



SF Urban Properties AG



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First half-year 2020 results

August 2020

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A photograph of a modern interior space, likely a hallway or lobby. The floor is made of large, polished, dark brown stone tiles that reflect the overhead lights. Several thick, rectangular concrete pillars are spaced throughout the room. In the background, a wall is covered in a large, colorful geometric pattern of squares and triangles in shades of blue, purple, and pink. A staircase with a white railing is visible on the left side. The ceiling is white with several recessed circular lights.

1. Review and key figures

SF Urban Properties AG key figures

As at 30 June 2020

PORTFOLIO VALUE OF INVESTMENT PROPERTIES

648.5 CHF mn

The value of the portfolio increased from CHF 647.8 million to CHF 648.5 million in the first half-year.

VACANCY RATE AS AT REFERENCE DATE

2.3 %

The vacancy rate declined year-on-year from 2.4% to 2.3%.

EBIT

8.6 CHF mn

The operating result decreased from CHF 11.9 million to CHF 8.6 million in the first half-year.

PROPERTY INCOME

12.8 CHF mn

Rental income dipped year-on-year from CHF 13.7 million to CHF 12.8 million in the reporting period.

EQUITY RATIO

45.9 %

The equity ratio shrank versus the level at 31.12.2019 from 46.6% to 45.9%.

SHARE PRICE AS AT 30 JUNE

87.00 CHF

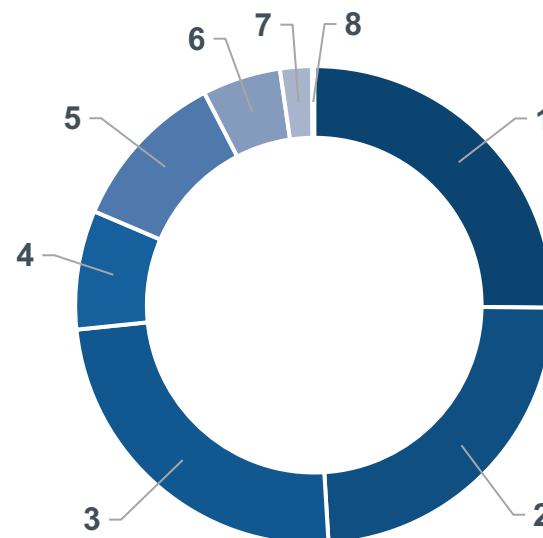
The share price edged down from CHF 98.50 to CHF 87.00 during the reporting period.

Effects of COVID-19 pandemic

Coronavirus-relevant key figures and tenant structure parameters

Allocation of actual net rent by type of use

1	Residential	25%
2	Office	24%
3	Commercial	24%
4	Retail	8%
5	Restaurants	11%
6	Parking spaces	5%
7	Storage	2%
8	Miscellaneous	1%



Number of valid requests

65 Tenants

are affected by the emergency restrictions and prohibitions, which generate roughly **30% of net monthly rental income**.

	Number of tenants	Percentage share of net monthly rent of 65 affected tenants
Three-thirds regulation BS	18	16%
60/40 regulation	40	42%
Monthly rent > 20k	7	42%

Effects of COVID-19 pandemic

Impact on portfolio

In past months ...

The company has been in intensive contact with directly and indirectly affected tenants.

Deferment agreements have been systematically reviewed and concluded.

Solutions have been determined within the scope of the rent price reduction stipulated by authorities.

Numerous tenants in Basel have utilized the three-thirds rescue package provided by canton Basel-City.

In which form the parliamentary solution will be incorporated at the federal level is still unclear.

Expressed in numbers ...

The pandemic resulted in a financial impact of **CHF 0.74 million** as at 30 June 2020.

Based on the financial year 2020, this corresponds to a reduction in annual net rental income of **less than 3%**.

Expectations indicate ...

The portfolio structure still proves to be stable due to the central locations, among other factors.

The rising market value of the properties as at 30 June 2020 confirms the portfolio's sustainable, value-retaining aspects.

The long-term effects of COVID-19 are difficult to assess at present.

Key events

Milestones as at 30 June 2020

FOUR SIGNIFICANT MILESTONES

1

Leasing renewal Steinenvorstadt 67: new «La Cucaracha» restaurant of Remimag Group
Repositioning of Asylstrasse 68: ground floor divided into three sub-spaces, new leasing follows

2

Transfer of ownership of property located at Klusstrasse 38

3

Water damage renovations Witikonerstrasse: completion and apartment re-occupancy as at 01.07.

