Spotlight: VGP N.V.

Part Developer and Part Investment Property Investor

VGP's Property Portfolios at End-2023

Asset class	Industrial and logistics parks
Portfolio size	VGP Investment Properties and Held for Sale: EUR2.4bn JVs at 100%: EUR4.7bn
Geographies	Continental Europe Group with JVs at 100%: Germany 53%, Czech: 12%, Spain 9%, The Netherlands 7%, Slovakia 4%, Romania 3%, Hungary 4%, Austria 3%, Italy 2%, Other X%
Weighted average yield	VGP portfolio: 6.22% (end-2023: 5.29%) JVs portfolio: 4.98% (end-2023: 4.68%)
Vacancy rate	VGP: 1% JVs: 0.9%
Weighted average lease (earliest-break basis)	VGP: 8.9 years JVs: 7.3 years

Source: Fitch Ratings, VGP N.V.

Property Development for Bespoke JVs

VGP N.V. (BBB-/Stable) sources land across continental Europe to develop industrial and logistics parks which, pre-let and developed, are transferred to existing bespoke debt- and equity-funded joint ventures (JV) with Allianz Real Estate, Deka Immobilien and Ariem as co-equity investors. Cash proceeds from JV monetisations repay VGP's cost-to-build outlay. VGP retains a 50% stake in the JVs.

Although primarily a property developer, VGP retains a stake in the JVs' investment properties. These new-build industrial and logistics units (some large-scale parks) have strong investment property characteristics of good locations, near-100% occupancy, long-dated leases, CPI-indexation rents, and green credentials, with geographic and tenant diversity.

Alongside managing development risks to get to completion, thereafter VGP benefits from asset management fees, cash dividends and subordinated fundings' interest income from the JVs, supporting its stable investment-grade financial profile.

Cash-Generative Monetisations

The transfers of VGP's completed and pre-let investment properties to JVs totalled EUR1 billion in 2023 (1H24: EUR0.76 billion). These are geographically diverse and fulfil the latest ESG credentials. VGP's ESG commitments include its comprehensive sustainability framework covering land sourcing, design, construction, (green) leasing, and energy-production solar panels for some tenants' energy requirements. Consequently, a high proportion of VGP's units have high BREEAM certification.

Capturing the new Deka and Areim JVs which have lower initial bank funding loan-to-values (LTV), Fitch calculates that 2023 and 1H24 transfers realised, as cash, some 70% of "at transfer value", thus repaying VGP's cost-to-build (including land) outlay.

Stablised Property Values

Actual valuation yields on VGP's JV portfolio (a more consistent like-for-like cohort) have settled at 5% (1H24: 5.01%, end-2023: 4.98%, end-2022: 4.68%, end-2021: 4.28%) in the recent sector-wide recalibration of asset values to the higher interest rate environment, Some peers started 2022 with actual valuation yields of 3.5%, arguably overvalued.

VGP management's foresight stood back from asset (and land) values overheating in 2021 and early 2022, and sourced brownfield sites – including Stellantis N.V. (BBB+/Positive) and Siemens AG (A+/Stable)– as well as scarce greenfield sites in 2023 for its prospective large logistics parks, protecting its development profit margin.

Sector Fundamentals Remain Solid

Tenant demand continues from light industrial and logistics (including third-party logisitics (3PLs), although not as much in e-commerce). There is limited land supply in the main markets, and

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low levels of speculative development (hence the market's low vacancy rates), which supports higher rents (with conducive supply and demand, and rents increasing with CPI-indexation).

Recurring Income from JVs

VGP's own income statement's rental income is less meaningful, as this is an accountant's attributed rent from completed assets held for a transitionary period before they are sold-on to the JVs. More recurring and durable are the asset management and facilities management fees that VGP receives from the JVs as well as income from construction loans and shareholder loans, which supports its investment-grade profile. In the financial year to December 2023, JVs totalled EUR4.7 billion (at 100%) of investment property, and upstreamed EUR82 million of cash distributions (2022: EUR62 million) to VGP.

Fitch uses VGP's committed annualised rental income figures to compile a 'fail-safe' financial profile for the rated entity (i.e. if there were no more monetisations to JVs and VGP had to complete property developments for itself to hold).

