

June 2022

Exposé

Real estate investments in Switzerland



“amRietpark” in Schlieren –

Living and working on the former industrial site

“Rhyvage” in Rheinfelden –

Residential complex with living services

“Culinarium” in Arlesheim –

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Editorial

Half a year ago, our last Exposé was published, in which we focused on retail real estate. Since then, the real estate market has moved forward. While the uncertainty over the retail sector has calmed down, many investors are questioning the new working models and the office market. Utilisation of office space has recovered rapidly, but occupancy is still far from the 2019 level.

The newly gained flexibility is actively used, also in our teams. At Swiss Life Asset Managers and Livit, the new “mobile office” combines the best of the daily office routine and working from home. The high levels of productivity and the digitalisation boost have remained, but personal exchange now also brings back the joy of professional interactions. What does this mean for the office real estate market? We surveyed our office tenants and received positive feedback. Offices remain popular, not only in central locations. As rental price statistics show, office rents have even risen sharply on average since the end of 2019. We have examined these trends in more detail for you.

We will once again take you through our investment products in a fresh format, which includes videos and an interview. There are plenty of new things to discover, not just office properties.

Have fun on this discovery tour!

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

Labour market defies recession fears

The Swiss labour market is experiencing an upturn, and the commercial property market is likely to follow suit. This opens up promising prospects for the real estate market – despite the renewed uncertainty in connection with the war in Ukraine and a tightening of monetary policy.

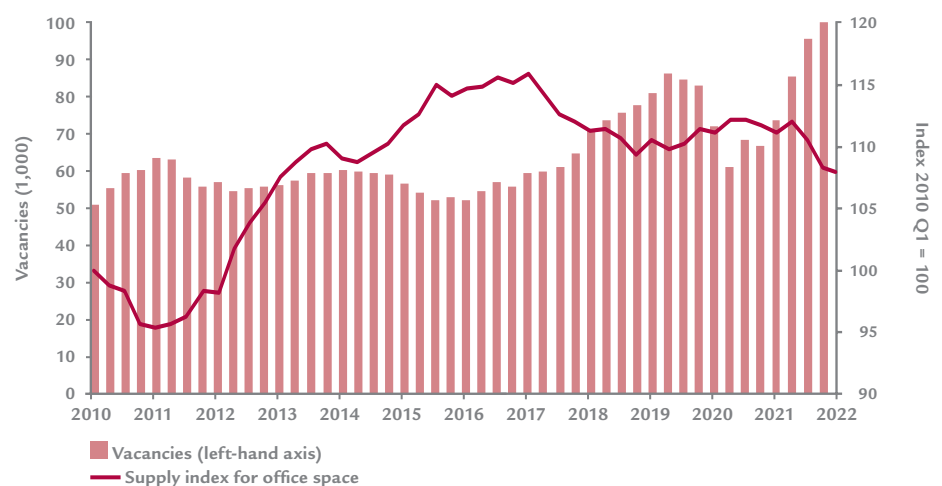
Robert Kuert, Real Estate Research Analyst Switzerland, Swiss Life Asset Managers

No sooner had the nationwide obligation to wear a mask in Switzerland been lifted on 17 February 2022, than the next blow followed a week later, again deeply unsettling Switzerland and Europe: Russian troops unexpectedly invaded Ukraine. The changed geopolitical situation overshadows two other developments that are shaping the current market environment: the existing supply bottlenecks of goods, mainly from China, and the incipient tightening of monetary policy due to higher-than-expected inflation rates. An initial key interest rate hike by the SNB is expected in the final quarter of 2022.

On the other hand, there are signs of dynamism on the Swiss labour market. Since the beginning of 2021, the number of vacancies according to the Swiss Federal Statistical Office (FSO) has increased by 37% compared to the previous year, and by 20% compared to the pre-pandemic level. As of Q4 2021, around 100,000 new positions were to be filled, i.e. 25% more than the long-term average. The Adecco Job Index even posted a 47% increase as of Q1 2022 compared to the same quarter in the previous year. Unemployment, however, fell to 2.3% in April.

