

The cover features a dark green background with abstract, overlapping geometric shapes in shades of green and orange on the left side. The text is centered on the right.

vesteda

half-year report
2023

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.

Message from the Management Board

Fire in apartments Joan Muyskenweg in Amsterdam

On Saturday evening, 3 June, a fire broke out in De Enter apartment complex in Amsterdam. All 95 households were able to leave the complex unharmed. In the weeks after the fire, the fire service investigated the cause of the fire. The conclusion of this investigation is that it is not possible to determine the cause of the fire. According to the investigation, the fire started on the 6th floor and spread through the walls to the roof. The fire service report also stated that the building met a higher level of fire safety requirements than required by law. There were some impairments to fire safety devices, but these did not play a crucial role in the cause and/or rapid spread of the fire. With support from fellow landlords, Vesteda has done everything possible to find alternative accommodation for its tenants. All residents received an offer of new accommodation within three weeks. It is expected to take at least another six months before the first residents can return to their apartments.

New housing regulation

The Ministry of Housing still intends to implement the additional housing regulation in 2024, extending the regulated segment for new rental contracts. The official bills are expected to be submitted in September or October. However, it is unclear whether the fall of the Dutch cabinet on 7 July will cancel or delay the voting process in the Parliament. New elections will be held on 22 November and it is unclear which coalition will be formed and what the position of the new leadership will be. Many political parties have approved a new leader or are in the appointment process. We will continue our active dialogue with the Dutch government, to contribute to the elaboration of the new regulation. Despite uncertainty, we will continue to invest in the quality and sustainability of our assets. In addition, we are preparing our asset strategies for these changes.

Residential real estate market

The shortage of affordable homes remains, however, the overall market sentiment remains negative with high inflation rates, higher interest rates, slow economic growth and low consumer confidence. Transaction prices on the housing market have declined, albeit based on a low transaction volume and after an increase of the transfer tax rate (RETT) as of 1 January 2023.

Operational highlights

The portfolio was almost fully leased and tenant turnover was low. In total 168 new-build homes were added to the investment portfolio and we sold 56 units. Our sustainability investments continued, increasing the share of green energy labels by 50 basis points to 94.9%. Pieter Knauff (CIO) has left Vesteda and will be replaced by René Tim, who has been appointed as Head of Acquisitions and Developments as per 1 August 2023.

Financial performance

Realised result was €104 million in H1 2023, compared with €101 million in H1 2022, mainly driven by higher gross rental income and lower property operating expenses, which was partly offset by higher interest expenses and a lower result on property sales due to less units sold. The realised return as a percentage of time-weighted average equity increased to 1.5% in H1 2023, from 1.3% in H1 2022. However, revaluations were -7.3% mainly driven by higher risk perception due to increasing interest rates and market uncertainties. As a result, the total return on time-weighted average equity was -8.7% in H1 2023, compared with 8.4% in H1 2022. Our leverage increased to 26.3% and our cost of debt increased from 1.8% to 1.9%. The average maturity of our debt is 5.3 years. Our S&P credit rating of A- was reconfirmed.

Outlook

We expect our operational performance to remain solid, driven by a high demand for our mid-rental homes. However, high energy costs and inflation will keep pressure on the affordability of housing. Due to rising interest rates, we expect a further cooling of the investment market and housing prices. We will manage our portfolio in an efficient and effective way, with a low vacancy rate and solid rental growth, while keeping a close eye on costs, despite current inflation. We will be highly selective with acquisitions in the short-term and we earmarked additional assets as non-strategic. However, with current market conditions it is unlikely that these assets will be sold in the short-term as block sales. At the same time, we are accelerating our sustainability investments to reduce energy consumption and to outperform Paris Proof by 2050 or earlier. Finally, we will continue our search for new investors to provide liquidity for redeeming participants

Amsterdam, 1 August 2023

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 Netherlands. Vesteda invests funds for institutional investors, such as pension funds and insurance companies. The portfolio consists of 27,773 residential units with a total value of €8.8 billion. The homes are mainly located in economically strong regions and core urban areas in the Netherlands. Vesteda is internally managed, is cost-efficient and has its own in-house property management.

