.300bps per annum
- Adjust residential units to the market requirements (for students, singles, families, elderly people)
- Targeted modernisation programs i.e. for elderly people, bathroom conversions etc.
- Reduction of service charges; better quality of service for tenants

# TAG rental growth development

in %

4

3

2

1

0

2014

2015

Q1 2016

Q2 2016 (e)

Basis I-f-I

1.2

1.6

1.9

1.8

+0.4

+0.3

2014

2015

Q1 2016

Q2 2016 (e)

incl. vacancy reduction

2.1

3.3

3.8

3.9

+1.2

+0.5

- Rental growth and vacancy reduction are the two main drivers to further improve the rental income profile of TAG

- TAG invests in regions with rather stable rent profile and is able to acquire properties with above average vacancy level

- By way of targeted modernizations and smart property management, TAG is able to reduce these vacancy levels over time

- Vacancy reduction and rental growth have to be considered as two sides of the same medal



Salzgitter

TAG 2016

TAG strategy

- **“High Yield” investment profile**

- Highest FFO and dividend yield profile amongst peer group
- Total return focus on distributions to shareholders rather than un-crystalized NAV growth
- Focus on cash distributions to shareholders

**Clear distinction of investment strategy vis-a-vis peer group**

- **Capital discipline and efficiency**

- Most efficient capital structure as strategical goal
- Disciplined allocation of capital including seamless acquisitions and disposals

**Optimizing of capital structure**

- **Segment leadership**

- TAG has been the first to implement the ‘ABBA’\* approach in the listed German residential sector
- Permanent innovations in tenant offerings and smart services/ concepts

**Affordable housing with geographic focus in North and East Germany**

\* ‘ABBA’: A locations in B cities, B locations in A cities

# TAG achievements in capital recycling strategy 2015

TAG constantly analyzes regional markets and its portfolio to determine the best point in time to realize highest value by targeted disposals

**Portfolio sales**  
(Signing in 2015)

### Portfolio Sales

- Units: 1,254
- Net cash proceeds: EUR 81.2m
- FFO effect (p.a.): approx. EUR -3.8m
- Multiple: 19.4x (5.2% gross yield)

### Acquisitions

- Units: 5,322
- Net cash investment (after refinancing): approx. EUR 72.6m
- FFO effect (p.a.): approx. EUR 8.3m
- Multiple: 10.0x (10.0% gross yield)

**Re-investments in residential properties**  
(Signing in 2015)

### Net effect

- Portfolio size: increase by 4,068 units
- Net cash release for further acquisitions: approx. EUR 8.6m
- FFO contribution: approx. EUR +4.5m p.a.

**Net cash for further investments in higher yielding properties**

# TAG 2016

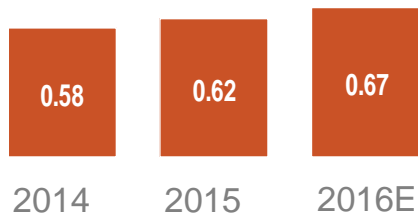
TAG outlook

# TAG outlook

Guidance  
FY 2016  
(unchanged)

- **FFO** EUR 84m – EUR 85m (EUR 76.3 in FY 2015)
- **FFO/share** EUR 0.67 (EUR 0.62 in FY 2015) based on current weighted average NOSH
- **Dividend** EUR 0.57 per share (EUR 0.55 for FY 2015)

## FFO per share in EUR



## Dividend per share in EUR



Gera



Stralsund



Chemnitz



# TAG Draženko Grahovac

Savills, Head of Valuation Europe



Dresden, Bienertstraße



Riesa, Kastanienstraße



Dresden, Heidestraße



Dresden, Bärensteiner Straße



Lauta, Conrad-Blenkle-Straße

# Current developments and trends in Eastern Germany

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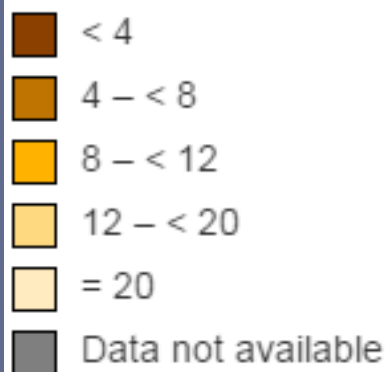
TAG Capital Markets Day

Dresden, 28 June 2016

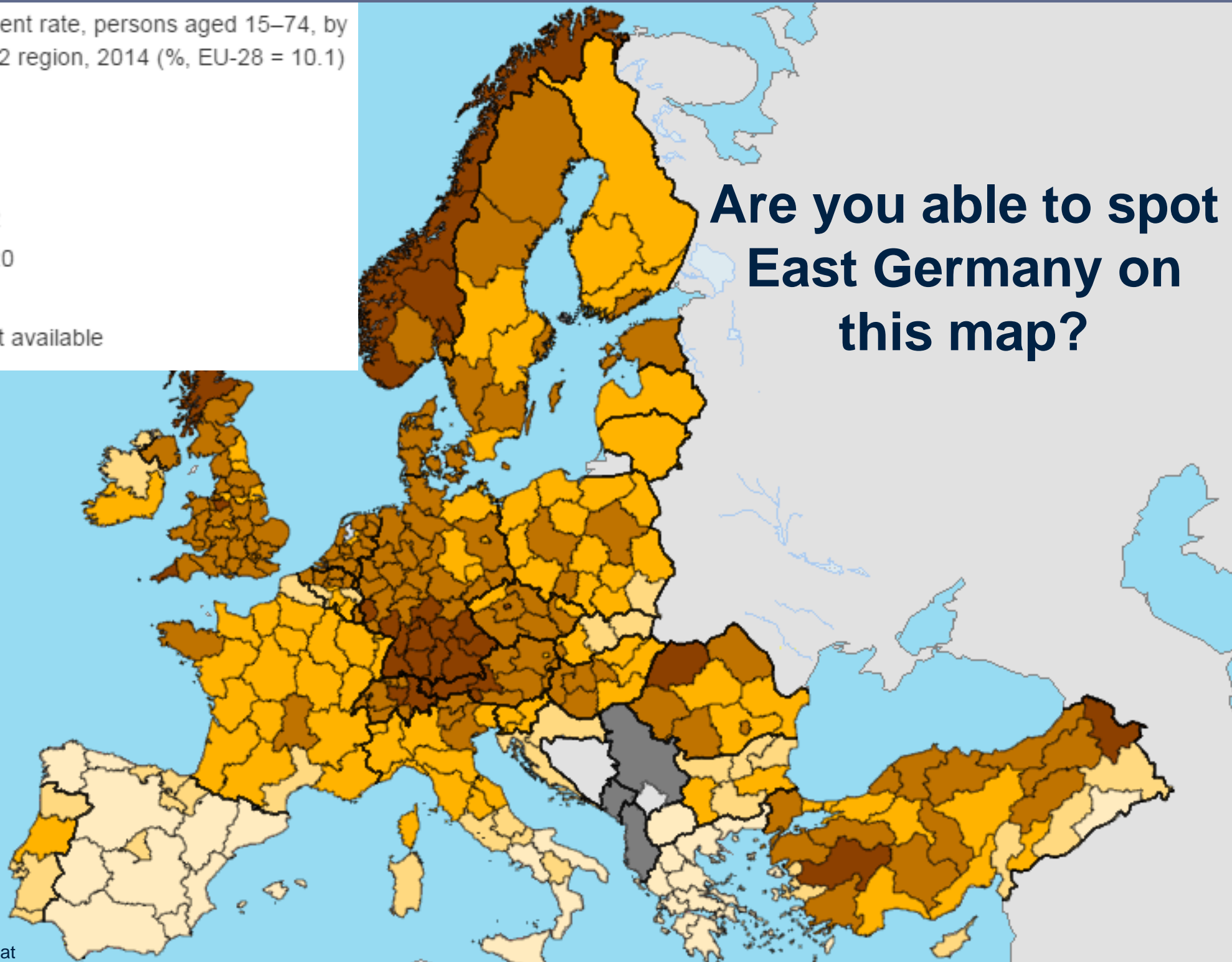
Draženko Grahovac MRICS

Unemployment rate, persons aged 15–74, by NUTS level 2 region, 2014 (% , EU-28 = 10.1)

(<sup>1</sup>)

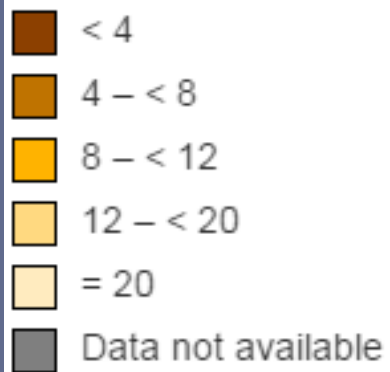


**Are you able to spot East Germany on this map?**

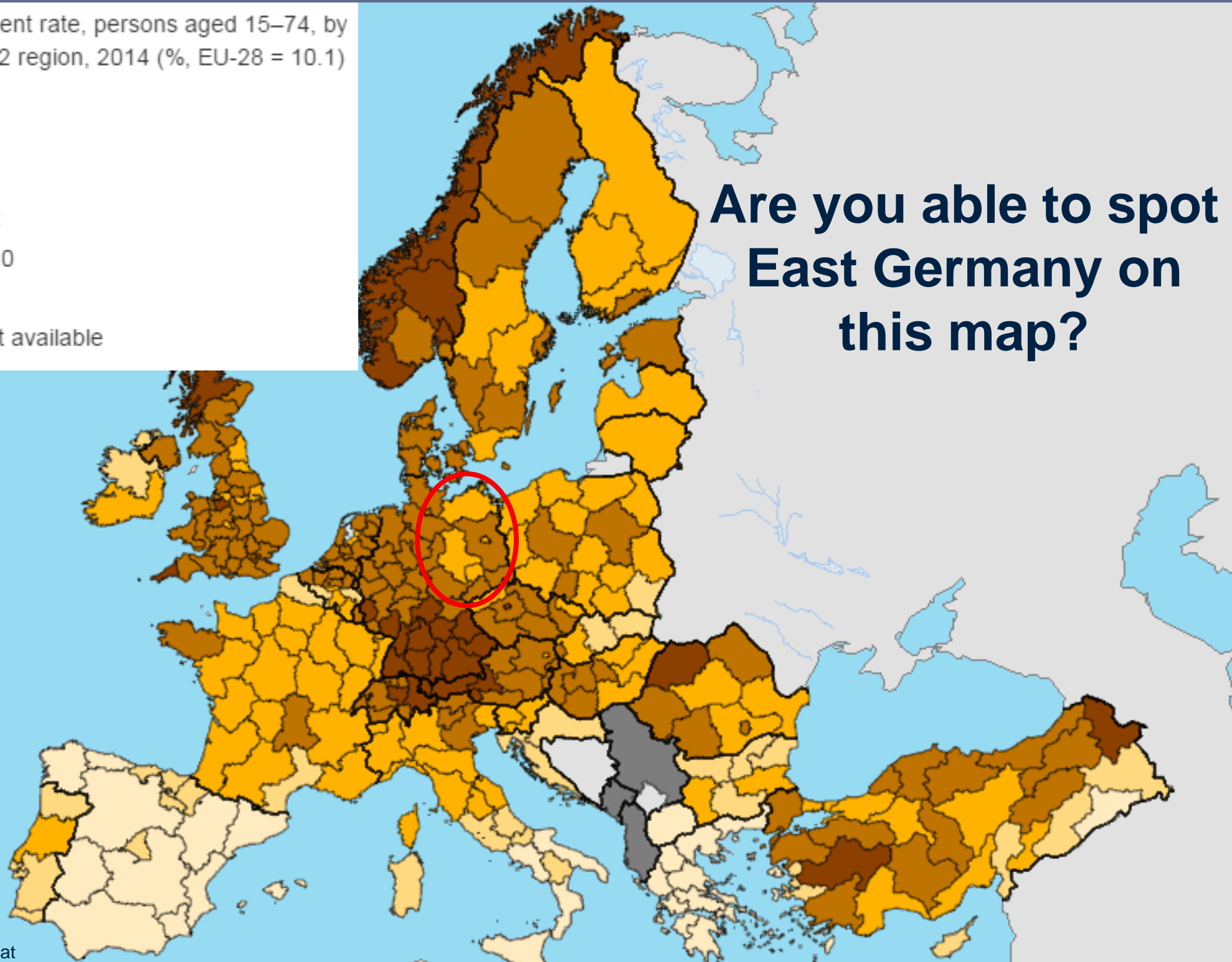


Unemployment rate, persons aged 15–74, by NUTS level 2 region, 2014 (% , EU-28 = 10.1)

