VARIA U.S. PROPERTIES

INFORMATION ABOUT THE 1st QUARTER 2017

HIGHLIGHTS

EGI* increase to $12.7 M.

Decrease in total vacancy rate, from 7.9% to 7.2%.

NOI** of $ 7.0 M, up 35% from Q4 2016.

Net yield at propco level***: 9.5%, up from 8.7% in Q4 2016.

6 acquisitions since the capital increase, adding 1’127 units.

Total portfolio of 6’480 units.

* Effective Gross Income
** Net Operating Income
*** Q1 figure annualized

INTRODUCTION

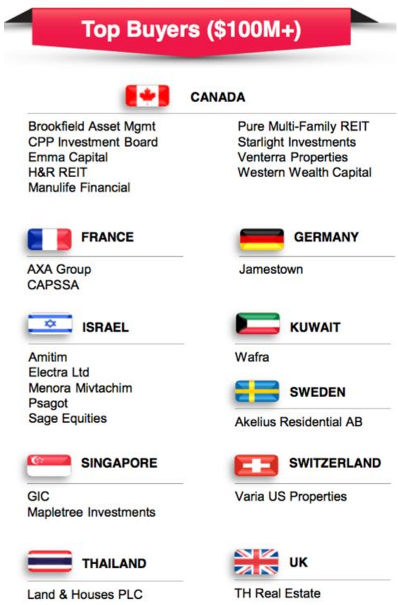
Dear Investors,

It is our pleasure to present you with Stoneweg’s first quarterly operating report of Varia US Properties (“Varia”) for 2017.

It was a strong performing quarter for Varia. Occupancy remained above US national levels (95.3% versus 94.5% Source: ARA Newmark 1Q17 Market Overview), Gross Potential Rent was on average 6.6% above same quarter in 2016, and Operating Expenses improved quarter over quarter from $4’142/unit to $3’886/unit. Net Operating Income (“NOI”) up 35% and a Net Cash Flow up 79% from the prior quarter.

Equity deployment was another great source of satisfaction. Despite a tight acquisition market that suffered from a lack of available inventory, Varia succeeded in closing 5 deals of great quality this quarter, adding 1’127 units in some of the US fastest growing markets.

Thanks to the hard work of its local team and the reputation it has earned, Varia met its target in terms of quality of acquired properties, their projected investment returns, and the rate of equity deployment. This is impressive given the significant reduction in available multifamily inventory. US multifamily sales volume declined by 8.9% year over year and was 35.4% down during the first quarter. Sales volume reductions are widely believed to be due to uncertainty throughout the market following the US elections. (Source: ARA Newmark 1Q17 Market Overview). 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 first quarter acquisitions are located in these high growth regions, including South Carolina, Texas, Missouri, and Washington State. Nationally, Cap Rates slightly compressed to 5.4% in the first quarter. Varia’s new additions were acquired at an average 7.0% Cap Rate in Q1.



Varia’s first annual report was published on April 26th, including fiscal 2016 audited figures, in-depth analyses and commentaries, is available online on variausproperties.com/investors/financial-statements.

FOCUS ON: EQUITY DEPLOYMENT

5 acquisitions during Q1.

This quarter, Varia actively deployed the equity of $ 124.7 M that it raised in December at the time of its listing on the SIX Swiss Stock Exchange.

Acquisition activity by Varia contributed to Switzerland buyers making up 1.5% of the sales by non-US buying entities (Source: Knight Frank Q1 2017 US Multihousing Market Overview, see chart)

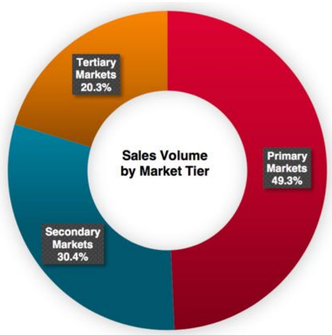
After the acquisition of Wood Hollow in Dallas in late December, Varia acquired 5 more properties during Q1, for a total of $ 95.15 M. Together with Wood Hollow, this amounts to $ 123.85 M. At the target loan to value ratio of 50% to $66\frac{2}{3}$% of Varia, this corresponds to a deployment of approximately one third to half of the equity raised in December 2016. During Q2, Varia expects to complete its equity deployment, in line with its schedule.

