Vesteda Group

2004 Annual Report

vesteda

Everything we do at Vesteda can be e
challenging objective: to use our exp
investment. In order to create added
quality. With the result that our tena
are satisfied and feel at home with V
Vesteda. Quality accommodations.

expressed in a single, simple, but
pertise in housing, development and
l value from our shared passion for
ants, shareholders and employees
Vesteda – every day.

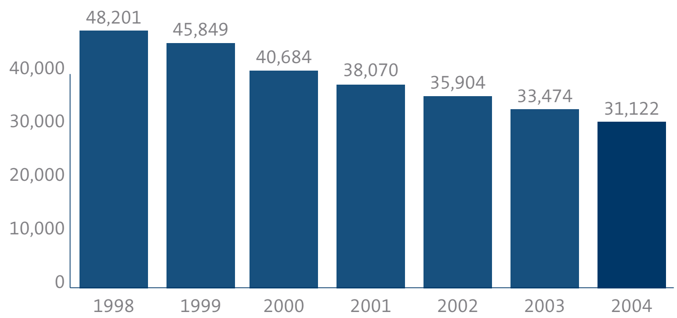
Total result of 11.7% on shareholders' equity Very favourable, triple-A rated financing expanded Consolidation and further professionalisation following several years of organisational growth First-time letting department set up Little dynamism in the Dutch housing market Inflow of new projects under way Tenant rating rises to 7.5 Stable trend in yields continues in year under review

Contents

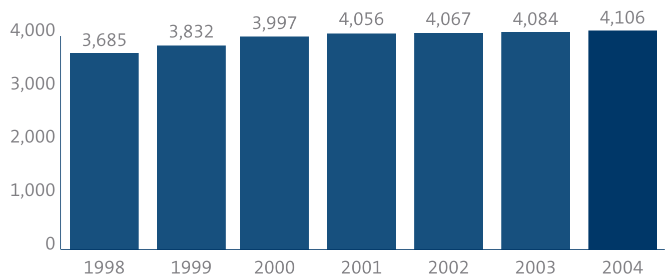
VESTEDA PROJECT BV 2004 REPORT (ANNEXE)

A separate Vesteda Project BV 2004 Report has been added to the Vesteda Group 2004 Annual Report with the aim of providing information on its objectives, strategy and activities during the financial year.

Residential properties
units, year end

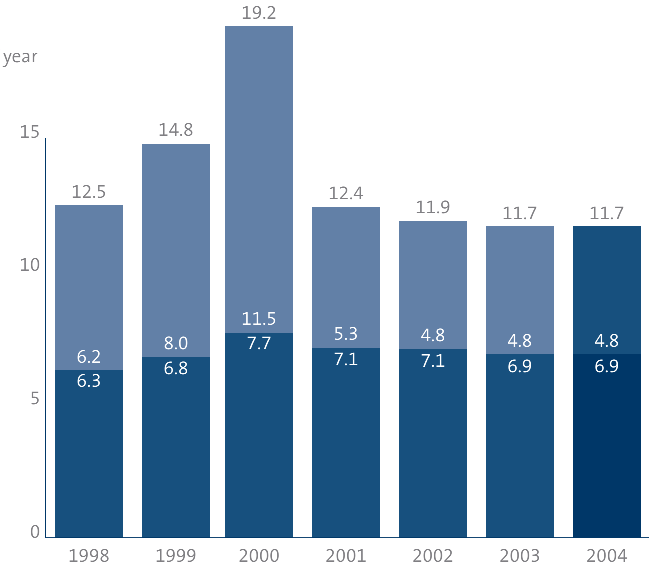


Property portfolio
amounts in millions of euros, year end



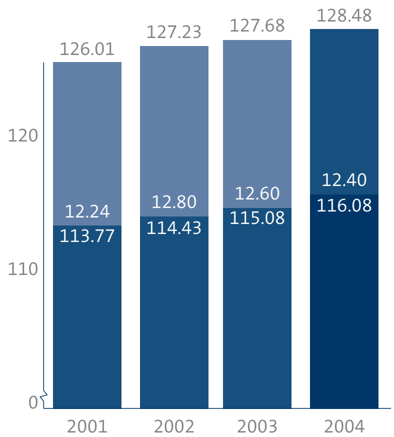
Result on shareholders' equity
as % of shareholders' equity at beginning of year

Unrealised result
Realised result



Net asset value
per share/unit, €

Distribution to investors
After distribution to investors (year end)



Key figures[1]

	2004	2003	2002	2001	2000	1999	1998
Units							
year-end letting portfolio							
residential properties	31,122	33,474	35,904	38,070	40,684	45,849	48,201
commercial (m^2)	40,791	36,960	37,266	34,594	35,630	35,587	35,394
Balance sheet							
year end, amounts in millions	€	€	€	€	€	€	€
property portfolio, incl. work in progress	4,106	4,084	4,067	4,056	3,997	3,832	3,685
shareholders' equity	2,902	2,892	2,861	2,845	4,006	3,849	4,021
balance sheet total	4,323	4,288	4,250	4,204	4,110	3,966	4,126
Occupancy rate							
calculated on the number of residential properties	%	%	%	%	%	%	%
Core letting portfolio	99.0	99.1	99.2	99.3	99.4	99.2	98.2
Total letting portfolio	97.4	98.4	98.7	98.7	99.0	98.6	97.3
Result							
amounts in millions	€	€	€	€	€	€	€
realised result	197	196	201	199	297	274	235
unrealised result	138	137	136	149	441	321	231
total result	335	333	337	348	738	595	466
Result on shareholders' equity							
as % of shareholders' equity at beginning of year	%	%	%	%	%	%	%
realised result	6.9[2]	6.9	7.1	7.1	7.7	6.8	6.3
unrealised result	4.8[2]	4.8	4.8	5.3	11.5	8.0	6.2
total result	11.7	11.7	11.9	12.4	19.2	14.8	12.5

	2004	2003	2002	2001
Result per share				
per share/unit	€	€	€	€
realised result	7.88	7.84	8.05	7.96
unrealised result	5.52	5.48	5.42	5.96
total result	13.40	13.32	13.47	13.92
Net asset value				
per share/unit	€	€	€	€
beginning of year	115.08	114.43	113.77	112.09
end of year (before distribution to investors)	128.48	127.68	127.23	126.01
distribution to investors	–12.40	–12.60[3]	–12.80	–12.24
end of year (after distribution to investors)	116.08	115.08[3]	114.43	113.77

1 These key figures relate to Vesteda Group. There was a restructuring at the end of 2001 with retroactive effect to the beginning of 2001. The key figures for Vesteda Group to 2000 are the combination of Holding Vesteda BV and the portfolio it managed. From 2001, Vesteda Group has been Vesteda Groep BV, the portfolio it manages and Vesteda Project BV.

2 Shareholders' equity at the beginning of 2004, after final distribution, was €2,877 million.

3 Figures differ from those previously published because of settlement of the final distribution paid in April 2004.

Profile

Vesteda Group is a property fund focusing exclusively on residential property. With over 30,000 residential properties with a total value in excess of €4 billion, Vesteda is the largest residential property fund in the Netherlands. Vesteda concentrates on the higher-rent segment, with rents from €550 per month. As well as letting, Vesteda also develops higher-rent homes.

Institutional investment

Vesteda is not listed on the stock exchange. Vesteda's shareholders are institutional investors: banks, insurance companies and pension funds. Investing in residential property offers these professional investors significant added value in the composition of their portfolios. A feature of residential property investments is that they involve relatively low risk and a high direct yield. They also have a lower correlation with other categories of investment. Vesteda offers institutional investors access to the Dutch residential letting market, which can be difficult to enter. Thanks in part to its size, Vesteda's invested capital is well diversified across geographical markets and price segments.

Luxury homes for two-person households

Vesteda focuses on modern and sustainable apartments and houses in the Dutch residential market, mainly for people over 50 and younger, single-person and dual-income households. These target groups are, like their homes, concentrated in and around large and medium-sized towns.

Property management

Vesteda is the only property fund of its size in Europe that performs its own property letting and management. Vesteda offices in central locations in major urban areas, known as *Woongaleries*, handle the promotion of the brand, letting and personal customer contacts during the tenancy.

Regular portfolio renewal

A key element of Vesteda's investment strategy is regular sales of a limited number of properties. Sales are linked to a similar number of residential properties being added to the portfolio each year. This structural renewal contributes to achieving and maintaining the desired geographical and qualitative composition of the portfolio, and consolidating capital gains.

In-house project development

The new, high-quality projects which are added to the investment portfolio are acquired and developed by Vesteda Project BV, Vesteda Group's in-house project development company. By participating in area developments Vesteda exercises influence on the quality of public spaces and urban development. As a developer, Vesteda controls the quality of architecture, layout and finish. This combination ensures high-quality additions to Vesteda's portfolio, with homes that ensure a good yield over the long term.

Young, dynamic organisation

Vesteda Group employs over 300 people in a young, dynamic and flat organisation. Vesteda's size means it is able to maintain a cost-efficient, wide and deep professional organisation where surveys and market research underlie the investment, sale and purchase policies.

◂ Project Granida, Eindhoven. Handed over and let in 2004.

Board members

Supervisory Board

F.H.J. (Frans) Boons (64), Chairman
Dutch nationality. Former President of the Managing Board of Vado Beheer. Appointed in 1998
P.S. (Pieter) van den Berg (58)
Dutch nationality. Consultant to the Board of PGGM. Appointed in 2002
W.F.Th. (Frans) Corpeleijn (56)
Dutch nationality. Lawyer with law firm Stibbe. Appointed in 2001
J.D. (Jan) Doets (60)
Dutch nationality. Former CEO of ING Real Estate. Appointed in 2001

Managing Board

H.C.F. (Huub) Smeets (57), Chairman
Dutch nationality. Member of the Managing Board since January 2000. Chairman since November 2003. Focusing on strategy, project and urban development, personnel and organisation, corporate communications, investor relations and foreign orientation
F.H. (Frits) van der Togt (52)
Dutch nationality. Member of the Managing Board since February 2000. Focusing on finance, ICT, legal affairs, property management and investor relations
O. (Onno) Breur (54)
Dutch nationality. Member of the Managing Board since July 2004. Focusing on asset management, disposals, product development, customer relations, facilities and foreign orientation

Changes during the year under review

The following changes in board membership occurred during the year under review:
J.W.M. (John) Simons, member of the Supervisory Board, died on 2 August 2004
O. (Onno) Breur (54) joined the Managing Board on 1 July 2004

Former supervisory director John Simons †

◄ The Supervisory Board and Managing Board on the day the annual report was discussed, 4 February 2005.
Left to right: Jan Doets, Pieter van den Berg, Frits van der Togt, Frans Boons, Onno Breur, Frans Corpeleijn and Huub Smeets.

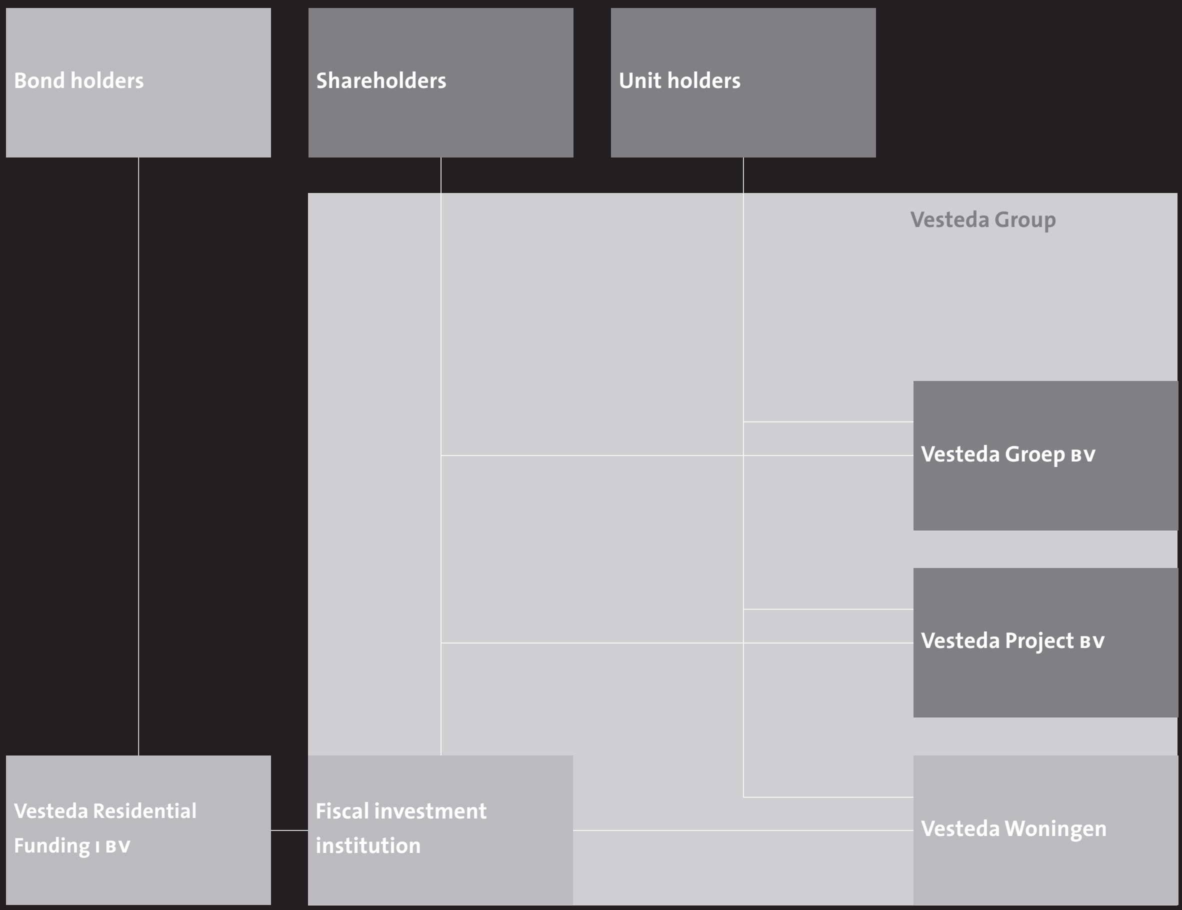


Diagram of the legal structure of Vesteda Group

Legal structure

Vesteda Groep BV

Vesteda Groep BV, which is responsible for managing Vesteda, has a central position in Vesteda Group. Investors participate directly in Vesteda Groep BV, where control is consolidated. Vesteda Groep BV has a three-member Managing Board and a Supervisory Board.

Vesteda Project BV

Vesteda Project BV carries out the project development activities of Vesteda Group. These are activities that fiscal investment institutions are not permitted to perform under Section 28 of the Corporation Tax Act 1969. Vesteda Groep BV is a director of Vesteda Project BV.

Fiscal investment institution

Part of Vesteda Group is a fiscal investment institution. Holding DRF BV (Dutch Residential Fund) and its four subsidiaries, DRF I BV, DRF II BV, DRF III BV and DRF IV BV form a tax group for corporation tax purposes and have 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

The let property and associated rights and obligations are held by Vesteda Woningen, a common fund that is not independently liable for corporation tax. A common fund is not a legal entity but a vehicle in which property is brought together for collective investment in order for the unit-holders to share in the proceeds. A common fund has one or more custodians and a manager. Vesteda Groep BV is manager of Vesteda Woningen. DRF I BV, DRF II BV and DRF III BV are the custodians and entitled to manage the assets of Vesteda Woningen for the unit-holders. Consequently, in their capacity as custodians, they are legally entitled to all assets belonging to Vesteda Woningen on behalf of the unit-holders. Holding DRF BV and DRF IV BV are, along with the unit-holders themselves, owners of Vesteda Woningen and have beneficial entitlement to those assets.

Shareholders and unit-holders

Investors[1] are offered two different ways of participating in Vesteda Woningen: as 'unit-holder' or as 'shareholder'. In the first case, investors acquire a direct interest in the fund, in the second case they have a shareholding in Holding DRF BV which then acts as a unit-holder in the fund. In both variants, investors own a proportionate number of shares in Vesteda Groep BV and Vesteda Project BV.

Loan capital

Vesteda Group raised finance by issuing bonds on the capital market in 2002 and 2004.[2] A private limited liability company, Vesteda Residential Funding I BV, was incorporated to issue the bonds.

Classification of the property portfolio

1 Investment decision taken
2 Start of construction
3 Ready for letting and handed over

Classification of the portfolio

All properties, property developments and acquisitions are jointly referred to as the Total portfolio. The Total portfolio is subdivided into the Acquisitions portfolio, the Development portfolio and the Letting portfolio.

Acquisitions portfolio

The Acquisitions portfolio comprises projects involving joint-venture agreements or contracts for area or other developments or other forms of co-operation or acquisition and where Vesteda is preparing an investment decision.

Development portfolio

As soon as an investment decision has been taken on a project, it is transferred to the Development portfolio. A distinction is drawn here between projects in the preparatory phase and those in the development phase. Transfer to the development phase takes place when construction starts.

Letting portfolio

The Letting portfolio comprises the Core Letting portfolio and the Disposals portfolio. All new projects are added to the Core Letting portfolio. No further residential properties are being added to the Disposals portfolio, created in the restructuring of Vesteda in 2001, which is being run down over the next few years. The projects in the Letting portfolio are listed on page 107.

Outflow

There are regular disposals of residential properties. These may be from the Core Letting portfolio or from the Disposals portfolio.

Transfer from Vesteda Project BV to Vesteda Woningen

Under the long-term plan, based on analyses of the ideal and actual portfolios, Vesteda Groep BV determines its need for new projects, which is then passed on to Vesteda Project BV. Suitable projects are placed in the Acquisitions portfolio with the aim of including them in Vesteda Woningen, a common fund for collective investment. As soon as an investment decision has been taken and projects have been developed, they can be transferred to Vesteda Woningen. The date when these conditions are met and the transfer can be made depends on the type of project and can range from before the start of construction to the hand-over date.

Report of the Supervisory Board

TO THE GENERAL MEETING OF SHAREHOLDERS OF VESTEDA GROEP BV

We hereby present the 2004 financial statements, incorporating the proposed dividend distribution, as drawn up by the Managing Board and discussed by this 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.

Auditors' reports

The financial statements of Vesteda Groep BV have been audited by Ernst & Young Accountants who issued an unqualified report which is included in the financial statements in 'Other information' on page 90. Ernst & Young Accountants also issued reports on the financial statements of Vesteda Group and Vesteda Woningen, which can be found on pages 72 and 104.

Death of John Simons

Supervisory director John Simons died on 2 August 2004. He had been a member of the Supervisory Board since its establishment in 1998. The Supervisory Board is very grateful for his contribution and helpful co-operation over the years, which assisted the growth and expansion of the business that has been achieved.

Supervisory Board meetings

The Supervisory Board met six times last year, including one meeting to evaluate its own operation when the Managing Board was not present. As usual, some meetings were held on location to increase the Supervisory Board's involvement with Vesteda's projects and operating units.

Subjects discussed

The principal subjects discussed by the Supervisory Board in 2004 were:

General

- the further development of management information and reporting to the Supervisory Board, including quarterly financial reports;
- the further structuring of risk management;
- Vesteda's brand policy and raising its profile;
- the interest of existing shareholders/unit-holders in expanding their holdings in Vesteda;
- the way in which strategic co-operation with and participation by third parties can be arranged. Following external studies, there were discussions on how this could be implemented legally and fiscally;
- investigation of and concluding liability insurance for Managing Board and Supervisory Board members;
- progress on the 2003 electronic data processing and in-house back-office projects;

Financial

- during the first meeting of 2004, setting the required yield for the year;
- phasing in the disposal plans, partly in connection with building up the portfolio and the forecast distributions in line with the memorandum of information;
- expanding financing by €200 million and refinancing €200 million including discussion of the financing structure and term, interest rate and risk management;
- the 2005 budget was, as usual, discussed and adopted during the autumn meeting. Particular attention was given to the role of property management in the organisation and the acquisition proposals for 2005;
- the amount of the dividend distribution;

Market and portfolio developments

- the view of the market for the period to 2010, prepared for portfolio purposes;
- discussion and approval of a model portfolio to serve as a policy instrument and framework for the acquisition and sales efforts. Particular attention was given to the weighting of the higher and top segments in the portfolio. The model portfolio, which has a 10-year horizon, will be evaluated and updated annually;
- the disposals policy for 2004 to 2006 and its influence on the financing requirement in the years after 2006;
- the possible expansion of the portfolio through acquisitions;
- discussion and approval of investment proposals and acquisitions by Vesteda Project BV and transfers from Vesteda Project BV to Vesteda Groep BV;
- progress on large projects, including the risk analysis used;

Organisation

- the appointment of Onno Breur as a new member of the group Managing Board during the year, returning it to full strength;
- policy on the organisation's growth;

Remuneration

- the revision of the remuneration of supervisory directors and the Managing Board, with external consultants making market comparisons. The remuneration of supervisory directors was set after consideration and approval by the General Meeting of Shareholders for implementation from 1 January 2005. The remuneration of the Managing Board will also be revised, phased from 1 January 2005, and the General Meeting of Shareholders was notified accordingly;

Foreign orientation

- the desirability and opportunities for investment abroad. The Managing Board will investigate this further in 2005;

Corporate governance code

- the application of Corporate Governance. This subject was discussed several times by the Supervisory Board and the proposals were discussed in the General Meeting of Shareholders. This subject is reported in the following section.

