

QUARTERLY REPORT Q3 2022



VARIA
US PROPERTIES



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Q3 2022**

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KEY FIGURES Q3/2022

TOTAL INCOME

Q3 2021: USD 213.4 million

USD
million

313.6

TOTAL REALIZED INCOME*

Q3 2021: USD 125.4 million

USD
million

147.6

FAIR VALUE PORTFOLIO ADJUSTMENT

Q3 2021: USD 124.8 million

USD
million

207.2

OPERATING PROFIT

(including revaluation)
Q3 2021: USD 152.2 million

USD
million

237.0

OPERATING MARGIN

(including revaluation)
Q3 2021: 71.3%

75.6%

PROFIT FOR THE PERIOD

Q3 2021: USD 100.1 million

USD
million

163.9

FFO PER SHARE

Q3 2021: USD 1.81

USD

2.30

EARNINGS PER SHARE

Q3 2021: USD 9.88

USD

16.18

NAV PER SHARE****

Q3 2021: USD 50.79

USD

64.03

EBITDA**

Q3 2021: USD 64.2 million

USD
million

71.0

EBITDA MARGIN**

Q3 2021: 51.2%

48.1%

FFO***

Q3 2021: USD 18.4 million

USD
million

23.3

* Total Realized Income (total income less unrealized valuation).

** EBITDA defined as operating profit less unrealized revaluation.

*** FFO defined as net profit excluding fair value gain and transaction costs, tax effected.

**** NAV excluding distribution payable is USD 65.56 at September 30, 2022, USD 51.89 at December 31, 2021.

SUMMARY PAGE OF KEY FIGURES

RESULTS (For the Nine Months Ended)	Unit	September 30, 2022	September 30, 2021	Change
Rental Income	USD mio	93.5	78.8	18.7%
Rental Income like for like*	USD mio	58.5	54.5	7.5%
Other Income and Insurance Proceeds	USD mio	12.9	9.9	30.5%
Total Realized Income (total income less unrealized valuation)	USD mio	147.6	125.4	17.8%
Realized Gains on disposal of properties	USD mio	41.2	36.7	12.2%
Unrealized Gains on revaluation of properties	USD mio	166.0	88.1	88.5%
Net Gain (Loss) on revaluation of properties	USD mio	207.2	124.8	66.1%
Revaluation of properties like for like*	USD mio	124.4	71.4	74.2%
Total Income	USD mio	313.6	213.4	46.9%

Operating Expenses	USD mio	76.6	61.2	25.1%
Operating Profit incl. revaluation	USD mio	237.0	152.2	55.7%
Operating Margin	%	75.6	71.3	4.3%
EBITDA (Operating Profit less unrealized revaluation)	USD mio	71.0	64.2	10.7%
EBITDA Margin	%	48.1	51.2	-3.2%
Normalized EBITDA (EBITDA less insurance proceeds)	USD mio	70.8	63.8	11.0%
Normalized EBITDA Margin	%	48.0	50.9	-2.9%
Net Profit before tax	USD mio	213.1	131.0	62.7%
Net Profit	USD mio	163.9	100.1	63.7%
Funds from Operations (FFO)	USD mio	23.3	18.4	27.1%
(net profit excluding fair value gain and transaction costs, tax effected)				
Normalized FFO	USD mio	25.5	19.3	31.8%
(FFO less debt cost amortization, insurance proceeds and other non-cash items)				

BALANCE SHEET (As of)	Unit	September 30, 2022	December 31, 2021	Change
Total Assets	USD mio	1,784.4	1,505.3	18.5%
Equity	USD mio	648.4	514.3	26.1%
Equity ratio	%	36.3	34.2	2.2%
Interest bearing Debt	USD mio	960.0	868.8	10.5%
Interest bearing Debt ratio	%	53.8	57.7	-3.9%
Average interest of debt at the property level	%	4.2	3.4	0.8%
Average maturity of debt at the property level	years	6.9	6.7	1.9%

PORTFOLIO	Unit	September 30, 2022	December 31, 2021	Change
Properties	number	40	43	-7.0%
Units as of	number	11,008	11,887	-7.4%
Units Like for Like as of**	number	10,050	10,050	0.0%
Units Like for Like as of the Month Ending***	number	9,786	9,786	0.0%
Portfolio value	USD mio	1,658.5	1,412.0	17.5%
Portfolio Value Like for Like as of**	USD mio	1,431.8	1,252.3	14.3%
Market value per unit	USD	150,665	118,786	26.8%
Gross Potential Income (Market per Colliers)	USD mio	160.0	147.4	8.5%
Monthly rent per unit held for the full month ending	USD	1,082	932	16.1%
Monthly rent per unit Like for Like as of the Month Ending***	USD	1,063	969	9.7%
Occupancy rate as of	%	92.7%	94.6%	-1.9%
Occupancy rate Like for Like as of the Month Ending***	%	93.0%	94.7%	-1.7%

SHARE INFORMATION	Unit	2022	2021	Change
Market capitalization – September 30, 2022 and December 31, 2021	CHF mio	458.7	508.3	-9.8%
Earnings per share (EPS) – September 30, 2022 and 2021	USD / share	16.18	9.88	63.8%
NAV – September 30, 2022 and December 31, 2021	USD / share	64.03	50.79	26.1%
NAV excluding deferred taxes – September 30, 2022 and December 31, 2021	USD / share	76.77	58.76	30.6%
NAV excluding distribution payable – September 30, 2022 and December 31, 2021	USD / share	65.56	51.89	26.3%
Share price – September 30, 2022 and December 31, 2021	CHF/ share	45.30	50.20	-9.8%
Funds from Operations (FFO) (net profit excluding fair value gain and transaction costs, tax effected) – September 30, 2022 and 2021	USD / share	2.30	1.81	27.1%
Normalized FFO (FFO less debt cost amortization, insurance proceeds and other non-cash items) – September 30, 2022 and 2021	USD / share	2.52	1.91	31.8%

* Like for Like compares assets that were held for the full periods of 2021 and 2022.

** Like for Like as of compares assets that were on hand on the last day of the period presented.

*** Like for Like as of the Month Ending compares assets that were held for the last full month of the period presented.

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

PORTFOLIO SUMMARY

as of September 30, 2022

PORTFOLIO VALUE*

December 31, 2021: USD 1,412.0 million

USD
million **1,658.5**

NUMBER OF PROPERTIES

December 31, 2021: 43

40

NUMBER OF UNITS

December 31, 2021: 11,887

11,008

AVERAGE MONTHLY RENT PER UNIT

December 31, 2021: USD 932

USD **1,082**

INTEREST- BEARING DEBT RATIO

December 31, 2021: 57.7%

53.8%

GROSS POTENTIAL INCOME*

December 31, 2021: USD 147.4 million

USD
million **160.0**

AVERAGE MARKET VALUE PER UNIT

December 31, 2021: USD 118,786

USD **150,665**

OCCUPANCY RATE

December 31, 2021: 94.6%

92.7%

EFFECTIVE GROSS INCOME*

December 31, 2021: 138.0

USD
million **148.8**

DEAR SHAREHOLDERS,

For the third time this year, Varia US Properties AG ("Varia US"; the "Company") publishes its fully consolidated financial statements, and presents strong results.

Unlike in any other year since inception of the Company, although the US continues to see high inflation, rapidly rising interest rates and a low unemployment rate, it still has a strong economy with GDP growth of approximately 2.6% in Q3 2022. In view of these challenging times, Varia is very satisfied with its recent business performance.