4

Marketing of «Sandreutergarten» residential building complex in Riehen is successfully launched

Targets achieved (1/2)

Since 31 December 2019

	Objectives	Progress since 30 June 2019	
Overall portfolio	Sustainable investments in the real estate portfolio according to the ten-year plan	Various value-enhancing renovations in first half-year despite COVID-19 pandemic	✓
	Vacancy rate held constant at < 3%	Vacancy rate of 2.3% as at reference date	✓
Leasing	Reduction of vacancies around Badischen Railway Station in Basel	Riehenstrasse 157: Leasing renewal of small commercial floor space	✓
	Leasing renewal of restaurant at Steinenvorstadt 67, Basel, after insolvency by Desperado	New ten-year lease: «La Cucaracha» restaurant of Remimag Group	✓
	Leasing renewal of office space at Bürglistrasse 8, Zurich	Leasing renewal of office space without vacancies to Family Office	✓
	Repositioning of ground floor space at Schaffhauserstrasse 6, Zurich	Leasing of commercial space. The property is thus fully leased	✓
	Leasing of ground floor space at Asylstrasse 68, Zürich	Repositioning of entire ground floor (smaller sub-space), fully leased	✓
	Leasing of office space at Zeltweg 67, Zurich	Leasing contract with SPG Intercity AG since November 2019, interested parties but no conclusion. New marketing measures initiated	✗
	Leasing of restaurant at Binningerstrasse 15, Basel	External leasing contract with restaurant consultant, rent price adjusted. Negotiations with two interested tenants	✗

Targets achieved (2/2)

