EDISON

Phoenix Spree Deutschland

FY21 results

Positive return to core strategy

Real estate

Driven by a continuing housing shortage, Berlin residential property rents and condominium prices have continued to increase over the past year. Having successfully weathered the now repealed rent restrictions, we expect Phoenix Spree Deutschland (PSD) to continue to extract the significant value embedded in its portfolio successfully despite the uncertainties of rising inflation and interest rates and war in Ukraine.

Year end	PBT* (€m)	EPS (c)	NAV**/ share (€)	DPS (c)	P/E (x)	P/NAV (x)	Yield (%)
12/20	37.9	30.0	5.28	7.5	13.6	0.78	1.8%
12/21	45.3	39.0	5.65	7.5	10.4	0.73	1.8%
12/22e	42.0	37.0	6.03	7.5	11.2	0.68	1.8%
12/23e	43.7	38.0	6.43	7.5	10.7	0.64	1.8%

Note: *As reported on an IFRS basis including realised and unrealised gains. **Measured as EPRA net tangible assets per share.

2021 built on strong track record

PSD delivered an 8.4% NAV total return in FY21, with increased recurring income earnings and continued growth in property valuations both contributing. PBT increased c 19% to €45.3m (FY20: €37.9m), DPS was unchanged at 7.5 cents, and EPRA net tangible assets (NTA) per share increased c 7% to €5.65. Following its repeal, 95% of the rent reductions imposed by the Mietendeckel have been recovered and PSD has resumed its successful strategy of reversionary rent capture supplemented by the profitable sale of selected apartment blocks as private units (condominiums). Stepped-up share repurchases, aimed at closing the discount to NAV, have not impacted on PSD's investment plans or organic growth prospects. Additional loan facilities provide increased flexibility for accretive acquisitions such as the March 2022 €18.5m forward funding of new homes in the Berlin beltway.

Embedded value will drive returns

There is significant value embedded in PSD's portfolio, not reflected in current income or net asset value. PSD estimates that free market rents are c 30% above average portfolio rents, representing a substantial income reversion potential. While 75% of the Berlin portfolio has been legally split into condominiums, less than 5% is valued as such, and market values are typically 30–35% higher than the rental-based valuations applied to most of the portfolio. PSD is well positioned for tighter rules on apartment block splitting that may increase the scarcity and valuation of condominiums available for sale in the market. Following Mietendeckel repeal in April 2021, the rent premium achieved on new lettings has re-emerged and new Berlin leases signed during FY21 were at an average 33.8% premium to passing rents. PSD is now able to resume its comprehensive programme of vacant apartment renovations and modernisations to drive reversionary rent capture.

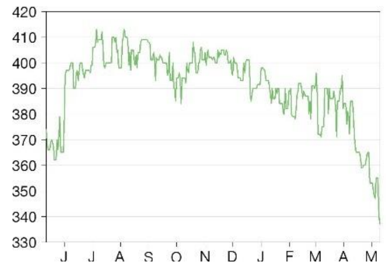
Valuation: Still to reflect potential

The discount to NAV that emerged with the Mietendeckel has narrowed, but remains at c 27% based on FY21 EPRA NTA per share. We estimate that the discount may be c 33% if all assets split into condominiums were valued as such.

12 May 2022

Price	**350p**
Market cap	**£323m**
Net debt (€m) at 31 December 2021	278.0
Net LTV at 31 December 2021	34.7%
Shares in issue	92.3m
Free float	100%
Code	PSDL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(8.4)	(10.7)	(5.4)
Rel (local)	(4.5)	(5.7)	(7.6)
52-week high/low		413p	337p

Business description

Phoenix Spree Deutschland is a long-term investor in mid-market residential property in Berlin, targeting reliable income and capital growth. Its core strategy is to acquire unmodernised apartment blocks that may be improved to the benefit of tenants, generating attractive returns for shareholders based on improved rents and capital values.

Next events

AGM	8 June 2022

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Edison profile page

Phoenix Spree Deutschland is a research client of Edison Investment Research Limited

Investment summary

Phoenix Spree Deutschland (PSD) is a Jersey-based, closed-ended investment company that was founded in 2007. It was initially listed on the Channel Islands Securities Exchange in 2007 and, after a period of strong growth, moved to a Main Market listing on the London Stock Exchange (LSE) in June 2015. It targets an attractive total return from residential property investment in the Berlin Brandenburg metropolitan region, predominantly within the city of Berlin. It is externally managed by QSix, a specialist real estate manager with an established track record of performance in the German residential property market.

PSD has a strong track record of creating value from a two-pronged strategy that comprises:

- acquiring under-rented apartment blocks at low valuations and actively managing them to capture reversionary rent potential and drive growth in recurring income and capital values. PSD estimates that the average free market value of rents for the portfolio is c 30% above average contracted rents per sqm per month of €9.6 and continues to increase, driven by local demand for accommodation, which significantly outstrips supply; and
- supplemented by the division and subsequent resale of selected apartment blocks as private units (condominiums) at market valuations, also continuing to rise, realising significant value compared with the values reflected in the portfolio valuation.

Refurbishment and subsequent re-letting of vacated units at a premium to existing rents, and closer to market rent levels, is the key driver of reversionary capture in the German market with its restrictive Federal rent laws. The Mietendeckel, introduced by the Berlin state authorities in early 2020, sought to reduce or cap Berlin rents for a five-year period and disrupted PSD's strategy until it was ruled unconstitutional and repealed in April 2021. Far from resolving the underlying fundamental issue of a shortage of housing, the Mietendeckel reduced the number of available rental apartments and discouraged investment in new stock, and the market remained resilient. Similarly, the pandemic has had little direct impact on PSD's performance, and it has continued to extract the value embedded in its portfolio, generating an FY21 accounting total return of 8.4%, in line with its 8–10% pa medium-term target. As we discuss in the following section, PSD has significantly exceeded its target returns in recent years.

While war in Ukraine, the sharp rise in inflation and upward pressure on interest rates have created uncertainty in capital markets,[1] the capture of rent reversion through re-letting should support medium-term rental growth, irrespective of market rental growth. PSD is yet to see any impact on investor appetite for residential real estate in its market, in keeping with continuing investor support for real assets and, while transaction activity may slow, we would expect PSD to be able to continue sales of condominiums at a premium to book value, albeit at a reduced pace.

Additional opportunities for growth include exploiting underutilised space in the footprint of the existing portfolio, adding units in attic space for example, and further accretive acquisitions, for which capital funding is available.

Management and governance

PSD has an experienced board with a diverse range of non-executive directors who bring a wealth of experience in real estate, corporate finance, investment funds and capital markets. The board is chaired by Robert Hingley, appointed in June 2015, with over 30 years' experience as a corporate

[1] The German Statistical Office reported a 7.8% year-on-year inflation rate for April 2022. The German 10-year bond has increased from a negative c 0.1% to a positive c 1% in 2022 year to date. The EU policy rate remains at a negative 0.5% where it has been held since 2014.

finance adviser. Full biographies can be found on the company's website. The board has appointed QSix as the external property adviser, an independent and owner-managed specialist real estate manager with more than £1bn in assets under management, with offices in London and Berlin. Founded in 2006, QSix consists of a team of experienced real estate investment professionals with an established track record in the German residential property market. It advises PSD on property acquisitions and disposals, supervises the renovation of properties, provides oversight of the property managers and reviews tenant selection. It also advises on the initiation of bank finance and the preparation of business plans.

Investment adviser fees

The property adviser receives a portfolio and asset management fee calculated annually as:

- 1.2% on EPRA net tangible assets of less than €500m.
- 1.0% on EPRA net tangible assets of €500m or more.

