

June 2020

Exposé

Real estate investments in Switzerland



Living “Plus” in old age –
promising concept on the outskirts of Bern

Five residential properties in Basel –
attractive investment in kind from Rhenus Alpina AG

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Editorial

Dear readers

People are social beings. However, the coronavirus obliges us to keep our distance, which is not always easy. That's why I'm writing this editorial from my home office. As a company, we are also fully operational from home – access to all systems works perfectly. We are connected to our customers and colleagues by e-mail, telephone and video conference. I am of course pleased that the switch has worked so smoothly. At the same time, I really miss interacting with people on a personal level.

Restrictions and strict regulations are currently essential in restaurants and shops. That also affects the tenants in our properties. We are working with those affected individually to find partnership-based solutions to continue letting on a sustainable basis. Properties in attractive locations will remain in demand, even in uncertain times.

The need for personal interaction will continue, even if a two-metre distance has to be maintained for the time being. We are social beings, and we always have been.

In the 160-plus years since our company was founded, we have already tackled a number of challenges. Together we will master these challenges too – and with the necessary mix of humility and confidence.

I wish you an enjoyable read. Stay healthy.

A handwritten signature in black ink, appearing to read 'G. Demmelmair', written in a cursive style.

Gerhard Demmelmair
Head of Real Estate Portfolio Management
Third-Party Asset Management Switzerland

In the spell of the moment

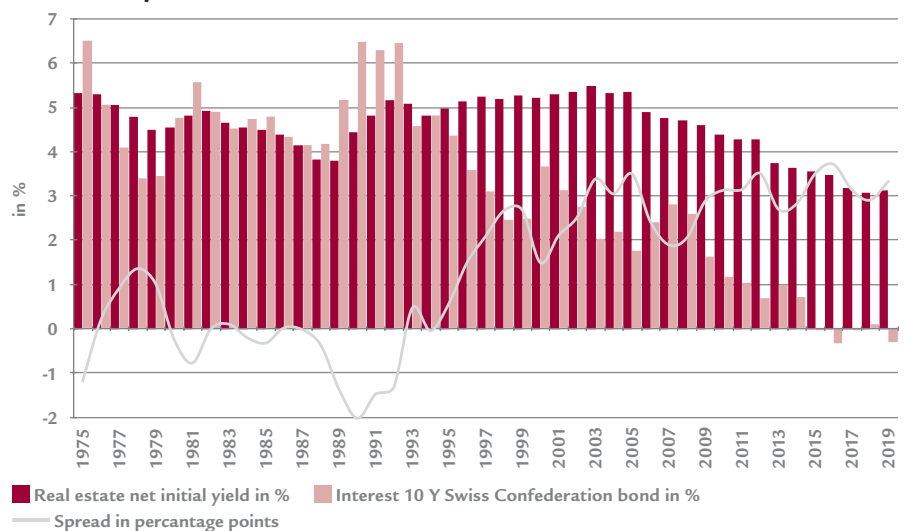
The pre-coronavirus days seem long past, the post-corona time remains uncertain for now. The only certainty is that the virus will leave traces – in society, the economy and also in the real estate market.

Francesca Boucard, Senior Economist Real Estate

2020 started by picking up where 2019 left off: the trade dispute, Brexit and, of course, the question of how long Italy's government would last. The conclusion of the longed-for phase one trade deal between China and the US in mid-January or the departure of the UK from the European Union in February seem like a mere footnote now. It has since become clear that 2020 will be remembered mainly as the year of the global COVID-19 outbreak. However, the actual consequences of the pandemic are still unknown. Our basic assumption is that there will be a U-shaped development: a short and marked recession followed by a gradual recovery. The US and Switzerland are expected to return to pre-crisis levels in the second half of 2021, with the Eurozone and UK following in 2022.