In conclusion, the Supervisory Board would like to express its appreciation of the efforts and commitment of the Managing Board and employees during the year.

Maastricht, 4 February 2005
Supervisory Board of Vesteda Groep BV
F.H.J. Boons, *Chairman*
P.S. van den Berg
W.F.Th. Corpeleijn
J.D. Doets

Corporate Governance

Overall responsibility

The Supervisory Board and Managing Board of Vesteda Groep BV have overall responsibility for weighing up all interests, focusing on the company's continuity. Stakeholders are the groups and individuals who directly or indirectly influence (or are influenced by) the achievement of the aims of the company: employees, shareholders, unit-holders and other providers of capital, suppliers and customers, but also the government and civil society. The Supervisory Board and the Managing Board take account of the interests of the various stakeholders, endeavouring to create long-term shareholder value.

Shareholders and unit-holders

The Supervisory Board and the Managing Board of Vesteda Groep BV regard the current legal structure as a way of continuing the good relationship with all Vesteda's shareholders and unit-holders. Vesteda Groep BV has a central position in the organisation. The Management Board of Vesteda Groep 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 a director of Vesteda Project BV and manager of Vesteda Woningen. The Managing Board and Supervisory Board are accountable to Vesteda Group's shareholders and unit-holders and other stakeholders. Decisions are taken on the basis of the Participation Agreement signed by all shareholders and unit-holders. The Participation Agreement can be compared to the articles of association of a legal entity.

Tabaksblat Code

The Corporate Governance Committee, chaired by Mr M. Tabaksblat, published a revised 'code of best practice' on corporate governance on 9 December 2003. The code does not apply to Vesteda Group, which has a closed nature in the sense that only institutions can become shareholders or unit holders. Nevertheless, the Supervisory Board and Managing Board of Vesteda Groep BV subscribe to the value of the best practice provisions to the company. As the code has been written for companies listed on the stock exchange, certain of its provisions do not directly apply to Vesteda Groep BV. Consequently, there were discussions during 2004 between the Managing Board and the Supervisory Board and with shareholders and unit-holders on which elements will be reported. The principles of good governance have also been translated towards the employees. The Managing Board and employees will regularly evaluate and revise the application of the principles.

APPLICATION OF THE CODE

Supervisory Board

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 code is being followed. The retirement schedule is in line with this. Regulations have been drawn up on other principles in the code on the composition of the board, decision-making and appointment of supervisory directors. These specify that the Supervisory Board discusses its own operation at least once a year. Strategy, risks and internal risk management are also discussed at least once a year. The Supervisory Board has no separate committees as it has decided that the full Board should make recommendations and take decisions. The requirement in the code on the availability of sound financial knowledge is, of course, being followed. The independence criterion is not fully met because of the company's relatively short existence in its present form and the involvement of the founding shareholders and unit-holders. The annual report does not list other supervisory directorships and other positions. This information is exchanged between supervisory directors and is also known by shareholders and unit-holders and by the company. The total remuneration of the supervisory directors is reported on page 86. Shareholders and unit-holders are not aware of any conflicts of interest between the company and the members of the Supervisory Board.

Code of conduct

The company has a code of conduct and, during the year, the Supervisory Board established that staff are complying with its principles. As required by the code, reports are made to the management and the chairman of the Supervisory Board. There were no reports of any serious interest in relation to the company. The code will be supplemented in 2005 by a scheme for 'whistle-blowers'.

Managing Board

Appointments to the Managing Board do not follow the time limits required by the code. It has been decided not to formalise such a restriction as this is not logical given the company's nature as a long-term investor. The company attaches importance to the long-term involvement of the management. The members of the Managing Board meet the requirements in the code on other supervisory directorships, shareholdings, personal loans and guarantees. As noted in the report of the Supervisory Board, remuneration was revised in line with market conditions during the year under review. This revision will take effect phased from 1 January 2005. Remuneration is based on a fixed component and a variable element. In a departure from the code, the amount of dismissal pay depends in part on the variable element of the salary. The total remuneration is set out on page 86 of the report. The Supervisory Board is not aware of any conflicts of interest between the company and the members of the Managing Board.

Website

Shareholders and unit-holders have access to a restricted part of the Vesteda website, known as the Investorweb, where they are kept up to date through publication of quarterly and other reports. A similar intranet site, called Financeweb, will be developed for the bond holders in 2005.

Risk management

The Supervisory Board and Managing Board emphasise the importance of sound risk management. In an ongoing process, the risk management measures implemented with the aim of raising the quality of forecasts are and will be formalised and documented.

IVBN transparency

The Association of Institutional Property Investors in the Netherlands, the IVBN, has drawn up a large number of practical recommendations which will considerably enhance the transparency of annual reports.[3] IVBN members, including Vesteda, will incorporate the recommendations in their annual reports with effect from 2005. Information on the portfolios will also improve the comparability of property investment funds.

Report of the Managing Board

Report of the Managing Board

INTRODUCTION

2004 was a year of consolidation and enhancing the operation of market forces at Vesteda Group. After several years of rising staff numbers, when property management was brought in-house and Vesteda Project BV was incorporated and expanding, the work during the year was to consolidate and strengthen the various disciplines. With comprehensive asset management, market research, area and project developments, letting, management and disposal process, focus on the market was enhanced throughout the business and its operations. The creation of a separate department for first-time letting is an example of this.

Vesteda recorded a good result in 2004. The yield of 11.7% was at the same level as in the previous year and the result, at €335 million, was €2 million higher in absolute terms.

The year's results were achieved against the background of a Dutch housing market that displayed little dynamism in 2004. The housing market needs additional high quality projects as demand for expensive rental homes will only increase in the next few years as a result of the trend in household size and the ageing of the population. Government regulation and a stagnant economy mean, however, that trading up in the housing market is at a very low level. This is not making it easier for Vesteda to market new projects successfully. The policy on rents proposed by the Minister of Spatial Planning, Housing and the Environment may offer some relief in due course.

This report addresses developments in the residential and property investment market, describes Vesteda's strategic choices, provides information on the portfolio and organisation and looks ahead to the near future. In short, the report brings strategy and figures together. Strategy and figures which allowed the steady trend of yields in recent years to continue during 2004.

HOUSING MARKET DEVELOPMENTS

The housing market is a stock market. The Dutch housing stock changes from year to year as a result of new building work and demolitions of existing properties.

Supply

Trading up in the housing market is very important for providing sufficient supply each year in addition to the properties coming on to the market as a result of new construction. On average, families move several times in their lives and adjust their housing according to their stage of life and related requirements. When they move, the homes they leave are available on the market for families who are looking for such a property. This principle is known as trading up.

Building

The extent to which new homes are built depends largely on the investment climate in the housing market. Whether this can then be converted into actual house building, depends on regulation.

Demand

On the demand side, population growth and declining household size are creating a rise in the number of households and so there is a quantitative demand for homes and pressure on the housing stock. As well as this numerical demand, there is also qualitative demand, i.e. for a certain type and quality of home. As earnings increase and because of the different household and age structure of the population, there is demand for a different composition of the stock.

Dynamism, with concepts such as excess demand, moving chains and trading up, has a significant role in the Dutch housing market. The dynamism and the developments listed above are strongly influenced by the letting policy.

Letting policy

The following comments on the housing market addresses each of these determinants individually, showing that there will be growing demand in the next few decades for more expensive rental homes and that the government is preparing measures to restore dynamism and market forces to the housing market.

Economic trends

Economic growth

The economic growth in the early part of 2004 declined in the second half of the year. Economic recovery had just started, but unfortunately soon faltered. Economic growth is expected to be close to 1.5% for the full year 2004. As in past years, the Dutch economy will continue to grow,[4] but the rate is uncertain and will depend largely on the European trend. The Netherlands itself has little influence on the extent of international co-operation and follows European and international developments.

Inflation

Average inflation in 2004, measured by the consumer price index (CPI), came out at 1.2%. This is the lowest level since 1989. Inflation in the euro area is expected to be 2.3% in December 2004.[5]

Ageing population

More and more people in the Netherlands will be retiring in the next few years. The Primos forecasts – demographic forecasts used by the Ministry of Spatial Planning, Housing and the Environment (VROM in Dutch) to estimate future housing demand – assume a near doubling in the number of people over 65 during the next forty years.[6] The baby-boomers are growing older and the mortality rate will rise. The ageing population, combined with a decline in the number of entrants to the labour market, will depress growth in the supply of labour, employment and the proportion of working and retired people. Population ageing in the Netherlands is less marked than the European average.[7]

Labour market

The official unemployment figures showed an upward trend towards the end of 2004. In the fourth quarter of 2004, the Netherlands had an average of 473,000 unemployed people (492,000 seasonally adjusted).[8] Consequently, unemployment was 6.3% on average. A year earlier, 5.5% of the working population had been unemployed.

Interest rates

Long-term interest rates in the euro zone in December 2004 were about 3.7%[9]. Interest rates fell by 0.8 of a percentage point in the second half of 2004 and reached their lowest level in the year in December. The capital market interest rate is thus roughly equal to the historically low level of the early 1960s.

Conclusion

With low growth, about 1% below the European average, consumer spending will grow moderately. Growth is hindered by a strong euro and low level of consumer confidence.

Housing stock and households

The Dutch housing stock was 6.8 million units at the beginning of 2004 of which 3.8 million were owner-occupied and 3.0 million were rented. The housing stock will continue to increase in the next few years as a result of growing demand for homes.

Dutch housing stock
At beginning of 2004, units
Source: Statistics Netherlands

	millions	%
Owner-occupied	3.8	55
Rental	3.0	45
	6.8	100

Dutch households by size
Year end, thousands, 2004 is a forecast
Source: Statistics Netherlands

	2004		2003		increase	
		%		%		%
1-person	2,424	34	2,384	34	40	+1.7
2-persons	2,305	33	2,293	33	12	+0.5
families (3 or more people)	2,323	33	2,319	33	4	+0.2
	7,052	100	6,996	100	56	

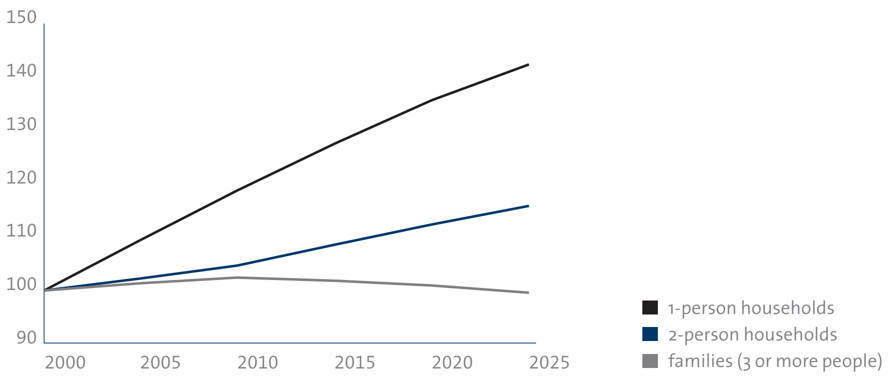
More households, higher demand for homes

About two-thirds of the growth of about 60,000 a year in the number of households is generated by the single people and the remainder by two-person households: cohabitees and single-parent families. The number of households with more than two persons has barely changed and so smaller households are increasing in number.

Households becoming smaller

At the end of 2004, the population of the Netherlands was 16.25 million and the average household size was 2.3 people. For comparison: in 1970, the average household was 3.4 people.[10] The growth in the number of single-person households means that one in three households is a person living alone, including many young people. Increasing numbers of divorces and single-person households in the older age groups following the death of a spouse are creating this decline in average household size. If the population grows by 10% between 2000 and 2025, the number of households will increase by about 20% in the same period, to 8.1 million. The proportion of single people will continue to be the main source of the increase in the number of households and will, therefore, more clearly influence the qualitative demand/supply relationship in the housing market.

Household trends to 2025
Relative trends 2000-2015 by household size
Index: 2000=100
Source: Statistics Netherlands



Dynamism and regulation of the housing market

The Dutch housing market has been fairly static in recent years. New construction is lagging behind demand, owner-occupied homes are relatively expensive and few rental homes are becoming available. Trading-up must be encouraged again; medium-sized and large towns in particular need homes for their own inhabitants. There are housing shortages among first-time residents, especially in cheaper rental homes and particularly one and two-person households. It is not always sensible, however, to build more of this type of property, as the key is to encourage trading-up. Homes should be built in the medium and higher segments, depending on the structure of the regional housing stock.

Trading-up must be started up again

Source: 'Sociaal en Cultureel rapport 2004', Netherlands Bureau for Economic Policy Analysis, October 2004

Since the mid-1990s, young families have been moving from apartments to houses at increasingly later ages. Almost 70% of those born around 1963 already lived in a house by the time they were 30. The figure for those born around 1971 was 56%. Well over one-third of families with children who currently live in a rental apartment are actively looking for a house.

Rent Act

Almost the whole Dutch housing market is regulated by the Rent Act (*Huurprijswet*). Only 5% of rental homes, 2.5% of the total housing stock, are currently at or above the deregulation threshold and so are in the free or deregulated sector. The deregulation threshold was €597.54 per month at the end of 2004. Rental homes below the deregulation threshold are known as Huurprijswet (HPW) homes and so this segment is known as the HPW or regulated segment.

Higher-rent homes owned by investors as a proportion of the Dutch housing stock

At the beginning of 2004, units

Source: Statistics Netherlands

	thousands	%	thousands	%
Owner-occupied	3,760	55		
Rental	3,060	45		
Low and medium rents (HPW segment)			2,910	95
Higher rents (deregulated sector)			150	5
	6,820	100	3,060	100

Relationship between rents and trading-up

There were relatively high rent rises in the 1990s as a result of the subsidy system at the time and grossing-up agreements. In recent years, the emphasis has been strongly on moderating rent rises. The rules in the housing valuation system make only limited allowance for the quality experience – for example, in certain locations – and consumer preference. An out-of-date points-based system achieves a marginal differentiation between properties, and the result is that a home on a canal in the centre of Amsterdam can command barely more rent than a similar property in some village in the countryside. It is clear that tenants have other ideas, as shown by the subletting. Homes owned by individuals and investors are sublet for much higher amounts, frequently hundreds of euros more. There is a secondary market where realistic rents are charged. The extra income disappears, however, and benefits neither subsidising affordability nor development impulses in the market. This means that there has not always been a good relationship between the price and quality of the property. Irrespective of whether the current system needs changing, the average rent level in the Netherlands in July 2004 was 71% of the maximum affordable rent threshold.[11] Even within the housing valuation system, the maximum rent rises are a restriction on adjusting rents towards market levels.

More trading up from extending moving chains

The dynamism of the housing market fell sharply between 1998 and 2002 (the last two Housing Demand Surveys - WBOs).[12] One reason for this is a fall in new construction. Average moving chains have also become shorter. The length of a moving chain means the number of moves that happen when one family moves to a newly-built home. They often move out of a home, creating supply on the market. A moving chain ends with first-time buyers who are not vacating a home.

Shorter moving chains do not, however, apply to new owner-occupied properties, which, more than in the past, release more properties from the stock than other owner-occupied properties. New building is a powerful potential means of guiding dynamism in the size and nature of the housing market. In the Randstad conurbation for example, every hundred new residential properties on average create moving chains that put a further 225 properties from the existing stock on the market. It is then argued that building for the top end of the market creates the longest chains. Vesteda expects that the moving chains from new higher-rental residential properties will be even longer. A large proportion of the residents of these properties are older people who move from expensive owner-occupied properties to renting. This means that higher-rental residential properties are even better for the moving chain than expensive owner-occupied properties. VROM's argument that, in general, building for the top-end of the market generates the longest moving chains will, therefore, certainly also apply to the higher-rental segment that Vesteda focuses on.
Determinants for improving the operation of the housing market include new building, which itself is affected by regulation and the extent of active government management, and rent controls.

Trade-up declines
Source: VROM
At beginning of year

Housing stock, thousands	2002	1998
Owner-occupied	3,035	3,126
Rental	3,592	3,234
	6,627	6,360
Rental		
Percentage moving	8.4%	10.7%
Average stay	12.0 jaar	9.3 jaar
Owner-occupied		
Percentage moving	6.2%	7.6%
Average stay	16.0 years	13.1 years

New building at a historic low

At less than 60,000 units, new house building had reached a historic low in 2003. In 2004, new house building was able to increase only to 65,000 units. This is not enough to accommodate the growth of 60,000 households a year, make up for demolition and create qualitative change in the housing stock.

New house building in the Netherlands
Units, 2004 to November

Source: Statistics Netherlands	2004 to Nov thousands	%	2003 thousands	%	increase thousands	%
Owner-occupied	36.7	80	46.6	78	-9.8	69
Rental	9.2	20	13.0	22	-4.4	31
	45.9	100	59.6	100	-14.2	100

The higher-rent sector[13]

The 150,000 homes that make up the higher-rent sector are almost all owned by institutional investors and housing associations which serve this segment of the market. For the more than 500 housing associations, this is a marginal part of their property portfolio; roughly 1% of their properties: about 25,000 homes out of a total of some 2.3 million. The situation is completely different for institutional investors as about one-third of their capital invested in homes is in the deregulated sector. Institutional investors – but increasingly also housing associations – focus on the higher-rent sector.

Higher-rent homes owned by investors as part of the Dutch total housing stock

At beginning of 2004, units

Source: Statistics Netherlands	thousands	%	thousands	%
Cheap and mid-range (HPW-segment)	2,910	95		
Expensive (deregulated sector)	150	5		
Of which owned by housing associations			25	17
Of which owned by investors			125	83
	3,060	100	150	100

Higher-rent homes in short supply, but more susceptible to the state of the economy

Demand is more than twice the supply of higher-rent residential properties. The annual demand for family homes is 28,000 units, while only 11,000 are available and so the excess demand factor is 2.55. The demand for multiple-residency properties is also 28,000 units, but only 12,000 are available and so the demand factor is 2.33. Consequently, the highest demand factor in the Dutch housing market is for higher-rent homes. On the other hand, the higher-rent homes are sensitive to the state of the economy. Recent surveys in Amsterdam for example, show that it is no longer easy to rent everything out. Waiting lists for mid-rent properties have shrunk and it is more difficult for landlords to rent out higher-rent homes.*

* ROA, 'Verhuur in de vrije sector, Onderzoek naar de verhuurbaarheid van middeldure en dure uurwoningen in het ROA-gebied en Almere', September 2004.

Annual demand and supply by housing type and price

Units, 2004 forecast

Source: Housing Demand Survey (WBO) 2002, ABF Research, 2004

	supply	demand	shortfall	stock*	shortfall	excess demand
Single unit higher-rent	11,000	28,000	17,000	80,600	21%	2.55
Multiple-residential units higher-rent	12,000	28,000	16,000	70,900	23%	2.33
Total higher-rent	23,000	56,000	33,000	151,500	22%	2.43

* These figures differ from those published earlier as the model has been revised to exclude the 'serviced properties' category

Housing Demand Survey 2002 main report

Press release, November 2003 Source: VROM/WBO

'The Housing Demand Survey (WBO) 2002 illustrates public opinion on housing. In 2002, 90,000 people were interviewed about their accommodation and housing wishes. Among the results of the WBO 2002 are that the tension in the housing market has increased compared with the WBO 1998. Demand is greater than supply. Demand from potential buyers for owner-occupied properties has fallen. Housing expenditure is taking up about the same proportion of the household budget (affordability)'.

New letting policy

Proposals for a new letting policy by the Minister of VROM, Sybilla Dekker, are expected to be considered again by the Lower House of Parliament in the first quarter of 2005. The new policy, designed to make the housing market more dynamic, has faced criticism. The House has raised a number of questions that the Minister will first have to answer.

Three approaches

The Minister wants to promote trading up and reduce the housing shortage in three ways. Firstly, more homes have to be built. There must be a wide range of rental and owner-occupied homes in all price ranges. This will create more choice and trading up will be easier. The Minister wants agreement with twenty large towns and surrounding municipalities on the number of houses to be built in the next few years. Secondly, she wants to keep average earners in towns by offering a greater range of homes. Run-down neighbourhoods will be renovated. The Minister wants agreement with the thirty largest towns and the provinces on this. Finally, Ms Dekker wants to gradually give landlords more scope in the letting policy, making it more attractive for landlords such as Vesteda to build additional new homes, as they receive greater rental income. She wants to offer them scope by increasing the size of the deregulated sector and by expanding opportunities for rent rises in the regulated sector.

New letting policy needed

Vesteda recognises the importance of a new letting policy. The criticism of Ms Dekker's policy proposals by a few political parties and tenants' associations focuses on affordability and associated maximum rent rises. Other key questions, such as where people are supposed to live, how we will create the supply of this type of home, how we avoid housing distortions and how we get the moving chain in motion, have been ignored in the debate. Investors such as Vesteda are ready to contribute to a long-term solution by actually building a lot of rental homes in the higher-rent segment. The letting policy must offer scope for this; the minister's proposals are a good first step.

Quotation from Minister Dekker's letter on the new letting policy, November 2004

'Consequently, at the same time I want to improve the investment climate for landlords so that it is attractive for them to invest, including in the higher end segments. Because that is where there is a shortage. For example, in neighbourhoods where there are now mainly cheap rental homes. The letting policy contributes to breaking through the uniformity in neighbourhoods and to greater diversity in the housing stock. It can also ensure that middle and higher earners do not have to leave the town to find a larger or more luxurious home.'

