

November 2019

# Exposé

Real estate investments in Switzerland



SwissLife  
Asset Managers



**Multi-generational project –**  
Gränichen: innovative ideas beyond construction

**Energetic renovation –**  
Geneva office building ready for lake water air conditioning

**Sustainability strategy –**  
assuming all-round responsibility

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## A sustainable future

Assuming all-round responsibility



## Editorial

Dear readers

Globally, real estate is responsible for a third of greenhouse gas emissions, 30% of energy demand and 40% of the consumption of all natural resources.\* The theme of sustainability is therefore of major importance for property owners. As a long-term investor, we are particularly committed to sustainability. Our holistic investment process helps us to generate returns while at the same time managing and developing our portfolio in a more sustainable manner. To this end we pursue an iterative process that identifies new measures and adjusts existing ones. We also subject ourselves to systematic benchmarking. This process leads to a methodical improvement of our portfolio in terms of sustainability. Or to put it another way, what gets measured, gets done!\*\*

Since last year we have been participating in the Global Real Estate Sustainability Benchmark (GRESB). We are pleased to report that this year all our existing Swiss portfolios have achieved the GRESB “green star” label. But we’re not stopping there: we will continue to do our best and aim to improve continuously.

I hope you enjoy reading this issue.

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



\*Source: United Nations Environment Programme Finance Initiative (UNEP FI)

\*\*in line with Peter Drucker

# Challenging but still attractive

While the global economy is slowing down, the interest of investors in real estate continues unabated. The developments on the markets still need to be monitored closely and the demand for professional asset management undoubtedly remains high.

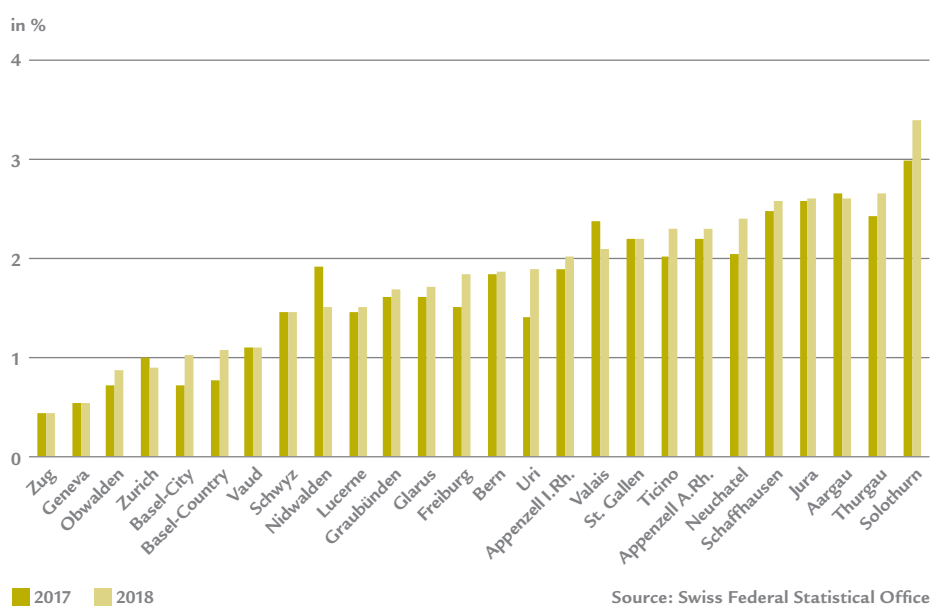
Francesca Boucard, Senior Economist Real Estate, Swiss Life Asset Managers

Various political developments are continuing to keep us on our toes in 2019 and their consequences for the global economy need to be closely monitored. This particularly applies to Switzerland, due to its strong dependence on foreign trade. The Swiss export ratio to China, for instance, is greater than that of every other developed country. Germany, likewise an important trading partner, is currently undergoing a significant economic slowdown that could lead to a (technical) recession. At the same time, the Fed has reopened the phase of interest rate cuts. This has caused the Swiss franc to appreciate and the potential reaction of the Swiss National Bank is the subject of lively debate.

