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Vesteda Update H1 2016

“Continued growth acquisition pipeline”

In Q2 2016, Vesteda signed a turnkey agreement with Heijmans for the development and construction of 235 rental homes in Utrecht. The plan is part of the area development of the Kanaleneiland-Centrum district in Utrecht. The project is scheduled to start in the fourth quarter of 2016 and completion is expected in 2018.

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CEO Foreword

HOUSING MARKET AT FULL STEAM

The Dutch economy continued to grow steadily in the first half of the year, largely driven by extra corporate investments and the flourishing residential market.

The recovery in the housing market continued strongly in the period under review, bolstered by the continued decline in mortgage interest rates and high consumer confidence in the residential market. The period also saw a sharp decline in the number of homes in negative equity on the back of the strong increase in average house prices, especially in the Randstad region.

EXCEPTIONALLY HIGH RETURN

Vesteda's total return came in at more than 10% in the first half of the year. This exceptionally high return was driven by a strong increase in the value of Vesteda's real estate portfolio. Realised result increased due to a higher occupancy rate and significantly lower interest costs. Despite this increase, realised return was lower in the first half of 2016 due to an increase in the shareholders equity at the start of 2016 following a significant revaluation of the portfolio and an influx of new capital in 2015.

CONTINUED GROWTH ACQUISITION PIPELINE

Despite the strong competition for the acquisition of rental homes, Vesteda added a total of three projects to its pipeline in the first half of the year. All of these are excellent additions to our portfolio and perfectly in line with our strategic aim of expanding in the mid-rental segment in economically strong regions. At end-June, the total acquisition pipeline represented an indicative market value on delivery of €350 million, comprising around 1,500 homes..

In the first half of the year, the investment portfolio increased on balance by some 150 homes to around 22,750 homes and represented a value of €4 billion.

OUTLOOK

In the second half of the year, we will focus on the continued optimisation of our portfolio, both organically and by means of acquisitions. Our key priorities include improving communications with our tenants, optimising the organisational structure which includes the closing of our office in Maastricht, making the portfolio more sustainable, rent optimisation, and expansion of the mid-rental segment in our core regions.

The government's Central Planning Bureau (CPB) has predicted that Great Britain's exit from the EU announced earlier this year will have a negative impact on the Dutch economy. However, the current positive trends in the residential market seem robust enough to absorb the negative impact triggered by Brexit.

Amsterdam, August 2016

Gertjan van der Baan
(CEO)

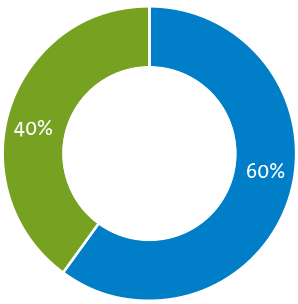
Key Figures H1 2016

(unaudited)

KEY PORTFOLIO CHARACTERISTICS (ULTIMO H1 2016)

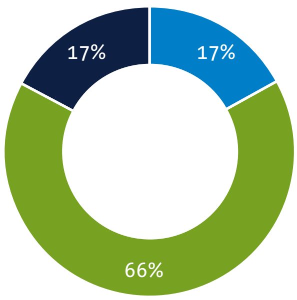
NUMBER OF RESIDENTIAL UNITS	INVESTMENT PORTFOLIO VALUE	PHYSICAL OCCUPANCY RATE	GROSS RENTAL INCOME (FOR H1)
22,742	€4.0 bln	98%	€119 mln

Portfolio by type of residential unit
(IN UNITS)



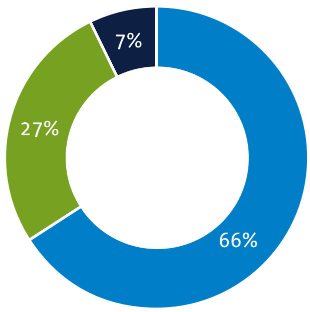
- Apartment
- Single family home

Portfolio by rental segment
(IN VALUE)



- Regulated segment
- Mid-segment
- Higher segment

Portfolio by region
(IN VALUE)



- Primary [1]
- Secondary [1]
- Other

1 Primary regions are regions that offer the highest market potential for the non-regulated residential rental sector. These regions are characterised by a high market potential and low market risks. Secondary regions score less in some respects but have a positive economic and demographic outlook.

