vesteda

half-year report 2021

At home with Vesteda

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

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At home with Vesteda

Contents

Foreword Vesteda Managing Board	4
Vesteda at a glance	6
Notes to the results	8
Investment portfolio	10
Acquisition pipeline	12
Colophon	14

Disclaimer

Foreword
Vesteda Managing Board

COVID-19 pandemic
A lockdown, night-time curfew and the start of the vaccination programme on 6 January 2021 showed effect and the number of new cases began to decline in the beginning of 2021. In February, March and April, many restrictions were gradually eased and primary schools and non-essential shops reopened. In June, cafes and restaurants reopened – within limits – and the night-time curfew was lifted late April. Late June, restrictions for restaurants and cafes were further eased and nightclubs reopened.

Since then, the Netherlands saw an upsurge in the number of cases, forcing the Dutch government to reimpose some of the restrictions in July. Opening hours of restaurants and cafes are limited again, nightclubs are closed and people are again advised to work from home as much as possible. The reimposed restrictions seem to have a positive effect and the number of new cases is declining. The Dutch government sees the vaccination programme as the key solution to solve the COVID-19 pandemic. Today, in total 71% of the Dutch population received at least one vaccine doses, which ranks the Netherlands on a 4^{th} position in Europe. The Dutch government expects to fully vaccinate all adults that want to be vaccinated before 1 September 2021.

The Dutch government extended their economic rescue package to save as much jobs, incomes and companies as possible. We hold on to the agreement that we have with the Ministry of the Interior and Kingdom Relations and the IVBN (Association of institutional property investors in the Netherlands), offering custom solutions to all tenants with instant financial problems. The number of payment arrangements with tenants is stable at around 300 tenants, representing approximately 1% of total. The impact from the COVID-19 effects on our financial results in H1 2021 have been relatively small. We do experience higher vacancies in the higher segment.

New housing regulations
As per 1 January 2021, young first-time home buyers are now exempt from transfer tax (up until €400 thousand acquisition price), while the transfer tax rate for investors was increased from 2% to 8%. In addition, the government announced a rent freeze for the regulated segment and a maximum rent increase of CPI plus 1% for the liberalised segment. The latter we had already anticipated. And finally, in February, a housing agreement was signed between 30 parties such as municipalities, investors, developers and constructors, to increase the housing production. We are awaiting if this agreement will be incorporated in the new coalition agreement of the Dutch government, of which the formation is currently taking place.

Market
Vesteda's HMI (Housing Market Indicator) recovered from 6.7 in Q4 2020 to 7.2 in Q1 2021. The HMI score remained stable at 7.2 in Q2 2021, which reflects the robustness of the Dutch recovery and the housing market. In June, inflation reached 2.0% and the unemployment rate was very low at 3.2%. The consumer confidence is still negative, but back at the level of early 2020. Price levels on the owner-occupier and rental market are still rising. Banks are adjusting their forecasts for house prices for the remainder of 2021 upwards. The housing market remains tight which is indicated by low supply-demand ratios. On the sustainability-side, CO_2 emissions from households increased relative to one year earlier because more gas was used to stay warm during the relative cold spring. Also, the increase in renewable electricity in Q2 is less strong than preceding quarters.

Operational highlights
Construction of pipeline projects continued during the COVID-19 pandemic, mostly as planned. In total 399 homes were added to the investment portfolio from the acquisition pipeline. We signed one turn key building contract for 133 residential units and we sold 90 units.

Our sustainability efforts have resulted in an increased share of green energy labels by 30 basis points to 91.4% at 30 June 2021. Furthermore, we amended the €700 million revolving facility agreement, into a sustainability-linked revolving facility agreement. And finally, S&P upgraded our rating from BBB+ to A- due to strong results during the COVID-19 pandemic, low debt position relative to our portfolio value and a stable outlook.

Financial performance

Total comprehensive income in H1 2021 amounted to €363 million, 33% higher than in H1 2020, driven by positive revaluations. The total return in H1 2021 was 5.8%, consisting of 1.5% realised return and 4.2% unrealised return.

Outlook

The current impact from COVID-19 on Vesteda is still relatively low. However, we do experience a higher vacancy in the higher rental segment and it takes more effort and time to rent out these homes, resulting in higher costs. The occupancy rate is currently stable and we expect it to recover when expats return. We expect the like-for-like rental increase to moderate due to the new regulations mentioned earlier. We are experiencing continued pressure from many political parties to impose additional regulations to address the affordable housing problem in the Netherlands, which may also affect the mid-rental segment. Underlying market fundamentals, including a low interest rate environment, are expected to remain strong. Continued housing shortages in the Netherlands and high demand for mid-rental homes, provides us with confidence to deliver solid results in the remainder of this year.

