VESTEDA GROUP

ANNUAL REPORT

2010

Vesteda Group
Annual Report 2010

This Annual Report is an English translation of the Dutch version. The Dutch version will prevail in the event of any differences of interpretation. Copies of the Annual Report are available on www.vesteda.com

Disclaimer: References in this Annual Report to 'Vesteda', 'we', 'the company' or similar terms mean the Vesteda Group as defined in the 'Legal structure' section on page 104. This Annual Report contains forward-looking statements. Those statements may – without qualification – contain expectations on future realised and unrealised results, yields, distributions, government measures, the effect of other regulatory measures on Vesteda's activities, the shares in Vesteda Group, subsidiaries and joint ventures, macro-economic trends and Vesteda's performance in them. Such comments are preceded or followed by or contain terms such as 'believe', 'expect', forecast', 'of the opinion', 'anticipate' or similar terms. These forward-looking statements are based on current assumptions about future activities and are subject to known and unknown factors and other uncertainties, many of which are beyond Vesteda's control, and so actual results in the future may differ materially from these expectations.

Contents

Summary

New Orleans, Wilhelminapier-Rotterdam

Vesteda Group profile

Vesteda is a property investment fund focusing on the Dutch residential property sector. It develops, acquires, lets, manages and sells homes, thus raising the quality of its property portfolio. Vesteda offers households rental homes that meet their residential needs and offers investors a property portfolio providing investment opportunities in the Dutch housing market.

Our market

deregulated sector between €653 and €1,200 and owner-occupied residential properties

Vesteda focuses on the deregulated sector, which includes all residential properties with rents from €653 per month, and within it on the mid-range of the sector, where rents are up to €1,200. The Dutch housing market has insufficient high-quality rental properties in good locations in this segment. Vesteda provides comfortable, carefree housing and has a broadly-based portfolio of apartments and houses in and around Dutch towns and cities in the core regions it has identified. Vesteda also sells newly-built residential properties and homes released from letting.

Our customers

smaller households with above-average incomes

Vesteda's range of products and services reflect the needs of current and future customers and are based on more than ten years of ongoing annual surveys of thousands of tenants and meetings with tenants and tenants' associations. Vesteda's customers are chiefly households with above-average incomes: single-person and dual-income households, but also families with children. People over 50 are an important group which is growing rapidly because of the ageing population. There is also a growing proportion of tenants from the business market: companies who rent homes for their employees or who make standard agreements on rents and terms.

Our investors[1]

for institutional investors

Vesteda is not listed on the stock exchange. Vesteda's investors are institutions including pension funds, banks and insurance companies. At the 2010 year end, Vesteda had seventeen investors; the aim is to increase this figure, nationally and internationally. Vesteda's profile is that of a 'core' investment fund[2] and it aims to make a stable annual distribution to its investors, while the investment itself grows in value by at least the rate of inflation over the long term.

Our environment

responsible and sustainable integration

With about 27,000 homes for rent, Vesteda provides housing for around 60,000 people, and devotes attention to open spaces, infrastructure, location in relation to the town centre and facilities, sustainable management and a responsible use of energy in all the properties its develops.

Our people

results-driven organisation

Vesteda Group has about 380 employees (about 330 FTEs). The investment, development, purchase and sales policies are based on surveys and market research. The organisation is results-driven and focuses on achieving customer satisfaction and yields.

Our mission

comfortable housing for people

Everything we do at Vesteda can be summed up in our simple, but challenging, mission: to create added value by providing people with comfortable housing so that our tenants, investors and employees will be happy and feel at home with Vesteda every day.

1 'Investors' is used as a general term to refer to the group of investors in Vesteda who hold either a shareholding (shareholders) or a direct interest (limited partners). See also the Legal Structure on page 104.

2 On the INREV definition, see page 20.

WHAT WE OFFER…

…TO OUR TENANTS AND BUYERS

Vesteda stands for a great quality of life, in good locations in and around larger towns and cities in the Netherlands.

the advantages of renting

Tenants do not have to worry about maintenance or the associated costs, do not face a possible drop in the value of their house or a rise in mortgage interest rates and renting is very flexible, guaranteeing tenants' mobility as, after the first year, tenants only have to give one month's notice. A customer contact centre is available 24/7 to deal with maintenance and emergencies.

the advantages of buying

Buyers choose to own their home. Vesteda offers a range of properties in good locations allowing a choice between an attractive newly-built home or one that is being sold out of the letting portfolio.

…TO OUR INVESTORS

Vesteda offers investors access to the Dutch housing market through a 'core' investment fund. There are three key concepts: limited risk, stable distributions and flexibility.

limited risk

Vesteda offers a limited risk profile by conservative use of loan capital, which is spread across various markets and with an interest rate risk that is largely hedged. Vesteda reduces its risk further by being of such a size that reduces those risks within the portfolio, achieving a good spread across the market with the emphasis on strong regions and by focusing on growing segments in the market.

stable distributions

Vesteda offers a stable direct yield available for distribution, putting the long-term indirect yield on invested capital at or above the level of inflation.

flexibility

Despite not being listed on the stock exchange, Vesteda offers its investors a certain flexibility by bringing together a broad group of institutional investors with a long-term focus and having an active investor-relations policy, thus supporting the liquidity of the shares.

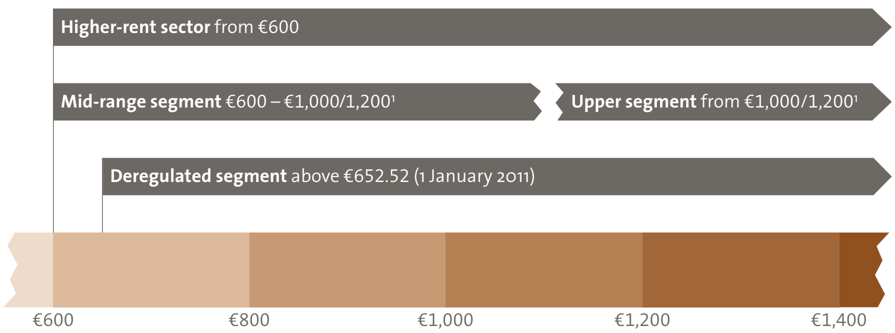
…TO OUR EMPLOYEES

results-driven enterprise

Vesteda is an employer where results-driven enterprise, cooperation, personal responsibility and open communications are central. Vesteda offers scope for self-development, good training opportunities, a professional group of colleagues and a competitive salary.

The higher-rent sector

The following definitions are used in this annual report (net monthly rent, excluding service costs)



1 regional variation (the limit is €1,200 in economically stronger regions and €1,000 in weaker regions)

OPERATIONS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Balance sheet ► page 114										
year end, amounts in millions	**€**	€	€	€	€	€	€	€	€	€
total assets	**4,707**	4,932	5,107	5,077	4,630	4,356	4,323	4,288	4,250	4,204
equity	**2,793**	2,941	3,264	3,288	3,169	2,956	2,902	2,877	2,861	2,845
loan capital (long-term)	**1,695**	1,758	1,725	1,650	1,300	1,300	1,300	1,237	1,238	966
Portfolio value ► page 65										
year end, amounts in millions	**€**	€	€	€	€	€	€	€	€	€
Development portfolio	**163**	254	279	135	176	196	256	218	168	143
Letting portfolio	**4,402**	4,484	4,699	4,799	4,306	4,034	3,850	3,838	3,899	3,913
total portfolio	**4,565**	4,738	4,978	4,934	4,482	4,230	4,106	4,084	4,067	4,056
Units ► page 71										
year end, being let										
number of residential properties	**26,732**	27,243	27,624	28,334	27,990	29,276	31,122	33,474	35,904	38,070
number of commercial m²	**57,515**	51,663	43,179	39,789	41,725	36,098	40,791	36,960	37,266	34,594
number of parking/garage spaces	**10,177**	9,699	9,457	8,984	8,185	7,203	7,146	6,928	7,420	7,318
Occupancy rate ► page 72										
year end, as % of residential properties	**%**	%	%	%	%	%	%	%	%	%
Letting portfolio	**95.2**	95.3	97.1	97.2	96.8	96.4	97.4	98.4	98.7	98.7
Net rental income ► page 18, 70										
amounts in millions	**€**	€	€	€	€	€	€	€	€	€
Letting portfolio, at start of year	**4,484**	4,699	4,799	4,306	4,034	3,850	3,838	3,899	3,913	4,000
net rental income	**175**	180	176	168	159	162	173	178	187	191
net rental income	**3.9%**	3.8%	3.6%	3.8%	3.9%	4.2%	4.5%	4.6%	4.8%	4.8%
Customer satisfaction ► page 62										
Rating (out of 10)										
Letting portfolio	**6.9**	7.0	7.0	7.1	7.1	7.0	7.1	7.2		
Operating result ► page 19, 115										
amounts in millions	**€**	€	€	€	€	€	€	€	€	€
realised result from letting	**110**	109	110	137	147	192	199	195	200	199
realised result from project development	**–27**	–	–3	–4	2	–4	–2	1	1	–
unrealised result	**–177**	–372	–119	178	285	206	138	137	136	149
total operating result	**–94**	–263	–12	311	434	394	335	333	337	348
Total operating yield ► page 118										
as % of opening equity	**%**	%	%	%	%	%	%	%	%	%
realised yield from letting	**3.7**	3.4	3.3	4.3	4.9	6.6	6.8	6.9	7.1	7.1
realised yield from project development	**–0.9**	–	–0.1	–0.1	0.1	–0.1	0.1	–	–	–
unrealised yield	**–6.0**	–11.4	–3.6	5.6	9.7	7.1	4.8	4.8	4.8	5.3
total operating yield	**–3.2**	–8.0	–0.4	9.8	14.7	13.6	11.7	11.7	11.9	12.4
Employees ► page 79										
year end										
FTES	**332**	346	337	318	322	298	286	267	189	116

RESULT, YIELD AND DISTRIBUTION

Result ► page 19

amounts in millions	**2010** €	2009 €	2008 €	2007 €	2006 €	2005 €	2004 €	2003 €	2002 €	2001 €
total operating result	**–94**	–263	–12	311	434	394	335	333	337	348
revaluation of derivatives (through group equity)	**21**	–35	–92	18	11					
total result	**–73**	–298	–104	329	445	394	335	333	337	348

Yield ► page 19

as % of equity, at start of year	**2010** %	2009 %	2008 %	2007 %	2006 %	2005 %	2004 %	2003 %	2002 %	2001 %
total operating yield	**–3.2**	–8.0	–0.4	9.8	14.7	13.6	11.7	11.7	11.9	12.4
revaluation of derivatives (through group equity)	**0.7**	–1.1	–2.7	0.6	0.3					
total yield	**–2.5**	–9.1	–3.1	10.4	15.0	13.6	11.7	11.7	11.9	12.4

Distribution to investors ► page 124

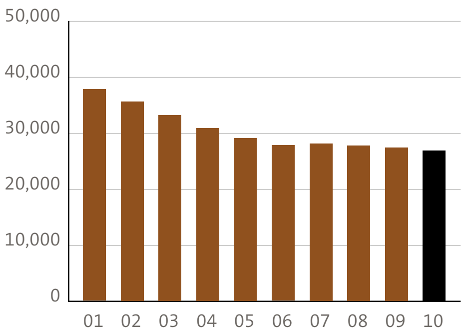
amounts in millions	**2010** €	2009 €	2008 €	2007 €	2006 €	2005 €	2004 €	2003 €	2002 €	2001 €
equity, at start of year	**2,941**	3,264	3,368	3,169	2,956	2,902	2,877	2,861	2,845	2,802
distribution to investors	**109**[1]	109	121	210	232	340	310	315	320	306
distribution to investors	**3.7%**	3.3%	3.6%	6.6%	7.8%	11.7%	10.8%	11.0%	11.3%	10.9%

Distribution to investors ► page 124

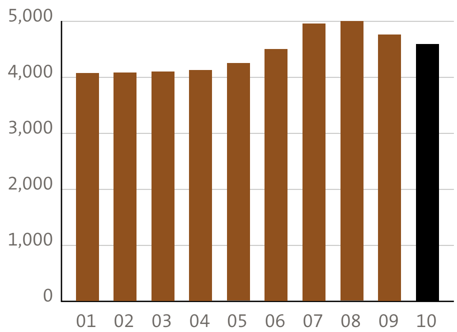
per share	**2010** €	2009 €	2008 €	2007 €	2006 €	2005 €	2004 €	2003 €	2002 €	2001 €
equity at start of year	**114.87**	127.49	131.52	126.74	118.23	116.08	115.08	114.43	113.77	112.09
distribution to investors	**4.26**	4.26	4.72	8.40	9.28	13.60	12.40	12.60	12.80	12.24
distribution to investors	**3.7%**	3.3%	3.6%	6.6%	7.8%	11.7%	10.8%	11.0%	11.3%	10.9%

1 the dividend will be distributed in 2011

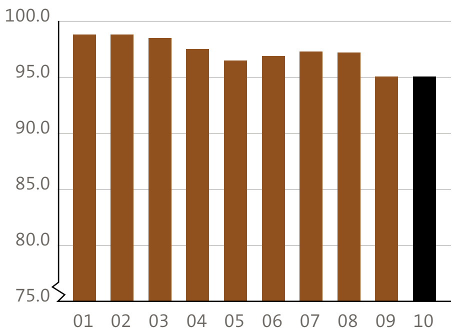
Number of residential properties
Letting portfolio, year end



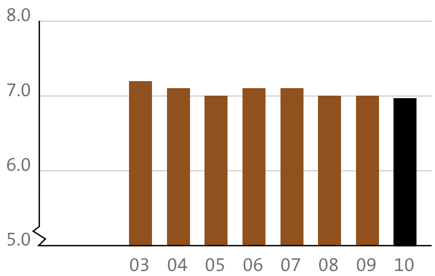
Total portfolio value
millions, at year end



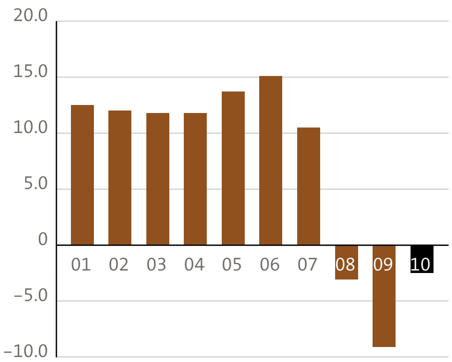
Occupancy rate
% of Letting portfolio, year end, in numbers



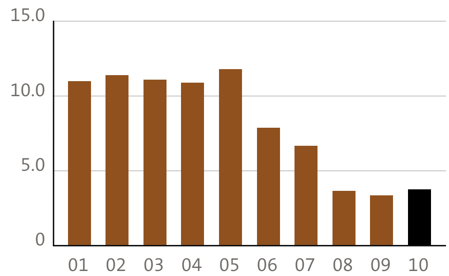
Customer satisfaction
Rating (out of 10)



Yield
% of opening equity



Distribution to investors
% of opening equity



2010

Improvement in total yield on equity to -2.5%, compared with -9.1% for 2009, turning around the decline that started in 2008 and deteriorated as a result of the credit crisis ► page 18

Increase in the realised yield from letting to 3.7% of opening equity, compared with 3.4% in 2009 ► page 18

Realised yield from project development of -0.9% of opening equity, mainly as a result of provisions on work in progress ► page 19

Unrealised yield of -6.0% of opening equity, mainly as a result of the revaluation of the Letting portfolio of -€146 million, the revaluation of finished goods, goods for resale and financial assets at Vesteda Project bv of -€19 million and the provision for future losses on projects on initial appraisal of -€11 million ► page 19

Increase in the net rental income from 3.8% to 3.9% in 2010, partly as a result of rent rises, cost savings and revaluations ► page 72

Occupancy rate in the Letting portfolio of 95.2% at year end, almost the same as at the start of the year despite handovers of new projects and a rise in tenancy turnover in 2010. The occupancy rate has remained almost unchanged thanks to a 10% increase in the number of lets in 2010 ► page 72

Increase in the gross/net ratio from 26.4% in 2009 to 28.5% in 2010. Letting expenses rose, partly because of higher service costs borne by Vesteda because of vacancies and an increase in marketing and selling expenses as a result of the increased tenancy turnover ► page 77

Increase in management expenses from 38 bp to 44 bp in 2010, partly as a result of a provision for a restructuring which will deliver structural savings from 2011. Ignoring this provision, management expenses would have risen from 38 bp to 40 bp, an increase largely explained by the fall in the value of the portfolio ► page 77

€350 million refinancing secured in April to replace the €400 million of bonds that expired in mid-2010, which has the triple-A credit rating that the bonds have enjoyed continuously since they were issued. Vesteda, therefore, successfully completed the refinancing of the existing bonds ► page 24

Renewed current account credit facility for Vesteda Project bv in May, with a new, lower maximum of €100 million ► page 26

Mortgage of €22.5 million was obtained for properties in Vesteda Woningen II cv in October ► page 26

The further adjustment of the pipeline of projects under development. A number of projects for which there were no firm, contractual arrangements have been removed from the pipeline. It was also decided to sell more newly-built homes from the pipeline, if conditions permit and where the market offers opportunities ► page 66

Progress on the Horizon Vesteda 2012-2020 project, creating and agreeing a new fund profile with investors ► page 22

STRATEGIC AGENDA YEAR END 2010

Completion of the Horizon Vesteda 2012-2020 project with investors. The remaining key steps are implementation and decisions on the transformation of the structure of the investment fund and drawing up and signing new fund documentation. Vesteda wants to transform its structure into a modern, transparent and commercially effective one, including corporate governance provisions that can meet current legislation and regulations and investors' demands ► page 22

Attracting new investors and increasing investor relations activities, including outside the Netherlands. Investor relations will be given greater shape and made more specific. The Managing Board and, in particular, the CFO will have a coordinating role, with a significant use of various disciplines (corporate communications, marketing, research and financial reporting), and specialist external parties will be used. This all has the aim of attracting new share capital in the Netherlands and elsewhere ► page 22

Preparation for refinancing in 2012. Exploratory discussions and surveys of various markets for loan capital will take place to prepare for suitable refinancing of the bonds expiring in 2012: the A3a series of €100 million, the A3b series of €300 million and the A5 series of €350 million ► page 24

Gradual reduction of the proportion of investments in the higher rental segment above €1,000 per month, in order to further reduce the investment risk. The reduction in the growth in this segment will initially be as a result of the inflow of projects under development. By the end of 2015, the proportion will be 20% of the value, declining further to 10% in 2020 ► page 53

Improvement in occupancy rate from 95.2% to at least 97.0% by changes in the portfolio, targeted sales, improving commercial results and other measures ► page 27

Improvement in the realised yield by a higher occupancy rate, targeted sales and other measures, and so the realised yield on the investment portfolio is expected to be at least 4.5% of opening equity from 2015 ► page 28

The reformulation of the strategy of the property management department based on the adjusted portfolio developments, with further examination – by region and sub-process – of whether added value can be derived by performing activities in house as the investor ► page 88

Smaller and more flexible organisation, enabling the size of the portfolio and the organisation to be brought back into balance and management expenses to be reduced ► page 89

Relocation of the head office to Amsterdam. The registered office will be moved to Amsterdam in the first half of 2011. The Managing Board and immediate supporting functions will then operate from Amsterdam

Board members[1]

SUPERVISORY BOARD

appointed January 2002, reappointed January 2006, appointed chairman July 2006, retirement at end of second (and final permitted) term of office January 2010, extended to January 2012

W.F.T. (Frans) Corpeleijn (63), chairman

Dutch nationality. Lawyer with the law firm Stibbe. Areas of expertise: management, Managing Board appointments, remuneration, legal. Ancillary positions: Managing board chairman of Sibelco nv, supervisory board chairman of Theodoor Gilissen Bankiers nv, supervisory board chairman of De Stiho Groep bv, chairman of the board of United World College Maastricht, chairman of the advisory committee of the Frans Hals Museum.

appointed April 2002, reappointed April 2006, retirement at end of second (and final permitted) term of office April 2010, extended to April 2011

P.S. (Pieter) van den Berg (65) *appointed on the nomination of other investors*

Dutch nationality. Former controller of and adviser to the Board of PGGM. Areas of expertise: financial (including accountancy and pension investments), tax, remuneration. Ancillary positions: supervisory director of Ampere Equity Fund, a member of Maatschap VC Holland, which visits pension funds for internal supervision purposes.

appointed July 2006, reappointed July 2010, retirement at end of second (and final permitted) term July 2014

D.J. (Dick) de Beus (64)

Dutch nationality. Member of remuneration committee. Former chairman of the managing board of PGGM. Areas of expertise: management and financial (including pension investments). Ancillary positions: supervisory director of 's Heeren Loo Zorggroep, supervisory board chairman of Stichting Nederlands Philharmonisch Orkest and Nederlands Kamerorkest (Dutch philharmonic and chamber orchestras), board chairman of the SNS REAAL pension fund, member of the investment advisory committee of the Gasunie pension fund, member of the investment advisory committee of the Start Foundation, member of the board and chairman of the investment committee of the Stork pension fund, expert adviser to Montae Pensioen.

appointed July 2007, retirement at end of first term of office July 2011

C.A.M. (Kees) de Boo (66) *appointed on the nomination of Stichting Pensioenfonds ABP*

Dutch nationality. Member of remuneration committee. Former Chairman of the Managing Board of NS Vastgoed. Areas of expertise: management, financial (including property investment), project development, property letting. Ancillary positions: board member of the Central Fund for Social Housing, board member of the Stichting ROZ, member of the advisory board of HD Projectrealisatie Rotterdam, treasurer of the Friends of the Netherlands Architecture Institute, member of the board of Artis (Amsterdam Zoo).

appointed January 2010, retirement at end of first term of office January 2014

C.M. (Charlotte) Insinger (45)

Dutch nationality. Chairman of the remuneration committee. Independent management adviser. Former CFO of Erasmus Medisch Centrum hospital. Areas of expertise: management, financial, tax. Current positions: partner in Nieuwe Commissaris Consult, supervisory director of SNS REAAL nv, member of Advisory Board of Stichting Koninklijke Diergaarde Blijdorp (Blijdorp Zoo), member of the board of the Doping Autoriteit and member of Advisory Board of Between Us.

Joining after the end of the year under review

appointed April 2011, retirement at end of first term of office April 2015

J.A. (John) de Die (50) *from April 2011, successor to Pieter van den Berg*

Dutch nationality. CFO-COO of AAC Capital Partners. Ancillary positions: Supervisory director of Diamond Tools Group. Non-executive director of Precision Tools Holding. Member of the Advisory Board of Advies Holland Integrity Group.

1 of Vesteda Groep bv and Vesteda Groep II bv

MANAGING BOARD

CEO from February 2011

A.J.M. (Arjan) Schakenbos (53), CEO

Dutch nationality. CEO and director responsible for strategy, personnel & organisation and communications. Ancillary positions: Member of the Economic Development Board Rotterdam (EDBR), Member of the Board of Supervision of Velthuis Klinieken (five private clinics).

Member of the Managing Board since July 2004

O. (Onno) Breur (60), COO

Dutch nationality. Responsibility for asset management, property management, research/market research and facilities. Ancillary position: supervisory director of Westplan.

Member of the Managing Board since October 2010

L.A.S. (Luurt) van der Ploeg (40), CFO

Dutch nationality. Responsibility for investor relations, finance and administration and funding, control, legal and tax affairs, ICT/information provision and business development. Mr van der Ploeg has no ancillary positions.

Director of Vesteda Project bv from March 2003. Appointed as Director of Sales and Acquisition in April 2010

N. (Nico) Mol (57), Director of Sales and Acquisition

Dutch nationality. Responsibility for sales, project development (Vesteda Project bv) and sustainability. Mr Mol has no ancillary positions.

Retired during 2010

Member of the Managing Board from February 2000 retired at the end of September 2010

F.H. (Frits) van der Togt (58), CFO

Retires after the end of the year under review

Member of the Managing Board from January 2000, Chairman from November 2003, CEO from August 2006, retired at the end of January 2011

H.C.F. (Huub) Smeets (63), CEO

The Supervisory Board and the Managing Board Vesteda Group, Amsterdam, 18 February 2011. Left to right: Onno Breur, Kees de Boo, Luurt van der Ploeg, Frans Corpeleijn, Arjan Schakenbos, Charlotte Insinger, Nico Mol en Pieter van den Berg. Not in the photo: Dick de Beus.

Investment strategy

Vesteda's investment strategy focuses on realising an attractive, stable yield available for distribution and real, long-term value creation. From research, Vesteda has compiled a target portfolio that informs the investment policy. In this context, Vesteda undertakes comprehensive portfolio management, permanently balancing letting, redevelopment and sales with the aim of maximising long-term proceeds. Acquisition, letting and management and sales activities support the investment activities.

Dynamic investment portfolio

rejuvenation of portfolio through inflows and outflows

A key element of Vesteda's investment strategy is the roll-over principle: creating flexible opportunities for rejuvenating the portfolio if this is desirable given market conditions and the investment policy. Over the long term, a modest proportion of the portfolio, averaging 2% to 5%, is sold each year, with the value of the inflows and outflows of residential properties over the years and the target to reduce leverage being brought into the best possible balance. This ongoing rejuvenation helps to keep the portfolio up-to-date and consolidates capital gains.

Comprehensive portfolio management in line with target portfolio

focus on mid-rent €600 to €1,200 segment, focus on Randstad, Utrecht and Noord-Brabant

The target portfolio outlines the long-term composition of the portfolio that Vesteda is seeking to achieve. All purchases and disposals are considered against the framework of the target portfolio, which is reviewed and, if necessary, adjusted annually. In due course, most of the invested capital will be in housing in the €600 to €1,200 monthly rent band. The focus in the next few years will be strongly on the Randstad, Utrecht and Noord-Brabant.

Benchmark

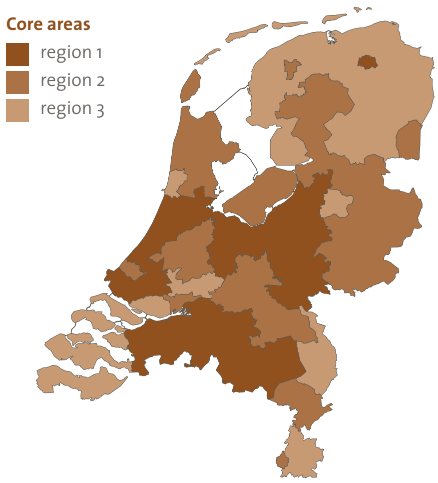
IPD Netherlands 'All Residentials'

Vesteda compares its yields against those of the IPD Netherlands 'All Residentials' benchmark, which reflects the average yield on all participating Dutch residential property investments for various periods. One of Vesteda's targets is to beat the benchmark each year, i.e. to perform structurally better than the average annual yield of the participants.

Risk spreading

size creates diversification

Vesteda is one of the largest Dutch residential property investment funds with invested capital of €4.7 billion. This size allows a good spread of the invested capital across geographical markets and price segments. It also ensures good diversification, meaning a significant mitigation of risk within the portfolio.



ACQUISITION

Vesteda acquires residential properties through purchases and in-house developments by Vesteda Project bv, which also acts as the commissioning authority towards third parties for new purchases.

Changes to the pipeline

adjustment of inflows

As a result of market developments and their consequences for the enterprise, Vesteda sharply reduced the pipeline of projects under development in 2009 and 2010.

Cooperation with municipalities

partnership from planning to letting

Experience with various municipalities has shown that Vesteda's specific knowledge of tenants and their wishes can play an effective part in helping to develop areas and neighbourhoods. Early participation is useful for a municipality as it means it can work with the same party during area and development planning, development and letting, and can transfer some of its tasks to a market player. Early participation also allows Vesteda Project bv to take part in determining the basic principles for the new development.

LETTING AND MANAGEMENT

Vesteda has its own local property management offices for commercial, administrative and technical management of its residential properties. Vesteda's own customer contact centre handles requests for information, applications and any problems which arise and monitors the quality of the maintenance.

Internet as primary communication channel

increasing role of the internet improves efficiency of letting process

The www.vesteda.com website is key to communicating with potential tenants. People can register an interest on the website, which displays an up-to-date list of housing currently available. All marketing activities support this process. Vesteda's properties are on all the major Dutch housing sites. Part of the customer contact centre's work is sales support: initial follow up, pre-selecting and completing registrations. The letting teams in the woongaleries handle letting. Vesteda recorded over 51,500 applications from some 25,500 people looking for a home in 2010 (an increase of 18% compared with 2009). Over 93% of them registered with Vesteda through the internet.

Direct customer contact by Vesteda's own, local property management

in-house property management in all main regions

It is usual in the property sector to work with local external property management organisations for management and letting. Given its chosen market sector and the associated growing demand for service, Vesteda decided in 2002 to perform its own property management. Vesteda will work to a greater extent with third parties in areas where its portfolio is more spread out or will decline in the next few years.

In-house customer contact centre monitors maintenance services and handles sales support

customer contact also in-house

Maintenance is coordinated by Vesteda's own customer contact centre, which oversees work and services provided by other parties, monitors agreements and provides feedback to tenants. Parties providing maintenance are paid fees that depend on customer satisfaction and the extent to which they comply with agreements. During 2010, the customer contact centre took on a new sales support role for all offices.

SALES

Sales of residential properties are intended to consolidate capital gains and improve the composition, age and quality of the portfolio and to reduce risk. Individual sales of residential properties maximise selling prices and complete complexes are sold for speed and liquidity.

Area of expertise

new sales organisation

Selling residential properties is an area of expertise for which Vesteda will have an increasing structural need. A new sales organisation was set up in 2010.

Transparent disposal process

analysis and management by various specialists, sales by external agents

The asset management department makes hold/sell analyses and advises the Managing Board on disposals on the basis of market developments and competitive analysis, inflow of new projects into the Vesteda portfolio, long-term forecasts for portfolio management and liquidity forecasts. After the Managing Board's decision, properties are allocated to the letting/sale phase of the Letting portfolio. The asset management department sets the disposal strategy in part by selecting the phasing and pricing of each individual home. It also monitors liquidity flows. A central department monitors the process and handles contract management.

Working towards a target portfolio

Disposals contribute to Vesteda being able to adjust the composition of its portfolio gradually towards the target portfolio.

Preference for individual sales

individual sales maximise prices and book profit

Vesteda prefers to dispose of properties through individual sales: direct sales of residential properties to the sitting tenant or with vacant possession to third parties. The best selling price is obtained by selling direct to the new owner/user.

Managing sales of complexes

sales of complexes assist speed of sale and create liquidity

A complex is sold if individual sales do not offer a financial benefit, for example, because of very low tenancy turnover or in other situations where it is not possible to generate sufficient speed of sale or liquidity. Strictly regulated and transparent procedures are used for sales of properties. As well as screening the financial soundness of potential candidates and source of funds as far as possible, the purchaser's good reputation is a major consideration. The sales terms incorporate the IVBN[1] Sales Code and anti-speculation provisions required by Vesteda.

1 The Association of Institutional Property Investors in the Netherlands: the body representing institutional investors in property in the Netherlands. See also www.ivbn.nl.

PERFORMANCE INDICATORS 2010

Vesteda's targets and the actual figures for 2010 are shown in the table below.

'investment' target partly achieved

The investment targets were partly achieved. The gross revenue per property and net rental income targets were achieved but in contrast net revenue per property fell in 2010 rather than making the targeted limited increase. The letting expenses and management expenses targets were not achieved. Management expenses rose sharply, largely as a result of a restructuring provision.

no development target in use

Vesteda did not formulate development targets for 2010. The investment in the Development portfolio and completions of residential properties were not a target in themselves. The criterion was to limit investment to the obligations entered into in the 'hard pipeline'.

'management/letting' target almost achieved

The management and letting targets were almost achieved: the rent rise and the target for the occupancy rate were achieved. Customer satisfaction fell marginally to 6.9.

'sales' target almost achieved

The sales targets were almost achieved: volume was €197 million against a target of approximately €200 million.

Turn around in decline in yield

Total yield on equity improved to -2.5% in 2010, turning around the decline that started in 2008 and deteriorated as a result of the credit crisis. Investors can expect a distribution of 3.7%.

Performance indicators: target against actual 2010

Performance indicator:	**actual 2010**	target 2010	actual 2009
Investment			
gross revenue per property	**increase of 3.0%**	limited increase	increase of 3.0%
letting expenses	**28.5%**	under 27.5%	26.4%
management expenses	**44 basis points**	under 40 basis points	38 basis points
net rental income	**3.9%**	approx. 4%	4%
net revenue per property	**fall of 0.3%**	limited increase	increase of 3.9%
IPD Netherlands 'All Residentials'	**t.b.a.**	above benchmark	beaten
Development			
investment level incl. VAT	**€172 million**	approx. €200 million	€233 million
hand-overs to Vesteda Group	**547 homes**	approx. 500 homes	731 homes
Management/letting			
occupancy rate:			
Letting portfolio	**95.2%**	approx. 95.0%	95.3%
of which let for more than 1 year	**96.1%**	approx. 96.0%	96.4%
rent rise (nominal)	**1.7%**	approx. 2%	2.8%
customer satisfaction	**6.9**	7.0	7.0
Sales			
disposal volume	**€197 million**	approx. €200 million	€173 million
Value creation (of equity)			
realised yield	**2.8%**	between 3½ and 4%	3.4%
unrealised yield	**–6.0%**	-	–11.4%
total yield	**–3.2%**	-	–8.0%
revaluation of derivatives (through group equity)	**+0.7%**	-	–1.1%
total yield	**–2.5%**	-	–9.1%
Distribution			
Distribution to investors	**3.7%**	approx. 3½%	3.3%

The total result for 2010 was -€73 million: a total yield of -2.5% of opening equity. The realised result was €83 million or 2.8%. The nearby table shows the components of the result and yield. At €245 million, gross rental income was the same in 2010 as in the previous year. Letting expenses rose by €5 million, in line with the greater demands that the portfolio mix put on the management organisation. As a result, net rental income fell by 3%.

RESULT AND YIELD IN 2010

The table on the next page shows the components of the result and yield.

Gross and net rental income

net rental income €175 million

At €245 million, gross rental income was the same in 2010 as in the previous year. Letting expenses rose to €70 million and so net rental income fell to €175 million.

Other income

other income -€19 million

Other income was €19 million negative as a result of provisions for future losses on projects at Vesteda Project bv.

Management expenses

management expenses €24 million

Management expenses rose from €21 million in 2009 to €24 million in 2010, mainly because of a restructuring provision of €2 million, the pay rise under the collective bargaining agreement, general inflation and higher consultancy fees.

Net interest

interest expense €69 million

The refinancing of the bonds expiring in 2010 and changes to the credit lines led to a higher average interest expense. Net interest rose compared with 2009, from €63 million to €69 million, as a result of the additional expenses relating to the swap agreement, amortisation of the A7 bonds and higher interest expense associated with financing properties in Vesteda Woningen II cv.

Letting result

letting result €63 million

On balance, the letting result fell from €100 million to €63 million in 2010. The fall of €37 million was the combined effect of the increases of €5 million in letting expenses, €6 million in interest expense and €3 million in management expenses and the fall of €23 million in the other income.

Result on disposals

result on disposals €22 million

The result on disposals rose sharply to €22 million. A higher volume of individual sales with relatively high margins and a lower volume of sales of complexes at lower but, compared with 2009, improved margins, were the main reasons for the improvement.

Realised result on the letting portfolio

realised result on letting €110 million

The realised result on letting rose marginally compared with 2009 to €110 million, despite higher interest expense and the restructuring provision.

Realised result on project development

realised result on project development -€27 million

As a result of write downs in project development and the provisions for future losses on projects at Vesteda Project bv, the realised result on project development was -€27 million.

Unrealised result

unrealised result -€177 million

The unrealised result was -€177 million, or -6.0% of opening equity. Compared with previous years, this has turned round the decline in the yield that deteriorated as a result of the credit crisis. In addition to the €146 million revaluation of the Letting portfolio, the unrealised operating result includes a provision of €11 million for future losses on projects.

Revaluation of derivatives

revaluation of derivatives €21 million

There was a positive revaluation of derivatives for 2010 of €21 million or 0.7% of opening equity as a result of higher interest rates, in particular in the final quarter of 2010.

Total result

total result -€73 million

The total result for 2010 was -€73 million: a total yield of -2.5% of opening equity. Although the total yield is negative, it is above the levels in 2008 and 2009. The low point of the credit crisis, in terms of its effects on Vesteda, seems to be behind us.

Result

In millions of euros	2010	2009	2008	2007	2006
Gross rental income	**245**	245	241	230	221
– Letting expenses	**70**	65	65	62	62
Net rental income	**175**	180	176	168	159
+ Other income	**–19**	4	3	5	12
– Management expenses	**24**	21	21	21	19
– Net interest	**69**	63	68	52	46
Letting result	**63**	100	90	100	106
+ Result on disposals	**22**	9	20	34	45
+ Result from participating interests	**–**	–	–2	–2	–1
– Tax	**2**	–	1	1	1
Realised result on letting	**110**	109	110	137	147
Realised result on project development	**–27**	–	–3	–4	2
Unrealised result	**–177**	–372	–119	178	285
Total operating result	**–94**	–263	–12	311	434
Revaluation of derivatives (through group equity)	**21**	–35	–92	18	11
Total result	**–73**	–298	–104	329	445

Yield

As percentage of opening equity	2010	2009	2008	2007	2006
Realised yield on letting	**3.7**	3.4	3.3	4.3	4.9
Realised yield on project development	**–0.9**	–	–0.1	–0.1	0.1
Unrealised yield	**–6.0**	–11.4	–3.6	5.6	9.7
Total operating yield	**–3.2**	–8.0	–0.4	9.8	14.7
Revaluation of derivatives (through group equity)	**0.7**	–1.1	–2.7	0.6	0.3
Total yield	**–2.5**	–9.1	–3.1	10.4	15.0

Equity

Vesteda is a residential investment fund that is not listed on the stock exchange. Vesteda's investors are institutions including pension funds, banks and insurance companies. At the 2010 year end, Vesteda had seventeen investors.

Vesteda's investment profile

Sector

property, residential properties

Vesteda is a property fund specialising in the residential property sector. It only invests in residential properties and other property in or related to residential projects.

Operating area

Netherlands

All Vesteda's investment properties are in the Netherlands.

Target group

institutional investors

Vesteda's strategy is focused primarily on institutional investors and the added value residential property has within the framework of an institutional investment portfolio.

Management

'dedicated'

Vesteda has a 'dedicated' management organisation which is not fee-based.

