

Vonovia SE

Vonovia SE’s ratings benefit from the stability of German-regulated residential-for-rent assets, which have undersupply and significant demand, an inflation hedge within rent indices and a portfolio with significant discounts to market rents, which is reflected in asset values. Low tenant churn (8% per year) brings revenue stability, but delays the crystallisation of that rent reversion. Occupancy rates remain high at 97%-98%. Regional rent indices (set by Mietspiegel in Germany) phase CPI spikes over time, but will reflect the asset class’s operational and financial cost increases.

Vonovia has been deleveraging after digesting the part-equity, part-debt-incurred acquisition of Deutsche Wohnen in 4Q21. Fitch Ratings expects Vonovia’s net debt/rental-derived EBITDA to decline to around 17x during 2024-2026 from around 18x (end-2024 estimate: 18x), aided by gradual increases in rental income and asset disposals.

Fitch continues to assess Vonovia based on rental-derived EBITDA. Fitch expects its EBITDA/net interest coverage to tighten to about 2.3x in 2026 (end-2024 Fitch-estimate: 2.5x), as rent increases (held back by phased increases within rental indices) do not match more immediate interest rate rises, despite hedging.

Key Rating Drivers

Solid Rent Fundamentals: Vonovia’s annualised year-on-year rent increased 3.8% YTD at end-3Q24 (end-3Q23: 3.8%). Within this, like-for-like organic rent growth increased by 2.2% YTD at end-3Q24 (end-3Q23: 2.0%) as multiple regional Mietspiegel indices allowed phased rent increases (continuing to reflect some of 2023’s peak CPI inflation, and operational and construction cost increases, including the cost of capital).

In addition, there was a 9M24 1.3% rental growth from re-lets and modernised apartments (some with minimal capex yielding 10% rent growth, or investing capex yielding 30% growth).

Rent Growth Drivers: Vonovia’s rental income is likely to rise in the future. Under organic rent growth, the indices’ mechanisms, including the periodic step-ups within Kappungsgrenze (three-year cap within Germany’s rent mechanism), allow for further catch-up, albeit to below-market rent levels.

Within modernised apartments, this contribution is dependent on tenant churn when units become available for re-let or capex enhancement, both raising rents significantly. Rent from new-builds will be a function of Vonovia resuming to dedicate capital to development-to-hold units, given recently subdued asset values.

Mietspiegel-Enshrined Rent Increases: Driving underlying ongoing rent increases is significant undersupply (partly created by German housing developer defaults, less housing construction permits granted and fewer reported housing starts) and high demand (urbanisation, demographic changes and population increases, including from immigration), the Mietspiegel approach of remunerating cost increases, and increased ESG capex. All of these equate to strong sector fundamentals in the medium-to-long term.

Rent Reversion in Valuation NIYs: This rent increase potential is locked in the value of regulated residential-for-rent assets (reflecting in-place rents’ discount to market rents, and value versus replacement cost by 2.5x-3.0x). Therefore, valuation net initial yields (NIYs) are above 3% (end-3Q24 NIYs: 3.4%, end-2023: 3.3%), despite other property asset classes’ yields having recalibrated more widely to 4.5%-5%.

Ratings

Vonovia SE

Long-Term IDR	BBB+
Senior Unsecured Debt - Long-Term Rating	BBB+

Outlooks

Long-Term Foreign-Currency IDR Stable

[Click here for the full list of ratings](#)

2035 Climate Vulnerability Signal: 35

ESG and Climate

Highest ESG Relevance Scores

Environmental	3
Social	3
Governance	3

2035 Climate Vulnerability Signal: 35

Applicable Criteria

[Corporate Recovery Ratings and Instrument Ratings Criteria \(August 2024\)](#)

[Corporate Rating Criteria \(December 2024\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(December 2024\)](#)

Related Research

[Global Corporate Macro and Sector Forecasts \(January 2025\)](#)

[EMEA Real Estate Outlook 2025 \(December 2024\)](#)

[Climate Vulnerability Signals for Non-Financial Corporate Sectors \(August 2024\)](#)

[EMEA Real Estate – The Adverse Effects of Rising Interest Rates: 2024 Update \(December 2024\)](#)

[Heimstaden AB and Heimstaden Bostad Rating Report \(January 2025\)](#)

[D.V.I. Deutsche Vermögens- und Immobilienverwaltungs GmbH \(December 2024\)](#)

[Peach Property Finance GmbH Rating Report \(July 2024\)](#)

[EMEA Residential-for-Rent Property Companies – Relative Credit Analysis \(January 2024\)](#)

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Some Secondary Portfolio Traits: Solid demand for Vonovia's portfolio is shown by low vacancy (end-3Q24: 2.1%) and high rent collection rates. The German portfolio's lower rent/square metre (sqm) per month at EUR7.81 at end-3Q24 versus peers reflects the secondary quality of some of Vonovia's German assets (of which its Berlin apartments' average is EUR7.77/sqm per month). This reflects the lower purchasing power of East Germany-era properties, as well as the overall portfolio's buildings (40% constructed pre-1960, and about 20% during both the 1960s and 1970s).

