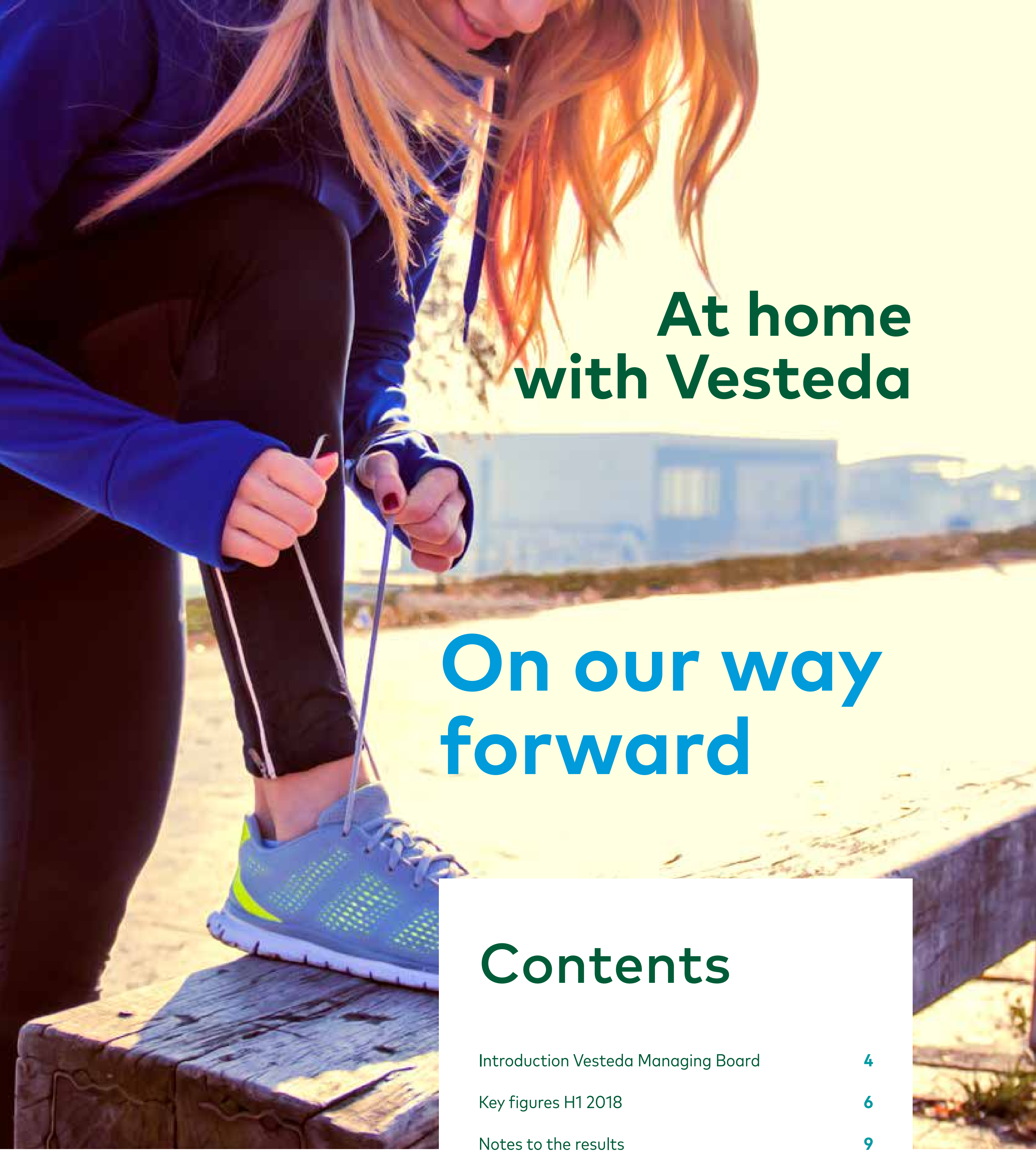
vesteda

Review H1 2018

At home with Vesteda

Our mission is to make sure that all our stakeholders feel at home with us. That is especially true for our tenants, the investors who invest in our fund and our employees.

