



vesteda

half-year report
2022

At home with Vesteda

Our mission is to make sure that all our stakeholders feel at home with us, especially our tenants, our investors in the fund and our employees.



At home with Vesteda



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Disclaimer

The figures in this report have not been audited. No rights can be derived from this publication.

Foreword by the Management Board

New housing regulations

The Dutch government published its affordable housing plan on 19 May 2022. The plan is in line with earlier announcements and conversations that we have had with the Ministry and aims at lower rents for lower income households in social housing, rent protection for mid-rental contracts, accelerating the sustainability of homes, the repeal of the landlord levy, and an additional increase in the transfer tax rate for investors to 10.1%, from 8%.

The Dutch government is planning to extend the WWS points system, capping the maximum rent, also for the mid-rental segment. We are actively involved in the affordability debate, together with the IVBN, addressing the impact of additional regulation on the current rental market and the slowdown of new housing construction. We believe that the main solution to solve the housing shortage is to build more homes. Institutional investors such as Vesteda have the capital to support this goal. While we are awaiting more details about the final plans and legislation, we will continue with our strategy of investing in affordable and sustainable homes.

Market

Vesteda's HMI ([Housing Market Indicator](#)) moved from 6.5 in Q4 2021, to 5.9 in Q1 2022, to 6.2 in Q2 2022, reflecting an uncertain market with mixed figures, with on the one hand positive sustainability developments, but on the other hand less positive economic drivers. Inflation is still very high and consumer confidence has further deteriorated. However, economic growth still continues, albeit at a slower rate. Price levels on the owner-occupier market seem to stabilise somewhat, driven by rising interest rates.

Operational highlights

The occupancy rate was stable in H1 2022 and stood at 98.6% as of 30 June 2022. Tenant turnover decreased to a more normalised level. In total 219 homes were added to the investment portfolio from the acquisition pipeline. We signed four turn key building contracts for in total 431 residential units and we sold 71 units. Our sustainability investments continued, increasing the share of green energy labels by 30 basis points to 92.9%. And finally, we hired a new HR Director, Renée Verhulst, who started 1 May 2022.

Financial performance

Realised result was €101 million in H1 2022, compared with €97 million in H1 2021, mainly driven by higher gross rental income which was partly offset by higher property operating expenses and higher interest expenses. The realised return as a percentage of time-weighted average equity decreased to 1.3% in H1 2022, from 1.5% in H1 2021. Continued strong market fundamentals and housing shortages also resulted in strong revaluations of the portfolio. As a result, the total return on time-weighted average equity was 8.4% in H1 2022, compared with 5.8% in H1 2021.

Outlook

We expect our operational performance to remain solid, driven by a high demand for our mid-rental homes. We expect additional regulation, which will also impact the mid-rental segment. The exact impact depends on the final plans of the Ministry, which is still under investigation and being discussed by stakeholders, including the IVBN. We expect more information later this year, after which the legislative process will start, which should lead to approval in parliament. We will continue our active dialogue with the Ministry and we will continue to highlight the role we have in responsibly investing pension savings and insurance premiums in affordable and sustainable housing. Continued high inflation rates will keep the pressure on the affordability of housing, but also on Vesteda's gross-net ratio and it will slow down construction and renovation projects.

Amsterdam, 3 August 2022

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

Vesteda at a glance

About Vesteda

Leading institutional residential investor

Vesteda is a residential investor and landlord that focuses on sustainable and affordable homes in the mid rental segment. Vesteda invests funds for institutional investors, such as pension funds and insurance companies. The portfolio consists of nearly 28,000 residential units with a total value of more than 10 billion euro. The homes are mainly located in economically strong regions and core urban areas in the Netherlands.

Key characteristics



Dutch residential rental market



Mid-rental sector



Primary regions

Fund

- Established in 1998 as a spin-off of the residential portfolio of Dutch pension fund ABP.
- Single fund manager.
- Internally managed: no management fee structures and carried interest arrangements.
- Open-ended core residential real estate fund.
- Broad institutional investor base with a long-term horizon.
- Attractive risk profile.
- Limited use of leverage (target <30%); S&P credit rating A-.
- Active investor relations policy.
- In-house property management since 2003.
- Governance in accordance with best practice guidelines, including INREV, with the emphasis on transparency and alignment of interests.
- AIFMD (Alternative Investment Fund Managers Directive) licence obtained in 2014.
- Transparent for tax purposes: fund for the joint account of participants (Dutch FGR fund structure).
- GRESB five-star rating and ranking 4th in a peer group of 10 investors in the Netherlands.

