

Corporate News

Vonovia's Core Business Remains Resilient as Higher Financing Costs and Weaker Transaction Business Shape 2027 Guidance and 2028 Objectives

- **Challenging market backdrop:** Higher rates and weaker financing conditions are constraining transaction activity and the company's market-sensitive, sales-related businesses.
- **2027 guidance and 2028 objectives:** Initial 2027 guidance and revised 2028 objectives reflect higher financing costs, lower contributions from Recurring Sales and Development, and a slower ramp-up in organic rent growth.
- **Focused action plan:** Strategic review of Development activities, reduced Development-to-Hold investments, stricter capital allocation, and suspension of new Manage-to-Green investments to protect cash flow and balance-sheet strength.
- **Resilient core business:** Rental remains solid, Value-add is performing ahead of expectations, and B2B and other asset-light, service-driven models offer further growth potential.
- **Deleveraging remains a top priority:** Disposals, disciplined capital allocation, and cash-flow preservation are expected to support deleveraging efforts.

Bochum, October 28, 2026 – Vonovia CEO Luka Mucic says: "Vonovia's core operations remain resilient, but higher financing costs are affecting both the financial result and transaction volumes in our market-sensitive businesses. We are responding with stricter return requirements for our investments, a strategic review of our Development business, and a clear focus on cash-flow protection and balance-sheet strength. This disciplined approach allows us to address the current challenges while preserving the quality of our portfolio and our ability to create sustainable long-term value."

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Macro headwinds and higher rates create a challenging market backdrop

Market sentiment had improved gradually until mid-February but deteriorated subsequently amid heightened geopolitical uncertainty, renewed inflation concerns and rising interest rates. Transaction markets show only limited signs of recovery, while financing conditions have worsened substantially since the outset of the Middle East conflict, particularly since the latest ECB rate hike decision in early September. The re-offer yield of Vonovia's eight-year unsecured corporate bonds has increased by approximately 140 basis points since the beginning of the Iran war, raising the cost of capital and constraining transactions and investment activity.

Deteriorating financing conditions are affecting the market-sensitive parts of the business most directly. Fair value step-ups in Recurring Sales remain high, confirming the pricing quality of completed transactions, while financing constraints continue to limit transaction volumes. In Development, weak demand for medium- to higher-priced projects is delaying the planned earnings ramp-up. Contributions from both activities are therefore expected to remain below previous assumptions.

Specification of 2026 guidance, initial 2027 guidance and revised 2028 objectives

Vonovia's preliminary 9M results for the key earnings metrics are as follows: Adj. EBITDA Total €2.19bn (9M 2025: €2.118bn), Adj. EBT €1.41bn (9M 2025: €1.460bn), and Adj. Shareholder Earnings €1.12bn (9M 2025: €1.201bn). The increase in Adj. EBITDA Total was offset at the Adj. EBT and Adj. Shareholder Earnings levels primarily by higher financing costs.

On this basis, Vonovia specifies its FY2026 guidance for Adj. EBITDA Total, Adj. EBT, and Adj. Shareholder Earnings. Adj. EBITDA Total is expected to be within the bottom half of the guidance range and Adj. EBT around the low end of the guidance range, while Adj. Shareholder Earnings are expected to be above the midpoint of the guidance range. Organic rent growth is now expected to be approximately 3.8%, slightly below previous expectations, and OFCF (before changes in Net Working Capital) moderately below previous year's level.

Against this backdrop, Vonovia publishes initial 2027 guidance and revises its 2028 objectives. The underlying assumptions reflect higher financing costs, lower-than-expected contributions from Recurring Sales

and Development amid a limited transaction-market recovery, and slower organic rent growth momentum. The latter results from lower investment volumes, particularly in Development-to-Hold, as well as slightly softer-than-anticipated rent increases from local rent indices in Germany.

Given the heightened uncertainties around interest rates, the transaction market, and the sales-related segments, parts of the 2027 guidance and 2028 objectives are expressed as qualitative year-on-year comparisons rather than quantitative ranges. Please find a detailed table for the 2026 guidance, 2027 guidance and 2028 objectives at the end of this release.

Given the interest rate rise in recent months, Vonovia has become more cautious about the near-term trajectory of asset values. After four consecutive half-year periods of valuation gains, the company expects a broadly flat portfolio valuation for the full year 2026 versus year-end 2025. As a result, rent growth is unlikely to translate into organic value growth in the near term to the extent previously assumed.

