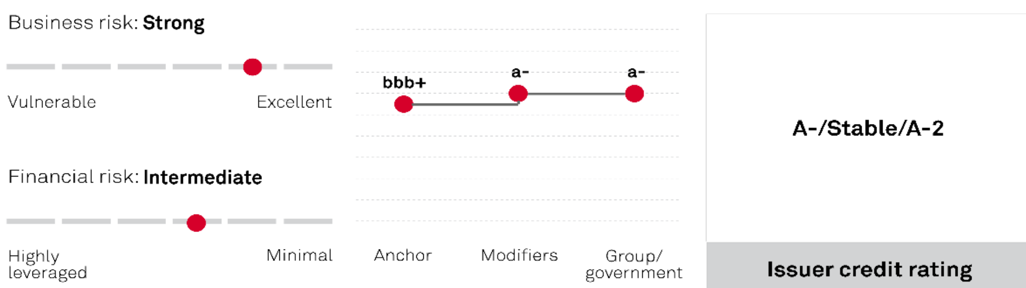
# Vesteda Residential Fund FGR

**April 25, 2024**

## Ratings Score Snapshot

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## Credit Highlights

### Overview

| Key strengths | Key risks |
|---|---|
| Good market position as the Netherlands' largest single-fund institutional residential real estate investor, with a property portfolio value of €9.1 billion as of Dec. 31, 2023. | Sole geographical focus on the Netherlands leads to concentration and reliance on the performance of the Dutch economy, as well as a risk of higher asset devaluations given the low-yielding environment. |
| Solid operating performance, with positive like-for-like rental growth and high occupancy levels above 99%. | Increasing affordability risk in the Dutch residential market on the back of rising inflation and rents, which could lead to political pressure to tighten regulations further and impact rental growth prospects. |
| Strong financial discipline in the past few years, with low leverage and S&P Global Ratings-adjusted debt to debt plus equity maximum 30% (28.9% as of Dec. 31, 2023) and strong liquidity, underpinned by limited debt maturities in the next 24 months. | |

**S&P Global Ratings expects Vesteda Residential Fund FGR's leverage metrics to remain broadly stable over the next 12-24 months but with limited rating headroom.** We anticipate

Vesteda will continue its investment strategy of growing its portfolio base by pipeline acquisitions, adding more than 1,700 units by 2026 to its portfolio representing a total value of €583 million at completion but going forwards we understand the company will be restrictive on new acquisitions. Over the next 12-24 months, we project gross investments of €180 million-€200 million for 2024  and €110 million-€130 million for 2025 under its investment pipeline, including sustainable investments primarily focused on reducing energy consumption.

We expect the growth plans will adhere to the company's strict financial policy of a reported loan-to-value (LTV) below 30% (27.8% in 2023), corresponding to S&P Global Ratings-adjusted debt to debt plus equity of about 30%. We understand the company will fund the capital expenditure (capex) pipeline with asset disposals, and undrawn available credit lines. Accordingly, over the next 12-24 months, we forecast Vesteda will maintain debt to debt plus equity of about 30% (28.9% in 2023), including our assumption of 3% negative fair value adjustments in 2024 (negative 8.9% in 2023). Over the same period, we expect the company to keep its S&P Global Ratings-adjusted debt to EBITDA at about 10x (10.1x in 2023), moving toward 9.5x by 2026, where we expect its acquisition pipeline to slow down and fully contribute to its EBITDA base. Our forecast has limited headroom under our thresholds for the current rating level, and we believe the company will take sufficient steps to maintain financial discipline.

**We forecast Vesteda's S&P Global Ratings-adjusted EBITDA interest coverage will drop over the next 12-24 months due to higher average cost of debt and higher debt levels but will remain within ratings thresholds, albeit with tighter headroom.** We continue to view its EBITDA interest coverage of 4.6x as of Dec. 31, 2023, as solid, supported by a low average cost of debt of 2.2% over the same time frame. Going forward, Vesteda's long average debt maturity profile of 4.7 years, moderate exposure to fixed/hedged interest rates at 76%, and positive growth in cash flow generation will support a continued solid EBITDA interest coverage. That said, over the next 12-24 months, we expect the coverage ratio to decline to 4.0x-4.1x. This is mainly because of higher cost of debt related to general increases in underlying rates and a higher debt level. We forecast the average cost of debt will rise to 2.4%-2.5% over the next 12-18 months.