As shown in more detail hereinafter and on the Key Figures page, the impact of this situation on the portfolio is the following:

- We are still able to generate higher rents that compensate for increased operational costs. Rental income like for like for the nine months ended September 2021 and September 2022 increased by 7.5%.
- Net Operating Income further increased in Q3 2022, creating more value at the portfolio level.
- The valuation of the portfolio (total and like for like) increased despite a light cap rate expansion over the last three months (when capitalization rates expand or increase, property values decrease unless offset by growth in Net Operating Income). Weighted Average Cap Rate has increased from 4.81% in June 2022 to 4.92% in September 2022 (3 months) at the portfolio level. On a like for like basis, Weighted Average Cap Rate has increased from 4.90% in June 2022 to 5.06% in September 2022 (3 months).
- The vacancy rate is up to 7.3% compared to 5.4% at the end of 2021. This is due to a combination of market evolution as well as the Company's use of data driven revenue optimization tools which seek to maximize total income but may result in slightly lower occupancy in some cases.
- The EBITDA margin is down to 48.1% compared to 51.2% for the nine months ended September 2021 and September 2022.

The end result is still positive for Varia US. The supply and demand equation continues to develop in favor of the Company. The interest rate increases make it more challenging for people to buy a house which generally means they rent apartments for longer than initially expected. Inflation, supply chain issues and interest rate increases make it more difficult to build, reinforcing the lack of supply and therefore increasing pressure on the rental sector.

On the sustainability side, Varia US achieved 64 points on its first GRESB submission, ranking 8th among 11 large US publicly traded multifamily companies and REITs. This is an excellent outcome that demonstrates a strong positioning in sustainability initiatives.

During the third quarter of the year, the Company closed its second agency credit facility, this time with Freddie Mac. Varia US is the first real estate investment company with a credit facility with each of the two US governmental agencies, providing a significant competitive edge for future acquisitions and for portfolio rotation.

Further to Varia's ongoing portfolio rotation, the Company disposed of four properties comprising 974 apartment units in Q3 2022 for a total sales price of USD 111 million and acquired two additional properties totalling 660 apartment units for USD 130 million. All of these transactions were the result of contracts entered into earlier in Spring. The transactions took a little bit longer than usual due to market conditions but they clearly contribute to the improvement of the portfolio.

To highlight one of the last Company acquisitions as an example, in June 2022 and as already communicated the Company acquired Amaze @ Noda, a 298 unit property for USD 90.89 million. It is a newly built property that Varia US bought directly from the developer with the strategy to implement a management value-add by bringing a strong property manager onsite to align

rents to market. That was implemented over the last 3 months (July – September 2022) and the property was valued at the end of September at USD 98.3 million, an increase of USD 7.4 million or 8.2%, despite 25 bps of cap rate expansion.

Results Highlights

Looking at these results in a more detailed fashion, we are happy to present the following highlights:

	Q3 2022 in USD	YTD 2022 in USD	FY 2021 in USD
Rental income	31,527,726	93,508,378	107,920,005
Fair value adjustment	28,768,055	207,199,771	197,371,103
Total income	64,693,412	313,631,123	319,978,720
Operating profit	33,663,622	237,040,196	237,124,052
Profit for the period	18,360,527	163,866,723	156,007,708
Portfolio value	1,658,215,000	1,658,215,000	1,412,010,000
Number of units	11,008	11,008	11,887
Earning per share	1.81	16.18	15.41
Net asset value per share	64.03	64.03	50.79
FFO per share*	N.A.	2.30	5.00

* As of January 1, 2022, FFO is calculated in accordance with EPRA earnings guidelines which do not include realized or unrealized gains or losses.

Outlook

In the coming months, the Varia US Board of Directors expects to continue seeing a slower increase of net operating income as well as further cap rate expansion. The anticipated slight decrease of the portfolio value should occur between Q4 2022 and Q2 2023. A rebound of the market should take place when interest rates start to stabilize again.

In October 2022, the Company sold the last property for the year in Tulsa, OK, and acquired two new properties in Covington, KY, and Dallas, TX. More information about these two transactions will be communicated in the annual report.

The Board of Directors is confident in the strategy of the Company and would like to thank you for your trust and confidence.

Sincerely yours,

Manuel Leuthold
Chairman
of the Board

Jaume Sabater
Vice-Chairman
of the Board

Patrick Richard
Executive Member
of the Board

CONSOLIDATED IFRS FINANCIAL STATEMENTS

September 30, 2022

**CONSOLIDATED
IFRS FINANCIAL
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**NOTES TO
CONSOLIDATED
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**SUPPLEMENTARY
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Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

ASSETS	Notes	September 30, 2022 in USD	December 31, 2021 in USD
Current assets:			
Cash and cash equivalents		98,945,638	80,385,011
Rent and other receivables		924,856	1,223,469
Income tax receivable		4,629,663	2,764,006
Prepaid expenses and other current assets		8,474,781	1,961,452
Assets held for sale	I	26,500,000	–
Total current assets		139,474,938	86,333,938
Noncurrent assets:			
Investment property	I	1,632,015,000	1,412,010,000
Escrow accounts		7,955,614	6,917,980
Other assets		47,304	12,660
Derivative financial instruments	7	4,923,674	–
Total noncurrent assets		1,644,941,592	1,418,940,640
Total assets		1,784,416,530	1,505,274,578

LIABILITIES AND EQUITY	Notes	September 30, 2022 in USD	December 31, 2021 in USD
Current liabilities:			
Current maturities of interest-bearing loans and borrowings	2	50,977,938	415,329
Trade and other payables		25,650,509	26,032,811
Distribution payable		15,486,105	11,101,275
Income tax payable		3,931,066	2,096,815
Rent received in advance		1,933,887	2,214,988
Liabilities associated with assets held for sale	I	11,915,871	–
Total current liabilities		109,895,376	41,861,218
Noncurrent liabilities:			
Interest-bearing loans and borrowings, net of current maturities	2	897,128,035	868,370,727
Deferred tax liability	5	129,002,744	80,693,472
Total noncurrent liabilities		1,026,130,779	949,064,199
Total liabilities		1,136,026,155	990,925,417

Issued share capital		10,297,221	10,297,221
Share premium from capital contributions		226,123,836	242,762,909
Legal reserves		4,481,011	2,936,192
Revaluation reserves	3	3,452,638	–
Retained earnings		404,035,669	258,352,839
Total equity		648,390,375	514,349,161
Total liabilities and equity		1,784,416,530	1,505,274,578

The notes on pages 16 to 27 form an integral part of these financial statements.

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Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Notes	Three Months Ended September 30, 2022 in USD	Three Months Ended September 30, 2021 in USD
Rental income		31,527,726	26,718,024
Other income		4,397,631	3,315,185
Insurance proceeds		–	231,858
Net gain from fair value adjustment on investment property		28,768,055	69,978,624
Total income		64,693,412	100,243,691
Real estate operating expenses		9,183,091	7,270,819
Expenses for third-party on-site workforces		4,482,327	3,750,049
Repairs, maintenance and minor replacements		3,171,349	2,362,952
Property management fees		1,077,786	920,081
Transaction costs		9,232,596	6,818,121
Other expenses		3,882,641	2,548,729
Total operating expenses		31,029,790	23,670,751
Operating profit		33,663,622	76,572,940
Interest expense		9,863,064	9,232,503
Debt defeasance		1,111,541	442,548
Net foreign currency exchange gains		(2,763,913)	(1,030,551)
Total finance costs		8,210,692	8,644,500
Profit before income tax expense		25,452,930	67,928,440
Income tax expense		7,092,403	16,517,496
Profit for the quarter		18,360,527	51,410,944
Earnings per share: Basic and diluted earnings, on profit for the quarter		1.81	5.08
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve, net of tax		2,147,489	–
Cost of hedging reserve, net of tax		(473,545)	–
Other comprehensive income for the quarter, net of tax		1,673,944	–
Total comprehensive income for the quarter		20,034,471	51,410,944

