

Our promise to our tenants

Social housing industry should focus on tenants' individual living and financial situations

How we live has become an increasingly hot topic in the public debate. The term 'living' has become an umbrella for a range of societal challenges: climate change, gentrification, the housing shortage, rent development, demographic change etc. All these issues can only be dealt with if we combine our efforts as a society. This requires a will to compromise and a focus on results from all parties involved.

It's clear to us that a home is not just an ordinary commodity. It's the space at the centre of each of our lives. The issue of living must therefore be dealt with particularly responsibly. That's why it's important for Deutsche Wohnen to ease its tenants' fears of losing their home in connection with renovation works or a future rent increase.

Our shareholders support us in this approach. After all, they are also aware that we as a business can only thrive financially in the long term if we live up to our social and economic responsibility. Deutsche Wohnen is aware of this responsibility. It is the compass that guides us in the company's management and strategy.

One of the biggest areas of tension for Deutsche Wohnen is the need to invest in existing and new housing stock. The company can only approach these challenges with the necessary decisiveness if tenants and politicians also approve the required measures.

Deutsche Wohnen is rising to the challenges while acting with caution. That's why we have decided that from **1 July 2019**, Deutsche Wohnen will go above and beyond legal requirements in designing its rental policy, with our tenants in mind: we will additionally take into account the individual financial capacity, i.e. the incomes. Accordingly, this concept is also a contribution to the current discussion surrounding further interventions in the rental market, which, like many other interventions before them, will fail to achieve their aim of affordable living space. After all, these sweeping interventions do not help those who need help, as the financial capacity of the individual tenant is not taken into account. Going forward, however, this will be our main focus:

- 1. Establishing a voluntary hardship scheme for modernisation in accordance with Article 559 of the German Civil Code (BGB).**
- 2. Establishing a voluntary hardship scheme for rent rises in accordance with Article 558 BGB in the event of adjustments to the rent index (Mietspiegel).**
- 3. In case of re-letting one in four residential units will be rented to tenants who are entitled to a certificate of eligibility to live in social housing.**

Deutsche Wohnen has established these principles based on the following basic considerations.

Investment policy

With its investment policy, Deutsche Wohnen is targeting the three biggest challenges of our time: curbing climate change, tackling the consequences of the demographic shift and dealing with scarcity of living space in cities. We are firmly convinced that we can only manage these issues through investment in new and existing housing stock.

We can only achieve our climate goals if we invest now. We know that over 30 per cent of German CO₂ emissions are caused by existing housing stock and its residents and users. That's why the housing industry has to make a major contribution to fighting climate change. However, there has hitherto been no societal consensus on a fair distribution of 'climate costs' between tenants and landlords.

By contrast, however, it is completely clear what needs to be done: energy-efficient renovation works and modernisation of heating systems. Success backs us up in this conclusion. Realised projects already led to average energy savings of around a third following energy-efficient renovation works.

Investment in accommodation suitable for senior citizens is also crucial. Today, almost 21 per cent of the entire German population is aged 65 and over. By 2030, three million homes suitable for senior citizens will need to be built or adapted. Deutsche Wohnen has therefore set itself the aim of considering this demand more closely in its investment decisions going forward.

At the same time, only investment in creating new living space will satisfy rising demand in the cities. In Berlin alone, there will be a shortage of almost 200,000 homes by 2030. Urban society must rise to this challenge and put the welfare of the many above the welfare of the individual. We are making a positive contribution to solving this problem through selective densification and new development. In the next three years we will invest EUR 400 million in significantly increasing the amount of housing on offer. If suitable sites are available, we can and will continue to build more, as we have the necessary funds to do so.

The necessary investments in existing and new housing stock are made with the future in mind. However, they should not come at the expense of today's tenants and must be socially responsible.

In the context of major investment in existing stock, Deutsche Wohnen therefore voluntarily pledges to the following principles:

- No Deutsche Wohnen tenant should lose their home as a result of modernisation.
- We will not implement rent rises after modernisation (Article 559 BGB) if this will result in the annual gross warm rent for a needs-based residential unit exceeding 30 per cent of the annual net income of a tenant and the people living in their household.¹
- Rents for households who provide their rent as recipients of benefits in accordance with the German Social Code (SGB) II or XII will be increased after modernisation only in such a way that there is no breach of the living costs guidelines for the claimant in question, so that the gross warm rent does not exceed the costs of lodging borne by the job centre or social security office.
- Before and during the performance of renovation works, we shall seek dialogue with tenants, keep them informed in good time, and hold tenants' meetings. This also includes the availability of contacts and contractors, such as external planning firms or tenant support services, by telephone, in writing and on site.
- Building works and changes in the home and living environment can be a burden to tenants, particularly if complex modifications are involved. This affects older people and/or people with health conditions in particular, as well as residents who do shift work and families with children. At tenants' request, for the duration of building works lasting several days which considerably impede the use of their home, we shall provide suitable replacement residential unit or free alternative accommodation and/or – should tenants so wish – appropriate financial compensation.