**Favorable dynamics across the residential property sector support operational performance, and we anticipate limited impact by the proposed rental regulation by the Dutch government coming into effect July 2024.** We expect Vesteda's operating performance will remain stable, underpinned by expected like-for-like rental growth of 3%-4% in 2024 (4.7% in 2023), and we believe it will sustain occupancy rates of 98%-99% as the company spreads its portfolio across major Dutch cities that enjoy healthy population growth, solid demand, and limited new supply. In February 2024, the Dutch government presented new rental regulations extending the Home Valuation System (WWS) to the mid-rental segment by increasing the regulation threshold to 187 WWS points from 148 starting in July 2024. This implies that about 24% of Vesteda's property portfolio will be reclassified in the regulated segment and become subject to a cap on rental growth. Nevertheless, we expect the impact will be limited to a reduction of gross rental income of about 1% because we anticipate Vesteda will mitigate some of the impact by investing in the quality and energy efficiency of the properties in order to exclude them from the new regulations.

**We believe the company's liquidity will remain adequate over the next 12-24 months.** Besides commercial paper, which is fully backed by bank lines, there are no debt maturities until 2026. Vesteda has a robust liquidity position, including €905 million of available undrawn credit lines comprising a revolving credit facility (RCF; maturing in 2029), European Investment Bank (EIB) facility (maturing in 2033), and bridge facility (maturing in 2025), versus €418 million of debt maturing over the next 12 months. Its debt mainly comprises commercial paper, which we anticipate the company will continue to roll over on an ongoing basis. Furthermore, Vesteda has a solid average debt tenor of 4.7 years with no major maturities until 2026 and 2027, when two €500 million bonds mature. This is a comfortable cushion given that the current weak macroeconomic landscape for real estate, along with a rise in the risk-free rate, are increasing the pressure on real estate companies with near-term refinancing needs.

# Outlook

The stable outlook reflects our view that Vesteda will continue benefiting from stable rental income thanks to high occupancy levels and favorable demand trends for its Dutch residential assets. We anticipate the company will maintain S&P Global Ratings-adjusted debt to debt plus equity of close to 30%, debt to EBITDA of about 10x, and EBITDA interest coverage of about 4x over the next 12-24 months.

## Downside scenario

We could lower the rating on Vesteda if, on a prolonged basis:

- Debt to debt plus equity increases well beyond 30%;
- EBITDA interest coverage falls to well below 3.8x; or
- Debt to annualized EBITDA increases above 9.5x.

This could occur if the company undertakes large, debt-financed acquisitions or much higher capex than we anticipate, or if it experiences significant negative portfolio revaluations beyond our current base case.

A deterioration of the company's current liquidity cushion by more than we consider commensurate with an investment-grade rating could also prompt us to lower the rating.

## Upside scenario

The rating upside is limited unless Vesteda significantly expands its portfolio's scale and scope so that it becomes more aligned with that of higher-rated peers while maintaining its current financial policy and credit metrics. Such an expansion would also result in stronger portfolio diversification in markets and regions with favorable supply and demand trends and solid demographic prospects, implying a favorable operating environment and visibility of stable valuations.

# Our Base-Case Scenario

### Assumptions

- Real Netherlands GDP grows 0.5% in 2024 and 0.5% in 2025. CPI growth remains 2.7% in 2024 and 2.4% in 2025. Annual like-for-like rental income grows 4.0% in 2024 and about 3.5% in 2025 based on our assumptions of continued demand for Vesteda's assets.
- A stable gross EBITDA margin of 66%-67% over the next 24 months, with increasing operating costs due to inflation mostly offset by rental growth.
- Annual capex for the existing portfolio and new development of €180 million-€200 million and €110 million-€130 million respectively for the next 12-24 months. However, we understand that part of this is not committed.
- Moderate asset rotation, with disposals of €180 million-€200 million in 2024 and €120 million-€130 million in 2025, in line with the company’s strategy.
- Portfolio devaluation of 3% in 2024 due to more expected increases in rental yields. We expect an overall flat valuation result in the following years.
- An annual redemption of €50 million, in line with the company’s forecast.

