



Letter to our shareholders

Frankfurt/Main, Berlin; 12 May 2011

Ladies and Gentlemen,
Dear Shareholders,

Following a successful fiscal year in 2010 Deutsche Wohnen has made just as good a start to 2011 with a strong first quarter. In the very first few months of this year we succeeded in driving the development of the company forward by, amongst other things, making further important acquisitions in our core regions.

A further increase in earnings

Let us come first of all to the results of the first quarter of 2011. We have succeeded in improving all the important key figures. For example, the profit for the reporting period rose by 63% to EUR 8.5 million. The reason for this is that despite disposals we achieved stable earnings from lettings whilst reducing interest expenses by 9%. The adjusted earnings before taxes rose by 54% from EUR 9.1 million to EUR 14.0 million. As a result, it was possible to improve the cash flow from the portfolio after current interest expenses. It was EUR 16.5 million as of the end of the quarter, following 14.3 million in the equivalent quarter of the previous year. The sustainable Funds from Operations (FFO without disposals) also rose in comparison to the equivalent quarter of the previous year from EUR 0.16 per share to EUR 0.19 per share – an increase of 19%.

In comparison to the end of 2010 the EPRA NAV, which reflects the intrinsic value of Deutsche Wohnen, increased as of the end of the quarter by around 1.4% or EUR 0.16 per share to EUR 11.94 per share. Our financial liabilities have fallen in comparison to the end of 2010 mainly due to repayments in the amount of EUR 31.4 million (net). The Loan-to-Value Ratio (LTV) was reduced from 60.6% as of 31 December 2010 to 60.1% as of 31 March 2011. Overall, Deutsche Wohnen strengthened and even extended its solid earnings power in the first quarter of 2011.

Operational development successfully driven forward

These improvements in the company's results are, in turn, based on good operational developments in the reporting period. For example, it was possible to increase the in-place rent per sqm in the core portfolio in the last twelve months by EUR 0.12 or 2.2% to EUR 5.50. The Net Operating Income (NOI) rose by 4.4% to EUR 4.03 per sqm and month. The notarised volume of disposals in the reporting period was EUR 58.0 million with a higher gross margin of around 41% in residential privatisations. In

addition, the operating result (EBITDA) in the segment Nursing and Assisted Living improved by 23% to EUR 2.7 million due to an increase in capacity utilisation.

These positive figures confirm our portfolio strategy of focussing consistently on Germany's metropolitan areas. The current trends in the residential property market in our core regions support this. Consequently, these areas continue to be the main focus of our operational acquisitions. In addition to growing externally, we also intend to grow organically in future by making use of rental potentials (the spread between in-place rent and new-letting rent). This is achieved primarily through new lettings within the context of fluctuation, modernisation measures and vacancy rate reduction. In this way we can ensure that our portfolio remains attractive and of high quality. By disclosing our portfolio strategy we would like to convince you – dear shareholders – of the rightness of this strategy and to involve you in our plans.

Deutsche Wohnen is investing in the future

As we announced in our last shareholder letter we wish to grow our successful business model and to establish it on an even wider portfolio basis. We have taken important steps in this respect in the last few weeks. Accordingly, in April and May 2011 we concluded contracts to purchase a total of 2,500 residential units and, in doing so, further strengthened our core region of Berlin. The Net Initial Yield based on the current gross rental income is 8.1%. Overall we have acquired in the last nine months around 4,300 residential units for the purpose of achieving a targeted expansion of our portfolio. The newly acquired residential units generate an annual current gross rental income of around EUR 15.0 million. Further acquisitions are planned. This means that we are making targeted investments in the future of Deutsche Wohnen!

Once again, dear shareholders, we thank you for the trust you have placed in us. If the Annual General Meeting agrees to our proposal, you will receive for the first time again in 2011 a dividend on your Deutsche Wohnen shares. In this way too you are profiting from your commitment to this company.

Yours faithfully,



Michael Zahn
Chief Executive Officer



Helmut Ullrich
Chief Financial Officer