Apollo Transactions: The 2Q23 Sudewo portfolio (EUR3.5 billion of assets, EUR1 billion of proceeds/debt), and 4Q23 Northern portfolio (EUR3.8 billion, EUR1 billion of proceeds/debt) sold a minority 20%-30% equity stake in each joint venture to an Apollo Global Management-related vehicle for an outsized regular minority dividend. This remunerates the off-balance-sheet debt incurred, while the assets remain on-balance-sheet (consolidated) for Vonovia.

We have retained the Apollo debt on-balance-sheet because we believe that Vonovia intends to retain these portfolios and buy-back the two EUR1 billion tranches. Vonovia continues to actively manage the assets (for which it is remunerated) and can move to repay the debt if required.

Fitch's Rental-Driven EBITDA: Vonovia calculates its EBITDA based on its capital profits from developments and build-to-sell (which has declined markedly after 2021, but is expected to pick-up again from 2025 onwards). Consistent with peers', Fitch calculates Vonovia's EBITDA from its core recurring rental income and related smaller value-added services profits. Vonovia's net debt/EBITDA is, therefore, based on its stable rental income profile, acknowledging rents' prospective reversionary potential. When 2023-to-2024 group profits shrank due to lower volumes, less allocated investment and capital profits, Fitch's analysis continued to focus on the longevity and stability of the core rental portfolio.

Long-Dated Debt and Interest-Rate Fixing: In regulated markets such as Germany and Sweden (whose rents are set in negotiation with Swedish tenant unions), rent income increases are phased, but interest rates rose quickly. Vonovia benefits from long-term debt and long-term interest-rate fixing. This reflects the longevity of Vonovia's debt (half of its end-2023 debt will still be in place by end-2028). Its secured debt funding is typically 7-10 years, and about EUR9 billion of its fixed-rate, low-coupon bonds mature after 2029. The Fitch-calculated loan-to-value (LTV) ratio was 53% at end-3Q24.

Financial Summary

(EURm)	2021	2022	2023	2024E	2025F	2026F
Gross revenue	3,624	5,152	4,875	3,258	3,371	3,486
EBITDA	1,821	2,281	2,363	2,242	2,250	2,302
EBITDA after associates and minorities	1,793	2,240	2,323	2,202	2,210	2,262
EBITDA net interest coverage (x)	4.6	4.4	3.6	2.5	2.6	2.3
EBITDA net leverage (x)	25.3	19.5	18.8	18.0	17.3	17.2

Source: Fitch Ratings, Fitch Solutions, Vonovia SE

Vonovia SE Property Portfolio Profile (end-September 2024)

Asset class	Residential-for-rent
Geography (by fair value)	Germany 88%, Sweden 9%, Austria 3%
Portfolio size	EUR78.7 billion
Passing rent	EUR3.4 billion
GLA at end-2023	34,215,000 square metres, 549,919 units
Occupancy	97.9%
EPRA net initial yield (NIY) at end-2023	3.1% (topped-up 3.2%)

Source: Fitch Ratings, Vonovia SE

Vonovia Group Portfolio

(%)	2020	2021	2022	2023	3Q24	Guidance 2024
Organic rent increase	+3.1	+3.2	+3.3	+3.8	+3.8	+3.8-4.1
of which market rent Increase (lfl)	+0.6	+1.0	+1.0	+2.3	+2.2	
Modernisation spend (lfl)	+1.9	+1.6	+1.6	+1.0	+1.3	
New construction	+0.6	+0.6	+0.7	+0.5	+0.3	
Year-end annualised rent (EURm)		2,923	2,999	3,111	n.a.	

Source: Fitch Ratings, Vonovia SE

Rating Derivation Relative to Peers

Vonovia has the largest European residential-for-rent portfolio (end-3Q24: EUR81.1 billion, 541,619 units) with Heimstaden Bostad AB (IDR: BBB-/Stable) having the second-largest at end-3Q24 EUR28.8 billion and 162,617 units. Within Fitch's publicly rated portfolio other companies include Grainger plc (IDR: BBB-/Stable; EUR4.3 billion/9,135 units). Vonovia's portfolio is also larger than that of Peach Property Group AG (CCC+; post-disposal EUR1.9 billion), mainly focused in in the North Rhine-Westphalia region of Germany, and that of D.V.I. Deutsche Vermoegens- und Immobilienverwaltungs GmbH (BBB-/Stable; Berlin-focused EUR2.3 billion mainly residential).

Heimstaden Bostad's portfolio benefits from pan-European diversification, affording it beneficial exposure to different countries' economic cycles as well as their approaches to residential-for-rent regulations and rent indices, whereas Vonovia's portfolio is primarily in Germany at 85% by rental revenue (end-3Q24), Sweden 11% and Austria 4%. Both companies have significant exposure to Berlin, with Heimstaden Bostad's coming from its acquisition of the Akelius portfolio.

