

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

Zug, 27 November 2023

**Varia US Properties AG: Positive operational results in Q3 2023 despite a very challenging macro-economic environment**

- **Rental income for the first nine months of 2023 up by 2.4% to USD 95.7 million (January-September 2022: USD 93.5 million)**
- **6.8% higher average monthly rent per unit (USD 1,212), while average occupancy rate remained stable (92.7%)**
- **EBITDA was down at USD 32.6 million (January-September 2022: USD 71.0 million)**
- **Portfolio valuation was lower at USD 1,364.2 million, resulting in a net loss for Q3 2023**
- **After the reporting period, shareholders approved a special dividend of CHF 3.00 per share**

Patrick Richard, Executive Member of the Board of Directors of Varia US Properties, said: *“In Q3 2023, Varia US continued to present positive operational results – despite a very challenging macro-economic environment throughout 2023. Operations continue to positively reflect the Company’s strategy and actions over the last months, with rents increasing by 6.7% to USD 68.4 million on a like-for-like basis for the first nine months of the year compared to the same period in 2022. The higher cap rates affected the valuation of the Company’s portfolio negatively, but such an unrealized loss on fair market value adjustments have no effects on the underlying operating performance of the Company”.*

In the US, inflation remains significantly above the 2% threshold targeted by the Federal Reserve Bank. Interest rates remain high with the 10-year treasury trading between 4.5% and 5%. Political uncertainties are omnipresent at national and international levels. As consequences, there is a continuous mismatch on pricing between sellers’ and buyers’ expectations and a large decrease of transactions’ volume as investors are waiting for the market to stabilize.

Thanks to its solid tenancy, Varia US achieved an increased rental income in the period from January to September 2023: it grew by 2.4% to USD 95.7 million and on a like-for-like basis by 6.7% to USD 68.4 million compared to the prior-year period. The portfolio value, on a same store basis, came down by 6.8% or USD 99.3 million to USD 1,364.2 million due to higher cap rates.

This lower portfolio value had an impact on the financial results of the reporting period. For instance, the total realized income (total income less unrealized revaluation) saw a reduction by 23.5% to USD 112.9 million, and the EBITDA (operating profit less unrealized revaluation) came down by 54.2% to USD 32.6 million. This delta is mainly explained by the realized gain

resulting from sales in 2022 compared to 2023. Normalized Funds from Operations ascended to USD 10.1 million for the first nine months of the year (USD 13.5 million as of September 30, 2022); the main driver of this decrease was the increase in interest expense. The total loss per share for the first nine months of 2023 amounted to USD 9.08 (compared to the gain of USD 16.18 per share as of September 30, 2022).

During the first nine months of the year, nine properties were sold at their appraised value at the time of their sale. Among these, one was sold during the third quarter of the year. The blended gross IRR at property level for these sales is 17.5% and the blended gross multiple is 1.82. As per the end of September 2023, the portfolio of Varia US Properties consists of 32 properties with a total of 8,770 units (41 properties with 11,042 units at the end of September 2022).

With the sale proceeds generated and after reducing the debt exposure with the repayment of the Bond earlier this year, the Board of Directors decided to organize an extraordinary shareholder meeting to propose the distribution of a special dividend of CHF 3.00 per share. This dividend was paid on 9 November 9 2023, at the same time as the CHF 0.50 per share according to the regular quarterly dividend distribution.

Since January 2023, Varia US also achieved further sustainability-related progress: it scored 4 stars and achieved 83 points on its second GRESB submission, ranking 4th among its peer group which is composed of 10 large US publicly traded multifamily companies and REITs. This is an excellent outcome that demonstrates Varia US' strong positioning in sustainability initiatives. The investments in ESG are fully embedded in the Company's strategy and have the following benefits: (i) they maintain the quality of the buildings while improving their performance and ensuring long-term valuation stability, (ii) they reduce operating expenses and therefore increases net operating income which supports a higher valuation assuming a constant cap rate, and (iii) they improve the resident's experience and quality of life thereby improving Varia US' capacity to attract new residents and support its retention rate which also increases its net operating income.

Patrick Richard concluded: *“The Board of Directors of Varia US Properties is confident in the capacity of the Company's portfolio to weather these more challenging times, as it has been proving during 2023. The Board expects to see a return to normal market conditions by the end of 2024 or early 2025 and would like to be ready to take advantage of the expected opportunities on the US multifamily market. Until then, we expect to see further decreases in the value of the Company's portfolio due to continuous cap rate expansion, slower rent increases and higher operating expenses”.*

### Q3 2023 Key figures

(unaudited)	January-September 2023 (in USD)	January-September 2022 (in USD)	Δ%
Rental Income	<b>95.7 million</b>	93.5 million	2.4
Rental Income like for like*	<b>68.4 million</b>	64.1 million	6.7

Total Realized Income (total income less unrealized valuation)	<b>112.9 million</b>	147.6 million	(23.5)
Net/(Loss) Gain on revaluation of properties	<b>(120.0 million)</b>	207.2 million	(157.9)
Revaluation of properties like for like*	<b>(95.6 million)</b>	138.5 million	(169.0)
Total Income	<b>(5.8 million)</b>	313.6 million	(101.9)
Operating Expenses	<b>80.3 million</b>	76.6 million	4.9
EBITDA (operating profit less unrealized revaluation)	<b>32.6 million</b>	71.0 million	(54.2)
Profit/(Loss) for the Period	<b>(91.9 million)</b>	163.9 million	(156.1)
	<b>As of</b>	As of	
	<b>September 30, 2023</b>	December 31, 2022	
Properties	<b>32</b>	41	(22.0)
Units	<b>8,770</b>	11,042	(-20.6)
Portfolio Value (in USD)	<b>1,364.2 million</b>	1,703.8 million	(19.9)
Average Monthly Rent per Unit (in USD)	<b>1,212</b>	1,134	6.8
Average Occupancy Rate	<b>92.7%</b>	93.1%	(0.4)

\* "like for like" compares assets that were held for the full periods of Q3 2022 and Q3 2023.

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

Varia US' complete and fully consolidated Q3 2023 Report is available for download on the Company's website at [variausproperties.com/investors/quarterly-updates/](https://variausproperties.com/investors/quarterly-updates/).

### Financial calendar

Annual Report 2023	28 March 2024
Annual General Meeting 2024	24 April 2024

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

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