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Semi-annual report 2020

August 2020

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Institutional investment in Dutch property

Altera Vastgoed is a Dutch unlisted property fund for institutional investors that operates under an AIFM licence. It has €2.5 billion in assets under management. The fund offers institutional investors an opportunity to invest in the residential and retail sectors in the Netherlands in a professional manner, with low management fees and a low core risk profile. No project development risks are incurred in the portfolio, and Altera strives at nil leverage.

Altera stands out due to a clear and dedicated strategy and its transparent implementation.

The residential fund is focused on the Randstad region. Many new-build homes in the mid-segment of the deregulated rental segment are being added to the portfolio.

The retail fund focuses on convenience properties, where various consumer groups do their daily and weekly shopping.

Sustainability is central across all sectors. The value of sustainability is clearly demonstrated, not only through benchmarks (GRESB) and certification, but also in terms of lower energy costs and the futureproofing of property.

Altera stands for clarity, efficiency and professionalism.



First half of 2020

results

Many positive trends in the Dutch economy over the past few years ended in March 2020 due to the Covid-19 crisis. According to initial calculations by Statistics Netherlands, compared with the preceding quarter GDP decreased by 8.5% in the second quarter of 2020 and consumer spending by 10.4%. The number of jobs fell by 322,000 in the same period (-3.0%), but based on working hours the decline was 6.1%. Unemployment rose by 26%, to 349,000. These figures have been flattened by government initiatives such as NOW, the Temporary Emergency Bridging Measure for Sustained Employment.

Interest rates remain low, however, with a 10-year rate in July 2020 of -0.4%.

In the real estate market, the retail sector was severely impacted by Covid-19. However, the food and convenience segment has prospered during lockdown. Our strategic choice to focus on this segment of the retail sector thus continues to prove to be a correct approach.

The impact of Covid-19 on the residential market was limited due to structural scarcity, but a six-year period of double-digit revaluations ended in the second quarter of 2020.

Altera sold the last remaining property of Altera Industrial in May 2020, followed by redemption of the remaining shares.

ESG and Sustainability

Altera participates in the UN Principles for Responsible Investment survey. The results of the 2020 survey were very positive, with a highest-possible A+ ranking for both *Strategy and Governance* and *Direct Property*.

Altera has become the first Dutch institutional real estate investor to join the UN Global Compact. This initiative is based on 10 principles covering human rights, labour, the environment and anti-corruption.

In March 2020, Altera Retail was honoured with the GRESB/BREEAM Responsible Investment Award.

Altera Residential launched several ESG initiatives in the first half of 2020, such as a pilot with Hydraloop (reuse of recycled water), a climate awareness box for tenants including a rain barrel and a pilot with iwell (storage of solar energy in a battery).

All figures shown in this report are unaudited.

Residential



In the residential sector, the shortage of over 300,000 homes will persist for at least the coming five years as construction volume is still at too low a level and the number of households continues to grow.

Although the number of homes for sale rose by 11.3% compared with the first quarter of 2020, housing prices still increased by 2.1%. The impact on housing prices for the second half of 2020 remains somewhat unpredictable due to economic uncertainty. Our external appraisers have concluded that it is best to be prudent and therefore kept the mid-year valuations at the level of the first quarter of 2020.

The rental market remains stable, with a high occupancy level. Due to scarcity, this market seems not to have been affected by Covid-19.

Dutch institutional real estate investors united in the IVBN – including Altera – agreed to a restrained rent-increase policy, based on inflation (CPI) plus a maximum of 1%. Due to the VAT increase of 1 January 2019, that rate of inflation over 2019 amounted to 2.6%.

The fund return of Altera Residential amounted to 3.8% in the first half of 2020, well below the 12.4% over the same period in 2019. This was due to a lower revaluation (2.7%, compared with 9.8%).

The growth of the Altera residential fund has continued. The portfolio in operation has increased to €1.5 billion, and with a secured pipeline of 1,417 homes that volume will grow to €2.0 billion. In the first half of 2020, a total of 118 homes were completed. Of these, 114 were in Amersfoort. A total of 347 apartments were added to the secured pipeline: 39 in The Hague, 148 in Utrecht and 160 in Leiden.

