



SFP Teaser: VIGA Core+ Residential Real Estate Investment in Copenhagen

July 2022



Swiss Finance & Property Group

Investment opportunity to participate in the continued growth of VIGA RE A/S (“VIGA”), a Core/Core+ real estate vehicle with a focus on residential assets in the Copenhagen area. Since its launch VIGA has demonstrated strong performance and expansion by assembling a high-quality portfolio consisting of 19 assets with a Gross Portfolio Asset Value of approx. EUR 235 million (DKK 1.75 billion). To follow its outlined growth strategy, by further diversifying its asset base and enhancing the portfolio value, VIGA is targeting a new capital increase in the second half year of 2022.

Strategic Proposition

VIGA RE Management ApS is a specialised real estate asset manager in Denmark, founded by Niels Heering, Kristian Vinther and Swiss Finance & Property Group AG. It is registered at the Danish Financial Supervisory Authority as a manager of alternative investment funds (FAIF). In April 2021, VIGA was launched with a strategy focusing predominantly on Core/Core+ residential properties in the Copenhagen area with central locations and low vacancy risk.

VIGA has rapidly grown within the 15 months since its launch and consists now of a portfolio with 19 assets, approx. 42 000 m² lettable space, split between 82% residential and 18% commercial usage with a Gross Portfolio Asset Value (GAV) of approx. EUR 235 million (DKK 1.75 billion). The NAV Index since launch grew by 20% (as at 31 December 2021).

The objective is to further expand its asset base within the coming twelve months to obtain a GAV of around EUR 500 million (DKK 3.7 billion) with a focus on residential real estate in the Copenhagen area. Overall ambition of VIGA is to reach a GAV of around EUR 1 billion (DKK 7.4 billion), at which point an exit to a strategic buyer or a listing on the stock exchange could be envisaged.

VIGA uses leverage to strategically enhance equity returns by benefiting from Denmark’s unique and stable mortgage market. VIGA may use up to 70% LTV (loan to value) on a portfolio level, but currently takes a more conservative approach targeting leverage around 50–60% (current LTV is approx. 58%).

The majority of the rental contracts in VIGA’s portfolio are linked to the NPI (Net Price Index), hence acting as a hedge against inflation as well as an opportunity to grow rental income.

Sustainability is an important factor in VIGA’s investment proposition, also within the context of Copenhagen’s vision of becoming the world’s first carbon-neutral capital by 2025. VIGA aims to participate in the GRESB assessment (Global ESG Benchmark for Real Assets) in 2023.

Overview

Key Product Information (as at 31 December 2021)

Product	Viga RE A/S (Danish limited company)
Domicile	Denmark
Asset Manager	Viga RE Management ApS
Depository Bank	Jyske Bank
Reference Currency	DKK (pegged to EUR)
Launch	April 2021
Next Capital Increase	H2 2022
Portfolio GAV*	ca. EUR 235 million (DKK 1.75 billion)
Current Portfolio*	19 properties, approx. 42 000 m ² lettable space
Target Leverage	up to 70%
Term	five years + 2 × 12 months extension possible, after eight years exit mechanism based on investor majority approval
Asset Management Fee	0.5% on GAV p. a.
Administration Fee	0.15% on GAV p. a.
Performance Fee	15% above 5% hurdle (full catch-up)
Transaction Fee	1.0% of Gross Purchase Price (one-off)
Issue Fee	2.0% on subscription amount
Indicative NAV	statements/financial year Quarterly/1 January – 31 December
Portfolio Net Initial Yield (unlevered, approx.)*	3.4%
Target Return (levered IRR)	11–13%

*Estimation based on 31 December 2021 portfolio valuation and acquisition values during Q1/Q2 2022. Portfolio will be revalued per 30 June 2022 for the purpose of the new capital call

Target Return

For the envisaged investment term, the targeted levered Internal Rate of Return (IRR) after fees and estimated taxes (on company level) is forecasted around 11–13%.

Value Creation Angle

The value creation strategy is based on the following elements:

- **Sourcing competences:** Source acquisitions off-market through VIGA's network to avoid competition with larger players in a crowded market. As the portfolio has reached a certain size, the sourcing network improved, and it gets easier to add individual assets to grow the portfolio base. In addition, the current increased market uncertainty has created attractive acquisition opportunities that fit well into VIGA's overall expansion strategy.
- **Capturing the asset value potential:** Capitalise on the properties' upside potential through strategic asset management by increasing rental levels towards the market rent. Several assets are anticipated to have rent reversion potential after regular tenant churn. Additionally, there are significant value-add opportunities where conversions, renovations or attic extensions are expected to provide potential to further increase rent and value.
- **Hedge against inflation:** Hedge against inflation with a sophisticated financing strategy. Most of the rental contracts in VIGA's portfolio are linked to the NPI and can act as a hedge against rising inflation. In addition, higher inflation can benefit the net operating income (NOI) since inflation can be passed on to tenants once a year (generally January). In January 2022 inflation of 2.6% was fully passed on to tenants. VIGA remains cautiously confident that it will be able to increase rent on 1 January 2023 with the full October inflation (estimation ca. 6%–7%) for a majority of the tenants. This would result in an increase of the property yields and strengthen the ability to service cost of debt.
- **Portfolio premium at exit:** Realise value-creation opportunities once a certain portfolio size is reached, due to higher attractiveness for large institutional and international investors. Depending on the portfolio size and capital market conditions there are various scenarios possible to achieve a premium effect (for example through an IPO or sale to a strategic buyer).

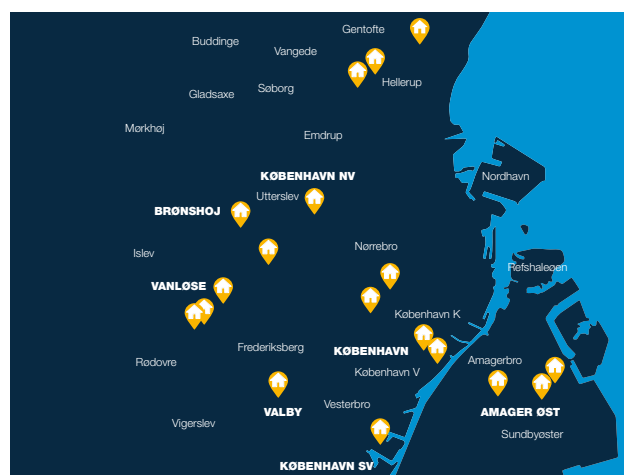


Kildegårdsvej 55

- **Benefit from the unique Danish mortgage market:** Use leverage to support equity returns and benefit from Denmark's unique and stable mortgage market. VIGA takes a standard loan-to-value stance for a Danish residential portfolio, which enhances the income to equity ratio. Since the portfolio benefits from a low vacancy rate and stable cashflows, the debt should be well serviced. Danish mortgage loans are non-terminable (except in an event of default) and covenants generally exclude regular LTV assessments, protecting borrowers in a market downturn from being required to over-amortise the loan.

Current Portfolio

The portfolio consists of 19 properties in well-connected locations in Copenhagen (including single units which are not shown on the map):



Information about the Capital Increase

The issuance of shares will be based on the NAV of the portfolio as at 30 June 2022. Existing investors have a right of first participation.

Start Subscription Period	30 August 2022
End Subscription Period	envisaged for 30 September 2022
Target Volume	EUR 40–60 million (DKK 300–450 million)



Rådhusvej 11–13



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