

November 2021

# Exposé

Real estate investments in Switzerland



SwissLife  
Asset Managers



**“Haus am Grendel”, Lucerne –**  
In the golden triangle of shopping streets

**Spitalgasse, Bern –**  
Where arcades beckon

**Location first –**  
Prime retail locations buck the crisis

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## Editorial

Retail property has polarised since the lockdown months. Many investors and analysts are measuring the quality of portfolios in terms of their retail share, while others have taken the opportunity to invest in this segment. In this issue, we are taking this dynamic situation as an opportunity to examine the development of the Swiss retail property market. How has the Swiss retail trade held up against the European markets during this turbulent period?

Our competent asset management team has been working very intensively over the past 18 months. Since spring 2020, we have processed almost 1,000 requests for deferrals or rental waivers in our funds and Investment Foundation, and supported many tenants, particularly small ones. Thanks to the high quality of our portfolios, a good tenant mix and the disciplined payment practice of our tenants, we have only had to forgo around half a percent of all rental income (over all types of use) in spite of everything. The team's digital performance has been impeccable and the portfolios' resistance has confirmed the longstanding carefully managed investment strategy with a focus on central locations and high-quality properties.

In the June “Exposé” edition, we reported on the “Glatt” shopping centre. In this autumn edition we take you on a short stroll down the various shopping streets in our portfolios. Be inspired!

I wish you an enjoyable read.

A handwritten signature in black ink, appearing to read 'Marie Seiler', with a stylized flourish at the end.

Marie Seiler MRICS, CFA  
Head Third Party Real Estate CH

# Rental market stabilises economy – Switzerland and China in comparison

The real estate markets in Switzerland and China have one thing in common: property prices are booming. While the real estate sector in China is ownership-based, the rental market in Switzerland offers a more sustainable alternative for both users and investors.

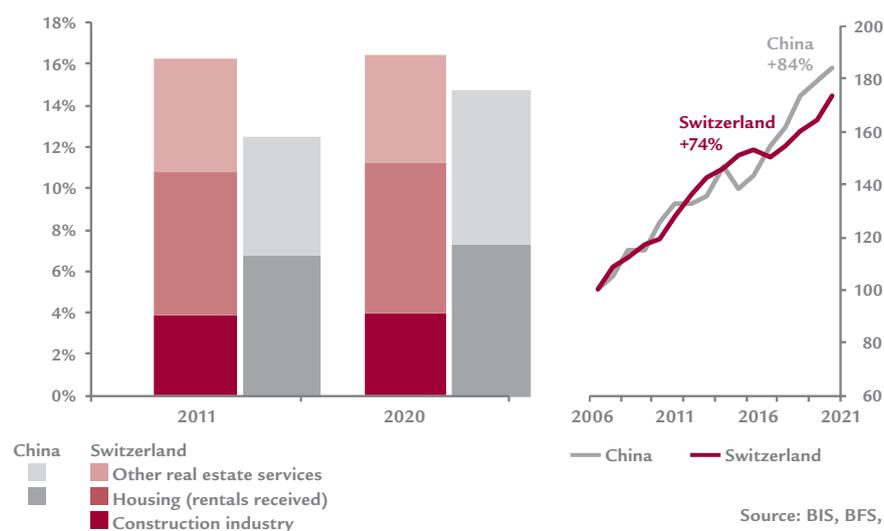
Robert Kuert, Real Estate Research Analyst Switzerland

In the autumn, attention turned to the real estate market in China. With each passing day, the insolvency of the country's second largest developer seemed more likely. The focus quickly broadened to include the bigger picture, as the housing market was acknowledged as being key to the economy. Unlike China, Switzerland is a nation of tenants. How does this impact the economy as a whole?

