



SF Urban Properties AG



# SF Urban Properties Ltd

## First Half 2019 Results

August 2019

# Contents

- 1. Portfolio**
2. Developments
3. Summary
4. Finance
5. Outlook for second half 2019

# Portfolio of SF Urban Properties Ltd

Key figures as of 30 June

## PORTFOLIO VALUE PROPERTIES

**654.7** million CHF

In the first half, we succeeded in increasing the portfolio value from CHF 645.3 million to CHF 654.7 million thanks to acquisitions and appreciation (excl. Parco d'Oro).

## VACANCY RATE AT REPORTING DATE

**2.4** %

We were able to reduce the vacancy rate in the first half from 3.8% to 2.4%.

## EBIT

**11.9** million CHF

Earnings went down in the first half from CHF 12.0 million to CHF 11.9 million.

## RENTAL INCOME

**13.7** million CHF

We successfully increased rental income in the first half from CHF 13.1 million to CHF 13.7 million.

## EQUITY RATIO

**45.0** %

The equity ratio fell from 47.2% to 45.0% in the reporting year.

## SHARE PRICE AS AT 30 JUNE

**90.00** CHF

During the reporting period, the share price rose from CHF 86.00 to CHF 90.00.

# Portfolio of SF Urban Properties Ltd

Milestones as of 30 June

## FOUR IMPORTANT MILESTONES

1

Divestments and acquisitions with a focus in line with the strategy in the regions of Zurich and Basel

2

Optimisation of the property-specific strategies and investment plan

3

Creation of a 10-year plan for the whole portfolio and identification of measures to secure a sustainably stable dividend

4

Even closer collaboration with the externally commissioned property management companies

# Portfolio of SF Urban Properties Ltd

Geographical distribution of the investment properties as of 30 June

Market value share portfolio Number of properties

**40%**

**19**

Basel

Market value share portfolio Number of properties

**50%**

**25**

Zurich

Other regions: there are five further properties in the portfolio with a market value share of 10%

# Targets Review / Achievements (1/2)

Transactions since 31 December 2018

Targets	Progress since 30 June 2018	
Purchase of a further residential or commercial property in Zurich	On 1 April, the property Schaffhauserstrasse 6 in Zurich was purchased	✓
Purchase of a development property in Zurich	On 10 April, the purchase contract for Klusstrasse 38 in Zurich was registered	✓
Purchase of a commercial property in Basel	The ownership of the building plot Sandreuterweg 39 in Riehen was secured in the first quarter	✓
Reinvestment in properties with equivalent or better locational quality and higher cash flow	Acquisition: Schaffhauserstrasse 6 Divestment: Universitätstrasse 51	✓
Sale of the properties Aarberggasse 57 in Bern und Chasseralstrasse 156 in Spiegel bei Bern		x
Sale of the last apartment in Parco d'Oro in Ascona		x

# Targets Review / Achievements (2/2)

Lease agreements since 31 December 2018

Targets	Progress since 30 June 2018	
Projected vacancy rate as at 30 June under 3.0%	The vacancy rate achieved as at 30 June equals 2.4%	✓
Zollikerstrasse 6, Zurich: Restaurant space	Let as of 1 April	✓
Bürglistrasse 10, Zurich: 8.5-room apartment	Let as of 1 June	✓
Chasseralstrasse 156, Spiegel b. Bern: Restaurant space	Let as of 1 March	✓
Witikonstrasse 15, Zurich: Restaurant space	Let as of 1 February	✓
Witikonstrasse 15, Zurich: Ground floor space	Let as of 1 June	✓
Rue de Lausanne 29-31, Morges: Empty space	One space let as of 1 January, second space still in the process of being let	(✓)
Malerweg 4, Thun: Salesroom	Let as of 1 September	✓

# 1.H Purchases - CHF 21.1 million (1/2)

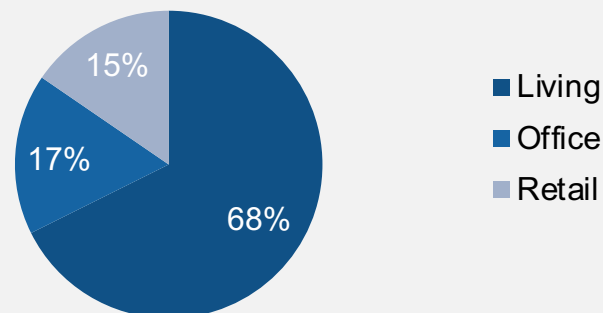
Schaffhauserstrasse 6, Zurich

## Residential and commercial property

<b>Rentable floor space</b>	1'360 m <sup>2</sup>
<b>Year of construction</b>	1912
<b>Entry</b>	1 April
<b>Gross yield</b>	3.0% currently
<b>Market value</b>	CHF 13'750'000
<b>Acquisition costs</b>	CHF 13'011'000
<b>Motivation</b>	Inner city location, exploitation potential
<b>Strategy</b>	Letting at higher rental, medium to long-term accumulation of capital



## Floor space allocation





# 1.H Purchases - CHF 21.1 million (2/2)

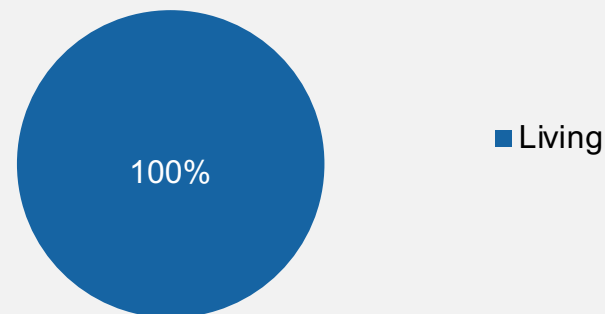
Sandreuterweg 39, Riehen

## Condominiums

<b>Planned usable area</b>	~ 1'600 m <sup>2</sup>
<b>Year of construction</b>	Building project
<b>Entry</b>	4 January
<b>Gross yield</b>	-
<b>Market value</b>	CHF 8'224'000
<b>Acquisition costs</b>	CHF 8'099'000
<b>Motivation</b>	Best residential area, space for garden
<b>Strategy</b>	Project realisation and sale of the planned condominiums; start of marketing in the fourth quarter

