

VARIA U.S. PROPERTIES

INFORMATION ABOUT THE 1st QUARTER 2019

INTRODUCTION

HIGHLIGHTS

Positive growth and results for the quarter.

US Multifamily market remains bright and interest rates stable.

Kepler Cheuvreux publishes positive report on Varia / US market.

At the property level:

Q1 EGI*: \$23.14 Million

Q1 NOI: \$ 10.84 Million**

NOI margin: 46.8%

Q1 NOI less interest expense: \$6.01 Million

Total Units: 9,737

Number of properties: 52

Occupancy rate: 93.3%

** Effective Gross Income (includes rental and other income)*

***Net Operating Income (NOI) - Operating profit less unrealized appreciation*

Dear Investors,

The intent of this report is to give you an update regarding the latest developments and performance of the Company during the first quarter of the year. All figures are operating results in USD at the property level, which are neither consolidated nor audited. We do not intend to restate what was published in the annual report of 2018, but rather focus on activities since the beginning of the year.

During the first quarter, the focus of the company was to continue to improve overall operating performance at the properties via the value-add strategy and cost reduction programs. The strategic plans related to the Green Initiative and the transition of the LIHTC properties continued to be focus areas, and will be so for the balance of the year. During the quarter, one of the LIHTC properties (Tuscany Bay in Lawrenceburg, IN) came out of the program and transitioned to market rents.

On the acquisition front, the Company continues to actively explore properties that meet its' investment criteria and is poised to execute on these targets when the conditions are right. The US multifamily market continues to remain strong with a favorable supply of available product. Also, interest rates remain stable and we expect this to continue throughout 2019.

Kepler Cheuvreux published another favorable research paper on Varia US in mid-April. Kepler recommends a Hold position with a target price of CHF 39. This research was sent to Kepler's clients based in Europe and it can be obtained directly with this Company (www.keplercheuvreux.com).

At the shareholder meeting in April 2019, the distribution of 2.50 CHF per share was approved. Going forward, shareholders also approved quarterly distributions

from July 2019 onwards. The objectives of this decision include providing more regular cash flow to investors, avoid accumulation of cash at the company level and reduce currency rate risk on cash distributions. Distribution targets going forward will be in the range of 90% of FFO.

The Board of Directors as well as the Asset Manager of the Company thank you for your interest in the Company and for your continuous trust and confidence.

Q1-2019 PORTFOLIO PERFORMANCE REVIEW

A preliminary summary of the Varia Portfolio Q1 operating results is provided below.

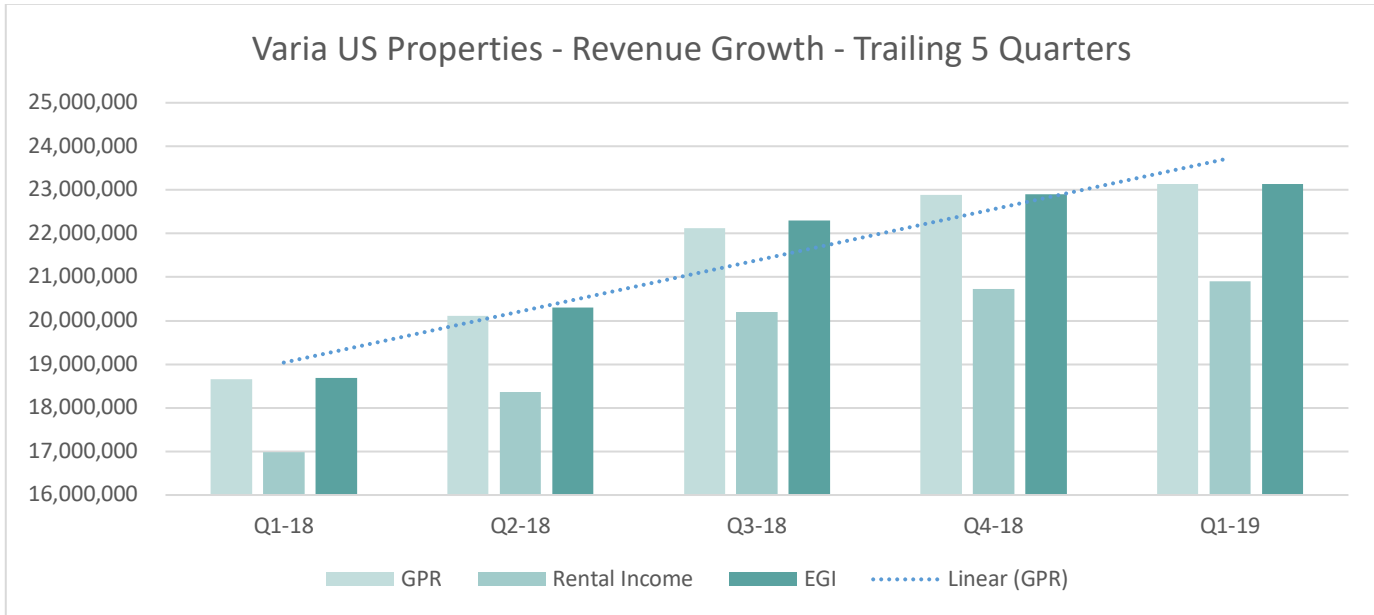
These figures are calculated at the property level and are not consolidated at the Company level. They are unaudited and are provided on a purely indicative basis. They do not correspond in all respects to IFRS figures. They are subject to change and the Company shall not be responsible of investment decisions based on them. Only the figures presented in the 2018 Annual Report or the next semi-annual report should be taken into account.

