



AlterA

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Semi-annual report 2021

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www.alteravastgoed.nl

Nautisch NDSM, Amsterdam

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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 €2.6 billion assets under management. The fund offers institutional investors an opportunity to invest in the residential and in the retail sector in the Netherlands in a professional manner, with low management costs 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 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 year of 2021

Highlights

The impact of the Covid-19 pandemic is also in this period the leading topic for the economy. Although a major part of the population is already vaccinated, measures are still necessary. But on the other hand, the number of bankruptcies remained on a low level and only in specific branches. Unemployment is forecasted by the CPB at 3.6% for this year and a recovery of GDP of 3.2% (after -3.7% decline in 2020).

Interest rates are still low with a 10-years spot rate in June 2021 of -0.24%. Inflation was in June 2021 2.0% compared to June 2020, but may rise due to scarcity in materials.

In the real estate market, the retail sector was impacted most severe by Covid-19. However, the food and convenience segment prospered from the shutdown in 2020 and remained relatively stable since. The strategic choice to focus on the convenience segment of the retail sector, continues to prove to be a right approach.

The pandemic had no consequences on the residential market. On the contrary, prices in this market keep rising due to extreme scarcity built up in recent years.

ESG and Sustainability

On 10 March 2021, Altera Vastgoed has completed the level 1 requirements of the Sustainable Finance Disclosure Regulation (SFDR).

The SFDR establishes rules on transparency, in order to ensure the integration of sustainability risks into investment processes and the harmonisation of ESG disclosure standards for different types of products and end investors.

GRESB

- Before the deadline of July 1st, the GRESB survey was submitted for both portfolios.
- Through external performance data validation and by making use of a GRESB Response Check, the response of the submission was optimized.
- The results of this year's benchmark will be published on October 1st.

Climate Resilience

- Altera, in cooperation with Blue Label, assessed the climate resilience of its residential and retail portfolio at the end of 2019.
- The insights have been clustered, translated into objectives and included in both Altera's ESG and investment plan. We are working together with municipalities and water boards.
- In cooperation with Stichting Climate Adaptation Services, we are further deepening this process.
- The most relevant climate threats for Dutch real estate are: flooding, heat stress, extreme weather events and drought. The first results of the climate risk scan are expected in Q3/21.

ISO 14001 certified Environmental Management System

In Q1/21, the ISO 14001 certification of the Environmental Management System (EMS) was extended with a year.

Strengthening shareholder base

We strengthened our shareholders base as we were able to attract in the first half of 2021 new commitments in the amount of €57.45 million.

Residential

In the residential sector, the shortage of over 300,000 houses will remain in at least the coming five years as the construction volume is on a too low level and the number of households is still growing.

This is the driver for the continuous increase of housing prices, even during the Covid-19 pandemic. The number of houses for sale decreased by 53.8% compared to the second half of 2020. In the first half of 2021 the prices rose with 12.5% compared to end of year 2020. The full year 2021 may end with a price increase of 15%, especially outside the four big cities where prices rose earlier.

The political debate on the regulation for a higher portion of the rental market may influence the rental market and the volume of construction.

The external appraisers concluded for Altera's standing portfolio a price increase in the first half of 2021 of 7.5%. As the increase of rental prices (on average 2.0% as per 1st July 2021 which is 0.6% above inflation over 2020) lags far behind the vacant value, the vacant value ratio (market value / vacant value) decreased from 91% year end 2020 to 88% mid 2021. The capital growth of the first half of 2021 of 3.3% includes the impact of the increase of real estate transfer tax from 2% to 8%.

The rental market is stable with high occupancy levels and due to scarcity is not negatively impacted by Covid-19, although extra effort was necessary for the initial renting of 356 homes in our new asset De Groene Kaap in Rotterdam.

The fund return of Altera Residential amounted to 4.4% in the first half of 2021, and exceeded the 3.8% over the same period in 2020 due to a higher revaluation (3.3% respectively 2.7%).

The growth of the Altera Residential has continued and revaluation of projects had a positive impact on the fund return. The portfolio in operation has increased to €1.7 billion and with the secured pipeline of 1,587 homes it will grow well above €2.3 billion in the coming years. In the first half of 2021 460 homes were completed, of which 356 in Rotterdam and 100 in The Hague. A total of 537 apartments were added to the secured pipeline: 181 in Amsterdam (Nautisch NDSM) and 356 in Zaandam (Vrodest).

Portfolio developments

- The operational portfolio grew by 15.8% in the first half 2021, to €1.74 billion and from 4,743 homes to 5,203 (+9.7%).
- The secured pipeline comprises 1,587 homes at 13 locations totaling €548.7 million of which €237.9 million already paid on instalments.
- Two complexes were added to the secured pipeline: 181 apartments in Amsterdam NDSM waterfront area (including 157 mid-rent apartments) and 356 apartments in Zaandam (Vrodest) divided over five towers.
- With the inclusion of the secured pipeline, the portfolio volume is €2.32 billion (+15.1%), including revaluation.
- Three complexes consisting of 460 apartments were completed in this period: Rotterdam (De Groene Kaap: 356 apartments), in The Hague (77 on the Waldorpstraat and 23 on the Wijndaelerweg) and 4 single family homes in Legmeer, Uithoorn.
- Shares were issued in the first half of 2021 amounting to €94.0 million.

