

# Vesteda Residential Fund

## Investor Presentation



April 2022

De Boel, Amsterdam



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**Vesteda at a  
glance**

# Vesteda is the leading Dutch residential investment fund...



## Introduction

- Service-oriented institutional residential investor with a large and varied portfolio of homes in attractive (core) neighbourhoods in the Netherlands.
- Invest pension savings and insurance premiums entrusted by 19 institutional investors, to offer high-quality, affordable and sustainable homes to middle-income households.
- Largest Dutch independent institutional residential investor, with a portfolio of 27,570 residential units.
- Focus on the mid-rental segment with monthly rents between €763 and approximately €1,200.
- Internally managed at cost price, which means that a larger scale translates directly into lower costs and higher returns for participants.
- Focus on improving the quality and sustainability of our portfolio to ensure the stable growth of rental income and MSCI outperformance.



Dutch residential  
rental market



Mid-rental sector



Primary regions

## Key characteristics (2021 figures)

<b>1</b> Fund	<b>27,570</b> Residential units	<b>1.404</b> Committed pipeline	<b>€9.5 bln</b> Investment portfolio value
<b>€347 mln</b> Gross rental income	<b>98.8%</b> Occupancy rate	<b>3.8%</b> Gross initial yield	<b>22%</b> Total return
<b>Five Star</b> GRESB score, #4 ranking	<b>A-</b> S&P credit rating	<b>20.5%</b> Leverage	<b>29 bps</b> TER



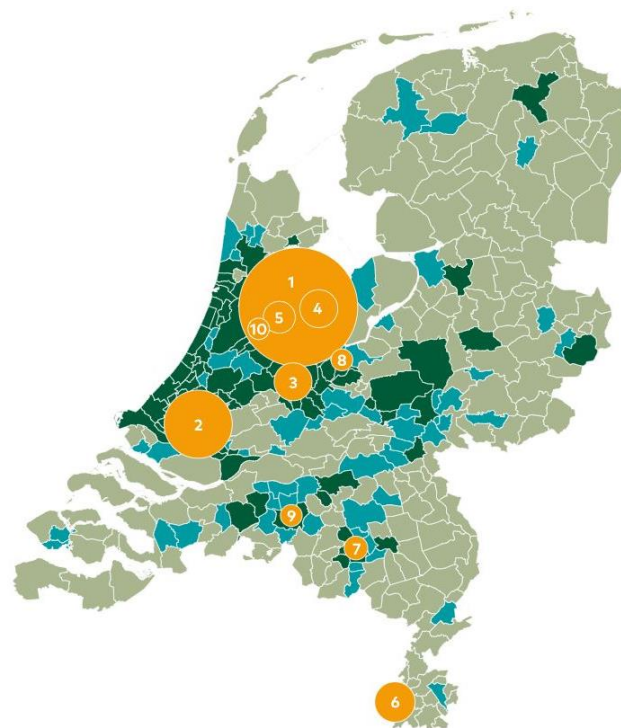
# ...positioned in the primary regions and focused on the mid-rental segment

## Portfolio distribution (value, year-end 2021)

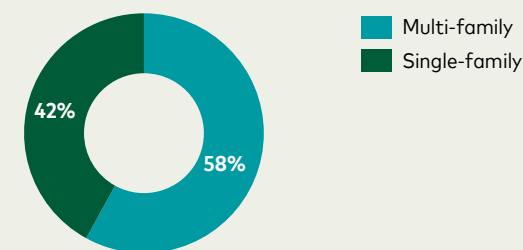
		€ million	% of total portfolio
1.	Amsterdam	2,011	21%
2.	Rotterdam	717	8%
3.	Utrecht	416	4%
4.	Almere	402	4%
5.	Diemen	322	3%
6.	Maastricht	299	3%
7.	Eindhoven	248	3%
8.	Amersfoort	233	2%
9.	Tilburg	230	2%
10.	Amstelveen	220	2%

### Vesteda focus regions

- Primary
- Secondary
- Other
- Top 10 region by portfolio value

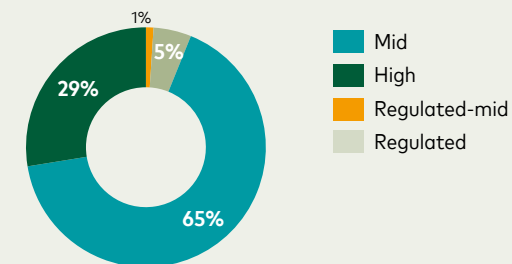


### Portfolio by type of residential unit



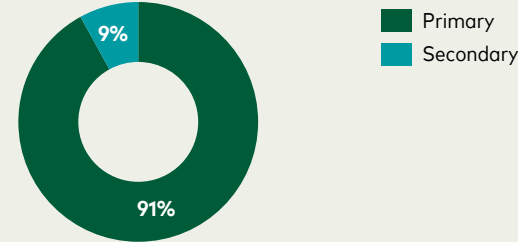
Good balance of multi-family and single-family homes

### Portfolio by rental segments



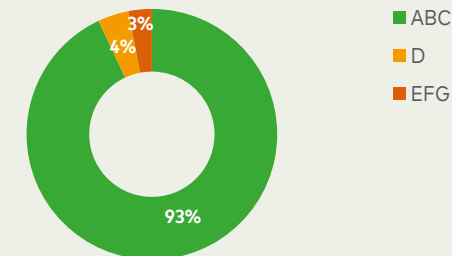
Clear focus on the mid-rental segment

### Portfolio by region



Strong focus on Primary regions

### Energy labels



Ambitious CSSR targets

Note: Primary regions are regions that offer the highest market potential for the non-regulated rental sector. These regions are characterised by a high market potential and low market risks. Secondary regions have a lower score than primary regions but have a positive economic and demographic outlook.

