

# Exposé

Real estate  
investments in Switzerland

November 2016



SwissLife  
Asset Managers



Studentvillage ETH Zurich / Höggerberg Wohnen Ost



**Economic environment**



**Swiss Life  
Real Estate Funds**



**Swiss Life Investment Foundation:  
Real estate**



**In focus:  
Student accommodation**



## Editorial

Dear readers

2016 will go down as another successful year for real estate investment. In the 2015/16 financial year, our NAV based real estate vehicles achieved annual returns of between 5.3% and 6.6%. Our over the counter (OTC) traded fund “Swiss Life Ref (CH) Swiss Properties” has appreciated by 26.0% since its launch in November 2015, thus achieving significant share premium in its first year. Find out in our “Economic environment” how Swiss real estate is still an attractive investment option, although it requires more active management than before.

When I see our modern, well located student residences, I want to go back to university. Living conditions on campus are good and well-priced with private studios, 2-room and larger shared apartments. Find out more about student accommodation in our in-depth analysis, including how more than 800 students are supported through their student career by Livit Ltd.

I wish you an enjoyable read.

**Gerhard Demmelmair**

Head Real Estate Portfolio Management  
Third-Party Asset Management Switzerland

## Economic environment

Long-term interest rates rose markedly in October, driven mainly by inflation. In Switzerland, however, inflation will not move much above zero in 2017.

### Focus on interest rate increase in the developed world

On 28 October 2016, government bonds in the developed world posted a negative return of CHF 8.4 trillion. Switzerland alone accounted for about CHF 65 billion with total outstanding Confederation debt currently at CHF 76 billion. Confederation bonds offer a negative yield up to a duration of about 25 years. That is in spite of the fact that interest rates in the developed world turned markedly in October.

Unsurprisingly for us, inflation has grown significantly since the summer months, particularly in the US. That is not solely due to a statistical base effect of low commodity prices in the second half of 2015, but also because crude oil prices increased again this autumn. Inflation expectations on the financial markets have changed. There is no reason for the US Fed not to increase interest rates in December. On the other hand, the Bank of Japan and the European Central Bank (ECB) will keep their monetary reins very loose. The Swiss National Bank remains tied up with the ECB.

### The Swiss economy

An increase in the general inflation rate is also evident in Switzerland, albeit not to the same extent as elsewhere. When the consumer price index for October comes out, the inflation rate will be positive for the first time since June 2014. According to our forecast, inflation will average out at 0.4% in 2017.



The GDP figures published by the State Secretariat for Economic Affairs (SECO) were surprisingly strong for Q2 2016. Real GDP grew by 0.6% over the previous quarter. At the same time, the growth rate for Q1 2016 was raised from 0.1% to 0.3%. These results prompted many observers to note with some relief that the franc shock has lost its sting. A closer look also reveals however that the growth stemmed mainly from government demand and higher corporate inventory. Domestic stimuli from private households and the construction industry, on the other hand, were relatively weak.

### Rental housing market shows signs of saturation

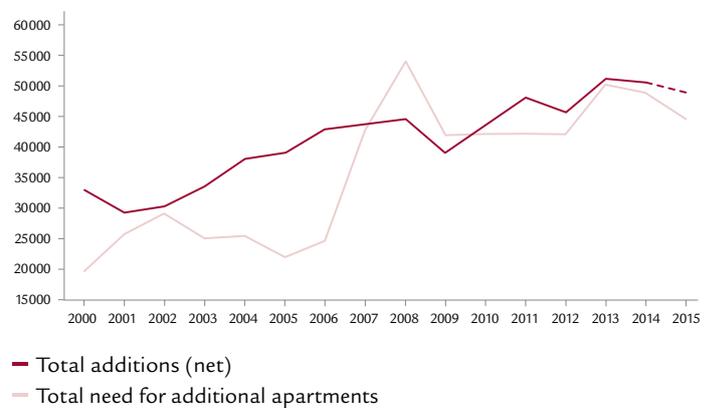
Nonetheless, the negative interest rate policy and resulting pressure to invest triggered a lot of construction work during the past year, which in turn has affected the rental market. While supply has increased, the need for extra housing has gone down slightly since 2014 due to lower population growth. The lower growth rate is mainly due to a reduced influx of workers, who had driven the demand for accommodation during prior years. As a result, the demand for additional housing set against the extra supply, in the form of new apartments, is showing signs of saturation (see chart). Nevertheless, the curves are close together, indicating the market is still balanced across the country. The rising vacancy rate, which was at 1.3% in June 2016, also remains in moderate territory, particularly in the economically strong centres and agglomerations where the vacancy rates are markedly lower.

