VALUATION REPORT

in the form of a condensed valuation report ("Valuation Report") of the determination of Fair Value carried out by CBRE in accordance with the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation – Professional Standards (January 2014) (Red Book) of the Royal Institution of Chartered Surveyors, that relates to the base prospectus of Vonovia Finance B.V. (a subsidiary of **Vonovia SE** (the "Company"[1])) in respect of non-equity securities within the meaning of Article 22 paragraph 6 no. 4 of the Commission Regulation (EC) No. 809/2004 of April 2004, as amended, for the purpose of Article 5.4 of the Directive 2003/71/EC, as amended, (the "Prospectus"). The Valuation Report covers 10,129 investment assets, comprised of 330,377 residential units, 5,809 commercial units and 85,078 miscellaneous rental units (internal and external parking units, antennas) and Land consisting of undeveloped freehold land (633 assets) with an area of 2,779,449 sq m and 181 plots held on a ground lease with an area of 140,069 sq m as at 31 December 2016.

Date of Valuation:	31 December 2016
Date of Valuation Report:	18 April 2017
Valuer:	CBRE CBRE GmbH Bockenheimer Landstraße 24 60323 Frankfurt Germany "CBRE"
Addressee:	Vonovia SE Universitätsstraße 133 44803 Bochum Germany

CBRE is a "Gesellschaft mit beschränkter Haftung" (limited liability company), registered under commercial law in Germany under the company registration number 13347. The German company CBRE GmbH was established on April 3, 1973 and has its registered office at Bockenheimer Landstraße 24, 60323 Frankfurt/Main, Germany.

CBRE is not a company that is regulated by any regulatory authority; however in its valuation department it employs amongst others members of the Royal Institution of Chartered Surveyors (RICS), and valuers certified by HypZert GmbH.

[1] The "Company" herein referred to as "Vonovia".

SUMMARY OF THE VALUATION CONCLUSIONS

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets in the portfolio, rounded at asset level, as at 31 December 2016 and held as at that date, is:

27,073,496,580 €

(Twenty-seven billion, seventy-three million, four hundred and ninety-six thousand, five hundred and eighty Euros)

net of purchasers' costs and VAT

of which the Fair Value of the undeveloped freehold Land and plots held on a ground lease is 65,171,380 € and

of which the value of owner occupied assets (proportion of owner-occupation above 50%, weighted by area), classified by the Company according to IAS 16, is 23,033,100 € (representing 0.1% of the Fair Value aggregated on portfolio level).

The assessment of the Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sales of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 31 December 2016.

For detailed breakdowns of values between assets held for investment (freehold-equivalent and leasehold assets), for non-specialised development and land not held for development as well as assets held on a ground lease please refer to Part 4.1 "Fair Value".

There are no negative values to report.

The following table shows aggregated key asset data for the portfolio (excluding Land):

Fair Value excluding Land	27,008,325,200 €
Total lettable area:	21,335,935 sq m
Average Fair Value per sq m lettable area:	1,266 €
Current annual rental income (gross)[2]:	1,511,225,487 €
Potential annual rental income (gross)[2]:	1,561,633,086 €
Annual market rent (gross)[2]:	1,714,933,742 €
Multiplier (based on current rent):	17.9 times
Multiplier (based on potential rent):	17.3 times
Multiplier (based on market rent):	15.7 times
Net initial yield (based on current rent):	4.1%
Net initial yield (based on potential rent):	4.3%
Net initial yield (based on market rent):	4.9%

Our opinion of "Fair Value" is based upon the scope of work and valuation assumptions as detailed in Part 3 "Explanation of Valuation" and Part 4 "Valuation Conclusions" of this Valuation Report, and has been derived mainly using recent comparable market evidence on arm's length terms.

[2] Annual rental income (gross) includes income from antennas of 2,716,012 €.

CONTENTS

1 BASIS OF VALUATION

1.1 Preamble

CBRE has valued the properties as follows:

CBRE valued parts of the subject portfolio for refinancing purposes in 2010, 2011 and 2012.

CBRE valued as at 31 March 2013 all the Company’s real estate assets held at that date for the purpose of the Initial Public Offering (IPO) of shares in the Company and for IFRS accounting purposes, which valuation was included in the Prospectus published by the Company and dated 19 June 2013.

CBRE carried out revaluations of the subject properties held by the Company as at the relevant dates for accounting purposes as at 30 June 2013, 30 September 2013, 31 December 2013, 30 June 2014 and 31 December 2014.

CBRE valued the assets which formed the DeWAG Portfolio for acquisition and accounting purposes as at 31 March 2014 and for accounting purposes as at 30 June 2014.

CBRE provided the Company with a draft valuation of the assets which formed the Vitus Portfolio during the acquisition process (with the prior consent of the former other client). CBRE valued the assets which had formed the Vitus Portfolio as at 30 September 2014 for accounting purposes.

CBRE valued the Franconia Portfolio as a Desktop Valuation as at 30 April 2014 and as at 31 March 2015 again for acquisition and accounting purposes, including inspections.

CBRE valued the Gagfah Portfolio for another client for accounting purposes from August 2008 to December 2014, including inspections. Additionally, CBRE valued parts of the Portfolio for refinancing purposes for several banks.

CBRE valued Gagfah Portfolio as at 6 March 2015 for acquisition and accounting purposes.

CBRE valued the properties of the SÜDEWO Portfolio between 2009 and 2014 for another client.

CBRE previously valued the subject assets as at 31 December 2015 for accounting purposes.

1.2 Valuation Instructions

CBRE has been appointed to undertake a Fair Value valuation of the Company's assets held as at 31 December 2016 with drive-by inspections of 829 inspection clusters which include 1,320 valuation units (including modernized assets; please refer to 3.1.2 "Inspection Dates and Coverage") and full inspections of 37 inspection clusters (37 valuation units).

The assets were valued on the basis of assets (valuation units).

We understand that the assets are held as investments and that the Company requires the value of the freehold or leasehold interest.

We confirm that regarding this instruction we are acting solely for the Company and that we have no conflicts of interests in relation to this instruction.

The valuation is based on the information provided for the previous valuations detailed in the preamble and the current data provided by the Company as at 31 August 2016 (rent roll, expiration dates of subsidies, modernized assets, waiver for mining subsidence) as well as the adjusted portfolio units as at 31 December 2016.

1.3 Purpose of Valuation

We acknowledge that our Valuation Report will be used by the Company as one of many sources for the determination of the Fair Value of its properties as part of the Prospectus that relates to the base prospectus of Vonovia Finance B.V. in respect of non-equity securities within the meaning of Article 22 paragraph 6 no. 4 of the Commission Regulation (EC) No. 809/2004 of April 2004, as amended, for the purpose of Article 5.4 of the Directive 2003/71/EC, as amended.

The Valuation Report complies with the legal requirements, in particular the European Commission Regulation (EC) No 809/2004 of 29 April 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

1.4 Addressee

The present Valuation Report is addressed to:

- Vonovia SE - Germany; Universitätsstraße 133, 44803 Bochum, Germany.

1.5 Publication

CBRE acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the Prospectus and will be referred to in marketing and other materials prepared in the context of the issuance and listing of bonds issued under the debt issuance programme of Vonovia Finance B.V. The Prospectus will be accessible to potential Investors on the Company's website and the website of the Luxembourg Stock Exchange. Apart from that, neither the whole nor any part of our Valuation Report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

1.6 Date of Valuation

The effective valuation date is 31 December 2016.

1.7 Subject Assets

In accordance with the valuation instructions, the subject of the valuation is Vonovia's assets held as at 31 December 2016, comprised of 330,377 residential units, of which 42,862 are calculated under public rent control, 5,809 commercial units and 85,078 miscellaneous rented units (internal and external parking units, antennas) and Land consisting of undeveloped freehold land (633 assets) with an area of 2,779,449 sq m and 181 plots held on a ground lease with an area of 140,069 sq m.

