

Exposé

Real estate
investments in Switzerland

June 2017



SwissLife
Asset Managers



"Greencity" – construction of a site in the south of Zurich



Economic environment



**Swiss Life
Real Estate Funds**



**Swiss Life Investment Foundation:
Real estate**



**In focus: catering concepts and
sustainable residential development**



Editorial

Dear readers

“The only constant is change.”* A few years ago, Zurich-Manegg was home to a paper plant. Now the former industrial site is being transformed into “Greencity”, a residential and office area near the city. Caserne des Vernets in central Geneva is still an army base. It will soon be an urban residential and business district as part of a major urban design competition. These are just two examples of Swiss Life’s sustainable project work for the 2000-watt society.

The retail sector is changing due to online shopping and retail tourism. Customers want more social interaction when shopping at one place, and attractive food concepts are gaining ground as a result. Moreover, the change from homogeneous shopping streets to integrated shopping, restaurant and service areas is now beginning in earnest.

Find out more about successful examples of such changes in this edition of our Exposé. We hope you enjoy reading the magazine.

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

*Heraclitus of Ephesus, 520 to 460 BC.

Economic environment

Global politics is having a significant impact on business activity and the economy in general. The low interest rate environment will remain.

Sylvia Walter, Senior Economist

Francesca Boucard, Economist Real Estate

The appreciation of the Swiss franc following the National Bank’s lifting of the currency ceiling against the euro has affected the Swiss economy over the past two years without bringing it to a complete standstill. We believe the strong Swiss franc remains an impediment to economic progress. Swiss Life Asset Managers is thus basing its outlook for GDP growth in 2017 at the lower end of the available forecasts for the Swiss economy.

This caution also factors in the political uncertainty all over the world. Even if the synchronised global upturn, which began in mid-2016, were to endure, the political environment could still cast a shadow over an otherwise healthy economic environment. Elections in France and Germany, growing nationalism, protectionism and populism could all have an impact on economic development over the longer term. Moreover, uncertainty over events in the eurozone is bound to trigger a flight to the safe haven of the Swiss franc and exercise upward pressure on the domestic currency.

The general inflation rate rose from zero with a strong energy price-induced tailwind. However, it will not accelerate further according to our forecast. We consider inflationary scenarios unfounded. Given the high level of public sector debt in Europe, we believe the financial repression phase will last. Interest rates have to stay low to ensure the sustainability of this debt burden and continued securities purchases by the European Central Bank (ECB) ensure that



this is the case. The Swiss National Bank is following the ECB's lead and will not be able to change its monetary policy in the foreseeable future. Secure, fixed-income securities remain an unattractive asset class.

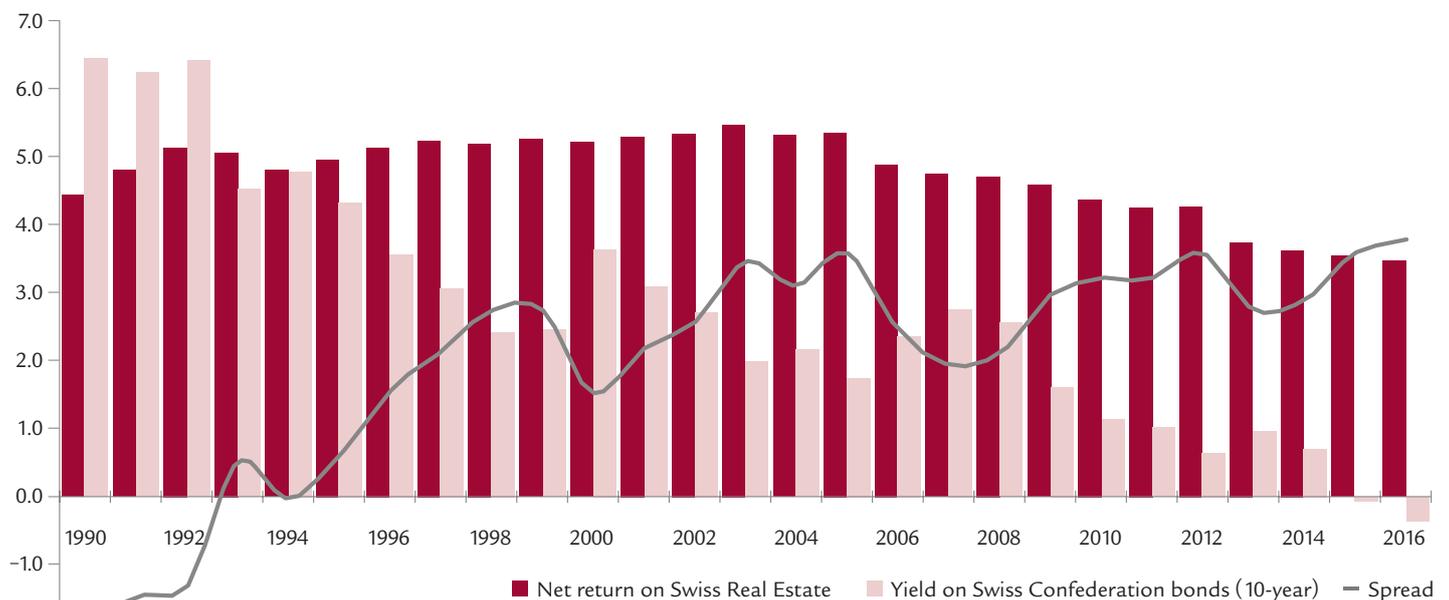
The Swiss property market is still shaped by the low interest rate environment, although some changes are also in evidence. We addressed the signs of saturation in the rental housing market in the last edition. This trend in favour of tenants is still apparent in below-average locations.

