

# MOODY'S

## RATINGS

### **Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Vonovia SE**

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04 Oct 2024

Frankfurt am Main, October 04, 2024 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Vonovia SE ("Vonovia" or "the company") and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 1 October 2024 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Vonovia's Baa1 long-term issuer rating reflects a strengthening of the rating positioning on the back of successful execution of disposal plans, proactive refinancing approach and solid liquidity coverage, on the back of a robust access to public debt markets. The company's credit profile continues benefitting from a superior scale and regional diversification within the German residential market, fueling a strong operating performance, evidenced by accelerating rental growth and high occupancy rates.

While Moody's-adjusted debt-to-asset ratio remains at the upper end of our rating guidance, standing at approximately 51% as of the end of June 2024, we anticipate this ratio to improve to below 50% over the next 12 to 18 months. This expectation is based on the sustained and successful execution of disposal plans aimed at reducing gross debt in line with the company's financial targets. The interest coverage ratio will remain sensitive to higher debt costs than the 1.8% average cost of debt as of June 2024, as the company partially refinances upcoming maturities. However, expected

solid earnings growth, a well-staggered debt maturity profile, and further deleveraging through disposals should maintain the interest coverage around 3x over the next 12 to 24 months.

Furthermore, we expect the credit quality of the German multifamily sector to be bolstered by an improving outlook, with widespread expectations for valuations to stabilize by the second half of 2024, supported by strong fundamentals, which will aid the gradual recovery of the investment transaction market. Very low vacancy rates in Germany suggest that rental price growth will accelerate, exacerbated by the severe contraction in the residential construction market. An improved operating environment will enable higher disposal activity, helping rated German residential companies manage debt repayments and refinancing needs while stabilizing leverage ratios.

More favourable credit conditions in the unsecured bond markets will reduce the reliance of German residential companies on secured borrowing to address refinancing needs and at the same time protect their unencumbered asset base and thus financial flexibility.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was REITs and Other Commercial Real Estate Firms published in February 2024. Please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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