In 2019, 36.4% of Switzerland's population owned their own home; and they are likely to remain in a minority given current price levels. In China, everyone expects to buy their home. Families support their offspring in acquiring their first home, and those who have savings make every effort to find another one as an investment property. The national ownership ratio is estimated at 90%, and 20% of the population own more than one apartment. It is hardly surprising that residential property prices in China have risen by 84% since 2006, whereas prices in Switzerland have "only" risen by 74% (see chart on the right). However, the markets differ most in their contribution to the economy as a whole.

The gross value added of the two real estate markets differs in two ways: first, the real estate sector in Switzerland contributes proportionally more to gross domestic product (GDP) (see chart on the left). Secondly, the construction sector in Switzerland has a smaller share of the economy

Share of the real estate industry in GDP and home ownership prices (2006=100), comparison between Switzerland and China



Source: BIS, BFS, pom+

(around 4.1%) than in China, where it stands at 7.2% and has increased since 2011. The real reason for its greater importance in Switzerland, however, is and remains the rental market: more than CHF 50 billion in rent flow every year between tenants and owners in Switzerland.

The developed rental market in Switzerland offers several advantages: rental households are more flexible as they are not forced to tie up (risky) capital in the long term, and they can leave the supervision of any refurbishments to professional managers. Accumulated maintenance costs and the adoption of higher ecologi-

cal standards are core problems in the ownership-oriented Chinese housing market. The nationwide construction of new buildings is based on quantity and not on the quality that would be necessary for stable prices and that is accepted by institutional mandate holders in Switzerland. Investors also benefit from this, since they can participate in the rental market in a diversified form through appropriate investment solutions – and without the cluster risk of owning a particular residential property. ■

Time of going to press: 11 October 2021

# Rue de l’Ale in Lausanne – the street with the good shops

Located in the heart of Lausanne’s historic business district, Rue de l’Ale offers high-quality shopping. Due to its attractiveness and good reputation, it is a well-known shopping mile not to be missed. In the past, the street with its many small craft shops was better known as the “street with the good shops”.

Today, the Rue de l’Ale contains a mixture of local shops and large brands, attracting a diverse clientèle. The street is lined with restaurants, popular typical bistros, department stores and boutiques which ensure a high footfall.

The dynamism and footfall of this pedestrian zone are also boosted by a weekly food market attracting several local producers – a real institution!

As an extension of Rue Saint-Laurent, the street is also of tourist and historical interest as it overlooks the last tower of the Ale, the last remnant of Lausanne’s old city fortifications.

Built in 1986, the building at Rue de l’Ale 1–3 houses ten apartments, one office unit and three floors of retail space occupied by Dosenbach-Ochsner. The company has been a tenant there since

1994, which shows the attractiveness of the location and the sustainability of its business. ■

Rue de l’Ale with its wide range of facilities is something not to be missed.



Source: Foto Werder



Source: Foto Werder

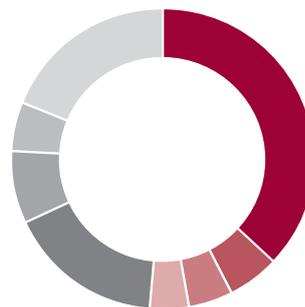
Mixture of restaurants, boutiques and department stores.

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

ISIN	CH0106150136
Launch date	01.12.2009
Portfolio manager	Nils Linsi

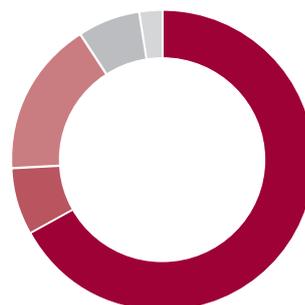
### Key figures as of 30.09.2021

Market value of real estate	CHF 3663.35 m
Number of properties	240
Rental rate	97.36 %
Borrowing ratio	11.62 %
Net asset value (NAV)	CHF 3176.77 m
Performance YTD	5.08 %
Performance 2020	4.94 %
Performance 2019	5.37 %
Performance 2018	5.36 %
Performance since launch	5.67 % p. a.