¹The existence of financial hardship is established based on the tenant's income at the time the rent rise is issued (in accordance with Article 559 BGB). This also applies to setting the gross warm rent. This is subject to the tenant informing Deutsche Wohnen of hardship with regards to the rent amount by the end of the month after next following the announcement of modernisation by means of an informal letter (templates for this informal letter are available to take away from tenants' meetings). If the actual costs of modernisation are higher than the planned costs, then the tenant will again be granted the notification of financial hardship in accordance with the above procedure.

Urbanisation

The constantly rising demand for living space concerns many tenants. They wonder whether they will be able to afford the rent over the long term. We take these concerns very seriously. Accordingly, in the event of future rent rises, we will focus on the tenant's individual capacity. In future, in the case of rent rises in accordance with Article 558 BGB, we shall do the following:

- We will not introduce rent rises to the comparable local rent if this would result in the annual net cold rent for a needs-based home² would exceed 30 per cent of the annual net household income.³
- If a rent index exists, rent rises shall only be declared on this basis and justification through comparable residential units or expert opinions shall be waived.
- In the case of rent arrears, we seek in principle to find amicable solutions – such as payment in instalments. We do not collect interest on these. We do this with the aim of taking the burden off tenants in difficult living situations and avoiding evictions.

To us, the neighbourhood is just as important as the home itself. That is why we promote healthy neighbourhood development: we value a socially and demographically balanced tenant structure in our neighbourhoods and wish to avoid people being forced out. As such, it is important to Deutsche Wohnen that we give people entitled to a certificate of eligibility for social housing an opportunity on the housing market. It is currently extremely difficult for these people to find a home. That's why we are taking the following measures to strengthen the development of our neighbourhoods:

- Going forward, we will allocate one in four new rental properties to tenants entitled to a certificate of eligibility to live in social housing⁴.
- A growing number of our tenants are living in homes which no longer suit their way of life, such as when families grow, or an older couple no longer needs their big apartment. Tenants in these situations can find solutions to suit them with the help of our tenancy advisers. At the same time, we plan to establish our own home exchange service, making it easier to offer our tenants suitable homes.
- Of course, Deutsche Wohnen does not permit terminations of tenancies due to own needs (Eigenbedarfskündigungen). Instead, we wish to supply more affordable living space to the rental market through new development and selective densification.

²This is governed by Article 27, para. 4 of the Housing Construction Promotion Act (WoFG) in conjunction with the Implementing Provision on the Establishment of House Sizes by the SenStadtWohn dated 17 April 2018. In other federal states of Germany, the comparable implementing provisions of the federal state in question apply.

³In the event of a rent rise, Deutsche Wohnen tenants may claim a breach of the rent rise threshold within one month of a rent rise request, on the additional condition that the tenant and the people living in their household consent to undergoing assessment of their income.

⁴This is governed by Article 27, para. 2 WoFG in conjunction with Article 9, para. 2 WoFG. In other federal states of Germany, the comparable implementing provisions of the federal state in question apply.

Healthy neighbourhood development, however, also includes providing local business owners with suitable spaces. That's why we actively protect small business owners and promote the establishment of day-care facilities. As part of urban society, we are also committed to many charitable projects, particularly in the provision of our own living space, as well as financial support for activities in the fields of the arts, culture and sport. Yet we can do more, and we want to:

- Going forward, we will continue to strengthen our commitment to social and charitable projects and plan to invest EUR 6 million in this each year. In doing so, we wish in particular to help people in socially difficult situations, promote children's, sports and youth projects and provide living space for social projects. As part of our commitment, we will also enter into discussion with people outside of urban society and decide together on how the funds will be used.

This is our contribution to the debate about rising rents. We would be delighted if our contribution helped to expand the debate and wish to encourage a constructive dialogue with the public and world of politics about the many important issues concerning our tenants.

Berlin, 22 June 2019



Michael Zahn



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This is an English convenient translation. Only the German version of the declaration is relevant. This pledge is valid for a period of five years beginning 1 July 2019. It applies to all existing and future tenancies of residential rental units, unless otherwise amicably agreed in the respective tenancy. Any other existing individual agreements between Deutsche Wohnen SE and its tenants which are more beneficial to tenants than this agreement shall of course remain unaffected. Should there be further regulatory interventions in rental law, we reserve the right to withdraw this pledge.