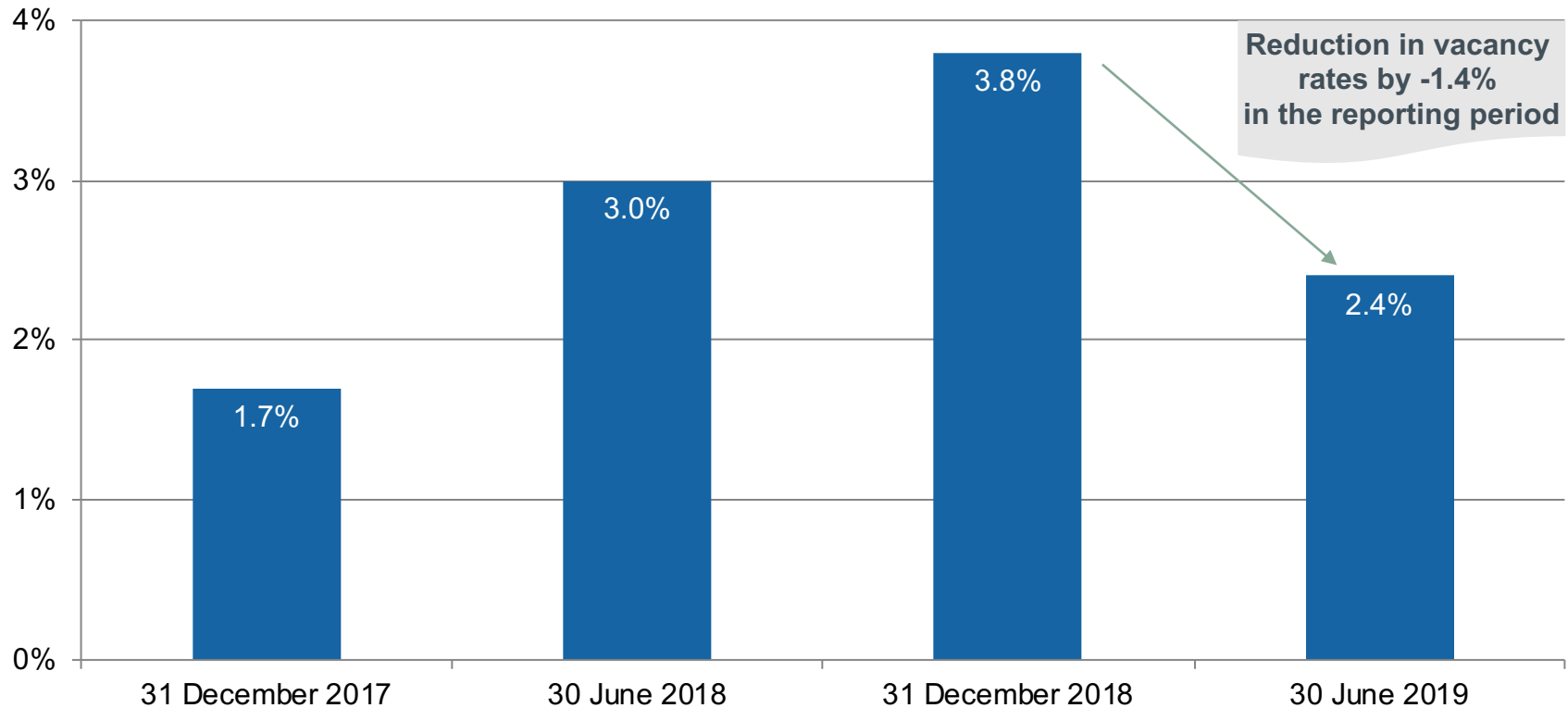


## Floor space allocation



# Vacancy rates: 2017-2019

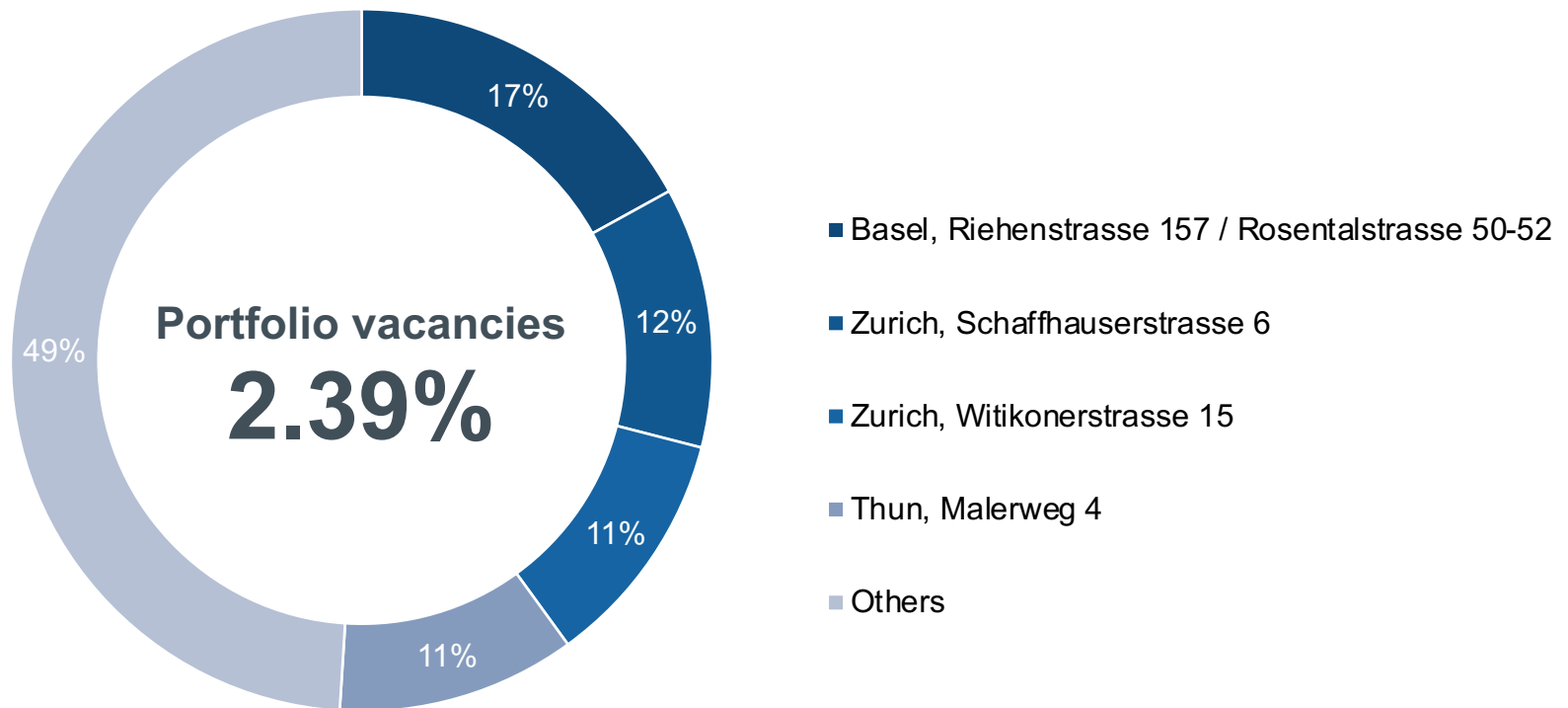
Based on end of period calculation



– Period-related vacancy rate for the first half was 3.1% (first half of 2018: 3.4%).

