

June 2019

Exposé

Real estate investments in Switzerland



SwissLife
Asset Managers



Economic environment –

Investors need to act

Living in old age –

A forward-looking concept in Rümlang

Foreign real estate –

Investing outside Switzerland

Contents

3

Economic environment

Investors need to be vigilant and proactive

4

Zurich, Bleicherweg

“Plug & play” office spaces are becoming increasingly popular

6

Lucerne, Wesemlinstrasse

Increasing density to create urban housing

8

Rümlang OASE

Self-determined living in old age

10

Zurich, Rennweg

The Hotel Widder in the heart of Zurich’s old town

12

Lausanne, Rue Mathurin-Cordier

Living in the middle of the city

14

Foreign real estate

Many paths lead abroad



Editorial

Dear readers

Life expectancy in Switzerland has nearly doubled since 1900. Today, an 80-year-old woman will, on average, live to be 90. And children born today have a good chance of living to the age of 100.* The themes “Living in old age” and “Health” will therefore be important to real estate investors in the future. Working in collaboration with the care sector and the health-care industry, we must develop concepts that provide older people with diverse housing options that enable them to live with maximum self-determination. The OASE in Rümlang that we present in this issue is an example of a successful project in this area.

First, some good news from our team: I am very pleased to announce that we have once again won the IAZI Real Estate Award in 2019, this time in the category “Best Swiss German Properties”. The best real estate portfolio, as determined on the basis of eight criteria, is honoured with an award. Swiss Life Asset Managers has now received an IAZI award for the fourth year in a row. We will continue to give our best.

I hope you enjoy reading this issue.

A handwritten signature in black ink, appearing to read 'G. Demmelmair', with a long horizontal stroke extending to the right.

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

* Source: Swiss Federal Statistical Office, Swiss Life Asset Management Ltd

Investors need to be vigilant and proactive

A slowing economy, an advanced real estate cycle and talk of a recession – 2019 has provided plenty to think about right from the outset. As real estate remains attractive, Swiss investors are called upon to act.

Francesca Boucard, Economist Real Estate

The economic forecast has been revised downwards nearly all over the world since the beginning of 2019 – including the Eurozone and Switzerland. Uncertainty regarding Brexit and global trade is exercising a substantial impact on every European exporting nation. Nevertheless, we do not currently believe that there will be a recession, although we must continue to monitor developments. Furthermore, in Switzerland the slowing of economic momentum represents more of a return to the normal pace of growth – following the euphoria of 2017 and 2018.

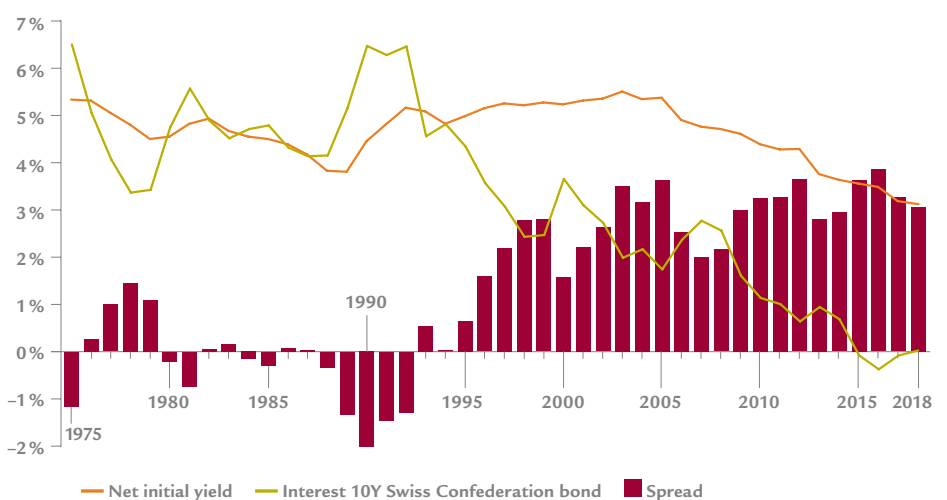
As the economy has slowed, interest rate forecasts have also been revised downwards, meaning the environment for real estate investments remains attractive. However, weaker economic performance and the late stage of the real estate cycle are signs

Growth segments such as “Living in old age” will become more attractive.

that investors need to act, as action is increasingly more important than reaction.