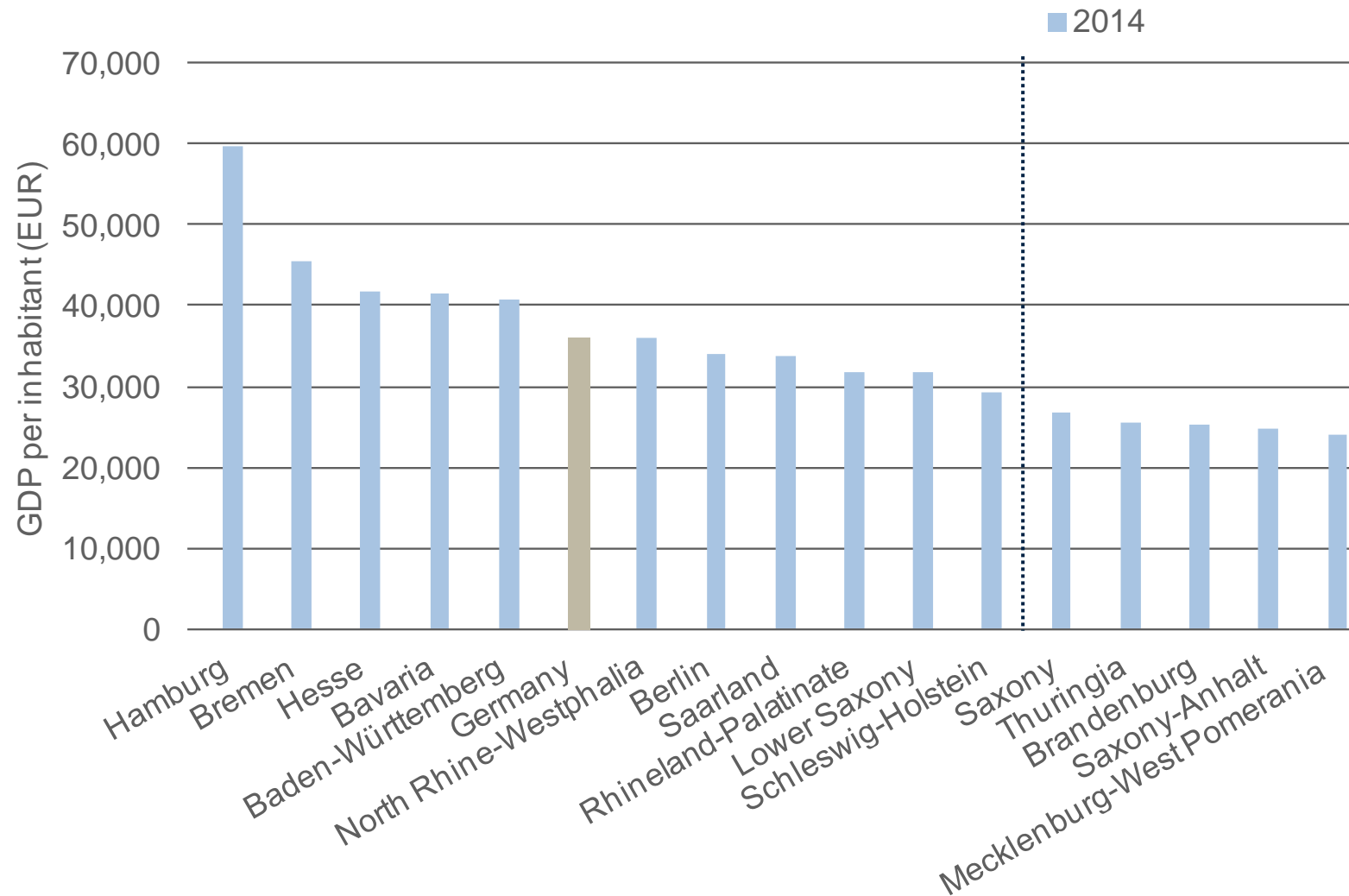
(<sup>1</sup>)



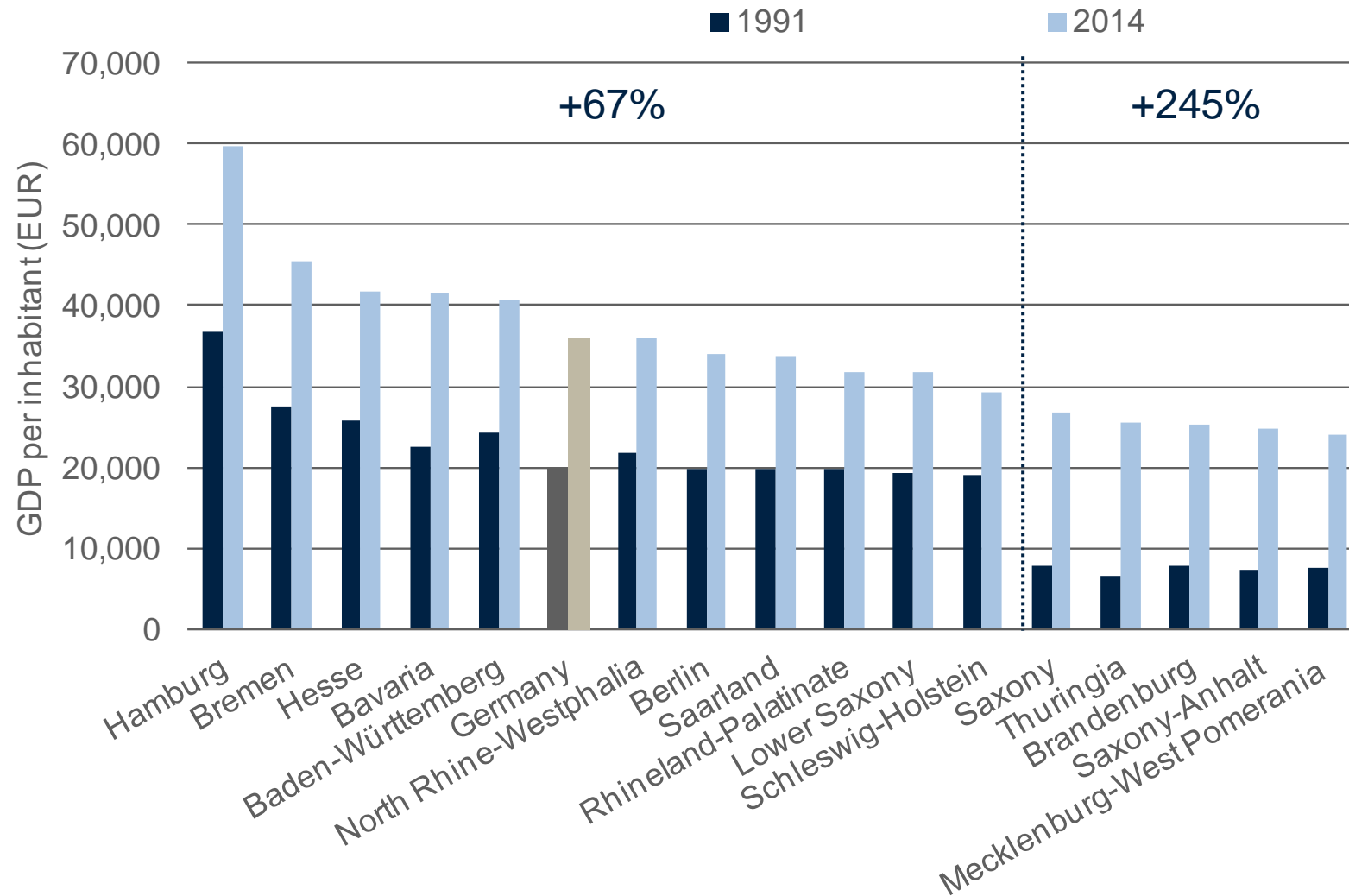
**Are you able to spot East Germany on this map?**



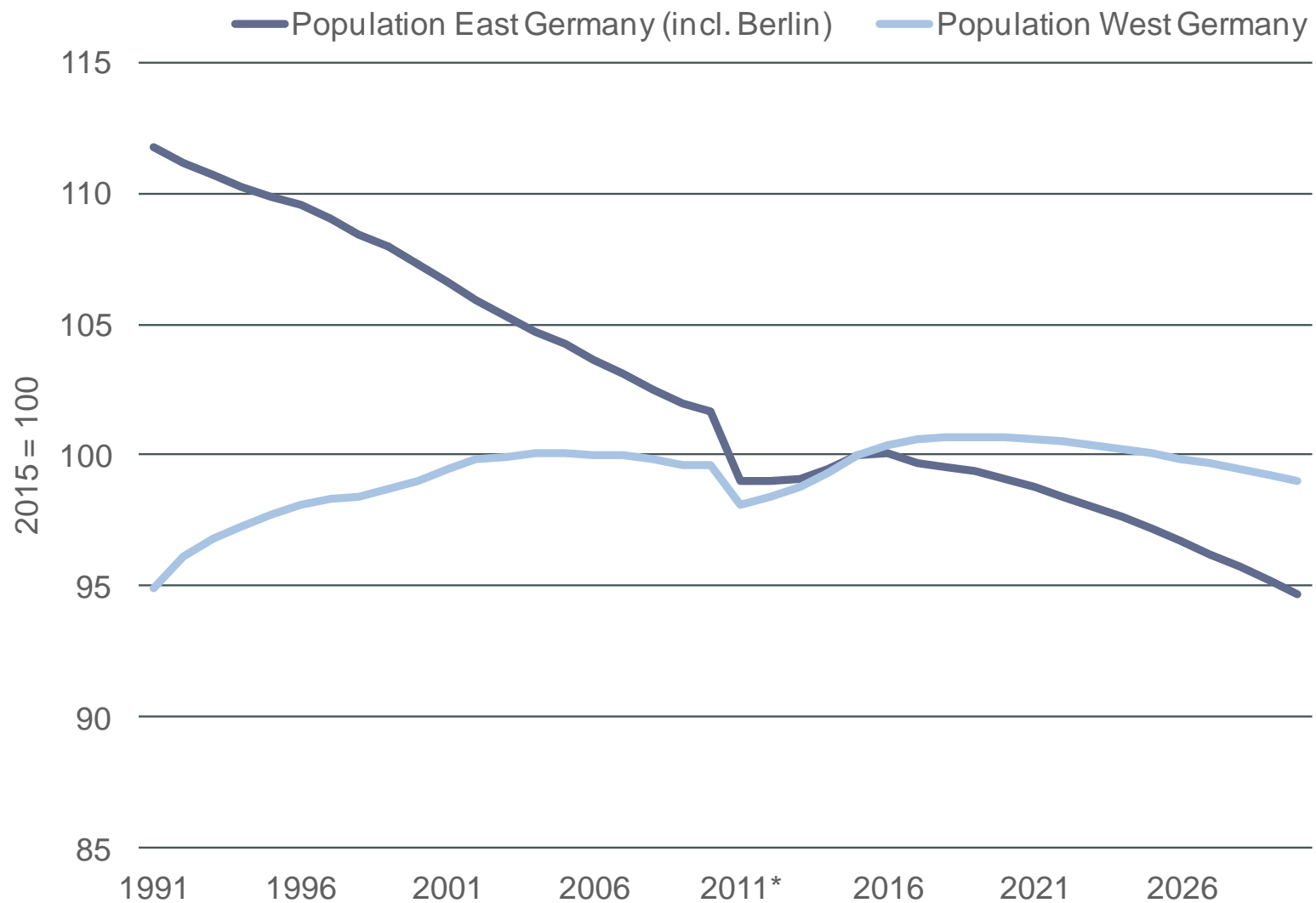
# Wealth is still lower in Eastern Germany



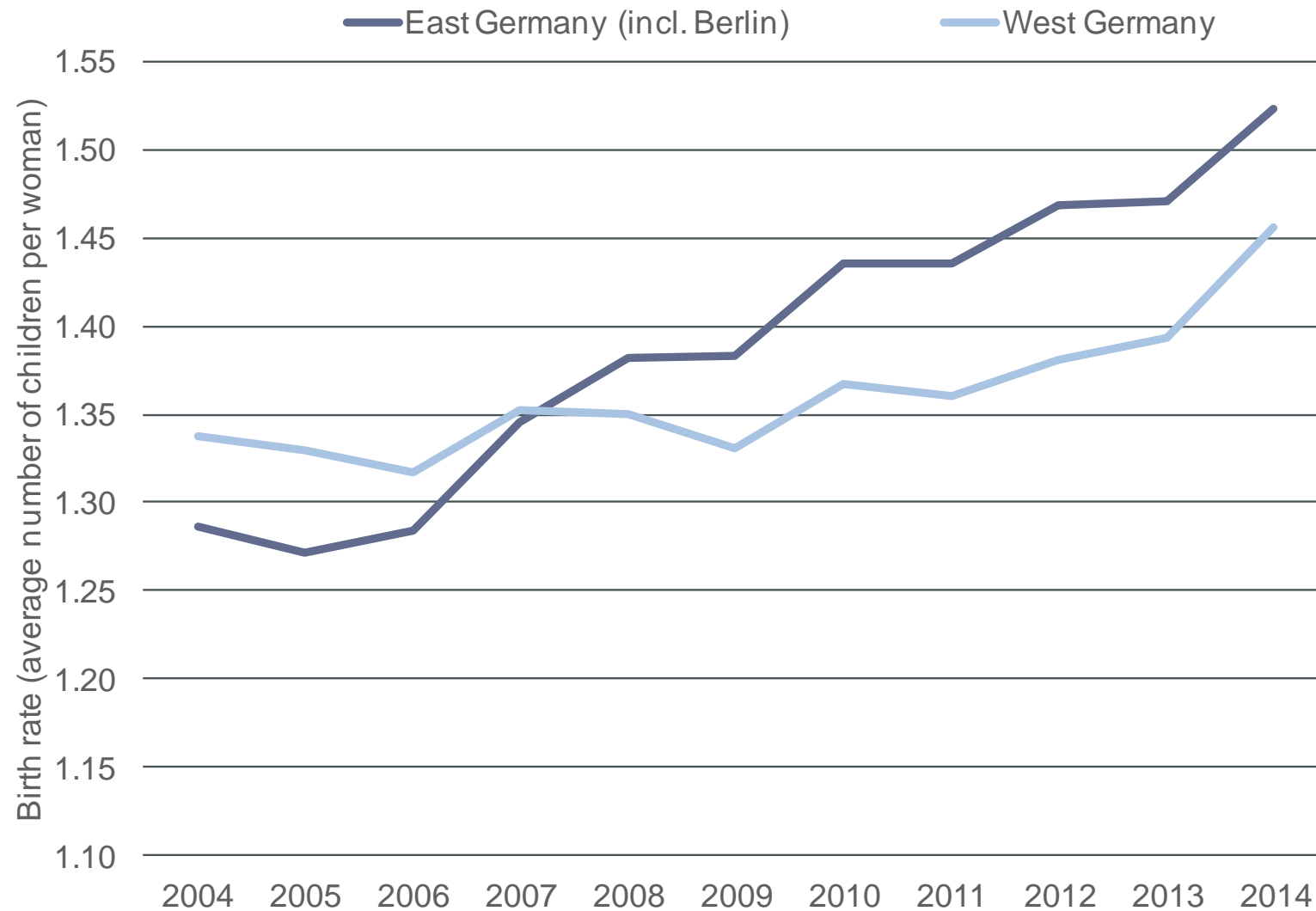
# Wealth is still lower in Eastern Germany but the gap is negligible compared to 25 years ago