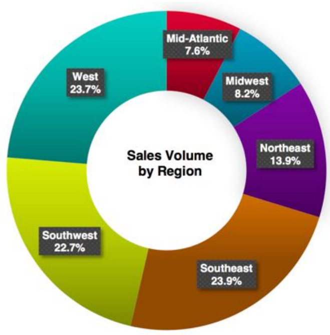
The 5 properties amounted to 1’127 units, expanding the number of units in the portfolio by 21% during Q1.

New acquisitions are in the mid-upper range of Varia’s portfolio in terms of rents, but more crucially, they offer strong rental growth prospects. In addition to Wood Hollow, 2 other properties are located in the Dallas – Fort Worth area, a metroplex of 7.1 million people with a diverse and fast-growing economy. The other newly acquired properties are located in Columbia, South Carolina, in St Louis, Missouri, and in greater Seattle, Washington State. In keeping with Varia’s strategy, those are all strong demographic and employment markets. More details in the “Investment Activity” section below.

MULTIFAMILY MARKET UPDATE

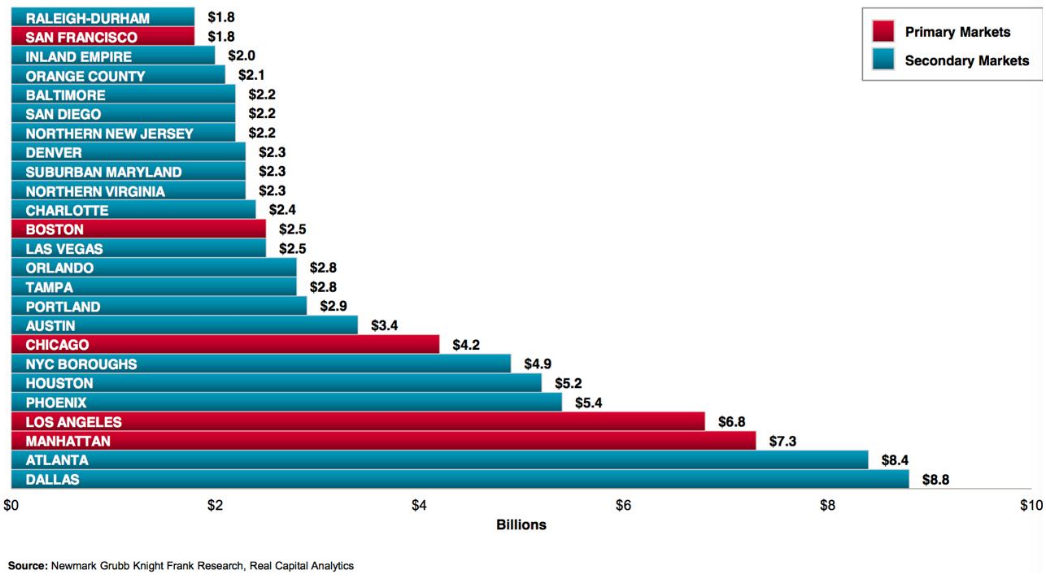
Sales volume in the US multifamily market was down this quarter, mainly due to a shortage of inventory. It fell 8.9% over Q1 2016. However, stronger sales growth are expected as we move through the year and as uncertainties following the election settle.





Secondary and tertiary market, Varia’s sector of activity, now comprise 50% of multifamily market sales.

Southwest and Southeast US account for nearly half of all US sales. This is where Varia has focused as well. Strong demographic trends and growth prospects fuel their attractivity. Two areas where Varia is concentrating its acquisition efforts, the Dallas - Fort Worth metroplex and the Phoenix – Tucson market, are respectively #1 and #5 in terms of sales volume.