The property adviser is also entitled to fees relating to property transactions and debt financings, lettings and investor relations activities. A capex monitoring fee (7% of capex) is also payable to the investment adviser and this is reported in the financial statements within capital expenditure.

The property adviser is also entitled to a performance fee calculated as 15% of the excess by which annual EPRA NTA total return exceeds 8% pa on a cumulative basis measured over consecutive three-year periods, subject to a high watermark, and payable and settled in shares.

We forecast strong track record of returns to continue

PSD has a consistently strong track record of NAV total return[2] generation and has exceeded its 8–10% pa medium-term target range in each full year since its listing transferred to the Main Market of the LSE in 2015. This remained the case during FY20/21 despite the temporary introduction of the Mietendeckel. Total returns in the period have been driven by capital growth, which reflects the current low running income yield on the portfolio and the company's strategy of unlocking the reversionary income potential that is embedded within it. Our forecasts indicate that returns will continue within or around the target range during FY22 (8.1%) and FY23 (7.8%). Not included in our forecasts is the the potential positive impacts of fair value gains on interest rate derivatives, used for interest rate hedging, that are likely as a result of higher market interest rates, further NAV enhancing share repurchases, or accretive acquisitions.

Exhibit 1: NAV total return history*

	FY16	FY17	FY18	FY19	FY20	FY21	FY15–21	FY22e	FY23e
Opening NAV per share (€)	2.28	2.73	4.11	4.58	4.92	5.28	2.28	5.65	6.03
Closing NAV per share (€)	2.73	4.11	4.58	4.92	5.28	5.65	5.65	6.03	6.43
Dividends paid (€ cents)	5.80	6.20	7.35	7.50	7.50	7.50	41.85	7.50	7.50
NAV total return	22.2%	52.6%	13.1%	9.3%	8.8%	8.3%	165.5%	8.1%	7.8%
Capital return							147.2%		
Income return							18.3%		
Annualised total return							17.7%		

Source: Phoenix Spree historical data, Edison Investment Research. Note: *Based on EPRA NAV/NTA per share.

Resilience driven by fundamentals

PSD's resilience during the uncertainties of the Mietendeckel and throughout the pandemic reflect the strong fundamentals of the Berlin market. Berlin is the most populous city in Germany (3.8

2 The change in NAV/NTA adjusted for dividends paid in the period.

million people) and represents the largest rental housing market in Germany (almost 2m units, according to the Berlin-Brandenburg Statistical Office, BBSO). The city's population has grown in recent years, primarily due to net inward migration, encouraged by relatively low rent levels compared with other metropolitan areas and a strong job market. Over the past two years, population growth has levelled off, in part due to the pandemic but also the Mietendeckel, which reduced the number of apartments available to rent. Net inward migration was negative in 2021 for the first time in 20 years, albeit only slightly. PSD expects net inward migration to strengthen when restrictions associated with COVID-19 are permanently removed. On 5 April, the government announced a significant easing of national restrictions, although entry rules for incoming travellers were maintained.

Over many years, housing demand has been driven by an increasing number of single and two-person households and a rising number of employed persons, in addition to population growth. While the supply of new homes has increased, it has remained well below the level needed to satisfy this growing demand. Berlin faces a chronic shortage of affordable housing, with well over 100 applicants per rental flat, far outstripping any other German city.[3] Negatively affected by the Mietendeckel, last year's building permits represented less than 1% of Berlin housing stock. In the event that net inward migration picks up, the shortage of available housing stock could be exacerbated still further.

Reflecting the shortage of housing, rents and condominium prices have risen strongly. The German property agent Guthmann estimates that median asking rents for existing properties increased more than 4% in 2021 and have increased by an average c 10% pa over the past 10 years.[4] Jones Lang LaSalle (JLL) estimates that the median asking price for owner-occupied apartments increased by 11.6% year-on-year in H221 and by an average c 14% over five years.[5] JLL also estimates Berlin residential market investment transactions at a record €26.2bn in 2021, including c €2.5bn in sales (c 15,000 residential and commercial units) to the State of Berlin as a condition of the acquisition of Deutsche Wohnen by Vonovia.

Political environment

Having started from a relatively low level, Berlin rents and condominium prices remain relatively affordable in a European context. Average Berlin rents are still below those in Munich, Frankfurt and Hamburg but it is the pace of growth in Berlin that is driving resistance to further increases.

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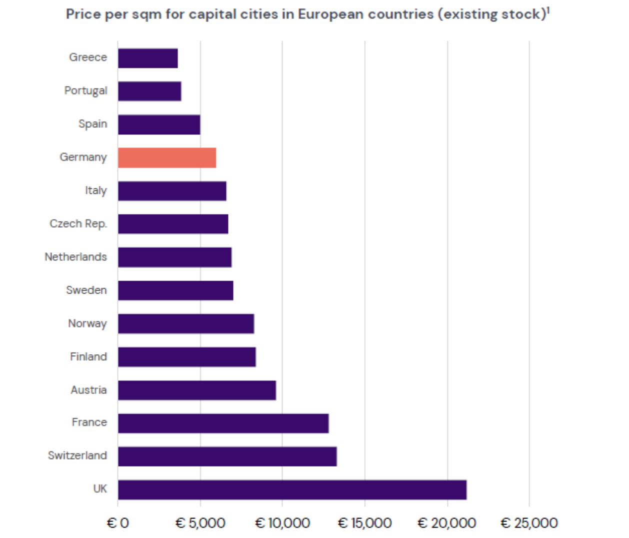
[3] PSD annual report 2021.

[4] Guthmann, Berlin Real Estate Report 2022.

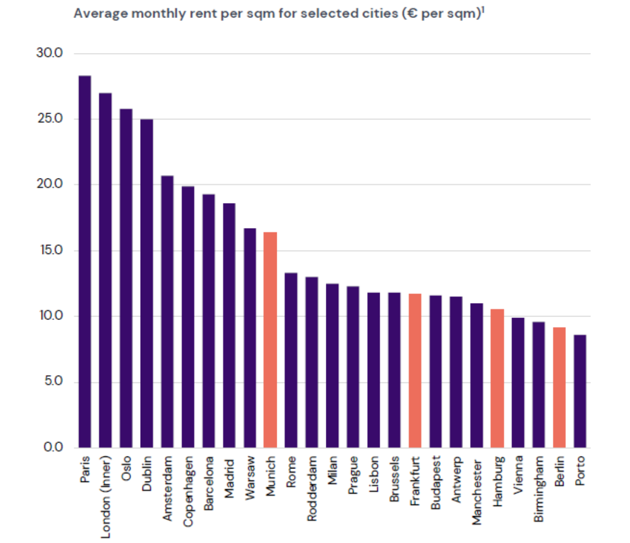
[5] JLL, Residential market in Germany, February 2022.

Exhibit 2: Property values per sqm (€) in European capital cities



Source: PSD/Global Property Guide

Exhibit 3: Average monthly rent per sqm (€) in selected cities



Source: PSD/Global Property Guide

The Mietendeckel was a failed political response to the housing crisis, reducing the supply of rental accommodation and inhibiting development of new stock. This was followed in September 2021 by a referendum on whether to nationalise housing units owned by large private sector landlords. Although non-binding, the referendum received the support of 56% of those who voted. However, expropriation would do nothing to resolve the underlying shortage of housing and, according to the Senate of Berlin's own estimate, would have cost up to €36bn in compensation. Key elements in solving the housing crisis are reckoned to include a simplification of the bureaucratic process for bringing forward new developments and redensification. PSD believes that the new federal government, consisting of the SPD, Greens and FDP, holds out the prospect of a more stable legal framework for the residential property sector for the foreseeable future. While it expects the general direction of policy initiatives will continue to be towards tightening tenant protections, particularly in areas with overstretched housing markets, it believes there is now a recognition that blunt policy instruments, such as the Mietendeckel, are not the best way to address housing market imbalances. Rather, the new government appears to be shifting its focus towards increasing the supply of housing and, with a target of 400,000 new homes per year, the new coalition is ahead of the previous government´s goals.

