

Triodos Vastgoedfond

Quarterly Report Q1 2019

Profile

Triodos Vastgoedfond is an active impact investor making real estate more sustainable. It aims to lead the Dutch office market forward by enhancing environmental performance and to contribute positively to social aspects of real estate, while generating a balanced return for its shareholders. Triodos Vastgoedfond has a consistent track record in delivering a solid dividend.

Key figures as of 31-03-2019

Net assets

EUR 53.1 million

Total assets (excluding leases)

EUR 114.1 million

Number of shares outstanding

16,515,754

Trading price

EUR 3.06

NAV per share (including costs to sell)

EUR 3.21

Dividend per 31-05-2018

EUR 0.20

Dividend yield 2018

7.5%

Ongoing charges (as per 31-12-2018)

4.31% (incl. 1.0% management fee)

Fund facts

Fund manager Guus Berkhout

Inception date 08-04-2004

Management company

Triodos Investment Management BV

Currency EUR

Domicile The Netherlands

Fund structure

Investment company with variable capital

Legal form

Closed-end, limited liability company

ISIN code NL0000079333

Bloomberg code TRIOVGF:NA

Custodian

BNP Paribas Securities Services S.C.A.

Auditor

PwC Accountants NV

Headlines

- Process to end the fund's activities following the decision by the EGM on 17 December 2018 is in progress
- Selection of real estate agent and legal company to advise on ending activities by sale of the portfolio
- Sale of the office building in Wageningen
- Sale of the health care property in Velp
- Office building in Eindhoven added to the portfolio
- 34% increase of rental income compared to first quarter of 2018
- Net result decreased by EUR 1.3 million (compared to the net result in Q1 2018) due to recognition of costs related to the sale of the portfolio
- Intention to pay out EUR 0.20 per share over 2018

Comments of the fund manager

During the Extraordinary General Meeting of Shareholders of Triodos Vastgoedfond NV, held on 17 December 2018, the shareholders have voted in favor of the proposal of the board to end the fund's activities. As part of the process to end the activities, the fund has appointed Lexence as legal and tax advisor and BNP Paribas Real Estate Advisory Netherlands as selling agent for the real estate. Based on obtained advice and shown interest, the focus will be on selling the real estate portfolio, consisting of 16 properties as per 31 March 2019.

Given the commitment to sell the portfolio in 2019, the assets of Triodos Vastgoedfond are no longer classified as 'trading' but as 'disposal group classified as held for sale' in line with IFRS accounting principles. This implies that all expected costs to be made in the course of 2019 related to selling the assets of Triodos Vastgoedfond should already be incorporated and recognized as costs in the annual accounts of 2018. This is a different treatment in comparison with business as usual in earlier quarterly reports.

The costs to sell the disposal group classified as held for sale include amongst others a disposition fee for the manager of the fund, market maker fees and legal fees. These costs are determined by underlying agreements and represent the best estimate of the costs to sell the portfolio. The actual costs to sell the investment property later in 2019 may differ.



Guus Berkhout
Fund Manager

The main impact of the IFRS accounting principles that are applicable to assets classified as ‘disposal group classified as held for sale’, is that the carrying amount of these assets is reflected as their fair value minus the costs to sell the assets. As per 31 March 2019, the fair value of the portfolio of Triodos Vastgoedfonds was EUR 110.8 million. The costs to sell the portfolio in the course of 2019 are estimated at EUR 2.1 million. Taking into account the IFRS accounting principles and thus including the estimated costs for sale, the resulting carrying amount of the portfolio as per 31 March 2019 was EUR 108.7 million.

Additionally, in the case of a sale of the investment portfolio in 2019, the fund is contractually required to pay prepayment and interest penalty fees to borrowers. These so-called break costs applicable to the first quarter of 2019 amount to EUR 0.7 million and are added to borrowings and other long-term liabilities. As a result, the net asset value of the fund was EUR 53.1 million and the net asset value per share was EUR 3.21 (including EUR 0.22 per share estimated costs to sell and break costs) as at 31 March 2019.

**Reconciliation of net assets with remaining break costs
EUR x 1,000**

Net asset value including costs to sell as per 31 March 2019	53,097
Break costs not yet amortized	-159
Net asset value including all costs to sell and expected break costs	52,938

The application of IFRS principles is also reflected in the indirect result and the total result of the fund. Including the estimated costs for sale, the net result of Triodos Vastgoedfonds in Q1 2019 decreased by EUR 1.3 million to EUR -0.6 million (Q1 2018: EUR 0.7 million), although rental income rose 34% compared to the first quarter of 2018, as a result of last year’s acquisitions. Including the costs to sell, the direct result per share was EUR 0.01 compared to EUR 0.04 in Q1 2018. The indirect result was EUR -0,05 per share compared to EUR 0.00 in Q1 2018.