### Success factors

As the eliminatory market grows, the location of real estate is becoming more of a factor: a central location, good connections and local infrastructure are the key to success in a more liquid rental market. The properties in our investment vehicles are, on the whole, in above-average locations, which should enable them to perform relatively well as the rental market hardens.

Swiss Life Asset Managers is adopting a “Buy and Manage” approach to its real estate. That involves regular analyses of its properties and active business planning. Relets and new lets are being closely monitored through targeted steering and recurring controlling measures. The success factors of this policy are proactive pricing, customer-oriented marketing and specific repositioning.

### Housing construction showing some signs of saturation



Source: bfs, sbv, Macrobond, own calculations



“The five-story residential building comprises 193 apartments.”

## “Triaudes” student residence at the EPFL campus / Lausanne University

The municipality of Ecublens, in west Lausanne, has mirrored the expansion of the capital city of Canton Vaud. During the 1970s, the campus at Dorigny in the south of Ecublens grew into a small community near Lake Geneva. Over 28 000 students and lecturers from the Swiss Federal Institute of Technology in Lausanne (EPFL) and Lausanne University have revitalised Switzerland’s biggest education and research centre. The number of students at the EPFL alone has increased by 60% within ten years.

The construction of the elongated, five-storied student hall of residence in the north side of the campus was Swiss Life Investment Foundation’s answer to the increasing demand for living space. The Swiss Confederation granted the con-

struction rights for the site, which is in excess of 3300 square metres. Richter Dahl Rocha & Associés architectes SA designed the “Triaudes” student residence with 193 apartments and an underground car park with 69 parking spaces. The architectural practice has already completed the “Student Housing” and the “Swiss Tech Convention Center” on the EPFL site and is very familiar with the lie of the land.

“Triaudes” mainly comprises studios and two-to-five room apartments for 264 people in total. The furnished apartments are scheduled to be ready for occupancy by the end of July 2018. There has already been a lot of interest from prospective tenants.



“The furnished studios and two to five-room apartments are appointed to meet students’ requirements.”

## Swiss Life Investment Foundation, Real Estate Switzerland investment group

ISIN CH0106150136  
 Launch date 01.12.2009  
 Portfolio Manager Gerhard Demmelmair

### Key figures as at 30.09.2016

Market value of real estate	CHF 1895.5 m.
Number of properties	179
Occupancy rate	96.2%
Borrowing ratio	5.8%
Net asset value (NAV)	CHF 1751.4 m.
Performance 1 year (01.10.2015 – 30.09.2016)	6.55%

## Performance and portfolio

Overall performance during the last financial year came to 6.55% (01.10.2015 – 30.09.2016). Average yield since launch on 30 November 2009 comes to 5.79%.

The portfolio comprises a broadly diversified range of properties with a focus on the residential side. The investment focus is on stable-value and stable-income properties in Swiss conurbations. As at 30.09.2016 the portfolio comprises 179 buildings whose revenues are spread over 11 000 rental properties. 71.6% of the rental revenue is generated by residential use, and 10.6% by office space.



“Popular among businesspeople and students alike, both as a central junction and as a place to hang out.”

## The popular Tessinerplatz in Zurich

Tessinerplatz is named after the Ticino granite used to build the adjacent Enge Station in 1927. The location is very well connected, with four S-Bahn and four tram lines. Tessinerplatz is near the lake and city centre and is very popular as an office, residential and retail site.