Distribution policy

Vesteda has to make an annual distribution to investors as set by tax law and guided by Vesteda's objective.

proposed distribution of €109 million for 2010

Vesteda's distribution is determined by its need for cash and opportunities for growing its activities and also by the dividend expectations of its investors. Factors such as credit ratios influence the financing arranged by Vesteda since meeting those ratios has a direct impact on funding costs and, therefore, on profitability. Vesteda seeks to make distributions that are to some extent predictable. A distribution of €109 million for the financial year 2010 will be proposed to the General Meeting of Investors ► page 124

Inrev classification

'core fund'

Inrev[1] has an unlisted style sheet: a summary of the key features of unlisted property funds relating to yield and risk. The nearby table shows the unlisted style sheet and Vesteda's fund characteristics. Vesteda is a residential property investment fund with its own asset management, project development and property management activities. According to the Inrev classification, Vesteda can be regarded as a 'core fund' from a risk perspective, with a 'loan to value'-loan capital of no more than 45%.

1 European Association for Investors in Non-Listed Real Estate Vehicles. This organisation plays a role promoting transparency in the growing market for unlisted property investment vehicles in Europe ► www.inrev.org

Inrev – fund style sheet

A Fund risk factors	
• Fund activity	residential property fund exclusively in the Netherlands in-house property management and development
• Direct/indirect:	Letting portfolio >=80% of assets (2010: 93%) Contributing to direct yield: >=90% of the Letting portfolio (2010: 95.2%) Not contributing to direct yield (vacancies, redevelopment): <10% of the Letting portfolio (2010: 4.8%) Development portfolio <20% of assets (2010: 4%)
• fees:	management expenses: <40 bp (2010: 44 bp) dedicated management
• Fund characteristics	permitted leverage: 45% LTV targeted leverage: 30% LTV (2010: 36% LTV)
• Diversification:	core area (active/not active) housing market areas/municipalities (in core area) location type (town centre, edge of town, out of town) rent product type (single-unit/multiple-residential properties) product segment (regular/serviced apartment)
• Key risks:	letting risk development risk interest risk financing risk revaluation risk

B Fund style INREV-classification	
• Core, value added or opportunistic:	Core

C Fund yield	
• Yield:	Targeted percentage based on realised yield: 4.5% (2010: 2.8%) Targeted percentage based on unrealised yield: at least inflation (2010: -6.0%)
• Benchmark:	IPD Netherlands 'All Residentials'

SHARES

Investors

no changes during 2010

There were no changes in investors during the year. At year end, Vesteda had seventeen investors as listed below.

Investors in Vesteda
At year end 2010 (alphabetical order)

Bouwfonds Nationale Nederlanden nv*
Delta Lloyd Levensverzekering nv
Delta Lloyd Real Estate Management Company sarl
Delta Lloyd Vastgoed Participaties bv
Loyalis Leven nv
Loyalis Schade nv
Stichting Achmea Dutch Residential Fund
Stichting Bedrijfstakpensioenfonds voor de Media PNO
Stichting Pensioenfonds ABP*
Stichting Pensioenfonds Openbaar Vervoer
Stichting Pensioenfonds Schuitema
Stichting Pensioenfonds voor de Grafische Bedrijven
Stichting Pensioenfonds voor Fysiotherapeuten
Stichting Pensioenfonds Xerox
Stichting Pensioenfonds Zorg en Welzijn*
Stichting Spoorwegpensioenfonds
Stichting TKP Pensioen Real Estate Fonds

* interest greater than 5%

Dates of General Meetings of Investors in 2010
Tuesday, 23 March
Wednesday, 19 May
Wednesday, 22 September
Tuesday 14, December

Dates of Investors' working conferences 2010
Wednesday, 14 April
Thursday, 14 October

Dates of General Meetings of Investors in 2011
Tuesday, 22 March
Wednesday, 14 December

Number of issued partnership contributions

25.6 million partnership contributions in issue

25,637,603 partnership contributions are in issue for Vesteda Woningen cv and Vesteda Woningen II cv.

Capital contribution in 2010

contribution of €9 million in Vesteda Woningen II cv

The existing investors made a capital contribution of €9 million in Vesteda Woningen II cv in 2010.

INVESTOR RELATIONS

Aim

timely, complete and clear

Vesteda strives for an open dialogue with current and potential investors, analysts and the financial media with the aim of getting to know investors' ideas and raising the profile and attractiveness of the unlisted Vesteda Group shares.

'Horizon Vesteda 2012-2020': a new phase

new phase of the residential property fund from 2012

An initial period of ten years was set for the fund when the second and subsequent investors joined in January 2002. This meant that options would be put forward after that period, including continuing in the same way, a stock market flotation or investors withdrawing. Consequently, the residential property fund will enter a new phase on 1 January 2012. An early start has been made on the Horizon Vesteda 2012-2020 project with the aim of creating clarity concerning the future of Vesteda before 1 January 2012.

first outline of a new profile adopted

An outline of the profile for Vesteda was made in 2009 as part of Horizon Vesteda 2012-2020 and it was developed further in consultation with the investors during 2010. These consultations led to further decisions. The key decisions are:

- The choice of an unlisted fund with the characteristics of a 'core' fund (following the INREV definition);
- The decision to focus the portfolio in the mid-segment with rents from €600 to €1,200 per month;
- Measures to optimise the yield/risk profile by adjusting the portfolio composition and the development pipeline of potential investment properties;
- Steps to generate a realised yield of 4.5% in due course;
- Reducing leverage while maintaining sufficient commercial strength;
- Restricting the dividend to the minimum allowed by tax law until 2014 to strengthen the equity position. The surplus above the tax minimum will be paid back by investors;

- Offering increased liquidity to investors by creating an attractive structure for Vesteda with a liquidity mechanism and increased orientation on new investors. For this, Vesteda will examine opportunities and develop ways of optimising the fund structure, aiming at simplicity, transparency, commercial effectiveness and tax efficiency;
- Priority for using the liquid funds available for reducing the loan capital, the dividend distribution, reducing the financial obligations, any new investments and the possible repurchase of Vesteda shares;
- Changing governance to meet contemporary 'best practice';
- The choice of an international approach. When attracting new investors, Vesteda will not restrict itself to Dutch investors.

More intensive investor relations

intensification of investor relations activities being prepared

Investor relations activities will be intensified to raise the liquidity of Vesteda shares. Attention in 2010 was focused in particular on current investors, with whom there were frequent discussions on Vesteda's profile and the preferred position of such an investment within an institutional investment portfolio. In 2011, Vesteda will work hard on attracting new capital. The initial preparations were made in 2010.

REPORTING AND INFORMATION PROVISION

IVBN transparency

Vesteda follows IVBN transparency recommendations

The IVBN has drawn up a large number of practical recommendations to enhance the transparency of annual reports in the property sector. IVBN members, including Vesteda, have incorporated the recommendations in their annual reports. Vesteda had implemented more than 95% of the recommendations in the last Annual Report reviewed by IVBN (for 2009). ► annex 3 on page 147

Inrev reporting guidelines

Vesteda follows Inrev recommendations

Where possible, Vesteda follows the Inrev reporting guidelines and had implemented more than 89% of the recommendations in the last Annual Report reviewed (for 2008). Only 43% of the financial statements examined by Inrev complied with more than three-quarters of the guidelines.

Transparency on investment policy

annual budget and investment and sales policies discussed each year in the general meeting

Discussions with investors in 2010 were not only on the long-term strategy but also on the 2011 annual budget, the criteria for new investments in 2011 and the sales policy for 2011. These are regular subjects for discussion with investors each year.

Loan capital

At over €1.7 billion, the loan capital represents about 36% of the total capital. Much of the loan capital was raised by issuing bonds on terms commensurate with a triple-A rating and by mortgage financing. Vesteda Project bv has a credit facility of €100 million. Purchased derivatives substantially limit the interest rate risk. All credit ratios were met. The A2 bond series of €400 million was redeemed and the new A7 series of €350 million was issued in April 2010.

LOAN CAPITAL FINANCING STRATEGY

Low interest, maximum flexibility

combination of bonds and mortgage financing for the Investment portfolio and bank credit to be supplemented with project financing for the Development portfolio

In recent years, Vesteda has drawn loan capital from the CMBS market. This type of borrowing, using bonds, proved relatively inexpensive, certainly given a triple-A credit rating. The CMBS market has been badly affected by the credit crisis and opportunities for refinancing in this market have declined sharply. Mortgage borrowing was expanded in 2010. The aim is to diversify the loans portfolio by product, market and maturity to make Vesteda more independent. A diversified financing structure offers better opportunities to realise an increased yield, reduce risks from breaching credit standards and cut refinancing risks. Vesteda uses balance sheet financing in the form of a revolving credit facility for Vesteda Project bv, and this can be supplemented with project-specific financing in the future in the development phase as required.

Loan capital (long-term)

in millions of euros, year end	entity	**2010**	2009	2008	2007	2006
Bonds	Vesteda Woningen cv	**1,550**	1,600	1,600	1,650	1,300
Mortgage loans	Vesteda Woningen II cv	**70**	48	–	–	–
Revolving credit facility	Vesteda Project bv	**75**	110	125	–	–
Total loan capital (long-term)		**1,695**	1,758	1,725	1,650	1,300

BONDS

Secured floating rate notes

triple-A rating

Vesteda Residential Funding II has issued bonds (secured floating rate notes) with a nominal value of €500,000 each. These notes are listed on the NYSE Euronext Amsterdam stock exchange. All bonds are based on 3-month Euribor, the eurozone interbank interest rate, plus an interest premium, or spread. The bonds have all been given a triple-A rating by Moody's, Standard & Poor's and Fitch Ratings.

Derivatives and interest rate risk policy

derivatives in the form of caps and swaps

Vesteda does not run interest rate risk on any loans under the CMBS programme. The loans are hedged by swap contracts with Deutsche Bank, Royal Bank of Scotland, ABN AMRO and Rabobank.

Refinancing 2010

€350 million refinancing of expiring loan of €400 million

Vesteda secured refinancing in 2009 for the €400 million A2 bond series that matured in mid-2010 on the proviso that the triple-A credit rating which the bond loans have enjoyed continuously since they were issued was maintained. Commitment of CMBS financing of €350 million was agreed under a facility agreement. Having obtained the triple-A credit rating, Vesteda issued the loan, called the A7 bond series, exactly as planned in the first half of 2010. This loan has the lowest financing costs in the bond programme at 3.365%.

List of bonds

€1.55 billion at year end

The table below shows the bond series.

Bonds (Vesteda Woningen cv)

	Bond					Swaps		
series	(millions of euros)	drawn at y/e 2010	start date	maturity to	spread	Swap rate	start date	maturity to
A2	400		20.07.05	20.07.10	0.15%	3.130%	20.04.07	20.07.10
A3a	100	100	20.07.05	20.07.12	0.20%	3.370%	20.04.07	20.07.12
A3b	300	300	20.07.05	20.07.12	0.20%	3.645%	20.04.09	20.07.12
A4	300	300	20.07.05	20.07.15	0.28%	3.895%	20.04.09	20.07.15
A5	350	350	20.04.07	20.07.12	0.13%	4.236%	20.07.07	20.07.12
A6	150	150	20.07.08	20.07.13	1.00%	4.840%	20.10.08	20.07.13
A7	350	350	20.04.10	20.07.14	1.63%	1.735%	20.07.10	20.07.14
		1,550						

Financing ratios

compliance with ratios since introduction

The financing has to meet set quarterly and annual ratios. The table below shows the year-end ratios compared with the requirements of the rating agencies. The bonds have complied with the ratios since introduction.

Bond financing requirements

Year end

ratio	requirement	reference date	period	**2010**	2009	2008	2007	2006
Loan to value ratio (LTV) [1]	≤ 0.45	quarter end	-	**0.36**	0.36	0.34	0.34	0.30
Debt Service Cover ratio (DSCR) [2]	≥ 1.80	quarter end	quarter	**2.24**	2.53	2.28	2.77	3.72
Debt Service Cover ratio (DSCR) [2]	≥ 1.80	quarter end	year	**2.27**	2.51	2.28	2.67	2.98
Cash flow ratio (CFR) [3]	≥ 1.50	quarter end	quarter	**2.00**	2.07	1.92	2.23	3.04
Cash flow ratio (CFR) [3]	≥ 1.50	quarter end	year	**2.07**	2.21	1.95	2.13	1.87

1 LTV: long-term debt divided by property investments

2 DSCR: net interest expense divided by EBITDA

3 CFR: freely-distributable funds divided by net interest expense

Average financing expenses and maturity of bonds

financing expenses rise slightly to 4.2%

The net financing expenses on the bonds, including the interest spread, rose slightly from 4.1% to 4.2%.

average remaining term of approximately 2.7 years

As a result of the refinancing, the average remaining terms of the bonds has not changed and was approximately 2.7 years at year end.

MORTGAGE LOANS

€22.5 million second mortgage

In October 2010, Vesteda entered into a second mortgage loan of €22.5 million in favour of Vesteda Woningen II cv, raising the total of the mortgage loans to €70 million at year end. This H2 loan has a term of three years and a spread of 1.95%. The interest rate is based on 3-month Euribor.

Mortgage loans (Vesteda Woningen II cv)

bond loans						financial instruments	
loan	original value (millions of euros)	drawn y/e 2010	start date	maturity date	spread	amount	Interest rate risk limited/hedged by
H1	47.5	47.5	11.12.09	1.12.14	2.10%	35%	Cap with interest ceiling of 3.125%
						35%	Swap at 3.125%
H2	22.5	22.5	22.10.10	1.11.13	1.95%	70%	Consolidation with interest ceiling of 4.25%

REVOLVING CREDIT FACILITY

€100 million revolving credit facility

Vesteda Project bv amended the existing revolving credit facility in 2010. The maturity was extended by one year and the maximum amount was reduced to €100 million. At year end 2010, €75 million had been drawn.

Revolving credit facility Vesteda Project bv

At year end

loan						financial instruments			
loan	original value (millions of euros)	drawn y/e 2010	start date	maturity date	spread	instrument	rate	start date	maturity
RC1	140	0	16.04.08	04.05.10	0.80%	100% swap	4.24%	03.11.08	30.04.10
RC2	100	75	04.05.10	13.05.11	2.25%	50% cap	1.50%	13.08.10	13.05.11

Financing ratios

within requirements since introduction

The RC2 financing has to meet set ratios each quarter. The table below shows the ratios at year end compared with the requirement. The revolving credit facility has met all the standards since introduction.

Financing requirements for Vesteda Project bv revolving credit

at year end

ratio	standard	reference date	**2010**	2009	2008
Pre-sale ratio[1]	≥ 0.60	quarter end	**0.83**	0.77	0.79
Loan to cost ratio[2]	≤ 0.50	quarter end	**0.50**	0.46	0.48
Solvency ratio[3]	≥ 0.35	quarter end	**0.48**	0.49	0.46

1 Pre-sale ratio: the level of work in progress on all projects already sold but in the under construction phase compared with the total work in progress (including inventory of goods for resale) on the balance sheet
2 Loan to cost ratio: total loans drawn compared with the work in progress (including inventory of goods for resale) on the balance sheet
3 Capital ratio: equity compared with total assets

VALUE OF FINANCIAL INSTRUMENTS

increase or decrease in value of derivatives affects result; positive revaluation of €21 million in year under review

Swap contracts are recognised as financial instruments at fair value in the balance sheet. The increase or decrease in value of the derivatives during the year affects the group equity and so forms part of the total result. At the start of 2010, 3-month Euribor was 0.7% and so the value of the financial instruments was -€87 million. By 31 December 2010 Euribor had risen to 1.0% and the fair value of the swap contracts was -€66 million. Consequently the value of the derivatives had risen by €21 million or 0.7% of equity.

Value of financial instruments
millions of euros

To hedge interest rate risk on	**at year end 2010**	revaluation in 2010	at year end 2009
Vesteda Woningen cv	**–65**	20	–85
Vesteda Woningen II cv	**–1**	–1	0
Vesteda Project bv	**0**	2	–2
total	**–66**	21	–87

INVESTMENT

Inflow and outflow: Letting portfolio

The inflow in the Letting portfolio will be limited in 2011 to projects already acquired that are being developed by Vesteda Project bv and which will be handed over and taken into Investment in 2011. There may be additional sales from the planned inflow of €170 million and so the inflow target should be regarded as a maximum. The outflow from Letting portfolio will approach €200 million and contribute to the adjustment towards the target portfolio.

Investment results: Letting portfolio

Gross revenue per property should increase in 2011 as it did in 2010. Letting expenses as a percentage of gross rental income should fall below 28.5%. Net rental income should rise to 4% or more and net revenue per property should increase. Vesteda wants to perform better than the average yield of Dutch residential property investments, expressed in the IPD Netherlands 'All Residentials' benchmark. Vesteda expects to outperform this benchmark in 2011.

Management expenses

Despite an expected decline in portfolio value as a result of a net outflow of property and above inflation rise in expenses in 2011, Vesteda has set a target of returning the management expenses below the level of 42 basis points.

DEVELOPMENT

Investments and outflow

Vesteda's target is to achieve a volume of disposals higher than the investment level, so that the investments in Vesteda Project bv are at least financed by the outflow. This is expected to be achieved in 2011 partly because the investment level will be kept at around €120 million. The expected outflow from work in progress in 2011 will be about €175 million. These new homes will be taken into Investment by Vesteda or sold.

MANAGEMENT/LETTING

Occupancy rate

The occupancy rate is expected to improve despite the downward effect of new complexes taken into Investment in 2010 and expected in 2011. Vesteda has set an occupancy rate target of at least 97% measured in units in the residential portfolio and at least 97.5% measured on the portion let for more than a year.

Annual rent rise for sitting tenants

The annual rent rise for sitting tenants on 1 July is limited in the regulated (Rent Act) segment of the portfolio by restrictions on rent rises set by rent policy and in the deregulated segment by maximum rises agreed with tenants in their leases. For 2011 this means a maximum increase of 1.3% (the inflation rate in 2010) in the regulated segment. The leases on deregulated residential properties permit Vesteda to raise the rent by 2% above the annual inflation rate at the end of March 2011. This is expected to be about 1.5%, and so the maximum rent rise in the deregulated segment could be 3.5%. Market rent potential in the deregulated part of the portfolio has fallen, however, and so Vesteda is less likely than in the past to be able to make an above-inflation rise. Vesteda has a target of achieving a rent rise of at least 1.7% on average over the total portfolio.

Customer satisfaction

Average customer satisfaction in the Letting portfolio must be at least 7.0.

DISPOSALS

Volume and result

The sales volume for 2011 will be at least €175 million, but with an aim of achieving €225 million. This is a challenging target, given the state of the housing market and the low expectations of any improvement during 2011. Vesteda expects a sales volume of approximately €200 million with a book profit of some €20 million.

VALUE CREATION

Realised yield

The realised yield for 2011, measured before the leverage effect of the loan capital, is expected to be approximately 4%.

Unrealised yield

Expectations for 2011 are neutral. The number of homes on the market reached a new high at the end of 2010 and so they are taking a very long time to sell. Prices are, however, stabilising, suggesting a new trough or a new equilibrium has been reached in the market. Overall, Vesteda expects an average revaluation of the portfolio of between 0% and 1%.

Total yield and distribution level

In summary, a total yield on equity of about 4.2% is expected. Investors can expect a distribution of some 3.5%.

Performance indicator:	target 2011	LT target
Investment		
Letting portfolio inflow	**approx. €170 million**	-
Letting portfolio outflow	**approx. €200 million**	-
gross revenue per property	**increase**	-
letting expenses	**under 28.5%**	under 25%
net rental income	**4% or more**	4.5% or more
net revenue per property	**increase**	-
IPD-Netherlands 'All Residentials'	**above benchmark**	above benchmark
management expenses	**under 42 basis points**	under 40 basis points
Development (work in progress incl. VAT)		
Investment	**approx. €120 million**	
Outflow	**approx. €175 million**	
Management/letting		
occupancy rate:		
Letting portfolio	**97.0% or higher**	97.5% or higher
of which let for more than 1 year	**97.5% or higher**	97.5% or higher
rent rise (nominal)	**1.7% or higher**	higher than inflation
customer satisfaction	**7.0 or higher**	7.0 or higher
Sales		
Disposal volume (incl. result on disposals)	**approx. €200 million**	
result on disposals	**approx. €20 million**	
Value creation (of equity)		
realised yield	**approx. 4%**	4.5% or higher
unrealised yield	**between 0 and 1%**	at least inflation
total operating yield	**approx. 4.2%**	at least 4.5% + inflation
revaluation of derivatives (through group equity)	-	-
total yield	**approx. 4.2%**	at least 4.5% + inflation
distribution to investors	**approx. 3.5%**	stable dividend policy

Report of the Supervisory Board

Casimir, Roermond town centre

Presentation of Annual Report and Financial Statements

To the General Meeting of Investors (General Meeting) of Vesteda Groep bv

We hereby present the 2010 financial statements, incorporating the proposed dividend distribution, as drawn up by the Managing Board and discussed by the Supervisory Board, for adoption by the General Meeting. Pursuant to the Articles of Association, adoption of the financial statements will serve to ratify the actions of the Managing Board in respect of its management and those of the Supervisory Board in respect of its supervision in the past year.

unqualified independent auditors' reports

The financial statements of Vesteda Group have been audited by Ernst & Young Accountants, who issued an unqualified report on them which is included in the financial statements in 'Other information' on page 125. The balance sheets and income statements of Vesteda Woningen cv, Vesteda Woningen II cv and Vesteda Project bv are presented on pages 130 to 135. On page 136, Ernst & Young Accountants confirm that this information was properly derived from the underlying financial statements. Unqualified independent audit reports have been issued on the underlying financial statements.

Horizon Vesteda 2012-2020 project

At the request of the Managing Board and Supervisory Board, there were intensive discussions on the Horizon Vesteda 2012-2020 project with investors on shaping Vesteda's next phase. Among other things, these revealed the need for a modern governance and fund structure.

meetings

The Supervisory Board and the Managing Board met on nine occasions during the year. The Supervisory Board held three meetings when the Managing Board was not present and there were meetings of smaller groups of its members, for example, in the remuneration committee and to evaluate its own operation. The profile of the new Managing Board, the procedure for recruiting new members of the Managing Board and the desired composition of the Supervisory Board were also discussed.

consultations with the Works Council

The chairman of the Supervisory Board participated in the annual consultations with the Works Council.

working conferences

In addition to its normal attendance at the General Meetings, the Supervisory Board also took part in the working conference with investors.

control and strategy

During the year, explicit attention was given to the performance of the business in difficult market conditions. For this reason, there was a further analysis and reduction of the pipeline of projects under development. It was decided not to take certain new handovers fully into Investment, but to offer part of them for sale. In April 2010, Vesteda succeeded in refinancing €350 million on attractive terms despite the difficult conditions in the financial market. In consultation with investors, the legal governance was recalibrated in the sense that simplification of documentation with respect to decision-making was approved. To ensure greater transparency, the range of subjects to be shared with investors was increased.

move of registered office to Amsterdam

After consultations with the Supervisory Board, the Managing Board decided that the registered office would be moved to Amsterdam in the first half of 2011.

Management

resignation of Huub Smeets as CEO

As agreed during 2010, Huub Smeets resigned as CEO on 31 January 2011. At that date he had held the position of director of Vesteda Group for eleven years, and had been chairman of the Managing Board/CEO for eight years. The investors, the Supervisory Board and Mr Smeets himself regarded early 2011 as a suitable time to appoint a new CEO as a central issue in 2011 will be formalising the Horizon Vesteda 2012-2020 project which will set the path along which the strategy, portfolio, financing and organisation will develop and the way in which new and current investors will be offered a perspective on the future.

resignation of Frits van der Togt as CFO

Frits van der Togt resigned as a director on 30 September 2010. Mr van der Togt successfully concluded the €350 million refinancing in April 2010. He had stated that – after over ten years service – he did not wish to remain with Vesteda for a further period.

The Supervisory Board thanks Huub Smeets and Frits van der Togt for their work and long involvement with the business.

Luurt van der Ploeg appointed a director/CFO

On 1 October 2010, Luurt van der Ploeg was appointed director and CFO. On his appointment, Mr Van der Ploeg left Multi Corporation, where he had worked since 2001 and had been CFO since 2006. Before joining Multi, Mr van der Ploeg worked at Ernst & Young.

agreement to appoint Arjan Schakenbos as CEO on 1 February 2011

During 2010, the Supervisory Board nominated Arjan Schakenbos to succeed Mr Smeets as CEO. After he had met the Works Council, the General Meeting on 22 September 2010 appointed him CEO from 1 February 2011 as successor to Mr Smeets. For the past three years, Mr Schakenbos has been chairman of the Managing Board of the Woonstad Rotterdam housing association. He had previously been chairman of the Managing Board of Woningbedrijf Rotterdam and Managing Partner at Twijnstra Gudde.

Nico Mol appointed Sales and Acquisition director

Nico Mol was appointed Sales and Acquisition director on 1 April 2010. Until that date Mr Mol was director of Vesteda Project bv. This appointment increases the number of directors of Vesteda Group from three to four.

Charlotte Insinger joined Supervisory Board on 1 January

Charlotte Insinger joined the Supervisory Board on 1 January 2010, succeeding Jan Doets.

agreement to appoint John de Die to the Supervisory Board from April 2011

In December, the General Meeting agreed to the appointment of John de Die as supervisory director. Mr De Die will succeed Pieter van den Berg on 1 April 2011.

appointment of remuneration committee

During the year, the Supervisory Board set up a remuneration committee and appointed its members. The remuneration committee's duties are to prepare decisions for the Supervisory Board on the remuneration policy and remuneration of members of the Managing Board. In addition, the committee is generally involved in preparing the remuneration policy for senior management and drawing up principles for a remuneration policy for the other employees. The committee has drawn up new regulations and advised the Supervisory Board on the remuneration frameworks and targets for both the current and new members of the Managing Board.

decision to set up an audit committee

It was decided to set up an audit committee in 2011.

full 'in control' statement expected from 2011

Each year, the Managing Board issues an 'in control' statement on the financial reporting risks. The intention was to issue a full 'in control' statement in 2010 and this is the target for 2011. The risk management process was evaluated each quarter during 2010. Files have been prepared and assessed by risk owners at Vesteda. The Managing Board was able to issue a full 'in control' statement for the first time for the fourth quarter of 2010. Although this is not sufficient for such a statement for the whole of 2010, it is confidently expected that the target of issuing a full 'in control' statement for 2011 will be achieved.

Strategy

2011 business plan

The housing market has not yet recovered and there is still considerable uncertainty about the government's future policy. In this context, Vesteda is working on its strategic plan for the next few years, confident that the housing market in the Netherlands will continue to offer good investment opportunities for long-term investors in the future. In 2010, Vesteda's strategic choices were discussed as part of Horizon 2012-2020 to shape the chosen investment profile. The shift in focus to the mid-range of the residential property is key. This laid the basis for the 2011-2014 Business Plan, the outlines of which were discussed by the Supervisory Board on 17 November 2010 using the 'Framework for developing and expanding the 2011-2014 Business Plan' document. It is expected that the 2011-2014 Business Plan will be discussed with the Supervisory Board in the spring of 2011. This will give the new members of the Managing Board the opportunity to make their own contribution to these plans.

refinancing discussed

The Managing Board and Supervisory Board discussed the liquidity and funding requirements and refinancing of the various Vesteda entities in the next few years. During 2010 the maximum amount of the revolving credit facility was reduced from €140 million to €100 million, €75 million of which was drawn for partial repayment/redemption. In addition, a new mortgage of €22.5 million was agreed for Vesteda Woningen II cv.

for letting, for sale, for living

During the year, Vesteda Project bv handed over 15 projects. Units in these projects were divided between those taken into Investment by Vesteda and those offered for sale to third parties. Vesteda offers future residents in some projects the choice of buying or renting. Vesteda calls this option 'for living'. In 2010, 521 units in the 15 projects were designated for letting and 120 for sale.

annual setting of required yield

The required yield for acquisitions in 2010 was set in February. There are different required yields by region and product type, depending in part on the criteria for the composition of the target portfolio. The required yield for 2011 was set in November. It was agreed at the General Meeting that from now on the required yield for the following year would be submitted to the final General Meeting of each year. In 2010, this was held in December.

2009 financial statements and annual report discussed

The 2009 financial statements and annual report were discussed with the external auditors and adopted accordingly. In November 2010, Vesteda won the FD Henri Sijthoffprijs for the best annual report in the 'unlisted business' category.

2011 budget discussed

The 2011 budget was discussed by the Supervisory Board in November and by the General Meeting in December. As in 2010, there will be additional sales and cost savings, including in staff, in 2011. The liquidity created by additional sales will – after discussion with the investors – be used mainly for reducing the share of loan capital in the overall financing and/or for dividends. Agreements setting priorities were reached on this in May 2010. The liquidity mechanism was aligned with this, affected in part by deleverage, disposals, cost savings, new equity and possible acquisitions.

Portfolio value

valuations discussed constantly, entire portfolio externally appraised

The value of the portfolio was a regular item of discussion with the Supervisory Board, investors and internal and external valuers. The Supervisory Board and Managing Board discussed the valuation each quarter in 2010. The Supervisory Board believes it is bound by the valuation principles of the ROZ/IPD method, which sets detailed rules for the valuations. Under the valuation schedule discussed by the supervisory directors, investors and valuers, the entire portfolio is valued each year.

Other portfolio developments

investment proposals, purchases and transfers discussed/approved

The treatment and approval of investment proposals and purchases from Vesteda Project bv and transfers from Vesteda Project bv to Vesteda Groep bv were discussed, to the extent that they were not covered by the mandate of the Managing Board. Decisions falling within the mandate were subsequently reported by the Managing Board to the Supervisory Board. In some cases, this led to a change to a previous proposal as the balance between letting and selling had been altered.

Project development

changes to the acquisition pipeline

The pipeline of new developments was discussed regularly with the Managing Board. The analysis, which incorporated recommendations from departments such as market research, asset management, property management and legal affairs, was discussed extensively and revised in November 2010. Taking this into account, decisions were made on whether or not to take the projects into Investment for which there was an acceptance obligation. These discussions led to a number of adjustments in the pipeline of new developments.

discussion of projects under development

The Supervisory Board held intensive discussions with the Managing Board on a number of large projects under development.

Conclusion

The Supervisory Board would like to express its appreciation to the employees and management of Vesteda for their efforts and enthusiasm. During the year they were working in challenging and not always easy circumstances.

Maastricht, 18 February 2011

Supervisory Board Vesteda Groep bv
W.F.T. Corpeleijn, chairman
P.S. van den Berg
D.J. de Beus
C.A.M. de Boo
C.M. Insinger

Report of the Managing Board

The information presented in the Summary section pursuant to Part 9 of Book 2 of the Netherlands Civil Code forms part of this Report of the Managing Board and is not repeated here for presentational reasons.

Block 3/Hoogevecht, Op Buuren-Maarssen

The property investment market

The volume of transactions in Dutch residential investments in 2010 is estimated at about €1 billion, the same as in 2009. Institutions were the main parties on the selling side. The sales volume and prices of individual residential properties stabilised in 2010. Operating result is and remains the main factor for setting prices while the owner-occupied market is locked down and so it is not possible to consolidate capital gains quickly.

The Dutch property market

still affected by the crisis, greater differences based on the quality of location

As in 2009, the general economic crisis had a strong effect on the property market in 2010, leading to an increase in vacancies in the office, retail and distribution sectors. Consequently, rents did not rise. The total volume of investment transactions in commercial property was some €5 billion, over 10% higher than in 2009. Dutch professional parties had a strong preference for retail, foreign parties mainly purchased offices. The trend of all sectors experiencing greater price differentials between 'good' and 'less good' continued. A large part of the office sector is facing vacancies and it is becoming increasingly clear that they are structural and that demolition, with or without re-zoning, and the associated fall in value, is the only alternative.

at €1 billion, residential transaction volume about the same as in 2009

The residential property investment market is difficult to quantify. A reasonable estimate of transaction volume is about €1 billion, similar to 2009. After falling in 2009, the price level stabilised in 2010.

Residential investment market

operating result main factor in pricing

Private buyers are traditionally the main party in the housing market. Volume and price levels are strongly influenced by the availability and cost of borrowing. Tighter regulation by supervisory authorities and financiers' need for improved risk management meant that less money was available to finance property investments. As a result, buyers had to put up more capital and were more selective in their choice of project. Operating result is and remains the main factor for setting prices while the owner-occupied market is locked down and so it is not possible to consolidate capital gains quickly.

institutional parties mainly determine the supply

Institutions were the main parties on the selling side, motivated mainly by changing the composition of portfolios, with the funds released being invested in other markets and sectors with supposedly better prospects.

residential properties remain an interesting investment category within property

Despite the stagnating sales market for individual homes and the limited opportunities expected for income and capital growth for the next few years, the residential property category remains a safe haven for funds with a longer term objective. The Dutch housing market continues to face shortages in growth areas and the credit risk is spread as widely as possible.

volume and price stabilised

The sales volume and prices of individual residential properties stabilised in 2010. Between 127,500 and 130,000 residential properties were sold in 2009 and 2010. The average selling price in 2010 was €230,000 which was slightly lower than in 2009. Sales picked up strongly in the final quarter of 2010, rising almost 18% compared with the third quarter. Properties over €500,000 fell most in price in 2010, by 2.3% on average. The €350,000 to €500,000 segment dropped about 1.4% while the low end of the market fell less than 1%.

housing market now relatively attractive

The stabilisation of the housing market combined with fewer attractive alternatives, such as office and commercial buildings, make rental properties a relatively attractive and also reasonably affordable investment product. The great diversification limits the risk in residential property portfolios. Differentials in investment value between better and less good projects and regions, a phenomenon that is very evident in the office market, have also grown for residential properties.

difference in initial yields between regions and product segments reflects risk perception

The initial yields on residential properties in 2010 were between 4.6% and 5.1% for the best locations in the Randstad conurbation. Outside the Randstad, they were 6.0% to 6.8% in less attractive locations in the north of the country. On average, initial yields were some 0.4% lower than in 2009. Single-unit houses were clearly in greater demand than flats.

DUTCH POPULATION AND HOUSEHOLD TRENDS

Population and households

year end 2010: 16.6 million population, 7.4 million households

At the end of 2010 the population of the Netherlands was some 16.6 million, living in 7.4 million private households. The average household size was, therefore, 2.23 persons.

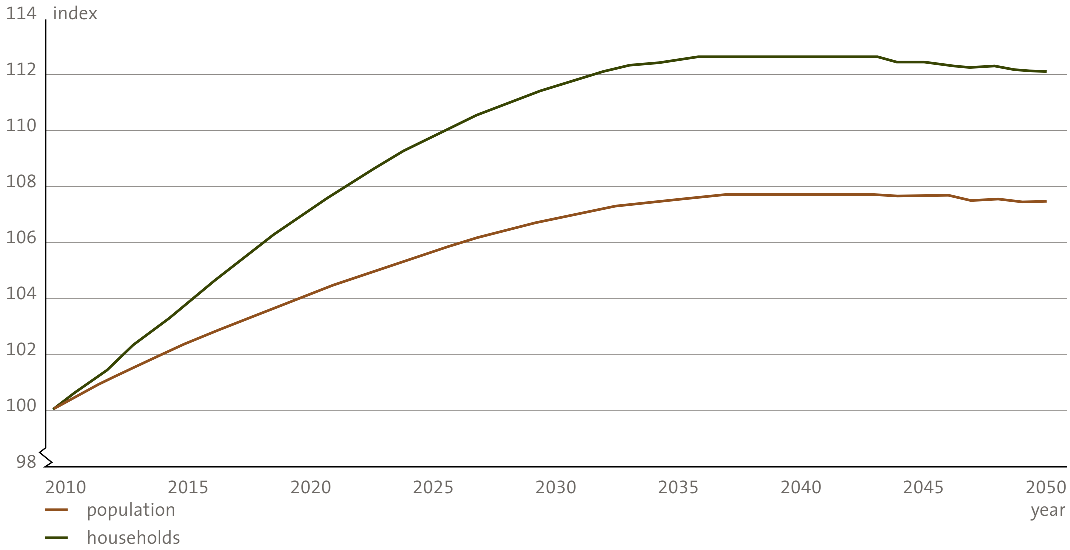
Trend for the coming decades

additional 900,000 households by about 2050

According to the latest Statistics Netherlands forecast,[1] the population will continue to grow until 2047 when the Netherlands will have a population of 17.8 million and 8.3 million households, about 900,000 more than now. Average household size will fall in due course from 2.23 to 2.11. In the next few years, there will still be a surplus of births but, as a result of the ageing population and despite longer life expectancy, this will become a surplus of deaths in the 2030s. Migration seems to be a reasonably constant factor.

Index of population and household growth 2010-2050

source: Statistics Netherlands, 2010



household growth faster than population growth

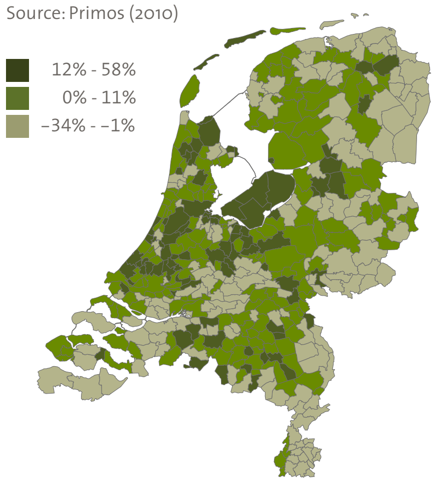
The chart shows the number of households rising more strongly and faster than the population. Clearly, the trend towards individualism is continuing and so housing demand will continue to increase, in any event until 2040.

regional differences: contraction at the 'edges of the Netherlands', growth in centre/Randstad conurbation

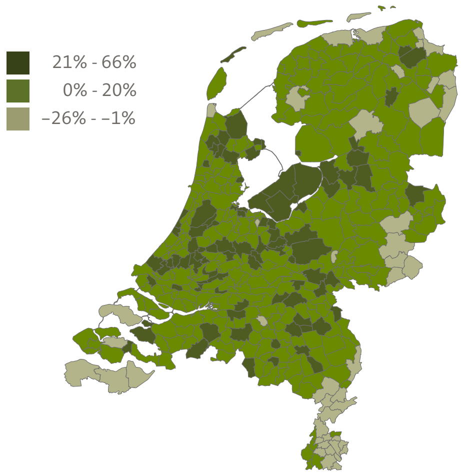
When population trends are put into a regional perspective, the effects of the contraction can already be seen at the 'the edges of the Netherlands'; in due course, much of the Netherlands will face this. Until 2030, the fall in the number of households will be limited to 'the edges of the Netherlands'.

