

# Spring Newsletter 2008



## Director's Letter

The recovery in the German economy continues apace, thanks largely to the fact that, even though it remains the world's largest exporter, 75% of its exports stay within Europe, leaving it less exposed to the instability of the US economy than most European nations. The recovery is also backed by lowering unemployment and higher consumer confidence figures, news of which can be found on page three.

Obviously, it would be impossible for the German economy to be completely unaffected by the so-called 'Credit Crunch.' However, the very fact that many institutional investors have had to focus their efforts on dealing with the effects of economic unrest elsewhere, has allowed the Augusta Property Purchasing Team to take advantage of beneficial market conditions. Indeed, in the first three months of 2008 Augusta purchased over €30 million of property on behalf of its clients. You can read more about these purchases on page two.

The current climate has also allowed Augusta to develop new products to suit our clients, one of which is the Augusta Private Syndicate. Augusta Private differs from our previous Syndicates in its time-frame, the type of properties purchased and minimum investment. Details of our first Augusta Private Syndicate and information on how to participate are available on page four.

Many thanks for your continued interest in Augusta.

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## Subscribe now for updates by e-mail

To keep you as informed as possible about your investments and the markets in which those investments are made, Augusta has launched an email update facility.

To subscribe for this service, simply email us at [info@augusta.ie](mailto:info@augusta.ie) with the words 'Email Update' in the subject bar.

## €30 Million Worth of Purchases in Q1 2008

With financial institutions and hedge funds among our most numerous competitors in buying German assets, Augusta took the view in Q3 2007 that a wait-and-see approach to purchasing would prove beneficial, as competitive bidders cooled off on buying to focus on fighting other fires close to home.

And so it has proven. Q4 2007 and Q1 2008 have been excellent negotiating and buying periods for Augusta. By the end of Q1 2008, Augusta had committed €30m of syndicate investor funds to excellent German commercial investments. This

represents our most successful property purchasing period yet. Location is a key factor when purchasing property in Germany and the cities in which we have purchased property so far this year — Munich, Wiesbaden, Rostock and Stuttgart—all rank as top locations for German investment.

While three contracts have been signed on behalf of Augusta Syndicates, the purchase of the Wiesbaden property was done on behalf of a small number of Augusta Private investors. Further details of this Augusta Private property are available on page four.

Both the retail and office markets continue to provide the best source of investment property in Germany. Retail business in particular is still seeing a revival. The pickup in spending and, more importantly, the high consumer confidence levels for 2007 and 2008 are driving rents and occupancy rates up in all parts of the country. DEGI Research estimates prime retail rents increased by 3.6% in 2007.

A comparison between the Irish retail investment market and its German equivalent can be seen below:



SEB Bank Rostock: Purchased on behalf of The Sixth Augusta Syndicate—Germany

### German Retail Investment—Huge Scope for Growth

#### Ireland

Prime Retail Rents – Dublin\* =

**€4,951/m<sup>2</sup>**

Shopping Centre Space – Ireland\* =  
**306m<sup>2</sup>/'000 pop.**

Shopping Centre space growth by  
2012\*\* = **60%**

Consumer Confidence shift Jan 06 to  
Dec 07 = **DOWN 25.8 points**

\*Dec 2006 Jones Lang LaSalle

\*\* 2007 Bank of Ireland

#### Germany

Prime Retail Rents – Berlin\* =

**€2,200/m<sup>2</sup>**

Shopping Ctr. Space – Germany\* =  
**120m<sup>2</sup>/'000 pop.**

Shopping Centre space growth by  
2010\*\* = **20%**

Consumer Confidence shift Jan 06 to  
Dec 07 = **UP 8.5 points**

\*Dec 2006 Jones Lang LaSalle

\*\* 2007 DEGI Research

### Property Management Team in Germany

A key element of the success of the Augusta Syndicates is the proactive day to day management of the properties.

To ensure that everything from rent collection to indexation implementation is done as efficiently as possible, it is important to have a good working relationship with your property manager.

It is for this reason that Augusta employs Berlin-based Fröhlich Hausverwaltung

GmbH to manage Augusta's German portfolio.

M.D. Markus Fröhlich and his team have already ensured the implementation of a number of contractual rent increases as well as ensuring all tenants adhere to their lease terms, without the need for Augusta intervention, which in turn allows us to concentrate our skills on the value-adding asset management of the Syndicates.



