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VIGA RE Q3 2022

November 7, 2022

Dear Viga RE Investors
Please find below our Q3 2022 results and investor net asset value (NAV) as of 30/9/2022.

Results and NAV

Earnings before value adjustments and taxes increased slightly in Q3 2022. We saw positive contributions from a unit sale on Baunegårdsvej and increased rental revenues of 0.5% through tenant churn. Negative contributions came from increases in utility costs and one-off maintenance costs (e.g. painting of windows at HC Andersens Blvd.). Structural vacancy improved as expected and was at 2% for the total portfolio and 0.46% for residential. We expect to see the full effect in Q4 2022 from stabilising the 11 new assets acquired in April with structural vacancy again anticipated to be below our target of 1%.

The NAV index as of 30/9/2022 was at 125, which is an increase of 4% year-to-date and unchanged since Q2 2022 (+25% since inception, April 2021). Q3 2022 portfolio market value net yield was 3.3% (~3.4% expected after January rental indexation). *No property value adjustments were applied as Q3 is an unofficial NAV period.* The continuous rise in interest rates has reduced the market value of the 30-year fixed rate mortgage bonds further with an unrealised gain of around EUR 16mn. This is not included in the NAV as mortgages are valued at par according to accounting principles.

Q3 2022 result	Q1	Q2	Q3	YTD
Realized NOI	6'642	12'518	11'910	31'070
Management and admin.	-1'972	-4'332	-3'393	-9'697
Value adjustment	-378	36'572	-1'255	34'939
EBIT	4'292	44'758	7'261	56'312
Interest and other financials	-1'847	-5'174	-4'354	-11'374
EBT	2'446	39'583	2'908	44'937
Actual tax, 22%	-538	-1'733	-908	-3'179
Deferred tax, provision	0	-11'182	0	-11'182
Result	**1'908**	**26'667**	**2'002**	**30'577**

Q3 2022 capital structure and NAV			DKK 1'000
Property value			1'759'826
Loan, long term mortgage	LTV	*59%*	-1'033'132
Cash		*-5%*	86'817
Deferred tax and provisions		*7%*	-116'453
Deposits		*1%*	-25'132
Other current assets/liabilities		*1%*	-11'233
Equity & shareholder loan (NAV)*		*38%*	**660'694**
Commitment draw down			579'702
		NAV index 125	
**Of which Equity / Shareholder loan*		*219'078*	*441'615*

Mortgage loan structure	Mortgages book value	Interest range	Margin	Interest cover ratio	Mortgages market value	Normalized quarterly interest and margin	Normalized quarterly repayments	Repayment period
Loan, fixed 30 year	524'392	1,19% - 3.00%	0.70%		407'933	3'594	2'665	2021-2052
Loan, float (ref. 2023-2027)	519'099	1,55% - 2.01%	0.70%		516'597	2'950	812	2022-2052
Cost, loan amortization	-10'359				-10'359			
Total	**1'033'132**	**1.90%**	**0.70%**	**1.88**	**914'171**	**6'544**	**3'477**	



Highlights

- ✓ Following the acquisition of 11 new properties in April 2022 focus has been on stabilising the portfolio through reducing vacancy.
- ✓ Portfolio vacancy was reduced significantly (3.5% in Q2 to 2% in Q3) and we expect to be below our target structural vacancy level of 1% in Q4.
- ✓ Portfolio rent potential was reduced from 9.00% in Q2 to 8.82% in Q3, as rent is optimised when tenants churn.
- ✓ Churn is around 27% YTD, which is in line with underwriting expectations of 20-33% depending on property type. From Q4 we expect churn to be at 20-25% as vacancy reductions in the new properties are implemented.
- ✓ We continue to have strong liquidity reserves, high solvency ratio and a high share of fixed term loans to cushion potential increases in interest rates.
- ✓ We are in active dialogue with banks to explore potential refinancing options to realise gains on the fixed rate mortgage bonds while improving liquidity.