Population trends by municipality 2010-2040

Source: Primos (2010)



Household trends by municipality 2010-2040



Ageing population

grey pressure increasing, especially in the provinces

The levelling off in population growth is an effect of the ageing population but also affects that ageing population. Grey pressure, the proportion of over-65s to the working population (15-64 years), is increasing. The proportion of over-65s in the population will grow from about 16% in 2010 to 26% in 2040. The Randstad conurbation is ageing less than the more peripheral regions. On top of this, the economic strength of the central part of the Netherlands draws people for employment and education. Migration is, therefore, selective and leaves a group of people with poorer prospects behind in the regions.

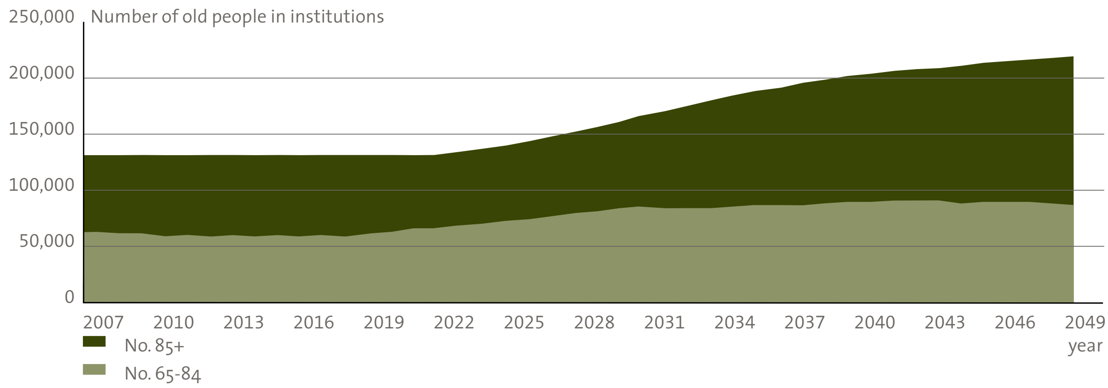
residential care: demand for lifetime homes is an opportunity for Vesteda

Between now and 2030, the number of over-65 households will grow from 1.7 million to 2.8 million, meaning that 34% of households will be in this age category. Supply and demand patterns will change as the future generation of older people will have different needs and wishes than the current generation. As a result of the privatisation of the care sector and associated extramuralisation of care, older people will in future be living in their own homes for longer. This is also exactly what they want: growing old in their own environment and having control over their own lives for as long as possible. This means that there will have to be sufficient housing in which proper care can be offered, resulting in a 'lifetime' home that is age-adapted and meets all requirements. Carers must be able to do their work in line with the relevant health and safety criteria. The increasing demand for lifetime homes is an opportunity for Vesteda.

demand for additional 290,000 residential properties for older people to 2015

ABF Research has calculated in its 'Investeren in de Toekomst' monitor that the additional demand for homes adapted for older people will be 290,000 units in the period 2006 to 2015; this excludes care homes. This additional demand does not require home-based service and care provision as the old people will do this themselves. There is also a target group of over-75s who will need nursing and/or care services at home or in an institution. The chart below is a forecast trend of the number of old people who will need sheltered accommodation in the future. There is a levelling off until 2020 as a result of the reduction in institutional capacity, after that the supply will grow with increasing demand.

Expected trend of older people in institutions
Source: Over-65s in the housing market, RIGO (2010)



Target groups

3.8 million households with right income for the deregulated rental segment

On socio-demographic and household characteristics, Vesteda focuses on groups of tenants who by their age and housing situation can be classified as newcomers, singles and separated people, baby-boomers, over-75s and families. If the Dutch household population classified in this way is segmented by disposable household income of €29,000 and higher per year[2], 3.8 million households are within the definition. Their number will be very stable until 2020.

1 Statistics Netherlands population forecast 2010-2060, December 2010
2 internal income standard for a deregulated home

target group of singles and over-75s and baby boomers growing

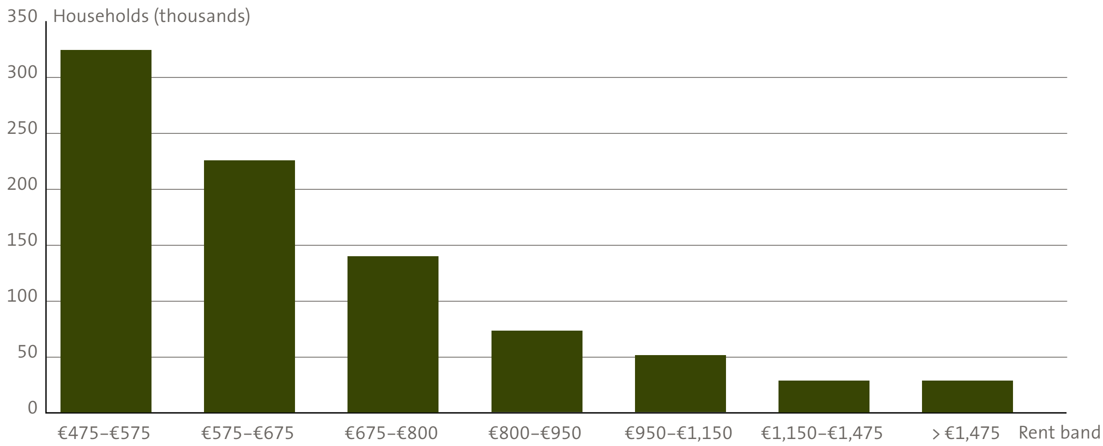
Nevertheless, there are clear differences in the trends of the various target groups within this segmentation. The sharpest decline will be among two-person households aged between 30 and 55 years; the number of young newcomers and families is also falling. In contrast, singles will increase by 10% and baby-boomers/over-75s by 15% between now and 2020. The needs of these groups will be significant when developing housing concepts.

affordability of rental homes for one-person households under threat

Potential tenants' ability to pay will be a specific factor in determining the product/market combination for these growing target groups. For example, the singles group: a one-person household means in financial terms also just one income that has to cover the housing costs. Irrespective of the preference for renting or buying, only 320,000 or 12% of one-person households[1] are financially in a position to rent in the deregulated segment.

Affordability of rental homes for one-person households

Source: Statistics Netherlands (2010); Vesteda's calculations.



Vesteda customer segmentation: tenants mainly baby-boomers, over-75s and families

The largest proportion of Vesteda's current tenants are in the baby-boomers group, followed at a distance by over-75s and families. Compared with the overall household population, Vesteda provides housing to an above average number of newcomers, single people and over-75s. Outside this segmentation, Vesteda also has expats as customers, offering them a specific product (about 250 serviced apartments) but this is a niche market specifically in the Randstad that cannot be seen on a national scale in this segmentation.

Size of the deregulated sector

potential target group of 240,000 households in the deregulated rental sector

According to the WoonOnderzoek Nederland 2009 survey (WoON 2009), 3.4% of Dutch households would prefer a high quality deregulated home. Extrapolated across the whole Dutch household population this is almost 240,000 households.

customers and specific requirements: 43% want to rent, especially in an urban environment

WoON 2009 shows that in the distribution of housing requirements, 43% of Dutch households would prefer to rent. This result assumes no change in government policy. The forecast is that this preference will have fallen to 40% by 2020. The preference for a high quality deregulated home rises by about 7%. An urban environment is still the preferred location, although there is a slight rise in interest in village and rural environments.

CONCLUSIONS ON SOCIO-DEMOGRAPHIC TRENDS:

- Both the population and the number of households will continue to increase for the time being;
- Contraction of households mainly in peripheral regions;
- The number of older people is increasing and there are more single person households;
- Demand for smaller homes (up to 100 m² useable space) and homes with a care concept will increase as a result;
- Vesteda's target group is a substantial presence in the market.

HOUSING MARKET

44% rental, including 6.5% in deregulated sector

The Dutch housing stock was 7.18 million units in 2010, of which 44% were rented[2]. Owner-occupied residential properties are a majority at 56%. About 6.5% of the rental segment has a rent higher than the deregulated level of €653.

Vesteda's market share of deregulated sector is 5.3%

Vesteda has about 10,800 residential properties with a rent higher than €653 in its portfolio. Vesteda's market share is 5.3% of the stock of deregulated homes in the Netherlands.

stock stagnating as a result of fall in new building

The stock is stagnating. The number of residential properties completed was much lower in the first three quarters of 2010 as a result of the economic crisis. In particular, the number of owner-occupied homes completed fell strongly. If this is an indication of the trend, about 50,000 residential properties will be completed in 2010. VROM is assuming 56,000 new residential properties will be built in its low-level building forecast scenario; the EIB estimates 55,000. The forecasts for 2011 are 62,000 and 64,000 residential properties respectively.

New building and building permits issued 1995-2015

Source: Statistics Netherlands (2010); TNO (2010)

new building and building permits issued about 15% down on 2009

Not only new building fell sharply; the number of building permits issued in 2010 was substantially lower. Statistics Netherlands recorded about 15% fewer permits in the first nine months of 2010 than in the same period in the previous year. As commissioning agents, housing associations lagged far behind, with 40% fewer permits. Clearly these institutions' financial situation is leading to some restraint in their new building ambitions. The number of building permits issued is, however, increasing. If this trend is extrapolated, the total number of building permits issued in 2010 will be over 60,000 meaning that pressure on the housing market will increase in the next few years, as the trend in households – and so the growth in housing demand – will continue unchanged in the short term.

building forecasts limitedly positive...

The 2010-2015 construction forecasts commissioned by the former VROM from TNO estimated the number of building permits to be issued for 2010 at 67,000. Average new construction (medium scenario) is expected to be 62,500 residential properties per year in the period 2011-2015. Using the order books of contractors and architects, the EIB is assuming an average of 67,800 residential properties. NVB and ING are not issuing a medium-term forecast; they expect new construction of 53,000 and 60,000 residential properties respectively for 2011. TNO expects 72,500 building permits to be issued in 2011, rising to 85,000 in 2015. About 20,000 permits will be for rental properties.

1 Vesteda's calculation takes into account a normal rent to income ratio of 20%

2 Statistics Netherlands, 2010

...but municipal building suspension seems to be a suspension of investment

These forecasts do not take into account the effect of the building suspension announced by several large municipalities. For example, Amsterdam has announced a reduction in the planned number of new residential properties from 65,000 to 36,000 in the period 2010-2019. Disappointing proceeds from land sales, partly as a result of excessive land prices are causing municipalities financial problems. Although the term used is building suspension, it seems more like a temporary suspension of investment in land development by municipalities.

consequences of a suspension of investment for the market: prices will not rise, speed of letting to increase

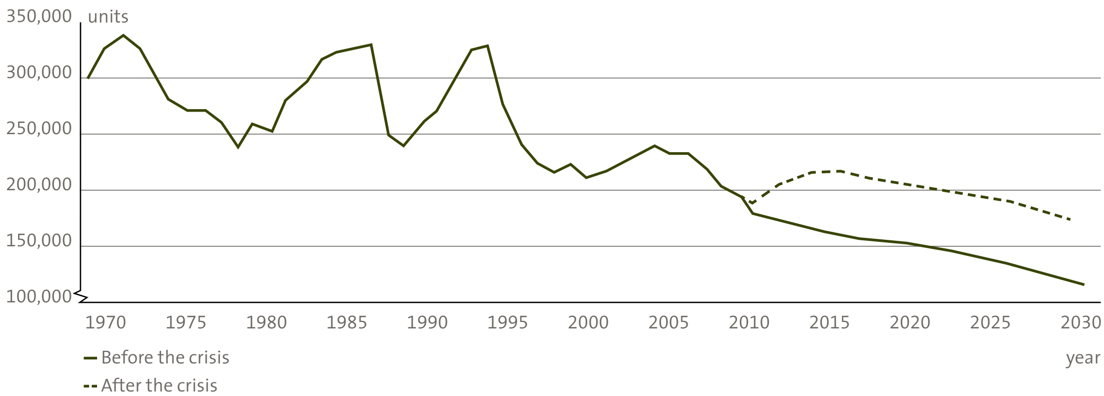
The building suspension announced by various municipalities will not have a major effect on the shortages in the housing market. Current building forecasts suggest that 55,000 fewer residential properties will be produced than had been expected. This is 0.7% of the total housing stock, spread across a large number of regions and municipalities. Fewer permits have been issued, but this is picking up. The number of withdrawals is falling and an increasing number of residential properties still have to be completed. As well as lower new construction, there is lower demand but this will pick up as the economy improves: this is a gradual process that house builders can respond to. There are sufficient plans and new plans can be initiated. The housing market may tighten locally for a while and this may support but not structurally raise prices. This is a temporary effect that will level off in due course. Vesteda has opportunities in the market where housing associations are now unwillingly leaving opportunities open. In Vesteda's opinion, the temporary tightening of the market will not raise prices in the rental market. A good price/quality ratio will still be necessary for a good occupancy rate. The temporary tightness will, however, have a positive effect on the speed at which residential properties are let.

more tension expected at lower end of the deregulated segment, especially in large towns

The construction of fewer new residential properties in large towns will in due course lead to higher excess demand as the number of households continues to rise. The scarcity is leading to tensions in local housing markets, with the possibility of limited price effects. Assuming that this occurs in all market and price segments, it will have to be seen how far the demand side of the market – given current income developments – is able to absorb the effect of this pricing. If it fails, there will be a 'shift' in the lower price segments of the market facing excessive demand that will make it more difficult to find a home in the lower-end of the mid-segment.

Housing shortage 1970-2030

source: Statistics Netherlands, TNO, EIB and Socrates (2010); Vesteda's calculations



CONCLUSIONS ON HOUSING MARKET

- The stock is stagnating, new construction is down as a result of the crisis;
- Many fewer owner-occupied and housing association homes are being completed;
- The number of building permits issued has now started to increase again;
- Average annual new construction will be between 60,000 and 65,000 residential properties in the next few years;
- Shortfall of 55,000 in new homes completed as a result of the crisis;
- The reduction in the number of residential properties sold by housing associations has an adverse effect on the liquidity position and so affects new construction. Fewer social rental properties will be built;
- There is substantial additional demand for residential properties with a care function.

OPERATION OF THE MARKET IN DEREGULATED SECTOR

housing market locked down, investor sentiment negative, prospects moderately positive

In terms of its operation, the housing market is still locked down. Consumers are not only more reluctant to buy a home, their ability to do so (borrowing capacity) is also limited. The 'buyers' strike' is not only resulting in the collapse of new construction but also stagnation in trading up within the existing stock. Owner-occupied homes available for rent and falling transaction prices are adversely affecting the results in the investment segment; the prospects are, however, moderately positive.

demand in the deregulated sector rises 7% to 2020

The number of households living or wanting to live in a deregulated rental home – housing demand – will rise 7% between 2010 and 2020[1]. The main increase, at 12%, is for flats, which is logical in view of the ageing population and individualisation of the population, but there are strong regional differences.

evident downward price spiral

The operation of the market shows that the deregulated rental market is moving. The market is expanding on the supply side, partly because unsold owner-occupied homes are being offered for letting in this market segment. On the demand side, critical consumers are increasingly looking specifically at 'price' when weighing up price, product and quality. This is not only underlined by the disappointing letting experience in the upper-segment, it also seems that transactions are becoming concentrated in the rent bands below €1,000.[2] Vesteda's survey of departing tenants also shows that a majority of those moving to a rental home are going to a home below €1,000.

expanded perspective deregulated sector

Nevertheless, it is not the case that the deregulated rental segment offers few prospects: there is a substantial target group. The Socrates housing market simulation model shows that a significant part of the demand in the next few years will focus on price bands up to €1,000. This limit will be higher in regions with a tight market. A possible restriction of mortgage interest relief and government measures on further deregulation of the housing market, expand the prospects for deregulated sector rental properties. Nevertheless, consumers remain critical about price and quality, and this is being reinforced by developments in disposable income and housing costs. They will not only choose 'cheaper' but above-inflation rent rises will also be considered ever more critically in this light.

Market potential

Vesteda reassesses regional and municipal market potential

Regions and municipalities in the Netherlands offer very different market potentials for Vesteda, with high market potential offering a good probability of a favourable development in the deregulated rental segment and of value and rent and thus of the yield. Vesteda first established the market potential of regions and then of municipalities using a number of indicators relating to 'economy', 'house value', 'higher rental market' and 'target groups'. This not only used historical data but also included forecasts. The result of this analysis – which is being expanded and augmented by local analysis – is a map of the Netherlands showing key municipalities and optional municipalities. A key municipality is a strong or medium municipality with a population centre of more than 20,000 in a strong or medium region. These are the municipalities where Vesteda sees the most market potential for deregulated letting. An optional municipality is a strong municipality with a population centre of at least 20,000 in a weak region. Investment here is higher risk than in a key municipality.

1 ABF Research, Socrates, 2010
2 ROZ deregulated sector rental property sector

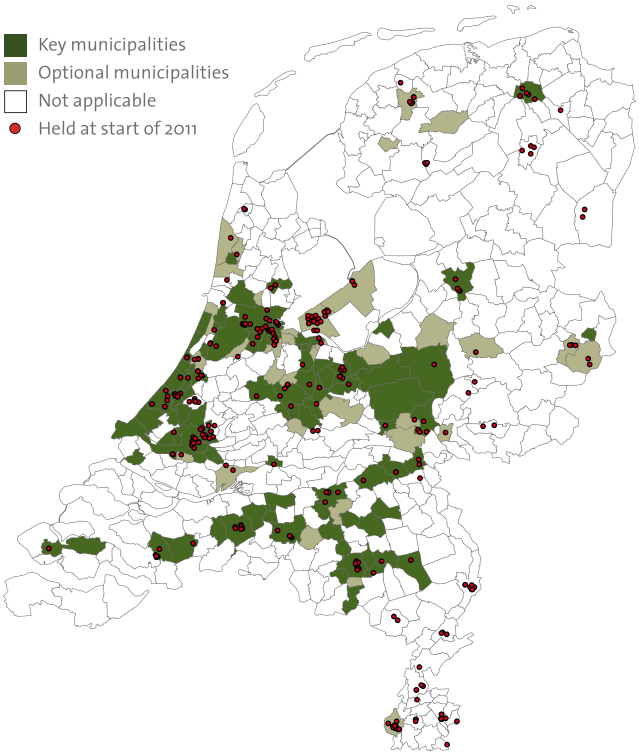
greatest market potential in Randstad conurbation and Noord-Brabant

The map shows the municipalities making up Vesteda's area of operations. The regions around Amsterdam, The Hague, Rotterdam and Utrecht, in Noord-Brabant and the Amersfoort/Arnhem-Nijmegen/Zwolle triangle and a few towns elsewhere in the Netherlands, form the areas with the highest potential for the deregulated letting.

least market potential in Limburg, Gelderland and the north of the country

The map also illustrates the dispersion of the Vesteda portfolio across municipalities. Based on current market insights, a number of municipalities in Limburg, Gelderland and the north of the country have a mismatch with the market potential. This is not to say that these complexes offer poor returns, but the market risk in these municipalities is assessed as higher.

Market potential deregulated rental sector 2011-2020
source: Vesteda (2010)



CONCLUSIONS ON MARKET OPERATION

- The deregulated rental market is in motion as a result of the crisis;
- Consumers are looking more specifically at price when weighing up price, product and quality;
- Demand will focus on the price segment to €1,000 or €1,200 (depending on the region);
- Consumers will regard above-inflation rent rises more critically;
- The best market prospects are in regions and municipalities in the central part of the country.

GOVERNMENT POLICY

crisis and stimulus measures: €350 million available

The Balkenende government used a package of stimulus measures to boost the housing market and, through it, to help the building industry deal with the effects of the credit crisis. The government earlier made about €350 million available in three tranches to support construction projects which had ground to a halt or not started because of the crisis.

new Rutte government: no radical changes in housing market

The coalition agreement between the VVD and CDA parties shows that no radical changes can be expected in the housing market during the government's period of office. The choice is for calm and continuity in both the owner-occupied and rental sectors. Mortgage interest relief will be retained and this has been a slight encouragement for potential buyers and house owners. But overall there is uncertainty about the future of mortgage interest relief and reluctance to buy a new home is continuing. Trading up in the market is, therefore, still under pressure. Vesteda should benefit from these developments in letting residential properties. Vesteda has noticed that there is interest but leases are not being signed because potential tenants are having difficulty selling their existing homes.

rental market operation affected by government decisions

The government believes there needs to be a move towards more commercial rents (certainly in areas of shortage) to make the rental market operate better and to promote trading up in the housing market. In addition to policy measures on limiting the target group of housing associations, the Rutte government is working on implementing the ability to raise rents 5% above inflation for tenants of social rental homes if they have a disposable income over €43,000. The aim is to combat skewing and release social stocks for the target group of the policy. The government wants this policy to encourage tenants to trade up sooner to a more expensive home. The extra rental income would be used to pay part of the rent subsidy. Government decisions are addressed on page 54, with an explanation of the effect on Vesteda's portfolio.

CONCLUSIONS GOVERNMENT POLICY

- The deregulation of the housing market, specifically the rental market, offers opportunities to Vesteda;
- Demand for residential investment in the deregulated sector will increase as a result of higher rent rises for those outside the housing associations' target groups;
- Despite mortgage interest relief being retained, the debate on its continued existence is making potential buyers hesitant.

HOUSING ASSOCIATIONS

more focused target group limits playing field for housing associations

Three-quarters of the Dutch rental housing stock, about 2.4 million units, is owned by housing associations.[1] In a European context, it is noticeable how large the social rental sector is in the Netherlands. With a market share of 33%, the Netherlands leaves Sweden (23%), France (19%) and the United Kingdom (17%) far behind. To a large extent, this is related to the size of the target group of the policy. Following a European ruling, a ministerial scheme for state aid has tightened the target group definition from 1 January 2011 and has put a limit of €33,000 on gross annual income. At least 90% of all residential properties with a rent under the maximum rent subsidy limit (€652.52 on 1 January 2011) are in this group. The other households will have to look to the deregulated rental market and this offers Vesteda good opportunities for entering a new area of operations through arrangements with housing associations and the authorities.

CONCLUSIONS ON HOUSING ASSOCIATIONS

- The limit set by the European Commission on state aid to housing associations implies that housing associations will be less active in institutional investors' working areas. Excess demand at the lower end of the mid-rental segment will, therefore, rise;
- These developments offer Vesteda good opportunities.

1 Statistics Netherlands, Aedes

AFFORDABILITY OF HOUSING

realised rents for housing associations and investors almost the same

The policy of the former Ministry of VROM since 2007 has been for the maximum annual rent rise for regulated residential properties to be equal to the rate of inflation in the previous year. In 2010, the average rent rise was 1.6% at housing associations and 1.7% at commercial landlords. Average rent rises since 2003 show that the differences in rent rises between housing associations and commercial landlords have been small.

Average rent rise at housing associations and at commercial landlords

Source: Statistics Netherlands letting survey; Companen's calculations

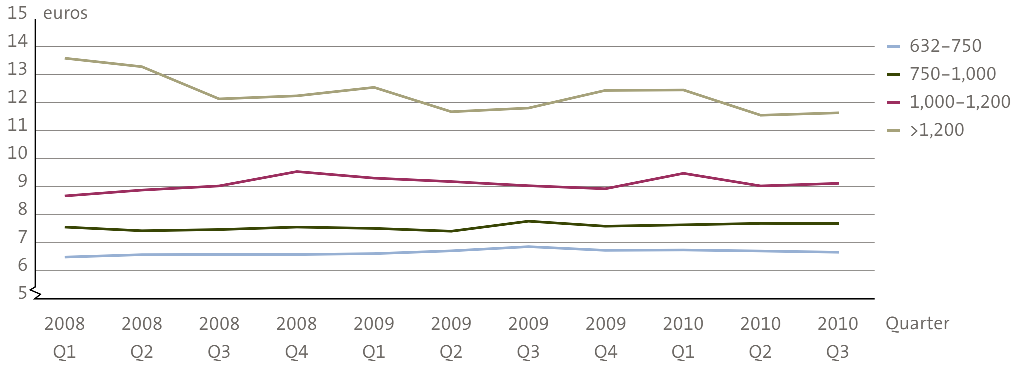
Rent rise in %	**2010**	2009	2008	2007	2006	2005	2004	2003
Housing associations	**1.6**	2.4	1.5	1.1	2.4	1.6	2.9	3.2
Commercial landlords	**1.7**	2.3	1.7	1.1	2.7	2.5	2.9	2.7

fall in market rental value in higher price segments

The trend in the market rental value in the price segments above €1,000 shows a fall in rents per square metre. This trend takes into account an increase in the supply of deregulated residential properties offered for sale by their owners. The nominal price per square metre in the lower end segments was almost unchanged.

Rents for deregulated sector rental properties 2008-2010

Source: ROZ Databank deregulated sector rental properties (2010), rent per m² per month

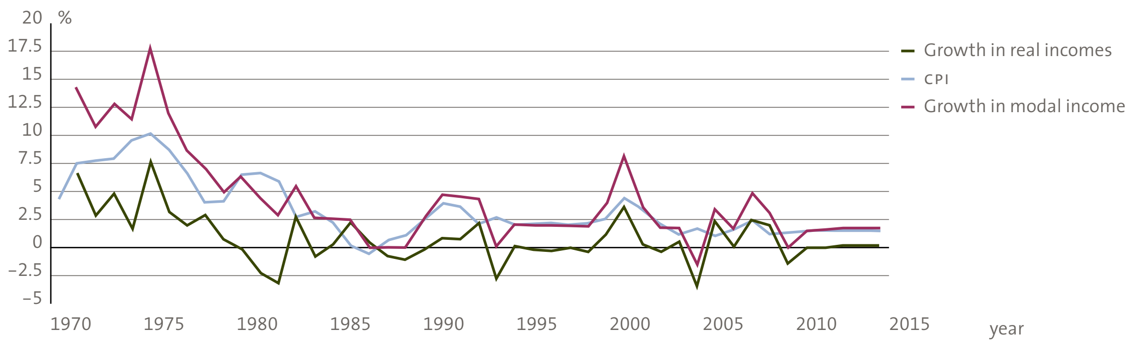


moderate expectations for real incomes

The trend in purchasing power shows that real income growth has not been a given. The prosperity in the 1980s, with stable growth, has not been repeated in later years. In the past forty years, there has only been an increase in purchasing power in one in three years. The CPB expects limited growth in real incomes of 0% to 0.25% for the next few years because of the forecast limited economic growth (with moderate inflation) caused in part by a higher tax burden relating to the increased government debt as a result of the crisis, but also to keeping social security affordable.

Modal income and inflation 1970-2015

Source: CPB (2010); Vesteda's calculations.



spending pattern: housing costs between 20 and 30%, depending on age

With the knowledge that real income growth will be limited, it is interesting to consider whether above-inflation rent rises can be achieved. The budget survey by Statistics Netherlands shows that on average rent has been about 23% of income for many years but that energy costs have led to housing costs taking an increasing share of disposable income. Single people spend almost 30% on rent and maintenance, two-person households and families 20% to 24%. The share of rent and maintenance in total income rises as the age of the principal earner increases: from 21% for younger earners to 30% for retired people.

ability to pay: incomes will barely rise above inflation in the next few years

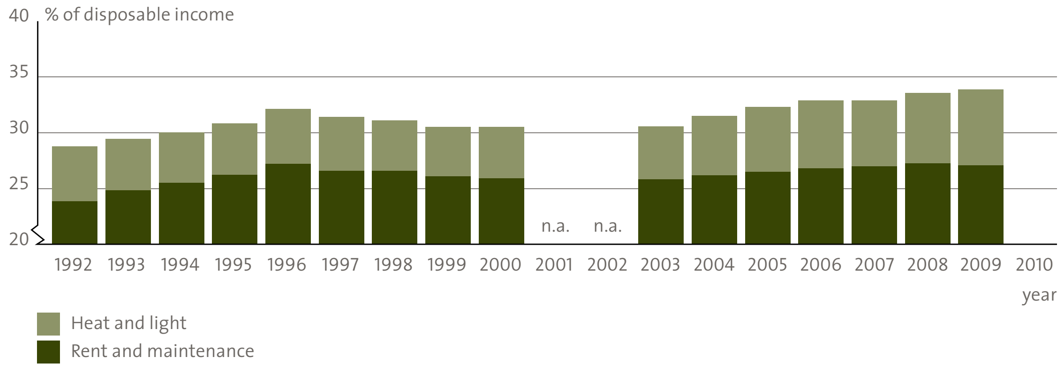
Consumers' ability to pay depends on income trends and spending patterns. The crisis put a stop to the real income trends seen in the Netherlands at the start of this century. While the effect of the crisis on real incomes only became clear in 2010, its aftermath will ensure that the trend will be modest. The CPB expects that real income trends will be limited to 0.25%. Incomes will barely rise above inflation, if at all.

relative spending by tenants on energy increases

The share of rent and household maintenance in households' spending patterns is flattening off. In the past five years, tenants paid the same percentage of their income in rent and maintenance, which on the face of it is not a surprise. When letting, Vesteda sees that consumers are increasingly critical and price-conscious when making decisions, and this has consequences for the price/quality ratio demanded. Properties with rents above €1,000 to €1,200 have become significantly more difficult to let in recent years.

Tenants spending on rent/property maintenance and energy

Source: Statistics Netherlands (2010)



energy costs almost double in the past ten years

Ancillary housing expenditure is dominated by energy costs. According to the WoON 2009, households in the Netherlands spend an average of almost €2,500 per year on water, gas and electricity. Energy costs have risen by 20% in the past three years. Only part of the increase is due to consumption; the biggest effect on energy bills is the increase in gas and electricity prices, which have almost doubled in ten years. It is expected that energy prices will continue to rise faster than incomes in the next few years.

disposable income under pressure

Vesteda does not think there is much chance of above-inflation rent rises in the immediate future. Disposable household income is growing little if at all, the share of rent is stable and the other housing costs (energy) are taking up a larger proportion of income. In addition, the rising price of commodities, food and semi-manufactures, but also more expensive imports from formerly low-wage countries, will make manufactured goods more expensive and unless consumers change their behaviour, will use up more disposable income.

Vesteda estimates that increasing pressure on the rental market as a result of the slowdown in construction will not have a major effect on rent rises but will be seen far more in harmonising pricing, for example, when rents change at the end of a lease.

CONCLUSIONS ON AFFORDABILITY

- The trend in market rents is in line with inflation;
- Rents above €1,200 are under pressure;
- Rises in real incomes will be limited in the next few years;
- Rent as a proportion of disposable income has been fairly steady in recent years;
- By contrast, energy costs have increased strongly;
- Limited real income growth and rising housing costs make the prospects for above-inflation rent rises less favourable.

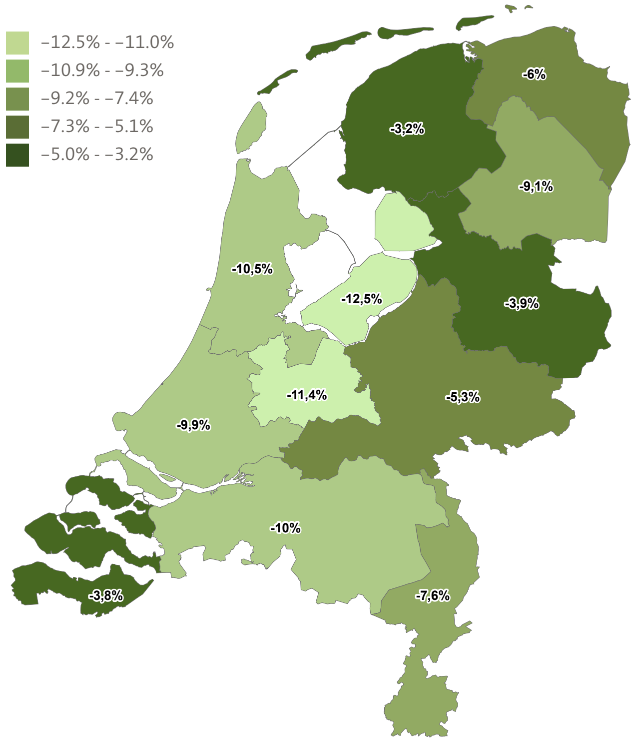
PRICE TRENDS IN OWNER-OCCUPIED HOUSING MARKET

stabilisation to marginal increase in prices expected

Despite the low mortgage interest rates and related improved affordability, many lack the confidence to buy a home now. Since the beginning of the crisis in October 2008, the average selling price of existing residential properties in the Netherlands has fallen by 8.6% but the downward trend seems to have been broken: the number of transactions is picking up and the extent of the price fall has diminished gradually during 2010. On balance, selling prices seem to have stabilised or be rising marginally.

Prices of existing residential properties July 2008 to November 2010

Source: Statistics Netherlands/Kadaster (2011)



MARKET OVERLAPS FOR VESTEDA

economy

Economic uncertainty still has the upper hand. The sensitivity of the deregulated rental segment to the state of the economy means that the market position is expected to improve slightly. Income and purchasing power trends show that there is little room for real rent rises.

socio-demographic

Customer groups of interest to Vesteda will grow in the next few years; they are and will remain a substantial part of the housing market, but with regional differences. Looked at from the product/market combination, the ageing population will increase demand for lifetime homes, where consumers keep control over their care. On the other hand, there will only be demand for specific housing concepts with care facilities in absolute terms from 2020. In addition, individualisation will demand different product/market combinations, especially in large towns.

housing market

Rising demand in the next few years offers prospects for expanding the housing portfolio. Account must also be taken of specific regional characteristics when developing and letting residential properties. Demand is still focused on urban areas, although interest in rural environments is increasing among Vesteda's target groups. Given housing costs and the shift from quality to price, above-inflation rent rises will be ever more difficult to justify. The rising shortage of housing may generate limited price effects. The market position of a complex will improve strongly if energy costs can be limited by the use of sustainable materials and/or systems leaving the tenant financially better off.

operation of the market: deregulated rental segment

The deregulated rental segment has become a price-driven market. Products have to be able to compete on price and be perfectly in line with market demand. The upper range of the deregulated rental segment above €1,200 will remain difficult in the next few years. Most demand will be at the bottom end of the deregulated segment. This means that account must be taken of a different risk profile for residential properties above €800 to €1,000 (depending on the region). The shift from quality to price also has consequences for the existing portfolio. Implementing annual real rent rises puts the ratio between price and quality in a different light and affects the market and competitive positions of our residential properties. Future demand for deregulated residential properties will focus to a significant extent on the Randstad conurbation and Brabant, especially in the mid-segment. As well as trends in housing costs, this will also be a result of the increase in the number of single-person households where demand is for smaller homes with a moderate rent affordable on one income. The increasing demand for such types of home, especially in towns, offers Vesteda opportunities to create value.

government policy

In the regulated part of Vesteda's portfolio, the coalition agreement offers scope for raising rents by up to inflation + 5% for skew tenants, but the economic prospects mean such increases are not always responsible. The increase in the number of housing valuation system points in regions with scarcity offers scope to raise rental income.

housing associations

Housing associations will have to focus more on their core duties. Competition in the deregulated segment will, therefore, decline. This decision also limits the target group of housing associations, with the 'drop outs' guided towards the deregulated sector of the regulated residential properties of investors. Excess demand will, therefore, rise.

price trend residential properties

The expected economic growth will not lead to limited real value growth until 2013. Regional differences may lead to different value trends. Based on external environmental analysis and conclusions, Vesteda is assuming limited real value growth and rent development to 2015.

KEY CONCLUSIONS ON THE DUTCH HOUSING MARKET

- The main conclusion from the external environmental analysis is the 'uncertainty' of households about the economy, work and income and the housing market;
- Regulation offers opportunities to expand the deregulated market segment;
- The deregulated rental segment has become a price-based market;
- More focus on the rent bands up to €800 to €1,000, with regional price differentiation, is the obvious approach for residential investors such as Vesteda;
- Income trends make above-inflation rent rises increasingly difficult; inflation-linked rent rises in the regulated segment do not help;
- The importance of sustainability is increasing. Focusing sustainability on reducing tenants' rising energy costs leads to a win-win situation for tenants and Vesteda;
- Government policy is leading to extra pressure of demand at the lower end of the deregulated segment but also in the regulated part of the Vesteda portfolio;
- The growth in the number of one-person households requires smaller homes with a rent affordable on a single income;
- Demand for lifetime homes is already increasing; living with a care concept will arise more specifically in the following decade;
- Real value growth will only happen in due course;
- The stronger regions are mainly in the central part of the Netherlands.

INVESTMENT

Towards the target portfolio

The table below shows the portfolio value at the end of 2010 by rent band and compared with the portfolio expected in 2015 and 2020.

Expected development towards target portfolio

Percentage of value. 2020 year end = target portfolio.

	2010 year end	2015 year end	2020 year end
<= €652	**27**	24	13
653 to 800	**30**	33	38
801 to 1,000	**19**	21	39
1,001 to 1,200	**7**	7	7
> 1,200	**17**	15	3
Total	**100**	100	100

target portfolio in 2020: 75% to 80% under €1,000 by value

The desired portfolio in 2020 is also known as 'the target portfolio'. When the target portfolio is achieved, 90% of the value will be in the rental segment under €1,000.

focus more strongly on €600 - €1,200 segment

The target portfolio is based on a strategy aimed at increasing the focus on the mid-segment. This means that in addition to sales of older or regulated residential properties, attention will be focused on sales of residential properties with a monthly rent above €1,200 in region 1 and above €1,000 in regions 2 and 3.

Effects to 2014

focus to 2014: segment €800 - €1,200, new building in regions 1 and 2, sales from pipeline of residential properties > €1,200

The composition of the portfolio will be adjusted in response to market conditions and their expected consequences. New building will to a large extent be in regions 1 and 2. Where possible, the pipeline of developments will be revised with the intention to end the inflow above €1,000. The active sale of completed new homes in the upper segment above €1,200 will contribute, albeit to a limited extent, to a reinforced focus on the mid-segment.

growth in upper segment > €1,200 to 20% no longer desirable

As many of the completions in the pipeline in the plan period to year end 2014 will be in the rental segment above €1,200 per month, unless the policy changes this category will grow to 20% by value around 2015, which is no longer seen as desirable.

Effects after 2014

focus after 2014: further reduction of upper segment > €1,200, limited scope for acquisitions €1,000 -€1,200 in region 1

A reduction is foreseen in the segment above €1,200 in region 1 after 2014. This is necessary for a structural reduction of this more risky segment across the portfolio. In contrast, new housing projects in good locations (but only in region 1) may be acquired in the adjoining rent band from €1,000 to €1,200, depending on scope for new acquisitions at the time. As a result of this, the share of this price segment in the portfolio mix will stabilise after 2015.

upper segment > €1,200 from 17% now to 3% in 2020

The share of the rental segment above €1,000 will be reduced from 24% by value today to 10% by year end 2020 through changes in the portfolio. This fall is entirely attributable to the segment above €1,200, which drops from 17% today to 3% by year end 2020. The segment from €1,000 to €1,200 will remain stable at 7%, with greater focus on region 1.

risk reduction by shifting to lower risk regions and price segments

This creates a structural shift in rent segments across the three regions. The focal point thus puts 76% by value in the mid-segment from the deregulation limit to €1,000. Risk is, therefore, reduced by shifting to lower risk regions and rent segments.