In Q1 2019, the fund has sold an office building in Wageningen and the health care property in Velp as part of the earlier defined strategy to concentrate the portfolio more on easily accessible locations in the larger cities. In the current phase of selling the portfolio, the sale of these properties also contributes to further optimising the portfolio for sale. In Q1 2019, the fund also completed the acquisition of the office building at the Prof. Dorgelolaan in Eindhoven by adding the property to the portfolio.

Outlook

The board of Triodos Vastgoedfonds has initiated the process to end the fund’s activities. In cooperation with selling agent BNP Paribas Real Estate and law firm and civil law notary Lexence, a structured sales process has been developed. As part of this process, BNP Paribas Real Estate has shared information about the portfolio with interested parties. Based on provided information by interested parties and shown interest, a selection of potential investors will participate in the sales process moving forward.

The Annual General Meeting will take place on 4 June 2019, at which time an update about the developments in the process will be communicated. Important developments in the sales process that take place in the meantime will be communicated to the market and investors in the fund via a press release.

The expected time needed for ending the fund’s activities are still in line with the time span mentioned during the EGM, being six to twelve months.

Review Q1 2019

Result

EUR x 1,000	YTD 2019	YTD 2018
Gross rental income	1,839	1,370
Other income from investments	2	-
Net service charges	-45	-73
Property expenses	-217	-213
Net rental income	1,579	1,084
Management costs	-303	-226
EBIT	1,276	858
Funding charges	-1,099	-154
Direct result	177	704
Indirect result	-780	-42
Net result	-603	662

Per share ¹	YTD 2019	YTD 2018
Direct result	0.01	0.04
Indirect result	-0.05	0.00
Net result	-0.04	0.04

Balance sheet

EUR x 1,000	31-03-2019	31-12-2018
Real estate assets	108,742	98,909
Net debt including break costs	57,411	45,660
Equity	53,097	53,701

Portfolio

	31-03-2019	31-12-2018
Number of properties	16	17
Value of investments (EUR x 1,000)	108,742	98,909
Annual contracted rent (EUR x 1,000)	8,194	7,185
Lettable area (sqm)	54,963	52,629
WAULT (in years)	5.8	5.4
Average rent/sqm (EUR/p.a.) ²	149	137

¹ The weighted average number of shares outstanding (x 1,000) is 16,516.

² As average rent is calculated including the vacancy in the portfolio, average rent decreased as vacancy rose. When calculated excluding the vacancy, average rent per square meter was EUR 159/sqm (31-12-2018: EUR 150/sqm).

Financial results

Rental income

The gross rental income increased 34% compared to the first quarter of 2018 due to the investments and divestments of the portfolio.

Acquisitions	Date	Annualized rent	Divestments	Date	Annualized rent
De Rode Haan, Delft	Jan 18	€ 949,000	Platinaweg, Emmeloord	Sept 18	€ 97,000
Anna van Saksenlaan, The Hague	July 18	€ 440,000	Nieuwe Kanaal, Wageningen	Jan 19	€ 0
Naritaweg, Amsterdam	Sept 18	€ 965,000	Kastanjehof, Velp	Feb 19	€ 207,000
Prof. Dorgelolaan, Eindhoven	March 2019	€ 940,000			

Property expenses increased from EUR 213,000 in Q1 2018 to EUR 217,000 in Q1 2019. As a result, net rental income increased 46% from EUR 1.1 million to EUR 1.6 million.

Management costs

The management costs increased to EUR 303,000 (Q1 2018: EUR 226,000). This increase was due to the growth of the portfolio from EUR 76 million (31 March 2018) to EUR 109 million.

Interest costs

In case of a sale of the investment portfolio in 2019 the fund is contractually required to pay prepayment and interest penalty fees to borrowers. These costs are estimated at EUR 1.6 million of which EUR 0.7 million was subtracted from the net asset value of the fund in 2018, EUR 0.7 million is added to the interest costs in Q1 2019 and EUR 0.2 million will be added to the interest costs after Q1 2019, according to the estimation at 31 March 2019.