# Still, the shrinking population is an issue...

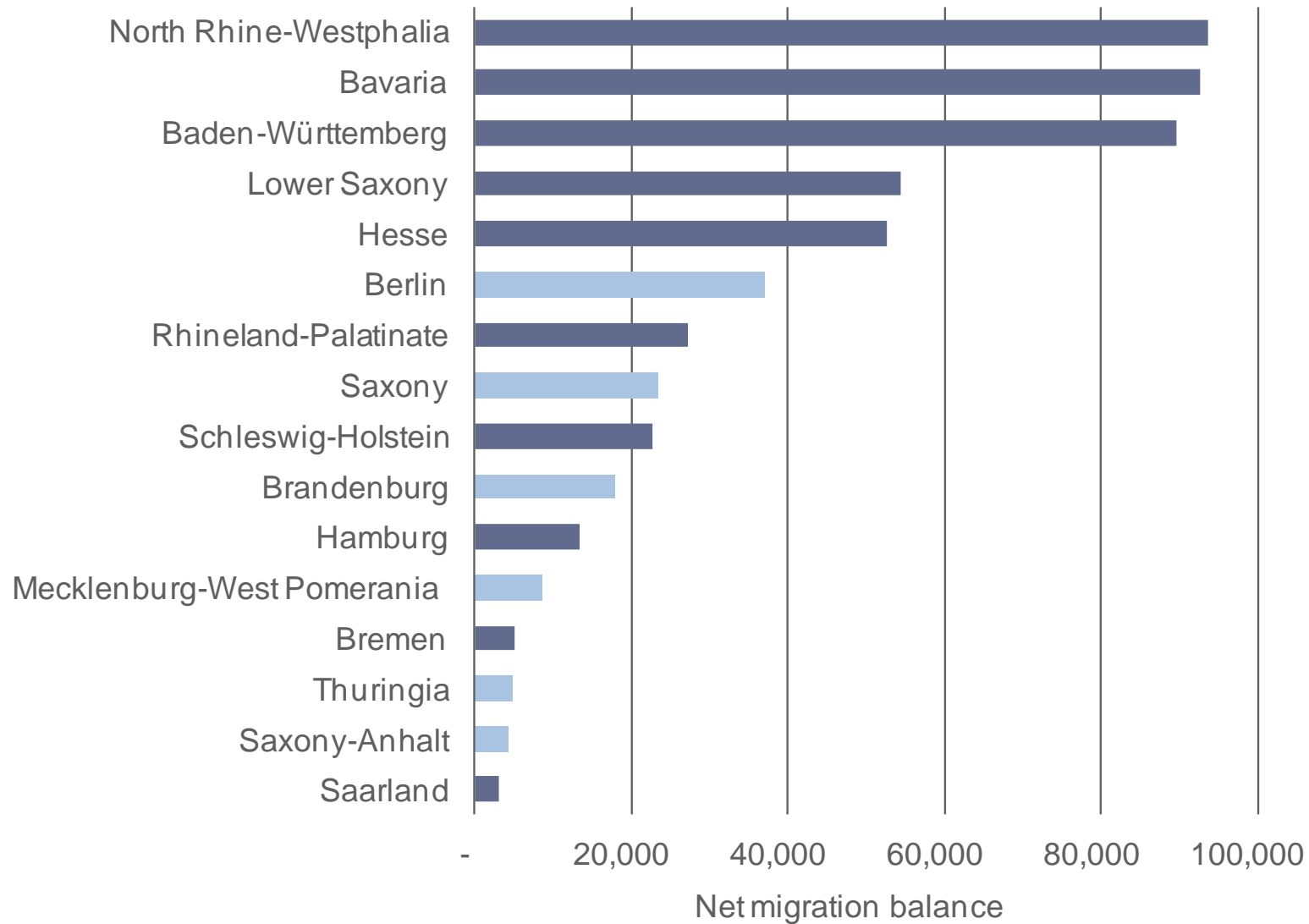


# ...but increasing birth rates



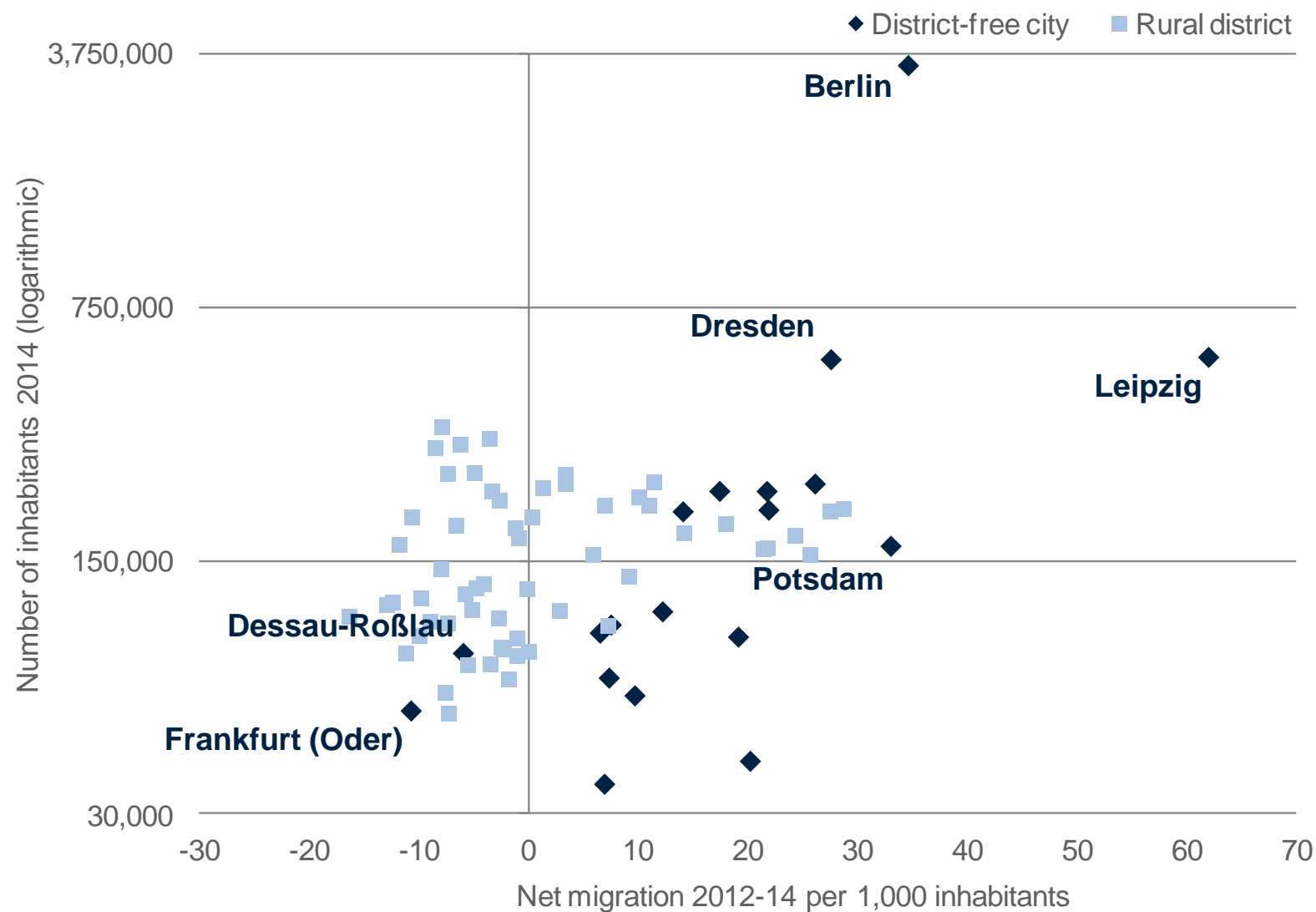


# ...but increasing birth rates and positive migration balance are stabilising factors

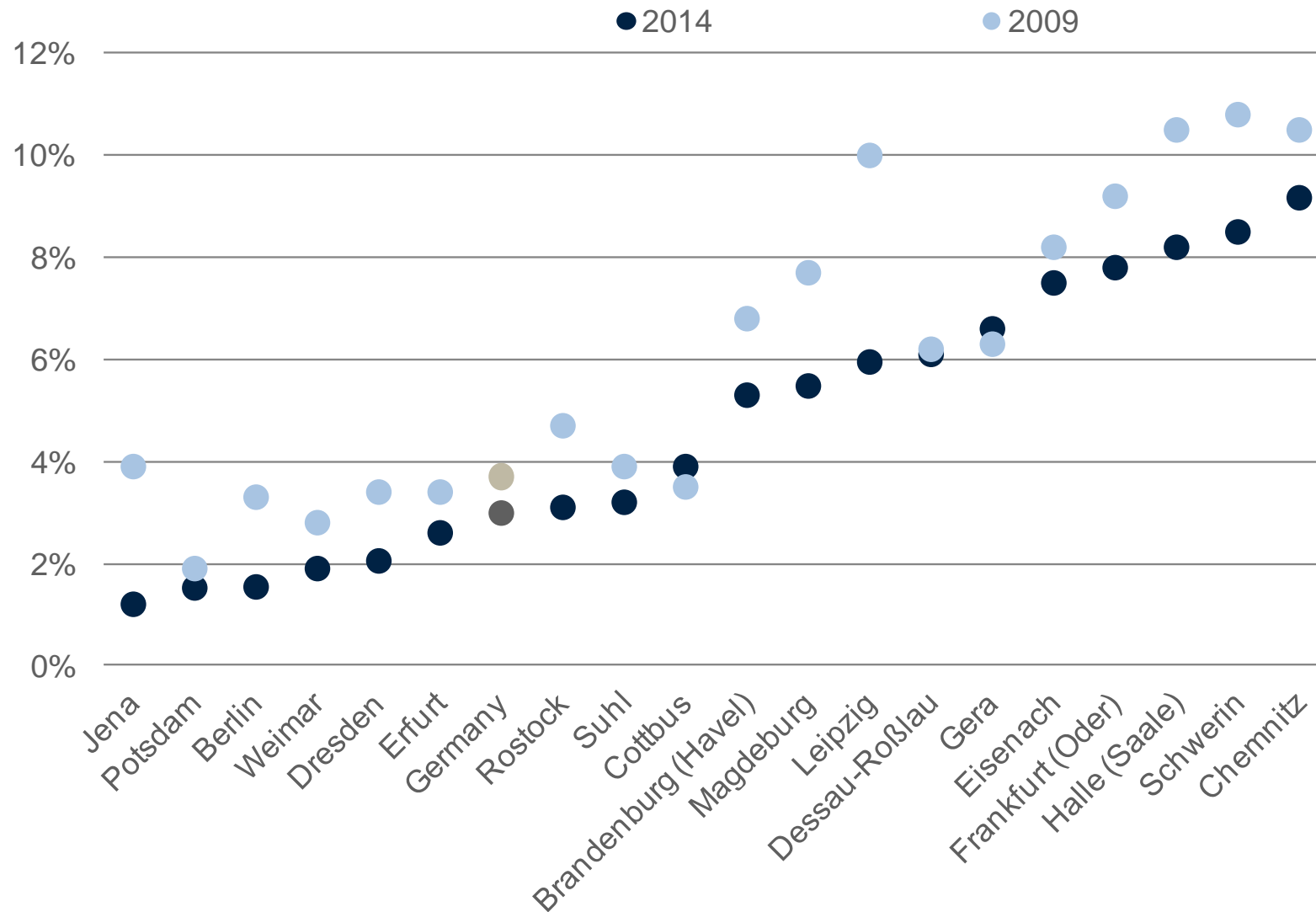




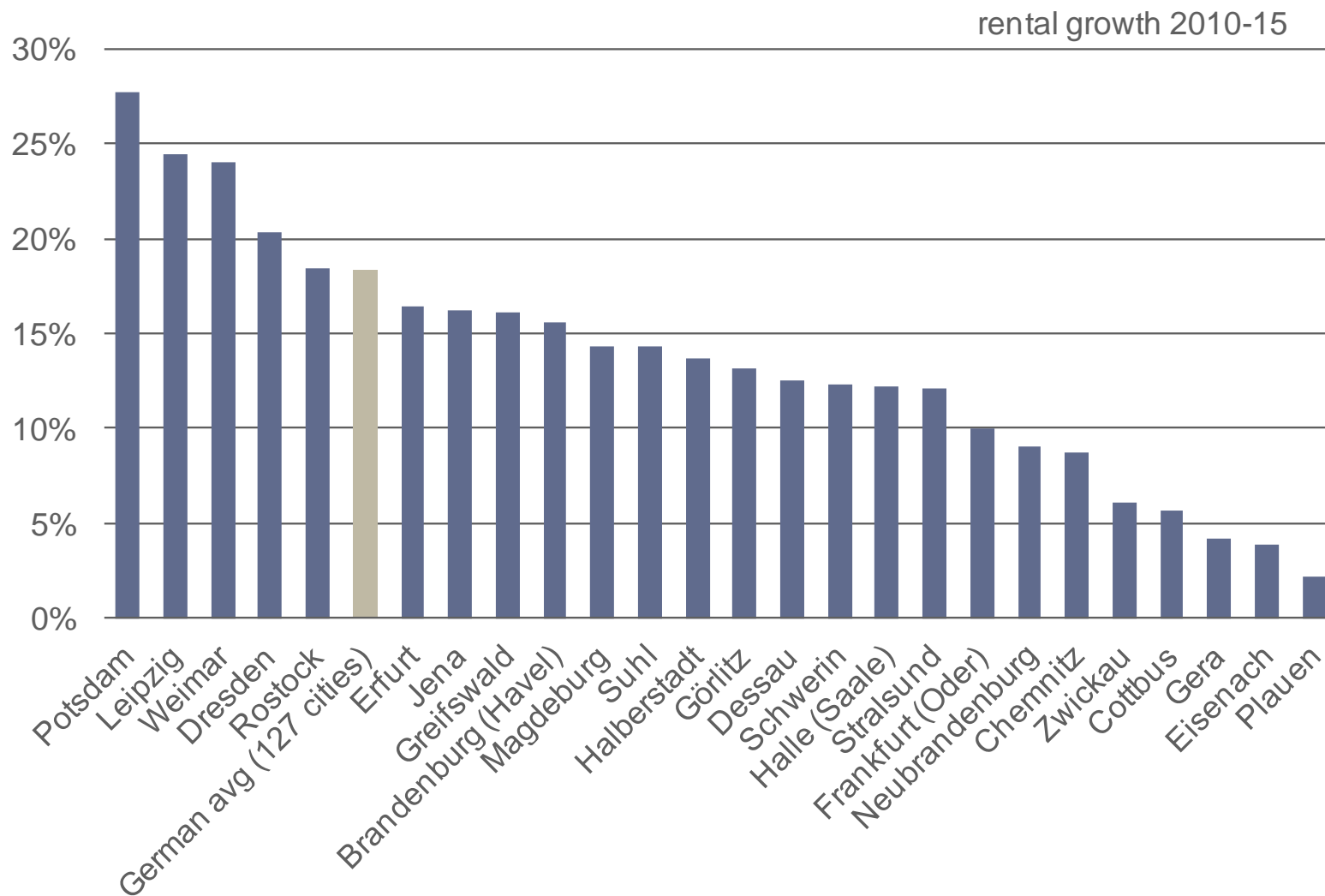
# Almost all major cities are attracting people...



