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# Colonia - Integration in General

## **Corporate integration**

- Done: Management, Acquisition, IR, PR, HR, IT, Cash Management, Refinancing, Legal, Controlling
- In process: Third Party Asset Management, Accounting (multi stage process over the course of this year)

## **Operational integration**

- Asset management fully integrated and insourced where not the case previously
- Property management insourced in all locations but Salzgitter and Nordenham-Brake (in process)
- Technical management switched from external providers to TAG in toto

## **Financial aspects**

- Repaid most expensive loans

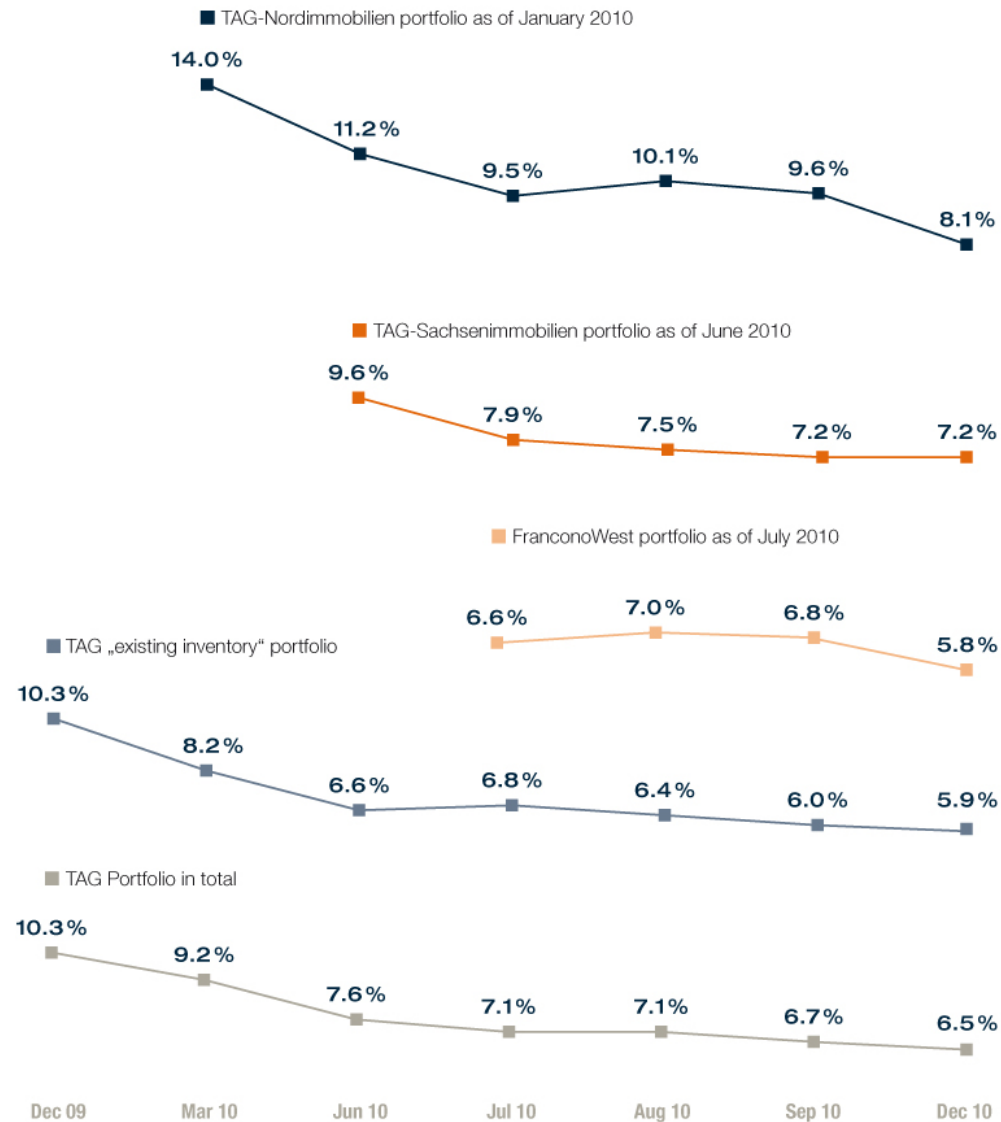
# Portfolio combined – TAG & Colonia



- TAG headquarter and Portfolio
- TAG branches and Portfolio
- TAG Portfolio (residential/commercial)
- ★ Colonia headquarter
- Colonia branches
- Colonia Portfolio (residential – in house AM)
- Colonia Portfolio (residential – outsourced AM)
- Colonia Portfolio (commercial)

