

June 2021

Exposé

Real estate investments in Switzerland



SwissLife
Asset Managers



Hertipark Brunnen 54
Living on a former government food storage site

Flatiron building in Geneva –
Representative 1930s architecture in the city centre

Best-selling shopping centre –
The Glatt centre: shopping experience of tomorrow

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Editorial

Crises are known for accelerating prevailing trends. The Swiss real estate market is mirroring this: besides the challenges, there are many opportunities and trends that we constantly analyse and exploit. Real estate is one of our most valuable assets and stands out through its longevity. The latest edition of Exposé therefore features new retail formats with a portrait of the Glatt shopping centre.

We are also pleased to report that in the final quarter of 2020, Swiss Life REF (CH) Swiss Properties successfully completed the largest capital increase to date for a listed real estate fund in Switzerland at CHF 500 million.

On a personal note, I am particularly pleased to introduce Marie Seiler to you – the new face of the Exposé, so to speak. She is Head Real Estate Portfolio Management for Third-Party Asset Management and brings a wealth of knowledge and experience to our real estate asset management business. Marie Seiler and her team will drive the further expansion of our third-party real estate activities in Switzerland. Optimising existing portfolios in line with ESG criteria is one priority area, as is growth with high-quality properties. I am firmly convinced that the real estate asset class in Switzerland, and within the pan-European network of Swiss Life Asset Managers abroad, will provide you with many sustainable and attractive investment solutions.

I wish you a most enjoyable read.

A handwritten signature in black ink, appearing to read 'R. Piffaretti'.

Renato Piffaretti
Head of Real Estate Switzerland

Light at the end of the tunnel and an old real estate saying

COVID-19 has been shaping the world and our daily routine for over a year. However, the worst seems to be over now. The economy is recovering, and sentiment is improving. The real estate market remains robust in facing the crisis – and confirms a truism.

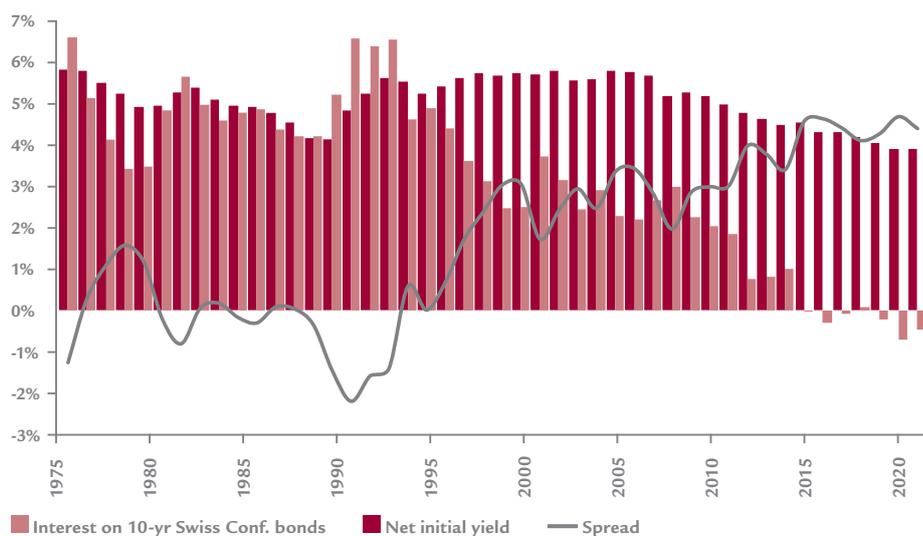
Gudrun Rolle, Research Analyst Real Estate, Swiss Life Asset Managers, Germany

Let's start with a comparison. Spring/summer 2020: The world had just experienced the first lockdown in order to bring the coronavirus under control, and tentative easings were beginning. Overall, however, there was considerable uncertainty about the impact of the lockdown and the pandemic. Spring/summer 2021: Although the pandemic is not yet over, we can see ahead more clearly. The Swiss economy has come through the coronavirus crisis relatively lightly. The easing measures in place since March 2021 are leading to a rapid recovery and accelerating momentum in the domestic economy. Consumer confidence has returned to pre-crisis levels, and the Purchasing Managers' Index (PMI) for industry is close to its historic highs. In addition, the vaccination rate is gaining speed. Therefore, although some questions remain unanswered, there is light at the end of the tunnel.