Discount narrowing strategy

PSD shares had historically traded at around net asset value or higher until mid-2019 as anticipation of the Mietendeckel began to build, ahead of its temporary implementation in 2020. The shares responded positively to Mietendeckel repeal, but are yet to close the discount that had emerged despite the 8 June 2021 adoption by the board of a more proactive share buyback strategy.[6] This takes advantage of the discount, while aiming to ensure that the share price better reflects the underlying net asset value. During FY21, PSD repurchased c 4.5m shares or 4.5% of the total for an aggregate consideration of c £17.7m (392p per share), representing a 17.8% discount to the end-FY20 EPRA NTA per share. Share repurchases have continued into FY22, with

[6] PSD first introduced a buyback programme in October 2019, under which it had 'passively' repurchased c 5.1% of the issued share capital to manage downside risk to the share price.

an additional c 0.5m shares acquired at an average price of 376p, a 20.7% discount to the end-FY21 EPRA NTA per share.[7]

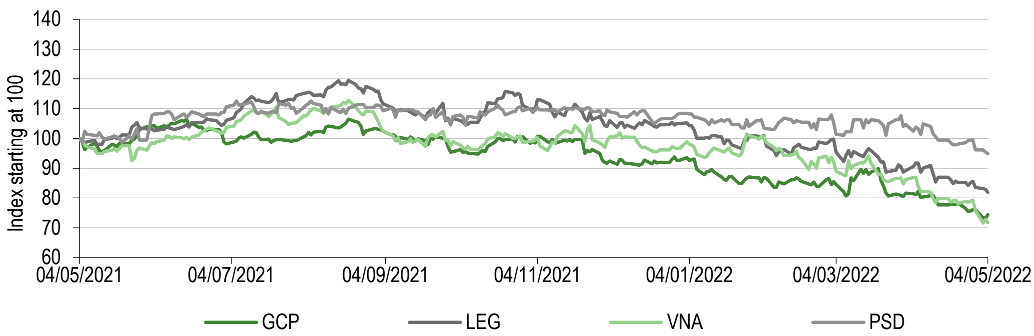
Share repurchases have been funded from a combination of existing cash resources, refinancing and condominium sale proceeds, and PSD says that this has been achieved without impacting on investment plans or organic growth prospects.

Exhibit 4: Price to NAV history

Source: Refinitiv data as at 11 May 2022

Despite the share repurchase programme, the discount to NAV has remained stubbornly wide at c 27% currently, with the share price failing to keep pace with NAV growth and, more recently, weakening with markets in response to rising inflation and bond yields, exacerbated by the crisis in Ukraine. Compared with sector peers, this is a very positive result with PSD shares c 5% lower over the year compared with an average for peers of c 25%. Excluding PSD, the group is trading on a median c 0.5x P/NAV.

Exhibit 5: Peer group share price performance comparison (May 2021 = 100)



Source: Refinitiv data. Note: GCP = Grand City Properties, LEG = LEG Immobilien, VNA = Vonovia, PSD = Phoenix Spree.

[7] Calculated by PSD at £/€1.191.

Portfolio developments: Reversionary capture enhanced by condominium sales and capital recycling for growth

Portfolio summary

The external valuation of the portfolio at 31 December 2021, conducted by JLL, was €801.5m or an average €4,225 per sqm and reflecting a fully occupied net yield of 2.4%. The EPRA topped-up net initial yield[8] at end-FY21 of 2.0% was slightly lower than the 2.1% at end-FY20.

Exhibit 6: Portfolio summary

	Valuation (€m)	Valuation (%)	Value per sqm (€)	Annualised net contracted rent (€m)	Annualised net contracted rent (%)	Net contracted rent per sqm (€)	Fully occupied net yield (%)	Vacancy by area (%)	EPRA vacancy (%)
Berlin rental	711.5	89	4,331	17.9	89	9.7	2.3	6.2	2.6
Brandenburg	51.2	6	3,145	1.4	7	9.9	2.9	28.9	8.7
Berlin Cond.	38.8	5	4,256	0.9	4	9.1	N/A	8.5	N/A
Total portfolio	**801.5**	**100**	**4,225**	**20.3**	**100**	**9.6**	**2.4**	**8.4**	**3.1**

Source: PSD

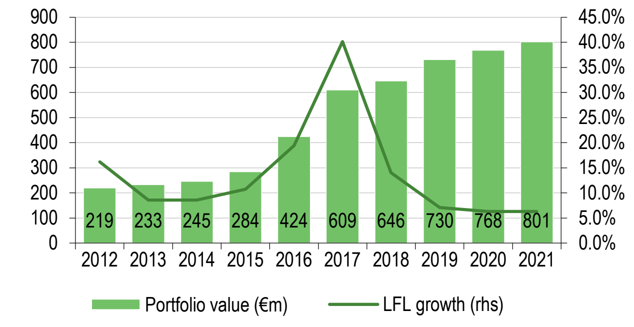
The portfolio comprises 97 buildings, providing 2,569 residential units and 138 commercial units. The properties are mainly classic ‘Altbau’, built before 1914, and typically five-storey buildings, each containing 20–40 units, made up of one- to three-bedroom apartments, often with shops or other commercial units on the ground floor. Structural alterations to buildings of this age and design are often easier than would be the case for some more modern post-war buildings and environmental risks such as asbestos are far less likely. Central Berlin accounts for c 95% of the portfolio by number of units, valuation and annualised contracted rents. This mainly comprises assets that are valued on the balance sheet at ‘rental valuation’ and those that are carried at ‘condominium valuations’. The balance of the portfolio is located in the surrounding State of Brandenburg, where in December 2019 PSD acquired a 259-unit apartment complex for c €40.6m (excluding costs), located in Blankenfelde-Mahlow, a municipality 7km south of central Berlin. The property is a former army barracks, offering significant asset management potential from the completion of refurbishment and development, leasing and reversion. In March 2022, PSD announced that it had exchanged contracts to acquire a portfolio of 17 newbuild, semi-detached, residential properties (34 houses) located Erkner, Brandenburg, for a purchase price of €18.5m (see below). Both assets benefit from positive demand-supply fundamentals and strong transport links to central Berlin.

Continuing like-for-like valuation and rental growth

On a like-for-like basis, excluding the impact of disposals, valuations increased by 6.3% in the year (3.7% in H221), supported by market rent growth, progress with condominium splitting and certain asset-specific factors. The end-FY20 valuation had assumed implementation of the Mietendeckel and the resulting negative impact on rental income, for the full five-year term, and the positive valuation impacts of its repeal were softened by the high probability attached to such an outcome by property investors, with pricing continuing to harden despite the uncertainty.