### Geographical distribution

Zurich	37.02 %
Bern	6.11 %
Central Switzerland	4.58 %
Western Switzerland	4.18 %
Northwestern Switzerland	16.42 %
Eastern Switzerland	7.79 %
Southern Switzerland	5.26 %
Lake Geneva	18.64 %



### Types of use

Residential	67.59 %
Office	7.10 %
Retail	16.20 %
Parking	6.74 %
Ancillary use	2.38 %

# “Haus am Grendel” – modern architecture in the heart of Lucerne’s old town

“Haus am Grendel” is located directly at Falkenplatz, the junction of Lucerne’s three main shopping streets: Weggisgasse, Hertensteinstrasse and Grendelstrasse. The old town with its proximity to the lake, cafés and many different shops form a lively backdrop full of hustle and bustle. Each day, around 27,000 pedestrians pass the shops, guaranteeing optimum visibility for business ideas of all kinds. Thanks to its prominent corner location, residents and visitors inevitably stroll past “Haus am Grendel”.

The property, newly built in 2010, is distinguished on the ground floors by its

generous ceiling height, good visibility and modern building technology. Around 760 m<sup>2</sup> of retail space are currently let on a long-term basis to Dosenbach, Hublot and Yves Rocher. The units will also prove their universal usability in the long term when it comes to reletting, as shop tenants are increasingly concentrating their business on efficiently designed floor plans and optimum technical fittings.

The upper floors, with high-quality office and service space, are also well equipped for the future. They are currently being used by a shared-office provider and

a healthcare practice. Here too, high footfall and excellent accessibility form an important basis for the business success of these tenants. ■

“Haus am Grendel” benefits from its prominent corner location.



Source: Foto Werder



Source: Foto Werder

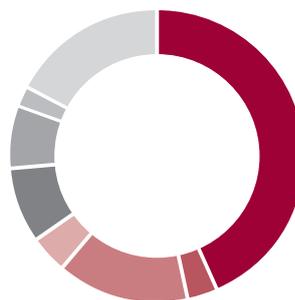
The three main shopping streets in Lucerne meet at Falkenplatz.

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

ISIN CH0136837587  
Launch date 01.11.2011  
Portfolio manager Nils Linsi

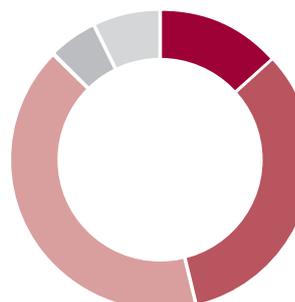
**Key figures as of 30.09.2021**

Market value of real estate CHF 1840.69 m  
Number of properties 92  
Rental rate 97.94 %  
Borrowing ratio 17.13 %  
Net asset value (NAV) CHF 1556.10 m  
Performance YTD 5.16 %  
Performance 2020 4.56 %  
Performance 2019 4.90 %  
Performance 2018 4.97 %  
Performance since launch 5.19 % p. a.



**Geographical distribution**

Zurich	43.52 %
Bern	3.31 %
Central Switzerland	14.56 %
Western Switzerland	4.15 %
Northwestern Switzerland	8.15 %
Eastern Switzerland	6.96 %
Southern Switzerland	2.38 %
Lake Geneva	16.97 %



**Types of use**

Residential	12.37 %
Office	34.81 %
Retail	41.81 %
Parking	4.62 %
Ancillary use	6.39 %

# Dorfplatz, Bassersdorf – good living at a central location

The property Dorfplatz 7 / Breitistrasse 32, built in 2014, is located in the centre of Bassersdorf. The property's modern and striking construction makes a characteristic contribution to the overall appearance of the centre of Bassersdorf.

The extra high basement serves as retail space and is let to Coop on a long-term lease. In general, the retail spaces benefit from good visibility and ample parking in the spacious underground car park. There are further shops, infrastructure facilities for daily needs as well as schools and kindergartens in the immediate vicinity.