# Portfolio snapshot



Kruidenwijk, Almere



Olympiaplein, Amsterdam



Diepstroeten, Assen



Nieuw Vredenbergh, Breda



Hoog Dalem, Gorinchem



Alpha, Leiden



Wilhelminapier, Rotterdam



Noorderhaven, Zutphen



# Committed pipeline of 1,404 homes at year-end 2021



1 Westerwal, Groningen

171 multi-family homes



2 The Ox, Amsterdam

168 multi-family homes



3 CZAN Singelblok, Amsterdam

185 multi-family homes



10 Waterburcht, Helmond

70 multi-family homes



4 De Weverij, Enschede

109 multi-family homes



5 Regent II, The Hague

98 multi-family homes



6 Frank is een Binck, The Hague

205 multi-family homes



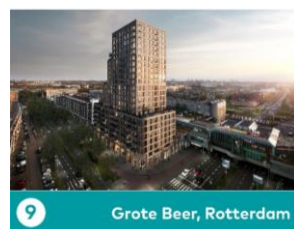
7 Goudshof, Gouda

72 multi-family homes



8 Imagine, Rotterdam

133 multi-family homes



9 Grote Beer, Rotterdam

193 multi-family homes



# Mission, vision and core values

## Our mission

At home with Vesteda. This applies to our tenants, the investors who invest in our fund and the employees who work at our company. Our mission is to make sure our key stakeholders feel at home with Vesteda. And we want to be the best landlord and residential fund in the Netherlands by outperforming on tenant satisfaction, sustainability and stable financial performance.

## Our vision

Vesteda is the expert in residential living. We have direct contact with our tenants. This is why we know their current and future living requirements better than anyone. We use our knowledge to constantly improve our services and our existing residential portfolio. We also add residential complexes that are tailored to the living requirements of our tenants now and in the future and we do so in a sustainable and innovative manner. Together with our tenants, we create an environment in which they feel at home.

## Our core values

At Vesteda, our tenants, investors and employees are our highest priority. This requires service-oriented and entrepreneurial employees. We listen and learn and look for the best solutions. We see and seize opportunities and accept our responsibility. Vesteda is ambitious. We make the most of everything. And do better every time and with total conviction. We trust our people and give them a great deal of freedom and responsibility. We cooperate with each other across various disciplines and come from a wide variety of backgrounds.



Service-oriented

Ambitious

Entrepreneurial



Trusting

Cooperative



# Our strategic ambitions & targets

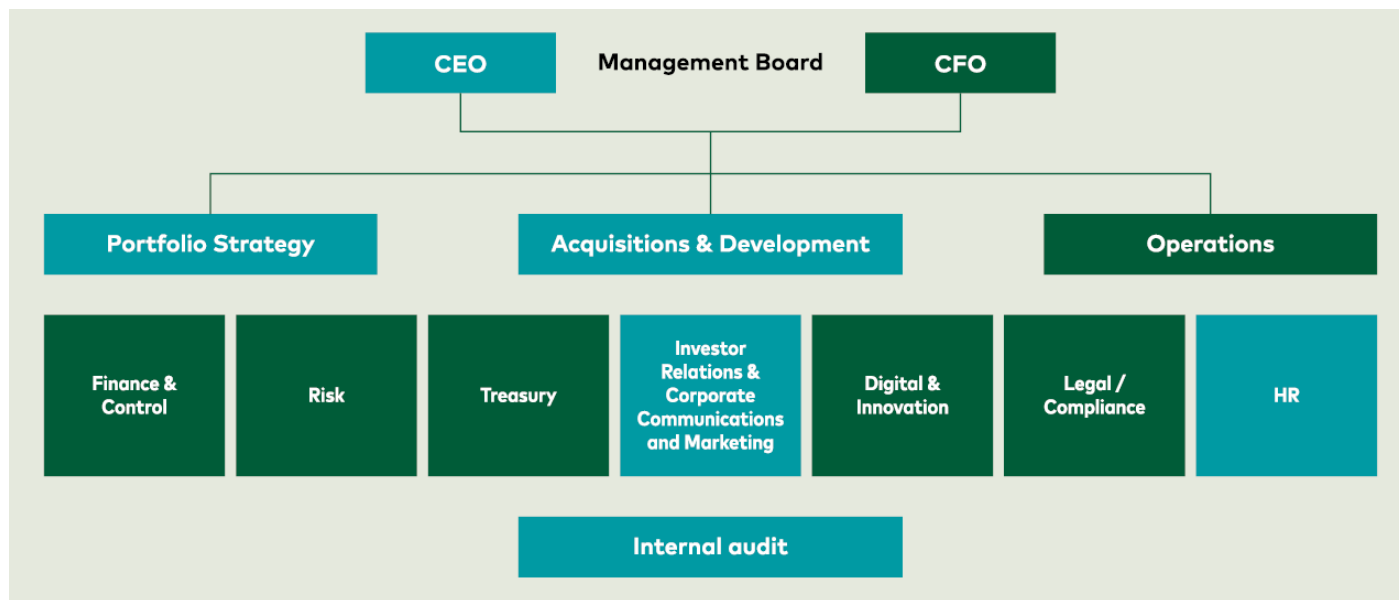


	Theme	Targets
 <b>Stakeholder satisfaction</b>	<ul style="list-style-type: none"><li>• Participant satisfaction</li><li>• Tenant satisfaction</li><li>• Employee satisfaction</li></ul>	<ul style="list-style-type: none"><li>≥ 4.0 (out of 5)</li><li>&gt; benchmark (Customeyes)</li><li>&gt; 8.5 HPO score</li></ul>
 <b>Financial performance</b>	<ul style="list-style-type: none"><li>• Total return</li><li>• TER</li><li>• Funding</li></ul>	<ul style="list-style-type: none"><li>&gt; Benchmark MSCI Dutch residential 3 yr average</li><li>&lt; 30 bps (Terms &amp; conditions: ≤ 35 bps)</li><li>↑ Share of eligible assets available for green and social funding</li></ul>
 <b>ESG performance</b>	<ul style="list-style-type: none"><li>• GRESB</li><li>• Energy reduction: Paris Proof</li><li>• Affordability</li></ul>	<ul style="list-style-type: none"><li>5 stars and compete for top 3 position</li><li>2024: 99% green labels; 2030: -/-50% energy reduction</li><li>≥ Increase share of mid-rental homes by inflow</li></ul>