Appraisals in 2010

whole portfolio appraised by external valuers

During 2010 about 25% of the portfolio was appraised by external valuers each quarter. The part that had been appraised in the first quarter of 2010 was re-appraised by external valuers during the final quarter and the appraisals made the second and third quarters were updated externally in the final quarter. Consequently, the whole portfolio had been appraised by external valuers by the fourth quarter.

Trend of falling yield turned around

aim: annual realised yield of 4.5%

In addition to lower risk as a result of the move to the target portfolio, a number of measures will lead to an increase in the direct yield in the next few years. Risky complexes with little potential and a low direct yield will be sold early. Complexes with high vacancies and so relatively low rental income will be critically assessed. Risk in the portfolio structure will be reduced by increasing the share of mid-segment and deregulated residential properties to €1,000 in region 1. These measures will significantly reduce the volatility of cash flows and improve the direct yield. This reinforces the foundations for a stable healthy realised yield of 4.5% per year, in line with the long-term target.

New government policy and effects on Vesteda

The new government's policy proposals are now known. They are set out below, along with the expected effects of the measures on Vesteda's investment portfolio.

Income-dependent rent rise in regulated residential properties to combat skewing

measure: annual household income above €43,000 offers scope for maximum rent rises of inflation plus 5%

The maximum annual rent rise for tenants in regulated residential properties with an annual household income to €43,000 will be the same as inflation. A maximum rent rise of inflation plus 5% is allowed each year if these tenants have a household income of €43,000 or more. This measure starts on 1 July 2011 and is intended to combat skewing: social rental homes remaining occupied too long by households with high incomes who are not in the target group for the social sector.

extra rental income up to €400,000 per year for Vesteda

Assuming that the maximum rental threshold will be the deregulation limit, the estimated effects on Vesteda's portfolio are as follows. A total of 14,695 HPW homes are potentially affected. Where allowed by income, rent rises could be accelerated to the market rent level up to the computed maximum reasonable rent. The extra rental income from his measure will in due course be up to some €400,000 annually, computed on an average rent of €530 per month. Looking to the future, the computed extra income will increase as a result of the accumulated rent rises.

Number of housing valuation system points raised in regions with shortages

measure: 25 extra points in regions with shortages

The number of housing valuation system points will be raised by up to 25 points in regions with shortages, depending on the WOZ value (value under the Valuation of Immovable Property Act).

maximum extra rental income for Vesteda: €4.2 million per year

7,487 of the 14,695 HPW residential properties are in region 1 and 3,503 of them have a points score of 141 or lower. 2,911 residential properties currently rate more than 141 points and so are to be deregulated. If the market rental value of these residential properties gives extra scope of €100 compared with the deregulation limit, the maximum extra rental potential is €4.2 million of theoretical rent annually.

Rent levy

measure: rent levy on landlords with more than ten residential properties

Landlords who let more than ten residential properties will contribute to the rent allowance through an annual rent levy. The government will receive €760 million per year from this tax from 2014. In contrast to the text of the government policy document, the levy is included in the tables from 2014 meaning that the levy will be a fact from that year.

extra cost for Vesteda: €10 million per year from 2014

Vesteda has calculated that an annual contribution of some €370 per home will have to be taken into account on a total of 2,050,000 affected residential properties. For Vesteda this means an annual contribution of about €10 million. These costs will come off the direct yield in 2014, and so it will be reduced by about 4 basis points.

Right to buy for housing association tenants

measure: right to buy for housing association tenants

Tenants of housing associations will be given the right to buy their homes at a reasonable price.

effect on Vesteda: values at the lower end of the owner occupied segment may be under pressure

The effect of this may be to distort the lower end of the owner-occupied market segment and sales proceeds and results may be under pressure. An effect of this will be that the value is also under pressure.

DEVELOPMENT

development activity at a minimum level

Acquisition activities were reduced to a minimum during the year, while maintaining attention for Vesteda's often long relationship with municipalities.

2010 targets guided by adjusting Group inflow and cost reduction

The main tasks for Vesteda Project bv in 2010 were to reduce the pipeline obligations, especially in the higher-rent segment above €1,000, limit management expenses and set up an internal sales organisation.

The investment level in 2010, the number of projects handed over and the pipeline are presented in the section 'movements in property portfolio' on page 66. The main project development results in 2010 included the hand-over of New Orleans in Rotterdam, currently the country's tallest residential block.

sustainability targets set for new building, employees trained

Sustainability targets for new building were set in 2010. The following targets are aimed for in the GPR building test model on building decree level 6: Energy 6.5, Environment 7.5, Health 8.0, Quality in Use 8.0 and Future Value 8.0. Vesteda Project bv's employees have been trained in using the GPR building application. All projects are computed with GPR and adjusted as far as possible to the new targets. A sustainability test has also been made part of decision-making. Sustainability has also been one of the selection criteria for architects and contractors since 1 July 2010.

Stichting Waarborgfonds Koopwoningen (SWK)

membership requested and now obtained

Vesteda Project bv applied for membership of the SWK in 2010. SWK issues guarantee certificates to buyers of residential properties built by its members. The organisational and operating processes were assessed by the SWK as part of the application procedure. The SWK accepted Vesteda Project bv as a member and its membership has now been formalised. The guarantee certificate shields buyers against risks attaching to the purchase of new home.

Sales from work in progress

buyers see what they are buying and the home is available sooner

Opportunities for sales from projects in progress are under intensive consideration during development and this has been done successfully for various projects. The great benefit for the buyers is that they can actually inspect the product and do not have to decide from a brochure. In addition, the project is often much closer to completion, which deals with some of the competitive disadvantages of the existing market. It seems that in future buyers will more often only make decisions when a building is at an advanced stage.

LETTING/MANAGEMENT

Organisational reorientation of the property management department

Property management target

The property management department is part of Vesteda and its task is to manage the investment portfolio as well as possible. There is a permanent balance between the activities to be performed in house and those to be sub-contracted. In-house activities must offer a clear added value compared with sub-contracting.

first phase completed in 2010

Phase II of the Property Management Reorientation reorganisation took place in the property management department in 2010. The targets being aimed at are:

- improved commercial effectiveness: letting agents have been relieved of administrative tasks, allowing them more time for potential tenants;
- improving efficiency: better distribution can be achieved and efficiency is improved by centralising management, post, telephony and secretarial work;
- further improvement in the quality of implementation: property management is no longer regional, but organised by main process: letting and sales;
- improved customer focus: in the new situation, service to customers will initially be centralised (the 'first line') and supplemented by local tasks where they have greater added value if they are performed on site. A specific approach and organisation will be set up for the higher-rental segment and the business market (including serviced apartments);
- making property management more flexible: the property management department will be more flexible in terms of size and the deployment of people. The office locations will depend on the portfolio and letting activities.

Letting performance

property marketing targets: more registrations, better conversion, more letting

The targets for property marketing and letting are to raise the number of registrations, increase conversion of registrations into lets, intensify online campaigns and rapidly roll out 'sales support' to all offices and letting teams.

good results: 18% more registrations, 10% more lets

The total number of registrations rose significantly, by 18% compared with 2009, and the total number of registrations in the segment above €800 increased sharply, by 29%. The number of actual lets also increased, by 10%.

Membership of Vastgoedmanagement Nederland

membership of Vastgoedmanagement Nederland: sharing know-how on letting and management, access to Funda

In 2010, Vesteda property management joined the Vastgoedmanagement Nederland professional association, where know-how on property letting and management is shared. As a result of its membership, Vesteda has access to Funda, the housing website of the NVM (Dutch estate agents association). An up-to-date list of all of Vesteda's available rental properties is displayed on Funda.

Corporate housing

new team for business market

Vesteda has set up the Corporate Housing department to offer fast and efficient service to the target business market. This team of commercial employees offers solutions to accommodation issues for employees of national and international companies, governments and institutions.

Online marketing

primary channel for communication and letting

The website, www.vesteda.com, is key to communicating with potential tenants. Each day, the website automatically displays an up-to-date list of housing currently available. The registration module can be used by people wishing to register an interest. Their information is sent automatically to the letting planner, a method developed by Vesteda to create a source of screened potential tenants, so that vacant residential properties can be quickly relet.

further increase in visits to vesteda.com and number of registrations

The shift towards online marketing resulted in an increase in visits to vesteda.com. The number of unique visitors was between 120,000 and 160,000 per month in 2010 meaning a further rise compared with the previous year. Vesteda registered over 51,000 applications from about 25,600 people looking for a home in 2010. 93% of them used the internet to register with Vesteda.

Sales support

customer contact centre key link between customer and sales team

A separate letting and sales support team was set up to ensure rapid follow up. This team is part of the customer contact centre and has the task of completing the customer information from the registration as far as possible. Using their assessments, they quickly put customers with a specific housing need directly in touch with the letting agents. This means that the letting agent has fewer but better quality contacts, leading to a higher 'contact to contract' conversion rate. Sales support was implemented for all offices in 2010.

Tenants' associations

pleasant and useful cooperation

Vesteda holds two formal meetings with tenants' associations and residents' committees a year. There are also frequent informal contacts with the associations or their committee members between the spring and autumn meetings and important matters in and around the building and homes are often discussed informally. Thanks to the efforts of both sides, Vesteda regards this as a pleasant and useful way of communicating. In 2010, many contacts with the tenants' associations were on rents. The subjects discussed include proposed maintenance, settlement of service charges, reletting and in some cases the possible sale of a project. There are about a hundred tenants' associations and most of them are members of the Vesteda Platform, the umbrella organisation for Vesteda's tenants.

National umbrella organisation for Vesteda's tenants

positive, critical and constructive cooperation

The Vesteda Platform was set up almost ten years ago to consult tenants on subjects with a national scope. Its board looks after, in a professional way, the general interests of tenants which go beyond individual specific projects, such as rent and service charges policy and communications between Vesteda and its tenants. Tenants' associations and residents' committees may join the Platform and Vesteda reimburses the membership fee. In 2010, the Vesteda Platform secured group membership of the Woonbond for all its members. Vesteda regards the cooperation with the Vesteda Platform as positive, critical and constructive. Several meetings were held during the year, addressing the new Tenant and Landlord Consultation Act, rent policy, harmonisation of billing heating and service charges, group membership of the Woonbond and the Platform's website.

Rent rise

average 1.7% rent rise on 1 July

Vesteda's rents rose by an average of 1.7% on 1 July 2010. The rental policy treats regulated and deregulated residential properties differently.

1.1% rent rise in the social segment from 1 July:

On 1 July, about 48% of the residential properties in the Letting portfolio were in the social rental segment, where rent rises were restricted to 1.2% in 2010. The rent rise for these properties was on average 1.1%.

2.0% rent rise in deregulated segment on 1 July:

Vesteda offers its tenants in the deregulated segment contractual rent protection. For some years, Vesteda has stipulated in leases that the annual rent rise will be no more than 2% above inflation. Vesteda can compare rents against market rates once every five years. Inflation in 2010, which determined the rent rises in the deregulated segment, was 1.0%. Overall, the average rent rise in the deregulated segment was 2.0%.

Debtors

Rent arrears significantly down

Although the effects of the credit crisis have barely passed, as regards the prompt payment of rent, rent arrears were further reduced in 2010 as a result of the strict collection policy. They had fallen from 13.1% of monthly rents at year end 2009 to 10.7% at the end of 2010.

SUSTAINABILITY

Sustainability strategy formulated

Sustainability has had a firm place as an area for attention in the organisation since 1 January 2010. This has been expressed in a comprehensive sustainability policy for existing buildings, new construction and across the organisation in the form of corporate social responsibility.

As a residential property investor, Vesteda has a long-term vision and strategy with a major role for sustainability. To Vesteda, sustainability is more than just saving energy or limiting CO_2 emissions. It applies just as much to good operations, reducing the overall environment burden, raising quality of use and health aspects in developing or construction and management of the property. This is expressed in ESG (Environment, Social, Government) factors. In the end, sustainability must be part of all of Vesteda's operations and it is, therefore, an integral part of Vesteda's mission and policy.

Vesteda has three categories of sustainability:

1 Sustainable housing: making our residential buildings sustainable
2 Sustainable working: the social function of the organisation as a whole
3 Sustainable living: influence on and communication from Vesteda with stakeholders

Sustainable housing

For a residential investment fund like Vesteda, a sustainable housing portfolio means that the residential properties are built or adapted so that they impose a minimum burden on scarce resources such as space, materials, energy and water while at the same time dealing responsibly with customer satisfaction, value development and yield. The following targets have been formulated:

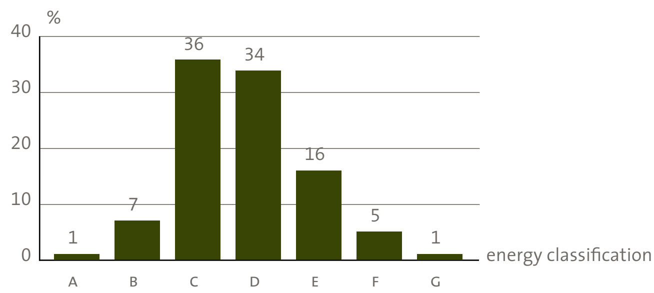
- In 2015, Vesteda must have a 'core' portfolio of buildings with on average a C energy classification. This target must be achieved without affecting yields;
- Between 2010 and 2015, cutting electricity consumption in common spaces in all complexes by 20% compared with 2009. From 2014, all energy used in common spaces will be bought from green sources. There is an interim target of 50% by year-end 2012;
- Aiming for the following GPR ambitions when developing and acquiring projects: Energy 6.5, Environment 7.5, Health 8.0, Quality in use 8.0 and Future value 8.0. Level 6 is the minimum requirement for building permits;
- All timber used in new building from sustainable sources;
- Sustainability from 1 July 2010 to form part of the selection of suppliers, contractors and architects.

All residential properties have an energy classification

Since 1 January 2008, residential properties which change hands (reletting or sale) must have an EPA energy classification. Vesteda has a project that provided 90% of its residential properties with an energy classification. The remaining 10% are residential properties less than ten years old which are not covered by the requirement and for which the classification can be estimated by reference to the year of construction: 2000-2001 gets a B classification; 2002 and later an A classification. The chart below shows the results for residential properties in the Letting portfolio (excluding those younger than ten years).

Letting portfolio, by energy classification

Percentage of units (N=24,096)



added value from a good energy classification will become more explicit in the next few years

Vesteda uses specific computer software to determine the effects of maintenance work on the energy classification of every building. This information is needed to make the portfolio greener within the target yield. The energy classification has, therefore, become part of the hold/sell-analysis. A sustainable solution is always chosen for maintenance and replacement. Vesteda is in intensive dialogue with valuers to reflect sustainability and energy efficiency in the value of its portfolio, and energy classification has been a structural part of the appraisal since the fourth quarter of 2010. The added value of a green energy classification was not explicit in the appraisals of the fourth quarter but will become so as soon as the energy classification takes off in the market.

collective purchases of green energy

Last year, opportunities for savings and green supply of part of the energy used in the common spaces were assessed. The most sustainable solution is always chosen for repairs and replacements, for example, LED lighting. Vesteda purchased 8 GWh of green energy in 2010 for its energy needs.

sustainability as criterion for selecting suppliers, contractors and architects

Vesteda wants to promote sustainability in the building chain by working with parties who also find it important. The sustainability policies of all regular suppliers have been identified. The wish that they hold an ISO-14001 certificate is included the framework contracts. Sustainability has become a criterion in the selection of suppliers, contractors and architects.

new building

The focus in new building is on adding to the portfolio by drawing a balance between the highest possible quality and, at the same time, the lowest possible environmental burden while reinforcing the rental value and property value. To do this, Vesteda Project bv has purchased the GPR building tool which can be used to determine the different elements that determine the sustainability of a building. In 2010, 21% of the projects in the pipeline were computed and where possible adjusted to the targets. In addition, all new building projects under development have used timber from sustainable sources since July 2010.

Sustainable working

Sustainable working covers all measures that Vesteda is taking in its own operations. Vesteda can make a contribution to minimising the environmental burden in its offices and can be more energy efficient by green purchases of office supplies. The following targets have been formulated:

- Between 2010 and 2015, energy consumption in our offices must be cut by 15% compared with the end of 2009;
- Sustainability must always be part of the purchasing policy.

office energy reduction

In the past year, Vesteda succeeded in purchasing green energy for its own offices. The purchase of 3,100 MWh was confirmed by a sustainability certificate from Nuon. In addition, our employees are intensively encouraged to use energy more efficiently. Energy saving is part of the house rules in our offices.

sustainable purchasing

A 'Sustainable purchasing' guideline was prepared in 2010, to assist employees in the purchasing process.

sustainable ICT

Vesteda uses server-based computing for its ICT systems. This technology means workplaces can be equipped with energy efficient systems called 'thin clients'. In 2010, all new workstations were equipped with this technology as standard and the number of higher energy consuming desktops and laptops has fallen further.

Green motoring: 10% reduction in CO2 emissions achieved

Vesteda attaches importance to using 'green' cars and so a policy has been developed that encourages lease-car drivers to choose cars with an A or B label. 51 of the 56 cars leased and ordered in 2010 had an A or B label. Vesteda thus achieved a 10% reduction in average CO_2 emissions from motoring. At the end of 2010, as a contract party, Vesteda undertook a 'car sharing' pilot with electric cars on the Amsterdamse Zuidas.

Sustainable living

Communication with stakeholders is an essential part of achieving Vesteda's sustainability policy. The accent in deploying the policy is on transparency, credibility and especially on inspiration. The following target has been formulated:

- Start active communication with tenants in 2010 with information on Vesteda's targets and at the same time encourage tenants to use less energy and water.

communication with tenants: encourage sustainable conduct

Encouraging tenants involves managing behaviour as the main factor influencing sustainability in the home. Initial steps were taken in the past year in the dialogue on sustainability and this will be expanded further in 2011. A distinction will be drawn between new and existing tenants with specific information on what tenants themselves can do to contribute to reducing energy and water consumption.

internal communication including presentations and dialogue in Vesteda offices

Internal communication on sustainability was intensified in the past year. The policy has been explained during a tour of the offices, specifically addressing what everyone can do to contribute to the sustainability targets.

participation and cooperation: Sustainability Taskforce, Green Business Club

Vesteda joined the Dutch Green Building Council in 2010 to promote sustainability in the construction and contribute to a uniform sustainability classification. Vesteda is also actively involved in various initiatives such as the IVBN Sustainability Taskforce and the Green Business Club on the Zuidas. In March, Vesteda Project bv signed the regional GPR-gebouw covenant, which commits municipalities and market parties to a performance-based approach to sustainable construction.

Customer Survey

Vesteda has carried out an ongoing survey, the Vesteda Tenants' Monitor, since it was set up. It provides information on the characteristics, views, wishes and opinions of the various groups of tenants. On average, tenants rated the home, surroundings and service from Vesteda at just below 7 out of 10 in 2010.

Structure of the customer survey

by post or internet

All new and departing tenants receive a questionnaire by post or online.

findings of new tenants

New tenants are asked why they are renting, and about the orientation and decision-making process and their findings as a new customer.

suggestions from departing tenants

Departing tenants are asked why they are moving and for suggestions for improving products and services.

satisfaction of sitting tenants

Each month, a sample of sitting tenants is sent a questionnaire asking about matters such as satisfaction with the home, surroundings and the service from the woongaleries and Vesteda. About a quarter of our sitting tenants are approached each year. As the response rate is 40%, about 10% of the overall population of sitting tenants takes part in this survey each year making it possible to draw valid conclusions for sub-groups.

abandoned applications give information on reasons for renting elsewhere

The 'leads' survey, which has been operating since 2007, examines the requirements of potential tenants. Using this information, Vesteda gets to know the decisive reasons for, ultimately, not renting from Vesteda. This information is useful for getting closer to the wishes of our future customers.

representative customer panel gives fast and specific insight into current issues

The views of the customer panel are representative of all Vesteda tenants. The advantage of the panel is the speed with which the preferences and views of our tenants can be measured and the speed of research for urgent decision making. Issues surveyed during 2010 were: What is your view of the future given the economic recession? and What makes a municipality attractive to you? The results of this latter survey were input for the Vesteda survey into the quality or regions, towns and neighbourhoods.

surveys of tenants associations

The survey of tenants' associations was evaluated in 2010 and it will be revived in the coming year, in line with the restructuring of the Tenants' monitor.

almost 30,000 surveys processed, report embedded in operations

Almost 30,000 surveys have been processed and analysed since the start of the completely new survey in 2003. The response rate continues to be about 40%, which is good given that it is an extensive written/on-line survey. The various disciplines at Vesteda are provided with a report each quarter. A special theme is highlighted alongside the standard sections of the reports on different aspects of services. The reports have a solid place in the primary operating processes. The survey results and suggestions for improvements by tenants at complex level, ranked by home, environment and service, are an important instrument for the asset management and property management departments to make balanced choices.

Results of the customer survey

at 7.2 tenants remain satisfied with their homes

Overall, Vesteda tenants seem satisfied with their homes, giving them an average rating of 7.2 (out of 10) in 2010. The size, layout, orientation and sunny aspect of Vesteda homes were rated 7.5 or higher. The commonest requests of tenants in existing buildings are a new bathroom and/or kitchen and energy-saving measures. Perceptions of the rent and price/quality relationship of the home are constant at about 6.5.

surroundings also rated 7.2. Access and location are good

The surroundings were also rated 7.2 in 2010. Accessibility by car and public transport were rated well above 7.5. The location of amenities was also rated above average. Security and tranquillity are important factors for many families and over-75s. The majority of singles and cohabiting couples, younger people and some baby-boomers appreciate more lively urban surroundings.

background and motives of new tenants: family changes, moving for work

For the vast majority of new tenants, the immediate reason for looking for a home was a change in family membership or circumstances. A change of or move closer to work and temporary renting between two owner-occupied homes were also often named. 45% of our new tenants come from an owner-occupied home; in 2007 this was 55%. New tenants rent a home from Vesteda because of its location, quick availability and the size or layout.

many new tenants move within their municipality or even the neighbourhood

Almost 60% of our new tenants move within the municipality, and a third of them within the neighbourhood. Half the people move from single-unit homes and half from multiple homes.

Service processes altered

In the past year, Vesteda has phased in new service processes for sitting tenants. Sitting tenants' satisfaction with service reached a low point in the first half of the year with an average score of 6.2. In the second half, there was a sharp jump in quality that tenants then rated at 6.7. As a result the average score for service to sitting tenants for the full year 2010 was 6.5 compared with 6.6 in 2009. The customer-friendly approach and accessibility by telephone was rated well above 7. The intake process for new tenants and the process for ending a lease for departing tenants also changed during 2010. The process for service to new tenants was rated 7.3 and the service to departing tenants was 7.2. Our tenants were increasingly satisfied with the operation of the call centre and work by external companies: in 2010 the customer contact centre was rated 7.5 by new tenants and 7.4 by sitting tenants. External companies were rated at 7.4.

background and motives departing tenants

The main immediate reason for leaving a property is the wish to buy a home, followed by a change in the family membership. 57% of departing tenants leave for an owner-occupied home. In 2007, two-thirds left for the owner-occupied sector. A decisive reason for choosing another home is initially its location followed by size and/or layout and the good price/quality ratios. Speedy availability is also increasingly important.

Customer satisfaction sitting tenants 6.9

The overall customer satisfaction rating for home, surroundings and service weighted equally was 6.9 in 2010, just below the figure for 2009. The decline has now been reversed as the figure had already improved in the second half of 2010.

New survey

the customer central

Using a computer-based survey, the customer's satisfaction with a customer contact and the process can be measured immediately after the contact. The handover process for new tenants is continuously evaluated and revised in this way. This type of survey seems easily accessible and the response rate of 70% is high. The results give an immediate picture of what is going well and what is not, so that matters can be tackled directly. Property management, working with Research, will apply this instrument to more processes, including complaints handling.

Movements in property portfolio

There was a negative revaluation of €146 million in the Letting portfolio in 2010. The net increase in provisions for future losses on projects in the Development portfolio was €21 million. During 2010, 1,054 residential properties were sold and 547 were added from in-house projects and so the Letting portfolio declined on balance to about 26,700. The occupancy rate was almost unchanged at 95.2%. Average rents rose 2.1%. The portfolio is still relatively modern: more than half of the homes are 20 years old or less. 547 residential properties were sold individually and 507 in complete complexes. The result on disposal rose to over €19,000 per home, generating a book profit on sales of €20 million.

CLASSIFICATION OF THE PORTFOLIO

All complexes and property developments are referred to jointly as the total portfolio. The total portfolio is subdivided into the Development portfolio and the Letting portfolio.

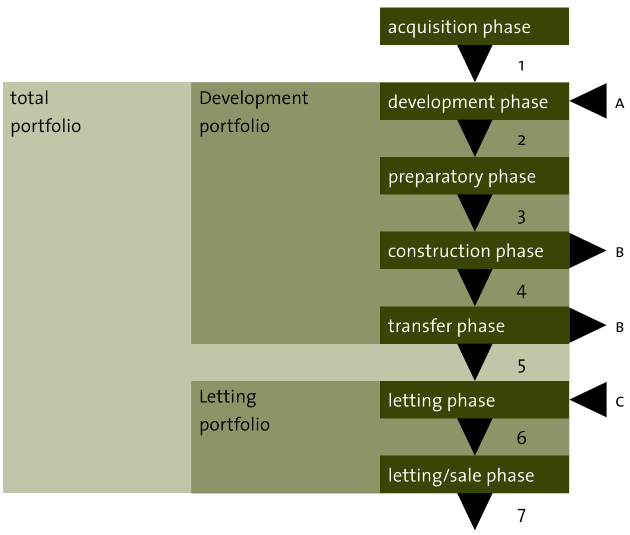
Development portfolio

The Development portfolio includes projects in the development, preparatory, construction and transfer phases. The development phase is for projects where there is an acquisition agreement or contract for an area development or other type of venture or acquisition and for which Vesteda is or will be preparing a development decision. As soon as a development decision has been taken on a project, it moves to the preparatory phase. The project transfers to the construction phase if an investment/sale decision is made and to the transfer phase on completion. Once a project is ready for letting, it is transferred to the Letting portfolio. A project may be transferred in stages.

Letting portfolio

The Letting portfolio includes projects in the letting phase and projects in the letting/sale phase. When a decision is taken to dispose of a project, it becomes part of the letting/sale phase.

Diagram of the classification of the property portfolio



1 acquisition contract
2 development decision
3 investment/sale decision
4 completion
5 ready for letting/sale
6 decision to dispose
7 disposal

Secondary process

A purchase of projects under development
B sale of new homes and projects
C purchase of turnkey projects and portfolios

Transfer from Vesteda Project bv to Vesteda Woningen

Vesteda Groep bv determines its need for new projects from the long-term plan, based on analyses of the ideal and actual portfolios, and this is then passed on to Vesteda Project bv. Suitable projects are placed in the Development portfolio with the aim of including them in Vesteda Woningen cv or Vesteda Woningen II cv, the common investment funds. They can be transferred in full or in part once an investment decision has been taken and projects have been developed. The date when these conditions are met and the transfer can be made depends on the type of project and ranges from before the start of construction to the hand-over date. The number of residential properties that Vesteda Project bv can hand over to Vesteda Woningen cv or Vesteda Woningen II cv in a given year does not, in accordance with the definition, have to be the same as the inflow in the Letting portfolio in that period.

TOTAL PORTFOLIO

3.7% reduction to €4,565 million

The value of the total portfolio was €4,565 million at year end 2010, 3.7% less than at the start of the year.

Total portfolio, value
Excluding acquisition investments, year end

(€ millions)	**2010**	2009	2008	2007	2006
	4,565	4,738	4,978	4,934	4,482

DEVELOPMENT PORTFOLIO

Value

36% reduction to €163 million

The value of the Development portfolio was €163 million at year end 2010, a fall of 36% during the year. There were no new acquisitions in 2010.

Development portfolio, value
Excluding acquisition-investments, excluding VAT, year end

(€ millions)	**2010**	2009	2008	2007	2006
Development portfolio	**163**	254	279	135	176
Of which work in progress	**134**	239	260	124	116

The table below shows the value of work in progress during 2010.

Work in progress, value in 2010
letting and sale

(€ millions)	excl. VAT	incl. VAT
value at start of year	239	
+ investments	144	172
+ net movement in provisions	–19	
– outflow*	230	274
value at year end	134	

*outflow from work in progress: taken into investment, sold or transferred to inventory of finished goods or goods for resale

Investment

investment of €172 million including VAT

The table below shows the annual investment in the Development portfolio. No minimum investment target was set for 2010. Investment in the year was €144 million excluding VAT or €172 million including VAT.

Development portfolio, investment
Excluding acquisition investments, including VAT

(€ millions)	**2010**	2009	2008	2007	2006
Target	**–**	–	260	250	220–250
Actual	**172**	233	229	169	169

Completions

547 residential properties let

No target was set for completions of residential properties in 2010. The actual figure was 547 residential properties, which were handed over to Vesteda Group for letting.

Completions

Units	**2010**	2009	2008	2007	2006
Target	**–**	–	400	700	750
Actual	**547**	731	344	561	477

PIPELINE OF PROJECTS UNDER DEVELOPMENT

2010: further reduction in pipeline

target: reduction in volume of projects under development

During 2009 Vesteda was faced with a market in which sales of individual residential properties slowed and prices and volumes on the professional tender market fell, generating less liquidity. The fall in value in the market also affected projects under development. Consequently, a significant task for Vesteda Project bv in 2010 was to cut the development pipeline to a lower level. The pipeline at year end is shown below.

Pipeline
year end, hard stock*, letting and sale

	units
Projects in construction phase	610
Projects in preparatory phase	425
Projects in development phase	1,067
Total in Development portfolio	2,102
Projects in acquisition phase	1,160
total hard stock	3,262

* hard stock: projects subject to a contractual agreement

Letting and sale

564 owner-occupied and 46 rental properties in construction phase

At year end 2010, Vesteda had 610 residential properties in the construction phase; 564 intended for letting and 46 for sale.

Projects in the construction phase

list of projects in annex

The properties in the Development portfolio, listing the address, number of residential properties, usable area, theoretical year-end rental and whether the project is intended for letting or sale, are set out on page 145.


Amersfoort


Amsterdam, block B


Amsterdam, block D


Amsterdam, block G


Amsterdam, block H

PROJECTS HANDED OVER IN 2010

Amersfoort, Puntenburg, Zicht op Amersfoort
The Puntenburg plan is being developed north of the railway station in the Eemkwartier, a stone's throw from the old centre of Amersfoort. Rudy Uijtenhaak designed the Zicht op Amersfoort residential block with 121 luxurious owner-occupied and rental apartments with external space and an underground garage. 62 apartments were handed over in 2010.

Amsterdam, IJburg, Blocks B, D, G and H
Several residential blocks are being built on the Steigereiland/Noordbuurt island, which lies on the IJ at the entrance of IJburg. The developers, Vesteda Project bv/woningstichting Rochdale, are developing 105 owner-occupied homes for sale; the result will be shared equally between the parties. The social rental homes will be let by Rochdale. At year end 2010, 84 of the 105 residential properties had been sold.

Block B, called Schouw, lies on the IJ and comprises 45 social rental homes and 15 owner-occupied homes. The architect is DKV Architecten.

Block D, called Botter, is in the centre of the blocks that overlook the IJ and the Durgerdam on the other side. Botter includes 14 social rental homes and 37 owner-occupied homes. The residential properties were designed by Marx en Steketee Architecten.

Block G, called Boeier, is in the far north-eastern corner of Steigereiland on the IJ. Boeier has 14 social rental homes and 24 owner-occupied homes. The design is by DKV Architecten.

Block H, called Praam, lies between Block G and Block I that Vesteda will be building and contains 25 social rental homes and 29 owner-occupied homes. The design was by Marx en Steketee.

The Hague, Benoordenhout, Hubertusstaete

Hubertusstaete is in Van Hogenhoucklaan in the Benoordenhout district on the former Bronovo hospital site. 24 residential properties in the four-storey block were handed over in 2010. The apartments range between 97 m² and 127 m² in size and are available in nine different types. The design is by WVDW architecten.

Groningen, Reitdiep, Reitdiephaven

Reitdiephaven is a residential block of 47 comfortable residential properties on a yachting marina on the edge of Groningen. The apartments have an area of about 90 m² to 111 m². Construction started in the fourth quarter of 2008 and was completed in June 2010. The design was by Gulikers Architecten.

Maarssen, Op Buuren, Block 3 and Block 10A

Op Buuren village is being built on the former DSM site on the banks of the Vecht, near Oud Zuilen. The plan is for 665 residential properties, including 154 apartments and 28 owner-occupied houses for Vesteda. The streetscape ensures that the development will have the authentic atmosphere of a real Vecht village. Block 3, called Hoogevecht, includes 18 apartments ranging from 106 m² to 151 m² in size overlooking the Vecht. Construction on Hoogevecht started in late 2008. Architects are Mulleners en Mulleners Architecten and Bruno Albert of Liege.

Blok 10A, called Cruydenborgh, on the western edge of Op Buuren village was handed over in 2010. Cruydenborgh contains ten three, four and five room apartments ranging in size from 105 m² to 158 m². The residential properties lie around a square and there are two commercial spaces of 220 m² and 150 m² on the ground floor. Architect is Mulleners en Mulleners.

Maastricht, Céramique, Maison Céramique

Maison Céramique, the final block in Maastricht's newest district, Céramique, was handed over in 2010. The Liège architect Charles Vandenhove designed the building on the Avenue Céramique, opposite the historic Wiebengahal. Above the commercial ground-floor, there are 33 spacious and well-finished owner-occupied and rental apartments. Construction started in early 2008.

The Hague

Groningen

Maarssen, block 3

Maarssen, block 10a

Maastricht


Roermond


Rotterdam, New Orleans


Rotterdam, Parkkwartier


Wageningen


Woerden

Roermond, Centrum, Casimir
Casimir is a fine listed building dating from 1908 on the edge of Roermond town centre. 59 spacious and luxurious owner-occupied and rental apartments have been built alongside the villa. Construction started in 2007. The new building was designed by Engelman Architecten.

Rotterdam, Kop van Zuid/Wilhelminapier, New Orleans
New Orleans, the tallest apartment block in the Netherlands, stands next to the Montevideo block on the Wilhelminapier in Rotterdam and was handed over in 2010. It is 160.5 metres tall and includes 234 homes for letting and sale. It was designed by Portuguese architect Álvaro Siza. The Lantaren/Venster theatre and cinema on the ground floor opened in November 2010. The official start of construction work was in May 2007.

Rotterdam, Katendrecht, Parkkwartier
The Katendrecht district of Rotterdam Zuid is undergoing major redevelopment. A block of apartments is being built the Parkkwartier with 27 residential properties ranging in size between 81 m^2 and 125 m^2. The architect of this project is Geurst en Schulze.

Wageningen, Haagsteeg
Two urban villas with a total of 28 apartments are being developed in the new Haagsteeg development. The two buildings form the entrance to the small-scale new development at the end of the town centre. Apartments from 113 m^2 to 130 m^2 are available. Construction started at the end of 2008; the architect of both villas is Marx en Steketee.

Woerden, Molenvliet, Heeren van Woerden/De Graaf
A residential block, De Graaf, is being built in the Heeren van Woerden development on the edge of Woerden town centre. It is a self-contained block around a central garden. The project includes 46 apartments ranging from 75 m^2 to 98 m^2 in size. The apartments offer a view of the Oude Rijn or the park on the Hoge Rijndijk. The design is by Griffioen Architecten.

LETTING PORTFOLIO

Value

modest decline of 2%

The table below shows the value of the Letting portfolio, which fell to €4,402 million at year end 2010. The proportion of single-unit residential properties fell from 39% to 38% by value.

Letting portfolio, value

year end, (€ millions)	**2010**	2009	2008	2007	2006
Single-unit residential properties*	**1,652**	1,743	1,925	2,055	1,794
Multiple residential properties*	**2,750**	2,741	2,774	2,744	2,512
Total	**4,402**	4,484	4,699	4,799	4,306

* including value of associated parking/garage spaces and commercial space in projects

Movements in value in detail

The Letting portfolio fell by a net 1.8% in value. In the table below shows the movements and the effect of revaluation.

Letting portfolio, movements in value

(€ millions)	**2010**	% value
Value at start of year	**4,484**	100
Movement as a result of roll over-strategy	**64**	1.4
Movement as a result of revaluation	**–146**	–3.2
Value at year end	**4,402**	98.2

movement in value: in and outflows add 1.4% revaluation -3.2%

The inflows and outflows of projects added a net €64 million to the portfolio, an increase of 1.4%. The movement as a result of revaluation was -€146 million or -3.2%. The net movement in the Letting portfolio in 2010 was a fall of €82 million or 1.8%.

Revaluation in detail

98% appraised at individual sales value

Projects in the Letting portfolio are stated at fair value, being the higher of the investment value, the market value with sitting tenants, and individual sales value, or the net realisable value on disposal of complete complexes to organisations specialising in selling individual units. The majority, some 98% of the portfolio at the end of 2010, are stated at individual sales value.

value with vacant possession affects individual sales values

Individual sales value is strongly affected by the value with vacant possession: the prices of residential properties on individual sale with vacant possession. The valuation uses the discounted cash flow method so that tenancy turnover and rent trends also affect the value.

specialists in individual sales hesitant

Although private investors remain active, there were fewer institutional parties in the market to purchase residential complexes and banks' restraint has made financing transactions more difficult. This all affected the required yield which determines the price.

Units

modest decline of 2%

The size of the Letting portfolio, measured in units, fell 2% in 2010 to 26,732 residential properties at the year end 2010. As well as the residential properties, Vesteda owned about 57,500 m² of commercial space and some 10,000 parking/garage spaces.

Letting portfolio (units)

number at year end	2010	2009	2008	2007	2006
Single-unit residential properties	**10,517**	11,074	11,581	12,034	11,476
Multiple residential properties	**16,215**	16,169	16,043	16,300	16,514
Total residential properties	**26,732**	27,243	27,624	28,334	27,990
Parking/garage spaces	**10,177**	9,699	9,457	8,984	8,185
m² commercial space	**57,515**	51,663	43,179	39,789	41,725
of which office:	**40,168**	40,606	32,511	27,768	29,341
of which retail:	**17,346**	11,057	10,668	12,021	12,384

98% let for at least one year

In 2010 the net decrease in the portfolio was 511 residential properties. In total 1,054 properties were sold and 547 were added. All additions were in-house developments. At the end of the year, 26,193 of the 26,732 units in the portfolio had been let for at least one year.