Swiss investors would be well advised to look beyond their country’s borders to diversify their real estate portfolios. This is because, while framework conditions are becoming more difficult, real estate invest-

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



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

ments remain attractive – with strong demand and low supply continuing to increase rents in Europe. Intelligent location selection based on long-term factors provides numerous opportunities for participating in the enormous wealth of European properties.

At the same time, the real estate cycle in Switzerland is already well advanced. As a result, growth segments such as “Living in old age” are increasingly attractive for the purpose of diversification. Active asset management – planning, managing, implementing and controlling measures that in-

fluence value – of properties that are already in the portfolio will ensure that real estate remains attractive, even in difficult times. ■

Going to press: 16 April 2019

Zurich: “Plug & play” office space is becoming increasingly popular

This commercial property is at the intersection of Bleicherweg and Stockerstrasse in the centre of the Zurich commercial district, not far from Paradeplatz. The Zurich main station is just a few minutes away by public transport and the outdoor recreational activities available along the lakeside promenade are within easy walking distance.

The property is comprised of two buildings built on the end of a block dating to the late 19th century. Window frames made of natural stone and individual murals lend the property a distinctive look.

The ground floor once housed a bank record office. New street-side entrances, high ceilings and an impressive façade of

windows have resulted in three high-end retail spaces. The interior fittings on the upper floors have been totally restored and the building services brought up to the latest standard. In order to appeal to a broad market, the office structure of one of the two buildings, which is divided into small sections, has been retained and renovated using high-quality materials. In the other building, all of the walls and metal ceilings have been removed to create attractive open-space offices. The ventilation ducts and concrete ceilings have deliberately been left exposed. Together with the hanging acoustic panels, they give the office spaces a modern touch.

All of the offices have been completely renovated and are being marketed as “plug & play” spaces. The carefully conceived and flexible multi-tenant concept appeals to a variety of tenant groups. As a result, the likelihood of rental success is high. All of the units with the exception of one small office space have now been rented or reserved. ■

The property in the centre of the Zurich business district stands out with its distinctive look.



Source: Foto Werder



Source: Foto Werder

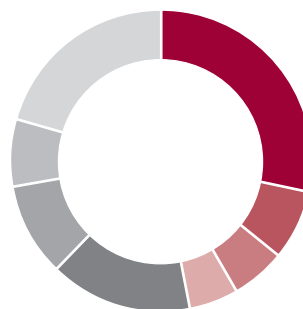
The completely renovated offices will be fully functional as soon as they are occupied.

Swiss Life Investment Foundation: Real Estate Switzerland investment group

ISIN	CH0106150136
Launch date	1 December 2009
Portfolio Manager	Nils Linsi

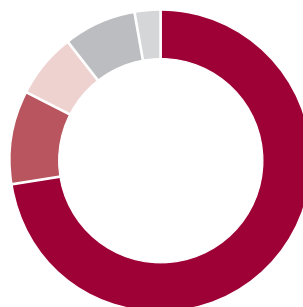
Key figures as of 31 March 2019

Market value of properties	CHF 2372.0 m
Number of properties	190
Rental rate	96.5%
Borrowing ratio	13.4%
Net asset value (NAV)	CHF 1991.6 m
Performance YTD	1.83%
Performance 2018	5.36%
Performance 2017	6.06%
Performance 2016	6.52%
Performance since launch	5.75% p. a.