- Annual dividend payouts of about €195 million in 2024 and 2025.
- Average cost of debt gradually increases toward about 2.5% in the coming 12-18 months from 2.2% currently.

## Key metrics

### Vesteda Residential Fund FGR--Forecast summary

| Period ending | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 | Dec-31-2027 |
|---|---|---|---|---|---|---|---|---|
| (Mil. EUR) | 2020a | 2021a | 2022a | 2023a | 2024e | 2025f | 2026f | 2027f |
| Revenue | 335 | 347 | 363 | 378 | 396 | 409 | 419 | 424 |
| EBITDA | 229 | 239 | 247 | 258 | 264 | 274 | 289 | 293 |
| Funds from operations (FFO) | 196 | 206 | 210 | 209 | 197 | 208 | 216 | 215 |
| EBIT | 226 | 236 | 243 | 254 | 259 | 270 | 284 | 288 |
| Interest expense | 41 | 40 | 42 | 56 | 66 | 65 | 72 | 77 |
| Capital expenditure (capex) | 138 | 204 | 196 | 302 | 190 | 183 | 111 | 70 |
| Dividends | 195 | 186 | 195 | 199 | 195 | 195 | 195 | 200 |
| Debt | 2,062 | 2,121 | 2,315 | 2,597 | 2,651 | 2,746 | 2,744 | 2,699 |
| Equity | 6,294 | 7,553 | 7,298 | 6,392 | 6,079 | 6,122 | 6,174 | 6,184 |
| **Adjusted ratios** | | | | | | | | |
| EBITDA margin (%) | 68.4 | 68.9 | 68.0 | 68.3 | 66.5 | 67.0 | 69.0 | 69.0 |
| Debt/EBITDA (x) | 9.0 | 8.9 | 9.4 | 10.1 | 10.1 | 10.0 | 9.5 | 9.2 |
| FFO cash interest coverage (x) | 6.9 | 7.4 | 6.8 | 5.4 | 4.0 | 4.2 | 4.0 | 3.8 |
| EBITDA interest coverage (x) | 5.6 | 6.0 | 5.9 | 4.6 | 4.0 | 4.2 | 4.0 | 3.8 |
| Debt/debt and equity (%) | 24.7 | 21.9 | 24.1 | 28.9 | 30.4 | 31.0 | 30.8 | 30.4 |

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

# Company Description

Vesteda is an open-ended fund and one of the largest unlisted investment funds in the Netherlands. As of Dec. 31, 2023, the portfolio comprised 27,675 residential units valued at €9.1 billion. It focuses on residential properties in the Dutch midmarket unregulated sector (80% of the portfolio value as of Dec. 31, 2023), with limited exposure to the upper-middle market rent segment (37%) and regulated rents (5%).

# Peer Comparison

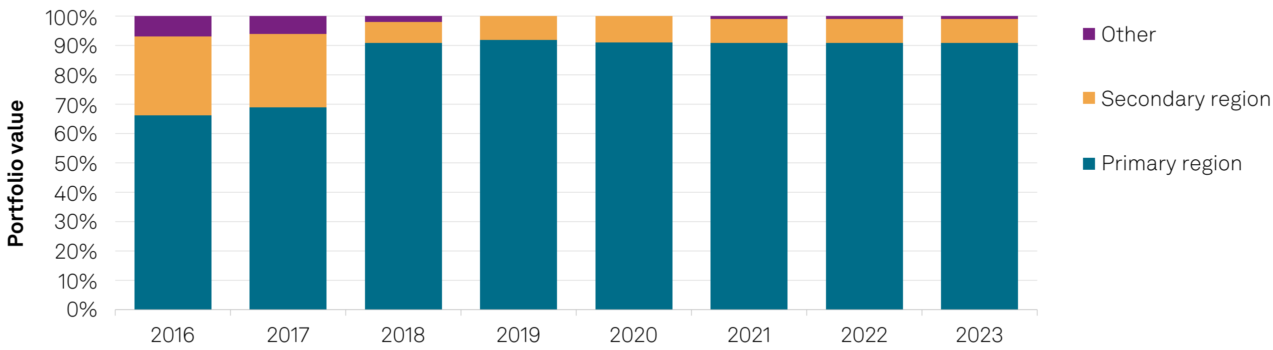
## Vesteda Residential Fund FGR--Peer Comparisons