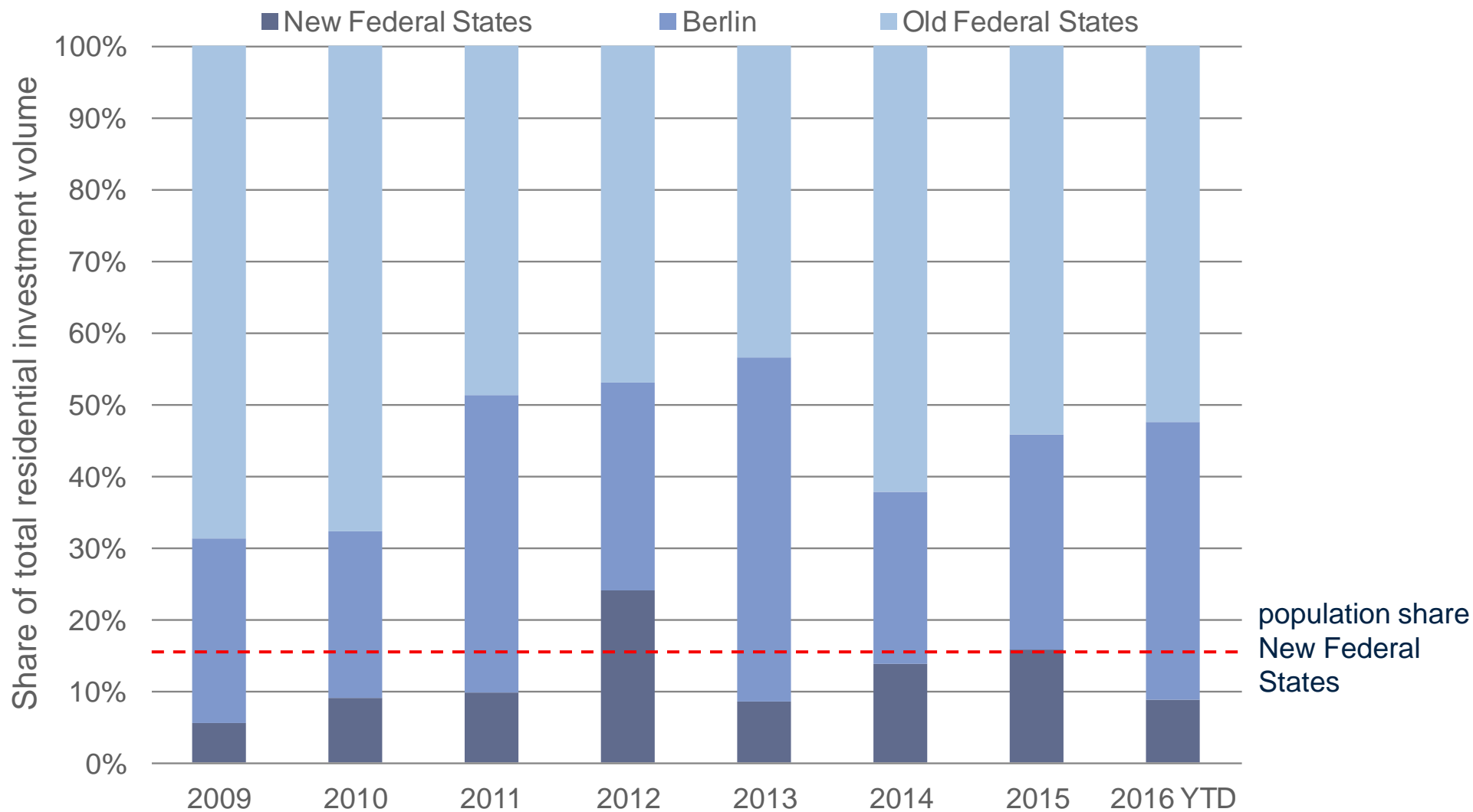
# ...which is reflected in decreasing vacancy rates in the local housing markets



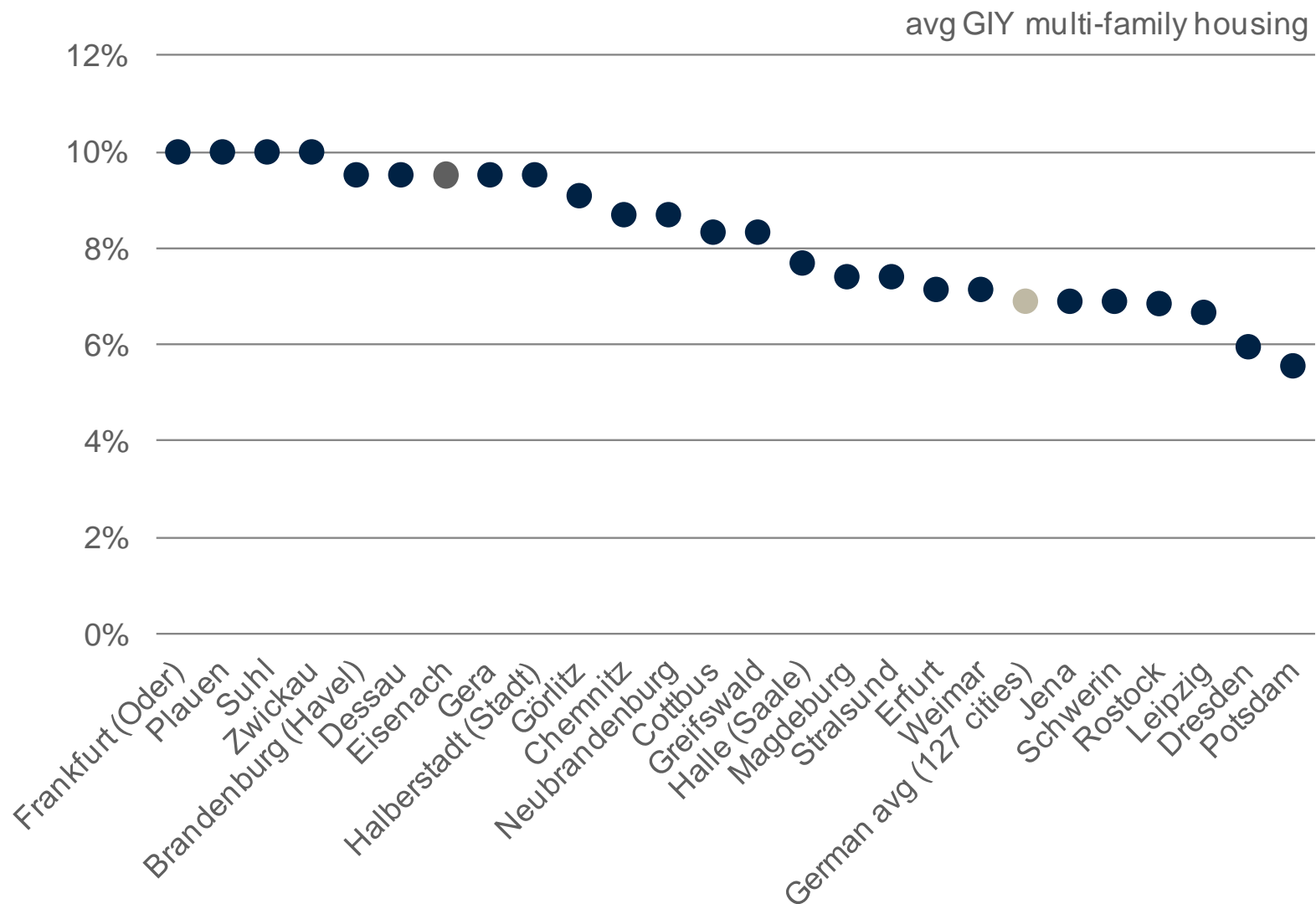
# Rental growth has been strong in a number of cities



# Investment activity is still limited...



# ...although yields are fairly attractive



## Conclusion

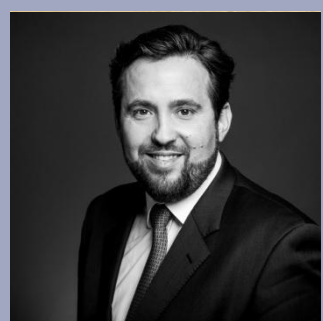
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- Rather **good economic conditions** from a European perspective
- Still behind German average in terms of some key indicators but **development over the past years has been very positive**
- Most of the large cities are experiencing **population growth**
- Positive socio-economic development led to **significant rental growth**
- However, investment activity is still comparatively low and **initial yields are rather high** – which makes eastern Germany **attractive to new investors**



# Kontakt

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# TAG Claudia Hoyer

COO

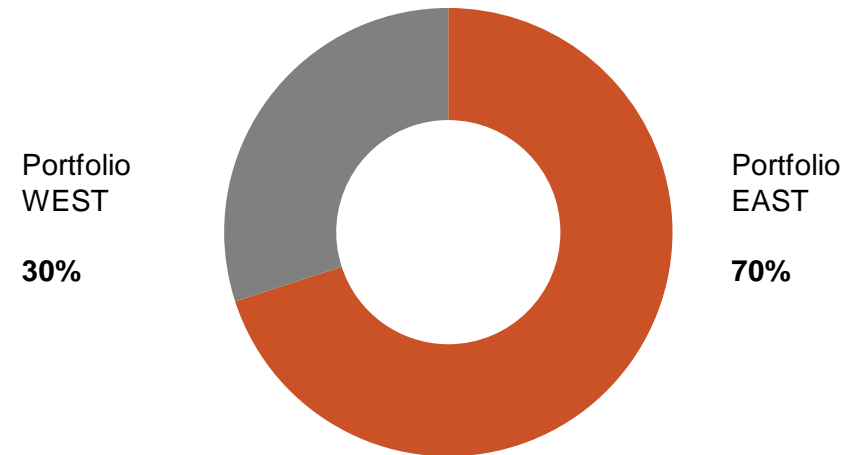
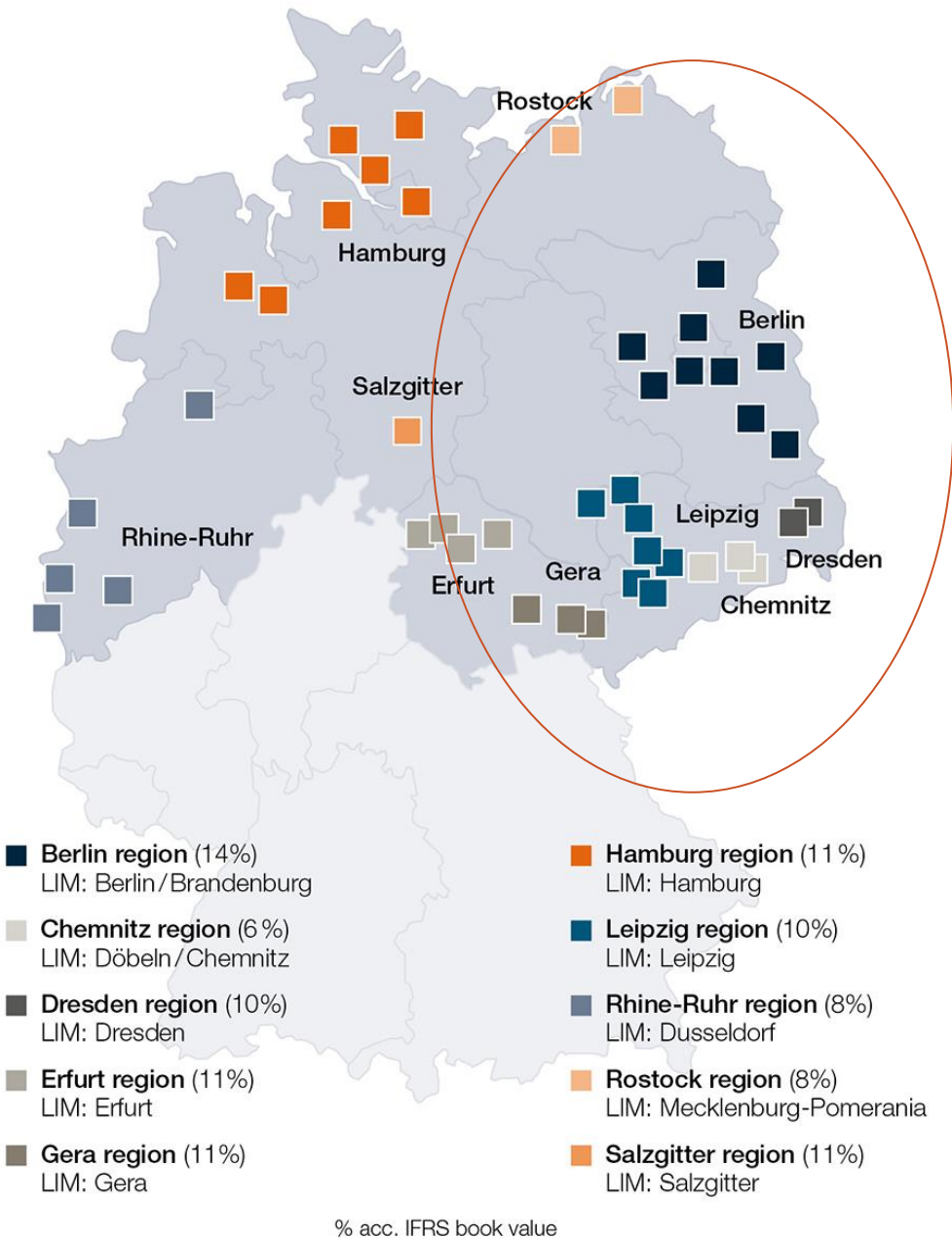