Office workers and students visit the leafy square at mid-day. The catering on offer is broad and international. Freshly-prepared and good-quality meals and take-aways are served up quickly. The new FIFA museum, whose architectural presence adds character to the square, also has a restaurant and sports bar serving a variety of dishes.

Tessinerplatz 1–5, the biggest property within the Commercial Real Estate Switzerland investment group in terms of market value, plays its part in the successful development of the square, which used to be a transit point. There is a chemist, a Coop Pronto shop and a Japanese restaurant on the ground floor. The office area houses a large international management consultancy office. Thirteen generously proportioned three-to-five room apartments and 90 premium parking spaces complete the package. The property matches the high quality standards of the portfolio perfectly.



“Excellent location between lake and city centre.” (*house in the middle, left wing of building*)

## Swiss Life Investment Foundation, Commercial Real Estate Switzerland investment group

ISIN	CH0136837587
Launch date	31.10.2011
Portfolio Manager	Gerhard Demmelmair

### Key figures as at 30.09.2016

Market value of real estate	CHF 1022.1 m.
Number of properties	76
Occupancy rate	97%
Borrowing ratio	8.4%
Net asset value (NAV)	CHF 918.1 m.
Performance 1 year (01.10.2015 – 30.09.2016)	5.27%

## Performance and portfolio

Overall performance during the last financial year came to 5.27% (01.10.2015 – 30.09.2016). Average yield since launch on 31.10.2011 comes to 5.21%.

The portfolio comprises high-quality commercial and residential properties mixed together. The focus of the investment activity is on properties in very good locations in Swiss cities and their agglomerations. As at 30 September 2016, the portfolio comprises 76 properties. 40.9% of the rental revenue is generated by office space, and 32.1% by retail space. The residential income share of revenue is 14.4%.



“Good visibility thanks to corner location.”

## “Aeschenvorstadt 55” – in the middle of Basel’s business district

The property “Aeschenvorstadt 55” is located in the heart of Basel’s business district. It is a very popular area, especially with banks, insurers and law firms. “Swiss Life REF (LUX) Commercial Properties Switzerland” has renovated and repositioned the property.

The angular building was built in a skeletal structure in 1978 and features prominently as it is located on a corner. The building shell underwent a full renovation in 2014. The new metal facade complements the building’s original character. Moreover, the cooling technology has been renewed and the heat generation converted to district heating. Tenants from the legal, property, care and public sectors have set up attractive working and reception areas in the 5400 square metres of office space.

In 2016, as the leases reached full term, the groundfloor areas were repositioned. A tenant was selected for the 600 square metre retail space along Aeschenvorstadt, and will open two high-quality fast food outlets: “Stripped pizza” and “b.good – food from farmers”. They will meet the demand from all the employees and people living nearby for simple and fresh fare. Earnings stability for the property is also increased through its long lease.



“Top-drawer eateries offer simple, fresh food.” (photo: Stripped pizza)

## Swiss Life REF (LUX) Commercial Properties Switzerland

ISIN	LU0820924123
Launch date	31.10.2012
Portfolio Manager	Marcel Schmitt Gerhard Demmelmair

### Key figures as at 30.09.2016

Market value of real estate	CHF 821.0 m.
Number of properties	30
Occupancy rate	95.3%
Borrowing ratio	22.1%
Net asset value (NAV)	CHF 630.4 m.
Performance 1 year (01.10.2015 – 30.09.2016)	6.2%

## Performance and portfolio

Overall performance during the last financial year came to 6.2% (01.10.2015 – 30.09.2016). Average yield since launch on 31.10.2012 comes to 5.4%.

The Swiss Life REF (LUX) Commercial Properties Switzerland portfolio comprises a broadly diversified range of properties with a focus on business premises offering stable value. As at 30 September 2016, the fund comprises 30 properties with a market value of CHF 821.0 million. The rental rate is 95.3%. As at 30 September 2016, 55.5% of rental revenue is generated by office space, and 34.1% by retail space.



“Residential neighbourhood popular among people who work in Liechtenstein.”

