

# Press Release

Annual result as at 31 December 2018

## Deutsche Wohnen increases its investment in the German residential property market

- › Investments in climate protection, digitisation and neighbourhood development, strong expansion of the Nursing and Assisted Living segment
- › Higher earnings and key figures for 2018, value of property portfolio up by EUR 2.2 billion

**Berlin, 26 March 2019.** Deutsche Wohnen SE made a number of strategic decisions in 2018 to successfully address the future challenges in the housing sector. The company significantly increased its investments to create and maintain housing, with spending on new construction up almost threefold. At the same time Deutsche Wohnen increased its investment in climate-protection measures for its portfolio, in order to make a contribution to the energy transition as a leading German property company. Investments into the digitisation of the company also went up significantly.

### All segments contributed to the positive result

Deutsche Wohnen can look back on a successful year 2018. The company increased its earnings by 5.6% to EUR 1.9 billion. The property portfolio saw a valuation uplift of EUR 2.2 billion and key performance indicators were also positive (FFO I per share +10%, EPRA NAV per share +18%). Rental growth reached 3.4% in the reporting year. In-place rents only went up moderately by 1.4%. As of year-end 2018 average in-place rent was EUR 6.62 per sqm, and EUR 6.71 per sqm in Berlin.

### Residential property sector supports climate goals

“Deutsche Wohnen wants to play an active role in shaping the future of housing in Germany”, said Michael Zahn, Chief Executive Officer of Deutsche Wohnen. “A long time ago we made a decision to think, plan, build and manage sustainably. We want our properties to live up to standards that will be set by future generations, too.”

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Deutsche Wohnen sees the housing industry as a key player for achieving climate goals. Existing buildings in particular have great potential for saving energy. CO<sub>2</sub> emissions can be cut significantly by means of careful refurbishment. Deutsche Wohnen fits insulation with sustainable mineral products, installs more efficient heating systems and converts existing systems to use more environmentally friendly fuels.

Another aspect of Deutsche Wohnen's sustainable approach to business is its efforts to drive digital innovation: processes can be improved substantially by digitising floor plans or providing digital access to buildings. The use of smart building technologies contributes to reducing long-term energy costs.

### **Significant investment to maintain the portfolio and living standards**

To assume its responsibilities towards the climate and the environment, as well as to live up to its own standards for a well kept and sustainable portfolio, Deutsche Wohnen increased its maintenance and refurbishment investments last year by some 25% to EUR 416 million. The company covers the bulk of the refurbishment expenses itself; only about a third of the costs are used to calculate the modernisation levy charged to tenants. In the past this charge has been well below the statutory maximum of 11%. In all its work to improve housing quality, Deutsche Wohnen gives high priority to ensuring that its activities are socially responsible. The company therefore applies a hardship clause if overall rent reaches 30% of net disposable household, to make sure that gross rents and income remain in balance. Furthermore, Deutsche Wohnen has signed various agreements with the districts of Berlin that comprise wide ranging concepts for carrying out maintenance and refurbishment work responsibly.

### **Greater emphasis on new building planned**

Deutsche Wohnen nearly tripled its investment in new construction from EUR 8.2 million (2017) to EUR 23.6 million (2018), whereby the building of new nursing facilities accounted for a large share. Extensive other work is planned for the years ahead to create additional, sustainable housing. Around 2,500 residential units are to be built in German cities by 2022. However, the possibilities of private-sector companies like Deutsche Wohnen are limited when the necessary framework is inadequate. Michael Zahn: "Policymakers and public administrators are not creating the necessary conditions for the new construction that is needed. There is a lack of commitment and willingness to take the necessary decisions. We are ready to play our part."

## **Strong expansion of the Nursing and Assisted Living segment**

Deutsche Wohnen sent an important signal responding to demographic developments by significantly increasing its investments in the Nursing and Assisted Living segment. The Nursing and Assisted Living segment now accounts for around 12% of the Group's EBITDA. This means Deutsche Wohnen has now reached its own targets; in the medium term the share is intended to grow to around 15%. In 2018, 37 new facilities were added to the portfolio. Deutsche Wohnen was thus able to consolidate its position as one of the biggest owners of nursing properties in Germany and now offers a total of 12,200 places.