The real estate market, on the other hand, never looked really bleak. It remains robust in both stable and uncertain times, especially against the backdrop of the persistently negative interest rate environment. While the crisis has resulted in a shift in investors' risk profiles, leading to polarisations towards "core" objects, real estate is still perceived as a sound investment option and has even widened with a yield gap to government bonds.

Within real estate investments, the Swiss residential market is particularly cri-

Net initial yields for real estate and development of Swiss Confederation bonds



Sources: Prof. Studer, University of Basel, until 2004; as of 2005: Wüest Partner, SNB, own calculations

sis-resistant: it has a fairly low correlation with the economic cycle and is quite well hedged in terms of demand, with a high tenancy ratio of 60%. But the saying "where there is light, there is shadow" also seems to apply to the real estate market. While residential property is in demand, retail space and the hotel industry are currently being avoided, as are speculative properties in general – the uncertainties are too great and the effects of the lockdowns are too dramatic.

Retailers in particular are waiting for relief in the form of a restructuring. That presents a glimmer of hope, with hybrid

concepts combining both online and bricks-and-mortar options. With regard to office space, the new home-working dynamic and the resulting uncertain demand for space call for closer scrutiny, especially concerning non-core properties. For core properties the old real estate saying "location, location, location" remains as valid as ever: Prime locations are always sought after, regardless of the sector. ■

Going to press: 17 May 2021

Hertipark Brunnen new building: home, work, life

Hertipark is a new mixed-use area located on a former industrial site, Brunnen Nord, right next to Brunnen train station. The development is on an historical site: from 1882 to 2004, it was home to seven SBB warehouses run by the federal government as mandatory storage facilities for long-lasting foodstuffs. In 2006, plans were drawn up for the site's redevelopment. The six-storey and classically designed architecture is based on the belle époque style reminiscent of when Brunnen was first built.

The village has excellent transport connections, as it is located directly on the north-south axis. The municipality of

Schwyz lies just a few minutes away while the town of Zug is reachable in 30 minutes by public or private transport. Wonderful day trip destinations around Lake Lucerne can also be reached by boat from Brunnen.

With the construction of its first stage, the Brunnen Nord project is taking shape. Modern apartments will be built on the 8300-metre construction site by the beginning of 2022. There will be 88 modern 1.5 to 5.5-room apartments on the upper floors for families, couples and single people. The properties impress by virtue of their practical floor plans and generous window fronts. Parquet floors, high-quality finishes and inviting balconies add that extra touch

of home comfort. Some of the apartments are offered at a discount. The ground floor has a range of retail, service and office space, which adds vitality to the area.

The development will be completed in accordance with the certified Minergie standard and connected to the district heating network of Agro Energie Schwyz AG. A photovoltaic system will be installed on the roofs. Electromobility connections are also planned. ■

The Hertipark development stands out, inter alia, for its central location next to Brunnen station.





Source: Raumgleiter AG

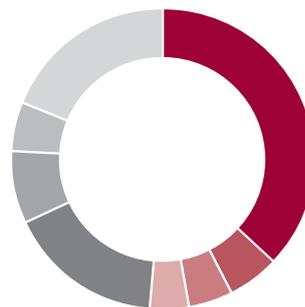
Bright apartments with expansive window fronts and attractive parquet floors are attracting lively interest from residential tenants.

Swiss Life Investment Foundation: Real Estate Switzerland Investment Group

ISIN	CH0106150136
Launch date	01.12.2009
Portfolio manager	Nils Linsi

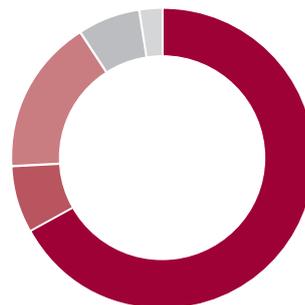
Key figures as of 31.03.2021

Market value of real estate	CHF 3553.1 Mio.
Number of properties	240
Rental rate	97.6%
Borrowing ratio	19.1%
Net asset value (NAV)	CHF 2776.0 Mio.
Performance YTD	1.71%
Performance 2020	4.94%
Performance 2019	5.36%
Performance 2018	6.06%
Performance since launch	5.63% p. a.