Amsterdam, 4 August 2021

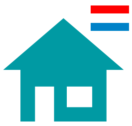
Gertjan van der Baan (CEO) and Frits Vervoort (CFO)

Vesteda at a glance

About Vesteda

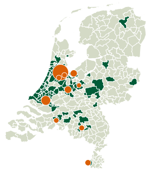
Leading institutional residential investor
Vesteda is a service-oriented institutional residential investor with a large and varied portfolio of homes in attractive neighbourhoods in the Netherlands. With a portfolio of 27,791 residential units, we are the largest Dutch independent institutional residential investor. Vesteda is internally managed, is cost-efficient and has in-house property management.

Key characteristics



Dutch residential rental market

Mid-rental sector



Primary regions

Fund
- Established in 1998 as Vesteda Woningen (Vesteda Residential Fund) as a spin-off of the residential portfolio of Dutch pension fund ABP.
- Single fund manager.
- Internally managed: no management fee structures and carried interest arrangements.
- Open-ended core residential real estate fund.
- Broad institutional investor base with a long-term horizon.
- Attractive risk profile.
- Limited use of leverage (target <30%); S&P credit rating A-.
- Active investor relations policy.
- In-house property management since 2003.
- Governance in accordance with best practice guidelines, including INREV, with the emphasis on transparency.
- and alignment of interests.
- AIFMD (Alternative Investment Fund Managers Directive) licence obtained in 2014.
- Transparent for tax purposes (fund for the joint account of participants; Dutch FGR fund structure).
- GRESB five-star rating (the highest) and ranking of third in a peer group of nine.

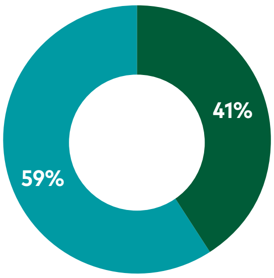
Assets
- Well-diversified portfolio consisting of nearly 500 residential complexes in economically strong regions.
- All in the Netherlands, all in residential and related properties.
- Focus on the mid-rental segment with monthly rents between €752 and €1,200.
- Vesteda offers sustainable housing and operates in a socially responsible manner.

Targets
- Tenant satisfaction: Outperform the Customeyes benchmark.
- ESG performance: 99% green energy labels (A, B or C) by 2024.
- Financial performance: Outperform the three-year MSCI IPD Netherlands Residential Benchmark.

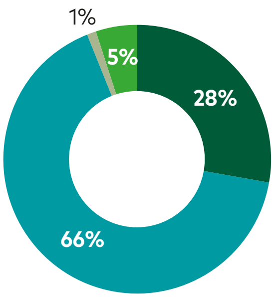
Portfolio overview (as per 30 June 2021, unless otherwise stated)

Number of residential units	Investment portfolio value (incl. IFRS 16)	Occupancy rate	Gross rental income FY 2020
27,791	**€8.6 bln**	**97.5%**	**€335 mln**

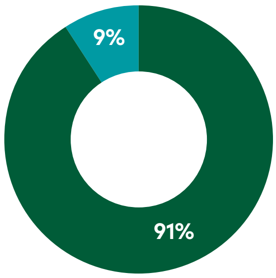
Portfolio by type of residential unit (weight in value)



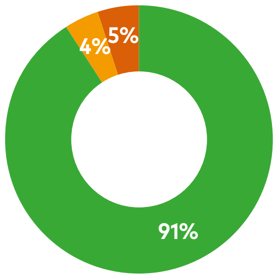
Portfolio by rental segment (weight in value)



Portfolio by region[1] (weight in value)

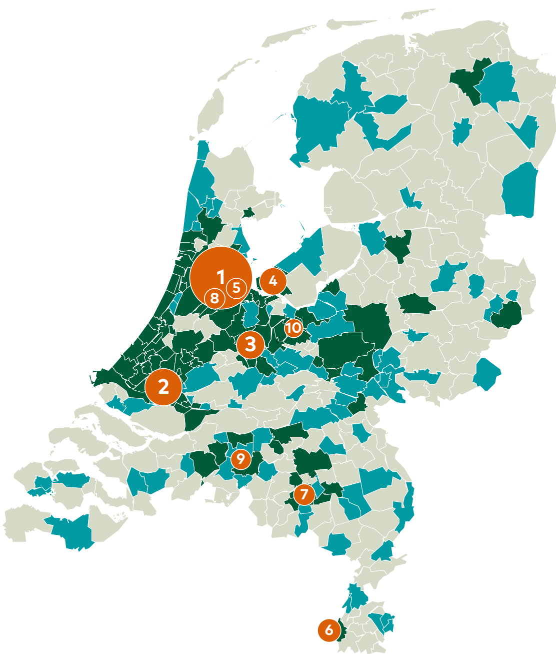


Portfolio by energy label (weight in units)



