

# Vonovia Operational Update – Business Has Proven Its Stability So Far

April 8, 2020

- **Operating Business with Rental and Value-add Segments very robust with no material signs of weakness**
- **Q1 Recurring Sales performance was in line with expectations as most sales contracts had been agreed prior to the imposition of the Corona restrictions. The current slowdown in reservations is expected to lead to a delay effect, which we are confident can be picked up once restrictions begin to be lifted**
- **Modernization and new construction activity ongoing but completion for some projects may be delayed to 2021**
- **Ensuring the safety of employees, maintaining the service infrastructure for our customers, and helping customers in need remains utmost priority**

With more than a month into the Corona pandemic in Germany and extensive restrictions on public and economic life since mid-March, the most recent operational data fully supports our initial conviction that the impact on Vonovia's operating business is only marginal. While the full set of Q1 results is scheduled for May 5, 2020, Vonovia publishes this operational update to confirm that the **business so far has been proving its robustness even in these unprecedented times.**

Specifically, in terms of our four business segments, we make the following observations.

## **Rental and Value-add Segments**

As expected, the weekly average number of lease agreements terminated by customers was substantially down in March (by ca. 40%) compared to January and February this year, resulting in **highly stable occupancy rates**. At the same time, the **strong demand for vacant apartments** is unbroken. The average number of inquiries in March was ca. 5,000 a day, in line with previous months. Unless there is a reversal in our fluctuation rate we may be **nearing a point where we have no more vacant apartments** to offer to the market.

The **refurbishment of vacant apartments** continues at maximum capacity in order to make sure that our product can be made available as quickly as possible to people looking for an apartment. Viewings and on-site letting operations continue but for the time being we have limited appointments to one potential customer at a time as a safety measure.

Ca. 3,300 customers (<1% of portfolio) have contacted us so far because of **Corona-related hardship**. We provide general advice on public support services like housing benefits and agree with them on individual, pragmatic solutions including prolonged payment periods. The financial and liquidity impact is immaterial for the overall business.

With regards to housing subsidies, social welfare benefits and similar government assistance, the **government has implemented the following measures to swiftly provide help to all people in need**: For new applicants between March 1 and June 30, 2020, the government has simplified the application process, essentially waiving the background check of an applicant's financial situation during the first six months. The government has also stated it would cover the rent and heating expenses for the first six months without requiring any proof from applicants. Applications can be made by phone, e-mail or at the local government job center. **In addition to these Corona-related simplifications, the standard support systems remain fully in place and government assistance continues to be available for all people in need.**

The **rent collection for April** (which, as a standard procedure, is largely carried out by direct debit transfers) went smoothly with very low fallout ratios and hence in line with previous months, showing no meaningful signs of Corona-related rent deferrals.

The **Customer Service** is running smoothly and very stable in spite of the Corona pandemic. Almost all service center staff have transferred to their home office, and we are proud to say that service levels and availability for our customers remain stable on a high level. The same applies for our core property management functions such as accounts payable and accounts receivable and the settlement of service charges which are all running stable and smoothly.

The **repair & maintenance** service for our customers is fully up and running. The overall volume of incoming repair requests, however, has been declining recently. We believe customers probably prefer to only have those repair jobs carried out that present an actual inconvenience or emergency while minor repair requirements are likely to remain unreported for now.

**Modernization** work on projects that had already started and were underway prior to the Corona pandemic will be finished, and we do not expect any material delays. Kick-offs for larger modernization projects are currently on hold, also to keep to a minimum the burden and stress levels for our customers, who for obvious reasons spend almost all of their time at home these days. Smaller modernization projects, preparatory measures for larger modernizations, and work that does not represent a material burden on our customers continue. Our objective is to quickly ramp up our energy-efficient investments as soon as it is safe and reasonable to do so. Assuming a Corona-related volume-decline for a period of approximately three months, between April and June, we estimate the delayed modernization volume to be less than €100m. Any delayed modernization work will be completed at a later point in time.

Our property management employees have the relevant equipment, including protective gowns, masks, disinfectant, etc. We are following the recommendations of the Robert Koch Institute on protective measures to make sure that all of our employees, as well as anybody with whom they interact, are safe.

## **Recurring Sales Segment**

Our Recurring Sales Segment is more seasonal than the rental business and results can vary more from quarter to quarter even in normal times. For Q1 2020, volumes and sales prices are in line with Q1 last year. However, we are currently seeing a decline in the number of reservations, and we expect the closing of purchase agreements to become more difficult under the Corona restrictions. At this point, we are confident we can largely make up for this delay by the end of 2020. The demand for individual apartments remains strong and we do not expect the Corona pandemic to have a material long lasting impact on the overall demand situation.

## **Development Segment**

While we expect temporary delays in the completion of some of our construction projects, the new construction activities are largely continuing. In Austria, for example, all construction sites had to close down for two weeks but have now reopened and construction work is ongoing. However, some of the projects we had planned to deliver in 2020 will now likely be completed in 2021. We observe an unchanged demand environment and are confident that the appetite for our newly constructed apartments will remain strong and largely unaffected by the Corona pandemic. With the larger part of our construction activities earmarked for our own portfolio, our development activities are much less subject to potential dips in the overall demand.

## **Closing remarks**

We remain focused on the concerns of our customers in these trying times, and we re-emphasize our commitment to those who encounter financial difficulties because of the Corona pandemic. Our service center agents and hardship case managers are available to find amicable and pragmatic solutions for anyone in need. The digitization of large parts of our business is proving particularly helpful in these times where physical interaction is greatly reduced. Similarly, the scale and depth of our operations puts us at a relative advantage over other residential property owners and enables us to continue our operations and service for customers with very little interference from the Corona pandemic.

This also allows us to maintain our focus on successfully managing the industry's megatrends, which are entirely unaffected by the Corona pandemic. Urbanization and supply/demand imbalance; climate change and the need for CO2 reduction; and demographic change and the need for senior-friendly apartment refurbishments are all more relevant than they have ever been. While fighting the Corona virus is a general priority at this stage, we are not losing sight of the other long-term challenges we face. Vonovia is as determined as ever to work on solutions and to make its contribution for the benefit of all stakeholders.