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Notes	Nine Months Ended September 30, 2022 in USD	Nine Months Ended September 30, 2021 in USD
Rental income	I	93,508,378	78,754,909
Other income	I	12,707,484	9,573,530
Insurance proceeds		215,490	331,367
Net gain from fair value adjustment on investment property	I	207,199,771	124,773,219
Total income		313,631,123	213,433,025
Real estate operating expenses		27,257,213	22,133,700
Expenses for third-party on-site workforces		12,586,328	11,064,033
Repairs, maintenance and minor replacements		8,445,589	6,170,694
Property management fees		3,180,555	2,717,922
Transaction costs		13,686,629	10,547,233
Other expenses		11,434,613	8,585,975
Total operating expenses		76,590,927	61,219,557
Operating profit		237,040,196	152,213,468
Interest expense	4	30,137,168	22,084,628
Debt defeasance	4	1,874,784	2,414,611
Net foreign currency exchange gains	4	(8,103,264)	(3,275,995)
Total finance costs	4	23,908,688	21,223,244
Profit before income tax expense		213,131,508	130,990,224
Income tax expense	5	49,264,785	30,898,062
Profit for the period		163,866,723	100,092,162
Earnings per share: Basic and diluted earnings, on profit for the period		16.18	9.88
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve, net of tax	3	3,379,667	–
Cost of hedging reserve, net of tax	3	72,971	–
Other comprehensive income for the period, net of tax		3,452,638	–
Total comprehensive income for the period		167,319,361	100,092,162

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Notes	Issued Share Capital in USD	Share Premium from Capital Contribution in USD	Legal Reserves in USD	Revaluation Reserves in USD	Retained Earnings in USD	Total Equity in USD
Balance at December 31, 2021		10,297,221	242,762,909	2,936,192	–	258,352,839	514,349,161
Profit for the period		–	–	–	–	163,866,723	163,866,723
Changes in cash flow hedging reserve		–	–	–	3,379,667	–	3,379,667
Changes in cost of hedging reserve		–	–	–	72,971	–	72,971
Other comprehensive income	3	–	–	–	3,452,638	–	3,452,638
Total comprehensive income		–	–	–	3,452,638	163,866,723	167,319,361
Allocation to legal reserves	3	–	–	1,544,820	–	(1,544,820)	–
Capital and retained earnings distributions	3	–	(16,639,073)	–	–	(16,639,073)	(33,278,146)
Balance at September 30, 2022		10,297,221	226,123,836	4,481,011	3,452,638	404,035,669	648,390,375
Balance at December 31, 2020		10,297,221	258,402,705	2,138,232	–	118,796,518	389,634,676
Profit for the period		–	–	–	–	100,092,162	100,092,162
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	100,092,162	100,092,162
Share premium contributions adjustment		–	13,631	–	–	–	13,631
Capital and retained earnings distributions		–	(15,653,427)	–	–	(15,653,427)	(31,306,854)
Balance at September 30, 2021		10,297,221	242,762,909	2,138,232	–	203,235,253	458,433,615

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Notes	Nine Months Ended September 30, 2022 in USD	Nine Months Ended September 30, 2021 in USD
Cash flows from operating activities:			
Profit before income tax		213,131,508	130,990,224
Adjustments to reconcile profit before income tax to net cash provided by operating activities:			
Net gain from fair value adjustment on investment property	I	(207,199,771)	(124,773,219)
Finance costs		23,908,688	21,223,244
		29,840,425	27,440,249
Working capital adjustments:			
Decrease in rent and other receivables		298,613	108,808
Increase in prepaid expenses and other current assets		(6,833,485)	(2,354,317)
(Decrease) increase in escrow accounts		(1,037,634)	2,240,726
Increase in other assets		(34,644)	(8,808)
(Decrease) increase in trade and other payables		(382,311)	3,018,072
(Decrease) increase received in advance		(281,101)	455,938
Cash generated from operating activities		21,569,863	30,900,668
Income taxes received		10,925	1,330,551
Income taxes paid		(1,928,764)	(4,503,143)
Net cash provided by operating activities		19,652,024	27,728,076
Cash flows from investing activities:			
Acquisition of investment property	I	(223,828,973)	(216,899,930)
Capital expenditure on investment property	I	(17,476,256)	(12,481,851)
Proceeds from sale of investment property	I	202,000,000	134,775,000
Net cash used in investing activities		(39,305,229)	(94,606,781)
Cash flows from financing activities:			
Payments of principal on interest bearing loans and borrowings	2	(165,413,012)	(67,221,545)
Interest paid		(28,619,667)	(23,827,062)
Debt defeasance paid	4	(1,874,784)	–
Payments of debt and bond issuance costs	2	(3,103,378)	(1,861,274)
Proceeds from interest-bearing loans and borrowings	2	265,910,000	167,063,000
Proceeds from bond issuance		–	–
Payment of capital distribution and retained earnings		(28,178,591)	(25,405,178)
Proceeds from issued share capital		–	13,629
Net cash provided by financing activities		38,720,568	48,761,570
Net increase (decrease) in cash and cash equivalents		19,067,363	(18,117,135)
Cash and cash equivalents at beginning of year		80,385,011	112,320,906
Exchange (loss) gain on cash and cash equivalents		(506,736)	(132,035)
Cash and cash equivalents at end of period		98,945,638	94,071,736

Varia US Properties AG and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Organization and Activities

Varia US Properties AG (the "Company") is a Swiss Company limited by shares established under the relevant provisions of the Swiss code of obligations. Its address is Gubelstrasse 19, CH-6300 Zug, Switzerland. As a Swiss real estate investment Company, Varia's purpose is to acquire, hold and sell properties in the United States of America. Accordingly, the Company is fully dedicated to investments in the U.S. multifamily real estate market. Since 2015, it has assembled a portfolio currently held through Varia's subsidiaries that mainly comprise low-moderate income and workforce multifamily housing properties. The Company and its subsidiaries (the Group) pursue a long-term growth strategy aimed at offering investors risk adjusted access to the U.S. multifamily real estate market. The Board of Directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. In preparing the condensed consolidated interim financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern and accordingly to use the going concern basis of accounting. Varia has no employees as of September 30, 2022, and has never employed any staff. Common shares are listed on the SIX Swiss Stock Exchange under the symbol VARN. The accompanying condensed consolidated interim financial statements of Varia US Properties AG and subsidiaries (collectively, the Group) as of September 30, 2022, and for the nine months then ended were authorized by the Board of Directors for issue on November 17, 2022. These condensed consolidated interim financial statements are presented in U.S. dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated.

The following exchange rates have been applied to translate the foreign currencies of significance for the Company:

CHF/USD average exchange rate for the period January 1, 2022 to September 30, 2022	0.94988
CHF/USD exchange rate at September 30, 2022	0.98082
CHF/USD average exchange rate for the period January 1, 2021 to September 30, 2021	0.91146
CHF/USD exchange rate at December 31, 2021	0.91214

Basis of Preparation and Significant Accounting Policies

This condensed consolidated interim financial statement for the interim reporting period as of September 30, 2022 and for the nine months then ended has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting and the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report as of December 31, 2021 and for the year then ended and any public announcements made by Varia US Properties AG during the interim reporting period. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for policies related to derivatives and hedging activities (see below) and for estimation of fair value of investment property as of September 30, 2021 (see NOTE 1 – INVESTMENT PROPERTY). No new accounting standards relevant for Varia US Properties AG came into force as of January 1, 2022.

Derivatives and Hedging Activities

Derivatives are only used for economic hedging purposes and not as speculative investments. Interest rate cap option contracts are used to hedge future cash flows exposed to interest rate risk on variable rate borrowings. Short term currency forward contracts are used to hedge cash flows in USD against unfavorable appreciation of the CHF.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates qualifying interest rate cap option contracts as hedging instruments (cash flow hedge) and applies hedge accounting under IFRS 9 as described below. Changes in the fair value of short term currency contracts which are not designated as hedging instruments are recorded in profit or loss for the period.

