



vesteda

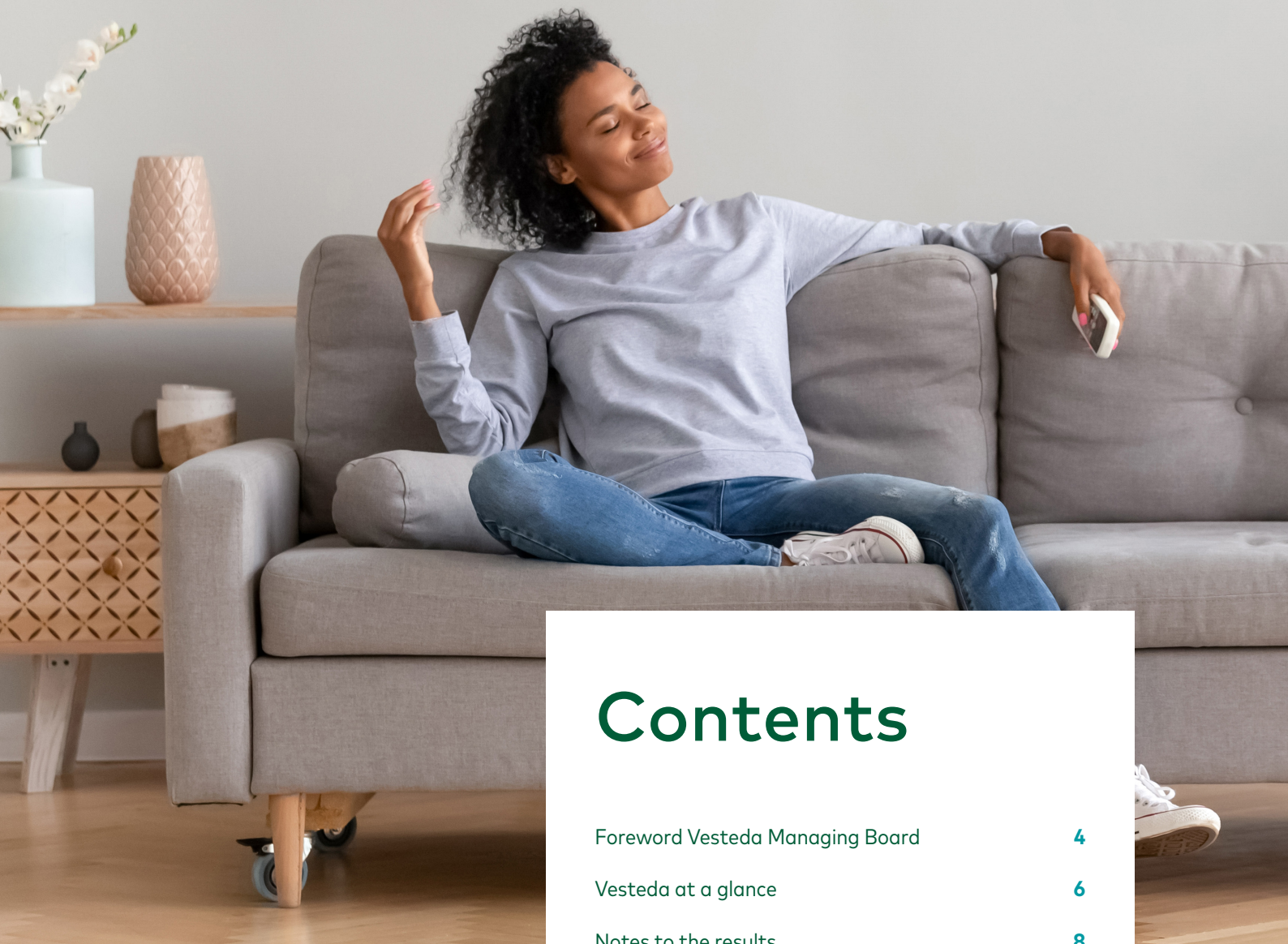
half-year report
2020

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.



