

10 November 2008

Fair Value REIT AG

Buy €3.5

(Remains Unchanged)

Target Price: €6.0 (8.0)

Reuters Code: FVIG.DE

Bloomberg Ticker: FVI GR

EPS adj.

Dec 2007A €0.38

Dec 2008E €-0.45 (0.16)

Dec 2009E €-1.67 (0.18)

Dec 2010E €0.56 (0.57)

WestLB Research estimates

Market Cap: € 33m

Current recommendation since 19/06/2008

Previous recommendation was No Rating

For disclosures and statements required by regulatory bodies, please see the last page.

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Fair Value REIT

Target reduced to €6 despite good operational performance

- Fair Value REIT delivered what we regard as very solid operational figures for Q3, with an improvement in rental income and net profit. However, due to the more severe market conditions after the Lehman default we are expecting value reductions in its property portfolio, due to fair value accounting that are likely to result in red figures for 2008 and 2009. Factoring in declines in property value of €25m for 2008E and 2009E and a corresponding development at its minority participations, and applying a security margin of an additional 10%, we arrive at a target price of €6 for the company. As this is still way above the current share price and the company as a REIT has an above-average equity ratio, we are reiterating our Buy recommendation.

Fair Value REIT forecasts and multiples

Year End	Sales	EBITDA	EPS adj.	P/E	EV/EBITDA	Yield
Dec	(€m)	(€m)	(€)	(x)	(x)	(%)
2007A	4	-1	0.38	9.2	-145.8	0.0
2008E	13	8	-0.45	-7.8	17.5	8.6
2009E	15	10	-1.67	-2.1	13.1	12.9
2010E	15	10	0.56	6.2	12.9	14.3
Net cash/Share ¹	-€9.2					
NAV/Share	€9.6					

¹ Cash/debt at end of current year

Source Fair Value REIT, WestLB Research estimates

- The company reported a net rental result of €8m for the first 9 months, some €0.2m above our estimates. Due to this positive development we refrain from reducing our rental income expectations as we did with other companies in the sector.

Changes in estimates

(€m)	2008E			2009E			2010E		
	New	Old	Change	New	Old	Change	New	Old	Change
Rental income	12.7	12.6	0.8%	15.1	15	0.7%	15.2	15.1	0.7%
Rental result	10.4	10.2	2.0%	13.2	13.1	0.8%	13.4	13.2	1.5%
Costs	-2.8	-2.8	0.0%	-2.8	-2.8	0.0%	-2.9	-2.9	0.0%
EBITDA	7.8	7.6	2.6%	10.3	10.2	1.0%	10.4	10.3	1.0%
Valuation result	-7.8	-3.7	110.8%	-16.7	-2.7	518.5%	0.3	0.5	-40.0%
Result from associates	-0.2	3.8	-105.3%	-5.3	2.7	-296.3%	3	3	0.0%
Financial result	-4.8	-4.8	0.0%	-6.8	-6.8	0.0%	-6.7	-6.7	0.0%
Net attributable result	-4.2	1.5	-380.0%	-15.7	1.7	-1023.5%	5.3	5.4	-1.9%
EPS (€)	-0.45	0.16	-381.3%	-1.67	0.18	-1027.8%	0.56	0.57	-1.8%
NAV (€)	9.61	10.22	-6.0%	7.64	10.11	-24.4%	7.75	10.23	-24.2%

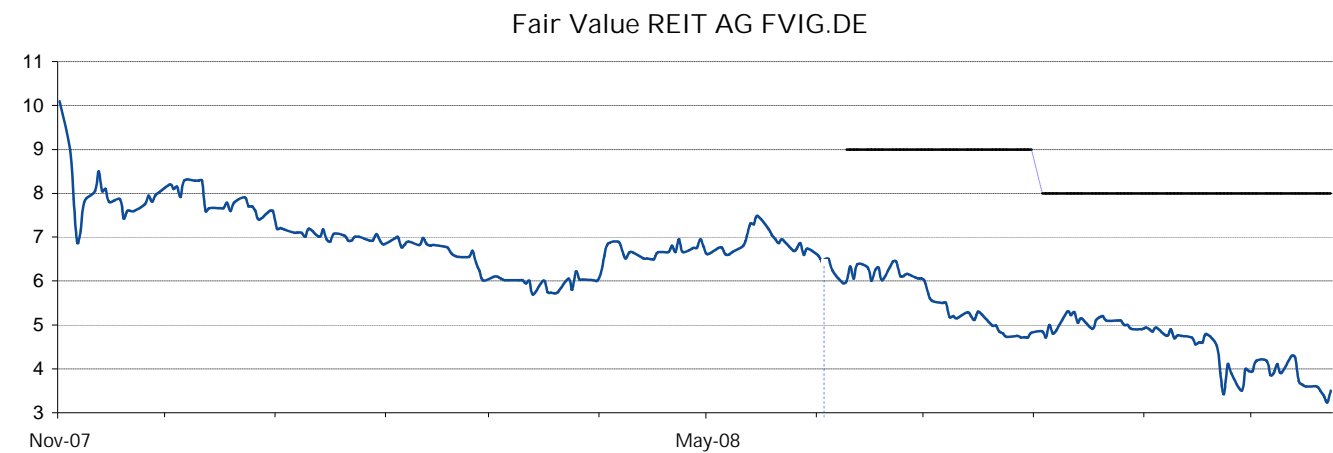
Source WestLB Research estimates

- The net result for Q3 was €0.58m, €0.2m higher than our expectation.

- Our reductions in earnings estimates are simply due to the above mentioned expected value reductions in the portfolio and the participations. If the company manages to sell some properties it can even stick to its announced dividend payments, as the cash flow is unaffected by the reductions in fair value.

Dr. Georg Kanders

10 November 2008



Date	Price	Changed to...	Date	Price	Changed to...	Date	Price	Changed to...
19-Jun-08	6.50	Buy	12-Jun-06	0.00	No Rating			

Coverage History

Rating at 16/11/2007 was No Rating
Initiation of coverage as of 26 June 2008

Source FactSet/JCF, WestLB Research

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Hold	70	31	Hold	12	27
Sell/Reduce	31	14	Sell/Reduce	3	7

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