At inception of the cash flow hedge relationship, the Company documents the nature of the risk being hedged (interest rate risk) and the economic relationship between hedging instruments (interest rate cap option contracts) and hedged items (future cash flows exposed to interest rate risk on variable rate borrowings) including whether changes in the cash flows of the hedging instruments are expected to be highly effective in offsetting changes in the cash flows of hedged items (hedge effectiveness). Hedge effectiveness is periodically assessed on a prospective basis to ensure that an economic relationship continues to exist between the hedged item and hedging instrument. The Company also documents risk management objectives and strategy for undertaking cash flow hedge transactions.

The fair value of an interest rate cap option contract can be divided into two portions: the intrinsic value (which is determined as the present value of future expected cash flows indicated by the difference between the strike rate and the forward curve of the underlying index) and the time value (the remaining value of the option which reflects the volatility of the underlying index and the time remaining to maturity).

Where interest rate cap option contracts are used to hedge future cash flows exposed to interest rate risk on variable rate borrowings, the Company designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in OCI and accumulated in the Revaluation Reserves within equity.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized within OCI in the costs of hedging reserve within equity. The amounts accumulated within equity relating to the effective portion of the interest rate cap contracts are recognized in profit or loss within finance cost in the same period as the interest expense on the hedged borrowings.

When a hedging instrument matures or is sold, or when the hedge no longer meets the criteria of IFRS 9, the amounts accumulated in the Revaluation Reserves remain in equity until the hedged cash flows affect the Consolidated Statements of Profit or Loss and Other Comprehensive Income. However, if a future cash flow is no longer expected to occur, the amount accumulated in equity is immediately released from OCI to the Consolidated Statements of Profit or Loss.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

NOTE I INVESTMENT PROPERTY

Three new investment properties were acquired and six were disposed during the nine months ended September 30, 2022 compared to the 2021 annual report:

Properties Held	Fair Value of Investment Property at December 31, 2021 in USD	Property Acquired Through Purchase of Investment Property in USD	Capital Improvements in USD	Net Gain (Loss) From Fair Value Adjustment on Investment Property in USD	Sale of Investment Property in USD	Fair Value of Investment Property at September 30, 2022 in USD
Aspen Ridge	8,800,000	–	2,457	197,543	(9,000,000)	–
King's Quarters	39,000,000	–	66,487	9,433,513	(48,500,000)	–
Bridge Hollow Apartment Homes	26,300,000	–	248,156	8,451,844	(35,000,000)	–
Woodstone	17,800,000	–	667,211	6,532,789	(25,000,000)	–
Eastwood Crossing (Maple Hills)	31,300,000	–	78,018	11,121,982	(42,500,000)	–
Cinnamon Tree Apartments	36,500,000	–	40,225	5,459,775	(42,000,000)	–
Amaze at NoDa	–	92,436,151	41,088	5,822,761	–	98,300,000
Ashford Apartments	–	66,224,381	81,655	(2,306,037)	–	64,000,000
Wild Oak Apartments	–	65,168,441	–	(758,441)	–	64,410,000
	159,700,000	223,828,973	1,225,297	43,955,729	(202,000,000)	226,710,000

Total investment property at fair value increased from USD 1,412,010,000 as of December 31, 2021 to USD 1,658,515,000 including assets held for sale as of September 30, 2022 resulting in a USD 207,199,771 net gain from fair value adjustment on investment property for the nine months ended September 30, 2022. The increase in value was driven by a combination of Net Operating Income (NOI) growth and further capitalization rate compression during the nine months ended September 30, 2022.

The components of changes in value related to investment properties are as follows as of September 30, 2022:

	in USD
Investment property at December 31, 2021	1,412,010,000
Property acquired through purchase of investment property	223,828,973
Capital improvements	17,476,256
Sale of investment property	(202,000,000)
Net gain from fair value adjustment on investment property	207,199,771
Fair value of investment property at September 30, 2022	1,658,515,000
Investment property held for sale	(26,500,000)
Investment property at September 30, 2022	1,632,015,000

The valuation of investment properties as of September 30, 2022 was carried out by Colliers International Valuation & Advisory Services. The external valuations were used to calculate the net gain from fair value adjustment on investment property for the nine months ended September 30, 2022. See NOTE 7 – FINANCIAL RISK MANAGEMENT for additional information on valuation techniques and inputs.

Estimation of Net Gain from Fair Value Adjustment on Investment Property for the Three Months Ended September 30, 2021

The net gain from fair value adjustment on investment property of USD 69,978,624 for the three months ended September 30, 2021 was estimated by first subtracting the previously reported net gain from fair value adjustment on investment property per Note G of USD 61,304,223 for the six months ended June 30, 2021 from the previously reported net gain from fair value

adjustment on investment property of USD 197,371,103 for the year ended December 31, 2021 to derive the gross fair value adjustment on investment property of USD 136,066,880 for the six months ended December 31, 2021. This derived gross fair value adjustment on investment property of USD 136,066,880 for the six months ended December 31, 2021 was then allocated to the three months ended September 30, 2021 using the Freddie Mac AIMI price index as follows:

	2021		
	Q2	Q3	Q4
Freddie Mac Apartment Investment Market Index (AIMI) Price Component Value	250.5	265.4	284.1
Change in AIMI Price Index Q2 2021 to Q4 2021	33.6		
Change in AIMI Price Index Q2 2021 to Q3 2021	14.9		
Portion of Q2 2021 to Q4 2021 Change in AIMI Price Index attributable to Q3 2021	44%		
Gross fair value adjustment on investment property for the six months ended December 31, 2021 (derived above)	136,066,880		
Q3 2021 fair value gain on disposed properties	(5,552,305)		
Six months ended December 31, 2021 IFRS fair value gain to be allocated	130,514,575		
Fair value gain attributable to the three months ended September 30, 2021 using AIM index calculation above	57,876,999		
Q3 2021 fair value gain on disposed properties	5,552,305		
June 2021 AHFS adjustment per Note D	6,509,628		
Rounding factor	39,692		
Estimated net gain from fair value adjustment on investment property for the three months ended September 30, 2021 and included in the comparative consolidated statement of profit or loss and other comprehensive income for the three months ended September 30, 2022	69,978,624		

The timing of new acquisitions and disposals during the six months ended December 31, 2021 had no significant effect on the estimation of net gain from fair value adjustment on investment property for the three months ended September 30, 2021.

Assets Held For Sale

One property met all five IFRS assets held for sale criteria as of September 30, 2022 with a total fair value of USD 26.5 million. Balances for this non-current investment property and the associated non-current mortgage liability have been reclassified to assets held for sale and liabilities associated with assets held for sale, respectively, as of September 30, 2022. This property

was sold after the balance sheet date for USD 26.5 million (305 units).

The following table summarizes the recognized amounts of assets and liabilities held for sale as of September 30, 2022:

	in USD
Investment Property	26,500,000
Total assets held for sale	26,500,000
Interest bearing loans and borrowings	11,915,871
Total liabilities associated with assets held for sale	11,915,871

Income Related to Investment Properties

The components of income related to investment properties are as follows for the nine months ended September 30:

	Nine months ended September 30, 2022 in USD	Nine months ended September 30, 2021 in USD
Rental income (in accordance with IFRS 16)	93,508,378	78,754,909
Other income (revenues from contracts with customers):		
Monthly and one-time fees	7,100,155	5,109,198
Utility fees charged through to tenants	5,607,329	4,464,332
Total other income	12,707,484	9,573,530
Total income related to investment properties	106,215,862	88,328,439

NOTE 2**INTEREST BEARING LOANS AND BORROWINGS**

During the nine months ended September 30, 2022, the Company financed three new properties; one under the credit facility and two outside of the credit facility. Additionally, the Company refinanced eight existing properties using the credit facility. The new loans established long-term borrowings of approximately USD 265.9 million with fixed interest rates ranging from 3.06% to 5.45%.