vesteda



At home with Vesteda

On our way forward

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Tensions on the housing market increasing

There is currently a great deal of pressure on the housing market. The number of homes for sale has fallen steadily, which resulted in a further increase in house prices in the first half of this year. The continuing rise in house prices has put even more pressure on the affordability of homes. The reduced affordability of homes in several regions in the Netherlands, combined with the limited supply of mid-market rental homes, has put regulation in the mid-rental segment firmly on the political agenda. Cities such as Amsterdam and Utrecht have already introduced regulations in the liberalised mid-rental segment, for instance in the form of rental increase limitations for new residential projects.

Vesteda expects this kind of policy to be counterproductive. It makes it less attractive for institutional investors to invest in residential real estate, which will in turn reduce the supply on the market and lead to further increases in house prices. We simply need more supply on the market. The major Dutch cities also need to invest in infrastructure to make living in peripheral areas around the cities more attractive to potential residents.

Vesteda made it a priority to increase the supply in the mid-rental segment some time ago and we will continue with this effort in the future. Working in close cooperation with local authorities and developers, we want to realise new homes in this segment. The members of the Association of Property Investors in the Netherlands (IVBN) accounted for new-build production of some 10,000 homes in 2017, up from 7,500 new-build homes in 2016. In the coming three to four years, IVBN members could account for the realisation of around 25,000 new-build homes.

Vesteda takes major steps in optimisation of portfolio

In the first six months of 2018, Vesteda completed two major transactions that further strengthened its position in both the primary regions and in the mid-rental segment of the Dutch residential market. In April, we sold a part of our portfolio, a total of around 1,900 homes, 90% of which are in the government-regulated sector. Then in late June Vesteda acquired the former Delta Lloyd residential portfolio, a total of around 6,750 homes, from Dutch insurer NN Group.

By the end of the first half of this year our portfolio, including the committed acquisition pipeline of 2,650 homes, stood at almost 30,000 homes with a total value of around €7 billion.

Healthy living and 3D-printed concrete homes

On the sustainability front, we have seen clearly positive developments in terms of making the Dutch housing supply more sustainable and in terms of the growing interest from investors in this subject. However, we should also note that developments on this front in the Netherlands have been relatively slow and the country is some way away from meetings its climate goals.

Vesteda is well on track with its own sustainability programme and over the past six months initiated a number of new sustainability-related projects. For instance, we registered our 'Aan de Rijn' apartment complex in Arnhem for the WELL Building Standard certification. This makes Vesteda the first company in the Netherlands to apply for a WELL Building Standard certificate for a residential building. WELL is a certification process designed to improve the impact of a building in terms of health, comfort and the well-being of its users and is a perfect fit with our ambition to play a leading role on the sustainable living front.

In addition to this, in May of this year the municipality of Eindhoven, the Technical Universtity (TU) Eindhoven and the companies Van Wijnen, Vesteda, Saint Gobain-Weber Beamix and Witteveen+Bos announced plans to realise the first home to be produced using 3D printing technology. The house will be the first of five homes produced using 3D-printed concrete and it will be built in Eindhoven. The innovation of 3D printed concrete has the potential to radically change the future of residential building in terms of speed, affordability and freedom of design and choice. Vesteda is very proud to be involved in this project and of the fact that we are investing in the very first 3D-printed concrete home.

Outlook

The market outlook is positive, thanks to the ongoing economic growth. The demand for homes remains high, but building production is lagging way behind this demand. House prices are generally expected to continue to rise this year.

In the period ahead, Vesteda will continue to focus on the further optimisation of its portfolio, through the acquisition of high-quality and affordable residential projects, but also through continued investments in our existing portfolio. We are well on track in terms of increasing the sustainability of our residential stock, but we are still facing a number of major challenges on this front. By 2050, every home is supposed to be natural gas free. We will also be devoting a lot of attention to this effort in the period ahead.