**To be the best  
landlord in the  
Netherlands**

# Experienced management team



## Management Team



**Gertjan van der Baan – CEO**

Appointed in 2014

Previous experience: CEO Van Herk Groep



**Astrid Schlüter – COO**

Appointed in 2013

Previous experience: Jacobus Recourt



**Frits Vervoort – CFO**

Appointed in 2016

Previous experience: Grontmij, Vedior



**Pieter Knauff – CIO**

Appointed in 2015

Previous experience: Van Herk Groep

## Supervisory Committee

**Jaap Blokhuis**

Chairman of the Supervisory Committee

**Seada van den Herik**

Chairman of the NomRem<sup>1</sup> Committee

**Hans Copier**

Member of the Audit Committee

**Theo Eysink**

Chairman of the Audit Committee

**Eva Klein Schiphorst**

Member of the NomRem<sup>1</sup> Committee

1. NomRem = Nomination and Remuneration



# Summary – Investment highlights



<b>Strong corporate profile</b>	<ul style="list-style-type: none"><li>▪ Largest Dutch independent institutional residential investor fund.</li><li>▪ Experienced management team.</li><li>▪ GRESB score: five out of five stars with #4 ranking in the Netherlands (top 20% performers globally).</li><li>▪ 93% of Vesteda's homes have a green energy label (A, B and C).</li><li>▪ Broad institutional investor base with a long-term horizon.</li></ul>
<b>Market developments</b>	<ul style="list-style-type: none"><li>▪ Housing shortage expected to continue; affordability of housing under pressure and is expected to lead to additional regulation.</li><li>▪ Low interest rates, strong investor demand and limited supply supports a solid price foundation for mid-segment rental homes</li><li>▪ Continued high inflation may put pressure on gross-net ratio and the feasibility of acquisitions and renovations.</li><li>▪ Current demand in the mid-rental market segment is still high.</li><li>▪ Vesteda's acquisition strategy aims at quality above volume, with a focus on the (regulated) mid-market rental segment.</li></ul>
<b>Delivering on asset strategy</b>	<ul style="list-style-type: none"><li>▪ Strong position in defined market: Dutch mid-rental segment in urban areas with dynamic economic activity &amp; favourable trends.</li><li>▪ High quality and diversified portfolio with low vacancy rates.</li><li>▪ Solid and predictable returns through pro-active cost-efficient in-house property management.</li><li>▪ Economies of scale resulting in low overhead costs.</li></ul>
<b>Delivering on funding strategy</b>	<ul style="list-style-type: none"><li>▪ Successful execution of funding strategy with clearly defined targets.</li><li>▪ Low leverage profile and strong investment grade A-/stable credit rating from Standard &amp; Poor's.</li><li>▪ Well-diversified senior unsecured debt funding structure with decreasing cost of debt.</li><li>▪ Significant headroom under covenants.</li><li>▪ Aligning funding structure with Vesteda's ESG strategy.</li></ul>