At home with Vesteda



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Foreword

Vesteda Managing Board

COVID-19 pandemic

In the period under review, the outbreak of the COVID-19 virus resulted in a global crisis and governments across the globe taking extreme measures such as partial or complete lockdowns of cities and countries. In the Netherlands, the government imposed a partial lockdown on 23 March 2020. Like in other countries, the spreading slowed down. From May 11th onwards, the Dutch government started to ease the restrictions, starting with the opening of primary schools and childcare. In June, cafes and restaurants were allowed to reopen – within limits – and public transport has now returned to the normal schedule. In the past three weeks, the number of corona cases showed a small increase, but so far no new restrictions are imposed. The number of deaths in the Netherlands due to corona is officially 6,150 as per 4 August 2020 (356 per million inhabitants).

The Dutch government has launched an extensive economic rescue package to save jobs, incomes and companies. The corona crisis impacts global economies and it will also impact Vesteda. We currently experience no material impact on our processes and business operations, and we are able to deliver all our services to our tenants, mostly in a digital way.

We believe that it is our social responsibility to help our tenants during this crisis. Together with the Ministry of the Interior and Kingdom Relations and the IVBN (Association of institutional property investors in the Netherlands), we agreed that during the crisis, we will not evict tenants, we will not charge them collection costs, and temporary leases will be extended. We offer a custom solution to all tenants with instant financial problems, providing extra flexibility in terms of payment arrangements. We currently have payment arrangements with circa 300 tenants, representing approximately 1% of total. Furthermore, Vesteda followed the advice from the IVBN to moderate the annual rent increase to CPI + max 1%, starting at 1 July 2020. In addition we capped the rent increase for the regulated segment to CPI only.

Our financial results in Q2 2020 have been impacted by the COVID-19 effects, predominantly from significantly lower revaluations than foreseen. The impact on our rental levels has been limited to date, but we do experience higher vacancies in the higher segment and higher frictional vacancies. The exact impact is strongly dependent on the duration of this crisis and the support from the Dutch government to secure the income of Dutch citizens, including our tenants.

Pressure from Dutch Senate to impose rent freeze

The Dutch Senate ('Eerste Kamer') voted in favor of a motion to censure Minister of the Interior and Kingdom Relations Kaja Ollongren for her refusal to freeze home rental prices in 2020. The last time this happened was in 1875. The parties who supported the motion have a majority in the Senate, but a minority in the House of Representatives ('Tweede Kamer'), placing the Minister in a conflict situation. The senators claim that a majority of Dutch tenants are in financial difficulty due to the coronacrisis, while in reality around 0.5% to 2% of Dutch tenants are currently struggling to pay the rent as a result of COVID-19.

Together with the IVBN, we support the Minister's approach and we underscore the need of good individual arrangements with tenants that are in financial trouble, which in our opinion is more effective than an overall rent freeze. Minister Ollongren promised the Senate to investigate additional measures to support tenants and she opened a register for tenants who have not sufficiently been accommodated by their landlord.

Market

After the decline of Vesteda's HMI (Housing Market Indicator) in Q1 2020 compared to Q4 2019, the HMI stabilized in Q2 2020 at 7.0. The decrease compared to Q4 2019 indicates that market conditions are getting tougher. GDP is declining, unemployment is rising and consumer confidence is well below zero (-27). The DNB (Dutch Central Bank), CPB (Netherlands Bureau for Economic Policy Analysis) and IMF forecast a GDP decline between -3.2% and -11.8% in 2020. On the other hand, housing shortage continues to increase and house prices are still rising. Although the exact

implications of the coronacrisis on the housing market are not yet clear, strong demand seems to lay a firm price foundation for mid segment rental homes.

Operational highlights

Construction of pipeline projects continued during the coronacrisis, mostly as planned. We hold on to hard-commitments or approved investment proposals. In H1 2020, we signed three turn key building contracts for 278 residential units and we sold 92 units, including the health care complex Rosorum. Our sustainability efforts have resulted in an increased share of green energy labels, from 87.8% at year-end 2019 to 88.8% at 30 June 2020.

We welcomed a new participant to the fund, Vonovia, who acquired a 2.6% stake from two existing participants. Furthermore, two pension funds for railway and public transport merged into Stichting Pensioenfonds Rail & Openbaar Vervoer.