Geographical distribution

Zurich	28.6%
Bern	7.5%
Central Switzerland	5.6%
Western Switzerland	5.3%
Northwestern Switzerland	15.3%
Eastern Switzerland	10.0%
Southern Switzerland	7.3%
Lake Geneva	20.4%



Types of use

Residential	72.6%
Office	10.1%
Retail	6.8%
Parking	7.8%
Ancillary uses	2.7%

Lucerne: Increasing density to create urban housing

This residential and commercial property is located between Wesemlinstrasse and Zürichstrasse on the northern edge of Lucerne's city centre. It is very close to the popular Wesemlin district. A bus stop served by various bus lines is very close by. Lake Lucerne, a variety of shopping options and a broad range of cultural offerings are within walking distance. The busy Zürichstrasse ensures that the shops' tenants will have a large number of customers as well as good visibility.

The property was built in 1962 and 1972 in the form of two structures with solid construction. The buildings were gutted and fully renovated in 2018. The

gap between the two buildings was utilised to increase the density of the property, allowing for the construction of additional apartments. As a result, the two original buildings were expanded to include a vertical structure that gives the appearance of being a separate timbered building. The outdated layout has been adapted in line with modern residential requirements. This has resulted in attractive apartments that meet the current demand in the market for rental apartments. The property is now home to 74 apartments and 800 square metres of commercial space. The rental units mainly consist of two- and three-room apartments. The fossil fu-

el-based heating system has been replaced with environmentally friendly geothermal heating.

The renovation ensures that the property will remain rentable for the long term. In addition, it adds new and modern apartments with an urban location to the portfolio. ■

The 74 modern rental apartments have 1 to 4½ rooms and meet the needs of city dwellers.



Source: Studio 12 GmbH



Source: Studio 12 GmbH

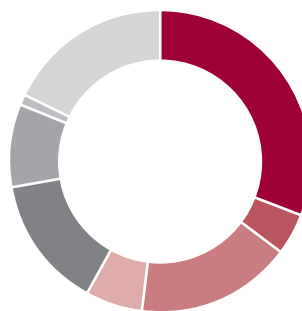
In a central location in the city centre of Lucerne, between Wesemlinstrasse and Zürichstrasse.

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

ISIN	CH0136837587
Launch date	1 November 2011
Portfolio Manager	Nils Linsi

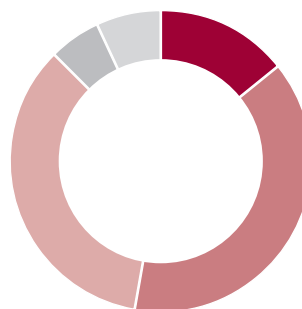
Key figures as of 31 March 2019

Market value of real estate	CHF 1299.3 m
Number of properties	88
Rental rate	96.2%
Borrowing ratio	16.9%
Net asset value (NAV)	CHF 1036.1 m
Performance YTD	1.03%
Performance 2018	4.97%
Performance 2017	5.55%
Performance 2016	5.25%
Performance since launch	5.12% p. a.



Geographical distribution

Zurich	30.9%
Bern	4.4%
Central Switzerland	16.7%
Western Switzerland	6.2%
Northwestern Switzerland	14.1%
Eastern Switzerland	9.0%
Southern Switzerland	1.0%
Lake Geneva	17.7%



Types of use

Residential	14.3%
Office	38.5%
Retail	34.7%
Parking	5.7%
Ancillary uses	6.8%

OASE Rümlang: Self-determined living in old age

The OASE (the German word for “oasis”) senior residence is located in the municipality of Rümlang and offers a diverse array of senior apartments, long-term care options and assistance for people with dementia. Its offerings put OASE in the middle-class segment, allowing it to stand out from high-priced, luxury-oriented senior residences. The basic offer available with the senior apartments includes a 24-hour emergency call service, monthly cleaning, and use of the cafeteria and fitness centre. This allows residents to enjoy a self-determined life in old age. The apartments are also available to younger people and families as well, allowing residents

to interact with people from different generations.