Dresden, Nagelstraße

# TAG 2016

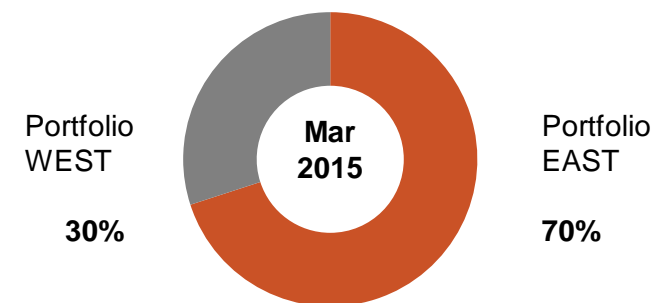
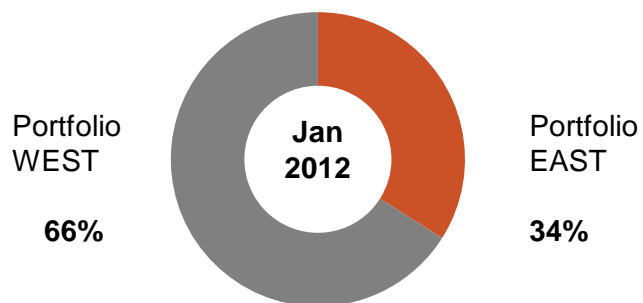
TAG portfolio East Germany

# TAG portfolio East Germany – 31 Mar-2016



Portfolio as of 31 Mar-2016	East	West	Total residential units
Units	54,744	21,395	76,139
Rentable area in sqm	3,220,464	1,333,212	4,553,676
Real estate volume in TEUR	2,442,297	1,027,315	3,469,612
Actual net cold rent in EUR/ sqm/month	4.99	5.10	5.02
Reletting rent in EUR/ sqm/month	5.24	5.47	5.32
Annualized actual net cold rent in TEUR (total)	178,308	75,491	253,799
Vacancy in % (total)	7.5	7.6	7.5
In place yield	7.3	7.3	7.3

# TAG portfolio East Germany – milestones



## Acquisitions 2012 2013 2014 2015

Units in total:	38,700
<b>East:</b>	<b>37,800</b>
(DKBI, TLG Wohnen)	
West:	900

Units total:	3,100
<b>East:</b>	<b>3,100</b>
West:	0

Units in total:	8,900
<b>East:</b>	<b>7,900</b>
West:	1,100

Units total:	5,300
<b>East:</b>	<b>4,000</b>
West:	1,300

▪ <b>Units acquired in total 2012 – 2015</b>	<b>56,100</b>
▪ EAST	52,800
▪ West	3,300
▪ <b>Purchase price in total</b>	<b>EUR 2,021 m</b>
▪ <b>Net actual rent p.a.</b>	<b>EUR 175 m</b>
▪ <b>Multiples paid</b>	<b>11.5x</b>

# TAG portfolio East Germany – Q1 2016 by region

Region	Units #	Rentable area sqm	IFRS BV TEUR	In-place yield %	Vacancy March 2016 %	Actual net cold rent EUR/sqm	Re-letting rent EUR/sqm	L-f-I rental growth y-o-y %	L-f-I rental growth y-o-y incl. vacancy reduction %
Berlin	9,923	573,444	491,161	6.7%	6.7%	5.15	5.72	2.7%	3.1%
Chemnitz	6,567	376,119	219,616	8.2%	14.3%	4.66	4.83	2.1%	5.2%
Dresden	6,210	403,151	348,607	7.1%	4.8%	5.36	5.55	2.6%	3.9%
Erfurt	8,326	469,547	385,165	7.0%	4.2%	4.99	5.46	2.3%	5.1%
Gera	9,636	562,019	373,422	7.5%	10.9%	4.69	4.89	1.5%	2.8%
Leipzig	8,608	510,931	363,376	7.8%	6.0%	4.89	4.96	0.9%	2.2%
Rostock	5,474	325,253	260,950	7.4%	5.6%	5.22	5.51	2.9%	4.6%
<b>residential units EAST</b>	<b>54,744</b>	<b>3,220,464</b>	<b>2,442,297</b>	<b>7.3%</b>	<b>7.5%</b>	<b>4.99</b>	<b>5.24</b>	<b>2.1%</b>	<b>3.7%</b>
<b>residential units WEST</b>	<b>21,395</b>	<b>1,333,212</b>	<b>1,027,315</b>	<b>7.3%</b>	<b>7.6%</b>	<b>5.10</b>	<b>5.47</b>	<b>1.4%</b>	<b>3.8%</b>
<b>Total residential units</b>	<b>76,139</b>	<b>4,553,676</b>	<b>3,469,612</b>	<b>7.3%</b>	<b>7.5%</b>	<b>5.02</b>	<b>5.32</b>	<b>1.9%</b>	<b>3.8%</b>



Chemnitz



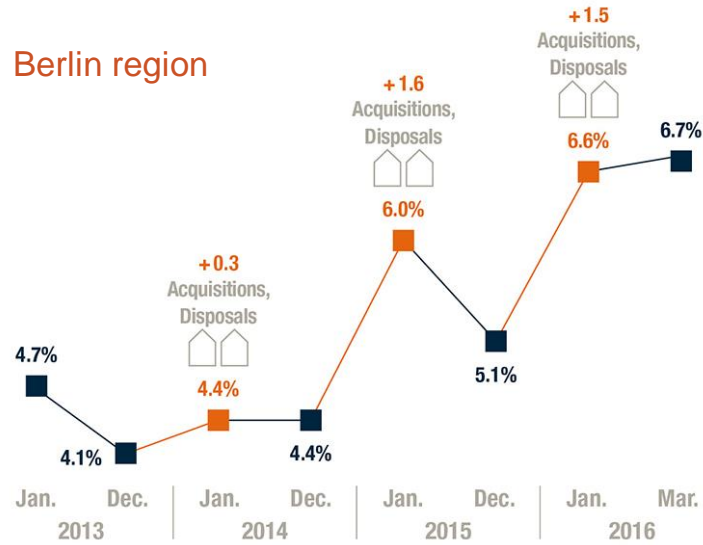
Riesa



Görlitz

# TAG portfolio East Germany – vacancy reduction residential units 2013 - 2016

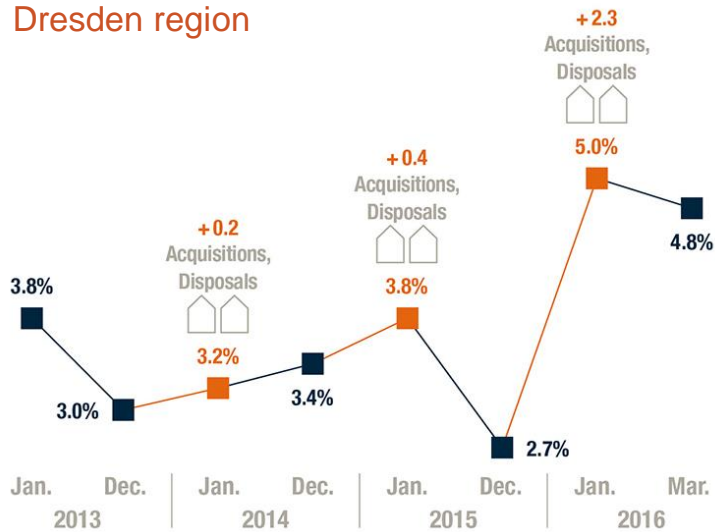
Berlin region



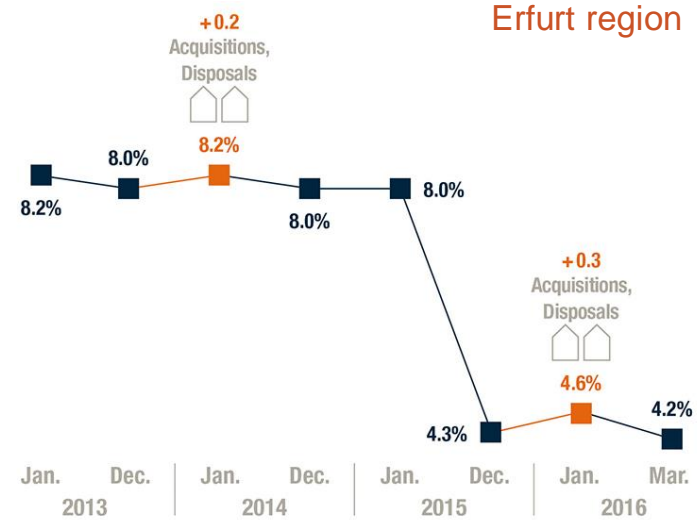
Chemnitz region



Dresden region



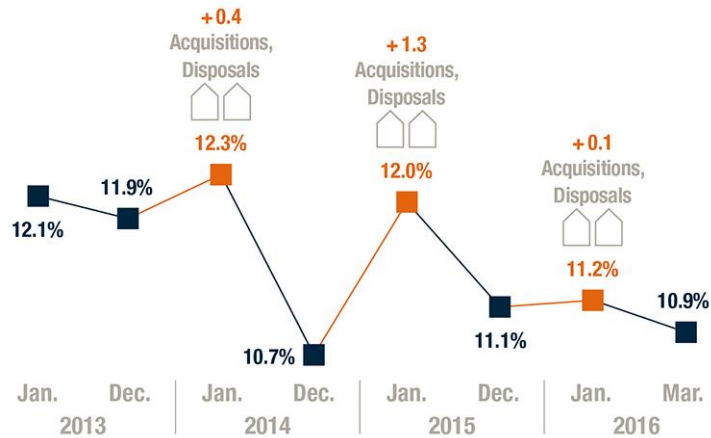
Erfurt region



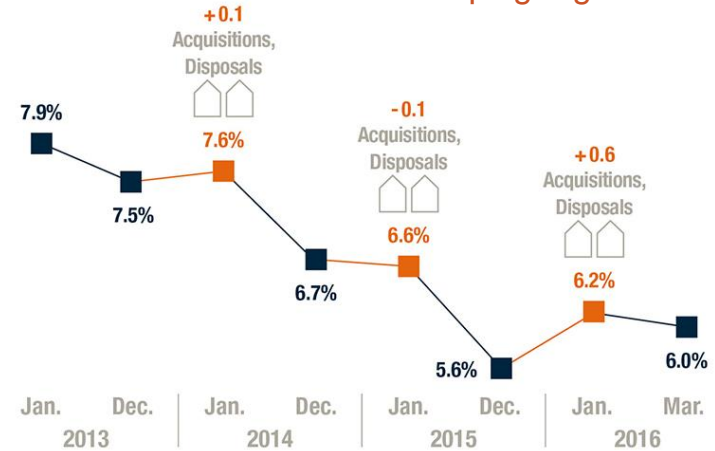
# TAG portfolio East Germany – vacancy reduction