Since 31 December 2019

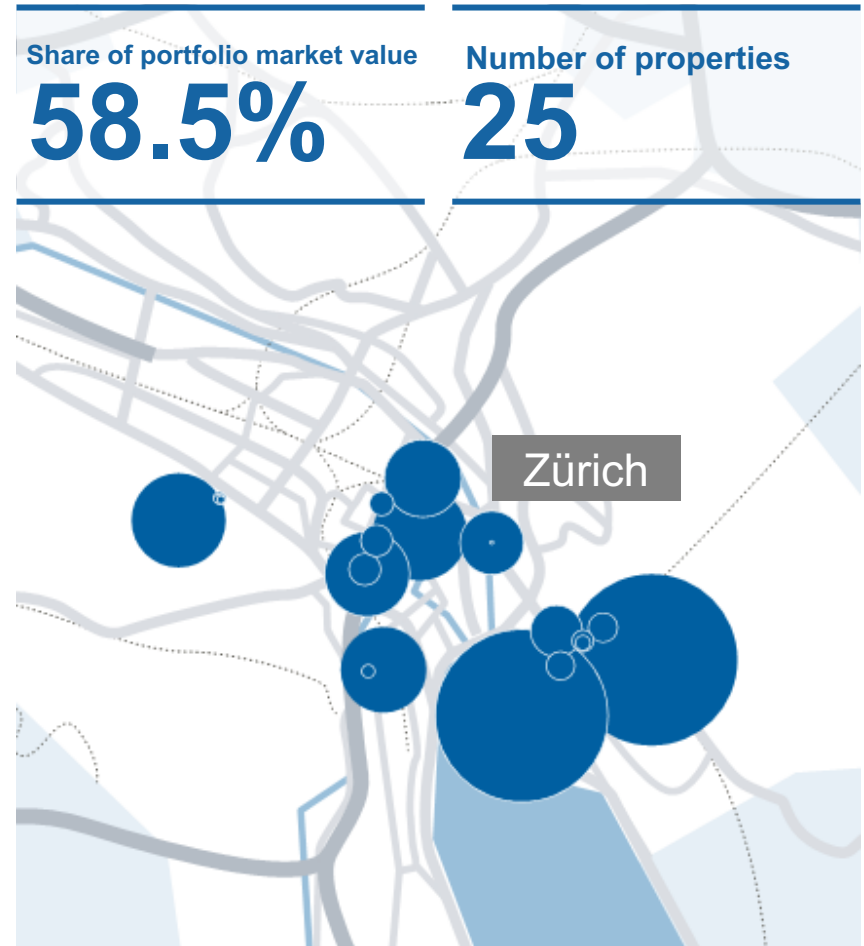
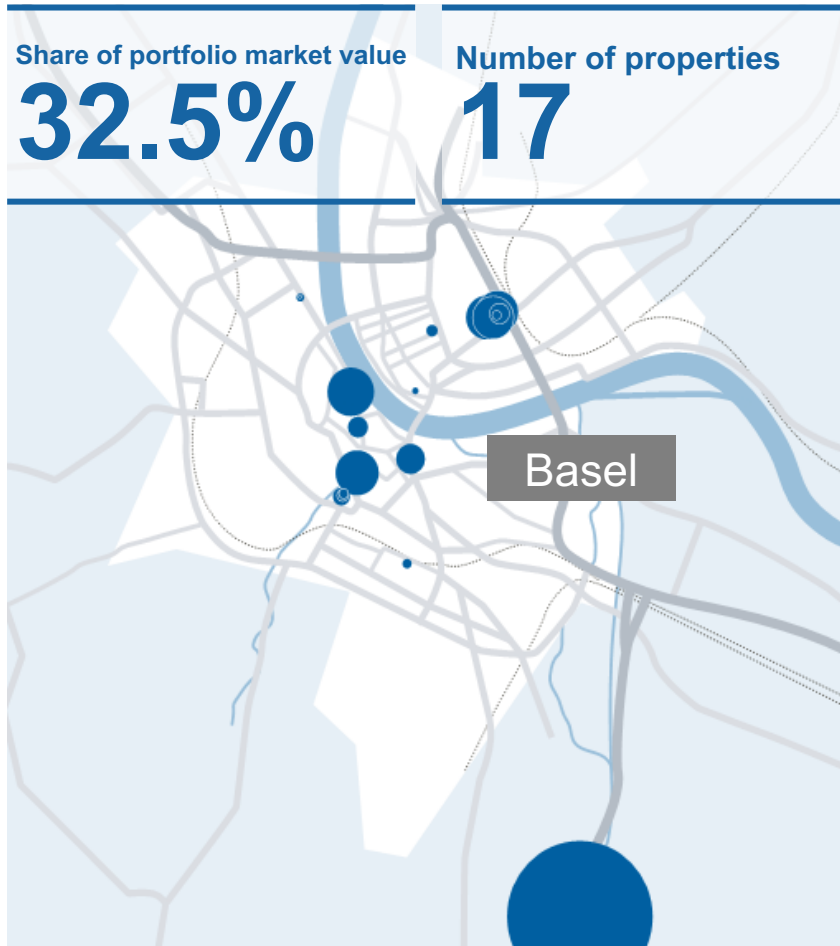
	Objectives	Progress since 30 June 2019	
Developments	Elsässerstrasse 1+3, Basel: Legally valid building permit	The building permit is expected in the third quarter of 2020	x
	Sandreuterweg 39, Riehen: Start of marketing	Marketing activities for the «Sandreutergarten» residential building complex in Riehen have been successfully launched	✓
	Klusstrasse 38, Zürich: Legally valid building permit	Legally valid building permit Obtained in July	✓
Acquisitions and divestments	Acquisition activities are still focused on the economic areas of Zurich and Basel	Transfer of ownership of property located at Klusstrasse 38	✓
	Divestment scenarios are taken into consideration when individual properties no longer conform with the portfolio strategy	No divestments in first half-year	x
	Parco d'Oro, Ascona: Sale of last apartment	Negotiations with an interested party are progressing	x
Unforeseeable events	COVID-19 pandemic		
	MEG Badenerstrasse, Zurich: Exercise of purchase rights option by Ledermann Entwicklung AG		