Movements in Letting portfolio (units)

Number of residential properties	2010	2009	2008	2007	2006
at start of the year	**27,243**	27,624	28,334	27,990	29,276
– total sold during the year	**1,054**	1,112	1,052	1,263	1,758
+ reclassification as a result of change in layout	**–4**		–2		–5
+ added by acquisition of portfolios (a)				1,046	
At year end, let for at least one year	**26,185**	26,512	27,280	27,773	27,513
+ added from in-house developments (b)	**547**	731	344	561	477
at year end	**26,732**	27,243	27,624	28,334	27,990
of which added during the year (a+b)	**547**	731	344	1,607	477

Properties in the portfolio

The properties in the Letting portfolio with the address, number of residential properties, usable area and theoretical year-end rental are listed on page 140.

Value with vacant possession

marginal fall of 0.5% in value with vacant possession

The value with vacant possession of the Letting portfolio was €5,752 million at the end of 2010, meaning a reduction of 0.5% during the year as a result of the inflow, outflow and revaluations.

Letting portfolio, value with vacant possession

year end, (€ millions)	2010	2009	2008	2007	2006
Value with vacant possession	**5,752**	5,781	5,932	5,785	5,355

Average value per residential property

value per residential property slightly down at €161,000

At about €161,000 at year end 2010, the average value per residential property was very slightly down on a year earlier as a result of inflow, outflow and revaluation.

Letting portfolio, value with vacant possession

year end, (thousands of euros)	2010	2009	2008	2007	2006
Average value per home	**161**	162	167	151	136

LETTING PORTFOLIO, RENTAL INCOME AND OCCUPANCY

Market rental value and theoretical rental income

market rental value and theoretical rental income marginally up

At year end 2010, the market rental value of the Letting portfolio was €265 million and the theoretical gross rental income was €263 million.

Letting portfolio, market rental value and theoretical gross rental income

year end, (€ millions)	**2010**	2009	2008	2007	2006
Market rental value	**265**	264	261	259	247
Theoretical gross rental income	**263**	262	252	245	233

Occupancy rate and tenancy turnover

occupancy rate almost unchanged despite significant rise in tenancy turnover

The occupancy rate in the Letting portfolio fell marginally in 2010, to 95.2% at year end. Vesteda regards the first year of letting as the initial letting phase. If properties added less than a year ago are ignored, the occupancy rate of the Letting portfolio is 96.1%. Tenancy turnover rose to 13.4%. Despite this, the occupancy rate remained almost unchanged compared with 2009 thanks to an increase of 10% in the number of lets during 2010.

Letting portfolio, occupancy rate

Calculated on the number of residential properties

percentages, year end	**2010**	2009	2008	2007	2006
Occupancy rate of Letting portfolio	**95.2**	95.3	97.1	97.2	96.8
of which let for at least a year	**96.1**	96.4	97.8	97.7	97.5

Letting portfolio, tenancy turnover

Calculated on the number of residential properties

percentages	**2010**	2009	2008	2007	2006
Tenancy turnover for the year	**13.4**	12.3	13.1	11.8	12.7
Tenancy turnover, three-year average	**12.9**	12.3	12.5	12.0	
Tenancy turnover, five-year average	**12.7**	12.4			

Rental income

gross/net ratio slightly down at 71%

During 2010, total gross rental income rose by 1.0% compared with 2009 to €243 million. Of the total gross rental, 97.1% is attributable to residential properties. Net annual rent as a proportion of gross annual rent fell to 71% in 2010.

Letting portfolio, realised rental income

(€ millions)	**2010**	2009	2008	2007	2006
Gross annual rent	**243**	241	238	226	221
Net annual rent	**173**	177	174	165	159
Net/gross annual rent	**71%**	74%	73%	73%	72%

Gross yield

gross yield rises to 6.0%

The gross yield on the Letting portfolio, defined as the theoretical rent at year end divided by the value of the portfolio at year end, rose to 6.0%.

Letting portfolio, Gross yield

percentages	**2010**	2009	2008	2007	2006
Gross yield	**6.0**	5.8	5.4	5.1	5.4

Rent trends

2.1% rise in rents, three sources

The average monthly rent per residential unit at year end 2010 was €771, compared with €755 in 2009. This represents an increase of 2.1%, which had three sources. The first is the inflow and outflow of residential properties in the portfolio, which contributed 1.4%, because of the outflow of cheaper properties to make way for more expensive ones. The second source was reletting. Rents for new tenants were marginally lower than those of departing tenants, causing a fall of 0.9% in the average monthly rent. The final source is the annual rent rise for sitting tenants from 1 July which accounted for a rise of 1.6% in the average rent.

Letting portfolio, average monthly rent

Year end, in €	**2010**	2009	2008	2007	2006
Average monthly rent	**771**	755	721	688	661

Letting portfolio, average rent rise by source

Start of year compared with year end, percentages	**2010**	2009	2008	2007	2006
inflow and outflow of properties in the portfolio	**1.4**	2.0	2.7	1.8	2.1
reletting	**–0.9**	0.0	0.1	0.4	0.4
average rent rise for sitting tenants	**1.6**	2.8	2.5	1.8	2.8
redefinition of rental income as income for short-stay			–0.5		
Total increase in average rent	**2.1**	4.8	4.8	4.0	5.3

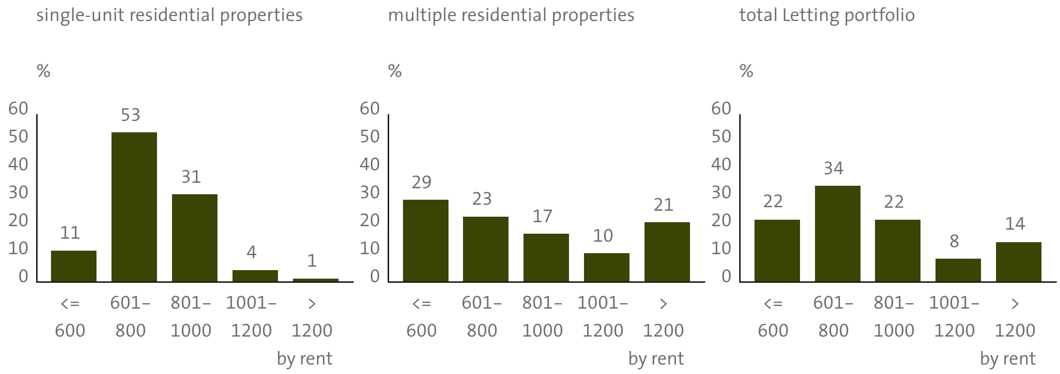
Portfolio by rent

78% of portfolio by rent in segment to €1,000

If the Letting portfolio is analysed by monthly rent, Vesteda obtains 78% of its theoretical gross rent from letting in the segment with rents above €600 per month. About three-quarters of this, representing a total of 56% of the theoretical rental income of the Letting portfolio, is in the basic segment of the higher-rent sector, at rents from €601 to €1,000 per month. The remaining 22% is in the highest sector above €1,000.

Letting portfolio, by rent

Letting portfolio at year end 2010, by theoretical rental income for 2010, by rent



51% of the portfolio by value is 20 years old or less

Portfolio composition by age

The portfolio is still relatively modern: half of the homes by value are 20 years old or less. For multiple-residential properties the proportion is more than two-thirds. There are almost no residential properties in the portfolio that are over 40 years old. The Letting portfolio is kept up-to-date mainly by the inflow from Vesteda's Development portfolio. As the inflow consists almost entirely of multiple residential properties, the two types give opposing views by age but overall the distribution is balanced across the four age bands under 40 years.

Letting portfolio, by age

Letting portfolio year end 2010, percentage of value year end 2010, by age

SEGMENTATION OF THE LETTING PORTFOLIO BY SUB-PORTFOLIO

This section sets out key figures for the Letting portfolio by sub-portfolio. In line with IVBN definitions, Vesteda gives a breakdown into single-unit and multiple-residential properties.

Letting portfolio (units)

2010, year end	single-unit residential properties	multiple residential properties	total
Number of properties	10,517	16,215	26,732

Letting portfolio, movement in value*

2010 (€ millions)	single-unit residential properties	multiple residential properties	total
Value, at start of year	1,743	2,741	4,484
Investments	5	211	216
Disposals	–84	–83	–167
Transfers	0	15	15
Revaluation	–12	–134	–146
Value, year end	1,652	2,750	4,402

* including value of associated parking/garage spaces and commercial space in projects

Letting portfolio by province, value

2010, fair value, year end (€ millions)	single-unit	multiple residential properties	total residential properties
Groningen	14	49	63
Friesland	47	29	76
Drenthe	17	15	32
Overijssel	87	42	129
Gelderland	150	101	251
Utrecht	115	120	235
Flevoland	135	144	279
Noord-Holland	396	626	1,022
Zuid-Holland	476	919	1,395
Noord-Brabant	131	316	447
Zeeland	0	10	10
Limburg	84	379	463
Total	1,652	2,750	4,402

Letting portfolio, value with vacant possession, market rental value and theoretical gross rent

2010, year end (€ millions)	single-unit residential properties	multiple residential properties	total
Value with vacant possession	2,188	3,564	5,752
Market rental value	97	168	265
Theoretical gross-rental income	95	168	263

Letting portfolio, occupancy rate

2010, year end

Calculated on the number of residential properties percentages	single-unit residential properties	multiple residential properties	total
Letting portfolio	97.7	93.6	95.2
Of which let for at least a year	97.7	95.0	96.1

Letting portfolio, realised rental income

2010 (€ millions)	single-unit residential properties	multiple residential properties	total
Gross annual rent	94	149	243
Net annual rent	73	100	173
Net/gross annual rent	78%	67%	71%

Letting portfolio, gross yield

2010, year end percentages	single-unit residential properties	multiple residential properties	total
Gross yield	5.8	6.1	6.0

Letting portfolio, average monthly rent

2010 in €	single-unit residential properties	multiple residential properties	total
Start of year	732	771	755
Year end	748	787	771

Letting portfolio, result on disposals

2010 (€ millions)	single-unit residential properties	multiple residential properties	total
Residential properties	12.9	7.5	20.4
COG			0.5
Land sales			1.6
			22.5

DISPOSALS

1,054 residential properties sold in 2010

A total of 1,054 residential properties were sold in 2010. Regular sales are intended to realise capital gains and adjust the composition and quality of the portfolio. Sales generated €197 million of liquid funds.

Letting portfolio, disposal volume

(€ millions)	**2010**	2009	2008	2007	2006
Residential properties	**186**	176	181	200	244
COG	**2**	–	1	6	–
Land sales	**9**	4	–	–	–
Total	**197**	180	182	206	244

Disposals of residential properties from the Letting portfolio,

units	**2010**	2009	2008	2007	2006
Individual sales	**547**	374	696	849	808
Complete complexes	**507**	738	356	414	950
Total	**1,054**	1,112	1,052	1,263	1,758

Preference for individual sales

547 residential properties sold individually

Vesteda prefers where possible to dispose of properties through individual sales (direct sales of residential properties to the sitting tenant or with vacant possession to third parties) to optimise the result on disposals. In 2010, 547 residential properties were sold individually, representing about 50% of the total number of sales and, at €102 million, about 52% of the proceeds.

Remainder sold as complete complexes

supplementing individual sales with sales of complexes assists speed of sale and creates liquidity

Complexes are sold complete to improve the cash position and as an alternative for individual sales if they are too slow, for example, because of a very low tenancy turnover in combination with the tenancy profile. As usual, strictly regulated and transparent tender procedures were used. As well as screening the financial soundness of potential candidates and source of funds as far as possible, the purchaser's good reputation is a major consideration. The sales terms incorporate the IVBN Sales Code and anti-speculation provisions required by Vesteda.

507 residential properties sold in complexes

507 residential properties were sold in complexes in 2010, for a total of €84 million.

Result on disposals per home

total result on disposals of residential properties significantly up at €20 million, average €19,000 per property

A book profit of €20 million was made on disposals in 2010. The average book profit rose from €8,000 in 2009 to over €19,000 in 2010 as a result of an increase in the proportion of individual sales and a higher average book profit on sales of complete complexes. At about €4,000, the average book profit per property sold in complexes was just positive. Speed of sale rather than book profit was the main motive for these sales. The average book profit per residential property sold individually was about €34,000, a slight decrease compared with 2009, when it had been over €35,000.

Letting portfolio, result on disposals residential properties

(€ millions)	**2010**	2009	2008	2007	2006
Residential properties	**20**	9	20	34	45

Letting portfolio, result on disposals per residential property

× €1,000	**2010**	2009	2008	2007	2006
Result on disposals per residential property	**19**	8	19	27	26

Letting and management expenses

At 28.5%, letting expenses for 2010 were up on the previous year. Management expenses were significantly higher than in 2009, largely as a result of the formation of a restructuring provision. The reorganisation planned for the spring of 2011 is needed to bring capacity into line with the activity level of the business and will stabilise the level of expenses.

letting expenses markedly up at 28.5% as a result of letting and marketing expenses, service charges borne in-house and fixed costs

Letting expenses include maintenance costs, reletting, property management, brokers' fees and fixed costs (including taxes). They amounted to 28.5% of gross letting revenue in 2010. The target was an expense level of no more than 27.5%. Letting expenses rose in part because of higher service charges for vacant properties which were borne by Vesteda. Fees also rose. Tenancy turnover and the number of lets rose sharply in 2010, leading to higher letting expenses. Fixed expenses were also higher.

management expenses significantly higher at 44 bp, mainly as a result of restructuring provision

The management expenses allocated to Vesteda Woningen cv and Vesteda Woningen II cv, amounted to 44 basis points (bp) of the portfolio value at the start of the year and so the target of under 40 bp was not achieved. A decisive element was the formation of a restructuring provision in 2010. A reorganisation is planned for early 2011 and will contribute to a permanent reduction in expenses.

Letting expenses

Vesteda Woningen cv and Vesteda Woningen II cv, as percentage of rental income

	2010	2009	2008	2007	2006
	%	%	%	%	%
Target	**< 27.5**	< 28.0	< 28.0	< 28.0	< 28,0
Actual	**28.5**	26.4	27.0	27.1	27.9

Management expenses[1]

Vesteda Woningen cv and Vesteda Woningen II cv, in basis points of portfolio value at start of year

	2010	2009	2008	2007	2006
	bp	bp	bp	bp	bp
Target	**< 40**	< 40	< 40	< 40	< 40
Actual	**44**	38	37	37	37

1 See page 148 for definitions

Relative performance as residential property investment

Vesteda compares the yield on its residential portfolio against the average yield on investments in Dutch residential properties. In 2010, Vesteda achieved a direct yield (IPD) of 4.0%. Each year, Vesteda structurally offers an above-average annual letting result and an above-average increase in value over the longer term.

comparison with residential investment index

Vesteda compares its yield with the IPD Netherlands 'All Residentials' benchmark that expresses the average yield of Dutch residential property investments over various periods. The index gives the market average of actual results of all participants (including Vesteda), allowing for sales, purchases and redevelopments in addition to the standing investments.

Results for 2010

last known benchmark (2009) beaten for both direct and indirect yields

The benchmark results for 2010 are not yet known. For 2009, Vesteda beat the benchmark by 0.4%. The direct yield was 0.3% better than the market average; the indirect yield was 0.1% higher.

Results for the past ten years

Vesteda's direct yield above market average every year since incorporation

Each year for the past 10 years, Vesteda's direct yield has been above the market average. Vesteda has beaten the benchmark for the direct yield every year since it was incorporated in 1998 and so Vesteda's performance is structurally better in letting its property.

Vesteda's indirect yield above market average on ten-year basis

Vesteda's indirect yield (the trend in values) is also above the benchmark on a ten-year basis: on average, Vesteda was 0.3% higher than the market average each year and so Vesteda's portfolio also performed better in terms of increase in value.

Vesteda's track record underlines fund proposition

Measured over ten years, Vesteda's average total yield has been some 0.8% higher than the market average (including Vesteda itself). Given Vesteda's weight in this benchmark, this means that Vesteda offers an annual yield over 1% higher than the average market player. The index also shows that Vesteda structurally achieves an above-average annual letting result and offers an above average increase in value over the longer term.

Vesteda Woningen (CV and II CV) compared with IPD residential properties benchmark

Percentages, IPD Netherlands 'All Residentials' category, computed using IPD definitions. Totals may not add up because of rounding. Benchmark including Vesteda Woningen.

	Annual yield					average of past		
	2010	2009	2008	2007	2006	3 yrs	5 yrs	10 yrs
Direct yield								
Vesteda Woningen	**4,0**[1]	4.0	3.8	3.9	3.9	3.9	4.0	4.7
IPD benchmark	[2]	3.7	3.6	3.6	3.8	3.6	3.8	4,2
Out-performance	[2]	+0.3	+0.2	+0.3	+0.2	+0.2	+0.2	+0,5
Indirect yield								
Vesteda Woningen	**–2,8**[1]	–6.3	–2.4	5.1	7.9	–1.3	2.1	4,8
IPD benchmark	[2]	–6.4	–0.8	6.2	6.9	–0.5	2.3	4.5
Out-performance	[2]	+0.1	–1.6	–1.1	+1.0	–0.9	–0.2	+0,3
Total yield								
Vesteda Woningen	**1,2**[1]	–2.6	1.3	9.2	12.1	2.5	6.1	9,7
IPD benchmark	[2]	–2.9	2.7	9.9	10.9	3.1	6.1	8,8
Out-performance	[2]	+0.4	–1.4	–0.7	+0.8	–0.6	0.0	+0,8

1 Vesteda's forecast using IPD methods, not issued by IPD
2 not available at date of Annual Report
3 to 2009

Staff and organisation

A major feature of 2010 for the staff and organisation was cost saving and this led to a reduction in staff numbers compared with previous plans and an expansion in the flexible layer of employees.

WORKFORCE

4% reduction in workforce in 2010

As planned, the workforce fell compared with 2009. Vesteda employed 346 FTEs at year end 2009; this had fallen to 332 by the end of 2010 although the number of temporary agency staff rose because of changes in the Property management department.

Personnel and temporary agency staff

FTES

	2010 year end	2009 year end	2008 year end	2007 year end	2006 year end
Personnel	**332**	346	337	318	322
Temporary agency staff	**16**	4	21	12	6
	348	350	358	330	328

Employees and temporary agency staff, annual average

FTEs, average of 12× month-end balances

	2010	2009	2008	2007	2006
Employees	**331**	344	322	321	314
Temporary agency staff	**12**	8	21	12	6
	343	352	358	330	328

Personnel of Vesteda Group

year end

FTES	**2010**	net movement	2009	2008	2007
Head office	**108**	−2	110	108	103
Property management	**201**	−2	203	193	184
Vesteda Group	**309**	−4	313	301	287
Vesteda Project bv	**23**	−10	33	36	31
Vesteda Group total	**332**	−14	346	337	318

Employees

	2010	net movement	2009	2008	2007
Head office	**119**	−1	120	118	110
Property management	**236**	−3	239	223	207
Vesteda Group	**355**	−4	359	341	317
Vesteda Project bv	**23**	−11	34	37	32
Vesteda Group total	**378**	−15	393	378	349

changes in workforce mainly in property management and Vesteda Project bv

Staff numbers fell as a result of the restructuring of the Property management department's activities, the decline in the Development portfolio at Vesteda Project bv and the reduction of overheads at the head office.

number of employees fell 4%

The number of employees fell from 393 at year end 2009 to 378 at year end 2010.

average age of employees remains at about 41

The average age rose from 41.2 years in 2009 to 41.6 years in 2010. There were only a few younger newcomers. The workforce is distributed evenly across the different age groups. Roughly a third are under 35 and a third are between 35 and 45. In total 13% are 55 or older. Our valued colleague, Björn Waals, a project leader in the Arnhem woongalerie since 2004, died unexpectedly on 26 December 2010.

Workforce, by age

Percentage of employees	2010 %	net movement %	2009 %	2008 %	2007 %
younger than 35 years	**28**	–3	31	32	30
35 to 45 years	**34**	+1	33	32	34
45 to 55 years	**25**	+2	23	24	25
over 55 years	**13**	–	13	12	11
total	**100**	–	100	100	100

54% female, 46% male

The male/female ratio did not change. At 54%, women are in a majority.

Workforce, by gender

Percentage of employees	2010 %	net movement %	2009 %	2008 %	2007 %
male	**46**	–	46	47	51
female	**54**	–	54	53	49
total	**100**	–	100	100	100

Partly because of uncertainty on the labour market, there were few voluntary departures. In 2010, 44 new employees joined Vesteda and 59 employees left, including those who had fixed-term contracts which were not renewed and those who were made redundant as a result of the cost savings.

Payroll

payroll fell 3%, fewer temporary agency staff, more employees on temporary contracts

The payroll fell to €18.3 million in 2010, compared with €18.8 million a year earlier. The reduction was as a result of staff cuts. The cost of temporary agency staff rose.

ORGANISATIONAL CHANGES

The Property management department was reorganised in 2010. The existing policy of specialisation within this part of the organisation was continued to management level.

Vesteda Project bv

staff numbers reduced by 11 FTES at Vesteda Project bv

As a result of the decision to be very conservative in acquiring new projects, it was necessary to take measures on staff numbers at Vesteda Project bv. The workforce fell further from 34 at year end 2009 to 23 at year end 2010. The Zuid region ceased to be an autonomous unit, and management of the staff become the responsibility of the director of Vesteda Project bv. Some Vesteda Project bv employees were able to transfer to Vesteda Group.

New Sales department

Sales as a separate department

Given the major concentration on sales that Vesteda is planning in the next few years, it was decided to make the sales department a separate business unit. The expansion of the Managing Board to four members has also embedded sales and acquisition at board level. The director of sales and acquisition is responsible for inflows and outflows.

The new sales organisation includes the disposals department, responsible for preparing sales and subsequent administrative activities. The sales coordinators who worked in the Property management department have moved to the new sales department and led by the sales manager work on individual sales of residential properties. The sales department is equipped to handle the concentration on sales in the next few years.

STRENGTHENING THE ORGANISATION

Performance cycle

performance cycle gets the best out of everyone

Vesteda is convinced that all employees make a significant contribution to the company's reputation and result. To remain successful as a business, all employees are encouraged and enabled to get the best out of themselves. To this end, a performance management programme was set up.

final appraisal of all employees on submitting salary and bonus proposals

When submitting salary and bonus targets, managers are requested to report the final rating in the staff appraisal which is on a 4-point scale. During 2011 there will be an analysis of whether the current scale is in line with statistics and management information.

Employee development and training

2.4% of payroll invested in training

Vesteda makes an above-average investment in employee development. In 2010, €440,000, or 2.4% of the gross payroll, was invested in development of individual employees and the teams. To improve management ability, considerable attention was given in 2010 to developing our managers, 35 of whom were trained in management skills using a modular application.

SICK LEAVE

sick leave shows limited rise to 4.1%

The percentage sick leave rose slightly compared with 2009, but remained a long way from the rates of earlier years. Vesteda's new vision on sick leave was introduced in 2010. Using a 'management model', sick leave management is focused on the employee's options before reporting sick. This puts reporting in the context of the well-being of the employee and sick leave is no longer looked at merely from a medical perspective. All managers were trained in mastering the vision and skills for this model in 2010. In close consultation with the health and safety service, the company doctors have been instructed to manage sick leave in accordance with Vesteda's new vision.

Sick leave at Vesteda

percentage	**2010**	2009	2008	2007	2006
	%	%	%	%	%
Sick leave total	**4.1**	3.6	5.6	5.3	4.8
Sick leave excluding long-term leave (> one year)	**4.1**	3.5	5.0	5.2	4.6

WORKS COUNCIL

positive critical attitude of the Works Council

As in previous years, there were constructive discussions with the Works Council. The Managing Board values the positive criticisms of the Council and held extensive discussions with the members during the year. The report of the Works Council is on the following pages.

Report of the Works Council

After the necessary economies in 2009, the Works Council was again confronted in 2010 with decisions on changes in the organisation affecting staff. Further reduction in staff numbers was the main theme in 2010.

The Works Council started 2010 in its last year with the current membership, knowing that there would be new elections in October 2010.

On 4 February 2010 an opinion was issued to the Managing Board on proposals to change the Property management business unit. After issuing a favourable opinion, the starting signal was given for Phase II of the Property management reorientation, a reorganisation based on centralising activities. By issuing its opinion, the Works Council accepted that this could have direct adverse effects for eight FTEs, once it became clear they would not be redeployed. The social framework agreed in 2010 was applied to these staff.

Part of the request for opinion from the Management Board was the relocation of the Arnhem office. The Management Board announced that management from this office was incurring losses as a result of the contraction of the portfolio and that the losses would increase further in the next few years. At the date of publication of this Annual Report, no decision had been made on the future and possible new location of this office. A new request is expected to be made to the Works Council in the first quarter of 2011.

The Works Council met ten times and held five meetings with the Managing Board: four with the old membership and one with the new membership following the elections. The meetings with the Managing Board were generally animated and with robust debates but respect for each other's opinions and points of view always predominated.

During the consultative meeting on 13 April, the Works Council was notified of the Horizon Vesteda 2012-2020 project. The General Meeting and Supervisory Board had announced they wanted a renewal/rejuvenation of the Management Board in 2010, affecting the CEO and CFO. The profile for the new CEO was discussed during the meeting. On 14 September the Works Council met Mr A.J.M. Schakenbos and will be negotiating with the new CEO from 1 February 2011. The Works Council also met the CFO, Mr L.A.S. van der Ploeg, who took office on 1 October in 2010. The introductions to the new Management Board were viewed positively.

The annual meeting with the chairman of the Supervisory Board, Mr W.F.T. Corpeleijn, took place in June when the changes on the Managing Board were discussed and questions were put on the next phase of Vesteda. The change of registered office to Amsterdam was also raised. At this meeting, Mr Corpeleijn confirmed that in this phase the consequences would be restricted to the Management Board, and possibly a few other positions, such as the Board secretariat. Mr Corpeleijn shared the concern on this felt at the head office.

The 'age-aware personnel policy' is still on the agenda of the Works Council. Further to a memo on this subject from the Works Council, a meeting was called during the autumn of 2009. In the subsequent meeting, it was agreed to make this policy part of the collective bargaining agreement. The talks were difficult, however, with the result that the matter was postponed to later negotiations, with the aim of making a specific agreement on this in 2011. The Works Council still has a staff experience survey on its wish list.

In 2010, the Works Council issued favourable opinions on:
- Phase II of the property management reorientation and cost savings;
- Changes in the sales organisation;
- The mortgage facility;
- Indexation of the accessibility bonus;
- Sick leave policy.

In December 2010, the Works Council was informed that 50% of the variable bonuses would be paid. The Works Council's view was that communications on this were not clear and had been too late, and that there were no rules on the circumstances in which the Management could alter the amount of the bonus. The Works Council, therefore, asked the Management Board to draw up clear criteria quickly.

The following themes are on the agenda for the coming year:
- Details of the change of location of the Management Board to Amsterdam;
- Age-aware personnel policy;
- Sustainability policy paper;
- Target remuneration 2011.

The Works Council said farewell to Huub Smeets as CEO of Vesteda at an informal gathering in October.

Elections to the Works Council were held on 11 October. Thirteen candidates stood for nine places. All members of the Works Council except for Mr D. Schaap, who was resigning, were eligible for re-election. The turnout was 63% All the members standing were re-elected and Mr H.N. Rengers joined as a new member.

After the election, Mr M.M.W. Raemaekers, stood down after four terms as chairman of the Works Council and handed over to Mr W. Snijders. Fortunately, Mr Raemaekers will remain as an experienced member of the Works Council.

The new Works Council held an internal conference in early December. The objectives arising from this conference will be presented to the new Management Board in the near future and then to the staff.

Just before the end of the year, the Works Council received the sad news of the death of our colleague Björn Waals, a project leader in Arnhem. Many current and former colleagues attended his funeral in Gouda.

In view of Vesteda's plans, the Works Council will be extremely busy in 2011, something of which they are very aware.

The world economy is still suffering the effects of the economic crisis. Growth and inflation in 2011 are expected to be 1.5%. Unemployment will fall back to about 5%. Consumer expenditure will be under pressure. In demographic terms, the grey wave will arrive with specific housing requirements. Demand for lifetime homes will increase. New construction of housing in the Netherlands will decline. Housing markets in economically strong regions will pick up first. As a result of the credit crisis and government policy, there will be little scope for above-inflation rent rises. Vesteda expects a marginal rise in transaction prices in the owner-occupied market.

ECONOMY

The Dutch economy cannot be viewed separately from the developments in the European and global economies. It is too dependent on other countries for example, in exports.

world economy: general uncertainty

The world economy is still suffering the effects of the economic crisis. Although it seems that the low point of the crisis has passed, the recovery is still fragile. Expectations, for example, as expressed by the OECD, assume some catch-up growth in the near future that will be slightly above the long-term average. Loose labour markets and fierce competition will keep inflation moderate around the world. The most recent recession has led to underutilisation of current production capacity and a strong rise in unemployment in highly developed economies. The crisis is also casting a long shadow over public sector finances in many countries.

fragile recovery in the economy, but much uncertainty here too

The Dutch economy shrank as a result of the credit crisis but the outlook is gradually improving, although the recovery is very fragile. The rate of economic growth is low and currently being driven by temporary factors, such as government stimulus measures, exports and stock building. Consumption is still not really contributing to economic recovery, which is of course related to stagnating consumer confidence.

economy forecast to grow 1.5% in 2011

The CPB expects that average growth in 2011 will be 1.5%, if policy does not change. This figure is slightly lower than previous forecasts by the CPB and other financial institutions.

coalition agreement: modest economic growth: 1.25%

Under the coalition agreement between the VVD and CDA political parties, the government deficit will be eliminated during this government's period of office by budgetary austerity and economic growth, which under the current policy is expected to be an average of 1.25% per year.

inflation 1.5%

As the Dutch economy is only recovering slowly, the CPB is forecasting that inflation will remain relatively low and stable at 1.5% for 2011. Trends in inflation, wage rises and purchasing power are expected to be modest in the next few years. This is clearly the aftermath of the credit crisis. Forecast inflation remains in line with the ECB's medium to long-term target of under 2%. High inflation is bad for welfare and the economy; rapidly rising prices lead to upward pressure on wages etc.

unemployment falls to 5.0%

At the start of the crisis in mid-2008, the Netherlands had an unemployment rate of 3.4%. From that time, unemployment rose to 6.1% in February 2010, since when it has been falling. The CPB is forecasting that unemployment will stabilise at 5.0% in 2011. It looks as if employers are trying to retain their staff for as long as possible, with tighter labour markets in future years in mind. The working population is currently declining by 0.5% per year, and this will have a positive effect on the rate of unemployment.

employment still under pressure

There has been a clear fall in employment since the second quarter of 2009 and it is not expected to recover structurally, partly because of the government's plans to make major cuts in the civil service. Employment estimates for 2011 give a range of +0.2% to +0.5%. On the other hand, economic growth will lead to job growth. The coalition agreement foresees a rise of 1% in employment.

budget and coalition agreement: loss of purchasing power

According to the CPB, collectively agreed wages will rise 1.5% in 2011. As unemployment rises, unions are more moderate in wage demands. With forecast inflation, households' purchasing power will fall 0.25% on average in 2011. Based on the coalition agreement, the proposed economy measures and tax rises will lead to a loss of purchasing power. According to the CPB, purchasing power will fall by between 0.5 and 0 bp per year for different population groups.

growth in spending under pressure

Consumers are currently reluctant to spend. Purchasing power is under pressure and higher unemployment is causing hesitation when making luxury or high-value purchases. Consumers are also cautious as a result of developments in their wealth and lower house prices and the uncertain economic outlook. Partly as a result of impending austerity measures, consumers are currently more inclined to save. Concern about pensions retaining their value may also prompt consumers to save more.

cautious rise in consumer confidence

Consumer confidence, which fell sharply from mid-2008 as a result of the financial crisis, has still not recovered. Although there was some optimism for the first time in two years in early 2010, the indicator remains negative. Dutch consumers base their confidence in the economy mainly on developments in the labour market, the stock exchange, the housing market and inflation,[1] with the labour market being the main driver of consumer confidence. In the course of 2010, consumers were more positive about the trend in unemployment which, against all expectations, rose less quickly. All in all, consumer confidence is recovering but the recovery is fragile.

income forecast for pensioners

It is not inconceivable that some pension funds will be able to offer only limited indexation of pensions being paid; this means a real fall in income for the pensioners and may have consequences in the future for current members. Rising interest rates and good yields on investment portfolios have improved coverage ratios in the past year, offering some prospects for maintaining purchasing power.

SOCIO-DEMOGRAPHIC DEVELOPMENTS

the grey wave is coming

The population of the Netherlands will age fast as 2011 is the year in which the first baby-boomers, who were born in 1946, reach the retirement age of 65. The post-war baby boom means that the group of 65-plussers will grow by 120,000 in 2011 and a further 110,000 in 2012. The number of 65-plussers will grow substantially in later years compared with the beginning of this century.

staff will be scarcer

The proportion of 65-plussers in the population will rise from 15% now to 25% in 2050.[2] There will be only two workers for every pensioner. Experts expect a tighter labour market in the short term, as the working population will be declining quickly. Labour will be scarcer and employees are already being sought across borders.

1 'Untangling the ups and downs of consumer confidence', DNB, Quarterly Bulletin June 2007
2 Statistics Netherlands Population forecast 2010-2060

growing demand for lifetime homes

In about 2030, a third of householders will be 65 or older. They want to grow old in their own environment and keep control of their lives for as long as possible. ABF Research has calculated additional demand of 290,000 homes suitable for older people in the period 2006-2015. This increasing demand for lifetime homes offers Vesteda opportunities.

HOUSING MARKET

The housing market in the Netherlands offers favourable quantitative and qualitative prospects for the higher rental segment in the next few years. Despite the rental segment from €600 only forming 2.7% of the total housing stock, there is a stable market position.

regional housing markets: focus on economically stronger regions

In the medium to long term, economic, socio-demographic and planning trends point towards a further strengthening of economically stronger regions in the Netherlands. Regional differences will grow, leading to further regional differentiation in the housing market. The differences in rents and values between stronger and less strong regions will become more obvious. Vesteda is responding to this by identifying for allocation purposes optional and key municipalities and within these municipalities by choosing better locations.

mismatch of housing stocks and demand

The ageing population and individualisation of society are changing the composition of households and so also housing demand. A further increase in the number of small households is expected. The demand for smaller homes will, therefore, rise as will the demand for homes and housing concepts suitable for baby-boomers and over-75s. The effect is a qualitative mismatch in housing stocks.

lower new construction of housing

The building industry will need some years to deal with the effects of the crisis on new house building. Construction of new housing will be about 55,000 units below the original estimates. The housing shortage will rise in the next few years, leading to increasingly tight local markets and possibly to limited price effects.

greater share of rental properties

The rental sector will continue to be a stable factor in housing construction in the next few years. Although liquidity problems at housing associations in particular will lead to more limited new construction, the relative share of rental in new construction will rise. Vesteda expects annual new construction of 6,000 new residential properties per year in the overall private rental sector in the Netherlands.

MARKET OPERATION

excess demand, but regional differences

Demand for higher end rental properties will be higher than supply nationally and so the supply/demand relationship is out of line. This will not be the same everywhere, there will be regional differences. Demand is higher in economically stronger regions, where a significant proportion of Vesteda's target groups are located, than in other areas.

housing consumers are increasingly critical

A significant proportion of demand in the next few years will be focused on rent bands up to €1,000; this figure will be higher in regions with a tight market. Nevertheless, consumers remain critical about price and quality, and this is being reinforced by trends in disposable income and housing costs. They will not only choose 'cheaper' but above-inflation rent rises will also be considered ever more critically in this light.

GOVERNMENT AND HOUSING ASSOCIATIONS

less scope for rent rises

The government's rent policy for the regulated part of the rental sector (to roughly €650) is for inflation-linked rent rises. For 2011, this is expected to be 1.3%. This rent policy and market and income trends are reducing opportunities for above-inflation rent rises in the deregulated part of the stock. The only opportunities for this are in strong markets with high demand where the premium above inflation could be up to about 0.5%. In less strong regions, the maximum range for rent rises seems to be 0% to 0.3% above inflation. In the upper segment, rents are under pressure, partly as a result of the greater supply.

The effect of the new standards for housing associations (incomes below €33,000) will become clearer in the next few years. In the deregulated rental market, income is generally sufficient for an acceptable rent to income ratio. Another option is the regulated segment for investors but the market pressure there is already great as a result of the favourable price/product relationship and low tenancy turnover.

AFFORDABILITY

affordability of rental homes for one-person households under threat

Trends in purchasing power are a threat to affordability of housing. The higher cost of living and rising raw materials and energy prices affect consumers spending patterns, and housing costs are taking up a larger proportion of income. Consequently, the acceptance of above-inflation rent rises is declining. Tenants are making a specific decision for a cheaper home while retaining quality.

affordability is again under pressure

The affordability of owner-occupied homes has risen as a result of the price falls. Nevertheless, affordability is under pressure as banks have altered their risk profiles as a result of the crisis and are being more critical when granting mortgages, also looking at borrowing capacity. This will lead to a loss of demand on the owner-occupied market.

HOUSE PRICES

slight growth in selling prices

Given the trends to the end of 2010, Vesteda expects that market prices will rise slightly in 2011 and 2012, with nominal growth of 1% and 1.5%, respectively.

difficult to predict

The trend in house prices and thus the value of the Vesteda portfolio are difficult to forecast because of the range of effects working simultaneously. The market faces considerable uncertainty and only a strong recovery will bring a structural improvement.

falling individual sales value expected

Individual sales value (the price that property investors are prepared to pay for clusters of residential properties) and the effect of price trends on the private owner-occupied market are important for the valuation of a portfolio for property investors such as Vesteda. The fall in prices in the private housing market is depressing individual sales values but other factors have an effect, too: stagnation in trading up and the high yields required by investors are adverse contributors to the individual sales value. It is difficult to estimate precisely how the tender market will develop, given the many variables involved. In view of the expected increase in the number of housing portfolios placed on the market, falling sales prices and the continuing low level of trading up as well as availability of finance for tenders, Vesteda expects another fall in individual sales value this year, although less than in 2009.

Vesteda's forecast: revaluation of 0% to 1%

For 2010, Vesteda is assuming an average transaction price trend for owner-occupied house prices in the Netherlands of a rise of between 0 and 1%. Vesteda expects the same trend in its Letting portfolio, leading to a revaluation of the value with vacant possession (before leverage) of 0% to 1%.