Geographical distribution

Zurich	37.1%
Bern	5.6%
Central Switzerland	4.6%
Western Switzerland	4.3%
Northwestern Switzerland	16.5%
Eastern Switzerland	7.9%
Southern Switzerland	5.3%
Lake Geneva	18.7%



Types of use

Residential	67.0%
Office	7.3%
Retail	16.6%
Parking	7.6%
Ancillary use	2.4%

Complete refurbishment in St. Gallen old town

Multergasse, one of the most popular shopping streets in the heart of St. Gallen's old town, has one of the city's highest foot-falls. St. Gallen main station, with its regular local and long-distance connections, is less than ten minutes away on foot.

Built in 1965, Multergasse 11, slightly set back with a small forecourt, underwent comprehensive renovation in 2019/2020. The redesign of the façade to fit in with the central area was carried out in close consultation with the authorities. The retail space extends from the first basement to the first floor and the generous office space is directly above on the second and third floors. Each storey comprises approx. 460 m. The

commercial spaces are equipped with both a ventilation and cooling system. The fully fitted and barrier-free washrooms including showers on the 2nd and 3rd floors make a positive impression with modern and high-quality materials.

In the course of the renovation, the former storage rooms in the attic were also converted into apartments. The outcome was four 2.5-room apartments between 50 and 60 m, which open onto an atrium. The roof terrace with pergola, for exclusive use by the four tenants, offers a beautiful view over the rooftops of St. Gallen. These unique apartments were rented out within a very short time. Various discussions are

under way with interested parties for the retail and office space. ■

A central location on one of the St. Gallen's most popular shopping streets.



Source: Bruno Helbling Fotografie



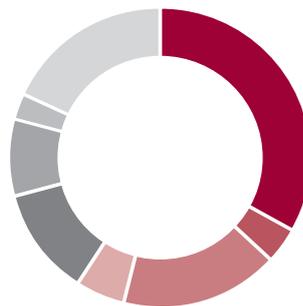
One of the four modern 2.5-room apartments with direct access to the rooftop terrace via the spiral staircase.

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

ISIN CH0136837587
Launch date 01.11.2011
Portfoliomanager Nils Linsi

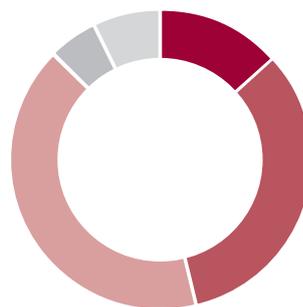
Key figures as of 31.03.2021

Market value of real estate CHF 1811.5 m
Number of properties 94
Rental rate 97.5 %
Borrowing ratio 26.3 %
Net asset value (NAV) CHF 1295.4 m
Performance YTD 1.06 %
Performance 2020 4.56 %
Performance 2019 4.90 %
Performance 2018 4.97 %
Performance since launch 5.04 % p. a.



Geographical distribution

Zurich	43.8 %
Bern	3.3 %
Central Switzerland	14.3 %
Western Switzerland	4.2 %
Northwestern Switzerland	9.4 %
Eastern Switzerland	7.0 %
Southern Switzerland	2.3 %
Lake Geneva	16.8 %



Types of use

Residential	12.0 %
Office	35.8 %
Retail	41.2 %
Parking	4.5 %
Ancillary use	6.5 %

A project for self-determined living

The attractively located new building in Obergösgen in the east of Canton Solothurn offers a high quality of life. The medium-sized community close to the Aare is surrounded by expansive agricultural land and undulating woods. These appealing features make Obergösgen a unique recreational area for young and old. In addition, the nearby golf course in the municipality of Lostorf offers the opportunity to improve the personal handicap. And that's not all. Obergösgen offers an impressive cultural experience with the remains of Iron Age and Roman settlements.

Obergösgen has excellent transport connections. The bus stop is just beside

the complex. The cantonal capital Olten – gateway to various other cities such as Bern, Zurich and Basel – is not far away. And the A1 and A2 motorways can be reached within a few minutes' drive.

The new building was inaugurated in spring 2020. It comprises a nursing home with care beds and age-appropriate apartments, operated by Oase Service AG. It also offers services such as a reception area, a restaurant and a hairdresser on the ground floor.

At the same time as the nursing home opened, 30 rental apartments were made available, all of which have already been rented out. The complex leaves a

strong impression with its attractive and spacious outside areas. The materials used in the interior were carefully selected and harmonise with each other. The entire ensemble offers older people the perfect opportunity for self-determined living. Residents are free to choose whatever suits them best – from a rental apartment to nursing care. The resulting intergenerational mix adds value for everyone. ■

The roofs feature extensive greenery. There are also solar collectors on each roof to heat the water.