## **New construction at the best micro location in Buchs, St. Gallen**

In spring 2016, “Swiss Life REF (CH) Swiss Properties” acquired the property “Bahnhofstrasse 47/49”, built in 2013, in Buchs, St. Gallen. In so doing, the real estate fund has invested in another property in the best micro location.

Buchs is the main regional centre between Chur and St. Gallen and is popular among people who work in Liechtenstein. The town has upgraded its 500-metre long retail area through its redesign of the Bahnhofstrasse. The leafy street between the station and the historic town centre is an attractive avenue for pedestrians, cyclists and motorists.

There are four sales outlets on the ground floor of the simple building with its timeless design, which are let out to

established retailers in the drugstore/perfumery, fashion and publishing sectors. The four upper floors contain 20 apartments, which get a lot of light and have sunny balconies. The layout is modern and makes a harmonious distinction between the day and night-time areas. Moreover, underground parking spaces are available for the tenants and visitors.

The property is built to the latest standards and, with low operating and maintenance costs, will generate stable rental income over the next few years. Its balanced range of applications and new condition make a good contribution to the fund’s attractive risk/return profile.



“A timeless simplicity on the exterior, light and modern on the interior”

## Swiss Life Real Estate Fund (CH) Swiss Properties

ISIN	CH0293784861
Launch date	02.11.2015
Portfolio Manager	Marcel Schmitt

### Key figures as at 30.09.2016

Market value of real estate	CHF 594.8 m.
Number of properties	45
Occupancy rate	96.1%
Borrowing ratio	21.8%
Net asset value (NAV)	CHF 468.2 m.
Performance 1 year	26%

(02.11.2015 – 30.09.2016, based on off-exchange price)

## Performance and portfolio

The net asset value increased by 4.04% during the last financial year (02.11.2015 – 30.09.2016). During the same period, the performance came to 26% based on the off-exchange price.

The Swiss Life REF (CH) Swiss Properties portfolio comprises a broadly diversified range of properties with a focus on business premises offering stable value and returns. As at 30 September 2016, the fund comprises 45 properties with a market value of CHF 594.8 million. The rental rate is 96.1%. As at 30 September 2016, 55.6% of rental revenue is generated by residential use and 20.3% by office space.



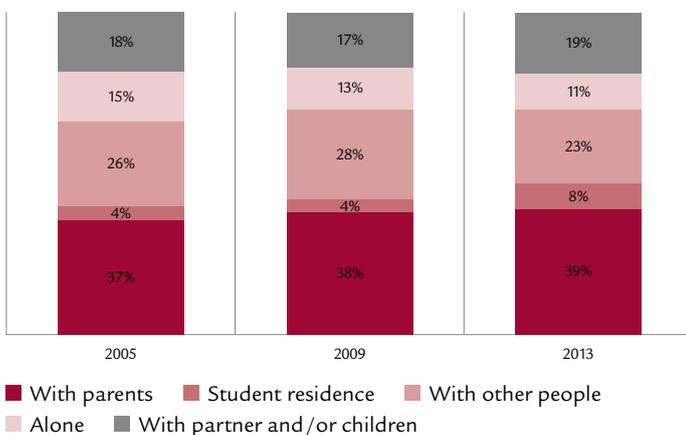
# Student accommodation

Switzerland is an attractive location for students. Besides the quality of life, the country's universities also enjoy a good international reputation and are regularly placed at the top end of the international rankings.

In 2015, there were just under 238 000 students registered in Switzerland – and the number has been trending upwards for years. According to the Swiss Federal Statistical Office (FSO) the number will grow by 1.5% this year. Growth is also forecast over the next few years, albeit at a lower level. About 259 000 people should be enrolled at Swiss universities by 2025 and they will all need a roof over their heads.

39% of students in Switzerland live with their parents, while the remaining 61% live elsewhere, because the parental home is too far from the university, or if they are from another country. According to the FSO, the most popular living arrangements outside the parental home are flat sharing (23%) and living with a partner and/or children (19%). A smaller proportion of students live alone (11%) or in a student residence (8%).