DEVELOPMENTS AT VESTEDA GROUP

Financing

financing preparations

No CMBS notes or mortgages expire during 2011. Preparatory work for the impending refinancing of the expiring CMBS A3a, A3b and A5 note series totalling €750 million will be done in 2011, along with exploring the financial markets and discussions with banks and other financial institutions.

redemption of revolving credit-facility

Vesteda Project bv's revolving credit facility will be redeemed under the contract in 2011. This loan will be extended or renewed depending, on the desirability, given the development of the work in progress portfolio.

target: reduction of leverage

It is the intention that the overall amount of external financing at Vesteda will decline compared with the level at year end 2010.

Development

expenditure no higher than income from sales

Project bv's development activities will be limited to construction in the firm pipeline in 2011. The assumption is that investments will be funded entirely by the proceeds of sales from the firm pipeline.

extra attention to sales during the construction phase

Where, from the viewpoint of portfolio composition and sales opportunities, it is decided to sell projects, extra attention will be given to selling residential properties during the construction phase.

pipeline run-down

The investment as a result of the firm pipeline will be about €120 million (including VAT) in 2011. The number of completions will be about 440 residential properties. Extra attention will be given to selling residential properties from suitable projects during construction. Given the rapid availability of the homes, this will be met with reasonable interest.

Investment

more in mid-segment

A proposal to expand the mid-segment of the higher-rent sector, in the rent range from €600 to €1,200 monthly, is a priority for managing the investment portfolio. Growth in the upper segment above €1,200 will be curbed and will stabilise.

run-down in region 3

There will be almost no new investments in region 3, but the portfolio will be run down according to a plan, and elements that make a substantial contribution to the cash yield will be retained.

Details of the Letting portfolio to 2020 are given on page 53.

Letting/management

reformulating strategy

The Property management department's strategy will be reformulated in line with the new portfolio, with further examination – by region and sub-process – of whether added value can be derived from performing activities in house as the investor.

improving website and processes

Improvements to the website will raise the number of registrations of interest. Vesteda will also expand its on-line marketing strategy, partly by focusing it more on Vesteda's specific target groups. The activities of the customer contact centre set up in 2010 will be expanded. The new reletting process will be rolled out in the first half of 2011.

Sales

sales in 2011-2014: about €1 billion from Letting portfolio, about €200 million from new construction projects

Projects are selected for sale on the basis of the hold/sell analysis. Sales volumes of some €1 billion from the Letting portfolio and €200 million from new construction are expected in the period 2011-2014.

Personnel

matching organisation to new framework

The business plan for the period 2011-2014 will be finalised in 2011 as part of the 2012-2020 long-term strategy. The Vesteda organisation will be matched against the targets and frameworks and adjusted as necessary so that Vesteda is ready for the future. In 2011, there will be a review of which functions are among Vesteda's core activities, the size they should have and where they should be performed. Increased efficiency will be achieved by looking critically at costs and further raising cost consciousness in the organisation.

compulsory redundancies not excluded

The content of certain functions at Vesteda will change in the near future as a result of these developments and some will disappear or be reduced in number. Unfortunately, there may be compulsory redundancies.

matching Vesteda Project bv organisation to adjusted production forecasts

Vesteda Project bv's organisation will be cut further in 2011 in line with the reduction in the Development portfolio. In the next few years, Vesteda Project bv's focus will mainly be on completing current projects in the pipeline. These are mainly in the Randstad conurbation and in Noord-Brabant. The organisation will be aligned with the new production level in 2011.

Sustainability

sustainable housing

Sustainability has taken a firm place as an area for attention in the organisation and has been expressed in a comprehensive sustainability policy. Efforts to make the portfolio more sustainable will continue in 2011. The focus in new construction will be on preparing for tighter regulation. This means an active search for energy efficient measures that contribute to the quality of the residential properties.

sustainable working

Further internal and external digitisation is on the agenda in 2011. Customers will have a portal giving access to documents and data including the energy classification, to reduce paper deliveries. Increasingly, internal meeting documentation will only be supplied in digital form. This will have an effect on paper consumption but also on the physical distribution of documents within the business.

sustainable living

Sustainability must eventually form part of Vesteda's DNA and so internal and external communication on sustainability is receiving increased attention. An internal portal offering all kinds of information on this subject will go on-line in 2011 to support employees in this. Various innovation meetings will be held to convert 'thinking' into 'doing'.

Memorandum of information

In the course of 2011, Vesteda will present a new memorandum of information to current and future investors, outlining the 2012-2020 horizon and clearly describing the business proposition. Investor relations activities will then increase in the Netherlands and abroad.

Targets for 2011

A summary of Vesteda's targets for 2011 is presented on page 28.

THE FUTURE

The long-term prospects for the Dutch housing market remain positive. Growth in the number of households will mean that more homes are needed and changing household composition and the ageing population will mean that different homes are needed. The higher-rental segment has structural deficits in the stronger regions, and so excess demand will rise further. Partly as a result of the ageing population, there is great demand for more luxurious, smaller rental homes with rents up to €1,000 to €1,200 per month in an urban environment. Many project developers and municipalities are having to alter their policies on house building. As a result of the credit crisis, residential properties have fallen slightly in price; this offers more opportunities for a result in the future. It seems, at the start of 2011, that the market has reached a new equilibrium. Vesteda is responding to the opportunities in the Dutch housing market.

As in recent years Vesteda's management has seen it as its duty to bring together the expectations of investors with respect to risk and return with the opportunities in the Dutch housing market.
We conclude by thanking our tenants for choosing a Vesteda home, our investors for their confidence and our employees for their efforts and involvement.

Maastricht, 18 February 2011
Managing Board

A. Schakenbos
O. Breur
N. Mol
L. van der Ploeg


MK

Governance and risk management

Maison Céramique, Céramique-Maastricht

Corporate governance

The Supervisory Board and the Managing Board endeavour to create long-term shareholder value, taking account of the interests of the various stakeholders.

GOVERNANCE AT THE VESTEDA GROUP

Separate responsibilities with shared goals

The Supervisory Board and the Managing Board of Vesteda Groep bv each have their own responsibilities, with shared goals, for balancing all interests, with a view to ensuring the continuity of the enterprise. The stakeholders are the groups and individuals who directly or indirectly influence, or are influenced by, the achievement of the aims of the Vesteda Group: tenants, investors and other providers of capital, employees, suppliers and customers, but also the government and society at large. The Supervisory Board and the Managing Board take account of the interests of the various stakeholders, endeavouring to create long-term shareholder value.

Investors

The Supervisory Board and the Managing Board regard the legal structure as a way of continuing the good relationship with all Vesteda's investors. During 2010, it was agreed with investors that Vesteda's legal structure would be constituted in a more market-based manner in 2011, while retaining good governance and the related agreements.

Vesteda Groep bv has a central position in the organisation. The Managing Board of Vesteda Groep bv, which also manages Vesteda Groep II bv, holds regular formal and informal meetings with the Supervisory Board on the policy of the Vesteda organisation as a whole. Vesteda Groep bv is the sole director of Vesteda Project bv and managing partner of Vesteda Woningen cv. Vesteda Groep II bv is managing partner of Vesteda Woningen II cv.

The Managing Board and Supervisory Board are accountable to Vesteda Group's investors and other stakeholders. Decisions are taken by the investors on the basis of the Participation Agreements, which can be compared with the articles of association of a legal entity.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code has been mandatory for listed companies since 2009. The Corporate Governance Code Monitoring Committee prepared its second report on compliance with the Code in December 2010. The committee's terms of reference are to ensure that the Code is practicable and up to date and to monitor compliance by Dutch listed companies and institutional investors.

The Code is not mandatory for Vesteda Group, which has a closed nature in the sense that only institutions can become investors. Although this means that parts of the Code cannot be applied directly, the Supervisory Board and Managing Board of Vesteda Groep bv endorse the best-practice provisions for the Vesteda Group. This section explains where the Code is departed from.

GOVERNANCE IN 2010

More intensive consultations with investors

The evaluation of the Dutch Corporate Governance Code showed a general trend towards greater investor involvement in corporate strategy. In this context, the Managing Board, working with the Supervisory Board, met the wish for more frequent and detailed consultations with investors on strategy and general business operations. Partly in respect of the above points on the desired structure, the Managing Board, Supervisory Board and investors have reached detailed agreement on decision-making, in the sense that the strategy, projected deleverage, proposed acquisitions, budget and other major decisions will be submitted to the General Meeting more extensively than in the past. These agreements were applied in 2010, pending the final decision on the new structure from 2012.

SUPERVISORY BOARD

Function

By law and under the articles of association, the Supervisory Board's role is to supervise the policies of the Managing Board and the general affairs of the company and the law and the articles of association also impose specific duties.

Appointment

Under the articles of association of Vesteda Groep bv, the supervisory directors' period of office is four years, with one reappointment of four years, and so the Dutch Corporate Governance Code is being followed. The retirement schedule is in line with this. With a view to continuity of the Board and in the context of the Vesteda Horizon 2012-2020 project, the investors resolved to extend the periods of office of one member and the chairman. The relevant dates for each supervisory director are set out in the Board Members section.

Membership of the Supervisory Board, areas of expertise

The Board aims to achieve the best balance in its membership between expertise and experience in management, finance, property and pension investment.

During 2010, the Supervisory Board set up a remuneration committee with Ms C.M. (Charlotte) Insinger (chairman), Mr D.J. (Dick) de Beus and Mr C.A.M. (Kees) de Boo as members. During the year, both the remuneration policy for the Managing Board and the regulations for the remuneration committee were drawn up and adopted. The new remuneration policy incorporates the criteria in the remuneration policy for the Managing Board, sets guidelines for balancing responsiveness to the labour market, includes a section on the composition of the remuneration package and regulates how the performance arrangements are agreed between the Managing Board and Supervisory Board and assessed. This remuneration policy allows the business to attract, motivate and retain qualified managers against competition.

The Supervisory Board will set up an audit committee in 2011.

An ad hoc selection and appointment committee is formed, made up of members of the Supervisory Board, depending on the areas of expertise required.

Depending on the specific knowledge required, the Supervisory Board may delegate a member to talk to the Managing Board. Each supervisory director's areas of expertise are reported in the Board Members section.

Authority

All decisions with a value of €10 million or more are reserved for the Supervisory Board. The articles of association and participation agreements also reserve specific decisions for the Supervisory Board. Decisions with a value of over €75 million must be submitted to a General Meeting.

Evaluation

Regulations have been drawn up on other principles in the Dutch Corporate Governance Code including the composition of the board, decision-making and appointment of supervisory directors. These specify that the Supervisory Board discusses its own functioning at least once a year in the absence of the Managing Board. Strategy, risks and internal risk management are also discussed at least once a year.

Remuneration

The annual remuneration of the chairman and members of the Supervisory Board is based on competitive compensation derived from a labour market survey. The General Meeting of Investors in the spring of 2008 set the remuneration at €44,000 for the chairman of the Supervisory Board and €31,000 for the members, based on the most recent survey in 2008. All members also receive an expense allowance of €2,500. These amounts are fixed, not indexed and payable annually.

Ethics

If there could be a conflict of interest at any time during a request for the approval of a transaction, there are consultations with the chairman of the Supervisory Board to properly ensure the supervisory director does not take part in the discussions.

MANAGING BOARD

Function

The role of the Managing Board is to manage the company. This includes developing and implementing strategy and associated commercial and investment policy within the law, regulations and articles of association and under the supervision of the Supervisory Board.

Appointment

With effect from 2010, contracts of employment with members of the Managing Board will be for fixed periods, meaning that the term of appointment is in line with the Corporate Governance Code. The contracts of employment dating from before 2010 do not comply with the code on this point.

Authority

The Managing Board is authorised to take investment and development decisions with a value of up to €10 million. These decisions are then reported at the next meeting of the Supervisory Board.

Remuneration

The annual remuneration of the members of the Managing Board is based on competitive compensation derived from a labour market survey by an external firm commissioned by the Supervisory Board. The reference group consists of comparable Dutch institutional property funds or property asset managers. Reviews are performed every three years, most recently in 2008. In accordance with the articles of association and the remuneration policy, the remuneration is then set by the Supervisory Board. The decision on remuneration for the period 2008 to 2010 was taken in 2008.

In addition to a basic salary, the Managing Board may earn a variable element, comprising an annual incentive ('target') and a long-term incentive over three years. The variable element depends on predetermined targets set for each member of the Managing Board, depending in part on their areas of focus. Annual targets for the variable elements are on turnover, expenses and yield compared with the benchmark yield, investment proposals and the agreed annual budget. The long-term incentive targets are reduction of loan capital, the degree to which the target portfolio is achieved, progress on sustainability and beating the benchmark. There is also a discretionary portion decided by the Supervisory Board.

The contracts of employment specify severance pay arrangements. With effect from 2010, the severance pay under these contracts is limited to one year's basic salary, in accordance with the Corporate Governance Code. The contracts of employment dating from before 2010 do not comply with the code on this point.

The total remuneration of the Managing Board, as disclosed on page 122 of the annual report, comprises a basic salary, the variable element, pension charges and other employers' expenses.

Ethics

The Managing Board adopted the Code of Ethics drawn up by the IVBN in 2008 and confirmed the Internal Code of Conduct in 2009 and 2010.

Furthermore, as set out in the Internal Code of Conduct, a Compliance Committee has been appointed. As specified in the code, reports can be made to the Compliance Committee, which reports to the Managing Board and if necessary the chairman of the Supervisory Board. During the year, the Compliance Committee reported issues to the Managing Board, which took the appropriate decisions.

The members of the Managing Board meet the other requirements in the Dutch Corporate Governance Code on ancillary positions, shareholdings, personal loans and guarantees.

EMPLOYEES

Performance management

To encourage employee development, there are at least three interviews a year with each individual. The record of the interview is signed by the manager and the employee. Targets are agreed at the beginning of the year. The course is set in an appraisal interview halfway through the year and the balance is drawn up during an appraisal interview at the end of the year. These three interviews form the performance cycle.

Remuneration

Vesteda's remuneration policy is that employees are rewarded competitively.

Variable remuneration

In connection with the results achieved in 2010, the Managing Board decided to grant employees 50% of the variable remuneration earned under the performance agreements.

Ethics

In the first quarter of 2010, all members of staff confirmed compliance with the Internal Code of Conduct in writing.

Risk management

The Managing Board has issued an 'in control' statement for 2010 on financial reporting risks. During 2010, Vesteda drew up the details of almost all the risk areas. The aim is to issue a full 'in control' statement for 2011 in 2012.

Focus on achieving organisational targets

Risk management and decision-making are focused on making the best use of opportunities and limiting their adverse effects. The aim is not to preclude risks but to obtain information in order to respond as well as possible to opportunities and threats. Vesteda believes it is very important for risk management to be an integrated part of good operations at the strategic and operational levels. In this way, Vesteda's stakeholders such as employees, investors and financiers can accept that the business is run in a controlled way, focusing on continuity of business activities with results that justify the risk profile.

Focus on prompt identification

risk management aims to promptly identify, assess and manage risk

The purpose of the risk management and internal control systems is to promptly identify significant risks and to assess and manage them in order to achieve business targets in line with the overall strategy and targets in the business plan. It is not impossible that risks which have not currently been identified or which are not currently regarded as significant, may later have a major adverse effect on Vesteda's ability to achieve its corporate targets. The internal reporting systems are designed in part to promptly identify these risks.

Integral part of business operations

based on COSO recommendations

Risk management is an integral part of Vesteda's business operations and process management. To put this into practice, the risks associated with business operations are identified and – if the Managing Board believes it necessary – reduced to the desired level by control measures. Vesteda regularly identifies and evaluates the strategic, operational, compliance and financial risks. The internal control systems have been developed on the basis of the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the objective of which is to create a reasonable level of assurance on the achievement of organisational targets. The internal control systems are, however, unable to offer absolute assurance because of unforeseen circumstances, human errors of judgement and mistakes, collusion by employees, breaches of regulations, cost/benefit considerations or coincidence of inherently minor incidents with significant consequences.

Managing Board's responsibility

day-to-day responsibility of senior management and process owners

The Managing Board is responsible for managing the risks inherent in Vesteda's business activities. It is also responsible for ensuring that the company complies with relevant legislation and regulations. Senior management and the designated process owners have day-to-day responsibility for on-going monitoring of the design and operation of these measures.

2010: seventeen risks

structured description, control measures developed and documented

During 2010 there was an on-going process to identify, analyse, validate, monitor and evaluate significant risk areas and control measures. The internal control systems were documented further during the year, leading to the following risks being described and control measures being developed and documented in 2010.

A Integrated portfolio management;
B Project development;
C Customer focus;
D Disposals;
E Funding;
F Strategic vision;
G Investor relations;
H Cash planning and forecasting;
I Triple-A status;
J Human resource management;
K Financial reporting;
L Fraud;
M Innovation;
N Continuity of IT;
O FII status;
P Contractual obligations;
Q Sustainability.

One of the criteria for selecting these seventeen risks is that they should satisfactorily cover on-going strategic, operational, compliance and financial risks. There is regular evaluation of the way in which the existing set of identified risks covers Vesteda's risk universe. In other words, there is an assessment of whether new risks should be added to the existing list, or whether risks can be removed from the list based on developments in operations, the property and financial markets, stakeholders etc. The risk areas are addressed in detail below.

A Integrated portfolio management
Description of the risk The risk that Vesteda's portfolio moves away from the defined target portfolio compiled under the agreements with the investors.

Control measure(s) The portfolio is designed using integrated portfolio management to create an optimum risk/return profile for the investors. To ensure this, current developments are matched against the optimum target portfolio and – if necessary – additional action is initiated to achieve the target portfolio.

B Project development
Description of the risk The risks that may arise from having inadequate control of projects under development and construction, focusing on the financial consequences and quality of the projects.

Control measure(s) Continuous reconciliation and fine-tuning of projects under development in accordance with the programme of qualitative and quantitative requirements initiated from the target portfolio.

C Customer focus
Description of the risk The risk that Vesteda is insufficiently focused on the wishes of tenants and is not commercially effective, resulting in worse customer satisfaction and financial performance.

Control measure(s) Customer wishes and satisfaction are identified through extensive and continuous surveys and the property management process is adjusted if necessary. Once again in 2010, the continuing economic crisis was reflected in pressure on letting, especially in the upper segment, and so there were greater efforts to further reduce the volume of properties that did not meet the yield/risk profile for the target portfolio.

D Disposals

Description of the risk The risk that the necessary sales volume and margins are not achieved for business operations.

Control measure(s) Continuous reconciliation and fine-tuning of projects in the sale phase in line with the requirements of the target portfolio. Efforts in 2010 were on increasing sales of more expensive, sometimes vacant, residential priorities. This is one way of achieving the aim of generating sufficient sales proceeds for purchasing new residential properties without having to attract additional external financing.

E Funding

Description of the risk The risk that Vesteda cannot attract the necessary funding (equity and loan capital) on competitive terms and conditions to achieve its strategy and targets. Obtaining loan capital involves an interest rate risk and a volume risk.

Control measure(s) Vesteda has chosen to reduce the volume risk by using different maturities in the current funding thus reducing the amount of refinancing on most occasions. The refinancing will be arranged so that there is flexibility in repayment. A further aim is to gradually reduce the level of loan capital to 30% by integrated portfolio management. Interest rate risks are hedged using caps and swaps so that the average interest expense at year end 2010 was a maximum of approximately 4.2% on the outstanding amount of bonds of €1,550 million. The average remaining term of the financing is some 2.7 years. The level of equity is determined primarily by investors joining and leaving. The way this is managed is addressed mainly in the strategic vision and 'investor relations'.

F Strategic vision

Description of the risk The risk that Vesteda's strategic vision is not in line with developments in the housing market, investors' visions and Vesteda's ability to shape them.

Control measure(s) Developing and updating the strategic vision so that Vesteda's positioning (in coordination with the investors) shapes its aim of wanting to be an investment opportunity in the Dutch housing market for institutional investors. This vision is translated at portfolio level using integrated portfolio management.

G Investor relations

Description of the risk The risk that Vesteda is insufficiently able to keep the loyalty of current and potential investors by investor management.

Control measure(s) Through performance and by managing investors' expectations, Vesteda endeavours to secure the loyalty of current and potential investors. This is important for maintaining, exchanging or expanding the level of equity for example. In this context, there were discussions with investors on the fund's profile, governance and term.

H Cash planning and forecasting

Description of the risk The risk that Vesteda cannot effectively and efficiently manage its liquidity requirements.

Control measure(s) All cash flows from development letting and sales activities are converted into actions to optimise the liquidity position through cash planning and forecasting. Cash planning and forecasting, of course, use medium and long-term funding assumptions, for example, on redemptions and refinancing. Funding in turn uses information from integrated portfolio management and cash planning and forecasting.

I Triple-A status

Description of the risk The risk that Vesteda could lose the triple-A status for the bonds if it fails to meet all the related obligations.

Control measure(s) The obligations for retaining the status are converted into checks and balances in the processes, and monitoring and reporting on them. This is partly to ensure timely payment of interest and redemptions, reporting on ratios etc.

J Human resource management

Description of the risk The risk that Vesteda has insufficiently qualified staff and/or too few people to achieve its targets.

Control measure(s) Vesteda has many measures in place on selection, appraisal, remuneration and developing its people. This is primarily shaped in Vesteda's on-going performance management programme.

K Financial reporting

Description of the risk The risk that Vesteda presents incorrect and/or incomplete and/or late financial reports to its stakeholders.

Control measure(s) A complete set of control measures have allowed the Managing Board to issue an 'in control' statement on financial reporting risks since 2007.

L Fraud

Description of the risk The risk that employees and the Managing Board of Vesteda act fraudulently, leading to additional expense and reputational damage.

Control measure(s) Vesteda uses a set of procedures and measures to reduce the risk in processes concerned with sales methods, including the related parties, entering into commercial sales agreements, screening employees and contract parties. In addition, all staff must act in accordance with a code of conduct and there is a procedure for recording and reporting fraudulent action to the Managing Board and Supervisory Board under which corrective measures are taken when necessary.

M Innovation

Description of the risk The risk that Vesteda focuses insufficiently on innovation, as this may lead to loss of future profits, lower customer satisfaction, a less distinctive position and loss of competitive strength.

Control measure(s) There is a structured process for developing new business models and cases.

N Continuity of IT

Description of the risk The risk that one or more business processes cannot be performed or is hindered as a result of the non-availability or insufficiently available key systems.

Control measure(s) Availability requirements are agreed with system owners, based on analyses of the critical business processes and the related key systems. Regular monitoring of the current situation and requirements lead to corrective action when necessary.

O FII status

Description of the risk The risk that Vesteda does not meet all its obligations for FII status with the possible loss of that status and corporation tax being levied on the result.

Control measure(s) Permanently safeguarding and monitoring the tax and other conditions for the FII status, focusing primarily on the investor, investment and financing requirements and the distribution obligation.

P Contractual obligations

Description of the risk The risk that flawed contracts are drawn up and that there is a lack of adequate checks and balances in contract preparation.

Control measure(s) Proper contract preparation and monitoring that this is in line with the mandating policy, strategy and frameworks and signatory authority of management, Managing Board and Supervisory Board.

Q Sustainability

Description of the risk The risk of insufficient investment in the sustainability of operations with the possible result of inadequate increases in the value of the investments over time, not meeting investors' requirements on sustainability, potential loss of income and damage to image.

Control measure(s) Identifying the requirements and wishes of investors, government, tenants, purchasers and employees, in order to set up, implement and maintain a clear sustainability strategy with the primary goal of a sustainable property portfolio with, in this context, an optimum direct and indirect yield performance.

The above risk analysis approach is embedded in the planning and control cycles. The internal control systems include other measures for achieving adequate segregation of duties, prompt recording of significant transactions and information security. Internal accountability and management reports, management reviews and other internal research into the design and operation of the internal controls are an integral part of this approach.

The Managing Board regularly assesses the risk management and internal control systems. It has reported on the main business risks and the structure and operation of the risk management and internal control systems to the Supervisory Board.

'In control' statement

The Managing Board has issued an 'in control' statement on the financial reporting risks at Vesteda Group

Managing Board's responsibility

The Managing Board is responsible for proper risk management and internal control systems and for assessing their effectiveness.

statement on the financial reporting risks

Based on its assessment of the risk management and internal control systems, the Managing Board believes with respect to the financial reporting risks that:

- these systems provide a reasonable level of assurance that the financial reports contain no material errors;
- these systems have functioned properly during 2010;
- there is no indication that these systems will not function properly in 2011.

no significant shortcomings or deficiencies

No significant shortcomings which could have material effects have been identified in these systems in 2010 and to the date of signing this annual report in 2011. Furthermore, no significant deficiencies regarding operational and compliance risks have been identified in the internal control systems.

Legal structure

The property under development and invested in and the loan capital drawn for this can be allocated to three main structures: property being let financed partly by bonds (structure I), property being let financed partly by mortgages (structure II) and property under development, held by Vesteda Project bv and financed partly by a revolving credit facility (structure III).

each structure has its own property and loan capital

Three main structures

Most of the companies in Vesteda's legal structure can be allocated to one of these three structures. The three structures are shown in separate columns in the nearby diagram.

Main structures of Vesteda Group

main structure	property	in company	financed by loan capital
Main structure I	Let	Vesteda Woningen cv	Bonds
Main structure II	Let	Vesteda Woningen II cv	Mortgages
Main structure III	Under development	Vesteda Project bv	Revolving credit

two variants for participation in Vesteda

Investors

Investors[1] are offered two different ways of participating in Vesteda: as 'limited partners' with a shareholding or as a limited partner with a direct interest. The two parties together, being the full group of investors in Vesteda, are referred in this annual report to as investors. As limited partners with a direct interest, investors acquire a direct interest in the two property partnerships; as limited partners with a shareholding they acquire a shareholding in a fiscal investment institution, which then acts as a limited partner in the two property partnerships. The two ways of participating make it possible for an institutional investor, depending on its type, to make a tax-efficient investment in Vesteda. All investors own shares in the structures (and thus in Vesteda Groep bv, Vesteda Groep II bv, Vesteda Project bv, Vesteda Woningen cv and Vesteda Woningen II cv) in proportion to their invested capital.

responsible for the management of Vesteda

Vesteda Groep bv

Vesteda Groep bv, which is responsible for managing Vesteda, holds a central position in Vesteda Group. All investors participate directly in Vesteda Groep bv, where control is consolidated. Vesteda Groep bv has a four-member Managing Board and a Supervisory Board. Vesteda Groep bv is the managing partner of Vesteda Woningen cv.

company acts as managing partner in parallel structure

Vesteda Groep II bv

Vesteda Groep II bv acts as the managing partner of Vesteda Woningen II cv. All investors participate directly in Vesteda Groep II bv. Vesteda Groep II bv has no employees. Vesteda Woningen II cv's management expenses are recharged from Vesteda Groep bv to Vesteda Groep II bv.

project development activities

Vesteda Project bv

Vesteda Project bv carries out Vesteda Group's project development activities. Fiscal investment institutions are not permitted to perform these activities under Section 28 of the Corporation Tax Act 1969. Vesteda Groep bv is the director of Vesteda Project bv.

1 See page 22 for a list of investors.

Fiscal investment institution

fiscal group for corporation tax

Part of Vesteda Group is a fiscal group which includes Holding DRF bv (Dutch Residential Fund) and its four subsidiaries, DRF I bv, DRF II bv, DRF III bv and DRF IV bv, which has been regarded as a fiscal investment institution pursuant to Section 28 of the Corporation Tax Act 1969 since 1 January 2002. Such institutions are subject to a zero rate of corporation tax. The Managing Boards of Holding DRF bv and Vesteda Groep bv comprise the same individuals, responsible for the same tasks.

Vesteda Woningen cvs

not independent corporation tax payers

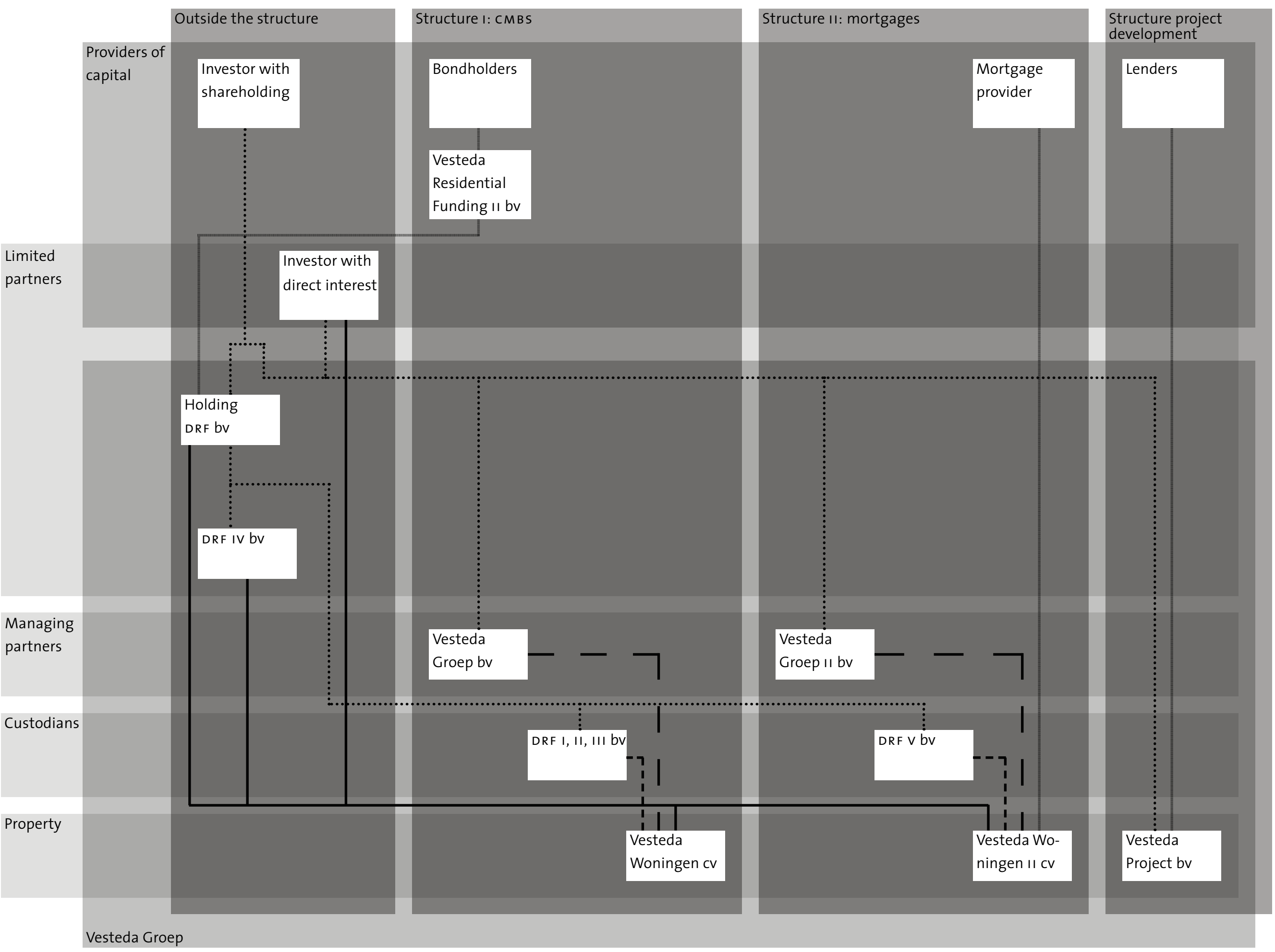
The let property and associated rights and obligations are held by two partnerships: Vesteda Woningen cv (also referred to as Vesteda Woningen I) and Vesteda Woningen II cv. These partnerships are not independently liable for corporation tax.

sleeping partner, managing partner and custodian

Vesteda Groep bv is managing partner of Vesteda Woningen cv. DRF I bv, DRF II bv and DRF III bv are the custodians and entitled to manage the assets of Vesteda Woningen cv for the investors. Consequently, in their capacity as custodians, they are legally entitled to all assets belonging to Vesteda Woningen cv. The investors, also known as sleeping partners, are Holding DRF bv, DRF IV bv and the investors in Vesteda Group. They have beneficial entitlement to the assets of Vesteda Woningen cv.

A similar structure applies to Vesteda Woningen II cv, whose managing partner is Vesteda Groep II bv. DRF V bv is the custodian and entitled to manage the assets of Vesteda Woningen II cv. The investors are also Holding DRF bv, DRF IV bv and the investors in Vesteda Group.

Diagram of Vesteda Group's legal structure



Vesteda Group
Financial statements 2010

New Orleans, Wilhelminapier-Rotterdam

Introduction

Vesteda Group is divided into three organisationally-associated units: one responsible for ownership, one for property management and one for property development. The legal owners of the property are Dutch Residential Fund I bv, Dutch Residential Fund II bv, Dutch Residential Fund III bv and Dutch Residential Fund V bv. Dutch Residential Fund IV bv has embodied the beneficial ownership of the property portfolio in investments in Vesteda Woningen CV and Vesteda Woningen II CV.

In their capacity as custodians, Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv are legally entitled to all the property belonging to Vesteda Woningen CV on behalf of the investors. In its capacity as custodian, Dutch Residential Fund V bv is legally entitled to all the property belonging to Vesteda Woningen II CV on behalf of the investors. The limited partners have beneficial entitlement to these assets.

Investments can be made in Vesteda Woningen CV and Vesteda Woningen II CV either directly or through Holding Dutch Residential Fund bv, but investment also involves an obligation to invest to an equal percentage in Vesteda Groep bv and Vesteda Groep II bv (management) and Vesteda Project bv. Vesteda Groep bv has a mandate to enter into rights and obligations with respect to the properties, and that mandate extends to Vesteda Groep II bv with respect to Vesteda Woningen II CV.

The rights and obligations of the limited partners in Vesteda Woningen CV and Vesteda Woningen II CV are set out in two Investor Agreements. Vesteda Groep bv has been appointed managing partner of Vesteda Woningen CV. Vesteda Groep II bv has been appointed managing partner of Vesteda Woningen II CV.

Please see page 105 for a diagram of the legal structure as at 31 December 2010.

PARTICIPATION AGREEMENTS

Participation Agreements have been drawn up to record the arrangements and they are also binding on any new investors. The agreements govern a wide range of matters relating to the operation of the Vesteda Group, including:

- the powers of the Managing Board and Supervisory Board;
- strategy;
- information provision;
- policy on distributing profits.

The agreements have been contracted for an indefinite period. They may be amended with the agreement of the investors, subject to there being a certain quorum, depending on the nature of the change.

Accounting policies

REPORTING

The structure of Vesteda Group means that it does not have the legal status of an investment fund and is not subject to the Financial Supervision Act (*Wet financieel toezicht* 'Wft'). However, since its activities (management of and investment in residential property) are similar in nature to those of an investment institution, an effort has been made to present the financial statements in accordance with the reporting standards applicable to investment institutions.

Vesteda Group is not a legal entity but a combination of Vesteda Woningen CV, Vesteda Woningen II CV, Vesteda Groep bv, Vesteda Groep II bv, Holding Dutch Residential Fund bv and Vesteda Project bv.

As Vesteda Group has similarities to a company, the financial statements below use terminology customarily used in financial statements. The financial statements were drawn up in compliance with generally accepted reporting standards in the Netherlands.

BASIS FOR COMBINING FINANCIAL INFORMATION

The combined balance sheet and income statement of Vesteda Group include the financial information of the following entities:

	established in	holding
Vesteda Woningen cv	Maastricht	100%
Vesteda Woningen II cv	Maastricht	100%
Vesteda Groep bv	Maastricht	100%
Vesteda Groep II bv	Maastricht	100%
Holding Dutch Residential Fund bv	Maastricht	100%
Dutch Residential Fund I bv	Maastricht	100%
Dutch Residential Fund II bv	Maastricht	100%
Dutch Residential Fund III bv	Maastricht	100%
Dutch Residential Fund IV bv	Maastricht	100%
Dutch Residential Fund V bv	Maastricht	100%
Vesteda Project bv	Maastricht	100%
HOG Heerlen Onroerend Goed bv	Heerlen	100%
Gordiaan Vastgoed bv	Heerlen	100%

ACCOUNTING POLICIES

General

Preparation of the financial statements requires estimates and judgements to be made which may affect the amounts reported for assets and liabilities, income and expenditure and the related reporting of assets and liabilities not recognised in the balance sheet at the date of the financial statements. The accounting policies which, in the opinion of the Managing Board, are the most significant to the financial position and the results of activities are addressed in the relevant notes as are matters which are intrinsically uncertain and where the Managing Board has to make estimates and judgements. The Managing Board notes that future events often differ from the forecasts and that estimates have to be updated regularly.

Property

The development portfolio is recognised at the lower of cost and market value. On completion of a project, the complex is included in the letting portfolio or disposed of.

The letting portfolio is recognised at fair value. Pursuant to Guideline 213 'Investment properties', the complexes in this portfolio are recognised at fair value, being the higher of market value with sitting tenants and net realisable value on disposal of complete complexes to organisations specialising in the selling of individual units.

A condition when establishing the fair value is that if the market value with sitting tenants is higher, the fair value will be no more than 110% of the net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units.

The market value with sitting tenants and the appraised net realisable value in the case of disposals of complete complexes as a whole to organisations specialising in the selling of individual units are determined by the discounted cash flow method. About 25% of the portfolio is appraised each quarter by external valuers and the remainder is appraised internally. The part that was independently appraised in the first quarter is re-appraised and the appraisals made in the second and third quarters are updated by external valuers in the fourth quarter. The aim is to achieve sufficient coverage each quarter for a representative reflection of the total portfolio by age, location, type, region and capital investment. Conveyancing charges and other selling costs are taken into account in determining both the net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units and the market value with sitting tenants.

Tangible fixed assets

The office building is recognised at fair value, reappraised annually by an external valuer. The revaluation is taken direct to equity and recognised through the revaluation reserve. Straight-line depreciation is deducted, based on an estimated useful economic life of thirty years.

Other tangible fixed assets are recognised at cost less straight-line depreciation and any impairment. Depreciation is based on the estimated useful life of the assets concerned, which is between three and ten years.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement.

Financial assets

If control or significant influence is exercised on the commercial and financial policy of participating interests, those interests are accounted for using the equity method based on net asset value. Other participating interests are recognised at the lower of historical cost and market value. Loans receivable are recognised at face value. Where necessary, there is a write-down for doubtful debts. The deferred tax asset relating to corporation tax on the possible offset of losses for tax purposes and differences between accounting policies for commercial and tax purposes is recognised at current tax rates to the extent that it is probable that they can be utilised.