Price trends in the housing market

The Dutch market for owner-occupied homes was stable for the second year running, after the sharp price rises of recent years. Despite modest economic growth and rising unemployment figures, the housing market saw slight growth in 2004. The average price of a residential property in the fourth quarter of 2004 was €218,000, an increase of 2.5% compared with a year earlier when the figure was €212,000.[14] The increase was, therefore, 1.3 percentage points above inflation, which was 1.2%.

Price rises by type of housing

In 2004 price rises ranged from 2.1% to 3.1% depending on the type of property. Detached houses rose the most in price and terraced homes the least. Apartments were in the middle at 2.6%.

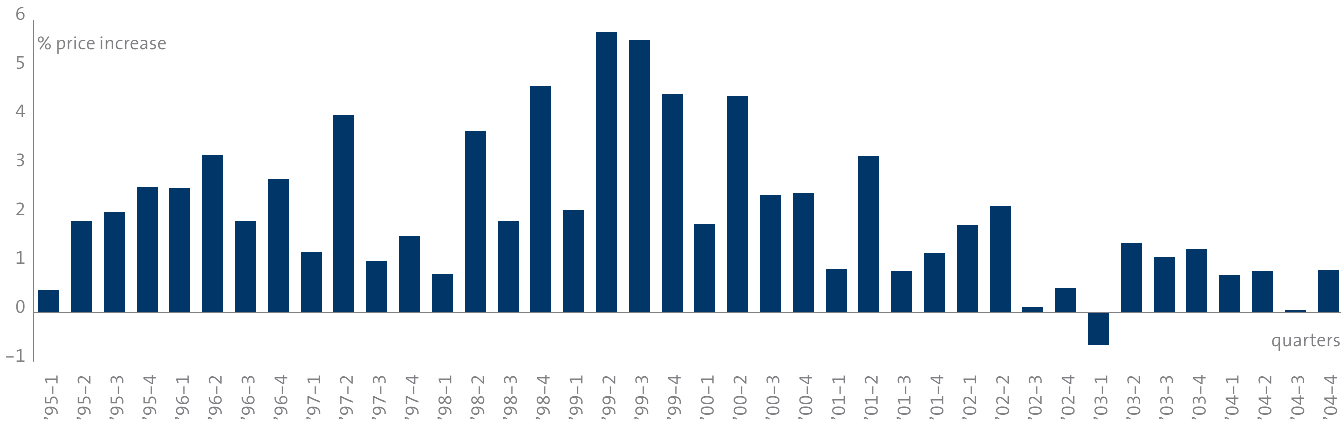
Average house prices stay the same, apartments rise

The Land Registry noted that the average selling price of a family house in November 2004 at €232,000 had not increased compared with the figure a year earlier. In contrast, apartments did rise in price in the same period, from €157,000 at the end of 2003 to an average of €162,000 a year later, a rise of 3.2%. The main factors behind this rise were historically low interest rates and the inadequate supply of new homes.

Expectations

A return to the turbulent increases in house prices in the second half of the last decade is unlikely. Despite forecast economic growth of 1.75% during the coming year,[15] household consumption in 2005 will not return to its level of before the economic downturn. The strong rises in house prices have also sharply raised household debt. Finally, moderate increases in income growth in the next few years will affect purchasing power and, in due course, this will put a brake on high house price rises. A moderate rise in house prices is more likely.[16] This moderately positive expectation is based on a persisting low level of interest rates, a continuing shortage of new homes, further moderate economic growth and a favourable trend in consumer confidence.

House prices per quarter
1995 to 2004
Source: NVM



THE PROPERTY INVESTMENT MARKET

A feature of 2004 was the return of Dutch investors as buyers in the property investment market. Professional investors' activity, at about €2.2 billion, was about 70% higher than in 2003. In 2004, institutional investors saw the proportion of direct and indirect property in their portfolios increase, from 11.5% to 14.5%.[17] Foreign players were also more active, up by 15% compared with 2003. The greatest increase was from private investors, who were very active via companies.

Dutch institutions focus mainly on commercial property as there are simply no investment opportunities of any size in the residential rental sector. The rapidly growing group of companies is focusing mainly on homes but more often seeks refuge in the commercial sectors. Foreign players prefer to focus almost exclusively on the much more accessible and transparent office market.

The role of housing within the investment portfolio

The question of what residential properties add to the risk and return profile of the classic portfolio has short and long term answers.

Short-term perspective

The prospects for housing were specifically studied in 1998.[18] The study made clear estimates of the most probable return trends for residential properties compared with equities and bonds. It looked at the historic return dynamic and this information was translated into a practical short and medium-term outlook. Risk, defined as a negative real return, was set out very precisely in figures. The probability and size of a negative real return were calculated and are summarised in the table below.

Risk in residential investment

Source: Beleggen in woningen, een Europees perspectief, Hilverink and Eichholtz, 1998, published 2001

Horizon (years)	**1**	**5**	**10**	**15**
Probability of negative real return				
Equities	32.4%	13.3%	4.0%	0.0%
Bonds	41.2%	30.0%	24.0%	10.0%
Residential property	14.7%	13.5%	0.0%	0.0%
Average negative real return				
Equities	-12.0%	-4.0%	-1.4%	0.0%
Bonds	-3.9%	-1.4%	-1.0%	-1.0%
Residential property	8.0%	-5.0%	0.0%	0.0%
Standard deviation in real return				
Equities	20.7%	10.0%	7.1%	5.5%
Bonds	8.3%	4.1%	3.2%	2.6%
Residential property	9.3%	6.3%	3.5%	1.8%
Number of observations	34	30	25	20

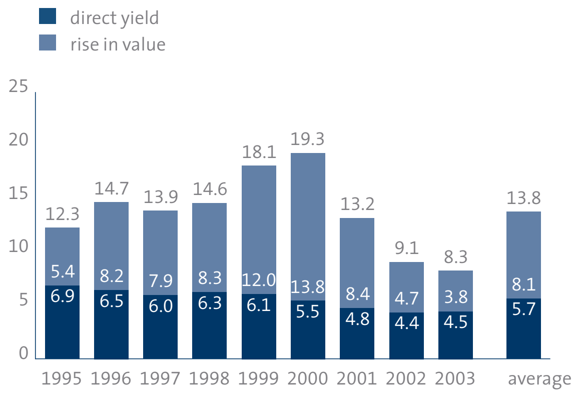
The conclusions of the study were clear:

- Residential properties have the lowest probability of a negative return on a short horizon;
- The negative return on residential properties in the long term is much lower than for, say, bonds;
- As the horizon lengthens, residential properties have a lower negative return than equities;
- The standard deviation of the long-term real returns for residential properties is much lower than for equities and bonds;
- The average real returns on residential properties, equities and bonds in the period studied (1965-1999) averaged 10.7%, 11.3% and 3.1% respectively

When the forecasts are compared with now known facts, it can be concluded that the return trend for residential properties remained within the parameters. Figures on residential property returns, as collected by ROZ/IPD, are set out below.

Return on residential properties in the Netherlands

%. Source: ROZ/IPD



Returns on residential properties have been through turbulent times since 1998, with major peaks in 2000 when a gradual decline started. The most recent figures, for 2003, showed a nominal total return of 8.3% which was also well above zero in real terms. Despite the turmoil on the financial markets, real returns on residential properties stayed positive, in line with the low probability of a negative result as outlined in 1998 for a 5-year horizon. Returns on equities fell considerably more during the past five years and have now reached a negative real average since 1998. Once again, Vesteda sees this as confirmation of the 1998 results which estimated a high standard deviation for equities.

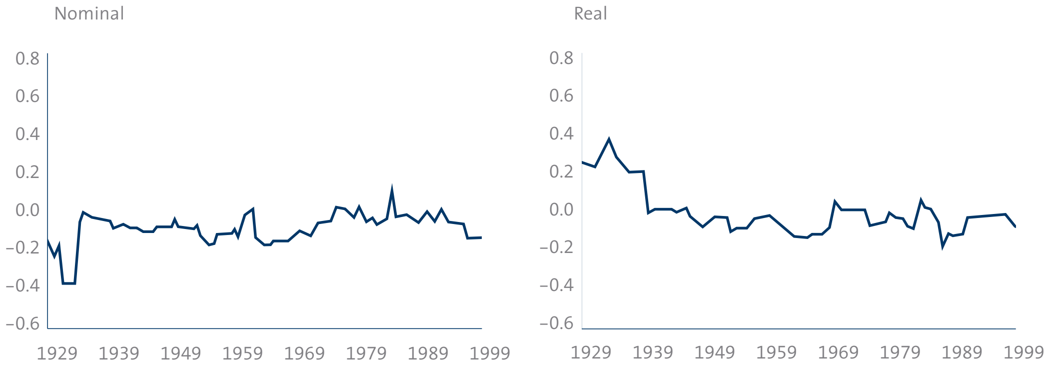
Dutch house prices are likely to be stable for the next few years. Direct returns are falling as a result of the huge price rises in recent years. Demand for homes remains strong, however.

Long-term perspective

Comments on expected returns mean little in the long term as economic uncertainty increases with time, so that forecasts over decades are unusable. Return risks proved to be more stable in the past, and so the long-term information can be used to outline more distant prospects. Relative risk in particular plays a major role here. The relationship between returns on residential properties and those on shares and bonds have a crucial role when establishing the added value of residential properties in the portfolio. This relationship, the correlation, has been calculated from figures for the entire twentieth century based on an investment horizon of 30 years. Moving correlations have been computed between residential properties and equities and between residential properties and bonds for both nominal and real returns.

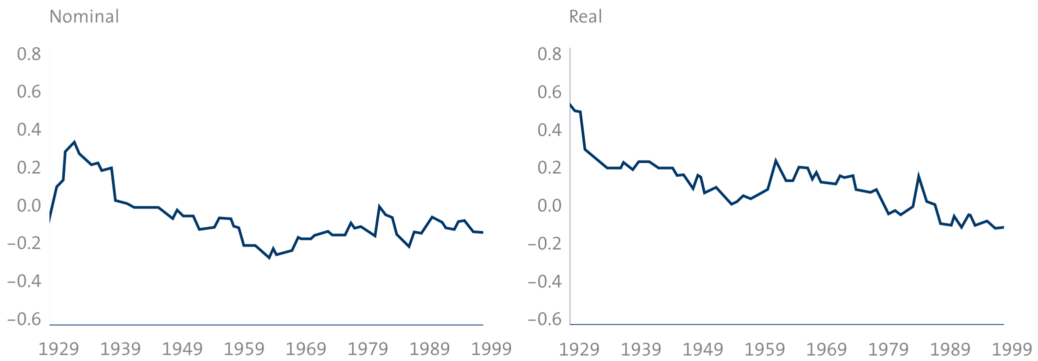
Correlations between the return on Dutch residential property and equities over 30-year periods

Source: Data Eichholtz



Correlations between the return on Dutch residential property and bonds over 30-year periods

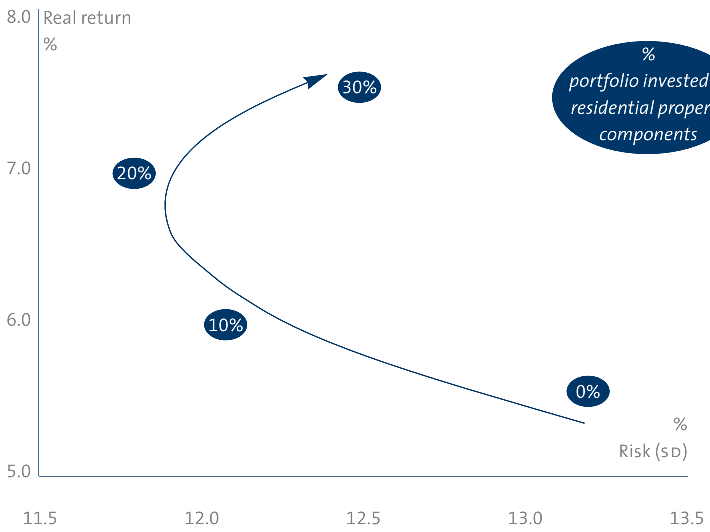
Source: Data Eichholtz



All four charts show a clear downward trend, illustrating the increasing diversification opportunities from residential property. To implement these opportunities, historic portfolio performance is computed and compared. Assuming a classic investment mix of 50% equities and 50% bonds, the value added by residential properties within such a portfolio can be clearly established. The portfolio risk and return were computed after the residential property component in the portfolio was increased.[19] The chart below presents the results and clearly shows the decline in the portfolio risk and the increase in return resulting from an increase in the residential property component to a level of 20% of the portfolio value. The conclusion is that residential property investment can offer further added value in an investment portfolio if its proportion is increased.

Portfolio risk and return with different residential property components

Source: 'Vastgoed, wonen en beleggen', Hilverink



Prospects for property investments

The investment outlook for 2005 is mixed but, on balance, favourable. There will again be a high level of funds available, even more than in 2004 because of the realisation that the long-term return on property is good, certainly since the long-term ROZ/IPD series became available, showing the limited risk and very low correlation with other investment categories. Pension funds and insurance companies are discussing the portfolio risks and reserves to be held with the Dutch central bank. Preliminary conclusions mean it is not only desirable, but now also possible to raise the allocation in favour of property.

Other property sectors

There is, however, a more limited supply to meet the increasing demand for property. The underlying fundamental factors of many property markets are not especially favourable. Over-supply in the office market is creating an increasingly sharper division in the market. Well located and let projects are much in demand and continue to command high prices, but anything which is not a genuinely A1 location is expected to be less and less marketable for letting in future years and to fall in value. Discussion on the redesignation and redevelopment of structurally unlettable projects appears to be moving from theory to practice, in particular for the office market and to a lesser extent for the retail market. First-class retail locations are doing as well as ever, but vacancies are rising in secondary areas. The market for commercial property is mixed. Logistics sites are still in demand, both by users and investors. Purely commercial buildings have high vacancy levels and there is also a division between the new and good and the old and little in demand.

Globalisation

Lack of good local products and the globalisation of money flows are driving the rapid growth in international investment. Investment across traditional country borders is increasingly indirect. Investors are making use of the specific expertise and market access of investment funds and see the liquidity of their holdings increase with the growth in the size of the market.

Conclusion on the property investment market

Investment in the residential property sector, as part of the property investment category, offers significant added value for an institutional investment portfolio. The decision to include property in a portfolio is based for the main part on the relatively low volatility in value trends and an attractive cash yield that – particularly for rental property – involves only a limited risk. The low correlation with other investment categories is a key consideration in investing in property. Vesteda expects that interest in investment funds such as Vesteda will increase further in the future.

Vesteda Group's strategy

Fund strategy

Vesteda's investment strategy focuses on out-performing the relevant market benchmark (ROZ/ IPD All Residentials) over the long term while retaining the defensive and diversifying nature of direct property.

Model portfolio

Based on internal and external studies, a model property portfolio has been drawn up which sets a framework for the investment policy until 2015. In due course, the greatest proportion (55%-65%) of the capital invested will be in housing in the rental category from about €600 to €1,200. Vesteda is also looking to expand in the higher price categories where there is a structural shortage of supply and where there will also be a sharp increase in demand. All purchases and sales will be measured against the model portfolio framework. The assumptions in the model portfolio are also the basis for product development. The model portfolio is based on an explicit selection of specific target groups and regional market areas. The parameters are evaluated and, if necessary, adjusted each year. The criteria for the ideal composition of the portfolio in due course are the structure of the market and the selection of segments expected to perform better than average, set against the relative strength of the Vesteda organisation in its regional presence, innovation and acquisitive strength.

Roll-over strategy

A key element of Vesteda's investment strategy is the annual sale of about 5% of the portfolio in order to emulate the model portfolio as closely as possible. Sales are linked to a similar number of residential properties being added to the portfolio each year. This ongoing rejuvenation of some 1,500 residential properties per year contributes to achieving and maintaining the desired geographical and qualitative composition of the portfolio, and consolidating capital gains.

Why Vesteda?

Vesteda gives institutional investors access to the non-transparent Dutch rental property market. Investment in residential properties is interesting because of the low volatility of value trends, the attractive cash yield, the limited risk, the low correlation with other investment categories, and the inflation hedge.

But Vesteda goes further. How does Vesteda ensure out-performing the ROZ/IPD benchmark over the long-term while retaining the defensive and diversifying nature of direct property? Ten unique features can be listed:

- **Tax-efficient fund structure** Investors can participate as shareholders in the fiscal investment institution or directly as unit-holders in the residential property fund and so participation in Vesteda can be very efficient depending on the source of the funds which are to be used.
- **Leverage effect of loan capital** Conservative financing of some 30% generates a substantial increase in the yield. The issue of secured floating-rate notes means borrowing directly on the capital market at a 3-month interest rate, and so the interest rate on the bond financing is very low. The triple-A rating for the financing from credit agencies Moody's, Standard & Poor's and Fitch Ratings, means very low financing rates can be obtained. The average mark up on the 3-month Euribor rate is less than 30 basis points. The cap ensures an interest rate ceiling so that a given risk zone is hedged.
- **Portfolio strategy: new construction** The permanent annual rejuvenation of about 5% of the portfolio contributes to the desired geographical and qualitative composition of the portfolio, and consolidating capital gains.
- **Target group: people over 50 and younger people** Vesteda has identified people over 50 and younger, single-person and dual-income households in its market strategy. These target groups will grow fastest in the next few decades.
- **In and around towns** Vesteda operates in and around towns as this is where the target groups want to live. Thanks to its local presence in these areas, Vesteda has built links with local authorities. Minister Dekker's plans to deal with the housing shortage focus on seven key urban regions where a significant proportion of the shortfall will be built over the next few years.
- **Geographical diversity** With invested assets of €4 billion, Vesteda is the largest residential property fund in the Netherlands. Its size allows the invested assets to be well spread geographically. The scale ensures good diversification so that there is significant reduction of risk within the portfolio. Geographically too, the diversification reflects market expectations.
- **Diversification by rents** Vesteda has opted for the higher rental sector, starting at rents of €550 per month. In this growing market, Vesteda is aiming for a segmented portfolio which in price terms reflects the spending power of potential tenants. Its objective is to be top in each segment. Excess demand in the higher rental sector is the highest of any segment in the Dutch housing market.
- **In-house property management** Vesteda has its property management in house. In-house property management offers great added value. Greater manageability leads to improved control of costs and the result, and high levels of service to better customer satisfaction and a pleasanter quality of life. In addition, the *Woongaleries* provide good support to the Vesteda brand as a quality name in local housing markets. Direct customer contacts also ensure market and project knowledge, which is used strategically in asset management and project development.
- **In-house project development** Market demand is translated into programmes of requirements for in-house development. Local experience in letting is translated directly into new products and concepts.
- **Professional, research-driven organisation** Vesteda's size offers the basis for maintaining a cost-efficient, wide and deep professional organisation, where research and market surveys underlie the investment, sales and acquisitions policy.

Market strategy

Vesteda focuses on the higher-rent sector, which has the highest level of demand and this is expected to increase further in the next few years. Vesteda concentrates on the housing wishes of its target groups for spacious and luxurious homes, mainly apartments but also houses.

People over 50 and younger people in and around towns

Vesteda's target groups include people over 50 and younger, single-person and dual-income, households with above-average incomes. As these target groups want to live mainly in and around large and medium-sized towns, these are also the locations of Vesteda's portfolio of residential properties and concepts.

Housing products

In recent years, Vesteda has developed a number of innovative concepts designed to meet tenants' requirements for comfort, care and convenience. The Vesteda Serviced Apartments concept offers luxurious, furnished, temporary accommodation to managers and specific customers in the private market. The Health Club concept offers residents exclusive use of a swimming pool, sauna and fitness facilities. The Woonbode, developed a few years ago, is a videophone and computer that can be used to order products and services and has now been installed in thousands of Vesteda homes. Concepts have been developed further during 2004. The Woonbode has been integrated into another domotics product, so that the home can be controlled and programmed completely from a touch-screen (Detroit, Amsterdam). The homes with office space concept was developed during the year for use in two new projects (Céramique, Maastricht and Mahler, Amsterdam).

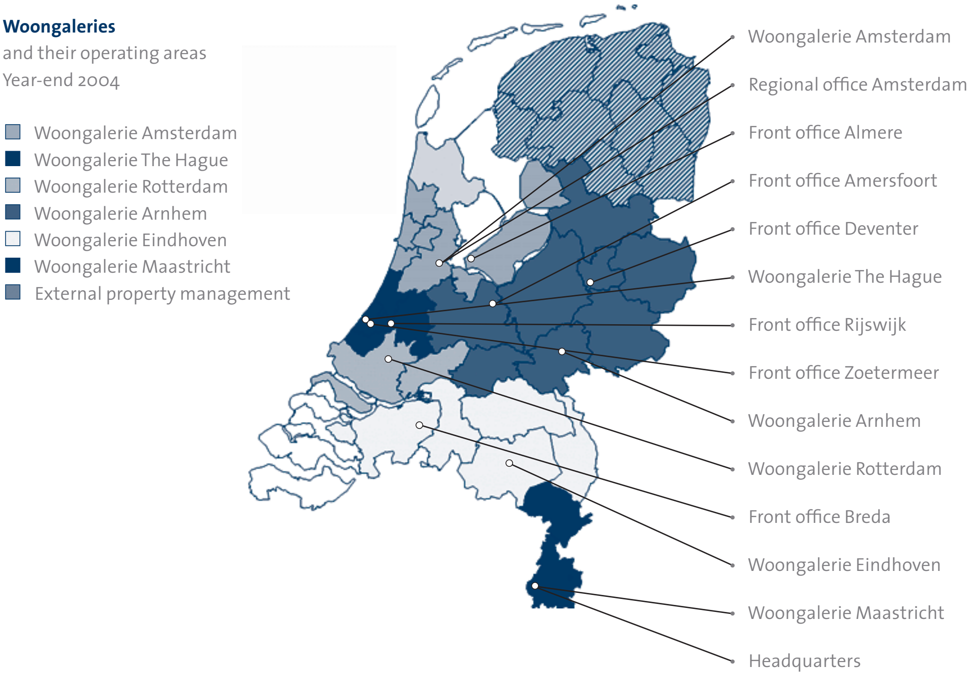
In-house property management

Vesteda has its own in-house property management for the administrative, technical and commercial management of residential properties. In twelve locations around the country, the *Woongaleries* with their supporting front-offices handle letting, personal contacts with customers during the tenancy and the possible sale of projects. They are supported in this by a centralised call centre, where tenants make maintenance enquiries and which co-ordinates and gives feedback on maintenance. The centralised back-office manages the financial flows.