This development has left its mark on the office market, as the supply index for office space shows. Available space already fell by 2.4% in Q1 2022 compared to the same quarter in the previous year, thus reaching the lowest level since 2013. The

Vacancies (seasonally adjusted) and supply index for office space (2010 Q1 = 100)



Source: FSO, Wüest Partner, Swiss Life Asset Managers

connection is likely to arise from the fact that more jobs with digital skills are being sought and advertised – jobs that are traditionally in demand in offices. According to the Adecco Job Index, 49% of all advertisements now require at least one digital skill, especially in connection with computers.

However, increasing digitalisation does not always mean that every new position creates more office space. Hybrid or mobile working will remain at least to some extent, that is undisputed. Possible consequences for office market rents by region can already be seen in this regard (see the article on page 14). Nevertheless,

the rising number of jobs is likely to be followed by an increase in employment, resulting in higher demand for office space. Thus, despite the changed geopolitical situation and slightly higher price increases, the outlook for the market environment in Switzerland remains solid. ■

Time of going to press: 16 May 2022

Zurich: Mixed use at an excellent location

The property at Löwenstrasse benefits from an excellent city-centre location in an area shaped by commercial buildings.

“Attractive workplaces for hybrid working.”

The simple appearance and the architecturally high construction quality are characteristic of the mixed-use property, which was built in 2013. The ground floor comprises spacious, clearly visible and

modern retail space, rented out by long-term lease. The three full floors above are each equipped with separate washrooms and can be extended and used independently of each other. The individual office units each have 160 square metres of rental space per floor and can be used flexibly and individually. The exclusive attic apartment rounds off the property with a spacious rooftop terrace and a fantastic view over Zurich.

The property has an excellent micro- and macro-location, high-quality building structure and individual rental units that can be used flexibly. Attractive

workplaces can thus be offered here in times of hybrid working, thereby ensuring stable rental income development.

The property was acquired in March 2022 as part of an asset swap. The residential and commercial property is part of the Swiss Life Investment Foundation portfolio and fully meets the latter’s high location and quality standards. ■

There is generous retail space on the ground floor and an attic apartment with an inviting rooftop terrace on the top floor. Source: Fotowerder





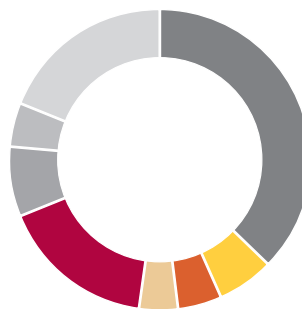
Löwenstrasse is a popular shopping street in the heart of Zurich with a wide range of stores. Source: Fotowerder

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

ISIN CH0106150136
Launch date 30.11.2009
Portfolio manager Nils Linsi

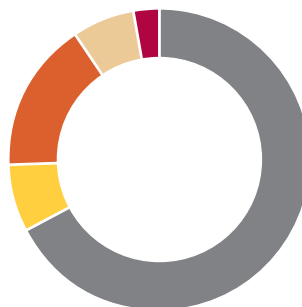
Key figures as of 31.03.2022

Market value of real estate CHF 3740.85 m
Number of properties 234
Rental rate 97.70%
Borrowing ratio 10.93%
Net asset value (NAV) CHF 3288.59 m
Performance YTD 2.75%
Performance 2021 5.87%
Performance 2020 4.94%
Performance 2019 5.37%
Performance since launch 5.74% p. a.



Geographical distribution

Zurich	37.44%
Bern	6.15%
Central Switzerland	4.69%
Western Switzerland	4.18%
Northwestern Switzerland	16.46%
Eastern Switzerland	7.72%
Southern Switzerland	4.58%
Lake Geneva	18.77%



Types of use

Residential	67.43%
Office	7.20%
Retail	16.08%
Parking	6.75%
Ancillary use	2.53%

Schlieren: Largest office property acquired at the “amRietpark” site

The office building at the new “am Rietpark” site, Wiesenstrasse 15–19, in Schlieren with around 13,000 square metres of rentable space was acquired in

“Impressive location directly next to Schlieren station.”

December 2021. Here, where fabrics were once dyed and glue was produced, modern living space for all generations has been created. Covering more than 125,000 square metres, the site stands for life, di-

versity, and community in an urban environment; at its heart lies a 600-metre-long park as a meeting place and resting spot. Built in 2014, the property is situated directly next to Schlieren station, its flexible office space ranging from 300 to over 2000 square metres per floor and its own underground car park with several e-parking spaces. There is retail and commercial space on the ground floor and office space on the upper floors.