The specific consequences remain uncertain, including for Switzerland. The containment measures are currently being relaxed and Swiss GDP is expected to shrink by 3.1% in 2020. The effects of the lockdown vary from sector to sector. One third of the economy is likely to only be slightly impacted by the pandemic. We don't, for example, anticipate a serious crisis in the real estate market. However, the curbing of the real economy will have an effect, as the property market follows economic development, albeit with a time lag. The comprehensive measures taken by the Federal Council are cushioning the economic fallout for tenants. The extent to which the owners have to contribute to the economic costs remains to be seen. While

Net initial yields on real estate and Swiss Confederation bonds trend



Source: Prof. Studer, University of Basel, until 2004, from 2005 Wüest Partner, SNB, own calculations

the retail and hotel sectors are directly affected and deferred or lost rental payments are to be expected, we see the residential and office segment as relatively stable. However, we anticipate lower capital growth than in the past over the market as a whole. The same applies to potential rental price increases.

The corona crisis is showing real estate and the already apparent structural changes in a new light and reinforcing them further. While home ownership is becoming more popular and demand for apartments with space for a home office may well grow in future, the retail sector is still very much swimming against the tide. Even staunch opponents of online shopping have discovered the new freedoms of digital purchases and coworking providers are experiencing their first acid test after a

stunning growth phase. In an environment of uncertainty, tenants and landlords need to agree on individual and partnership-based solutions to maintain long-term current rental agreements. Nonetheless, the real estate sector has shown that real assets are more resilient than financials in a crisis. Owners, investors and tenants now need to be receptive to new ideas and concepts in the sustained beneficial interest rate environment. In fact, crises often lead to innovation – necessity is made a virtue. That is something to look forward to. ■

Going to press: 12 May 2020

Investment in kind from Rhenus Alpina AG employee benefits foundation

Tax-optimised contributions in kind have become a proven instrument for converting from direct to indirect real estate investments. Holding indirect real estate investments offers advantages over direct ownership of real estate, such as increased diversification, flexible liquidity management, professional real estate management and outsourcing the management workload. Real estate worth CHF 7.6 billion has been transferred in this way in Switzerland since 2002.

The portfolio, which was transferred to the Real Estate Switzerland investment group from the Rhenus Alpina AG employee benefits foundation as a contribu-

tion in kind, consists of five centrally located residential properties in Basel and Riehen. The properties are all in sought-after residential areas. They are well connected to public transport, and shopping facilities are located in the immediate vicinity. Thanks to the long-term renovation strategy of the previous owner, the properties are in good condition. The attractive apartments and the appropriate rental costs ensure that they are easy to let.

In return for the properties brought in, the Rhenus Alpina AG employee benefits foundation will have access to a broadly diversified real estate portfolio of high-quality properties. The investment is made at

the net asset value without any additional premium, and it is also tax-exempt.

Many employee benefits institutions continue to focus heavily on their regional property stock for historical reasons and due to their local network. With investments in kind, pension funds benefit from far better diversification and professional real estate management. They can also focus more on their actual core business – asset & liability management. ■

The property at Holeestrasse in Basel impresses through its small-scale apartments with compact floor plans.





Source: Foto Werder

This modern apartment building with 16 apartments is located in a popular residential area in Riehen.

**Swiss Life Investment Foundation:
Real Estate Switzerland Investment Group**

ISIN	CH0106150136
Launch date	1 December 2009
Portfolio manager	Nils Linsi

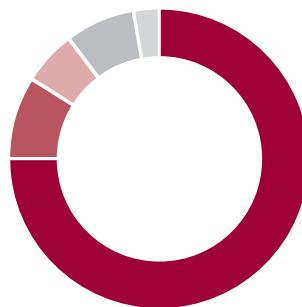
Key figures as of 31 March 2020

Market value of real estate	CHF 2969.1 m
Number of properties	234
Rental rate	96.8%
Borrowing ratio	8.0%
Net asset value (NAV)	CHF 2638.8 m
Performance YTD	1.45%
Performance 2019	5.37%
Performance 2018	5.36%
Performance 2017	6.06%
Performance since launch	5.67% p. a.