On 15 May 2020, Standard & Poor's reconfirmed our rating at BBB+/ Stable Outlook. And finally, we successfully implemented the new ERP system on 2 June 2020, including the launch of our new website and rental portal. We are experiencing some issues since the launch, which are currently being resolved.

Financial performance

Total comprehensive income in H1 2020 amounted to €273 million, 34% lower than in H1 2019 due to lower revaluations. The total return in H1 2020 was 4.5%, consisting of 1.6% realised return and 2.9% unrealised return.

Outlook

The current impact from COVID-19 on Vesteda is still relatively low. However, we do expect higher costs for tenant turnover and higher frictional vacancy, especially in the higher segment and in some commercial spaces. Furthermore, we expect outstanding receivables and loss of rent to increase; we expect a negative impact on the value development of our assets and we take into account some delay in sustainability projects and construction of our pipeline projects. We will closely monitor the developments and we will take additional action, if needed. The solid foundation of the company, together with our flexible organization, provide us with comfort to deal with this crisis.

Amsterdam, 4 August 2020

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 27,409 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 BBB+
- 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 16

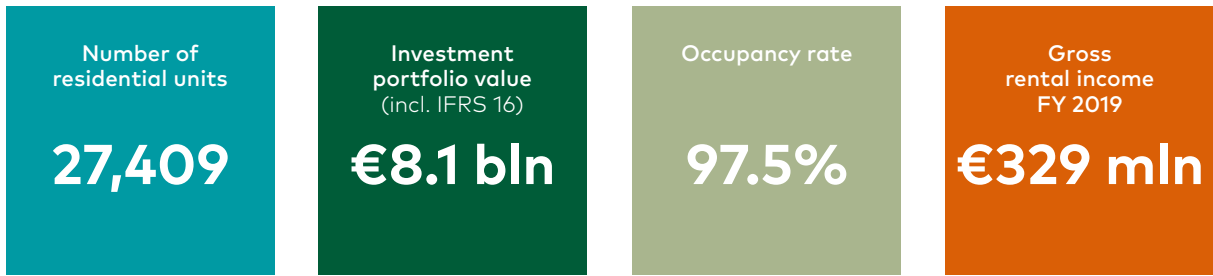
Assets

- Vesteda offers sustainable housing and operates in a socially responsible manner
- All in the Netherlands, all in residential and related properties
- Well-diversified portfolio consisting of nearly 500 residential complexes in economically strong regions
- Focus on the mid-rental segment with monthly rents between €737 and approximately €1,200

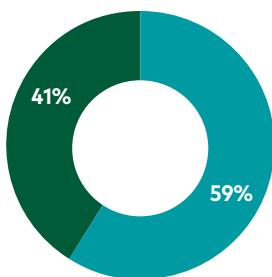
Targets

- Outperform the Customeyes benchmark and work towards our long-term goal of having a tenant satisfaction score of at least 7
- Ensure that 99% of our portfolio has green energy labels (A, B or C) by 2024
- Outperformance of the three-year MSCI IPD Netherlands Residential Benchmark

Portfolio overview (as per 30 June 2020, unless otherwise stated)

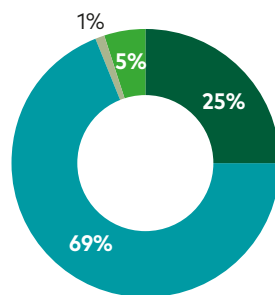


Portfolio by type of residential unit (weight in value)



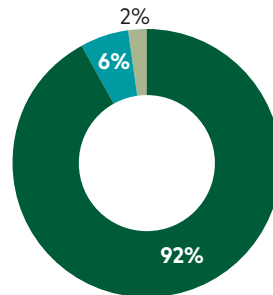
■ Apartment
■ Family house

Portfolio by rental segment (weight in value)



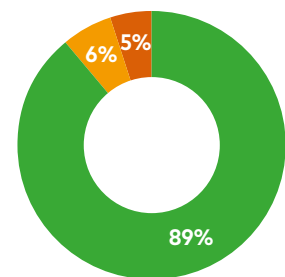
■ High
■ Mid
■ Regulated mid
■ Regulated

