

AlterA

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Semi-annual report 2023

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Dutch real estate for institutional investors

Proposition

Altera offers investment products in Dutch Residential and Dutch Retail property which are tailored to the needs and requirements of institutional investors through a structure of integrated management with letter shares in these sectors. This means, among other things:

- a structure with the advantages of unlisted indirect property and the risk/return;
- characteristics of direct property;
- targeted participation in the Residential and Retail sectors (freedom of allocation);
- integrated ESG on management platform and portfolio;
- flexibility of entries and exits;
- no structural financing with loan capital;
- active asset management;
- no in-company project development activities;
- a multi-criteria investment objective;
- transparency in policy, processes and accountability;
- application of best practices and a high level of compliance;
- cost-efficiency resulting in low management and fund costs;
- investments based on a data and research-driven strategy;
- optimal implementation of measures to promote sustainability;
- no conflicts of interest and a strong emphasis on compliance;
- client-oriented servicing.

In deploying its investment strategy, Altera also aims to make a contribution to sustainability. This is based on the following basic principles:

- The aim of the ESG Strategy is to increase the 'future-proofness' of our portfolios and assets:
 - Balancing the interests of main stakeholders: Investors – Tenants – Society.
 - Anticipating upcoming legal requirements and alignment with governmental institutions and regulatory authorities.
 - Creating dual returns: good financial and ESG returns, due to improvement of risk/reward. This leads to predictable and lower expected capital and operational expenditures, whilst making (real-world) impact.
- It ensures that our ESG strategy creates value by:
 - Improved risk management, including incorporation of climate related risks (transition and physical risks).
 - Increased direct return (cashflow) and indirect return (capital value), due to better and more resilient assets.
 - Alignment with stakeholder interests and standards, which increases confidence in the real estate manager.
 - Future-proof portfolios and assets.



Investment objective

The objective of Altera Residential and Altera Retail is to offer institutional investors a fund return in line with core investments in Dutch property. We evaluate the degree to which this objective is achieved against the following criteria:

- the relative portfolio return per sector in relation to the five-year total return on all investments of the MSCI Netherlands Property Index;
- the relative fund return per sector, based on a peer group analysis and the relevant INREV fund return;
- the amount of management and fund costs for the sectoral funds combined and the INREV TGER (with the aim that these costs will be among the lowest in the sector);
- progress in terms of sustainability.

Altera strives for a high level of transparency to the investors and conducts its business with integrity.

Investment policy

We aim to achieve our investment objective by investing in selected segments of the Dutch residential and retail property market with a long-term investment horizon.

We implement the investment policy in a transparent manner and with data and research-based analyses. We limit the risk by not applying structural leverage and refraining from project development activities. With this policy we aim to retain the pure characteristics of direct property as far as possible. A secondary purpose is to remain fully invested.

For these sectors we have formulated a medium-term (three-year) investment framework which has been approved by the General Meeting of Shareholders of the relevant sector. The investment framework is part of the investment plan, which is updated annually.

Supervision

Altera Vastgoed N.V. holds a licence issued under the AIFMD (number 15001214) and is regulated by the Netherlands Authority for the Financial Markets (AFM).

Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (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 services. Altera has set up a multidisciplinary working group, consisting of the CFO, Compliance, Portfolio management, ESG and Investor Relations, to implement the requirements that derive from the SFDR.

Both funds of Altera have considered themselves as Article 8. This is done after careful consideration and after consultation of external advisors and special interest groups (IVBN and DUFAS) and internal discussions.

Information Memorandum

The Information Memorandums for Altera Residential and for Altera Retail contain the Principal Terms (chapter 5) for which changes require approval of the shareholders. Each year in the April General Meeting of Shareholders an updated version is presented. Prospective shareholders are to be provided with a copy of the Information Memorandum.

Property portfolio (including pipeline)

Residential	Retail	Total
€2,347 M	€631 M	€2,978 M

First half year of 2023

- The residential fund and the retail fund were able to achieve a solid direct return.
- The residential fund achieved -7.7% fund return and the retail fund achieved 0.4% fund return.

ESG

- **ESG** is an integrated part of our investment strategy and operations. 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.
- **Top ranking:** for three consecutive years (2020, 2021 and 2022) the residential fund was rated global sector leader by GRESB. At this time the GRESB results 2023 are not yet available.
- **Pathway Paris & Net Zero:** in the 1st half of 2023 Altera focused on the pathway towards Paris Proof and Net Zero Carbon (NZC) via accelerating the asset road maps, in order to mitigate stranding risks.
- **Transition:** we support and contribute to the goals and objectives of UN SDG, UN PRI and UN Global Compact.