The NIYs on residential-for-rent properties are lower compared with commercial real estate, reflecting sound underlying qualities and the different interest rates across the countries. Fitch acknowledges the higher debt capacity of residential-for-rent assets compared with more-volatile commercial real estate (office, retail, industrial), and adjusts all rated companies' net debt/recurring rental-derived EBITDA thresholds for their NIYs and the quality of each entity's portfolio.

The key comparison will be between Heimstaden Bostad's rating and Vonovia's. Heimstaden Bostad has restored access to the capital market in 2H24, ceased its dividends and undertaken a disposal programme because of no visibility on accessing equity due to Alecta's issues and Heimstaden AB's likely non-participation. Vonovia, however, rebased its 2023 dividend, reflecting its lower capital profits activity, but has continued accessing capital including unsecured bonds totalling EUR1.9 billion in 2024.

Vonovia's predominantly German portfolio is of a lower quality than Heimstaden Bostad's pan-European portfolio, thus its 2024 lfl rental growth figures are lower than Heimstaden Bostad's lfl rental growth yoy. Vonovia (excluding rents on new-builds) 3Q24 yoy: 3.8% versus Heimstaden Bostad at 5.6% (of which Germany: 6.6%).

Vonovia has much longer-dated debt and has fixed the interest rates on most of it, providing a stable interest cover ratio (about 2.5x-2.3x). Heimstaden Bostad's interest cover (2024 trough of 1.4x before rising to 1.5x in 2026 with the benefit of its disposal programme and phasing of rent increases over time) did not benefit such long-term interest rate fixing. Vonovia's lower average cost of debt (3Q24: 1.9% rising to 2.5% in 2026) does not include hybrids (none issued), whereas this cost does hinder Heimstaden Bostad's financial profile (Fitch forecasts 3.7% in 2025).

Navigator Peer Comparison

	IDR/Outlook	Operating Environment	Management and Corporate Governance	Property Portfolio	Rental Income Risk Profile	Liability Profile	Access to Capital	Profitability	Financial Structure	Financial Flexibility
D.V.I. Deutsche Vermögens- und Immobilienverwaltungs GmbH	BBB-/Stable	aa	bb+	bbb+	a-	bbb+	bbb-	a	bbb-	bbb+
Grainger plc	BBB-/Stable	aa	a	bbb	bbb	bbb+	bbb	bbb+	bbb-	bbb
Heimstadten Bostad AB	BBB-/Stable	aa	bbb	a	a-	bbb	bbb-	bbb	bbb-	bbb-
Peach Property Group AG	CCC+/	aa-	bbb	bbb	a-	bbb-	bb	a	bb-	b-
SCILAMARTINE	BBB+/Stable	aa	bbb+	a-	a-	a	bbb+	bbb-	bbb+	a
Vonovia SE	BBB+/Stable	aa	a-	bbb+	a-	a	a-	a	bbb	bbb+

Source: Fitch Ratings

Relative Importance of Factor: Higher (Red), Moderate (Blue), Lower (Light Blue)

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Net debt/rental-derived EBITDA below 17.0x
- EBITDA net interest cover above 2.0x
- Senior unsecured debt rating: unencumbered investment property assets/unsecured debt above 2.0x

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Net debt/rental-derived EBITDA above 19.0x
- EBITDA net interest cover below 1.75x

Liquidity and Debt Structure

Vonovia has a moderate liquidity risk. The company has a heavy debt maturity schedule averaging about EUR4 billion per year (2025: EUR4.6 billion, 2026: EUR3.9 billion, 2027: EUR5 billion) for the EUR42.5 billion on-balance-sheet debt book. About EUR1.5 billion a year are secured financings, which are typically refinanced by German banks.

By end-3Q24, Vonovia had achieved its target by signing agreements to generate EUR3 billion of cash from disposals, although cash proceeds have been delayed. With EUR1 billion received over the first nine months of 2024, Fitch expects cash to increase to EUR4.5 billion by end-2024. Vonovia also has a core undrawn EUR3 billion revolving credit facility (RCF) maturing September 2026. Fitch's liquidity score for 2025 is 1.9x.

Vonovia's ratings benefit from its access to unsecured debt markets (2024: EUR1.9 billion bonds), alongside the refinancings of its secured funding. At end-3Q24, the company had liquidity (including undrawn RCFs), covering unsecured and secured scheduled debt maturities until end-1Q26.

Consistent with peers, 2024 secured loans have been rolled over, often updating their specific LTV to a target of 50% (whereas the previous refinanced long-dated facility may have had an LTV as low as 25%-30%).

The 2024 average cost of debt for Vonovia was a competitive 1.9%. At end-2024, 98% of the book is fixed or hedged (end-2023: 98%). Vonovia has not accessed hybrids.