Unique in Europe

It is usual in the property sector to work with external property management organisations. In Vesteda's view, its chosen market segment and the associated growing demand for service mean that this will not be the most effective way of safeguarding customer orientation and high levels of service in the future. Consequently, Vesteda has phased property management into its organisation over a period of three years. The biggest step was taken in 2003, completing long-term organisational growth. As an investor, Vesteda is able to perform its own property management as a result of a combination of two features: its size and the geographical concentration of the portfolio in and around towns. Vesteda is the only property fund of this size in Europe with its own in-house property management.[20]

Woongaleries
and their operating areas
Year-end 2004



Development strategy

In-house project development

Vesteda carries out its own area and project development through Vesteda Project BV, which was incorporated in 2001, ensuring an ongoing qualitative inflow of residential projects. Vesteda Project BV has the role of commissioning authority in acquiring and developing residential construction projects which are built by third parties.

Pipeline filling up

2007 will be the first year in which the annual hand-over of about 1,500 residential properties is achieved. For this, Vesteda Project BV is building up a pipeline of 10,000 to 15,000 homes.

Acquisition & area developments

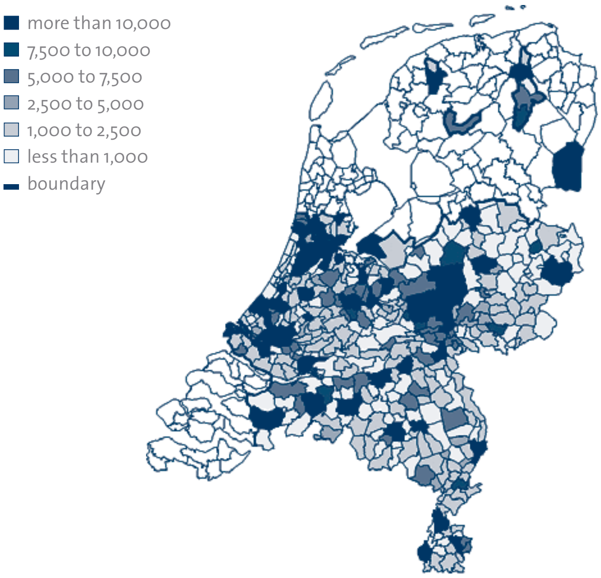
A feature of Vesteda Group is its long-term involvement in its own projects. This makes it attractive for municipalities to work with Vesteda Project BV. Town-planning proposals aimed at sustainability, urban quality and high-quality architecture, offer long-term solutions for housing issues and meet the relevant yield criteria. In this, Vesteda looks beyond just the homes: the public spaces, infrastructure and location with respect to the town centre and facilities also determine the quality of life of future tenants.

Co-operation with municipalities

As Vesteda Project BV is in a position to become involved in projects and redevelopments at an early stage, objectives can be set jointly. Different municipalities' experience shows that Vesteda's specific knowledge of tenants and their wishes can contribute to the municipal policy frameworks. For this, Vesteda has databases to quantify future demand for mid-segment and higher-rental residential properties and the effects of local municipal objectives. Construction plans are input for housing market simulations. Early participation is important for Vesteda as it can then jointly determine the new development. Early participation is helpful to the municipality as it can work with the same party during the area and development planning, development and letting, and can transfer some of its tasks to a market player. By offering an exclusive residential environment, Vesteda is fulfilling a part of municipal policy.

Vesteda 's core areas

Number of one and two-person households with disposable income > €16,800 per year, by municipality in Vesteda's core areas

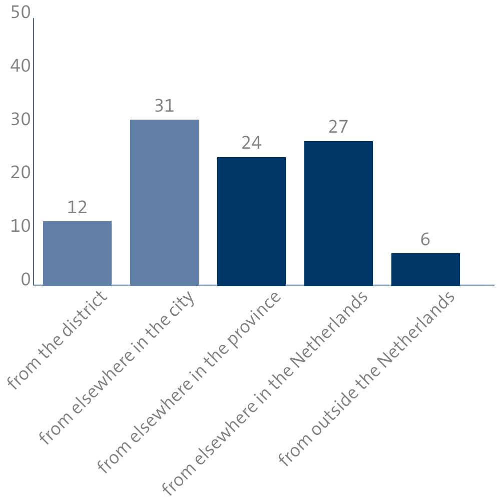


Co-operation with the Municipality of Amsterdam

In 2002, Vesteda reached a unique agreement with the Municipality of Amsterdam to build market rental homes. Vesteda will build an average of 250 mid-segment residential properties per year over a period of 10 years. They will be in the rent range of about €550 to €1,150. The total investment under this alliance will be about €530 million.

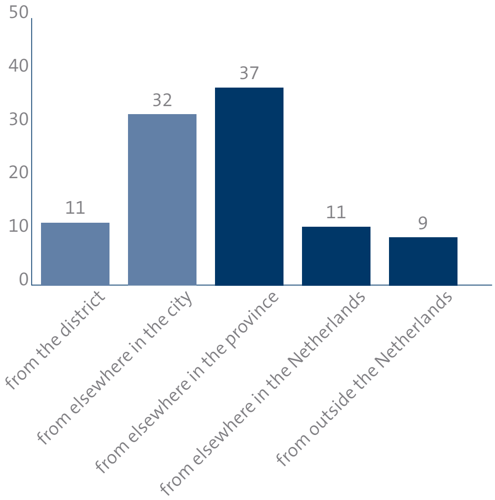
Origins of Vesteda tenants in the Céramique district, Maastricht

source: Vesteda huurdersmonitor, intake module



Origins of Vesteda tenants in the De Hoge Heren project, Rotterdam

source: Vesteda huurdersmonitor, intake module



Adding a relatively large concentration of higher-rent properties in good locations to an area creates a pull from the region to the town and generates demand. This is confirmed in the Céramique district of Maastricht, where 57% of new tenants come from outside the municipality of Maastricht and in the De Hoge Heren tower block in Rotterdam where, again, 57% of the tenants are from outside the municipality.

Project development, acquisition and redevelopment

Partly because of its considerable resources, Vesteda Project BV is able to take an early and risk-bearing participating interest in area redevelopments. Through project development or acquisitions, sometimes followed by redevelopment/adaption, residential properties are built and finished that meet the high quality criteria set by Vesteda Group.

Core areas

Vesteda has identified about two-thirds of the Netherlands as core areas and is aiming for the best possible distribution within the urban environments in these areas. Acquisitions of new projects will take account of local market features and the market share that Vesteda already has in the area. A careful balance is always drawn between the risk of adding projects to the market stock and the benefits from concentration in terms of efficient and effective management. Based on long-term market forecasts and the considerations referred to above, Vesteda has designated a number of housing market areas as core areas: the Randstad conurbation, the whole of the central and southern regions of the Netherlands, with the exception of Zeeland, and a number of towns and cities in the north (Groningen, Assen, Leeuwarden, Emmen and Heerenveen). Most of the development in the core areas will be in and around the centres of medium-sized and larger towns and cities.

IMPLEMENTATION OF STRATEGY DURING THE YEAR

Portfolio

Much attention was given during the year to the further development of the portfolio policy. Based on internal and external studies, a model property portfolio has been drawn up which sets the framework for the investment policy for the next 10 years. It is a dynamic model: a long-term target whose rate of achievement depends on market conditions. Vesteda's aim of gradually moving the portfolio towards the higher rental segments also means that it will be entering unexplored territory to some extent. Experience with this in the next few years will, of course, be an element of the regular reassessment of the targets in the model portfolio.

Valuation and accounting policies

With effect from 2003, the entire portfolio is appraised by external valuers. At least 50% of the portfolio is appraised by external valuers and the valuation of the remaining portfolio is updated by an external valuer. This approach started in 2003, which should be seen as a transitional year. The methodology was applied in full in 2004, with valuations being made by two large national companies specialising in appraisals. The external appraisals were spread evenly across the year. Using this approach, the entire portfolio was appraised by external valuers in 2004.

Letting

Increased attention was given in 2004 to the further professionalisation of letting.

First-time letting

A first-time letting department has been set up within the central property-management department, responsible for preparing letting of the projects under construction. The team works in Amsterdam on marketing and letting new residential properties. The staff co-ordinate activities between Vesteda Project BV and the *Woongaleries*, monitor plans and report progress. The first-time letting team is, therefore, involved in all new projects from breaking the soil to hand-over.

Advertising campaign

Vesteda ran an advertising campaign in daily, weekly and monthly newspapers and magazines in the period from November 2004 to February 2005, under the title 'good living'. The aim of the campaign was to raise the profile and preferences. Residential experience, location, architecture and added value are at the heart of the campaign.

Vesteda has set up an index to measure its profile at regular intervals. The first measurements will follow the advertising campaign in February 2005. The index will allow Vesteda to update its letting strategy for each complex, depending on the local market situation.

Profile index

The internet-site www.vesteda.com was renewed during the year. With some 60,000 visits per month, the site generates one-third of new tenants. In 2004, a project team worked on integrating the website with the software packages used for letting and this module will be implemented in February 2005. Prospective tenants will then simply be able to indicate their preferences from a portfolio list and register on-line. All registrations go to the letting planner used by the housing consultants. The software allows easy correspondence with prospective tenants and identifies the demand for each project.

Internet

Vesteda noted that the number of tenants with payment difficulties was rising during 2004. The Greater Amsterdam region in particular saw a substantial increase in the average number of outstanding monthly rents. Vesteda is approaching an average of 15 repossessions per month in a portfolio of over 30,000 residential properties. In this context, rising unemployment is a less hopeful starting point for 2005. Vesteda has a debtor policy of strictly adhering to payment agreements with tenants.

Debt level rises

Customer satisfaction

Vesteda uses the strategy set out in the previous section to meet housing demand, aiming for a high degree of customer satisfaction. Vesteda consults tenants on this at various levels. The trend in all elements of customer satisfaction is also measured and evaluated carefully.

Vesteda has had an ongoing survey called 'Vesteda Huurdersmonitor' since 1997. This survey, which is growing in size and structure annually, provided about 4,000 questionnaires in the year under review. The response rate, at over 40%, is high. There are three types of questionnaire. After a few weeks, every new tenant is asked in the *intake* module why they are renting, about the orientation and decision-making process and their findings as a new customer. The *stay* module asks a sample of sitting tenants about aspects such as the satisfaction about the home, surroundings and the service from the offices, and measures interest in new services. *Exit* surveys ask every leaving tenant why they are moving and for suggestions for improvement of products and services.

Ongoing survey

As the survey has been running for some years, changes over time can be analysed and so Vesteda can make reliable forecasts of how certain types of customer will rate their satisfaction in the future as part of a long-term repositioning off the portfolio in the higher rent sector. This information is crucial for structuring services, product development and determining operational objectives.

The principal results from the Vesteda Huurdersmonitor survey for 2004 were:
- The ratings for the home and surroundings were very stable throughout the year at 7.5 and 7.4 respectively. In general, new tenants, who often live in newer projects, are the most satisfied;
- Tenants are particularly happy about the size, layout and image of the home and complex. Not entirely surprisingly, tenants are least satisfied about the rent;
- The surroundings were rated well for matters such as accessibility and facilities;
- Younger and older tenants are the most satisfied. Tenants younger than 30 and older than 60 are more satisfied about their homes and surroundings than the middle group. Families with children

are the least satisfied. This can be explained because a significant proportion of this category want an owner-occupied home;
- Tenants in the top segment, defined in this survey as those with a net rent in excess of €700, are the most satisfied in general about the home and surroundings. This is unquestionably linked with the fact that they overwhelmingly live in new homes;
- Improvements were seen in the rating of almost every end-of-tenancy service in 2004. Customer friendliness and the hand-over process were rated highest. Personal contact was rated highly;
- Customer friendliness is rated well at 8.2. The rating of the hand-over method rose and is close to 7. As with the end-of-tenancy procedure, progress has been noted in complying with agreements;
- Generally, services to sitting tenants continue to be an area for attention;
- The call centre service was up to the mark in 2004 with a score of 7.3;
- The attractiveness and rapid availability of the home offered by Vesteda are the principal reasons for the decision by new tenants;
- The principal way that new tenants discover Vesteda is word of mouth from family, and friends. The Internet site is rapidly gaining popularity. Over 33% know Vesteda through the site, compared with 20% a year earlier.

Call centre

On average, tenants contact the call centre once a year. Vesteda attaches great significance to the satisfaction with dealing with these calls, precisely because of their nature: to report a request for maintenance. This is also covered by the Vesteda Huurdersmonitor. Customer-friendliness, information provision and accessibility were rated favourably. An area for improvement is response time to requests for repair work. As soon as a maintenance request is received, the call centre instructs a contractor to carry out the work and monitors progress. Contractors can be properly assessed from the management information this process provides. The contractors are paid according to customer satisfaction.

Tenants' association

Tenants in a given project are often organised in a tenants' association. Overall, Vesteda has more than 100 of these and they are regularly consulted on the letting policy. Vesteda has signed covenants with 67% of the tenants' associations governing a number of matters. On average, there is a meeting with each tenants' association three times a year. Vesteda measures the results of these consultations in an annual survey.[21] With a very high response rate in excess of 75%, the most recent survey indicated that Vesteda's rating was 6.7 overall. Customer-friendliness of employees and accessibility were rated at least 7.0, while complying with agreements and complaints handling remain areas for attention. These matters are, however, also rated by tenants individually in the ongoing survey and they give a higher rating. This is understandable, as areas for attention are specifically on the agenda of tenants' associations.

Vesteda-platform

About 80% of the tenants' associations are members of Vesteda Platform, the umbrella organisation for Vesteda's tenants. Its object is to represent all tenants' associations in Vesteda's residential properties in particular and Vesteda's individual tenants in general. Looking after tenants' interests mainly concerns exchanging information: from Vesteda to the association on subjects which affect the residential property portfolio as a whole, and from the association to Vesteda on policy and management as a whole. Regular subjects of consultation between Vesteda and the association include the maintenance policy, letting of properties, general rent policy and policy on service charges, changes and new construction. There were three meetings in 2004 and Vesteda made a presentation at the members' meeting in the spring.

MOVEMENTS IN THE PROPERTY PORTFOLIO

This section describes the movements in the portfolio during 2004. Please see page [55] for definitions of the terms used.

Total portfolio

The movements in the Total portfolio are shown in the table below.

Total portfolio

Value at year end (millions of euros)	2004	2003	2002	2001	2000
	4,106	4,084	4,067	4,056	3,997

Acquisitions portfolio and Development portfolio

Vesteda Project BV achieved its acquisition and project development targets in 2004. A total of €206 million was invested in properties meeting the quality, location and yield criteria, against a target of €200 million.

Acquisition and Project development

(investment in millions of euros, incl. VAT)	2004	2003	2002	2001	2000
Target	200	140	114		
Actual	206	153	117	95	70

A description of Vesteda Project BV and its activities in 2004 is presented in a separate annexe.

Letting portfolio

The movements in the Letting portfolio are shown in the table below.

Letting portfolio

Units at year end	2004	2003	2002	2001	2000
Single-unit residential properties	13,624	15,775	17,628	18,710	21,302
Multiple-residency properties	17,498	17,699	18,276	19,360	19,382
Total residential properties	31,122	33,474	35,904	38,070	40,684
Parking spaces	7,146	6,928	7,420	7,318	7,801
Commercial space m²	40,791	36,960	37,266	34,594	35,630

The portfolio declined by 7% in the year under review to about 31,000 units, while its value rose marginally. This was in line with the strategy of reducing the size of the portfolio while maintaining its value and moving towards a higher segment, continuing the trend of recent years. In total, 2,756 residential properties were sold and 404 added; a net reduction of 2,352. As well as about 31,000 residential properties, Vesteda owned some 41,000 m² of commercial space and over 7,000 parking spaces at the year end.

Letting portfolio, annual rents

Value (millions of euros)	2004	2003	2002	2001	2000
Gross annual rent	230	238	245	248	267
Net annual rent	173	178	190	191	206

Average value per home At the end of 2004, the average value of the residential units was about €127,000, compared with about €115,000 a year earlier.

Rent trends

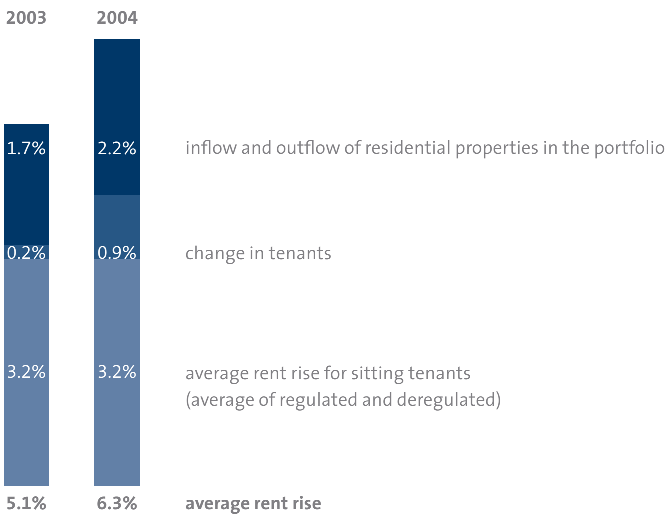
The average monthly rent per residential unit at the end of 2004 was €589, compared with €554 in 2003. This represents an increase of 6.3% which is attributable to three sources. The first is the inflow and outflow of residential properties in the portfolio, which contributed 2.2% as a result of the outflow of cheaper properties to make way for more expensive ones. The second source is the change in tenants. Residential properties are let at market rents after being vacated. These changes, in which the rent is raised marginally, contributed 0.9%. The final source is rent rises for sitting tenants which accounted for a rise of 3.2% in the average rent.

Agreement between VROM and landlords' associations

The rent rises for sitting tenants were a result of the normal annual rent rises and investment in better quality. The regular annual rent rise for Vesteda's regulated residential properties was in line with the agreement between the Minister of VROM and landlords' associations as part of the attempt to moderate rent rises. Investors, members of the IVBN, committed to an average rent rise of no more than 2.9% for regulated residential properties. Vesteda complied with this and the average rent rise for regulated residential properties remained below 2.9%.

Average rent increase

Letting portfolio, by source



Core letting portfolio

The table below shows the movements in the Core Letting portfolio.

Core Letting portfolio, units

Units, at year end

	2004	2003	2002	2001	2000
Single-unit residential properties	10,732	11,212	11,455	11,426	11,466
Multiple-residency properties	16,654	16,631	17,029	17,960	17,669
Total residential properties	27,386	27,843	28,481	29,386	29,135
Parking spaces	6,285	6,053	6,331	6,190	6,302
Commercial space m²	34,531	30,702	32,343	30,105	29,370

Core Letting portfolio, value

Value at year end (millions of euros)	2004	2003	2002	2001	2000
Single-unit residential properties *	1,454	1,428	1,383	1,295	1,272
Multiple-residency properties *	2,107	1,750	1,690	1,656	1,632
Total	3,561	3,178	3,073	2,951	2,904

* including parking spaces and commercial spaces within projects

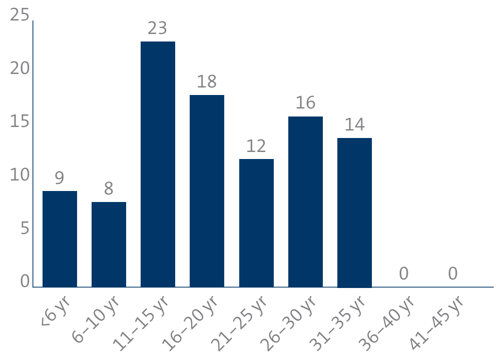
There were almost no changes in the single-unit category. Most of the additions to the Core Letting portfolio were multiple-occupancy properties. In addition, more expensive residential properties are replacing cheaper ones.

Portfolio by age and rent

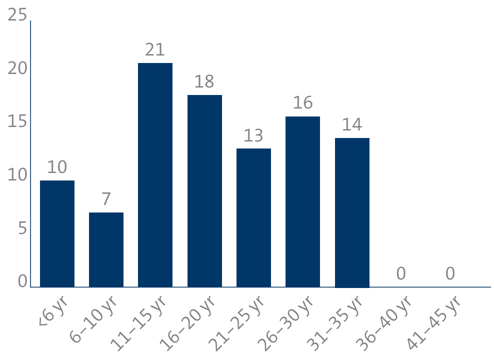
The increasing specialisation on the higher-rent sector becomes clearer when the portfolio is broken down by rent (net rental per month). At the beginning of 2004 Vesteda was letting 27%, about a quarter of its theoretical rental income, in the segment above €600 net rent per month. By the end of 2004, this share at 45% was about half.