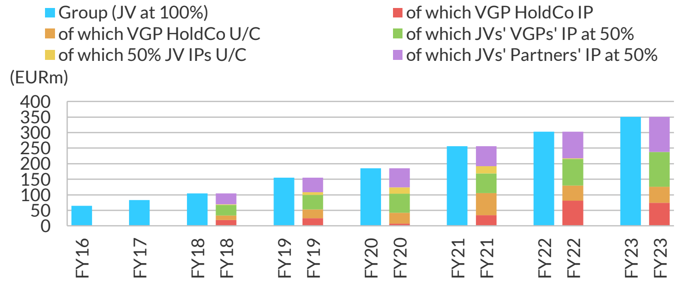
Substantially pre-let, with a weighted average lease length of 8.9 years and a range of yields of around 5.0%-6.0% depending on the country mix, VGP's financial profile compares well with peers such as Tritax EuroBox plc (BBB-/Rating Watch Positive), SELP Financial SARL (BBB/Stable), AXA Logistics European Master S.C.A. and Warehouses de Pauw NV/SA (both BBB+/Stable) which all have little development activity, and and the UK entity SEGRO PLC (BBB+/Stable) which has active, measured, development activities.

Committed Annualised Rental Income

The company defines its year-end committed annualised rental income as the annualised rental income generated or to be generated by signed lease agreements of which the start date is already in effect or will be in effect in the future.

VGP's EUR350.8 million (JVs at 100%) committed annualised rental income at end-2023 included existing and prospective rental income to be funded on VGP's balance sheet, and existing completed assets within the JVs. It is equivalent to a rent roll figure.

Committed Annualised Rental Income



IP - investment property; U/C - under construction.
Source: Fitch Ratings, VGP

VGP Pre-Let and Occupancy Profile

	Under construction pre-let (%)	VGP portfolio occupancy (%)	JV portfolio occupancy (%)
End-1H24	70	98.9	99.1
End-2023	77	99.0	99.1
End-2022	89	98.5	99.1
End-2021	83	99.3	99.4
End-2020	79	100.0	98.0

Source: Fitch Ratings, VGP

Using these pre-let rental gross rental income figures, Fitch has compiled two financial profiles to assess VGP (i) as a holding company (VGP as HoldCo) and (ii) VGP's proportionally consolidated financial profile, both discussed on the following pages.

VGP as HoldCo

(EURm)	2021	2022	2023
Summary income statement			
Net rental income (NRI) – annualised rent	126.6	125.3	119.4
JV asset, facilities and development fees	21.3	21.5	26.9
Administration expenses[a]	-12.7	-12.5	-11.9
Renewable energy EBITDA	--	3.9	1.6
Operating profit	135.2	136.9	133.6
Interest income from JVs and associates	12.3	17.3	27.5
Dividend capacity from JVs[b]	32.7	39.5	61.7
Add back depreciation (excluding renewable energy)	2.4	0.6	0.7
EBITDA: JV dividend capacity	**182.7**	**198.0**	**228.2**
Alternative: use actual dividends from JVs	20.6	60.0	82.0
EBITDA: actual cash dividends from JVs	**170.6**	**216.2**	**246.1**
Interest expense[c]	-61.7	-74.4	-73.6
Summary balance sheet			
VGP opening net debt	1,163	1,649	1,753
Capex spend to achieve annualised rent	601	475	350
VGP closing net debt	1,764	2,124	2,103
VGP opening investment property (IP) and held for sale (H4S)	2,354	2,696	2,402
Capex spend to achieve annualised rent	601	475	350
VGP closing IP and H4S	2,955	3,171	2752
of which development land	435	779	796
Financial ratios using dividend capacity			
Gross interest cover ratio (x)	3.0	2.6	3.1
Net debt/EBITDA (x)	9.7	10.7	9.2
Financial ratios using actual cash dividends from JVs			
Gross interest cover ratio (x)	2.8	2.9	3.3
Net debt/EBITDA (x)	10.3	9.8	8.5
Loan-to-value (excluding development land and JV equity stakes; including 30% (2020: 20%) gain on incremental capex spent) (%)	67%	85%	104%

[a] Fitch assumes administration expenses at 10% of NRI
[b] Dividend capacity from JVs taken from JVs' EBITDA less their interest expense an assumed 3.5% cost of debt
[c] Interest expense at an assumed average 3.5% cost of debt, including 2023 30% (2022: 20%) revaluation uplift on incremental capex spend
Source: Fitch Ratings, VGP N.V.