The six-storey property features generous ceiling heights, high window fronts and modern building services. A terrace for tenants is located on the accessible roof, and the rear grounds of the building

invite the guest to linger. The property stands out due to its attractive architecture and its strikingly designed rear façade guarantees a high recognition value.

Built using the Minergie construction method, the property optimally complements the Swiss Life Investment Foundation’s existing portfolio; with its good location and structural condition, it is well equipped for the future. ■

With its coloured, high window fronts, the six-storey building is a real eye-catcher. Source: Fotowerder





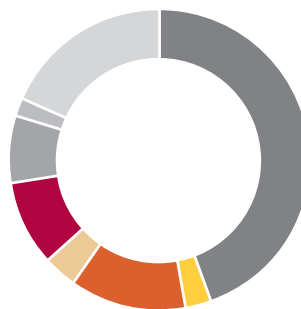
The roof is accessible and houses a terrace for tenants. Source: Fotowerder

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

ISIN CH0136837587
Launch date 31.10.2011
Portfolio manager Nils Linsi

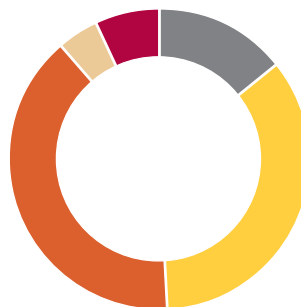
Key figures as of 31.03.2022

Market value of real estate CHF 2213.01 m
Number of properties 110
Rental rate 96.82%
Borrowing ratio 25.71%
Net asset value (NAV) CHF 1590.92 m
Performance YTD 1.50%
Performance 2021 5.93%
Performance 2020 4.56%
Performance 2019 4.90%
Performance since launch 5.16% p. a.



Geographical distribution

Zurich	44.66%
Bern	2.77%
Central Switzerland	12.53%
Western Switzerland	3.38%
Northwestern Switzerland	9.28%
Eastern Switzerland	7.37%
Southern Switzerland	1.95%
Lake Geneva	18.07%



Types of use

Residential	14.23%
Office	34.98%
Retail	39.43%
Parking	4.56%
Ancillary use	6.81%

Rheinfelden: “Rhyvage” scores with customised services

The “Rhyvage” residential complex has 132 apartments, of which 40 are age-appropriate and hold LEA Platinum certification, the highest construction standard for age-appropriate construction. The development was ready for occupation in April 2021. The residents benefit from the cooperation between the Swiss Life Investment Foundation and bonacasa, which on behalf of Swiss Life provides various living services offering greater comfort and security, thereby enabling them to lead a self-determined life. Silvia Kurth, bonacasa concierge, shared her experiences of the first year.

Swiss Life Asset Managers: Ms Kurth, you have now been concierge at the “Rhyvage” residential complex for one year.

What services does bonacasa offer residents?

Silvia Kurth: With its living services, bonacasa offers more day-to-day quality of life. Residents can conveniently request apartment cleaning, a laundry service, administrative assistance with various tasks, a transport service or a holiday service for carefree absences. As personal concierge for the properties, I am the direct point of contact for living services and facilitate additional individual services to ease the burden of everyday life.

What impressions have particularly remained with you?

The residents were very interested in my work as concierge and the services offered by bonacasa right from the start. I particularly appreciated the trust that was placed in me at the launch of the development.

Which services are the most popular?

The residents display a marked interest in housekeeping, which is provided by the cleaning specialist. Various concierge services for periods of absence have been used.

Where do you see the greatest benefits of a development with living services?

In addition to the services mentioned, we can guarantee residents more security and freedom in their everyday life with bonacasa’s 24/7 emergency call service, which guarantees a direct connection to an emergency centre staffed around the clock. Residents also greatly appreciate the hours I spend present on site. I can generate significant added value during this time by offering a helping hand.

Was the 24/7 emergency call service also requested by other tenants after moving in who did not initially opt for it?