Accessing EUR1.9 billion of unsecured bonds in 2024 helps keep the diversity of funding and retains the unsecured/secured debt mix. The unencumbered assets/unsecured debt bond covenant is a minimum 125% (end-3Q24: 156%). Recalculating this figure on an unencumbered investment property/unsecured debt basis, the ratio is 1.6x. This threshold (required 2.0x) is not consistent with the Fitch EMEA real estate senior unsecured uplift. We calculate that secured funding averages an inefficient (and preferential to secured banks) investment property asset cover of 3.0x.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, [click here](#).

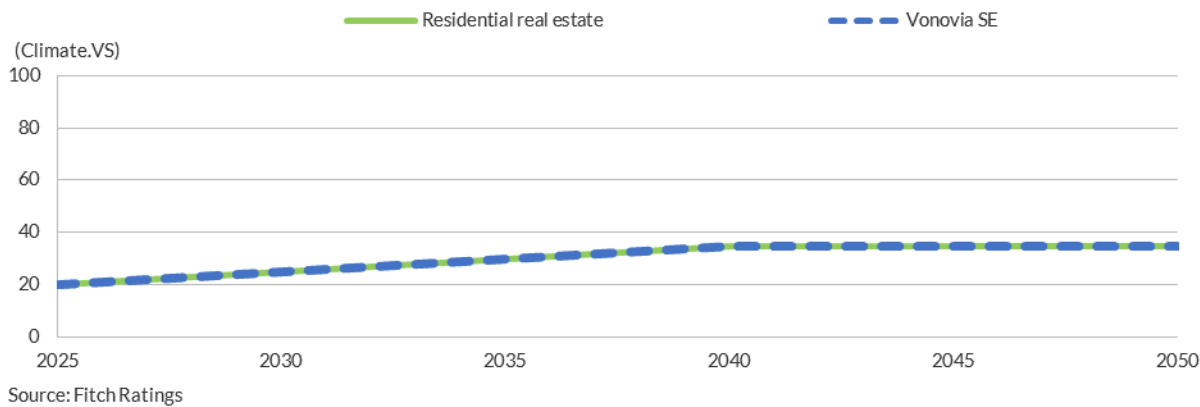
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch’s [Corporate Rating Criteria](#). For further information on how Fitch perceives climate-related risks in the real estate and property sector see [Real Estate and Property – Long-Term Climate Vulnerability Signals](#).

The end-3Q24 revenue-weighted Climate.VS for Vonovia SE 2035 is 35 out of 100, suggesting low exposure to climate-related risks in that year.

Climate.VS Evolution

As of Sep 30, 2024



Liquidity and Debt Maturities

Liquidity Analysis

(EURm)	2025F
Available liquidity	
Beginning cash balance	4,500
Rating case FCF after acquisitions and divestitures	1,546
Total available liquidity (A)	6,046
Liquidity uses	
Debt maturities	-4,831
Total liquidity uses (B)	-4,831
Liquidity calculation	
Ending cash balance (A+B)	1,215
EUR3 billion RCF availability (matures Sept 2026)	3,000
Ending liquidity	4,215
Liquidity score (x)	1.9

Source: Fitch Ratings, Fitch Solutions, Vonovia SE

Scheduled debt maturities

(EURm)	30 Sep 24
4Q24	1,030
2025	4,831
2026	4,029
2027	5,009
2028	4,783
2029	3,609
Thereafter	19,251
Total	42,543

Source: Fitch Ratings, Fitch Solutions, Vonovia SE

Key Assumptions

Fitch's Key Assumptions within our Rating Case for the Issuer

- Core regulated rents increase by about 3.5% per year during 2024-2026, including rent uplifts on renewals at 8% (assuming 6.5% of the portfolio churns per year), and incremental rent on capex-spent apartments get a 7% rental yield on spend (Vonovia quotes 8%-9%). New-builds (space creation) yield 7% rents (on-cost) return. This results in 3.5%-4.0% yoy increases in gross rental income for 2024-2026.
- Reduced EBITDA contribution from rented value-added services (2023: EUR105 million).
- Profits from recurring sales and development-to-sale of residential units are not added to Vonovia's core EBITDA, but these activities' free cash flow (FCF) net inflows are added to group cash flow.
- Space creation capex at EUR500 million-700 million per year, and modernisation (upgrade of building and optimisation) at EUR300 million, plus capitalised maintenance spend of EUR800 million per year.
- Refinanced debt uses Fitch's past *Global Economic Outlook* policy rates of 3.75% in 2024 and 3%, thereafter.
- Rebased 2023 dividend increases by 5% per year with a continued 50% scrip.
- 2024 disposals include EUR0.9 billion announced as signed but not completed, nursing homes and non-core EUR3 billion of assets.
- The two Apollo transactions are treated as on-balance-sheet, including total EUR2 billion of debt, and the cash flow's minority dividends paid related to servicing this debt is captured in Fitch's modelling of Vonovia's core interest expense.