VGP as HoldCo Financial Profile

This profile shows VGP as a HoldCo, adding the capex needed to achieve the relevant pre-let committed annualised rental income to the company's end-2023 net debt, assuming no more transfers of completed buildings to the JVs.

This profile is most relevant to VGP's bondholders, as the rental income in VGP's actual income statement is less relevant as it is transitionary (reflecting its part-year investment properties and held-for-sale assets, as they transition to the JVs).

To this financial profile of backbone rental income, Fitch has added the actual recurring fees from the JVs, VGP's cash dividend from the JVs of EUR82 million in 2023 (or the JVs' profit before tax implied 'dividend capacity').

These show the backbone of recurring income streams to VGP relative to its cost base, including:

- Annual committed rental income (equivalent to an annualised gross rental income figure): EUR350.8 million at end-2023 and excluding amounts related to the JVs' existing investment properties, so EUR125.7 million. Assuming 5% property outgoings, net rental income (NRI) equivalent was EUR119.4 million in 2023.
- JV fees: many of these are recurring income streams as VGP and its JVs have grown. They include asset management fees based on each JV's net asset value, facilities management and letting fees, construction loan remuneration, tax-efficient interest receivable on shareholder loans and other forms of cash distributions from JVs.
- Administration expenses: VGP has its own in-house construction team, whereas other property companies outsource this activity and capitalise it in their balance sheets. Fitch therefore excludes this cost from VGP's pro forma profile.
- Similarly, Fitch has not included the cost base of the fledgeling renewable energy division and only added its EBITDA.
- Historically VGP has also made discretionary contributions to a charitable foundation (2023: nil, 2022: EUR3 million, 2021: EUR5 million). Fitch has put these amounts alongside discretionary dividends to shareholders.
- EBITDA: The resultant EBITDA is recurring and rent-derived.
- Investment property and net debt: Fitch has added the capex required to achieve the annualised rental income to VGP's end-2023 net debt. Conservatively, Fitch has added an assumed 30% valuation increase above cost.
- VGP as HoldCo net debt/EBITDA: Using actual cash dividends from the JVs, 2023 net debt/EBITDA cash flow leverage was 8.5x. Pro forma for the Logistics Park Moerdijk (LPM) JV's land sale, and Deka and Areim JV monetisations in 1H24 and VGP's cash receipts, the ratio improves to around 7.0x, consistent with VGP's rating sensitivities to maintain its investment-grade rating.

- The net debt/EBITDA upgrade and downgrade rating sensitivities of 7.0x and 9.0x, respectively, capture VGP's different mix of income streams, size and concentrations. This compares with 'BBB-' rated Tritax EuroBox's positive and negative rating sensitivities of 9.5x and 10.5x, respectively, and SELP whose negative rating sensitivity for a 'BBB-' is above 10.0x.
- Interest coverage: VGP's interest coverage (about 3.0x) is set to improve as future years' higher CPI-increase rents feed through, and its legacy near-term higher-coupon debt is repaid.

VGP Proportionally Consolidated Financial Profile

Based on the same analytical approach of VGP as HoldCo, the proportionally consolidated profile adds 50% of the JVs' rents, investment property and debt. This financial profile is more familiar to investors and serves as a good reality check, but includes VGP's share of JV debt that is secured and has no recourse to VGP, and the end-2023 JVs are leveraged at a loan-to-value (LTV) ratio of around 40%.

This synthetic profile and its resultant 2023 8.5x net debt/EBITDA are comparable to rated peers, particularly non-developers Tritax EuroBox, Warehouses de Pauw, and AXA LEM, all of which have portfolios of similar NIY, but are of different sizes.

VGP's Proportionally Consolidated Financial Profile

(EURm)	2023 VGP	2023 JV at 50%	To achieve committed annualised rent	2023 total committed annualised rent	2022 total committed annualised rent
Summary income statement					
Net rental income (NRI[a]) – annualised rent	In RHS	91.6		223.1	197.3
JV asset and facilities fee income	21.5			26.9	21.5
Administration expenses[b]				-22.3	-19.7
Interest income from JVs & associates	27.5			27.5	17.3
JV cash dividends	82.0			82.0	60.0
Renewable energy EBITDA	1.6			1.6	2.6
EBITDA		89.8		338.7	278.9
Interest expense[c]				-110.5	-119.6
Summary balance sheet					
Investment properties and held for sale assets	2,401.5	2,442.7	+350,0	5.194.2	5,086.9
Net debt	1,753.3	768.7	+350.0	2,872.0	2,224.8
Net asset value	1,177.2	1,037.0	[d]105.0	2,319.2	2,297.1
EBITDA interest coverage ratio (x)				3.1	2.3
Net debt/EBITDA (x)				8.5	9.7
LTV (excluding development land and JV equity stakes; including 30% (2022: 30%) gain on incremental capex spent) (%)				64	61