The office rental market in Switzerland has featured increased vacancy levels for some time. Although demand may well rise in line with sustained employment growth, this will be offset by the additional office space coming on the market. Suppliers will thus have to continue offering additional incentives to tenants, and active marketing and the cultivation of tenant relationships will become more of a priority. Nonetheless sinking vacancy rates and stable office rents have recently been in evidence in inner-city locations.

The retail property market is undergoing a sea change. Retailers are suffering from increasing online shopping and ongoing retail tourism across nearby borders. The subdued demand is increasing vacancies and posing a marketing challenge. Retailers and landlords have to face up to consumers' changing purchasing behaviour by picking up on new trends and implementing a targeted response to them. For example, we have noted growing demand from restaurants and caterers, as evidenced by the examples on page 12.

Nonetheless, institutional investors will still invest in the Swiss real estate market in spite of these challenges: the risk-adjusted yield spread relative to bonds and other asset classes emphasises the appeal of high-quality Swiss real estate.

Editorial deadline: 21.04.2017



Source: Prof. Studer, University of Basel until 2005, Wüest Partner AG since 2005, own calculations



The award-winning Minergie building was fully let-out on completion. (Photo: Andrea Helbling, Arazebra, Zurich)

The Zwicky-Areal, Dübendorf – concentrated residential quarter with industrial charm

On the site of the former silk doubling mill Zwicky & Co. AG on the border of Zurich, Wallisellen and Dübendorf is a new, urban area offering living, working and service space. The historic industrial buildings lend character to the area, while the public facilities and meeting places infuse it with life and self-sufficiency. The Glattbahn rail-link connects Zwicky with Zurich-Stettbach and the airport. The Glatt – once an industrial powerhouse – is now a green stretch of land starting at the dense, surrounding infrastructure and stretching out to near the Greifensee.

Swiss Life Investment Foundation owns the property “Am Wasser 20–46”. The Minergie construction offers 51 residential units plus workshop and was part of the second

building stage on the south side. The three and four-room apartments are between 82 and 124 m² with two balconies each. The lower levels are made up of maisonettes with five or more rooms. The garden seating areas face south and the patios are suitable for a range of uses. In 2016, the development was awarded the architecture prize from the “Stiftung für die Auszeichnung guter Bauten im Kanton Zürich” (Foundation for the recognition of good constructions in Canton Zurich). All the apartments were let out when the property became operational in July 2016.



The three and four-room apartments all have two balconies. (Photo: Andrea Helbling, Arazebra, Zurich)

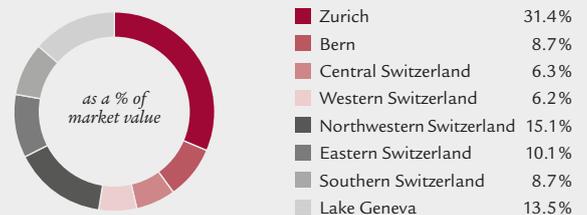
Swiss Life Investment Foundation: Real Estate Switzerland investment group

ISIN	CH0106150136
Launch date	01.12.2009
Portfolio Manager	Nils Linsi

Key figures as of 31.03.2017

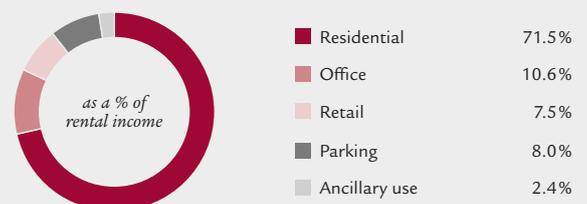
Market value of real estate	CHF 1946.0 m
Number of properties	178
Occupancy rate	96.6%
Borrowing ratio	4.3%
Net asset value (NAV)	CHF 1813.2 m
Performance 1 year (01.04.2016 – 31.03.2017)	7.38%

Geographical distribution



Source: Swiss Life Asset Managers

Types of use



Source: Swiss Life Asset Managers



Schiffflände 26 is in a prime location in Zurich's Old Town, next to Bellevue.