| | Vesteda Residential Fund FGR | Gecina | Vonovia SE | Grand City Properties S.A. | Akelius Residential Property AB |
|---|---|---|---|---|---|
| Foreign currency issuer credit rating | A-/Stable/A-2 | A-/Stable/A-2 | BBB+/Stable/A-2 | BBB+/Negative/A-2 | BBB-/Stable/A-3 |
| Local currency issuer credit rating | A-/Stable/A-2 | A-/Stable/A-2 | BBB+/Stable/A-2 | BBB+/Negative/A-2 | BBB-/Stable/A-3 |
| Period | Annual | Annual | Annual | Annual | Annual |
| Period ending | 2023-12-31 | 2023-12-31 | 2023-12-31 | 2023-12-31 | 2023-12-31 |
| Revenue | 378 | 669 | 3,427 | 606 | 333 |
| EBITDA | 258 | 541 | 2,303 | 318 | 156 |
| Funds from operations (FFO) | 209 | 442 | 1,429 | 217 | 90 |
| Interest expense | 56.0 | 98.0 | 705.0 | 98.8 | 64.1 |
| Operating cash flow (OCF) | 213 | 438 | 1,250 | 181 | 155 |
| Capital expenditure | 302 | 381 | 1,058 | 79 | 196 |
| Dividends paid | 199.0 | 392.4 | 413.4 | 0.0 | 1511.4 |
| Cash and short-term investments | 4 | 144 | 959 | 1,230 | 69 |
| Debt | 2,597 | 6,434 | 43,302 | 4,207 | 3,458 |
| Equity | 6,392 | 10,599 | 29,945 | 4,330 | 3,000 |
| Valuation of investment property | 8674.0 | 15153.5 | 83097.7 | 8629.1 | 5686.0 |
| **Adjusted Ratios** | | | | | |
| EBITDA margin (%) | 68.3 | 80.8 | 67.2 | 52.5 | 46.8 |
| EBITDA interest coverage (x) | 4.6 | 5.5 | 3.3 | 3.2 | 2.4 |
| FFO cash interest coverage (x) | 5.4 | 5.6 | 3.0 | 4.2 | 2.4 |
| Debt/EBITDA (x) | 10.1 | 11.9 | 18.8 | 13.2 | 22.2 |
| Debt/debt and equity (%) | 28.9 | 37.8 | 59.1 | 49.3 | 53.5 |

# Business Risk

Vesteda’s business risk profile reflects our view of the company’s well-positioned portfolio of residential properties in the Netherlands, valued at about €9.1 billion as of Dec. 31, 2023, and comprising 27, 675 residential units generating stable and recurring cash flows. Our assessment is further supported by the good location of Vesteda's assets, which compares favorably with other rated residential real estate companies in Europe. Over 90% of Vesteda's portfolio is in its primary region of the Netherlands, spread across the country, with Amsterdam representing the largest share of Vesteda´s assets (21%), followed by Rotterdam (8%), Utrecht ( 5%) and Almere (4%). We view these regions as more resilient than the secondary regions given the Netherlands' stronger economic and demographic trends.

### Vesteda Residential Fund FGR--Portfolio by region




Source: S&P Global Ratings.



Over the past couple of years, Vesteda has mainly disposed of assets in its secondary regions and followed its strategy of focusing on prime regions in the Netherlands. Our assessment of Vesteda's business risk profile also reflects the company's good track record of stable rental income. Vesteda increased like-for-like rental revenues to an annual average of about 3.8% in 2022 and 4.7% in 2023.