Mortgages are secured by investment properties in the amount of USD 1,658,515,000 as of September 30, 2022.

	in USD
Balance of mortgages as of December 31, 2021	760,494,026
Cash movements:	
Proceeds from 2022 new loans	265,910,000
Payments of principal on mortgages	(165,413,012)
Payments of debt issuance costs	(3,103,378)
Noncash movements:	
Amortization of debt issuance costs	1,152,507
Liabilities associated with assets held for sale	(11,915,871)
Balance of mortgages as of September 30, 2022	847,124,272
Cash movements:	
Balance of bonds as of December 31, 2021	108,292,030
Proceeds from bond issuance	—
Payments of debt issuance costs	—
Noncash movements:	
Amortization of debt issuance costs	364,994
Effect of foreign currency translation adjustment	(7,675,323)
Balance of bonds as of September 30, 2022	100,981,701
Balance of interest-bearing loans and borrowings as of September 30, 2022	948,105,973

The fixed and variable advance terms on the credit facility are as follows as of September 30, 2022:

Credit Facility Loans	Interest Rate	Advance Amount in USD	Maturity Date
Fixed	2.44%	20,881,000	January 1, 2030
Fixed	2.95%	41,765,000	February 1, 2031
Variable	30 Day Average SOFR + 2.1%	10,000,000	January 1, 2030
Variable	30 Day Average SOFR + 2.45%	21,350,000	February 1, 2031
Variable	30 Day Average SOFR + 2.65%	7,085,000	May 1, 2031
Fixed	2.82%	15,990,000	August 1, 2028
Fixed	2.70%	43,540,000	September 1, 2028
Variable	30 Day Average SOFR + 2.14%	24,083,000	October 1, 2031
Variable	30 Day Average SOFR + 2.11%	68,250,000	November 1, 2031
Variable	30 Day Average SOFR + 2.18%	42,510,000	December 1, 2031
Fixed	3.06%	17,550,000	February 1, 2029
Fixed	4.40%	46,053,000	July 1, 2032
Fixed	4.90%	111,924,000	July 1, 2032
Fixed	5.45%	20,442,000	July 1, 2032

Future scheduled principal payments based upon contractual amounts owed under the term notes, excluding any additional payments that may be required, consist of the following as of September 30, 2022:

Years Ending September 30,	in USD
2023	51,194,899
2024	78,069,784
2025	48,107,649
2026	63,270,158
2027	36,018,606
Thereafter	692,057,152
	968,718,248

Loan costs and accumulated amortization	(8,696,404)
Liabilities associated with assets held for sale	(11,915,871)
Total interest bearing loans and borrowings	948,105,973

NOTE 3 EQUITY

On April 29, 2022, the general meeting of the shareholders approved an allocation to the general legal reserve of USD 1,544,820 (CHF 1,668,000) and the appropriation of the available earnings at December 31, 2021, comprising dividends for a total of USD 33,278,146 (CHF 32,403,258), out of the share premium from capital contributions for USD 16,639,073 (CHF 16,201,629) and out of the retained earnings for USD 16,639,073 (CHF 16,201,629). A first dividend of CHF 1.20 per share (CHF 12,151,222; USD 12,479,305) was paid on May 11, 2022. The additional dividend of CHF 2.00 per share (CHF 20,252,036; USD 20,798,841) is payable in four quarterly installments. The first installment was paid on August 10, 2022, the second installment was paid on November 10, 2022, and the remaining installments will be paid on February 10, 2023 and May 10, 2023.

Revaluation reserves included in equity relate to the following hedging instruments:

	Cost of Hedging Reserve in USD	Intrinsic Value of Interest Rate Cap Options in USD	Total Hedge Reserves in USD
Opening balance January 1, 2022	–	–	–
Add: change in fair value of hedging instrument recognized in OCI	–	4,506,223	4,506,223
Add: costs of hedging deferred and recognized in OCI	97,295	–	97,295
Less: deferred tax	(24,324)	(1,126,556)	(1,150,880)
Closing balance September 30, 2022	72,971	3,379,667	3,452,638

There were no movements from the cash flow hedge reserve to profit or loss during the period in relation to the interest rate cap option contracts. See NOTE 7 – FINANCIAL RISK MANAGEMENT for further information on cash flow hedging.

Earnings per share as of September 30:	2022 in USD	2021 in USD
Earnings per share attributable to equity holders for the period:		
Profit for the period attributable to ordinary equity holders of the Company	163,866,723	100,092,162
Calculation of weighted-average number of shares:		
Shares outstanding December 31, 2020	10,126,018	10,126,018
Weighted-average number of ordinary shares outstanding – basic for the period	10,126,018	10,126,018
Weighted-average number of ordinary shares outstanding – fully diluted for the period	10,126,018	10,126,018
Profit per share attributable to the ordinary equity holders of the Company from continuing operations – basic (calculated on the weighted-average number of ordinary shares outstanding, see above)	16.18	9.88
Profit per share attributable to the ordinary equity holders of the Company from continuing operations – fully diluted (calculated on the weighted-average number ordinary shares outstanding, see above)	16.18	9.88
Equity attributable to Varia US Properties AG Shareholders	648,390,375	458,433,615
Number of shares	10,126,018	10,126,018
NAV per share	64.03	45.27
Equity attributable to Varia US Properties AG Shareholders (excluding deferred taxes)	777,393,119	520,487,864
Number of shares	10,126,018	10,126,018
NAV per share (excluding deferred taxes)	76.77	51.40

NOTE 4 FINANCE COSTS

The finance costs for the nine months ended September 30, 2022 and 2021, amounted to approximately USD 23.9 million and USD 21.2 million, respectively, and include mainly interest paid and accrued on interest-bearing loans and borrowings of approximately USD 30.1 million and USD 22.0 million, respectively, and debt defeasance costs of approximately USD 1.9 million and USD 2.4 million and the foreign currency exchange net gain of USD 8.1 million (gains of USD 10,457,325 less losses of USD 2,354,061) and USD 3.3 million (gains of USD 4,683,388 less losses of USD 1,407,393) respectively, resulting from the change of the exchange rate between the CHF and the USD currency rates on foreign currency bank accounts and the bonds which are payable in CHF.

NOTE 5 INCOME TAX

Income taxes are composed of the following for the nine months ended September 30:

	2022 in USD	2021 in USD
Provision for income tax expense:		
Deferred U.S. federal and state income tax expense	47,210,861	25,934,824
Current U.S. federal and state income tax expense	–	3,510,322
Current Swiss federal income tax expense	2,053,924	1,452,916
	49,264,785	30,898,062

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for US federal and state income tax expense is 25% for the nine months ended September 30, 2022 and 2021. Approximately USD 47.2 million and USD 25.9 million of US federal and state income tax expense is deferred for the nine months ended September 30, 2022 and 2021, respectively, which increases deferred tax liability shown on the consolidated statement of financial position.

There was zero and approximately USD 3.5 million of current US federal and state income tax expense for the nine months ended September 30, 2022 and 2021, respectively. All Swiss income taxes are current for the nine months ended September 30, 2022 and 2021.

NOTE 6 RELATED PARTY TRANSACTIONS

Related parties include the following parties that have the ability, directly or indirectly, to control or to exercise significant influence over the other party in making financial and operating decisions.