[a] NRI after property operating expense to achieve a representative almost 90% NRI margin
[b] Illustrative reversal of VGP development programme team's costs, but Fitch assumes administration expenses at 10% NRI
[c] Interest expense at an average of 3.5% cost of debt
[d] Including 2023: 30% (2022: 20%) revaluation uplift on incremental capex spend
Source: Fitch Ratings, VGP N.V.

Profile of JVs at 100% – Closing Values

Date of closing	Headline amount sold into the JV (EURm)	End-period investment properties value (EURm)	
VGP European Logistics JV (JV I)			
May 2016	500		
October 2016	80	end-2016	496
May 2017	173	end-2017	715
May 2018	400	end-2018	1,162
April 2019	203		
November 2019	232	end-2019	1,662
October 2020	166	end-2020	1,917
June 2021	68	end-2021	2,300
July 2022	81	end-2022	2,246
January 2023	115	end-2023	2,215
		end-June 2024	2,305
VGP European Logistics 2 S.a.r.l JV (JV II)			
July 2019	175	end-2019	145
November 2020	258	end-2020	403
		end-2021	451
March 2022	364	end-June 2022	757
July 2022	24	end-2022	714
May 2023	253	end-2023	917
		end-June 2024	920
Munich JV			
June 2020	187		--
December 2020	55	end-2020	419
		end-2021	551
		end-2022	638
		end-2023	631
		end-June 2024	651
Logistics Park Moerdijk (LPM)			
November 2020	--	end-2020	81
	--	end-2021	105
	--	end-2022	156
February 2024	-171		sold
Deka JV (aka Fifth JV or RED)			
September 2023	664	end-2023	743
1H24	315	end-June 2024	1,047
August 2024	Gross 101 Net 68		
Areim JV (aka Saga)			
1H24	444	end-June 2024	456

Source: Fitch Ratings, VGP N.V.

VGP's Real Profit Model – Transfers to JVs

The main operating model and key profit driver for VGP is the valuation gains realised on completion (whose values are assessed by independent third-party valuers, or agreed with the JV partner) when these income-producing units are transferred (monetised, "at transfer value") to the JVs. This is VGP's development profit margin.

Analytically, Fitch regards this profit stream as a benefit for VGP's equity stakeholders rather than fixed-income, nominal debt, creditors. Fitch does not view capital profits as an investment-grade rating activity because property values are uncertain (property company management do not control the main component of valuation yields, which is interest rates), rents may vary, completion timings may vary (particularly if there is no funded purchaser), development risk has to be actively managed and the speculative holding cost of non-income-producing land can seriously affect this profit stream (and has almost been the downfall of industrial developers).

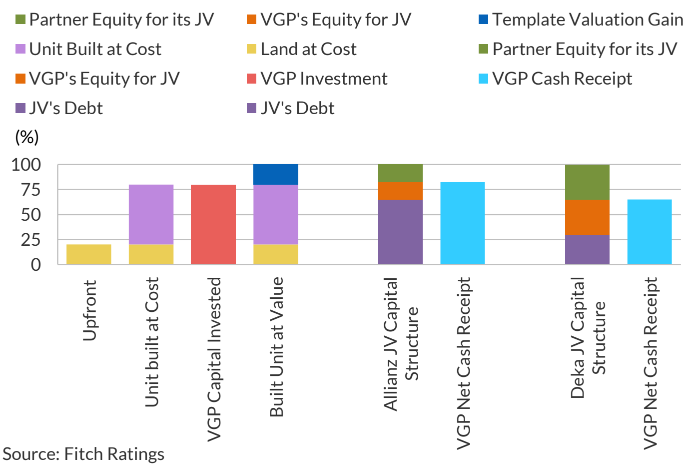
But this profile shows that VGP has made regular monetisations into its committed and pre-funded JVs with co-investors Allianz, Deka and Areim JVs. Fitch has also analysed VGP's development programme in detail, to ensure that its risk profile is consistent with the rating.

The chart below shows a representative 20% capital gain on the construction of a unit in an industrial park, and a JV's repayment of VGP's capital outlay.