The upper floors contain 31 rental apartments. The apartments have been up-

graded to a high rental standard with Minergie certification and offer high living comfort and quality of life in a central location. The spacious roof gardens on the first floor of the property create smooth transitions between the exterior and interior spaces. The property thus offers optimum living at a first-class micro location within the thriving municipality of Bassersdorf, ideally located with excellent transport links between Zurich, the airport and Winterthur.

In addition, tenants can benefit from services such as laundry, catering and care services thanks to the cooperation with the Kompetenzzentrum für Pflege und Ge-

sundheit (KZU), thereby offering older people the opportunity to live in self-determination. The resulting intergenerational mix creates added social value for all residents of this modern property. ■

The retail units score well with good visibility and sufficient parking space.



Source: Foto Werder



Source: Foto Werder

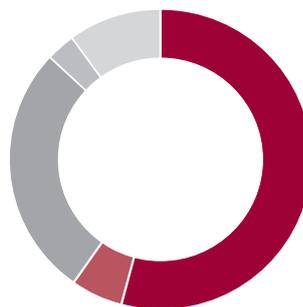
Spacious roof gardens elegantly link indoor and outdoor spaces.

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

ISIN CH0385556482  
Launch Date 01.12.2017  
Portfolio manager Nils Linsi

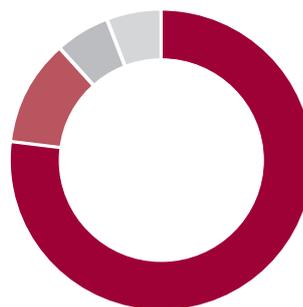
**Key figures as of 30.09.2021**

Market value of properties CHF 429.89 m  
Number of properties 13  
Rental rate 99.62 %  
Borrowing ratio 18.56 %  
Net asset value (NAV) CHF 340.44 m  
Performance YTD 5.49 %  
Performance 2020 5.61 %  
Performance 2019 5.08 %  
Performance 2018 5.18 %  
Performance since launch 5.64 % p. a.



**Geographical distribution**

Zurich 54.17 %  
Bern 5.75 %  
Northwestern Switzerland 27.10 %  
Eastern Switzerland 3.22 %  
Southern Switzerland 9.76 %



**Types of use**

Facilities with no inpatient care services 76.98 %  
Care facilities and nursing homes 11.38 %  
Healthcare properties 0.0 %  
Services and retail 5.92 %  
Ancillary use and parking 5.72 %

# Spitalgasse 34, Bern – new retail concept at a prestigious location

The building at Spitalgasse 34, built in 1925, is located at the heart of the upper part of Bern's old town. Spitalgasse is one of the most popular shopping streets in the federal city and has correspondingly high footfall. Bern main railway station, with its regular local and long-distance connections, is virtually around the corner.

The building shows the typical features of an old town house in Bern: representative sandstone façade, traditional arcades, basements directly accessible from street level. The upper and attic floors contain office units as well as a charming old town apartment with a rooftop terrace. From the first floor, the building is divided

into two parts, which create a two-sided orientation with good lighting for the offices.

For many years, the property's ground floor was divided into retail space facing Spitalgasse and a catering unit at the rear. In 2021, the two spaces were merged and transformed into one continuous and bright retail unit. This has proven a success: since autumn 2021, ALDI SUISSE has been operating what is currently the smallest of its branches in Switzerland with a unique city concept. The lease renewal to ALDI was seamless without any intervening vacancy, and the property's income is now secured again for years under a long-term lease agreement.

Not only has the interior of the shop been renovated as part of the new lease, but the property's external appearance has also been upgraded in close collaboration with the preservation authorities. In addition, the building technology has been adapted to the latest requirements in cooperation with the new tenant. All in all, an investment in tradition with high earnings and value stability. ■

Spitalgasse is one of the most popular shopping streets in Bern.



Source: Foto Werder



Source: Foto.Werder

Typical Bern: representative sandstone façades and historic arcades.