Schiffflände 26 – Top location between the Grossmünster and Lake Zurich

Swiss Life Investment Foundation owns the “Seehof” in Zurich's Old Town. The commercial building dating from 1961 is very well located at Schifffländepplatz, set back slightly from Limmatquai. There are also many shops and restaurants or cafés nearby, with the “Bellevue” traffic junction just 200 metres away.

The office space in the upper floors offers a view of the Limmat and Lake Zurich. The retail space on the lower floors enjoys plenty of foot traffic. The storage area in the roof is being converted into an apartment, which will add attractive additional income due to the excellent location.

In 2016, part of the ground floor was let out to a new tenant in the catering sector. “Joe & the Juice” is mainly established in northern Europe and belongs to the trend towards quick and healthy catering. In fact, retail space providers have noted a general increase in catering clients (see “In Focus”). Traditional retail locations, for example Limmatquai-Schiffflände, are thus gradually offering more catering and leisure pursuits.



Seehof offers a view of the lake and the Limmat plus plenty of foot traffic.

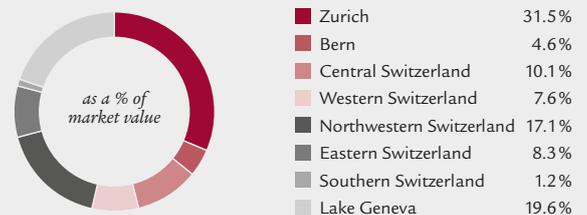
Swiss Life Investment Foundation: Commercial Real Estate Switzerland investment group

ISIN CH0136837587
 Launch date 31.10.2011
 Portfolio Manager Nils Linsi

Key figures as of 31.03.2017

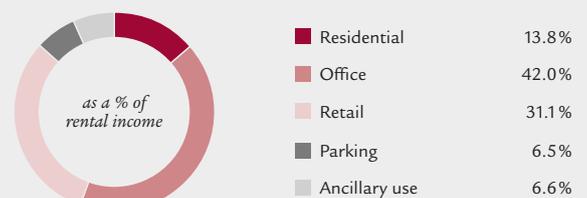
Market value of real estate CHF 1095.7 m
 Number of properties 84
 Occupancy rate 97.0%
 Borrowing ratio 12.5%
 Net asset value (NAV) CHF 941.0 m
 Performance 1 year 5.08%
 (01.04.2016 – 31.03.2017)

