

Press Release

Interim result as at 30 September 2019

Deutsche Wohnen posts strong operating result

- › **Increase in FFO I of 12% to EUR 1.16 per share**
- › **Dialogue forum “Fair Housing” initiated**
- › **“Our promise to our tenants” – up and running since July 2019**
- › **Positive feedback from our 2019 tenants’ survey**

Berlin, 13 November 2019. In the first nine months of 2019, Deutsche Wohnen generated a consolidated profit of EUR 634.7 million (9m 2018: EUR 756.7 million). The main reason for this fall in profit of approximately 16% was the lower increase in the value of the portfolio – approximately EUR 450 million compared with the previous year – that was recorded in the first half-year.

Important key figures continue to develop positively. For example, FFO I (Funds from Operations, operating result after current interest and taxes) per share rose by 12% in comparison with the previous year to EUR 1.16. As at the reporting date, EPRA NAV per share was EUR 43.52 – a rise of 3% since the start of the year. The loan to value ratio (LTV) was 38% as at the reporting date.

In the first three quarters of the year, Deutsche Wohnen invested approximately EUR 300 million in its portfolio. This was 16.4% more than in the previous year. The increase in in-place rents for existing tenants was moderate at 1.5%. Across the entire portfolio, rents rose by 3.4% over the last twelve months.

Problem of housing shortages can only be solved by working together

The difficult situation in the housing market in major German cities, particularly in Berlin, and the ongoing public debate about this problem, dominated the first nine months of this year. Deutsche Wohnen assumes that the shortage of housing and the resulting increases in rents can only be changed by conditions that favour new construction and redensification in the long term.

As Michael Zahn, CEO of Deutsche Wohnen, explains, “Against this background, Deutsche Wohnen continues to attach great importance to working together with all stakeholders in a spirit of partnership. Since the start of the third quarter of 2019, the company has been providing a platform for public dialogue as part of its “Fair Housing” initiative. Thereby, Deutsche Wohnen discusses with experts how constructive solutions for the Berlin housing market can be found.”

“Our promise to our tenants” – up and running since 1 July 2019

As an alternative to the proposals currently being discussed by the Senate, Deutsche Wohnen is voluntarily making a specific contribution to relieving the difficult situation on the housing market. Since the promise came into force, Deutsche Wohnen has provided 1,222 flats to tenants who are entitled to a certificate of eligibility to live in social-housing (“Wohnberechtigungsschein”). This corresponds to 37% of newly let flats during this period. In this way, Deutsche Wohnen is supporting the very people who have great problems finding a flat in today’s difficult housing market. In addition, Deutsche Wohnen has also entered into a hardship agreement with 471 tenants and thereby voluntarily dispensed with rental increases. Through the hardship clause, Deutsche Wohnen ensures that its tenants do not have to spend more than 30% of their annual net household income on rent following increases after refurbishment and rent index.

Preliminary feedback from the 2019 tenants’ survey positive

Every two years Deutsche Wohnen conducts a tenants’ survey. In doing so, the company offers its tenants the opportunity to give feedback on their housing situation and their level of satisfaction with the quality of service provided by Deutsche Wohnen. An inspection of the first provisional results has shown that Deutsche Wohnen has improved in all the areas covered by the survey. The first positive thing to note is that, at approximately 30%, the response rate is already significantly higher than it was for the last survey. As before, more than 70% of tenants are satisfied or very satisfied with Deutsche Wohnen as their landlord. Moreover, more than 80% of respondents stated that they are satisfied or very satisfied with their flat. At the same time, the tenants surveyed have also indicated where further improvements could be made – with regard to the condition of stairwells and external grounds, for example. Overall, the work of Deutsche Wohnen continues to be rated very positively by the tenants despite the ongoing public debate about housing. Against this background, the company sees itself confirmed in its current strategy.

Planned rental freeze creates legal uncertainty and discourages investment

In the first nine months of this year, the political efforts to statutorily cap or reduce rents have increasingly taken shape. It is expected that a law will come into force in the first quarter of 2020. The law is then intended to apply retrospectively from 18 June 2019. In accordance with many legal opinions and statements (inter alia, opinions of the Scientific Service of the German Parliament and the Berlin House of Representatives), we assume that the proposed law on freezing rents is unconstitutional.

The resulting legal uncertainty will be taken into account by Deutsche Wohnen in its tenancy agreements. Moreover, refurbishment measures, that have been planned but not yet announced to tenants or local authorities, and investments in new buildings in Berlin, amounting to just under EUR 1 billion will be subject to review.

Focus on climate protection and on acting sustainably

Deutsche Wohnen is firmly of the view that it has a social obligation to act sustainably. For this reason, the company also engages in constructive dialogue with all stakeholders in the area of climate protection. Within the scope of the “Decarbonization Initiative” of the organisation “Stiftung 2°”, the company has participated in the development of concrete proposals for climate policy measures and tools. In so doing, the company is actively promoting a more ambitious climate protection law and reliable framework conditions for achieving climate policy goals. At the same time, Deutsche Wohnen has focused on investments in energy-efficient refurbishments and building work during the first nine months of this year. However, because of the planned rental freeze, such urgently needed investment will be made more difficult in the future, thus preventing the achievement of our climate goals.

Overview business development

	9M 2019 (EUR m)	9M 2018 (EUR m)
Earnings from Residential Property Management	549.6	500.2
Earnings from Disposals	24.8	13.5
Earnings from Nursing and Assisted Living	65.4	37.6
Corporate expenses	-72.5	-63.8
Other expenses/revenues	-6.7	-3.1
Operating result (EBITDA)	560.6	484.4
Depreciation	-29.9	-6.0
Adjustment to the fair value of investment properties	451.3	677.5
Gains/losses from companies valued at equity	1.7	1.2
Financial result	-130.6	-138.7
Earnings before taxes (EBT)	853.1	1,018.4
Current taxes	-29.7	-31.4
Deferred taxes	-188.7	-230.3
Profit/loss for the period	634.7	756.7

Deutsche Wohnen

Deutsche Wohnen is one of the leading publicly listed property companies in Germany and Europe with a business focus on managing and developing its portfolio, which consists mainly of residential properties. As at 30 September 2019, the portfolio comprised 169,524 units in total, of which 166,717 were residential and 2,807 commercial. The company is listed in the Deutsche Börse's MDAX and is also included in the leading indices EPRA/NAREIT, STOXX® Europe 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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