The chart shows that the typical Allianz JV raising 65% bank debt against value, then the co-partner advances 17.5% for its 50% equity stake, enables VGP to recoup 82.5% of "at transfer value" relative to its 80% (20%-30% profit margin) to-build.

The Deka and Areim JVs are raising 30% and 30%-35% bank debt against value respectively. If the co-partner advances 35% for its 50% equity stake, this enables VGP to recoup 65% of "at transfer value" relative to its 70% (30% profit margin) cost-to-build.

Template Development Outlays



Source: Fitch Ratings

Applying this chart to actual numbers, the table at the bottom of this page contains the past eight years' data showing that as the cumulative EUR3.5 billion of assets have been transferred into the JVs ("at transfer value"), VGP has received 84% of the assets' value in cash – most of which has been revalued above-cost after being transferred from VGP's balance sheet – after VGP has injected cash for its 50% equity stake in the relevant JV. Given VGP's template 30% valuation gain, we can say that JV monetisation receipts repay VGP's cost-to-build for that completed asset. VGP then re-invests those cash proceeds in further expansion.

The table illustrates that these amounts up to year six (all Allianz JVs) show a cumulative 107% cash receipts of "at transfer value", or 87% after VGP injects cash for its equity stake. VGP's cumulative eight years including the Deka and Areim JVs had cash receipts of 104% and 84% respectively, as these two JVs took place in 2023 and 1H24 meaning cash net receipts will be lower. In the first half of 2024 alone (excluding LPM) – which is not shown in the table and is illustrative of the Deka and Areim templates – 1H24 was 65% after VGP injected its cash for these JVs' 50% equity.

This will mean that VGP (and its shareholders) will have to put more capital into the retained JVs and, depending on its development profit margin, may not recoup all of its costs-to-build outlay from the monetisation receipts. Conversely, VGP should receive higher cash dividends from a lower-LTV (lower-risk) JV to service its own higher, and any unrecovered, capital outlay.

The Munich JV (JV III) was different to the above JVs in that VGP initially funded a large portion of the capital for this entity upfront – covering the development stages – and, since mid-2020, Allianz has been rebalancing its contribution to a 50:50 proportion (VGP receiving capital amounts from Allianz, based on the pre-agreed capital value of the now-completed park) and it has incurred some debt. If the current Munich JV were to be leveraged to, say, 50% LTV (currently 10% LTV) Fitch calculates that VGP's share of net proceeds could exceed EUR120 million.

Summary Cash Flow from Disposal of VGP Assets into JVs

(EURm)	2016	2017	2018	2019	2020	2021	2022	2023	Eight-year total
Investment properties transferred at value	534	174	255	476	609	55	370	1,034	3,506
Cash shareholder loans advanced	-223	-113	-256	-337	-373	-42	-191	-756	-2,289
Cash shareholder loans repaid, including interest	151	101	338	286	313	40	206	584	2,109
Realised valuation gain on sale (value in JV)	21	0	34	35	167	12	88	59	416
Sub-total: cash received (from bank funding and co-JV partner equity) before VGP equity into JV	483	162	372	459	717	65	472	922	3,653
Cash equity by VGP into the JV (net)	-77	-24	-50	-74	-192	-12	104	-165	-696
Cash received after VGP equity into JV	386	138	288	386	525	54	368	757	2,957
as % of investment property transferred in	79	79	126	81	86	99	99	73	84

Source: Fitch Ratings, VGP N.V.

Current Development Programme

The development programme includes a number of large projects, most of which include land already acquired as of end-2023. Fitch's rating case assumes an additional EUR350 million of capex from 2024 to achieve the end-2023 committed annualised rental income.