Portfolio characteristics

	Mid-2020	Year-end 2019	Mid-2019
Operational portfolio	€ 1,500 mln	€ 1,438 mln	€ 1,340 mln
Secured pipeline (excluding revaluation)	€ 447 mln	€ 370 mln	€ 373 mln
Theoretical annual rent	€ 60.9 mln	€ 59.2 mln	€ 56.3 mln
Gross initial yield	4.1%	4.1%	4.2%
Vacant value ratio	92%	92%	92%
Average monthly rent	€ 995	€ 989	€ 969
Number of properties	106	105	105
Number of lettable units	4,940	4,822	4,695
Occupancy rate at end of period	99%	99%	99%

	1st half 2020	2019	1st half 2019
Returns			
Income return	1.4%	3.0%	1.5%
Capital growth	2.7%	9.8%	5.3%
Total property return	4.1%	13.0%	6.9%
Fund return (IFRS)	3.8%	12.4%	6.6%
Fund return (INREV)	3.8%	12.2%	6.5%
Dividend return	1.2%	2.6%	1.4%
Results (€ x 1,000)			
Direct investment income	20,284	38,851	19,663
Indirect investment income	44,470	141,977	76,736
Total investment income	64,754	180,828	96,399
Other information			
Average occupancy rate	99%	99%	99%
Net/gross rental income	78%	78%	80%
INREV TER on GAV (in bps)	17.8	38.6	19.6
Total investment income per share (€ x 1)	0.071	0.210	0.113
INREV net asset value per share, period end (€ x 1)	1.944	1.895	1.819

Portfolio developments

- The operational portfolio grew by 4.3% in the first half of 2020, to €1.50 billion, and from 4,822 homes to 4,940 (+2.4%).
- The secured pipeline comprises 1,417 homes at 12 locations, totalling €446.9 million.
- Three complexes totalling 347 apartments were added to the secured pipeline in this period, in The Hague, Leiden and Utrecht.
- With the inclusion of the secured pipeline, the portfolio volume is €1.99 billion (+8.2%).
- Two new complexes consisting of 118 units were completed in the first half of 2020, in Amersfoort and Uithoorn.
- Shares amounting to €40.7 million were issued in the first half of the year.

Results

- Fund return of 3.8% in the first half of the year, based on capital growth of 2.7%.
- Average occupancy rate remained at a high level of 99%.
- Rent increase as at 1 July 2020 amounted to 2.9%, with 2019 inflation at 2.6%.
- No Covid-19 impact on rent collection in this period.

WESTWIJK



Retail

The difference in retail turnover per segment and month was enormous in the first half of 2020 – especially in April, when the lockdown measures were at their height. In that month, the non-food sector experienced a drop in turnover of 15.8% compared with April 2019, while the food sector saw a 6.1% increase.

Altera entered into negotiations with specific retailers in the comparison segment on the postponement of payments for the months April and May 2020. Approximately 85% of rents for the second quarter of 2020 have been collected so far. This relatively high proportion is also due to the dominance of the convenience segment in the portfolio.

The properties were downgraded by 7.0% overall, due largely to those in the comparison segment. Progress is being made with the divestment of properties in this segment in the second half of 2020, in order to increase the convenience segment from 63% at year-end 2019 to 75% at year-end 2020.

Due to this downgrade, the fund return of Altera Retail amounted to -5.2% in the first half of 2020. The occupancy rate remained on 93%. Income return was impacted by -0.2%, due to bad debt provisions.

In March 2020, a partially new built new supermarket in Zwijndrecht was acquired for €4.0 million.

Portfolio characteristics

	Mid-2020	Year-end 2019	Mid-2019
Operational portfolio	€ 681 mln	€ 729 mln	€ 651 mln
Theoretical annual rent	€ 51.7 mln	€ 51.5 mln	€ 47.0 mln
Gross initial yield	7.6%	7.1%	7.2%
Number of properties	50	49	48
Number of leases	649	657	581
Rent passing versus rental value	+2%	+2%	+1%
Weighted average lease term	3.9 years	4.1 years	4.2 years
Average rent per m ²	€ 198	€ 198	€ 197
Occupancy rate at end of period	93%	93%	93%

	1st half 2020	2019	1st half 2019
Returns			
Income return	2.6%	5.8%	2.8%
Capital growth	-7.0%	-0.4%	-1.3%
Total property return	-4.5%	5.4%	1.6%
Fund return (IFRS)	-5.2%	5.0%	1.3%
Fund return (INREV)	-5.2%	5.8%	1.5%
Dividend return	2.7%	5.4%	2.7%
Results (€ x 1,000)			
Direct investment income	17,104	34,316	16,767
Indirect investment income	-51,259	-3,343	-8,356
Total investment income	-34,155	30,973	8,411
Other information			
Average occupancy rate	93%	93%	93%
Net/gross rental income	76%	84%	83%
INREV TER on GAV (in bps)	17.5	38.1	19.3
Total investment income per share (€ x 1)	-0.053	0.051	0.014
INREV net asset value per share, period end (€ x 1)	0.990	1.073	1.057

Portfolio developments

- Several properties are for sale in the market, in particular a number in the comparison segment for which letters of intent have already been signed.
- The convenience segment is dominant in the portfolio, at 66%, and this may increase to 75% at year-end.

Results

- Fund return of -5.2% in the first half of the year due to a downgrade of 7.0% – especially in the comparison segment, which has suffered from the Covid-19 crisis.
- Income return was impacted by -0.2% due to bad debt provisions.
- Average occupancy rate remained at 93%.
- Of the rent over the second quarter of 2020 85% has been collected so far.

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