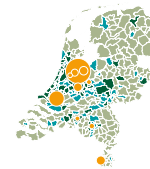
Key characteristics



**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 no 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.

Assets

- 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 €808 and €1,200;
- Vesteda offers sustainable housing and operates in a socially responsible manner.

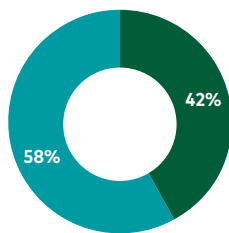
Targets

- Tenant satisfaction: Outperform the Customeyes benchmark;
- ESG performance: 99% green energy labels by year-end 2024 and outperform Paris Proof by 2050 or earlier;
- Financial performance: Outperform the three-year MSCI IPD Netherlands Residential Benchmark.

Portfolio overview (as per 30 June 2023, unless otherwise stated)

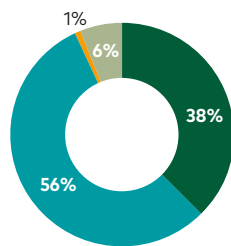


Portfolio by type of residential unit (weight in value)



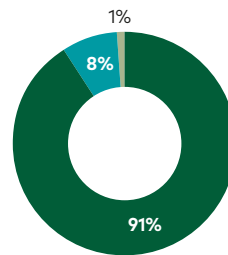
■ Single-family
■ Multi-family

Portfolio by rental segment (weight in value)



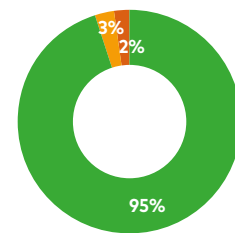
■ High
■ Mid
■ Regulated mid
■ Regulated

Portfolio by region (weight in value)¹



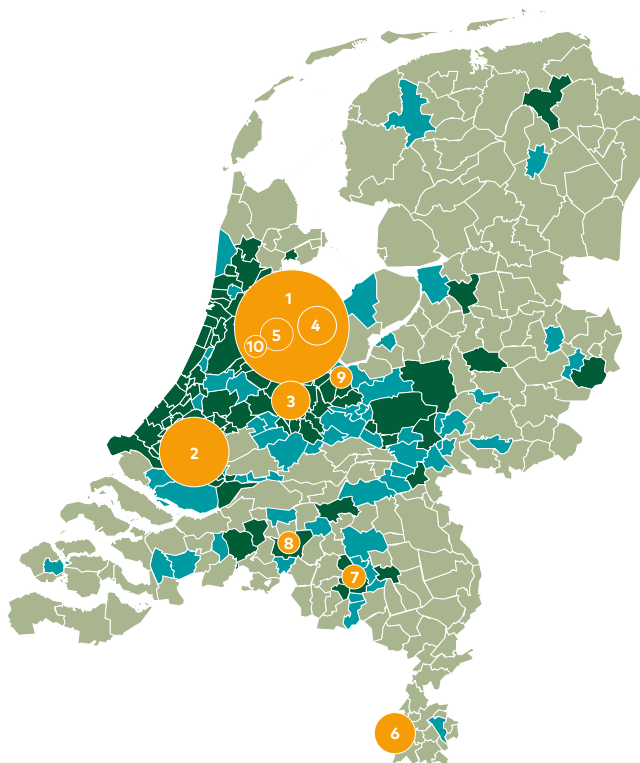
■ Primary
■ Secondary
■ Other

Portfolio by energy label (weight in units)



■ ABC
■ D
■ EFG

Portfolio distribution (as per 30 June 2023)



	€ million	% of total portfolio
1. Amsterdam	1,786	21%
2. Rotterdam	658	8%
3. Utrecht	393	5%
4. Almere	376	4%
5. Diemen	295	3%
6. Maastricht	280	3%
7. Eindhoven	228	3%
8. Tilburg	213	2%
9. Amersfoort	213	2%
10. Amstelveen	193	2%

Vesteda focus regions

■ Primary
■ Secondary
■ 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 results