We consider Vesteda well positioned to benefit from the current dynamics of the Dutch rental market, including low levels of new construction and a large housing shortage. The market faces a substantial increase in construction costs, a labor shortage in the construction sector, and a reduction in new building permits increasing replacement costs and limiting new supply. We believe this will support rental growth, especially in the midmarket unregulated segment, where we expect demand to be strongest in the coming years and where 91% of Vesteda's assets are located. However, the level of rental growth may be limited due to tightening tenancy regulations in the Netherlands scheduled to come into effect on July 1, 2024.

The Dutch government has proposed to temporarily extend the regulations to include part of the midmarket rental segment in the regulated category. This implies that about 6,600 units, or close to 24% of Vesteda's property portfolio, will be reclassified in the regulated segment and potentially become subject to a cap on rental growth. However , we anticipate that Vesteda will mitigate some of the impact by investing in the quality and energy efficiency of the properties in order to exclude them from the new regulations (and we understand the company targets no more than 3,000 units to be impacted), and all in all, we expect this will entail a loss of gross rental income of about 1%. We believe moderately high inflation and continued solid demand in the Netherlands will support rental growth of about 4% over the next 12 months and about 3.5% over the next 24 months. We anticipate a sustained occupancy rate of 99%, mainly due to good demand, because the majority of Vesteda's portfolio is in Randstad area, the region in the Netherlands with the most growth potential.

Additionally, affordability has become an issue for tenants due to the recent high levels of inflation and supply shortage that we expect to continue through 2024 and 2025. While electricity and gas prices are beginning to decline to pre-February 2022 levels, existing price contracts, alongside a slower pass-through of these reductions to consumers, may reduce rent growth potential for its tenants in 2024 and 2025. However, considering current rent levels, we do not expect this to have a material impact on Vesteda.

Following the like-for-like devaluations of 8.9% in 2023, the portfolio gross initial yield increased to 4.6% in 2023 (4.0% in 2022) from the peak of 3.7% in 2022, so the decline in fair value adjustment amounts to 15.9% in total. We believe property values could still be under pressure in the first half of 2024 but assume yields will stabilize later this year.

In view of the current economic outlooks and ongoing negative revaluations across the real estate sector, we believe there is a strong risk of a further devaluation in 2024, primarily in the first half of the year. We forecast a devaluation of Vesteda's portfolio of about 3% for this year.

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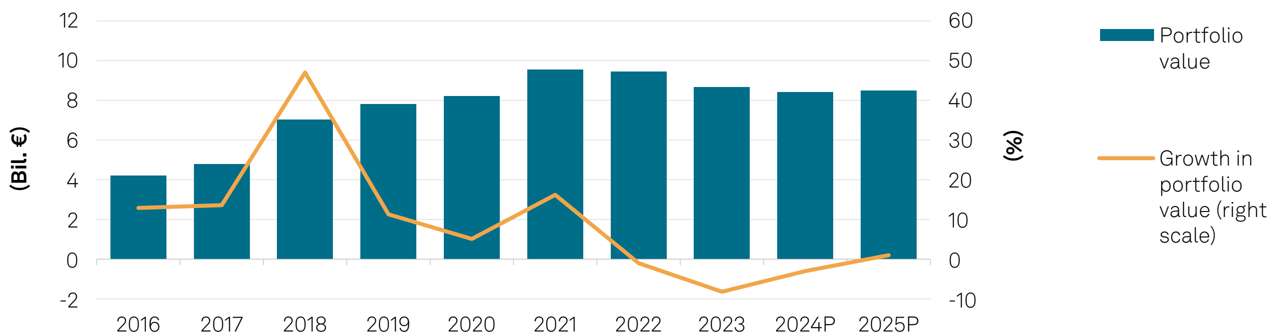
**Vesteda Residential Fund FGR--Growth in portfolio value**

Portfolio value has stabilized over the years




Source: S&P Global Ratings. P--Projected.