Geographical distribution

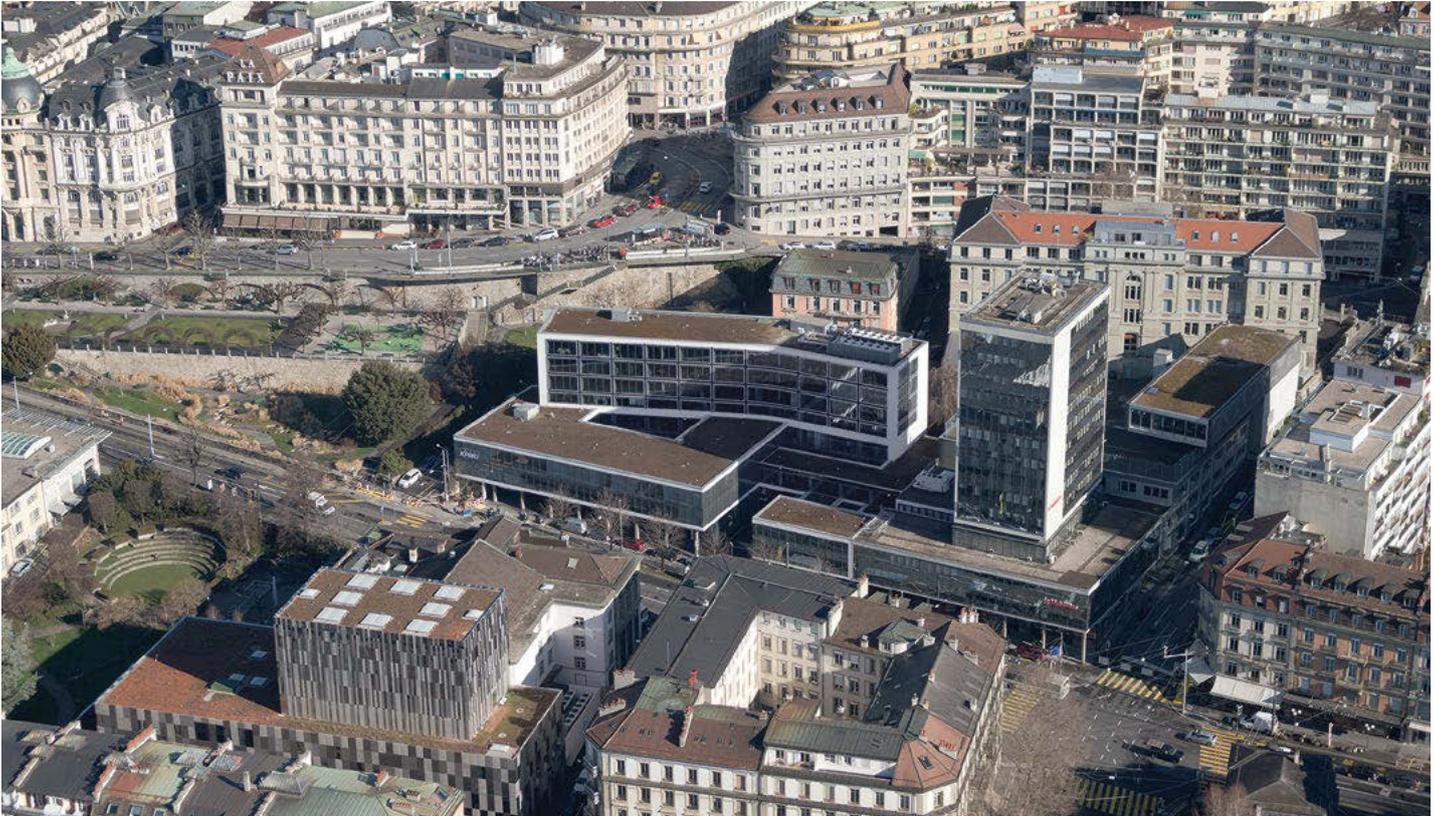


Source: Swiss Life Asset Managers

Types of use



Source: Swiss Life Asset Managers



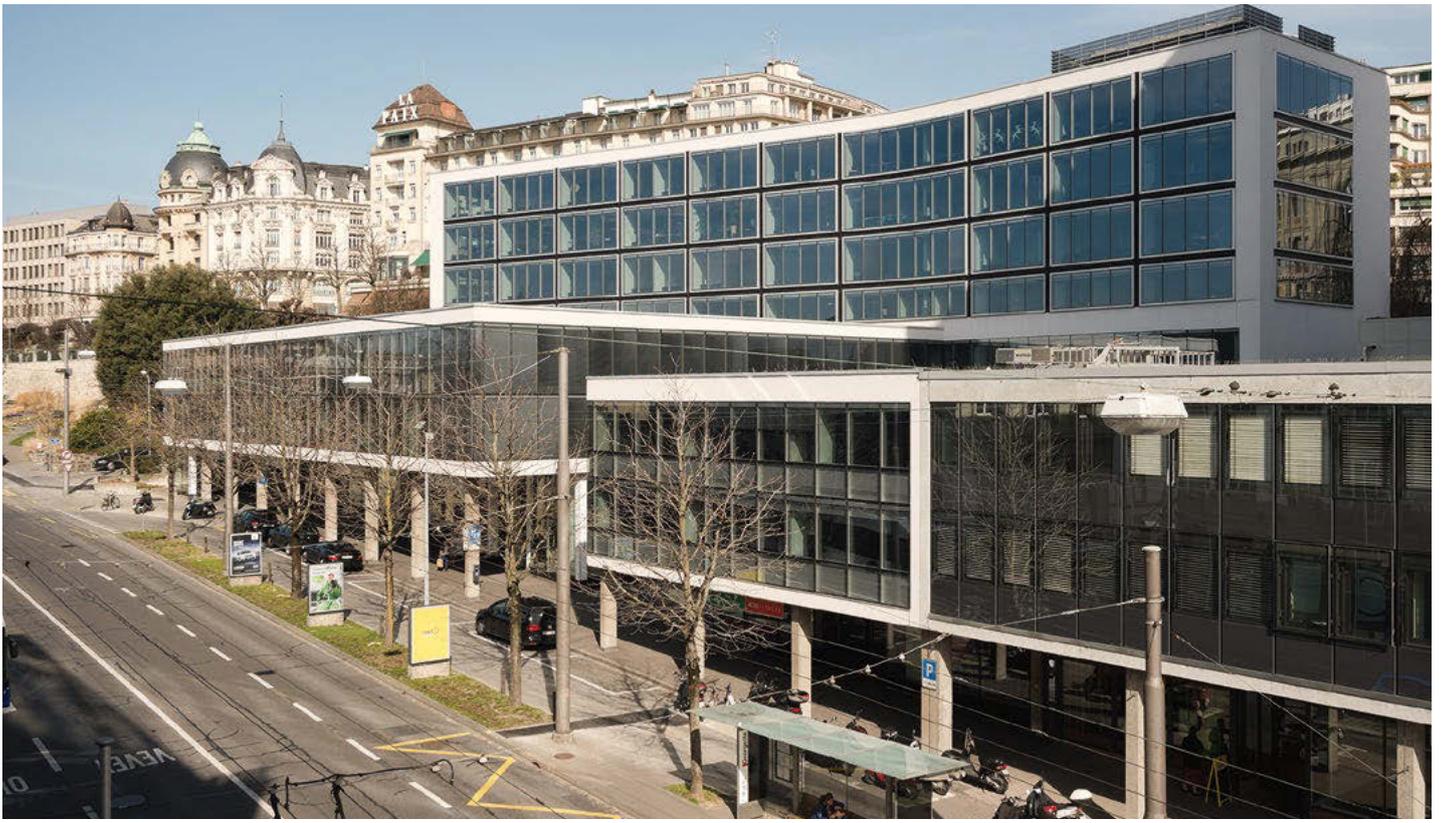
Below the Old Town and within walking distance of Lausanne station – Avenue Théâtre 1.