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Market

- ✓ Inflation (NPI) was 10% in Denmark as of 30/9/2022 and interest rates continued to increase in Q3.
- ✓ Parliament implemented a temporary (2 years) annual rental indexation cap of 4%. Indexation can be higher if landlords can document an increase in relevant costs of more than 4% (capped at NPI).
- ✓ A minimum of 4% indexation is expected to be passed through in Viga's portfolio.
- ✓ Higher interest rates have reduced LTV levels to 50-55% for new transactions depending on start yield, which is governed by regulatory rules for the mortgage bond market.
- ✓ Net yields for residential properties in Copenhagen have increased slightly compared to Q2 at 3.13-3.5% (Q2: 3.0-3.5%) according to Colliers. We believe yields will be adjusted upwards, but the impact on valuations will be offset by improved NOI due to rent potential on churn and indexation.
- ✓ The home-owner market continues to be under pressure due to higher borrowing cost which has lead to an increase in demand for rental properties.
- ✓ New supply of residential properties is slowing down due to increases in construction costs and uncertain financing conditions. Several developers that have already initiated construction are under pressure.
- ✓ Inflation and interest rate uncertainty are to a large extent offset by the following four factors, which help stabilise the investment property market in Copenhagen: 1) High solvency ratios and low leverage in the professional market, 2) Undersupply and increased tenant demand, 3) High capital allocation demand from international investors into the safe-haven Danish market, 4) Partial inflation indexation of rental contracts.

Viga Strategy

In October 2022 Viga successfully received commitments for an additional ~EUR 35mn from existing and new investors. This is a strong testament to our strategy and team in a challenging market environment. 50% of the capital was called immediately and the remainder is expected to be called within 6 months as we execute on our pipeline. With the new commitments we expect to reach ~EUR 330mn in portfolio size. The aim is to reach a portfolio size of EUR 500mn before the end of 2023. This is likely to create a meaningful portfolio premium in a stable market environment. According to the central bank, Denmark will enter into a light recession with inflation forecasted at 4% in 2023 and around 2% in 2024.

On November 1, 2022 we acquired a new property on Strynøgade 5 and expect a 6 months renovation period before tenants are moving in. The property has 102 residential units (26-48sqm, total 3,747sqm) with a great location in sought-after Østerbro in central Copenhagen. Expected stabilised net initial yield is around 4%. Current market conditions offer interesting acquisition opportunities for Viga with fewer competitors.

Note: Mortgage loans are valued at par according to accounting principles. Property valuations are based on 30/6/2022 appraisals by Colliers according to the RICS Appraisal and Valuation Standards (any potential portfolio premium is not included).



Kind regards

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VIGA RE Q3 2022 - PROPERTY OVERVIEW

Property overview Asset	Residen-tial units	Commer-cial units	Parking / basement units	Sqm. Residen-tial	Sqm. Com-mercial	Rent/sqm. DKK	Net initial yield	Property value TDKK	Value share of portfolio	Value/sqm. DKK
Kildegårdsvej ApS	6	0	0	*1'195*	*0*	2'045	3.1%	66'027	3.8%	55'252
Baunegårdsvej 73 ApS	*7*	*0*	*0*	*926*	*0*	2'314	1.9%	56'572	3.2%	61'093
Nørrebrogade 32 ApS	*28*	*3*	*2*	*2'852*	*304*	1'955	3.3%	159'852	9.1%	50'650
Ejd. selskabet Amagerbrogade 56 ApS	*8*	*4*	*4*	*1'050*	*461*	1'621	3.7%	*57'339*	3.3%	37'948
Vigerslev Allé 122-124 ApS	9	5	3	*827*	*543*	1'201	3.6%	34'879	2.0%	25'459
ApS Bolig Teglhuset København	*91*	*1*	*0*	*3'281*	*113*	2'449	3.3%	206'995	11.8%	60'989
Ejendomsselskabet Rådhusvej 11 ApS	*8*	*3*	*0*	*1'375*	*464*	1'690	3.4%	82'014	4.7%	44'597
Ejd. selskabet Strandlodsvej ApS (svanen)	*49*	*2*	*35*	*4'765*	*343*	1'953	3.3%	249'498	14.2%	48'845
CPH Flats ApS (single units)	17	0	0	1'710	*0*	1'724	3.7%	68'309	3.9%	39'947
HCØ Ejendom ApS	*26*	*1*	*0*	*902*	*124*	2'393	3.3%	58'847	3.3%	57'355
Linde Allé 48 ApS	*20*	*2*	*10*	*2'080*	*333*	1'523	3.6%	85'066	4.8%	35'253
Bispevej 1 ApS	23	0	2	*2'354*	*0*	1'839	3.4%	110'895	6.3%	47'109
Messinavej A/S	12	1	0	*1'171*	*680*	1'496	3.3%	67'707	3.8%	36'579
Ejd. selskabet Ålekistevej 36-40 ApS	*27*	*6*	*0*	*1'784*	*803*	1'104	3.4%	66'274	3.8%	25'618
Ejd. selskabet Godthåbsvej 229 ApS	*30*	*14*	*0*	*2'347*	*1'888*	1'245	3.2%	118'204	6.7%	27'911
Ejd. Selskabet Rådhusstræde 8 & 10 ApS	7	7	0	*741*	*636*	1'532	3.1%	60'817	3.5%	44'166
Ejd. Selskabet Frederikssundsvej 160 og 162	*14*	*3*	*11*	*1'166*	*493*	1'224	3.4%	55'019	3.1%	33'164
Ejd. selskabet Christiansborggade 2 ApS	*18*	*7*	*29*	*3'140*	*924*	1'108	2.3%	155'512	8.8%	38'266
Total	**400**	**59**	**96**	**33'666**	**8'109**	**1'757**	**3.27%**	**1'759'826**	**100%**	**42'126**
Total inc. structural vacancy of 1%							***3.23%***			