Both the dependence on trade and the appreciation of the Swiss franc are the cause of our rather cautious forecast for the Swiss economy. This particularly applies to those sectors competing with the neighbouring Eurozone. While the Swiss unemployment rate has long been very low, the possibility of a technical recession in Germany is prompting cautious investment and recruitment activity among companies located there. Nevertheless, the indicator for the employment outlook continues to point upwards.

The declining economy is also causing interest rates to stay at very low levels. At the time of writing, our forecast on the 10-year Swiss Confederation bond for 2022 is below zero. This means that real estate investments will remain relatively attractive and the demand from investors

Vacancy rate in residential at cantonal level  
comparison 2018 and 2017



Source: Swiss Federal Statistical Office

will continue to be high. At the same time, we are keeping a close eye on developments in the real estate markets. In the residential sector, rising vacancy rates can be observed throughout Switzerland due to the lively construction activity (vacancy rate as of 1 June 2019: 1.66%; 2018 vacancy rate: 1.62%), although there are some significant regional differences. While a further increase was recorded in most cantons, the number of vacant apartments decreased in the cantons of Zurich and – surprisingly – Aargau. Nevertheless, an environment is currently prevailing in which the market-

ing of properties can pose a challenge and there is a need for professional asset management. ■

Going to press: 15 September 2019

# Gränichen: reaching the goal with professional asset management

The newly constructed “Spycher” residential complex with its 109 apartments organically blends into the southwestern valley of Gränichen. The railway station can be reached on foot in just a few minutes. The attractive location in the centre of the municipality of Gränichen is surrounded by soothing tranquillity and a harmonious vista. However, the marketing of such a project is challenging due to the large amount of construction activity in Canton Aargau. Professional asset management and a coherent overall package are required for this project.

The decisive factors are the product geared to the target group with an intelli-

gent floor plan, a rent tailored to the market and the right local marketing partner. The apartments’ interiors appeal with an attractive kitchen, dining and living area, walk-in showers, own washing machines/tumble dryers in the storeroom and spacious outdoor terraces and balconies.

Alongside the well-designed apartments, the complex presents a unique multi-generational concept for Switzerland: The DOMUM housing cooperative offers 40 affordable age-appropriate apartments. DOMUM offers a range of options at the “Spycher” multi-generational development either to self-manage or to outsource tasks: from domestic assistance and

the laundry service and fitness room, through to the “exchange” via which services such as transport, watering plants and carrying heavy shopping can all be booked.

A pleasing rental rate also reflects the success of the overall package: all 29 apartments of the initial construction stage were let prior to occupancy in the summer of 2019. Of the 80 apartments of the second stage due for occupancy as of 1 November 2019, only four remain vacant and three of these are already reserved. ■

The “Spycher” project stands out with its restrained and equally modern and well-thought-out architecture.



Source: Swiss Interactive AG



Source: Foto Werder

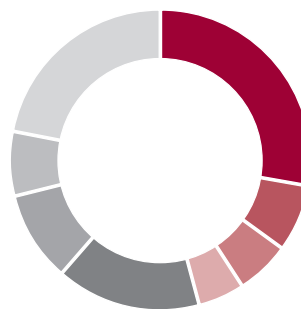
The light-flooded apartments are attracting strong demand due to their intelligent floor plans.

**Swiss Life Investment Foundation:  
Real Estate Switzerland investment group**

ISIN CH0106150136  
Launch date 1 December 2009  
Portfolio manager Nils Linsi

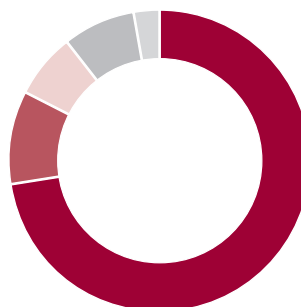
**Key figures as of 30 September 2019**

Market value of real estate CHF 2494.8 m  
Number of properties 193  
Rental rate 96.7 %  
Borrowing ratio 14.5 %  
Net asset value (NAV) CHF 2046.2 m  
Performance YTD 4.63 %  
Performance 2018 5.36 %  
Performance 2017 6.06 %  
Performance 2016 6.52 %  
Performance since launch 5.74 % p. a.