Comprehensive renovation at top location in Lausanne

Avenue Théâtre 1 is located in an excellent inner-city spot, directly below the Old Town and within walking distance of Lausanne station. It also has a direct bus connection and plenty of parking space in its own underground garage. The upper floors offer a beautiful vista of the city, stretching out over Lake Geneva to the French Alps.

The building was constructed in 1979 in a style typical of that period. More than 30 years later, the property has undergone a complete renovation. The renovation includes a completely new façade, new building technology and installations plus the use of high-end materials. As a result, the property is now an elegant and modern office building.

The renovation has been a boon to the property's rental appeal and it is fully occupied. The upper floors provide attractive offices to tenants in consulting/auditing, insurance and banking. The ground floor also has a fitness studio, restaurant and various service providers.



The building, which dates from 1979, has been fully renovated and is now an elegant office building.

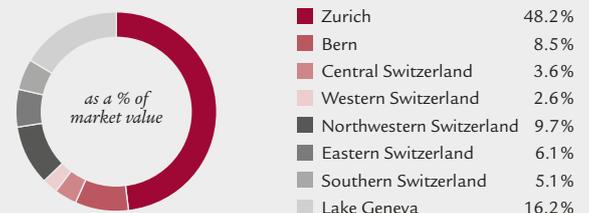
Swiss Life REF (LUX) Commercial Properties Switzerland

ISIN	LU820924123
Launch date	31.10.2012
Portfolio manager	Marcel Schmitt

Key figures as of 31.03.2017

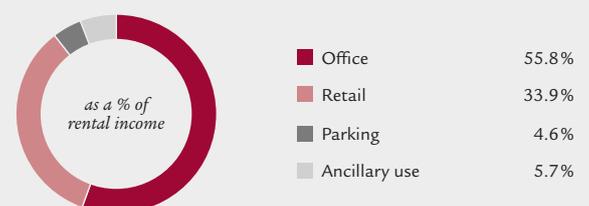
Market value of real estate	CHF 832.3 m
Number of properties	30
Occupancy rate	95.7%
Borrowing ratio	21.8%
Net asset value (NAV)	CHF 630.7 m
Performance 1 year (01.04.2016 – 31.03.2017)	6.05%

Geographical distribution



Source: Swiss Life Asset Managers

Types of use



Source: Swiss Life Asset Managers



The site was completed in 2010 and contains apartments and commercial units.

Modern living in Sins (LU)

“Luzernstrasse 14–18, Rossweid 1” is located at the southern edge of Sins, bordering the agricultural zone and close to the station. It combines a rural setting in the Reuss valley with good transport links to Zug and Lucerne.

The site was completed in 2010 and offers a good residential mix with two-to-five room units. Spacious balconies and rooftop terraces also add an attractive exterior dimension facing the inner courtyard. Inside the building, comfort ventilation provides fresh air and optimal soundproofing. The high ground floor contains office and commercial units. The main tenants are Raiffeisenbank, Concordia Insurances Ltd and the municipal administrative offices.

The property was acquired by the fund in 2015 when some of the units were still empty. Following an enhanced marketing campaign, intensive property management and active pricing, vacancies were reduced from over 20% to around 5%. The property also increased by 2% in value during this time. The fund’s rental strategy is oriented towards sustainable vacancy management, when faced with price-sensitive markets. In every instance this was done in combination with comprehensive and customer-oriented marketing.



Tenants enjoy spacious balconies and rooftop terraces.