## residential units 2013 - 2016

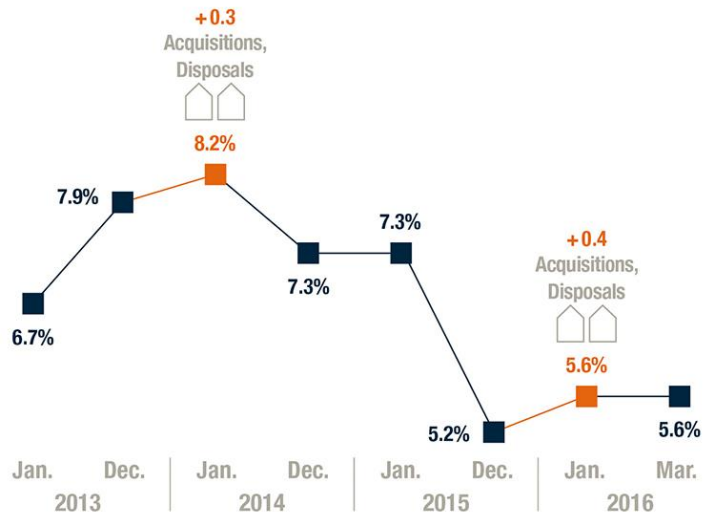
Gera region



Leipzig region



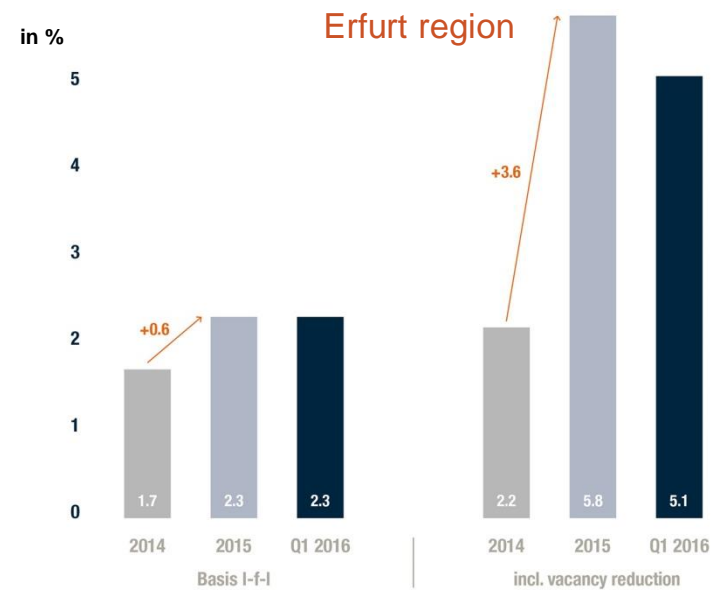
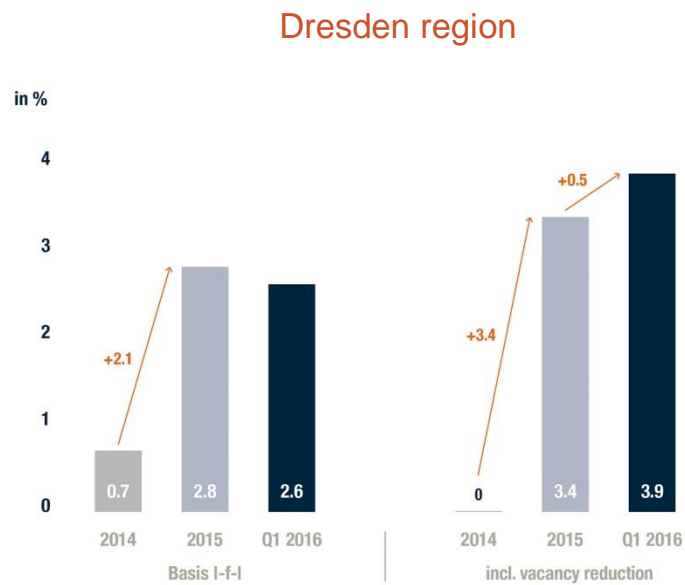
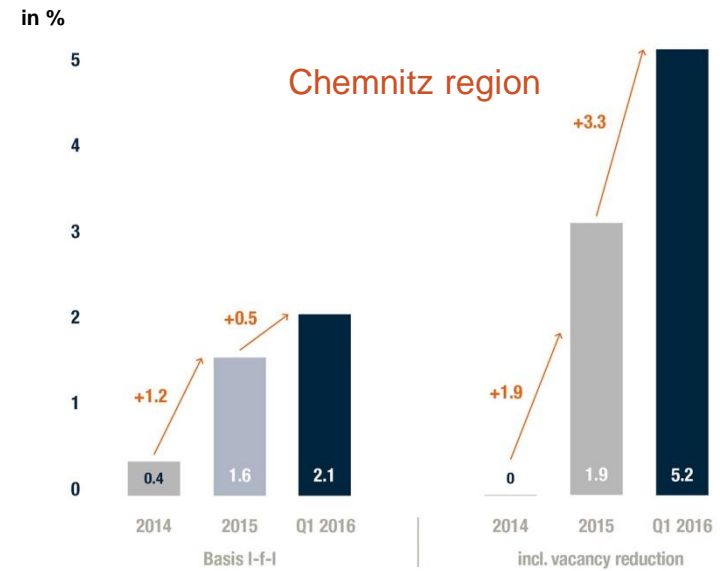
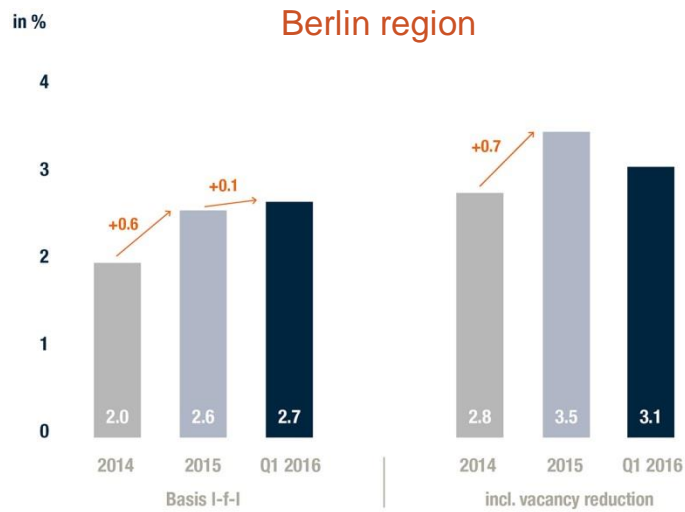
Rostock region





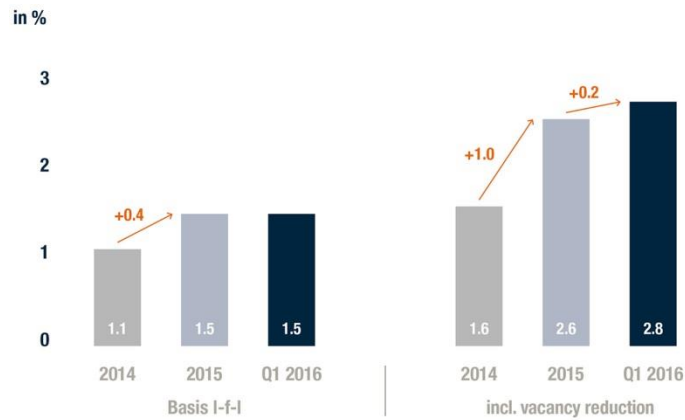
# TAG portfolio East Germany - rental growth

## residential units 2014 - 2016

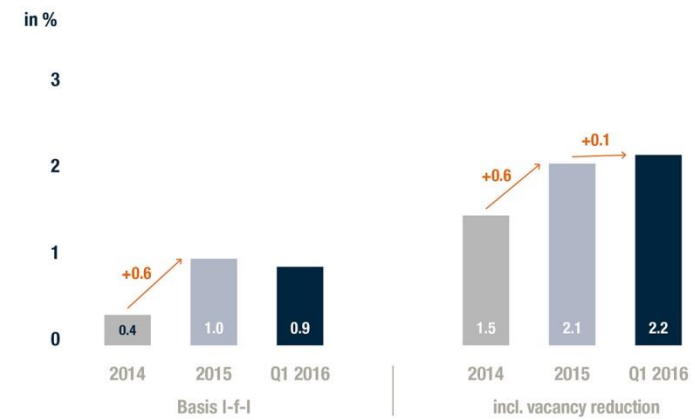


# TAG portfolio East Germany - rental growth residential units 2014 - 2016

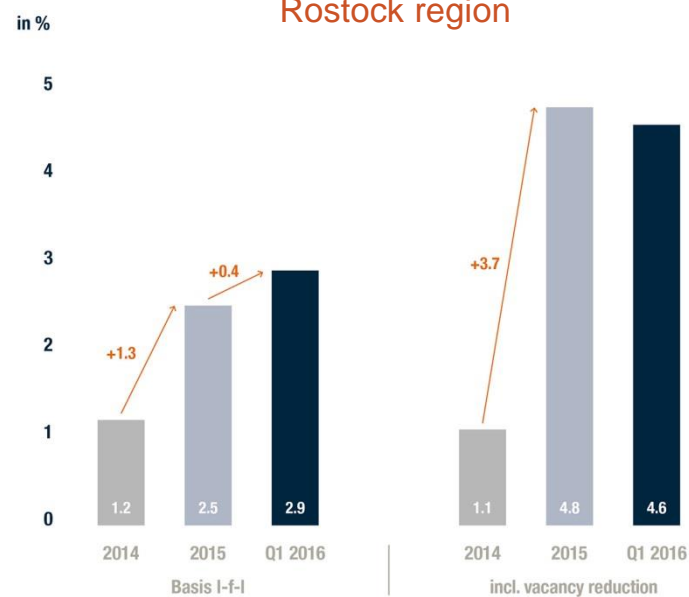
Gera region



Leipzig region



Rostock region



# TAG 2016

TAG return on capex

# TAG return on capex

## Modernization is a key element of TAG's strategy

- TAG spends approx. €40m p.a. on capex measures; these can be broken down into
  - Modernization during re-letting (tenant turnover)
  - Modernization of vacant flats (longer term vacancy)
  - Large modernization measures (comprehensive building-related measures)
- Using modernization as a means to upgrade the rental profile and constitution of its portfolio is a valid part of TAG's strategy
- It is in TAG's very own interest to track the success of these measures, which TAG wants also disclose to its shareholders
- In most cases large modernization measures are financed via bank loans and equity, all other modernization measures are equity-financed

## Methodology

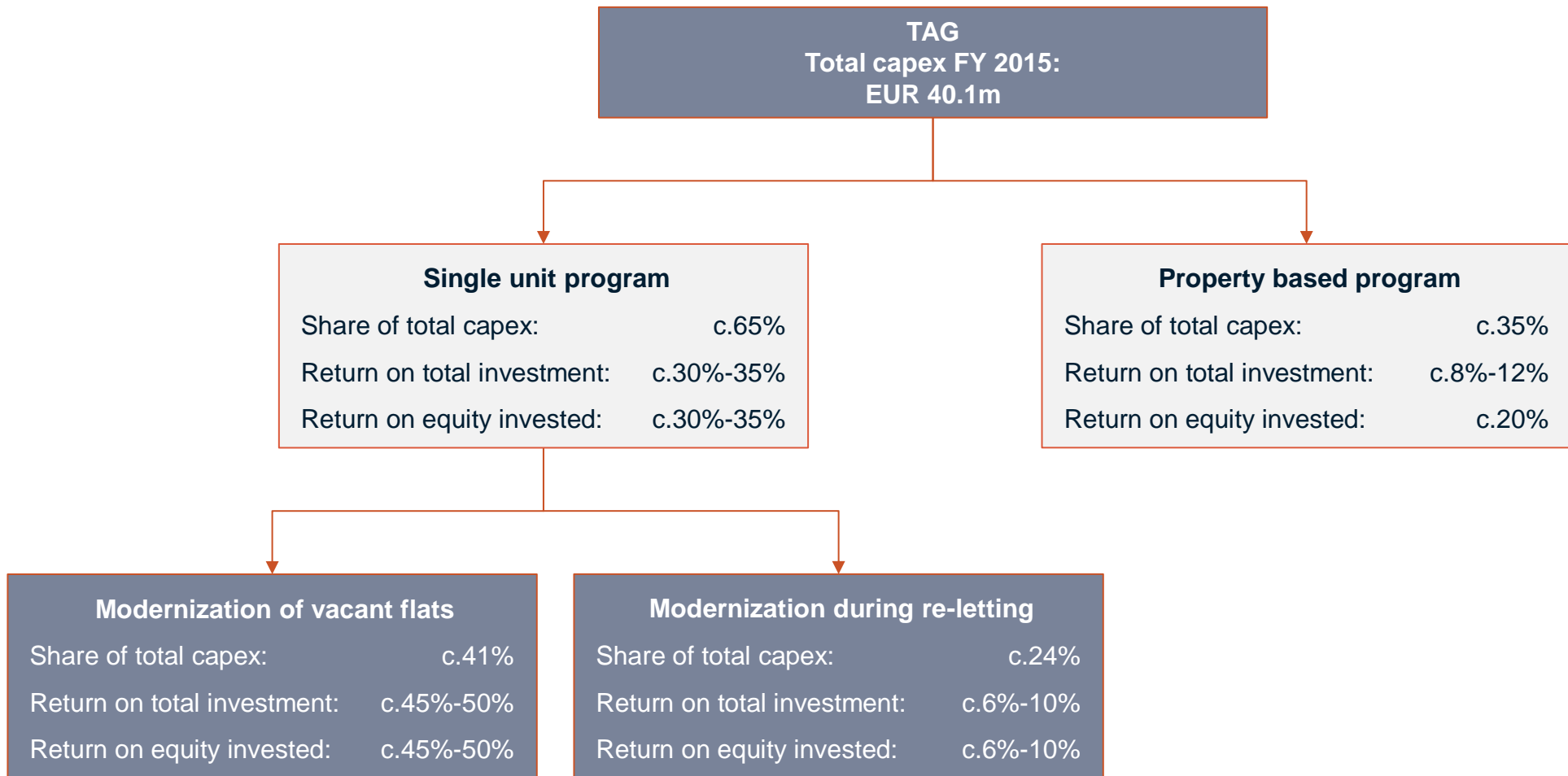
1 
$$\frac{\text{Incremental revenues}}{\text{Total investment}} = \text{Return on investment}$$

2 
$$\frac{\text{Incremental revenues} - \text{financing costs}}{\text{Equity invested}} = \text{Return on equity invested}$$

	Modernization during re-letting	Modernization of vacant flats	Large modernization measures
Incremental revenues from modernization surcharge	(✓)*	x	(✓)*
+ Incremental revenues from new lettings	✓	✓	✓
+ Saved maintenance costs	x	x	(✓)*
+ Saved ancillary costs from vacancy reduction	x	✓	(✓)*
= Incremental revenues			

\* Subject to scope of measures

# TAG return on capex - overview



# Modernization of vacant flats (longer term vacancy)

## Case Study – Riesa „Straße der Freundschaft“ (acquired 2014)

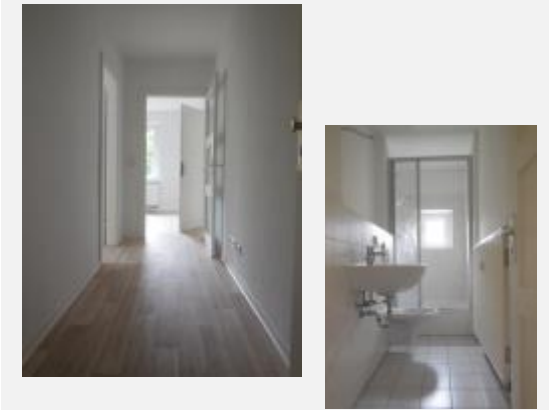
### Pre modernization



### Measures

- Units: 35
- Vacancy at acquisition date: 42.4%
- Vacancy today: 2.8%
- Interior refurbishment
- Completed in 2015

### Post modernization



### Description

- Acquired in Febr-2014 within a portfolio of 4,000 units in Thuringia
- Modernization of 13 Units
- Total investment: EUR 99,600
- Modernization cost per unit: EUR 7,700
- Expenditure on time per unit: 4 weeks
- Equity-financed

### Calculation

(in EUR thousands)	
<b>Incremental revenues</b>	
Incremental revenues from new lettings	37.4
Saved maintenance costs	0.0
Saved ancillary costs from vacancy reduction	6.9
<b>Total incremental revenues</b>	<b>44.3</b>
<b>Total investment</b>	<b>99.6</b>
<b>Return on total investment</b>	<b>44.5%</b>
<b>Return on equity invested</b>	<b>44.5%</b>

# Modernization of vacant flats (longer term vacancy)

## Case Study – Hermsdorf „Am Stadion“ (acquired 2014)

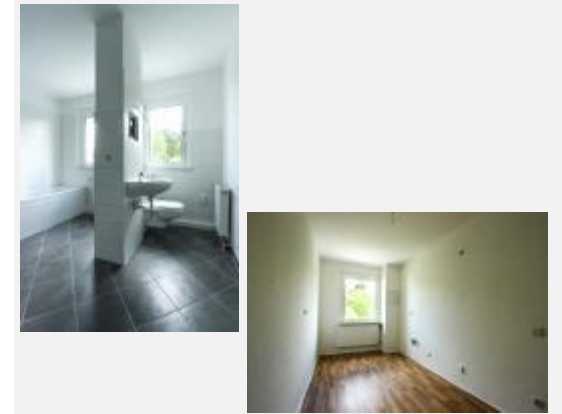
### Pre modernization



### Measures

- Units: 33
- Vacancy at acquisition date: 55.3%
- Vacancy today: 0%
- Interior refurbishment
- Completed during 2015

### Post modernization



### Description

- Acquired in Febr-2014 within a portfolio of 4,000 units in Thuringia
- Modernization of 18 Units
- Total investment: EUR 119,300
- Modernization cost per unit: EUR 6,600
- Expenditure on time per unit: 4 weeks
- Equity-financed