The following table shows the transition of the different classification into the type of use between Vonovia and CBRE:

Transition Vonovia vs. CBRE	Vonovia	Transition	CBRE
Number of residential units	332,825	-2,448	330,377
Number of commercial units	3,394	2,415	5,809
Number of external parking units	33,926	0	33,926
Number of internal parking units	50,607	217	50,824
Number of other units (without area)	296	32	328
Total Number of units	**421,048**	**216**	**421,264**
Residential Area (sq m)	20,759,889	-99,153	20,660,736
Commercial Area (sq m)	584,033	91,165	675,199
Total Area (sq m)	**21,343,922**	**-7,988**	**21,335,935**

The majority of the rearrangements was made for units that are rented under a general lease contract („*Generalmietvertrag*"). Although the majority of these units are residential units, the contractual terms of the general lease contracts are more comparable to commercial lease contracts and therefore calculated as commercial units in our valuation. Further, CBRE has calculated commercial units, which are multi-storey car parks, as internal parking units or other units (without area) according to a different calculation model.

1.8 Tenure (except Land)

9,299 assets are freehold-equivalent and 830 assets are ground leasehold-equivalent with Vonovia as ground leaseholder. The average, unweighted leasehold term ends on 29 September 2059. The 830 ground leasehold assets account for 8.8% of the aggregate Fair Value of the portfolio.

1.9 Concept of Value

The assessment of Fair Value has been carried out by CBRE in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the RICS Valuation – Professional Standards (January 2014) (Red Book) of the Royal Institution of Chartered Surveyors and in accordance with the relevant prospectus regulations applicable in Germany, including the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

The assets have been valued to "Fair Value" in accordance with IAS 40 in connection with IFRS 13.9 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm´s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the assets individually and no account has been taken of any discounts or premiums that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

We confirm that we have sufficient current local and national knowledge of the particular asset market involved and have the skills and understanding to undertake the valuation competently.

The assets have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (January 2014). Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

Note:

The valuation represents the figures that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Our valuations are net of purchasers' statutory and other normal acquisition costs. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge. No account has been taken of the availability or otherwise of capital-based Government or European Community grants. All rents and capital values stated in this report are exclusive of VAT.

The values stated in this report represent our objective and independent opinion of Fair Value in accordance with the definition set out above as at the valuation date. Amongst other things, this assumes that the assets had been properly marketed and that exchange of contracts took place on this date.

1.10 Currency

The currency used in the Valuation Report is Euro.

1.11 Sources of Information

We have carried out our work based upon information supplied to us by the Company and their asset managers, which we have assumed to be correct and comprehensive.

The figures in this report are based on the rent roll provided by the Company, dated 31 August 2016. The portfolio has been adjusted by the sold units delivered by the Company as at 31 December 2016.

A sample of documents provided, were checked for plausibility.

1.12 Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main. For the avoidance of doubt, the German-speaking version has priority over the English-speaking version of this report.

1.13 Assignment of Rights

The Addressee of the Valuation Report is not entitled to assign its rights - either in whole or in part - to third parties.

1.14 Declaration of Independence

We hereby confirm that to the best of our knowledge and belief CBRE GmbH has carried out the assessment of Fair Value in its capacity as an external valuer. We further confirm that CBRE is not aware of any actual or potential conflict of interest that might have influenced its independent status. This declaration also includes all other departments of CBRE GmbH, including the investment and agency departments.

The total fees, including the fee for this assignment, earned by CBRE GmbH from the Company are less than 2% of the total German revenues earned by CBRE GmbH in 2016. It is not anticipated that this situation will change in the financial year to 31 December 2017. We confirm that we do not have any material interest in Vonovia or the assets.

2 Asset Holdings

2.1 Description of the Portfolio Structure

The description and structure of the following parts of the portfolio as well as the structure of the tables and charts have been provided by the Company.

Vonovia has divided the portfolio into three parts:

Strategic

This portfolio will include locations which the Company considers to have development potential that is well above-average in general, where Vonovia intends to pursue a value-enhancing property management strategy. The strategic portfolio includes the “Operate”, “Upgrade Buildings” and “Optimise Apartments” portfolio clusters:

Operate

Vonovia aims to achieve value generation in this part of the portfolio through rental growth, vacancy reduction, effective and sustainable maintenance spending and cost efficiencies through scale.

Upgrade Buildings

Vonovia aims to achieve a significant improvement in value with an extensive investment programme, mainly in energy-efficiency of the buildings.

Optimise Apartments

Vonovia aims to create significant value improvement by modernising apartments for senior living and completing high-standard refurbishments in markets where fully refurbished apartments deliver a rental premium.

Non-Strategic

A recent portfolio review by Vonovia has also identified locations and sub-portfolios that they do not necessarily require for further strategic development; these have been designated the “Non-Strategic” portfolio. The “Non-Strategic” portfolio tends to contain locations and properties of average quality; the income contribution from property management is stable, or even slightly increasing in some sub-markets to the extent possible.

The portfolio includes both locations with (in the opinion of Vonovia) below-average development potential overall in terms of rent growth in the medium term and locations in areas that they consider peripheral compared with Vonovia’s overall portfolio, which do not represent strategic regions for purchases.

Privatise and Non-Core

Privatise

Vonovia privatises apartments by offering them to tenants, owner-occupiers and investors. Vonovia aims to generate further value through the sale (privatisation) of owner-occupier units and single-family houses at a significant premium compared with their fair value.

Non-Core

In order to optimise the portfolio, buildings that Vonovia considers only offer limited development potential in the medium to long term are sold to private and institutional investors. Limited potential is defined, in particular, by below-average property condition combined with a location that is of similarly below-average quality. This means that these properties are not suitable in the long term for successful management using Vonovia’s standardised processes.

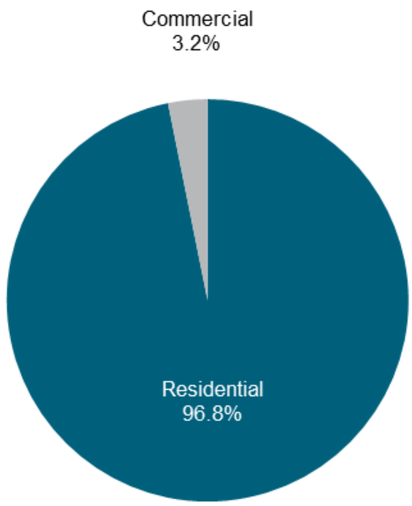
2.2 Geographic Allocation

The following map shows the allocation of residential units by federal state.

The following map shows the geographical allocation of the 25 cities with the largest number of residential units.

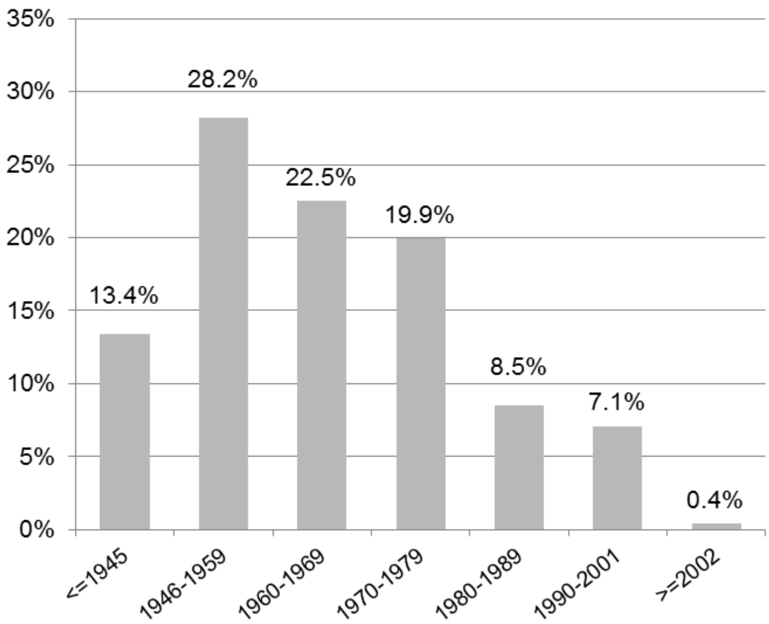
2.3 Breakdown of Rental Units and Lettable Area by Type of Use

In total, as at 31 December 2016 the portfolio of Vonovia included 53,798 buildings within 10,129 assets with a total of 421,264 rental units (thereof 330,377 residential and 5,809 commercial units). The total lettable area is 21,335,935 sq m, of which 20,660,736 sq m is residential (96.8%) and 675,199 sq m commercial (3.2%).



