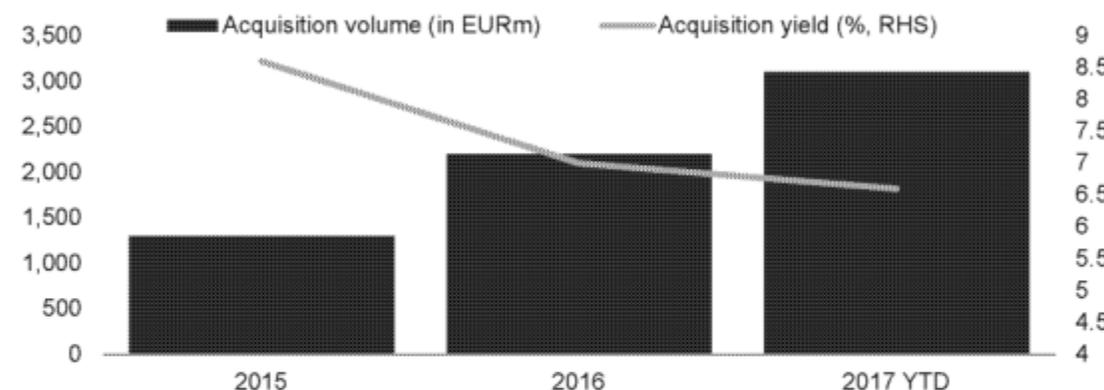


5 **Aroundtown Properties – Markus Scheufler, BUY, close €6.5, €7.50 tgt, 15% upside**

- We like Aroundtown as a play on a stronger German economy. Its portfolio is primarily based in German cities (88% of portfolio) and is mostly geared towards commercial property (76% of assets).
- Key driver #1: **Acquisitions keep beating expectations.** Aroundtown has closed €3bn of acquisitions YTD at a 6.3% yield.
- We believe that Aroundtown should be able to continue making acquisitions below replacement costs for the next two to three years.
- **Refinancing** could drive cash flow upside.
 - Re-gearing the portfolio from 35% LTV at a low 1.5% marginal cost of debt would lock in a 500bps spread
- Key driver #2: **strong rental growth** of >5% pa. We forecast a 23% FFO CAGR to 2020E. This in turn is driven by:
 - Closing the 20% gap to market rents for c90% of the portfolio. Aroundtown's strategy is to acquire undermanaged assets, refurbish them and realise the market upside;
 - LFL rental growth of 4%;
 - A fall in vacancy rates to c5% from c7%
- Key driver #3: **we expect a 12% NAV growth to 2020E**, driven not just by rental growth but also by:
 - **Revaluation** – H1 revaluation to 5.5% yield was a positive surprise
 - **Better portfolio quality** and thus yield compression
- Aroundtown currently trades on a **discount to book value** at 0.9x 2018E
- The next catalyst is potential inclusion in the MDAX in March

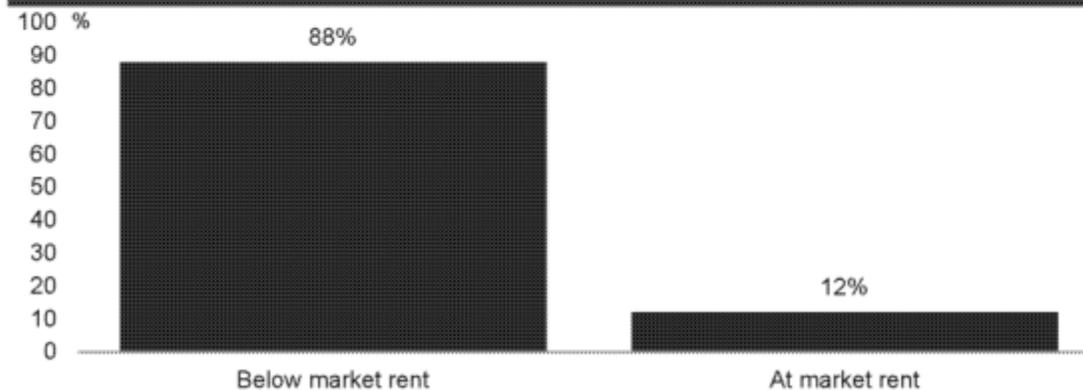
Related DB Research: [3Q17 results: Strong growth continues: BUY \(Scheufler\)](#)

Acquisition volume continues to surprise to the upside



Source: Company data, Deutsche Bank estimates

20% upside to market rents drives LFL rental growth



Source: Company data, Deutsche Bank