Charts and data from Knight Frank Q1 2017 US Multihousing Market Overview

Q1 PORTFOLIO PERFORMANCE REVIEW

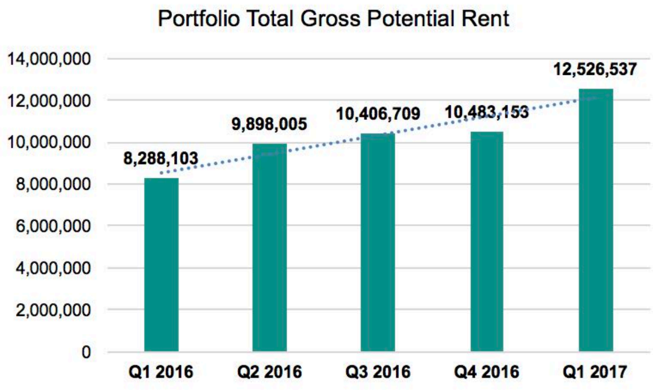
A preliminary summary of the Varia Portfolio Q1 operating results is provided below. These figures are unaudited and given here on a purely indicative basis. They do not correspond in all respects to IFRS figures. They are subject to change and Varia shall not be responsible of investment decisions based on them. Only the figures presented in the last annual report or the next semi-annual report shall be taken into account.

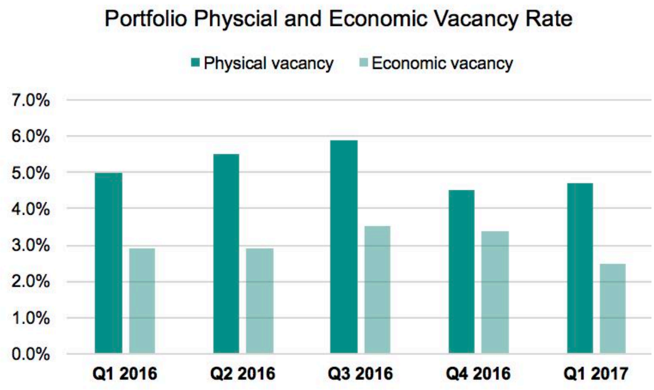
Q1 2017 Portfolio Performance Snapshot	
Effective Gross Income (EGI)	$12.7 M
Total Operating Expenses	$ 5.6 M
Net Operating Income (NOI)	$ 7.0 M
Total Net Capital Expenditures	$ 0.6 M
Debt Service	$ 2.4 M
Mortgage principal repayment	$ 0.4 M
Ownership Expenses	$ 0.2 M
Net Cash Flow	$ 3.4 M
Net cash flow yield (Q1 annualized)*	11.2%
Cash/cash yield (Q1 distribution annualized)*	9.5%

* (At property level)

During Q1 2017, Effective Gross Income (EGI) increased to $12.7 M, a $ 2.3 M increase from Q4 2016. Although the bulk of this increase is the result of the new acquisitions, fast rental growth as well as a decreasing total vacancy rate have contributed.

Total financial vacancy rate decreased to 7.2% from 7.9% in the previous quarter, predominantly the result of a lower economic vacancy. Physical vacancy was stable at 4.7% on the Varia Portfolio and this is better than the National averages for Class B and C assets that averaged between 5.2 to 5.4% in Q1





Operating expenses dropped sharply from 50% of EGI in Q4 to 44.6% in Q1, which in turn increased the NOI by 15% compared to last quarter, to $ 7.0 M.

Net cash flow was $ 3.4 M, a 79% increase from last quarter. As a result, net distribution yield (Q1 distribution annualized) increased from 8.7% to 9.5%.

The Debt Service Coverage Ratio or DSCR (Net Operating Income reduced by operational capital improvement spending divided by the Debt Service), is a measure that shows the ability of an investment property's cash flow to pay its debt obligations. The higher the ratio, the lower the risk of negative cash flow. Q1 2017 achieved a DSCR of 2.42 compared with a 1.90 ratio in the prior quarter. In comparison, lenders like Fannie Mae and Freddie Mac typcially use a DSCR of 1.40 for the purpose of loan sizing.

INVESTMENT ACTIVITY

During this quarter, Varia acquired 5 properties. We present them here in chronological order of acquisition.