Summary Development Programme at End-2023

	Total lettable area (completed or u/c) (sqm[a], rounded up)	Included in annualised committed rental income[b] (EURm)
Estimated end-value of completed parks more than EUR200m		
VGP Park München, Germany (JV III)	u/c 37,900 complete 276,000	26.2
VGP Park Giessen Am Alten Flughafen, Germany[c]	u/c 67,400 complete 184,000	16.3
VGP Park Nijmegen, Netherlands	completed 207,400 potential 156,300	11.7
VGP Park Nurnberg, (Siemens) Germany	completed 65,221 potential 89,700	5.3
VGP Park Leipzig Flughafen, Germany	potential 209,500	Not started
VGP Park Magdeburg, Germany[c]	completed 238,663 u/c 74.045	15.7
VGP Park Laatzen, Germany[c]	completed 139,800	10.4
VGP Park Moerdijk, Netherlands. LPM JV	potential 486,700	Land sold 1H24
VGP Park Rüsselsheim, (Stallentis) Germany	potential 421,800	existing 8.2
VGP Park Bratislava, Slovakia	completed 138,200 u/c 39,600 potential 72,600	9.1
VGP Park BUD Aerozone Kft., Hungary	completed 24,500 u/c 29,900 potential 70,750	4.5
Estimated end-value of completed parks at or below EUR200m		
VGP Park Berlin, Oberkramer, Germany[c]	completed 69,000	5.2
VGP Park Wiesloch, Waldorf, Germany	u/c 55,000 potential 63,900	2.4
VGP Park San, Fernando de Henares, Spain	completed 119,200	7.6
VGP Park La Naval, Spain	potential 109,500	n.a.
VGP Park Petit Couronne, Rouen, France	completed 81,500 u/c 39,300	2.2
VGP Park Ceske Budejovice, Czech Republic	completed 23,400 potential 107,300	1.3

[a] Square metres. [b] As disclosed in VGP's 2023 annual report.
Source: Fitch Ratings, VGP

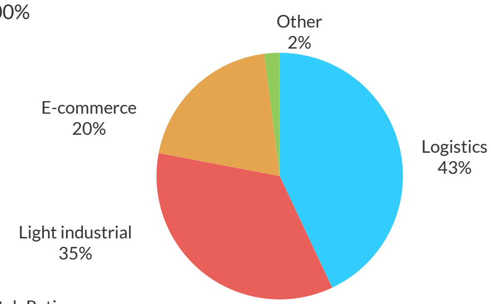
The Nurnberg site is a brownfield site which VGP bought from Siemens. VGP is renting to Siemens its existing buildings until 2026, after which VGP's development plans can progress in earnest. Similarly, Rüsselsheim in Germany is one of three brownfield sites bought from Stellantis (the others are Vélizy and the smaller Mulhouse, both in France). Stellantis is renting its existing Rüsselsheim units from VGP for a time. This provides VGP a helpful (and healthy) income stream, remunerating VGP's upfront capital outlay while VGP works-up development plans for the site.

VGP continues to see demand from tenants in light industrial, logistics and e-commerce sectors, which accounted for (57%, 40% and 1% of new lease agreements in 2023 respectively. The light industrial sector includes modern technology industries such as auto (Krauss Maffei, Stellantis/Opel, Verne, BMW covering new battery technologies, plastic coverings, autonomous cars), satellites, food production and smaller light industrial operations. These new-production tenants seek new ESG-compliant, energy-producing and energy-efficient buildings.

Third-party logistics companies show robust demand, some as sub-contractors for e-commerce work, and some investing more in the building's automation infrastructure than the value of the building itself. Efficient retailers meanwhile are seeking large regional distribution hubs. E-commerce companies are now sub-letting less of their own buildings' surplus space following their pandemic-era over-expansion, signaling that demand for more space is on the rise.

End-2023 Tenant Portfolio Breakdown

JVs at 100%



Source: Fitch Ratings

Top 10 Tenants (JVs at 100%) as of June 2024

Tenant	Rental income (%)	Industry
KraussMaffei Technologies (part of China National Chemical Corporation Limited; A/Negative)	8.0	Manufacturing (plastics coverings)
Amazon.com, Inc. (AA-/Stable)	4.5	Retail logistics
Rhenus Logistics	4.2	Logistics
Zalando	4.0	Retail logistics
Ahold Delhaize Group	2.4	Retail logistics
Opel (Stellantis BBB+/Positive)	2.3	Auto manufacturing
Drylock Technologies	2.1	Manufacturing
BMW Group	1.5	Auto manufacturing
Siemens AG (A+/Stable)	1.5	Manufacturing
MediaMarktSaturn	1.4	Retailer logistics
Total	**32.0**	

Source: Fitch Ratings, VGP

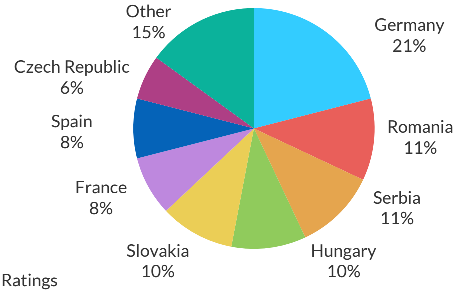
The units are built to VGP's standards and are not bespoke to tenants, which means that the building is ready to be re-let when re-leased or a tenant fails and leaves a unit vacant.