**Geographical distribution**

Zurich	27.9 %
Bern	7.2 %
Central Switzerland	5.9 %
Western Switzerland	5.1 %
Northwestern Switzerland	15.4 %
Eastern Switzerland	9.7 %
Southern Switzerland	7.1 %
Lake Geneva	21.7 %



**Types of use**

Residential	72.6 %
Office	10.0 %
Retail	6.8 %
Parking	7.8 %
Ancillary use	2.8 %

# Repositioning on Lucerne's main shopping street proves effective

The retail property is located in Lucerne's old town on Hertensteinstrasse. With its numerous cafés, shops and restaurants, this is one of the most highly frequented streets in the city. It is not far from Schwanenplatz, a major transport hub that is served daily by a large number of coaches.

The property was built in the 1970s and was used by Coop City until the 1980s. It was subsequently rented by the Swiss fashion chain Charles Vögele, which was taken over in 2016 by the Italian fashion house OVS. OVS withdrew from Switzerland in the summer of 2018. This tenant change was used to carry out a complete refurbishment of the building

and introduce a multi-tenant solution for the approximately 6000 m<sup>2</sup> of retail space.

The refurbishment includes segmentation of the large retail units, replacement of the building services system and the adjustment of fire protection in accordance with the latest fire safety regulations. The display windows and main entrance to the building are being redesigned and the building's statics updated to today's standards. Most of the units were already let to tenants with good credit ratings one year prior to the scheduled reopening in March 2020. Not only were long-term rental contracts concluded but the rental income was also significantly increased. The upper

floors were previously used for storage and for the old building's services system. Both are now located in the basement, enabling the upper storeys to be converted into offices and apartments.

The property is one of the largest in the portfolio of the Commercial Real Estate Switzerland Investment Group. Thanks to its complete refurbishment and repositioning, the building is as new and offers secure long-term income. ■

Hertensteinstrasse lies in the heart of Lucerne and invites pedestrians to linger in its variety of cafés, shops and restaurants.



Source: Imre Bartal, Architron GmbH



Source: Imre Bartal, Architron GmbH

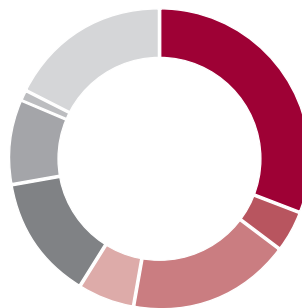
The refurbished retail units are attracting strong demand and were already let one year prior to the reopening.

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

ISIN CH0136837587  
Launch date 1 November 2011  
Portfolio manager Nils Linsi

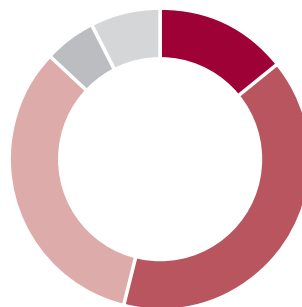
**Key figures as of 30 September 2019**

Market value of real estate CHF 1337.8 m  
Number of properties 88  
Rental rate 96.4%  
Borrowing ratio 16.4%  
Net asset value (NAV) CHF 1070.0 m  
Performance YTD 4.34%  
Performance 2018 4.97%  
Performance 2017 5.55%  
Performance 2016 5.25%  
Performance since launch 5.22% p. a.



**Geographical distribution**

Zurich	31.0%
Bern	4.4%
Central Switzerland	17.6%
Western Switzerland	5.9%
Northwestern Switzerland	13.5%
Eastern Switzerland	9.1%
Southern Switzerland	1.0%
Lake Geneva	17.5%



**Types of use**

Residential	14.4%
Office	39.5%
Retail	33.2%
Parking	5.6%
Ancillary use	7.3%

# Tertianum Porza: a retirement home at a unique location

A retirement home that will be run by Tertianum is planned in the municipality of Porza, in the immediate vicinity of Lugano. The home has excellent public and individual transport connections. The centre of Lugano can be reached within a few minutes. Nestled in extensive greenery, shops, and restaurants, entertainment facilities are also within walking distance.