**Swiss Life Real Estate Funds:  
Swiss Life REF (LUX)  
Commercial Properties Switzerland, FCP-SIF**

ISIN LU0820924123  
Launch date 01.11.2012  
Portfolio manager Marcel Schmitt

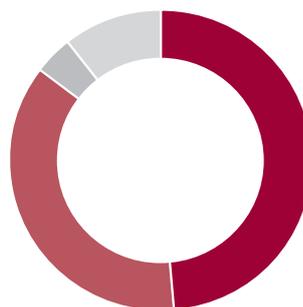
**Key figures as of 30.09.2021**

Market value of properties CHF 1449.18 m  
Number of properties 41  
Rental rate 96.74 %  
Borrowing ratio 22.64 %  
Net asset value (NAV) CHF 1084.52 m  
Performance YTD 5.60 %  
Performance 2020 4.18 %  
Performance 2019 4.17 %  
Performance 2018 4.62 %  
Performance since launch 5.10 % p. a.



**Geographical distribution**

Zurich	61.85 %
Bern	5.24 %
Central Switzerland	2.13 %
Western Switzerland	1.57 %
Northwestern Switzerland	7.16 %
Eastern Switzerland	5.09 %
Southern Switzerland	3.14 %
Lake Geneva	13,82 %



**Types of use**

Office	48.50 %
Retail	36.81 %
Parking	4.21 %
Ancillary use	10.47 %

# Rennweg 11, Zurich – stable rental income due to good location

Swiss Life REF (CH) Swiss Properties owns the property at Rennweg 11 in the heart of Zurich. The building is situated between Hotel Widder and Bahnhofstrasse in a prominent and highly frequented location. With up to 39,000 pedestrians per day, Rennweg is one of the most visited shopping streets and boasts renowned brands such as Apple, Starbucks, Gant and Victorinox.

The building was constructed in the nineteenth century and last renovated in 2019. The windows were replaced, the interior was refurbished and the technology was brought up to date. Modern city apartments were installed on the upper

floors, where for decades business tenants had pursued sales, administration and commercial activities. The lower retail levels were retained and technically aligned to the needs of the retailers and shop tenants.

The investment property enjoys a high level of earnings security thanks to its versatile usability and central location. This was also apparent after the departure of its most recent shop tenant, which had to change its strategy in the wake of the Covid-19 pandemic and left the rental property. A suitable new tenant was found seamlessly and without loss of rental income after the departure of the old one. A

French boutique has now been running a baby and children's fashion store since 2021, while at the same time promoting environmental and social projects. Good locations offer opportunities even in times of crisis. ■

Up to 39,000 pedestrians visit Zurich's Rennweg every day.





Source: Foto Werder

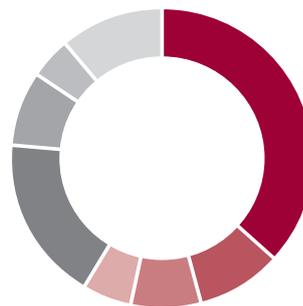
Prominent location between Hotel Widder and Bahnhofstrasse.

### Swiss Life REF (CH) Swiss Properties

ISIN	CH0293784861
Launch date	02.11.2015
Portfolio manager	Marcel Schmitt

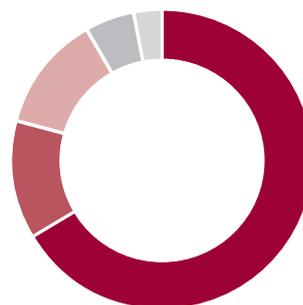
### Key figures as of 31.03.2021

Market value of properties	CHF 1966.73 m
Number of properties	138
Rental rate	96.89 %
Borrowing ratio	23.64 %
Net asset value (NAV)	CHF 1481.0 m
Performance YTD	9.46 %
Performance 2020	3.61 %
Performance 2019	20.87 %
Performance 2018	-1.81 %
Performance since launch	9.77 % p. a.



