

Media release

Zug, 23 May 2017

Strong results for the first quarter 2017 – increase of net cash flow yield to 11.2%

- **Net cash flow Q1 yield up to at 11.2%¹**
- **Distribution yield at property level up to 9.5%²**
- **Effective gross income (EGI) increased by 22% to USD 12.7 million in Q1 2017**
- **Decrease of total expenses as percentage of EGI from 50% (Q4'16) to 44.6% (Q1'17)**
- **Net operating income improved by 35% to USD 7.0 million**
- **Property portfolio value of USD 422 million as of 31 March 2017; five acquisitions in Q1 2017, adding 1,127 units to a total portfolio of 6,480 units**
- **Market developments accelerate growth momentum**

Varia US Properties generated strong operating results for the first quarter 2017. The net cash flow Q1 yield stood at 11.2%, up from 8.4% in Q4 2016. The distribution yield at property level increased to 9.5% (Q1'17) from 8.7% (Q4'16). Effective gross income (EGI) reached USD 12.7 million, a USD 2.3 million increase from Q4 2016. This was the combination of the fast rental growth, the stability in vacancy and new acquisitions. Total operating expenses as percentage of EGI dropped from 50% in Q4 2016 to 44.6% in Q1 2017, which in turn increased the net operating income from USD 5.2 million in Q4 2016 to USD 7.0 million in Q1 2017. As a result, the total net cash flow stood at USD 3.4 million, an increase of 79% from Q4 2016. Gross potential rate improved by nearly 20% to USD 12.5 million.

Continuous deployment of equity – portfolio value up 23% to USD 422 million

Varia has progressed as planned in its first full quarter as a listed company after the Initial Public Offer (IPO) on SIX Swiss Exchange on December 2016. The resulting portfolio, as of 31 March 2017, consisted of 43 properties totalizing 6,480 units, representing USD 422 million of real estate value. Varia acquired five properties amounting to 1,127 units during Q1 2017, for a total of USD 95.2 million. Physical vacancy was stable at 4.7% on the Varia portfolio. This is better than the national average between 5.2 to 5.4% for class B and C assets.

The new acquisitions offer strong rental growth prospects. Two properties are located in the Dallas – Fort Worth area, a metroplex of 7.1 million people with a diverse and fast-growing economy. The greater Dallas area is the leading US multifamily market in terms of sales volume

¹ Annualized Q1 cash flow at property level divided by the initial equity investment in the property companies.

² Annualized Q1 cash distribution from the property companies to the blockers divided by the initial equity investment in the property companies.

with USD 8.8 billion in Q1 2017. Assets in the Southern and Western regions of the US have been the most heavily sought after due to highly favorable demographics and growth projections. Varia's other first quarter acquisitions are located in these high growth regions including Columbia (South Carolina), St Louis (Missouri) and greater Seattle (Washington State). Those are all strong demographic and employment markets and aligned with Varia's strategy to focus on multifamily housing in secondary and tertiary markets in growing urban regions.

Varia met its targets in terms of quality of acquired properties, their projected investment returns and the rate of equity deployment of the capital increase. It also completed the retrofitting of 17 units at Wood Hollow, a property acquired end of December 2016. Upgrading the standing of its properties is part of the value adding strategy of Varia. It attracts tenants with higher wages and it increases the overall popularity and visibility of the properties. Moreover, it expands the lifespan of the units and reduces the routinely needed capex. The second quarter 2017 will see the continuing retrofitting on the existing portfolio and the completion of Varia's equity deployment.

Patrick Richard, Delegate of the Board of Directors of Varia said: "Varia has been implementing its growth strategy as planned. The Q1 results underscore the solid foundation we laid in 2016. We continue to benefit from the positive developments on the US real estate market and accelerate the momentum to exploit the interesting opportunities the US multifamily housing market is currently offering. Based on the current progress, we are confident that we will deliver solid results for the full year 2017."

Q1 2017 Portfolio Performance Snapshot (preliminary, unaudited figures)	Q1 2017 In USD	Q4 2016 In USD
Effective Gross Income	12.7 million	10.4 million
Gross Potential Rent	12.5 million	10.5 million
Total Operating Expenses	5.6 million	5.2 million
Net Operating Income	7.0 million	5.3 million
Total Capital Expenditures	0.6 million	0.9 million
Debt Interest	2.4 million	2.3 million
Ownership Expenses	0.2 million	0.2 million
Net Cash Flow	3.4 million	1.8 million
Net Cash Flow yield (Q1 annualized)	11.2%	8.4%
Distribution yield at Property level (Q1 annualized)	9.5%	8.7%



Please find more detailed information about Varia's First Quarterly Report on the company's website: <http://variausproperties.com/investors/quarterly-updates/>.

Key dates

Annual General Meeting	23 May 2017, 4pm
Half-year results 2017	4 September 2017

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About Varia US Properties AG

Varia US Properties AG is a Swiss based real estate company exclusively investing in U.S. multifamily housing with a main focus on secondary and tertiary markets. Established in 2015, the Company acquires, holds, transitions and repositions properties in the boundaries of metropolitan regions of the U.S. in order to secure rental income and value growth. More information: www.variausproperties.com

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