Geographical distribution

Zurich	28.3%
Bern	6.6%
Central Switzerland	5.1%
Western Switzerland	5.0%
Northwestern Switzerland	18.9%
Eastern Switzerland	8.7%
Southern Switzerland	6.2%
Lake Geneva	21.2%



Types of use

Residential	75.2%
Office	8.7%
Retail	6.0%
Parking	7.5%
Ancillary use	2.6%

Residential and commercial property with a unique lakeside location

The residential and commercial property is located in Lugano's old town on Via Nassa. The historic, Italian-style town centre, with its numerous shops, restaurants and cafés, invites you to stroll and relax. Via Nassa is the most prestigious shopping street in Ticino. The 500-metre-long promenade, along with Via Pessina, was once the place where fishermen met and sold their catch. Hence the name "Nassa," which means "weir".

The property was built in 1926 and comprehensively renovated in 2008. The façade is decorated with plentiful stucco features, ornaments and balconies and has an impressive appearance. The interior of

the building has been renovated with great care and boasts high-quality materials.

The property is mixed-use: on the ground floor there are four exclusive retail spaces, plus offices and apartments. The retail outlets benefit from the high footfall and charm of the old town. They are let out on a long-term basis to tenants with good credit ratings. The upper floors provide a fantastic view of Lake Lugano. The high ceilinged rooms are spacious and fitted out with attractive materials. Due to its unique nature, the property has a very low vacancy rate and extends itself to long-term leasing.

The Commercial Real Estate Investment Group invests mainly in commercial

properties with very good location and property quality. The successful opening of the investment group in autumn 2019 enabled the portfolio to incorporate six top inner-city properties (including Via Nassa 29, Lugano), which make a steady contribution to the earnings and performance of this investment vehicle. ■

The Via Nassa property exudes a timeless elegance.



Source: Foto Werder



Source: Foto Werder

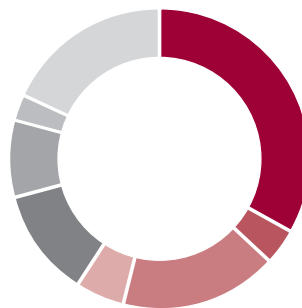
The exclusive retail spaces are let out on a long-term basis to tenants with good credit ratings.

Swiss Life Investment Foundation: Commercial Real Estate Switzerland Investment Group

ISIN	CH0136837587
Launch date	1 November 2011
Portfolio manager	Nils Linsi

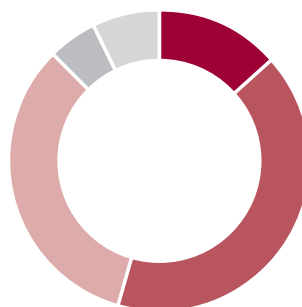
Key figures as of 31 March 2020

Market value of real estate	CHF 1492.0 m
Number of properties	93
Rental rate	97.1 %
Borrowing ratio	14.1 %
Net asset value (NAV)	CHF 1236.4 m
Performance YTD	0.85 %
Performance 2019	4.90 %
Performance 2018	4.97 %
Performance 2017	5.55 %
Performance since launch	5.07 % p. a.



Geographical distribution

Zurich	33.2 %
Bern	3.9 %
Central Switzerland	16.9 %
Western Switzerland	5.2 %
Northwestern Switzerland	11.8 %
Eastern Switzerland	8.2 %
Southern Switzerland	2.9 %
Lake Geneva	17.9 %



Types of use

Residential	13.6 %
Office	40.9 %
Retail	33.2 %
Parking	5.2 %
Ancillary use	7.1 %

Belano Ostermundigen: Living with latitude and enjoyment

A development with 67 intergenerational apartments is being built in Ostermundigen, on the outskirts of Bern.

The Kästli site, where the three apartment buildings are being built, is located in the centre of the community. Public transport, schools, kindergarten, and health facilities such as a medical centre and shopping are all well within walking distance.

The development will be ready for occupation in summer 2021. In addition to housing, the future residents will be offered a range of services coordinated through a reception desk, which will be open for two hours a day during weekdays.