	Total	TAG	Colonia
<b>Units (residential)</b>	26,783	7,711	19,012
<b>Floor Area sqm</b>	2,014,448	848,498	1,165,950
<b>Real Estate Volume mn</b>	1.8	1.0	0.8
<b>Vacancy %</b>		5.3	14.4
<b>Net Actual EUR/sqm</b>		6.11	4.69

# Portfolio Vacancy – TAG Track Record



Why we believe to be able to reduce vacancy in Salzgitter

## Portfolio Salzgitter – in General



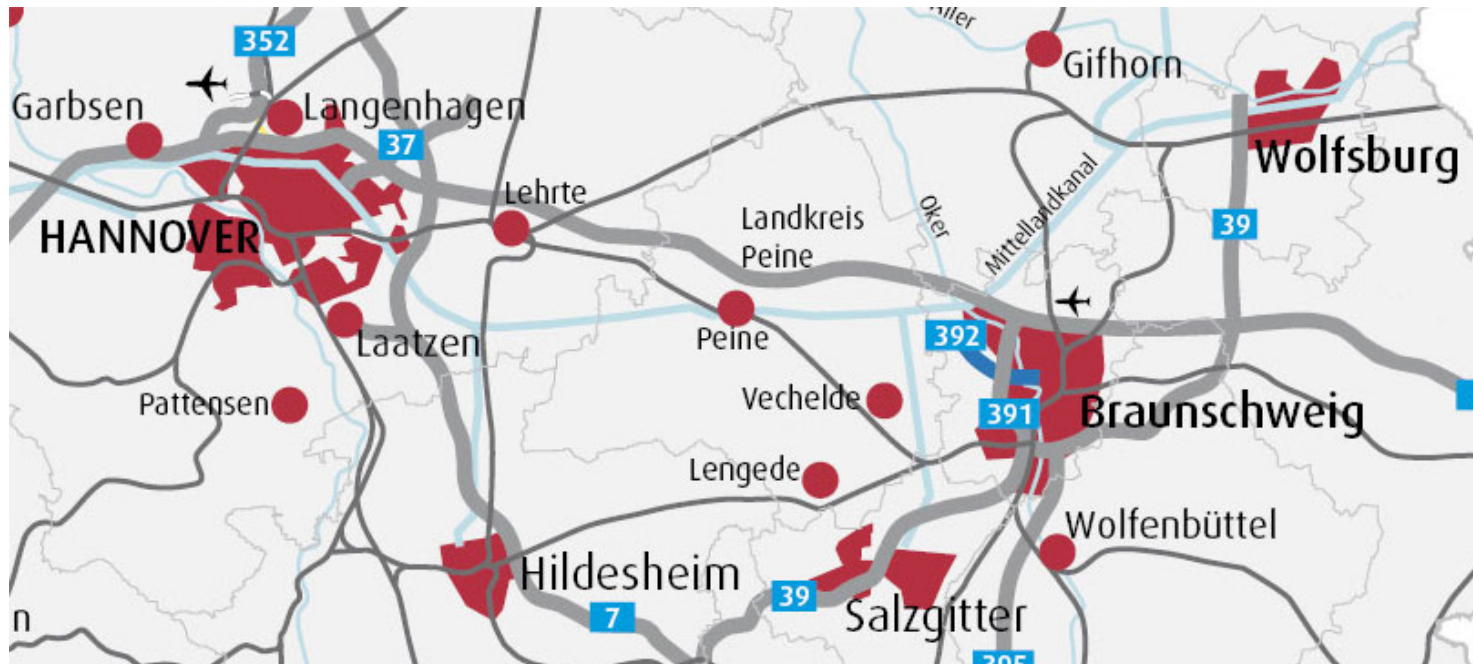
<b>Units (residential)</b>	8,714
<b>Floor Area sqm</b>	532,480
<b>Real Estate Volume EUR</b>	345,757
<b>Vacancy %</b>	24.0
<b>Net Actual EUR/sqm</b>	4.68
<b>Vacant Units (residential)</b>	1,923