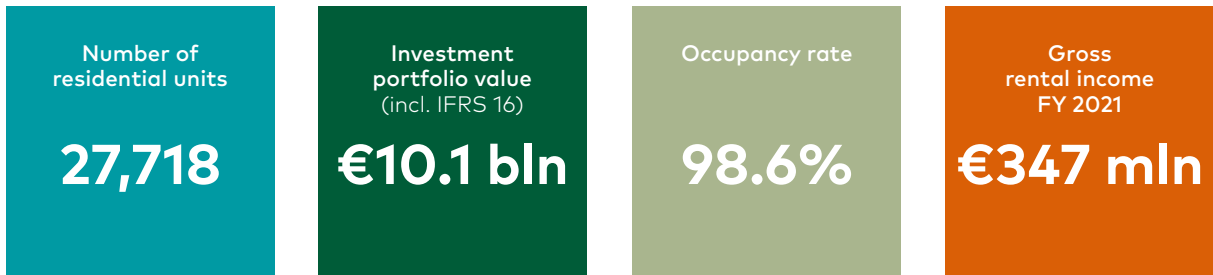
Assets

- Well-diversified portfolio consisting of nearly 500 residential complexes in economically strong regions.
- All in the Netherlands, all in residential and related properties.
- Focus on the mid-rental segment with monthly rents between €763 and €1,200.
- Vesteda offers sustainable housing and operates in a socially responsible manner.

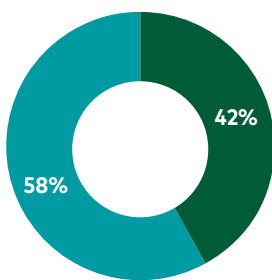
Targets

- Tenant satisfaction: Outperform the Customeyes benchmark.
- ESG performance: 99% green energy labels (A, B or C) by 2024.
- Financial performance: Outperform the three-year MSCI IPD Netherlands Residential Benchmark.

Portfolio overview (as per 30 June 2022, unless otherwise stated)

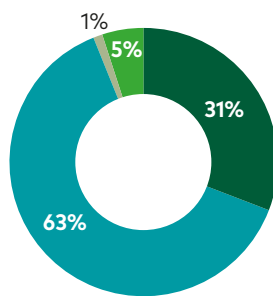


Portfolio by type of residential unit (weight in value)



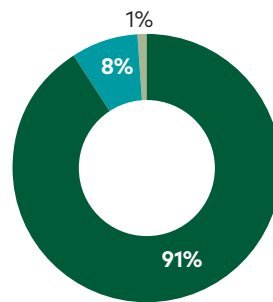
■ Single-family homes
■ Multi-family homes

Portfolio by rental segment (weight in value)



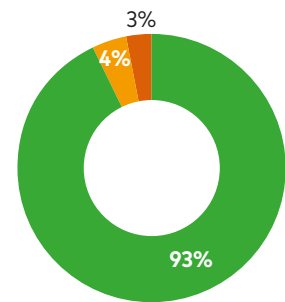
■ High
■ Mid
■ Regulated mid
■ Regulated

Portfolio by region¹ (weight in value)



■ Primary
■ Secondary
■ Other

Portfolio by energy label (weight in units)

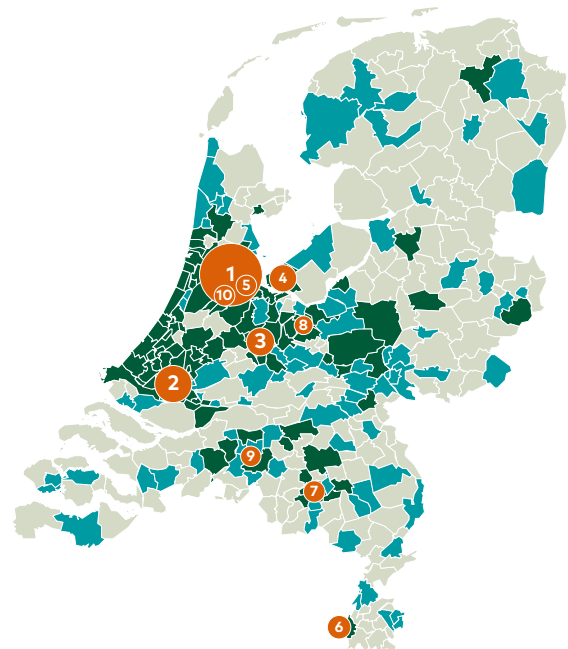


■ ABC
■ D
■ EFG

Portfolio distribution (as per 30 June 2022)