- Board of Directors of Varia US Properties AG
- Stoneweg SA, Geneva (Switzerland)
- Stoneweg US, LLC

For the nine months ended September 30:

	2022 in USD	2021 in USD
Asset management fees charged to Varia direct subsidiaries	5,084,411	3,416,258
Transaction fees invoiced for the periods	2,633,000	2,155,000
Promotion fee on sale of properties	10,379,962	7,667,705
Refinancing fees	851,790	394,180
Construction Costs	19,766	–

Varia US Properties AG is party to an Asset Management Agreement with Stoneweg SA and Stoneweg US, LLC (Stoneweg) to manage the investments and the administration activities of the Company. Outstanding amounts due to Stoneweg as of September 30, 2022 and December 31, 2021, are comprised of accrued asset management fees of USD 1,609,820 and USD 1,200,621, respectively.

Key management compensation: The Board of Directors is considered as key management. Expense in the amount of CHF 517,677 was paid or accrued as of September 30, 2022 (September 30, 2021 – CHF 447,979) including CHF 140,250 (September 30, 2021 – CHF 104,500) related to the Director's share plan. There were no outstanding amounts due to the Board of Directors as of September 30, 2022 and December 31, 2021.

NOTE 7 FINANCIAL RISK MANAGEMENT

The Group's currency positions at September 30, 2022 and December 31, 2021, are predominately in USD as presented on the Consolidated Statements of Financial Position except for carried and to be settled in CHF as follows:

Assets	September 30, 2022 in USD	December 31, 2021 in USD	Liabilities	September 30, 2022 in USD	December 31, 2021 in USD
Cash and cash equivalents	2,049,983	6,373,298	Trade and other payables and interest bearing loans	5,860,212	3,155,006
Rent and other receivables	29,297	38,869	Distribution payable	15,486,105	11,101,275
Total assets	2,079,280	6,412,167	Bond borrowing	101,955,877	109,631,200
			Net liabilities	(121,222,914)	(117,475,314)

The maturity analysis of financial liabilities, actual cash flows including interest, is as follows as of September 30, 2022:

	Within 12 Months in USD	From 1–4 Years in USD	Later Than 5 Years in USD	Total in USD
Trade and other payables, less accrued real estate and other taxes	15,261,969	–	–	15,261,969
Distribution payable	15,486,105	–	–	15,486,105
Interest bearing loans and borrowings, including interest	37,858,063	309,832,487	788,790,434	1,136,480,984
Interest bearing bond, including interest	53,972,892	54,641,978	–	108,614,870
	122,579,029	364,474,465	788,790,434	1,275,843,928

Derivative financial instruments utilized for hedging of interest rate risk on variable borrowings

The Company has the following derivative financial instruments in the following line items in the balance sheet:

Non-current assets	in USD
Interest rate cap option contracts – cash flow hedges	4,923,674
Total non-current derivative financial instrument assets	4,923,674

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The Company's accounting policy for its qualifying cash flow hedges is explained in the Basis of Preparation and Significant Accounting Policies note. A breakdown of movements in revaluation reserves related to cash flow hedges is disclosed in NOTE 3 – EQUITY. Further information about the derivative instruments used by the Company is provided below.

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Company pol-

icy is to limit variable rate borrowings to a maximum of 50% of total outstanding borrowings. The Company hedges interest rate risk on variable rate borrowings through the use of interest rate cap option contracts which effectively limit the variable interest to a maximum rate during the option contract term.

The Company documents risk management objectives and strategy for undertaking cash flow hedge transactions. All derivatives must be entered into with counterparties with a credit rating of A or higher.

Regarding interest rate cap option contracts, only the change in intrinsic value of the option contract is designated as the hedging instrument and hence included in the hedge relationship (i.e. the change in the time value of the option contract is excluded). The credit margin on the hedged debt is not included in the hedging relationship.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. There was no hedge ineffectiveness recorded for the period.

The amounts accumulated within equity relating to the effective portion of the interest rate cap contracts are recognized in profit or loss within finance cost in the same period as the interest expense on the hedged borrowings.

The effects of the interest rate cap contracts on the Company's financial position and performance are as follows:

Interest Rate Cap Option Contracts	2022 in USD	2021 in USD
Carrying Amount (non-current asset)	4,923,674	—
Notional Amount	188,741,000	—
Maturity Dates	Jan 1 – Dec 1 2024	—
Hedge Ratio	1:1	—
Weighted average hedged rate for the year	3.02%	—

Valuation Methods, Standards and Principles

The properties are valued using the income capitalization approach (direct capitalization). Derivative financial instruments (interest rate cap option contracts) are valued using options pricing models (e.g., Black-Scholes model). The same valuation methods, standards and principles described in pages 95–97 of the 2021 annual report were applied as of September 30, 2022. For the three months ended September 30, 2021, the standard valuation method was modified as discussed in NOTE 1 – INVESTMENT PROPERTY.

Fair Value

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety, which are described as follows:

- 1) **Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- 2) **Level 2:** Inputs, other than quoted prices included in within Level 1, that are observable for the asset or liability either directly or indirectly; and
- 3) **Level 3:** Inputs are unobservable inputs for the asset or the liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Derivative financial instruments (interest rate cap option contracts) are valued using options pricing models (e.g., Black Scholes model) and are included in level 2 of the fair value hierarchy.

At September 30, 2022, Varia's investment properties and derivative financial instrument assets are measured at fair value on a recurring basis by the above fair value hierarchy level as follows:

	Level 1 in USD	Level 2 in USD	Level 3 in USD	Total in USD
Investment property at December 31, 2021	–	–	1,412,010,000	1,412,010,000
Purchase of investment property	–	–	223,828,974	223,828,974
Capital improvements	–	–	17,476,255	17,476,255
Net change in fair value	–	–	207,199,771	207,199,771
Investment property sold	–	–	(202,000,000)	(202,000,000)
Investment property held for sale	–	–	(26,500,000)	(26,500,000)
Investment property at September 30, 2022	–	–	1,632,015,000	1,632,015,000
Derivative financial instruments at December 31, 2021	–	–	–	–
Purchase of derivative financial instruments	–	441,500	–	441,500
Amortization of purchase premium	–	(121,344)	–	(121,344)
Net change in fair value (unrealized)	–	4,603,518	–	4,603,518
Derivative financial instruments at September 30, 2022	–	4,923,674	–	4,923,674

There were no transfers between Levels 1 and 2 and Level 3. The investment property valuations were determined using significant unobservable inputs. These inputs as of September 30, 2022, include:

Future Rental Cash Inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.
Estimated Occupancy Rates	Based on current and expected future market conditions after expiry of any current lease. The occupancy rates applied range from 86.5% to 98.7%.
Maintenance Costs	Including necessary investments to maintain functionality of the property for its expected useful life.
Capitalization Rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date. The capitalization rates range from 3.72% to 6.51%.

On the basis of a sensitivity analysis of investment real estate as of September 30, 2022, with fair value as of the Consolidated Statement of Financial Position date of USD 1,685,015,000, an isolated increase in the capitalization rates by 50 basis points would lead to a de-

crease of approximately USD 148 million in value while a decrease in the capitalization rate by 50 basis points would lead to an increase of approximately USD 195 million as illustrated by the following table in increments of 10 basis points:

Average Capitalization Rate	Change in Fair Value %	Change in Fair Value in USD	Fair Value in USD
4.4%	11.78 %	195,364,000	1,853,879,000
4.5%	9.30 %	154,167,000	1,812,682,000
4.6%	6.92 %	114,761,000	1,773,276,000
4.7%	4.64 %	77,032,000	1,735,547,000
4.8%	2.46 %	40,874,000	1,699,389,000
4.9% (valuation at September 30, 2022)	0.00 %	–	1,658,515,000
5.0%	(1.63)%	(27,101,000)	1,631,414,000
5.1%	(3.56)%	(59,090,000)	1,599,425,000
5.2%	(5.42)%	(89,848,000)	1,568,667,000
5.3%	(7.20)%	(119,445,000)	1,539,070,000
5.4%	(8.92)%	(147,947,000)	1,510,568,000

Financial instruments not measured at fair value

Cash and cash equivalents, rent and other receivables, and trade and other payables are either short-term in nature or denominated in USD, therefore, the carrying amount is deemed to be fair value at September 30, 2022. Escrow accounts consist of cash accounts held by third-party lenders in USD, and therefore, the carrying amount is deemed to be fair value at September 30, 2022. Interest-bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortized cost.

