

## Deutsche Wohnen AG

» **Bolt-on acquisitions of 15,200 units**

**27 November 2015**

# » EUR 1.2bn acquisitions with significant upside potential

## Key highlights

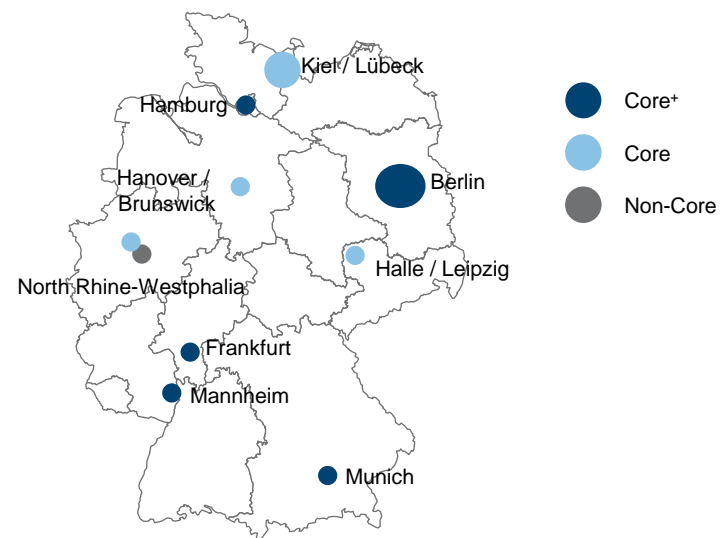
Units	15,185
Average rent per sqm	EUR 5.92
Market rent per sqm	EUR 7.10
Vacancy rate	2.2%
Acquisition price	EUR 1.2bn
Acquisition price per sqm	EUR 1,342
In-place rent multiple	18.7x
Market rent multiple	15.7x

**Significant rent potential for further value creation**

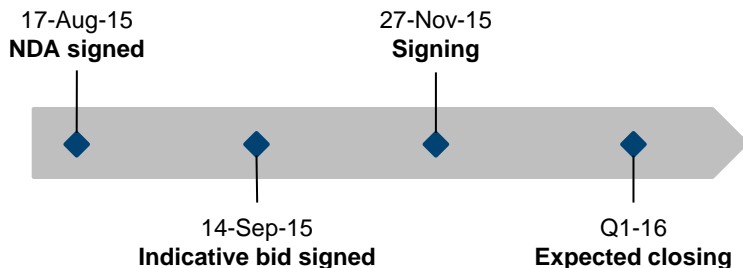
**Bolt-on acquisitions with high scalability**

**Financing via existing cash and debt**

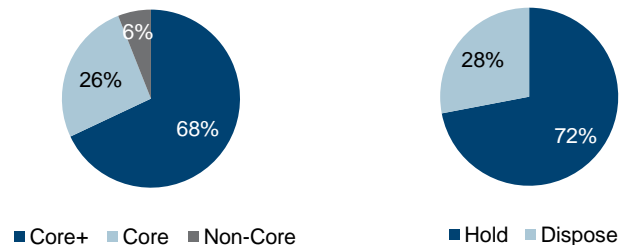
## Overview of locations



## Timeline and key milestones<sup>1)</sup>



## Portfolio segmentation<sup>2)</sup>



1) Acquisition of portfolio from Patrizia  
2) Based on Fair Value

## » Concentrated portfolios enable efficiency and optionality

	Units (#)	Rent (EUR/sqm)	Vacancy rate (%)	Fair value (EUR/sqm)	In-place rent multiple	Market rent multiple
Core +	8,599	6.37	2.1	1,663	21.6	17.6
Hold	7,152	5.75	2.2	1,446	20.9	16.9
Dispose	1,447	9.31	1.8	2,642	23.5	19.8
Core	5,097	5.39	1.0	1,013	15.5	13.4
Hold	4,737	5.37	0.8	1,017	15.6	13.4
Dispose	360	5.64	3.3	966	14.5	12.9
Non Core	1,489	5.36	6.2	756	11.9	11.0
<b>Total</b>	<b>15,185</b>	<b>5.92</b>	<b>2.2</b>	<b>1,342</b>	<b>18.7</b>	<b>15.7</b>