(in Mio USD)	Q1 - 2019	Q4 - 2018	Variance	% Variance
Gross Potential Rent (GPR)	23.14	22.89	0.25	1.1%
Rental Income	20.90	20.73	0.17	0.8%
Effective Gross Income (EGI)	23.14	22.89	0.25	1.1%
Operating Expenses	12.30	12.13	0.17	1.4%
Net Operating Income (NOI)	10.84	10.77	0.07	0.6%
NOI Margin	46.8%	47.1%	-0.2%	N/A
Finance Cost - Interest Expense	4.83	4.87	-0.04	N/A
NOI less Finance Cost – Interest Expense	6.01	5.90	0.11	1.9%
Invested Equity	300.70	300.70	0	0.0%
Properties	52	52	0	0.0%
Units	9,737	9,737	0	0.0%
Potential Rent per Month Per Unit (Whole \$)	792	784	9	1.1%
Occupancy Rate (Quarterly Average)	93.3%	93.4%	-0.1%	N/A

General overview

At the end of Q1-2019, the Company portfolio had 52 properties for a total of 9,737 units. According to the December 31, 2018 valuations, the Portfolio was valued at \$767.5M. The equity to acquire (and transfer) these assets was \$300.70M. Overall, the first quarter reflected continuing strong performance on the income side and expenses continued to be controlled and optimized. Overall occupancy rates remain strong and we believe there is additional upside potential as we continue to increase knowledge as to local markets and competition through the use of new technologies.

Income



Gross Potential Rent, defined as current leases plus theoretical rents for vacant units, has increased \$250K (or 1.1%) from \$22.89M in Q4- 2018 to \$23.14M in Q1-2019. Potential rent per unit has increased by \$8 (or 1.0%) from \$784 in Q4-2018 to \$792 in Q1-2019.

Rental Income, defined as Gross Potential Rent less economic/physical vacancy, has increased \$170K (or .8%) from \$20.73M in Q4-2018 to \$20.90M in Q1-2019.

Effective Gross Income, has increased \$250K (or 1.1%) from \$22.89M in Q4-2018 to \$23.14M in Q1-2019.

Occupancy has remained strong in Q1-2019 at 93.3% as compared to Q4-2018 at 93.4%

Operating Activity and Overall Results

Operating Expenses have slightly increased \$170K (or 1.4%) from \$12.13M in Q4-2018 to \$12.30M in Q1-2019. Most of the increases on the expense side are seasonal in nature with weather related costs and the timing of incurring certain operating expenses.

NOI has increased \$70K (or .6%) from \$10.77M in Q4-2018 to \$10.84M in Q1-2019. NOI margin has remained fairly consistent at 46.8% in Q1-2019 as compared to 47.1% in Q4-2018.

NOI less interest expense has increased \$110K (or 1.9%) from \$5.90M in Q4-2018 to \$6.01M in Q1-2019.