## Germany in the News

### Germany Still the King of Exports

Last year manufacturing output grew by over 6%. Exports rose more than 8%, making Germany the world export leader, ahead of even China, for the fifth year running, with total trade of €969bn. Overall, the German economy expanded in 2007 by 2.5%, with external trade accounting for 1.4% of this growth.

While trade with the US was down 6% to €73 billion last year, America is not a big export market for most German companies and this makes many German bosses think the looming US recession will hurt them no worse than the Japanese banking crisis did a few years ago. The EU Remains Germany's largest trading partner, representing 60% of trade.

Sunday Times—March 30, 2008

*'Despite all the turbulence in the international markets, the German property market is still on the upturn.'*

- PricewaterhouseCoopers Report, March 12, 2008

### German Investor Confidence Improves

German investor confidence rose in February and March of 2008, adding to evidence that Europe's largest economy is coping with the euro's appreciation and a U.S. slowdown.

*'Germany should come out of this slowdown much better than other euro-area countries.'* said Dominic Bryant, an economist at BNP Paribas in London, on the news that German unemployment has also fallen to the lowest level in more than 15 years, which may support consumer spending.

The Irish Independent —March 11, 2008

### German Figures Send Euro to New High

The dollar plunged to an all-time low against the euro this morning after a stronger than expected survey on business confidence in Germany, the euro zone's largest economy.

The ZEW Institute said the figures reflected analysts' expectations that the US dollar would strengthen in a boost to Germany's all-important export sector.

RTE.ie—March 11, 2008

## Augusta Private is launched

The number of higher net worth clients entrusting their investments to Augusta continues to grow. At the same time, we are encountering investment opportunities such as forced sales by banks that require quick purchases and intensive asset management. To marry the two, we have launched Augusta Private.

Augusta Private clients, in return for a typical minimum investment level of €250,000, have access to property investments that show the potential for higher than usual capital appreciation, achieved by Augusta's expertise in negotiation and in our ability to execute a vision to manage properties to higher valuations.

As even higher net worth clients may not have €250,000 in liquid form at any given time, these syndicates will aim to pay a quarterly tax-neutral sum between 4%p.a. and 5%p.a. during the investment. This could facilitate those borrowing to invest.

**If you would like to participate in future Augusta Private investments, please call Jerry Purcell or Declan Kennedy.**

## Case Study: The Augusta Private Syndicate – Wiesbaden

Friedrich-Bergius-Straße 10 - 16 is a modern, standalone retail complex, currently comprising four retail units and one office unit. Total plot area is 6,109m<sup>2</sup>. Total rentable area is 3,612m<sup>2</sup>.

The property is located on a very busy intersection at the heart of Wiesbaden's suburban retail district. Wiesbaden itself is one of Germany's most affluent cities and economically ranks in the top 10.

### Area

In its annual study, German business magazine "Cash" rated Wiesbaden as the country's second best real estate investment destination. With high purchasing power, it has a thriving retail sector, much of which is centred in suburban retail complexes. The area around Friedrich-Bergius-Straße is a very good example, with 2 large DIY store chains, furniture multiples, clothing outlets, supermarkets and fast food chains – among others – represented.

### Vision

As is typical of an Augusta Private property, Wiesbaden offers much more than just a dry hold. Contractual, index-linked rent increases, combined with pro-active asset management, including the addition of an extra unit, are projected to add approx. 1.5% to the value of the property at the exit date, in just under two years time.



Friedrich-Bergius-Straße 10 - 16, Wiesbaden, Germany

### Early Exit

This more aggressive asset management vision is reflected in the anticipated exit date of 2010. An intended feature of Augusta Private investments will be to set similar early exit points where possible.

### Returns

Purchase from a vendor under credit pressure and the clear rental uplift potential in the short term combine to set a projected IRR of 22%. An investment of €250,000 in 2008 should be worth approximately €347,000 at the exit date in two years.

### Wiesbaden Facts:

- Federal State Capital of Hessen
- Population: 275,000
- Income per capita: Ranked 3rd in Germany
- Transport links: Frankfurt airport 15 minutes, hi - speed ICE rail, access to 4 autobahns
- Unemployment (Wiesbaden City & Suburbs vs. Germany total): 6.6% vs. 7.9%

## Participating in Augusta Private

Clients with access at short notice to investment sums of €250,000 or greater and whose risk profile matches the shorter, more aggressive investment strategy of Augusta Private projects, are invited to contact Jerry or Declan on (01) 2300 858, to discuss inclusion in our investor list for future Augusta Private opportunities.