### Geographical distribution

Zurich	39.86 %
Bern	6.82 %
Central Switzerland	6.18 %
Western Switzerland	4.31 %
Northwestern Switzerland	17.31 %
Eastern Switzerland	6.84 %
Southern Switzerland	3.50 %
Lake Geneva	15.18 %



### Types of use

Residential	66.20 %
Office	12.86 %
Retail	12.60 %
Parking	5.52 %
Ancillary use	2.82 %

# Prime retail real estate market stands up to the crisis

Swiss retail has remained relatively robust even in these uncertain times and made clear what everyone has always known: it's the location that matters. If this is true, you can also sleep soundly with retail properties in your portfolio.

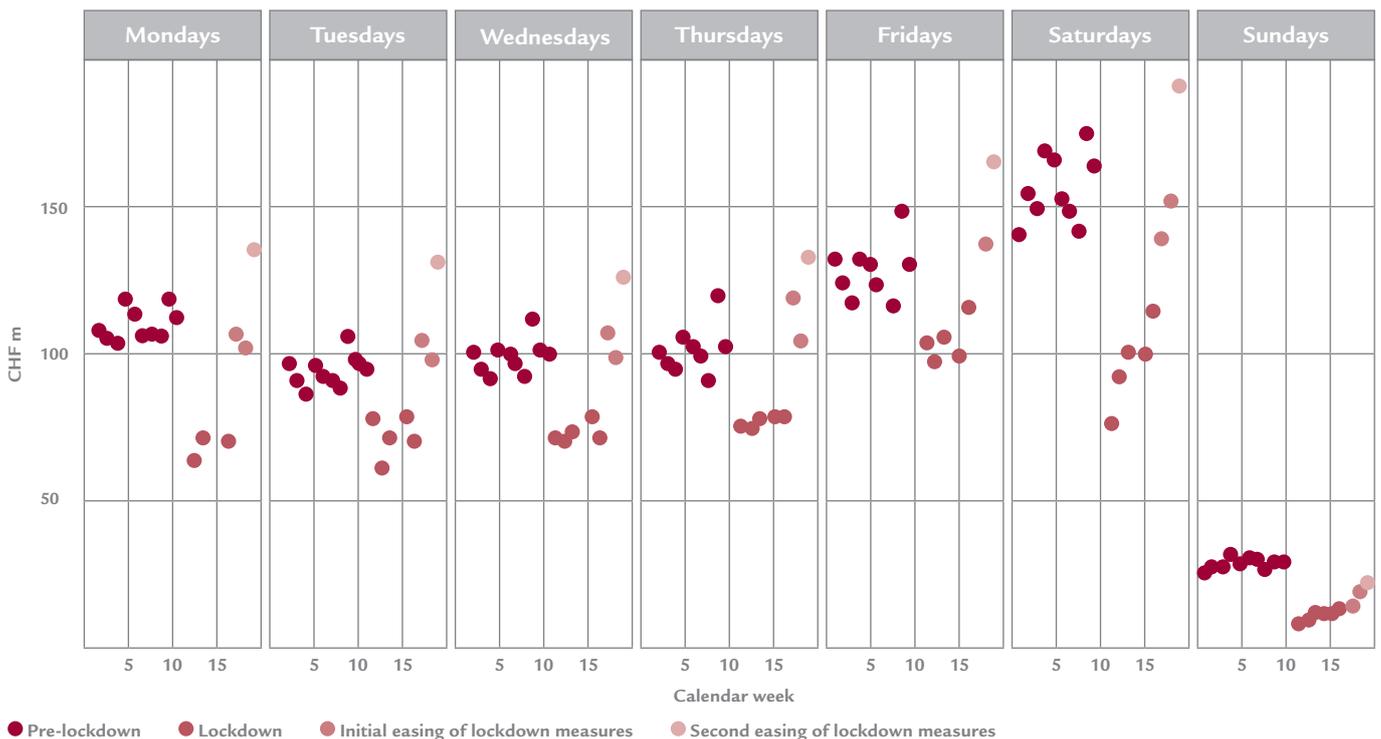
Gudrun Rolle, Research Analyst Real Estate

The prevailing opinion on the real estate market is that retail is dodgy terrain, particularly since the Covid-19 crisis. While this may be true for many locations in Europe, the retail segment at top locations in Switzerland has proved very resilient and offers interesting opportunities in times of economic recovery.