Amsterdam, 14 August 2018

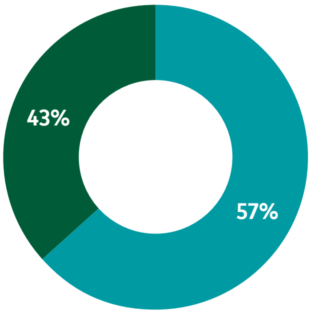
Gertjan van der Baan (CEO) and Frits Vervoort (CFO)

Key figures H1 2018

(these financial statements have not been audited)

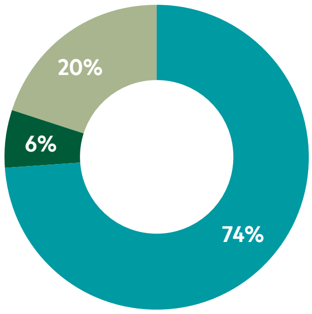
Number of homes	Value of portfolio	Physical occupancy rate [1]	Gross rental income (in H1) [1]
26,852	€ 6.4 bln	97.8%	€ 124 mln

Portfolio by type of home (in units)



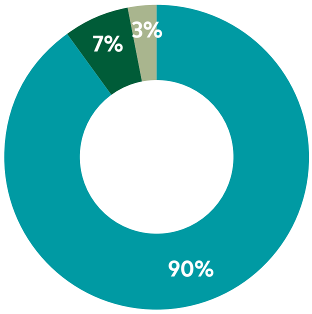
- Apartments
- Family houses

Portfolio by rental segment (in value)



- Mid-rental segment
- Regulated rental segment
- Higher rental segment

Portfolio by region (in value)



- Primary [2]
- Secondary [2]
- Other

1 Excluding former Delta Lloyd portfolio (transaction date 28 June 2018)

2 Primary regions are areas that offer the highest market potential for the non-regulated (liberalised) rental sector. These areas are marked by high market potential and low market risks. Secondary regions score lower on a number of fronts but do have a positive economic and demographic outlook.

	H1 2018[1,2]	H1 2017	FY 2017
Income (in € mln)			
Theoretical rent	128	126	254
Loss of rent	(4)	(4)	(7)
Gross rental income	**124**	**122**	**247**
Property operating expenses	(31)	(30)	(63)
Net rental income	**93**	**92**	**184**
Result on projects in progress	-	1	-
Result on property sales	40	6	13
Management expenses	(8)	(7)	(16)
Interest expenses (including amortised fees)	(12)	(16)	(31)
Unwinding derivatives	0	0	(12)
Realised result	**112**	**75**	**138**
Unrealised result	**445**	**246**	**544**
Total result (excluding revaluation of derivatives)	557	320	682
Revaluation fixed assets	1	0	1
Unwinding derivatives	0	0	12
Revaluation of derivatives	0	5	6
Total comprehensive result	**558**	**325**	**701**

	30 June 2018	30 June 2017	31 December 2017
Balance sheet (in € mln)			
Total assets	6,765	4,634	5,084
Equity	5,105	3,494	3,819
Debt capital	1,582	1,054	1,177
Leverage ratio (in %)	23.4	22.8	23.2

	12 months prior to 30 June 2018
Debt capital (in € mln)	
Interest expenses	26
EBITDA	167

	H1 2018	H1 2017	FY 2017
Return on equity (in % of opening equity)			
Realised return	**2.9**	**2.5**	**4.5**
- from letting	1.9	2.3	4.5
- property sales	1.0	0.2	0.4
- from unwinding derivatives	0	0	(0.4)
Unrealised return	**11.7**	**8.1**	**17.9**
Total return	14.6	10.6	22.4
Other realised return	0	0.1	0.6
Total comprehensive return	**14.6**	**10.7**	**23.0**

1 Excluding the former Delta Lloyd portfolio (transaction date 28 June 2018).

2 Small differences are possible in the table due to rounding.

	30 June 2018	30 June 2017	31 December 2017
Non-financial figures			
Number of residential units	26,852	22,574	22,454
- apartments	57%	60%	61%
- single family houses	43%	40%	39%
Physical occupancy rate (in % of units)	97.8% [1]	97.4%	97.6%