I already provided a range of advice about bonacasa’s living services and emergency call service in the first few weeks, which attracted a great deal of interest. The start of a development is a process in which residents need to be networked and trust built up in the concierge and within the development. Residents who had initially expressed muted interest in bonacasa’s emergency call service came back to me later on to make use of the advisory service. ■

Popular service: helping hands in the home. Source: Fotowerder





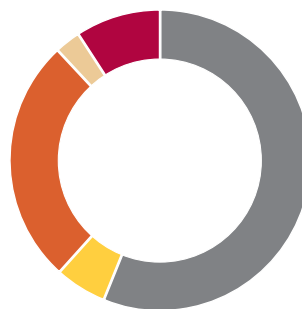
At the "Rhyvage" residential complex, 40 of the 132 apartments are constructed in an age-appropriate manner. Source: Fotowerder

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

ISIN CH0385556482
Launch Date 30.11.2017
Portfolio manager Nils Linsi

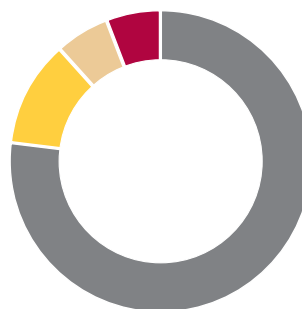
Key figures as of 31.03.2022

Market value of properties CHF 470.21 m
Number of properties 14
Rental rate 98.70%
Borrowing ratio 13.35%
Net asset value (NAV) CHF 391.78 m
Performance YTD 2.26%
Performance 2021 6.29%
Performance 2020 5.61%
Performance 2019 5.08%
Performance since launch 5.71% p. a.



Geographical distribution

Zurich	56.36%
Bern	5.35%
Northwestern Switzerland	26.35%
Eastern Switzerland	2.98%
Southern Switzerland	8.95%



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%

Arlesheim: Successful reletting in a modern commercial property

The “Culinarium” at Altematteweg 2 was built in 2016 as a Minergie construction and acquired in 2020. The office and commercial building with numerous workstations

“The building has around 2600 square metres of rentable space.”

is in a highly visible location in Arlesheim’s commercial district. The railway station, which is in walking distance, and two nearby motorway connections ensure quick access to Basel.

The building’s impressive modern architecture features numerous glass elements on the façade, a selection of high-quality materials and flexible usability. The large underground car park has space for 72 vehicles and also offers e-charging stations. The building has around 2600 square metres of rentable space. The largest tenants include a fitness centre on the top floor and a restaurant on the ground floor with its own brewery. Arli Brau, which is popular in the region, is produced here.

The pandemic was a challenge for the largest tenants as they were directly affected by the measures imposed by the authorities. Thanks to partnership-based solutions, the

existing tenants, who are well positioned locally, nevertheless managed to overcome this difficult period. In addition, some vacant units were successfully re-let during the pandemic. The active and close cooperation between asset management and marketing, in combination with the modern quality of the units, in our view has helped to stabilise the letting situation and ultimately achieve full occupancy. ■

The “Culinarium” office and commercial building stands out with its architecture. Source: Fotowerder





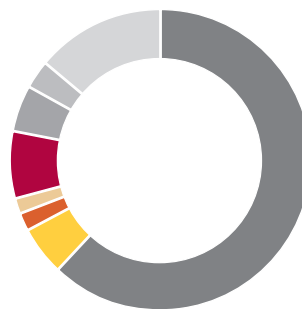
The largest tenants include a fitness centre on the top floor and a restaurant on the ground floor. Source: Fotowerder

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

ISIN LU0820924123
Launch date 31.10.2012
Portfolio manager Marcel Schmitt

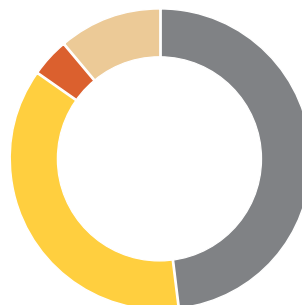
Key figures as of 31.03.2022

Market value of properties CHF 1462.18 m
Number of properties 41
Rental rate 97.02%
Borrowing ratio 23.39%
Net asset value (NAV) CHF 1078.92 m
Performance YTD 1.46%
Performance 2021 6.41%
Performance 2020 4.18%
Performance 2019 4.17%
Performance since launch 5.07% p. a.



