

# Immo-Update

May 2019

News on our **UBS** real estate investment products



**Market report:** Normalization of the Swiss economy

**Focus/Insight:** Real Estate Switzerland – We live real estate.



# Editorial



Dr. Daniel Brüllmann  
Head of Real Estate Switzerland

## Dear Readers

Welcome to the latest edition of our Immo-Update!

We are pleased to present you with a number of exciting examples of successful growth for our real estate investment products through the development of existing properties, for instance through expansion, conversion or renovation measures. You can also read about the successful start of letting for our new build projects.

Real Estate Switzerland is committed to responsible real estate management. Learn more about our basic principles and some interesting key facts under the heading "We live real estate" from page 24 onwards. The article also contains information about our redesigned website at [www.ubs.com/realestate-switzerland](http://www.ubs.com/realestate-switzerland) and the Property Finder, which provides interactive access to all Real Estate Switzerland's properties on a map of Switzerland.

Thank you for your interest and we are delighted to once again offer an insight into our real estate products and the Swiss real estate market in this edition.

Daniel Brüllmann,  
Head of Real Estate Switzerland

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For more information, please visit  
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**[www.ubs.com/realestate-switzerland](http://www.ubs.com/realestate-switzerland)**  
UBS Fund Infoline: 0800 899 899



# Normalization of the Swiss economy



Brice Hoffer  
Research & Strategy – Switzerland

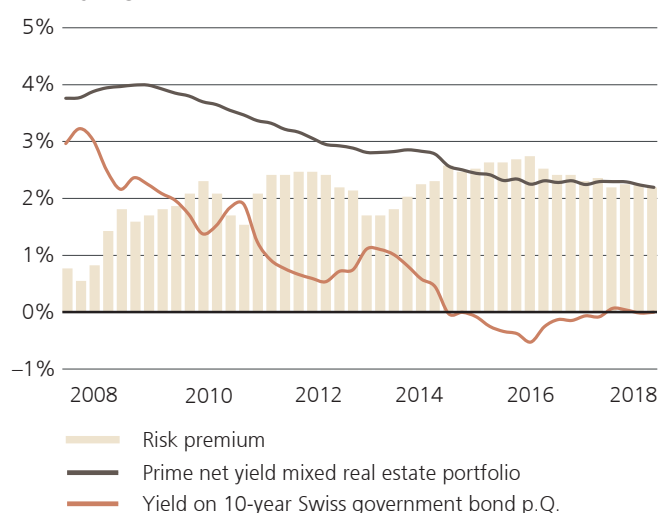
After taking a breather in the third quarter, the Swiss economy showed positive signs at the end of last year. Real gross domestic product (GDP) rose slightly quarter-on-quarter in the fourth quarter of 2018 (0.2%). The strong recovery in foreign trade was a particularly significant factor in this positive trend, with nominal export volumes growing by 4.2% quarter-on-quarter (QoQ). The Swiss economy achieved a solid overall result in 2018, recording real growth of 2.5%. The slowdown in global economic momentum will likely see the Swiss economy normalize in 2019, with real growth forecast at 1.1%.

Despite the recent slowdown, the labor market remains very robust. The number of employees increased by 1.3% year-on-year in the fourth quarter of 2018, and 20% more vacancies were offered than in the previous year. The still very low unemployment rate of 2.5% in March 2019 also underlines the sound basis of the Swiss labor market.

The normalization of economic activity is not without consequences for inflation. After accelerating steadily over the course of the year, inflation momentum slowed significantly in the final quarter of 2018. This trend is still continuing; the average inflation rate in 2019 will likely be just 0.4%. The lack of impetus from inflation and the relatively strong Swiss franc mean there is still little prospect of any early rise in interest rates in Switzerland. The Swiss National Bank (SNB) is likely to wait for the European Central Bank (ECB) to make a move to ensure exchange rate stability with the euro. As a result of ongoing internal and external risks in Europe, the ECB's first rate hike is likely to be during 2020 at the earliest. The low interest rate environment is therefore set to continue for the near future.

Despite dynamic transaction activity, risk premiums in the Swiss real estate market remain substantial. In the fourth quarter of 2018, the net yield differential between the acquisition of first-class properties (mixed sectors) and 10-year Swiss government bonds was just under 220 basis points in the Swiss market. The current premium is therefore still around 60 basis points above the historical average. As a result of this attractiveness and the currently expensive cost of currency hedging, which reduces the potential of major global real estate markets such as the USA for Swiss investors, domestic investors will likely continue to be very interested in Swiss real estate investments this year. This investment pressure should result in a renewed positive performance in the Swiss real estate market in 2019, albeit at a slower pace than in the previous year.