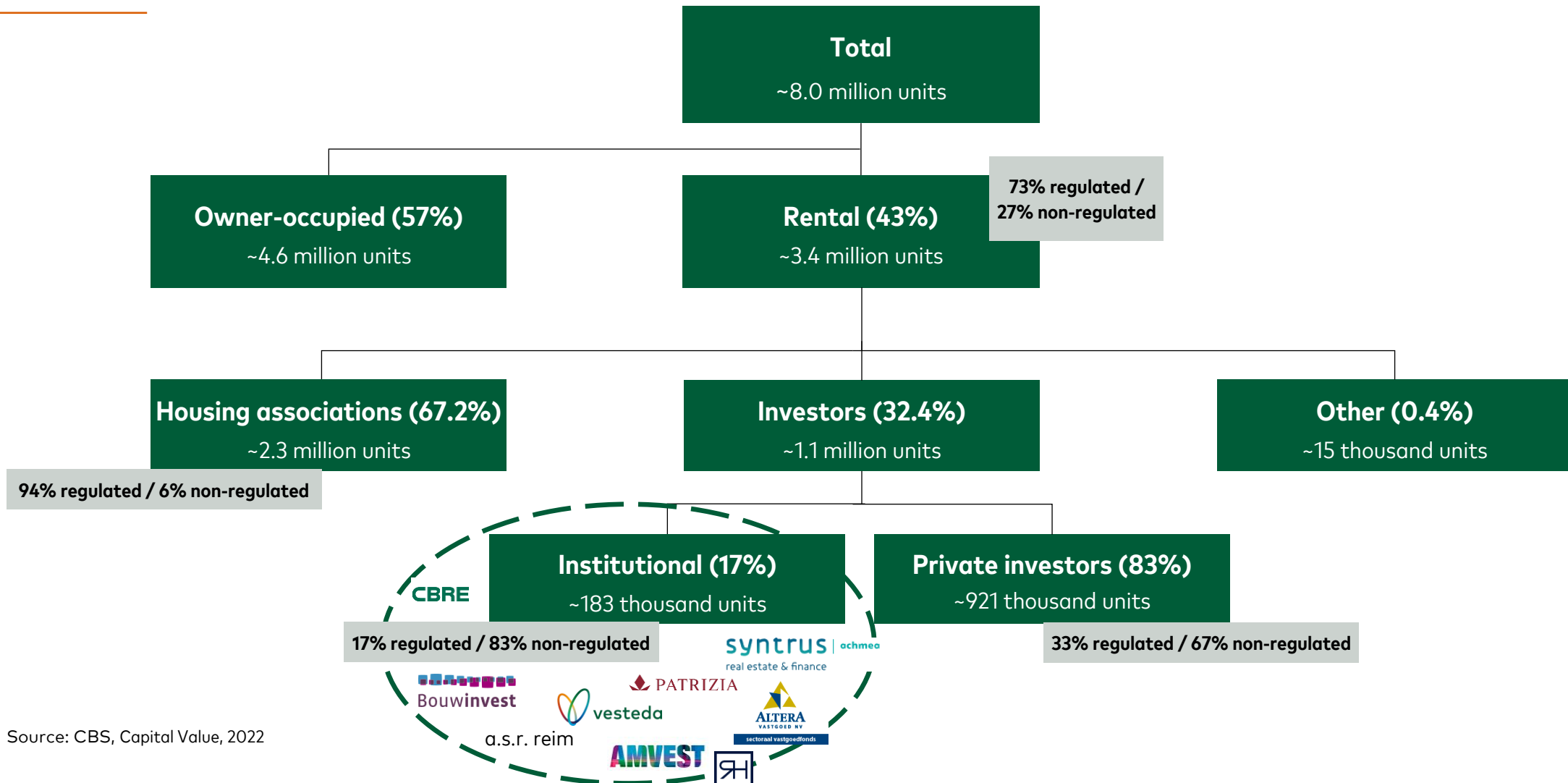






# **Dutch residential market**

# Operating in a strong but competitive market vesteda



Source: CBS, Capital Value, 2022

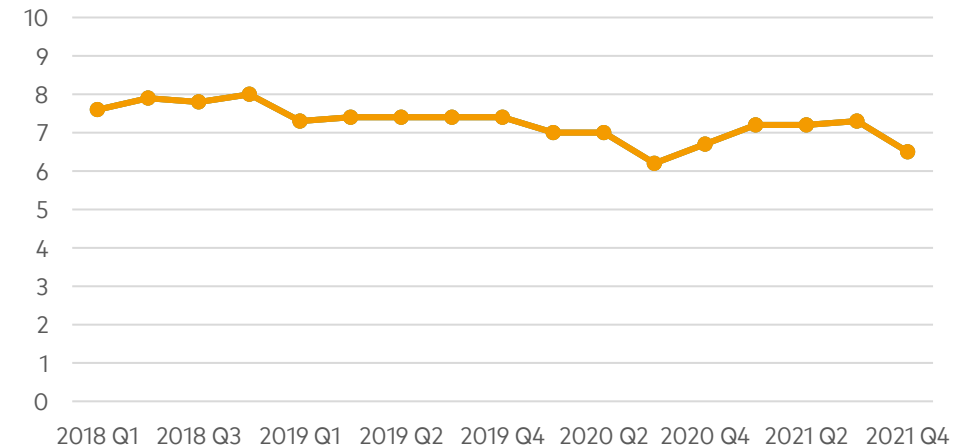


# The HMI dropped to 6.5, driven by a sharp increase in inflation



- The HMI remained steady at around 7.2 in the first three quarters of 2021. However, the HMI dropped significantly to 6.5 in Q4 2021.
- The sharp increase in inflation had significant impact on the economic driver of the HMI. Energy price developments contributed to higher inflation at the end of 2021, which resulted in a total annual inflation rate of 3.8% relative to 2020 (CBS).
- The sustainability score increased to 7.3 from 5.6 which is mainly caused by the sharp decrease of CO<sub>2</sub>-emissions. The electricity sector emitted fewer greenhouse gases due to higher imports and less production of electricity. Increasing production from renewable sources also reduced CO<sub>2</sub>-emissions.
- Meanwhile on the housing market, price levels on owner-occupier and rental market are still rising, mainly as a result of the enormous scarcity. Only the high rental segment is showing an easing trend on the demand side.
- The investment market remained strong, both for residential complexes and individual unit sales. The investment volume is expected to reach another record in 2021: €4.8 billion in new-build rental homes, resulting in a total of 16,700 homes (Source: Capital Value).

**Vesteda Housing Market Indicator\*, 2018-2021**



\* The Housing Market Indicator is made by Vesteda and provides an overview of the Dutch housing market from a residential investor's perspective. More information on [www.vestedamarketwatch.com](https://www.vestedamarketwatch.com)





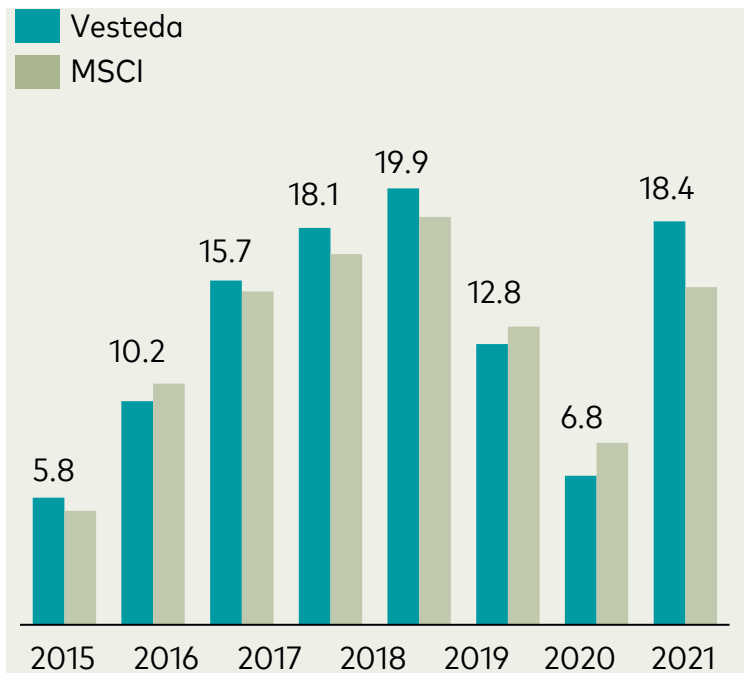




**Vesteda  
performance**

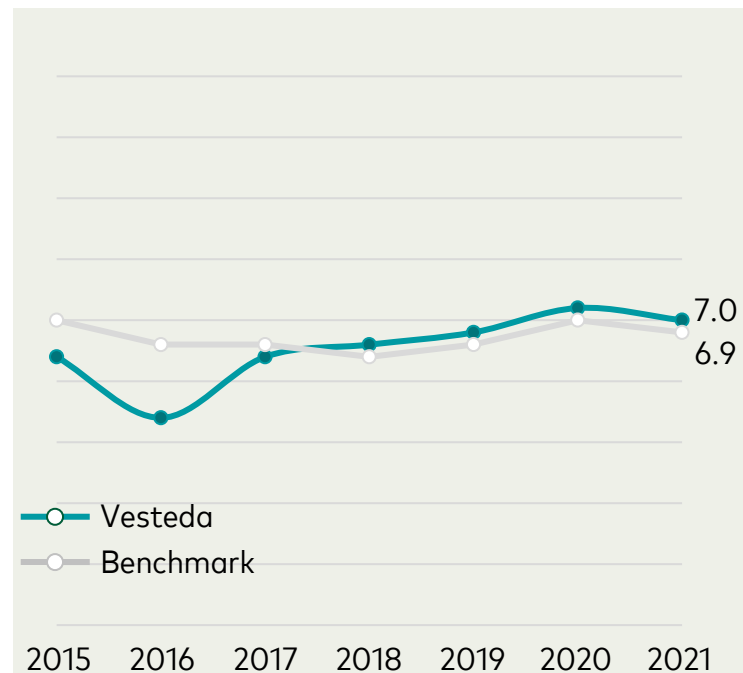
# Focus on affordability of living and tenant satisfaction while maintaining a good return