2. Portfolio

Market value by region

Structure of all investment properties as at 30 June 2020



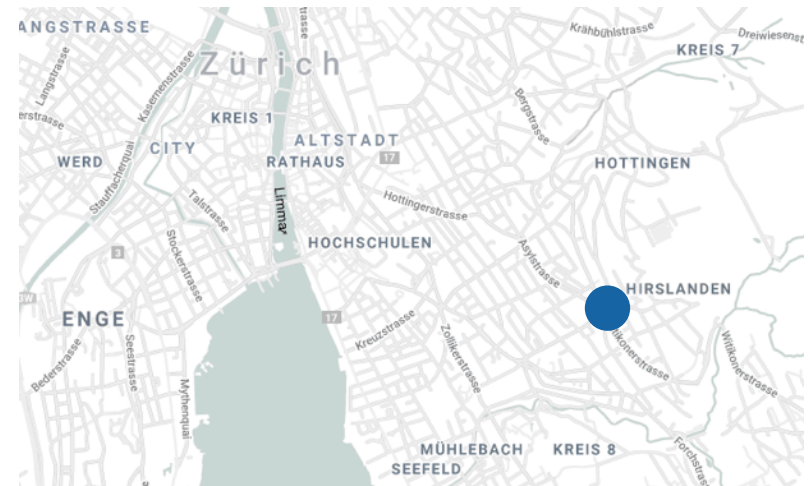
Other regions: The portfolio includes five other properties with a 9% share of market value

Transactions

Acquisition Klusstrasse 38, Zurich (SFUP AG share: 50.5%)

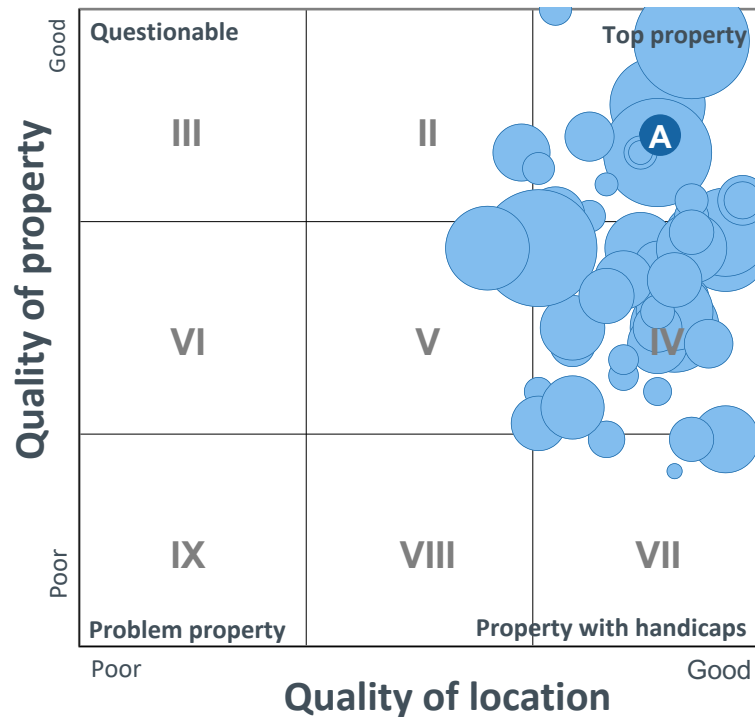
Trading property

Planned useable floor space	1 270 m ²
Realisation	2020 - 2022
Transfer of ownership	27 February 2020
Gross yield	-
Market value	CHF 10 310 000 (100%)
Acquisition cost (including ancillary costs)	CHF 9 064 210 (100%)
Strategy	Project realisation and sale of planned condominiums
Location	Excellent residential location in an area with villas
Motivation	Demand overhang for condominiums