Source: Oase Service AG



Source: Oase Service AG

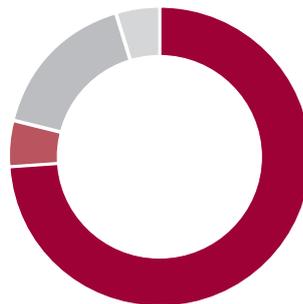
Self-determined living in one of the modern rental apartments.

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

ISIN CH0385556482
Launch date 01.12.2017
Portfolio manager Nils Linsi

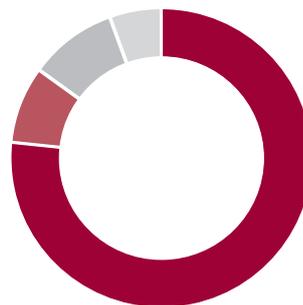
Key figures as of 31.03.2021

Market value of properties CHF 300.1 Mio.
Number of properties 10
Rental rate 98.8 %
Borrowing ratio 17.7 %
Net asset value (NAV) CHF 243.2 Mio.
Performance YTD 4.93 %
Performance 2019 5.08 %
Performance 2018 5.18 %
Performance 2017 n/a
Performance since launch 5.45 % p. a.



Geographical distribution

Zurich 73.9 %
Bern 5.0 %
Northwestern Switzerland 16.5 %
Eastern Switzerland 4.6 %



Types of use

Facilities with no inpatient care services 76.7 %
Care facilities and nursing homes 8.9 %
Healthcare properties 0.0 %
Services and retail 8.3 %
Ancillary use and parking 6.1 %

Historic commercial building “Kreuzstrasse 54,” Zurich

The commercial building dates from 1890 and is located in the part of Seefeld district in Zurich that is close to the city centre. The lake promenade and Stadelhofen railway station are just five minutes’ walk away. Kreuzstrasse, a well frequented traffic route, ensures high visibility for the generous retail floor. A supplier of garden furniture and accessories currently occupies the high-ceilinged and elegant retail space.

The ground floor provides direct access to the basement via the stairs and various openings, thus ensuring natural light. The traditional charm of this historic property is also evident in the old metal

columns, which lend the interiors a timeless elegance, as well as the brick façade and arched windows with bars.

The upper floors all offer spacious office units with natural light from three sides. The office space was expanded in the 1990s thanks to an extension at the back, which lets plenty of light into the building with its glass front. On the side, it has a small-structured perforated façade, concealing the passage to the neighbouring core zone.

Kreuzstrasse 54 is a unique investment property due to its central yet discreet location in the city of Zurich. The building itself provides bright office space

compatible with a range of uses, which stands out from other areas thanks to its historic building elements. Finally, the six office units in total offer a wide range of letting opportunities, ranging from individual small tenants to a single tenant. Overall, this amounts to an investment offering high earnings and value retention. The real estate fund REF (LUX) ESG Commercial Properties Switzerland acquired the property from Swiss Life as part of a capital increase in 2020. ■

This historic property makes a statement through its central location on Kreuzstrasse in Zurich’s Seefeld district.



Source: Foto Werder



Source: Foto Werder

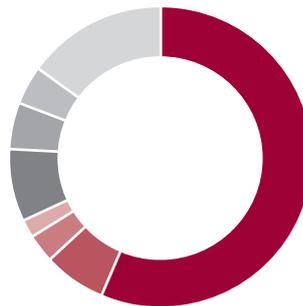
The bright offices are let to a law firm on a long-term lease.

**Swiss Life Immobilienfonds:
Swiss Life REF (LUX)
ESG Commercial Properties Switzerland**

ISIN LU0820924123
Launch date 01.11.2012
Portfolio manager Marcel Schmitt

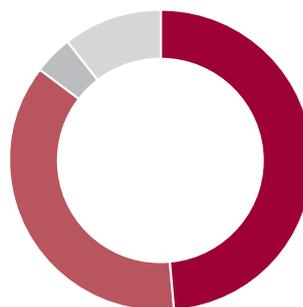
Key figures as of 30.09.2020

Market value of properties CHF 1397.5 Mio.
Number of properties 41
Rental rate 96.9 %
Borrowing ratio 31.1 %
Net asset value (NAV) CHF 928.5 Mio.
Performance YTD 1.01 %
Performance 2020 4.18 %
Performance 2019 4.17 %
Performance 2018 4.62 %
Performance since launch 4.86 % p. a.