Crown Lake (renamed Varia at Oakcrest)

Crown Lake is a 272-unit property in Columbia, South Carolina. Columbia is the capital and largest city of South Carolina, with a greater urban population of 810'000 in 2015. The property is located close to large healthcare employers and also Fort Jackson, one of the US Army's largest training base. Built in 2000, it is well maintained and there is room for rental growth through gradual remodeling of the units. Rent premiums are projected to be $70 per month following rehabilitation.

City:	Columbia
State:	South Carolina
Units:	272
Acquisition price:	$ 23.6 M

The Ridge on Spring Valley

A 207-unit property in Dallas, Texas, Spring Valley is a working class neighborhood with median household income above the Varia portfolio average. While the current rent roll has an average rent per unit of $850, the household income level in the neighborhood supports rents upward of $1'180/month. Rent premiums on remodeled units are projected to post an increase of $100 per month. The rehab program is scheduled to begin in May, 2017.

City:	Dallas
State:	Texas
Units:	207
Acquisition price:	$ 18.3 M

Maryland Park

A 252-unit complex in St Louis, Missouri, whose greater metro area has a population of nearly 3 million. Maryland Heights, in the western suburbs, is home to large employers such as Boeing, Monsanto, Magellan Health and several IT service providers. The property's physical vacancy has averaged a mere 2.6% over the past several years. With a value add strategy of remodeling units, there is plenty of room for rent growth while maintaining high occupancy levels. Several units are targeted for rehab in Q2.

City:	St Louis
State:	Missouri
Units:	252
Acquisition price:	$ 19.3 M

Pine Ridge

Pine Ridge is a 116-unit property in Bremerton, Washington State. Located across the Puget Sound, facing Seattle, it has its own economy centered on the local military presence and maritime business activity. It stole the crown as the property with the highest Effective Income per Unit, at $ 1'250. Remodeling should increase rents by units by more than $130 per month; the first being scheduled for rehab in Q2.

City:	Bremerton
State:	Washington State
Units:	116
Acquisition price:	$ 16.4 M

Bridge Hollow

Bridge Hollow is Varia's third acquisition in the Dallas-Fort Worth area. It is located in a workforce community on the eastern edge of Fort Worth. Built in 1984, most of the units have been remodeled and the property is well maintained. The strategy is to focus on operational improvements to increase rents and optimize occupancy, while maintaining best practice operating expense levels.

City:	Fort Worth
State:	Texas
Units:	280
Acquisition price:	$ 17.6 M

RETROFITTING ACTIVITY

This quarter, Varia completed the retroffiting of 17 units at Wood Hollow (located adjacent to American Airlines new headquarters currently under construction near Dallas-Fort Worth Texas Airport), the first property it bought after the capital increase in December. Upgrading the standing of its properties is part of the value adding effort pursued by Varia. It attracts tenants with higher wages, capable –and willing of paying higher rents, and it increases the overall popularity and visibility of the properties. Moreover, it extends the lifespan of the units and reduces the routinely needed capex.

The first 17 prototypes of rehabbed units in Wood Hollow proved very popular and Varia plans to apply the same vision in its other recently acquired properties. The new rehabbed units are averaging over $100 more per month in additional rent income. Based on the cost to rehab, this represents a 25% return on additional capital employed.

CURRENCY

Between December 31st and March 31st, the dollar fell slightly by 1.57%, from CHF 1.019 to 1.0035.

It should be noted that Varia is exposed to fluctuations in the U.S. currency and investors in Varia are therefore exposed as well. Varia does not hedge the exchange rate, and the performance of the company in CHF will directly be impacted by the performance of the USD.

TERMS

Structure	Real Estate Company	**Life duration**	Unlimited
Incorporation	Switzerland	**Market Cap on 31.03.2017**	CHF 256.4 M
Inception	September 2015	**SIX ticker**	VARN
Asset Manager	Stoneweg SA	**ISIN**	CH0305285295

CONTACT

Varia US Properties AG, Gubelstrasse 19, 6300 Zug, Switzerland

Stoneweg SA, Boulevard Georges-Favon 8, 1204 Genève, Switzerland, T +4122 552 40 30

Stoneweg US LLC, 33 4th Street N, St Petersburg, 33701, Florida, USA, T +1 415 515 6298

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