

Vonovia Re-emphasizes Its Promise to Tenants

March 23, 2020.

- Letters sent out last week to all tenants, promising easy and amicable solutions for Corona-related hardships
- Action planned by German Federal Government to provide special protection for tenants in precarious situations already a reality for Vonovia's tenants
- Vonovia's liquidity position remains very comfortable

The Corona pandemic has not only led to health concerns and severe restrictions in people's lives but is increasingly causing financial concerns. Many people are insecure with respect to their immediate financial future and fear that their personal financial distress could cost them the roof over their head.

Vonovia Fully Committed to Its Social Responsibility

As a socially minded landlord with a responsibility for ca. one million people in our apartments, Vonovia is very well aware of these concerns and takes them extremely seriously. This is the reason why we have given our tenants a promise that financial hardship in the wake of the Corona pandemic will not lead to a termination of their rental contract or loss of their home.

In this context, Vonovia has sent out letters to all of its customers in which we promised to seek pragmatic and amicable solutions for tenants in financial distress. We have also taken the necessary measures to make sure that we can maintain the high-quality service level and infrastructure for our customers in spite of the Corona-related impacts. Our operating staff in general and our specialized hardship case managers in particular make sure that none of our tenants who are in need get left behind and no one will be evicted from their home in times of crisis. The situation is difficult as it is and we do everything in our power alleviate our customers' concerns.

German Federal Government Plans Special Protection for Tenants in Precarious Situations

In the broader German rental market, however, the fear of losing your apartment is real. Legally, once a tenant has defaulted on two months' rent, the property owner has the legal right to terminate the lease agreement. While Germany's tried and tested social welfare mechanisms usually ensure that no one must become homeless, the Corona pandemic poses a particular challenge. Government

authorities responsible for providing financial assistance may currently not be able to do so quickly enough to prevent payment defaults that could then be used by landlords to terminate the lease agreements and evict the tenant. Since a vacant apartment is a valuable commodity in supply-constrained markets, the fear that some property owners will seize the opportunity is real.

That is why the government is making plans to protect tenants from the risk of eviction if they are facing financial hardship because of the Corona pandemic. Tenants would still owe the rent but the property owner would not be able to terminate the lease agreement because of the temporary default.

While the majority of tenants will be able to rely on the traditional social safety net of unemployment benefits and social welfare payments, it is particularly self-employed people and small business owners in the hotel and restaurant industry, child care, tourism, leisure, retail, culture & arts and similar professions who face the risk of losing their income overnight. More often than not, they will probably have little or no financial reserves to fall back on. To provide protection to these people in precarious situations is the objective of the planned government measure.

Worst-case Liquidity Impact Would Be Manageable

The number of people in precarious situations is estimated to be 3.5m (8% of a working population of 45m). We cannot say with certainty how many of our tenants are potentially affected. However, if we assume a similar distribution in our German portfolio this would represent ca. 21,000 tenants (adjusted for vacant apartments, 347,000 tenants, of which 23% (or 80,000) receive a pension or already have their rent paid for by the government. 8% of the remaining 267,000 tenants equals ca. 21,000).

Based on the above ratio, the average all-in rent of approx. €9/sqm, and 65 sqm per apartment, we estimate the theoretical worst-case temporary cash impact to be ca. €40m under the conservative assumptions of a three-month period and all eligible tenants receiving full rent deferrals. Any such amount would still be owed and expected to be collected at a later point in time.

With respect to our liquidity position, our operating cash flows, stable banking relationships, continued access to the capital market and low refinancing requirements for the remainder of the year give us financial stability and flexibility if needed. Vonovia remains in a very comfortable liquidity position and continues to see no material risk in regards to meeting its liquidity requirements and maintaining its bond and rating covenants.

We carefully monitor the situation to protect our employees and tenants to the best of our ability. Their safety is our utmost priority. We will continuously assess the dynamic evolution of the Corona pandemic and will update markets if needed.