Core Letting portfolio, by age

Percentage by value, year end 2004

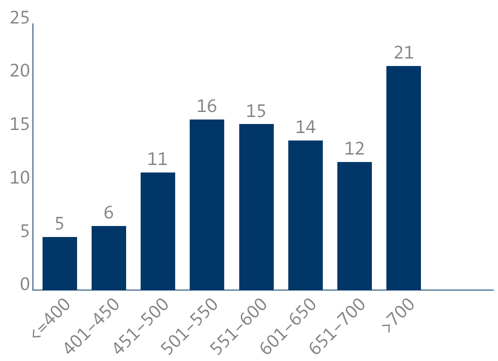


Percentage of theoretical gross rent, 2004

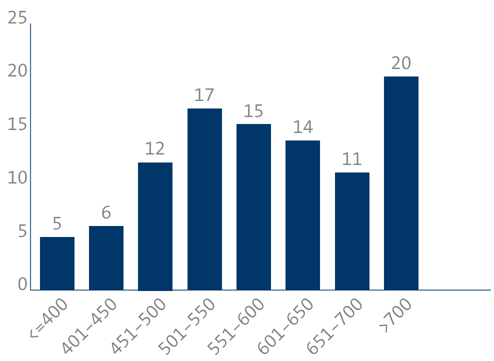


Core Letting portfolio, by net rent

Percentage by value, year end 2004



Percentage of theoretical gross rent, 2004



Occupancy

The Core Letting portfolio continued to be almost fully let during the year with an occupancy rate of 99.0%. As a result of the regular sale of a limited portion of the portfolio and additions of new projects, the occupancy rate fell marginally. New projects are not immediately let in full. As the proportion of disposals that are of sales to specialised organisations is increasing, residential properties are deliberately left vacant as they are for sale and command higher prices with vacant possession. During 2004, this again created a marginal reduction of 0.1% in the occupancy rate. This trend is expected to continue into 2005.

Core Letting portfolio, Occupancy
Calculated on the number of residential properties

percentages	2004	2003	2002	2001	2000
occupancy	99.0	99.1	99.2	99.3	99.4

Disposals

Disposals, or the sale of residential properties, are by separate sales to tenants or individual purchasers at the price for vacant possession, or through sales of complexes – disposal of all or part of a complex to a professional party. Although the highest income is from separate sales of homes, it may be decided to sell a complex for reasons of risk, management, volume or liquidity. Sales of complexes are made as specific transactions or by tender. During 2004, two tenders were carried out with the involvement of an external property agent. This promoted access to new parties to the fullest extent and best met the interest in the market. The results were highly satisfactory.

Results on sale of individual homes rises

More than in the previous year, high prices on the housing market generated good results. A book profit of €71 million was realised on the sale of 2,756 residential properties in 2004. In 2003, 2,892 residential properties were sold and the book profit was €65 million. The relative increase in the book profit can be explained in part by the proportion of individual sales, where the profit per property was on average more than twice as high compared with the sale of complete complexes.

LETTING AND MANAGEMENT EXPENSES

Letting expenses consist of maintenance costs, reletting, property management, brokers' fees and fixed costs (including taxes). These amounted to 24.9% of gross letting revenue in 2004.

Vesteda Woningen's management expenses amounted to 38 basis points of the portfolio value. This level of expenses is low given that the ratio of costs in the market range between 50 and 70 basis points.

Letting expenses of Vesteda Woningen
As a percentage of gross letting revenue

	2004	2003	2002	2001	2000
	%	%	%	%	%
Letting	24.9	25.4	23.8	22.8	22.9

Management expenses of Vesteda Woningen
In basis points of the portfolio value at the beginning of the year

	2004	2003	2002	2001	2000
	bp	bp	bp	bp	bp
Management*	38	36	32	33	31

* See page 55 for definition

FINANCING

At the end of 2004, Vesteda raised € 1.3 billion from a bond issue on the capital market, which represented about 32% of its invested capital. The securities were issued through a specifically-incorporated company Vesteda Residential Funding I BV. The interest on the bonds is based on the 3-month Euribor rate plus a mark-up which comes to less than 30 basis points. A rate cap has been agreed on the entire financing to limit the risks from sharp interest rate changes. The rate it sets as a ceiling ensures that Vesteda will not pay higher interest rate charges even if the Euribor rate rises.

Successful refinancing

A partial refinancing of € 400 million was arranged in April 2004. This refinancing was based on a new three-year loan. The financing also received a triple-A rating from credit agencies Moody's, Standard and Poor's and Fitch Ratings. The Class A4 bonds received considerable international attention and so a very favourable spread, a mark-up of only 18 basis points, was possible. The bonds have a denomination of € 500,000 each and are consequently aimed at professional investors. The bonds are listed on Euronext Amsterdam.

Permanent leverage percentage

The class A1 loan was repaid in full on 20 January 2005. This loan, which is linked to sales from the Disposals portfolio, was repaid within the intended term, entirely as planned. Despite the sales, the value of the property portfolio has been maintained at virtually the same level, as a result of increases in value and new complexes being let. With the limited risks associated with financing with loan capital, Vesteda is aiming for a permanent financing level of between 30% and 35%.

Bonds

Amounts in millions of euros.

	start year	original value €	matures year	value at y/e 2004 €	value at y/e 2003 €	value at y/e 2002 €
A1	2002	300	2005	-	137	263
A2	2002	300	2007	300	300	300
A3	2002	600	2009	600	600	600
A4	2004	400	2007	400	-	-
Revolving Credit*	2002	200	2004	-	200	50
Total				1,300	1,237	1,213
Property portfolio (Vesteda Woningen)				4,013	3,918	3,960
Leverage				32%	32%	31%

* The Revolving Credit facility lapsed during 2004 as a result of the refinancing of 29 April 2004

Low interest rates

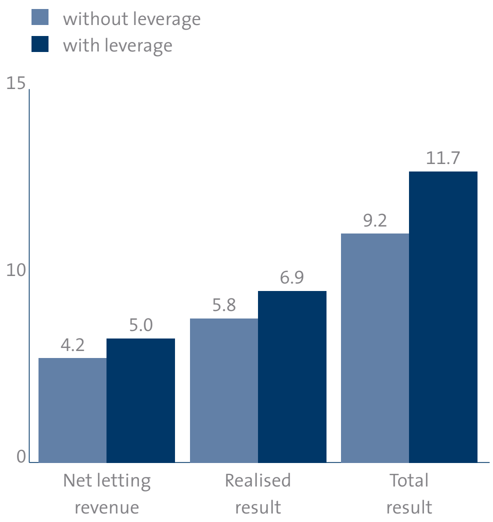
Vesteda enjoys significant benefits from financing at the current low Euribor rate, which was 2.16% at year end 2004. The generous margin between the realised result and the interest payable makes it entirely responsible to at least maintain external financing of this magnitude.

Entirely within the range

The ratios which have to be met for the triple-A rating have been more than met since the introduction of the bonds in July 2002. Each quarter, this is indirect confirmation to bond-holders and shareholders that the risk in this financing is minimal and limited to the refinancing risk. The diagram below shows the effect of leverage on yield. Not only in 2004, but also in the previous year, financing contributed 2.5 percentage points to the net result, raising the yield by more than 25%.

Effect of fund strategy on result

The bar charts show how the fund strategy works.



1 Net letting revenue = € 173 m
Without leverage: € 173 m/Value of portfolio at beginning of year (€ 4,084 m) = 4.2%.
With leverage: (€ 173 m - proportionate net interest (€ 173 m/(€ 173 m + other income (€ 14 m) - management expenses (€ 20 m) + profit on disposals (€ 71 m)) x net interest (€ 41 m)))/shareholders' equity (€ 2,877 m) = 5.0%

2 Realised result = net letting revenue (€ 173 m) + other income (€ 14 m) - management expenses (€ 20 m) + profit on disposals (€ 71 m) - net interest (€ 41 m) = € 197 m
Without leverage: (€ 197 m + net interest (€ 41 m))/Value of portfolio at beginning of year (€ 4,084 m) = 5.8%.
With leverage: € 197 m/shareholders' equity (€ 2,877m) = 6.9%

3 Total result = realised result (€ 197 m) + capital gain (€ 138 m) = € 335 m
Without leverage: (€ 335 m + net interest (€ 41 m))/Value of portfolio at beginning of year (€ 4,084 m) = 9.2%.
With leverage: € 335 m/shareholders' equity (€ 2,877 m) = 11.7%

RESULTS

The total result comprises the realised result (net rental income and realised book profits on disposals) and the unrealised result (revaluations).

The realised result for the year was €197 million, or 6.9% of shareholders' equity. Despite the 9% reduction in the number of residential properties, the realised result rose marginally in absolute terms compared with 2003. The unrealised result was €138 million, or 4.8% of shareholders' equity. The unrealised result also rose marginally in absolute terms compared with 2003. In relative terms, both the realised and unrealised yields were the same as in 2003: Vesteda, therefore, again realised a total result of 11.7%.

Its seventh year of existence was, therefore, the seventh occasion when Vesteda achieved a return on shareholders' equity and the ROZ/IPD benchmark yield of over 10%.

Portfolio result

In millions of euros	2004	2003	2002	2001	2000
Realised result	197	196	201	199	297
Unrealised result	138	137	136	149	441
Total result	335	333	337	348	738

Portfolio result

Percentage of opening shareholders' equity	2004	2003	2002	2001	2000
Realised result	6.9	6.9	7.1	7.1	7.7
Unrealised result	4.8	4.8	4.8	5.3	11.5
Total result	11.7	11.7	11.9	12.4	19.2

Forecasts met

Virtually all of the forecasts were met during the year. Disposals remained below forecast in unit terms, but proceeds from disposals more than met expectations. Partly as a result of deferred sales, the occupancy rate of the Total portfolio fell marginally below forecast. All yield targets were met.

Result: forecast against actual

in respect of	indicator	forecast 2004	actual 2004
realised result		stable, between 6.5% to 7%	stable, 6.9%
	rent increases	above 3%	3.2%
	occupancy rate:		
	total portfolio	high level, stable above 98%	97.4%
	core letting portfolio	high level, stable around 99%	99.0%
	gross revenue per property	limited increase	increase of 5.2%
	letting expenses	at or below 25%	24.9%
	property management expenses	stable below 40 basis points	38 basis points
	net revenue per property	limited increase	increase of 5.7%
	disposals	approximately 3,000 properties	2,756 properties
unrealised result		slightly above inflation	well above inflation, 4.8%
total result		above 10%	11.7%
inflow of properties			
	acquisition volume on cash basis incl. VAT	at least €200 million	€206 million
	hand-overs	–	404 properties

Benchmark

The benchmark used by Vesteda, the ROZ/IPD All Residentials which indicates the market average for results achieved on residential property investments, has been beaten consistently in recent years. The benchmark for the year under review is not yet known but given market conditions and the half-year results, Vesteda expects that this norm will be beaten again in 2004.

Benchmark yield

ROZ/IPD, All Residentials	2004	2003	2002	2001	2000
ROZ/IPD-benchmark	-*	8.3	9.1	13.1	19.3
Vesteda Group**	10.5***	10.5	10.4	15.0	20.8

* not available at the date of publication
** as computed by the ROZ/IPD methodology
*** not yet validated by ROZ/IPD

DISTRIBUTION TO INVESTORS

Under the participation agreement, articles of association and fund rules, there has to be an annual distribution to investors. This meets the distribution requirements for a fiscal investment institution. At € 12.40 per share/unit for 2004, this was 10.8% of the net asset value per share/unit at the beginning of the year.

Distributions and net asset value*

amounts per share/unit	2004	2003	2002	2001
Distribution to investors	12.40	12.60**	12.80	12.24
Net asset value at beginning of year	115.08	114.43	113.77	112.09
Distribution to investors	10.8%	11.0%	11.3%	10.9%

* With effect from 2001. There was a restructuring at the end of 2001 with retroactive effect to the beginning of 2001.
** Figure is not as previously published as a result of settlement of the final distribution paid in April 2004.

Investors in Vesteda Group

At the end of 2004, the following investors held shares/units in Vesteda:

- Bedrijfstakpensioenfonds voor de Media PNO
- Delta Lloyd Levensverzekeringen
- Delta Lloyd Munthof
- Delta Lloyd Vastgoed
- ING Real Estate
- Pensioenfonds voor de Grafische Bedrijven
- PGGM
- Stichting Pensioenfonds ABP
- Stichting TKP Pensioen Real Estate Fonds

CHANGES IN BOARD MEMBERSHIP

Death of supervisory director John Simons

Mr John Simons, who had been a member of the Supervisory Board of Vesteda Group and its predecessors since the incorporation of Vesteda in 1998, died on 2 August 2004. In him, Vesteda lost a supervisory director whose valuable contribution and supervision will be badly missed.

Onno Breur joins the Managing Board

The Managing Board returned to its original numerical strength with the appointment of Onno Breur on 1 July 2004. A vacancy arose when Henk Hilverink, the chairman of the Managing Board, stood down for health reasons at the end of 2003. As a part of the Managing Board team that also consists of its chairman, Huub Smeets, and Frits van der Togt, Onno Breur has taken on duties covering asset management, disposals, product development, customer relations and facilities. He will also handle Vesteda's foreign orientation. Onno Breur was 53 years old on appointment and had been a director of Achmea Vastgoed. He is an experienced property investor and worked in the past at ING Real Estate. Before that he worked for 10 years in the United States for the then Zadelhoff Makelaars and Pensioenfonds PGGM.

Farewell to former chairman of the Managing Board Henk Hilverink

A gathering was organised for staff and business relations in October 2004 to say farewell to former chairman of the Managing Board, Henk Hilverink. The meeting for business contacts was in the form of a seminar focusing on the role of residential investment.

Chairman of the Managing Board Huub Smeets joins the VROM council

On 1 January 2005, the Chairman of the Managing Board, Huub Smeets, was appointed to the VROM council which is the main independent consultative body for the Minister of VROM. The council advises the government and parliament on strategic medium and long-term decisions. Its recommendations address the main points of the minister's policy concentrating on the sustainability of the environment.

STAFF AND ORGANISATION

Vesteda Group's workforce has grown significantly in recent years. Whereas Vesteda had a total of 116 FTES[22] at the beginning of 2002, this figure had more than doubled two years later. The increase in employee numbers in the years before 2004 came from bringing property management in-house and the incorporation and expansion of Vesteda Project BV.

Consolidation and professionalisation

A feature of 2004 was organisational consolidation and further professionalisation, with Vesteda group building on its chosen organisational structure. The First-time letting department was a new addition; its employees have specific expertise in letting residential properties in the higher-rental segment. At the end of 2003, the group employed 289 people (267 FTE), by the end of 2004 this figure had risen to 313 (286 FTE). The increase was mainly in property management and the head office.

Vesteda Group staff numbers

FTE	2003 y/e	net movement in the year	2004 y/e
Total Vesteda Group*	267	19	286

* excluding the consolidated company IRS Holding BV

Personnel of Vesteda Group

Year end 2004	FTE	number of staff
Head office	95	102
Property management	169	189
Vesteda Groep BV	264	291
Vesteda Project BV*	22	22
Total Vesteda Group*	286	313

* excluding the consolidated company IRS Holding BV

Popular employer in the labour market

The number of vacancies at Vesteda fell compared with the previous year. Almost 1,800 applicants registered with Vesteda via Vacature-web, the interactive application module. Responses from various market players in staff recruitment, such as head-hunters and recruitment agencies, showed that Vesteda is a popular employer with both more experienced candidates and 'young potentials'.

Policy

The staff and organisation policy was further shaped by the new remuneration policy where an employee's remuneration is based on proven performance. Greater attention was also given to proper and prompt appraisal interviews in which the employee and manager regularly evaluate and assess performance, career and well-being. Employee surveys were held in the Vesteda *Woon-galeries* in Amsterdam, The Hague and Maastricht which gave the organisation information on employees' well-being. Supporting interventions were made where issues are highlighted in co-operation or processes.

Training

As well as a number of professional training courses aimed at increasing the know-how and skills of specific groups of employees, several staff were given the opportunity of following courses with a view to boosting their careers. By the end of 2004, the outlines were clear for the development programmes which employees in the property management department were able to follow to put them in a position to improve their commercial skills further.

Low absenteeism

Absenteeism through sickness was 4.8% during the year, compared with 4.2% in 2003. Absenteeism increased as a result of a few people suffering long-term illnesses, but is still low.

Collective bargaining agreement

Negotiations opened with the trade unions in the autumn on a new Vesteda agreement. As the autumn negotiations between the government, employers' and employees' bodies resulted in a hard-won compromise, the trade union was reluctant to conclude an agreement in areas where the national agreement was open to interpretation. Negotiations have since restarted in 2005.

Works Council

As in previous years, discussions with the Works Council were constructive. The entire business policy was a matter of discussion. New terms and conditions were set and existing regulations revised. A new Works Council was elected in the final quarter of 2004 and its membership was increased from seven to ten, once again properly reflecting the localised Vesteda organisation. The report of the Works Council is on page 52.

OUTLOOK

Last year, the Netherlands had the lowest economic growth in Europe and growth will be 1% below the European average in 2005. Growth is being depressed by stringent government spending cuts and low consumer confidence, which means that domestic expenditure is low. Consumer expenditure will develop modestly in 2005. Household purchasing power is falling as a result of low real wage increases and a higher tax burden. Private consumption is even expected to decline by 0.25% in 2005. Forecast growth in consumption is, therefore, higher than growth in real disposable income, which is forecast to be -1.25% in 2005. This means that consumers will save less in 2005, partly because of the loss of purchasing power.

Housing market

The Dutch housing market continues to be tight. New construction is still below demand. During 2004, hand-overs were slightly higher than in the previous year. The question is whether this trend can be continued to the desired level of 70,000 units in 2005. It is expected that the owner-occupied market will ease slightly, but low-interest rates, short supply, modest positive economic trends and reasonable consumer confidence will continue to support prices in 2005. Price rises roughly in line with inflation appear to be a realistic expectation.

Demand for rental homes

Demand for rental homes is sufficient in the long term. Fundamental factors such as household and income trends and an ageing population ensure demand for quality. This applies in principle to all categories and price ranges. Letting in the higher rent segments will, however, face a slight negative influence from economic developments and the cooling down at the higher end of the owner-occupied market. Inflow from the mid-rent sector means that the proposed new letting policy may contribute to increasing demand in the next few years.

Investment in residential properties

There will continue to be strong demand in 2005 for residential properties as an investment product. A very large amount of private money is available, partly for tax reasons, and there are few if any alternative investment categories, such as equities or fixed-income securities, and they have a much higher risk profile.

Developments at Vesteda Group

After the huge growth at Vesteda in recent years, a feature of 2005 will once again be organisational consolidation and additional professionalism. The first-time letting department set up during 2004 will be extended and become central to the organisation, taking on co-ordination of new letting projects.

Project development

Vesteda Project BV's project development activities will grow further and its investment will amount to at least €230 million. (incl. VAT). Vesteda Project BV's organisation will grow accordingly.

Property-management

The *Woongaleries*, supported by a strong brand policy, will implement the ambition to provide top quality in every segment. The strong increase in the number of initial hand-overs will mean the traditional management function is transformed into a still more customer-focused and commercially driven approach.

Shareholders/unit-holders

Exploratory discussions are being held with various professional investors on participating in Vesteda, including opportunities for contributing property as equity.

Forecasts

The stable trend in yields in recent years will be continued.

Rent rises

Rents for the Total portfolio are expected to rise by between 2.5% and 3.0% but this depends in part on government measures on the regulated section of the residential portfolio.

Occupancy

The occupancy rate in the Core Letting portfolio will remain at a high level of just below 99%. Given current economic conditions and the limited dynamism in the housing market, first-time lettings will take longer.

Letting expenses

Letting expenses will remain at or below 26% of letting income.

Disposals

The proposed sale of 2,500 residential properties will generate sufficient funds to meet the needs of new construction and distributions committed to shareholders.

Capital gains

The value trend is expected to remain positive, assuming a persisting low or slightly rising mortgage interest rate.

In summary, it is expected that the total result will be above 10%, with a realised result of at least 6.5%.

Finally

Vesteda is pleased by the results achieved in 2004, which in absolute terms are slightly higher than in the previous year, and thanks its investors for their confidence in the business. The ongoing trend of above average yields during the year, based in part on customer satisfaction, confirm the effectiveness of Vesteda's strategy. We conclude by thanking our employees for their efforts and involvement and our tenants for choosing to be customers of Vesteda.

Maastricht, 4 February 2005,
Managing Board
H.C.F. Smeets, *chairman*
O. Breur
F.H. van der Togt

Outlook for Vesteda for 2005

in respect of:	indicator:	forecast:
realised result		stable, at least 6.5%
	rent increases	between 2.5% and 3.0%
	occupancy rate:	
	total portfolio	about 97.5%
	core letting portfolio	about 98.7%
	gross revenue per property	limited increase
	letting expenses	about 26%
	property management expenses	below 40 basis points
	net revenue per property	limited increase
	disposals	approximately 2,500 properties
unrealised result		above inflation
total result		over 10%
inflow of properties		
	acquisition volume on cash basis incl. VAT	at least €230 million
	hand-overs	about 650 residential properties

Works Council

The Works Council acted for both Vesteda Groep BV and Vesteda Project BV during the year under review. As the Council was dealing with the same management for both companies, represented by Huub Smeets, meetings, with their own, company-specific agendas, could be held by the same people.