Portfolio by region¹ (weight in value)



■ Primary
■ Secondary
■ Other

Portfolio by energy label (weight in units)

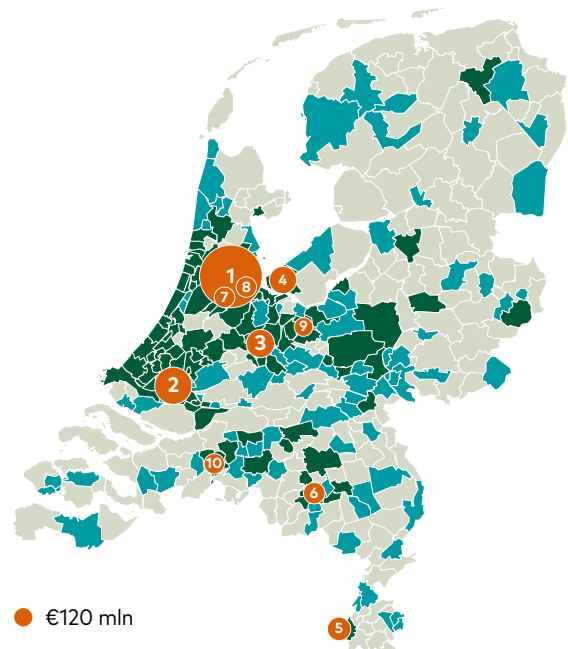


■ ABC
■ D
■ EFG

Portfolio distribution (as per 30 June 2020)

| | € million | % of total portfolio |
|--------------|-----------|----------------------|
| 1 Amsterdam | 1,739 | 22% |
| 2 Rotterdam | 618 | 8% |
| 3 Utrecht | 367 | 5% |
| 4 Almere | 348 | 4% |
| 5 Maastricht | 247 | 3% |
| 6 Eindhoven | 213 | 3% |
| 7 Amstelveen | 201 | 3% |
| 8 Diemen | 194 | 3% |
| 9 Amersfoort | 194 | 2% |
| 10 Breda | 168 | 2% |

■ Primary regions
■ Secondary regions
■ Other



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 2020 | H1 2019 | FY 2019 |
|---|------------|------------|------------|
| Theoretical rent | 170 | 168 | 339 |
| Loss of rent | (5) | (6) | (10) |
| Gross rental income | 165 | 162 | 329 |
| Property operating expenses | (39) | (38) | (77) |
| Net rental income | 126 | 124 | 252 |
| Result on property sales | 2 | 4 | 13 |
| Management expenses | (12) | (11) | (23) |
| Interest expenses (including amortization of financing costs) | (20) | (21) | (40) |
| Realised result before tax | 96 | 96 | 202 |
| Unrealised result | 177 | 324 | 653 |
| Result before tax | 273 | 420 | 855 |
| Tax | 0 | 0 | (1) |
| Result after tax | 273 | 420 | 854 |
| Revaluation of Property Plant and Equipment (PPE) | 0 | 0 | 1 |
| Settlement pre-hedge contracts | 0 | (7) | (6) |
| Total comprehensive result | 273 | 413 | 849 |

Gross rental income

The theoretical gross rent amounted to €170 million in H1 2020, an increase of €2 million compared to H1 2019. This increase was driven by indexation and an increase in contract rents for new tenants as a result of the rise in market rents, and due to the addition of projects from Vesteda's acquisition pipeline.

The loss of rent was 2.9% in H1 2020, which was slightly lower than the 3.6% in the same period of last year. Gross rental income amounted to €165 million in H1 2020, compared with €162 million in H1 2019.

Net rental income

Property operating expenses were €39 million in H1 2020, an increase of €1 million compared with H1 2019.

Operating costs as a percentage of gross rental income, the so-called gross/net ratio, was 23.7% in H1 2020, compared with 24.1% in the same period of last year.

Net rental income amounted to €126 million in H1 2020, compared with €124 million in H1 2019.