Total return performance<sup>1</sup> (%)



**Target:**  
**Outperform the MSCI-benchmark**

Tenant satisfaction<sup>2</sup>



**Target:**  
**Outperform the IVBN-benchmark**

- Affordability of housing is under pressure for many households. Vesteda considers it our social responsibility to:
  - Invest in the mid-rental rental segment, including in regulated mid-market homes.
  - Moderate the annual rent increase.
  - Proactively communicate with tenants about housing costs.
  - Have extra attention for keyworkers.
- Through active portfolio management and competitive expense ratios, we can combine affordability with a good return.

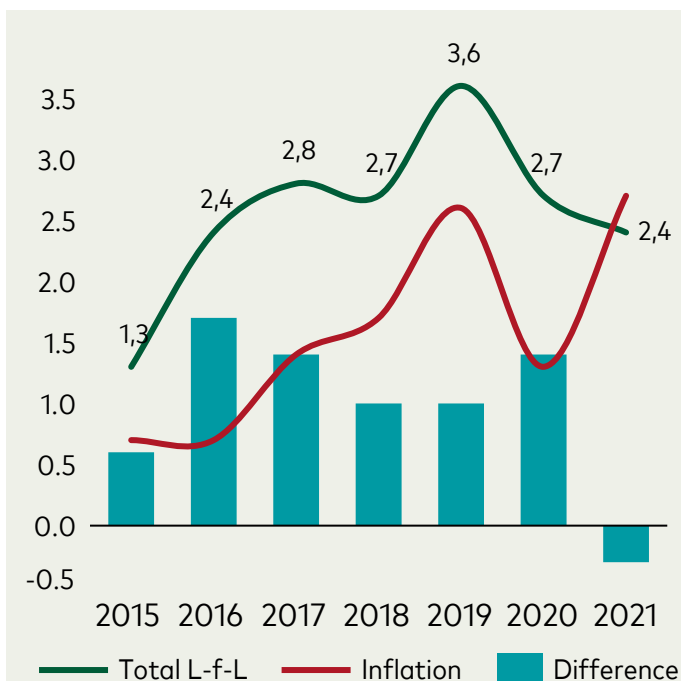
1. Returns on annual basis and in accordance with MSCI standards excluding leverage from debt financing.

2. Tenant satisfaction Vesteda and IVBN-benchmark researched by Customeyes

# Vesteda provides added value through our internal property management, ...

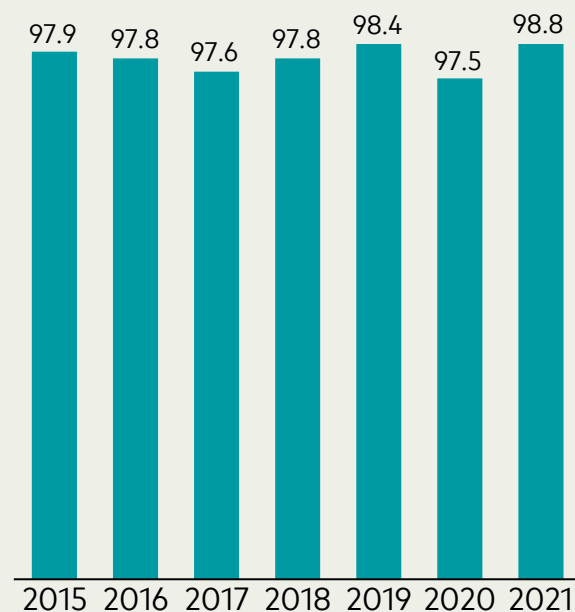


## Like-for-like rent increase (%)



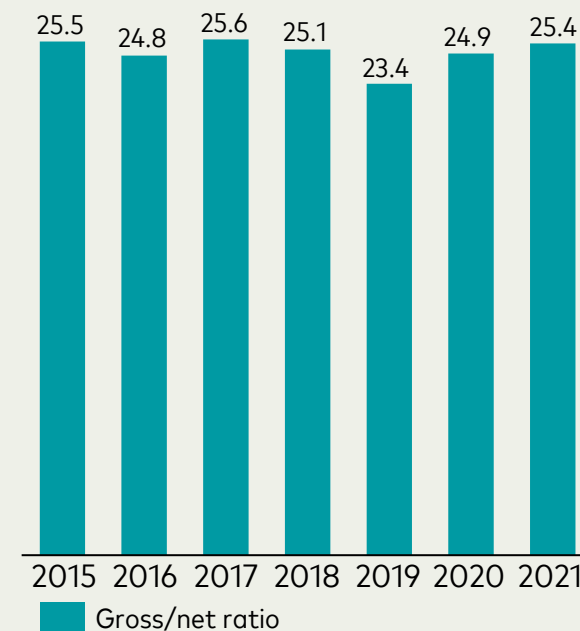
**Solid like-for-like rent increase, hedging inflation**