## Risk premiums on Swiss properties remain at a very high level



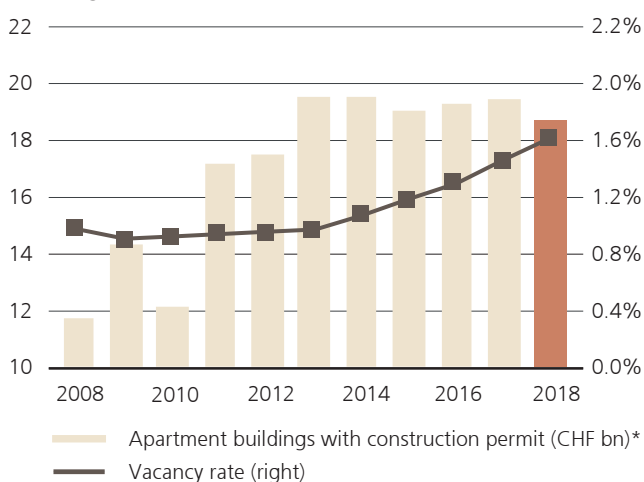
Source: Wüest Partner 4Q18, Oxford Economics, SNB; UBS Asset Management, Real Estate & Private Markets; Research and Strategy – Switzerland

### Residential real estate: construction activity remains dynamic

The announced slowdown in planning activity in the Swiss housing market remained rather modest in 2018. Building applications were submitted for a total of around 54,000 residential units, a reduction of just 6% year-on-year. Local trends are very heterogeneous, however. While certain periurban regions such as the Zürcher Unterland (ZH) (-54%) or the Siders (VS) (-53%) and Aigle (VD) (-46%) regions are experiencing a welcome reduction in planning activity, construction activity in other fragile markets such as La Sarine (FR) (+75%), Werdenberg (SG) (+71%), or the La Chaux-de-Fonds (NE) (+47%) and Lugano (TI) (+46%) regions is set to accelerate over the coming quarters.

After four years of steady decline, immigration bottomed out in 2018. With a migration balance of 54,700 people, immigration momentum was 2.9% higher last year than in 2017. Immigration was again focused on Switzerland's biggest urban centers – particularly the Lake Geneva basin, the Greater Zurich Area and the canton of Basel-Stadt – whereas decentralized areas in eastern Switzerland, the Valais and the Jura Arc only benefited from this recovery to a limited extent. With construction activity still dynamic and demand only slightly higher, the vacancy rate is expected to rise again in 2019. From a spatial point of view, peripheral locations should remain under particular pressure, while major centers and their agglomerations will likely be more resilient thanks to healthier demand potential.

### Investment and vacancy rates in the Swiss housing market



Source: Documedia, Swiss Federal Statistical Office, Real Estate & Private Markets; Research and Strategy – Switzerland  
\*With at least three residential units

### Commercial real estate: supply of office space is declining

The recovery on the labor market as a result of the positive economic situation significantly boosted demand for office space in 2018. This increase in demand, coupled with modest access to new space due to a slowdown in planning activity in 2014 and 2015, led to a reduction in the supply of office space last year. According to Jones Lang LaSalle, at the end of 2018 overall supply in the country's five largest markets was approximately 3.9% of the total space (2017: 4.3%). The announced stabilization of the office space market is thus materializing progressively. As far as rents are concerned, the trend is currently still slightly downward. The improvement in market fundamentals should lead to rent levels in the Swiss office space market bottoming out in the near future, however. In the longer term, the stabilization of certain regional office markets – particularly Geneva and Basel – will be called into question due to a significant recovery in planning activity.

Sentiment in the Swiss retail sector remains subdued. Despite a supportive economy, sales in the sector were almost unchanged year-on-year in 2018 (+0.1%). The growing market penetration of online retailers and stagnating real wages continue to affect retailers' growth prospects and hence demand for sales space. The deterioration in rental income prospects means investors are starting to demand higher risk premiums in this sector. According to Wüest Partner, net initial yields for first-class retail properties in Zurich were 30 basis points higher in the fourth quarter of 2018 than their low point in the second half of 2016, while corresponding properties in Geneva were 20 basis points higher.

# Everything according to plan for new construction projects



Sihlfeld-Zurich replacement residential property in Zurich-Wiedikon (visualization)



Stephan Pellegrini  
Fund Manager since 2015

UBS Direct Urban is currently realizing three new construction projects in attractive urban locations. Construction is proceeding on schedule, and apartments should therefore be ready to hand over to tenants by the dates planned.

### **Sihlfeld-Zurich in Wiedikon**

The Sihlfeld-Zurich residential property, comprising 61 apartments in a sought-after residential area in Zurich's district 3 and thus offering optimal infrastructure, is due to be ready for occupation in winter 2020. With an investment volume of around CHF 57 million this new build property will be the second largest investment in the portfolio, making it a key contributor to the attractive future prospects of the fund. The demolition of the old building to foundation level was completed on schedule and a contract signed with the general contractor at the same time. The property has been pre-certified with the SGNI Gold Standard sustainability label. Although the letting process has not actively started yet, several potential tenants have already approached us and have been placed on a waiting list.



### Aarburg

The Minergie®-certified Bahnhof West residential and commercial property with an investment volume of around CHF 28 million will be handed over to tenants on schedule in September 2019. The installation of the high-quality metal facade is in the final phase and already underlines the distinctive character of the building, which is an ideal fit for the historic city of Aarburg. Work on the apartments' interior is also on schedule. A furnished show apartment is available and will be used both for marketing and to define and ensure high-quality workmanship. The basic configuration of the commercial space will be determined in close consultation with the main tenant VELUX Schweiz AG, which will have its future headquarters here.

### Locarno

The Residenza Morettina residential development project right next to the old town, lake and Piazza Grande has an investment volume of around CHF 12 million. The shell has been constructed according to plan up to the second floor and is due to be completed by the end of May. Preparations are underway for initial letting by a local marketer, with letting activities including a show apartment due to start in September 2019. Move-in is scheduled for spring 2020.

## NEWS IN BRIEF

### Commercial space let successfully

A long-term lease was concluded with Aldi for the Breitenpark shopping center in Rothrist. The total rental area, which was significantly increased by combining several retail spaces, is around 1,420 m<sup>2</sup>. This pleasing deal further increases the attractiveness of the shopping center for the long term.