	H1 2018	H1 2017	FY 2017
Non-financial figures			
Number of units inflow	6,454	211	332
- from acquisition pipeline	471	211	332
- portfolio acquisition	5,983		
Number of units outflow	2,022	264	507
- individual unit sales	150	264	507
- portfolio sale	1,872	0	0
Loss of rent (in %)	3.3% [1]	2.8%	2.9%

1 Excluding the former Delta Lloyd portfolio (transaction date 28 June 2018).

Notes to the results

Gross rental income

The theoretical rent amounted to €128 million in the first half of 2018, an increase of €2 million compared with the theoretical rent in the same period of last year (H1 2017: €126 million). Despite the portfolio sale of around 1,900 homes in April of this year, the theoretical rent increased slightly due to indexing and a rise in contract rents for new tenants as a result of a rise in market rents.

Loss of rent stood at 3.3% in the first half of 2018, compared with 2.8% in the same period of last year. Gross rental income amounted €124 million in the first half this year, compared with €122 million in the first half of 2017.

Net rental income

Property operating expenses came in at €31 million in the first half of 2018, which is €1 million higher than the property operating expenses of €30 million recorded in the first half of 2017. This increase was largely due to higher maintenance costs. The gross/net rental income ratio stood at 24.9% in the first half of 2018, compared with 24.7% for the same period of last year. Net rental income came in at €93 million in the first half of 2018, up from €92 million in the year-earlier period.

Result from property sales

In the first half of 2018, Vesteda sold a total of 2,022 homes from its investment portfolio, compared with 264 homes in the same period of last year. Vesteda sold 150 of these homes in individual unit sales, while 1,872 homes were sold via a portfolio sale. The result from property sales amounted to a total of €40 million.

Management expenses

Management expenses amounted to €8 million in the first half of 2018, compared with €7 million in the first half of 2017. The increase in management expenses was largely due to higher personnel costs as a result of the hiring of temporary staff, partly related to the implementation of the new ERP system.

Interest expenses

Despite the higher average debt position, interest expenses fell by €4 million to €12 million in the first half of 2018, compared with €16 million in the first half of 2017. Interest expenses stood at 2.2% at the end of the first half of 2018, compared with 2.7% at the end of the first half of 2017.

In early July of this year, Vesteda issued a €500 million bond. The proceeds from this bond will be used to refinance the bridging facility related to the acquisition of the former Delta Lloyd portfolio, as well as to finance the future growth of the residential portfolio. Prior to the issuance of the €500 million bond, in March of this year Vesteda optimised the conditions and term of its €700 million revolving credit facility via an Amend & Extend transaction. Via these transactions, Vesteda has extended the weighted average term of its loan portfolio to more than six years and further reduced its average interest rate.

Realised result

The realised result amounted to €112 million in the first half of 2018, compared with €75 million the first half of 2017. Excluding the book profit on the portfolio sale in April of this year, the realised result came in slightly higher than in the same period of last year.

Unrealised result

There is currently a great deal of pressure on the housing market and as a result house prices are continuing to rise, at both local and national levels. The value of the portfolio increased by 9.1% in the first six months of this year. The unrealised result for the first half of 2018 came in at €445 million, up from €246 million in the same period of last year.

Total comprehensive result

The total comprehensive result came in at €558 million in the first half of 2018, compared with €325 million in the same period of 2017. The total return on equity was 14.6%, compared with 10.7% in the year-earlier period. The difference was primarily due to the higher unrealised return.

Balance sheet

As a result of the acquisition of the former Delta Lloyd portfolio and the positive revaluation, the balance sheet total had increased to €6,765 million at end-June, from €5,084 million at year-end 2017. Due in part to the acquisition of the former Delta Lloyd portfolio, which was largely paid in new Vesteda participation rights, total equity increased to €5,105 million, from €3,819 million at year-end 2017. The leverage ratio stood at 23.4%, compared with 23.2% at year-end 2017.