## Occupancy rate (%)



**Vesteda has a high and constant occupancy rate**

## Property opex (%)



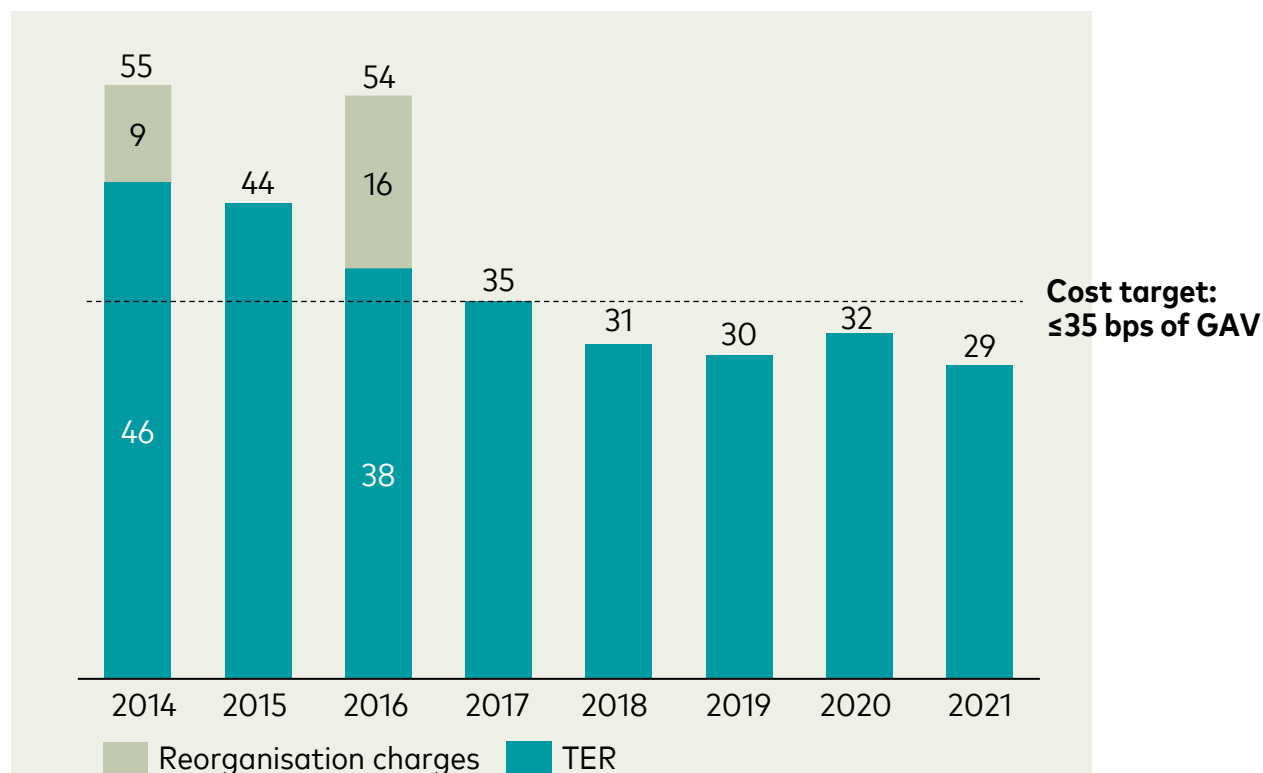
**Consistently low and efficient operating costs**



# ..., and at low cost ratios through internal fund management



## Total Expense Ratio (bps of GAV)



**The investments in our organization pay off through a declining TER**

Our internal management structure for both property and asset management enables us to:

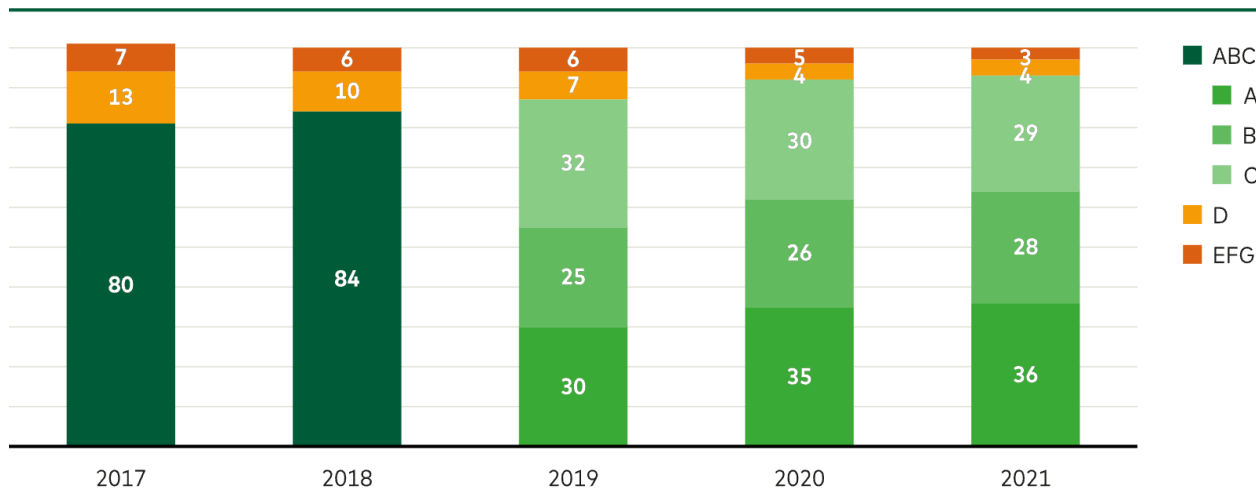
- Work without management or performance fees;
- Not have conflicting mandates or interests;
- Be close to the market, our portfolio and our tenants;
- Achieve economies of scale on our purchasing;
- Make acquisitions without additional overhead;
- Share knowledge between rental, acquisition, strategy, technical and research teams;
- Manage the fund and portfolio at cost price, which means that a larger scale translates directly into lower costs and higher returns for participants.

# CSSR is vitally important for the long-term value development of our portfolio



- In 2021, invested €35 million to improve the energy performance of 465 residential units.
- Our ambition for the future is to have green energy labels (A, B or C) for 99% of our portfolio by 2024.
- We were awarded a five-star GRESB; ranked 4<sup>th</sup> out of 106 in European residential real estate.

Energy labels 2017-2021 (%)



GRESB score 2021



Imagine, Rotterdam







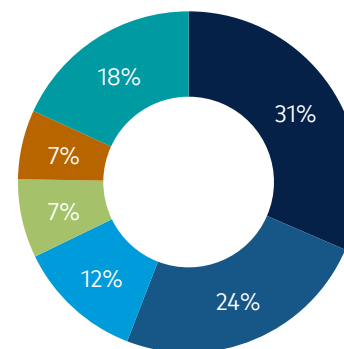
# Capital structure

# Strong and supportive investor base

## Broad institutional investor base

- Vesteda has one single share class: participation rights.
- Dutch and international investor base comprising of institutional investors participating in the fund via 19 entities.
- In 2015, two new leading international investors joined Vesteda (€600 million equity raised of which €185 million committed).
- In 2017, €280 million equity raised (€185 million commitment 2015 and €95 million additional).
- In 2018, €1,080 million equity raised related to the acquisition of the former Delta Lloyd portfolio from NN Group, for the most part a bricks for shares transaction.
- Stichting Pensioenfondsen ING and VCRF Holding BV entered the fund in February and March 2019 respectively through secondary transactions with NN Group.
- Euler Hermes SA entered the fund in December 2019 respectively through a secondary transaction with ASR.
- Vonovia entered the fund in June 2020 respectively through secondary transactions with ASR and APG.