Manager

Best in class compliance

- Altera focuses on providing an effective and efficient operating platform compliant with best of class standards, for instance 98% compliance with INREV guidelines.

Data driven

- Progress on creating a digital operating platform. The development of the data warehouse also creates possibilities to enhance transparency further, i.e. data investor dashboard.

Human Resources

- The quality of the operating platform relies on the quality of staff: motivated professionals which are able to execute and reach objectives. Altera positions itself as an inclusive workplace offering colleagues opportunities to develop their skills. We have been ranked as world class work place in 2023-2024.

INREV



Macro economic figures (the Netherlands)

Inflation

- CPI rises again despite slowdown of energy prices.
- Consensus Forecast for 2023 around 4.3%. In 2024 a bit lower: 3.2%.

Interest

- Interest rates of 10-year Dutch bonds are stabilising, Euribor still rising, so lending for entrepreneurs is more expensive.

Work & Income

- Labour shortage continues and puts pressure on GDP growth.
- Lagging income growth puts pressure on affordability in the residential market, both in the owner occupier and rental segment.
- Despite the rise in wages, the high inflation of last year is not compensated yet.

GDP

- Economic growth is constrained mainly by labour shortages, among other things, while demand for goods and services remains equal due to household and government spending.
- Export and producer confidence hesitated.

Government

- In the second half of 2022 the abolition of the Dutch REIT (fiscal investment institution with 0% corporate tax rate) was announced. Due to the resigned of the Dutch government on 07/07/23 and the new elections to take place on 22/11/23 there is some uncertainty in the market on the implementation. Dutch REIT regime is labelled as non-controversial.
- Government balance sheet remains healthy. The energy limit support measures don't have a negative impact yet.

Residential

The Dutch housing market

Economic uncertainties

Especially gas supply and related energy-prices will remain important uncertainties. This initially caused higher inflation and higher interest rates. High inflation influences the affordability of houses. With the fall of national government, economic uncertainties will be accompanied by political instability in the coming period. This makes the development of the housing market more unpredictable and further stagnation of new constructions can be expected. It is important to note that in any case scarcity will remain.

Demand and supply in the user markets

The four major cities experience a severe shortage in the rental market. The cities' national and international appeal means that the shortage of rental housing is relatively higher than in the rest of the Netherlands. This tightness is also visible in rental prices. NVM brokers expect positive signs on the owner-occupier market to continue in the 2nd half of 2023. Whether this positivity will be converted into an increase in sales momentum, however, depends on the addition of new supply. Current supply remains too low to meet demand. Also, the number of homes put up for sale is not yet experiencing the required increase.

Market price dynamics

The price development in the first half of 2023 was influenced by the rising mortgage interest rates, combined with consumer uncertainty. Although scarcity still exists, consumers were more cautious than before. Mortgage rates were growing faster than expected and growth of wages was too low to compensate inflation. Maximum mortgage lending is



significantly lower compared to last year. Although the price decline was still relatively limited (average price still higher than two years ago), there was a clear changing market sentiment: fewer viewers, fewer bids and more focus on energy costs. However, in the second quarter of 2023 there seems to be a recovery in prices (compared to the first quarter of 2023). This is mainly caused by an increasing growth of wages and the continued scarcity on the owner-occupier market.

Construction (owner occupier and rental markets)

Although the intentions are ambitious, and stimulating measurements are announced, it is the question whether the tools are sufficient. One of the main challenges is the feasibility of new construction: rising building prices versus lower sales prices, let alone the nitrogen regulation and the delays in construction processes. The number of permits for new constructions is declining steadily and is by far not enough to meet the requirements of a healthy market.

Investment market

The political measurements makes investors hesitate to invest in Dutch housing. Still, for Altera we expect minor influences on rental income of these measurements, at least far less than market average. We expect a low investment volume for residential properties again in the coming quarters. Parties that wanted to purchase did so quickly in the fourth quarter of 2022 due to the increase in transfer tax. However, there are also many parties that want to sell homes and parties that have investment opportunities. These parties are currently hesitant due to uncertainties in the market. They wait until the market (supply and demand) is back in balance, 'more attractive' asking prices are applied and more political stability is realised.

Policy developments

The Affordable Rent Act is currently before the Council of State for its opinion. After the consultation round, the Act was amended. Some of the changes are not legally regulated by the Act, but by amending the Decree on Housing Rents. The aim is to deal with the Act and the Decree at the same time in Parliament.