Occupancy is planned for the summer of 2020. The retirement home offers spacious and barrier-free floor plans, inviting balconies and an underground car park for motor vehicles. The building will contain 40 rental apartments with services, 39 rooms in the care department and

various ancillary rooms such as a reception, restaurant, day room and nursing wards. It will also have eight dementia care rooms. The entire property will be rented and operated by Tertianum. The ground floor contains an area measuring around 140 m<sup>2</sup>, which can be assigned to retail use.

The Tertianum Group is one of the largest Swiss providers of various forms of “living well in old age”. It is represented in all the linguistic regions and excellently established with a track record going back more than 35 years. Around 4500 employees work at Tertianum and are responsible for running the 77 locations with around 1800 apartments and over 3000 nursing

beds. The experienced operator guarantees its guests a high quality of life and is an ideal tenant for the Retirement and Healthcare Investment Group, with long-standing ties to the Porza location. ■

Nestled in extensive greenery but only a few minutes from the centre of Lugano.







Source: Artisa Developer AG

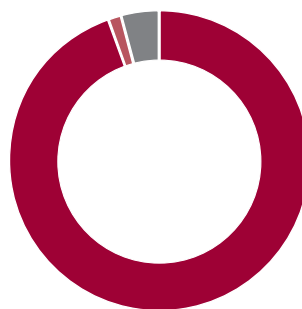
The residents enjoy spectacular views of Lugano.

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

ISIN	CH0385556482
Launch date	1 December 2017
Portfolio manager	Nils Linsi

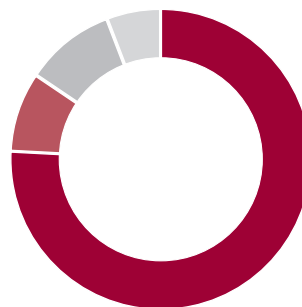
### Key figures as of 30 September 2019

Market value of properties	CHF 226.6 m
Number of properties	8
Rental rate	98.8%
Borrowing ratio	15.5%
Net asset value (NAV)	CHF 191.3 m
Performance YTD	4.51%
Performance 2018	5.18%
Performance 2017	n/a
Performance 2016	n/a
Performance since launch	5.43% p. a.



### Geographical distribution

Zurich	94.5%
Bern	1.4%
Northwestern Switzerland	4.1%



### Types of use

Facilities with no inpatient care services	76.0%
Care facilities and nursing homes	8.5%
Services and retail	9.7%
Ancillary use and parking	5.7%

# Successful total refurbishment in the centre of Geneva

The eight-storey office building was erected in a skeletal structure in 1979. It lies at the western end of Rue du Marché. Together with Rue du Rhône and Rue du Rive, it is one of the main shopping streets in the city of Geneva. Accordingly the street has one of the highest levels of footfall in Switzerland. The Bel Air and Molard tram and bus stops are just a few minutes' walk away. This underlines the property's good transport connections.

The building's energy efficiency was modernised in the spring of 2019. The façade and windows were renewed. The building services system was replaced and configured for future lake water heating/

cooling. It can be put into operation as soon as the city makes this innovative form of energy use available.

The property forms the end of the row of buildings between Rue du Marché and Rue de la Rôtisserie. Office users therefore enjoy a three-sided view of the surrounding streets and the Place de la Fusterie with the Temple de la Fusterie. The large front windows ensure light-flooded rooms and contribute to an attractive working environment. The standard floors at 300 m<sup>2</sup> are perfectly dimensioned for bright and modern office units and permit high flexibility of use. The slightly set back attic floor is surrounded by a terrace on all sides.