Rümlang has good infrastructure, numerous jobs and excellent accessibility thanks to its public transport connections. The senior facility is centrally located. The train station and various shopping options can be reached by foot in just a few minutes.

The OASE property is comprised of five residential buildings, a maintained garden and an underground car park. The age-appropriate buildings, which were built in 2012, have 41 rental apartments, 24 care rooms, a reception area, a restaurant, recreation rooms, a fitness centre and

a hair salon. The south-west facing apartments have generous layouts, high-quality construction and an inviting balcony.

The OASE Rümlang was acquired in the fourth quarter of 2018 by the Real Estate Switzerland Retirement and Healthcare investment group because of its excellent location and professional operating concept. The investment group, which was opened successfully in May 2019, will enable the acquisition of additional forward-looking investments in this growing segment. ■

Independence in your own apartment and, if needed, the option to obtain care services.



Source: Oase Holding AG



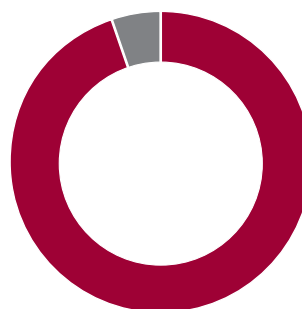
The south-west facing apartments have generous layouts and an inviting balcony.

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

ISIN CH0385556482
Launch date 1 December 2017
Portfolio Manager Nils Linsi

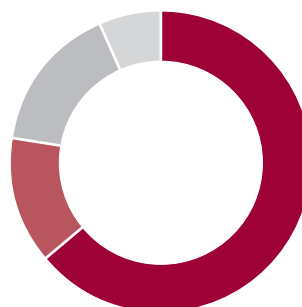
Key figures as of 31 March 2019

Market value of properties CHF 91.7 m
Number of properties 4
Rental rate 97.7 %
Borrowing ratio 40.6 %
Net asset value (NAV) CHF 53.4 m
Performance YTD 2.44 %
Performance 2018 5.18 %
Performance 2017 n/a
Performance 2016 n/a
Performance since launch 5.93 % p. a.



Geographical distribution

Zurich	94.9 %
Bern	0.0 %
Central Switzerland	0.0 %
Western Switzerland	0.0 %
Northwestern Switzerland	5.1 %
Eastern Switzerland	0.0 %
Southern Switzerland	0.0 %
Lake Geneva	0.0 %



Types of use

Facilities with no inpatient care services	63.9 %
Nursing and old-age homes	13.6 %
Healthcare-related properties	0.0 %
Services and retail	16.0 %
Ancillary uses and parking	6.5 %

Hotel Widder in the heart of Zurich's old town

Located on a shared plot at “Rennweg 1/3/7, Widdergasse 6, Augustinergasse 24/28” are nine medieval town houses that were fully renovated and converted from the end of the 1980s. Since 1995, they have housed the five-star “Widder” hotel with 42 rooms, seven suites, three restaurants and an interior courtyard. Swiss Life REF (LUX) Commercial Properties Switzerland acquired the property at the end of 2018 on the basis of a long-term triple net rental contract with hotel operator “Hotel Widder AG”.

For centuries, these buildings were part of the world of patricians, merchants and artisans. The hotel takes its name from the “Widder” guild, an association of profes-

sional butchers. The guild has been located at Rennweg 1 since 1401. The property was renovated as a hotel under the architectural guidance of Tilla Theus. She connected the buildings with passageways. Old stone walls and wooden balconies were supplemented with chrome, steel and glass. Restaurants and conference rooms have been added to the ground and main floor, with individually designed hotel rooms and suites located in the smaller upper floors.

Sole lessee “Hotel Widder AG” has been successfully operating the property for around 25 years and was incorporated in IHAG Holding as part of the purchase of the property. It also operates the boutique ho-

tels “Castello del Sole” in Ascona and the “Storchen” in Zurich, which is only 200 metres away. The operator is professionally and financially solid and it will continue to generate stable rental income in future. ■

Style, art and classical modern are the distinctive traits of the atmosphere at the Hotel Widder located in the heart of Zurich's old town.