# Vacancy rate as of 30 June

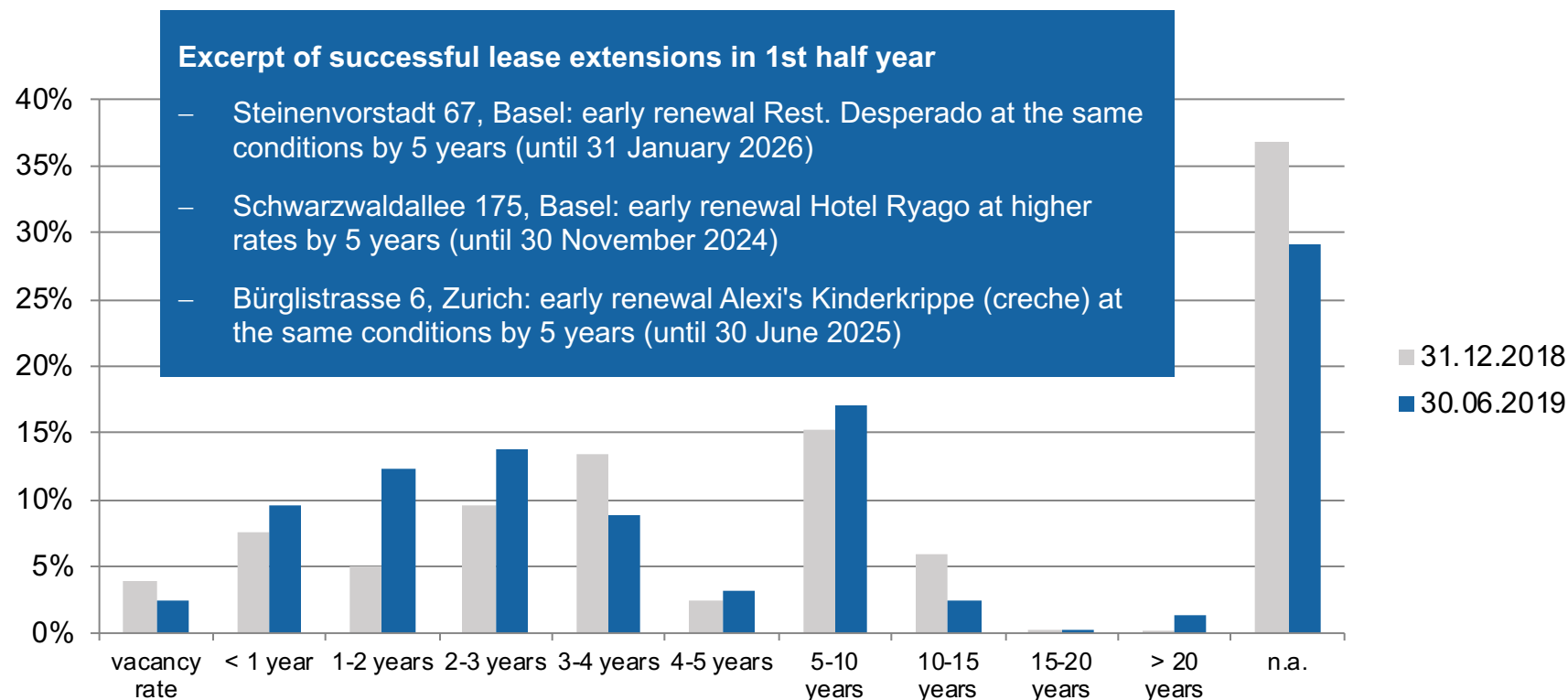
Calculated as % of net rental; properties' breakdown



- The largest individual vacancy is the commercial space of 187 m<sup>2</sup> in Rue de Lausanne, Morges (CHF 4 052 / month) Dismantling on the part of the owner to enable an open plan area in progress
- The second biggest vacancy is the shop premises of 343 m<sup>2</sup> in Malerweg 4, Thun (CHF 3 911 / month); let 01.09.
- The remaining vacancies are distributed across various apartments and smaller positions

# Maturities as of 30 June

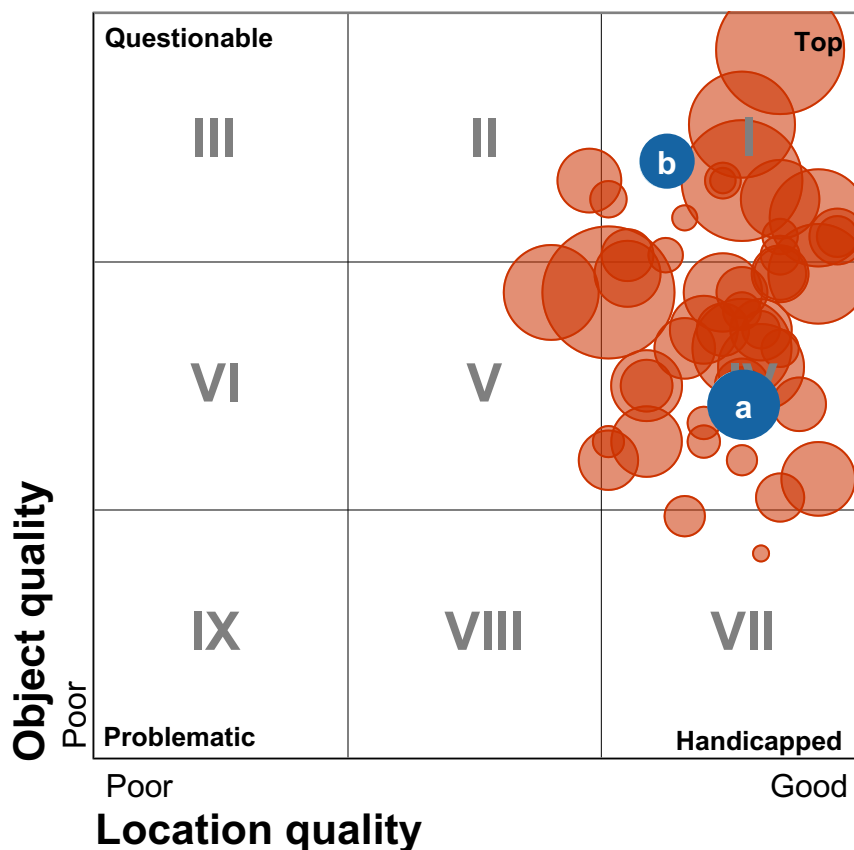
## Commercial properties



- The portion of rolling rental agreements was reduced as per plan
- Additionally, asset management could extend several lease agreements ahead of the actual renewal dates

# Real Estate Assets' Quality and Location

as of 30 June



## Quality and location of newly acquired properties

### a) Schaffhauserstrasse 6, Zurich

In compliance with the strategy, replacement investment via the purchase of Schaffhauserstrasse 6 in Zurich for the properties that were sold, Universitätsstrasse 51 and Chapfstrasse 48, that did not fit in the portfolio.

