Vesteda Review 2017: further optimisation of investment portfolio and expansion of acquisition pipeline

Amsterdam, 11 April 2018

In 2017, the Dutch housing market was again in full swing. The number of housing market transactions showed a new record and the average increase in the value of homes was, as in 2015 and 2016, historically high. At the same time, the shortage on the mid-segment of the housing market was unmistakable and the Netherlands still has a long way to go in making its homes more sustainable.

Vesteda once again took significant steps in 2017 to optimise its residential portfolio. We have further expanded our holdings in the mid-rental segment and we have taken important steps to make our portfolio more sustainable. Our goals for 2018 are ambitious and we are confident that we will continue our way forward in 2018. We would like to invite you to read more about this in this press release and in our online annual report www.vestedareport.com.

Key developments 2017

- The realised result excluding one offs of €150 million was slightly higher than in the previous year (2016: €149 million).
- Following the arrangement of new long-term financing, Vesteda has further unwound its derivatives position (Interest Rate Swap) and is expected to substantially reduce its future interest expenses. Including the one-off costs of €12 million for the unwinding of the Interest Rate Swap, the realised result amounted to €138 million compared to €142 million in 2016 (including a one-off cost of €7 million related to the reorganisation provision in 2016).
- The unrealised result amounted to €544 million (2016: €391 million).
- The total comprehensive income amounted to €701 million in 2017 (2016: €537 million).
- The like-for-like rent increase was 2.8% versus inflation of 1.3% (December y-o-y).
- The average occupancy rate remained high at 97.9%, unchanged from 2016. The occupancy rate was 97.6% at year-end 2017, compared with 97.8% at year-end 2016.
- 332 residential units were added to the investment portfolio from the acquisitions pipeline.
- 507 individual residential units were sold through individual unit sales, generating a result on property sales of €13 million (net margin of 15.9%).
- 853 new build units were added to the committed pipeline in 2017. Vesteda's total committed pipeline amounted to 2,272 residential units at year-end 2017, representing an indicative market value at completion of €566 million.
- Outperformance of the MSCI Netherlands "All Residential" benchmark on both direct return (+0.2%) and indirect return (+0.8%).
- Significant improvement of the average energy label of our investment portfolio: share of energy label A-C in investment portfolio increased to 81% (2016: 75%).

- GRESB Green Star rating with four out of five stars (2016: three out of five stars).
- Implementation of new organisational structure and relocation to new head office in Amsterdam (De Boel).

Key developments after the balance sheet date

- In Q1 2018, Vesteda has optimised the conditions of its revolving credit facility by closing an ‘Amend and Extend’ transaction. Besides an increase of the facility size with €100 million to €700 million, the revised terms include extension of the maturity until 2023, addition of two further extension options, lower pricing and expansion of its bank group. With this transaction, Vesteda made optimal use of its strong credit profile and the currently favourable condition in the bank lending market.

Key figures 2017

Income (in € million)	**FY 2017**	**FY 2016**
Theoretical rent	254	248
Loss of rent	(7)	(6)
Gross rental income	**247**	**242**
Service charges income	10	10
Revenues	**257**	**252**
Property operating expenses (excluding service charges)	(57)	(55)
Service charges	(16)	(15)
Net rental income	**184**	**182**
Result on projects in progress	-	1
Result on property sales	13	14
Management expenses	(16)	(22)
Interest expenses (including amortisation of financing costs)	(31)	(33)
Unwind transaction derivatives	(12)	-
Realised result before tax	**138**	**142**
Unrealised result	**544**	**391**
Result before tax	**682**	**533**
Tax	-	-
Result after tax	**682**	**533**
Revaluation of Property Plant and Equipment (PPE)	1	-
Unwind transaction derivatives	12	-
Revaluation of derivatives	6	4
Total comprehensive income	**701**	**537**

Statement of financial position (in € million)	31 December 2017	31 December 2016
Total assets	5,084	4,375
Equity	3,819	3,045
Debt capital	1,177	1,237
Leverage ratio (in %)	23.2	28.3

Return on Equity (in % of opening equity)	FY 2017	FY 2016
Realised return	**4.5**	**5.4**
- return from letting	4.5	4.9
- return from property sales	0.4	0.5
- return from unwind transaction derivatives	(0.4)	0.0
Unrealised return	**17.9**	**14.9**
Total return	22.4	20.3
Return from other comprehensive income	0.6	0.1
Total comprehensive return	**23.0**	**20.4**