The retail units are mainly used by the traditional Swiss company Victorinox that occupies three storeys with its flagship store. Victorinox shares the ground floor with Rituals, the successful retailer of home and body care products.

With tenants who exhibit good credit ratings in the retail units and attractive office units on the upper floors, the property's rental income is secured in the long term, thereby contributing to the sustainable performance of the portfolio. ■

The eighth floor of the office building offers breathtaking views across central Geneva.



Source: Dany Malu



Source: Dany Malu

The highly frequented Rue du Marché is one of Switzerland's most attractive footfall locations.

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

ISIN	LU0820924123
Launch date	1 November 2012
Portfolio manager	Marcel Schmitt

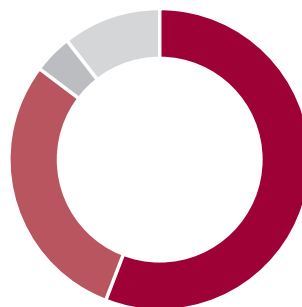
**Key figures as of 30 September 2019**

Market value of properties	CHF 1068.2 m
Number of properties	34
Rental rate	97.5 %
Borrowing ratio	17.6 %
Net asset value (NAV)	CHF 841.7 m
Performance YTD	3.41 %
Performance 2018	4.62 %
Performance 2017	4.92 %
Performance 2016	6.00 %
Performance since launch	5.05 % p. a.



**Geographical distribution**

Zurich	56.6 %
Bern	6.7 %
Central Switzerland	2.9 %
Western Switzerland	2.1 %
Northwestern Switzerland	7.7 %
Eastern Switzerland	4.8 %
Southern Switzerland	4.0 %
Lake Geneva	15.2 %



**Types of use**

Office	56.1 %
Retail	29.2 %
Parking	4.3 %
Ancillary use	10.4 %

# Refurbishment in Zurich's Seefeld district

The “Wiesenstrasse 8/10” residential and office building in the Seefeld area of Zurich was erected in 1981 as a strut construction with a high-quality metal façade. Two entrances provide access to around 4000 m<sup>2</sup> of office space and 14 apartments. Set back from Seefeldstrasse by some metres, the building offers a combination of privacy and tranquillity as well as numerous catering, leisure and shopping facilities in the immediate vicinity. Lake Zurich and Stadelhofen station are just a few hundred metres away.

Swiss Life Asset Managers carried out a partial refurbishment of the property in 2019. This included completely revamping the apartments. Spacious open-plan kitchens replaced the previous small and self-contained units. The living and dining

area were upgraded and the sense of space improved. The bathtubs and brown tiles in the bathrooms made way for spacious modern showers. The entrance areas to the apartments were outfitted with hall cupboards as well as washing machines and tumble dryers.

The above-average room height and the large window areas that were taken from the attached business wing in the year of construction lend the newly refurbished apartments the spaciousness of a loft. Following completion of the renovation, half the apartments comprising two and three rooms were advertised to let and found tenants within a very short space of time. The willingness to pay for modern small apartments in central locations, particularly in Zurich, therefore still appears to be very high.

In the business wing the heat generation and ventilation systems were replaced. In addition to the preconditioning of the air intake, a parallel refrigeration supply was installed that supplies cooling ceilings in the rental units when required. New centrally controlled aluminium blinds will from now on reduce the heat input during the summer. The office units are therefore also well positioned in the local market and making a valuable contribution to constant and secure income. ■

The high-quality metal façade lends a prestigious character to the property in the Seefeld area of Zurich.





Source: Swiss Life Asset Managers

The spacious open-plan kitchens provide a high quality of living.