## KEY FIGURES AT A GLANCE

### UBS (CH) Property Fund – Direct Urban

Security no. 19 294 039

#### Data as per half year financial statement (31.12.2018)

Total fund assets	CHF	409.9 m
Number of properties		16

#### Data as at 30.04.2019

Market price	CHF	11.65
Premium <sup>1)</sup>		2.53%
Distribution yield <sup>2), 3)</sup>		2.15%

<sup>1)</sup> Calculated on the SFAMA (Swiss Fund & Asset Management Association) method based on the adjusted net asset value

<sup>2)</sup> Last distribution divided by the current market price

<sup>3)</sup> Free of withholding tax

# New replacement building in Wetzikon



Residential development project according to SGNI Gold Standard in Wetzikon ZH (visualization)



Christian Sturm  
Fund Manager since 2016

At the end of 2019, work will start on a residential development project comprising 52 apartments and 62 underground parking spaces in a quiet and very popular residential area in Wetzikon in the canton of Zurich. UBS Direct Residential currently has two neighboring properties on Ankengasse/Stationsstrasse in its portfolio, which together have a lot of space available for expansion. The upcoming renovation cycle of the existing properties also means that a new replacement building which meets the latest sustainability standards is now being constructed on both plots in this sought-after residential area.

The municipality of Wetzikon is located in the Zurich Oberland on Lake Pfäffikon. With around 24,500 inhabitants, Wetzikon has excellent transport links. Central Zurich and the airport can both be reached in about half an hour via the nearby highway junctions. Wetzikon is also a public transport hub. Zurich main station is just a 28-minute journey from Kempten station, which is located right next to the residential development project. Three residential buildings with a balanced mix of apartments are planned, and they will now have a communal underground car park.

The space between the buildings is to be filled with park-style grounds featuring private gardens and a communal square that blend harmoniously into the natural environment. The high-quality apartments offer an impressive standard of finish and generous lighting, while the efficient floor plan arrangements mean access areas can be kept as small as possible. Finally, the elimination of corridors in favor of living space creates room for spacious bathrooms and entrance areas.

SGNI (Swiss Society for Sustainable Real Estate Management) Gold certification is being sought for the new build project. The SGNI seal of approval is based on the methodology of the German Sustainable Building Council (DGNB), which is used and recognized all over the world; it confirms that a property is sustainable throughout the entire life cycle during planning, construction, operation and use. One feature is that heat is to be generated using groundwater in combination with a photovoltaic system, making the building independent of fossil fuels.

This attractive new build project in a prime location is characteristic of UBS Direct Residential's strategy of targeting organic growth by realizing the potential of existing properties.

## KEY FIGURES AT A GLANCE

### UBS (CH) Property Fund – Direct Residential

Security no. 2 646 536

#### Data as per half year financial statement (31.12.2018)

Total fund assets	CHF	689.9 m
Number of properties		77

#### Data as at 30.04.2019

Market price	CHF	14.80
Premium <sup>1)</sup>		8.73%
Distribution yield <sup>2), 3)</sup>		2.7%

<sup>1)</sup> Calculated on the SFAMA (Swiss Fund & Asset Management Association) method based on the adjusted net asset value

<sup>2)</sup> Last distribution divided by the current market price

<sup>3)</sup> Free of withholding tax

## NEWS IN BRIEF

### Successful integration of the two acquired portfolios

The takeover and implementation – including a change of manager – of the two acquired residential portfolios, comprising a total of 13 properties in six cantons (ZH, SG, SO, BE, AG and FR), at the end of November/ beginning of December 2018 was completed without a hitch. The properties have a total market value of CHF 92.7 million and have increased the earnings base by around CHF 4.2 million p.a. or 14%.

### Tenants move into the property in Oftringen

Tenants were able to move into our "Zentrum" new build project on Zürichstrasse in Oftringen in the canton of Aargau at the beginning of March 2019. The project was acquired on a turnkey basis, which is why the property will only be included in the portfolio upon completion and will appear in the 2018/19 financial statements. The Minergie®-certified development has an investment volume of around CHF 15 million and is in a prime location, which is reflected in the high initial occupancy rate of over 80%. The ground floor commercial space is fully rented and includes a long-term lease with Aargauer Kantonalbank.

# Zwicky Zentrum in Wallisellen: a district comes to life



Zwicky Zentrum in Wallisellen



Marcin Paszkowski  
Fund Manager since 2014

On the site of the former silk twining mill in Wallisellen in the canton of Zurich, UBS «Anfos» has completed two courtyard-style building complexes and a long six-story building with a restaurant and ground-floor retail space. The Zwicky Zentrum is the heart of a rapidly changing development area and offers urban charm that combines tradition and modernity. Modern new buildings with contemporary apartments, unconventional lofts, retail space and work premises have grown up in the midst of historic factory buildings. The investment volume of the development, carried out in accordance with building law, is around CHF 100 million. The semi-public space features attractive meeting places with squares, alleys, restaurants and even a brewery with its own beer garden. The Zwicky site has excellent transport links. It's just two minutes to the Glattzentrum on the Glattalbahn, four minutes to Stettbach station and a 15-minute journey to the heart of Zurich or the airport. The A1 highway is just two minutes' drive away, while the connection to the interregional cycle path network ensures you can keep moving even in slow traffic.