Financial Data

(EURm)	2021	2022	2023	2024E	2025F	2026F
Summary income statement						
Gross revenue	3,624	5,152	4,875	3,258	3,371	3,486
Revenue growth (%)	15.2	42.2	-5.4	-33.2	3.5	3.4
EBITDA before income from associates	1,821	2,281	2,363	2,242	2,250	2,302
EBITDA margin (%)	50.3	44.3	48.5	68.8	66.7	66.0
EBITDA after associates and minorities	1,793	2,239	2,323	2,202	2,210	2,262
EBITDAR	1,839	2,300	2,363	2,242	2,250	2,302
EBITDAR margin (%)	50.7	44.7	48.5	68.8	66.7	66.0
EBIT	1,723	2,060	1,952	1,832	1,833	1,878
EBIT margin (%)	47.5	40.0	40.0	56.2	54.4	53.9
Gross interest expense	-412	-368	-810	-861	-857	-963
Pretax income including associate income/loss	5,482	-733	1,570	971	976	915
Summary balance sheet						
Readily available cash and equivalents	1,315	1,198	959	459	355	203
Debt	46,651	44,759	44,719	40,186	38,536	39,136
Lease-adjusted debt	46,651	44,759	44,719	40,186	38,536	39,136
Net debt	45,336	43,561	43,761	39,727	38,180	38,932
Summary cash flow statement						
EBITDA	1,821	2,281	2,363	2,242	2,250	2,302
Cash interest paid	-403	-541	-719	-861	-857	-963
Cash tax	-93	-188	-154	-98	-101	-105
Dividends received less dividends paid to minorities (inflow/outflow)	-29	-42	-41	-40	-40	-40
Other items before FFO	140	98	33	—	—	—
FFO	1,449	1,641	1,550	1,243	1,251	1,194
FFO margin (%)	40.0	31.9	31.8	38.2	37.1	34.3
Change in working capital	51	-107	-340	—	—	—
CFO (Fitch-defined)	1,500	1,535	1,210	1,243	1,251	1,194
Total non-operating/nonrecurring cash flow	—	—	—	326	300	300
Capex	-1,957	-2,476	-1,104	—	—	—
Capital intensity (capex/revenue) (%)	54.0	48.1	22.6	—	—	—
Common dividends	-486	-672	-373	—	—	—
FCF	-943	-1,613	-267	—	—	—
FCF margin (%)	-26.0	-31.3	-5.5	—	—	—
Net acquisitions and divestitures	-16,038	3,034	1,332	—	—	—
Other investing and financing cash flow items	-1,565	-2,130	-39	—	—	—
Net debt proceeds	11,344	-1,779	119	-4,534	-1,650	600
Net equity proceeds	8,081	—	—	—	—	—
Total change in cash	658	-242	428	-495	-99	-147
Leverage ratios (x)						
EBITDA leverage	26.0	20.0	19.3	18.3	17.4	17.3
EBITDA net leverage	25.3	19.5	18.8	18.0	17.3	17.2
EBITDAR leverage	25.8	19.8	19.3	18.3	17.4	17.3
EBITDAR net leverage	25.0	19.3	18.8	18.0	17.3	17.2
FFO leverage	25.4	20.8	20.3	19.1	18.3	18.1
FFO net leverage	24.6	20.3	19.9	18.9	18.1	18.0
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-18,481	-114	-145	2,796	300	-1,941
FCF after acquisitions and divestitures	-16,981	1,420	1,065	4,039	1,551	-747
FCF margin after net acquisitions (%)	-468.6	27.6	21.8	124.0	46.0	-21.4