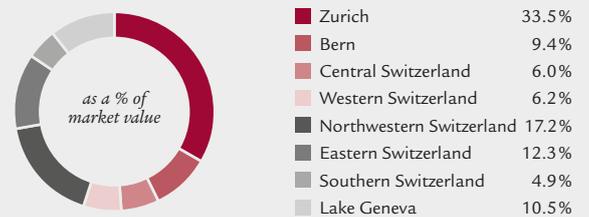
Swiss Life Real Estate Fund (CH) Swiss Properties

ISIN	CH0293784861
Launch date	02.11.2015
Portfolio manager	Marcel Schmitt

Key figures as of 31.03.2017

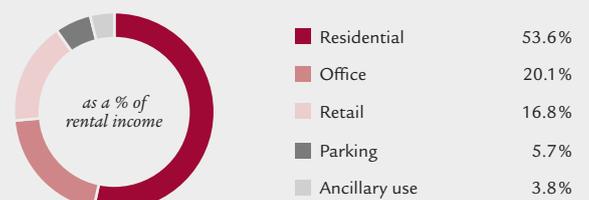
Market value of real estate	CHF 634.8 Mio.
Number of properties	46
Occupancy rate	97.3%
Borrowing ratio	10.5%
Net asset value (NAV)	CHF 564.2 Mio.
Performance 1 year (01.04.2016 – 31.03.2017)	15.96%

Geographical distribution



Source: Swiss Life Asset Managers

Types of use



Source: Swiss Life Asset Managers



Retail space: new catering concepts are in demand

Shops are passé, the online world is the new marketplace – shopping behaviour has changed markedly in recent years. However, a new trend is now emerging: customers are increasingly looking for some social interaction to go with their shopping.

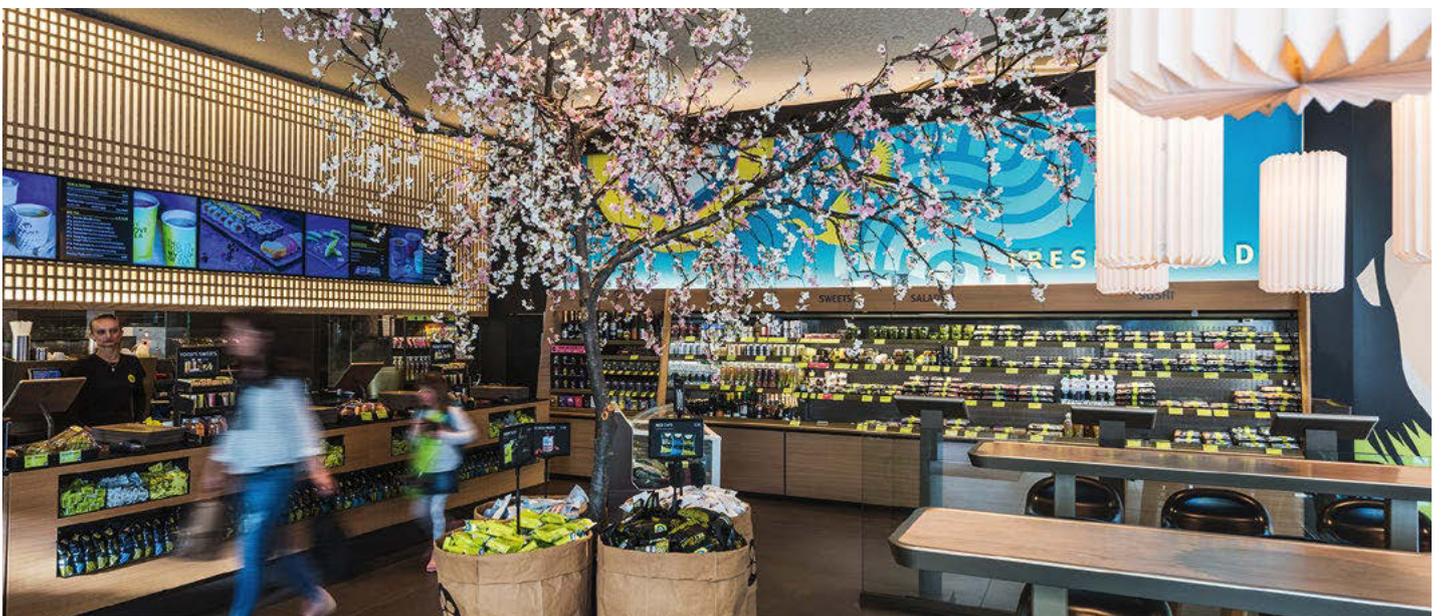
Francesca Boucard, Economist Real Estate

Marcel Schmitt, Real Estate Portfolio Manager

This is not a new trend: shops are suffering as a retail option in Switzerland, particularly in the non-food segment, with clothing, shoes and media being prime examples of the retail malaise. Retail tourism is another major contributing factor as people cross the border to do their shopping.