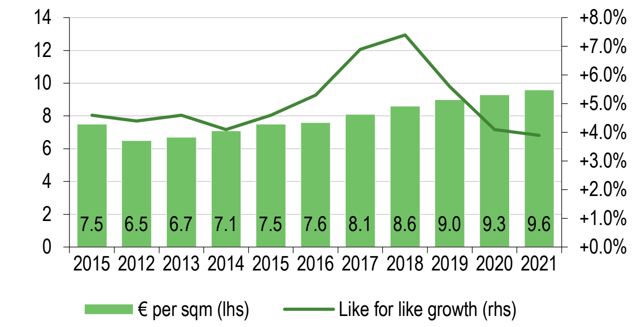
8 Among other differences, the EPRA topped-up net initial yield is based on current passing rent/occupancy and also includes an allowance for the notional costs that would be incurred by a buyer of the properties.

Exhibit 7: Like-for-like valuation gains and portfolio growth



Source: Phoenix Spree

Exhibit 8: Like-for-like rental growth and contracted rents

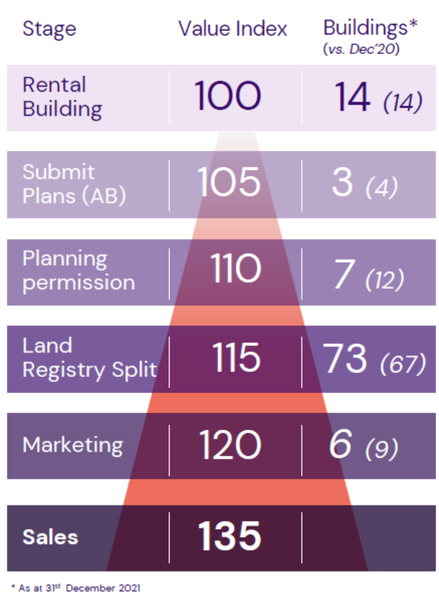


Source: Phoenix Spree

Despite 75% of Berlin residential units being legally designated as condominiums, with positive indications for valuation, this is only partially reflected in the portfolio valuation. Just eight of the 97 properties are valued as condominiums with an aggregate value of €38.8m (less than 5% of the total portfolio valuation). Condominium market values are typically 30–35% higher than the rental-based valuations that apply to units within the portfolio that do not currently have condominium permission (25% of the Berlin portfolio). As the condominium-splitting process develops in stages through to eventual sale of selected units, the independent external valuation process, based on a discounted cash flow methodology, applies a progressively lower discount rate, capturing some of the potential valuation uplift that is expected to result from sale. The difference between the market values of condominium units and their carried values represents additional capital upside embedded in the portfolio that is not reflected in net asset value (see page 14).

The process is illustrated in Exhibit 9, although this will not accurately reflect actual outcomes. The illustration points to a final 12.5% uplift at the point of sale (135%/120%), although in FY21, for example, the average achieved sales value per sqm for condominium units was 21.7% ahead of the December 2020 book value for each property.

Exhibit 9: Illustrative impact of condominium splitting and sale on valuation



Source: Phoenix Spree

Annualised contracted gross rent roll at end-FY21 was €20.3m or an average €9.6 per sqm per month. On a like-for-like basis, rents per sqm increased by 3.9% during the year and, reflecting higher vacancy, like-for-like rental income by 1.6%. By area, vacancy increased to 8.4% compared with 6.8% at end-FY20, reflecting an increase in refurbishment activity following the repeal of the Mietendeckel, which in turn resulted in a higher number of newly modernised apartments returning to market for re-letting. On an EPRA basis, excluding properties that remain under refurbishment, vacancy was at a low level of 3.1%, but up from 2.1% at end-FY21.

With restrictions on rent increases, refurbishment drives reversionary capture

Aside from the temporary introduction of the Mietendeckel, existing legislation has acted to slow the increase in the rents that can be applied to tenancies already in place. For older tenancies, rent increases are limited to a maximum of 15% over a three-year period, with a minimum of 15 months between increases. The increases have been pegged to local market levels, as determined by a local government rent table (the Mietspiegel), which calculates a reference rate every two years and is based on rent data collected over the preceding four years, and which therefore typically lags free market levels. Once a tenant vacates a property, the landlord has been able to increase rents up to a maximum 110% of the reference rate unless the property has been comprehensively modernised. Only a minority of PSD’s tenants pay Mietspiegel table rents with the significant majority paying rents above this level, reflecting the fact that refurbished apartments can be re-let at levels which fall outwith the Mietspiegel prescribed limits. Refurbished apartments can be re-let at free market rents and this is the key driver of reversionary capture. Although the regulatory drag on rent increases for existing tenancies acts as a disincentive for tenants to vacate, some tenant turnover is inevitable, and it has typically been at a level of c 10% pa. Around half of the vacated units will generally be modernised, at a cost of €20,000–30,000 each, prior to re-letting at a substantial premium to previous in-place rents.

With some variation year to year, the average premium on the re-letting of refurbished apartments over in-place rents in the five years to end-FY21 was 35%. During FY21, across the portfolio, 240 new leases were signed, representing a letting rate of c 10.2% of occupied units. The average rent achieved on net lettings was €12.2 per sqm per month, a level that was 4.4% higher than in the prior year, and 26.8% above the previous passing rent for those apartments. There has been a tendency for the premium to narrow in recent years, which is largely attributable to portfolio mix. The overall letting premium has been suppressed by the Brandenburg acquisition in 2019 where rents start from a higher level and where free market rents are lower than those being achieved in central Berlin. Looking solely at the Berlin portfolio, the reversionary premium achieved was 33.8%, in line with FY20.

Exhibit 10: Portfolio-wide reversionary capture

	Average contracted rent per sqm (€)	Average new contracted rent per sqm (€)	Reversionary premium
2012	6.6	7.9	20%
2013	7.0	9.1	30%
2014	7.4	9.8	32%
2015	8.0	11.2	40%
2016	7.7	10.6	38%
2017	8.1	11.9	47%
2018	8.5	12.0	41%
2019	9.0	11.9	32%
2020	9.3	11.7	25%
2021	9.6	12.2	27%

Source: Phoenix Spree

Condominium sales unlocking value

Reflecting an overall shortage of Berlin housing, the market sales values per square metre for individual apartments/condominiums is at a significant premium to the value of tenanted apartment blocks. As a result PSD has been able to selectively crystallise the value embedded in the portfolio by dividing and selling blocks of apartments as individual condominiums. The process is subject to full regulatory approval and involves the legal splitting of the freeholds in properties that have been identified as being suitable for condominium conversion. PSD estimates that the uplift in market valuation from a pure rental property to that of a fully permissioned, fully separated condominium is c 35%.

New federal government legislation is likely to grant legal powers to state authorities to ban the conversion of rental apartments into condominiums. With 75% of its portfolio already legally designated as condominiums, PSD is well placed for any change. It is also hopeful that existing applications covering a further 10% of the portfolio, more than half of which in the late stages, may still proceed. PSD expects the new measures to increase the scarcity of condominiums available for sale across the market, further exacerbating the supply-demand imbalance that currently exists, with a likely positive valuation impact on its condominium assets.

PSD's prime strategy and preference has been to extract the full value embedded in the portfolio through reversionary capture. However, sales have been a useful way to demonstrate the value inherent in the portfolio while generating free cash flow for distributions.

PSD notarised for sale a record €15.2m of condominiums in FY21, a 4.1% increase on FY20, with a particularly strong performance in H221 (€10.9m) as the effects of the Mietendeckel and pandemic lockdowns receded. A total of 37 residential and commercial condominium units were notarised at an average value of €4,988 per sqm, an 18.3% premium to the end-FY20 book value. Residential condominiums were notarised at a 21.7% premium to book value.

Since end-FY21 PSD has reported on the notarisation for sale of 16 condominium units and one attic unit for an aggregate consideration of €7.8m.