Investment portfolio

	H1 2018
Investment portfolio, changes in value (in € mln)	
Value investment portfolio at start of year	4,778
Inflow Vesteda pipeline	123
Inflow former Delta Lloyd portfolio	1,295
Capex	12
Outflow (portfolio sale and individual sales)	(255)
Revaluation [1]	423
Other	(6)
Value investment portfolio ultimo H1 2018	**6,370**

	H1 2018
Investment portfolio, changes in units	
Number of units beginning of year	22,454
Inflow Vesteda pipeline	471
Inflow former Delta Lloyd portfolio	5,983
Outflow (portfolio sale and individual sales)	(2,022)
Other	(34)
Number of units ultimo H1 2018	**26,852**

In the first half of 2018, Vesteda added 5,983 homes to its portfolio, as a result of the acquisition of the former Delta Lloyd portfolio. In the same period, Vesteda's acquisition pipeline accounted for the addition of a total of 471 homes to its portfolio. These were from three projects in Utrecht, two projects in Arnhem, one project in Amsterdam, a project in Haarlem and a project in Assen. With the exception of the project in Assen, all these projects are located in Vesteda's primary regions. The rental levels of the homes added are also mostly in the mid-rental segment. Schinkelhof in Amsterdam is an exception to this. In the first half of 2018, Vesteda sold a total of 2,022 homes from its investment portfolio. On balance, the investment portfolio increased by 4,398 homes to a total of 26,852 residential units.

1 Excluding the former Delta Lloyd portfolio (transaction date 28 June 2018).

Additions to the investment portfolio H1 2018 from the Acquisitions Pipeline

Building	Location	Total number of units	Apartment / Family house	Region	Rental segment
Tango	Haarlem	55	Apartment	Primary	Mid
Huren aan de Rijn	Arnhem	94	Apartment	Primary	Mid
Parnassushof	Arnhem	54	Family house	Primary	Mid
De Richmond (LRC)	Utrecht	75	Apartment	Primary	Mid
Schinkelhof	Amsterdam	64	Apartment	Primary	Regulated/ Higher
Diepstroeten	Assen	45	Family house	Secondary	Mid
De Fabiola (2,3,4)	Utrecht	67	Apartment	Primary	Mid
De Letna	Utrecht	17	Apartment	Primary	Mid
Total inflow		**471**			

Acquisition pipeline

In the first half of 2018, Vesteda added one project, involving a total of 55 homes, to its committed pipeline. The project is in Arnhem (Schuytgraaf). A total of 471 homes from the pipeline were added to the investment portfolio. The acquisition pipeline of 794 homes from the former Delta Lloyd portfolio are not included in the table below. The pipeline projects from this portfolio will be added to the committed pipeline or directly to the investment portfolio following NN Group's formal transfer to Vesteda.

At the end of the first half of 2018, the acquisition pipeline comprised a total of 1,856 homes. Including the pipeline projects from the former Delta Lloyd portfolio, the committed acquisition pipeline comprises a total of 2,650 homes. All these projects are an excellent fit with Vesteda's portfolio in terms of region, rental segment and energy label.

Building[1]	Location	Total number of units	Apartment/ Family house	Region	Rental segment	Expected completion
Amstel Tower	Amsterdam	192	Apartment	Primary	Mid	2018
De Auriol (Staatsmannen)	Utrecht	51	Apartment	Primary	Mid	2018
Apollo	Purmerend	84	Apartment	Primary	Mid	2018
Bouverijen	Breda	36	Family house	Primary	Mid	2018
De Roosevelt (Staatsmannen)	Utrecht	66	Apartment	Primary	Mid	2018
Leidsche Rijn Centrum (for sale)	Utrecht	121	Apartment	Primary	Mid	2018
Leidsche Rijn Centrum (for rent)	Utrecht	281	Apartment	Primary	Mid	2018
Alpha	Leiden	134	Apartment	Primary	Mid	2018
Parijsch (Heijmans Port.)	Culemborg	42	Family house	Secondary	Mid	2019
De Marshall (Staatsmannen)	Utrecht	52	Apartment	Primary	Mid	2019
De Churchill (Staatsmannen)	Utrecht	66	Apartment	Primary	Mid	2019
Keijzershof (Heijmans Port.)	Pijnacker	39	Family house	Primary	Mid	2019
Koningsoord (Heijmans Port.)	Berkel Enschot	65	Family house	Primary	Mid	2019
Kolenpark	Groningen	139	Apartment	Primary	Mid	2019
Hooghkamer (Heijmans Port.)	Voorhout	65	Family house	Secondary	Regulated/Mid	2019
Schuytgraaf	Arnhem	55	Family house & Apartment	Primary	Mid	2020
Hoog Dalem (Heijmans Port.)	Gorinchem	40	Family house	Primary	Mid	2020
Noorderhaven (Heijmans Port.)	Zutphen	126	Family house & Apartment	Other	Mid	2020
Punt Sniep	Diemen	202	Apartment	Primary	Mid	2020
Total		**1,856**				