Quality of property and location

As at 30 June 2020



A) Klusstrasse 38, Zurich

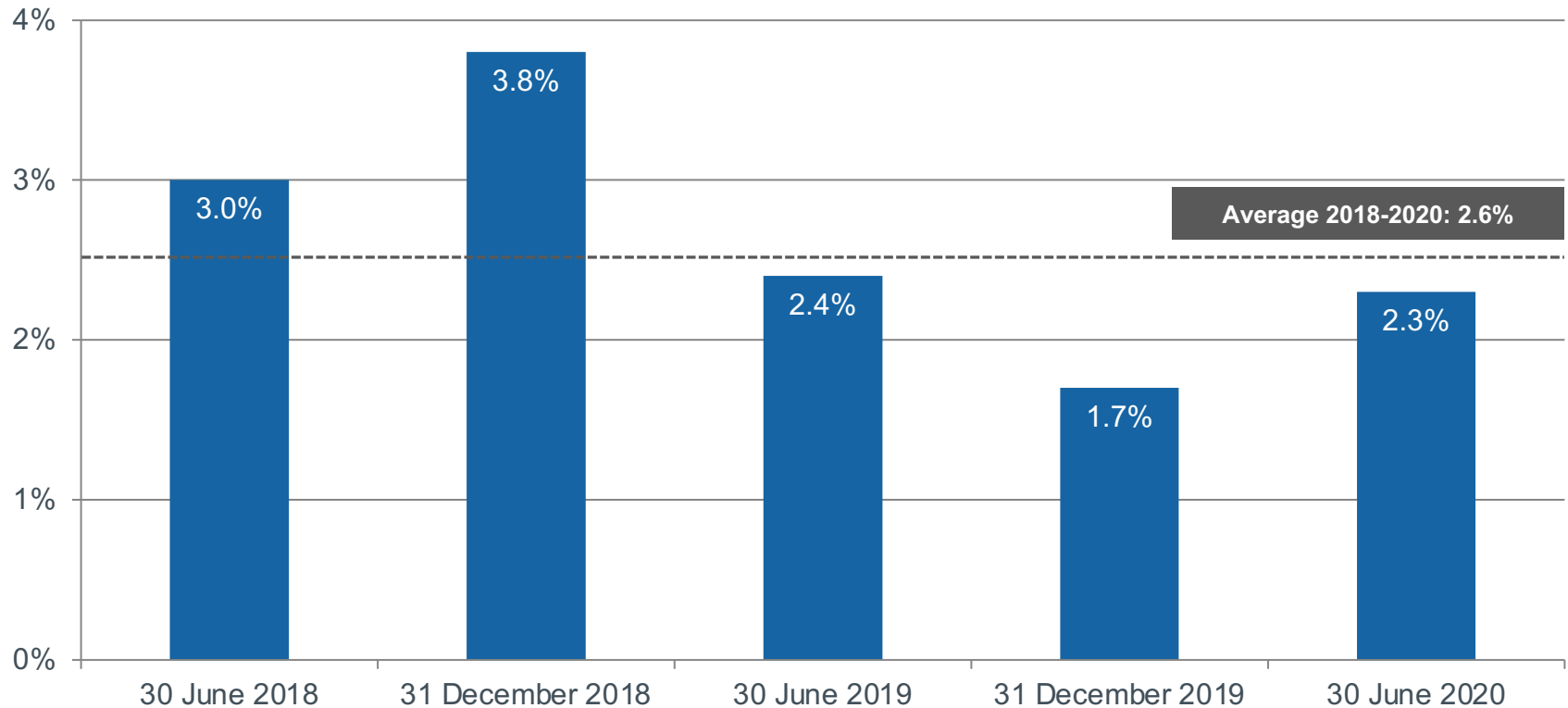


Preliminary interior visualisation, as at July 2020

Source: Wüest Partner

Vacancy rate trend 2018-2020

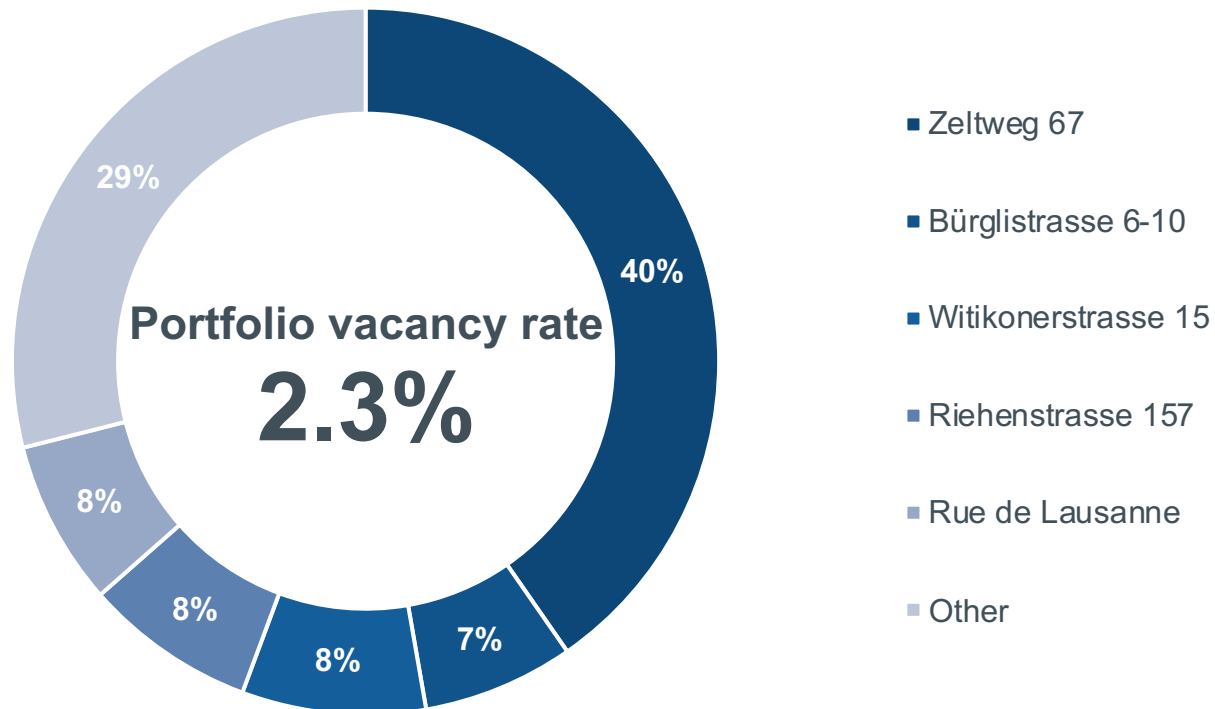
Trend in vacancy rates as at reference date