Indexation method	Portfolio	Market rent properties	Cost regulated properties
Increase in cost (cost regulated units not refurbished)	6%	0%	22%
100 % NPI (market rent units and refurbished units)	87%	93%	70%
NPI with min and/or max (commercial units)	7%	7%	7%
Other	1%	0%	2%
Total	100%	100%	100%



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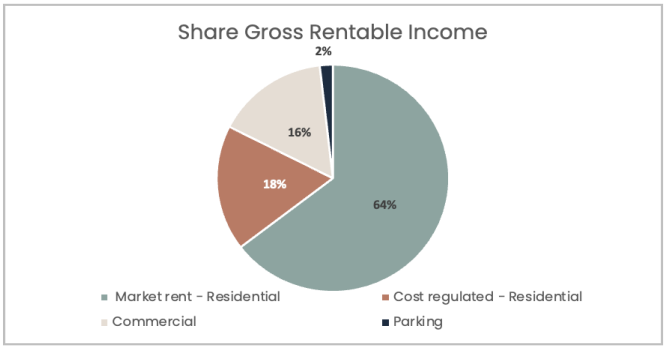
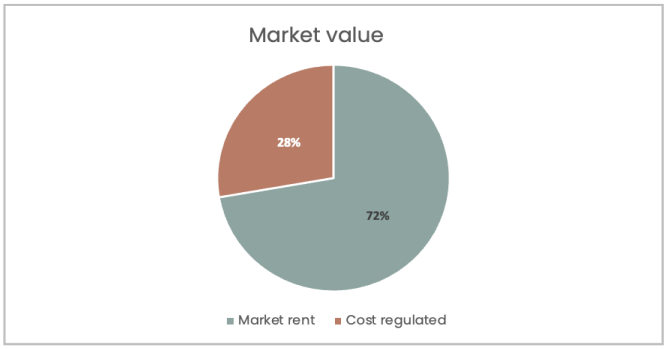
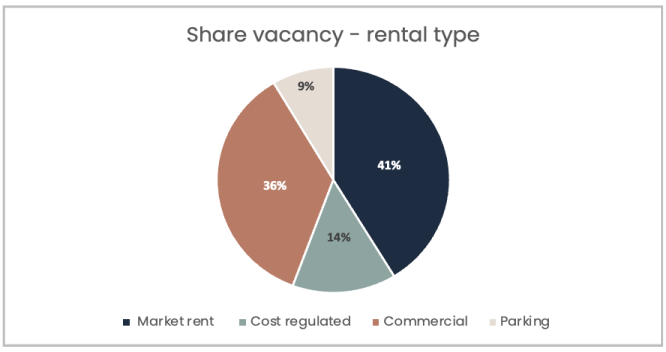
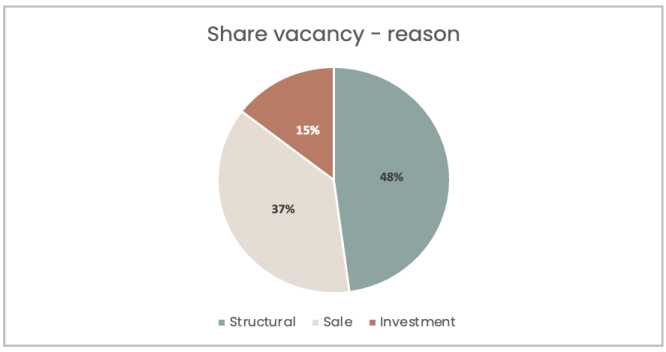
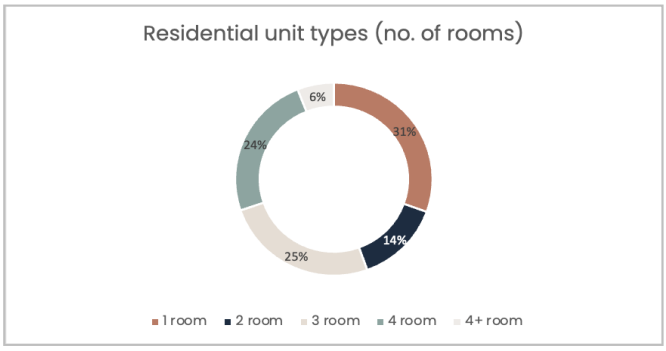
VIGA RE Q3 2022 - PORTFOLIO SNAPSHOT