### b) Sandreuterweg 39, Riehen

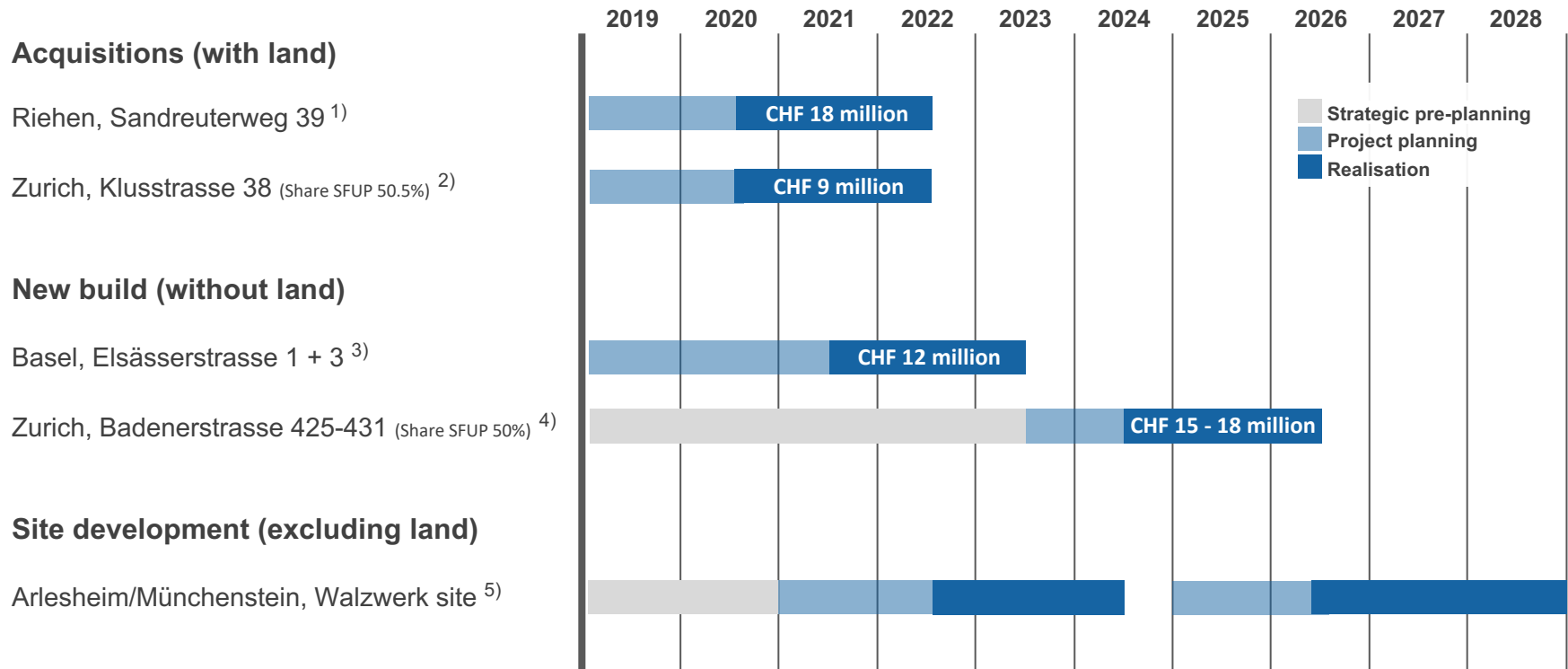
Furthermore, the purchase of the property Sandreuterweg in Riehen represents a very promising development project that will be realised in the next few years.

Source: Wüest Partner

# Contents

1. Portfolio
- 2. Developments**
3. Summary
4. Finance
5. Outlook for second half 2019

# Investment Pipeline



1) Promotion project: building approval entered into legal effectiveness, start ownership January 2019

2) Promotion project: registration April 2019, transfer of ownership February 2020, earliest start to building 2Q 2020

3) Promotion project: planning application 3Q 2019, earliest start to building in 2Q 2021

4) Approval promotion project: 50% of investment costs (project partner Ledermann Entwicklung AG), study assignment planned, earliest start to building in 2024/25

5) Development of district plan by 2022, after that project planning and realisation in two stages

# Riehen, Sandreuterweg

## Land acquisition for redevelopment through construction project

### Timeline

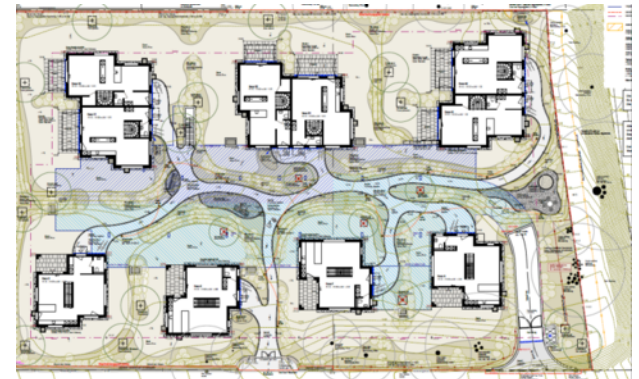
- Start ownership 4 January 2019
- Finalisation of building project June 2019
- TU submission 3rd/4th quarter 2019
- Marketing start, planned 4th quarter 2019
- Start of building, planned From 2020

### Target SFUP

- Land transfer 257 m<sup>2</sup> GSF to municipality of Riehen for a total of CHF 77'100 (confirmation of municipal council of 23.07.2019)
- Creation of four free-standing single family dwellings and six dual family dwellings with around 1'600 m<sup>2</sup> living space



Rough draft visualisation, status July 2019



Environment plan



# Zurich, Klusstrasse 38

## Land acquisition and area redevelopment

### Timeline

- Registration 10 April 2019
- Conclusion of building project July / August 2019
- Project presentation direct neighbourhood August 2019
- Planning application 3rd quarter 2019
- Start of marketing Following planning application
- Transfer of ownership 2020 By end of February
- Start of building, planned April 2020

### Target SFUP

- Instead of the existing property, SFUP is planning a new construction
- In the best position in District 7, around 14 condominiums are planned to an extremely high standard



Environment



House A ground floor

# Basel, Elässerstrasse 1+3

## Building replacement as development project

### Timeline

- Approval Cityscape Committee 7 May 2019
- Building project concluded with KV End July 2019
- Check / optimisation KV End August 2019
- Advance information neighbourhood / tenants End August 2019
- Planning application 3rd quarter 2019
- Marketing Following planning application
- Realisation, planned 2nd quarter 2021

### Target SFUP

- SFUP is planning a replacement construction in an ideal position in the suburbs of St. Johann with excellent views of the park and the Rhine comprising approx. 1'800 m<sup>2</sup> of living space in the condominium building.
- At the beginning of 2019, agreement was reached with the existing catering tenant. This meant that scheduling the realisation could be started



Façade status building project



Current buildings

# Zurich, Badenerstrasse 425 – 431

## Area development through building replacement in the existing portfolio

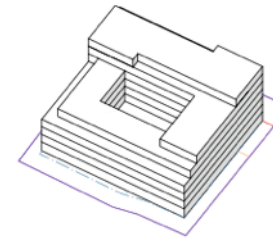
### Timeline

- |   |                     |
|---|---------------------|
| - Feasibility study                           | September 2019      |
| - Presentation high-rise building enquiry AfS | 13 August 2019      |
| - Presentation public approval board          | 20 September 2019   |
| - Strategy decision realisation               | End 2019            |
| - Chinese option (purchase / sale)            | from 1 January 2020 |

### Target SFUP

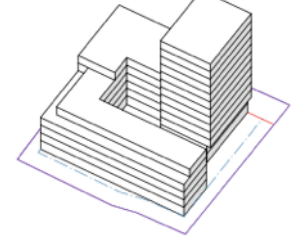
- SFUP is co-owner of the properties
- Following the revision of the building and zoning regulations for the city of Zurich, the properties in zone W6 were rezoned and subsequently examined for their development potential
- The current exploitation of the portfolio can be almost doubled by the redevelopment
- Within the framework of the feasibility study carried out in 2018, SFUP is reviewing the possibility of implementing the standard overbuild and high-rise building typologies

Standard construction method



High-rise building (<40 m)