Land a Significant Cost Input

Land is a non-income producing asset, until the building permit, construction, and pre-let is completed. At end-2023 VGP's land was valued (mainly at cost) at EUR795.7 million (1H24: EUR746 millon, end-2022: EUR779.0 million). This is spread across different geographies (Germany's developments are underway, the EUR170 million Netherlands Moerdijk site is in the LPM JV which was sold 1H24, and CEE countries have a lower average land value). Land value can be 20%-30% of a park's end-completion value.

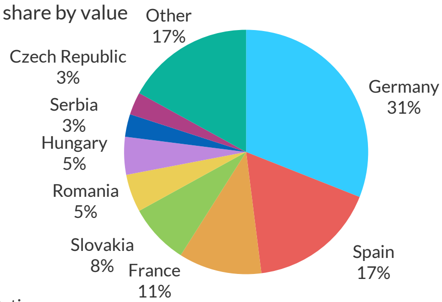
A common problem for many industrial and logistics park developers is the scarcity of good quality land. This stems from constraints on land availability in countries such as Germany and the Netherlands, and from inherently limited land availability in other countries such as Spain (particularly in Madrid and Barcelona, where only brownfield sites are available). VGP views Czech land prices as too high and Poland as a market where rent vulnerable to sudden changes.

End-2023 Land Bank
JVs at 100%, share by square metres



Source: Fitch Ratings

End-2023 Land Bank
JVs at 100%, share by value



Source: Fitch Ratings

VGP looks for land near cities with more than 100,000 inhabitants (tenants need access to the workforce), on transport arteries (good locations), with electricity and power connectivity, an ability to operate 24/7 and good transport access. Alongside smaller last-mile units' plots, VGP has also amassed sites for sizeable, co-ordinated, multi-tenanted industrial and logistics parks. Some sites will have big box assets that are greater than 10,000sqm.

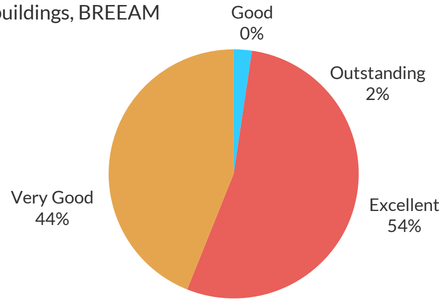
Ingrained Strong Green Credentials

VGP's property portfolio benefits from strong green credentials, which add to its attractiveness for investors and its ability to access cost-advantaged green funding. The portfolio's green credentials are underpinned by VGP's high standards for new developments, a young portfolio and its investment in renewable energy.

VGP's ESG commitments are reinforced by its comprehensive sustainability framework that covers land sourcing, design, construction, (green) leasing and in-use. VGP is actively using green leases to also improve tenants' ESG performance and 90.7% of leases signed during 2023 were green. VGP's JVs also have ESG strategies in place, agreed together with its JV partners. New development projects are guided by internal carbon reference pricing.

At end-2023, 76% of VGP's portfolio was green certified. Of properties certified, 55% were certified as BREEAM 'Excellent' or higher, while a further 43% were 'Very Good'. VGP continues to invest in renewable energy and total capacity increased 115% year on year to 143 MWp during 1H24. VGP is also providing charging facilities for electric vehicles and tests the viability of energy storage solutions.