The fair value (Level 2) of interest-bearing loans and borrowings, based on the risk-free rate at the end of the period using the Daily Treasury Yield rates published by the United States Treasury based on the remaining term of the loan and applying the interest rate spread at inception of the loan, is approximately USD 816 million and USD 799 million at September 30, 2022 and December 31, 2021, respectively. The fair value of the listed bonds is determined based on the price at SIX (Level 1) and amounts to USD 99.6 million and USD 110.1 million at September 30, 2022 and December 31, 2021, respectively.

NOTE 8 SUBSEQUENT EVENTS

One property was sold after the balance sheet date for USD 26.50 million (305 units and a fair value of USD 26.5 million as of September 30, 2022) and two properties (totaling 343 units) were purchased for USD 113 million. Additionally, five properties were refinanced into a new credit facility with Freddie Mac establish-

ing long term borrowings of USD 125 million at a fixed rate of 5.04%. There were no other subsequent events which would require adjustment to or disclosure in the accompanying Condensed Consolidated Interim Financial Statements.

Property Portfolio as of September 30, 2022

based on Colliers figures

Property	Address	City	State	Zip Code	Fair Value in USD
860 East Apartments and Townhouses	860 Deerfield Boulevard	Cincinnati	Ohio	45245	25,800,000
Amaze @ NoDa	3750 Philemon Avenue	Charlotte	North Carolina	28206	98,300,000
Ashford	1200 North Dairy Ashford Road	Houston	Texas	77079	64,000,000
Avenue 8 Apartments	1050 West 8th Avenue	Mesa	Arizona	85210	51,575,000
Beau Jardin	10347 Sannois Drive	St. Louis	Missouri	63146	20,400,000
Bellevue Hills Apartments	11829 Amerado Boulevard	Bellevue	Nebraska	68123	30,300,000
Breckinridge Square	203 Breckinridge Square	Louisville	Kentucky	40220	39,300,000
Brent Village	1409 Buck Drive	Bellevue	Nebraska	68005	20,100,000
Brookwood Apartments	201 South Kolb Road	Tucson	Arizona	85710	37,700,000
Cordova Creek	7965 Humphrey Hill Drive	Memphis	Tennessee	38016	32,600,000
Devonshire Place and Devonshire Gardens	815 Erie Avenue & 1237 Devonshire Place	Evansville	Indiana	47715	19,930,000
Harrison Point Apartments	9093 Bourbon Street	Indianapolis	Indiana	46235	25,200,000
Lochwood Apartments	55 Lochwood Court	New Albany	Indiana	47150	22,000,000
Lynnfield Place	1400 Lynnfield Road	Memphis	Tennessee	38119	46,300,000
Maryland Park	2170 McKelvey Road	Maryland Heights	Missouri	63043	25,700,000
Mayfield Apartments	919 Aintree Park Drive	Mayfield	Ohio	44143	38,700,000
Mission Palms Apartments	951 West Orange Grove Road	Tucson	Arizona	85704	79,700,000
Parkway Square	2855 Apalachee Parkway	Tallahassee	Florida	32301	34,100,000
Residences at Echelon Apartments	3500 SW Hollywood Drive	Lee's Summit	Missouri	64082	67,400,000
Retreat Northwest	1130 Racquet Club North Drive	Indianapolis	Indiana	46260	45,200,000
Ridge on Spring Valley	5704 Spring Valley Road	Dallas	Texas	75254	32,000,000
River Oaks Apartments	7730 East Broadway Boulevard	Tucson	Arizona	85710	45,400,000
Rolling Hills Apartments	9100 Rainbow Springs	Louisville	Kentucky	40241	52,400,000
Shawnee Station	6405 Maurer Road	Shawnee	Kansas	66217	29,200,000
Mallard Crossing	400 Mallard Creek Road	Louisville	Kentucky	40207	113,100,000
Tally Square	1112 S. Magnolia Drive	Tallahassee	Florida	32301	31,300,000
The Aura	3035 West 39th Street	Indianapolis	Indiana	46228	13,600,000
The M Club	7007 Courthouse Drive	Indianapolis	Indiana	46226	45,100,000
The Meadows Apartment Homes	2154 Meadow Glade Lane	Memphis	Tennessee	38134	28,200,000
The Wylde at Eagle Creek	6612 Eagle Pointe Drive North	Indianapolis	Indiana	46254	33,700,000

	Ownership Form	Year of Construction	Net Operating Income ¹ in USD	Units	Occupancy Rate	Cap Rate	Gross Potential Income ² in USD	Site Size in sq.ft.	Net Lettable area ³ in sq.ft.
	Sole-Ownership	1988	1,548,017	223	98.20%	6.00%	3,201,312	827,248	211,684
	Sole-Ownership	2019	3,658,775	298	88.90%	3.72%	6,075,770	431,680	221,270
	Sole-Ownership	2015	2,549,239	312	93.60%	4.00%	6,098,740	135,579	260,852
	Sole-Ownership	1986	2,321,089	194	95.40%	4.50%	3,554,280	385,158	213,400
	Sole-Ownership	1965	1,123,571	182	96.70%	5.51%	2,322,920	470,012	159,520
	Sole-Ownership	1974	1,513,646	264	94.30%	5.00%	3,406,688	788,000	243,960
	Sole-Ownership	1970	1,868,642	294	92.50%	4.75%	4,381,394	695,261	332,090
	Sole-Ownership	1971	1,026,535	180	95.60%	5.11%	2,328,920	404,236	147,869
	Sole-Ownership	1973	1,979,603	272	92.30%	5.25%	3,519,940	432,586	206,784
	Sole-Ownership	1986	1,630,144	196	94.40%	5.00%	3,029,044	851,162	214,038
	Sole-Ownership	1978	1,195,822	245	94.70%	6.00%	2,603,240	464,629	237,460
	Sole-Ownership	1974	1,325,159	342	96.80%	5.26%	3,303,820	1,116,159	286,050
	Sole-Ownership	1972	1,265,509	200	93.50%	5.75%	2,492,040	615,938	268,800
	Sole-Ownership	1974	2,316,528	400	86.50%	5.00%	5,344,499	1,263,545	465,350
	Sole-Ownership	1971	1,414,423	252	86.90%	5.50%	3,138,720	538,614	193,284
	Sole-Ownership	1966	2,517,902	252	94.00%	6.51%	4,547,345	778,194	275,575
	Sole-Ownership	1979	3,783,827	360	96.90%	4.75%	6,030,120	1,258,842	372,918
	Sole-Ownership	1975	1,958,597	277	93.50%	5.74%	3,830,460	574,121	224,330
	Sole-Ownership	2020	2,640,734	243	95.10%	3.92%	5,141,205	485,471	235,552
	Sole-Ownership	1973	2,257,504	336	91.70%	4.99%	4,497,436	2,044,532	347,620
	Sole-Ownership	1978	1,519,956	207	91.80%	4.75%	3,414,200	324,091	166,194
	Sole-Ownership	1982	2,268,655	300	98.70%	5.00%	3,830,080	448,958	212,074
	Sole-Ownership	1972	3,143,830	400	94.00%	6.00%	6,038,171	1,120,157	504,640
	Sole-Ownership	2001	1,461,079	228	98.20%	5.00%	3,338,485	673,873	210,648
	Sole-Ownership	1988 & 1991	5,373,148	600	90.00%	4.75%	9,529,930	1,571,035	587,718
	Sole-Ownership	1972	1,797,531	228	94.30%	5.74%	3,632,520	838,966	277,656
	Sole-Ownership	1970	682,190	125	92.80%	5.02%	1,792,940	327,859	150,867
	Sole-Ownership	1979	2,256,150	388	91.80%	5.00%	4,292,648	1,686,441	303,544
	Sole-Ownership	1986	1,409,108	200	91.00%	5.00%	2,587,951	625,522	191,200
	Sole-Ownership	1987	1,601,932	256	89.10%	4.75%	3,680,720	835,350	202,000

¹ The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service.