### Key highlights

- Concentrated portfolio predominately in existing Core+ and Core regions allowing efficient management
- Strategic focus is on realizing the up to 30% rental upside
- Envisaged streamlining of portfolio via disposals
- Financing through bank debt and existing cash
- LTV range of 40-45% remains unchanged
- Acquisition price is in line with market levels without paying away the upside potential
- Total FFO I contribution of EUR 40m representing an FFO yield of ~7%<sup>1)</sup>

- **Excellent fit with existing portfolio, with overlap of ~80%**
- **~80% of Hold portfolio concentrated in Berlin and Kiel**
- **High concentration of these portfolios enables realization of significant cost efficiencies (EBITDA margin >80%)**

1) FFO I yield based on acquisitions LTV of c. 50%, pro forma FFO I yield based on LTV of 42.5% (mid point target range) of c.6%

## » Portfolio overlap & concentration lead to EBITDA margins >80%

Hold portfolio	Core+			Core		Total
	Berlin	Rhine Main & Rhineland	Dresden	Kiel	Other	
Units	5,648	1,204	300	3,818	919	11,889
In-place rent (EUR/sqm)	5.55	6.65	5.66	5.37	5.37	5.59
Market rent (EUR/sqm)	7.05	7.52	7.01	6.50	5.71	6.81
Vacancy rate (%)	2.2	2.7	1.7	0.7	1.6	1.7
Acquisition price (EURm)	442	118	28	235	56	878
per sqm (EUR)	1,469	1,439	1,180	1,043	921	1,269
Multiple market rent (x)	17.4	15.9	14.0	13.4	13.4	15.5

### Drive rent

- High rent potential of up to 30% in Core+ and up to 20% in Core regions (comparable to Deutsche Wohnen portfolio)
- Berlin portfolio currently undermanaged with current rent ~10% below Mietspiegel
- No rent restrictions

### Create cost efficiency

- Large individual locations in Berlin and Kiel allow for cost efficient management
- Reaching critical size in Kiel (~5,000 units incl. existing stock) => Establishment of own service point in Kiel
- No existing staff taken over allows to establish Deutsche Wohnen processes from day one

## » Quality of Dispose portfolio creates optionality to enhance value

Dispose portfolio	Units (#)	In-place rent (EUR/sqm)	Vacancy rate (%)	Fair Value (EUR/sqm)	Market rent multiple
Core +	1,447	9.31	1.8	2,642	19.8
<i>Thereof Munich</i>	<i>1,070</i>	<i>9.89</i>	<i>1.4</i>	<i>3,014</i>	<i>20.7</i>
Core	360	5.64	3.3	966	12.9
Non Core	1,489	5.36	6.2	756	11.0
<i>Thereof Oberhausen</i>	<i>1,074</i>	<i>5.49</i>	<i>6.0</i>	<i>806</i>	<i>11.2</i>
<b>Total</b>	<b>3,296</b>	<b>7.07</b>	<b>3.6</b>	<b>1,581</b>	<b>16.3</b>

- Disposal in Core+ and Core locations due to lack of critical size in specific locations
- ~65% of units are in 2 locations (Munich and Oberhausen)
- Significant part of Dispose portfolio has privatization potential
- Structure of portfolio enables full flexibility for disposals, portfolio/house by house/unit by unit
- Due to solid operating performance no time pressure for fast clean up

## » Highly accretive acquisitions with significant upside

1

**Attractive portfolio adding ~12,000 units in Core+ and Core regions**

2

**Up to 30% rent potential**

3

**Dispose portfolio includes attractive locations and properties**

4

**Total FFO I impact pre disposals of EUR ~40m p.a.**

5

**FFO accretive with an FFO I yield of ~7%**

## » Appendix

## » Berlin cluster – Overview

### Background

- Highly concentrated with more than 75% in six big settlements
- No rent restrictions
- High rent potential and low vacancy rate (current rent below tenant table)
- Year of construction: mostly 30ies, 50ies and 60ies
- Mainly 1-2 room apartments
- Potential for focused add-on modernizations