The Zwicky Zentrum is the ideal place to live and work, offering a total of 186 residential units combined with attractive retail and commercial space and restaurants. The 24 1½, 78 2½, 31 3½ and 17 4½-room apartments, 22 studios and 14 lofts are finished to a modern, high-quality standard. With the exception of the studios, all apartments have at least one bit of outside space. The commercial space is spread over some 2,500 m², with around 1,600 m² for commercial premises, 300 m² given over to gastronomy and an additional 650 m² of storage space. An underground car park offers 127 parking spaces and 3 motorbike parking spaces; seven outdoor parking spaces are also available.

The handover to the tenants in February and March 2019 has breathed new life into the site of the former silk twining mill. The apartments are attracting considerable interest. Just one month after the initial occupation, all but one of the apartments had been let. There is also huge demand for the commercial space. Aldi, the neighborhood store, has moved into the centrally located retail space. All 19 ground-floor commercial units have also been let. Work is currently underway on the restaurant interior, with a view to opening in September/October 2019. The newly built Zwicky Zentrum had a high occupancy rate of 99% at the end of April 2019.

Further information can be found at [www.zwicky-zentrum.ch](http://www.zwicky-zentrum.ch).

## KEY FIGURES AT A GLANCE

**UBS (CH) Property Fund – Swiss Residential «Anfos»**  
Security no. 1 442 082

### Data as per half year financial statement (31.03.2019)

Total fund assets	CHF	2,634.7 m
Number of properties		150

### Data as at 30.04.2019

Market price	CHF	71.00
Premium <sup>1)</sup>		27.2%
Distribution yield <sup>2)</sup>		2.54%

<sup>1)</sup> Calculated on the SFAMA (Swiss Fund & Asset Management Association) method based on the adjusted net asset value

<sup>2)</sup> Last distribution divided by the current market price

## NEWS IN BRIEF

### Renovation at Sempacherstrasse 14 in Basel

The residential building at Sempacherstrasse 14 is located in Basel's Gundeldinger district and is close to various shops, a kindergarten and primary school, and to bus and tram stops. Following the total renovation of the building at Sempacherstrasse 16 in 2017, work has now begun on number 14, which comprises 17 apartments. In addition to the kitchens and bathrooms, the heating system and lift are also being updated.

### First tenants in Ambassador House in Opfikon

After a conversion project lasting about five years, Sunrise Communication AG moved its staff of around 1,200 into its new headquarters in Ambassador House at the beginning of this year. ISS Conferencing has also begun operating the conference rooms and Regus has launched its new coworking service. The restaurant managed by the SV Group has also opened. The fitness center is expected to open in mid-April 2019. This means that around 45% of the rentable office space is already occupied. The property has been awarded LEED (Leadership in Energy and Environmental Design) Platinum certification for sustainable construction. Further information about the Business Center can be found at [www.ambassadorhouse.ch](http://www.ambassadorhouse.ch). UBS «Anfos» has a 15% co-ownership share in Ambassador House.



# Rue des Echelettes in Lausanne takes on a new gloss



Comprehensive renovation on Rue des Echelettes in Lausanne



Elvire Massacand  
Fund Manager since 2012

Since 2011, the three residential properties on Rue des Echelettes have been comprehensively renovated in stages and the attic floor extended. With the completion of the final construction phase in December 2018, the listed buildings now have a gleaming new look.

Rue des Echelettes is a ten-minute walk from the center of Lausanne, the capital of the canton of Vaud with 144,000 inhabitants. The properties have very good transport links: there is a bus stop nearby, Lausanne train station is a 15-minute walk and the highway is five minutes away by car. There are shops and schools very close to the properties.

The three residential properties, which have ten entrances (2–12, 5, 7, 9, 11), were built in 1905 and in need of extensive renovation, necessitating comprehensive renovation of both the interiors and exteriors. Rue des Echelettes 5 and 7 were the first to be renovated. They were then followed by numbers 9 and 11, where a lift was also installed.

The final stage, Rue des Echelettes 2–12, which comprises 64 apartments, was started in April 2017 and completed in December 2018. As in the previous stages, the kitchens and bathrooms, entrance areas and technical installations of the 64 existing apartments were totally renovated. The roof was also completely renovated and insulated at the same time. Balconies and façades were carefully renovated in cooperation with the building heritage authorities and adapted in line with applicable safety requirements.

The extension of the attic floors saw 23 new and modern apartments in a desirable part of Lausanne added to the existing 114 apartments in the listed buildings. The investment volume for the final stage is around CHF 16 million. The total for all stages is around CHF 30 million.

## KEY FIGURES AT A GLANCE

### UBS (CH) Property Fund – Léman Residential «Foncipars»

Security no. 1 442 085

#### Data at close of prior financial year (31.12.2018)

Total fund assets	CHF	1,442.3 m
Number of properties		131

#### Data as at 30.04.2019

Market price	CHF	104.30
Premium <sup>1)</sup>		29.5%
Distribution yield <sup>2)</sup>		2.4%

<sup>1)</sup> Calculated on the SFAMA (Swiss Fund & Asset Management Association) method based on the adjusted net asset value

<sup>2)</sup> Last distribution divided by the current market price

## NEWS IN BRIEF

### Construction permit for Rue de Roveray in Geneva

The property, which comprises 59 apartments in an attractive central location at Rue de Roveray 3 and 5, is being comprehensively renovated. This includes renovation of the kitchens, bathrooms, electrical installations and lifts and the installation of a new heating system. In exterior areas, the building is to be heat-insulated at certain points and the flat roof renovated. The investment volume is CHF 11 million including roof extension.