Geographical distribution

Zurich	61.6 %
Bern	5.1 %
Central Switzerland	2.2 %
Western Switzerland	1.6 %
Northwestern Switzerland	7.2 %
Eastern Switzerland	5.3 %
Southern Switzerland	3.0 %
Lake Geneva	14.0 %



Types of use

Office	48.8 %
Retail	36.7 %
Parking	4.2 %
Ancillary use	10.3 %

Rue Micheli-du-Crest 2: Residential and commercial building in the heart of Geneva

The residential and commercial building “Rue Micheli-du-Crest 2,” built in 1930, is located in the animated triangle between Plainpalais, the university hospital and the medieval town centre. The detached property is surrounded by three streets and stands out with its distinctive rounded corners. The building has a total of seven floors connected by a traditional, naturally lit staircase and lift. Access to the ground floor is via a spacious entrance hall. There are four smaller business units measuring around 50 to 150 metres on the ground floor – dimensions in high demand on the commercial market, especially since the spaces are high, bright and prominent.

The building was renovated in 2019, especially the upper floors. In addition to kitchens and bathrooms, sanitary piping and electrical wiring as well as other technical elements were renewed. The modern structure combined with spacious kitchens and balconies features extremely attractive apartments at one of the most popular real estate locations in Switzerland.

The 18 apartments with two to five rooms will be subject to rent regulation under the Geneva LDTR (a law on the demolition, transformation and renovation of residential property) for about three years. The apartments, which are currently rented at comparatively low rates, can thus be succes-

sively adapted to the market rent in subsequent years, which is significantly higher than the current rent. Based on the recent repairs and the resulting low future maintenance costs, “Rue Micheli-du-Crest 2” will thus be able to make a steadily growing contribution to the fund’s future net results. The REF (CH) Swiss Properties real estate fund acquired the attractive investment property from Swiss Life in December 2020 as part of a portfolio purchase and capital increase. ■

Small retail units with high ceilings and large window fronts.





Source: Foto Werder

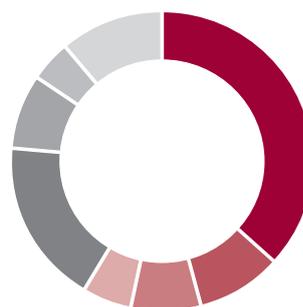
Representative with balconies in a lively urban district.

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

ISIN	CH0293784861
Launch date	02.11.2015
Portfolio manager	Marcel Schmitt

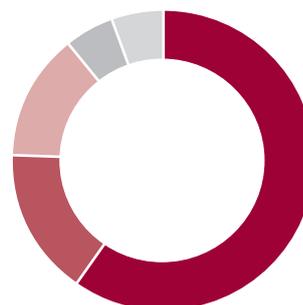
Key figures as of 31.03.2020

Market value of properties	CHF 1375.6 m.
Number of properties	91
Rental rate	97.8%
Borrowing ratio	26.1%
Net asset value (NAV)	CHF 998.9 m.
Performance YTD	0.77%
Performance 2020	3.61%
Performance 2019	-1.81%
Performance 2018	6.08%
Performance since launch	9.04% p. a.



Geographical distribution

Zurich	38.8%
Bern	8.5%
Central Switzerland	7.5%
Western Switzerland	5.1%
Northwestern Switzerland	16.3%
Eastern Switzerland	7.4%
Southern Switzerland	4.1%
Lake Geneva	12.3%



Types of use

Residential	61.4%
Office	15.4%
Retail	14.2%
Parking	5.5%
Ancillary use	3.5%

“Glatt”: a shopping centre in perpetual transformation

One of Switzerland’s oldest shopping centres, “Glatt,” is one of the most innovative shopping centres and, with sales of CHF 600 million a year, the shopping centre with the highest turnover in the country. It is in Swiss Life Asset Managers’ ownership since 2020.