HNF: 6 560 m<sup>2</sup>



Z2G feasibility study, status 03.09.2018



Current portfolio of properties - aerial view

# Münchenstein/Arlesheim, Walzwerk site

## Site development

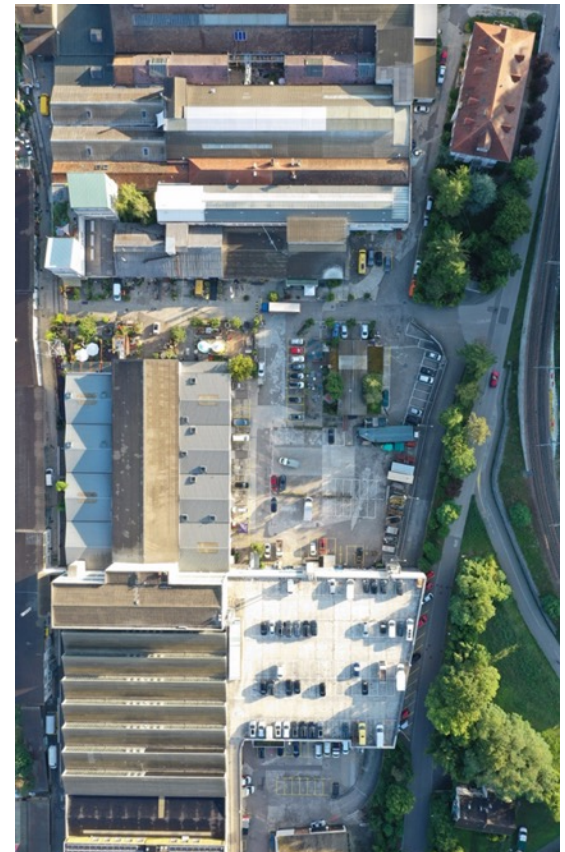
### Timeline

- Feasibility study 1st half 2018
- Initial official approaches 2nd half 2018
- Creation of steering committee Start 2019
- Brand building / positioning 3rd quarter 2019
- Determination of use plan SFUP End 2019

### Target SFUP

- The site has utilisation reserves that should be exploited in the medium to long term
- Vibrant mix of tenants comprising artists, commercial, cultural, social, restaurants, leisure should be maintained

As at the reference date of mid 2019, the site makes up around 8% of the portfolio value and commands a **gross yield of more than 5.2%**



Aerial view by Tobias Sutter / Andreas Zimmermann

# Contents

1. Portfolio
2. Developments
- 3. Summary**
4. Finance
5. Outlook for second half 2019

# Summary

## First half 2019 milestones

### Portfolio

Stable portfolio with 50 properties and slightly increased market value of approx. CHF 654.7 million (excl. Parco d'Oro development)

### Vacancy rate

Vacancy rate reference date 30 June: 2.4% (previous year: 3.0%)  
Period-related vacancy rate: 3.1% (previous year: 3.4%).

### Developments

Sandreuterweg 39, Riehen:  
Revised building project approved by Cityscape Committee

Elsässerstrasse 1+3, Basel:  
Revised building project approved by Cityscape Committee

Walzwerk, Münchenstein/Arlesheim:  
Creation of further supplementary uses

MEG Badenerstrasse, Zurich:  
Owners reviewing option of replacement constructions  
Feasible: implementation of standard overbuild or high-rise building

### Acquisitions

Two properties with a market value of around CHF 21.1 million were acquired in the first half of 2019

# Contents

1. Portfolio
2. Developments
3. Summary
- 4. Finance**
5. Outlook for second half 2019

# Finance

## Income statement: key performance indicators

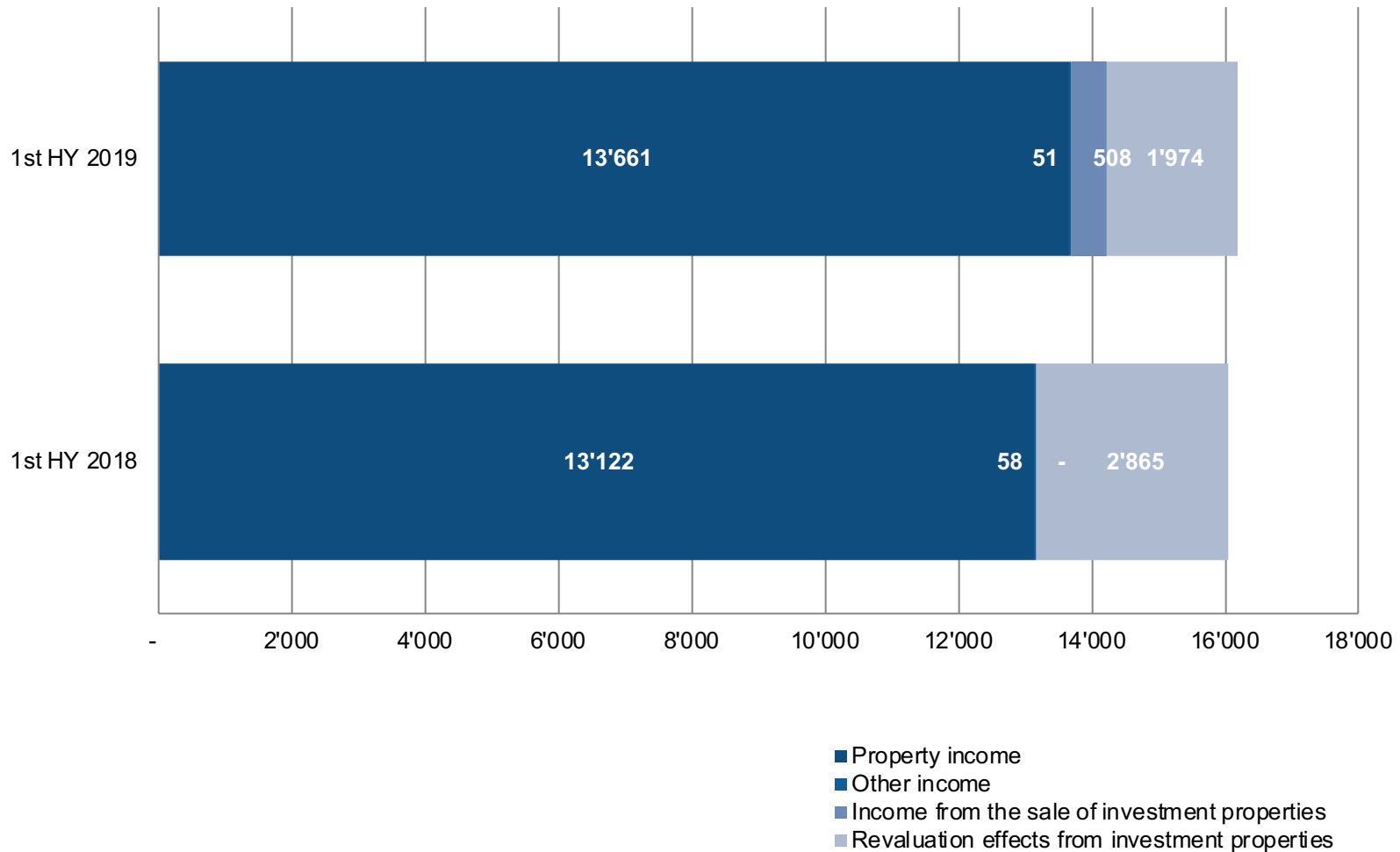
	Information in	1 Jan. to 30 June 2019	1 Jan. to 30 June 2018	Variation	Change in %
Property income	CHF 1 000	13'661	13'122	539	4.1%
Total operating income before revaluation investment properties	CHF 1 000	14'220	13'180	1'040	7.9%
Revaluation of investment properties	CHF 1 000	1'974	2'865	-891	-31.1%
Earnings before interest and tax (EBIT)	CHF 1 000	11'926	11'954	-28	-0.2%
EBIT margin	%	73.7	74.5	-0.8	-1.1%
Net profit	CHF 1 000	8'485	7'503	982	13.1%
Net profit excl. revaluation effects as well as these and further tax effects	CHF 1 000	7'455	5'261	2'194	41.7%