Projects in progress

Projects in progress are recognised at the cost incurred plus a profit margin for any completed portions, less instalments billed and a provision for losses. Losses are recognised as soon as they become foreseeable. Cost incurred consists of costs directly attributable to the work plus a mark-up for general expenses. Interest at a rate equal to the cost of the external credit facility is allocated to work in progress. Profit is recognised in proportion to the amount of the project that has been completed. Acquisition projects are recognised at the cost incurred.

Inventory

Inventory is recognised at fair value. Movements in fair value are recognised through a revaluation reserve. Increases in fair value are recognised in individual revaluation reserves and falls are deducted for them but only to the original level of cost. Reductions in fair value below cost are recognised through profit or loss. If the fair value rises again, increases up to cost are recognised through profit and loss and subsequent increases are recognised in the revaluation reserve.

Receivables

Receivables are recognised at amortised cost, which is generally in line with face value, less a provision for doubtful debts.

Cash and cash equivalents

Cash is cash in hand and at bank. Cash is recognised at face value.

Long-term liabilities

Loans are initially recognised at cost, which is the fair value of the amount received, less transaction costs. After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Capitalised financing costs are netted against loans drawn. In calculating amortised cost, allowance is made for premiums or discounts in relation to the issue of the loan. Interest expense is attributed to the period to which it relates and recognised through the income statement.

Derivatives

The group uses derivatives such as interest rate caps and interest swaps to hedge changes in interest rates. Derivatives are used as cash flow cover to hedge the risk of uncertain future cash flows. In the financial statements, these relate to the variable-rate bonds, the credit facility and the mortgage. Derivatives are initially recognised at fair value including transaction costs and then at fair value at each reporting date. If positive, changes in the fair value of derivatives concerning the bonds, the credit drawn and the mortgage are recognised through the derivatives revaluation reserve in equity. Changes in the fair value of derivatives concerning the credit facility still available are recognised in interest expense.

Provisions

Provisions are recognised if it is probable that the obligation will have to be settled and a reliable estimate can be made of the amount of the obligation. The amount of a provision is set using the best estimate of the amount that will be required to settle the obligations and losses at the reporting date.

Pensions

Vesteda's pension scheme is classified as a defined-benefit scheme and is administered by an industry-wide pension fund. On the information available from the industry-wide pension fund, it is not deemed necessary to form an additional provision at the reporting date in addition to the annual premium payable to the pension administrator.

Current liabilities

Trade creditors and other current liabilities are recognised at amortised cost, which is generally in line with face value.

Distinction between current and fixed assets and between current and non-current liabilities

Assets and liabilities are classified as current (short-term) if it is expected that they will be realised or settled within twelve months of the reporting date.

Other

Unless otherwise mentioned, valuation is according to the historical cost convention. Amounts are shown at face value.

ACCOUNTING POLICIES FOR THE DETERMINATION OF RESULTS

General

Operating expenses are recognised at historical cost. Income is recognised when realised, expenses are recognised as soon as they become known. Income and expenses are allocated to the year to which they relate.

Rental income

Rental income is the total rent invoiced to tenants in respect of the financial year. The amount shown, therefore, takes account of rent lost due to vacancies and discounts. Rental income does not include service charges paid in advance by tenants.

Letting expenses

Letting expenses comprise costs directly attributable to a specific complex. These costs are mainly maintenance costs, property tax and other levies, insurance premiums, management and letting fees and service costs not chargeable to tenants. There is no equalisation provision for major maintenance.

Other income

This includes the interim and definitive results on work in progress and other income generated by short-stay lets.

Property management expenses

Any operating expenses that cannot be allocated directly to the various properties are regarded as property management expenses.

Interest income and expense

Interest income and expense are recognised at face value. Changes in the current value of derivatives concerning the credit facility still available are recognised in interest expense.

Realised result

The realised result is the sum of the net letting income and other income less operating expenses and net interest charges, plus the results realised on property disposals. The result on disposals is the proceeds from sales (less any facilitation costs) less the most recent carrying value of the properties sold, established each quarter.

Unrealised result

The unrealised result is made up of unrealised gains and losses related directly to property investments.

Tax

Tax on the result is calculated by applying the standard rate of tax to the taxable amount.

Tax status

Holding Dutch Residential Fund bv, Dutch Residential Fund I bv, Dutch Residential Fund II bv, Dutch Residential Fund III bv and Dutch Residential Fund IV bv form a tax group for corporation tax purposes.

The Holding Dutch Residential Fund bv tax group has been regarded as a fiscal investment institution since 2002. On this basis, providing a number of conditions are met, a corporation tax rate of 0% applies. The most important condition to be met is that the profit, calculated in accordance with fiscal principles, is distributed in the form of dividend within eight months of the end of the financial year.

Vesteda Woningen CV and Vesteda Woningen II CV are transparent for corporation tax purposes. Vesteda Groep bv, Vesteda Groep II bv, Vesteda Project bv, Vesteda Woningen CV and Vesteda Woningen II CV form a VAT group. Consequently, VAT is not levied on supplies between these entities.

Combined balance sheet as at 31 December 2010

(after appropriation of profit)

Amounts in millions of euros	31 December 2010	31 December 2009
ASSETS		
Fixed assets		
Property (1)	4,402	4,499
Tangible fixed assets (2)	10	11
Financial assets (3)	13	34
	4,425	4,544
Current assets		
Projects in progress (4)	136	241
Inventory (5)	28	1
Receivables (6)	43	17
Cash and cash equivalents (7)	75	129
	282	388
Total assets	**4,707**	**4,932**
EQUITY AND LIABILITIES		
Group equity (8)	2,793	2,941
Provisions (9)	78	65
Long-term liabilities		
Amounts owed to credit institutions (10)	1,687	1,758
Other long-term liabilities (11)	66	87
	1,753	1,845
Current liabilities		
Tax and social security contributions	1	4
Other current liabilities (12)	21	21
Accruals and deferred income (13)	61	56
	83	81
Total equity and liabilities	**4,707**	**4,932**

Combined income statement for 2010

Amounts in millions of euros	**2010**	**2009**
Income		
Rental income	245	245
Less: Letting expenses	70	65
Net letting income	175	180
Result on projects in progress	–21	1
Other income (14)	2	3
Total operating income	**156**	**184**
Expenses		
Property management expenses (15)	24	21
Interest income	2	3
Interest expense	71	66
Operating result	63	100
Result on disposals	22	9
Realised result before tax	85	109
Tax	–2	–
Result on participating interests	–	–
Realised result after tax	83	109
Unrealised result (16)	–177	–372
Net result	**–94**	**–263**

Combined cash flow statement for 2010

Amounts in millions of euros	**2010**	**2009**
Realised result after tax	83	109
Additions to provisions	2	–
Interest on loans receivable	–1	–
Depreciation of tangible fixed assets	1	2
Amortisation of financial assets	2	1
Movement in projects in progress	68	21
Movement in receivables	–19	–1
Movement in current liabilities	2	19
Cash flow from operating activities	138	151
Investments in property	–216	–256
Investments/disposals of financial assets	1	–5
Investments/disposals of tangible fixed assets	–	–1
Disposals of property (excluding result on sale)	167	164
Cash flow from investment activities	–48	–98
Loans drawn	392	83
Loan repayments	–455	–50
Investment financing costs	–6	–
Capital paid in	9	121
Dividend paid	–84	–146
Cash flow from financing activities	–144	8
Total cash flow	**–54**	**61**
Cash at end of year	75	129
Cash at beginning of year	129	68
	–54	**61**

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. The funds in the cash flow statement consist exclusively of cash and cash equivalents. Receipts and expenditure in connection with interest and tax on profit are included in the cash flow from operating activities. Dividends paid are included in the cash flow from financing activities.

Notes to the combined financial statements

PROPERTY (1)

Amounts in millions of euros	Development portfolio	Letting portfolio Letting phase	Letting/sale phase	Total
Value as at 1 January 2010	15	2,996	1,488	4,499
Investments	191	18	7	216
Disposals	–	–	–167	–167
Internal transfers	–189	–43	232	–
Subtotal	17	2,971	1,560	4,548
Revaluations during the year	–	–107	–39	–146
Value as at 31 December 2010	**17**	**2,864**	**1,521**	**4,402**

See the Annual Report for further information on property.

TANGIBLE FIXED ASSETS (2)

Amounts in millions of euros	Office building	Fixtures and fittings	Other fixed assets	Total
Value as at 1 January 2010	7	2	2	11
Depreciation	–	–	1	1
Value as at 31 December 2010	**7**	**2**	**1**	**10**
Accumulated depreciation	2	7	8	17

Vesteda Group's office building is recognised at fair value. The carrying value as at 31 December 2010 includes a revaluation of €0.6 million (2009: €0.9 million).

FINANCIAL ASSETS (3)

Amounts in millions of euros	Participating interests	Loans receivable	Deferred tax	Bonds	Financing charges	Total
Value as at 1 January 2010	1	27	2	–	4	34
Reclassification	–	–	–	–	–4	–4
Investments	–	–	–	1	–	1
Interest	–	1	–	–	–	1
Write down	–	–	2	–	–	2
Transfer to receivables	–	17	–	–	–	17
Value as at 31 December 2010	**1**	**11**	**–**	**1**	**–**	**13**

The deferred tax asset for tax loss carry forwards and differences in measurement for tax and commercial purposes has been set at nil in view of the losses expected to be incurred in the future.

PROJECTS IN PROGRESS (4)

Amounts in millions of euros	Acquisitions	Work in progress	Total
Value as at 1 January 2010	2	239	241
Investments (including mark-up for general expenses)	–	144	144
Instalments billed	–	–191	–191
Transfer to inventory of goods for resale	–	–23	–23
Transfer to inventory of finished goods	–	–14	–14
Transfer to receivables	–	–1	–1
Transfer to profit or loss	–1	–	–1
Provision for losses/profit-taking	–	–19	–19
Value as at 31 December 2010	**1**	**135**	**136**

Interest capitalised in 2010 was €3.6 million (2009: €6.7 million). The interest rate is 3-month Euribor plus 2.25% (2009: 5.04%).

INVENTORY (5)

Amounts in millions of euros	2010	2009
Inventory of goods for resale	23	–
Revaluation of inventory of goods for resale	–7	–
Inventory of finished goods	15	1
Revaluation of inventory of finished goods	–3	–
	28	**1**

Inventory of goods for resale is projects which will not be developed further by Vesteda Project bv. Inventory of finished goods is residential properties to be sold by Vesteda Project bv to third parties.

RECEIVABLES (6)

Amounts in millions of euros	2010	2009
Property suspense account	24	6
Loans receivable	7	2
Debtors	8	4
Other receivables	4	5
	43	**17**

Debtors include a provision of €3.2 million (2009: €3.3 million). Loans receivable include a provision of €10 million (2009: nil).

CASH AND CASH EQUIVALENTS (7)

Amounts in millions of euros	2010	2009
Current accounts	15	48
Savings deposits	60	81
	75	**129**

With the exception of €6.9 million (2009: €8.0 million), cash and cash equivalents are at the free disposal of the company.

GROUP EQUITY (8)

			Revaluation reserve				
Amounts in millions of euros	Issued capital	Share premium	Property	Derivatives	Office building	Other reserve	Total
Value as at 1 January 2010	51	2,216	807	–	1	–134	2,941
Dividend	–	–84	–	–	–	–	–84
Capital paid in	–	9	–	–	–	–	9
Result	–	–	–57	–	–	–37	–94
Revaluation of derivatives	–	–	–	1	–	20	21
Realised from sales	–	–	–21	–	–	21	–
Value as at 31 December 2010	**51**	**2,141**	**729**	**1**	**1**	**–130**	**2,793**

An €84 million dividend for 2009 was distributed to investors in Vesteda Woningen cv in 2010. €9 million was contributed by the shareholders in Vesteda Woningen ii cv.

PROVISIONS (9)

Amounts in millions of euros	Pipeline	Other	Total
Value as at 1 January 2010	65	–	65
Additions	46	2	48
Used	35	–	35
Value as at 31 December 2010	**76**	**2**	**78**

In 2009, a pipeline provision was formed for contractual obligations on the acquisition by Vesteda Woningen cv and Vesteda Woningen ii cv of projects from Vesteda Project bv which will be handed over. The provision is calculated as the difference between the estimated market value at the date of acquisition and the contracted purchase price. A restructuring provision of €2 million was formed in 2010.

AMOUNTS OWED TO CREDIT INSTITUTIONS (10)

Amounts in millions of euros	A notes	Mortgage	Credit facility	Financing costs	Total
Value as at 1 January 2010	1,600	48	110	–	1,758
Reclassifications	–	–	–	–4	–4
Drawn	350	22	20	–	392
Repayments	400	–	55	–	455
Additions	–	–	–	–6	–6
Amortisation	–	–	–	2	2
Value as at 31 December 2010	**1,550**	**70**	**75**	**–8**	**1,687**

A-note funding

Vesteda Residential Funding ii bv has issued a total of €1,600 million of variable-rate bonds consisting of:

- €400 million class A2 secured floating rate notes (2005);
- €400 million class A3 secured floating rate notes (2005);
- €300 million class A4 secured floating rate notes (2005);
- €350 million class A5 secured floating rate notes (2007);
- €150 million class A6 secured floating rate notes (2009).

The € 400 million class A2 secured floating rate notes were redeemed on schedule in April 2010. At the same time, variable-rate bonds were issued:

- € 350 million class A7 secured floating rate notes.

Vesteda Residential Funding II bv is a company specially incorporated to manage the financing for Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv under agreements between these parties, Vesteda Groep bv and the Security Trustee. Vesteda Residential Funding II bv also has the duty of providing security in connection with the financing. All the shares in Vesteda Residential Funding II bv are owned by the Stichting Vesteda Residential Funding II. The manager of the Stichting is ATC Management bv.

The proceeds of the issue by Vesteda Residential Funding II bv have been lent to Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv. As a result of the above activities, the Vesteda Group had the following facilities as at the balance sheet date:

- Term A3 Facility of €400 million with an intended remaining term of 1.55 years;
- Term A4 Facility of €300 million with an intended remaining term of 4.55 years;
- Term A5 Facility of €350 million with an intended remaining term of 1.55 years;
- Term A6 Facility of €150 million with an intended remaining term of 2.55 years;
- Term A7 Facility of €350 million with an intended remaining term of 3.55 years.

The borrowers are Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv in their capacity as custodians of Vesteda Woningen CV. The borrowers have made the funds available to Vesteda Woningen CV. Interest is due quarterly and is based on the 3-month Euribor rate plus a mark-up which is different for each type. The mark-ups for the Term A3, Term A4, Term A5, Term A6 and Term A7 notes are 0.20%, 0.28%, 0.13%, 1.00% and 1.63%, respectively. The Term A notes are listed on the Euronext Amsterdam stock exchange. The legal term when issued was twelve years for the Term A3 and Term A4 bonds, ten years for the Term A5 bonds, nine years for the Term A6 bonds and seven years for the Term A7 bonds.

If the intended term is exceeded, there are sanctions relating in particular to distributions to those entitled to the results of the Vesteda Group. Early repayment is permitted, with limited penalty clauses applying to the A4, A5 and A6 bond loans.

The loans carry considerable reporting and information obligations. The following consequences arise if interest is not paid on time or other obligations are not met:

- payment of dividends and similar distributions are no longer permitted;
- a pledge is established on the bank accounts which receive the rents;
- the voting rights on the shares of Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch residential Fund III bv are transferred to the Security Trustee;
- a mortgage right is established in favour of the Security Trustee on the property up to an amount of 150% of the outstanding amount of the loans;
- liabilities may only be met out of the residential portfolio. Creditors have no right of recovery against the other assets (other than Vesteda Woningen CV) of the limited partners.

If certain financial conditions (ratios) are not met, further sanctions are applicable. In addition to the above measures, the management's power to dispose of property is considerably restricted.

Mortgage funding

In October 2010, Vesteda Woningen II CV obtained an additional mortgage of €22 million with a term of three years. Interest is due monthly, based on the 3-month Euribor rate plus a mark-up of 1.95%. The mortgage is secured on owned property.

Credit facility

In May 2010, Vesteda Project bv's existing credit facility was renewed for a year. The maximum amount of €140 million was reduced to €100 million. At year end 2010, €75 million of this had been drawn down. Interest is due quarterly, based on the 3-month Euribor rate plus a mark-up of 2.25%. Three financing ratios are associated with this credit facility.

OTHER LONG-TERM LIABILITIES (11)

Amounts in millions of euros	**Derivatives**
Value as at 1 January 2010	87
Revaluation	–21
Value as at 31 December 2010	**66**

Vesteda has entered into interest-rate cap agreements with a finance institution with the intention of hedging interest-rate risks. They limit the risks of rising interest rates on the loan capital. Swap agreements were concluded in July 2005 which take effect on the expiry of the interest-rate cap agreements. The terms of the agreements are in line with the remaining terms of the bond loans concluded in 2005. Swaps were also concluded on the bond loans issued in April 2007 and July 2008 with the same term as the loans, which took effect in July 2007 and July 2008, respectively.

A swap was contracted for the bond loan issued in April 2010, with the same term as the loan. These agreements fully hedge the risk of fluctuations in interest rates.

Vesteda Project bv contracted a €50 million interest rate cap for the €100 million credit facility, with the same term as the credit facility.

In October 2010, Vesteda Woningen II CV obtained a mortgage loan of €22 million. 70% of this loan is hedged by a derivative with a consolidation ceiling whose term is the same as that of the loan.

The upward revaluation for 2010 was €21 million (2009: €35 million downward revaluation).

OTHER CURRENT LIABILITIES (12)

Amounts in millions of euros	**2010**	**2009**
Creditors	11	12
Amounts received in advance	10	9
	21	**21**

ACCRUALS AND DEFERRED INCOME (13)

Amounts in millions of euros	**2010**	**2009**
Interest	13	13
VAT integration levy	19	23
Holiday days and holiday pay	2	2
Amounts received in advance	7	4
Other	20	14
	61	**56**

OTHER INCOME (14)

Amounts in millions of euros	**2010**	**2009**
Other income: short stay	2	2
Other	–	1
	2	**3**

PROPERTY MANAGEMENT EXPENSES (15)

Amounts in millions of euros	**General management**	**Property management**	**Vesteda Project bv**	**Total**
Work subcontracted	4	1	1	6
Salaries	9	10	4	23
Social security charges	1	1	–	2
Pension charges	1	1	1	3
Depreciation expenses	1	–	–	1
Other operating expenses	3	5	3	11
Gross property management expenses	**19**	**18**	**9**	**46**
Recharged	–	18	4	22
Net property management expenses	**19**	**–**	**5**	**24**

Salaries includes a restructuring provision of €2 million.

Property management expenses include the following amounts recognised as fees to Ernst & Young Accountants LLP; €197,000 (2009: €192,400) for audit services, €33,000 (2009: €8,600) for audit-related services and €46,200 (2009: €69,100) for other services. Ernst & Young Accountants LLP did not charge fees for tax advice in either year.

Almost all the recharges for general and property management are recognised as operating expenses of Vesteda Woningen CV and Vesteda Woningen II CV. The recharges by Vesteda Project bv are included in projects in progress.

NUMBER OF EMPLOYEES

The group employed an average of 386 people (2009: 386) during the year; this was an average of 339.1 FTES (2009: 341.4 FTES)

DIRECTORS' REMUNERATION

In 2010, the company was charged €1,163,000 (2009: €826,000) for the remuneration of directors and €652,000 (2009: nil) for the remuneration of former directors. Social security charges and pension contributions were €228,000 (2009: €223,000) for directors and €127,000 (2009: nil) for former directors.

The increase in directors' remuneration was a result of the enlargement of the Managing Board on 1 April 2010. The remuneration of former directors related to costs incurred in 2010 after retirement of the directors concerned. The remuneration for the five (2009: five) supervisory directors in 2010 was €204,000 (2009 € 202,000).

UNREALISED RESULT (16)

Amounts in millions of euros	**2010**	**2009**
Revaluation of property	–146	–307
Revaluation of inventory	–10	–
Movements in pipeline provision	–11	–65
Revaluation of receivables	–10	–
	–177	**–372**

LIABILITIES NOT SHOWN IN THE BALANCE SHEET

The total liabilities for obligations entered into for building contracts, rental and lease instalments are some €290 million. Vesteda Group has not provided security for these liabilities. The liabilities are made up as follows:

Amounts in millions of euros	**Building contracts**	**Property leases**	**Car leases**
Due:			
within 1 year	92	1	1
between 1 and 5 years	193	1	1
	285	**2**	**2**

In addition, there were liabilities not shown in the balance sheet for the pipeline with a total estimated investment value of €755 million excluding VAT to 2022. See the Annual Report for further information.

Proposals to investors

proposed appropriation of result for 2010

The Management Board proposes that the loss for the year of €93,635,034 be taken to equity. This proposal has been incorporated in the financial statements.

proposed distribution to investors

The Management Board proposes that €109 million be distributed to its investors for 2010. The payment will be made in 2011 and has not been incorporated in the financial statements. The final decision on the distribution will be taken at the General Meeting of Investors on 22 March 2011.

Maastricht, 18 February 2011

The Management Board of Vesteda Groep bv:

A. Schakenbos
O. Breur
N. Mol
L. van der Ploeg

Independent auditor's report

TO THE SHAREHOLDERS OF AND LIMITED PARTNERS IN VESTEDA GROUP

Report on the financial statements

We have audited the 'financial statements 2010' as set out on pages 108 to 124 of the annual report of Vesteda Group, Maastricht, which comprise the combined balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

MANAGING BOARD'S RESPONSIBILITY

The Managing Board of Vesteda Groep bv is responsible for the preparation and fair presentation of these financial statements and for the preparation of the report of the managing board, both in accordance with the accounting policies set out in 'accounting policies for valuing assets and liabilities' and 'accounting policies for the determination of results' on pages 109 to 113. Furthermore the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Vesteda Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entities included in Vesteda Group. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Board of Vesteda Groep bv, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the 'financial statements 2010' give a true and fair view of the financial position of Vesteda Group as at December 31, 2010 and its result for the year then ended in accordance with the accounting policies as set out in 'accounting policies for valuing assets and liabilities' and 'accounting policies for the determination of results' on pages 109 to 113, which for the purpose of these financial statement have been deemed acceptable by us.

Report on managing board report

Furthermore we have established, to the extent of our competence, that the report of the managing report is consistent with the financial statements.

Maastricht, 18 February 2011

Ernst & Young Accountants LLP
signed by J.M. Heijster


Estrella

Abridged financial statements 2010

Parkkwartier, Katendrecht-Rotterdam

Vesteda Woningen cv

BALANCE SHEET AS AT 31 DECEMBER 2010

Amounts in millions of euros	31 December 2010	31 December 2009
ASSETS		
Fixed assets		
Property	4,258	4,424
Tangible fixed assets	7	8
Financial assets	7	21
	4,272	4,453
Current assets		
Receivables	30	10
Cash and cash equivalents	34	16
	64	26
Total assets	**4,336**	**4,479**
EQUITY AND LIABILITIES		
Fund capital	2,618	2,698
Provisions	61	52
Long-term liabilities		
Amounts owed to group companies	1,542	1,600
Other long-term liabilities	65	85
	1,607	1,685
Current liabilities		
Tax and social security contributions	1	1
Other current liabilities	13	10
Accruals and deferred income	36	33
	50	44
Total equity and liabilities	**4,336**	**4,479**

INCOME STATEMENT FOR 2010

Amounts in millions of euros	**2010**	**2009**
Income		
Rental income	239	245
Less: Letting expenses	69	65
Net letting income	170	180
Grants and other income	2	2
Total operating income	**172**	**182**
Expenses		
Management expenses	20	18
Interest income	1	2
Interest expense	69	66
Operating result	84	100
Result on disposals	22	9
Realised result	106	109
Unrealised result	–122	–345
Result	**–16**	**–236**

Vesteda Woningen II CV

BALANCE SHEET AS AT 31 DECEMBER 2010

Amounts in millions of euros	31 December 2010	31 December 2009
ASSETS		
Fixed assets		
Property	144	75
Financial assets	1	–
	145	75
Current assets		
Receivables	1	1
Cash and cash equivalents	22	91
	23	92
Total assets	**168**	**167**
EQUITY AND LIABILITIES		
Fund capital	70	94
Provisions	15	13
Long-term liabilities		
Amounts owed to group companies	70	48
Other long-term liabilities	1	–
	71	48
Current liabilities		
Tax and social security contributions	1	–
Other current liabilities	1	–
Accruals and deferred income	10	12
	12	12
Total equity and liabilities	**168**	**167**

INCOME STATEMENT FOR 2010

Amounts in millions of euros	2010	30 June to 31 December 2009
Income		
Rental income	6	–
Less: Letting expenses	1	–
Net letting income	5	–
Grants and other income		–
Total operating income	**5**	**–**
Expenses		
Management expenses		–
Interest income		–
Interest expense	2	–
Operating result	3	–
Result on disposals		–
Realised result	3	–
Unrealised result	–35	–27
Result	**–32**	**–27**

Vesteda Project bv

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

Amounts in millions of euros	31 December 2009	31 December 2009
ASSETS		
Fixed assets		
Financial assets		
Amounts owed by investors and participating interests	2	2
Other investments	1	1
Third-party loans	9	25
Deferred tax	–	2
	12	30
Current assets		
Projects in progress	135	241
Inventory	28	1
Receivables	14	5
Cash and cash equivalents	8	8
	185	255
Total assets	**197**	**285**
EQUITY AND LIABILITIES		
Group equity		
Share capital	50	50
Revaluation of derivatives	–	–2
Other reserves	91	91
Result for the year	–47	–
	94	139
Provisions	**1**	**–**
Long-term liabilities		
Amounts owed to credit institutions	75	110
Amounts owed to group companies	7	17
Other long-term liabilities	–	2
	82	129
Current liabilities		
Trade creditors	10	10
Accruals and deferred income	10	7
	20	17
Total equity and liabilities	**197**	**285**

CONSOLIDATED INCOME STATEMENT FOR 2010

Amounts in millions of euros	2010	2009
Gross turnover	**139**	**195**
Movement on profit taking/provision for projects in progress	–17	1
Movement in revaluation of inventory (unrealised)	–10	–
Net turnover	**112**	**196**
External expenses	140	190
Gross margin on project development	**–28**	**6**
Other income	–	1
Total operating income	**–28**	**7**
Cost of work subcontracted	1	1
Wages and salaries	4	4
Other operating expenses	2	3
Total operating expenses	**7**	**8**
Interest income on third-party loans	1	1
Other interest income	–	1
Interest expense on loans from group companies	1	1
Interest expense on other long-term liabilities	–10	–
Financial result	**–10**	**1**
Consolidated result before tax	**–45**	**–**
Corporation tax	2	–
Consolidated result after tax	**–47**	**–**
Realised result after tax	–27	–
Unrealised result after tax	–20	–

Independent auditor's report

TO THE SHAREHOLDERS OF AND LIMITED PARTNERS IN VESTEDA GROUP

We have audited whether the accompanying abridged financial statements 2010 of Vesteda Woningen cv, Maastricht, Vesteda Woningen II cv, Maastricht and Vesteda Project bv, Maastricht, as set out on pages 130 to 135 have been derived consistently from the audited financial statements 2010 of Vesteda Group. In our auditor's reports dated 18 February 2011, we expressed an unqualified opinion on the financial statements 2010 of Vesteda Group.

MANAGING BOARD'S RESPONSIBILITY

The Managing Board of Vesteda Groep bv is responsible for the preparation and fair presentation of the abridged financial statements in accordance with the accounting policies as applied in the financial statements 2010 of Vesteda Group.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the abridged financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing 810 'Engagements to report on summary financial statements'. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the abridged financial statements of Vesteda Woningen cv, Vesteda Woningen II cv and Vesteda Project bv have been derived consistently from the financial statements of Vesteda Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the abridged financial statements of Vesteda Woningen cv, Vesteda Woningen II cv and Vesteda Project bv have been derived consistently, in all material respects, from the financial statements 2010 of Vesteda Group.

EMPHASIS OF MATTER

For a better understanding of the company's financial positions and results and the scope of our audit, we emphasize that the abridged financial statements should be read in conjunction with the financial statements of Vesteda Group, from which the abridged financial statements were derived and our unqualified auditor's report thereon dated 18 February 2011. Our opinion is not qualified in respect of this matter.

Maastricht, 18 February 2011

Ernst & Young Accountants LLP
signed by J.M. Heijster

Annexes

Annex 1: Properties

The list below sets out the properties in the Letting and Development portfolios. In line with the IPD definition, all properties are allocated to the residential properties sector, as the residential share of the gross market rental value (for the Development portfolio: expected gross market rental) is greater than 50%. The stated units in properties are (for the Development portfolio: are expected shortly to be) fully owned.

LEGEND:

	Letting portfolio	Development portfolio
project:	Municipality, street name or name of first street (in alphabetical order), name of investment property name of investment property (or provisional development name), province (GR=Groningen, FR=Friesland, DR=Drenthe, OV=Overijssel, GD=Gelderland, UT=Utrecht, FL=Flevoland, NH=Noord-Holland, ZH=Zuid-Holland, NB = Noord-Brabant, ZL=Zeeland, LB=Limburg)	As for Letting portfolio
Year:	Year of construction (the year before the first year of full letting)	Expected year of hand-over
Land:	Percentage owned (versus leased)	As for Letting portfolio
u:	Number of residential properties (units)	As for Letting portfolio
fh:	Number of single-unit residential properties (units)	As for Letting portfolio
mo:	Number of multiple-residency properties (units)	As for Letting portfolio
ua:	Useable area of the residential properties (m² x 1000)	As for Letting portfolio
Office:	Office space (m²)	As for Letting portfolio
Retail:	Retail space (m²)	As for Letting portfolio
Park:	Parking and garage spaces (units)	As for Letting portfolio
Rent:	Theoretical gross annual rent (as at 31 December, thousands of euros)	As for Letting portfolio

project (municipality, first street name, project name, province)	year	land	u	fh	mo	ua	office	retail	park	rent
LETTING PORTFOLIO – PROJECTS IN LETTING AND LETTING/SALE PHASE										
Aalsmeer, Edisonstraat, Proosdij (NH)	1983	100%	24	24		26			0	232
Abcoude, Ereprijs, Fluitekruid (UT)	1989	100%	75	50	25	68			0	653
Abcoude, Fluitekruid, Fluitekruid (UT)	1989	100%	54	31	23	52			0	475
Almere, Dek, Noorderplassen (FL)	2004	100%	31	31		47	180		0	353
Almere, Dijkmeent, De Meenten (FL)	1981	100%	145		145	121			0	988
Almere, Gleditsiastraat, Parkwijk (FL)	1995	100%	62	62		85			0	539
Almere, Harderwijkoever, Boulevardflat (FL)	1984	100%	286		286	241			286	2.089
Almere, Havenhoofd, Havenhoofd (FL)	1986	100%	66		66	64			0	551
Almere, Jacques Tatilaan, Filmwijk (FL)	1998	100%	132	90	42	157			0	1.223
Almere, Jarenweg, Seizoenenbuurt (FL)	1999	100%	40	40		45			0	319
Almere, Koetsierbaan, Side by Side (FL)	2007	100%	152		152	164	82		152	2.026
Almere, Lotusbloemweg, Bloemenbuurt (FL)	1990	100%	59	59		67			0	529
Almere, Marktmeesterstraat, Centrum (FL)	1988	100%	240		240	215			83	1.701
Almere, Messiaenplantsoen, Muziekwijk (FL)	1990	100%	120		120	99			0	849
Almere, Nova Zemblastraat, Eilandenbuurt (FL)	2003	100%	43	43		49			0	400
Almere, Preludeweg, Muziekwijk (FL)	1994	100%	115	115		145			0	1.057
Almere, Raaigrasstraat, Kruidenwijk (FL)	1988	100%	86	86		100			0	695
Almere, Rondostraat, Muziekwijk (FL)	1992	100%	37	37		49	146		0	370
Almere, Simon Vestdijkstraat, Literatuurwijk (FL)	1998	100%	38	38		47			0	318
Almere, Slagbaai, Waterwijk (FL)	1983	100%	32	32		34			0	230
Almere, Terpmeent, De Meenten (FL)	1981	100%	48		48	42			0	345
Almere, Vrije Zeestraat, Oostvaardersbuurt (FL)	2001	100%	42	42		55			0	352
Almere-Stad, Quickstepstraat, Danswijk (FL)	1999	100%	54	54		60			0	431
Amersfoort, Blekerssingel, Willem III (UT)	1988	100%	33		33	28			0	274
Amersfoort, Bombardonstraat, Zielhorst H (UT)	1990	100%	36		36	29			0	282
Amersfoort, Bombardonstraat, Zielhorst M (UT)	1990	100%	31	31		31			0	263
Amersfoort, Bruggensingel-Zuid, Kattenbroek (UT)	1991	100%	134	79	55	158			0	1.267
Amersfoort, Groote Kreek, Kattenbroek Eiland (UT)	1993	100%	101	101		139			0	1.126
Amersfoort, Grote Koppel, Zeven Provinciën (UT)	2004	100%	58		58	66			0	849
Amersfoort, Parelvisserspad, Schuilenburg (UT)	1969	100%	116	116		142			50	1.107
Amersfoort, Zeeuwsestraat, Puntenburg (UT)	2010	100%	61		61	64			61	681
Amstelveen, Groenhof, Groenhof (NH)	1972	100%	217		217	182			31	1.663
Amstelveen, Westelijk Halfrond, Groenelaan (NH)	1974	100%	221		221	182			27	1.515
Amsterdam, Bert Haanstrakade, IJburg blok 8 (NH)	2009	lease	120		120	149	995		122	2.120
Amsterdam, Bijlmerdreef, Gerenstein-Gallery (NH)	2007	lease	96		96	94			0	943
Amsterdam, Bonhoeffersingel, Midden Akerveldsepolder (NH)	1989	lease	208	160	48	220			0	2.081
Amsterdam, Brigantijnkade, Steigereiland Noordbuurt blok A (NH)	2010	lease	26		26	32	672		46	524
Amsterdam, Diopter, Jeugdland (NH)	1998	lease	53	53		66			0	560
Amsterdam, Galjootstraat, Steigereiland Noordbuurt blok C en F (NH)	2009	lease	118		118	119			136	1.607
Amsterdam, Gustav Mahlerlaan, Mahler 4 (NH)	2008	lease	172		172	207	2.766	1.629	198	7.687
Amsterdam, IJburglaan, Blok 4 (NH)	2003	lease	26		26	34			26	427
Amsterdam, IJburglaan, Blok 4 (NH)	2003	lease	11		11	24			11	251
Amsterdam, IJburglaan, De Ontdekking (NH)	2008	lease	43		43	47			43	574
Amsterdam, IJburglaan, De Uitkijk (Blok 34) (NH)	2005	lease	39		39	46			41	620

project	year	land	u	fh	mo	ua	office	retail	park	rent
Amsterdam, Jan Puntstraat, Huizingalaan (NH)	1990	lease	167		167	149			143	1.746
Amsterdam, Jean Desmetstraat, IJburg blok 7 (NH)	2008	lease	12	12		14			12	174
Amsterdam, Joris Ivensstraat, De Waterlinie (NH)	2004	100%	41		41	44	419		58	676
Amsterdam, Leusdenhof, Nellestein (NH)	1980	lease	260		260	236	256		307	1.960
Amsterdam, Mijndenhof, Mijndenhof (NH)	1984	lease	109	109		102			0	995
Amsterdam, Nieuw Herlaer, Nieuw Herlaer (NH)	1969	lease	55		55	66			30	755
Amsterdam, Pieter Calandlaan, Calandtoren (NH)	2004	lease	77		77	72	1.515		80	1.018
Amsterdam, Pieter Postpad, De Drie Bouwmeesters fase A (NH)	2006	lease	83	37	46	95			48	1.005
Amsterdam, Purperhoedenveem, Boston (NH)	2006	lease	90		90	95			0	1.658
Amsterdam, Schagerlaan, Julianapark (NH)	1991	lease	226	40	186	206			16	2.614
Amsterdam, Snelleveldstraat, Reigersbos (NH)	1984	lease	153	153		144		51	0	1.399
Amsterdam, Veemkade, Detroit (NH)	2004	lease	81		81	107	2.339		0	2.408
Amsterdam, Wethouder Abrahamspad, Wethouderbuurt (NH)	1986	lease	178	178		191	59		0	1.603
Amsterdam, Wethouder Driessenstraat, Wethouderbuurt (NH)	1987	lease	155	155		179			0	1.466
Amsterdam, Willy la Croihstraat, Midden Akerveldsepolder (NH)	1990	lease	225	177	48	262			0	2.212
Amsterdam, Withoedenveem, Parkeergarage Nieuw Amerika (NH)	2006	lease	0			0			284	386
Amsterdam, Wolbrantskerkweg, Wolbrantskerkweg (NH)	2005	lease	108		108	76			82	694
Amsterdam, Zuidelijke Wandelweg, Mirandalaan (NH)	1998	100%	90		90	91	3.401		92	1.417
Apeldoorn, Disselhof, Koning Stadhouderlaan (GD)	2009	100%	86		86	101			127	1.053
Arnhem, Amsterdamseweg, Rosorum (GD)	2009	100%	20		20	16	41		16	335
Arnhem, Ginnekenstraat, Kroonse Wal (GD)	1988	100%	30		30	26			0	229
Arnhem, Hooghalensingel, Vredenburg (GD)	1974	100%	174	174		219			8	1.476
Arnhem, Hoogvliethof, Elderveld 231 (GD)	1976	100%	76	76		88			24	556
Assen, Aardbeihof, Kloosterhoven (DR)	2004	100%	3	3		4			0	35
Assen, Groenkampen, Peelo (DR)	1986	100%	60	60		73			0	404
Assen, Roegoorn, Marsdijk (DR)	1990	100%	40	40		40			0	345
Assen, Zuidhaege, Zuidhaege (DR)	1997	100%	60		60	57			56	584
Beek, Kastanjelaan, Beatrixlaan (LB)	1983	100%	20	20		22			0	152
Bergen Op Zoom, Agger, Bergse Plaat Fa II (NB)	1993	100%	43	43		52			0	406
Bergen Op Zoom, Agger, Bergse Plaat Fa V (NB)	1995	100%	30	30		41			0	305
Bergen Op Zoom, Ansjovislaan, De Weer (NB)	1994	100%	130		130	143			144	1.295
Bergen op Zoom, Ansjovislaan, Laguna (NB)	2008	100%	33		33	35			33	390
Bergen op Zoom, Ansjovislaan, Villa Murano (NB)	2009	100%	17		17	18			17	188
Bergen Op Zoom, Duvenee, Bergse Plaat Fa I (NB)	1991	100%	92	92		111			0	790
Bergen op Zoom, Statietjalk, Landmark (NB)	2004	100%	35		35	41			35	402
Bergen Op Zoom, Zandstraat, Leemberg (NB)	1975	100%	31	31		27			0	203
Blaricum, Dam, De Byvanck (NH)	1975	100%	97	97		103			0	928
Breda, Argusvlinder, Argusvlinder (NB)	1999	100%	64		64	42			0	354
Breda, Blauwtjes, Waterjuffer (NB)	1999	100%	36		36	33			5	341
Breda, Lachappellestraat, Lachappellestraat (NB)	1961	100%	72		72	47			18	486
Breda, Lovensdijkstraat, Vredenbergh (NB)	2001	lease	102		102	75	5.678		0	1.452
Breda, Nonnenveld, Paleis (NB)	2005	100%	86		86	112			88	1.202
Brummen, Buizerdstraat, De Enk (GD)	1974	100%	57	57		69			6	461
Bunnik, Esdoorn, Dalenoord VII (UT)	1989	100%	37	21	16	33			0	288
Capelle a/d IJssel, Doelen, Doelen en Louvre (ZH)	1983	100%	72	72		71			0	582
Capelle a/d IJssel, Librije, Hermitage (ZH)	1983	100%	49	49		48			0	394
Capelle a/d Ijssel, Rigoletto, Louvre/Rigoletto (ZH)	1983	100%	71		71	54			0	484
Capelle a/d Ijssel, Sint Helenabaai, IJsselzicht (ZH)	1978	100%	217		217	136			0	1.512
Capelle a/d IJssel, Slotplein, Slotplein (ZH)	1997	100%	80		80	86			0	809
Culemborg, Akelei, Voorkoop (GD)	1985	100%	43	43		53			0	383
De Bilt, Hugo van der Goeslaan, De Leyen (UT)	1989	100%	48		48	33			0	361
Deurne, Appeldijk, Den Heiakker (NB)	1983	100%	13	13		15			0	95
Deventer, Bitterzoet, Colmschate (OV)	1984	100%	100	100		115			0	731
Diemen, Biesbosch, Biesbosch (NH)	1978	100%	148	148		192			0	1.581
Diemen, Hartschelp, Hartschelp (NH)	1983	100%	62	62		66			0	671
Diemen, Polderland, Diemen Zuid (NH)	1986	100%	169	169		183			0	1.568
Doetinchem, Boekweitdreef, De Huet (GD)	1983	100%	97	97		108			0	690
Doetinchem, Lorentzlaan, Boerhaavelaan (GD)	1973	100%	173	173		223			0	1.283
Dordrecht, Van Ravesteyn-erf, Groene Oever (ZH)	1995	100%	84		84	77			0	816
Duiven, Thuvinestraat, Eltingerhof (GD)	1975	100%	95	95		107			0	643
Eindhoven, Bisschopsmolen, Woenselse Watermolen (NB)	1988	100%	220	202	18	258			0	2.061
Eindhoven, Cassandraplein, Cassandraplein (NB)	2008	100%	30		30	35		731	32	530
Eindhoven, Generaal van Merlenstraat, Rapenland (NB)	1984	100%	102	25	77	80			3	751
Eindhoven, Monseigneur Swinkelstraat, Kloosterdreef (NB)	2008	100%	36		36	40			36	440
Eindhoven, Opwettensemolen, Opwettensemolen (NB)	1986	100%	178		178	133			112	1.426
Eindhoven, Smalle Haven, Vestedatoren (NB)	2006	100%	42		42	55	950		81	947
Eindhoven, Tesselschadelaan, Granida (NB)	2004	100%	30		30	39			48	539