² Total potential rental revenue assuming the existing rents in place, as well as market rent values for all vacant units.

³ As of September 30, 2022, 100 % of the lettable area of the properties was for residential use.

Property	Address	City	State	Zip Code	Fair Value in USD
Tierra Pointe Apartments	6801 & 6901 Los Volcanes Road NW	Albuquerque	New Mexico	87121	55,100,000
Tuscany Bay Apartments	100 River Road	Lawrenceburg	Indiana	47025	10,300,000
Varia at Oakcrest Apartments	1310 Oakcrest Drive	Columbia	South Carolina	29223	38,500,000
West End at Fayetteville	3050 Plantation Garden Boulevard	Fayetteville	North Carolina	28303	94,900,000
Wild Oaks	7987 NE Flintlock Road	Kansas City	Missouri	64158	64,410,000
Willows of Cumming	225 Nancy Lane	Cumming	Georgia	30040	19,700,000
Wood Hollow Apartments	3875 Post Oak Boulevard	Fort Worth (Euless)	Texas	76040	46,200,000
Woodland Manor Apartments	8641 East 61st Street	Tulsa	Tulsa	74133	26,500,000
Woodridge Apartments	3840, 3849, 3975 and 3977 Woodridge Boulevard and Providence Drive	Fairfield	Ohio	45014	32,600,000
Zona Village	2855 West Anklam Road	Tucson	Arizona	85745	22,000,000
Total					1,658,515,000

	Ownership Form	Year of Construction	Net Operating Income ¹ in USD	Units	Occupancy Rate	Cap Rate	Gross Potential Income ² in USD	Site Size in sq. ft.	Net Lettable area ³ in sq. ft.
	Sole-Ownership	1985	2,755,840	352	94.90%	5.00%	4,498,953	521,784	211,720
	Sole-Ownership	1998	615,632	96	94.80%	5.98%	1,280,706	392,040	104,160
	Sole-Ownership	2000	1,538,819	272	87.10%	4.00%	4,135,531	838,351	299,102
	Sole-Ownership	2012	4,744,429	360	95.60%	5.00%	7,234,800	1,870,902	425,784
	Sole-Ownership	2000	2,916,559	348	97.40%	4.50%	5,746,910	329,964	325,488
	Sole-Ownership	1996	1,133,298	156	98.70%	5.75%	2,158,584	554,519	147,148
	Sole-Ownership	1985	2,201,861	346	87.60%	4.77%	5,178,660	535,374	251,639
	Sole-Ownership	1997	1,197,343	305	91.10%	4.52%	2,742,660	678,096	218,188
	Sole-Ownership	1985	1,958,444	336	94.30%	6.01%	3,975,531	864,495	254,650
	Sole-Ownership	1969	1,099,620	183	92.30%	5.00%	2,044,640	249,075	98,868
			81,570,692	11,008		4.92%	159,982,513	29,847,821	10,261,694

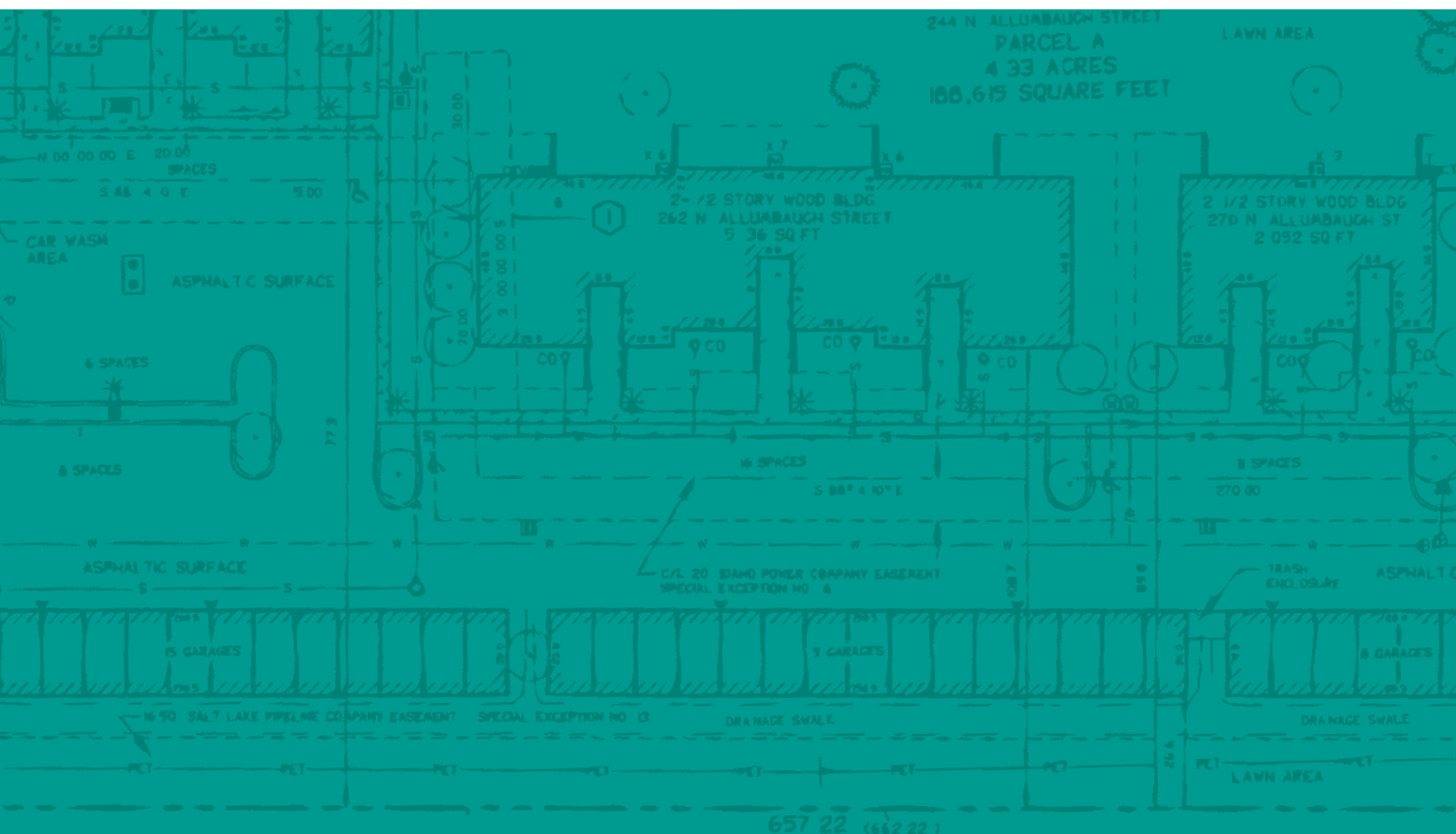
¹ The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service.

² Total potential rental revenue assuming the existing rents in place, as well as market rent values for all vacant units.

³ As of September 30, 2022, 100 % of the lettable area of the properties was for residential use.

Contact for Investors

Juerg Staehelin
c/o IRF
Raemistrasse 4
P.O. Box
8024 Zurich
Switzerland
Phone +41 43 244 81 51
investors@variausproperties.com



VARIA US PROPERTIES AG

Gubelstrasse 19
6300 Zug
Switzerland
Phone CH +41 (0)22 552 40 30
Phone US +1 727 339 6630
info@variausproperties.com
variausproperties.com

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