Overall, Vesteda has a track record of stable and sound operating performance. The average occupancy rate in 2023 was high and stable at 99%, and tenant turnover has also fallen to pre-COVID-19 pandemic levels of 12.0% from 14.5% in 2021. In line with its strategy, the company expanded by taking on turnkey development projects and reducing its direct development activities. The total committed pipeline has an estimated value of €583 million at completion in 2026. We understand Vesteda will finance it with a mix of disposal proceeds and undrawn available credit lines. All projects are in line with Vesteda's strategy because the majority are located on the urban expansion sites of larger cities in the Netherlands in terms of rental segments and energy efficiency. We expect Vesteda's project pipeline to remain limited to less than 10% of its overall portfolio, and we believe the company can defer proposed investments to future years to remain in line with its financial policy.

# Financial Risk

Our assessment of Vesteda's financial risk profile is supported by its low leverage for the industry, with a reported LTV target of below 30%, corresponding to our ratio of debt to debt plus equity of about 30%, which is among the most conservative LTV targets in our portfolio of rated residential real estate companies in Europe. In 2023 and 2022, Vesteda received redemption requests that led to a paid redemption of €50 million per year. Redemption requests are increasing among European real estate funds as investors rebalance their portfolios and reduce their appetite for more cyclical sectors such as real estate. The maximum redemption Vesteda allows per year is €50 million, and we have included a €50 million annual redemption in our base case for the company for the next 12-24 months. We expect its S&P Global Ratings-adjusted debt to debt plus equity to be about 30%, with limited headroom to our rating downside threshold of well above 30%. We expect the company to take sufficient steps to remain at maximum 30% or below and therefore in line with our requirements for the current rating level.

Considering management's strong track record of financial discipline, with very low leverage in previous years, we expect the company will maintain low leverage metrics. Vesteda has an adequate liquidity position, with a syndicated RCF of €650 million available (€120 million drawn as of March 31, 2024) maturing in 2029. The company recently extended the RCF, but the committed amount reduced to €650 million from €700 million previously. In addition, Vesteda also has a €150 million EIB loan available through December 2033, of which €75 million remains undrawn.

Our financial risk profile assessment is further supported by Vesteda's high S&P Global Ratings-adjusted EBITDA interest coverage of about 4.6x as of year-end 2023, a decrease from 5.9x in 2022, driven by higher average cost of debt (rising to 2.2% in 2023 compared with 1.8% in 2022) and a higher overall gross debt level. We expect the coverage ratio to decline further with the rise in funding costs but remain about 4x in the near term. This is due to the company's low refinancing needs until 2026 and 2027 and mainly fixed or hedged debt (76% of total debt as of December 2023), though the latter decreased from previous year (83%). The company has well-diversified funding sources, including unsecured bonds, private placements, a commercial paper program, an RCF, and EIB loans.

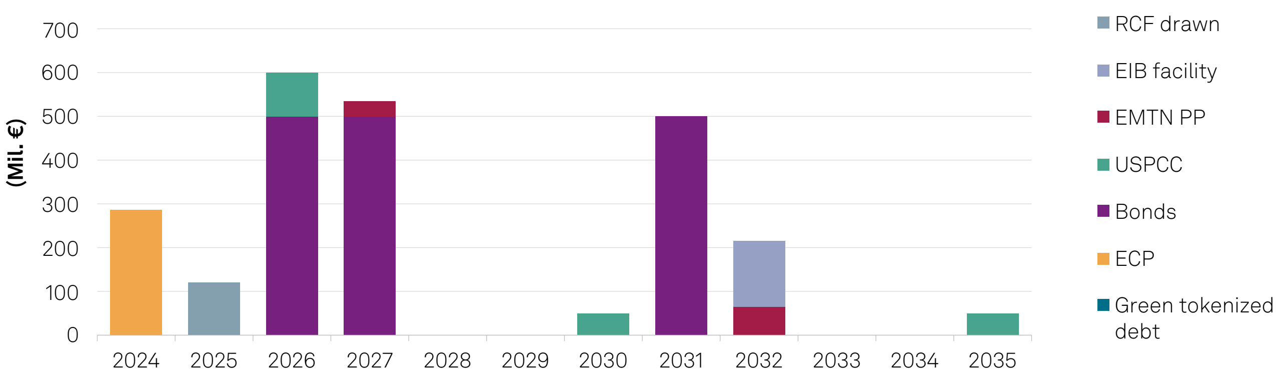
We expect the company's debt to EBITDA will remain high at about 10x in the next 24 months, reflecting its committed project development pipeline and investments in sustainability, partially offset by disposals. That being said, we assume its debt to annualized EBITDA will be about 9.5x in 2026, when we expect investments to slow down and reflect EBITDA contribution