### Calculation

(in EUR thousands)	
<b>Incremental revenues</b>	
Incremental revenues from new lettings	64.7
Saved maintenance costs	0.0
Saved ancillary costs from vacancy reduction	12.8
<b>Total incremental revenues</b>	<b>77.5</b>
<b>Total investment</b>	<b>119.3</b>
<b>Return on total investment</b>	<b>65.0%</b>
<b>Return on equity invested</b>	<b>65.0%</b>

# Modernization large modernization measures

## Case Study – Erfurt „Am Katzenberg“ (acquired April-2012)

### Pre modernization



### Measures

- Units: 71
- Vacancy at acquisition date: 100%
- Vacancy today: 0%
- Interior and exterior refurbishment
- Completed in 2015/2016

### Post modernization



### Description

- Acquired in April-2012 as part of the 25,000 units portfolio of DKB Immobilien AG
- Facade-, roof- and electric overhaul
- Modernization of 71 flats
- Financing:
  - Bank loans of EUR 1,180,000 (43%) at 1.74% p.a. leading to financing costs of EUR 17,350 p.a.
  - Equity of EUR 1,534,000 (57%)

### Calculation

(in EUR thousands)	
<b>Incremental revenues</b>	
Incremental revenues from new lettings	230.3
Saved maintenance costs	25.0
Saved ancillary costs from vacancy reduction	50.9
<b>Total incremental revenues</b>	<b>306.2</b>
<b>Total investment</b>	<b>2.714.0</b>
<b>Return on total investment</b>	<b>11.3%</b>
<b>Return on equity invested</b>	<b>20.0%</b>



# Modernization **large modernization measures**

## Case Study – Bestensee „Friedenstraße“ (acquired April -2012)

### Pre modernization



### Measures

- Units: 30
- Vacancy at acquisition date: 50%
- Vacancy today: 3%
- Interior and exterior refurbishment
- Completed in 2015/2016

### Post modernization



### Description

- Acquired in April-2012 as part of the 25,000 units portfolio of DKB Immobilien AG
- Facade-, roof-, heating and electric overhaul
- Energy-saving measures
- Modernization of 30 flats
- Equity-financed

### Calculation

(in EUR thousands)	
<b>Incremental revenues</b>	
Incremental revenues from new lettings	106.9
Saved maintenance costs	12.0
Saved ancillary costs from vacancy reduction	26.7
<b>Total incremental revenues</b>	<b>145.6</b>
<b>Total investment</b>	<b>1.388.9</b>
<b>Return on total investment</b>	<b>10.5%</b>
<b>Return on equity invested</b>	<b>10.5%</b>

TAG 2016

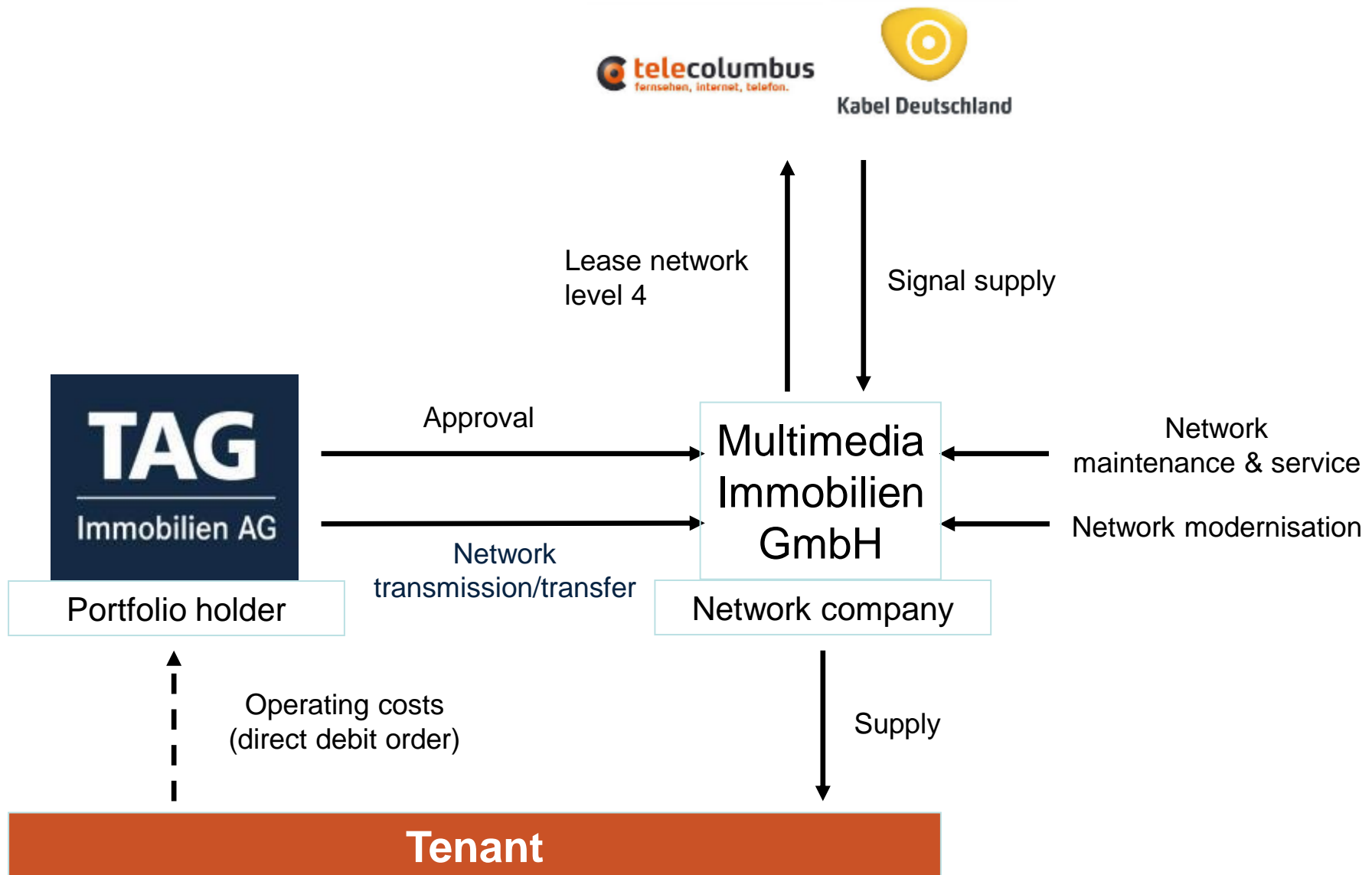
TAG value creation potential

# TAG value creation potential - Multimedia Immobilien GmbH

- Starting situation
  - existing contracts with various cable carriers for cable TV supply
  - concentrated on Vodafone Kabel Deutschland and Telecolumbus/Primacom  
→ approx. 50,000 residential units served
  - pricing between 6.20 and 12.50 EUR/month per residential unit
- Business model: In-house operation by a network company owned by TAG
  - buy and modernise network level 4
  - sign maintenance and service contracts required for operating the network
  - purchase signal/feed via long-term contracts concentrating on 2 -3 signal suppliers
  - continue to supply cable TV to TAG tenants at same conditions
  - expand the existing basic cable service with cheaper HD programming, foreign-language programming, or free DSL access e.g.

**Exploit and create additional value-add for owners and tenants in direct conjunction with the property**

# TAG value creation potential - Multimedia Immobilien GmbH

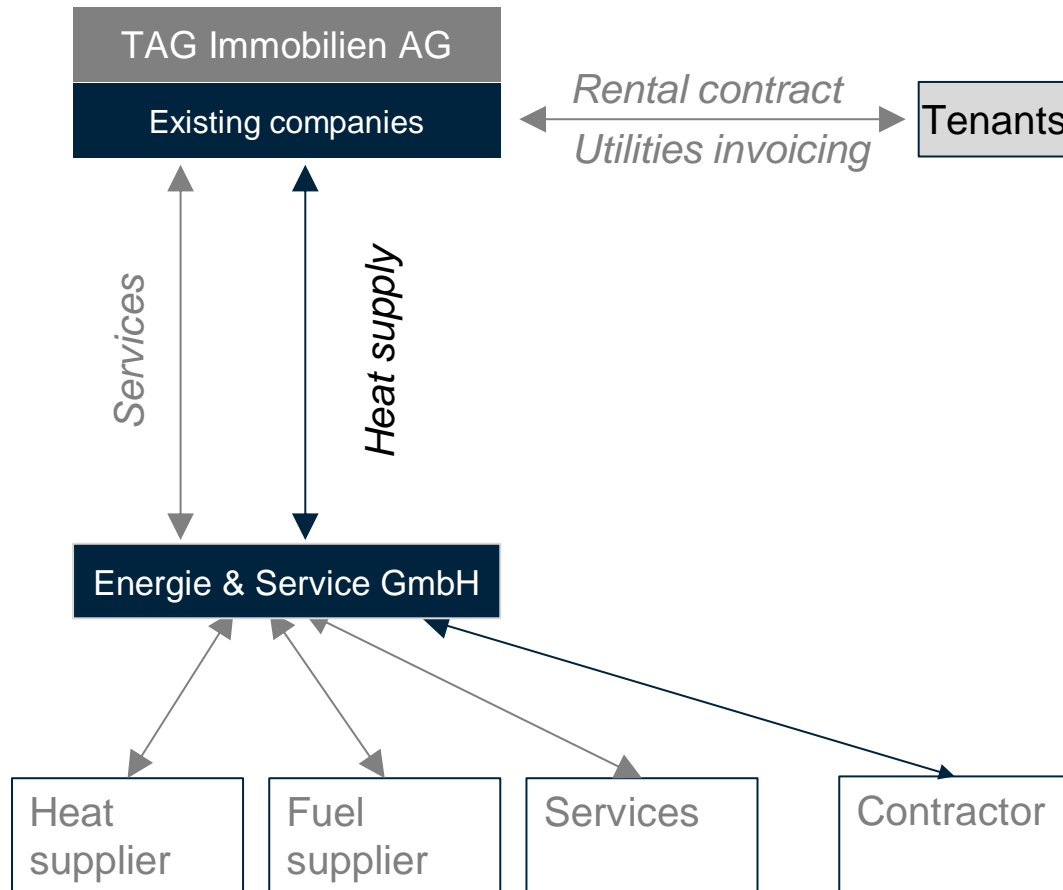


# TAG value creation potential - Energie & Service GmbH

- Starting situation
  - a high proportion of the TAG group's portfolio is centrally supplied and invoiced by TAG
  - current market trends, technological innovation and changes to the law offer the opportunity for founding an energy company of our own
- Business model: transfer the energy management offices into a separate energy subsidiary
  - purchase gas / oil / district heating and renegotiate existing contracts
  - sign corresponding maintenance and service contracts for operating the facilities
  - take over ongoing maintenance of the facilities
  - investments in system technology leads to significant efficiency gains
  - conversion of the heat supply for TAG tenants will be carried out based on the "Wärmelieferverordnung- Wärme LV" (Heat Supply Directive)

Professionalisation of energy management allows for additional value creation in the Group

# TAG value creation potential - Energie & Service GmbH



- gradual implementation within the next four years planned
- service to approx. 15,000 units starting Jan 2017
- takeover of further energy services possible
  - electricity sourcing
  - measuring services
  - develop tenant electricity models
  - .....



# Q&A SESSION

GROWING CASHFLOWS

**TAG**  
Immobilien AG



# PROPERTY TOUR

GROWING CASHFLOWS

**TAG**  
Immobilien AG



# TAG 2016

TAG portfolio Dresden

# TAG portfolio Dresden region 2016

- Dresden is one of the leading business hubs in Germany with a population of approx. 550,000 inhabitants.
- Home ownership rate 20%
- The university boosts its attractiveness and, in business, the renewable energy sector is a main contributor.
- The city has become a top location in the specialist areas of microelectronics, nanotechnology, new materials and life sciences.



- TAG serves 6 tenant offices in the Dresden region (1x Dresden + 5x greater region)
- 23 asset and property manager are in charge for the area
- 9 employees are managing Dresden City



Portfolio residential as of 31-March	2016
Units Dresden region	6,210
Vacancy	4.8%
Actual net cold rent EUR/m <sup>2</sup>	5.36
Lfl rental growth	2.6%
Lfl rental growth incl. vacancy reduction	3.9%

# Portfolio Dresden region – Top 5

Cities	Units #	Rentable area sqm	IFRS BV TEUR	In-place yield %	Vacancy March 2016 %	Actual net cold rent EUR/sqm	Re-letting rent EUR/sqm	L-f-I rental growth y-o-y %	L-f-I rental growth y-o-y incl. vacancy reduction %
<b>Q1 2016</b>									
<b>Dresden city</b>	2,894	190,585	217,292,049	6.2%	1.6%	6.02	6.76	4.2%	4.4%
<b>Görlitz</b>	729	47,250	21,068,921	9.5%	10.2%	3.92	4.44	1.9%	4.4%
<b>Cottbus</b>	418	23,922	15,061,555	9.5%	4.4%	5.20	4.96	1.6%	6.0%
<b>Lauta</b>	416	28,497	17,329,314	8.6%	5.7%	4.61	4.67	0%	1.8%
<b>Brieske</b>	393	24,975	20,574,463	8.0%	0.6%	5.49	5.80	0.7%	5.6%
<b>Other</b>	1,360	87,923	57,280,383	8.0%	9.6%	4.82	5.12	0.7%	1.8%
<b>Total residential units</b>	<b>6,210</b>	<b>403,151</b>	<b>348,606,685</b>	<b>7.1%</b>	<b>4.8%</b>	<b>5.36</b>	<b>5.55</b>	<b>2.6%</b>	<b>3.9%</b>