Rageth Clavadetscher, manager of the Glatt Centre

The idea of the shopping mall originated in the US during the 1960s – the first shopping centres in Switzerland based on the American model were built in the 1970s. Glatt, which opened in 1975 near Zurich Airport, was one of the first shopping malls to be built. This retail landmark attracts 9 million customers every year with its 43 000 m of retail space.

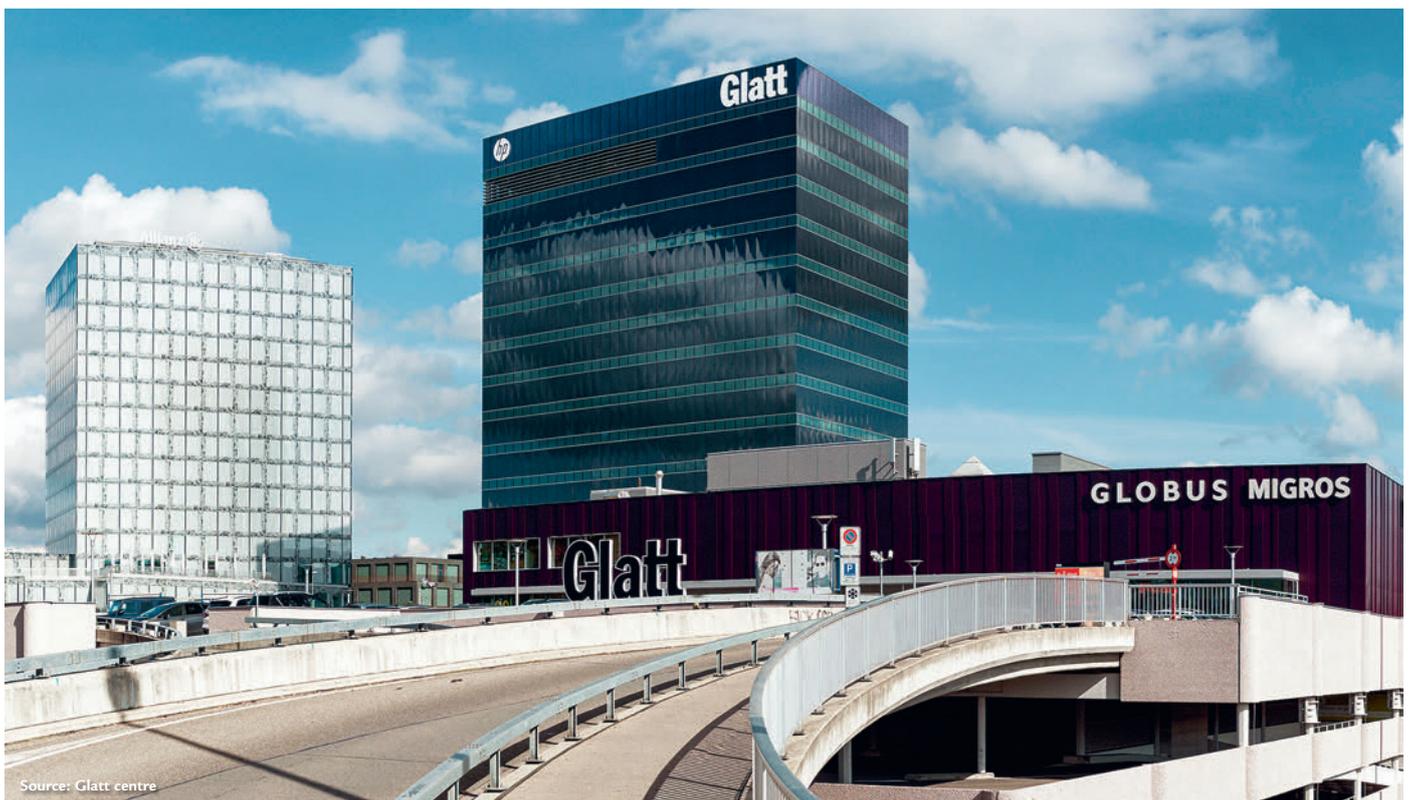
Trendsetter, anchor tenants and plug-in format

What is the strategy behind this success? First, Glatt relies on strong, popular anchor tenants such as Migros or Globus. In addition, the shopping centre consistently aims to be the first point of sale in Switzerland for internationally successful trend brands. In the past, these included the Jap-

anese lifestyle chain MUJI, the first Swiss H&M Home store, Xiaomi (Mi-Store) and The Bloomery. Experience shows: novelty and variety attract customers.