2.4 Breakdown of Lettable Area (Residential) by Age of Building

The portfolio assets have a wide range of dates of construction.



2.5 Vacancy Rate

The total vacancy rate at portfolio level weighted by area is 2.9%.

The residential vacancy rate at portfolio level weighted by area is 2.6%.

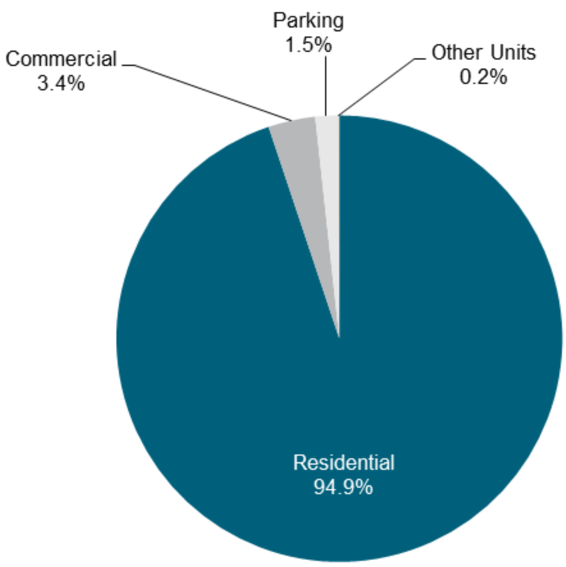
The residential vacancy rate at portfolio level weighted by units is 2.7%.

The EPRA residential vacancy rate at portfolio level is 2.5%.

2.6 Breakdown of Current Annual Rental Income (Gross) by Type of Use

At the date of the rent roll of 31 August 2016 (adjusted by units sold as at 31 December 2016), the current annual rental income (gross) was 1,511,225,487 €. Approximately 94.9% of the current annual rental income (gross) is generated from the residential units in the portfolio; residential units subject to public subsidy account for 10.6% of the portfolio´s total current annual rental income (gross).

Commercial uses (retail, office and other commercial) account for about 3.4% of the current annual rental income (gross). The 84,750 internal and external parking units generate approximately 1.5%. Income from other units (e.g. antennas) has only relatively low significance of 0.2% at portfolio level.



2.7 Land

The Land portfolio of Vonovia consists of 633 freehold assets with a total area of 2,779,449 sq m and 181 plots held on a ground lease with an area of 140,069 sq m.

Please refer to Part 3.2.2 “Land Approach” for the explanation of the valuation methods.

2.8 Portfolio Breakdown

The total portfolio of Vonovia consists of 330,377 residential units, 5,809 commercial units and 85,078 miscellaneous rented units (internal and external parking units, antennas) with a total lettable area of 21,335,935 sq m.

The following table shows the breakdown of the residential part of the portfolio by strategic portfolio, as described in Part 2.1 above.

	Residential						Market Rent*
	Units	Area	Vacancy		Current Annual Rental Income (gross)		Market Rent*
		in sq m	% of Units	% of Area	Total in EUR	EUR per sq m per month	EUR per sq m per month
Operate	85,463	5,361,089	3.2%	3.1%	388,919,462	6.24	6.61
Upgrade buildings	125,005	7,579,466	2.6%	2.6%	512,461,053	5.79	6.53
Optimise apartments	89,331	5,692,003	1.3%	1.3%	406,287,567	6.03	6.81
Strategic	**299,799**	**18,632,559**	**2.4%**	**2.4%**	**1,307,668,082**	**5.99**	**6.64**
Privatise	17,194	1,180,530	3.4%	3.4%	80,939,739	5.91	6.58
Non-Strategic	7,472	454,604	7.8%	8.0%	23,430,778	4.67	4.76
Non-Core	5,912	393,043	7.4%	7.6%	21,493,470	4.93	5.18
Total	**330,377**	**20,660,736**	**2.7%**	**2.6%**	**1,433,532,068**	**5.94**	**6.57**

*The Market Rent only includes the rented residential units.

The following table shows the breakdown of the residential part of the portfolio of the 25 cities with the largest number of residential units.

City	Residential						
	Units	Area	Vacancy		Current Annual Rental Income (gross)		Market Rent*
		in sq m	% of Units	% of Area	Total in EUR	EUR per sq m per month	EUR per sq m per month
Dresden	37,818	2,144,637	2.0%	2.1%	135,919,721	5.39	6.02
Berlin	30,478	1,901,648	1.4%	1.4%	133,664,899	5.94	6.55
Dortmund	19,189	1,178,999	2.5%	2.5%	71,420,919	5.18	5.52
Essen	12,025	743,490	4.7%	4.7%	46,683,177	5.49	5.81
Kiel	11,968	693,591	1.6%	1.6%	44,445,196	5.42	5.89
Frankfurt	11,646	714,595	0.9%	0.9%	66,707,605	7.85	8.88
Hamburg	10,958	690,094	1.3%	1.2%	54,141,313	6.62	7.67
Bremen	10,955	669,204	3.5%	3.6%	40,986,158	5.29	5.73
Bochum	7,499	430,592	2.2%	2.2%	27,903,647	5.52	5.71
Hanover	7,166	459,442	2.4%	2.4%	32,810,268	6.10	6.69
Cologne	6,392	447,748	1.7%	1.7%	38,177,346	7.23	7.99
Duisburg	5,494	331,030	3.5%	3.7%	20,078,302	5.25	5.48
Munich	5,441	358,153	0.7%	0.7%	30,720,904	7.20	11.50
Bonn	5,158	361,904	2.0%	1.9%	27,638,796	6.49	7.22
Bielefeld	4,622	305,755	2.3%	2.3%	18,214,359	5.08	5.66
Stuttgart	4,412	280,135	1.9%	1.8%	27,092,812	8.20	8.93
Osnabrück	3,912	247,948	2.5%	2.5%	16,366,353	5.64	6.02
Heidenheim	3,875	236,796	4.6%	4.7%	16,369,475	6.05	6.22
Gelsenkirchen	3,843	244,698	5.3%	5.6%	13,750,622	4.96	5.16
Dusseldorf	3,527	227,779	2.8%	2.9%	19,551,932	7.36	8.16
Brunswick	3,487	214,604	1.5%	1.5%	14,089,409	5.55	6.08
Gladbeck	3,106	190,067	2.9%	2.8%	11,495,458	5.18	5.49
Zwickau	2,975	166,015	10.5%	11.1%	7,587,585	4.28	4.16
Herne	2,879	182,399	2.2%	2.1%	11,038,207	5.15	5.55
Mannheim	2,726	182,817	3.6%	3.8%	14,181,116	6.72	7.38
Subtotal	**221,551**	**13,604,136**	**2.3%**	**2.4%**	**941,035,577**	**5.90**	**6.56**
Remaining	108,826	7,056,599	3.3%	3.2%	492,496,491	6.01	6.59
Total	**330,377**	**20,660,736**	**2.7%**	**2.6%**	**1,433,532,068**	**5.94**	**6.57**

*The Market Rent only includes the rented residential units.

3 EXPLANATION OF VALUATION

3.1 Inspections

3.1.1 Basis for Inspections

In accordance with the Company's instruction, the valuation of the assets has been carried out individually on an asset level. For the purpose of the inspections we amalgamated the assets into homogeneous clusters. The cluster criteria were location and situation, type of assets and date of construction.