## **Customer service further expanded**

To further improve its customer service Deutsche Wohnen set up a customer portal in 2018, which makes its services available 24/7. Customers can, for example, report any damage, download forms or find information about a wide range of topics. Another advantage is that this enables service staff to spend more time supporting individual concerns of customers.

One of Deutsche Wohnen's objectives is to contribute actively to the shaping of liveable neighbourhoods. The company has launched a pilot project entitled "Your Caretaker on the Estate", which was originated by a survey of our own tenants. It involves deploying more caretakers who inspect the work of service providers, ensure that the grounds are tidy, and above all are the local point of contact on the estate. Feedback has been very positive so that the project is now going to be rolled out across the entire portfolio in Berlin.

## **Employees are a key element of the company's success**

To build a successful business Deutsche Wohnen depends on qualified, motivated employees, who believe in the company values and put them into practice in their day-to-day work. Our employees should be retained over the long term, which is why we have ruled out compulsory redundancies for a period of at least three years from 1 August 2018. In addition, Deutsche Wohnen ensures that it pays market salaries and adjusts them regularly. In 2018 Deutsche Wohnen increased salaries by an average of 4.7%. The employees contribute significantly to the corporate's success, therefore Deutsche Wohnen lets its employees participate in the company's success and honours especially those who are long-standing members of the staff. More than EUR 3 million was spent on this employee loyalty scheme in 2018 alone. Last year Deutsche Wohnen also invested EUR 858,000 in staff development (+16%) to ensure that the employees are well qualified for their work.

## Part of the community

Deutsche Wohnen continued to support local initiatives in 2018, implementing projects to help people in difficult social situations. Furthermore the company let commercial units at reduced rates to social institutions and sponsored the employment of social workers.

Deutsche Wohnen has also been working with local authorities and social initiatives since 2015 to facilitate the integration of refugees. The company also provides funding for projects that have a positive impact on the communities in the estates.

## Performance overview

	2018 (EUR m)	2017 (EUR m)
Earnings from Residential Property Management	656.2	612.8
Earnings from Disposals	43.1	50.3
Earnings from Nursing and Assisted Living	55.3	48.0
Corporate expenses	-93.7	-81.3
Other expenses/income	-1.8	-29.0
<b>Operating result (EBITDA)</b>	<b>659.1</b>	<b>600.8</b>
Depreciation and amortisation	-10.3	-7.4
Adjustment to the fair value of investment properties	2,179.3	2,397.0
Gains/losses from companies valued at equity	2.6	3.0
Financial result	-203.9	-395.2
<b>Earnings before taxes (EBT)</b>	<b>2,626.8</b>	<b>2,598.2</b>
Current taxes	-27.6	-32.6
Deferred taxes	-736.6	-802.3
<b>Profit/loss for the period</b>	<b>1,862.6</b>	<b>1,763.3</b>

## **Deutsche Wohnen**

Deutsche Wohnen is one of the leading publicly listed property companies in Germany and Europe. Its operating focus is on managing and developing its portfolio, concentrating on residential properties. As of 31 December 2018, its portfolio comprised about 167,000 units, of which 164,300 are residential and 2,700 commercial. Deutsche Wohnen is part of Deutsche Börse's MDAX index and also features in the important indices EPRA/NAREIT, STOXX Eu-rope 600 and GPR 250.

### **Important note**

This publication is neither an offer to sell nor a solicitation to buy securities.

To the extent that this document contains forward-looking statements, these are not facts and are recognisable by such words as 'will', 'expect', 'believe', 'estimate', 'intend', 'endeavour', 'assume' and similar expressions. These statements express the intentions, opinions or current expectations and assumptions of Deutsche Wohnen and the individuals acting in concert with it. The forward-looking statements are based on current plans, estimates and forecasts that Deutsche Wohnen and the individuals acting in concert with it have made to the best of their knowledge, but do not make any claims as to their future accuracy. Forward-looking statements are subject to risks and uncertainties that are generally difficult to predict and are usually not within the control of Deutsche Wohnen or the individuals acting in concert with it. It should be remembered that the actual results or consequences may differ considerably from those mentioned or contained in the forward-looking statements.

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