## Types of student housing over time



Source: BFS SSEE 2005, 2009, 2013, 2015

The search for accommodation is often challenging for students as they are on a restricted income and the availability of living space is scarce and pricy in a lot of university locations, especially Zurich and Geneva. Student accommodation is highly sought after in those places, particularly among younger and foreign students. A good 12% of students aged up to 20 live in student residences, compared to just 2% of the over-35 age group.

Nonetheless, the number of students in Switzerland living in halls of residence doubled between 2009 and 2013. By European standards, the percentage of students living in halls of residence remains low at 8%, compared to 11% in Germany and 13% in France. In a third of European countries petitioned by eurostudent, the number even exceeds 25%.

Even if the differences compared to abroad are partially due to geographical and country-specific features, Swiss Life Asset Managers believes that the low percentage of students living in student residences is due more to a lack of supply than demand. This is backed by the high occupancy of student halls. Another reason is the low vacancy rates and above-average rental prices at university locations, which limit the options available to students. On the demand side, the future growth in the number of foreign students is likely to further boost demand for student residences.

“Hönggerberg Wohnen Ost”, with 497 rooms, was fully let out as soon as it opened, which shows how interesting projects can match tenant demand with investors’ interests. With an annual net rent of CHF 345 per square metre of space (incl. shared areas), earnings, measured by the quality of the location, are attractive. This is a success story that is likely to be repeated.

## Studentenwohnen Winterthur

Address:	Untere Briggerstrasse 31
Number of rooms:	105
Description of rooms:	Single en-suite rooms, large shared kitchens
Rent per room:	CHF 600 to 780 per month, incl. incidental charges
Opened in:	2010
Architects:	Denkwerk Architekten
Owner:	Swiss Life Ltd
Homepage:	<a href="http://www.studentenwohnen.ch">www.studentenwohnen.ch</a>



## Studentvillage ETH Zurich / Hönigerberg Wohnen Ost

Address:	Paul-Feyerabendhof 1, 3, 5
Number of rooms:	497
Description of rooms:	64 large apartments (6 to 10 rooms), 12 studios with bathrooms en-suite
Rent per room:	CHF 590 to 990 per month, incl. incidental charges
Opened in:	2016
Architects:	Architektick, Tina Arndt and Daniel Fleischmann
Owner:	Swiss Life Ltd
Homepage:	<a href="http://www.studentvillage.ch">www.studentvillage.ch</a>



## Student residence EPFL / Lausanne University

Address:	Chemin des Triaudes
Number of rooms:	264
Description of rooms:	153 individual studios, 40 apartments (2 to 5 rooms)
Rent per room:	not yet established
Opened in:	2018
Architects:	Richter Dahl Rocha & Associés architectes SA
Owner:	Swiss Life Investment Foundation, Real Estate CH investment group
Homepage:	not yet



*These student residences have been managed by Livit Ltd in cooperation with Livit FM Services Ltd since becoming operational.*