### Completion of landscaping work at “Les Rives de la Broye”

Landscaping has been completed at the “Les Rives de la Broye” residential development in Payerne in the canton of Vaud. In designing the area, huge importance was attached to creating a natural and appealing landscape. UBS «Foncipars» owns five apartment buildings with a total of 144 apartments that meet high sustainability standards.

# First tenants in the “LimmatSpot” in Spreitenbach



LimmatSpot development in Spreitenbach



Martin Strub  
Fund Manager since 2013

UBS «Sima» added the “LimmatSpot” development project to its portfolio in summer 2016. Since then, a multifunctional development has sprung up comprising 195 apartments, commercial space and a cinema complex. The first tenants moved into their apartments in March 2019. The cinema complex and the restaurants will open in May.

The “LimmatSpot” development is located in Spreitenbach in the canton of Aargau, in a development area that will see increasing urban usage over the coming years. The municipality of Spreitenbach has around 12,000 inhabitants and is located directly on the border with the canton of Zurich, 20 km from the city center. In addition to the newly developed area, Spreitenbach also has an older part with a village feel. The completed “LimmatSpot” property has a wide range of shopping, leisure and entertainment facilities on the doorstep. There are cinemas and restaurants in the building itself. The Shoppi Tivoli shopping mall, with 120 stores, is very close by. The “LimmatSpot” offers easy access to the highway to Zurich, Baden and Aarau

and to public transport. The area already has good bus and suburban rail links. With the extension of the Limmattalbahn, the development is due to have its own stop from 2023, which will further improve the public transport links.

The Minergie®-certified development with apartments ranging from 1 to 5½ rooms appeals to a broad target audience. The modern apartments have a wide range of floor plans geared to different generations from singles to young couples, families and senior citizens based on floor space, location within the building, size and rent structure. Most of the approximately 10,000 m² of commercial space is taken up by the rented cinema complex. The multifunctional concept of the development also includes retail, gastronomy and office space. With around 210 parking spaces in the car park, there are sufficient permanent parking spaces available for residential and commercial tenants. There are 250 short-term parking spaces for customers visiting the commercial space. The apartments are very popular, as is the commercial space, most of which has already been let.

The investment volume is approximately CHF 142 million. With the opening of the “LimmatSpot”, UBS «Sima» has added a multifunctional development to its portfolio that is in line with current social trends, combining shopping and restaurants, leisure facilities and modern, urban living under one roof. Further information can be found at [www.limmatspot.ch](http://www.limmatspot.ch).

## KEY FIGURES AT A GLANCE

**UBS (CH) Property Fund – Swiss Mixed «Sima»**  
Security no. 1 442 087

### Data at close of prior financial year (31.12.2018)

Total fund assets	CHF	9,367.8 m
Number of properties		350

### Data as at 30.04.2019

Market price	CHF	116.10
Premium <sup>1)</sup>		29.3%
Distribution yield <sup>2), 3)</sup>		2.8%

<sup>1)</sup> Calculated on the SFAMA (Swiss Fund & Asset Management Association) method based on the adjusted net asset value

<sup>2)</sup> Last distribution divided by the current market price

## NEWS IN BRIEF

### Total renovation on the Kornhausgasse in Basel completed

The mixed-use property is located in a popular residential area on the edge of Basel city center in the immediate vicinity of the University of Basel. The extensive renovation work was successfully completed in spring 2019 after a construction period of around one year. Apart from a few parking spaces, the property is fully let. The investment volume is around CHF 14 million.

### Completion and occupation in Münsingen

The “Am Stutz” project in Münsingen in the canton of Berne was successfully completed at the end of 2018. The residential development is in a quiet location on the south-eastern edge of the municipality and offers beautiful views of the Bernese Oberland. With a total investment volume of CHF 44 million, five existing properties with a total of 66 apartments were completely renovated in several stages and three new replacement buildings with 81 apartments were constructed. The new replacement buildings were realized and certified to the latest Minergie P standard.



# Opening of “Mercedes City” in Pratteln



“Mercedes City” in Pratteln



Jürgen Zimmermann  
Fund Manager since 2012

The “Mercedes City” project on the Magnet site in Pratteln in the canton of Basel-Landschaft is another exciting new replacement building from the UBS «Swissreal» portfolio. The ultra-modern Mercedes-Benz Passenger Car Center with a total usable space of around 5,000 m<sup>2</sup> was handed over on time to the future user, the Kestenholz Group.

In view of the prime location and its “one-roof” strategy, the Kestenholz Group decided to merge further branches of its passenger car division and the offices of the holding company on the Magnet site in Pratteln and Muttenz on a long-term basis. An optimized construction project was therefore devised together with the tenant and a 30-year lease signed. Sales, maintenance, repairs of all kinds and the entire preparation process for Mercedes-Benz and Smart vehicles are now housed in the new building. In addition to this new building, a Mercedes-Benz Classic Center with showroom and workshop and a “Classic Safe” for vintage cars was established



in the historic neighboring Schindler halls. New and used car sales, servicing and the Classic Center, along with the existing Commercial Vehicle Center on the Güterstrasse site, have been brought together to create a unique Mercedes City.

The completion of Mercedes City marks another important milestone in the long-term development and positioning of the Magnet site as an innovative, high-quality commercial and service center with an interregional focus and underlines the strategic direction of UBS «Swissreal» to realize growth through its existing portfolio.