Income statement

(€ million)	H1 2023	H1 2022	FY 2022
Theoretical rent	189	181	369
Loss of rent	(3)	(3)	(6)
Gross rental income	186	178	363
Property operating expenses	(45)	(46)	(93)
Net rental income	141	132	270
Result on property sales	4	5	6
Management expenses	(16)	(14)	(27)
Financial results (incl. amortisation of financing costs and IFRS 16)	(25)	(22)	(42)
Realised result before tax	104	101	207
Unrealised result	(702)	556	(218)
Result before tax	(598)	657	(11)
Tax	0	0	(1)
Result after tax	(598)	657	(12)
Other comprehensive income	0	2	2
Total comprehensive result	(598)	659	(10)

Gross rental income

The theoretical gross rent amounted to €189 million in H1 2023, an increase of €8 million compared with H1 2022. 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 1.8% in H1 2023, which was lower than the 2.0% in the same period of last year, due to low vacancy in all rental segments. Gross rental income amounted to €186 million in H1 2023, compared with €178 million in H1 2022.

Net rental income

Property operating expenses were €45 million in H1 2023, a decrease of €1 million compared with H1 2022, mainly due to cancellation of the landlord levy and less planned maintenance cost due to timing. Operating costs as a percentage of gross rental income, the so-called gross/net ratio, was 24.3% in H1 2023, compared with 26.1% in H1 2022, driven by higher gross rental income and lower operating expenses. Net rental income amounted to €141 million in H1 2023, an increase of €9 million compared with H1 2022.

Result on property sales

In total 56 homes were sold from the investment portfolio in H1 2023, compared with 71 homes sold in H1 2022. The result on property sales was in total €4 million in H1 2023, compared with €5 million in H1 2022, due to less units sold.

Management expenses

Management expenses amounted to €16 million in H1 2023, compared with €14 million in H1 2022, mainly driven by higher salaries for personnel, higher consulting and advisory fees and lower recharged expenses.

Financial results

Interest expenses were €25 million in H1 2023, an increase of €3 million compared with H1 2022, mainly due to a higher amount of debt capital and increased floating interest rates. The average interest rate stood at 1.9% at the end of H1 2023, compared with 1.8% at the end of H1 2022.

Financial results and EBITDA

(€ million, unless otherwise stated)	12 months prior to 30 June 2023	12 months prior to 30 June 2022	12 months prior to 31 December 2022
Financial results (incl. amortisation of financing costs and IFRS 16)	45	42	42
Interest expenses	38	34	35
EBITDA including result on property sales	257	259	252
EBITDA excluding result on property sales	251	242	245
Interest coverage ratio (ICR)	6.7	7.0	7.1

Realised result

Vesteda recorded a realised result of €104 million in H1 2023, an increase of €3 million compared with H1 2022.

Unrealised result

Housing prices in the Netherlands changed dramatically since Q3 2022. The value of Vesteda's portfolio decreased by 7.3% in H1 2023, compared with a rise of 5.5% in H1 2022. Vesteda recorded a negative unrealised result of €702 million in H1 2023, compared with a positive result €556 million in H1 2022.

Total comprehensive result

Vesteda recorded a negative total comprehensive result of €598 million in H1 2023, compared with a positive result of €659 million in H1 2022, driven by negative revaluations. As a result, the total return on time weighted average equity was -8.7% in H1 2023, compared with +8.4% in H1 2022.

Balance sheet

As a result of negative revaluations, Vesteda's balance sheet total decreased to €9,118 million at 30 June 2023, from €9,716 million at year-end 2022. The leverage ratio excluding IFRS 16 was 26.3% at the end of H1 2023 (year-end 2022: 22.8%).