The operation of the Works Council was affected by the elections as all seven of its members stood down on the 11 October 2004 having completed their three-year term of office. On its own account, the Council set up a committee to organise elections on the same date. Employees were able to vote digitally for the first time and this required a change to the regulations by the current Council. The revision was required because the Council had to be increased from seven to at least nine members. After the elections, following consultation with the Managing Board, the Council became ten members. The increase is justified by the larger workforce at Vesteda (from about 150 in 2001 to 286 in 2004) and ensures a good distribution of Council members among the various offices.

Both the candidacies and the elections have shown that Vesteda employees attach importance to the continuity of the Council. All retiring members stood as candidates and were re-elected. The three new members all come from a *Woongalerie*, and this has created a balanced composition of the consultative body.

The Works Council considered a range of personnel matters but concentrated on subjects affecting the company as a whole. The Works Council shares the objective of a ‘properly operating business in all its objectives’.

As in other years, the Works Council was able to communicate with the director in an open atmosphere. Consequently, the Works Council was able to operate in a positive and constructive way and raise many matters affecting Vesteda’s policy and strategy. The effects of the sales of residential properties on the continuity of Vesteda were discussed as staff are concerned by the decline in the number of residential properties. Against this, there is the increase of new residential properties which will reach the desired level of 1,500 in 2007. Employment experience in three *Woongaleries* was also considered further to a survey held there.

The Council was able to follow progress on the discussions on achieving a proper asset mix. An interim report on this was presented in a consultative meeting; the final version was completed at the end of the calendar year.

Working conditions in the back office and call centre required attention on several occasions, not only in connection with the air-conditioning in the building (Il Fiore) but also the new job descriptions and evaluations. Health and safety reports on risk assessment and evaluation were also on the agenda of the consultative meetings. Other items of a general and organisational nature were discussed with the managing board: the strategy on IRS, the personnel policy, the sickness figures, a proposal for raising loan capital and the approach to first-time letting.

As usual, the Council contributed to the 2003 annual reports and 2004 budgets of Vesteda Groep BV and Vesteda Project BV.

Personnel matters discussed included collective accident insurance, child care, expense reimbursement, accessibility facilities, regulations on display screen spectacles, the smoking policy, setting general holidays and commuting allowances. In a number of cases, the Council was very enthusiastic about the rapid action by the Managing Board (for example, on the child care regulations); in other cases (for example, the expense reimbursement regulations), the Council followed progress critically.

The Council issued recommendations on target remuneration (on Key Performance Indicators), on a change to the lease plan and on job appraisals in the back-office and call centre.

One member of the Council participated in a symposium on Works Councils and the Tabaksblat report. Further to this, there was extensive discussion during a Council meeting on the recommendations in the Corporate Governance Code. The Council was pleased to note that the Managing Board was following the recommendations despite Vesteda not being a listed company.

In 2004, the Managing Board and unions started negotiations on the collective bargaining agreement for 2005.

In 2004, the Council held seven meetings with the managing board, one with the chairman of the Supervisory Board and eight meetings of its own. The Council used the internal network to send all staff five reports on its consultations with the Managing Board. The comprehensive Works Council annual report for 2003 was published in full on the internal network.

Annexe 1: Vesteda's history

Vesteda was created as a result of the reorganisation of ABP's property portfolio. For several years, Stichting Pensioenfonds ABP, ABP's pension fund, 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. The years before 2004 are summarised below.

1998 Vesteda was created as a result of the reorganisation of ABP's property portfolio in 1998.

1999 Vesteda refocused its strategy in 1999. The decision to specialise in the higher-rent segment marked the start of the changes in product development and organisation.

2000 In 2000, customer information in combination 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 shareholder, ABP, shaped the strategy which led to the reduction of ABP's full interest into a participating interest. It was ultimately decided to place non-listed shares with institutional investors.

2001 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 were also legal and fiscal restructurings 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.

2002 ING Real Estate acquired an interest of 25% during 2002. 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 bonds of three to seven years. Vesteda raised €1.4 billion on the capital market. Vesteda was granted triple-A rating by the three main credit rating agencies.

2003 Delta Lloyd acquired an interest of about 2% from ABP in 2003. Vesteda Group 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. In 2003, about 100 people joined the company and so the workforce increased significantly. At the end of 2003, over 90% of Vesteda's portfolio was served by in-house property management.

Annexe 2: Definitions

Acquisitions portfolio Projects based on joint-venture agreements or other contracts for area developments or other forms of alliances or acquisitions where Vesteda is or will be preparing an investment decision.

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.

Book profit the difference between sales proceeds and the book value at the start of the year.

Core areas Housing market areas on which Vesteda has chosen to focus. These comprise various towns and cities in the north of the Netherlands, the Randstad conurbation and the whole of the central and southern regions, with the exception of Zeeland.

Core portfolio The Core Letting portfolio and the development portfolio.

Core Letting portfolio All properties owned by entities belonging to Vesteda which were fully available for letting before 1 January and where no decision to transfer them to the Disposals portfolio has been taken.

Development portfolio All properties in which Vesteda has decided to invest, but which are not fully available for letting.

Disposals portfolio All properties owned by entities belonging to Vesteda which are not included in the Core portfolio and for which Vesteda decided before 1 January 2001 to seek a buyer by 2006.

HBV Tenants' association

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

Memorandum of information The memorandum of information dated 6 November 2001, intended to provide information on Vesteda in the context of professional investors' possible participation in Vesteda.

More expensive/higher-rent segment/sector Residential property market for rental properties with a net monthly rent of over €550, excluding service charges. This limit may differ from source to source: the Housing Demand Survey uses €478.

Participation Agreement Decisions are taken on the basis of an agreement (the Participation Agreement) between shareholders and unit-holders. The Participation Agreement can be compared to the articles of association of a legal entity.

Property management Commercial, administrative and technical management of properties.

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, and it also involves the group's own area and project development activities, which are designed to ensure the required portfolio growth.

Total portfolio The Acquisitions portfolio, the Core portfolio and the Disposals portfolio.

Vesteda Group See the legal structure on page 11.

Vesteda Groep BV See the legal structure on page 11.

Vesteda Project BV See the legal structure on page 11.

Vesteda Woningen See the legal structure on page 11.

Vesteda Woningen Management expenses Expenses which are incurred by the management organisation for the management of Vesteda Woningen. As a result of the change in presentation in 2004, the management expenses of Vesteda Woningen have to be netted off against the net result of Vesteda Groep BV.

Notes

1 See page 45 for a list of shareholders/unit-holders
2 See page 42 for more information on the bond loan
3 *Aanbeveling voor de jaarverslaggeving*, IVBN, January 2005
4 *Vier vergezichten op Nederland – Productie, arbeid en sectorstructuur in vier scenario's tot 2040*, Netherlands Bureau for Economic Policy Analysis, 26 November 2004
5 Eurostat
6 PRIMOS forecast VROM, OTB Delft
7 EU 15
8 Statistics Netherlands, *Werkloosheid loopt op*, 20 January 2005
9 Yield on 10-year government loans, DNB
10 *Sociaal en Cultureel rapport 2004*, Netherlands Bureau for Economic Policy Analysis, October 2004
11 VROM
12 WBO: Trading-up has never been so low. 2002: 254,000 households compared with 1998: 335,000 households. Trading-up from rental to owner-occupied is back at the level of the early 1990s: 2002: 63,000 households compared with 1998: 98,000 households
13 Derived from *Nieuwbouw huurwoningen in vrije sector moet omhoog*, IVBN, October 2004
14 NVM, 13 January 2005
15 Rabobank
16 NVM and Rabobank
17 Troostwijk
18 *Beleggen in woningen, een Europees perspectief* Hilverink and Eichholtz, 1998
19 Figures for the period 1900-2001, with 30-year correlations and average risk and yields being used as input for the portfolio computations.
20 Deutsche Bank, survey of European residential property investment funds, October 2003
21 Annual survey in the period November-January of the previous calendar year. Most recent survey was February 2004 covering the calendar year 2003
22 FTE: Full Time Equivalent, number of employees weighted by full-time jobs.

Vesteda Group **2004 Financial statements**

Introduction

The 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 and Dutch Residential Fund III BV. Dutch Residential Fund IV BV has embodied the beneficial ownership of the property portfolio in units in Vesteda Woningen, a common fund. Vesteda Woningen is a closed-end common fund, pursuant to the Corporation Tax Act 1969.

A common fund is not a legal entity but a vehicle in which property is brought together for collective investment in order for the unit-holders to share in the proceeds. A common fund has one or more custodians and a manager. The custodians have title to manage the property of Vesteda Woningen on behalf of the unit-holders.

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 on behalf of the unit-holders. The unit-holders have the beneficial entitlement to these assets.

Participation in Vesteda Woningen may be either direct (units) or through Holding Dutch Residential Fund BV, but participation also involves an obligation to invest to an equal percentage in Vesteda Groep BV (management) and Vesteda Project BV. Vesteda Groep BV has the mandate to enter into rights and obligations with respect to the properties.

The rights and obligations of the holders of units in Vesteda Woningen are set out in the Participation Agreement. Vesteda Groep BV has been appointed as manager of the fund.

Please see the 2004 Annual Report of Vesteda Group for a diagram of the structure as at 31 December 2004.

Participation Agreement

A participation agreement has been drawn up to record the arrangements and it is also binding on new unit-holders. The agreement governs 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 agreement has been entered into for an indefinite period. It may be amended with the agreement of the unit-holders 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 therefore not subject to the Investment Institutions (Supervision) Act. 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 Groep 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.

BASIS FOR COMBINING FINANCIAL INFORMATION

The combined balance sheet and profit and loss account of Vesteda Group include the financial information of the following companies (including Vesteda Woningen):

Vesteda Groep BV

- Vesteda Heerlen BV
- Vesteda Maastricht BV
- VGA Nederland BV

Holding Dutch Residential Fund BV

- Dutch Residential Fund I BV
- Dutch Residential Fund II BV
- Dutch Residential Fund III BV
- Dutch Residential Fund IV BV

Vesteda Project BV

- HOG Heerlen Onroerend Goed BV
- Gordiaan Vastgoed BV
- Integrated Residential Services Holding BV

ACCOUNTING POLICIES FOR VALUING ASSETS AND LIABILITIES

Property

Projects in the development phase are stated at cost. On completion of a project, the complex is included in the Core Letting portfolio.

The property in the Core Letting portfolio and the Disposals portfolio is included at current value. Pursuant to Guideline 213 'Investment properties', the complexes in these portfolios are stated 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 current value is that if the market value with sitting tenants is higher, the current 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. New properties are valued at the lower of cost and market value for the first two years after completion. Over a period of three years from 2002, the period of valuation at historical cost is being reduced from five years to two years. At the end of 2004, complexes which were fully available for letting before 2003, were stated at current value. The market value with sitting tenants and the appraised net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units are determined by the discounted cash flow method. At least 50% of the portfolio is appraised during the year by external valuers and the valuation of the remaining portfolio is updated by a valuer. 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

Tangible fixed assets are stated at cost less depreciation based on the expected useful economic lives of the assets concerned.

Financial fixed assets

Loans receivable are stated at face value. Where necessary there is a write-down for doubtful debts. The interest-rate caps are stated at historical cost less amortisation based on the period for which they have been concluded, in relation to the outstanding principal sums of the loans.

If controlling 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 stated at historical cost.

Stocks

Raw materials and consumables for the housing convenience systems are stated at the lower of cost and market value, allowing for obsolescence. Housing convenience systems are stated at the lower of cost and market value with a provision for obsolescence. Work in progress is stated at the cost incurred less instalments billed. 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. No interest is allocated to work in progress. Profit is taken when the project is delivered. Acquisition projects are stated at the cost incurred.

Receivables

Receivables are shown at face value less individual provisions for doubtful debts where necessary.

Provisions

Provisions are stated at face value.

Other long-term liabilities

This is the DKPH grant equalisation account. Grants received in connection with the grossing-up operation not already taken into account in the value of the investments as at 1 January 1998 are included in this equalisation account and are being released to income over a period of ten years. Grants are taken directly to the profit and loss account upon the sale of property for which grants have been received.

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 stated 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

This item includes the total rents 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.

Grants and other income

This includes releases from the DKPH grant.

Property management expenses

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

Depreciation of tangible fixed assets

Depreciation is based on cost using the straight-line method calculated on the expected economic lives of the assets concerned.

Interest income and expense

Interest income and expense are stated at face value. Interest expense includes the amortisation of the interest-rate caps.

Realised result

The realised result is the sum of the net letting income and other income less property management 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 value, at the beginning of the financial year, of the properties sold.

Unrealised result

The unrealised indirect result is made up of the total of unrealised revaluations as a consequence of external and internal appraisals.

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 tax rate of 0% will apply. 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 a specified period. The 'Vesteda Woningen' common fund is transparent for corporation tax purposes. Vesteda Groep BV, Vesteda Project BV and Vesteda Woningen form a tax group for VAT purposes and so no VAT is levied on supplies between these entities.

Combined balance sheet as at 31 December 2004

(after appropriation of result)

Amounts in millions of euros	31-12-2004	31-12-2003
ASSETS		
Fixed Assets		
Property (1)	4,013	3,919*
Tangible fixed assets (2)	6	13
Financial fixed assets (3)	95	102
	4,114	4,034
Current Assets		
Stocks (4)	98	168*
Receivables	27	29*
Cash (5)	84	57
	209	254
Total Assets	**4,323**	**4,288**
EQUITY AND LIABILITIES		
Group equity after final dividend	2,902	2,877
Final dividend	–	15
Group equity (6)	2,902	2,892
Provisions (7)	–	2
Long-term Liabilities		
Loans from credit institutions (8)	1,300	1,237
Accruals and deferred income	15	23
	1,315	1,260
Current Liabilities		
Loans from credit institutions	39	69
Tax and social security charges	29	34
Other current liabilities	13	11
Accruals and deferred income	25	20
	106	134
Total Equity and Liabilities	**4,323**	**4,288**

* These figures have been reclassified for comparison purposes.

Combined profit and loss account for 2004

Amounts in millions of euros	2004	2003
Income		
Rental income	230	238*
Less: Letting expenses	57	60
Net letting income	173	178
Grants and other income	13	14*
Total operating income	**186**	**192**
Expenses		
Property management expenses	20	18
Interest income	4	3
Interest expense	44	46
Operating result	126	131
Result on disposals	71	65
Realised result	197	196
Unrealised result	138	137
Result	**335**	**333**

* These figures have been reclassified for comparison purposes.

Combined cash flow statement for 2004

Amounts in millions of euros	2004	2003
Realised direct result	197	196
Released from provisions	2-	5-
Release of DKPH grant	8-	8-
Depreciation of tangible fixed assets	2	3
Amortisation of financial fixed assets	10	9
Movement in working capital	44	36-*
Cash flow from operating activities	243	159
Investments in property	247-	109-*
Investments/Disposals of financial fixed assets	3-	2
Movement in loans	1-	–
Disposals of participating interests	1	–
Investments/Disposals of tangible fixed assets	5	7-
Disposals of property (excluding result on sale)	291	287
Cash flow from investment activities	46	173
Movements in class A notes	263	126-
Movements in Revolving Credit	200-	150
Movements in Deutsche Bank loan	–	25-
Dividend paid to shareholders/unit-holders	325-	300-
Cash flow from financing activities	262-	301-
Total cash flow	**27**	**31**
Cash at end of year	84	57
Cash at beginning of year	57	26
	27	**31**

* These figures have been reclassified for comparison purposes.

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

MOVEMENTS IN PROPERTY INVESTMENTS (1)

Amounts in millions of euros	Development	Core letting portfolio	Disposals portfolio	Total
Value as at 1 January 2004	81	3,195	643	3,919
Additions	212	34	1	247
Disposals	–	94-	197-	291-
Internal transfers	32-	32	–	–
Subtotal	261	3,167	447	3,875
Revaluations during financial year	–	133	5	138
Value as at 31 December 2004	**261**	**3,300**	**452**	**4,013**

With effect from 2004 work in progress is included in stocks and no longer in investment properties.

TANGIBLE FIXED ASSETS (2)

No statement of movements in tangible fixed assets is given in view of the limited amounts involved.

MOVEMENTS IN FINANCIAL FIXED ASSETS (3)

Amounts in millions of euros	01-01-04	additions	disposals	31-12-04
Participating interests	2	–	1	1
Project financing	63	1	–	64
Interest-rate caps	35	2	9	28
Financing charges	2	1	1	2
	102	**4**	**11**	**95**

Vesteda has entered into four interest-rate cap agreements with a finance institution with the intention of hedging interest-rate risks. The terms of the agreements are in line with the remaining terms of the bond loans. This limits the risks of rising interest rates on external financing.
The current value of the interest-rate cap was €2.9 million at year-end 2004 (2003: €11.7 million).

MOVEMENTS IN STOCKS (4)

Amounts in millions of euros	01-01-04	increase	decrease	31-12-04
Housing convenience systems/				
raw materials	–	1	–	1
and consumables	165	103	175	93
Acquisition projects	3	1	–	4
	168	**105**	**175**	**98**

CASH (5)

The cash is at the free disposal of the company.

MOVEMENTS IN GROUP EQUITY (6)

Amounts in millions of euros	2004	2003
Group equity as at 1 January	2,877	2,861
Adjustment to share premium reserve	–	2-
Realised result	197	196
Unrealised result	138	137
Distribution to unit-holders/shareholders	310-	300-
Group equity as at 31 December	2,902	2,892
Final dividend for 2003		15-
Group equity as at 1 January 2004		**2,877**

PROVISIONS (7)

In view of its short-term nature, the remaining €1.2 million of the repositioning provision has been included in other liabilities, accruals and deferred income

MOVEMENTS IN LOANS FROM CREDIT INSTITUTIONS (8)

Amounts in millions of euros	01-01-04	additions	repayments	31-12-04
Vesteda Residential Funding I BV for				
A1 notes	137	–	137	–*
A2 notes	300	–	–	300
A3 notes	600	–	–	600
A4 notes	–	400	–	400
Revolving Credit	200	–	200	–
	1,237	**400**	**337**	**1,300**

* After deduction of repayment for the fourth quarter, included in current liabilities

In 2002, Vesteda Residential Funding I BV issued variable-interest-rate bonds consisting of:

- €300 million class A1 secured floating-rate notes;
- €300 million class A2 secured floating-rate notes;
- €600 million class A3 secured floating-rate notes.

In 2004, Vesteda Residential Funding I BV issued variable interest rate bonds consisting of €400 million class A4 secured floating-rate notes, and the Revolving Credit Facility of €200 million was repaid in full. The class A1 secured floating-rate notes were also repaid in full during 2004.

Vesteda Residential Funding I 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 I BV also has the duty of providing security in connection with the financing. All the shares in Vesteda Residential Funding I BV are owned by the Stichting Vesteda Residential Funding I. The manager of the Stichting is ATC Management BV.

The proceeds of the issue for Vesteda Residential Funding I 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 A2 Facility of €300 million with an intended remaining term of 2.55 years;
- Term A3 Facility of €600 million with an intended remaining term of 4.55 years;
- Term A4 Facility of €400 million with an intended remaining term of 2.33 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. The borrowers have made the funds available to Vesteda Woningen. Repayment of the Term A2 Notes is due quarterly and is dependant on sales from the Disposals portfolio. The Term A1 notes were repaid in full in this way at the end of 2004. The repayment due in the final quarter of the financial year is included in current liabilities. 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 A1, Term A2, Term A3 and Term A4 are 0.23%, 0.25%, 0.35% and 0.18% respectively. The Term A notes are listed on the Euronext Amsterdam stock exchange. The legal term of the loans at the time of issue was nine years. If, however, 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.

The loans carry considerable reporting and information obligations. The following consequences are incurred 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) of the unit-holders.

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.

Number of employees

On average, the group employed 301 people (2003: 265) during the year; this was an average of 276.4 FTES (2003: 245.1). These figures exclude the employees of the subsidiary Integrated Residential Services Holding BV.

Liabilities not shown in the balance sheet

The total liabilities for obligations entered into for building contracts, rental and lease instalments are some €286 million. The company has not provided security for these liabilities. The liabilities are made up as follows:

Amounts in thousends of euros	building contracts	property leases	car leases
Due:			
within 1 year	120,660	924	1,431
between 1 and 5 years	159,608	1,615	1,992
more than 5 years	–	32	–
	280,268	**2,571**	**3,423**

Proposed distribution to investors

The various companies in the Vesteda Group distributed the following amounts to shareholders and unit-holders for the financial year 2004:

(amounts in millions of euros)	total
direct result	197
distribution as a result of disposals of property	113
total distributed for the financial year 2004	**310**

In view of the distributions already made, it is not proposed to make a final distribution.

Maastricht, 4 February 2005

The Management Board of Vesteda Groep BV:
H.C.F. Smeets, *chairman*
F.H. van der Togt
O. Breur

Auditors' report

Introduction We have audited the 'Vesteda Group Financial statements' for the year 2004, as set out on pages 59 to 71 of the Annual Report of Vesteda Groep B.V., Maastricht. These 'Vesteda Group Financial statements' are the responsibility of the management of Vesteda Groep B.V.. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 'Vesteda Group Financial statements' are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 'Vesteda Group Financial statements'. An audit also includes assessing the accounting principles used and significant estimates made by the management of Vesteda Groep B.V., as well as evaluating the overall presentation of the 'Vesteda Group Financial statements'. We believe that our audit provides a reasonable basis for our opinion.