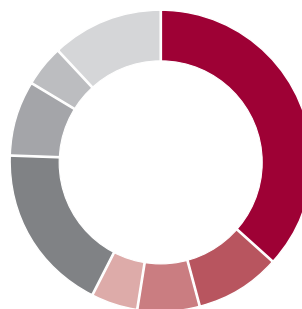
### Swiss Life Real Estate Fund: Swiss Life REF (CH) Swiss Properties

ISIN	CH0293784861
Launch date	2 November 2015
Portfolio manager	Marcel Schmitt

### Key figures as of 31 March 2019

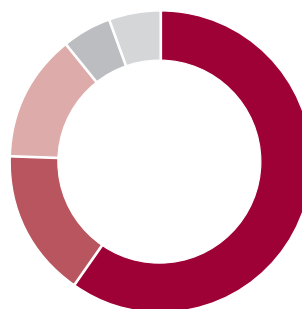
Market value of properties	CHF 1236.2 m
Number of properties	87
Rental rate	96.9%
Borrowing ratio	20.6%
Net asset value (NAV)	CHF 961.9 m
Performance YTD <sup>1)</sup>	12.83%
Performance 2018	-1.81%
Performance 2017	6.08%
Performance 2016	16.09%
Performance since launch <sup>1)</sup>	9.54% p. a.

<sup>1)</sup> Key figures as at 30 September 2019



### Geographical distribution

Zurich	36.7%
Bern	9.3%
Central Switzerland	6.6%
Western Switzerland	5.0%
Northwestern Switzerland	18.0%
Eastern Switzerland	8.1%
Southern Switzerland	4.6%
Lake Geneva	11.7%



### Types of use

Residential	59.8%
Office	15.9%
Retail	13.6%
Parking	5.4%
Ancillary use	5.3%

# Sustainable real estate investments: Responsibility pays off

For over 125 years, the risk strategy of Swiss Life Asset Managers has been geared to the long term – sustainability “avant la lettre”. Today its measures for achieving higher sustainability embrace all areas – from the acquisition to the operational running of real estate.

Alfonso Tedeschi, Product and Service Manager, Swiss Life Asset Managers  
 Dominik Pfoster, Head of Responsible Investment, Swiss Life Asset Managers

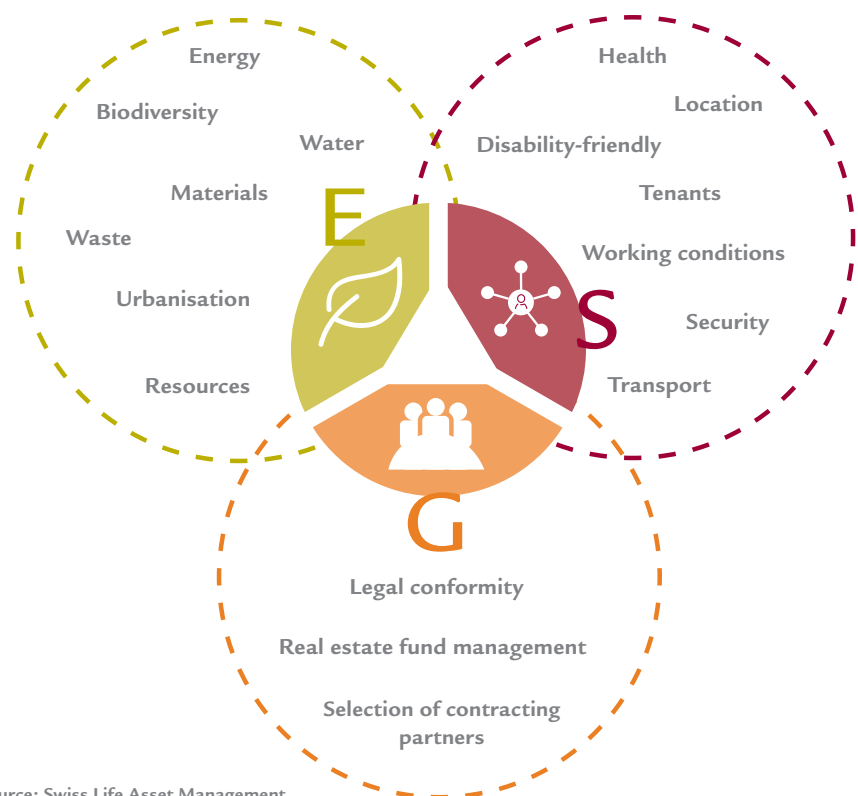
According to the United Nations Environment Programme Finance Initiative (UNEP FI), the building sector is responsible for 30% (Switzerland: 26%, as of 2017) of global greenhouse gas emissions and for 40% of global energy consumption. Environmental regulations, which are largely due to the Paris Climate Agreement, and the increasing awareness of tenants regarding sustainable ways of life are exerting a significant influence on the investment process in the real estate sector. For large enterprises, sustainability is often a decisive selection criterion when searching for office property. Attention is not infrequently paid to quality labels such as “LEED”, “BREEAM”, “SNBS” or “Minergie”. The theme of sustainability is thus posing challenges to property owners but also offering the opportunity to make an important contribution towards achieving the climate targets.