## Interview: Managing student residences

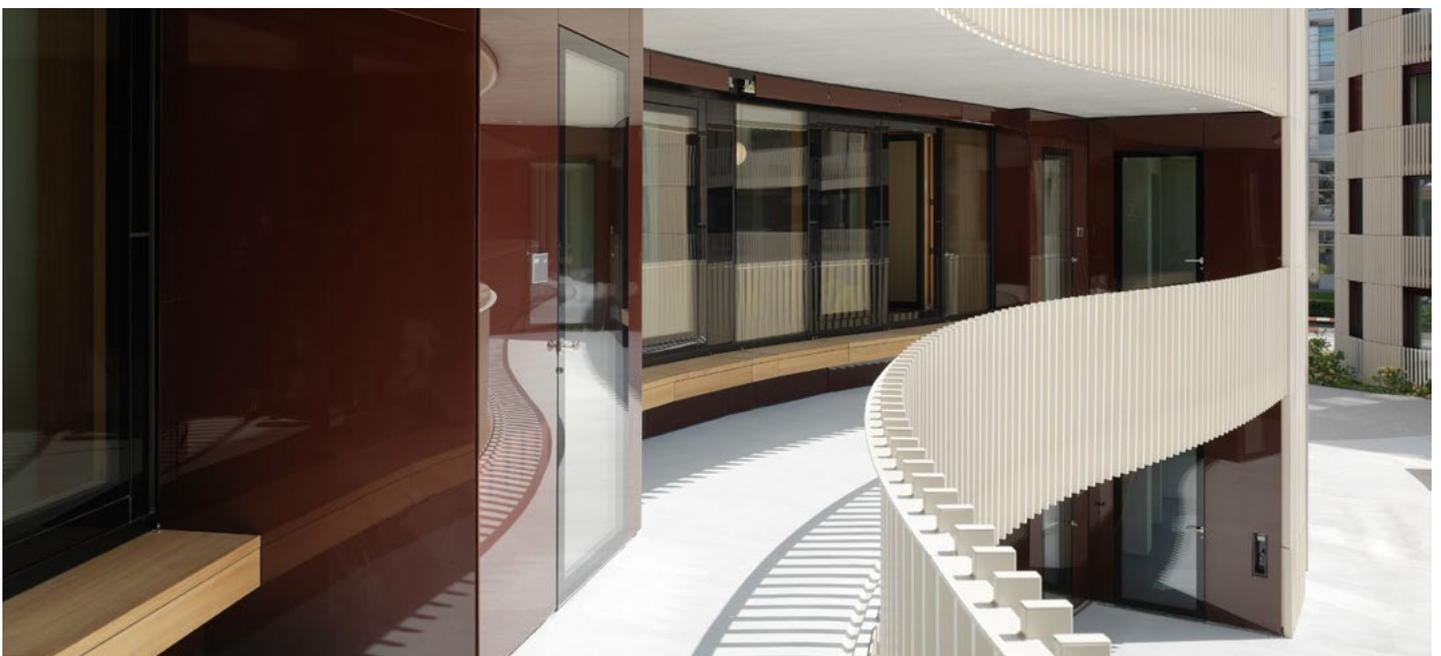
Having successfully completed two student residences, Swiss Life Asset Managers is currently launching its third hall of residence in Switzerland (see box). Wolfgang Stiebellehner, Head of Property Management, explains the particular features and challenges of managing student residences.

*Wolfgang Stiebellehner, in the summer of 2016 Livit Ltd took over the management of the new student halls of residence “Hönggerberg Wohnen Ost” on the ETH Campus with almost 500 rooms. Livit Ltd has also successfully managed the “Studentenwohnen” halls of residence in Switzerland since 2010. What differentiates the management of these properties from other more conventional types of property management?*

Managing student accommodation is different to conventional management in a number of ways: for example there are 500 students in 63 apartments with 12 studios at ETH Hönggerberg. The rooms are let out individually. That

means a lot of leases have to be issued at the start of a semester. Efficient processes and flawless organisation are the key. Moreover, as some students come from other countries, the property managers need a good command of foreign languages. Generally speaking good communication is important, as are empathy and an understanding of different cultures and young people. We also need to liaise with the universities as we have to check that the people asking for rooms are actually enrolled at the university. As regards facts and figures, the straightforward management of the incidental charges (usually just flat fees) and detailed reporting to the owner are all we need. We also need to acquire basic furniture that will last and doesn't cost too much, as that is included in the offer.

*You mentioned the importance of communication. Through which channels and by which means do you communicate with the tenants?* 90% of communication is online, i.e. via website and e-mails and via Facebook, Messenger und WhatsApp. When we



hand over the keys we given the students a welcome flyer with the information they need in different languages. To maintain efficient communication, we give the flyer to what is known as a “WG-Chef” or apartment representative once we have handed over the rooms. General information is provided on the residence website and by the more traditional method of the notice board in the entrance to the building.