## Ownership distribution (year-end 2021)



- APG/ABP
- NN Group
- Allianz RE
- PGGM Private Real Estate Fund
- Asian investor
- Other investors (stake < 5%)





# Solid funding structure

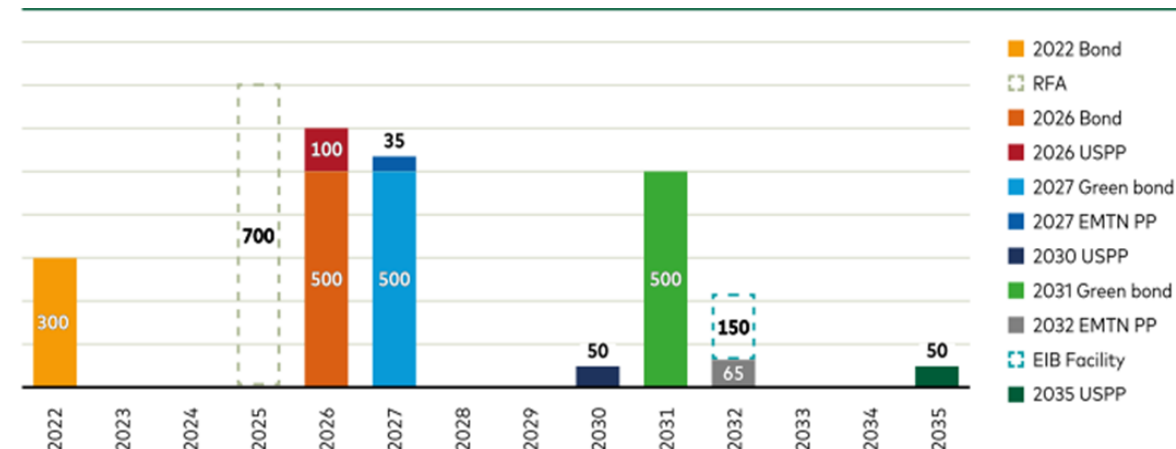
## Instrument maturity overview (year-end 2021)

Committed instrument	Size (€ million)	Drawn (€ million)	Weight	Maturity	Tenor
Bond 2.50%	300	300	14.3%	2022	0.8 yr
Bond 2.00%	500	500	23.8%	2026	4.5 yr
Green Bond 1.50%	500	500	23.8%	2027	5.4 yr
Green Bond 0.75%	500	500	23.8%	2031	9.8 yr
EMTN PP 1.93%	35	35	1.7%	2027	6.0 yr
EMTN PP 2.50%	65	65	3.1%	2032	11.0 yr
Priscoa USPP 1.8%	100	100	4.8%	2026	5.0 yr
AlG Private Placement 1.03%	50	50	2.4%	2030	9.0 yr
NYL Private Placement 1.38%	50	50	2.4%	2035	14.0 yr
Syndicated RFA	700	0	0.0%	2025	3.4 yr
EIB Facility*	150	0	0.0%	2032	10.0 yr
<b>Total</b>	<b>2,950</b>	<b>2,100</b>			

\* EIB Facility of €150 million is fully assigned to committed projects.

Uncommitted instrument	Size (€ million)	Drawn (€ million)	Weight	Tenor
SMBC Uncommitted Facility	200	0	0.0%	0.5 yr
Euro Commercial Paper programme	1,000	0	0.0%	0.1 yr
<b>Total</b>	<b>1,200</b>	<b>0</b>		

## Debt maturity schedule (€ million, year-end 2021)



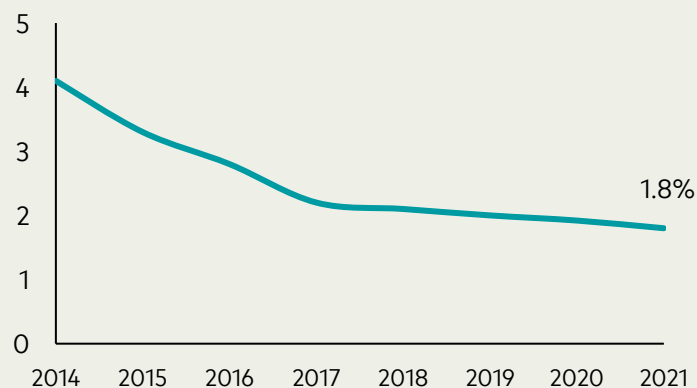
## Funding position (year-end 2021)

- Well diversified, fully unsecured funding structure, with 100% fixed rate debt, and an average cost of debt of 1.8%.
- Ample headroom in the LTV and ICR covenants (LTV excl. IFRS 16 at 20.8% with a covenant of maximum 50%, and an ICR at 7.0 versus a covenant minimum of 2.0).
- The weighted average maturity is 6.0 years with the next debt redemption of €100 million is scheduled in May 2021.
- Strong liquidity position as drawn debt amount to €2.1 billion whereas committed and uncommitted facilities combined amount to €4.15 billion.
- Standard & Poor's rating was upgraded to A-/ Stable Outlook (April 2021).