Result on property sales

In H1 2020, in total 92 homes were sold from the investment portfolio, compared with 107 homes sold in the comparable period. The result on property sales was in total €2 million, compared with €4 million in H1 2019.

Management expenses

Management expenses amounted to €12 million in H1 2020, compared with €11 million in H1 2019. The increase in management expenses was largely driven by an increase in the number of FTEs due to the ERP implementation.

Interest expenses

Interest expenses were €20 million in H1 2020, compared with €21 million in H1 2019. The average interest rate stood at 2.0% at the end of H1 2020, in line with last year.

Interest expenses and EBITDA

| (€ million) | 12 months prior to 30 June 2020 | 12 months prior to 30 June 2019 | 12 months prior to 31 December 2019 |
|--|---------------------------------------|---------------------------------------|---|
| EBITDA (excluding result on property sales) | 234 | 218 | 227 |
| Interest expenses (excluding amortization of financing costs and IFRS16) | 34 | 32 | 33 |
| Interest coverage ratio (ICR) | 7.0 | 6.9 | 6.9 |

Realised result

Vesteda recorded a realised result of €96 million in H1 2020, in line with H1 2019. Excluding the results on property sales in both years, the realised result in H1 2020 improved by €2 million compared with H1 2019, driven by a higher net rental income.

Unrealised result

House prices continued to rise in H1 2020, both locally and at a national level, albeit at a lower level compared with H1 2019. The value of Vesteda's portfolio increased by 2.3% in H1 2020, compared with a rise of 4.3% in H1 2019. Vesteda recorded an unrealised result of €177 million in H1 2020, compared with €324 million in H1 2019.

Total comprehensive result

Vesteda recorded a total comprehensive result of €273 million in H1 2020, compared with €413 million in H1 2019. The total return on equity was 4.5%, down from 7.3% in H1 2019, driven by lower unrealised return compared with H1 2019.

Balance sheet

As a result of the positive revaluation, Vesteda's balance sheet total increased to €8,309 million at 30 June 2020, from €8,058 million at year-end 2019. The leverage ratio (excluding IFRS16) was 22.9% at the end of H1 2020, in line with year-end 2019.

Statement of financial position

| (€ million) | 30 June 2020 | 30 June 2019 | 31 December 2019 |
|--|--------------|--------------|------------------|
| Total assets | 8,309 | 7,957 | 8,058 |
| Equity | 6,177 | 5,822 | 6,022 |
| Debt capital | 1,880 | 1,830 | 1,825 |
| Leverage ratio (% , excluding IFRS16) | 22.9 | 23.5 | 22.9 |

Return on equity

| (% of weighted average equity) | H1 2020 | H1 2019 | FY 2019 |
|--|------------|------------|-------------|
| Realised return | 1.6 | 1.7 | 3.6 |
| - from letting | 1.5 | 1.7 | 3.3 |
| - from property sales | 0.0 | 0.1 | 0.2 |
| Unrealised return | 2.9 | 5.7 | 11.4 |
| Total return | 4.5 | 7.5 | 15.0 |
| Return from other comprehensive income | 0.0 | (0,1) | (1,0) |
| Total comprehensive return | 4.5 | 7.3 | 14.9 |

Non-financial figures

| | 30 June 2020 | 30 June 2019 | 31 December 2019 |
|------------------------------|--------------|--------------|------------------|
| Number of residential units | 27,409 | 28,279 | 27,290 |
| - apartments | 15,167 | 15,503 | 14,959 |
| - single family houses | 12,242 | 12,776 | 12,331 |
| Number of units inflow | 211 | 577 | 817 |
| Number of units outflow | 92 | 107 | 1,339 |
| - individual unit sales | 72 | 107 | 216 |
| - portfolio sales | - | - | 1,117 |
| - residential building sales | 20 | - | - |
| Occupancy rate (% of units) | 97.5 | 98.1 | 98.4 |

Investment portfolio

In H1 2020, a total of 211 homes were added to the investment portfolio from the acquisition pipeline. It concerns three projects, of which one partial delivery. The rental levels of the homes added are mostly in the mid-rental segment. In H1 2020, a total of 92 homes were sold from the investment portfolio. On balance, the investment portfolio increased by 119 residential units to 27,409.