The reception desk will also serve as a point of contact for enquiries and, in particular, provide social exchange for single senior citizens. These services will be bookable via tablet with the Belano app. In addition, the residents will benefit from a comprehensive security package including access to the Belano helpdesk, which will be staffed day and night. To encourage a broad mix of tenants, a “Belano Zuhause” (at home) concept will also have a lot to offer families and single people. Services such as apartment cleaning, holiday or laundry services, as well as transport services, will appeal to all ages. There will also be a gym, cafeteria and workshop/studio

area. The apartments will feature carefully selected materials and practical floor plans, which are conducive to good furnishing. Step-free access will of course be provided for all rooms.

“Belano Zuhause” stands for an intergenerational residential concept. This forward-looking form of housing focuses on tenants and their individual needs. They should all feel boundless at home. ■

The 67 intergenerational apartments in the centre of Ostermundigen fit perfectly into the cityscape.





Source: Adobe Stock

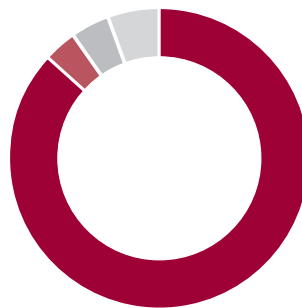
The municipality of Ostermundigen is an ideal residential area and is characterized by excellent access through public and private transport.

**Swiss Life Investment Foundation:
Real Estate Switzerland Investment Group
Retirement and Healthcare**

ISIN CH0385556482
Launch date 1 December 2017
Portfolio manager Nils Linsi

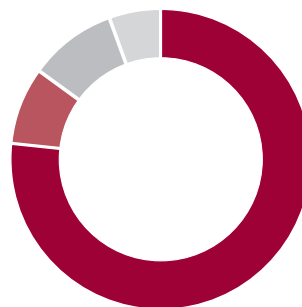
Key figures as of 31 March 2020

Market value of properties CHF 249.7 m
Number of properties 9
Rental rate 98.5 %
Borrowing ratio 20.9 %
Net asset value (NAV) CHF 194.7 m
Performance YTD 1.24 %
Performance 2019 5.08 %
Performance 2018 5.18 %
Performance 2017 n/a
Performance since launch 5.04 % p. a.



Geographical distribution

Zurich	86.7 %
Bern	3.5 %
Northwestern Switzerland	4.3 %
Eastern Switzerland	5.4 %



Types of use

Facilities with no inpatient care services	76.9 %
Care facilities and nursing homes	8.2 %
Healthcare properties	0.0 %
Services and retail	9.4 %
Ancillary use and parking	5.5 %

In the heart of Zurich: “Zur Löwenschanze” office building

The discreet “Zur Löwenschanze” office building is located in the heart of Zurich, a 5-minute walk from the main railway station and Bahnhofstrasse. Built in 1928 and decorated with a classic perforated façade, it houses about 4500 m² of office and retail space. The structure of the plinth as well as the principal and attic floors give the building a timeless and prestigious character, which is mirrored by its interior. The lofty entrance hall has an inviting feel, and the spacious staircases and entrance zones are bathed in natural light.

The offices are ideally proportioned and offer varied views: at the front, the

property looks out onto the lively Löwenstrasse; from the back, you can see the Schanzengraben, a green, leafy area. A central courtyard ensures that the corridors and reception rooms receive plenty of daylight. Parking is available in the courtyard and underground car park. The property is in good condition and a law firm has a long-term lease for the upper floors. There are two shops on the ground floor.

The investment property combines high earnings security with top location quality. As a classic core property, it is part of the “Swiss Life REF (LUX) Commercial Properties Switzerland” business portfolio. The fund was launched in 2012 and

offers qualified Swiss investors the opportunity to participate in first-class commercial properties in Swiss business districts. It contains 34 properties with a market value of CHF 1.07 billion and is valued monthly by net asset value. ■

The structure of the plinth as well as the principal and attic floors give the building a timeless character.



Source: Foto Werder



Source: Foto Werder

The spacious staircases are exceptionally light and airy.