Opinion In our opinion, the 'Vesteda Group Financial statements' give a true and fair view of the financial position as at 31 December 2004 and of the result for the year then ended as required in the given circumstances in accordance with the accounting principles as set out on pages 60 to 63.

Maastricht, 4 February 2005

Ernst & Young Accountants

Vesteda Groep BV **2004 Financial statements**

Introduction

The Vesteda Group is divided into three organisationally-associated units: one responsible for ownership, one for property management and one for property development. Management and control are exercised by Vesteda Groep BV.

Accounting policies

BASIS OF CONSOLIDATION

Vesteda Groep BV is the head of a group of companies. The consolidated statements include the financial information of the following companies:

	Established in	Interest
Vesteda Groep BV	Maastricht	–
Vesteda Heerlen BV	Heerlen	100%
Vesteda Maastricht BV	Maastricht	100%
VGA Nederland BV	Maastricht	100%

Consolidation has been performed by the integral method, under which assets and liabilities are included in full in the consolidated balance sheet. Income and expenditure are also accounted for in full.

As permitted by Section 402 of Book 2 of the Netherlands Civil Code, the company financial statements include a profit and loss account in abridged form.

ACCOUNTING POLICIES FOR VALUING ASSETS AND LIABILITIES

General

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation based on the expected useful economic lives of the assets concerned.

Financial fixed assets

If controlling 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.

Receivables

Receivables are shown at face value less individual provisions for doubtful debts where necessary.

Provisions

Provisions are stated at face value.

ACCOUNTING POLICIES FOR THE DETERMINATION OF RESULTS

General

Operating expenses are stated 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.

Management fee

The management fee relates to the amounts invoiced to companies in the Vesteda Group with respect to work performed. With effect from 2004, the cost-plus arrangements at Vesteda Groep BV are being grossed up and, like the management expenses, included in full in the management fee.

Depreciation of tangible fixed assets

Depreciation is calculated using the straight-line method over the estimated useful economic lives of the assets concerned.

Share in results of participating interests

The share in the results is calculated in accordance with the accounting policies applied in these financial statements in proportion to the interest held.

Tax status

The private limited companies included in the consolidation are independently liable for corporation tax. The accounting policies for tax purposes do not differ from those for reporting purposes.

Consolidated balance sheet as at 31 December 2004

(after appropriation of result)

Amounts in thousands of euros	31-12-2004	31-12-2003
ASSETS		
Fixed Assets		
Tangible fixed assets (1)	5,518	7,932
Current assets		
Receivables	475	777*
Amounts receivable from group companies	175	893*
Cash (2)	1,630	–
	2,280	1,670
Total Assets	**7,798**	**9,602**
EQUITY AND LIABILITIES		
Group equity (3)	1,856	250
Provisions (4)	–	2,388
Current liabilities		
Loans from credit institutions	–	1,799
Creditors	103	120
Liabilities to group companies	–	19
Tax and social security charges	148	917
Other liabilities	–	12
Accruals and deferred income	5,691	4,097
	5,942	6,964
Total Equity and Liabilities	**7,798**	**9,602**

* These figures have been reclassified for comparison purposes.

Consolidated profit and loss account for 2004

Amounts in thousands of euros	2004		2003	
Total operating income		**17,375**		**15,265**
Expenses				
Subcontracted work	2,752		4,152	
Salaries	4,969		4,273	
Social security charges	392		418	
Pension charges	647		409	
Depreciation of tangible fixed assets	2,557		2,228	
Other operating expenses	3,583		2,967	
Total operating expenses		14,900		14,447
Result before tax		**2,475**		**818**
Tax		869		818
Result after tax		**1,606**		**–**

Consolidated cash flow statement for 2004

Amounts in thousands of euros	2004	2003
Realised result	1,606	–
Released from provisions	2,388-	4,315-
Depreciation	2,557	2,228
Movement in working capital	1,797	251
Cash flow from operating activities	3,572	1,836-
Investments in tangible fixed assets	143-	3,581-
Cash flow from investment activities	143-	3,581-
Total cash flow	**3,429**	**5,417-**
Cash at end of year	1,630	1,799-
Cash at beginning of year	1,799-	3,618
	3,429	**5,417-**

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is prepared using the direct method. The funds in the cash flow statement consist exclusively of cash and cash equivalents.

Notes to the consolidated statements

MOVEMENTS IN TANGIBLE FIXED ASSETS (1)

Amounts in thousands of euros	book value 1-1-2004	additions/ disposals	depreciation	book value 31-12-2004
Fixtures and fittings	4,505	685-	722	3,098
Other fixed assets	3,427	828	1,835	2,420
Total	7,932	143	2,557	5,518

CASH (2)

The cash is at the free disposal of the company.

GROUP EQUITY (3)

Amounts in thousands of euros	Issued share capital	Other reserves	Total
Group equity as at 1 January 2004	250	–	250
Result for 2004	–	1,606	1,606
Group equity as at 31 December 2004	250	1,606	1,856

Please see the notes to the company financial statements for further information on the issued share capital.

PROVISIONS (4)

In view of its short-term nature, the remaining €1.2 million of the repositioning provision has been included in other liabilities, accruals and deferred income.

TRANSACTIONS WITH RELATED PARTIES

As the members of the Managing Boards of Vesteda Groep BV, Vesteda Project BV and Holding DRF BV are the same natural persons, these companies are regarded as related parties.

In 2004 there were transactions between Vesteda Groep BV and Vesteda Project BV for management fees recharged by Vesteda Groep BV to Vesteda Project BV amounting to €1.8 million.

There were transactions between Vesteda Groep BV and Holding DRF BV (in this case, Vesteda Woningen) for management fees (including corporation tax and grossing up of corporation tax) recharged by Vesteda Groep BV to Holding DRF BV amounting to €17.4 million.

The recharges are at full absorption cost.

NUMBER OF EMPLOYEES

On average, the group employed 280 people (2003: 246) during the year; this was an average of 255.7 FTES (2003: 226.5).

LIABILITIES NOT SHOWN IN THE BALANCE SHEET

The total liabilities for obligations entered into for rental and lease instalments are some €5.5 million. The company has not provided security for these liabilities. The liabilities are made up as follows:

Amounts in thousends of euros	property rental	car leases
Due:		
within 1 year	924	1,148
between 1 and 5 years	1,615	1,741
more than 5 years	32	–
	2,571	**2,889**

Company balance sheet as at 31 December 2004

(after appropriation of result)

Amounts in thousands of euros	31-12-2004	31-12-2003
ASSETS		
Fixed Assets		
Tangible fixed assets (1)	5,518	7,932
Financial fixed assets (2)	62	65
	5,580	7,997
Current Assets		
Receivables	475	777*
Amounts receivable from group companies	175	893*
Cash	1,565	–
	2,215	1,670
Total Assets	**7,795**	**9,667**
EQUITY AND LIABILITIES		
Shareholders' equity (3)	1,856	250
Provisions	–	2,388
Current Liabilities		
Loans from credit institutions	–	1,868
Creditors	103	120
Liabilities to group companies	–	19
Tax and social security charges	148	917
Other liabilities	–	12
Accrued liabilities	5,688	4,093
	5,939	7,029
Total Equity and Liabilities	**7,795**	**9,667**

* These figures have been reclassified for comparison purposes.

Company profit and loss account for 2004

Amounts in thousands of euros	2004	2003
Company result after tax	1,609	7-
Result of participating interests after tax	3-	7
Result after tax	**1,606**	**–**

Notes to the company statements

MOVEMENTS IN TANGIBLE FIXED ASSETS (1)

Amounts in thousands of euros	book value 1-1-2004	additions/ disposals	depreciation	book value 31-12-2004
Fixtures and fittings	4,505	685-	722	3,098
Other fixed assets	3,427	828	1,835	2,420
Total	**7,932**	**143**	**2,557**	**5,518**

MOVEMENTS IN FINANCIAL FIXED ASSETS (2)

Amounts in thousands of euros	book value 1-1-2004	increase	decrease	book value 31-12-2004
Participating interests	65	–	3-	62
Total	**65**	**–**	**3-**	**62**

SHAREHOLDERS' EQUITY (3)

The company's authorised share capital is €1,250,000 divided into 125,000,000 shares of €0.01 nominal value each. The issued and paid up capital was €250,000.

Amounts in thousands of euros	Issued share capital	Other reserves	Total
Group equity as at 1 January 2004	250	–	250
Result for 2004	–	1,606	1,606
Group equity as at 31 December 2004	**250**	**1,606**	**1,856**

NUMBER OF EMPLOYEES

On average, the group employed 280 people (2003: 246) during the year; this was an average of 255.7 FTES (2003: 226.5).

directors' remuneration

During 2004, Vesteda Groep BV had a Managing Board of three members and a Supervisory Board of five members. The basic remuneration of the Managing Board was €1,050,000. There were also non-recurring items for additional pension contributions and remuneration of a former member of the Managing Board of €639,000 in total. The five supervisory directors' remuneration was €140,400 in 2004.

Maastricht, 4 February 2005

Managing Board:	Supervisory Board:
H.C.F. Smeets, *chairman*	F.H.J. Boons, *chairman*
F.H. van der Togt	P.S. van den Berg
O. Breur	W.F.T. Corpeleijn
	J.D. Doets

Vesteda Groep BV **2004 Other information**

Appropriation of profit and result

ARTICLES OF ASSOCIATION PROVISIONS GOVERNING THE APPROPRIATION OF PROFIT

Article 37 of the Articles of Association of Vesteda Groep BV reads:

37.1 No distribution of profits pursuant to the provisions of this article shall be made until financial statements showing that such distribution is permissible have been adopted.

37.2 The profit shall be at the disposal of the general meeting of shareholders.

37.3 The company may only make distributions to shareholders and to others entitled to receive a share of the profits insofar as its shareholders' equity exceeds the amount of the issued capital plus the reserves required to be held by law.

37.4 Deficits may only be offset against the statutory reserves to the extent permitted by law.

PROPOSED APPROPRIATION OF RESULT

The Managing Board proposes that the profit for the year of €1,605,838 be added to the reserves. This proposal has been incorporated in the financial statements.

Auditors' report

Introduction We have audited the financial statements of Vesteda Groep B.V., Maastricht, for the year 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Maastricht, 4 February 2005

Ernst & Young Accountants

Vesteda Woningen **2004 Financial statements**

Introduction

The 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 and Dutch Residential Fund III BV. Dutch Residential Fund IV BV has embodied the beneficial ownership of the property portfolio in units in Vesteda Woningen, a common fund. Vesteda Woningen is a closed-end common fund, pursuant to the Corporation Tax Act 1969.

A common fund is not a legal entity but a vehicle in which property is brought together for collective investment in order for the unit-holders to share in the proceeds. A common fund has one or more custodians and a manager. The custodians have title to manage the property of Vesteda Woningen on behalf of the unit-holders.

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 on behalf of the unit-holders. The unit-holders have the beneficial entitlement to these assets.

Participation in Vesteda Woningen may be either direct (units) or through Holding Dutch Residential Fund BV, but participation also involves an obligation to invest to an equal percentage in Vesteda Groep BV (management) and Vesteda Project BV. Vesteda Groep BV has the mandate to enter into rights and obligations with respect to the properties.

The rights and obligations of the holders of units in Vesteda Woningen are set out in the Participation Agreement. Vesteda Groep BV has been appointed as manager of the fund.

Accounting policies

Vesteda Woningen is not a legal entity. It is the summation of all the rights and obligations associated with the properties. The rights and obligations are shared among the unit-holders. A unit reflects the rights and obligations as applicable to a unit-holder and set out in the conditions for management and custody.

As Vesteda Woningen has similarities to a company, the financial statements below use terminology customarily used in financial statements.

ACCOUNTING POLICIES FOR VALUING ASSETS AND LIABILITIES

Property

Projects in the development phase are stated at cost. On completion of a project, the complex is included in the Core Letting portfolio.

The property in the Core Letting portfolio and the Disposals portfolio is included at current value. Pursuant to Guideline 213 'Investment properties', the complexes in these portfolios are stated 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 current value is that if the market value with sitting tenants is higher, the current 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. New properties are valued at the lower of cost and market value for the first two years after completion. Over a period of three years from 2002, the period of valuation at historical cost is being reduced from five years to two years. At the end of 2004, complexes which were fully available for letting before 2003, were stated at current value. The market value with sitting tenants and the appraised net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units are determined by the discounted cash flow method. At least 50% of the portfolio is appraised during the year by external valuers and the valuation of the remaining portfolio is updated by a valuer. 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.

Financial fixed assets

Loans receivable are stated at face value. Where necessary there is a write-down for doubtful debts. The interest-rate caps are stated at historical cost less amortisation based on the period for which they have been concluded, in relation to the outstanding principal sums of the loans.

Receivables

Receivables are shown at face value less individual provisions for doubtful debts where necessary.

Other long-term liabilities

This is the DKPH grant equalisation account. Grants received in connection with the grossing-up operation not already taken into account in the value of the investments as at 1 January 1998 are included in this equalisation account and are being released to income over a period of ten years. Grants are taken directly to the profit and loss account upon the sale of property for which grants have been received.

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 stated 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

This item includes the total rents 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.

Grants and other income

This includes releases from the DKPH grant.

Property management expenses

Any operating expenses that cannot be allocated directly to the various properties are regarded as property management expenses. Property management expenses relate mainly to expenses recharged by Vesteda Groep BV. In addition, the Participation Agreement specifies that Holding Dutch Residential Fund BV and subsidiaries attribute expenses and liabilities to Vesteda Woningen. With effect from 2004, the cost-plus arrangements at Vesteda Groep BV are being grossed up and, like the management expenses, recharged in full to Vesteda Woningen.

Interest income and expense

Interest income and expense are stated at face value. Interest expense includes the amortisation of the interest-rate caps.

Realised result

The realised result is the sum of the net letting income and other income less property management 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 value, at the beginning of the financial year, of the properties sold.

Unrealised result

The unrealised indirect result is made up of the total of unrealised revaluations as a consequence of external and internal appraisals.

Tax status

Vesteda Woningen is a closed-end common fund, meaning that it is transparent for corporation tax and capital tax purposes. For tax purposes, the assets and liabilities and income and expenses of Vesteda Woningen are attributed directly to the investors holding units in Vesteda Woningen.

Balance sheet as at 31 December 2004

(after appropriation of result)

Amounts in millions of euros	31-12-2004	31-12-2003
ASSETS		
Fixed Assets		
Property (1)	4,013	3,918
Tangible fixed assets	–	2
Financial fixed assets (2)	82	128
	4,095	4,048
Current Assets		
Receivables	26	29
Cash (3)	11	17
	37	46
Total Assets	**4,132**	**4,094**
EQUITY AND LIABILITIES		
Fund capital (4)	2,751	2,740
Long-term Liabilities		
Amounts owed to group companies (5)	1,300	1,237
Other long-term liabilities	15	23
	1,315	1,260
Current Liabilities		
Amounts owed to group companies	39	70
Tax and social security charges	3	–
Other current liabilities	8	8
Accruals and deferred income	16	16
	66	94
Total Equity and Liabilities	**4,132**	**4,094**

Profit and loss account for 2004

Amounts in millions of euros	2004	2003
Income		
Rental income	230	238*
Less: Letting expenses	57	60
Net letting income	173	178
Subsidies and other income	10	9*
Total operating income	**183**	**187**
Expenses		
Property management expenses	18	14
Interest income	6	4
Interest expense	44	47
Operating result	127	130
Result on disposals	71	65
Realised result	198	195
Unrealised result	138	137
Result	**336**	**332**

* These figures have been reclassified for comparison purposes.

Cash flow statement for 2004

Amounts in millions of euros	2004	2003
Realised result	198	195
Release of DKPH grant	8-	8-
Amortisation of financial fixed assets	10	9
Movement in working capital	25-	42-
Cash flow from operating activities	175	154
Investments in property	247-	106-
Disposals/investments in financial fixed assets	36	20-
Disposals of tangible fixed assets	2	–
Disposals of property	290	285
Cash flow from investment activities	81	159
Movements in A-notes	263	126-
Movements in Revolving Credit	200-	150
Movements in Deutsche Bank loan	–	25-
Movements in Vesteda Project BV loan	–	62-
Distributions to unit-holders	325-	300-
Cash flow from financing activities	262-	363-
Total cash flow	**6-**	**50-**
Cash at end of year	11	17
Cash at beginning of year	17	67
	6-	**50-**

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.

MOVEMENTS IN PROPERTY INVESTMENTS (1)

Amounts in millions of euros	Development	Core letting portfolio	Disposals portfolio	Total
Value as at 1 January 2004	81	3,195	642	3,918
Additions	212	34	1	247
Disposals	–	94-	196-	290-
Internal transfers	32-	32	–	–
Subtotal	261	3,167	447	3,875
Revaluations during financial year	–	133	5	138
Value as at 31 December 2004	**261**	**3,300**	**452**	**4,013**

MOVEMENTS IN FINANCIAL FIXED ASSETS (2)

Amounts in millions of euros	01-01-04	additions	repayments	31-12-04
Intrest-rate-caps	35	2	9	28
Financing charges	2	1	1	2
Loans receivable DRF I BV	31	–	13	18
Loans receivable DRF II BV	30	–	13	17
Loans receivable DRF III BV	30	–	13	17
	128	**3**	**49**	**82**

Vesteda has entered into four interest-rate cap agreements with a finance institution with the intention of hedging interest-rate risks. The terms of the agreements are in line with the remaining terms of the bond loans. This limits the risks of rising interest rates on the external financing.

The current value of the interest-rate cap was €2.9 million at year-end 2004 (2003: €11.7 million).

Interest is charged on the loans to the custodians based on 3-month Euribor. No security has been provided.

CASH (3)

The cash is at the free disposal of the company.

MOVEMENTS IN FUND CAPITAL (4)

Amounts in millions of euros	2004	2003
Fund capital as at 1 January	2,725	2,710
Adjustment to share premium reserve	–	2-
Realised result	198	195
Unrealised result	138	137
Distribution to unit-holders	310-	300-
Fund capital as at 31 December	2,751	2,740
Final dividend for 2003		15-
Fund capital as at 1 January 2004		**2,725-**

AMOUNTS OWED TO GROUP COMPANIES (5)

Amounts in millions of euros	01-01-04	additions	repayments	31-12-04
Vesteda Residential Funding I BV for:				
A1 notes	137	–	137	–*
A2 notes	300	–	–	300
A3 notes	600	–	–	600
A4 notes	–	400	–	400
Revolving Credit	200	–	200	–
	1,237	**400**	**337**	**1,300**

* Less repayment for the fourth quarter, included in current liabilities.

In 2002, Vesteda Residential Funding I BV issued variable-interest-rate bonds consisting of:
- €300 million class A1 secured floating-rate notes;
- €300 million class A2 secured floating-rate notes;
- €600 million class A3 secured floating-rate notes.

In 2004, Vesteda Residential Funding I BV issued variable interest rate bonds consisting of €400 million class A4 secured floating-rate notes, and the Revolving Credit Facility of €200 million was repaid in full. The class A1 secured floating-rate notes were also repaid in full during 2004.

Vesteda Residential Funding I 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 I BV also has the duty of providing security in connection with the financing. All the shares in Vesteda Residential Funding I BV are owned by the Stichting Vesteda Residential Funding I. The manager of the Stichting is ATC Management BV.

The proceeds of the issue for Vesteda Residential Funding I 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 A2 Facility of €300 million with an intended remaining term of 2.55 years;
- Term A3 Facility of €600 million with an intended remaining term of 4.55 years;
- Term A4 Facility of €400 million with an intended remaining term of 2.33 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. The borrowers have made the funds available to Vesteda Woningen. Repayment of the Term A2 Notes is due quarterly and is dependant on sales from the Disposals portfolio. The Term A1 notes were repaid in full in this way at the end of 2004. The repayment due in the final quarter of the financial year is included in current liabilities. 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 A1, Term A2, Term A3 and Term A4 are 0.23%, 0.25%, 0.35% and 0.18% respectively. The Term A notes are listed on the Euronext Amsterdam stock exchange. The legal term of the loans at the time of issue was nine years. If, however, 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.

The loans carry considerable reporting and information obligations. The following consequences are incurred 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) of the unit-holders.

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.

Liabilities not shown in the balance sheet

At the end of 2004 Vesteda Woningen had liabilities of some €37 million that are not shown in the balance sheet. They relate to obligations for building contracts which are largely of a short-term nature.

Unit holders

At the end of 2004 the unit-holders in Fonds Vesteda Woningen were:

- ING Vastgoed
- Delta Lloyd Vastgoed
- Dutch Residential Fund IV BV
- Holding Dutch Residential Fund BV

Proposed distribution to investors

Vesteda Woningen distributed a total of €325 million to unit-holders in 2004, including the final distribution for 2003 of €15 million.

	€	%
Net asset value as at the beginning of 2004*	108.98	100.0
Realised result	7.93	7.3
Unrealised result	5.52	5.1
Distribution to unit-holders for 2004	12.40-	-11.4
Net asset value as at the end of	**110.03**	**101.0**

* After final distribution for 2003.

In view of the distributions already made, it is not proposed to make a final distribution.