	€ million	% of total portfolio
1 Amsterdam	2,109	21%
2 Rotterdam	752	8%
3 Utrecht	445	4%
4 Almere	437	4%
5 Diemen	341	3%
6 Maastricht	314	3%
7 Eindhoven	265	3%
8 Amersfoort	250	3%
9 Tilburg	244	2%
10 Amstelveen	228	2%

■ Primary regions
■ Secondary regions
■ Other
● Top 10 region by portfolio value



1 Primary regions are areas that offer the highest market potential for the non-regulated (liberalised) rental sector. These areas are marked by high market potential and low market risks. Secondary regions score lower on a number of fronts but do have a positive economic and demographic outlook.

Notes to the result

Income statement

(€ million)	H1 2022	H1 2021	FY 2021
Theoretical rent	181	178	360
Loss of rent	(3)	(8)	(13)
Gross rental income	178	170	347
Property operating expenses	(46)	(44)	(87)
Net rental income	132	126	260
Result on property sales	5	4	16
Management expenses	(14)	(13)	(25)
Interest expenses (including amortization of financing costs)	(22)	(20)	(39)
Realised result before tax	101	97	212
Unrealised result	556	266	1,233
Result before tax	657	363	1,445
Tax	0	0	(1)
Result after tax	657	363	1,444
Other comprehensive income	2	0	1
Total comprehensive result	659	363	1,445

Gross rental income

The theoretical gross rent amounted to €181 million in H1 2022, an increase of €3 million compared to H1 2021. This increase was primarily driven by the inflow of new-build homes in the investment portfolio, indexation and an increase in contract rents for new tenants as a result of the rise in market rents.

The loss of rent was 2.0% in H1 2022, which was lower than the 4.5% in the same period of last year, primarily due to reduced vacancy in the higher rental segment. Gross rental income amounted to €178 million in H1 2022, compared with €170 million in H1 2021.

Net rental income

Property operating expenses were €46 million in H1 2022, an increase of €2 million compared with H1 2021, mainly caused by higher planned maintenance costs.

Operating costs as a percentage of gross rental income, the so-called gross/net ratio, was 26.1% in H1 2022, broadly in line with the comparable period.

Net rental income amounted to €132 million in H1 2022, an increase of €6 million compared with H1 2021.

Result on property sales

In total 71 homes were sold from the investment portfolio in H1 2022, compared with 90 homes sold in H1 2021. The result on property sales was in total €5 million in H1 2022, compared with €4 million in H1 2021, driven by higher sales prices.

Management expenses

Management expenses amounted to €14 million in H1 2022, compared with €13 million in H1 2021.

Interest expenses

Interest expenses were €22 million in H1 2022, an increase of €2 million compared with H1 2021, mainly due to a higher amount of debt capital. The average interest rate stood at 1.8% at the end of H1 2022, compared with 1.9% at the end of H1 2021.

Interest expenses and EBITDA

(€ million)	12 months prior to 30 June 2022	12 months prior to 30 June 2021	12 months prior to 31 December 2021
Interest expenses (excl. amortisation of financing costs)	39	38	37
Interest expenses (excl. amortisation of financing costs and IFRS 16)	34	34	32
EBITDA incl. result on property sales	259	236	253
EBITDA excl. result on property sales	242	227	237
Interest coverage ratio (ICR)	7.0	6.7	7.0

Realised result

Vesteda recorded a realised result of €101 million in H1 2022, an increase of €4 million compared with H1 2021.

Unrealised result

House prices continued to rise in H1 2022 throughout the Netherlands. The value of Vesteda's portfolio increased by 5.5% in H1 2022, compared with a rise of 3.1% in H1 2021. Vesteda recorded an unrealised result of €556 million in H1 2022, compared with €266 million in H1 2021.

Total comprehensive result

Vesteda recorded a total comprehensive result of €659 million in H1 2022, compared with €363 million in H1 2021. The total return on time weighted average equity increased to 8.4%, compared to 5.8% in H1 2021, driven by higher revaluations.

Balance sheet

As a result of the positive revaluation, Vesteda's balance sheet total increased to €10,412 million at 30 June 2022, from €9,860 million at year-end 2021. The leverage ratio excluding IFRS 16 was 20.2% at the end of H1 2022 (year-end 2021: 20.5%).