*What do you expect of the managers?*

Apart from knowing languages as I mentioned before (especially English) we want managers who enjoy working with young people and different cultures. We also look for a highly flexible approach and rapid response times, plus the willingness to provide support when any problems arise in relation to the living arrangements etc.

*What is the significance of facility management?*

Facility management plays a key role, as shown by the ETH Honggerberg residence: Livit FM Services Ltd has a front office at the property, so it manages about 80% of its general management on site. That way, Livit FM Services Ltd can hand over keys and deal with tenants’ queries directly. The Facility Management also administers the common room and guest rooms and runs a kiosk for everyday consumer goods. As a management company, Livit Ltd also takes care of the back office work, for example contracts and working with the owners and the university.

*What makes Livit particularly good at managing student residences? What added value can investors expect from Livit?*

Livit stands out through its flexibility, know-how and creativity in finding solutions. Investors benefit from the optimal collaboration between management and facility management. Livit’s experience is reflected in its efficient management processes and in how it deals with the students’ needs.



*Wolfgang Stiebellehner  
Head of Property Management,  
Livit Lt*

### **Livit Ltd**

is a strongly traditional Swiss real estate management company and has been a wholly-owned subsidiary of Swiss Life since 1999, a comprehensive life and pensions and financial solutions provider. It has 470 employees working in property management in nine branch offices throughout Switzerland. With over 50 years of experience in real estate management, Livit is a strong partner for private and institutional investors. As a subsidiary of Livit Ltd, Livit FM Services Ltd focuses on facility services for residential and commercial properties.



## Real estate – facts and figures



### Assets under management and administration

(in CHF bn)

	AuM	REuA <sup>1)</sup>	AuMA <sup>2)</sup>
<b>Total</b>	202.2	28.4	230.6
REuMA <sup>3)</sup>	40.0	11.3 <sup>4)</sup>	Total REuMA
Livit		17.1	68.4

<sup>1)</sup> Real Estate under Administration (not included in Swiss Life AuM definition)

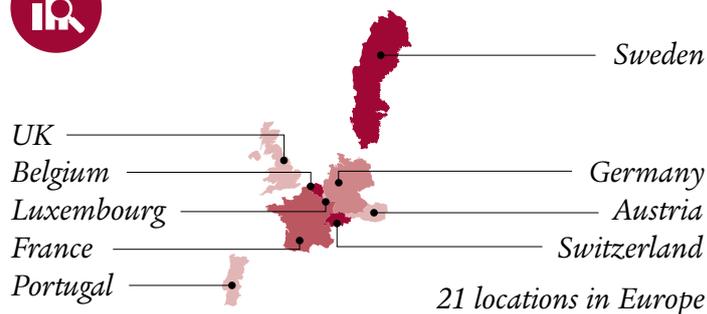
<sup>2)</sup> Assets under Management and Administration

<sup>3)</sup> Real Estate under Management and Administration (Swiss Life Asset Managers, incl. Corpus Sireo)

<sup>4)</sup> Corpus Sireo



### Core markets



### Real estate transaction volume

10.9  
(in CHF bn)

### Employees

> 1000



### Our real estate investment solutions

*Swiss Life Investment Foundation – real estate*  
*Real Estate Switzerland investment group*  
*Commercial Real Estate Switzerland investment group*

*Swiss Life Asset Managers – real estate funds*  
*Swiss Life REF (LUX) Commercial Properties Switzerland*  
*Swiss Life REF (CH) Swiss Properties Switzerland*



### Contacts

Gerhard Demmelair | Head of Real Estate Portfolio Management  
Third-Party Asset Management Switzerland  
Direct line +41 43 284 33 45 | gerhard.demmelair@swisslife.ch

Khoa Trinh | Head of Real Estate Acquisition, Divestment & Construction  
Real Estate Switzerland  
Direct line +41 43 284 69 52 | khoa.trinh@swisslife.ch

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[www.swisslife-am.com](http://www.swisslife-am.com)

Swiss Life REIM (Switzerland) AG : General-Guisan-Quai 40, P.O. Box, 8022 Zurich, tel.: +41 43 284 33 11, info@swisslife-am.com

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