1 This overview does not include the acquisition pipeline of the former Delta Lloyd portfolio acquired as per 28 June.


Apollo, Purmerend
Punt Sniep, Diemen
Kolenpark, Groningen
Amstel Tower, Amsterdam
De Staatsmannen, Utrecht
Leidsche Rijn Centrum, Utrecht
Schuytgraaf, Arnhem
Alpha, Leiden
Bouverijen, Breda
Heijmans Portfolio

About Vesteda

Vesteda is an enterprising investor with a clear focus on the residential real estate sector in the Netherlands. Vesteda invests the funds of institutional investors, such as pension funds and insurers. Vesteda's rental portfolio comprises almost 27,000 homes with a total value of €6.4 billion (excluding pipeline). Vesteda's homes are largely located in its primary regions of the Randstad urban conurbation and the Brabant metropolitan area. Vesteda recorded a total result of €558 million in the first half of 2018.

For more information

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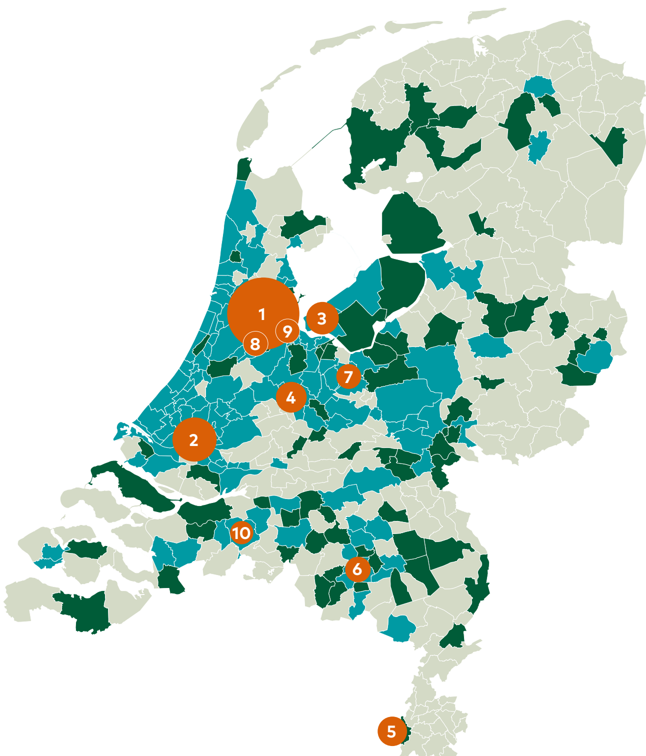
Portfolio distribution (H1 2018)

- Primary regions
- Secondary regions
- Other

	Value H1 2018 in € million (% of total investment portfolio)
1 Amsterdam (primary)	1,430 (22%)
2 Rotterdam (primary)	534 (8%)
3 Almere (primary)	291 (4%)
4 Utrecht (primary)	260 (4%)
5 Maastricht (secondary)	238 (4%)
6 Eindhoven (primary)	179 (3%)
7 Amersfoort (primary)	169 (3%)
8 Amstelveen (primary)	167 (3%)
9 Diemen (primary)	158 (2%)
10 Breda (primary)	148 (2%)

€ 1,500 mln € 750 mln € 150 mln



Design

Cascade - visuele communicatie, Amsterdam

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