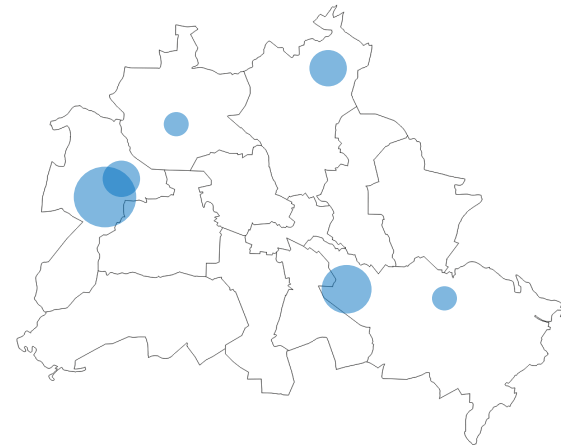
### Key metrics

Strategy	Operate
Residential units	5,648
Purchase price	EUR 442m
Price per sqm	EUR 1,469
Market rent multiple	17.4x
In-place rent per sqm/month	EUR 5.55
Actual market rent per sqm/month	EUR 7.05
Rent potential	30%
Vacancy rate	2.2%

### Portfolio impressions



### Location





## » Kiel cluster – Overview

### Background

- 28% of the total portfolio
- Highly concentrated mainly in three settlements
- Strategic extension in our Core-region Kiel/Lübeck and establishment of an own service point
- Good quality with low vacancy
- Year of construction: mostly late 30ies and 60ies
- Mainly 2-3 room apartments

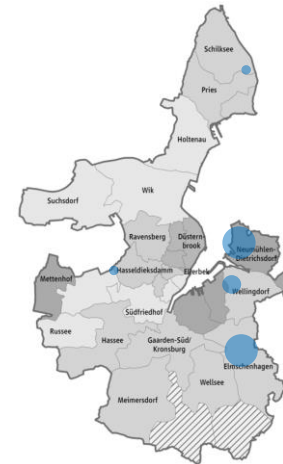
### Portfolio impressions



### Key metrics

Strategy	Operate
Residential units	3,818
Purchase price	EUR 235m
Price per sqm	EUR 1,043
Market rent multiple	13.4x
In-place rent per sqm/month	EUR 5.37
Actual market rent per sqm/month	EUR 6.50
Rent potential	21%
Vacancy rate	0.7%

### Location



## » Overview of total acquisitions signed in 2015

	Residential units #	Strategy	In-place rent <sup>1)</sup> (EUR/sqm)	Market rent <sup>1)</sup> (EUR/sqm)	Vacancy Rate <sup>1)</sup> in %	Fair Value (EUR/sqm)	Market rent multiple
Greater Berlin	11,455	Hold	5.27	6.53	2.0	1,324	16.9
Munich	1,070	Dispose	9.89	12.12	1.4	3,014	20.7
Rhine-Main	691	Hold	6.43	7.01	2.8	1,273	15.1
Rhineland	513	Hold	6.98	8.11	2.5	1,628	16.7
Hamburg	321	Dispose	7.71	8.47	2.9	1,729	17.0
Dresden	300	Hold	5.66	7.01	1.7	1,180	14.0
Other	56	Dispose	6.72	7.92	7.3	1,088	11.5
<b>Core+</b>	<b>14,406</b>		<b>5.79</b>	<b>7.12</b>	<b>2.0</b>	<b>1,469</b>	<b>17.2</b>
Kiel/Lübeck	3,818	Hold	5.37	6.50	0.7	1,043	13.4
Hanover/Brunswick	793	Hold	5.78	6.66	2.1	921	11.5
Magdeburg	783	Hold	5.28	6.09	3.1	979	13.4
Other	448	Hold/ Dispose	5.60	6.11	3.0	1,019	13.9
<b>Core</b>	<b>5,842</b>		<b>5.43</b>	<b>6.42</b>	<b>1.4</b>	<b>1,014</b>	<b>13.2</b>
Ruhr area	1,121	Dispose	5.45	5.94	6.3	780	10.9
Other	368	Dispose	5.07	5.0	5.6	680	11.3
<b>Non-core</b>	<b>1,489</b>		<b>5.36</b>	<b>5.71</b>	<b>6.2</b>	<b>756</b>	<b>11.0</b>
<b>Total</b>	<b>21,737</b>		<b>5.66</b>	<b>6.82</b>	<b>2.1%</b>	<b>1,290</b>	<b>15.8</b>

1) At acquisition

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