## KEY FIGURES AT A GLANCE

**UBS (CH) Property Fund – Swiss Commercial «Swissreal»**  
Security no. 1 442 088

### Data at close of prior financial year (31.12.2018)

Total fund assets	CHF	1,988.3 m
Number of properties		80

### Data as at 30.04.2019

Market price	CHF	72.75
Premium <sup>1)</sup>		15.41%
Distribution yield <sup>2)</sup>		3.64%

<sup>1)</sup> Calculated on the SFAMA (Swiss Fund & Asset Management Association) method based on the adjusted net asset value

<sup>2)</sup> Last distribution divided by the current market price

## NEWS IN BRIEF

### Renovation of the “Achteck” commercial building in Urdorf completed

The striking commercial building right next to the Urdorf-Nord highway junction has been totally refurbished. In addition to the façade and shading, the sanitary areas were renovated and the exterior, entrance and access areas and the signage were redesigned. The office, commercial and storage space can be used flexibly and divided up according to tenants' individual preferences. All floors are accessed by large goods lifts. Letting has started successfully. Further information can be found at [www.achteck-urdorf.ch](http://www.achteck-urdorf.ch)

### Flurstrasse 62 in Zurich-Altstetten fully let

The building at Flurstrasse 62 in Zurich-Altstetten has been comprehensively renovated and repositioned since May 2018. The entire building services installation, including wet areas, is being renewed and all areas converted into flexibly divisible units to suit contemporary working patterns. A second central core is being added and open space created on the roof. The main entrance and grounds are also being redesigned and the façade refreshed. The entire building has now been leased on a long-term basis to ELCA Informatik AG.

# Long-term tenant on Centralbahnstrasse in Basel



Centralbahnstrasse 9 in Basel



Christian Spiess  
Fund Manager since 2018

A long-term lease was concluded with McDonald's Switzerland for the retail space on the ground floor of Centralbahnstrasse 9 – directly opposite the planned second entrance to the SBB railway station. McDonald's is a new business partner for Real Estate Switzerland. The company has been operating in Switzerland since 1976 and is one of the country's most frequented restaurants with an average of 290,000 visitors throughout Switzerland per day. Between October 2018 and the end of the year an innovative and successful interim use was found for the former premises of Konditorei Beschle in the form of the pop-up restaurant "100 Days Warsaw".

The property at Centralbahnstrasse 9 is located in an excellent pedestrian area. Foot-fall in this area will likely increase further once the west wing is completed. Neighboring Centralbahnplatz, better known as Basel Bahnhofplatz, is also one of the most important urban transport hubs for trams and buses. The gastronomy space, which has now been let, is located on the ground floor, with preparation and storage spaces in the basement. The building's upper floors contain offices and apartments.

The property will be partially converted and renovated over the next few months. The measures planned include renovation of the ground-floor façade in line with building heritage aspects, unbundling and optimization of the entrance area for tenants on the upper floors, careful exhaust air extraction via the roof, the installation of a goods lift, sewerage work and seismic retrofitting according to strict standards.

The McDonald's restaurant, which is scheduled to open in the fourth quarter of 2019, will offer 160 seats, menus with mainly local ingredients and the convenient service at the table. The conclusion of the long-term lease agreement will further enhance the attractiveness of the historic, centrally located building in the UBS AST Commercial Real Estate Switzerland portfolio.

## NEWS IN BRIEF

### **Innovative interim use in Stäfa**

The new building at Laubisrütistrasse 42 in Stäfa, some 20 km south-east of Zurich, is in the vibrant Laubisrüti business park focused on manufacturing and technology. The property comprises just under 2,900 m<sup>2</sup> of flexibly divisible office space over four floors and an underground car park. There are two bus stops and a local train station within walking distance of the property. Small offices and studios on one of the floors can also be rented on a temporary basis for limited periods. A shared kitchenette, seating areas and meeting rooms offer space for networking and know-how exchange. Lettings are handled by Projekt Interim. There has been a lot of interest in the property. Further information can be found at [www.projektinterim.ch](http://www.projektinterim.ch)

## KEY FIGURES AT A GLANCE

**Investment Group UBS AST Commercial Real Estate Switzerland**  
Security no. 10 077 053

### **Data at close of prior financial year (30.09.2018)**

Total fund assets	CHF	687.2 m
Number of properties		41

### **Data as at 30.04.2019**

Inventory value	CHF	1,605.47
Performance (YTD)		0.76%

Past performance is not a reliable indicator of future results.

# Acquisition of an investment in kind in Lugano



Residential and commercial property in Lugano-Pregassona



Patric Caillat  
Fund Manager since 2008

In mid-December, UBS AST Real Estate Switzerland acquired a residential and commercial property in Lugano-Pregassona with 124 apartments in the form of an investment in kind. The property is located very close to the new, up-and-coming Cornaredo district, which covers around 1 million m<sup>2</sup>. The space and building structure are to be reorganized to create new leisure, sports and exhibition facilities. The road tunnel opened in July 2012, which connects the city center of Lugano directly with the A2 highway, offers new development prospects for the Cornaredo district.