We at Swiss Life Asset Managers are aware of our responsibility as Europe’s largest real estate investor and treat the theme of sustainability as a high priority. We have for some time been applying methods for which all three sustainability dimensions come into play: environment (E), social (S), governance (G). This holistic investment process helps us to generate attractive returns while managing and developing our portfolio in a more sustainable manner. We therefore aim to in-

tegrate ESG factors into the entire cycle of our real estate activities, from acquisition, project development and management, through to the disposal of the investments. This procedure guarantees the long-term attractiveness of our properties as investment and rental properties. The

focus is placed on the careful handling of resources and the reduction of the ecological and social burden placed on the environment and society. The use of intelligent technological innovations is also intended to reduce the environmental footprint.

## ESG sustainability dimensions



Source: Swiss Life Asset Management

### Sustainability in harmony with stakeholder needs

One of our primary concerns is to develop sustainable investment approaches. To this end Swiss Life Asset Managers pursues an iterative process that identifies new sustainability measures and adjusts existing ones. To do so we coordinate the real estate strategy and goals with the needs of our stakeholder groups, such as investors, tenants, employees and future generations. Measures are derived and implemented on this basis. Impacts are controlled by way of extensive monitoring and subjected to systematic benchmarking. Internal and external reporting enables opportunities and potential to be identified and illustrated. The circular process leads to a continuous improvement of our portfolio quality in terms of sustainability aspects and therefore results in a win-win situation for us and our stakeholder groups.

### Targeted measures throughout the entire investment process

Sustainability has already made comprehensive inroads into our investment process. For example, we make use of an extensive due diligence checklist that includes ESG criteria for the purchase of real estate investments (energy supply, waste management, indoor environment quality, transport connections, quality of service providers etc.). Altogether we consider the optimisation potential for existing properties to be the highest, whereby the focus is on reducing lifecycle costs, in particular by means of energy-saving measures, operational enhancements and the increased use of renewable energy sources. As a basis the energy data of our properties are continuously recorded for the further development of the portfolio. A reliable data basis is the prerequisite for sustainable portfolio management. The refurbishment of heating systems, replacement of

windows and insulation of façades enables us to reduce energy consumption and CO<sub>2</sub> emissions from our buildings. When refurbishing we also upgrade the surroundings with landscaping such as greening.

