

Letter to our shareholders

Frankfurt / Main, Berlin; 29 November 2010

Ladies and Gentlemen,

Deutsche Wohnen is today already in a position to look back on a highly successful financial year 2010. In the third quarter we have again been able to continue the prior quarters' strong performance in all divisions. What is more – by completing the early refinancing of a large value loan due in 2012 we have already taken a vital step towards ensuring the Company's future success. In the following I will describe the highlights of the past nine months. For more details on the topics addressed here, I refer you to the interim report as of 30 September 2010, which is available for you to download from our website as usual.

Further improvement in earnings figures

In the first nine months of 2010 we were again able to improve all our key figures in comparison with the previous year. Earnings before taxes more than tripled year on year, from EUR 7.2 million to EUR 24.5 million, as a result of a strong ongoing operating business, further reductions in the cost base and lower interest expenses. Overall, we increased our cash flow from the portfolio after interest expenses by EUR 8.9 million, or more than 30%.

Funds from operations (FFO) per share went up accordingly by 35 %. With EUR 0.46 per share we have already exceeded in the last nine months the earnings per share of EUR 0.43 for the full year 2009. Deutsche Wohnen's profit for the period came to EUR 10.1 million, whereby the rate of improvement has slowed slightly compared with the half-year figure of EUR 8.1 million, largely due to the effect of deferred taxes.

We also vigorously pursued the Group's deleveraging process introduced in 2008. Financial liabilities were again reduced in the first nine months by repayments of EUR 113.6 million and the loan-to-value ratio (LTV) improved once again to 58.8%.

As mentioned above, one of the highlights of the third quarter for Deutsche Wohnen was without a doubt the signing of a loan agreement for EUR 255.0 million with BayernLB in September 2010. This enabled around 60 % of the entire loan volume for Deutsche Wohnen Group due in 2012 to be refinanced in advance on good terms. To date we have also renewed the last tranche of the large loan and are now almost fully funded until 2014.

The market also responded positively to our operating performance and the successful refinancing. The share price for Deutsche Wohnen increased by 30 % since the beginning of the year and on 30 September 2010 our share traded at EUR 8.73. It has stabilised at this level to this day.

Operating improvements form the basis

In operating terms Deutsche Wohnen has also improved again over recent months. The value of signed sales contracts doubled to EUR 158.4 million. Overall, we privatised 657 residential units and sold 2,633 units to institutional investors for a profit of EUR 19.7 million before costs. After costs, realised profit came to EUR 8.8 million as of 30 September 2010.

Developments in rents and vacancy rates remain positive. The in-place rent in the core portfolio rose again to EUR 5.43/sqm and vacancies were reduced sharply by 18 % to 2.7 %. The market monitor published recently by the Berlin-Brandenburg housing association group BBU gives a vacancy rate of 3.5 % for Berlin. We are well under this average figure in our core Berlin portfolio, with a vacancy rate of 1.6 %. In Frankfurt/Main too, we have basically reached full occupancy with a vacancy rate of just 1.8 %. Market rent for units not subject to rent control improved to EUR 6.42/sqm, which is 18 % higher than in-place rent.

Positive outlook for full year and for 2011

As you can see, ladies and gentlemen, your Company, Deutsche Wohnen, has established a solid base in the past, even when the environment was difficult, and has continued to develop successfully. But even more important is the fact that we are demonstrably well set up for the future. Deutsche Wohnen is in an excellent position to take particular advantage of the growth potential in the German residential property market. One of the steps we took to get here was the purchase of 1,125 residential units to bolster our portfolio base in our core regions. We are also working intensively on further acquisitions. The increasing progression in market rents confirms our strategic focus on fast-growing metropolitan areas.

Our long-term goal is to become the German market leader among the listed residential property companies. We are therefore concentrating above all on sustainable, profitable growth, steady dividend progression and a listing in the MDAX, connected with an increase of liquidity of your shares. Based on the situation I have just described and a market that remains strong, we are optimistic about the full year 2010. We will continue to pursue our growth strategy consistently.

I would be delighted if you would remain with our Company into the New Year, which is bound to offer a wealth of opportunities for Deutsche Wohnen. We naturally intend to exploit these opportunities to the full!

Yours faithfully,



Michael Zahn
Chief Executive Officer