	H1 2016	H1 2015	FY 2015
Income (in € mln)			
Theoretical rent	122	122	245
Loss of rent	(3)	(5)	(8)
Gross rental income	**119**	**117**	**237**
Property operating expenses	(28)	(30)	(60)
Other income	0	0	(1)
Net rental income	**91**	**87**	**176**
Result on property sales	7	8	14
Management expenses	(15)	(8)	(16)
Interest expenses (including amortised fees)	(15)	(23)	(38)
Unwind derivative position	0	0	(14)
Realised result (before tax)	**68**	**64**	**122**
Unrealised result	**207**	**41**	**169**
Total operating result	275	105	291
Revaluation of derivatives	(1)	13	25
Total comprehensive result	**274**	**118**	**316**

	30 June 2016	30 June 2015	31 December 2015
Balance Sheet (in € mln)			
Total assets	4,129	3,701	3,839
Equity	2,781	2,432	2,629
Debt capital	1,179	1,093	1,098
Leverage ratio (in %)	28.6	29.5	28.6

	Preceding 12 months
Debt Capital (in € mln)	
Interest expenses	30
EBITDA	158

	H1 2016	H1 2015	FY 2015
Return on Equity (in % of opening equity)			
Realised return	**2.6**	**2.9**	**5.4**
- from letting	2.3	2.5	5.4
- from property sales	0.3	0.4	0.6
- from unwind transaction derivatives	0.0	0.0	(0.6)
Unrealised return	**7.8**	**1.8**	**7.5**
Total return excluding revaluation on derivatives	10.4	4.7	12.9
Revaluation on derivatives	0.0	0.6	1.1
Total comprehensive return	**10.4**	**5.3**	**14.0**

	30 June 2016	30 June 2015	31 December 2015
Non-Financial Figures			
Number of residential units managed	22,742	22,792	22,599
- apartments	13,631 (60%)	13,479 (59%)	13,387 (59%)
- single family homes	9,111 (40%)	9,313 (41%)	9,212 (41%)
Physical occupancy rate (in % of units)	98.0	97.4	97.9

	H1 2016	H1 2015	FY 2015
Non-Financial Figures			
Number of units inflow	400	101	118
Number of units outlow	257	299	520
- through individual unit sales	257	299	520
- through residential building sales	-	-	-
Loss of rent (in % of theoretical rent)	2.4	3.7	3.2

Notes to the result

RENTAL INCOME

The theoretical gross rent in the first half of 2016 amounted to €122 million, unchanged from the theoretical rental income in the same period of last year (2015: €122 million). Despite a modest decrease in the size of the portfolio compared to H1 2015, rental income remained at the same level due to indexing and an increase in contract rents for new tenants as a result of an increase in market rent levels.

The loss of rent declined to 2.4% in the first half of 2016, from 3.7% in the first half of 2015. As a result, gross rental income in the first half of the year came in at €119 million, €2 million higher than in H1 2015 (H1 2015: €117 million).

PROPERTY OPERATING EXPENSES

Property operating expenses came in at €28 million in the first half of 2016, down €2 million from the €30 million in property operating expenses reported for the first half of 2015. This was due to a slightly smaller portfolio and a somewhat different distribution of costs across the year. The gross/net ratio (including landlord levy) came in at 23.9% in H1 2016, from 25.9% in H1 2015.

RESULT FROM PROPERTY SALES

Vesteda sold a total of 257 homes from its investment portfolio in the first half of 2016, compared with 299 in the same period of 2015. In both years, these were all individual unit sales. Due to the reduced number of homes sold, the result on property sales was €1 million lower at €7 million in H1 2016 (H1 2015: €8 million). The decline in the number of individual units sales was due to the restrictive sales strategy Vesteda has chosen to adopt, which represents a more restrictive sales strategy with focus on regions and segments in which Vesteda wants to be less active.

MANAGEMENT EXPENSES

The management expenses came in at €15 million in the first half of 2016 and were therefore significantly higher than in the first half of 2015 (€8 million). This increase was due to an exceptional charge for a reorganisation provision taken in connection with the recent announcement of a restructuring programme and relocation of the offices to a single centralised location in Amsterdam.

INTEREST EXPENSES

As a result of Vesteda's lower outstanding debt position and €900 million in refinancing transactions at improved interest rates over the past year, interest expenses declined significantly to €15 million in the first half of 2016, from €23 million in H1 2015.

At the end of H1 2016, the average weighted term of the drawn loan portfolio was around 4.5 years, an extension when compared to 3.3 years at the end of H1 2015. This was partly due to a seven-year bond issue of €300 million in October 2015 and the exercise of the first option to extend the €600 million revolving credit facility in May of 2016 (end-term 2021).

Standard & Poor's has upgraded its credit rating to BBB+ with a stable outlook on the back of Vesteda's strengthened credit profile, which was due in part to the refinancing transactions.

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REALISED RESULT

Despite the exceptional reorganisation charge, the realised result increased by €4 million to €68 million in the first half of 2016 (H1 2015: €64 million), on the back of the higher net rental income and a significant decrease in interest expenses.