**Swiss Life Real Estate Fund:
Swiss Life REF (LUX)
Commercial Properties Switzerland**

ISIN LU0820924123
Launch date 1 November 2012
Portfolio manager Marcel Schmitt

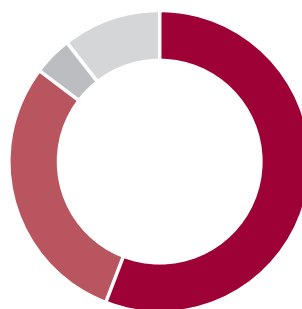
Key figures as of 31 March 2020

Market value of properties CHF 1068.9 m
Number of properties 34
Rental rate 97.1 %
Borrowing ratio 19.4 %
Net asset value (NAV) CHF 829.1 m
Performance YTD 0.73 %
Performance 2019 4.17 %
Performance 2018 4.62 %
Performance 2017 4.92 %
Performance since launch 4.91 % p. a.



Geographical distribution

Zurich	56.9 %
Bern	6.6 %
Central Switzerland	2.8 %
Western Switzerland	2.1 %
Northwestern Switzerland	7.6 %
Eastern Switzerland	4.8 %
Southern Switzerland	3.9 %
Lake Geneva	15.3 %



Types of use

Office	55.5 %
Retail	29.8 %
Parking	4.3 %
Ancillary use	10.4 %

Stahlgießerei – Schaffhausen’s new urban district

In 1955, an impressive 5500 tonnes of steel were cast on the historic site of the former Georg Fischer steel foundry. By 1991, this figure had fallen to a mere 1600 tonnes. That was the year when the Executive Board decided to close the foundry. In the ensuing years, various cultural projects such as film screenings, concerts and musicals were held in its empty halls. Other features like the climbing centre and skating area were also added. Demolition work started in 2017, as did the construction of the new Stahlgießerei, this time as a residential area instead of a factory, which preserved its link to the past through its name.

The new district is being built around a 300-metre-long city park, flanked by eight apartment blocks on the east side. After completion, the site will accommodate 442 apartments, plus commercial and catering amenities and schools. Stahlgießerei will thus provide living space for 800 to 1000 people. The 3.9-hectare construction site corresponds to about five football fields.

The first two apartment blocks on the southern side close to the train station are owned by Swiss Life REF (CH) Swiss Properties Fund. The 82 apartments, each with between two and four rooms, are being built to the latest requirements with

controlled ventilation, loggia, private washing machine with tumble dryer, and electrically controlled venetian blinds.

Stahlgießerei uniquely combines modern comforts and past industrial charm, a first for Schaffhausen. The train station and old town are within walking distance. The development is attracting a lot of interest: three months before the moving-in date, 90% of the apartments are already let. ■

A new urban district takes shape on the site of an old steelworks.



Source: Verein Atelier A.



Source: DUNEDIN ARTS, Colin J Matthews

Stahlgießerei offers living space for 800 to 1000 people plus a public city park.

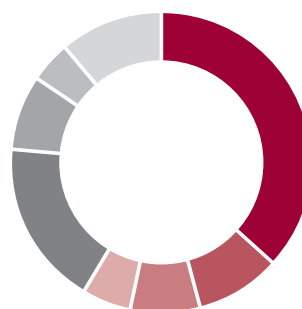
**Swiss Life Real Estate Fund:
Swiss Life REF (CH) Swiss Properties**

ISIN	CH0293784861
Launch date	2 November 2015
Portfolio manager	Marcel Schmitt

Key figures as of 30 September 2019

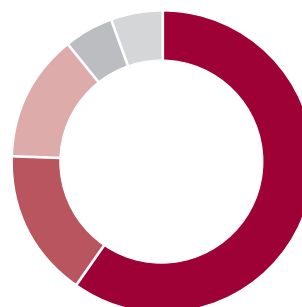
Market value of properties	CHF 1262.4 m
Number of properties	88
Rental rate	97.2%
Borrowing ratio	20.6%
Net asset value (NAV)	CHF 979.8 m
Performance YTD ¹⁾	-4.48%
Performance 2019	20.84%
Performance 2018	-1.81%
Performance 2017	6.08%
Performance since launch	8.99% p. a.

