

VARIA U.S. PROPERTIES

INFORMATION ABOUT THE 1st QUARTER 2020 - Issued May 13, 2020

HIGHLIGHTS

Excellent financial results for the first quarter 2020 with increases in Effective Gross Income*, Net Operating Income (NOI)** and related operating margins.

Occupancy levels remain strong at a level over 93%.

April rent collections were 96% of total budgeted revenues.

May is above expectations with 87% collected as of May 11.

Outstanding execution of operating strategy by both asset and property managers addressing Covid-19.

Perfect social distancing and virtual touring implementation at property level.

At the property level for Q1 2020:

- Effective Gross Income: \$27.2 million (\$23.1 million for Q1 2019)
- NOI: \$12.9 Million (\$10.8 million in Q1 2019)
- NOI margin : 47.6% (46.8% in Q1 2019)

Total Units: 10,896

Number of properties: 53

Occupancy rate: 93.1%

* Effective Gross Income (includes rental and other income)

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

INTRODUCTION

Dear Investors,

This report provides an update regarding the latest developments and performance of the Company during the first quarter of 2020. All figures are operating results in USD at the property level (unless otherwise indicated), which have neither been consolidated nor audited. This report is not intended to restate the Full Year Report of 2019 that was released on March 26, 2020, but rather focus on activities since the beginning of January. Further information about the Company can be found at variausproperties.com.

The first quarter of 2020 produced excellent financial results with increases in effective gross income of 17.7%, net operating income of 19.4% and net operating income margin increasing to 47.6% as the Company continued its focus on operations and the value-add strategy. The Company also continued to maintain a very solid balance sheet.

Since the beginning of March 2020, the covid-19 pandemic fully reached its way to the United States. The Company has acted quickly both at the property and corporate levels. Our strategy is widely considered as being the most resilient in the real estate sector with the most limited impact from covid-19. At the property level, processes have been completely reviewed and refined and virtual touring, leasing and significant direct communication with property residents have become the new norm. In a very short period of time, adjustments have been made to preserve the wellness of employees and residents while maintaining the financial performance and physical condition of the assets. In April, the Company collected 96% of total budgeted revenue. Rent collection and cost reduction strategies have been developed and deployed for the balance of the second quarter and beyond as the full headwinds of the virus become more apparent and quantifiable.

On March 23, the board of the Company met and decided to postpone the Shareholder meeting to June 26, in order to get a better visibility about the length and the impact of the pandemic. The

Board confirmed the quarterly distribution of CHF 0.50 per share that was approved by the shareholders in May 2019 and that will be paid on or about May 12, 2020. Any additional true-up distribution will be assessed at the next General Assembly, based on the April and May financial results as well as on the projections for the full business year 2020.

While acquisition and disposition activity has paused as a result of the pandemic in the United States, many real estate professionals are expecting to see great investment opportunities emerging in the next few months once the lockdown is gradually lifted. The Company is getting ready for that particular time and the corresponding communication to the shareholders will be made during the next shareholder meeting.

Q1-2020 PORTFOLIO PERFORMANCE REVIEW

A preliminary summary of the Varia portfolio Q1 operating results for 2020 and 2019 is provided below.

These figures are calculated at the property level and have not been consolidated at the Company level. They are unaudited and 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 for investment decisions based on them. Only the figures presented in the 2019 Annual Report or the 2019 Half Year Report should be considered.

RESULTS (for the quarter ended)	Unit	Q1 2020	Q1 2019	Change \$	Change %
Effective Gross Income	USD Mio	27.2	23.1	4.1	17.7%
<i>Effective Gross Income like for like*</i>	USD Mio	24.4	22.9	1.5	6.6%
Rental Income	USD Mio	24.3	20.9	3.4	16.3%
<i>Rental Income like for like*</i>	USD Mio	21.9	20.7	1.2	5.8%
Operating Expenses	USD Mio	14.3	12.3	2.0	16.3%
NOI	USD Mio	12.9	10.8	2.1	19.4%
<i>NOI like for like*</i>	USD Mio	11.9	10.7	1.2	11.2%
NOI less Finance Cost	USD Mio	7.6	6.0	1.6	26.7%
NOI Margin	%	47.6%	46.8%		0.8%
<i>NOI Margin like for like*</i>	%	48.7%	47.0%		1.7%
Properties	Number	53	52	1	
Units	Number	10,896	9,737	1,159	
<i>Potential Rent per Month per Unit like for like*</i>	USD	820	803	17.0	2.1%
Occupancy Rate	%	93.1%	93.3%		-0.2%
<i>Occupancy Rate like for like*</i>	%	93.9%	93.3%		0.6%

* Like for like compares assets that were held for the full periods presented.