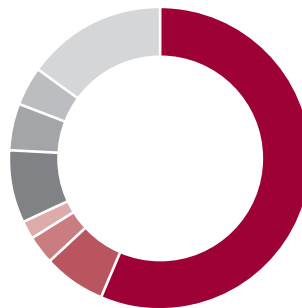
At the Widder, every door opens up a new world.

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

ISIN LU0820924123
Launch date 1 November 2012
Portfolio Manager Marcel Schmitt

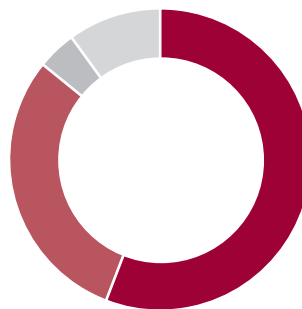
Key figures as of 31 March 2019

Market value of properties CHF 1046.9 m
Number of properties 34
Rental rate 97.4 %
Borrowing ratio 18.3 %
Net asset value (NAV) CHF 822.3 m
Performance YTD 1.03 %
Performance 2018 4.62 %
Performance 2017 4.92 %
Performance 2016 6.00 %
Performance since launch 5.07 % p. a.



Geographical distribution

Zurich	56.5 %
Bern	6.8 %
Central Switzerland	2.9 %
Western Switzerland	2.1 %
Northwestern Switzerland	7.8 %
Eastern Switzerland	4.9 %
Southern Switzerland	4.1 %
Lake Geneva	14.9 %



Types of use

Office	55.9 %
Retail	30.0 %
Parking	4.3 %
Ancillary uses	9.8 %

Rue Mathurin-Cordier 1: Living in the middle of Lausanne

The semi-detached residential and commercial building “Rue Mathurin-Cordier 1” is part of a uniform row of houses from the 1930s. The property has a total of 18 apartments and three smaller retail and commercial units spread across six full floors and one floor on the attic level. The property has been continually renovated; the façade was refurbished in 2008 and in subsequent years some of the kitchens and bathrooms have gradually been redone as well.

While the building was on the eastern edge of the city in the 1930s, it is now in the centre of Lausanne, surrounded by parks, public buildings, shops as well as restaurants and cultural offerings. The “Ours”

metro station is right in front of the building, with direct connections to the main station and the lakeside promenade.

The central urban location of this timeless property is optimally harmonised with its mix of apartments. With one-, two- and three-room apartments on offer, the property mainly appeals to those living alone and couples – the two types of residence most in demand in urban centres. As a result, apartments that become available are let in quick order.

Switzerland’s largest cities, such as Lausanne, saw steady growth until the 1960s. As mobility increased, population growth spread to smaller surrounding areas

and agglomerations were formed. By contrast, urban populations shrank through the 1990s. The trend reversed in 2000. Since then, cities have exerted a strong pull, resulting in rising rents and continuously low vacancy rates. The “Rue Mathurin-Cordier 1” property has gone through all of these phases and is now benefiting from its attractive location in the middle of Lausanne. ■

In the centre of Lausanne, surrounded by parks, shops, restaurants and cultural offerings.



Source: Foto Werder



Source: Foto Werder

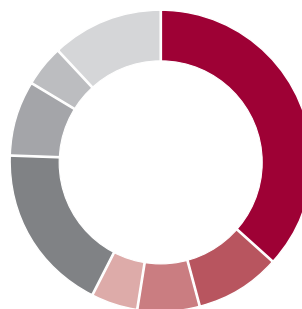
The small-format apartments in a central location are ideally suited to those who live alone as well as couples.