## Debt maturities

Vesteda has a weighted-average debt maturity of 4.7 years as of Dec. 31, 2023. Its next significant debt maturity does not occur until July 2026, when a €500 million bond and a €100 million U.S. private placement are set to mature.

**Vesteda Residential Fund FGR--Debt maturities**

As of Dec. 31, 2023




EIB--European Investment Bank. USPCC--U.S private placement. EMTN PP--Euro medium-term note private placement. RCF--Revolving credit facility. Sources: S&P Global Ratings and company reports.

## Vesteda Residential Fund FGR--Financial Summary

| Period ending | Dec-31-2018 | Dec-31-2019 | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 |
|---|---|---|---|---|---|---|
| Reporting period | 2018a | 2019a | 2020a | 2021a | 2022a | 2023a |
| Display currency (mil.) | EUR | EUR | EUR | EUR | EUR | EUR |
| Revenues | 281 | 329 | 335 | 347 | 363 | 378 |
| EBITDA | 186 | 232 | 229 | 239 | 247 | 258 |
| Funds from operations (FFO) | 163 | 192 | 196 | 206 | 210 | 209 |
| Interest expense | 30 | 40 | 41 | 40 | 42 | 56 |
| Operating cash flow (OCF) | 165 | 196 | 168 | 199 | 209 | 213 |
| Capital expenditure | 185 | 192 | 138 | 204 | 196 | 302 |
| Dividends paid | 415 | 344 | 195 | 186 | 195 | 199 |
| Cash and short-term investments | 11 | 3 | 2 | 109 | 11 | 4 |
| Debt | 1,730 | 1,942 | 2,062 | 2,121 | 2,315 | 2,597 |
| Common equity | 5,517 | 6,022 | 6,294 | 7,553 | 7,298 | 6,392 |
| Valuation of investment property | 7,281 | 8,012 | 8,387 | 9,717 | 9,448 | 8,674 |
| **Adjusted ratios** | | | | | | |
| EBITDA margin (%) | 66.2 | 70.5 | 68.4 | 68.9 | 68.0 | 68.3 |
| EBITDA interest coverage (x) | 6.2 | 5.8 | 5.6 | 6.0 | 5.9 | 4.6 |
| Debt/EBITDA (x) | 9.3 | 8.4 | 9.0 | 8.9 | 9.4 | 10.1 |
| Debt/debt and equity (%) | 23.9 | 24.4 | 24.7 | 21.9 | 24.1 | 28.9 |

## Reconciliation Of Vesteda Residential Fund FGR Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | Dec-31-2023 | | | | | | | | | |
| Company reported amounts | 2,471 | 6,392 | 378 | 268 | (599) | 56 | 258 | 262 | 199 | 302 |
| Cash taxes paid | - | - | - | - | - | - | (1) | - | - | - |
| Cash interest paid | - | - | - | - | - | - | (48) | - | - | - |
| Lease liabilities | 130 | - | - | - | - | - | - | - | - | - |
| Accessible cash and liquid investments | (4) | - | - | - | - | - | - | - | - | - |
| Reclassification of interest and dividend cash flows | - | - | - | - | - | - | - | (48) | - | - |
| EBITDA - Gain/(loss) on disposals of PP&E | - | - | - | (10) | (10) | - | - | - | - | - |
| D&A: Asset valuation gains/(losses) | - | - | - | - | 863 | - | - | - | - | - |
| OCF: Taxes | - | - | - | - | - | - | - | (1) | - | - |
| Total adjustments | 126 | - | - | (10) | 853 | - | (49) | (49) | - | - |

**Reconciliation Of Vesteda Residential Fund FGR Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)**

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| **S&P Global Ratings adjusted** | **Debt** | **Equity** | **Revenue** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from Operations** | **Operating cash flow** | **Dividends** | **Capital expenditure** |
| | 2,597 | 6,392 | 378 | 258 | 254 | 56 | 209 | 213 | 199 | 302 |

# Liquidity

We assess Vesteda´s liquidity as adequate and forecast sources will cover funding needs by above 1.2x over the next 12 months beginning March 31, 2024. The short-term rating is 'A-2'.

