

**Media release - Ad hoc announcement pursuant to Art 53. LR**

Zug, 24 May 2023

**Varia US Properties AG: Strong operational results in Q1 2023 including growth of rental income and EBITDA – lower portfolio valuation leads to net loss in Q1 2023**

- **Rental income up by 10.3% to USD 34.1 million (Q1 2022: USD 30.9 million)**
- **EBITDA increase of 20.7% to USD 18.1 million (Q1 2022: USD 15.0 million)**
- **1.6% higher average monthly rent per unit at USD 1,152 (as per end of 2022: USD 1,134), while average occupancy rate remained stable (93.1%)**
- **Slightly lower portfolio valuation of USD 45 million (-2.6%) resulting in net loss for Q1 2023**
- **Pressure on portfolio valuations is expected to continue due to the anticipated further increase of the weighted average capitalization rates**

Patrick Richard, Executive Member of the Board of Directors of Varia US, said: *“Unrealized losses on fair market value adjustments are market driven and do not affect the underlying operating performance of our Company. In the upcoming quarters, we expect continued pressure on portfolio valuations due to further increase of the weighted average capitalization rates. However, operations are expected to remain strong, and the Board of Directors remains very confident with the Company’s performance. Dividends payment will be executed in the quarters to come according to the decisions of the last Shareholder Meeting.”*

The first quarter of 2023 has proven challenging with harsh conditions continuing to roil the US real estate market. The US central bank Fed continued to raise rates in response to the persistently elevated inflation, partly driven by a tight job market where wages are continuing to increase. However, the pace of Fed rate increases is starting to slow down as the bank sees indications that the inflation is beginning to moderate. At property level, insurance premiums have significantly increased across the US in response to structural challenges as well as exposure to climate risk.

Despite this challenging environment, ongoing operations of Varia US Properties have continued to improve during Q1 2023, thus demonstrating the resilience of the Company’s strategy. Rental income is up 10.3% at USD 34.1 million and up 9.9% on a like for like basis. EBITDA is up 20.7% at USD 18.1 million and EBITDA margin sits at 45.0% (Q1 2022: 42.6%).

Normalized Funds from Operations (Normalized FFO) are down at USD 4.9 million (Q1 2022: USD 6.8 million). The primary driver for the decreased normalized FFO is interest expense; USD 1.4 million of the USD 1.9 million difference in normalized FFO is attributable to interest rate increases on variable interest debt, with the remainder driven by new borrowing used to grow the portfolio.

As anticipated in the overall outlook for the full business year 2023, overall valuations of real estate properties have started to suffer from a continued trend of higher capitalization rates beginning to outweigh increases in Net Operating Income (NOI). As a result, the total value of Varia US' portfolio was appraised at USD 1.659 billion, compared to USD 1.704 billion as of December 31, 2022. This unrealized decline of 2.6% of the portfolio value had, as communicated on May 16, 2023, an impact on the income statement of Varia US in Q1 2023, resulting in a loss of USD 34 million for the period (Q1 2022: gain of USD 101 million).

Nonetheless, in the upcoming weeks and months, Varia US Properties will continue to pursue its strategy to dispose of older and more remote assets. This institutionalization of the portfolio will contribute to achieving better ESG performance, mitigate future insurance premium increases and significantly reduce future CAPEX requirements. After the reporting period, one property was sold (Tuscany Bay, Lawrenceburg, IN, 96 units) for a price of USD 13.75 Mio. The realized net IRR is 37.7% and the realized net Multiple is 2.40x.

### Q1 2023 Key figures

(unaudited)	Q1 2023 (in USD)	Q1 2022 (in USD)	Δ%
Rental Income	<b>34.1 million</b>	30.9 million	10.3
Rental Income like for like*	<b>29.0 million</b>	26.4 million	9.9
Total Realized Income (total income less unrealized valuation)	<b>40.1 million</b>	35.1 million	14.2
Net/(Loss) Gain on revaluation of properties	<b>(51.2 million)</b>	123.8 million	(141.3)
Revaluation of properties like for like*	<b>(46.9 million)</b>	107.2 million	(143.7)
Total Income	<b>(11.1 million)</b>	158.9 million	(107.0)
Operating Expenses	<b>22.1 million</b>	20.1 million	9.5
EBITDA (operating profit less unrealized revaluation)	<b>18.1 million</b>	15.0 million	20.7
Profit/(Loss) for the Period	<b>(34.0 million)</b>	100.8 million	(133.7)
	<b>As of March 31, 2023</b>	As of December 31, 2022	
Properties	<b>41</b>	41	0.0
Units	<b>11,042</b>	11,042	0.0
Portfolio Value	<b>1.659 billion</b>	1.704 billion	(2.6)
Average Monthly Rent per Unit	<b>USD 1,152</b>	USD 1,134	1.6
Average Occupancy Rate	<b>93.1%</b>	93.1%	0.0

\* Like for Like compares assets that were held for the full periods of Q1 2022 and Q1 2023.

Note: Some amounts above may not add due to rounding.

Varia US' complete and fully consolidated Q1 2023 Report is available for download on the Company's website at <https://variausproperties.com/investors/quarterly-updates/>.



## Financial calendar

ESG Report 2022	End of June 2023
Half-year results 2023	31 August 2023
Q3 2023 Update	27 November 2023
Next quarterly dividend payment dates	9 August 2023, 9 November 2023

## Contact information

Juerg Staehelin, IRF

Phone: +41 43 244 81 51, E-mail: [investors@variausproperties.com](mailto:investors@variausproperties.com)

## 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](http://www.variausproperties.com)

## Disclaimer

This communication expressly or implicitly contains certain forward-looking statements concerning Varia US Properties AG and its business. Such statements involve certain known and unknown risks, uncertainties and other factors, which could cause the actual results, financial condition, performance or achievements of Varia US Properties AG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Varia US Properties AG is providing this communication as of this date and does not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.