Investing for growth

Investment for growth increased in FY21, including stepped up refurbishment activity following the removal of Mietendeckel uncertainty, ongoing renovation of the Brandenburg asset acquired in 2019, further work on bringing assets into a position to be sold as condominiums, and asset management to exploit under-utilised space.

Investment in the existing portfolio increased to €4.7m from €3.6m in FY20, with an acceleration in H221 following the repeal of the Mietendeckel. Refurbishment had been completed on around half the 259 units acquired in 2019 in Brandenburg and refurbishment of the remaining units is scheduled to complete this year, a little later than originally expected due to the pandemic. The asset has additional potential for the construction of a further 60 units.

In H221, PSD commenced an asset management project, involving building out the attic and renovation of existing commercial units to create a total of seven new residential units. The total construction budget is €3.9m and the first of the units is expected to be available for sale or rental in H222. The company also has building permits to renovate the attic space in 19 existing assets to create a further 45 units for sale as condominiums or as rental stock, although no decision has yet been taken to proceed.

Including investment in development activities, capex amounted to €9.5m (FY20: €4.2m). An additional €1.7m (FY20: €1.6m) was spent on maintaining the assets.

Exhibit 11: Portfolio investment summary

€m	FY21	FY20
Investment in existing portfolio	4.7	3.6
Development	4.4	0.3
Other	0.4	0.3
Total investment	**9.5**	**4.2**
Maintenance expense	1.7	1.6

Source: Phoenix Spree

Acquisitions

PSD continues to review potential acquisition opportunities that will both meet its strict investment return requirements (a target internal rate of return of at least 8%) and compare favourably against the alternative of share buy-backs. In March 2022 it announced an exchange of contracts to forward fund and acquire a portfolio of 17 environmentally efficient, new-build, semi-detached residential properties (34 houses) for a purchase price of €18.5m. The property is located in Erkner, in Brandenburg, within the Berlin Beltway, adjacent to the new Tesla Giga factory, which is being constructed at a cost of €4bn and is expected to employ around 40,000 staff, significantly more than Erkner's 12,000 population. PSD expects the factory to generate migration from central Berlin, leading to increased rents and property values. PSD will fund the costs of construction as these progress and will acquire the property at the agreed price on completion, with no broker commission (typically c 6%) incurred. PSD estimates a prospective gross yield at completion, based on current market rents, of 3.5%. Completion is expected in Q424 and before then the company expects significant market rental growth. The acquisition is entirely debt funded through a new €45m acquisition debt facility agreed with Natixis in January (discussed in the financial section below) at a low fixed cost of c 2%.

ESG in focus

Amid a continuing move towards more sustainable, socially and environmentally friendly accommodation, the Europe-wide drive towards carbon neutrality by 2050 is increasingly embedded in the decision-making process of real estate investors and landlords. For investors, the issues surrounding the benchmarking of environmental credentials are complex and still evolving. While the environmental benefits that are available from the operation of well-designed new-build properties is clear, the refurbishment and modernisation of existing buildings, which is the core of PSD's strategy, will in many instances represent a more sustainable solution when the CO_2 emissions produced during demolition and construction, and the production of building materials (embedded carbon) is taken into account. Industry data gathered by PSD suggests this typically represents three-quarters or more of all emissions across the entire life cycle of a new build property completed to modern efficiency standards. This embedded carbon is released almost entirely during the demolition and construction phases, with an immediate impact on the environment, in contrast to long-term existing stock where these emissions have already been incurred. A comprehensive carbon emission tax, capturing embedded carbon, would tip the scales in favour of the refurbishment of existing property should it be introduced. In this direction, the EU is developing plans to tax the carbon emissions embedded in goods imported from outside the EU. Meanwhile, the new German federal coalition government has already declared its intention to look more closely at the use, impact and measurement of embedded carbon.

For the financial year ended 2021, PSD intends to report on its ESG and carbon emissions strategy in a separate report, compliant with EPRA ESG reporting standards. We expect this to be available in H222. We expect a focus on enhancing the energy efficiency of refurbishments including the effectiveness of insulation, windows and heating systems. PSD does not control the energy consumption of tenants, but the introduction of sub-metering may offer possibilities to incentivise reduced energy use. We would expect any measures introduced to seek a balance between investment returns and the satisfaction of tenants in addition to the expected environmental benefits. The ESG screening process that is now embedded in all investment decisions is reflected in the recent Erkner acquisition. The technical design of the asset provides high energy-saving standards with geothermal heat pumps and electric vehicle charging stations for every unit, resulting in it being given a KfW 55[9] energy efficiency rating, which PSD says is one of the highest ratings that newbuild housing properties can be given.

Financials

Exhibit 12: Summary of FY21 financial performance

€m unless stated otherwise	FY21	FY20	FY21/FY20	Edison FY21 forecast
Revenue	25.8	23.9	8%	25.9
Total property expenses	(16.1)	(16.4)	-2%	(15.5)
Gross profit	**9.7**	**7.5**	**30%**	**10.3**
Administrative expenses	(3.4)	(3.3)	6%	(3.0)
Gain on disposal of investment property	1.5	2.2		1.9
Fair value movement on investment property	38.0	41.5		36.6
Property advisor performance fee	(0.3)	0.4		(0.6)
Operating profit	**45.4**	**48.3**	**-6%**	**45.1**
Net finance charge	(7.5)	(8.2)	-9%	(7.4)
Change in fair value of interest rate derivatives	7.3	(2.2)		3.6
Profit before tax	**45.3**	**37.9**	**20%**	**41.4**
Tax	(7.9)	(7.6)		(7.4)
Profit after tax	**37.4**	**30.3**	**23%**	**33.9**
Non-controlling interest	(0.1)	(0.5)		(0.3)
Attributable profit after tax	**37.3**	**29.8**	**25%**	**33.6**
EPS (€ cents)	39	30	30%	35
DPS (€ cents)	7.5	7.5	0%	7.50
EPRA NTA per share (€)	5.65	5.28	7%	5.65
EPRA NTA total return	8.4%	8.8%		8.4%
Gross debt at nominal value	(288.4)	(291.4)		(290.2)
Cash	10.4	37.0		22.0
Net debt	(278.0)	(254.4)		(268.2)
Net LTV	34.7%	33.1%		33.9%

Source: Phoenix Spree historical data, Edison Investment Research FY21 forecast

Key highlights from the FY21 results include:

- Revenues (rents plus service charges paid by tenants) increased 8% y-o-y to €25.8m. Total property expenses benefited from a higher proportion of service charges recoverable from tenants and were 2% lower y-o-y. Gross profit increased 30% to €9.7m compared with €7.5m in FY20 and we estimate included the recovery of c €0.8m of backdated rents in respect of rent reductions under the Mietendeckel effective in H220.[10]
- Administrative charges increased 6% to €3.4m, and the property advisor performance fee was €0.3m following a €0.4m write-back in FY20.
- Realised (€1.5m) and unrealised (€38.0m) gains of €39.5m remained strong but a little below the FY20 level (€43.7m).
- Operating profit was 6% lower at €45.4m.
- Net finance charges were 9% lower at €7.5m, primarily due to a non-repeat of the €0.6m debt redemption fee in FY20. The fair value movement on interest rate swaps (hedging interest rate

[9] The KfW is a German state-owned investment and development bank, especially active in promoting energy efficient housing.

[10] The H220 back rents were not accounted for as income in FY20 as the Mietendeckel remained in place but are included in FY21.

exposure) was €7.3m compared with a negative €2.2m in FY20, reflecting the increase in market interest rates in the period.