- LOCATION/SITUATION: all assets in a single inspection cluster must be part of one housing estate or – if they are individual buildings – must be situated in the same neighbourhood,

- TYPE OF ASSETS: These were mainly differentiated into

  A) Detached/Semi-detached houses

  B) Apartment buildings

  C) Commercial assets, such as office buildings, business and retail assets, mixed-use assets with a proportion of commercial value greater than 20%

- DATE OF CONSTRUCTION**:** The categories of construction date were defined as follows:

  1945 and earlier
  1946 to 1959
  1960 to 1969
  1970 to 1979
  1980 to 1989
  1990 to 2001
  2002 onwards

For the inspections a reference asset was selected from each cluster, on the basis of the desktop analysis and the information available.

During our inspections we verified that each of the buildings of the valuation clusters were internally consistent and checked whether adjoining buildings had homogeneous characteristics that could enable them to be amalgamated.

Internal and external parking units and other rent-earning units such as antennas are part of a building unit, except if they are economically independent units.

At cluster level, we made an assessment of the situation ("micro location"), the quality level according to the local rental table, the condition of the buildings (asset score) and the typical condition of the apartments, as a basis of our allowances for regular maintenance and tenant improvement costs.

At asset level, the basis of valuation calculations, we took individual account of asset-specific parameters such as administration costs, structural vacancy, current rent, market rent, public subsidy (if any), ground leases (where appropriate) and relevant entries in section II of the land register.

3.1.2 Inspection Dates and Coverage

CBRE has inspected all assets in the course of previous valuation instructions. In 2016 CBRE inspected 866 inspection clusters, which include 1,357 valuation units. The assets were inspected between January and October 2016. The Company has confirmed that they are not aware of any material changes to the physical attributes of the assets, or the nature of their location, since the last inspection, except for the assets that were (partly) modernized between 2012 and 2016 and not re-inspected. For these assets we have been provided with detailed information regarding measures and costs. For the assets which have been modernized and not yet inspected and for which we have been provided with detailed information regarding measures and costs, we have adjusted the property scores. We have assumed this advice to be correct.

Inspection clusters: the following table shows the breakdown of the inspection clusters which were components of the portfolio as at the dates of the rent roll (31 August 2016):

Total					
Cluster					
Year of Inspection	Total	External Inspection	Percentage of Current Annual Rental Income (gross)	Internal Inspection	Percentage of Current Annual Rental Income (gross)
2011-2013	4,340	3,623	18.4%	717	13.1%
2014	992	908	13.4%	84	3.2%
2015	1,207	1,128	26.5%	79	2.0%
2016	866	829	22.6%	37	0.7%
Total	**7,405**	**6,488**	**81.0%**	**917**	**19.0%**

Approximately 21% (weighted by Fair Value) of the undeveloped land was inspected in 2011 and 2016.

During the inspections, the homogeneity of the defined clusters was checked for plausibility, if necessary, the clustering was amended and a re-inspection was carried out.

3.2 Method of Valuation

3.2.1 Discounted Cash Flow (DCF)

The determination of the Fair Value of the individual assets has been carried out using the internationally recognised Discounted Cash Flow (DCF) method. This method, which is based on dynamic investment calculations, allows valuation parameters to be reflected explicitly and, therefore, provides a transparent arithmetical determination of Fair Value. In the DCF method, the future income and expenditure flows associated with the subject asset are explicitly forecasted over a 10-year period of detailed consideration, assuming a letting scenario which is not taking into account any potential privatisations of individual apartments. The cash flows calculated for the period of detailed consideration are discounted, monthly in advance, to the date of valuation, allowing the effect on the current Fair Value of the receipts and payments at varying dates during the 10-year period to be properly reflected.

The discount rate chosen reflects not only the market situation, location, condition and letting situation of the asset and the yield expectations of a potential investor but also the level of security of the forecast future cash flows. As the discounting process means that the effect of future cash flows reduces in importance while at the same time the uncertainty of forecasting tends to increase over time, it is usual in real estate investment considerations for the sustainable net rental income after a ten-year time horizon (the period of detailed consideration) to be capitalised, using a growth-implicit yield, and then discounted to the date of valuation.

The assumptions adopted in the valuation model reflect the average estimates that would be made at the respective date of valuation by investors active in the market. The result of the DCF method is, therefore, the price that a relevant investor in the market would be prepared to pay for the asset at the respective date of valuation, in order to achieve a return from the proposed investment that is in line with present asset market expectations.

3.2.2 Land Approach

For the purpose of the valuation, the assets have been assigned to one of the following categories, based on the information provided by the Company or gained during discussions with the local authorities:

A) Future Development

- land capable of development (*Baureifes Land*); zoned for development, with public roads and utilities infrastructure
- unserviced land zoned for development (*Rohbauland*)
- land with hope value for development (*Bauerwartungsland*)

B) Other

- Woodland, agricultural land (*Forst- und Agrarland*) and gardens

The land assets in the portfolio were valued on the basis of their status as at the valuation date using two different valuation methods:

Comparison method ("*Vergleichswertverfahren*")

Land capable of development (*Baureifes Land*) as well as woodland, agricultural land (*Forst- und Agrarland*) and gardens was valued using the comparison method.

The official *Bodenrichtwert* (guideline land value) was used for each asset or, if it was not available, the valuation was based on local comparables. Using our professional judgement, we have applied adjustment factors in accordance with individual asset characteristics in determining the site value. If infrastructure costs were outstanding or could be expected to be payable on individual sites, these were deducted.

Deductive valuation approach for potential building land by Walter Seele[3]

Land with hope value for development (*Bauerwartungsland*) and unserviced land zoned for development (*Rohbauland*) was valued using the deductive valuation approach according to *Seele*.

According to the Seele approach, the prices for potential building land are determined not only by prices of comparable land capable of development (*Baureifes Land*) and the waiting period. They are also dependent on the proportion of land that needs to be developed (*Erschließungsflächenanteil*) and the development costs.

The approach has been recommended for application by the "GIF" (society for real estate economic research) in Germany.

We would draw your attention to the fact that the market for the above mentioned types of Land (Type A) is relatively small and the development of this type of Land often depends on decisions made by local or municipal authorities such as planning authorities (*Bauplanungsämter*), which leads to a lack of comparable evidence and in a greater uncertainty of our valuation assumptions. It should be noted that the price which can be achieved for development land (in any of the above categories) is extremely sensitive to minor changes to any of a number of factors, including statutory consents, timing, availability and cost of development finance, construction costs and market movements and therefore may differ from the Fair Value. We would therefore recommend that the situation and the valuations are kept under regular review.

[3] Source: Seele, 1998, Bodenwertermittlung durch deduktiven Preisvergleich, Zeitschrift Vermessungswesen und Raumordnung

Financial mathematics method ("*Finanzmathematische Methode*")

The value of the Company's leasehold land was calculated by using the following method:

The value of the leasehold land consists of:

- present value of the unencumbered land (discounted over the running-time)
- present value of the received ground lease earnings (discounted over the running-time)

Using our professional judgement, we have applied adjustment factors in accordance with individual asset characteristics in determining the unencumbered land value.

If applicable, adjustment factors are applied on the value of the leasehold land to take the individual market situation and special elements of the contract into account.

3.3 General Valuation Assumptions

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures should be reconsidered.

No special assumptions (as defined by RICS)[4] have been made.

3.3.1 Constituents of the Subject Assets

Fixtures in the subject assets, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the subject asset and are included within our valuation. Tenant's fixtures and fittings that would normally be the asset of the tenant have not been reflected in our valuation.