Swiss Life REF (CH) Swiss Properties

ISIN	CH0293784861
Launch date	2 November 2015
Portfolio Manager	Marcel Schmitt

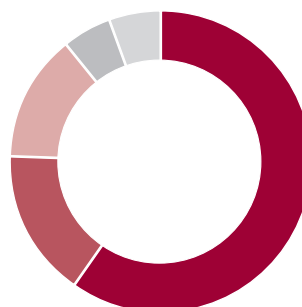
Key figures as of 31 March 2019

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	7.96 %
Performance 2018	-1.81 %
Performance 2017	6.08 %
Performance 2016	16.09 %
Performance since launch	9.59 % p. a.



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 uses	5.3 %

Foreign real estate: Many paths lead abroad

Foreign real estate still largely plays only a supporting role in the portfolios of Swiss employee benefits units, but it is becoming increasingly important. What are the key reasons for this development and what should investors consider when making investments?

Gerhard Demmelmair, Head of Real Estate Portfolio Management
Alfonso Tedeschi, Product and Service Manager

With just 2.1% of total allocation, foreign real estate is still a neglected component in the portfolios of Swiss pension funds¹⁾. According to the BVV 2 investment guidelines, the share may be as high as 10%²⁾. Viewed over time, however, it becomes clear that Swiss investors are increasingly considering investments in foreign real estate: from 2012 to 2017, Swiss pension funds more than doubled their exposure to foreign real estate: from CHF 8.8 billion to CHF 18.8 billion.

Swiss investors are not motivated primarily by higher yields when it comes to foreign real estate. In the Core area and in Europe's cities, yields comparable to those in Switzerland are possible after deducting hedging costs. Instead, the main motivation is diversification and an expansion of the investment universe. A limited range of offerings and intense competition are making it ever more difficult for institutional investors to find attractive properties in Switzerland. International real estate is an excellent answer to this investment dilemma. In addition, an investment in foreign real estate offers partial inflation protection, as rents in many countries are linked to the consumer index.

Spoilt for choice

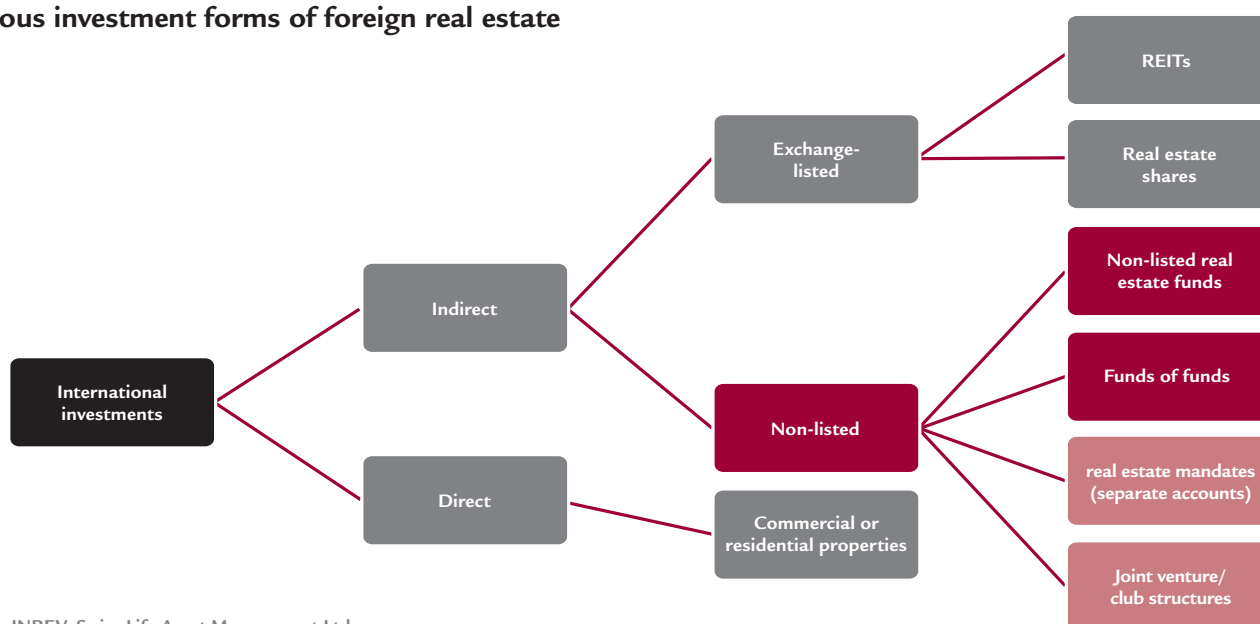
There are numerous opportunities for investing in international real estate: international real estate funds, global or regional funds of funds, REITs³⁾ and real estate shares, tailored real estate mandates and club structures. The latter two options play a very subordinate role and are usually not a viable alternative for Swiss investors because of the required minimum portfolio size. REITs and real estate shares can be highly volatile due to being exchange-listed, most Swiss investors therefore only use them as an addition to, or initial component of, their foreign asset holdings. Swiss investors, especially pension funds, are increasingly using real estate funds and funds of funds in the form of investment foundations. With funds of