Dresden, Tichatscheckstraße,  
Guts-Muths-Straße, Alttrachau

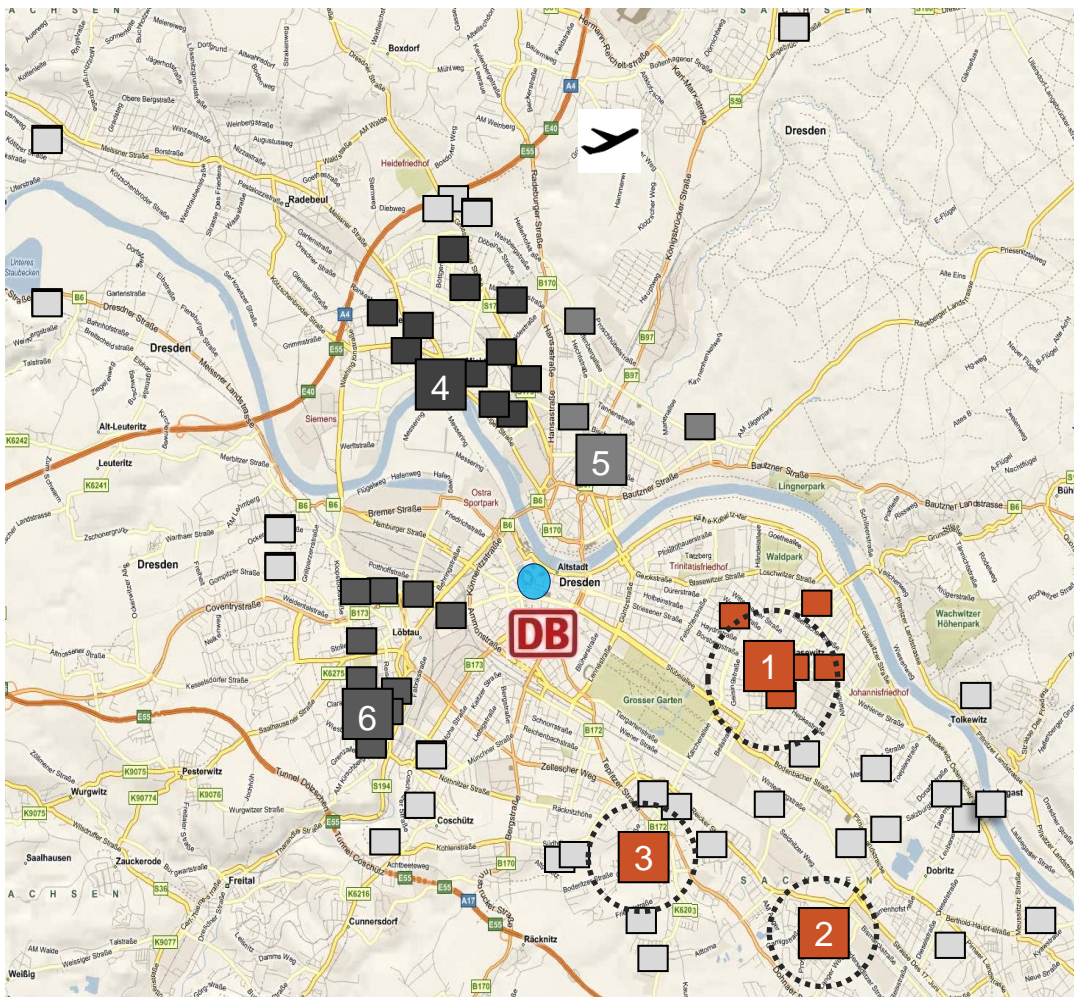


Lauta, Conrad-Blenkle-Straße



Großräschen, Rubenstraße

# TAG portfolio Dresden city



Inhabitants in Dresden 548.800

- Units Dresden city as of March 2016:

Districts TOP 6	Units
1 Striesen	578
2 Leubnitz-Neuostra	470
3 Prohlis	150
4 Mickten/Pieschen/Trachau	513
5 Neustadt//Radeberger Vorstadt	312
6 Friedrichstadt/Löbtau	288
Other	583
<hr/>	
Dresden city in total	2,894

VISIT

**DB** Dresden central station

Hotel Hilton Dresden

✈️ Airport Dresden

# TAG 2016

Tour I:  
Dresden Haenel-Clauß-Straße

# TAG portfolio Dresden – Striesen

Address: Haenel-Clauß-Str. 17-28, 30-52,  
Haenel-Clauß-Platz 1-3, Prossener  
Str. 2-4, Keglerstraße 1-9, Siebe-  
kingsstr. 5-13, Mansfelder Str. 58-62

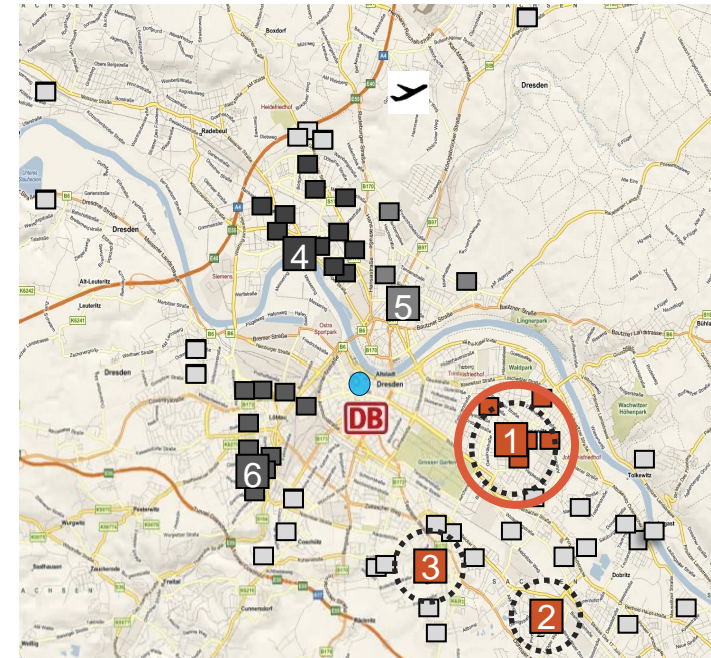
Postal Code: 01309 Dresden – Striesen

Type: Conventional building

Year of construction: 1930/1933

Refurbished: 1996/1997

Acquisition date: Dec-2012



	Units	Vacancy %	Net actual/ EUR/sqm	Reletting/ EUR/sqm
Residential	392	0.5 %	6.17 €	7.50 €
Parking	14	0 %	17.29 € parking lot	20.00 € parking lot
<b>Total</b>	<b>406</b>			

# TAG market development - Dresden

## 293,922 residential units (2014)

Year of construction	Share
pre 1918	28 %
1919 – 1945	18 %
1946 – 1990	36 %
post 1990	18 %

- In all 293,922 residential units (as of 2014) in buildings with residential space
- New construction following reunification prompted by attractive tax deduction options  
→ this led to surplus supply – approx. 20 % vacancy in the year 2000
- Beginning in the late 1990s, extensive demolition of residential space (1992 – 2013 Dismantling of approx. 11,392 residential units)

- Turnaround\*: positive developments in population, the city's attractiveness, and favourable economic development have led to high demand, rental apartments in particular will become scarce in future
- Projected need for new construction by 2025: 13,000 residences, of which 50% in apartment buildings
- Vacancy in 2015: approx. 2 %
- Rise in average rent prices:

2014: EUR/sqm 6.77\*



2015: EUR/sqm 6.93\*

# TAG new constructions - Dresden

- “Gartenstadt Striesen” project
- On the former grounds of a (plant) nursery on Haenel-Clauß-Strasse
- Condominiums (90% sold prior to completion)
- Purchase price: EUR/sqm 2,800 – 3,150
- Rental price: EUR/sqm 10.00
- Gross yield: approx. 4%





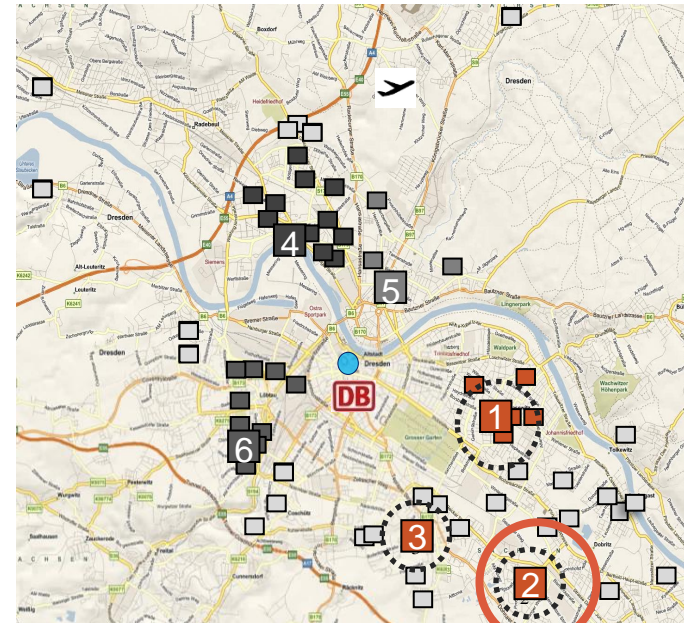
# TAAG 2016

Tour II:  
Dresden Gubener Straße

# TAG portfolio Dresden – Prohlis

Address: Gubener Straße 25-49  
 Postal Code: 01237  
 Dresden – Neustadt

Type: prefabricated building  
 Year of construction: 1978  
 Refurbished: 1994  
 Acquisition date: July 2011



	Units	Vacancy %	Net actual/ EUR/sqm	Relettingal/ EUR/sqm
Residential	150	2 %	5.03 €	5.50 €
Commercial	6	0 %	6.33 €	
<b>Total</b>	<b>156</b>			

# Modernization of vacant flats (longer term vacancy)

## Case Study – Dresden Gubener Straße (acquired 2011)

### Pre modernization



### Measures

- Units: 150
- Vacancy at acquisition date: 3%
- Vacancy today: 2%
- Interior refurbishment

### Post modernization



### Description

- Acquired in 2011 within the “Arsago” Portfolio in Saxony
- Example presented: refurbishment of 6 Units
- Total investment: EUR 52,200
- Modernization cost per unit: EUR 8,700
- Expenditure on time per unit: 4 weeks
- Equity-financed

### Calculation

(in EUR thousands)	
<b>Incremental revenues</b>	
Incremental revenues from new lettings	27.4
Saved maintenance costs	0.0
Saved ancillary costs from vacancy reduction	5.0
<b>Total incremental revenues</b>	<b>32.4</b>
<b>Total investment</b>	<b>52.2</b>
<b>Return on total investment</b>	<b>62.2%</b>
<b>Return on equity invested</b>	<b>62.2%</b>

# TAG de-centralized management structure

de-centralized functions

## LIMs in TAG regions (Heads of Real Estate Management)

### Customer service

- Property management
- Enhance high tenant satisfaction and tenant loyalty
- Social projects

### Renting activities

- Re-letting
- Vacancy reduction
- Monitor and optimize tenant structure

### Technical customer service

- Modernisation for re-letting
- Ongoing maintenance measures

### Receivables management

- Minimize outstanding receivables
- Payment reminder and legal action

- de-centralized approach ensures individual concepts for each regional market
- regional LIMs are incentivized by performance of their respective region “entrepreneur within the enterprise”

# TAG receivables management

## Receivables management

- Minimize outstanding receivables
- Payment reminder and legal action



## Development losses on rent receivables (residential)

- **TAG in total**
  - 2014 2.4 %
  - 2015 2.0 %
  - Q1 2016 2.0%
- **Dresden/ Gubener Straße (150 units)**
  - 2014 4.2%
  - 2015 1.1%
  - Q1 2016 1.4%

- Decentralised responsibility of LIM
- Tasks: maintain/update master data, monitor tenant accounts, regular dunning
- Establish receivables management:
  - comprehensive credit(worthiness) check upon letting
  - debt counselling: ongoing, personal counselling of rent debtors, talks with the authorities
  - agree payment in instalments
  - intensive social management: tenant meets, residential cafés, cooperation with local social services
  - termination of rental contracts
  - legal enforcement: court orders, actions for eviction and payment

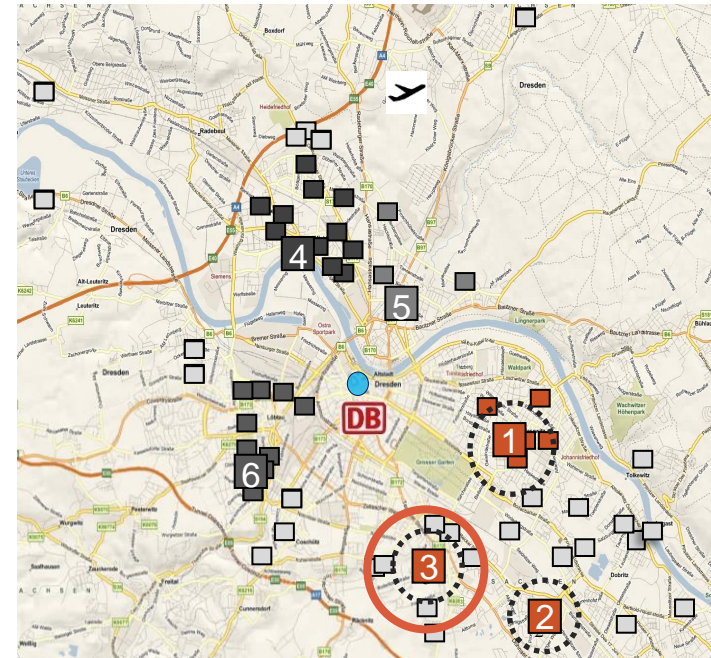
# TAAG 2016

Tour III:  
Dresden Max-Klinger-Straße

# TAG portfolio Dresden – Leubnitz-Neuostra

Address: Max-Klinger-Straße 1-13/ 2-20,  
Corinthstraße 22-24,  
Hans-Thoma-Straße 7-10,  
Postal Code: 01217  
Dresden – Leubnitz-Neuostra

Type: Conventional building  
Year of construction: 1920  
Refurbished: 2004  
Acquisition date: Dec-2012



	Units	Vacancy %	Net actual/ EUR/sqm	Reletting/ EUR/sqm
Residential	124	0 %	6.47 €	7.50 €
Parking	27	0 %	24.74 € / place	25.00€ / place
<b>Total</b>	<b>151</b>			

# TAG facility management

- TAG Immobilien Service GmbH with 225 employees as of 31 March 2016
- Partial / full management of approx. 43,000 residential units (approx. 55 % of the TAG portfolio)
- Costs saved by handling the services ourselves in 2015: approx. TEUR 250 p.a.
- Further benefits:
  - efficient management and communications
  - consistent image / face to the outside
  - high customer satisfaction through quality assurance



repair service



green care



road service



winter service



cleaning



# NOTES

# NOTES

# NOTES

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