Geographical distribution

Zurich	62.11%
Bern	5.17%
Central Switzerland	2.13%
Western Switzerland	1.54%
Northwestern Switzerland	7.21%
Eastern Switzerland	5.05%
Southern Switzerland	3.09%
Lake Geneva	13.71%



Types of use

Office	48.16%
Retail	36.60%
Parking	4.13%
Ancillary use	11.11%

Affoltern am Albis: Sustainable living in rural surroundings

The “Pfruendhofstrasse 44–62” residential development is arranged in nine buildings around an elongated courtyard

“The conversion has significantly reduced the CO₂ intensity.”

interspersed with pavilions and winding paths. The development from the 1980s conveys a rural and green character. There are numerous balconies and places to sit in the attractive outdoor space. The slightly elevated location on the eastern outskirts

of the town is optimally connected to the centre of Affoltern am Albis: most shops, restaurants, and public facilities such as a school and outdoor swimming pool are within a five-minute walk.

The buildings were fully renovated in 2019, and an additional storey in timber construction was added to some of them. The apartment mix ranges from two to five rooms and includes marketable apartment sizes ranging from 61 to 124 square metres. The conversion has significantly reduced the CO₂ intensity of this property. In addition to the sustainable timber construction and the optimally insulated building shell, heat generation has

also been replaced: the energy comes from a local district heating network, which is operated with wood chips.

The atmosphere and quality of life of the settlement is impressively highlighted by almost continuous full occupancy. Rural, sustainable living within walking distance of public life in the district capital of Affoltern am Albis – an attractive mix that enables all concerned to lead a self-determined life. ■

Good things are close to hand here: shops, restaurants, school, playground. Source: Fotowerder





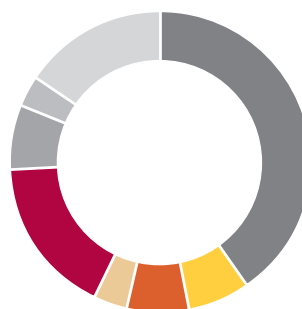
The development benefits from a rural and very green character. Source: Fotowerder

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

ISIN	CH0293784861
Launch date	02.11.2015
Portfolio manager	Marcel Schmitt

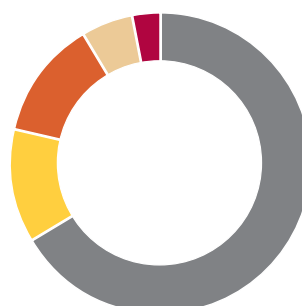
Key figures as of 30.09.2021

Market value of properties	CHF 1999.29 m
Number of properties	136
Rental rate	96.80%
Borrowing ratio	21.83%
Net asset value (NAV)	CHF 1530.3 m
Performance YTD	-0.08%
Performance 2021	6.83%
Performance 2020	3.61%
Performance 2019	20.87%
Performance since launch	8.55% p. a.



Geographical distribution

Zurich	40.33%
Bern	6.76%
Central Switzerland	6.62%
Western Switzerland	3.62%
Northwestern Switzerland	17.09%
Eastern Switzerland	6.75%
Southern Switzerland	3.44%
Lake Geneva	15.40%



Types of use

Residential	66.50%
Office	12.33%
Retail	12.78%
Parking	5.55%
Ancillary use	2.85%

Office tenants want to keep good locations

Since the beginning of the pandemic, regions outside established office markets have become more attractive, as evidenced by growing headline rents. But good locations for longstanding tenants are not faltering. This was the outcome of the first commercial tenant survey conducted with Link Institute.