UNREALISED RESULT

The strong positive sentiment in the housing market resulted in a positive revaluation of 5.1% of the investment portfolio in the first half of 2016, which led to an unrealised result of €207 million. The revaluation of projects in progress was also positive and led to an increase of the unrealised result. The unrealised result amounted to €41 million in the first half of 2015.

TOTAL RESULT (COMPREHENSIVE)

The total result (comprehensive) came in at € 274 million in the first half of 2016, compared with €118 million in the same period of 2015. The total return on equity in the first half was 10.4% (H1 2015: 5.3%). The 5.1% difference in the return on equity was due in part to a lower realised return (-0.3%), nil return on the revaluation of derivatives (-0.6%), and to a considerably higher unrealised return (+6.0%). Despite an increase in the realised result in H1 2016 compared to H1 2015, the realised return was lower in the first half of 2016. This was due to an increase in the shareholders equity at the start of 2016 following a significant revaluation of the portfolio and an influx of new capital in 2015.

Investment portfolio

Investment portfolio, changes in value

(in € mln)

Value at start of year	3,726
Capex	11
Inflow	126
Outflow	(38)
Revaluation	195
Value investment portfolio ultimo H1 2016	**4,020**

Investment portfolio, changes in units

Number of units beginning of year	22,599
Inflow	399
Reclassification	1
Outflow	(257)
Number of units ultimo H1 2016	**22,742**

In the first half of 2016, we added a total of 400 residential units to the investment portfolio. It includes three projects in Amsterdam and one project in Leusden. The letting of the (re)development projects De Boel, 14Noord, and Nieuw Princenhof was very successful. Nearly all residential units were let before completion and all three residential buildings were fully let immediately or shortly after they went into operation. All projects are located in the primary region and have rents in the mid-rental segment.

Additions to the investment portfolio H1 2016

Building, location	Total number of residential units	Apartment/ Family home	Region	Rental segment
14Noord, Amsterdam	14	Apartment	Core	Mid
Nieuw Princenhof, Leusden	25	Family home	Core	Mid
De Boel, Amsterdam	154	Apartment	Core	Mid
Existing portfolio, Amsterdam	205	Apartment	Core	Regulated/Mid/Higher
Total	**398**			

Acquisition pipeline

In the first half of 2016 Vesteda added four projects, totaling 379 homes to its acquisition pipeline. The projects are located in Amsterdam (Schinkelhof), Haarlem (Tango), Utrecht (Kanaleneiland), and Den Bosch (De Goudsbloem). In the first half, a total of 193 houses from the acquisition pipline were added to the investment portfolio. The total acquisition pipeline at the end of the first half consisted of approximately 1,500 residential units which in total represented an indicative market value on delivery of nearly €350 million. All projects are an excellent fit for Vesteda's portfolio in terms of region, rental range and energy label.

Acquisition pipeline ultimo H1 2016

Building, location	Total number of residential units	Apartment/ Family home	Region	Rental segment	Expected completion/ into operation
Building location					
Lunahof, Arnhem	31	Family home	Core	Mid	2016
De Wachters, Breda	75	Apartment	Core	Mid	2016
De Hagen, Amsterdam	64	Apartment	Core	Mid	2016
De Diemer, Diemen	98	Apartment	Core	Mid	2017
De Generaal, Amsterdam	56	Apartment	Core	Mid	2017
De Goudsbloem, Den Bosch	25	Apartment	Core	Mid	2017
Dunantstraat, Amsterdam	73	Apartment/ Family home	Core	Mid	2017
Seattle Boston, Rotterdam	48	Apartment	Core	Mid	2017
Amstel Tower, Amsterdam	192	Apartment	Core	Mid	2017/2018
Leidsche Rijn Centrum, Utrecht [1]	466	Apartment	Core	Mid	2017/2018
Tango, Haarlem	55	Apartment	Core	Mid	2018
Kanaleneiland, Utrecht	235	Apartment	Core	Mid	2018
Schinkelhof, Amsterdam	64	Apartment	Core	Regulated/Mid/Higher	2018
Total	**1,482**				

1 A total of 251 apartments will be added to the investment portfolio, 215 apartments will be sold.


Schinkelhof, Amsterdam
Tango, Haarlem
De Diemer, Diemen
CZAN De Hagen, Amsterdam
Lunahof, Arnhem
Dunantstraat, fase I Amsterdam
Kanaleneiland, Utrecht
Dunantstraat, fase II Amsterdam
Leidsche Rijn Centrumplan, Utrecht
Amstel Tower, Amsterdam
Seattle Boston, Rotterdam
De Generaal, Amsterdam
De Wachters, Breda
De Goudsbloem, Den Bosch

About Vesteda

Vesteda is an investor with a clear focus on the Dutch residential real estate market. Vesteda invests funds for institutional investors, including pension funds and insurers. Vesteda has total capital of approx. €4 billion invested in real estate. The company's rental portfolio stands at a total of around 22,750 units. Vesteda's key investment regions are the Randstad and the Brabantine City Row. In 2015, Vesteda generated a net result of €316 million, with approx. 200 employees.