Retailers and landlords have no option but to face up to consumers' changing purchasing behaviour by picking up on new trends and implementing a targeted response to them. One of these trends is the growing popularity of shopping experiences. One advantage of the stationary, physical point-of-sale is the scope to provide the customer with a shopping experience – particularly a social experience. Therein lies the opportunity for modern gastronomy concepts.

This trend is mainly apparent in the planning of new shopping centres. The Mall of Switzerland, undergoing construction in Ebikon, and the Stücker in Basel are both designed as a venue for experiences and spending time. Sihlcity in Zurich (2007) and Westside in Bern (2008) were designed along the same lines. Customers are welcome to spend time at those places with a range of options including wellness, sport, entertainment and eating out. The restaurant area accounted for 6.4% of floor space in shopping centres 2016 (GfK). Eating with other people meets a fundamental need for social interaction and feeling good in general. Moreover, people like eating out. According to the Federal Food Safety Office, 70% of adults have lunch outside the home.



Sushi chain Yooji's on Bahnhofstrasse in Zurich

It's not just shopping centres resetting their sights. Demand for space from the food sector is becoming more apparent on traditional shopping streets as it has remained mainly stable, in contrast to the other retail segments. As a result, restaurants or cafés offering healthy, fast-casual fare are popping up in shopping areas in place of the more

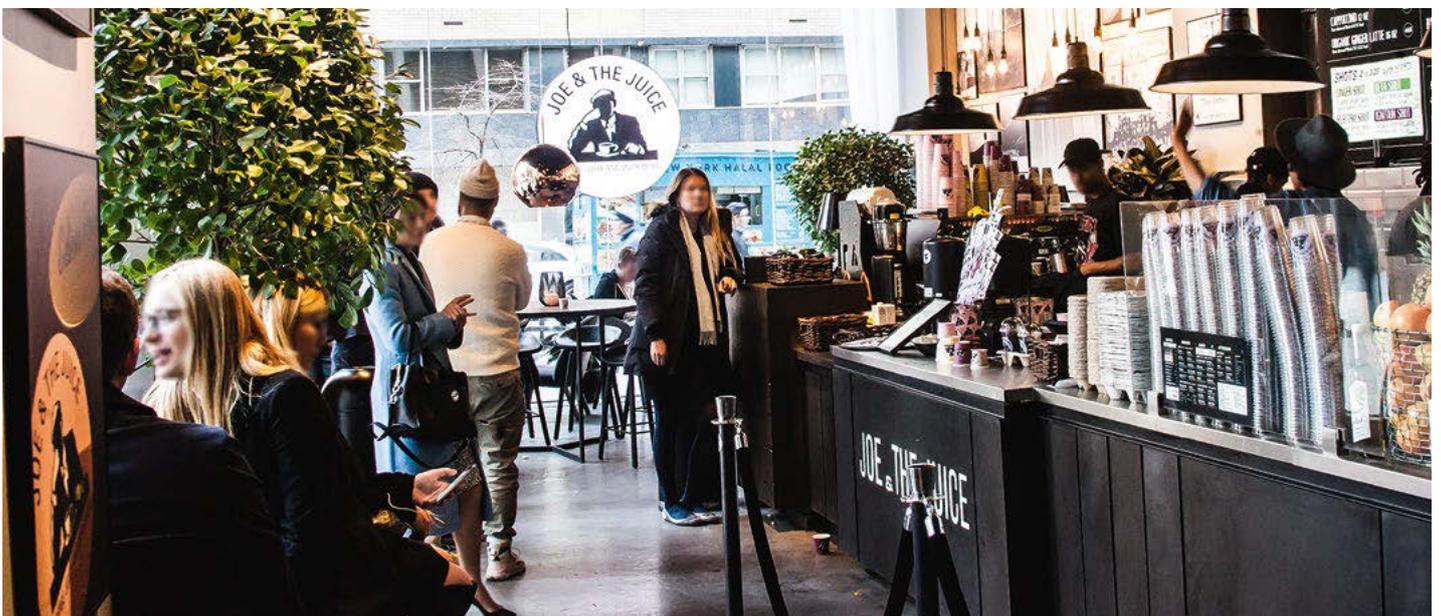
traditional stores. This is illustrated below by some examples (all Swiss Life tenants) of how people can now go shopping as part of a day out where they can have fun and interact with others. As digitalisation grows, customers may seek out more of these direct, interpersonal experiences.