The resilience of the Swiss retail trade is shown by the example of sales volume. In contrast to the European Union, the Swiss retail sector increased its sales in 2020 by 2.2% year-on-year – and this despite the fact that e-commerce is becoming more and more important. Although the online share of Swiss retail increased in 2020 and

according to Growth from Knowledge (GfK) came to around 12%, store-based retail is far from written off. This is the upshot of a recent representative survey carried out on behalf of the Swiss Retail Federation. Although over two thirds intend to remain loyal to online shopping after the pandemic, around a third of Swiss

## Use of debit cards in bricks-and-mortar shopping in Switzerland before, during and after the corona lockdown

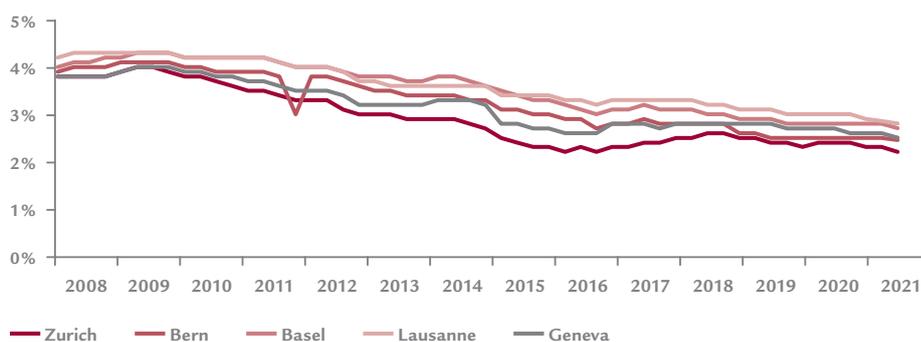


Source: SIX BBS AG; GitHub, Inc.

shoppers are planning to shop more frequently in-store again. The data analysis of debit card usage in physical (“bricks-and-mortar”) shops in Switzerland before, during and after the first coronavirus lockdown shows that words are likely to be followed by deeds and that there is a fundamental interest in the physical shopping experience. While average debit card expenditure plummeted 24% on weekdays and 38% on Saturdays during the lockdown, bricks-and-mortar retail consumption recovered quickly again following the initial easing of restrictions. The week following the second phase of easing saw some new annual highs recorded. The Swiss are far from turning their backs on bricks-and-mortar retail.

The resilience of Swiss retail is attributable to a relatively moderate lockdown combined with the high purchasing power that remained in the country during the crisis. Its strength is reflected in the real estate market. This is particularly clear when compared to other European countries: while prime rents for high-street properties on the European retail markets experienced declines of over 20% in some locations in 2020 due to multiple and in some cases stringent lockdowns while the prime rental level fell by 11% on average, Swiss retail properties proved more robust with a downturn of less than 7%. In addition, the Swiss retail property market is already showing signs of recovery in 2021: in the first half of 2021, prime rents already rose by an average of 2% across the top five Swiss markets – while the European average fell by a further 2% over the same period. A glance at the vacancy rate also reveals the robustness of the Swiss retail property market. In the second quarter of 2021, the national vacancy rate (1.8%), after a slight increase of 10 basis points in 2020, was already lower than before the start of the crisis (Q4 2019: 1.9%).