GREEN INITIATIVE

The Company remains firmly committed to its' Green Initiative. Reducing water and energy consumption, reducing the utility cost for residents, the owner and the overall benefit to the environment is a win for all. To this end, the Company will replace shower heads, toilet tanks and faucets with water conservation efficient solutions. In addition, the Company will implement an electricity conservation program which includes replacing regular bulbs with LED products as well as old appliances such as refrigerators and dishwashers with more efficient ones. We expect this initiative will save between 25% and 35% for water and electricity consumption.



As of April 2019, the water conservation program has been implemented in 85% (8,237 of 9,737 units) of the portfolio.



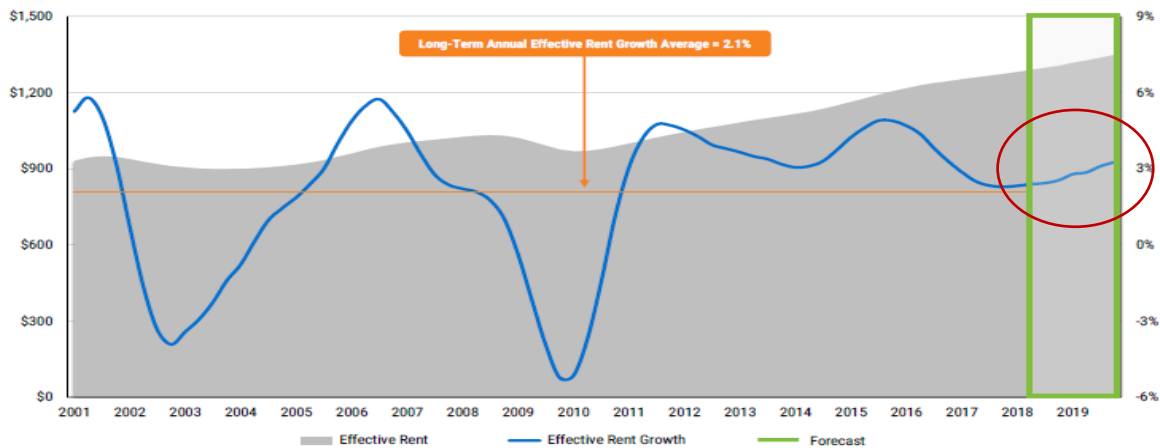
MARKET UPDATE

The US Multifamily market continues to remain strong as we move further into 2019.

Rents are expected to grow from 2.4% in 2018 to 3.3% in 2019 as:

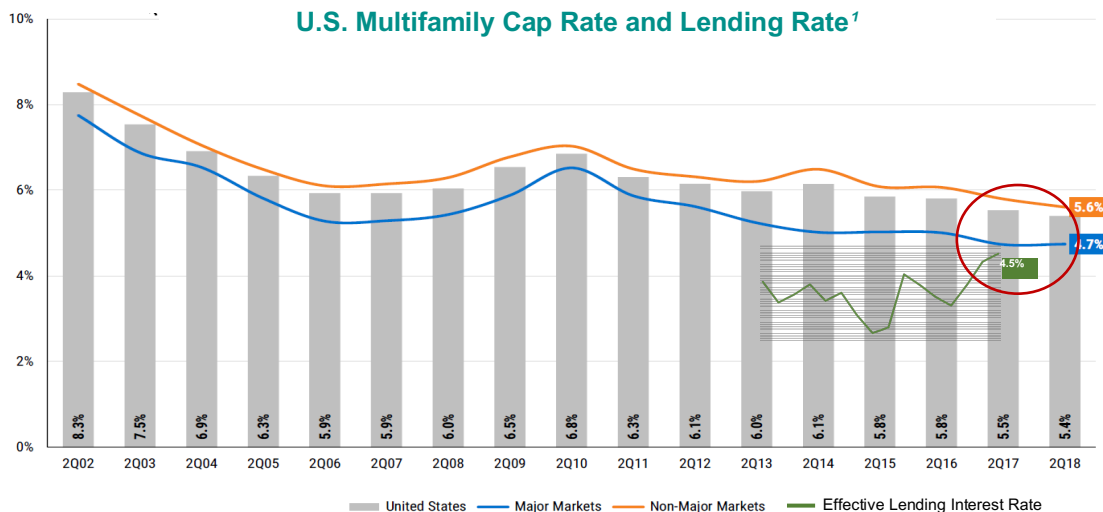
- New supply decreases – very few new workforce properties coming online.
- Increasing occupancy rates due to strong demand for affordable housing (around 95% occupancy on market).

