

Vesteda Review 2018: bolstered position in core regions and mid-market segment of the Dutch residential market

Amsterdam, 3 April 2019

A dynamic year

Last year was in many ways a very dynamic year. It was a year in which we took major steps towards the realisation of our strategic objectives. For example, we have considerably increased the size of our portfolio and our exposure to the mid-rental segment and core regions and slightly improved the overall tenant satisfaction. We have also invested heavily in making our portfolio and fund more sustainable. At the end of 2018, 84% of our portfolio had a green energy label and we improved our GRESB score to the maximum of five stars. However, 2018 was also a year in which we saw the availability of residential properties in the Netherlands' major cities come under increasing pressure, and a year in which the Dutch government's new Climate Agreement expressed the ambition to disconnect the entire Dutch housing supply from natural gas by 2050. [Read more.](#)

Key developments 2018

- Overall satisfaction of tenants improved to 6.8 (benchmark 2018: 6.7).
- Like-for-like rent increase of 2.7%
- Reduced overall interest costs to 2.1% (2017: 2.7%).
- Leverage ratio of 23.7% at year-end 2018 (target <30%).
- GRESB score¹ of five out of five stars with a score of 85 out of 100 (2017: four out of five stars); ranking 2nd out of 13 in 2018 compared with 6th out of 13 in 2017.
- Total Expense Ratio (TER) decreased to 31 basis points over GAV, compared with 35 basis points over GAV in 2017.
- Acquired 6,863 residential units in 2018 of which 6,777 as a portfolio acquisition (former Delta Lloyd portfolio, including pipeline).
- Issued €1,080 million equity as a result of the acquisition of the former Delta Lloyd portfolio.
- Issued €500 million bond under the EMTN programme.
- Sold 2,229 residential units, 322 of which in individual unit sales, 35 units as a complex sale and 1,872 as a portfolio sale. Total net result on property sales of €44 million.
- Committed pipeline stood at 1,433 residential units at year-end 2018, representing an indicative market value at completion of €403 million.

¹ The Global Real Estate Sustainability Benchmark (GRESB) is an organisation that measures the sustainability performance of the real estate investment sector worldwide.

- Outperformance of the three-year MSCI IPD Netherlands Residential Benchmark both in terms of direct return (+0.2%) and capital growth (+0.5%).

Key figures 2018

| Income (in € million) | FY 2018 | FY 2017 |
|---|--------------|------------|
| Theoretical rent | 290 | 254 |
| Loss of rent | (9) | (7) |
| Gross rental income | 281 | 247 |
| Service charges income | 10 | 10 |
| Revenues | 291 | 257 |
| Property operating expenses (excluding service charges) | (65) | (57) |
| Service charges | (16) | (16) |
| Net rental income | 210 | 184 |
| Result on projects in progress | - | - |
| Result on property sales | 44 | 13 |
| Management expenses | (18) | (16) |
| Interest expenses (including amortisation of financing costs) | (29) | (31) |
| Unwind transaction derivatives | - | (12) |
| Realised result before tax | 207 | 138 |
| Unrealised result | 825 | 544 |
| Result before tax | 1,032 | 682 |
| Tax | - | - |
| Result after tax | 1,032 | 682 |
| Revaluation of Property Plant and Equipment (PPE) | 2 | 1 |
| Unwind transaction derivatives | - | 12 |
| Revaluation of derivatives | - | 6 |
| Total comprehensive income | 1,034 | 701 |

| Statement of financial position (in € million) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Total assets | 7,337 | 5,084 |
| Equity | 5,517 | 3,819 |
| Debt capital | 1,746 | 1,177 |
| Leverage ratio (in %) | 23.7 | 23.2 |

| Return on Equity (in % of time weighted average equity) | FY 2018 | FY 2017 |
|---|-------------|-------------|
| Realised return | 4.6 | 4.1 |
| - return from letting | 3.6 | 4.1 |
| - return from property sales | 1.0 | 0.4 |
| - return from unwind transaction derivatives | 0.0 | (0.4) |
| Unrealised return | 18.4 | 16.2 |
| Total return | 23.0 | 20.4 |
| Return from other comprehensive income | 0.0 | 0.5 |
| Total comprehensive return | 23.0 | 20.9 |

Message from Vesteda Managing Board

Vesteda boosts position in mid-market segment and cities

In the first half of 2018, Vesteda bolstered its position in its core regions and the mid-market segment of the Dutch residential market with two major transactions. In April, we sold part of our portfolio, totalling 1,872 homes (90% of which is in the government-regulated segment) and at the end of June we acquired the former Delta Lloyd portfolio of 6,777 homes from NN Group.

Our portfolio, including the committed acquisition pipeline of 1,433 homes, comprised a total of 29,242 homes at year-end. Our exposure to the mid-market segment and the primary regions increased to 73% and 91% respectively.

Focus on sustainable living

In 2018, we have made good progress on our ESG objectives. Our sustainability programme is on schedule, and we invested in various new projects in the year under review. These projects relate among other things to resource consumption, portfolio sustainability, stakeholder engagement and Health & Well-being. For instance, we registered our 'Aan de Rijn' apartment complex in Arnhem for a WELL Building Standard certificate. WELL is a certification system aimed at improving the impact of a building on the health, comfort and well-being of its users and is a perfect fit with our ambition to play a leading role in the field of sustainable living.

Project Milestone – 3D-printed concrete houses

In May of last year, the Eindhoven local council, the Eindhoven University of Technology and the companies Van Wijnen, Vesteda, Saint Gobain-Weber Beamix and Witteveen+Bos announced plans to realise the first fully habitable home to come directly from a 3D printer. The home will be the first of five homes to be built with 3D-printed concrete, which will be built in Eindhoven in the years ahead. The innovation of 3D printing has the potential to revolutionise the future of residential building in terms of speed, affordability and freedom of form and choice. We are proud that Vesteda is involved in this project and that we will include the first 3D-printed concrete home in our investment portfolio in 2019.

Continuing pressure in the Dutch housing market

Even though expectations are that house price growth will moderate, this will continue to be a matter of concern and it continues to dominate the public and political debate on the housing market. A lot of attention is being devoted to potential regulatory measures. Some cities, such as Amsterdam and Utrecht, have already taken measures. On a national level, the Dutch government is considering implementing legislation that would give municipalities with tight housing markets the power to cap prices for new rental contracts at a certain percentage of a government-set property value, the so-called emergency button. However,



these (impending) measures may actually be counterproductive and lead to increasing scarcity of affordable housing and segregation. To prevent further rent hikes in the over-stretched housing market, we believe the government should be encouraging investments from long-term investors. The only real way to remedy undesirable price developments due to scarcity in the housing market is building more high-quality homes in the mid-rental segment. What we need in the housing market is cooperation between local councils and long-term residential investors. Long-term investors such as Vesteda can offer a solution to this problem and they should be seen more as partners of local councils and politics. They have the resources to build large numbers of new rental homes and to renovate and make existing mid-market segment homes more sustainable. The housing market is a market in which these parties can make a long-term acceptable return on the social capital entrusted to them.

Vesteda Managing Board

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

Not for publication:

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 €7.3 billion invested in real estate (including pipeline). Its rental portfolio stands at a total of approx. 29,000 residential units. Vesteda's homes are mainly located in the economically strong regions and core urban regions.

Contact

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