## Principal liquidity sources

- About €2.4 million of unrestricted cash and about €905 million available under the RCF, bridge facility, and EIB agreement as of March 31, 2024; and
- Our forecast of €180 million-€190 million of cash funds from operations.

## Principal liquidity uses

- About €380 million of commercial paper maturing in the next 12 months;
- €150million-€170million of committed capex, including the project development pipeline;
- About €195 million of cash dividend payments; and
- About €50 million of equity redemption payments.

# Covenant Analysis

## Requirements

Vesteda must comply with the following financial maintenance covenants:

- An LTV ratio of maximum 50% (as of Dec. 31, 2023, it was 27.8%); and
- An interest coverage ratio of minimum 2.0x (as of Dec. 31, 2023, 5.3x).

Vesteda's LTV target of less than or equal to 30% is more conservative than the LTV covenant.

## Compliance expectations

As of Dec. 31, 2023, Vesteda had significant headroom of above 30% under all its financial maintenance covenants.

# Environmental, Social, And Governance

ESG factors are a neutral consideration overall in our credit rating analysis of Vesteda. The company has implemented a sustainability improvement strategy to ensure that by 2024, 99% of its properties achieve green energy labels. This will help the company reduce greenhouse gas emissions and cut its carbon footprint by 55% by 2030 and 95% by 2050 compared with 1990 levels. Vesteda issued its first green bond in May 2019 and its second in October 2021 under its green financing framework.

# Issue Ratings--Subordination Risk Analysis

## Capital structure

As of Dec. 31, 2023, the capital structure solely comprised unsecured debt. Unsecured bonds are issued by the company's financing entity, Vesteda Finance B.V. (A-/Stable/A-2).

## Analytical conclusions

We rate the senior unsecured bond 'A-', in line with the issuer credit rating. This is because the company's exposure to secured debt is 0% as of Dec. 31, 2023.

### Rating Component Scores

| | |
|---|---|
| **Foreign currency issuer credit rating** | A-/Stable/A-2 |
| **Local currency issuer credit rating** | A-/Stable/A-2 |
| **Business risk** | Strong |
| Country risk | Very Low |
| Industry risk | Low |
| Competitive position | Strong |
| **Financial risk** | Intermediate |
| Cash flow/leverage | Intermediate |
| **Anchor** | bbb+ |
| Diversification/portfolio effect | Neutral (no impact) |
| Capital structure | Neutral (no impact) |
| Financial policy | Neutral (no impact) |
| Liquidity | Adequate (no impact) |
| Management and governance | Neutral (no impact) |
| Comparable rating analysis | Positive (+1 notch) |
| **Stand-alone credit profile** | a- |

# Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

# Related Research

- Industry Credit Outlook 2024: Real Estate, Jan. 9, 2024
- Research Update: Dutch Real Estate Fund Vesteda Affirmed At 'A-/A-2' As Liquidity Moves To Adequate On Higher Short-Term Financing, July 20, 2023

## Ratings Detail (as of April 26, 2024)*

| | |
|---|---|
| **Vesteda Residential Fund FGR** | |
| Issuer Credit Rating | A-/Stable/A-2 |
| **Issuer Credit Ratings History** | |
| 23-Apr-2021 | A-/Stable/A-2 |
| 24-Jan-2019 | BBB+/Stable/A-2 |
| 22-Apr-2016 | BBB+/Stable/-- |
| **Related Entities** | |
| **Vesteda Finance B.V.** | |
| Issuer Credit Rating | A-/Stable/A-2 |
| Senior Unsecured | A- |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.