End-2023 Green Certification
% of certified buildings, BREEAM or equivalent



Source: VGP

Logistics Sector Property Portfolio Factors ■ Concern ■ Medium ■ Good

Company	Investment property portfolio value	Geographical spread (% of portfolio by rent or value)	Vacancy rate (%)	Average lease length (years)	Top tenant concentrations and top tenant (%)	Sector Concentrations (%)	Acquisition or development strategy	Asset type (%)	Average asset age (years)	Net initial yield (%)	Topped-up net initial yield (%)
AXA Logistics Europe Master S.C.A End-Sept 2023	EUR5.0bn	By value: France: 25 Germany: 20 UK:13 Italy: 11 Sweden: 12	0.8	6.1 (Jun23)	Top 10: 37 Amazon: 14	Logistics	Acquisition	Big box: 100	n.a.	4.5	n.a.
Catena AB	EUR2.7bn	By value: Sweden: 92 Denmark: 8	3.4	5.1	Top 10: 44	Logistics & Transport: 38 Food & Beverage: 25 Durable Goods: 18 Other: 20	Both	Warehouses: 52 Distribution Centres: 36 Terminals: 11	n.a.	5.4	5.5
Montea	EUR2.4bn	By value: Belgium: 46 Netherlands: 38 France: 12 Germany: 4	0.0	6.3	Top 10: 29 Top 20: 45 Amazon: 5	Logistics: 42 Construction 19 Food & Beverage: 9 Auto: 7 Pharma: 7 Retail: 6	Both	Big Box Focus	10	5.1	5.1
MLP Group S.A.	EUR0.85bn	By value: Poland: 86 Germany: 13 Romania: 2	5.0	7.4	Top 10: 38	Logistics: 29 Manufacturing: 34 Retail: 28 E-commerce: 9	Development	Big Box: 93 Urban: 7	Estimate ~7	Net true equivalent yield: Poland: 5.9 Germany: 4.6 Romania: 4.5	Reversionary: Poland: 6.7 Germany: 4.6 Romania: 7.9
SEGRO PLC (at share)	GBP17.8bn	By value: UK: 63 France: 11 Germany: 11 Italy: 7 Poland: 4	5.0	7.3	Top 20: 32	Transport and logistics: 23 Retail: 10 Manufacturing: 16 TMT: 11 Wholesale Dist.: 8 Post & Parcel: 9	Both	UK urban: 52 UK big box: 9 Cont Europe urban: 14 Cont Europe big box: 23	n.a.	4.0	4.3
SELP Finance SARL	EUR6.7bn	By value: Germany: 28 Italy: 18 France: 18 Poland: 19	1.5	5.7	Top 10: 27 Top 20: 39 Amazon: 7	Transport and logistics: 36 Retail: 29 Manufacturing: 18 Wholesale Dist.: 8	Both	Big box: 98 Urban Warehouses: 2	9.2	Net true equivalent yield: 5.5	n.a.

Logistics Sector Property Portfolio Factors ■ Concern ■ Medium ■ Good

Company	Investment property portfolio value	Geographical spread (% of portfolio by rent or value)	Vacancy rate (%)	Average lease length (years)	Top tenant concentrations and top tenant (%)	Sector Concentrations (%)	Acquisition or development strategy	Asset type (%)	Average asset age (years)	Net initial yield (%)	Topped-up net initial yield (%)
		Spain: 6 Netherlands: 7				Post & Parcel: 3					
			■	■	■				■		
Tritax EuroBox plc End-Sept 2023	EUR1.56bn	By rent: Germany: 43 Italy: 13 Spain: 14 Belgium: 11 Netherlands: 12	5.0	7.9	Top 10: 75	Omnichannel retail: 22 Third-party logistics: 25 Online retail: 21 Manufacturing: 9 (As of Sept-2023)	Acquisition	Big box: 100	5.5	4.2	4.3
			■	■	■				■		
Tritax Big Box plc	GBP4.8bn	UK:100	2.5	11.4	Top 10: 49	Online Retail: 22 Food Retail: 16 Home & DIY: 13 Other retail: 11	Both	Big Box: 100	10	4.2	4.6
			■	■	■				■		
Warehouses de Pauw NV/SA (WDP)	EUR 6.6bn	By value: Netherlands: 43 Belgium: 34 Romania: 18 France: 3	1.5	5.3	Top 10: 29 (Excl. Solar)	Industrial: 18 Retail (Food): 17 FMCG: 14 Retail (Non-food): 10 Food, fruit & veg: 8	Development	General Warehouse: 56 Big Box: 24 (FY22)	8.0	5.3	5.3
			■	■	■				■		
VGP SA JVs at 100%	EUR7.2bn	By value: Germany: 53 Czech Republic: 12 Spain: 8 Netherlands: 7	VGP: 1.2 JVs: 1	VGP: 8.9 JVs: 7.3 Combined: 7.9	Top 10: 32 Amazon: 5	Logistics: 43 Light Ind: 35 Ecommerce: 20 Other: 2	Development	Big box: n.a Ind: n.a Manufacturing: n.a.	3.7	Weighted Average Yield: VGP: 6.2 JVs: 5.0	n.a.

Note: All data as of December 2023 unless otherwise stated
Source: Fitch Ratings, companies' disclosures