General overview

At the end of Q1-2020, the Company portfolio had 53 properties for a total of 10,896 units. Overall, the first quarter reflected strong performance on the income side and expenses continued to be controlled and optimized. Occupancy rates remained strong, in the continuity of past levels.

Income

Effective Gross Income increased \$4.1 million (or 17.7%) from \$23.1 million in Q1-2019 to \$27.2 million in Q1-2020, driven by a focus on capturing rental income increases, and boosted by increased non-rental income such as utility reimbursements, parking place and garage income, renters insurance income, cable income and acquisitions.

Rental Income, defined as gross potential rent less economic/physical vacancy, increased \$3.4 million (or 16.3%) from \$20.9 million in Q1-2019 to \$24.3 million in Q1-2020. Like for like rental income increased \$1.2 million (or 5.8%) from \$20.7 million in Q1-2019 to \$21.9 million in Q1-2020, driven mostly by constant push for higher rental rates and occupancy across the portfolio while managing concessions.

Occupancy has remained strong in Q1-2020 at 93.1% as compared to Q1-2019 at 93.3%

Operating Activity and Overall Results

Operating Expenses increased from \$12.3 million in Q1-2019 to \$14.3 million in Q1-2020. The increases on the expense side result from higher real estate taxes in certain markets, property maintenance investments to drive tenant retention, the timing of incurring certain operating expense and additional costs for new properties.

NOI increased \$2.1 million (or 19.4%) from \$10.8 million in Q1-2019 to \$12.9 million in Q1-2020.

In general, covid-19 did not have a material impact on the financial position or results of operations as of or for the quarter ended March 31, 2020.

Q2 OUTLOOK

Since March 2020, we are all facing a major disruption in our business due to the covid-19 crisis. Every part of our life and of our work have been and are still affected in a significant way. At this stage it is too early to estimate the negative impact of the crisis or its length.

The strong cash position of the Company, as well as a very experienced organization allow us to be in the best position to face this extraordinary situation. Since the beginning of March, the Company took all

measures it could to comply with the guidance of the CDC as well as with the local, regional, state and federal latest regulations. Its top priorities have been:

- i) to protect the health of the onsite employees and of the residents,
- ii) to maximize rent collection and reduce expenses, and
- iii) to communicate on a permanent basis with the residents to help and support them during these complicated times.

In April, we collected 96% of the total budgeted income (or 97% of March total income), which was an excellent result. Industry wide, the average collection was about 92-93%. When needed we implemented payment plans for our tenants in order to release pressure on their personal situation while preserving our current and future rental income.

We expect May and June to be slightly below April rental collection numbers as the crisis deepens in the US. As of May 11, we collected 87% of the total budgeted income (or 88% of March total income), which is again above expectations. To mitigate the impact of this reduced income, we have put in place a \$1.1 million cost reduction program for the second quarter, that should help the Company keeping a solid cash position. In addition all Capex initiatives have been put on hold for now.

As we worked on various stress scenarios and monitor the situation on a daily basis, we feel very confident about our ability to make it through the covid-19 crisis successfully while remaining humble and cautious in front of this unique situation. We will continue to communicate regularly on any developments in the current context.

NEXT REPORT

The next report will be the 2020 Half Year Report that will be published on August 27, 2020.

TERMS

Structure	Real Estate Company	Life duration	Unlimited
Incorporation	Switzerland	Market Cap on 31.03.2020	CHF 352.84M
Inception	September 2015	SIX ticker	VARN
Asset Manager	Stoneweg SA	ISIN	CH0305285295

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