Statement of financial position

(€ million)	30 June 2023	30 June 2022	31 December 2022
Total assets	9,118	10,412	9,716
Equity	6,528	8,094	7,298
Net debt	2,365	2,072	2,180
Leverage ratio (% , excluding IFRS 16)	26.3	20.2	22.8
Loan-to-value (%)	26.4	20.3	22.9

Return on equity

(% of time weighted average equity)	H1 2023	H1 2022	FY 2022
Realised return	1.5	1.3	2.6
- from letting	1.5	1.2	2.6
- from property sales	0.1	0.1	0.1
Unrealised return	(10.2)	7.1	(2.8)
Total return	(8.7)	8.4	(0.1)
Return from other comprehensive income	0.0	0.0	0.0
Total comprehensive return	(8.7)	8.4	(0.1)

Non-financial figures

	30 June 2023	30 June 2022	31 December 2022
Number of residential units	27,773	27,718	27,661
- multi-family	15,489	15,353	15,352
- single-family	12,284	12,365	12,309
Number of units inflow (full-year)	168	219	243
Number of units outflow (full-year)	56	71	157
- individual unit sales (full-year)	56	71	109
- portfolio sales (full-year)	-	-	-
- residential building sales (full-year)	-	-	48
Occupancy rate (% of units)	98.2	98.6	98.6

Investment portfolio

In H1 2023, a total of 168 homes were added to the investment portfolio from the acquisition pipeline. It concerns two projects, Regent II in The Hague and De Cavaliere in Helmond. The rental levels of the added homes are primarily in the mid-rental segment. A total of 56 homes were sold from the investment portfolio. On balance, the investment portfolio increased by 112 residential units to 27,773.

Investment portfolio development

	H1 2023
Number of residential units at start of year	27,661
Inflow from pipeline	168
Outflow	(56)
Number of residential units ultimo H1 2023	27,773

Changes in market value

(€ million)	H1 2023
Value investment portfolio at start of year	9,448
Inflow from pipeline	57
Capex	26
Outflow	(15)
Revaluation	(690)
Leasehold and other rights of use (IFRS 16)	-
Value investment portfolio ultimo H1 2023	8,826

New-build additions to the investment portfolio in H1 2023

Residential building	Location	Number of units	Type	Region	Rental segment	Quarter of completion/delivery
Regent II	The Hague	98	Multi-family	Primary	Mid/High	Q2
De Cavaliere	Helmond	70	Multi-family	Primary	Mid	Q2
Total inflow		168				



1 Regent II, The Hague



2 De Cavaliere, Helmond



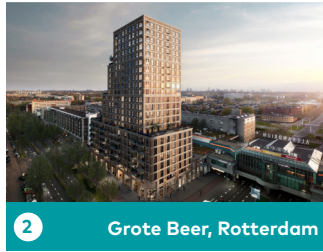
Acquisition pipeline

In H1 2023, Vesteda did not add any projects to its committed pipeline.

At the end of H1 2023, the acquisition pipeline comprised a total of 1,553 homes. All projects fit in perfectly with Vesteda's portfolio in terms of region, rental segment and sustainability criteria.

Composition of the pipeline at 30 June 2023

Residential building	Location	Number of units	Type	Region	Rental segment	Expected completion
The Ox	Amsterdam	168	Multi-family	Primary	Reg Mid/Mid/High	2023
Grote Beer	Rotterdam	193	Multi-family	Primary	Reg Mid/High	2024
Frank is een Binck	The Hague	205	Multi-family	Primary	Reg/Reg Mid/Mid	2024
Imagine	Rotterdam	133	Multi-family	Primary	Reg Mid/Mid	2024
Typisch Tuinstad	Amsterdam	120	Multi-family	Primary	Reg Mid	2024
New Brooklyn	Almere	167	Single & Multi-family	Primary	Reg Mid/Mid/High	2024
De Weverij	Enschede	116	Multi-family	Primary	Mid	2025
Podium	Amersfoort	68	Multi-family	Primary	Reg/Reg Mid/Mid	2025
De Kuil	Rotterdam	120	Multi-family	Primary	Reg/Reg Mid/Mid/High	2025
Singelblok	Amsterdam	185	Multi-family	Primary	Reg Mid/Mid	2025
LOOS	The Hague	78	Multi-family	Primary	Reg Mid/Mid	2025
Total committed pipeline		1,553				





For more information

Vesteda Investment Management B.V.
Ronald Beemsterboer, Head of Investor Relations
+31 (0)88 456 29 22
r.beemsterboer@vesteda.com
www.vesteda.com / www.vestedareport.com

Design

TD Cascade - visuele communicatie, Amsterdam