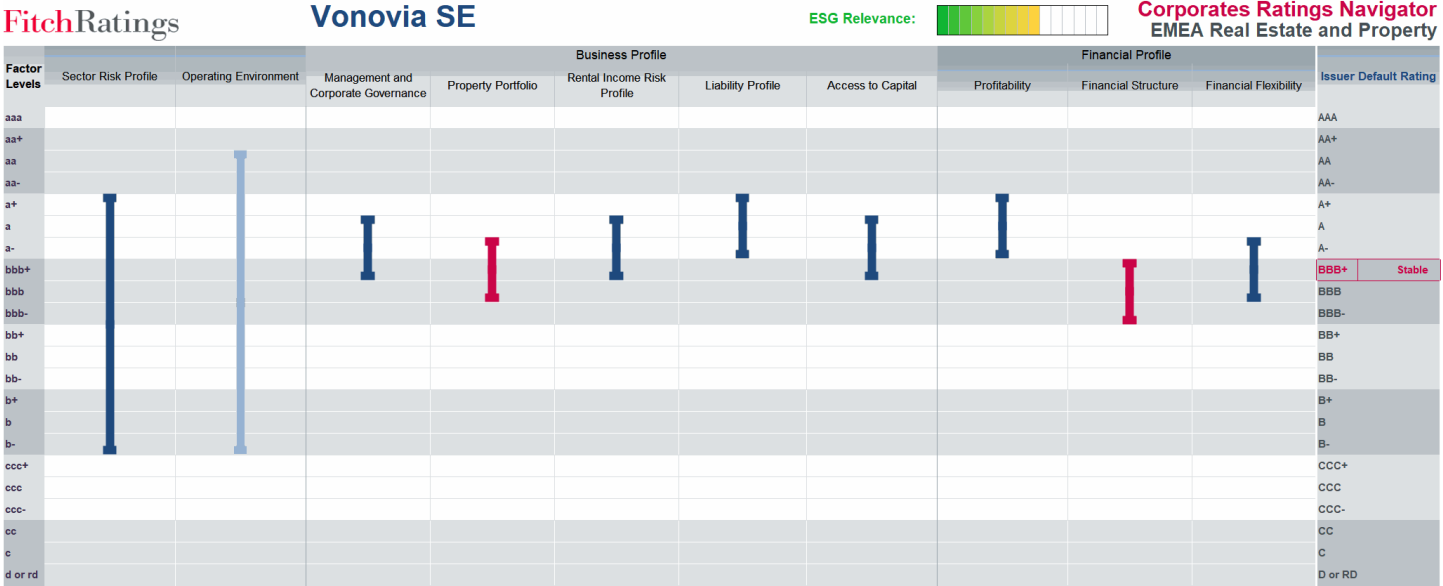
(EURm)	2021	2022	2023	2024E	2025F	2026F
Coverage ratios (x)						
FFO interest coverage	4.6	4.0	3.1	2.4	2.4	2.2
FFO fixed-charge coverage	4.4	3.9	3.1	2.4	2.4	2.2
EBITDAR fixed-charge coverage	4.3	4.0	3.2	2.5	2.6	2.3
EBITDAR net fixed-charge coverage	4.4	4.3	3.6	2.5	2.6	2.3
EBITDA interest coverage	4.5	4.1	3.2	2.5	2.6	2.3
Additional metrics (%)						
CFO-capex/debt	-1.0	-2.1	0.2	-1.4	-1.4	-1.6
CFO-capex/net debt	-1.0	-2.2	0.2	-1.4	-1.4	-1.6
CFO/capex	76.6	62.0	109.6	69.1	69.5	66.3

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:

Vertical Bars = Range of Rating Factor

Bar Colors = Relative Importance

Higher Importance

Average Importance

Lower Importance

Bar Arrows = Rating Factor Outlook

Positive

Negative

Evolving

Stable

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific-funding characteristics and the strength of the relevant local financial market.
b-	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
ccc+			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb			

Property Portfolio

a	Portfolio Liquidity and Ability to Leverage Assets	a	Good institutional appetite (buyers/sellers/lenders) in best markets, indicating high liquidity and ability to leverage assets.
a-	Investment Granularity	a	Very high portfolio granularity. Top 10 assets comprise less than 20% of net rental income or value.
bbb+	Geographic Strategy	bbb	A strong and focused presence in a prime market; or focus on two to three markets with appropriate scale. Markets display different economic and business cycles.
bbb	Asset Quality	bbb	Prime and good secondary.
bbb-	Development Exposure	a	Committed development cost to complete of up to 5% of investment properties. Limited speculative development.

Rental Income Risk Profile

a+	Occupancy	a	Limited occupancy volatility through cycles. Occupancy consistently above 95%. Track record of limited tenant defaults.
a	Lease Duration, Renewal and Lease Maturity Profile	a	Lease duration (or average tenure for residential) longer than seven years with large majority renewed. Smoothed lease maturity profile with no large lease expiries in the medium term.
a-	Rental Income Volatility	bbb	Sustained rental income growth and/or average volatility in rents compared to comparable sector levels. Less revisionary potential in rents in the near term.
bbb+	Tenant Concentration and Tenant Credit	a	Top 10 tenants comprise less than 15% of annual passing rent ; below-average tenant credit risk.
bbb			

Liability Profile

aa-	Debt Maturity Profile	a	Average debt tenor at least seven years. No year represents more than 15% of total debt.
a+	Interest Rate Hedging Profile	a	Fixed or hedged debt above 75% of total debt (recent period-end measured) with average interest rate maturity at least seven years. Evidence of consistent policy through the cycle.
a			
a-			
bbb+			

Access to Capital

a+	Sources of Capital	a	Market-leading access through cycles to all of common and preferred equity, unsecured bonds/bank debt, secured debt, and/or joint ventures.
a	Unencumbered Asset Pool	bbb	Leveragable unencumbered pool with limited adverse selection.
a-	Absolute Scale	a	Rent-yielding property assets of at least EUR5bn.
bbb+			
bbb			

Profitability

aa-	FFO Dividend Cover	a	1.4x
a+	Asset Class Volatility	a	Portfolio values change less than 15% peak to trough with strong track record of recovery.
a			
a-			
bbb+			