The interest costs increased significantly from EUR 154,000 (Q1 2018) to EUR 1,1 million (Q1 2019). This is partly due to the breaking costs of 0.7 million in Q1 2019 and partly due to the increase of the loans from EUR 18,6 million at 31 March 2018 to EUR 56,0 million at 31 March 2019 (excluding breaking costs).

Revaluation

The fair value of the investment portfolio amounted to EUR 110.8 million at 31 March 2019 (31 December 2018 EUR 100.8 million), an increase of EUR 10.0 million. Of this increase, EUR 15.0 million was due to investments including acquisition costs (Eindhoven), EUR -5.3 million was related to divestments (Velp and Wageningen II) and EUR 0.3 million was a result of revaluations of the portfolio.

Primarily capital value of properties in the big cities went up, particularly in Amsterdam, while values in other areas remained stable.

The mentioned EUR 110.8 million represents the fair value of the investments excluding all costs to sell or break costs. Considering the costs to sell, amounting to EUR 2.1 million, in order to meet the IFRS standards will lower the carrying value of the investments to EUR 108.7 as per 31 March 2019.

Portfolio developments

Leases and occupancy rate

The occupancy rate of the portfolio was 95.4 % at 31 March 2019 (31 December 2018: 94.4%), primarily due to the expansion of the portfolio with fully let buildings. The average unexpired term of the leases in the portfolio increased to 5.8 years (31 December 2018: 5.4 years).

Portfolio as per 31-03-2019

Breakdown by Building

Building	square meters NEN2580	Parking spaces	Energy label	Listed building*	Owned since
Amersfoort, Utrechtseweg	3,224	26	A	no	2010
Amsterdam, Herengracht	2,531	6**	G	yes	2008
Amsterdam, Naritaweg	6,201	53	A	no	2018
Apeldoorn, Laan van Westenenk	2,846	76	A	no	2008
Arnhem, Willemsplein	2,449	0	G/C	yes	2011
Baarn, Kennedylaan	1,888	55	C/G	yes	2004
Boxtel, Bosscheweg	3,578	71	B	no	2006
Delft, Westlandseweg	6,769	113	A	no	2018
Den Haag, Anna van Saksenlaan	2,939	36	A	no	2018
Den Haag, Prins Hendrikstraat	1,371	0	A	yes	2011
Eindhoven, Prof. Dorgelolaan	4,994	45	A+++	no	2019
Groningen, Stationsweg	5,080	36	A+	no	2011
Groningen, Rostockweg	2,308	60	A	no	2008
Rotterdam, Honingerdijk	1,781	40	G	yes	2009
Utrecht, Blaeulaan I & II	2,677	32	A+/A	no	2009
Wageningen, Nieuwe Kanaal ABC	3,565	63	A	no	2005

* Listed buildings by law are allowed to have lower Energy Labels

** Rented parking spaces, not owned by the fund

Recent investments



Rode Haan, Delft

The property measures 6,769 sqm and has 113 parking spaces. The building is within walking distance of the train station of Delft and is also easily accessible by car. The building is a good example of Industrial Flexible and Dismountable construction (IFD).



Red Cross building, The Hague

The property measures 2,939 sqm and is home to the Red Cross Netherlands headquarters. The office building is located within walking distance of the intercity station Laan van NOI in The Hague and has recently been fully refurbished to an A+ energy label.



Office Sloterdijk, Amsterdam

The property measures 6,201 sqm, within walking distance of Amsterdam Sloterdijk train station. The multi-tenant building has an energy label A and is leased to various tenants.



Prof. Dorgelolaan, Eindhoven

The property measures 4,995 sqm and holds a long-term lease agreement for the entire building with EY. The office building is within walking distance of Eindhoven Central Station. The redeveloped building is all-electric, has an A+++ label and a 65% reduction in CO₂ emissions.

Triodos Investment Management

Triodos Investment Management connects a broad range of investors who want to make their money work for lasting, positive change with innovative entrepreneurs and sustainable businesses doing just that. In doing so, we serve as a catalyst in sectors that are key in the transition to a world that is fairer, more sustainable and humane.

With our professional investment teams, we have built up in-depth knowledge throughout our 25 years of impact investing in sectors such as Energy & Climate, Inclusive Finance, Sustainable Food & Agriculture, and Sustainable Real Estate. We also invest in listed companies with a positive financial return and positive impact on our society. Assets under management as per end of December 2018: EUR 4.2 billion.

Triodos Investment Management is a globally active impact investor and a wholly-owned subsidiary of Triodos Bank NV.

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