Changes in units

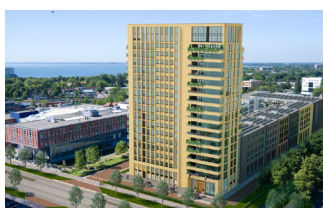
| | H1 2020 |
|---|---------------|
| Number of residential units at start of year | 27,290 |
| Inflow from pipeline | 211 |
| Outflow | (92) |
| Number of residential units ultimo H1 2020 | 27,409 |

Changes in value

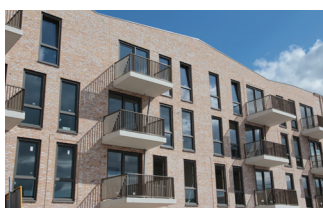
| (€ million) | H1 2020 |
|--|--------------|
| Value investment portfolio at start of year | 7,818 |
| Inflow from pipeline | 56 |
| Capex | 17 |
| Outflow | (24) |
| Revaluation | 181 |
| Leasehold and other rights of use (IFRS16) | 18 |
| Value investment portfolio ultimo H1 2020 | 8,065 |

New-build additions to the investment portfolio in H1 2020

| Residential building | Location | Number of units | Apartment/ Family house | Region | Rental segment | Quarter of completion/ delivery |
|----------------------|-----------|-----------------|--|-----------|----------------|------------------------------------|
| Hoog Dalem | Gorinchem | 25 | Family houses | Primary | Mid | Q2 |
| Noorderhaven | Zutphen | 126 | Apartments (119)/ Family houses (7) | Secondary | Mid | Q2 |
| De Toren (phase 1) | Hoorn | 60 | Apartments | Primary | Mid | Q2 |
| Total inflow | | 211 | | | | |



1 De Toren (phase 1), Hoorn



2 Noorderhaven, Zutphen



3 Hoog Dalem, Gorinchem



Acquisition pipeline

In H1 2020, Vesteda added three projects with a total of 278 homes to its committed pipeline. This concerns Frank is een Binck in Den Haag (205 homes), Goudshof in Gouda (72 homes) and the Milestone project which started the build of the first 3D-printed concrete house in Eindhoven.

At the end of H1 2020, the acquisition pipeline comprised a total of 1,249 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 2020

| Residential building | Location | Number of units | Apartment/ Family house | Region | Rental segment | Expected completion |
|---------------------------------|----------------|-----------------|----------------------------|---------|----------------|---------------------|
| Koningsoord | Berkel Enschot | 32 | Family house | Primary | Mid | 2020 |
| Bensdorp | Bussum | 40 | Apartment | Primary | Mid | 2020 |
| Punt Sniep | Diemen | 202 | Apartment | Primary | Mid | 2020 |
| Milestone | Eindhoven | 1 | Family house | Primary | Mid | 2020 |
| Westergouwe | Gouda | 71 | Family house | Primary | Mid | 2020 |
| De Toren (phase 2) | Hoorn | 12 | Apartment | Primary | Mid | 2020 |
| Onder de Linden | Oosterhout | 39 | Family house | Primary | Mid | 2020 |
| Willemsbuiten | Tilburg | 42 | Family house | Primary | Mid | 2020 |
| Zuidpoort | Veenendaal | 34 | Family house | Primary | Mid | 2020 |
| Tromppark | Dordrecht | 40 | Family house | Primary | Mid | 2021 |
| Westerwal | Groningen | 171 | Apartment | Primary | Mid | 2021 |
| De Generaal | Rijswijk | 120 | Apartment | Primary | Mid | 2021 |
| The Ox | Amsterdam | 168 | Apartment | Primary | Reg/Mid | 2022 |
| Goudshof | Gouda | 72 | Apartment | Primary | Mid | 2022 |
| Frank is een Binck | The Hague | 205 | Apartment | Primary | Reg/Mid | 2022 |
| Total committed pipeline | | 1,249 | | | | |





For more information

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