The residential and commercial building is ideally located in a leafy residential district along the Via Ceresio, close to schools, kindergartens, a university (USI), the Viarnetto hospital, the Cornaredo sports facility with a football and athletics stadium, and a range of retail stores. Two bus lines stop right outside the property;



the journey to Lugano central station takes around 12 minutes. The upper floors of the seven-story residential and commercial building offer beautiful views of Monte San Salvatore and Monte Brè. The building is a multi-span L-shape with a beautifully landscaped exterior at the rear. The massive-construction property dates from 1993 and has apartments ranging from 1½ to 5½ rooms, meaning it caters for a broad tenant mix. The property also offers over 1,377 m<sup>2</sup> of office space, 540 m<sup>2</sup> of retail space, 100 m<sup>2</sup> of gastronomy space, 52 m<sup>2</sup> of storage space, 174 underground car parking spaces and 62 uncovered car parking spaces.

The investment volume is approximately CHF 60 million. The acquisition perfectly complements the desired geographical diversification of UBS AST Real Estate Switzerland and its strategic focus on selective growth through investments in kind.

## KEY FIGURES AT A GLANCE

### Investment Group UBS AST Real Estate Switzerland

Security no. 287 549

#### Data at close of prior financial year (30.09.2018)

Total fund assets	CHF	2,151.7 m
Number of properties		136

#### Data as at 30.04.2019

Inventory value	CHF	1734.43
Performance (YTD)		1.28%

Past performance is not a reliable indicator of future results.

## NEWS IN BRIEF

### Initial letting launched successfully

UBS AST Real Estate Switzerland's currently completed projects have a high occupancy rate: all 47 apartments in the "Chemin de Bouleyres" residential new build project in Bulle in the canton of Fribourg have been let. Of the 128 apartments in Le Mont-sur-Lausanne in the canton of Vaud, 96% have been let. Almost 75% of the 164 apartments and 90% of the commercial space in the city of Lucerne's first 2,000 Watt-certified property have been let.

### Start of total renovation on Schwandenholzstrasse in Zurich

The building at Schwandenholzstrasse 220–224 is to be comprehensively renovated from spring 2019. The façade will be energetically optimized through the addition of external thermal insulation, the windows will be replaced and the roof renovated. The building will also get new, contemporary kitchens and low-threshold showers in the bathrooms. In addition, tenants will be offered a parcel box in future, allowing them to receive parcels even when they are not at home.



# Real Estate Switzerland – We live real estate.

## Key facts about Real Estate Switzerland



**10 real estate investment products** and external mandates



Sustainable and **diversified strategy**



More than **CHF 22 billion** in **investment assets**



More than **80 experienced employees** in Basel, Zurich and Lausanne

As part of UBS Asset Management, Real Estate Switzerland is responsible for Swiss real estate management. In addition to six listed real estate funds, this also includes two investment groups of the UBS Foundation for the Investment of Pension Fund Assets, an external mandate and an unlisted fund. Real Estate Switzerland has been engaged in responsible real estate management for over 75 years.

With headquarters in Basel and offices in Zurich and Lausanne, Real Estate Switzerland offers access to the Swiss real estate market for both institutional and private investors. The real estate portfolio comprises more than 1,100 properties and has a market value of over CHF 22 billion. Around CHF 350 million is invested each year in renovations and new build projects (current new build portfolio: around CHF 800 million). The global real estate business of Real Estate & Private Markets (REPM) manages more than CHF 100 billion worldwide (as at December 31, 2018).

### Sustainability at Real Estate Switzerland

Real Estate Switzerland firmly believes that optimal long-term performance can only be achieved through socially, economically and environmentally sustainable real estate management. At Real Estate Switzerland, sustainability feeds into all areas of real estate management – from acquisition and construction through operation and renovation to overarching portfolio management. Corresponding requirements are anchored in all processes and actively lived by all departments. Since 2012, the sustainability strategy has been pursued consistently through ten sustainability goals in the areas of economy, the environment and society.

The GRESB (Global Real Estate Sustainability Benchmark) organization has recognized the extraordinary performance of Real Estate Switzerland's sustainability strategy, awarding a Green Star rating to all Real Estate Switzerland products.

Sustainability efforts are recorded in comprehensive reports. Real Estate Switzerland's sustainability report complies with the standards of the Global Reporting Initiative (GRI), a framework for transparent sustainability reporting ([www.globalreporting.org](http://www.globalreporting.org)). In addition to the main sustainability report, the individual real estate funds also publish annual sustainability reports according to their respective financial years.

**We believe appreciation and value creation are at the heart of responsible real estate management.**

By appreciating people, ideas and potential, we passionately create attractive investment opportunities, valuable living, working and residential space and promising real estate solutions. For the benefit of society and the environment.



75-year track record



More than **1,100 properties** in Switzerland



**Biggest Swiss real estate** fund: UBS «Sima»



**Oldest Swiss real estate** fund: UBS «Foncipars»

### Current information

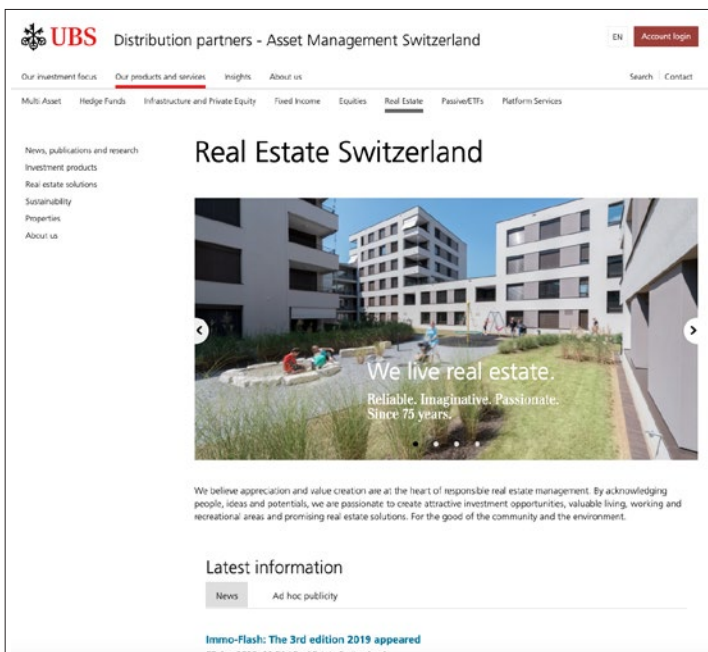
Current information on Real Estate Switzerland is available at any time at: [www.ubs.com/real-estate-switzerland](http://www.ubs.com/real-estate-switzerland). It ranges from current construction and renovation projects to assessments by research specialists of the state of the Swiss real estate market and success stories in the area of sustainability.

