

Media release

Zug, 8 November 2018

Varia US Properties: Ongoing successful business development in Q3 2018 – focus on optimization and performance of the comprising portfolio in the US

- **Effective Gross Income increased from USD 18.1 million to USD 22.3 million (+23.2%)**
- **Net Operating Income up from USD 9.6 million to USD 12.0 million (+25%)**
- **Acquisition of two new properties in Ohio and Tennessee for USD 40.5 million**
- **Disposition of a property planned for the last quarter 2018 – significant gain for investors expected**
- **Varia is covered by analyst research of Kepler Cheuvreux**
- **The Board of Directors will propose to the next AGM to start with quarterly distributions in order to mitigate the currency risk**

The main focus of Varia US Properties in the third quarter 2018 was on the continuous implementation of the value-add strategy as well as on the optimization of the portfolio. Varia acquired two properties in the States Ohio and Tennessee for USD 40.5 million and with a total of 419 units. Both acquisitions were highly competitive and represent an excellent fit into Varia's strategy and portfolio. The resulting portfolio, as of 30 September 2018, consisted of 52 properties with a total of 9,581 units.

The Board of Directors of Varia decided to sell the property Pine Ridge with 116 units which is located near Seattle (Washington). The disposition was driven by three factors: the quick and successful implementation of the value-add strategy at this asset, the favorable market conditions in the area and the relative isolation of this asset compared to Varia's portfolio. A purchase and sale agreement was signed on 12 October 2018 and the transaction is expected to close on or before 14 December 2018. Varia expects a gross IRR near 30%. Proper announcement will be done by Varia after closing.

The hurricanes Florences and Michael having made landfall in North Carolina and Florida in September and October had minimal impact on Varia's portfolio with very limited damage.

For the first time since its inception in 2015, Varia is covered by an analyst research. Kepler Cheuvreux issued its initial coverage research in mid-October with a Hold position and a target price of CHF 38.

Q3 Portfolio Performance Review

During Q3 2018, Effective Gross Income reached USD 22.3 million, a USD 4.2 million or 23.2% increase from Q3 2017. The net operating income increased from USD 9.6 million in Q3 2017 to USD 12.0 million in Q3 2018 (+25%). The net cash flow (defined as net income less mortgage principal repayments) amounted to USD 5.9 million, a USD 1.5 million or 34.1% increase from Q3 2017. Physical vacancy stood at 6.2% in Q3 2018 due to the implementation of the value-add strategy.

Patrick Richard, Delegate of the Board of Directors of Varia, said: “We are very pleased with the third quarter 2018 results. Our portfolio is extremely strong and has generated financial results in the first nine months that are significantly above business plan. Based on the current progress of the portfolio, the strong US economy and the permanent inflow from capital, we expect further rent premiums originated by the successful implementation of value-add measures. We are confident that we will deliver solid results for the full year 2018.”

Q3 2018 Portfolio Performance Snapshot (preliminary, unaudited figures)	Q3 2018 In USD	Q3 2017 In USD	Δ%
Effective Gross Income (EGI)	22.3 million	18.1 million	23.2
Total Operating Expenses	10.3 million	8.5 million	21.2
Net Operating Income (NOI)	12.0 million	9.6 million	25.0
Repairs, Maintenance and Minor Replacements	0.8 million	0.9 million	(11.1)
Debt Service	4.7 million	3.7 million	27.0
Mortgage Principal Repayment	0.5 million	0.4 million	25.0
Ownership Expenses	0.1 million	0.2 million	(50.0)
Net Cash Flow	5.9 million	4.4 million	34.1
Net Cash Flow Yield (YTD annualized)*	8.0%	8.9%	(10.1)

* The reduction of the net cash flow yield is due to the Company acquisition activity in 2018 and the implementation of the value-add strategy. The yield will increase with the completion of the strategy and the stabilization of the properties.

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

Financial calendar

Full-year results 2018 3 April 2019

Annual General Meeting 2019 30 April 2019



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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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