3.3.2 Structural investigations

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the assets. We are unable, therefore, to give any assurance that the assets are free from defect. We were provided with the information, that the following assets may be contaminated with asbestos:

[4] An assumption that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date (e.g. fully let)

Assets	ZIP	City	Address
44025	73079	Süßen	Rechbergstr. 20
44027	71732	Tamm	Ludwigsburger Str. 28 30, 32/1, 34/1
44038	70435	Stuttgart	Bauerweg 2, 4, 12, 16, 20, Stammheimer Str. 107
44059	72072	Tübingen	Eisenbahnstr. 18, 20
44078	70565	Stuttgart	Wegaweg 1, 2, 6
44080	70327	Stuttgart	Beim Herzogenberg 1, Augsburger Str. 171-189 odd
44096	70437	Stuttgart	Wallensteinstr. 37, 37a
44103	70197	Stuttgart	Rotenwaldstr. 118
44716	70825	Korntal-Münchingen	Weilimdorfer Str. 13-19 odd, 13/1, 15/1, 17/1, 19/1, Bahnhofweg 12, 14
44720	70806	Kornwestheim	Bolzstr. 36-40 even
44721	70806	Kornwestheim	Bolzstr. 39-43 odd
44767	72072	Tübingen	Hegelstr. 21-31 odd
44768	72072	Tübingen	Hegelstr. 42-48 even
44769	72072	Tübingen	Hegelstr. 23/1, 23/2
63004	12099	Berlin	Götzstraße 40, Felixstraße 2-12 even, Germaniastraße 10, 10a-g, 11, 11a-g
63013	10777	Berlin	Fuggerstraße 47
63020	13055	Berlin	Konrad-Wolf-Straße 113
63021	13409	Berlin	Herbststraße 30, 32
63023	12169	Berlin	Südendstraße 31-33
63027	13407	Berlin	Roedernallee 166-168, Thyssenstraße 4-12 even
63071	04159	Leipzig	Blücherstraße 31
63091	15831	Jühnsdorf	Dorfstraße 15b-d, 20, 20a, b, 21, 21a
63092	16515	Oranienburg	Albert-Buchmann-Straße 2-10 even
63099	13629	Berlin	Rohrdamm 33, 33a-d
63105	10715	Berlin	Berliner Straße 9
63112	13591	Berlin	Südekumzeile 26-31, 26a-d, 27a, 28a-c, 29a, 31a, b
63115	14513	Teltow	Potsdamer Straße 25-29 odd, 31a, b
63116	14542	Werder	Marktstraße 1a-c, 2a-e, Aprikosenweg 1-7, Marktstraße 1, 2, Obstzüchterstraße 5, Auf dem Strengfeld 3, 3a-f
63117	14974	Ludwigsfelde	Hirschweg 14- 42
64077	51688	Wipperfürth	Flurstr. 50-60 even
64078	51688	Wipperfürth	Starenweg 1-3, 6, 8

To reflect this, we have increased the discount and capitalisation rate by 25 bps.

In the absence of any information to the contrary, we have assumed that:

- there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the assets;
- the assets are free from rot, infestation, structural or latent defect;
- no currently known deleterious or hazardous materials or suspect techniques, including but not limited to composite panelling, have been used in the construction of, or subsequent alterations or additions to, the assets and
- the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the assets. Comments made in the property details do not purport to express an opinion about, or advises upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

3.3.3 Accommodation

We have not measured the assets but have relied upon the floor areas provided. We have not checked these on site.

We have verified a random sample and relied upon the other areas shown in the tenancy schedules and the additional information provided by the Company for the valuation for the IPO in 2013 and the additional valuations mentioned in the preamble.

Unless advised specifically to the contrary, we have made the assumption that the floor areas supplied to us have been calculated mainly in accordance with *II. Berechnungsverordnung*. All areas quoted in this Valuation Report are approximate.

3.3.4 Environmental contamination and soil conditions

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the assets and which may draw attention to any contamination or the possibility of any such contamination, other than as detailed below.

We have not carried out any investigation into the past or present uses of the assets, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Soil contamination:

We were provided with information concerning soil contamination by the Company.

For four assets the Company provided us with cost estimations as follows:

Assets	ZIP	City	Address	Amount in EUR
42007	14471	Potsdam	Forststraße 73-78	- 35,000
42144	60311	Frankfurt	Mainkai 15-21	- 130,000
80217	60311	Frankfurt	Battonnstr. 50, 52, 62-66 even; Fahrgasse 80-92 even	- 106,990
80218	60311	Frankfurt	Battonnstr. 54-60 even	- 23,010

For 10 further assets we have assumed there is an impact on value and have increased the capitalisation rate by 25 bps to reflect this, as we were not provided with any specific amount:

Assets	ZIP	City	Address
18197a	14193	Berlin	Elgersburger Str. 20-23; Ilmenauert Str. 7, 7a, 8, 8a
80034	44623	Herne	Behrensstr. 51-59 odd
80035	44623	Herne	Behrensstr. 54
70003	40599	Dusseldorf	Hasselsstr. 103
43039	80687	Munich	Schäufeleinstr. 33, 35, Agnes-Bernauer-Str. 30-40 even, 30a-g, 34a-g, Friedenheimer Str. 13-27 odd
43044	28199	Bremen	Westerstr. 130, 132
43046	28207	Bremen	Hastedter Heerstr. 189
43052	38108	Brunswick	Dortmunder Str. 1-3, Duisburger Str. 23
43056	26725	Emden	Thorner Straße 19-24, Pillauer Str. 2-11
43064	40472	Dusseldorf	Selbecker Str. 26

Based on the information we were provided with we have assumed that for the remaining assets there is no material influence on value of single assets due to the suspicion of soil contamination.

Mining subsidence:

In accordance with our instructions and scope of work, for the purposes of this valuation, we have not conducted or given instructions for any more detailed investigations concerning mining subsidence.

We have been provided with information by the Company concerning potential costs which may arise from mining for 189 assets with a total amount of 30,665,000 €. We have deducted this sum at individual asset level.

General:

In the absence of any further information to the contrary, we have assumed that:

- the assets are not contaminated and are not adversely affected by any existing or proposed environmental law,
- any processes which are carried out on the assets which are regulated by environmental legislation are properly licensed by the appropriate authorities.

We have assumed that either the assets possess current Energy Performance Certificates as required under Government Directives or Vonovia can present the documents if required.

3.3.5 Title and Tenancies

Details of title/tenure under which the assets are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents without obtaining separate legal advice.

Unless stated otherwise within this report and in the absence of any information to the contrary, we have assumed that:

- the assets possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each assets to comply with the provisions of the relevant disability discrimination legislation;
- there are no tenant's improvements, others than those mentioned in 3.4.4, that will materially affect our opinion of the rent that would be obtained on review or renewal;
- where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required and
- vacant possession can be given of all accommodation which is unlet or is let on a service occupancy (except structural vacancy).

We have not been provided with Legal Due Diligence Reports by the Company.

In accordance with our valuation instructions, our determination of Fair Value is based on the information provided to us, which also applies to rented accommodation, tenancies, current rental income, remaining lease terms and other lease conditions.

We were provided by the Company with a table including all land register entries for the IPO in 2013. CBRE verified a random sample of the addresses as well as the entries in section I and II of 54 assets. In the course of previous valuations of the DeWAG and Vitus sub-portfolio assets CBRE verified entries in section I and II of further 378 assets. During the course of loan security valuations of approximately 60% of the Fair Value of the former Gagfah Portfolio in 2013, CBRE was provided with a sample of land register extracts for plausibility checks. CBRE verified addresses and entries in section I and II of those assets. Based on the information provided, we have assumed that:

I. all the subject assets are either held freehold-equivalent (complete or partial) by the subsidiaries of the Company or, in the case of a ground lease (*Erbbaurecht*), are held for a limited term;

II. all the subject assets together with encumbrances and restrictions in section II of the land register have been correctly registered in the land register.

Mortgages or other liabilities that currently exist or that in the future might affect one or more of the subject assets have not been taken into account.

Redevelopment areas:

We have been provided with the information that following assets are located in redevelopment areas. As compensation payments may occur for these assets we have increased the discount rate by 25 bps to reflect this. The assets are shown in the table below.