FOR ADDITIONAL INFORMATION

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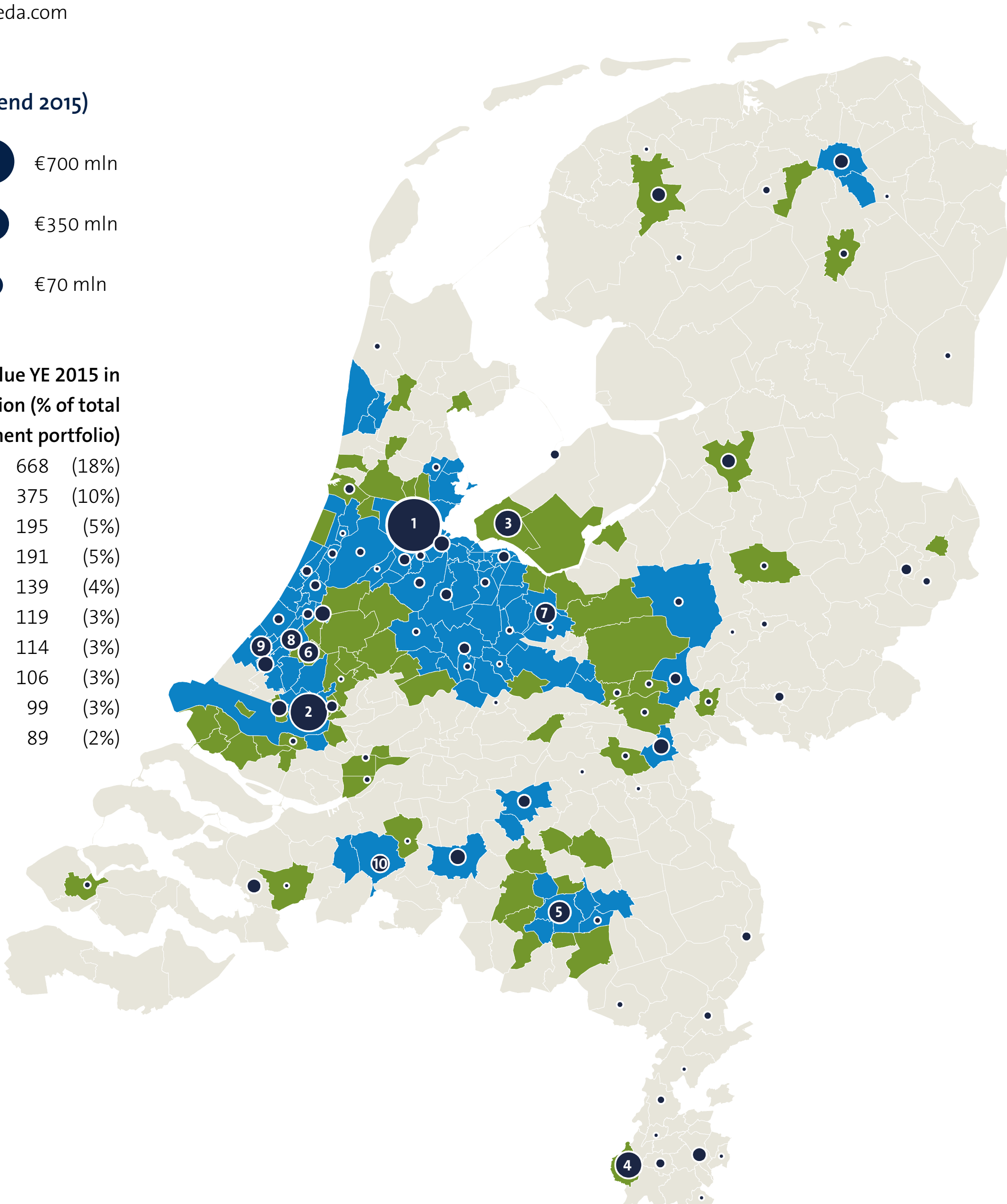
Portfolio distribution (year-end 2015)

- Primary regions [1)]
- Secondary regions [1)]
- Other

€700 mln
€350 mln
€70 mln

		Value YE 2015 in € million (% of total investment portfolio)	
1	Amsterdam	668	(18%)
2	Rotterdam	375	(10%)
3	Almere	195	(5%)
4	Maastricht	191	(5%)
5	Eindhoven	139	(4%)
6	Zoetermeer	119	(3%)
7	Amersfoort	114	(3%)
8	Leidschendam-Voorburg	106	(3%)
9	The Hague	99	(3%)
10	Breda	89	(2%)



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