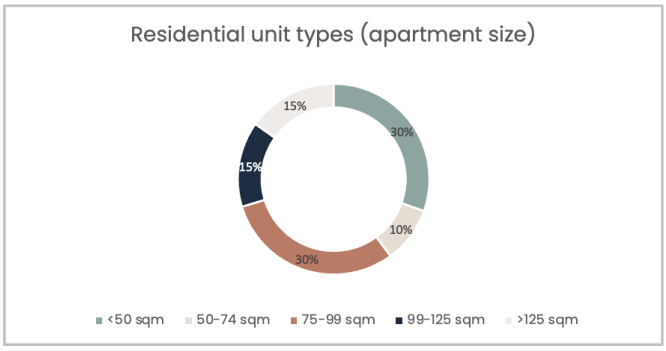


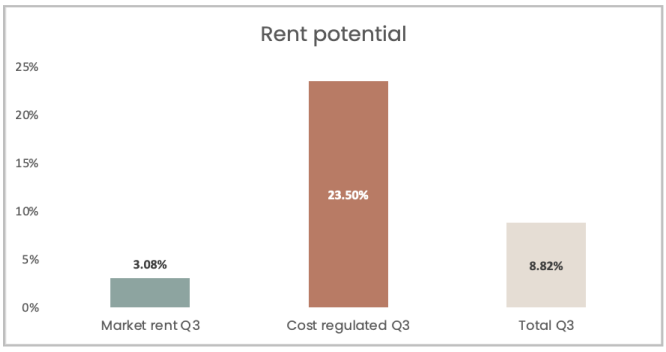


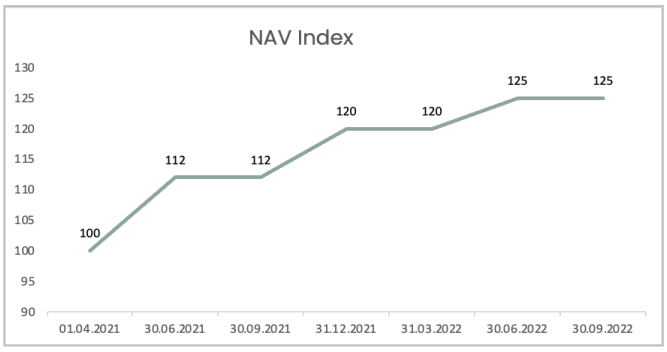












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