Statement of financial position

(€ million)	30 June 2022	30 June 2021	31 December 2021
Total assets	10,412	8,743	9,860
Equity	8,094	6,549	7,553
Debt capital	2,072	1,957	1,991
Leverage ratio (% , excluding IFRS 16)	20.2	22.8	20.5

Return on equity

(% of time weighted average equity)	H1 2022	H1 2021	FY 2021
Realised return	1.3	1.5	3.2
- from letting	1.2	1.5	3.0
- from property sales	0.1	0.1	0.2
Unrealised return	7.1	4.2	18.7
Total return	8.4	5.8	21.9
Return from other comprehensive income	0.0	0.0	0.1
Total comprehensive return	8.4	5.8	22.0

Non-financial figures

	30 June 2022	30 June 2021	31 December 2021
Number of residential units	27,718	27,791	27,570
- multi-family	15,353	15,400	15,180
- single-family	12,365	12,391	12,390
Number of units inflow	219	399	419
Number of units outflow	71	90	331
- individual unit sales	71	90	169
- portfolio sales	-	-	-
- residential building sales	-	-	162
Occupancy rate (% of units)	98.6	97.5	98.8

Investment portfolio

In H1 2022, a total of 219 homes were added to the investment portfolio from the acquisition pipeline. It concerns two projects, of which one partial delivery. The rental levels of the homes added are mostly in the mid-rental segment. A total of 71 homes were sold from the investment portfolio. On balance, the investment portfolio increased by 148 residential units to 27,718.

Changes in units

	H1 2022
Number of residential units at start of year	27,570
Inflow from pipeline	219
Outflow	(71)
Number of residential units ultimo H1 2022	27,718

Changes in value

(€ million)	H1 2022
Value investment portfolio at start of year	9,540
Inflow from pipeline	69
Capex	28
Outflow	(22)
Revaluation	528
Leasehold and other rights of use (IFRS 16)	2
Value investment portfolio ultimo H1 2022	10,145

New-build additions to the investment portfolio in H1 2022

Residential building	Location	Number of units	Type	Region	Rental segment	Quarter of completion/delivery
Westerwal	Groningen	171	Multi-family	Primary	Mid	Q1
Goudshof (phase 1)	Gouda	48	Multi-family	Primary	Mid	Q2
Total inflow		219				



Acquisition pipeline

In H1 2022, Vesteda added four projects to its committed pipeline for in total 431 new homes in Amsterdam, Amersfoort, Rotterdam and Almere.

At the end of H1 2022, the acquisition pipeline comprised a total of 1,616 homes. All projects fit in perfectly with Vesteda's portfolio in terms of region, rental segment and energy label.

Composition of the pipeline at 30 June 2022

Residential building	Location	Number of units	Type	Region	Rental segment	Expected completion
Goudshof (phase 2)	Gouda	24	Multi-family	Primary	Mid	2022
The Ox	Amsterdam	168	Multi-family	Primary	Reg Mid/Mid	2023
Regent II	Den Haag	98	Multi-family	Primary	Mid	2023
Waterburcht	Helmond	70	Multi-family	Primary	Mid	2023
Grote Beer	Rotterdam	193	Multi-family	Primary	Reg Mid	2023
Frank is een Binck	Den Haag	205	Multi-family	Primary	Reg/Reg Mid/Mid	2024
De Weverij	Enschede	109	Multi-family	Primary	Mid	2024
Imagine	Rotterdam	133	Multi-family	Primary	Mid	2024
Singelblok	Amsterdam	185	Multi-family	Primary	Mid	2025
Typisch Tuinstad	Amsterdam	120	Multi-family	Primary	Reg/Mid	2024
Podium	Amersfoort	68	Multi-family	Primary	Reg/Reg Mid/Mid	2024
De Kuil	Rotterdam	76	Multi-family	Primary	Reg Mid/Mid	2024
New Brooklyn	Almere	167	Single & Multi-family	Primary	Mid	2024
Total committed pipeline		1,616				



1 Goudshof (phase 2), Gouda



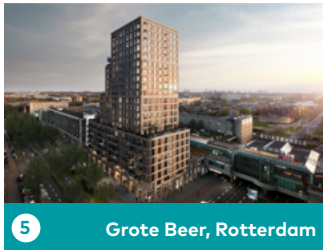
2 The Ox, Amsterdam



3 Regent II, Den Haag



4 Waterburcht, Helmond



5 Grote Beer, Rotterdam



6 Frank is een Binck, Den Haag



7 De Weverij, Enschede



8 Imagine, Rotterdam



9 Singelblok, Amsterdam



10 Typisch Tuinstad, Amsterdam



12 De Kuil, Rotterdam



11 Podium, Amersfoort



13 New Brooklyn, Almere



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