¹⁾ Performance from January 1, 2020 to March 31, 2020



Geographical distribution

Zurich	36.9%
Bern	9.1%
Central Switzerland	7.3%
Western Switzerland	5.5%
Northwestern Switzerland	17.6%
Eastern Switzerland	8.1%
Southern Switzerland	4.5%
Lake Geneva	11.0%



Types of use

Residential	59.8%
Office	15.9%
Retail	13.4%
Parking	5.4%
Ancillary use	5.5%

Listed real estate funds remain attractive to investors

Covid-19 caused significant short-term price slumps in listed real estate investments. However, the sector has since recovered. Premiums currently stand at around 20%, which corresponds to the sector’s long-term average. The sector’s defensive nature provides good entry points for investors with a long-term orientation.

Alfonso Tedeschi, Product and Service Manager, Swiss Life Asset Managers

Swiss real estate funds can look back on a successful track record going back over 80 years; the sector has performed strongly and now comprises almost 40 listed real estate investment vehicles with a total value of around CHF 50 billion.

These investment instruments withstood the real estate crisis of the 1990s very well. The numerous stock market corrections since the turn of the millennium also

had little impact on their total return, thus once again confirming their reputation as a reliable investment. During this period, the funds posted an annual total return of 5.6% – with a correlation coefficient of just 0.13 to the Swiss Market Index (SMI).

Covid-19 caused significant short-term price slumps in listed real estate investments. Compared to the SMI, however, the corrections have been small (real estate

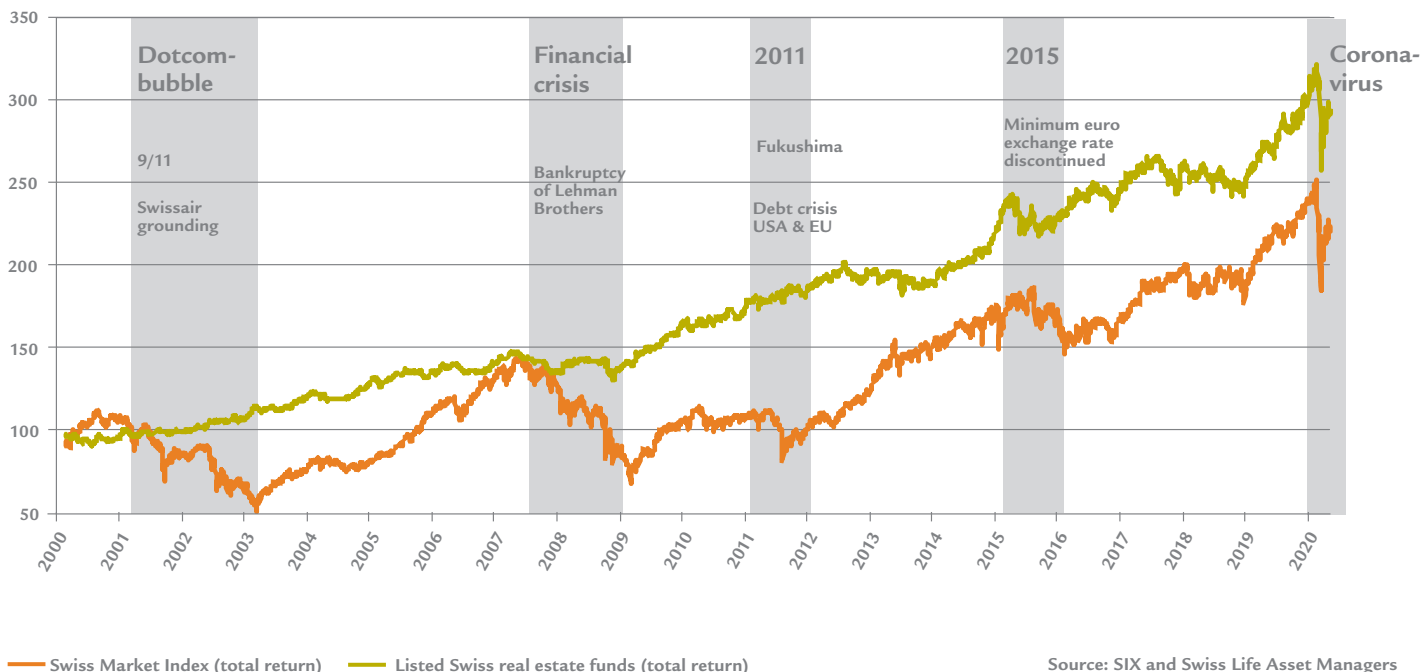
funds: -13.6%, SMI: -18.3%; 20 February to 27 March 2020).