Portfolio characteristics residential	Mid-2021	Year-end 2020	Mid-2020
Operational portfolio	€1,739 mln	€1,507 mln	€1,500 mln
Secured pipeline (excluding revaluation)	€549 mln	€455 mln	€447 mln
Theoretical annual rent	€67.5 mln	€60.4 mln	€60.9 mln
Gross initial yield	3.9%	4.0%	4.1%
Vacant value ratio	88%	91%	92%
Average monthly rent	€1,044	€1,027	€995
Number of properties	101	98	106
Number of lettable units	5,203	4,743	4,940
Occupancy rate at end of period	96%	99%	99%

Results

- Fund return of 4.4% in the first half of the year, based on a capital growth of 3.3% (including the impact of the increase of real estate transfer tax from 2% to 8% on 1 January 2021).
- Average occupancy rate of 97%.
- Rent increase as at 1 July 2021 amounted to 2.0% with 2020 inflation of 1.4%.
- No Covid-19 impact on rent collection in this period.

Residential	1st half 2021	2020	1st half 2020
Returns			
Income return	1.3%	2.7%	1.4%
Capital growth	3.3%	6.2%	2.7%
Total property return	4.7%	9.1%	4.1%
Fund return (IFRS)	4.4%	8.6%	3.8%
Fund return (INREV)	5.1%	8.5%	3.8%
Dividend return	1.1%	2.3%	1.2%
Results (€ x 1,000)			
Direct investment income	22,043	41,620	20,284
Indirect investment income	63,633	104,824	44,470
Total investment income	85,676	146,444	64,754
Other information			
Average occupancy rate	97%	99%	99%
Net/gross rental income	79%	78%	78%
INREV TGER (in bps)	16.8	34.6	17.8
Total investment income per share (€ x 1)	0.880	0.159	0.071
INREV net asset value, period end (€ x mln)	2,090	1,920	1,798
INREV net asset value per share, period end (€ x 1)	2.087	2.009	1.944



Single supermarket AH, Nijmegen_

Retail

The retail market was hit again by Covid-19 in the first half of 2021, due to tightened lockdown measures. And as in 2020, the contrast between comparison retailers including restaurants and cafés, and convenience retailers was vast in the first quarter of this year. In the second quarter the turnover for comparison retailers increased after the announcement that restrictions would be eased. The turnover for convenience retailers was less volatile and showed a small increase compared to the first half of 2020 when turnover peaked.

As Altera's portfolio consists for 77% on convenience properties, the direct income remained relatively stable. Of the rents over the first quarter 78% has been collected and for the second quarter is on a level of 91%. In this period rent reductions were granted under specific conditions to retailers and this will be continued in the coming period.

The valuation of the properties differentiated much per segment: convenience properties showed on average an upgrade of 1.7% due to yield compression, but comparison properties were hit by a downgrade of 16.3% mainly due to an effect of a planned change of appraiser of one of the comparison centers. In total, this resulted in a revaluation of -2.3%. As we expect yield compression for the convenience segment in the coming quarters this figure should improve.

The fund return of Altera Retail amounted to 0.2% in the first half of 2021, due to this downgrade. The occupancy rate was stable on 94%. Income return was slightly impacted by -0.1% due to bad debt provisions and rent reductions.

In this period a new build Albert Heijn in Nijmegen has been added to the portfolio and a well located Aldi in Lisse in July. Progress is made in selling most of the remaining non-convenience properties in the coming quarters.

Portfolio developments

- The convenience segment is dominant in the portfolio with 77% and this may increase to 89% at year-end after selling most of the remaining non-convenience properties.
- A Albert Heijn supermarket in Nijmegen is added to the portfolio in April and a Aldi supermarket in Lisse in July.
- Rent collection remained on a satisfactory level: 91% for second quarter rents and 78% for first quarter rents.

Portfolio characteristics retail	Mid-2021	Year-end 2020	Mid-2020
Operational portfolio	€594 mln	€603 mln	€681 mln
Theoretical annual rent	€43.8 mln	€44.1 mln	€51.7 mln
Gross initial yield	7.4%	7.3%	7.6%
Number of properties	43	42	50
Number of leases	560	567	649
Rent passing versus ERV	+4%	+4%	+2%
Weighted average lease remaining term	3.8 yrs	3.8 yrs	3.9 yrs
Average rent per m ²	€197	€208	€198
Occupancy rate at end of period	94%	94%	93%

Results

- Fund return of 0.2% in the first half of the year, due to a downgrade of -2.3% (1.7% for convenience and -16.3% for comparison).
- Income return was impacted by -0.1% due to bad debt provisions.
- Average occupancy rate remained on 94%.

Retail	1st half 2021	2020	1st half 2020
Returns			
Income return	2.8%	5.6%	2.6%
Capital growth	-2.3%	-9.6%	-7.0%
Total property return	0.4%	-4.5%	-4.5%
Fund return (IFRS)	0.2%	-5.4%	-5.2%
Fund return (INREV)	0.1%	-5.5%	-5.2%
Dividend return	2.7%	5.5%	2.7%
Results (€ x 1,000)			
Direct investment income	15,188	34,683	17,104
Indirect investment income	-14,168	-69,858	-51,259
Total investment income	1,020	-35,175	-34,155
Other information			
Average occupancy rate	94%	93%	93%
Net/gross rental income	80%	80%	76%
INREV TGER (in bps)	17.1	34.9	17.5
Total investment income per share (€ x 1)	0.001	-0.055	-0.053
INREV net asset value, period end	597	605	632
INREV net asset value per share, period end (€ x 1)	0.936	0.961	0.990

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