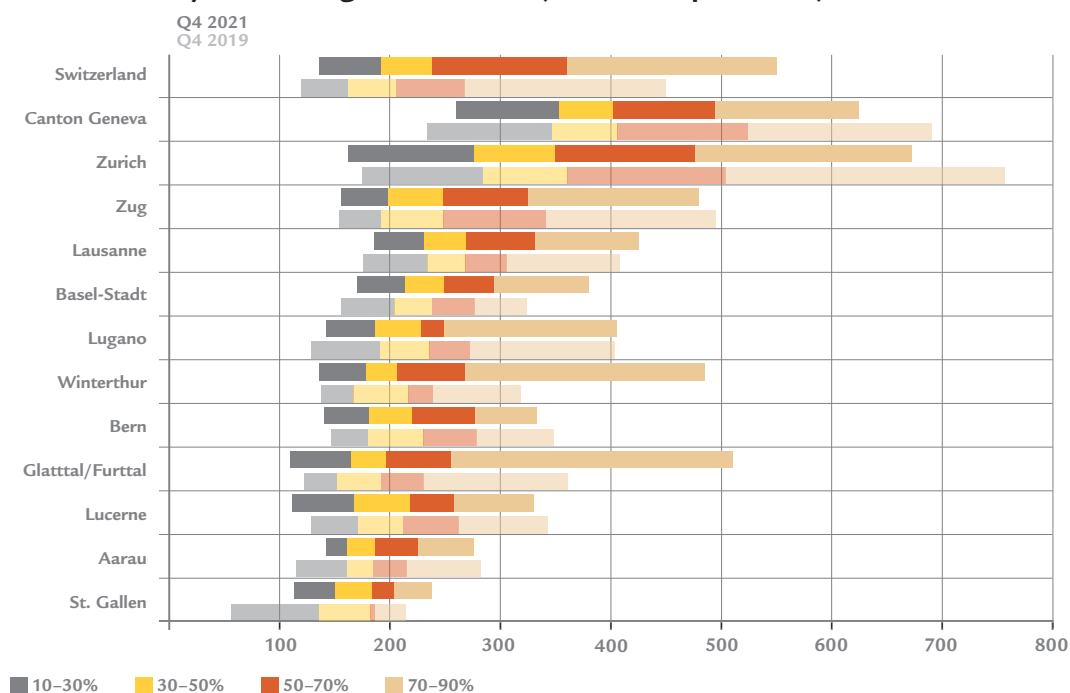
Robert Kuert, Real Estate Research Analyst Switzerland, Swiss Life Asset Managers

The repeal of the work from home recommendation came unexpectedly fast at the end of February 2022. Office users quickly increased their occupancy again as a result. Yet, it seems unlikely that utilisation levels will return to pre-pandemic peak capacity. Hybrid working remains an integral part of living with Covid. Let's start

with a look back at how the office market has developed over the past two years: the office world has not undergone a complete reorganisation, and that includes the rent landscape. Across Switzerland, median rents even rose by 16% between Q4 2019 and Q4 2020. What is striking, however, is that, despite a rise in all rental price

segments across Switzerland, there were measurable contractions in supply prices in the top markets of Zurich, Geneva, and Zug. By contrast, the price ranges for the Winterthur or Glatttal/Furttal regions now extend to Geneva or Zurich levels. Rents in the highest segments rose here by over 40%.

Office rents by market region, Q4 2019 (before the pandemic) and Q4 2021



(CHF/m² and year; regions of Switzerland with office space of more than 1 million m²)

Source: Wüest Partner

Meanwhile, headline rents in the same price segment fell between 6% and 11% in the top markets of Zurich and Geneva. In Canton Zug, too, which plays in the same office market league as Lausanne and Basel, rents fell by 3% in the upper price segment.

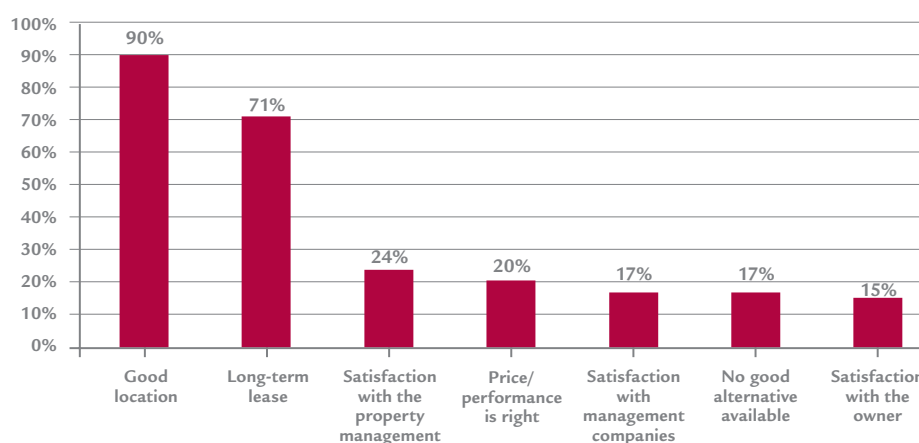
Greater supply and larger catchment areas

Rental increases only seem to reflect supply scarcity to a limited extent. On the contrary: in many regions, rental price growth has been accompanied by increased availability of space. Supply rose by 6% in Glatttal/Furttal, by 44% in St. Gallen and by around 70% in Basel-Stadt. The increase in these cases comprises more space of higher quality (and thus higher rent). On the other hand, there has only been moderate growth in supply throughout Switzerland in the past two years: the advertised space has increased by some 100,000 m² throughout Switzerland, but this has not affected the supply figure. At 7%, it is at the same level throughout Switzerland as before the pandemic, which conceals something about the different progressions in the individual regions. However, the quantity and quality of space alone is likely to be only one reason for the slight increase in parity for certain office markets. The growth of hybrid work is showing its first influences here. The days spent working from home allow professionals to now travel further without increasing their allotted weekly travel time. As a result, the catchment area is expanding, as is the number of professionals who can reach these locations, such as Winterthur or the city of St. Gallen. These new conditions are set to feature more.