funds, investors benefit from very broad diversification at the level of the target fund and they are able to rely on the expertise of an investment manager when it comes to selection. These advantages come at the expense of a double fee layer. A majority of funds of funds have a global investment approach, investing primarily in open target funds in the Core and Core+ segment and offering hedging of foreign currency risks.

If pension funds use individual real estate funds to invest in foreign real estate, they must select the funds themselves. This requires a combination of a top-down screening and a bottom-up analysis. Among other things, the following questions need to be answered:

- Structure (open or closed funds; fund under Swiss or international law)
- Regional and sectoral preferences
- Preferred risk/return profile (core funds vs. opportunistic vehicles)
- Foreign currency hedging – yes or no
- Tax due diligence
- Quality of management/track record/fee structure/sustainability review

Various investment forms of foreign real estate



Source: INREV, Swiss Life Asset Management Ltd

Focus on the right partner

The one thing all of these variants have in common is that the selection of investment manager is crucial. The investment manager knows the target markets and maintains local contacts and networks.

This ensures the qualitative and quantitative basis of suitable services providers and business partners. Knowledge is also essential when it comes to letting activities as well as successful analysis and implementation of transactions. Furthermore, a local

presence decreases response times and enables prompt implementation of measures related to asset management and the transaction process. ■



Capital increase of Swiss Life REF (CH) European Properties as at the end of June 2019

In summer 2019, the Swiss Life REF (CH) European Properties real estate fund is conducting a capital increase of around CHF 100 m. The subscription period will take place from 24 June to 5 July 2019. Since the launch of the fund in November 2017, the portfolio has expanded to include 12 high-quality properties with a value of more than EUR 385 m. Proceeds from the capital increase will be used to continue the expansion of the portfolio with high-quality European properties. This will enable qualified investors in Switzerland to participate in the dynamic growth of economically strong regions of Europe and profit from attractive returns and increased diversification in a low interest rate environment.

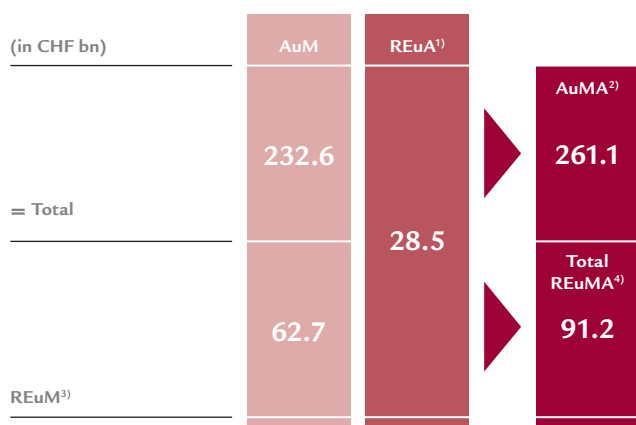
¹⁾ SFSO pension fund statistics for 2017

²⁾ BVV 2 Art. 55 limits real estate investments to 30% of investment volume, of which a third at most may be outside Switzerland.