The largest and most liquid vehicles were particularly affected, due more to investors’ short-term rush to liquidity than to a sign of low confidence in the sector as a whole.

There are no striking differences between residential property funds and commercial funds in terms of type of use.

Swiss real estate indices

Basis: 30.12.1999 (=100)



Following this short-term reaction, however, the sector as a whole has recovered; premiums are currently around 20%, corresponding to the listing of 20 June 2019 and above the long-term average for the sector (15% to 20%).

According to market assessments to date, the potential loss of rental income should be low for the overall sector during the current financial year. This is due to the strong focus on residential properties (over 50%), as well as commercial properties with high location and property qual-

ity and the attendant above-average tenant creditworthiness. Only a small proportion of rental income comes from the retail, catering, and hotel sectors, which are particularly affected by Covid-19. The sector's defensive character is also supported by conservative debt financing (average debt financing: 22%).

The listed real estate funds are an attractive investment for long-term investors due to their stable cash flow component – particularly in the current market context. ■



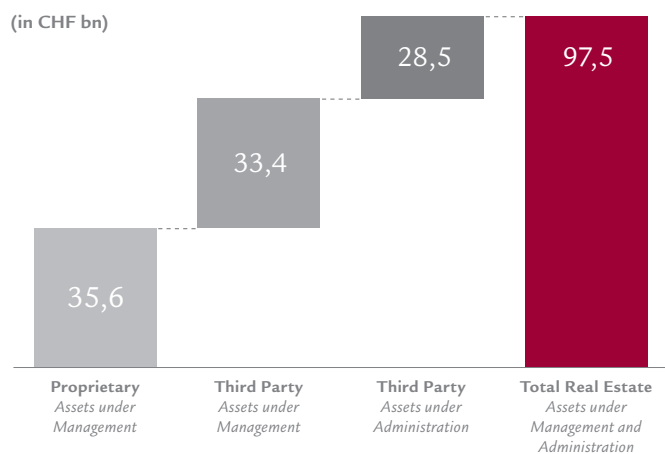
Source: Adobe Stock

Listed real estate funds have proven more resilient than other investment vehicles in past crises. There are strong indications that this will continue.

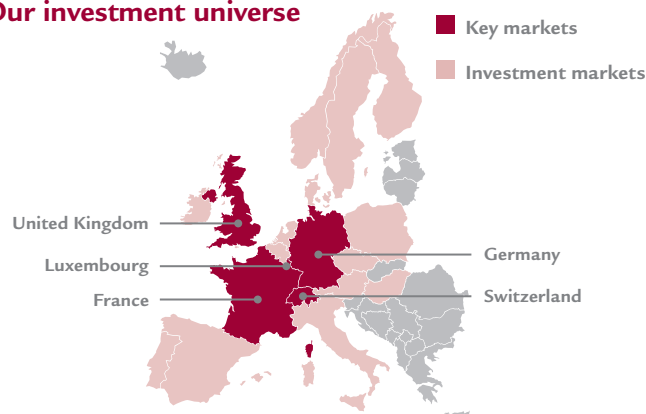
Real Estate – facts and figures

Assets under Management and Administration

(in CHF bn)



Our investment universe



Transaction volume real estate



(in CHF bn)
(average 2017, 2018, 2019)

Employees



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All figures as at 31 March 2020, unless stated otherwise

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