- Profit before tax and attributable net profit both increased strongly year-on-year, by 23% and 25% respectively. EPS was up 30% to €0.39 compared with €0.30 in FY20 and DPS was unchanged at 7.5 cents.
- EPRA NTA per share increased 7% to €5.65 and, including dividends paid, the accounting total return was 8.4%.

PSD's financial returns are driven by capital growth, reflecting the current low running income yield on the portfolio, the capital growth that results from the impact of steady reversionary rent capture on portfolio valuation, and valuation upside crystalised by the condominium sale strategy. As a result, recurring income earnings as measured by the EPRA reporting standard, widely used across the sector, have historically been negative but were close to break-even in FY21. We forecast this trend to continue as rent reversion continues to contribute to current income.

Exhibit 13: EPRA earnings

€m	2019	2020	2021	2022e	2023e
IFRS attributable profit after tax	22.3	29.8	37.3	35.2	36.7
Adjust for:					
Change in fair value of investment property	(41.5)	(41.5)	(38.0)	(42.1)	(43.0)
Profit/(loss) on disposal of investment property	(0.9)	(2.2)	(1.5)	(1.0)	(1.0)
Change in fair value of financial instruments	12.8	1.8	(7.0)	0.1	0.1
Deferred tax adjustment	5.8	7.1	8.1	6.6	6.8
Non-controlling interests	0.2	0.5	0.2	0.4	0.4
EPRA earnings	**(1.3)**	**(4.5)**	**(0.8)**	**(0.8)**	**(0.1)**
EPRA EPS (€)	**(1.25)**	**(4.61)**	**(0.88)**	**(0.88)**	**(0.09)**

Source: Phoenix Spree

Forecast changes

As Exhibit 12 shows, the FY21 results were broadly in line with our expectations. Although gross profit was slightly lower (higher property costs) this was made up at the operating profit level by higher valuation movements and a lower property advisor performance fee accrual. Including a more positive movement in the fair value of interest rate derivatives than we had allowed for (driven by the increase in market interest rates) PBT was c 9% ahead of our forecast and EPS c 11%. The change in the value of interest rate derivatives is excluded from EPRA NTA, leaving EPRA NTA per share in line with our expectations.

Our FY22e total return of 8.1% is slightly down on our previous forecast, including relatively modest reductions in gross profit and property gains of €0.9m to €9.8m and €0.9m to €43.1m respectively. The former is driven by the increase in refurbishment activity with a short-term impact on occupancy (by area) and the latter by a slower rate of condominium splitting (from the high level of 75% already achieved), partly offset by an increase in the pace of condominium notarisations.

Exhibit 14: Estimate update summary

	Gross profit (€m)			EPS (c)			EPRA NTA/share (€)			DPS (c)			EPRA NTA total return		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (pp)
12/22e	9.8	10.7	(7.9)	37	40	(7.8)	6.03	6.04	(0.2)	7.5	7.5	0.0	8.1%	8.3%	(0.2)
12/23e	10.7	N/A	N/A	38	N/A	N/A	6.43	N/A	N/A	7.5	N/A	N/A	7.8%	N/A	N/A

Source: Edison Investment Research

Our key forecasting assumptions are:

- We have included share repurchases up to the date of this report but have not assumed additional share repurchases. Our forecast condominium sales are at a level that we would deem 'normal' and are not linked to the level of repurchases.

- Average rental like-for-like growth in rents per sqm of 6.0% pa, split equally between the re-letting premium and underlying rent growth ('staffein' and Mietspiegel). The re-letting premium assumes a 10% lease churn and an average 30% uplift on the new rents.
- Vacancy (by area) is forecast to reduce from 8.4% at end-FY21 to 5% (previously 4%) by end FY22 and to 4% during FY23, approaching the 2–3% historical norm.
- A gross margin (rental income less property costs, including the investment advisory fees, as a percentage of rental income) of c 47–48%, similar to FY21 and the average for the five years to FY21.
- A reduction in FY22 administrative expenses compared with FY21 as legal and other expenses related to the Mietendeckel challenge and apartment splitting into condominiums fall away, offsetting inflation-driven uplifts.
- Unrealised property valuation uplifts across the portfolio, driven by like-for-like rental growth and adjusted for capex. We also include an uplift of 15% in the value of properties notarised, forecast to be €15m pa of notarisations in both FY22 and FY23. In addition we allow for the sale of c €25m of non-core assets with no net gain/loss on disposal allowing for sales costs. Our income and valuation assumptions imply an unchanged, full-occupancy rental yield of c 2.8%.
- Finance expense includes total interest costs at 2% pa plus c €0.7m of non-cash loan arrangement fee amortisation and c €0.3m of undrawn loan facility fees (see below). We assume no change in the fair value of interest rate derivatives but the continued increase in market interest rates since end-FY21 indicates that this is highly likely. At current rates we would expect the end-FY21 net liability of €10.9m/€0.12 per share to be substantially reversed.
- We have applied deferred tax at the basic German rate of 15.8% to the property gains but do not expect any current tax to be payable in the foreseeable future due to negative earnings before property gains and available off-balance sheet tax losses.
- We have assumed an unchanged dividend while EPRA NTA increases with retained earnings (and deferred tax add-backs). Our forecast EPRA NAV total returns would be unaffected by a change in DPS, which would simply adjust the balance between income and capital returns.
- With the current rental income capturing only part of the reversionary potential, resulting in a relatively low asset yield, dividend payments reflect operational cash flow including condominium sales.

Stable, low-cost funding with increased capacity to fund growth

At end-FY21 PSD had gross borrowings (nominal value, including unamortised loan arrangement fees) of €288.4m, and cash balances of €10.4m, resulting in net debt of €278.0m and a net loan to value ratio (LTV) of 34.7% (FY20: 33.1%), well below the long-term target of 50% (with a 60% maximum). Mostly fixed through hedging, the effective interest rate was 2.0% with an average remaining duration of 4.9 years.

In December 2021, PSD signed a new €60m facility with its main existing lending partner, Natixis Pfandbriefbank ('Natixis'), comprising a €45m acquisition facility and a €15m capital expenditure facility, although just €0.9m of the development facility had been drawn at year end. The acquisition facility provides additional flexibility to pursue potential future acquisitions if there are suitable opportunities and will be part used to finance the recent €18.5m Brandenburg acquisition. The capex facility will support PSD's continuing extensive capital expenditure programme, accelerated since Mietendeckel repeal. In January 2022, PSD agreed the refinancing of €49.7m of existing debt provided by Berliner Sparkasse and leveraging the increase in valuation of certain underlying assets to provide an additional €14.9m of capital.

Post the refinancing PSD's debt facilities comprise:

- Predating the refinancing measures above, a seven-year non-amortising €240m interest-only facility with Natixis. The facility comprises two tranches, a €190m refinancing facility and a €50m acquisition facility, maturing in 2026. The facility was fully drawn at end-FY21. The interest cost is the same for both tranches and has been hedged to give an effective fixed rate of 2.0%.
- The new €60m facility with Natixis as described above, of which €0.9m had been drawn at end-FY21. The new facility matures alongside the existing Natixis facility, in September 2026, and carries an interest rate of 1.15% over three-month Euribor. When drawn, it is non-amortising and terms to protect against future adverse interest rate movements have been agreed.
- The refinanced Berliner Sparkasse loan of €64.7m, comprising the prior loan of €49.7m and additional borrowing of €14.9m.The remaining terms to maturity of between five and six years are unchanged. The interest rate payable on these loans is lower than the current portfolio average and no additional hedging instruments for adverse interest rate movements are required.[11] The debt is being drawn down in three instalments, of which €9.9m was drawn in February 2022, and the remainder is expected to be drawn in the first half of the year. The additional debt capital can be reinvested into the portfolio, including future potential share buy-backs.