Message from Vesteda Managing Board

Residential market very dynamic in 2017

Last year was once again an extremely good year for investors in the Dutch residential real estate market. This was thanks to a strong economy, confidence in the residential market and low mortgage interest rates. As in 2016, the value growth in Vesteda's portfolio was significantly higher than the long-term average. Largely thanks to the strong market development, the value of our portfolio increased by 13.6% to €4.8 billion in 2017. This strong increase in value took the average value of the homes in our portfolio back to levels last seen in 2007, just before the start of the financial crisis. The demand for rental homes also remained very strong last year. As a result, we maintained our relatively high occupancy rate, in line with the trend seen over the past few years. The realised result excluding one-offs was slightly higher than in 2016, while the realised return declined as a result of the sharp increase in the value of our portfolio.

Serious housing shortage in the mid-segment

The number of liberalised sector rental homes is much smaller than the number of owner occupier homes and regulated (social) sector rental homes. This situation is the result of 50 years of government policies and incentives aimed at the owner occupier and government-regulated social rental sectors. On top of this, the demand for liberalised sector rental homes has also increased due to demographic trends such as the ageing of the population, an increase in the number of one and two-person households, ongoing urbanisation and increasing mobility on the labour market. The country's 1.5 million middle-income households are therefore increasingly dependent on the liberalised rental sector. A very significant challenge for the years ahead will be to find a sustainable balance between supply and demand on the Dutch residential market. The huge demand we are now seeing does seem to have short-term benefits for residential investors, but in the long term this trend carries the risk of a stagnating market. The sector will have to take measures quickly to help keep the market active. If the sector fails to take these measures in time, there is a danger of an uptick in government-driven legislation. We have to work together as a sector and do everything we can to realise more homes in the mid-rental segment. Only if we do so we will be able to offer suitable homes to this very large group of middle-income households, who constitute a major bastion of our society.

2017: Continued optimisation of our residential portfolio and services

In 2017, we recorded major progress in the continuing optimisation of our portfolio, by means of targeted acquisitions, the sale of assets and investments. Last year, we added 853 homes to our acquisition pipeline. At end-December 2017, our acquisition pipeline stood at 2,272 residential properties. Virtually all of these homes are located in and around the largest Dutch cities and in the scarce mid-rental segment and they will all be added to our portfolio in the years ahead.

We also improved our homes thanks to a range of energy-saving measures, increasing the percentage of homes assigned a green energy label (A, B or C) to 81% at year-end 2017, from 75% a year earlier. This puts us well on track to achieve our target to have at least 80% of our homes assigned a green energy label and a maximum of 20% of our homes with energy label D before the end of 2020.

Last year, we also centralised our three head offices in a single office adjacent to Amsterdam's Zuidas business district. Having all the various disciplines under one roof will enable us to further improve reciprocal cooperation and the services to our tenants.

CSSR rooted more deeply in the organisation

In 2017, Vesteda took a number of major steps in the field of Corporate Sustainability and Social Responsibility (CSSR) and we once again improved our performance on the sustainability front. We have further increased awareness and engagement and taken additional steps in the professionalisation of our reporting on our CSSR related activities and the progress we have made. The extra attention we have devoted to sustainability also had a positive impact on our total Global Real Estate Sustainability Benchmark (GRESB) score, which climbed to 76 points in 2017, up from 67 points a year earlier. Thanks to this, we were rated Green Star with four stars out of a maximum of five.

Feel at home: On our way forward

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. We have set ambitious targets for 2018. This year, we face a number of major challenges, including our continuing efforts to increase the sustainability of our portfolio and the roll-out and implementation of our new ERP system. We will continue full steam ahead with our ongoing efforts to optimise our portfolio and our organisation, so we can improve our services to our tenants and our investors. We have every confidence that we will continue our way forward in 2018.

For more information, please visit the Vesteda Annual Report at www.vestedareport.com.

About Vesteda

Vesteda is an entrepreneurial investor with a clear focus on the Dutch residential real estate market. Vesteda invests funds for institutional investors such as pension funds and insurers. Vesteda has total capital of €5.0 billion invested in real estate. Its rental portfolio stands at a total of approx. 22,500 residential units. Vesteda's key investment regions are the Randstad region and the Brabant metropolitan area.

Contact

Mirjam Witteman, Investor Relations Officer
Telephone: +31 (0)88 456 2369 / +31 (0)6 1504 6751
E-mail: m.witteman@vesteda.com