The websites of the individual investment products offer a wealth of fund-specific information like the fund strategy, property locations, current awards and access to publications such as annual and sustainability reports.

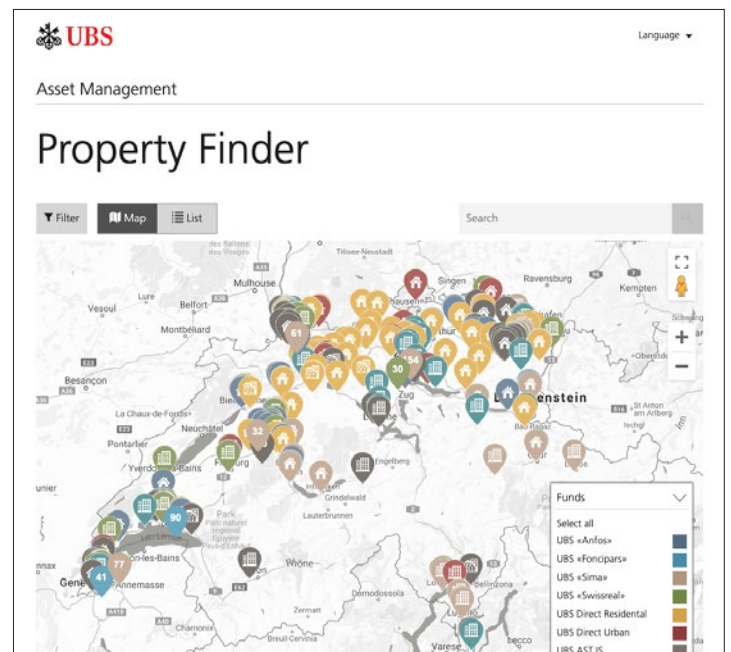
In addition to the Immo-Update, which is published twice a year, you can also subscribe to the Immo-Flash e-newsletter via the website.

### Property Finder – View properties of our investment products on a map

The Property Finder provides interactive access to all Real Estate Switzerland’s properties on a map of Switzerland. The properties can be sorted by fund, and a simple click will display additional information and photos of the selected property. All information on the entire portfolio or selected properties can be summarized and downloaded as an Excel spreadsheet.



[www.ubs.com/real-estate-switzerland](http://www.ubs.com/real-estate-switzerland)



[www.ubs.com/property-finder](http://www.ubs.com/property-finder)

# We live real estate.

## Our real estate investment products:

- UBS (CH) Property Fund–Direct Residential
- UBS (CH) Property Fund–Direct Urban
- UBS (CH) Property Fund–Swiss Mixed «Sima»
- UBS (CH) Property Fund–Swiss Residential «Anfos»
- UBS (CH) Property Fund–Swiss Commercial «Swissreal»
- UBS (CH) Property Fund–Léman Residential «Foncipars»
- UBS (CH) Property Fund – Europe
- UBS AST Real Estate Switzerland
- UBS AST Commercial Real Estate Switzerland
- Real estate investment products for direct and indirect investments on a global, regional or country-specific basis

## Our solutions for real estate and real estate projects:

- Buying and selling of real estate
- Project development
- Investments in kind
- Sale and rent back
- Public Private Partnership (PPP)
- Real estate management mandates

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### Risk

Changes the value of the real estate and interest rate trends and their impact on the development of the rental income, but also other legal and market-specific factors influence the value of the fund units of UBS real estate funds. An investment in this fund is suitable only for investors with a medium to long-term investment horizon and a corresponding risk appetite and capability. Each investment is subject to market fluctuations. Each fund has specific risks that can significantly increase in unusual market conditions.

**For marketing and information purposes by UBS.** UBS real estate funds under Swiss law. Prospectus, simplified prospectus, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available free of charge from UBS AG, PO Box, CH-4002 Basel or from UBS Fund Management (Switzerland) AG, PO Box CH-4002 Basel. Issue currently suspended. Purchase and sale of units on the stock exchange. Only tax-exempt occupational pension schemes under pillar 2 and pillar 3a domiciled in Switzerland and patronal welfare funds (in accordance with BVG) are authorised investors in the UBS Foundation for the Investment of Pension Fund Assets investment groups. The products or securities described in this document may not be suitable or admissible for purchase in various jurisdictions or for certain groups of investors. Before investing in a product please read the latest prospectus carefully and thoroughly. Units of UBS funds mentioned herein may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and charges have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information does not take into account the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. Source for all data and charts (if not indicated otherwise): UBS Asset Management.

Is also published in German and in French. Printed in May 2019.

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