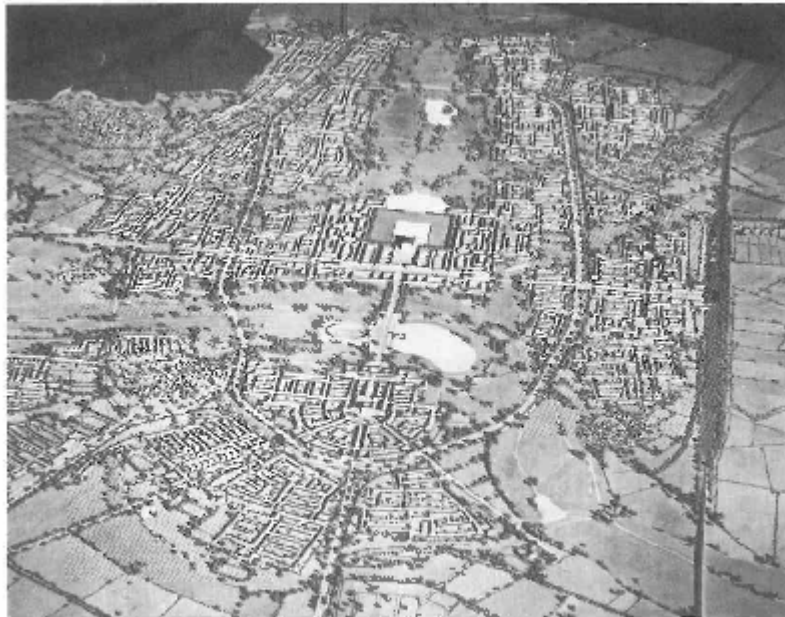
# Macro Location Salzgitter

Area km <sup>2</sup>	223,91*
Habitants	104,000
Local Centres	7
Districts	31

Berlin 891 km<sup>2</sup>



## History Salzgitter 1939-1941



Salzgitter is one of the very few new cities founded in the 20th century in Germany.



## History Salzgitter 1939-1941



„Hermann Göring – Steelwork“

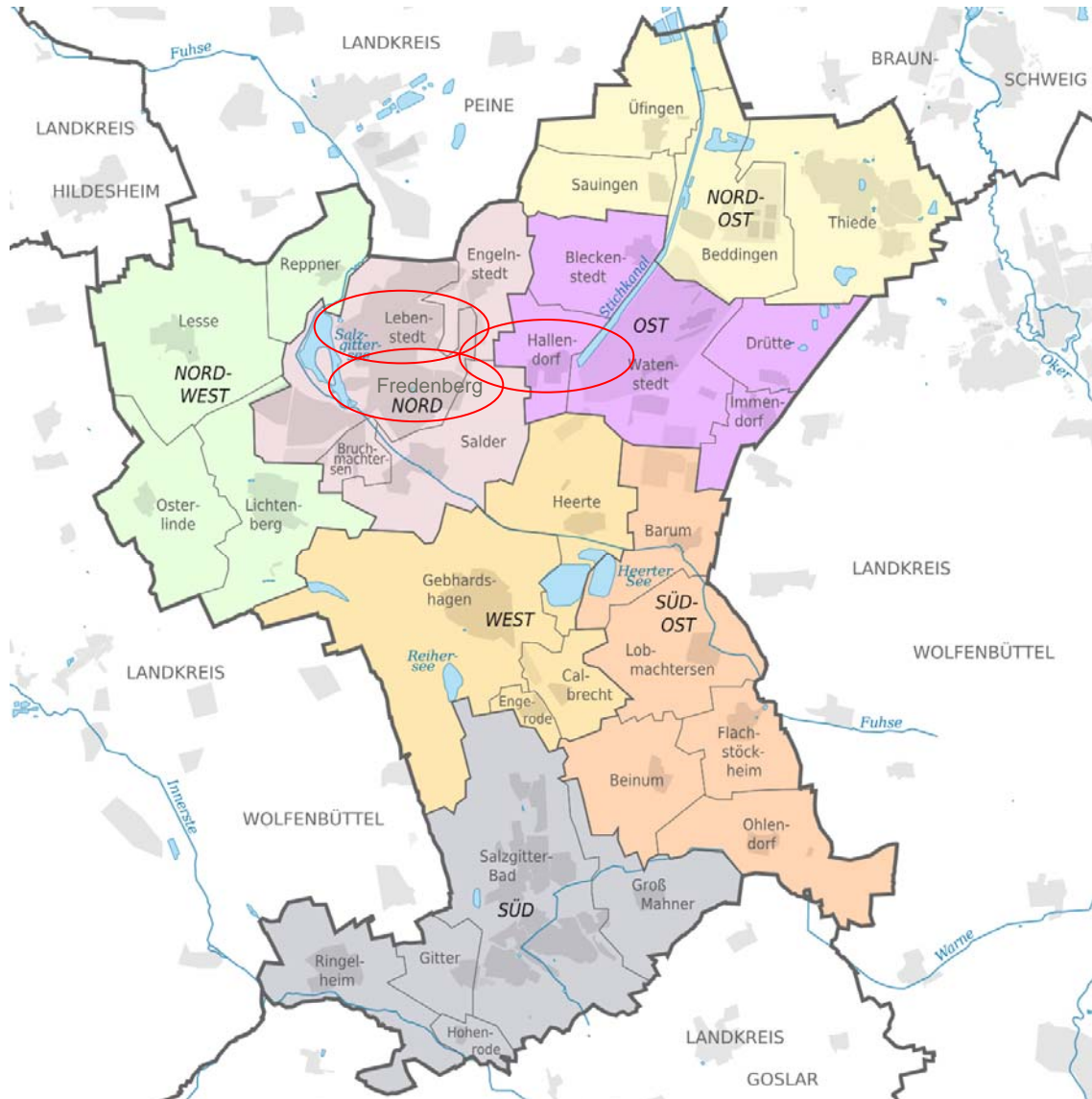
It was planned as an industrial town for up to 350,000 inhabitants. There were rich iron ore deposits in the region.