project	year	land	u	fh	mo	ua	office	retail	park	rent
Eindhoven, Tongelresestraat, Picushof (NB)	2001	100%	58	22	36	60			0	621
Eindhoven, Venbergsemolen, Venbergsemolen (NB)	1989	100%	134		134	113			0	1.112
Emmen, Eidereend, Eendenveld (DR)	1990	100%	33	33		32			0	272
Emmen, Klepel, Ermerstede (DR)	1990	100%	40		40	36			45	378
Enschede, Mooienhof, Mooienhof (OV)	2003	100%	87		87	90		875	0	900
Enschede, Walkottelanden, Stroinkslanden (OV)	1982	100%	41	41		45			0	313
Geldrop, Herdersveld, Grote Bos (NB)	1978	100%	95	95		97			0	795
Geleen, Dassenkuillaan, Dassenkuil II (LB)	1988	100%	12	12		13			0	91
Geleen, Schrynwerkersd, Dassenkuil I (LB)	1987	100%	13	13		14			0	100
Gorinchem, Kalkhaven, Dalempoort (ZH)	1978	100%	16		16	11		344	2	107
Grave, Estersveldlaan, Estersveld (NB)	1972	100%	43	43		52			27	321
Groningen, Bloemersmaborg, Klein Martijn (GR)	1997	100%	28		28	29			0	305
Groningen, Reitdiephaven, Reitdiep Haven (GR)	2010	100%	47		47	45			47	516
Groningen, Steenhouwerskade, Zuiderhavenring (GR)	1982	100%	53		53	47			92	544
Groningen, Steenhouwerskade, Zuiderhavenring (GR)	1983	100%	70		70	56			0	555
Groningen, Van Goghstraat, Waterrand (GR)	1994	100%	72		72	59			73	654
Groningen, Zuiderweg, Hoogkerk (GR)	1976	100%	130	130		134			34	866
Haarlemmermeer, Boekestraat, Jacob, Warande (NH)	1969	100%	46	46		53			32	457
Heemstede, Floradreef, Prinseneiland (NH)	1990	100%	38	38		43			0	351
Heerenveen, Barten, Nye Haske (FR)	1987	100%	69	69		80			0	535
Heerenveen, Poststraat, Poststraat (FR)	1995	100%	52		52	49			0	464
Heerlen, Dillegaard, Douve Weien (LB)	1983	100%	76		76	54			14	463
Heerlen, Drieoortsput parkeerplaats, Douve Weien 2 (LB)	1979	100%	70		70	43			67	367
Heerlen, Marjoleingaard, Douve Weien (LB)	1982	100%	60	60		65			0	450
Heerlen, Palestinastraat, Giesen-Bautsch (LB)	1980	100%	44	44		47			0	330
Heerlen, Poelmanstraat, Douve Weien 1 (LB)	1978	100%	161	161		174			0	1.325
Heerlen, Putgraaf, Parkflat (LB)	1982	100%	93		93	71			175	806
Heerlen, Putgraaf, Putgraaf Residentie (LB)	1989	100%	66		66	59	79		75	641
Heerlen, Sint Pietershof, Klein Vaticaan (LB)	2004	100%	34		34	39			38	473
Hengelo, 't Swafert, 't Swafert (OV)	2000	100%	417		417	98			0	2.046
Hengelo, Jan van Galenstraat, Gerarduspark (OV)	1995	100%	44		44	35			0	357
's-Hertogenbosch, Kruiskampsingel, Meanderflat (NB)	1968	100%	153		153	131			43	1.156
's-Hertogenbosch, Natewischstede, Maaspoort (NB)	1987	100%	49	49		46			0	402
's-Hertogenbosch, Pisastraat, Pisastaete (NB)	1989	100%	65		65	52			0	532
's-Hertogenbosch, Bordeslaan, Paleiskwartier (NB)	2004	100%	25		25	33			32	410
Hillegom, J.Prinsheem, Prinsheem (ZH)	1983	100%	64	64		67			0	602
Hillegom, L. van Deysselaan, L. van Deysselaan (ZH)	1983	100%	36	36		38			0	324
Hilversum, Loosdrechtse Bos, Resort Zonnestraal (NH)	2004	100%	42		42	62			0	1.114
Hoogezand-Sappemr, Gerbrandyhof, Drevenborg (GR)	1991	100%	44		44	37			0	339
Huis ter Heide, Ruysdaellaan, De Horst (UT)	2003	100%	51		51	28			0	807
Huizen, Herik, Huizermaat-West (NH)	1976	100%	199	199		186			29	1.898
Kerkrade, Mynwg, Straterweg (LB)	1987	100%	43	43		44			0	329
Leeuwarden, De Malus, Zuiderplantage (FR)	2007	100%	31		31	29			0	283
Leeuwarden, Frittemastate, Camminghaburen (FR)	1989	100%	37	37		37			0	322
Leeuwarden, Frittemastate, Groene Hart (FR)	1986	100%	134	134		155			4	979
Leeuwarden, Krommezijl, Zuiderburen (FR)	2005	100%	36		36	44			36	381
Leeuwarden, Stizenflora, Aldlan Oost (FR)	1977	100%	160	160		165			11	1.171
Leeuwarden, Ubbemastins, Parkflat (FR)	1987	100%	62		62	54			0	447
Leiden, Julius Caesarlaan, Roomburg (ZH)	2008	100%	26		26	31			29	416
Leiden, Molenzicht, Merenwijk (ZH)	1979	100%	41		41	30			1	279
Leiden, Parkzicht, Merenwijk (ZH)	1979	100%	97		97	75			0	682
Leiden, Stadzicht, Merenwijk (ZH)	1979	100%	96		96	71			1	653
Leiden, Zuster Meijboomstraat, Stevenshof (ZH)	1991	lease	99		99	81			0	851
Leiderdorp, Laan van Berendrecht, Parkpromenade Berendrecht (ZH)	2004	100%	72		72	102		527	0	1.216
Leiderdorp, Lokhorst, De Horsten (ZH)	1970	100%	86		86	84			29	688
Leiderdorp, Roodborststraat, Vogelwijk (ZH)	1972	100%	60		60	48			16	426
Leiderdorp, Waterleliekreek, Voorhof (ZH)	1978	100%	225	105	120	227			9	1.862
Leidschendam, Neherpark, Neherpark (ZH)	2009	100%	30		30	32			35	540
Leidschendam, Schadeken, 't Lien (ZH)	1985	100%	127	127		135			0	1.318
Lelystad, Kogge, De Kogge I (FL)	1977	100%	61	61		70			0	459
Lelystad, Kogge, De kogge II (FL)	1977	100%	60	60		67			0	447
Lelystad, Tjalk, Gebied 243 (FL)	1981	100%	134	134		136			0	846
Leusden, Hertenhoeve, Centrum (GD)	1979	100%	40	40		37			14	354
Maarssen, de Hoopkade, Op Buuren blok 3 (UT)	2010	100%	18		18	23			33	400
Maarssen, J. Homan van der Heideplein, Op Buuren blok 10a (UT)	2010	100%	10		10	11		410	12	225
Maarssen, Proostwetering, Op Buuren blok 7 (UT)	2009	100%	23		23	28			33	388
Maastricht, Akerstraat, Céramique (LB)	1993	100%	173		173	159	207		136	1.567

project	year	land	u	fh	mo	ua	office	retail	park	rent
Maastricht, Avenue Céramique, Toren van Siza (LB)	2001	100%	40		40	47	714		0	817
Maastricht, Avenue Céramique, Wiebengahal (LB)	2006	100%	0			0	3.190	173	0	383
Maastricht, Bellefroidlunet, Stoa (LB)	2002	100%	66		66	104	95		89	1.728
Maastricht, Boschcour, blok 22 Céramique (LB)	2007	100%	85		85	106	860		121	1.501
Maastricht, Boschcour, blok 22 Céramique (LB)	2007	100%	7		7	11			0	123
Maastricht, Ellecuylgaard, Eyldergaard (LB)	1982	100%	26	26		31			0	220
Maastricht, Erasmusdomein, Randwijck (LB)	1986	100%	106		106	83			20	837
Maastricht, Heerderweg, Heerderweg (LB)	1985	100%	202		202	145			107	1.403
Maastricht, Heugemerweg, blok 19 Céramique (LB)	1999	100%	0			0		68	0	5
Maastricht, Heugemerweg, Cortile (LB)	1999	100%	30		30	29			0	504
Maastricht, Kasteel Caestertstraat, Nazareth (LB)	1987	100%	25	10	15	20			22	169
Maastricht, Papenweg, St. Pieter (LB)	2008	100%	7		7	9		445	1	228
Maastricht, Plein 1992, Residence (LB)	2000	100%	33		33	36			8	436
Maastricht, Prins Bisschopsingel, WML-gebouw (LB)	2009	100%	25		25	37			37	559
Maastricht, Savelsbosch, Vroendaal (LB)	2003	100%	15	15		26			0	242
Maastricht, Sphinxlunet, Cortile (LB)	1999	100%	37		37	39	466		0	509
Maastricht, Sphinxlunet, Cortile (LB)	2002	100%	120		120	126			0	1.457
Maastricht, Sphinxlunet, Cortile Parking (LB)	1999	100%	0			0			222	220
Maastricht, Stellalunet, Céramique Blok 30a (LB)	2010	100%	18		18	21		970	30	459
Maastricht, Via Regia, Via Regia (LB)	1977	100%	69		69	45			82	376
Middelburg, Touwbaan, Maisbaai Fase I (UT)	1990	100%	57		57	58			52	530
Nieuwegein, Hermesburg, Batau Noordrand (UT)	1988	100%	56	56		57			0	497
Nieuwerkerk Ijssel, Bladmos, Zuidplaspolder (ZH)	1979	100%	52	52		55			0	431
Nieuw-Vennep, Haendelplein, Getsewoud (NH)	2002	100%	76		76	57			0	598
Nijmegen, Lankforst, Lankforst (GD)	1969	100%	77	77		97			22	612
Nijmegen, Nw marktstraat, Kronenburger (GD)	1991	100%	148		148	141	323		7	1.581
Nijmegen, Rode kruislaan, Park Heyendaal (GD)	1996	100%	92		92	95			0	1.044
Nijmegen, Weezenhof, Weezenhof (GD)	1972	100%	145	145		175			43	1.304
Noordwijk, Fuikhoren, Fuikhoren (ZH)	1985	100%	67	67		75			0	571
Noordwijk, Schaalhoren, Schaalhoren (ZH)	1983	100%	66	66		72			0	580
Oosterhout, Beethovenlaan, Oosterheide 2 (NB)	1971	100%	27	27		38			10	224
Oosterhout, Verdistraat, Oosterheide 1 (NB)	1969	100%	32	32		41			14	248
Oss, Kerkstraat, Boschpoort (NB)	1982	100%	17		17	12		955	53	192
Ouder-Amstel, Clarissenhof, Clarissenhof (NH)	1977	100%	101	101		101			8	1.007
Papendrecht, Pontonniersweg, Buitenwaard (ZH)	1991	100%	63		63	71			18	702
Purmerend, Cocqgracht, De Purmer (NH)	1983	lease	90	90		81			0	645
Renkum, Graaf van Rechterenweg, Rechterenborg (GD)	1993	100%	62		62	57			39	656
Rhoon, Marskramer, Baljum (ZH)	1982	100%	67	67		80			0	579
Rijswijk, Beatrixlaan, Prinses, Prinses Beatrixlaan (ZH)	1975	100%	146		146	121		107	136	1.116
Rijswijk, Beatrixlaan, Prinses, Prinses Beatrixlaan (ZH)	1975	100%	76		76	60		107	70	565
Rijswijk, Beatrixlaan, Prinses, Prinses Beatrixlaan (ZH)	1975	100%	105		105	83			96	768
Rijswijk, Churchilllaan, Churchilllaan (ZH)	1969	100%	215		215	241			19	2.017
Rijswijk, Clavecimbellaan, Clavecimbellaan (ZH)	1974	100%	160		160	172			58	1.417
Rijswijk, Hilvoordestraat, Over De Boogaard (ZH)	1979	lease	122		122	63			0	776
Roermond, Achter de Cattentoren, Casimir (LB)	2010	100%	56		56	62			67	799
Roermond, Ambachtsingel, Hoogvonderen (LB)	1981	100%	53	53		61			0	361
Roermond, Dionisiusstraat, Ursula (LB)	1986	100%	290		290	217	4.962		341	2.437
Roosendaal, Dolomietdijk, Kortendijk Oost I (NB)	1981	100%	24	24		28			0	173
Roosendaal, Pastoor van Akenstraat, Molenbeekstraat (NB)	1970	100%	29	29		38			7	223
Rosmalen, Leyborch, Dommelborch (NB)	1985	100%	60	60		52			0	451
Rotterdam, Admiraal de Ruyterweg, Linker Rottekade (ZH)	1985	lease	246		246	149		276	158	1.590
Rotterdam, Admiraliteitskade, Oostmolenwerf (ZH)	1994	lease	86		86	77		490	68	1.057
Rotterdam, Boompjes, De Boompjes I (ZH)	1988	lease	336		336	230	6.192	1.015	283	3.481
Rotterdam, Bottelroos, Heydnahof (ZH)	1983	lease	161	161		175			0	1.595
Rotterdam, Buitenbassinweg, Buitenbassinweg (ZH)	1991	lease	101		101	84			0	799
Rotterdam, Burg. van Walsumweg, Burg. van Walsumweg (ZH)	1989	lease	270		270	219		1.729	206	2.441
Rotterdam, Cromme Meth, Cromme Meth (ZH)	1987	lease	27	27		27			0	211
Rotterdam, De Boompjes, De Boompjes II (ZH)	2001	lease	0			0	1.480		0	142
Rotterdam, Den Uylsingel, Dosiotoren (ZH)	1989	lease	89		89	70			0	639
Rotterdam, Gedempte Zalmhaven, De Hoge Heren (ZH)	2000	lease	160		160	191	482		330	2.772
Rotterdam, Gedempte Zalmhaven, De Hoge Heren, serviced app. (ZH)	2001	100%	51		51	61			0	1.074
Rotterdam, Govert Terlouwstraat, Ringvaartplasbuurt (ZH)	1990	lease	56	56		60			0	561
Rotterdam, Govert Terlouwstraat, Ringvaartplasbuurt (ZH)	1991	lease	42	42		47			0	449
Rotterdam, Hamelpad, Sneevlietstraat (ZH)	1984	lease	52	52		50			0	411
Rotterdam, Ien Daleshof, Parktoren (ZH)	2009	100%	47		47	52	334		66	777
Rotterdam, Kouwenbergzoom, Clazina, Loreleiflat (ZH)	1992	lease	63		63	55			0	588
Rotterdam, Maashavenkade, Parkkwartier Katendrecht (ZH)	2010	100%	27		27	25			28	304

project	year	land	u	fh	mo	ua	office	retail	park	rent
Rotterdam, Nieuwehaven, Nieuwehaven (ZH)	1991	lease	89		89	79		601	40	956
Rotterdam, Stekelbrem, Brembuurt (ZH)	1973	100%	143	143		186			33	1.611
Rotterdam, Strevelsweg, Poort Van Zuid (ZH)	1994	lease	101		101	92			83	819
Rotterdam, Ton Wijkampstraat, Zevenkamp (ZH)	1988	lease	49	49		53			0	465
Rotterdam, van der Hoevenplein, New Orleans (ZH)	2010	100%	178		178	181	457	4.522	206	4.304
Rotterdam, Watertorenweg, Watertorenweg (ZH)	1990	lease	113		113	94			0	899
Rotterdam, Wierdsmaplein / Landverhuizersplein, Montevideo (ZH)	2005	lease	68		68	84			68	1.419
Sassenheim, Caleche, Brik (ZH)	1986	100%	61	61		64			0	531
Sassenheim, Landauer, Berline en Landauer (ZH)	1985	100%	42	42		44			0	375
Schagen, Fazantenhof, Fazantenhof (NH)	1973	100%	78	78		101			0	699
Schagen, Patrijzenhof, Patrijzenhof (NH)	1973	100%	91	91		117			0	794
Schiedam, Chopinplein, Groenoord (ZH)	1971	100%	415		415	371	35		34	2.834
Schiedam, Huis Te Merwestraat, Woudhoek (ZH)	1984	lease	184	184		195			0	1.767
Sittard, Blijdestein garage, Kollenbergerhof I (LB)	1986	100%	74		74	53			26	514
Sittard, Kleine Steeg, Wilhelminastraat (LB)	1993	100%	63		63	66	313		67	683
Sittard, Kollenberg, Kollenbergerhof III (LB)	1988	100%	43	43		48			0	340
Sittard, Ruttenlaan, Kollenbergerhof II (LB)	1987	100%	52		52	38			78	367
Stiens, St. Vitusplein, Sint Vitusplein (FR)	1999	100%	30		30	21			0	171
Susteren, Raadhuispln, Middelveld (LB)	1983	100%	14	14		12			0	99
The Hague, De Brink, Kraayenstein I (ZH)	1975	100%	133	8	125	104			108	962
The Hague, Domburglaan, Deltaplein (ZH)	1972	100%	156		156	115			46	1.293
The Hague, Noorderbrink, Kraayenstein II (ZH)	1975	100%	224	224		270			0	2.603
The Hague, Prins Willem Alexanderweg, La Fenêtre (ZH)	2005	lease	115		115	141	235		117	2.125
The Hague, Van Hogenhoucklaan, Hubertusstaete (ZH)	2010	100%	24		24	30			29	565
The Hague, Laakweg, Piazza (ZH)	1998	lease	73		73	69			58	579
Tilburg, Anna Paulownahof, Anna Paulonahof (NB)	1989	100%	230		230	162	94		54	1.598
Tilburg, Buxusplaats, Holland-terrein (NB)	2007	100%	99		99	112			107	1.224
Tilburg, Hillegomlaan, Reeshof (NB)	1990	100%	56	56		73			0	457
Tilburg, Schoolstraat, Elegance (NB)	1989	100%	174		174	140			45	1.334
Vaals, Bloemendalstraat, Bloemendal (LB)	1998	100%	52		52	47			49	438
Valkenburg, Cauberg, Caubergklooster (LB)	2007	100%	41		41	27			0	740
Valkenburg a/d Geul, Oranje Nassau, Nassauflat (LB)	1982	100%	88		88	59			87	586
Valkenburg a/d Geul, Spoorlaan, De Valk/Spoorlaan (LB)	1994	100%	30		30	30			23	267
Velsen, Maanbastion, Maanbastion (NH)	1990	100%	123		123	89			44	1.027
Velsen, Sterbastion, Sterbastion (NH)	2001	100%	68		68	64			0	597
Venlo, Gebroeders Daelstraat, Groeneveld II (LB)	1991	100%	87	15	72	83			0	615
Venlo, Gruttostraat, Centrum-Zuid (LB)	1995	100%	32	32		43			0	299
Venlo, Gruttostraat, Centrum-Zuid (LB)	1997	100%	30		30	31			43	219
Venlo, Harry Hollastraat, Groeneveld IV (LB)	1993	100%	38	38		46			0	358
Venlo, Klingerbergsingel, Klingerberg (LB)	1984	100%	39	39		45			0	286
Venlo, Morion, Centrum-Zuid (LB)	2000	100%	31	31		36			0	253
Vleuten, Molenpolder, Meiborg (UT)	2003	100%	28		28	43			42	390
Vleuten, Molenpolder, Weideborg (UT)	2003	100%	32		32	33	152		31	370
Vleuten-De Meern, Ridderhoflaan, Secr.Versteeglaan (UT)	1969	100%	163	163		195			9	1.577
Voorburg, Distelweide, Distelweide (ZH)	1974	100%	40	40		45			14	532
Voorburg, Johan David Zocherstraat, Nieuw Park Leeuwensteijn (ZH)	2006	100%	56		56	59			57	792
Voorburg, Johan David Zocherstraat, Nieuw Park Leeuwensteijn (ZH)	2006	100%	49		49	51			50	727
Voorburg, Kersengaarde, Kersengaarde (ZH)	1976	100%	242	242		292			0	2.946
Voorburg, Populierendreef, Populierenlaan (ZH)	1975	100%	126		126	88			167	853
Voorburg, Rodelaan, Rodelaan (ZH)	1976	100%	156		156	112			81	1.121
Voorhout, Zwanebloemstraat, Bloemenschans (ZH)	1985	100%	49	49		56			0	453
Wageningen, Elstar, Park Haagsteeg (GD)	2010	100%	28		28	35			28	413
Wassenaar, Van Polanenpark, Zijlwatering (ZH)	1972	100%	76	76		106			29	914
Wassenaar, van Wassenaer Obdamlaan, Zijlwatering (ZH)	1992	100%	32	32		43			0	534
Weert, Ceres, Beekpoort (LB)	2009	100%	40		40	41			40	500
Wijchen, Abersland, Abersland (GD)	1987	100%	80	80		81			0	654
Wijchen, Abersland, Abersland (GD)	1988	100%	36	36		40			0	289
Woerden, Hoge Rijndijk, Heeren van Woerden (UT)	2010	100%	46		46	37			70	547
Zoetermeer, Bordeauxstraat, Frankrijklaan (ZH)	1987	100%	42	42		43			0	390
Zoetermeer, Bunuelstrook, Buytenwegh De Leyens (ZH)	1979	100%	386	347	39	447		172	9	3.272
Zoetermeer, Dunantstraat, Blankaard (ZH)	1973	100%	160		160	104		344	0	954
Zoetermeer, Dunantstraat, Molenwijk (ZH)	1973	100%	169		169	148		805	205	1.187
Zoetermeer, Gaardedreef, Seghwaert (ZH)	1978	100%	30	30		34			0	266
Zoetermeer, Heijermanshove, Buytenwegh De Leyens (ZH)	1979	100%	116	45	71	106			0	875
Zoetermeer, Reimsstraat, Reimsstraat (ZH)	1987	100%	108		108	82			108	967
Zoetermeer, Zilverberg, Meerzicht (ZH)	1975	100%	77	77		92			115	747
Zutphen, Verdistraat, Gerard Doustraat (GD)	2007	100%	34		34	43			34	476

project	year	land	u	fh	mo	ua	office	retail	park	rent
Zwolle, Schie, AA Landen (ov)	1969	100%	210	210		256			122	1.920
Zwolle, Stadhouderlaan, Oldenelerlanden (ov)	1988	100%	99	99		114			0	817
Zwolle, Tak van poortvlietware, Ittersumerlanden (ov)	1987	100%	39	39		40			5	305
Zwolle, Van bosseware, Ittersumerlanden (ov)	1984	100%	144	144		171			0	1.085
Total Letting portfolio			**26.732**	**10.517**	**16.215**	**26.345**	**40.168**	**17.346**	**10.177**	**263.042**

project	year	land	u	fh	mo	ua	office	retail	park	rent
DEVELOPMENT PORTFOLIO – PROJECTS IN CONSTRUCTION PHASE – RENTAL										
Amersfoort, Puntenburg	2011	100%	57		57	61	135		63	814
Amsterdam, Overhoeks Blok B11	2011	lease	79		79	93			111	1.911
Amsterdam, Overhoeks Blok A12	2012	100%	22		22	25			29	471
Amsterdam, Overhoeks Blok A14	2012	100%	22		22	25			25	388
Breda, 3 Hoefijzers	2011	100%	42		42	50			46	653
Breda, Vredenbergh	2011	100%	124		124	136			186	2.623
Eindhoven, Cassandraplein	2011	100%						357		39
’s-Hertogenbosch, Jheronimus	2012	100%	44		44	45			44	628
Maarssen, Op Buuren Blok 6	2011	100%	27		27	35			34	615
Maarssen, Op Buuren Blok 9a	2012	100%	42		42	48			48	778
Sittard, Dominicaan	2011	100%	28		28	32			29	423
The Hague, Leyweg	2011	Turn-key	49		49	51			63	595
Wageningen, Nobelpark	2011	100%	28		28	30			28	355
Total Development portfolio – projects in construction phase – rental			**564**	**0**	**564**	**631**	**135**	**357**	**706**	**10.293**

project	year	land	u	fh	mo	ua	office	retail	park	rent
DEVELOPMENT PORTFOLIO – PROJECTS IN CONSTRUCTION PHASE – FOR SALE										
Amersfoort, Puntenburg	2011	100%	2		2	2			2	655
’s-Hertogenbosch, Jheronimus	2012	100%	44		44	47		414	48	13.870
Total Development portfolio – projects in construction phase – for sale			**46**	**0**	**46**	**49**	**0**	**414**	**50**	**14.524**

Annex 2: Vesteda's History

Vesteda was formed in **1998**. Vesteda was created as a result of the reorganisation of ABP's property portfolio. For several years, Stichting Pensioenfonds ABP had been pursuing a strategy designed to spread its property investments more widely and increase the liquidity of its property portfolio. ABP consequently decided to convert its direct investments in property into minority interests in property funds investing in specific sectors. The hiving-off of ABP's residential property portfolio resulted in the establishment of Vesteda in 1998.

In **1999**, Vesteda refocused its strategy. The decision to specialise in the higher-rent sector marked the start of changes in product development and organisation.

In **2000**, customer information combined with social and demographic projections resulted in the portfolio being divided into a core portfolio and a disposals portfolio. The disposals portfolio contained about 30% of the properties. A steering group was also formed in 2000, in which the Vesteda Managing Board and the investor, ABP, shaped the strategy which led to the reduction of ABP's full interest to a participating interest. It was ultimately decided to place unlisted shares with institutional investors.

2001 was dominated by preparations for a series of transactions. A memorandum of information was issued to enable a group of large institutional investors to acquire an interest in Vesteda. There was also legal and fiscal restructuring to allow new investors to participate. Approximately 30% of shareholders' equity was converted into loan capital before ultimately being financed externally. An internal restructuring was implemented in line with the strategy. Vesteda Project bv was incorporated in December 2001.

During **2002**, ING Real Estate acquired an interest of 25% in Vesteda. Soon afterwards, agreements were signed with six other institutional investors who acquired a total interest of 13%. ABP's interest was then 62%. The loan capital was refinanced by three to seven-year bonds. Vesteda raised €1.4 billion on the capital market. Vesteda was granted triple-A rating by the three main credit rating agencies.

In **2003**, Vesteda took a major step in its long-term organisational growth, with property management – which was previously subcontracted – being brought into the company's own management. About a hundred people joined the company, increasing the workforce significantly. At the end of 2003, over 90% of Vesteda's portfolio was served by in-house property management.

2004 was a year of further organisational consolidation, after years of growth. Vesteda Project bv started property hand-overs, meaning that substantially more homes were let for the first time. A partial refinancing of €400 million was carried out in April.

In **2005**, the organisational consolidation continued. The number of homes being let for the first time increased. The entire capital was refinanced in July.

In **2006**, the portfolio was reduced to 28,000 units. The strategy was refined and the target portfolio, which sets the framework for the investment policy to 2015, adjusted. The total return of 14.7% on shareholders' equity was the highest for the past five years.

In **2007**, €320 million of shares were reissued. Three new investors joined Vesteda. Loan capital was expanded by €350 million. A total of 1,600 residential properties were added, 1,050 through the acquisition of a portfolio. In 2007, the balance sheet total passed the €5 billion mark for the first time.

In **2008**, the Letting portfolio was revalued downwards for the first time in Vesteda's history, by 2.4%. Although its value rose by €151 million during the first three quarters, the reduction in the fourth quarter was €267 million. There were two new investors. Partial refinancing of €150 million was achieved to redeem bonds of €200 million. A credit facility of €140 million as also arranged for Vesteda Project bv.

In **2009**, Vesteda started preparations for the 'Horizon Vesteda 2012-2020' project with an initial exploration, along with shareholders, of the shape of the period after 2012. The Letting portfolio was revalued downward by 6.6% as a result of the credit crisis and associated standstill of the housing and property financing markets. A provision of €65 million was formed for future project losses. The benchmarks for both direct and indirect returns were, however, beaten. Although lower, at 95.3%, the occupancy rate remained well up to the mark compared with other property investments in the market. Vesteda's structure was revised, creating greater flexibility compared with financing opportunities. In total 1,100 homes flowed out of the Letting portfolio, against an inflow of 700 homes.

Annex 3: IVBN transparency guidelines

The Association of Institutional Property Investors in the Netherlands (IVBN) has drawn up a large number of practical recommendations for annual reporting, with the aim of considerably enhancing transparency in annual reports in the property industry. The recommendations were published in the 'Recommendations for Annual Reporting' report (*Aanbevelingen voor de Jaarverslaglegging*) in January 2005 and have applied since the financial year 2005 to IVBN members which are responsible for at least one specific, independent property fund with more than one investor and/or which publish an annual report on a property fund.

Vesteda adopted the recommendations from 2005 and so the report of the Managing Board now includes new tables which only show figures for the years since then.

In 2006, IVBN carried out an evaluation that resulted in the publication of an addendum in January 2007.

The table beside shows how Vesteda is applying the guidelines. Vesteda adopted the recommendations in the addendum from 2006.

Since 2007, Vesteda has also presented the individual properties in the Development portfolio (see also Annex 1 on page 145).

Vesteda was rated 95% in the last Annual Report reviewed (for 2008) by IVBN.

Application of IVBN guidelines
Recommendations for Annual Reporting, January 2005
Addendum to 'Recommendations for Annual Reporting', January 2007

IVBN definition **portfolio**	**level**	**Vesteda definition**
Letting portfolio	portfolio	Letting portfolio
	sub-portfolio	single-unit and multiple residency properties
pipeline portfolio	portfolio	Development portfolio/ transfer and construction phases

Vesteda's definitions are explained in more detail on page 148.

If it is decided to follow the IVBN recommendations and this has been stated, the annual report has to note any departures from them. Vesteda is following all the recommendations in the report and the addendum.

1st phase of Vesteda Start up and setting the direction (1998 to 2000). Vesteda started as a wholly-owned subsidiary of the ABP, was financed exclusively by equity, had about 51,700 homes in its portfolio and employed over sixty people. In the initial period of three years, Vesteda was incorporated and hived-off and the strategy and later restructuring were developed.

2nd phase of Vesteda Restructuring, growing organisation and a broader investor base (2001 to 2006). Features of this period were implementation of the strategy, with the focus on the contribution of external funding, broadening Vesteda's ownership, incorporating Vesteda Project bv and insourcing property management. In this period, the workforce tripled, about 33% of the equity was replaced by external funding and over half of the remaining equity was taken over by new investors.

3rd phase of Vesteda Mature player in the 'deregulated sector' of the rental segment (2007 to 2011). Ten years after incorporation, Vesteda is market leader in the higher rental segment, has a well diversified investor base of over fifteen investors, triple-A rated bonds and its own project development and management in house. Vesteda has about 350 employees.

4th phase of Vesteda New horizon (2012 to 2020). This refers to the period after 2012 or the Vesteda Horizon 2012-2020 project, in which the strategy for that period will be shaped. When the second and subsequent investors joined the Vesteda property investment fund, it was decided that after ten years, in 2012, there would be consultations on the way the fund could enter a new phase. Options included continuing in the same way, a stock market flotation or investors withdrawing.

Investor (general) Investor with a shareholding or direct interest in Vesteda

Asset management Management of assets, with responsibility for the risk/return profile of the investments in the medium term as well as for annual performance.

Investors Shareholders and limited partners in Vesteda

Occupancy rate The number of residential properties actually generating rental income as a percentage of the number of properties that could generate rental income.

Gross initial yield Theoretical gross rental (on a given reference date) from a complex divided by the total investment in that complex

Direct yield (IPD) Yield from letting (net rental) of a property divided by the average capital outstanding during a year

Discounted-cash-flow method (DCF) A model for calculating value using cash flows. The value of an asset is the sum of the present value of future cash flows.

Letting portfolio, letting phase All fully-completed and let property complexes owned by Vesteda entities and on which no decision to dispose has been taken. See also the section on the Classification of the portfolio on page 64

Letting portfolio, selling/letting phase All fully-completed and let property complexes owned by Vesteda entities and on which a decision to dispose has been taken. See also the section on the Classification of the portfolio on page 64

HBV Tenants' Association

Horizon 2012-2020 The project for shaping the strategy for that period. When the second and subsequent investors joined the Vesteda property investment fund it was decided that after ten years, in 2012, there would be consultations on the way the fund could enter a new phase. Options included continuing in the same way, a stock market flotation or investors withdrawing.

More expensive/higher-rental sector Sector of the residential property market for rental properties with a net monthly rent of over €600, excluding service charges.

Memorandum of information The memorandum of information dated 6 November 2001 providing information on Vesteda in the context of professional investors' possible participation in Vesteda.

Investment level The unit in which Vesteda Project bv's new construction targets and achievements are measured, consisting of investing on a cash basis and actual new construction where cash expenditure occurs at the end of the work.

Vacant value ratio The price that property investors are willing to pay for clusters of let residential properties, in relation to the individual market prices of those properties when vacant.

Core areas Housing market areas that Vesteda focuses on.

Management expenses of Vesteda Woningen Expenses which are incurred by the management organisation for the management of Vesteda Woningen I cv and Vesteda Woningen II cv.

Mid-range rental sector Sector of the residential property market for rental properties with a net monthly rent between €600 and €1,000 or €1,200, excluding service costs. The maximum depends on the region.

Net initial yield (NAR) Net letting result in the first year (for a full year) divided by the total investment

Development portfolio All properties in which Vesteda has decided to invest, or is or will be preparing an investment decision, but which are not fully available for letting or handed over.

Development portfolio, development phase Projects based on acquisition agreements or other contracts for area developments or other forms of alliances or acquisitions where Vesteda is or will be preparing a development decision. See also the section on the Classification of the portfolio on page 64

Development portfolio, preparatory phase Projects on which Vesteda has taken a development decision, which are being prepared for construction and on which building work has not yet started. See also the section on the Classification of the portfolio on page 64

Development portfolio, construction phase Projects on which Vesteda has taken a development decision and where building work has started, but which have not yet been let or handed over. See also the section on the Classification of the portfolio on page 64

Development portfolio, transfer phase Projects that have been handed over and are waiting for sale or still not being let as they are not yet ready for letting. See also the section on the Classification of the portfolio on page 64

Limited partner Limited partner with a direct interest in Vesteda.

Investor Holder of a direct interest(s) in Vesteda.

Participation Agreement Decisions are taken on the basis of an agreement (the Participation Agreement) between investors. The Participation Agreement can be compared with the Articles of Association of a legal entity.

Property management Local commercial, administrative and technical management of properties and the related central back-office and, customer contact centre and 'sales support'

Roll-over strategy Vesteda's fund strategy, which results in optimum asset management of its residential property investments. The strategy involves annual disposals of a limited number of properties in order to maintain the high quality of the portfolio and consolidate capital gains on a regular basis. It also involves the group's own area and project development activities, which are designed to ensure the required portfolio growth.

Upper sector Sector of the residential property market for rental properties with a net monthly rent from €1,000 or €1,200, excluding service costs. The maximum depends on the region.

Total portfolio The Development portfolio and the Letting portfolio. See also the section on the Classification of the portfolio on page 64

Vesteda Group See the section on the legal structure on page 104

Vesteda Groep (II) bv See the section on the legal structure on page 104

Vesteda Project bv See the section on the legal structure on page 104

Vesteda Woningen (II) cv See the section on the legal structure on page 104

Deregulated sector Residential properties with rents above the deregulation limit (€652.52 on 1 January 2011). These properties are in the mid and upper rental sectors.

Colophon

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