Location and continuity as reasons for extension

With these shifts in the market, owners will ask themselves what they can do to prevent

Reasons for a contract extension



Survey of commercial tenants in September 2021

Source: Swiss Life Asset Managers, LINK Institute

tenants from suddenly opting for these locations during this phase, given their growing attractiveness. A survey of commercial tenants conducted with the LINK Institute identified no cause for concern.

According to the survey, the leading factors for a contract extension are “good location” (90%) and an already existing or “long-term lease” (71%). Around a quarter and a fifth of commercial tenants consider facility management and price/performance, respectively as potential cause for extension.

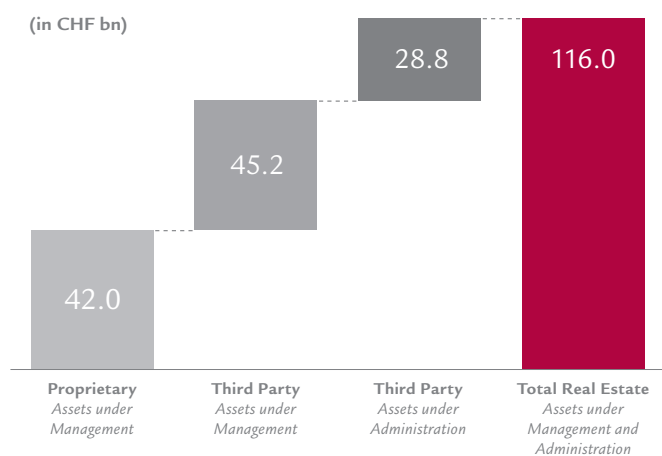
This is good news for investors who were already concentrating on top locations and rely on continuity. Long-term contracts in top locations thus create good conditions for sustained tenant stability, including with nation-wide hybrid working.

Moreover, the federal government’s economic scenarios assume strong medium-term growth in the sectors that are likely to consume office space. Drivers are increasing digitalisation and automation, which lead to the expectation of more and more professionals working in the digital field. The resulting increase in the propor-

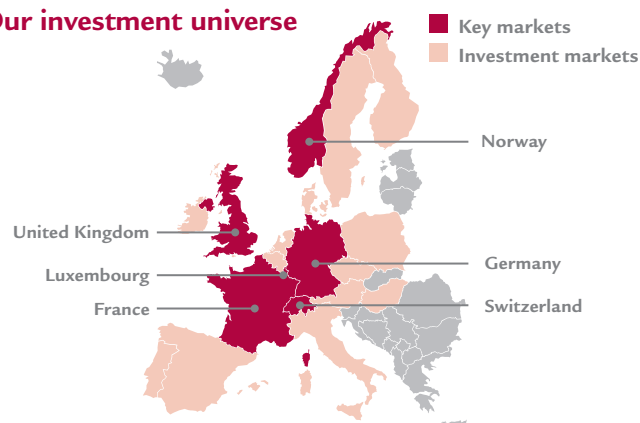
tion of office space will most likely more than offset the reduction in space due to more working from home or desk sharing. Even if hybrid working concepts are becoming an integral part of the office market, this does not completely change the office landscape. ■

Real Estate – facts and figures

Assets under Management and Administration



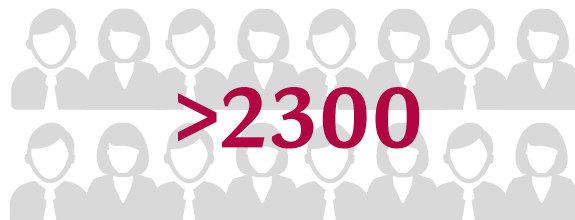
Our investment universe



Transaction volume real estate



Employees



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All figures as of 31 December 2021, unless stated otherwise.

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