Portfolio distribution (as per 30 June 2021)

	€ million	% of total portfolio
1 Amsterdam	1,872	22%
2 Rotterdam	622	8%
3 Utrecht	383	5%
4 Almere	365	4%
5 Diemen	296	3%
6 Maastricht	273	3%
7 Eindhoven	221	3%
8 Amstelveen	204	2%
9 Tilburg	201	2%
10 Amersfoort	200	2%



- Primary regions
- Secondary regions
- Other
- Top 10 region by portfolio value

1 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.

Notes to the result

Income statement

(€ million)	H1 2021	H1 2020	FY 2020
Theoretical rent	178	170	347
Loss of rent	(8)	(5)	(12)
Gross rental income	**170**	**165**	**335**
Property operating expenses	(44)	(39)	(84)
Net rental income	**126**	**126**	**251**
Result on property sales	4	2	7
Management expenses	(13)	(12)	(26)
Interest expenses (including amortization of financing costs)	(20)	(20)	(41)
Realised result before tax	**97**	**96**	**191**
Unrealised result	**266**	**177**	**275**
Result before tax	**363**	**273**	**466**
Tax	**0**	**0**	**0**
Result after tax	**363**	**273**	**466**
Other comprehensive income	0	0	1
Total comprehensive result	**363**	**273**	**467**

Gross rental income
The theoretical gross rent amounted to €178 million in H1 2021, an increase of €8 million compared to H1 2020. This increase was primarily driven by the inflow of new-build homes in the investment portfolio, indexation and an increase in contract rents for new tenants as a result of the rise in market rents.

The loss of rent was 4.5% in H1 2021, which was higher than the 2.9% in the same period of last year, primarily due to higher vacancy in the higher rental segment. Gross rental income amounted to €170 million in H1 2021, compared with €165 million in H1 2020.

Net rental income
Property operating expenses were €44 million in H1 2021, an increase of €5 million compared with H1 2020, mainly caused by higher planned maintenance costs.

Operating costs as a percentage of gross rental income, the so-called gross/net ratio, was 26.2% in H1 2021, compared with 23.7% in the same period of last year.

Net rental income amounted to €126 million in H1 2021, in line with H1 2020.

Result on property sales
In H1 2021, in total 90 homes were sold from the investment portfolio, compared with 92 homes sold in H1 2020. The result on property sales was in total €4 million, compared with €2 million in H1 2020, driven by higher sales prices.

Management expenses
Management expenses amounted to €13 million in H1 2021, compared with €12 million in H1 2020.

Interest expenses
Interest expenses were €20 million in H1 2021, in line with H1 2020. The average interest rate stood at 1.9% at the end of H1 2021, compared with 2.0% at the end of H1 2020.

Interest expenses and EBITDA

(€ million)	12 months prior to 30 June 2021	12 months prior to 30 June 2020	12 months prior to 31 December 2020
Interest expenses (excluding amortisation of financing costs)	38	39	39
Interest expenses (excluding amortisation of financing costs and IFRS 16)	34	34	34
EBITDA including result on property sales	236	237	235
EBITDA excluding result on property sales	227	234	228
Interest coverage ratio (ICR)	**6.7**	**7.0**	**6.7**

Realised result

Vesteda recorded a realised result of €97 million in H1 2021, an increase of €1 million compared with H1 2020.

Unrealised result

House prices continued to rise in H1 2021 throughout the Netherlands. The value of Vesteda's portfolio increased by 3.1% in H1 2021, compared with a rise of 2.3% in H1 2020. Vesteda recorded an unrealised result of €266 million in H1 2021, compared with €177 million in H1 2020.

Total comprehensive result

Vesteda recorded a total comprehensive result of €363 million in H1 2021, compared with €273 million in H1 2020. The total return on time weighted average equity increased to 5.8%, compared to 4.5% in H1 2020, driven by higher revaluations.

