

Bochum, June 25, 2023

Dear Investors and Analysts:

In response to press articles over the weekend on the anticipated Report from the Commission on the „Expropriation of Large Housing Companies“ Vonovia comments as follows:

We understand the Commission is expected to submit its report on the feasibility of expropriation on Wednesday, June 28. As a reminder, the Commission was installed by the previous government coalition of SPD, Greens, and the Left, and it comprises twelve members: three from the SPD, three from the Greens, three from the Left, and three representatives from the Expropriation Initiative.

Initial press articles over the weekend suggested the Commission has come to the conclusion that the State of Berlin could generally enact expropriation legislation. However, there appears to be dissent on the question if an expropriation is in line with the constitutional requirement of proportionality in the circumstances. Also, there appears to be no consensus on the level of required compensation.

Once the final report becomes available, Vonovia will carefully analyze it and decide on next steps. Based on the coalition agreement, in case the Commission comes to the conclusion that expropriation is legally possible, the Berlin government could pass framework legislation on expropriation, including qualitative indicators and criteria based on Article 15 of the German Basic Law, as well as principles for the appropriate compensation that would be required. In this context, the principle of proportionality is to be respected (pages 50 & 51 of the Berlin Coalition Agreement).

Any expropriation law would be reviewed by the Federal Constitutional Court to determine its constitutionality. A subsequent review by European Courts is also possible. In any case, it would probably be many years before a final verdict.

Vonovia remains convinced that expropriation as the final outcome of this process continues to be extremely unlikely, given the substantial constitutional hurdles and the economics around required compensation. What is more, in light of the necessary investments in Germany for new construction (€100bn p.a.) and energy efficient modernization (€120bn p.a.), it is obvious that no government will be able to shoulder these investments alone and that substantial private investments will be required.