Glatt takes this one step further: the Retail Concept Lab (RCL) has created a format for brands that previously could only be purchased online. For one month, an online store offers its goods in the RCL,

The good transport connections mean around 2.5 million people can reach the Glatt centre within 45 minutes.





A bustling 43 000 m² of retail space.

creating great variety for the customers. At the same time, brands can test their products in the retail sector without having to make a major investment in their own retail outlet. The RCL has a modular structure, so that both a florist with trendy dried flowers and a fashion chain with sustainable clothing can move in directly one after the other. The Retail Concept Lab is already fully booked for 2021. The plug-in format is also suitable with regard to vacancy management for shop floor owners. This is likely to become a major issue for many after the coronavirus epidemic.

From shopping to leisure

Tatsächlich ist das Glattzentrum längst mehr als «nur» ein Ort zum Einkaufen geworden. In den letzten Jahren fand im Glatt eine der grössten Flächentransformationen in der Geschichte dieser Shoppingmall statt. Dienstleistungen und Events gewin-

nen immer mehr an Bedeutung – das Einkaufszentrum wird zunehmend zum Freizeitort, wo Menschen Freunde und Familie treffen. So entstand vor einiger Zeit etwa ein E-Garden, in dem die neuesten Elektroautos von Tesla, BMW, Honda, Aways etc. präsentiert wurden. Täglich lockte er mehr als 1000 Besucher an.

Generational mix in Glatt

The Glatt centre applies a forward-looking social media strategy. For example, the shopping centre management recognised the potential of TikTok as early as 2019 and organised Switzerland's first TikTok fan meeting that year. The most successful videos of the shopping paradise count over 230 000 views and the post about the introduction of Bubble Tea led to the product selling out immediately.

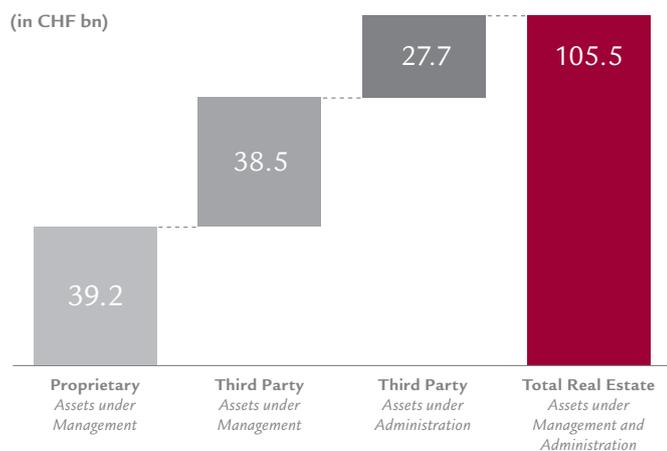
Although the Glatt centre has been a familiar sight for all motorists on the A1

for 46 years, it is constantly reinventing itself on the inside. Generation Z will most probably go shopping in Glatt just like their parents and grandparents did, as well as spending their leisure time there. ■

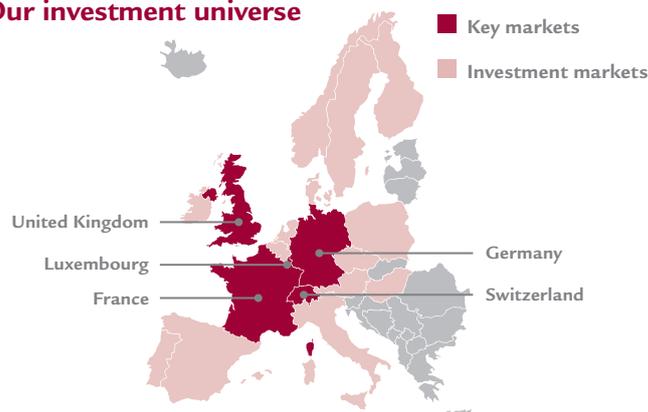
Real Estate – facts and figures

Assets under Management and Administration

(in CHF bn)



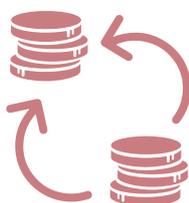
Our investment universe



Transaction volume real estate

10.6

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



Employees



Contact

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All figures as at 30 June 2020, unless stated otherwise

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