³⁾ Depending on the country and legal structure, real estate investment trusts (REITs) are investment forms that enable investments in real estate on the basis of exchange-traded shares. REITs usually provide investors with tax benefits.

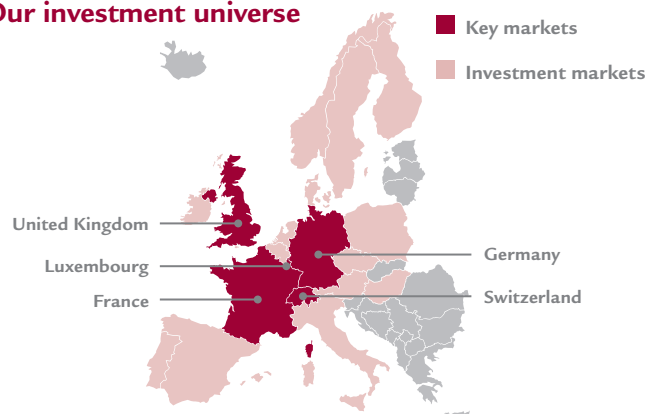
Real Estate – facts and figures

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

7.9



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

Employees



Contact

Gerhard Demmelmair
Head Real Estate Portfolio Management

Third-Party Asset Management Switzerland
Direct line +41 43 284 33 45
gerhard.demmelmair@swisslife.ch

All figures as at 31 December 2018, unless stated otherwise

www.swisslife-am.com
Follow us on LinkedIn, Twitter and XING.

Swiss Life Asset Management Ltd.: General-Guisan-Quai 40, P.O. Box, 8022 Zurich, tel.: +41 43 284 33 11, info@swisslife-am.com

Publishing details: Publisher: Swiss Life Asset Management Ltd., General-Guisan-Quai 40, 8022 Zurich • Editorial staff: Gerhard Demmelmair / Swiss Life Asset Managers, Francesca Boucard / Swiss Life Asset Managers, Marcel Schmitt / Swiss Life Asset Managers, Melanie Gall / Swiss Life Asset Managers, Alfonso Tedeschi / Swiss Life Asset Managers • Coordination / Proofreading: Lemon Spark GmbH • Layout / Design: nc ag, In der Luberzen 25, 8902 Urdorf • Photos: Archive of Swiss Life Asset Managers, Hotel Widder AG, Oase Holding AG, Studio 12 GmbH, Foto Werder • Frequency of publication: semi-annually

Disclaimer: This document has been produced with the greatest of care and to the best of our knowledge and belief. However, we provide no guarantee with regard to its content and completeness and do not accept any liability for losses which might arise from making use of this information. This publication is not intended as a solicitation or recommendation to buy or sell investment instruments but only serves to provide information. Both Swiss Life Ltd and the other members of the Swiss Life Group are entitled to hold claims in the aforementioned real estate investment groups and units of the aforementioned real estate funds. This document contains "forward-looking statements", which express our assessment and expectations at a given point in time. However, various risks, uncertainties and other influencing factors can cause the actual developments and results to differ significantly from our expectations. Source for all data and charts (unless noted otherwise): Swiss Life Asset Management Ltd.

The funds mentioned are not authorised for distribution to non-qualified investors in Switzerland and are thus exclusively for qualified investors within the meaning of the Federal Law on Collective Capital Investments.

Comprehensive information on the funds can be found in the documents which form the legal basis for any investment. They are available free of charge in electronic or printed form in German from the fund management company or its representative in Switzerland: Swiss Life Asset Management Ltd, General-Guisan-Quai 40, 8002 Zurich. The payment office is UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich. The place of jurisdiction for all funds distributed in Switzerland is the registered domicile of the fund management company or representative. The funds are domiciled in Switzerland or the Grand Duchy of Luxembourg.

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.