Balance sheet

As a result of the positive revaluation, Vesteda's balance sheet total increased to €8,743 million at 30 June 2021, from €8,440 million at year-end 2020. The leverage ratio excluding IFRS 16 was 22.8% at the end of H1 2021 (year-end 2020: 23.1%).

Statement of financial position

(€ million)	30 June 2021	30 June 2020	31 December 2020
Total assets	8,743	8,309	8,440
Equity	6,549	6,177	6,294
Debt capital	1,959	1,880	1,916
Leverage ratio (%, excluding IFRS 16)	22.8	22.9	23.1

Return on equity

(% of time weighted average equity)	H1 2021	H1 2020	FY 2020
Realised return	**1.5**	**1.6**	**3.1**
- from letting	1.5	1.5	3.0
- from property sales	0.1	0.0	0.1
Unrealised return	**4.2**	**2.9**	**4.5**
Total return	5.8	4.5	7.6
Return from other comprehensive income	0.0	0.0	0.0
Total comprehensive return	**5.8**	**4.5**	**7.6**

Non-financial figures

	30 June 2021	30 June 2020	31 December 2020
Number of residential units	27,791	27,409	27,482
- multi-family	15,400	15,167	15,171
- single-family	12,391	12,242	12,311
Number of units inflow	399	211	426
Number of units outflow	90	92	234
- individual unit sales	90	72	165
- portfolio sales	-	-	-
- residential building sales	-	20	69
Occupancy rate (% of units)	97.5	97.5	97.5

Investment portfolio

In H1 2021, a total of 399 homes were added to the investment portfolio from the acquisition pipeline. It concerns six projects, of which one partial delivery. The rental levels of the homes added are mostly in the mid-rental segment. In H1 2021, a total of 90 homes were sold from the investment portfolio. On balance, the investment portfolio increased by 309 residential units to 27,791.

Changes in units

	H1 2021
Number of residential units at start of year	27,482
Inflow from pipeline	399
Outflow	(90)
Number of residential units ultimo H1 2021	**27,791**

Changes in value

(€ million)	H1 2021
Value investment portfolio at start of year	8,213
Inflow from pipeline	141
Capex	40
Outflow	(25)
Revaluation	259
Leasehold and other rights of use (IFRS 16)	(3)
Value investment portfolio ultimo H1 2021	**8,625**

New-build additions to the investment portfolio in H1 2020

Residential building	Location	Number of units	Type	Region	Rental segment	Quarter of completion/ delivery
De Generaal	Rijswijk	120	Multi-family	Primary	Mid	Q1
Zuidpoort	Veenendaal	34	Single-family	Primary	Mid	Q1
Punt Sniep	Diemen	202	Multi-family	Primary	Mid	Q1
Willemsbuiten	Tilburg	22	Single-family	Primary	Mid	Q1
Milestone	Eindhoven	1	Single-family	Primary	Mid	Q2
Tromppark	Dordrecht	20	Single-family	Primary	Mid	Q2
Total inflow		**399**				

1 Punt Sniep, Diemen

2 Zuidpoort, Veenendaal

3 De Generaal, Rijswijk

4 Tromppark , Dordrecht

5 Willemsbuiten, Tilburg

6 Milstone, Eindhoven

Acquisition pipeline

In H1 2021, Vesteda added one project to its committed pipeline, concerning project Imagine in Rotterdam for 133 multi-family homes.

At the end of H1 2021, the acquisition pipeline comprised a total of 977 homes. All projects fit in perfectly with Vesteda's portfolio in terms of region, rental segment and energy label.

Composition of the pipeline at 30 June 2021

Residential building	Location	Number of units	Type	Region	Rental segment	Expected completion
Tromppark	Dordrecht	20	Single-family	Primary	Mid	2021
Westerwal	Groningen	171	Multi-Family	Primary	Mid	2022
Goudshof	Gouda	72	Multi-Family	Primary	Mid	2022
Frank is een Binck	Den Haag	205	Multi-Family	Primary	Reg/Mid	2023
The Ox	Amsterdam	168	Multi-Family	Primary	Reg/Mid	2023
Regent II	Den Haag	98	Multi-Family	Primary	Mid	2023
Tetem III	Enschede	110	Multi-Family	Primary	Mid	2023
Imagine	Rotterdam	133	Multi-Family	Primary	Mid	2024
Total committed pipeline		**977**				

1 Westerwal, Groningen

2 The Ox, Amsterdam

3 Regent II, Den Haag

4 Frank is een Binck, Den Haag

5 Tetem III, Enschede

6 Goudshof, Gouda

7 Imagine, Rotterdam

8 Tromppark, Dordrecht

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