# Provide a robust funding structure with low leverage and low cost of largely fixed-rate debt



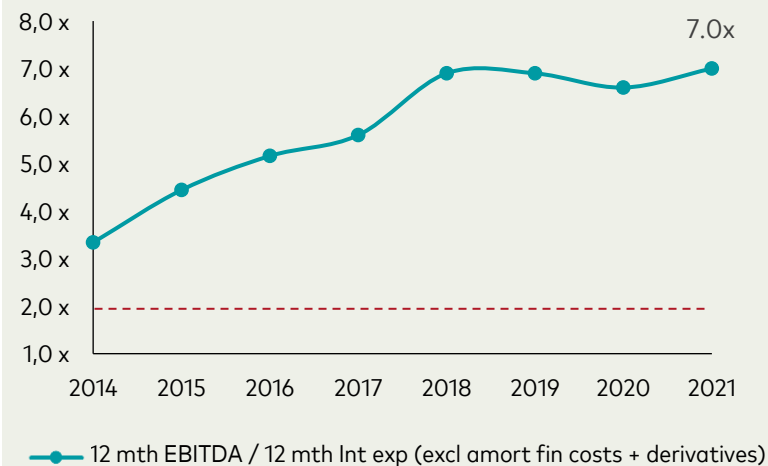
## Average cost of debt (% , year-end)



Note: Average cost of debt includes amortisation of finance costs and derivatives costs.

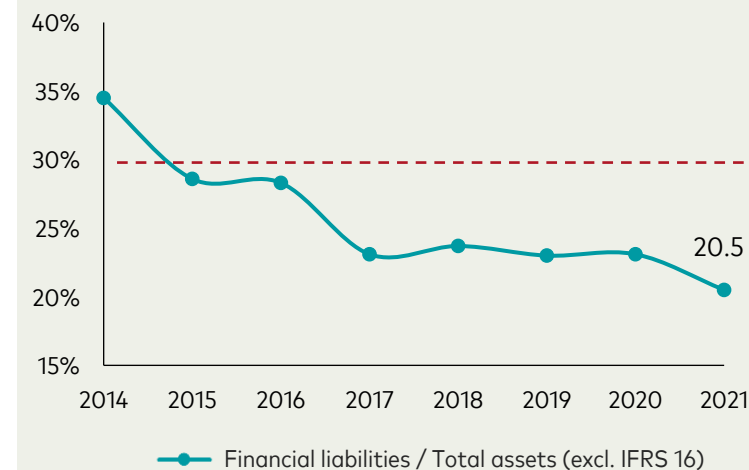
**Vesteda is always looking to further optimise its average cost of debt**

## Interest Cover Ratio – well above minimum of 2.0x



**Vesteda has ample headroom in the ICR covenants**

## Leverage (% , year-end) – well below 30% threshold



**Vesteda has a conservative level of debt leverage**

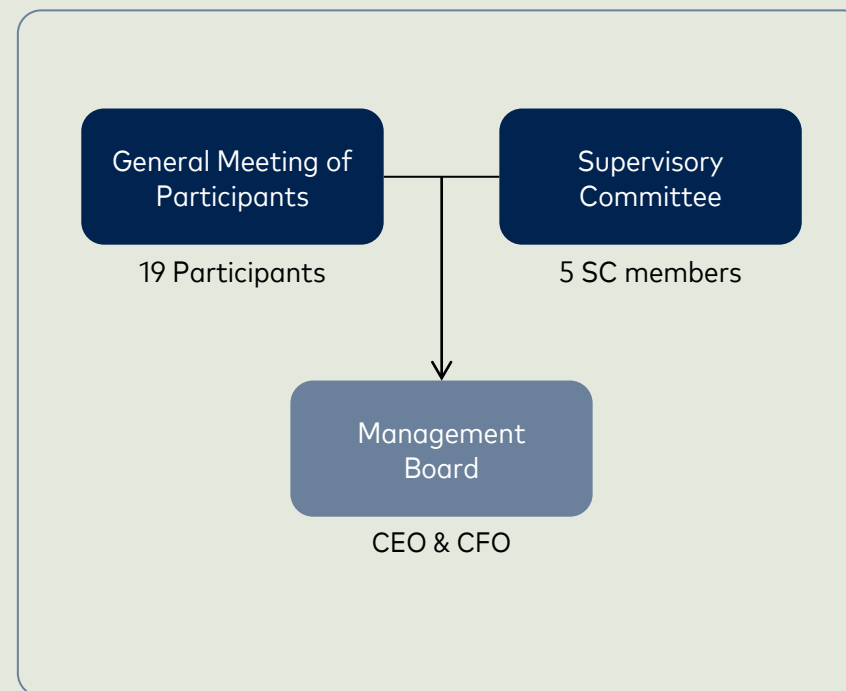


# Vesteda has a best-practice governance framework



- Terms and Conditions (TC) entrust the management and operations to Vesteda Investment Management and determine the tasks, rights and duties of the Manager, the Participants and the Supervisory Committee.
- TC contain obligatory investment guidelines for the Manager and a liquidity mechanism.
- Depending on the importance of the resolution different thresholds are required in order to adopt a resolution:
  - **Ordinary consent (51%):** E.g. resignation or removal of Manager with cause, changes to business plan and investment/divestment >€100 million.
  - **Majority consent (66.67%):** E.g. resignation or removal of Manager without cause, amendment to TC, termination of the Fund.
  - **Supermajority consent (80%):** E.g. acquisition of (i) companies or (ii) a controlling interest in companies, changes to the Investment Guidelines.
  - **Unanimous consent (100%):** E.g. amendment to TC causing the Fund to be non-transparent for Dutch corporate income tax purposes.
- Holding at least 25% of the participation rights entitles any (group of) participant(s) to nominate one member of the Supervisory Committee<sup>1</sup>.

Simplified governance structure



1. No participant has executed this right so far.

# Investment guidelines as set in Terms and Conditions



## Profile

- Positioning as a 'core' investment fund (INREV classification).
- Investment only in residential and related properties.
- Geographical diversification within the Netherlands.
- Offering of sustainable housing and operating in a socially responsible manner.
- Governance structured on best-practice guidelines.
- Broad group of institutional, long-term hold investors.

## Return

- Annual distribution target of realised return excluding result on disposals.
- Indirect return in line with inflation over the long term.
- Outperformance of 3-year MSCI Netherlands Residential Benchmark.
- Fund management cost target of  $\leq 35$  bps of GAV.

## Leverage

- Loan-to-value  $\leq 40\%$ ; target  $\leq 30\%$ .
- Hedge and fixed interest rate  $\geq 70\%$ .
- Diversified funding base.





# Contact

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Online annual report: [www.vestedareport.com](http://www.vestedareport.com)

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