Assets	ZIP	City	Address
60065	38118	Brunswick	Luisenstraße 15
60095	73733	Esslingen am Neckar	Weinstr. 1-5 odd
60171	71634	Ludwigsburg	Rosenackerweg 40-44
60172	71638	Ludwigsburg	Bietigheimer Straße 29
63112	13591	Berlin	Südekumzeile 26-31, 26a-d, 27a, 28a-c, 29a, 31a, b
63037	01067	Dresden	Behringstraße 16a, b, Berliner Straße 21-27 odd, 27a
63094	40210	Dusseldorf	Oststraße 78
63043	01099	Dresden	Prießnitzstraße 42, 42a
63118	16515	Oranienburg	Bernauer Straße 41
63113	13595	Berlin	Weißenburger Straße 18
63040	01159	Dresden	Gröbelstraße 11
63049	01159	Dresden	Eichendorffstraße 8
63026	12459	Berlin	Wilhelminenhofstraße 19
63056	01159	Dresden	Gröbelstraße 14
63061	99085	Erfurt	Bodestraße 1
63120	01127	Dresden	Rehefelder Straße 41
63057	01159	Dresden	Poststraße 6
63087	07749	Jena	Beutnitzer Straße 2, 4
63062	99085	Erfurt	Theo-Neubauer-Straße 12
63042	01099	Dresden	Förstereistraße 35
63060	99084	Erfurt	Müllersgasse 15
63044	01099	Dresden	Sebnitzer Straße 10

3.3.6 Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulations etc.)

In accordance with the information provided by the Company, we have assumed, without verification, that the assets are free from any pending litigation, that the ownership is unencumbered and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings that might adversely affect value.

3.3.7 Monument Protection

Based on the information provided to us by the Company, 6.4% (by number of assets) of the assets (representing 6.6% of the Fair Value aggregated on portfolio level excluding the Land) are listed monuments.

3.3.8 Tenants

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

In the absence of information to the contrary, we have assumed that there are no significant rent arrears.

3.3.9 Taxes, Contributions, Charges

We have assumed that all public taxes, contributions, charges etc. which could have an effect on value will have been levied and, as far as they are due, paid as at the date of valuation.

3.3.10 Insurance Policy

We have assumed that the subject assets are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

3.3.11 Legal Requirements / Authorisation for the Existence and Use of the Subject Assets

No investigations of the compliance of the individual subject assets with legal requirements (including (permanent) planning consent, building permit, acceptance, restrictions, building-, fire-, health- and safety regulations etc.) or with any existing private-law provisions or agreements relating to the existence and use of the site and building have been carried out.

In carrying out our valuations, we have assumed that all necessary consents and authorisations for the use of the assets and the processes carried out at the assets are in existence, will continue to subsist and that they are not subject to any onerous conditions.

3.3.12 Town Planning and Road Proposals

We have not undertaken planning enquiries but have relied upon the information provided where appropriate. For the purposes of our valuation we assume that there are no adverse town planning, highways or other schemes or proposals that will have a detrimental effect on our valuations.

3.3.13 Assumptions Regarding the Future

For the purpose of determining the Fair Value of the subject assets, we have assumed that the assets will continue in their existing use.

3.3.14 Asset to be demolished

The following asset has been identified by CBRE for potential demolition[5]:

[5] CBRE valued the subject asset on the basis of its demolition, due to its negative cashflow.

Assets	ZIP	City	Address
64612	45279	Essen	Minnesängerstraße 72-76

In our valuation, we have allowed for obtaining vacant possession of the units that are still let prior to demolition, while repair and maintenance costs have been included at only 20% of the initial costs. The individual Net capital value of the net income still receivable, the site value and the demolition costs of the property have been assessed and discounted to the date of valuation.

3.3.15 Owner Occupied Assets

Normally, owner occupied assets were valued on the basis of vacant possession. We have checked the existing lease contracts in comparison to the current market rental level. If the current contract is rack-rented, we have assumed remaining lease contracts in average of approximately 3.5 years. Otherwise we assumed a termination of the existing contract within the next four months.

3.4 Valuation Parameters

The assessment of Fair Value is based on future cash flows, which reflect normal market expectations taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by the Company.

3.4.1 Non-Recoverable Management Costs

Residential leases generally involve non-recoverable management costs. For the purposes of this valuation and on the basis of experience of CBRE and an analysis of costs of public and private housing associations, non-recoverable management costs have been allowed for at between 195 € and 280 € per unit p.a. (depending on the number of residential units in the individual building). We have allowed 350 € p.a. for each residential unit in buildings that are undergoing privatisation, according to the Condominium Act (*Wohneigentumsgesetz - WEG*).

The weighted average non-recoverable management costs amount to 245 € per residential unit p.a.

For the commercial units we have allowed non-recoverable management costs of 3% of the gross rental income on potential rent.

3.4.2 Non-Recoverable Repair and Maintenance Costs

The annual costs per square metre of lettable area adopted for the purposes of this valuation are average figures for the types of use concerned, arrived at on the basis of experience by CBRE and the analysis of costs of similar buildings by third-party firms. They take into account the necessary cost inputs for long-term operation of the assets. The maintenance and repair costs allowed for in the valuation are between 6.00 € per sq m p.a. and 12.75 € per sq m p.a. (in exceptional cases below 6.00 € per sq m p.a. for commercial units or demolition assets), with a weighted average of 9.32 € per sq m p.a. depending on the age and condition of the building concerned. The existence of a lift system is taken into account with an additional 1.25 € per sq m p.a. For listed monuments we assumed an increase of ongoing maintenance costs of 10%.

3.4.3 Capital Expenditure and other Factors affecting Value

In addition to the non-recoverable ancillary costs, which are deducted monthly from the gross rental income during the period of detailed consideration, capital expenditure on repair and maintenance work already planned at the date of valuation has also been reflected. CBRE has not undertaken technical surveys.

For this present valuation we were provided with Capital Expenditure (CapEx) Costs by the Company for 1,020 assets (excluding fire prevention works in properties in Dresden and Wiesbaden). We have deducted the running maintenance costs from year 1 from the CapEx Costs provided and have taken the resultant amount into account in our valuation. For the purposes of our valuation we have assumed total costs of rectifying the current maintenance backlog of 17,294,599 EUR for 413 assets. For all other assets the running maintenance costs of year 1 cover the CapEx Costs provided. The CapEx Costs are distributed as follows over the strategic portfolios: Operate (20%), Upgrade buildings (40%), Optimise Apartments (24%), Non-Strategic (6%), Privatise (8%) and Non-Core (2%).

Additionally, we were provided with the information, that costs will be incurred for fire prevention works to 31 properties in Dresden and one property in Wiesbaden. We have deducted this amount from 2017 until 2026:

Assets	ZIP	City	Address	2017-2026
80722	01307	Dresden	Pfotenhauerstr. 12	735,054
80723	01307	Dresden	Pfotenhauerstr. 18-36 even	5,767,187
80489	01069	Dresden	St. Petersburger Str. 10-14 even, 18-22 even, 10A, 12a, 18a, b	1,578,763
67096	01307	Dresden	Florian-Geyer-Str. 38-48 even	5,321,950
80498	01069	Dresden	Hochschulstr. 12-18 even	3,141,292
80506	01217	Dresden	Michelangelostr. 2	2,762,706
67680	01159	Dresden	Braunsdorfer Str. 125	3,093,766
80505	01217	Dresden	Michelangelostr. 1	2,717,451
80482	01169	Dresden	Amalie-Dietrich-Platz 7	3,155,101
80508	01217	Dresden	Michelangelostr. 7	2,812,480
80509	01239	Dresden	Prohliser Allee 31	2,896,854
80500	01069	Dresden	Hochschulstr. 24-28 even	2,828,954
80511	01239	Dresden	Prohliser Allee 33	2,896,854
80514	01239	Dresden	Gamigstr. 22	3,073,273
80483	01169	Dresden	Amalie-Dietrich-Platz 8	3,151,200
80510	01239	Dresden	Jacob-Winter-Platz 1	2,812,480
80484	01169	Dresden	Amalie-Dietrich-Platz 9	3,249,754
80497	01069	Dresden	Hochschulstr. 6-10 even	2,287,349
80513	01239	Dresden	Gamigstr. 20	2,420,145
80512	01237	Dresden	Am Anger 22	2,420,145
80481	01307	Dresden	Blasewitzer Str. 52	1,847,466
80494	01257	Dresden	Rottwerndorfer Str. 5	1,919,687
80493	01257	Dresden	Rottwerndorfer Str. 3	1,922,669
80502	01069	Dresden	Hochschulstr. 34, 36	1,942,548
80503	01069	Dresden	Hochschulstr. 38, 40	1,942,548
80504	01069	Dresden	Hochschulstr. 42, 44	1,802,272
80501	01069	Dresden	Hochschulstr. 30-32 even	1,617,766
80499	01069	Dresden	Hochschulstr. 20, 22	1,570,646
80496	01069	Dresden	Hochschulstr. 2, 4	1,524,899
80491	01067	Dresden	Sternplatz 15	1,854,472
80492	01257	Dresden	Rottwerndorfer Str. 1	1,977,278
65407	65203	Wiesbaden	Strasse der Republik 17, 19, Bunsenstr. 6, 6a-h	1,200,000
Total				**80,245,010**