### Prime yields in Switzerland's top five retail markets



Source: Wüest Partner

### Rising prime rents in Zurich and Lausanne

However, it is also worth taking a differentiated look at the Swiss retail property market: while prime rents for properties in Zurich (as at Q2 2021) are now as much as 8% above pre-crisis levels (Q4 2019) and have also remained stable in Lausanne during this period, the Bernese retail property market has lost around 17% of its prime rental level over the past 18 months. Berne has still not recovered in 2021, while prime rents are already on the rise in Zurich (+11% from Q4 2020 to Q2 2021) and Lausanne (+5%) and remain stable in Geneva and Basel. Vacancy rates in Berne are very low, despite falling prime rents. At 0.8% in the second quarter of 2021, Berne has the lowest vacancy rate among the top five and the figure actually fell by 20 basis points during the crisis. Zurich comes next with a vacancy rate of 1.3% (-10 bps compared to Q4 2019).

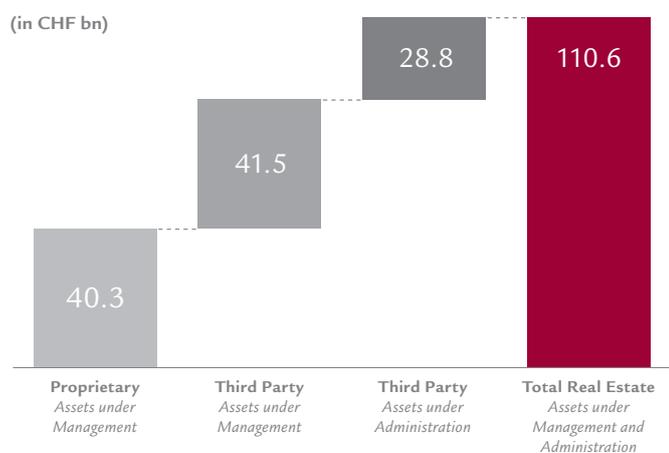
The fact that the Swiss market for retail space in prime locations does not suffer from structural vacancies even during a recession is probably one reason why investors continue to seek properties in top locations even in difficult times. While prime yields in Europe reflected the general uncertainty among investors in 2020, with risk premiums averaging 40 basis points

for high street properties, such a risk premium failed to materialise for Switzerland's top five markets. The prime yields of the top five remained stable in 2020. In Geneva and Lausanne, they even compressed slightly. The long-standing compression has resumed again with the recovery of the letting market in 2021. Prime properties in Zurich offer the lowest risk.

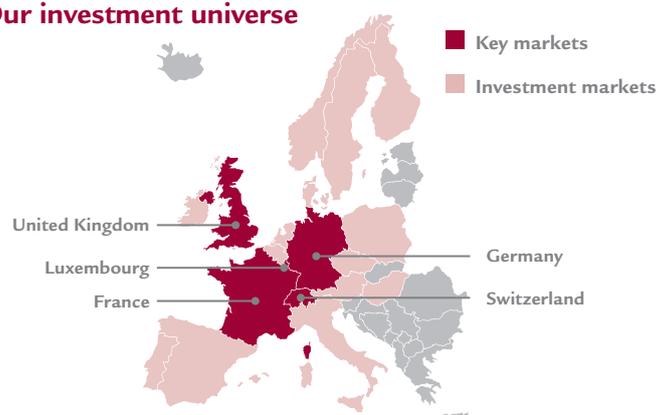
Zurich makes clear just how important the location is for the retail sector. A measurement of footfall in Bahnhofstrasse from 21 June to 10 August 2021 revealed that properties in the central section of this street have around 7% higher footfall than those near the main station. In concrete terms, this means that in seven weeks around 1.4 million people passed through the middle part of Bahnhofstrasse. Those people are potential customers, since most purchases are made spontaneously. According to a study by Simon-Kucher, spontaneous purchases have increased since the pandemic. Properties in high-frequency locations are worth their weight in gold, especially in times like these. ■

# Real Estate – facts and figures

## Assets under Management and Administration

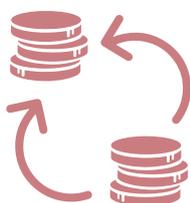


## Our investment universe



## Transaction volume real estate

10.6



(in CHF bn)  
(Average 2018, 2019, 2020)

## Employees



## Contact

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All figures as of 30 June 2021, unless stated otherwise.

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