- The restructuring of the portfolio resulted in an increase in the rental income by CHF 539'000
- Higher expenses in maintenance were compensated by this increase, so that the earnings before interest and tax (EBIT) can be posted as almost constant year on year
- This results in a slightly lower EBIT margin
- Positive tax effects compensate for the lower revaluation of around CHF 1 million



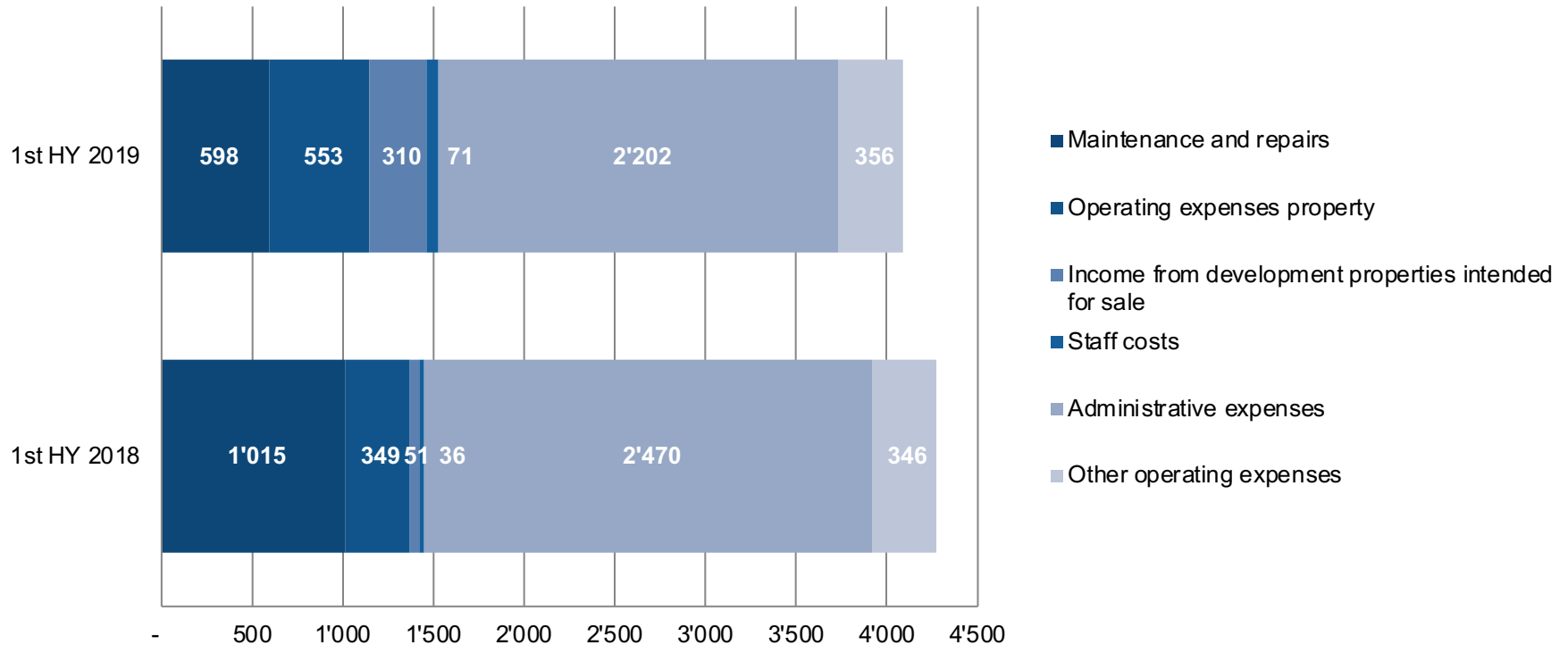
# Finance

## Operating income



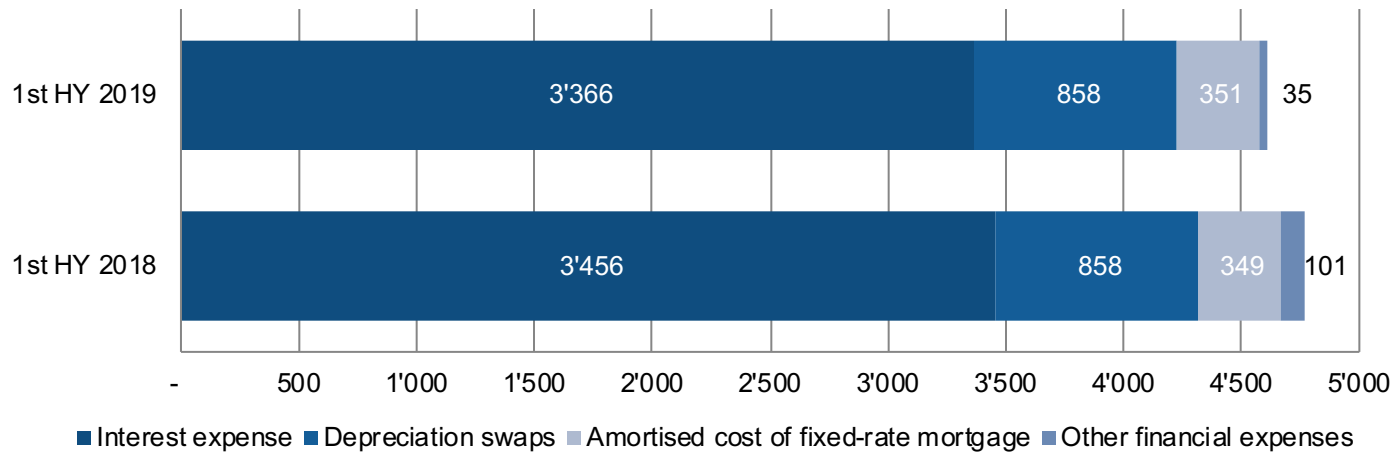
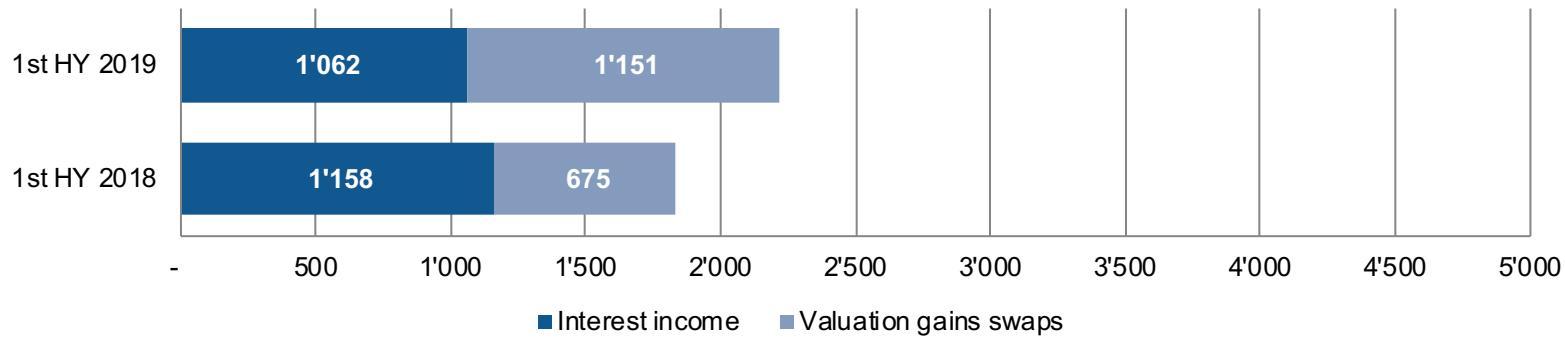
# Finance