3.4.4 Tenant Improvements

Under German law, it is frequently the tenant's responsibility to carry out decorative and minor repairs. Upon a change in tenants, however, additional expenses for basic repairs and renovation of the interior of the individual rental units must be incurred, e.g. in the bathrooms and kitchens of residential units, to facilitate renewed letting. For each of the buildings, based on current market experience and the average condition of the apartments, we have allowed amounts for initial refurbishments and/or on tenant fluctuation ranging from 10 to 150 € per sq m with an overall weighted average of 52 € per sq m for residential accommodation.

Maintenance costs and costs for tenant improvement for residential area sum up to 14.07 € per sq m p.a.

3.4.5 Non-Recoverable Operating Costs (Vacancy)

Based on an analysis by the German Tenants' Association for apartment housing in Western German locations we have reflected non-recoverable operating costs on vacant space at a flat rate of 16.80 € per sq m p.a. (Eastern German locations incl. Berlin: 12 € per sq m p.a). This includes, for example, heating costs for a minimal level of heating, costs for caretaker or security services and electricity and cleaning costs.

3.4.6 Inflation

The DCF method used includes an explicit reflection of inflation forecast at 1.5% in year 1 and 2.0% in the following years. Full allowance for inflation has been made for maintenance and repair costs, management and operating costs and ground rents (*Erbbauzinsen*). Inflation rates forecasts were provided by CBRE Research, as at December 2016. The sources are Consensus Forecast and ECB.

3.4.7 Discount Rate and Capitalisation Rate

The Capitalisation Rate is derived from the average Net Initial Yield ("NIY") achieved in transactions involving residential properties that were observed by CBRE and reflects the market situation as well as the yield expectations of a potential investor. It includes rental growth assumptions implicitly. The Discount Rate, which explicitly reflects rental growth in the cash flows, is derived from the Capitalisation Rate plus the average rental growth.

The Discount Rate and Capitalisation Rate are adjusted individually for each local market to be valued, in accordance with the following criteria:

- quality of the location
- demand and levels of value in the relevant local real estate market
- the prospects for the local market
- development of rents and prices (yield compression)
- the current letting situation in the property as regards vacancy, over-rented or under-rented status, the quality of the tenancy structure, the remaining lease term(s) and (for commercial leases) the indexation provisions and extension options
- the nature of the asset, its age, size and condition
- additional risk adjustments to take into account uncertainties in the forecasting of future cash flows

The Capitalisation Rate is used to capitalise the net rental income after the cashflow period ("Exit Value"). This net rental income comprises the assumed rental income at that time less the non-recoverable operating costs.

The cash flows and the Exit Value are discounted using the selected Discount Rate, monthly in advance.

The resulting net present values were checked against our analysis of comparable transactions (if available) from the sale price data collected by the relevant local valuation committee ("*Gutachterausschuss"*) and an analysis of the internal lease and sale database of the CBRE Valuation Department. If necessary in the absence of transaction data, asking prices for comparable assets on offer at empirica systeme were also considered. If, in particular instances, results of our DCF calculations were found not to reflect the Fair Value of an individual building, the calculation was adjusted by means of a change in the discount rate and Capitalisation Rate using expert and experienced judgement.

For the subject properties we have adopted a weighted average Discount Rate of 5.4% and an average Capitalisation Rate of 4.1%.

3.4.8 Market Rent

For the purposes of this valuation, CBRE has estimated market rents at the valuation date for the lettable accommodation and asset units. These are based on an analysis of the local asset market, using data available to CBRE and accessible third-party sources. This includes:

- recent leases and tenancies agreed by Vonovia in the years 2015 and 2016
- analysis of the internal rental database of the CBRE Valuation Department
- publications by, and chargeable database queries of, market research institutes and real estate companies

3.4.9 Market Rental Trends during the Period of Detailed Consideration

During the 10-year period of detailed consideration of the forecast cash flows, explicit modelling of changes in market rents has been included, estimated by CBRE at administrative district (*Landkreis/Kreisfreie Stadt*) level for all assets. The estimates are mainly based on data from the state statistics offices, BulwienGesa AG's RIWIS database and the Prognos AG Zukunftsatlas. Depending on location, the resulting trends of market rent range between annual increases of 0% to 2.2%, with a weighted average of 1.2%, adjusted for the quality of situation and condition of the building.

3.4.10 Rent Control and Public Subsidies

A number of the residential units were subject to rent control as at the valuation date. Instead of the rent increase method of the BGB (*Bürgerliches Gesetzbuch*) the subsidised residential units are subject to an economic rent (*Kostenmiete*). Contrary to Part 3.4.9 we have calculated with a rental growth of 0.5%, based on our experience. Except for subsidised properties in Schleswig-Holstein, for which rents are allowed to be increased by 9% in 3 years (according to the law for public subsidised properties in Schleswig-Holstein – SHWoFG).

According to the information provided by the Company, 13% of the residential units are subject to rent control.

Expiry of Restriction in Years	Residential Units	
	Total	in % of Total Residential Units
<=10 years	19,982	6.0%
11-25 years	4,443	1.3%
26-40 years	3,727	1.1%
41-55 years	3,468	1.0%
56-70 years	6,880	2.1%
> 70 years	4,362	1.3%
Restricted Units	**42,862**	**13.0%**
Not Restricted	287,515	87.0%
Total	**330,377**	**100%**

At the valuation date, there is 40,233,275 € of direct public subsidies payable to Vonovia during the next 10 years.

Local Statute Rent ("*Satzungsmiete"*)

In January 2009 the regulation of the economic rent was repealed in Baden-Wuerttemberg. Since that date subsidized apartments ("*1. Förderweg"*) must not be let for a higher rent, than the rent which the municipality sets out in the local statute.

For the determination of the respective market rent (local statute rent) of the concerned properties, we have chosen the following approach:

We have analysed the provided local statutes and rental tables. To derive the market rent we have made plausibility checks with the information provided to us by the Principal (internal rent approach).

3.4.11 Structural and Turnover Vacancy

As at the valuation date, the portfolio has an average vacancy rate of 2.9% (weighted by area). We are assuming in our valuation that the weighted average structural vacancy rate of the portfolio is 1.4% with a range of 0% to 50% (100% for liquidation asset) at asset level.

In addition to the structural vacancy rate we have calculated a turnover vacancy between 1 to 6 months which corresponds to 0% to 6.3%, with an average of 0.9%. Together with the structural vacancy the average stabilized vacancy rate of the portfolio is 2.3%.

3.4.12 Purchaser's costs

For the purposes of the valuation and in line with normal practice, no allowance has been made for any personal costs or taxes that would be incurred by the purchaser in the course of the transaction. Mortgages and any other existing charges on the assets have not been taken into consideration in this valuation. Normal costs payable by the purchaser on transfer have been reflected as follows:

Agent's fees	1.0% - 3.0%
Notary's fees	0.3% - 1.1%

The transfer tax as at the date of valuation, 31 December 2016, for each federal state as is shown in the table below.