Focused action plan to protect cash flow and strengthen capital allocation

In response to the revised outlook, Vonovia is implementing a focused action plan to protect cash flow, preserve balance-sheet strength and direct capital toward the most attractive risk-adjusted opportunities.

The Development segment will undergo a comprehensive strategic review in an effort to deliver higher risk-adjusted returns on the capital employed and to continue to sharpen the business model toward affordable housing. The company expects to provide an update of the strategic review with its full-year results 2026.

Vonovia will apply stricter return requirements to investment decisions, with capital directed toward the most attractive risk-adjusted opportunities in the existing portfolio. New Manage-to-Green investments will be suspended and Development-to-Hold projects scaled back. Vonovia will continue targeted investments that protect asset quality, advance decarbonization, and support operational performance, while adapting the pace and composition of investments to prevailing market conditions.

Resilient core business with further growth potential

Germany's housing fundamentals remain supportive, with sustained demand, high occupancy and collection rates, and a continuing need for more energy-efficient housing.

The Rental segment remains solid and benefits from further efficiency gains. In particular, AI-driven productivity initiatives are expected to generate an annual run-rate Adj. EBITDA benefit of approximately €50m by 2030, supporting further profitability expansion.

The Value-add segment is performing ahead of expectations, particularly in the craftsmen organization and energy business, while B2B and other capital-light, service-driven models offer additional growth potential to continue the segment's strong growth trajectory.

Together, these activities provide a resilient and growing contribution to Adj. EBITDA Total.

Deleveraging remains a top priority

Vonovia remains committed to deleveraging and will continue its disposal program as a matter of top priority. Its deleveraging targets remain unchanged: net debt/EBITDA is expected to improve to below 12x and the interest coverage ratio to remain comfortably above 3x by the end of 2028. The target of approximately 40% LTV also remains unchanged. However, reaching this level already by 2028 will be more demanding given the more cautious near-term outlook for portfolio values. The more restrictive investment policy, stronger cash-flow focus and continued disposal program are expected to support deleveraging while preserving financial flexibility for value-accretive growth.

	Guidance 2026		Initial Guidance	Objectives 2028		
	Previous	New	2027	Previous	New	Comment
Organic rent growth	~4%	~3.8%	~4%	~5%	~4.5%	Slower ramp-up of investment program (esp. Development-to-Hold) and slightly softer-than-anticipated rent increases from local rent indices
Rental income	€3.45bn - €3.55bn	Upper half of range	€3.55bn - €3.65bn	€3.7bn - €3.8bn	At the level of 2027 (upside potential subject to timing of disposals)	
Adj. EBITDA Total	€2.95bn - €3.05bn	Bottom half of range	Slightly above 2026 (upside potential subject to timing of disposals)	€3.2bn - €3.5bn	At lower end of range (upside potential subject to timing of disposals)	Lower contribution from Recurring Sales and Development
Adj. EBT	€1.9bn - €2.0bn	Around low end of range	Broadly in line with 2026	Mid-single-digit CAGR 2024-2028	Broadly in line with 2027	Higher interest expenses
Adj. Shareholder Earnings	€1.4bn - €1.5bn	Upper half of range	Broadly in line with 2026	Growing	Broadly in line with 2027	
OFCF	At previous year's level (<u>before</u> changes in net working capital)	Moderately below previous year's level (<u>before</u> changes in net working capital)	Slightly above 2026 (<u>incl.</u> changes in net working capital)	n/a	n/a	Mainly driven by working capital improvements
Investments	~€1.4bn	~€1.3bn	~€1.5bn	~€2bn	~€1.7bn	More restrictive capital allocation; in particular lower Development-to-Hold volumes

About Vonovia

Vonovia SE is Europe's leading residential real estate company. With more than 528,000 residential units in Germany, Sweden and Austria, the focus is on letting and developing modern and energy-efficient housing. At an average in-place rent of €8.51/sqm/month (€8.32 in Germany), the company operates in the affordable housing segment.

Vonovia aims to offer attractive risk-adjusted returns to shareholders, a home with a high quality of living and excellent service to its tenants, and a modern, challenging, and rewarding work environment to its employees.

The Bochum-based company has been listed on the stock exchange since 2013. Since September 2015 Vonovia has been a constituent in the DAX40. Vonovia SE is also a constituent of additional national and international indices, including DAX 50 ESG, DivDax Dow Jones Best-in-Class Europe Index, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe, and GPR 250 World. Vonovia has a workforce of approximately 13,100 employees.

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