## Operating expenses



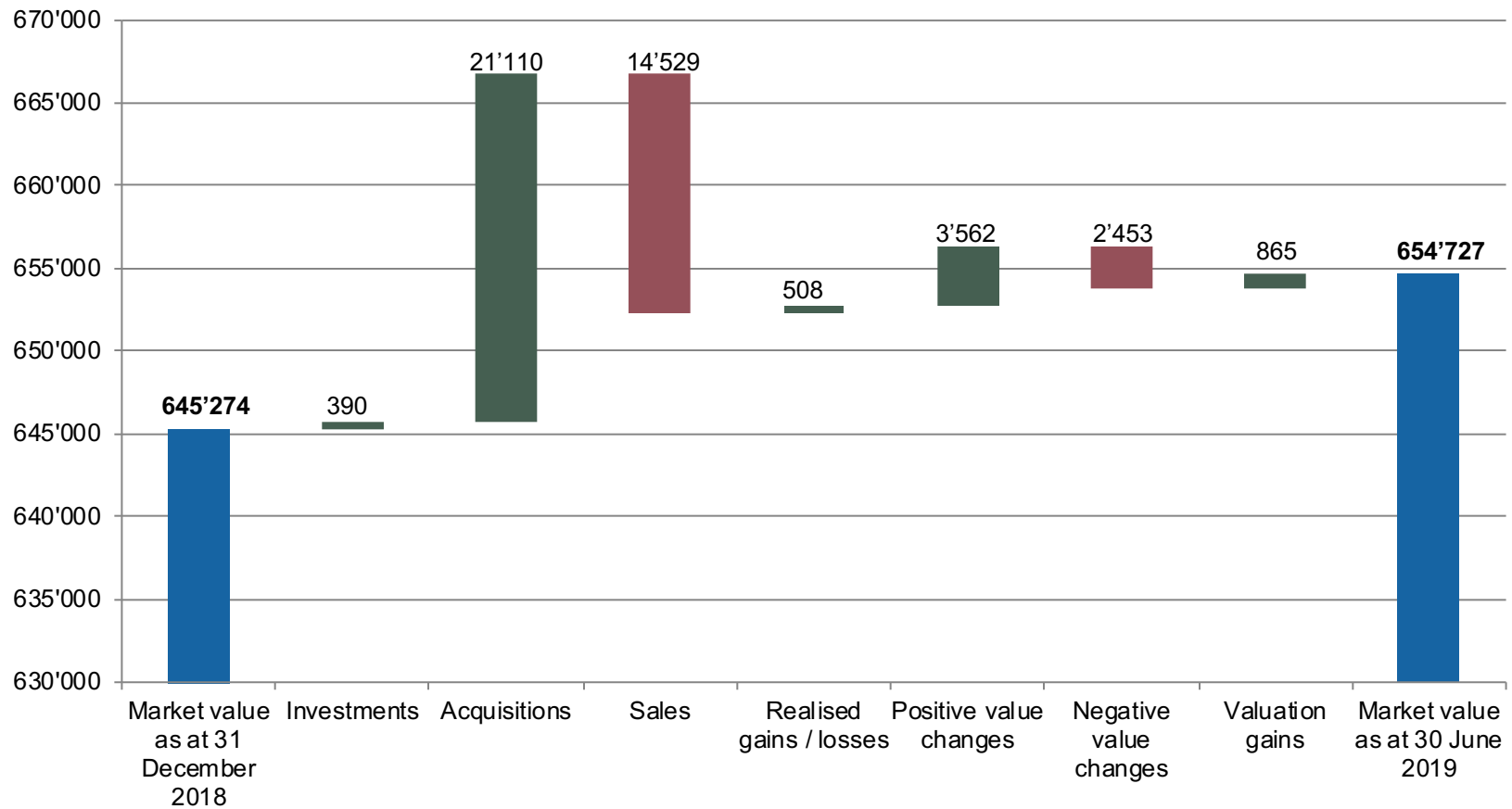
# Finance

## Financial income and financial expenses



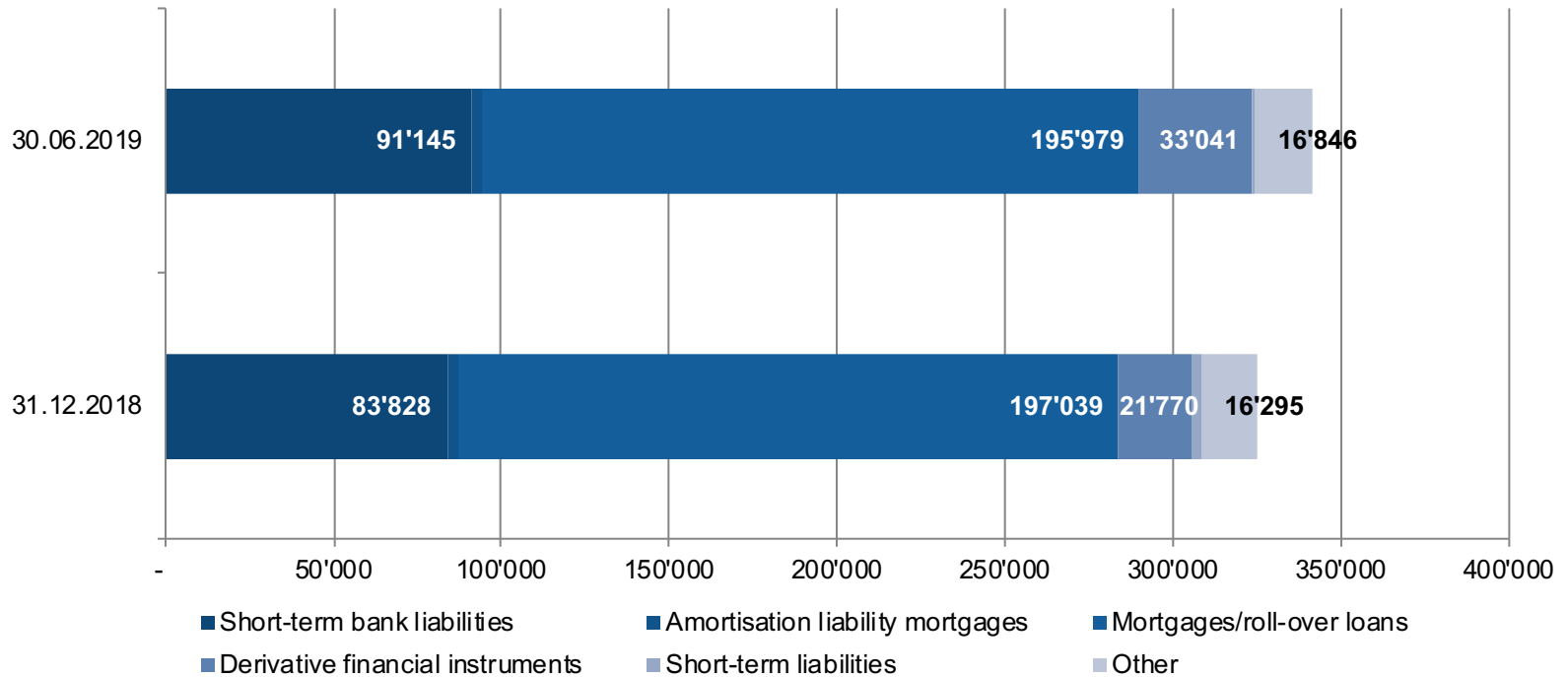
# Finance

## Portfolio development



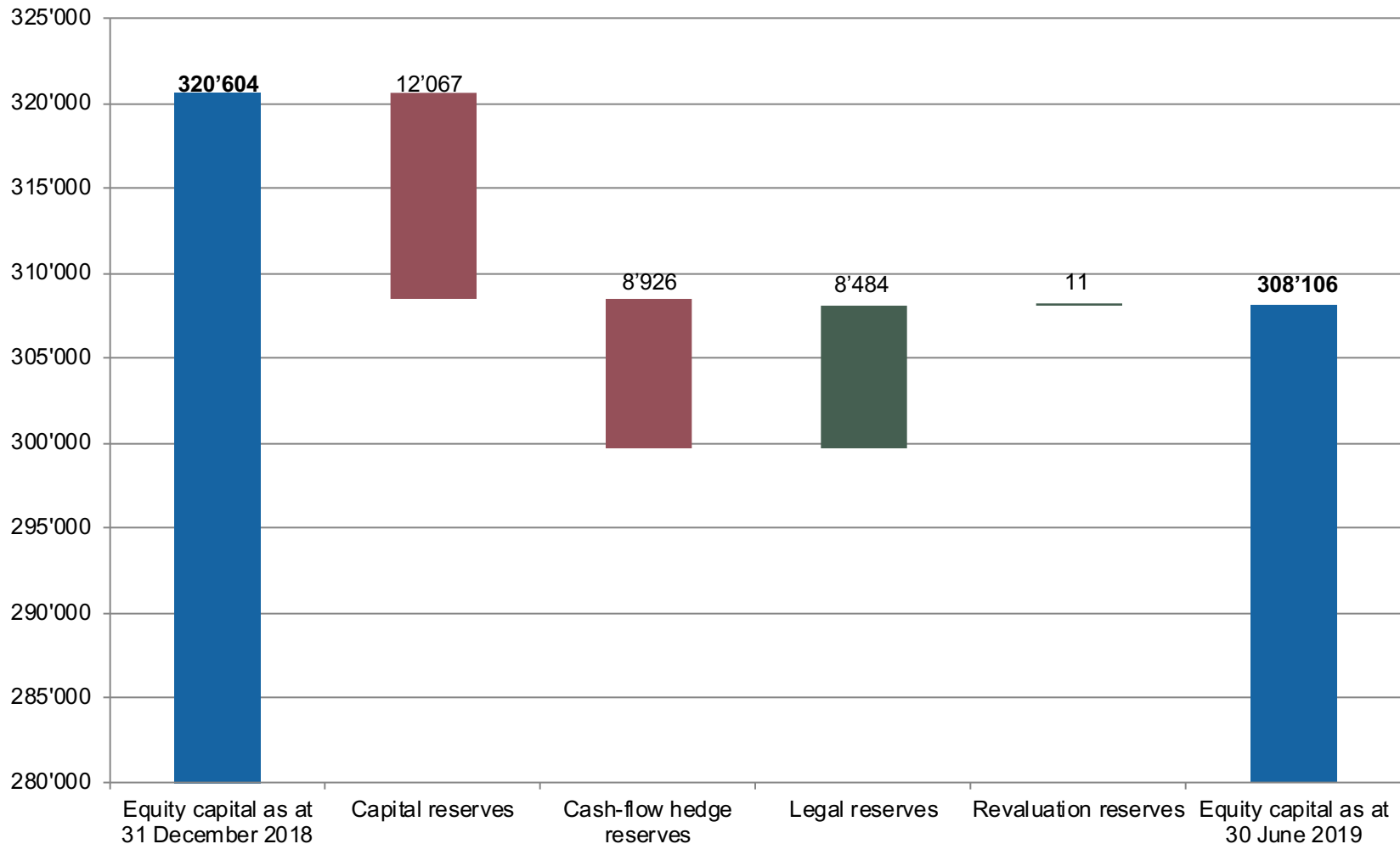
# Finances

## Funding structure



# Finances

## Changes in equity



# Shares' key figures

in CHF	01.01. - 30.06.2019	01.01. - 30.06.2018
Earnings per Share (EPS) à CHF 12.60 nominal incl. Mark-to-market changes	2.53	2.24
Earnings per Share (EPS) à CHF 12.60 nominal excl. Mark-to-market changes	2.22	1.57
EPRA earnings per share (EPS) à CHF 12.60	2.05	1.66
	30.06.2019	31.12.2018
Net Asset Value (NAV) per share à CHF 12.60 after deferred taxes	91.92	95.65
Net Asset Value (NAV) per share à CHF 12.60 before deferred taxes	101.14	105.42
EPRA (NAV) per share à CHF 12.60	110.81	111.35
Share price	90.00	86.00
Premium (+) / Discount (–) compared to NAV in %	-2.09	-10.09

# Content

1. Portfolio
2. Developments
3. Summary
4. Finances
- 5. Outlook for second half 2019**



# Outlook for second half 2019

## Important points at a glance

### Portfolio in general

- Investment opportunities for portfolio properties are being reviewed (Neptunstrasse 57, Niederdorfstrasse 70)
- Dividend: stable dividend of CHF 3.60 targeted
- Retention of vacancy rate of <3%
- Leverage between 45 and 50%

### Leasing

- Focus on reduction in vacant apartments around the Badischer Bahnhof in Basel
- Expiring commercial tenancy agreements should be renewed early
- Reduction in vacant ancillary buildings in the portfolio targeted
- Renewal of both rental agreements for Gerbergasse 48
- Retain full occupancy Walzwerk
- Rental of the ground floor area Asylstrasse 68

### Developments

- Elsässerstrasse 1+3, Basel: planning application in 3rd quarter
- Walzwerk, Münchenstein/Arlesheim: focus on development in the portfolio
- Badenerstrasse 425-431, Zurich: decision of the public approval board by end of the year
- Klusstrasse 38, Zurich: planning application in 3rd quarter

### Acquisition and sales

- Acquisition activities continue to focus on the economic areas of Zurich and Basel
- Sales scenarios are considered if individual properties no longer fit with the portfolio (Aarbergergasse 57 in Bern and Chasseralstrasse 156 in Spiegel bei Bern)
- Parco d'Oro, Ascona: sale of last apartment.

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