Federal State	Land Transfer Tax Rate
Baden-Wuerttemberg	5.00%
Bavaria	3.50%
Berlin	6.00%
Brandenburg	6.50%
Bremen	5.00%
Hamburg	4.50%
Hesse	6.00%
Lower Saxony	5.00%
Mecklenburg-Western Pomerania	5.00%
North Rhine-Westphalia	6.50%
Rhineland-Palatinate	5.00%
Saarland	6.50%
Saxony	3.50%
Saxony-Anhalt	5.00%
Schleswig-Holstein	6.50%
Thuringia	5.00%

The net capital value is derived by deducting the purchaser's costs as shown from the calculated gross capital value. It is therefore equivalent to the net proceeds that the vendor would receive on a notional sale, not allowing for any personal costs or taxes to which the vendor would become liable as a result of the sale. The amount of the deduction depends on the investment volume of the asset concerned.

4 VALUATION CONCLUSIONS

4.1 Fair Value

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets in the portfolio, rounded at asset level, as at 31 December 2016 and held as at that date, is:

27,073,496,580 €

(Twenty-seven billion, seventy-three million, four hundred and ninety-six thousand, five hundred and eighty Euros)

net of purchasers' costs and VAT

of which the Fair Value of the undeveloped freehold Land and plots held on a ground lease is 65,171,380 € and

of which the value of owner occupied assets (proportion of owner-occupation above 50%, weighted by area), classified by the Company according to IAS 16, is 23,033,100 € (representing 0.1% of the Fair Value aggregated on portfolio level).

The assessment of the Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 31 December 2016.

The table below shows the split of values between assets held for investment (freehold-equivalent and leasehold assets), owner occupied assets (freehold-equivalent and leasehold assets) and separately Land with undeveloped sites (held for non-specialised development and not held for development) and assets held on a ground lease.

	Total Fair Value in EUR
Freehold-Equivalent	24,607,973,500
*Short Leasehold	1,830,453,000
**Long Leasehold	546,865,600
Subtotal Assets held as an Investment	**26,985,292,100**
Freehold-Equivalent	22,713,100
*Short Leasehold	320,000
**Long Leasehold	0
Subtotal Owner-Occupied Assets	**23,033,100**
Freehold-Equivalent	**56,945,720**
Land capable of development (*Baureifes Land*)	28,236,510
Unserviced land zone for development (*Rohbauland*)	9,234,370
Land with hope value for development (*Bauerwartungsland*)	19,474,840
Leasehold-Equivalent	**0**
Subtotal Assets held for Non-Specialised Development	**56,945,720**
Freehold-Equivalent	**1,580,760**
Other Land	1,580,760
Leasehold-Equivalent	**0**
Subtotal Land not held for Development	**1,580,760**
Assets held on a ground lease *(Erbbaurechtsgeber)*	
*Short Leasehold	5,134,200
**Long Leasehold	1,510,700
Subtotal Assets held on a ground lease	**6,644,900**
Total	**27,073,496,580**

* 50 years or less unexpired
** Over 50 years unexpired

There are no negative values to report.

CBRE

The following table shows aggregated key asset data for the portfolio (excluding Land):

Fair Value excluding Land	27,008,325,200 €
Total lettable area:	21,335,935 sq m
Average Fair Value per sq m lettable area:	1,266 €
Current annual rental income (gross)[6]:	1,511,225,487 €
Potential annual rental income (gross)[6]:	1,561,633,086 €
Annual market rent (gross)[6]:	1,714,933,742 €
Multiplier (based on current rent):	17.9 times
Multiplier (based on potential rent):	17.3 times
Multiplier (based on market rent):	15.7 times
Net initial yield (based on current rent):	4.1%
Net initial yield (based on potential rent):	4.3%
Net initial yield (based on market rent):	4.9%

For information purposes only the following table shows the breakdowns of the Fair Value (excluding Land) by type of use. The figures have been calculated by breaking down the overall Fair Value on unit level and allocating the individual unit results to the different type of uses.

Type of Use	Total		
	Current Annual Rental Income (gross)	Fair Value breakdown	
	Total in EUR	in EUR	x Current Annual Rental Income (gross)
Residential	1,433,532,068	25,763,451,791	18.0
Commercial*	54,397,940**	757,975,849	13.9
Parking	23,295,478	486,897,560	20.9
Total	**1,511,225,487**	**27,008,325,200**	**17.9**

* The Commercial Units include the light industry property in Falkensee.
** The Current Annual Rental Income (gross) of the commercial units includes the income of the antennas.

Our opinion of Fair Value is based upon the scope of work and valuation assumptions as detailed in Part 3 “Explanation of Valuation” of this Valuation Report, and has been derived mainly using comparable recent market evidence on arm’s length terms.

For further information please refer to Part 5 “Valuation Key Definitions”.

[6] Annual rental income (gross) includes income from antennas of 2,716,012 €.

4.2 Breakdowns of the Fair Value by Portfolio Structure

	Total			
	Fair Value			
	Total in EUR	in % of Total	per sq m	x NCR
Operate	7,610,160,978	28.2%	1,288	16.8
Upgrade buildings	9,455,951,866	35.0%	1,235	18.2
Optimise apartments	7,784,239,010	28.8%	1,368	19.1
Strategic	**24,850,351,854**	**92.0%**	**1,290**	**18.0**
Privatise	1,590,905,314	5.9%	1,327	19.0
Non-Strategic	271,885,578	1.0%	591	11.4
Non-Core	295,182,454	1.1%	704	12.8
Total	**27,008,325,200**	**100.0%**	**1,266**	**17.9**

5 VALUATION KEY DEFINITIONS

Lettable area

The lettable area in this valuation is defined by the entry in the Company's rent roll provided.

Total lettable area

Total lettable area in square metres – sum of residential and commercial floor area – and excluding land;
as at 31 December 2016

Residential units

Residential units - number of residential premises excluding internal and external parking units and other units;
as at 31 December 2016

Commercial units

Commercial units - number of commercial and special premises; excluding internal and external parking units and other units;
as at 31 December 2016

Internal Parking units

Internal Parking units (units) - number of internal parking spaces;
as at 31 December 2016

External Parking units

External Parking units (units) - number of external parking spaces;
as at 31 December 2016

Other units

Other units – e.g. number of antennas;
as at 31 December 2016

Land (Land Bank):

The Land consists of land for future development (land capable of development, unserviced land zoned for development and land with hope value for development) and other land (woodland, agricultural land). It further consists of assets held on a ground lease.

EPRA residential vacancy rate

Residential annual market rent (gross) of vacant space divided by residential annual market rent (gross) of the whole portfolio

Current annual rental income (gross):

The current gross rental income represents the rent paid for the units let on contractual agreements as at 31 August 2016 (adjusted for units sold as at 31 December 2016), before deducting non-recoverable operating costs and VAT, multiplied by 12. Rent-free periods have been taken into account.

Potential annual rental income (gross):

The potential rent is the sum of the current monthly gross rental income and the market rent of vacant units – irrespective of any vacancy – as at 31 August 2016 (adjusted for units sold as at 31 December 2016), multiplied by 12.

Annual market rent (gross):

The (monthly) market rent of all units as 31 August 2016 (adjusted for units sold as at 31 December 2016; irrespective of any vacancy) multiplied by 12.

Multiplier (based on current rent):
Net capital value divided by current rental income (gross)

Multiplier (based on potential rent):
Net capital value divided by potential rental income (gross)

Multiplier (based on market rent):
Net capital value divided by market rent (gross)

Net initial yield (based on current rent):
Current rental income (net) divided by gross capital value
Current rental income (gross) minus non-recoverable operating costs / net capital value plus purchaser's costs

Net initial yield (based on potential rent):
Potential rental income (net) divided by gross capital value

Net initial yield (based on market rent):
Market rental income (net) divided by gross capital value

Note: the valuation keys above are defined in accordance with the gif Gesellschaft für Immobilienwirtschaftliche Forschung e.V. Arbeitskreis Real Estate Investment Management.

Freehold or freehold-equivalent refers to *Eigentum* title.

Ground lease/leasehold refers to *Erbbaurecht* title.

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