A meeting place - the Stripped Pizza restaurant (Photo: Stripped pizza)



Outside view of the pizzeria in Basel's business district, Aeschenvorstadt 55



Quick and healthy catering in Joe & the Juice at Schiffplände 26 in Zurich (Sample image: Joe & the Juice)



Sustainable residential development by Swiss Life

Demand for living space in Zurich and Geneva is rising. This calls for innovative, long-term construction planning. Swiss Life is a key mover on this front and is contributing to sustainable residential development.

*Giorgio Engeli, Head Real Estate Portfolio Management
Proprietary Asset Management Schweiz*

As Switzerland's largest private property owner, Swiss Life invests in building projects designed for a long-term investment horizon that fit very well with the current portfolio. The "Greencity" construction site – our innovative flagship project – sets new standards of energy efficiency, environmental awareness and mobility. In short, it is a model project.

Given the strong demand for new living space in the major cities of Zurich and Geneva, Swiss Life wants to contribute with quality urban and architectural solutions and provide more sustainable living quarters for the future.

"Greencity" project – construction of a site in the south of Zurich

A city for tomorrow: following decades of successful operation, the Sihl paper plant closed in 2007. The owner of the site began working with Zurich city council in 2000 on the site's development. The plan received legal approval in 2011 and one year later, the Greencity construction site was certified as the first 2000-watt area.

By 2020, there will be 735 flats, a hotel, school and office and retail space spread over 163 000 m² on the eight-hectare site. It has excellent public transport connections with its own S-Bahn (commuter railway) station, so the city centre is a matter of minutes away.

In 2014, Swiss Life acquired two construction sites and called its project "GreenLife" for the two residential and office buildings, one shaped like a G and the other like an L. This project will provide 1000 m² of commercial space plus 204 residential units. The site is to be ready for use in November 2017. The residential building is built according to the Minergie-P-Eco standard and powered by renewable energy.



The inner life of the "Greencity"



The "Caserne des Vernets" project, with 1500 apartments

“Caserne des Vernets” project – investor competition

Praille Acacias Vernets, PAV for short, is the new major urban development project for Geneva, Carouge and Lancy. Canton Geneva has put a development zone of about six hectares out to tender for the site and launched an investor competition. Swiss Life won the competition in cooperation with seven other investors and a Swiss general contractor. Besides institutional investors, project participants include pension funds, housing associations and the public sector.

The former army base site will have 1500 apartments, including 300 student flats and about 30 000 m² of commercial and office space. The City of Geneva also plans to set up a primary school and crèche.

Canton Geneva has granted the plot to the investors for a minimum of 60 years plus an extra 30 years with right to build. Construction is scheduled to start in 2019. The office and commercial premises are to be completed two years later, provided roughly half of the office rental space has been let out by then. Construction will take roughly three years.

The very well connected development area is being built to the specifications of the 2000-watt society and will make a major contribution to the area’s sustainable development.



“Sphinx” – the project by Galli Rudolf Architects

Project “Sphinx” – New construction Baslerstrasse 71, Zurich

From up high: in 2014, Swiss Life acquired a property at Baslerstrasse 71 close to the Letzipark shopping centre in Zurich Altstetten. It has optimal public transport connections and Altstetten station is nearby. The property is in the six-storey central zone and part of the high-rise area.

The application of Galli Rudolf Architects was chosen as part of a two-stage competitive process. A 24-storey high-rise and seven-storey low-rise building will be built on a plot of eight hectares. The project will add to the population of the area, thus adding an urban feel to Zurich’s Kreis (District) 9. The area has almost 13 000 m² of building space and will have 161 apartments with 1200 m² of commercial space. The project is scheduled for completion from 2018. This project development will create attractive living space and add to the area’s urban appeal.



Real estate – facts and figures



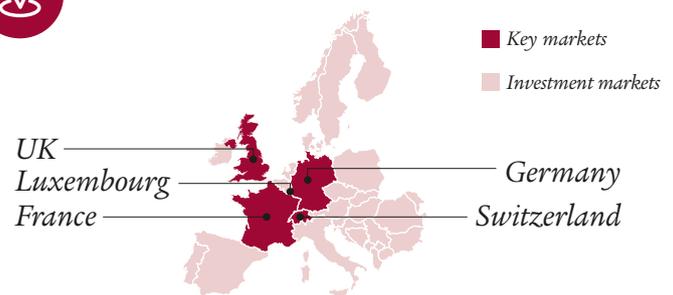
Assets under Management and Administration



¹⁾ Real Estate under Administration (not included in Swiss Life AuM definition)
²⁾ Assets under Management and Administration
³⁾ Real Estate under Management
⁴⁾ Real Estate under Management and Administration



Our investment universe



Transaction volume real estate

8.0
(in CHF bn)

Employees

> 1100



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



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All figures as of 31 December 2016, unless stated otherwise

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