Results Altera Residential Mid-Year 2023

Returns

- The fund return of Altera Residential amounts to -7.7% and is far below the 5.8% over the same period in 2022 due to a downgrade resulting from the rapid increase of interest rates and increase of the transfer tax from 8.0% to 10.4%. **-7.7%
fund return**
- The value of the portfolio decreased with 8.8% (based on valuation by external chartered surveyors). The 'vacant value ratio' decreased from 86% (end of year 2022) to 78%. **-8.8%
revaluation**
- Income return of 1.4% is above budget. **1.4%
income return**

Rental cashflow

- Per July 2023 rent is indexed with 4.0% on average, which is below CPI 2022 (10.0%) due to a cap of 4.1% set by the government. **4.0%
rent index**
- The occupancy level of 99% is high and stable. New built properties taken in operation are fully let. Both indicate that the demand in the rental market remained stable. **99%
occupancy**

Capital flows

- €114 million new shares are issued to new and existing shareholders and for €49 million redeemed. **€114 million
issued**

Housing units

- The secured construction pipeline comprises 904 homes at 7 locations totaling €332.3 million of which €211.7 million already paid on instalments. Including the current standing portfolio the total number amounts to 6,963 homes. **6,963 units
in portfolio**
- Three construction projects (in total 298 units) were completed: **298 units
added**
 - Den Bosch, Paleiskwartier (54 units)
 - Tilburg, De Bankier (70 units)
 - Almere, Groene Wold (174 units)

Portfolio

- The portfolio in operation decreased from €2,13 billion to €2.05 billion (-3.7%), although the number of homes increased from 5,762 to 6,059 homes (+5.2%). **€2,055 million
in operation**
- The portfolio including the secured construction pipeline amounts to €2,707 million (+8.1%). **€2,347 million
including pipeline**

ESG

- Decision made for renovating three properties build in 1980-1989 in Haarlem and Sassenheim (154 units) to make these more sustainable. **Renovation
154 units**
- PAI statement (Principal Adverse Impacts) published on Altera website (Article 4 SFDR).

Portfolio characteristics residential	Mid-2023	Year-end 2022	Mid-2022
Operational portfolio	€2,055 mln	€2,134 mln	€2,171 mln
Secured pipeline (excluding revaluation)	€332 mln	€421 mln	€488 mln
Theoretical annual rent	€84.7 mln	€80.5 mln	€75.8 mln
Gross initial yield	4.2%	3.8%	3.5%
Vacant value ratio	78%	82%	86%
Average monthly rent	€1,113	€1,113	€1,079
Number of properties	109	106	103
Number of lettable units	6,059	5,762	5,628
Occupancy rate at end of period	99%	99%	99%

(unaudited)

Preferences and redemptions

Balance as at 1 January 2023	€407.2 mln
New preferences received	€52.4 mln
New redemptions received	-€49.0 mln
New capital issued	-€114.5 mln
Redemptions facilitated	€49.0 mln
Balance as at 30 June 2023	€345.1 mln

Residential	1st half 2023	2022	1st half 2022
Returns			
Income return	1.4%	2.5%	1.2%
Capital growth	-8.8%	-1.2%	4.8%
Total property return	-7.5%	1.3%	6.1%
Fund return (IFRS)	-7.7%	0.9%	5.8%
Fund return (INREV)	-7.8%	0.8%	5.9%
Dividend return	1.2%	2.1%	1.0%

Results (€ x 1,000)

Direct investment income	26,766	51,565	24,184
Indirect investment income	-210,501	-33,207	111,203
Total investment income	-183,735	18,358	135,387

Other information

Average occupancy rate	99%	99%	99%
Net/gross rental income	77%	80%	78%
INREV TGER GAV (in bps)	22.1	34.5	16.3
Total investment income per share (€ x 1)	-0.171	0.022	0.131
INREV net asset value, period end (€ x mln)	2,262	2,411	2,528
INREV net asset value per share, period end (€ x 1)	2.055	2.255	2.395

(unaudited)



Convenience centre Zijdelwaard, Uithoorn

Retail

The Dutch retail market

Economy and Consumer confidence

Turnover in the food sector increased quite a bit in the first half of 2023 compared to last year. Supermarket sales were strongly higher and the turnover of freshfood increased. The strong increase in turnover is due to increased prices, as mostly sales volumes show declines.