Maastricht, 4 February 2005

The manager:
Vesteda Groep BV

The custodians:
Dutch Residential Fund I BV, Dutch Residential Fund II BV and Dutch Residential Fund III BV

For the above:
H.C.F. Smeets, *chairman*
F.H. van der Togt
O. Breur

Auditors' report

Introduction We have audited the 'Vesteda Woningen Financial statements' for the year 2004, as set out on pages 93 to 103 of the Annual Report of Vesteda Groep B.V., Maastricht. These 'Vesteda Woningen Financial statements' are the responsibility of the management of Vesteda Groep B.V. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 'Vesteda Woningen Financial statements' are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 'Vesteda Woningen Financial statements'. An audit also includes assessing the accounting principles used and significant estimates made by the management of Vesteda Groep B.V., as well as evaluating the overall presentation of the 'Vesteda Woningen Financial statements'. We believe that our audit provides a reasonable basis for our opinion.

Opinion In our opinion, the 'Vesteda Woningen Financial statements' give a true and fair view of the financial position as at 31 December 2004 and of the result for the year then ended as required in the given circumstances in accordance with the accounting principles as set out on pages 94 to 96.

Maastricht, 4 February 2005

Ernst & Young Accountants

Letting portfolio

Letting portfolio

Town	Complex	First full year of letting	Total	Single occu-pancy	Multiple occu-pancy	commer-cial m²	gar/pp	Theoretical annual rent, as at Dec 2004 € thousands
Aalsmeer	Proosdij	1984	62	62				492
Abcoude	Fluitekruid	1990	54	31	23			386
Abcoude	Fluitekruid	1990	75	50	25			534
Alkmaar	Huiswaard	1977	26	26				166
Alkmaar	Louise Henriëttestraat	2001	31	31				145
Almere	Haven	1982	193		193			1,138
Almere	Boulevard	1985	450		450			2,823
Almere	Stad 2C5	1984	53	53				351
Almere	Haven	1987	66		66			447
Almere	Centrum 2A4F	1989	240		240		85	1,452
Almere	Kruidenwijk	1989	110	110				768
Almere	Bloemenbuurt 3G7	1991	59	59				434
Almere	Muziekwijk	1991	132		132			802
Almere	Muziekwijk	1993	48	48		140		402
Almere	Muziekwijk 2G6 FH	1995	115	115				868
Almere	Parkwijk 2R3G	1996	62	62				452
Almere	Filmwijk 2F	1999	132	90	42			1,093
Almere	Buiten 3L	2000	40	40				261
Almere	Gebied 2J	1999	38	38				272
Almere	Oostvaardersbuurt	2002	42	42				287
Almere	Eilandenbuurt	2004	43	43				334
Almere-Stad	Danswijk	2000	54	54				355
Alphen a/d Rijn	Bremstraat	1973	66	66			25	701
Alphen a/d Rijn	Ridderveld	1976	35	35			3	579
Alphen a/d Rijn	Bremstraat	1973	6	6				222
Amersfoort	Schuilenburg	1970	116	116			50	911
Amersfoort	Willem III	1989	36		36			257
Amersfoort	Zielhorst M	1991	42	42				299
Amersfoort	Zielhorst	1991	10	10				80
Amersfoort	Zielhorst H	1991	36		36			245
Amersfoort	Kattenbroek	1992	134	79	55			1,046
Amersfoort	Kattenbroek, Eil.	1994	101	101				932
Amersfoort	Zeven Provinciën	2005	58		58			714
Amstelveen	Groenhof	1973	220		220		31	1,394
Amstelveen	Groenelaan	1975	308		308	1009	66	1,968
Amstelveen	Middenhove 5E	1990	27	27				304
Amsterdam	Nellestein	1981	415		415	2	4	2,485
Amsterdam	Reigersbos IV	1985	153	153		48		1,164
Amsterdam	Holendrecht	1985	109	109				824
Amsterdam	Gein IV	1987	178	178		60		1,314
Amsterdam	Gein IV	1988	155	155				1,212
Amsterdam	Joh. Huizingaln	1991	167		167		128	1,428
Amsterdam	Map I F.1	1990	208	160	48			1,721
Amsterdam	Map I F.2	1991	230	182	48			1,865
Amsterdam	Julianapark	1992	226	40	186		16	2,060
Amsterdam	Jeugdland Czan	1999	53	53				467
Amsterdam	Mirandalaan	1999	90		90	4162	92	1,138
Amsterdam	Pieter Calandlaan	2005	84		84	1569		997
Amsterdam	Wolbrantskerkweg	2005	70		70			
Amsterdam	IJburg	2004	40		40		40	672
Arnhem	Vredenburg	1975	199	199			12	1,393
Arnhem	Elderveld 231	1977	121	121			33	768
Arnhem	De Laar	1983	18	18				109
Arnhem	Kroonse Wal	1989	30		30			195
Arnhem	De Laar	1983	16	16				102
Arnhem	Elisabethgasthuis	2002	8		8			99
Assen	Peelo	1987	73	73				433
Assen	Marsdijk	1991	51	51				361
Assen	Zuidhaege	1998	60		60		15	500

Town	Complex	First full year of letting	Total	Single occu-pancy	Multiple occu-pancy	commer-cial m²	gar/pp	Theoretical annual rent, as at Dec 2004 € thousands
Beek	Beatrixlaan	1984	35	35				236
Bergen	De Nessen EGW	1969	24	24			22	266
Bergen	De Nessen EGW	1969	15	15			2	160
Bergen op Zoom	Leemberg	1976	49	49				288
Bergen op Zoom	Meilust 1	1979	166	27	139		32	1,132
Bergen op Zoom	Bergse Plaat Fa 1	1992	92	92				652
Bergen op Zoom	Bergse Plaat Fa 2	1994	58	58				468
Bergen op Zoom	Bergse Plaat Fa 3	1995	130		130		54	1,087
Bergen op Zoom	Bergse Plaat Fa 5	1996	30	30				253
Bergh	Chamaven	1988	24	24				151
Beuningen	Tinnegieter	1983	23	23				151
Beuningen	Olden Tempel	1986	28	28				179
Beuningen	Aalsterveld f.1	1986	22	22				152
Beuningen	Aalsterveld f.2	1986	20	20				139
Blaricum	De Byvanck	1976	102	102				807
Born	Hondsbroek	1988	44	44				293
Breda	Lachappellestr	1962	72		72		18	430
Breda	Westerpark	2000	36		36		5	289
Breda	Westerpark	2000	64		64			309
Breda	Vredenbergh	2002				1		304
Brummen	De Enk	1975	66	66			7	447
Bunnik	Dalenoord VII	1990	46	30	16			316
Capelle a/d IJssel	IJsselzicht	1979	217		217			1,305
Capelle a/d IJssel	Louvre/Rigoletto	1984	152		152			887
Capelle a/d IJssel	Slotplein	1998	80		80			646
Cuijk/Sint Agatha	Hazeleger	1975	207	207				1,207
Culemborg	Voorkoop	1986	56	56				408
Culemborg	Dijkzicht	1991	24	24				179
De Bilt	De Leyen	1990	48		48			331
Deurne	Den Heiakker	1984	28	28				197
Deventer	Hetenstraat	1978	21		21	705		150
Deventer	Colmschate	1985	100	100				629
Diemen	Zuid I 1	1979	119	119			28	982
Diemen	Zuid I 2	1980	23		23			
Diemen	Duivendrecht O 2	1979	148	148				1,320
Diemen	Zuid Wyk 4	1987	169	169				1,295
Doetinchem	Boerhaavelaan	1974	209	209				1,322
Doetinchem	De Huet	1984	115	115				693
Dordrecht	Sterrenburg III	1982	127	127				837
Dordrecht	Sterrenburg III	1982	24	24				159
Dordrecht	Groene Oevers	1996	84		84			688
Dordrecht	Sterrenburg III	1982	16	16				107
Duiven	Eltingerhof	1976	143	143				821
Eindhoven	Rapenland	1985	174	69	105		10	1,185
Eindhoven	Woens. Waterm. I	1987	178		178	7	110	1,235
Eindhoven	Woens.Waterm. II+III	1989	220	202	18			1,703
Eindhoven	Woens.Waterm. IV	1990	134		134			939
Eindhoven	Picusterrein	2002	58	22	36			530
Eindhoven	GGD gebouw	2005	30		30		30	571
Emmen	Ermerstede	1991	40		40		45	329
Emmen	Eendenveld	1991	33	33				231
Enschede	Stroinkslanden	1983	91	91				654
Enschede	T Marquant	1990	71		71		71	494
Enschede	Carre	1991	76		76			509
Enschede	Twentec	2004	87		87	930		775
Geldrop	Grote Bos	1979	95	95				669
Geleen	Dassenkuil I	1988	32	32				315
Geleen	Dassenkuil II	1989	28	28				248
Goes	Valckeslot	1976	43	43				278

Town	Complex	First full year of letting	Total	Single occu-pancy	Multiple occu-pancy	commer-cial m²	gar/pp	Theoretical annual rent, as at Dec 2004 € thousands
Gorinchem	Stalkaarsen	1976	63	63				458
Gorinchem	Dalempoort	1979	65		65	580	12	394
Grave	Estersveld	1973	78	78			31	508
Groningen	Vinkhuizen	1970	69	69				421
Groningen	Vinkhuizen 2	1973	32	32				201
Groningen	Hoogkerk	1977	153	153			42	898
Groningen	Zuiderhavenring	1983	53		53	1	92	453
Groningen	Zuiderhavenring	1984	70		70			468
Groningen	Waterrand	1995	72		72	18	73	552
Groningen	Klein Martijn	1998	28		28			266
Groningen	Vinkhuizen	1970	70	70			37	432
Haarlemmermeer	Warande	1970	160	160			94	1,346
Heemskerk	Mozartstraat	1970	174	174			175	1,333
Heemstede	Prinseneiland	1991	38	38				290
Heerenveen	Valeriaan	1974	78	78			4	454
Heerenveen	Nye Haske	1988	69	69				447
Heerenveen	Kr.Poststraat	1996	52		52			395
Heerlen	Douve Weien 1	1979	161	161				1,133
Heerlen	Douve Weien 2	1980	103		103		35	527
Heerlen	Douve Weien 3	1979	39		39			243
Heerlen	Giesen-Bautsch	1981	90	90				910
Heerlen	Putgraaf	1983	93		93		175	706
Heerlen	Douve Weien	1984	162		162		29	983
Heerlen	Douve Weien	1983	60	60				396
Heerlen	Putgraaf	1990	66		66	75	48	578
Heerlen	Douve Weien 3	1979	17		17			96
Helmond	Ashorst	1990	39	39				277
Hengelo	Gerarduspark	1996	44		44			335
Hengelo	't Swafert	2001	417		417	1		1,766
Heumen	Maldensveld	1986	23	23				164
Hoogezand-Sappemr	Boswijk II	1985	9	9				52
Hoogezand-Sappemr	Boswijk	1987	16	16				99
Hoogezand-Sappemr	Boswijk	1988	24	24				149
Hoogezand-Sappemr	Drevenborg	1992	44		44			295
Huis ter Heide	De Horst	2005	51		51			2,222
Huizen	Huizermaat West	1977	199	199			29	1,551
Kerkrade	Straterweg	1988	61	61				405
Landgraaf	Aan de Baan	1982	48	48				320
Landgraaf	Aan de Baan	1982	14	14				83
Leek	Sintmaheerd	1984	13	13				74
Leeuwarden	Aldlan Oost	1978	160	160			11	973
Leeuwarden	Groene Hart	1987	134	134			4	811
Leeuwarden	Parkflat	1988	62		62			383
Leeuwarden	Camminghaburen	1990	46	46				335
Leiden	Merenwijk	1980	262		262		3	1,578
Leiden	Stevenshof	1992	99		99			699
Leiderdorp	De Horsten	1971	195		195		66	1,334
Leiderdorp	Vogelwijk	1973	246		246		71	1,579
Leiderdorp	Voorhof	1979	240	120	120		9	1,705
Leiderdorp	De Horsten	1971	140		140	3759		1,371
Leidschendam	't Lien	1986	127	127				1,188
Lelystad	Gebied 243	1982	226	226				1,262
Leusden	Centrum	1980	40	40			14	297
Maastricht	Via Regia	1978	115		115		56	567
Maastricht	Eyldergaard	1983	60	60				619
Maastricht	Heerderweg	1986	202		202		107	1,209
Maastricht	Nazareth	1988	44	17	27		30	347
Maastricht	Randwijck	1987	109		109		20	720
Maastricht	Ceramique	1994	182		182	180	147	1,414

Town	Complex	First full year of letting	Total	Single occu-pancy	Multiple occu-pancy	commer-cial m²	gar/pp	Theoretical annual rent, as at Dec 2004 € thousands
Maastricht	Grote Circus	2000	39		39	205		415
Maastricht	P-Gar.Gr.Circus	2000					223	174
Maastricht	Toren van Siza	2002	40		40	799		538
Maastricht	Ceramique Noordkp	2001	33		33		8	356
Maastricht	Ceramique Noordkp	2001						549
Maastricht	Cortile B18/20/21	2003	120		120			1,196
Maastricht	blok 19 (app.)	2000	30		30			831
Maastricht	blok 19 (zw + c.r.)	2000				1		
Maastricht	Stoa	2003	66		66	95	88	1,461
Maastricht	Vroendaal	2004	15	15				197
Middelburg	Reyershove	1984	2	2				11
Middelburg	Blauwe Dijk	1988	29		29	838		246
Middelburg	Maisbaai Fase I	1991	74		74		69	613
Nieuwegein	Batau Noordrand	1989	56	56				410
Nieuwerkerk IJssel	Zuidplaspolder	1980	99	99				924
Nieuw-Vennep	Getsewoud	2003	76		76			492
Nijmegen	Lankforst	1970	112	112			37	796
Nijmegen	Weezenhof 1	1973	145	145			43	1,093
Nijmegen	Kronenburgers	1992	148		148	358	7	1,315
Nijmegen	Park Heyendaal	1997	92		92			900
Oosterhout	Oosterheide 1	1970	61	61			30	428
Oosterhout	Oosterheide 2	1972	64	64			22	480
Oss	Boschpoort	1983	62		62	860	63	456
Ouder-Amstel	Duivendrecht Egw	1978	101	101			8	840
Papendrecht	Buitenwaarde	1992	68		68		27	643
Purmerend	De Gors	1978	39	39				277
Purmerend	De Purmer	1984	161	161				1,028
Renkum	Rechterenborg	1994	62		62		42	544
Rijswijk	Dr.H.Colynlaan	1959	34		34	188		185
Rijswijk	S.W.Churchillln	1970	215		215	157	19	1,797
Rijswijk	Clavecimbelln	1975	160		160		57	1,261
Rijswijk	Pr.Beatrixln	1976	438		438	2519	390	2,927
Rijswijk	Over De Boogaard	1980	122		122			681
Roermond	Hoogvonderen	1982	114	114				842
Roermond	Muggenbroek	1983	68	68				419
Roermond	Ursula	1987	290		290	6047	341	2,025
Roosendaal	Molenbeekstraat	1971	42	42			14	286
Roosendaal	Kortendijk Oost I	1982	50	50				319
Rotterdam	Ommoord 1	1971	352		352			2,158
Rotterdam	Ommoord 2	1973	352		352			2,112
Rotterdam	Brembuurt	1974	211	211			51	2,014
Rotterdam	Heydnahof	1984	161	161				1,339
Rotterdam	Linker Rottekade	1986	246		246	273	159	1,349
Rotterdam	H.Sneevlietstr	1985	52	52				348
Rotterdam	De Boompjes	1989	336		336	6922	284	3,110
Rotterdam	Cromme Meth	1988	44	44				301
Rotterdam	Groenendaal	1990	270		270	1751	206	2,185
Rotterdam	Zevenkamp	1989	49	49				388
Rotterdam	Dosiotoren	1990	92		92			572
Rotterdam	Dwl I	1991	122		122			826
Rotterdam	Ringvaartplasbrt	1991	64	64				534
Rotterdam	Oude Haven E5	1992	89		89	612	40	841
Rotterdam	DWL Toren II	1992	124		124			847
Rotterdam	Ringvaartplasb 2A	1992	42	42				368
Rotterdam	Loreleiflat	1993	69		69			528
Rotterdam	Oostmolenwerf	1995	86		86	340	68	875
Rotterdam	Poort Van Zuid	1995	128		128	210	105	963
Rotterdam	Zalmhaven	2001	160		160	481	330	2,399
Rotterdam	Zalmhaven (gem.)	2002	50		50			1,338

Town	Complex	First full year of letting	Total	Single occu-pancy	Multiple occu-pancy	commer-cial m²	gar/pp	Theoretical annual rent, as at Dec 2004 € thousands
Rotterdam	Boompjes (uitbr.)	2002				1032		85
's-Gravenhage	Piazza	1999	73		73		58	499
Schiedam	Groenoord	1972	756		756	105	78	4,665
Schiedam	Woudhoek	1985	184	184				1,466
's-Gravenhage	Uitgeeststraat	1970	81		81		27	565
's-Gravenhage	Deltaplein	1973	156		156		36	1,108
's-Gravenhage	Kraayenstein I	1976	212	24	188		175	1,394
's-Gravenhage	Kraayenstein II	1976	224	224				2,186
's-Hertogenbosch	Kruiskampsingel	1969	211		211		60	1,396
's-Hertogenbosch	Maaspoort E	1984	86		86			500
's-Hertogenbosch	Maaspoort	1988	55	55				378
's-Hertogenbosch	Noorderplas	1990	72		72			512
Sittard	Kollenbergerh. 1	1987	78		78		28	488
Sittard	Kollenbergerh. 2	1988	52		52		28	311
Sittard	Kollenbergerh. 3	1989	63	63				434
Sittard	Wilhelminastraat	1994	63		63	313	21	551
Steenwijk	Oostermeenthe	1979	94		94		20	539
Stiens	Sint Vitusplein	2000	30		30			150
Susteren	Middelveld	1984	23	23				147
Tilburg	Friezenlaan	1983	54		54		38	420
Tilburg	Koningsplein	1990	231		231	792	54	1,330
Tilburg	Schoolstraat	1990	174		174		45	1,094
Tilburg	Reeshof	1991	56	56				391
Vaals	Bloemendal	1999	52		52		12	424
Valkenburg ad Geul	Nassauflat	1983	88		88		110	519
Valkenburg ad Geul	De Valk/Spoorlaan	1995	34		34		28	247
Veendam	Sorghvliet	1978	63	63				361
Velsen	Wc Velserbroek F1	1991	128		128		44	930
Velsen	Sterbastion	2002	71		71			505
Venlo	Klingerberg	1985	82	82				574
Venlo	Klingerberg	1988	24	24				167
Venlo	Groeneveld	1990	53	53				387
Venlo	Groeneveld II	1992	97	21	76			611
Venlo	Groeneveld Fase 4	1994	52	52				413
Venlo	Centrum-Zuid E1E3	1996	32	32				254
Venlo	Centr.Zd V.E2/E4	1998	31		31		43	196
Venlo	Maaswaard A	1999	32		32		4	331
Venlo	Centrum-Zuid E40	2001	31	31				216
Venlo	Klingerberg	1985	76		76	768	25	545
Venlo	De Lunet	2004	11		11	330	11	114
Venray	Brukske	1977	29	29				196
Vleuten	Meiborg	2004	28		28		14	498
Vleuten	Weideborg	2004	32		32	150		385
Vleuten-De Meern	Secr.Versteegln	1970	236	236			14	1,962
Vlissingen	Lange Zelke	1995	17		17			116
Voorburg	Distelweide	1975	40	40			14	453
Voorburg	Populierendreef	1976	272		272		130	1,877
Voorburg	Populierenlaan	1976	160		160		82	952
Voorburg	Kersengaarde	1977	256	256				2,655
Voorburg	Rodelaan	1977	160		160		82	999
Wageningen	Roghorst	1976	80	80				587
Wassenaar	Dirk De Raetlaan	1975	126		126		9	693
Wassenaar	V.Polanenpark	1973	113	113			85	1,223
Wassenaar	Zijlwatering	1993	32	32				427
Wassenaar	V.Polanenpark	1973	132	132				1,345
Weert	Graswinkel 2	1989	28	28				182
Westervoort	Hoogeind	1987	41	41				239
Wijchen	Abersland	1988	98	98				638
Wijchen	Abersland	1989	36	36				237

Town	Complex	First full year of letting	Total	Single occupancy	Multiple occupancy	commercial m²	gar/pp	Theoretical annual rent, € thousands as at Dec 2004
Winschoten	Acacialaan	1985	23	23				128
Zoetermeer	Molenwijk	1974	260		260	806		1,518
Zoetermeer	Blankaard	1974	160		160	465		818
Zoetermeer	Meerzicht	1976	148	148			190	1,276
Zoetermeer	Buytenw. Deleyens	1980	386	347	39	125	11	3,010
Zoetermeer	Seghwaert	1979	132	72	60			962
Zoetermeer	Buytenw. Deleyens	1980	241	81	160			1,605
Zoetermeer	Frankrijklaan	1988	67	67				559
Zoetermeer	Frankrijklaan	1988	108		108		108	823
Zwolle	AA Landen	1970	210	210			122	1,579
Zwolle	Monteverdilaan	1970	122		122		56	706
Zwolle	Ittersumerlanden	1985	239	239				1,554
Zwolle	Ittersumerlanden	1988	39	39			5	259
Zwolle	Oldenelerlanden	1989	134	134				931

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