Financial Structure

a-	Loan-To-Value	bbb	50%
bbb+	Unencumbered Asset Cover	bb	1.5x
bbb	Managing Balance Sheet Through the Cycle	bbb	Maintenance of a suitable LTV taking asset volatility into account.
bbb-	EBITDA Net Leverage	ccc	>11.0x
bb+			

Financial Flexibility

a	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
a-	Liquidity Coverage	a	No need for external funding beyond committed facilities in the next 12 months even under a severe stress scenario. Well-spread maturities. Diversified funding.
bbb+	Recurring Income EBITDA Interest Cover	a	2.5x
bbb	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging. Debt and cash flow well matched.
bbb-			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Vonovia SE has 9 ESG potential rating drivers				Overall ESG	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	9	issues	3		
not a rating driver	3	issues	2		
	2	issues	1		

Credit-Relevant ESG Derivation

Vonovia SE has 9 ESG potential rating drivers

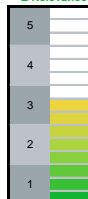
- ➡ Vonovia SE has exposure to emissions regulatory risk but this has very low impact on the rating.
- ➡ Vonovia SE has exposure to energy productivity risk but this has very low impact on the rating.
- ➡ Vonovia SE has exposure to unsustainable building practices risk but this has very low impact on the rating.
- ➡ Vonovia SE has exposure to extreme weather events but this has very low impact on the rating.
- ➡ Vonovia SE has exposure to shifting consumer preferences but this has very low impact on the rating.
- ➡ Governance is minimally relevant to the rating and is not currently a driver.

ESG Relevance to Credit Rating			
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Focus on low-carbon new-builds and renovations	Property Portfolio; Rental Income Risk Profile; Access to Capital; Profitability
Energy Management	3	Buildings' energy consumption, focus on renewable sources	Property Portfolio; Rental Income Risk Profile; Access to Capital; Profitability
Water & Wastewater Management	2	Buildings' water consumption, recycling	Property Portfolio; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Sustainable building practices including Green building certificate credentials	Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility
Exposure to Environmental Impacts	3	Portfolio's exposure to climate change-related risk including flooding	Property Portfolio; Profitability; Financial Structure; Financial Flexibility

E Relevance



How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The **Environmental (E), Social (S) and Governance (G)** tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

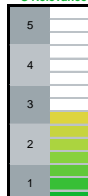
The **Credit-Relevant ESG Derivation** table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Data security	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility
Labor Relations & Practices	2	Impact of labor negotiations and employee (dis)satisfaction	Rental Income Risk Profile; Profitability; Financial Flexibility
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Shift in market preferences	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility

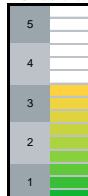
S Relevance



Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Relevance

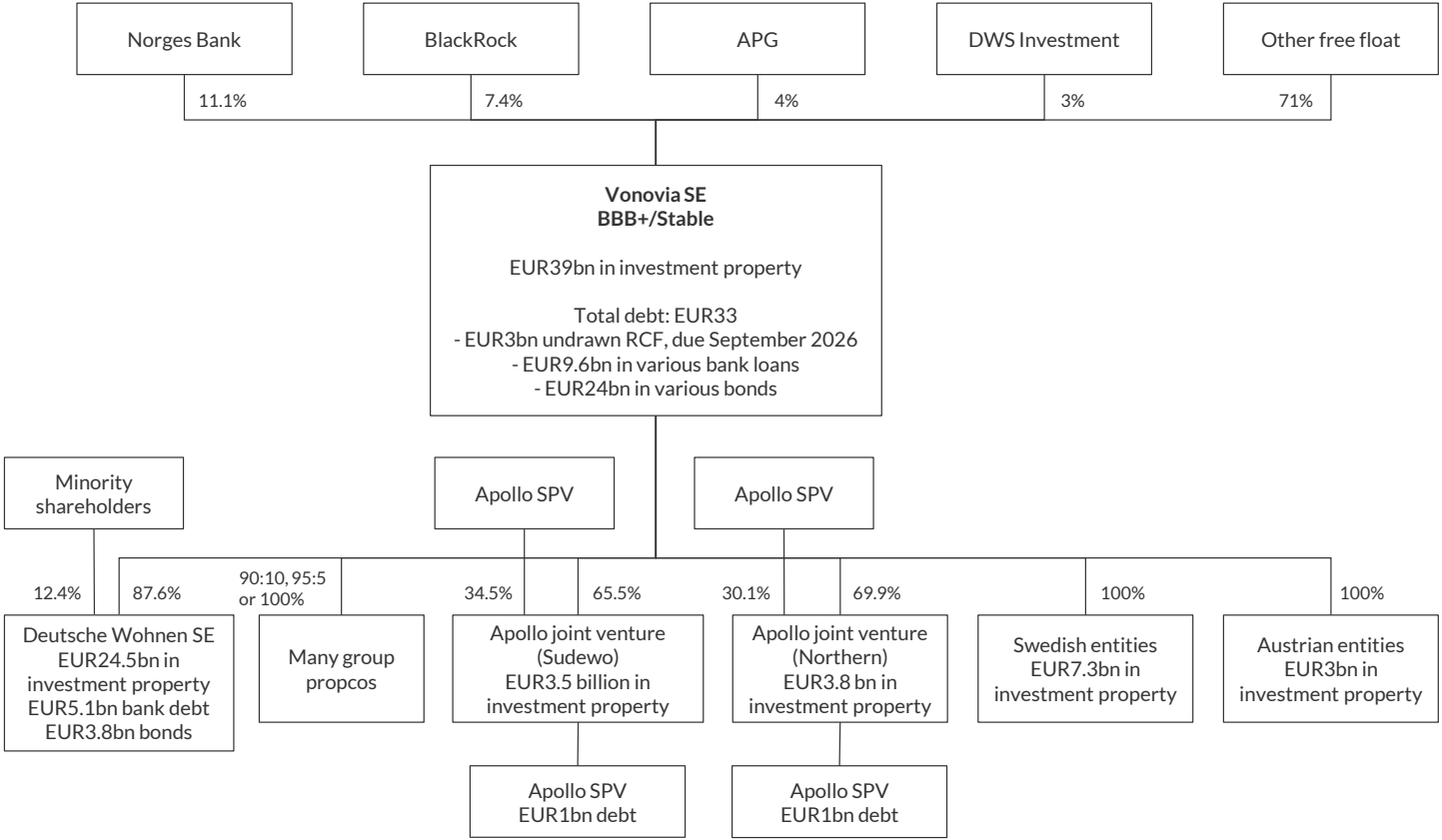


CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, Vonovia SE, as of end-December 2023

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA after associates and minorities (EURm)	EBITDA margin (%)	EBITDA interest coverage (x)	EBITDA net leverage (x)
Vonovia SE	BBB+						
		2023	4,875	2,323	48.5	3.2	18.8
		2022	5,152	2,239	44.3	4.1	19.5
D.V.I. Deutsche Vermögens- und Immobilienverwaltungs GmbH	BBB-						
		2023	120	80	66.0	2.1	17.7
		2022	95	77	78.6	3.7	17.4
Grainger plc	BBB-						
		2023	315	148	46.9	2.7	11.1
		2022	324	147	45.4	3.1	9.9
Heimstaden Bostad AB	BBB-						
		2023	1,342	813	60.6	1.6	21.4
		2022	1,142	667	58.4	2.6	25.3
Peach Property Group AG	CCC+						
		2023	121	64	52.9	1.4	22.5
		2022	117	58	49.6	1.2	26.5
SCI LAMARTINE	BBB+						
		2023	60	34	56.9	1.2	23.0
		2022	38	22	57.9	220.0	35.7

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm as of 31 December 2023)	Notes and formulas	Standardised values	Fair value and other debt adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		4,875	—	—	—	4,875
EBITDA	(a)	2,363	—	—	—	2,363
Depreciation and amortisation		-411	—	—	—	-411
EBIT		1,952	—	—	—	1,952
Balance sheet summary						
Debt	(b)	43,296	53	-629	2,000	44,719
Of which other off-balance-sheet debt		—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—
Lease-adjusted debt		43,296	53	-629	2,000	44,719
Readily available cash and equivalents	(c)	959	—	—	—	959
Not readily available cash and equivalents		416	—	—	—	416
Cash flow summary						
EBITDA	(a)	2,363	—	—	—	2,363
Dividends received from associates less dividends paid to minorities	(d)	-41	—	—	—	-41
Interest paid	(e)	-719	—	—	—	-719
Interest received	(f)	69	—	—	—	69
Preferred dividends paid	(g)	—	—	—	—	—
Cash tax paid		-154	—	—	—	-154
Other items before FFO		33	—	—	—	33
FFO	(h)	1,550	—	—	—	1,550
Change in working capital		-340	—	—	—	-340
CFO	(i)	1,210	—	—	—	1,210
Non-operating/nonrecurring cash flow		—	—	—	—	—
Capex	(j)	-1,104	—	—	—	-1,104
Common dividends paid		-373	—	—	—	-373
FCF		-267	—	—	—	-267
Gross leverage (x)						
EBITDA leverage	b / (a+d)	18.7	—	—	—	19.3
(CFO-capex)/debt (%)	(i+j) / b	0.2	—	—	—	0.2
Net leverage (x)						
EBITDA net leverage	(b-c) / (a+d)	18.3	—	—	—	18.8
(CFO-capex)/net debt (%)	(i+j) / (b-c)	0.3	—	—	—	0.2
Coverage (x)						
EBITDA interest coverage	(a+d) / (-e)	3.2	—	—	—	3.2

CFO – Cash flow from operations

Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.

Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.

Debt includes other off-balance-sheet debt.

Debt in the standardised values column excludes lease liabilities of EUR43.9 million.

Source: Fitch Ratings, Fitch Solutions, Vonovia SE

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