Consumer confidence has some relationship with consumer spending. As confidence is low, spending may be constrained. This mainly concerns spending in the non-food segment. The food segment has proven to be stable during economic fluctuations before. For example, we notice that the Dutch are postponing major purchases mainly in the non-food sector. Food retailers feel these effects less: the volume contraction in this sector is smaller than for non-food.

Market dynamics

During the Covid-19 crisis, the number of bankruptcies remained limited. This was partly due to the government's Covid-19 support measures. Companies now face inflation, high energy prices, and must start repaying Covid-19 support measures as of mid-2023. As a result, bankruptcies are now on the rise.

Aging is not a threat to convenience shopping centres but offers potential for sales. However, it is important that when there is an aging population in a catchment area, the convenience shopping centre is well attuned to the aging consumer.

Market drivers

Due to staff shortages, some retailers are experiencing lower sales than their potential would be. The sharp rise in prices has made consumers more price-conscious about shopping. As a result, discounters and private brand products are gaining ground.

Supermarkets were hoping for collective policies around the plastic surcharge, but regulator ACM moved ahead of that. As a result, everyone can now decide for themselves how to deal with the new rules.

Results Altera Retail Mid-Year 2023

Return

- The fund return of Altera Retail amounts to 0.4%, based on a downgrade of 2.1% due to an increase of the transfer tax with 2.4%.
- The value of the portfolio decreased with -2,1% (based on valuation by external chartered surveyors).
- Income return of 2.9% is above budget.

0.4% fund return

Revaluation of -2.1%

Income return of 2.9%

Rental Cashflow

- 39 assets in portfolio with 502 lease contracts.
- Occupancy level of 94% (96% adjusted for strategic vacancy).
- Tenant mix: 41% rental income from Supermarkets and 67% rental income from food and convenience sector.

502 contracts

94% occupancy level

Rental income

Portfolio

- The share of convenience in the portfolio is 89% (36 of in total 39 properties).
- Rental level: contract versus market +13% due to impact of indexation and renewals.
- Agreement signed with Propri for a cloud solution for technical property management process and data.

89% convenience

**Rental increase
due to inflation**

ESG

- Pilot launched "The Energy Efficient Retailer" where the current energy data and building-specific characteristics of a centre are translated into a comprehensive report for our tenants.
- Altera and Bouwbedrijf Pennings signed a multi-year collaboration. Bouwbedrijf Pennings will support Altera in realising sustainability measures in retail centres.
- PAI statement (Principal Adverse Impacts) published on Altera website (Article 4 SFDR).

**Tenant
engagement**

Route to Paris

Capital flows

- €5 million new shares are issued to an existing shareholder, no redemptions.

€5 million issued

Portfolio characteristics retail	Mid-2023	Year-end 2022	Mid-2022
Operational portfolio	€631 mln	€643 mln	€655 mln
Theoretical annual rent	€46.6 mln	€44.6 mln	€45.1 mln
Gross initial yield	7.4%	6.9%	6.9%
Number of properties	39	39	41
Number of leases	502	515	578
Rent passing versus rental value	+13%	+8%	+4%
Weighted average lease term	4.4 yrs	4.5 yrs	4.4 yrs
Average rent per m ²	€231	€221	€201
Occupancy rate at end of period	94%	94%	94%

(unaudited)

Preferences and redemptions

Balance as at 1 January 2023	€104.3 mln
New preferences received	€3.4 mln
New redemptions received	-
New capital issued	-€5.3 mln
Redemptions facilitated	-
Balance as 30 June 2023	€102.4 mln

Retail	1st half 2023	2022	1st half 2022
Returns			
Income return	2.9%	5.7%	2.8%
Capital growth	-2.1%	3.5%	3.7%
Total property return	0.7%	9.4%	6.6%
Fund return (IFRS)	0.4%	9.0%	6.4%
Fund return (INREV)	0.2%	9.2%	6.6%
Dividend return	2.5%	5.2%	2.4%

Results (€ x 1,000)

Direct investment income	16,249	33,002	15,773
Indirect investment income	-13,618	21,226	22,304
Total investment income	2,631	54,228	38,077

Other information

Average occupancy rate	94%	94%	93%
Net/gross rental income	81%	86%	85%
INREV TGER GAV (in bps)	21.8	33.6	16.1
Total investment income per share (€ x 1)	0.004	0.084	0.060
INREV net asset value, period end	655	665	662
INREV net asset value per share, period end (€ x 1)	0.972	0.994	0.997

(unaudited)

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