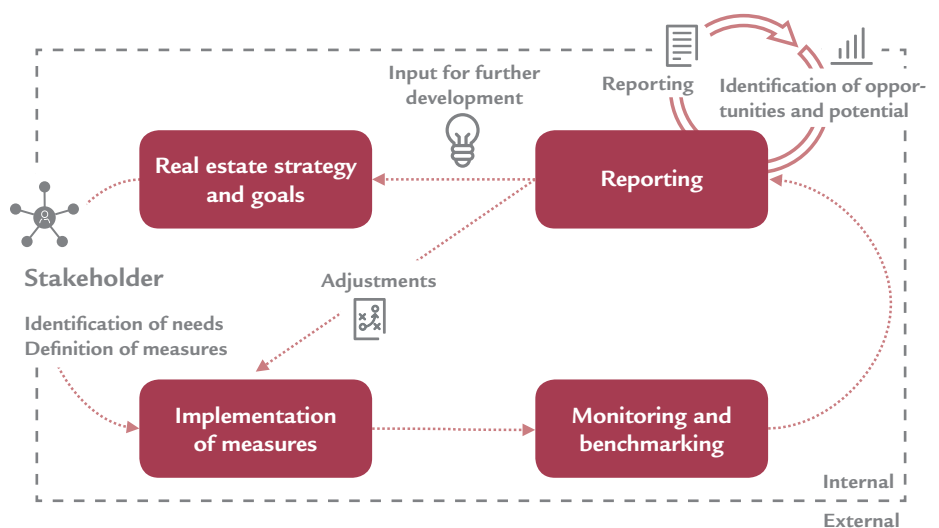
In addition, we raise awareness of sustainability aspects among tenants, users and managers. For example, Swiss Life Asset Managers proactively informs its tenants about environmentally friendly user behaviour. The aim is to show them how they can constructively save energy, electricity and water in their households.

Another important component of our sustainability strategy is the consolidation and upgrading of existing properties. This leads to careful handling of the resource “land” while simultaneously ensuring a high quality of life for our tenants.

In order to increase transparency we have developed our own performance indicators for optimising energy and resource

efficiency. Since last year we have also been participating with the Swiss insurance portfolio and all Swiss investment products for third-party clients in the Global Real Estate Sustainability Benchmark. The increased transparency is not only helpful for our investors and stakeholders but also enables us to integrate sustainability aspects even more strongly and systematically into our daily actions. ■

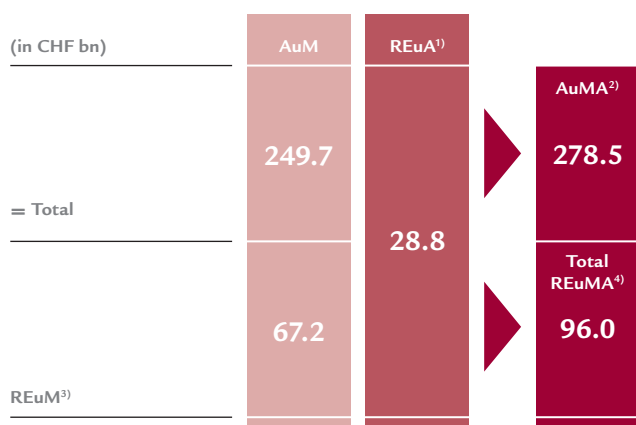
### Sustainability management at Swiss Life Asset Managers



Source: Swiss Life Asset Management

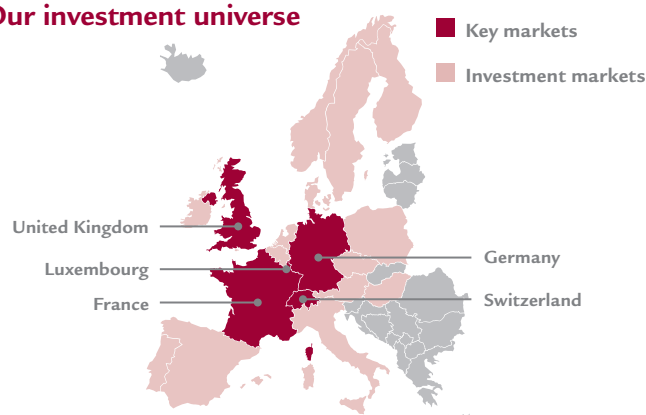
# Real Estate – facts and figures

## Assets under Management and Administration



<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.  
<sup>4)</sup> Real Estate under Management and Administration.

## Our investment universe



## Transaction volume real estate

7.9



(in CHF bn)  
(average 2016, 2017, 2018)

## Employees



## Contact

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 Direct line +41 43 284 33 45  
 gerhard.demmelmair@swisslife.ch

All figures as at 30 June 2019, unless stated otherwise

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Past performance is no indication of current or future performance. The performance data do not include any commissions and costs incurred when issuing and redeeming fund units.