Our forecasts indicate that net LTV will remain around 30% with increased debt more than offset by retained earnings, including property revaluation gains. We have not assumed ongoing share repurchases although these seem likely for as long as a significant share price discount to NAV persists. Lower retained earnings, particularly resulting from lower than forecast property revaluation gains, would also increase LTV above our forecasts. Nonetheless, our forecasts indicate that gearing will remain well below PSD's long-term target, while its predominantly fixed borrowing costs provide significant protection against a potential further increase in market interest rates.

Valuation

The trailing FY21 dividend yield is 1.8%, and we forecast an unchanged FY22 DPS, while the trailing FY21 P/NAV of 0.73x remains below the long-term average. From listing on the LSE to end 2019, as anticipation of the Mietendeckel began, the average P/NAV was 0.98x but from listing to date is now 0.91x. We estimate that the current P/NTA would be even lower if the NTA were adjusted to include all condominium-designated assets at market values. Exhibit 15 shows the historical data for notarisations. The average notarised values per sqm are specific to the mix of assets (different locations, floor space, etc) sold in that period and estimating the value of the portfolio on a full condominium basis is difficult.

Exhibit 15: Condominium notarisations

	FY17	FY18	FY19	FY20	FY21
Sales value of notarisations (€m)	9.1	9.9	8.8	14.6	15.2
Average notarised value per sqm (€)	4,352	4,566	4,068	4,320	4,988
Average book value of notarised properties per sqm (€)	3,515	3,676	3,459	3,624	4,216
Premium to book value	23.8%	24.2%	17.6%	19.2%	18.3%
Portfolio average value per sqm at year end (€)	2,854	3,527	3,741	3,977	4,225
Premium to portfolio average	52.5%	29.5%	8.8%	8.6%	18.1%

Source: Phoenix Spree data. Note: Excludes commercial units.

[11] Of the total, c 72% is fixed rate and a further 17% fixed with a swap. The balance of the debt is floating rate.

The average notarised value over the past three and five years has been c €4,459 per sqm but this increased to €4,988 in FY21. Applying a value of c €4,650 per sqm, the average of the past two years, and more likely to capture the continuing increase in condominium market values, to the 75% of the Berlin portfolio that is designated as condominiums (and which may increase further) and excluding those assets that are already valued on a condominium basis, would lift the FY21 reported EPRA NTA per share by c 7%, implying a trailing underlying discount to NTA of c 33%.

Exhibit 16: P/NAV sensitivity to condominium valuation

Average condominium value (€/sqm)	4,000	4,250	4,500	4,650	4,750	5,000
Premium to FY21e portfolio average value (€/sqm)	-8%	-2%	3%	7%	9%	15%
Implied uplift to FY21e NTA	-8%	-2%	3%	7%	9%	15%
Implied P/NTA based on current price (x)	0.78	0.74	0.70	0.67	0.66	0.63

Source: Edison Investment Research

We do not believe a peer comparison to be viable. PSD is the only German residential property investment company listed on the LSE. The 2001 acquisition of Deutsche Wohnen (which was majority invested in Berlin) by Vonovia was a significant vote of confidence in the Berlin market. However, as well as being much larger than PSD (Vonovia has a market cap of c €30bn) the Berlin exposure of the enlarged Vonovia is lower at c 45%.

Sensitivities

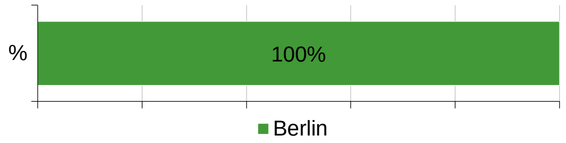
We highlight the following key sensitivities that would have an impact the outlook for PSD and our forecasts:

- **Changes to property and tenant law, which may be politically driven.** German property laws remain under constant review and further changes in the framework of regulation and rent control could affect rental values and property valuations. Recent examples include the short-lived, now repealed Mietendeckel and the expected restrictions to be applied to condominium splitting.
- **A deterioration in the economic environment**. This could have an adverse impact on tenant demand and vacancy, especially if severe or prolonged, leading to a reduction in rental and property values. The pandemic led to a slight reversal of migration into Berlin, but local analysts forecast a resumption of positive flows. Meanwhile free market rents continued to increase. It is too early to assess the impacts of the sharp rise in inflation, exacerbated by the Ukrainian crisis, but this should not have a material impact on excess demand for housing.
- **A slowdown in the market for condominium sales.** Sales of vacant condominiums are an important source of cash flow and earnings to fund the company's refurbishment programme and dividend payments. Condominium prices continued to increase through the pandemic and this trend appears to be continuing despite the recent increase in bond yields.
- **Diversification.** PSD is completely focused on the wider Berlin region (including Brandenburg as well as central Berlin) and while this currently enjoys positive market fundamentals, any deterioration would have an impact on the company.
- **Breach of borrowing covenants.** A material and unexpected fall in rental values and property valuations could have an adverse impact on PSD's banking covenants, reducing interest and asset cover ratios.
- **Refinancing.** Based on current inflationary conditions, the cost of refinancing borrowings at maturity may increase. Access to debt may become more restricted.