## ••• Micro Location, Salzgittersee - Lebenstedt





# Micro Location Salzgitter



Portfolio	Units
Lebenstedt	6,267
Fredenberg	2,082
Hallendorf	365

**Inhabitants in these districts 41,000 (40%)**

## Portfolio - Lebenstedt

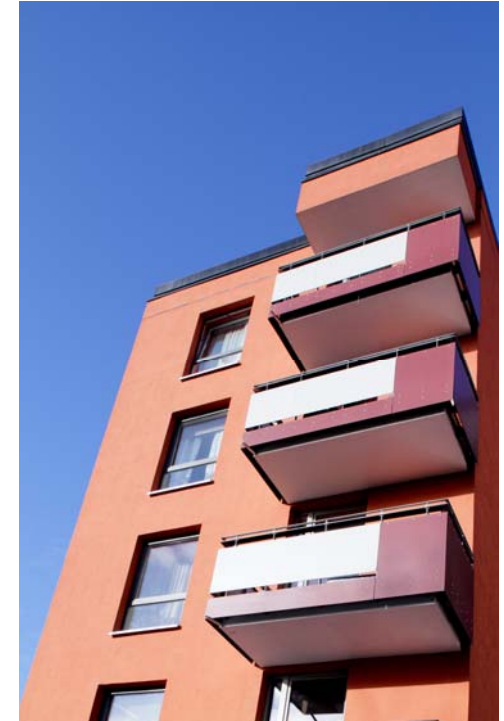
Residential	units	6,267
	sqm	356,368
Actual rent EUR/pm		1,372,833
	EUR/sqm	4.69
Vacancy rate in %		17.9





## Portfolio - Fredenberg

Residential	units	2,082
	sqm	155,069
Actual rent EUR/pm		474,616
	EUR/sqm	4.53
Vacancy rate in %		36.2





## Portfolio - Hallendorf

Residential	units	365
	sqm	21,043
Actual rent EUR/pm		57,208
	EUR/sqm	4.42
Vacancy rate in %		38.4



## **Portfolio Salzgitter – Financials** (Estimates)\*

	status quo (run rate 2010) TEUR
Rental Value	30,200
Current rent in place	23,500
Service charge leakage due to vacancy	-3,500
Other service charge leakage	-1,100
Marketing	-1,200
Maintenance	-3,300
External managers	-3,500
NOI	10,900
Interest payments	-7,700
Capex	-4,400
Other external fees	-1,500
Net cash flow to parent	-2,700

\* These numbers are based on the 2010 accounts and slightly approximated and re-classified for illustrative purposes

# Portfolio Salzgitter – Concrete Next Steps

## **Vacancy reduction**

- Overall vacancy in Salzgitter: 10%
- Vacancy in our portfolio: 22%
- We are in above-average location...making a single digit vacancy target obvious.
- 2.000 units are missing for elderly tenants.
- Chances/angles for marketing:
  1. Simply having a decent product (capex, see further down)
  2. Take tenants not from neighbours but from neighbouring parts of Salzgitter.

## **Rent increases**

- This is not a joke...
- The rent can be hiked in Lebenstedt and generally in studios and 1 bedroom apartments.

# Portfolio Salzgitter – Concrete Next Steps

## **Service charge leakage**

- Vacancy reduction alone helps
- We are missing meters for most utilities
- Unfortunate contractual issues
- Mistakes in previous year's service charges reconciliation
- Opportunities in changing service charge accounting circles (way too few at the moment)

## **Maintenance costs**

- Risk-sharing with general contractor

## **Marketing**

- Downsize dramatically and focus on direct channels

## **External managers**

- Gradual internalisation at lower marginal cost

## **Other external fees**

- Full internalisation at zero marginal cost



# Disclaimer

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