U.S. Multifamily Effective Rent Growth¹



Primary cap rates are flat while Secondary and Tertiary cap rates continue to compress.

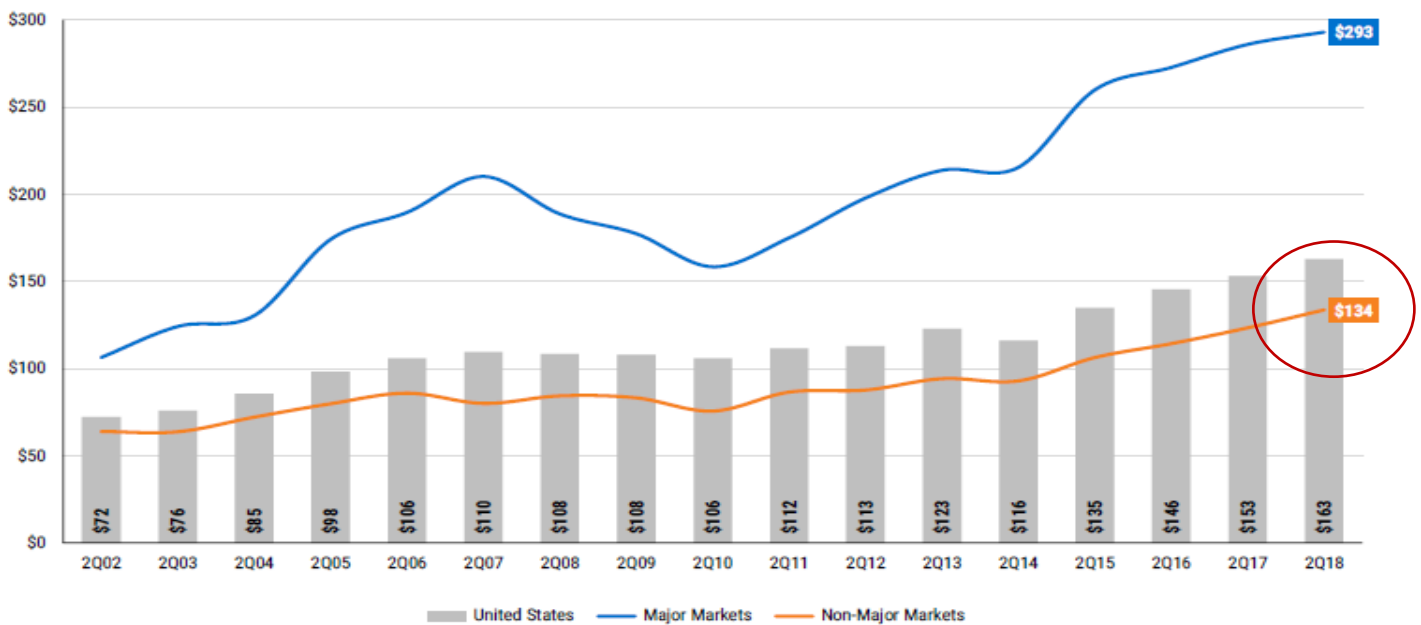
U.S. Multifamily Cap Rate and Lending Rate¹



Multifamily continues to enjoy superior growth due to:

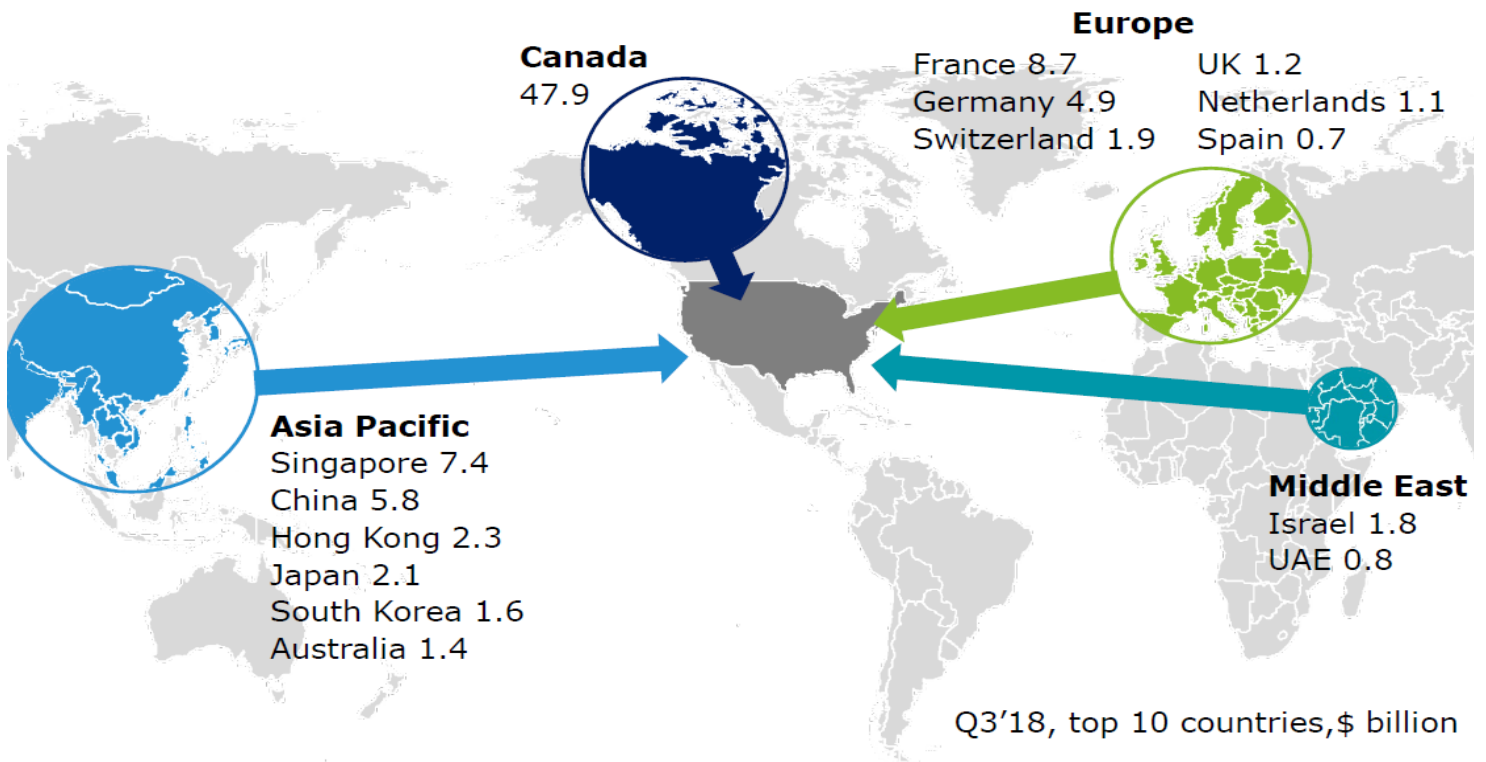
- Strong capital allocations (USD159 billion) with international buyers increasing their inflows into the market by more than 50%.
- Limited supply of properties.
- Higher yields in multifamily non primary markets combined with a value-add potential.
- US remains the primary focus in terms of the number of funds raised and capital secured. Cross-border investments into the US are the highest from Canadian investors followed by Asia Pacific.

U.S. Multifamily Price/Unit¹



¹ 3Q 2018 United States Multifamily Capital Market Reports – Newark Knight Frank.

Cross-border Investments into the US



Source: *RCA, December 2018

<https://www.bisnow.com/national/news/capital-markets/cross-border-investment-95625>, <https://www.rcanalytics.com/us-cross-border-q418/>

NEXT REPORT

The next report will be the 2019 Half Year Report that will be published on August 29, 2019.

TERMS

Structure	Real Estate Company	Life duration	Unlimited
Incorporation	Switzerland	Market Cap on 31.03.2019	CHF 346.54 M
Inception	September 2015	SIX ticker	VARN
Asset Manager	Stoneweg SA	ISIN	CH0305285295

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