Exhibit 17: Financial summary

Year ending 31 December, €m unless stated otherwise	2017	2018	2019	2020	2021	2022e	2023e
INCOME STATEMENT							
Revenue	23.7	22.7	22.6	23.9	25.8	26.2	27.9
Total property expenses	(12.6)	(15.8)	(14.2)	(16.4)	(16.1)	(16.3)	(17.2)
Gross profit	11.1	6.9	8.4	7.5	9.7	9.8	10.7
Administrative expenses	(3.0)	(3.2)	(3.1)	(3.3)	(3.4)	(3.1)	(3.2)
Gain on disposal of investment property	5.3	1.0	0.9	2.2	1.5	1.0	1.0
Fair value movement on investment property	157.4	66.1	41.5	41.5	38.0	42.1	43.0
Property advisor performance fee	(26.3)	(4.0)	(2.8)	0.4	(0.3)	(0.1)	(0.1)
Separately disclosed items	0.0	(1.0)	(0.3)	0.0	0.0	0.0	0.0
Operating profit	144.5	65.9	44.6	48.3	45.4	49.7	51.4
Net finance charge	(6.0)	(9.5)	(16.0)	(8.2)	(7.5)	(7.7)	(7.8)
Gain on financial asset	0.0	0.0	0.0	(2.2)	7.3	0.0	0.0
Profit before tax	138.5	56.4	28.6	37.9	45.3	42.0	43.7
Tax	(26.2)	(11.1)	(5.8)	(7.6)	(7.9)	(6.6)	(6.8)
Profit after tax	112.3	45.4	22.7	30.3	37.4	35.3	36.9
Non-controlling interest	(0.8)	(0.3)	(0.5)	(0.5)	(0.1)	(0.2)	(0.2)
Attributable profit after tax	111.5	45.1	22.3	29.8	37.3	35.2	36.7
Closing basic number of shares (m)	92.5	100.8	97.8	96.1	92.8	92.3	92.3
Average diluted number of shares (m)	100.2	99.0	102.1	98.9	95.0	96.0	95.9
IFRS EPS, diluted (€ cents)	111	46	22	30	39	37	38
DPS declared (€ cents)	6.9	7.5	7.5	7.5	7.5	7.5	7.5
EPRA NTA total return	52.6%	13.1%	9.3%	8.8%	8.3%	8.1%	7.8%
BALANCE SHEET							
Investment properties	502.4	632.9	719.5	749.0	759.8	794.4	830.0
Properties under construction							
Other non-current assets	2.9	3.4	3.5	3.8	2.7	2.7	2.7
Total non-current assets	505.3	636.4	723.0	752.8	762.5	797.1	832.7
Investment properties held for sale	106.9	12.7	10.6	19.3	41.6	16.6	16.6
Cash & equivalents	27.2	26.9	42.4	37.0	10.4	57.4	64.9
Other current assets	14.4	7.5	9.5	8.4	11.7	9.6	10.2
Total current assets	148.5	47.1	62.6	64.7	63.8	83.6	91.7
Borrowings	(2.6)	(3.6)	(17.8)	(1.0)	(0.9)	0.0	0.0
Other current liabilities	(9.4)	(13.2)	(15.6)	(9.6)	(12.4)	(10.6)	(11.2)
Total current liabilities	(12.1)	(16.8)	(33.4)	(10.6)	(13.3)	(10.6)	(11.2)
Borrowings	(219.6)	(191.6)	(258.5)	(286.5)	(283.2)	(307.8)	(314.0)
Other non-current liabilities	(54.1)	(65.2)	(76.8)	(86.5)	(86.1)	(92.7)	(99.5)
Total non-current liabilities	(273.8)	(256.9)	(335.3)	(373.0)	(369.3)	(400.5)	(413.5)
Net assets	367.9	409.8	416.9	434.0	443.6	469.6	499.7
Non-controlling interest	(1.7)	(2.0)	(3.0)	(3.5)	(3.6)	(3.8)	(3.9)
Net attributable assets	366.2	407.9	413.9	430.4	440.0	465.9	495.8
Adjust for:							
Deferred tax assets & liabilities	44.6	52.5	58.3	65.4	73.5	80.1	86.9
Derivative financial instruments	3.3	6.0	16.0	18.2	10.9	10.9	10.9
Other EPRA adjustments	(34.0)	(5.4)	(6.8)	(6.4)	(0.3)	(0.5)	(0.6)
EPRA net tangible assets (NTA)	380.2	461.0	481.4	507.6	524.1	556.4	593.0
IFRS NAV per share (€)	3.96	4.05	4.23	4.48	4.74	5.05	5.37
EPRA NTA per share (€)	4.11	4.58	4.92	5.28	5.65	6.03	6.43
CASH FLOW							
Cash flow from operating activity	5.9	13.2	1.5	8.1	7.8	7.1	7.5
Income tax paid	(0.1)	(4.7)	(0.0)	(1.3)	0.2	0.0	0.0
Net cash flow from operating activity	5.8	8.5	1.4	6.7	8.0	7.1	7.5
Property additions	(76.5)	(47.3)	(32.2)	0.0	0.0	0.0	0.0
Proceeds from disposal of investment property	60.4	86.0	13.5	7.2	13.8	41.0	16.0
Capital expenditure on investment property	(6.7)	(7.9)	(6.5)	(4.2)	(9.5)	(7.6)	(7.6)
Other cash flow from investing activity	0.0	0.0	0.1	(5.9)	0.0	0.0	0.0
Cash flow from investing activity	(22.7)	30.8	(25.1)	(2.9)	4.3	33.5	8.5
Interest paid	(5.1)	(5.1)	(6.2)	(7.5)	(7.7)	(7.0)	(7.1)
Bank debt drawn/(repaid)	36.7	(27.0)	64.6	11.2	(3.2)	22.9	5.5
Share issuance/repurchase	0.0	0.0	(11.5)	(6.0)	(20.5)	(2.3)	0.0
Dividends paid	(6.0)	(7.5)	(7.7)	(7.0)	(7.4)	(7.1)	(6.9)
Other cash flow from financing activity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activity	25.6	(39.6)	39.2	(9.3)	(38.8)	6.4	(8.5)
Change in cash	8.7	(0.3)	15.5	(5.4)	(26.6)	47.0	7.5
FX	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0
Opening cash	18.5	27.2	26.9	42.4	37.0	10.4	57.4
Closing cash	27.2	26.9	42.4	37.0	10.4	57.4	64.9
Closing debt	(222.3)	(195.3)	(280.2)	(291.4)	(288.4)	(311.3)	(316.8)
Closing net debt	(195.1)	(168.4)	(237.8)	(254.4)	(278.0)	(253.9)	(251.9)
LTV	32.0%	26.1%	32.6%	33.1%	34.7%	31.3%	29.7%

Source: Phoenix Spree historical data, Edison Investment Research forecasts

Contact details	Revenue by geography
QSix Residential Royal Trust House, 54 Jermyn Street London SW1Y 6LX UK +44 20 3937 8760 info@phoenixspree.com www.pheonixspree.com	

Leadership team

Independent non-executive chairman: Robert Hingley	CEO, QSix: Mike Hilton
Robert Hingley has over 30 years' experience as a corporate finance adviser, retiring as a partner at Ondra Partners in 2017. He joined the Association of British Insurers as director, investment affairs in September 2012 and, following the merger of ABI's investment affairs with the Investment Management Association, acted as a consultant to the enlarged IMA until the end of 2014. From 2010 until January 2015, he was a managing director, and later senior adviser, at Lazard. He was previously director general of The Takeover Panel from December 2007, on secondment from Lexicon Partners, where he was vice chairman. Prior to joining Lexicon Partners in 2005, he was co-head of the Global Financial Institutions Group and head of German Investment Banking at Citigroup Global Capital Markets, which acquired the investment banking business of Schroders in 2000. He joined Schroders in 1985 after having qualified as a solicitor with Clifford Chance in 1984. He is chairman of Euroclear UK & International and The Law Debenture Corporation and a director of Marathon Asset Management.	Mike is one of QSix's founding partners, focused on the firm's growth strategy and overseeing all aspects of the German residential business and Phoenix Spree Deutschland. Prior to founding QSix, Mike was managing director and European sector head at UBS where he worked closely with Matthew Northover, with whom he founded QSix in 2006. Mike also held roles at Charterhouse Bank and Dresdner Kleinwort Benson as an equity research analyst and LEK Partners within its corporate strategy division. Mike holds an MA in economics from Cambridge University.
CEO, Germany, QSix: Jörg Schwagenscheidt	**Partner, head of public markets, QSix: Stuart Young**
Jörg joined QSix in 2015 as managing partner of QSix's German operations, which leads the asset management of Phoenix Spree Deutschland. Prior to joining QSix, Jörg was co-CEO for GSW Immobilien, Berlin's largest residential property company, where he played an integral part in the IPO of GSW in 2011 and its subsequent combination with Deutsche Wohnen in 2013. During his eight years at GSW, Jörg oversaw the growth of the business, including a number of capital raisings and the acquisition of more than 15,000 residential units. Jörg holds an 'Immobilienökonom' from the European Business School and is a fellow of The Royal Institute of Chartered Surveyors.	Stuart joined QSix in 2014 and is largely responsible for raising capital within public markets and overseeing activities related to Phoenix Spree Deutschland. Stuart began his career at Ernst & Young and then spent over 20 years in investment banking, where he held senior equity research and marketing positions at Charterhouse Bank, Dresdner Kleinwort Benson, Citigroup and Barclays Capital and worked on a wide spectrum of IPOs, acquisitions, corporate restructurings and recapitalisations. Stuart holds a degree in accountancy and finance from the University of Glasgow.

Principal shareholders as at 30 March 20	(%)
Thames River Capital	16.2
Bracebridge Capital	14.3

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