– The average reporting period-based vacancy rate amounted to 2.6% for the first half-year (first half-year 2019: 3.1%)

Vacancy rates as at 30 June 2020

Based on net rent; allocation to properties



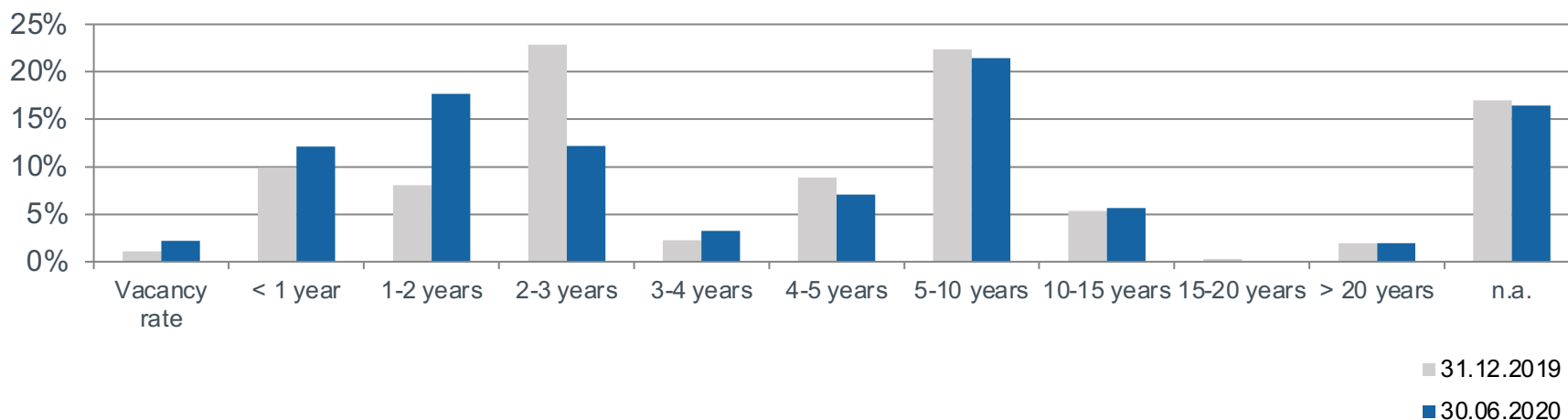
- Office space of 2 x 229 m² located at Zeltweg 67 constitutes the largest single vacancy. The second half-year will see new marketing measures and review of basic interior structure expansion.
- The education centre with 187 m² located at Rue de Lausanne in Morges ranks as the second-largest single vacancy. A new marketing contract with SPG Intercity has been concluded.
- “Other” vacancies comprise apartments and smaller positions

Expirations as at 30 June 2020

Commercial properties

Extract of successful rental contract renewals in first half-year

- Neptunstrasse 57, Zurich: Early renewal for restaurant Suan Long / Lemon Grass at same conditions by ten years (until 31 October 2032)
- Letzigraben 101, Zurich: Early renewal for Bäckerei Buchmann at same conditions by five years (until 31 October 2028)
- Riehenring 77, Basel: Early renewal for restaurant Boo at same conditions by three years (until 30 September 2024)



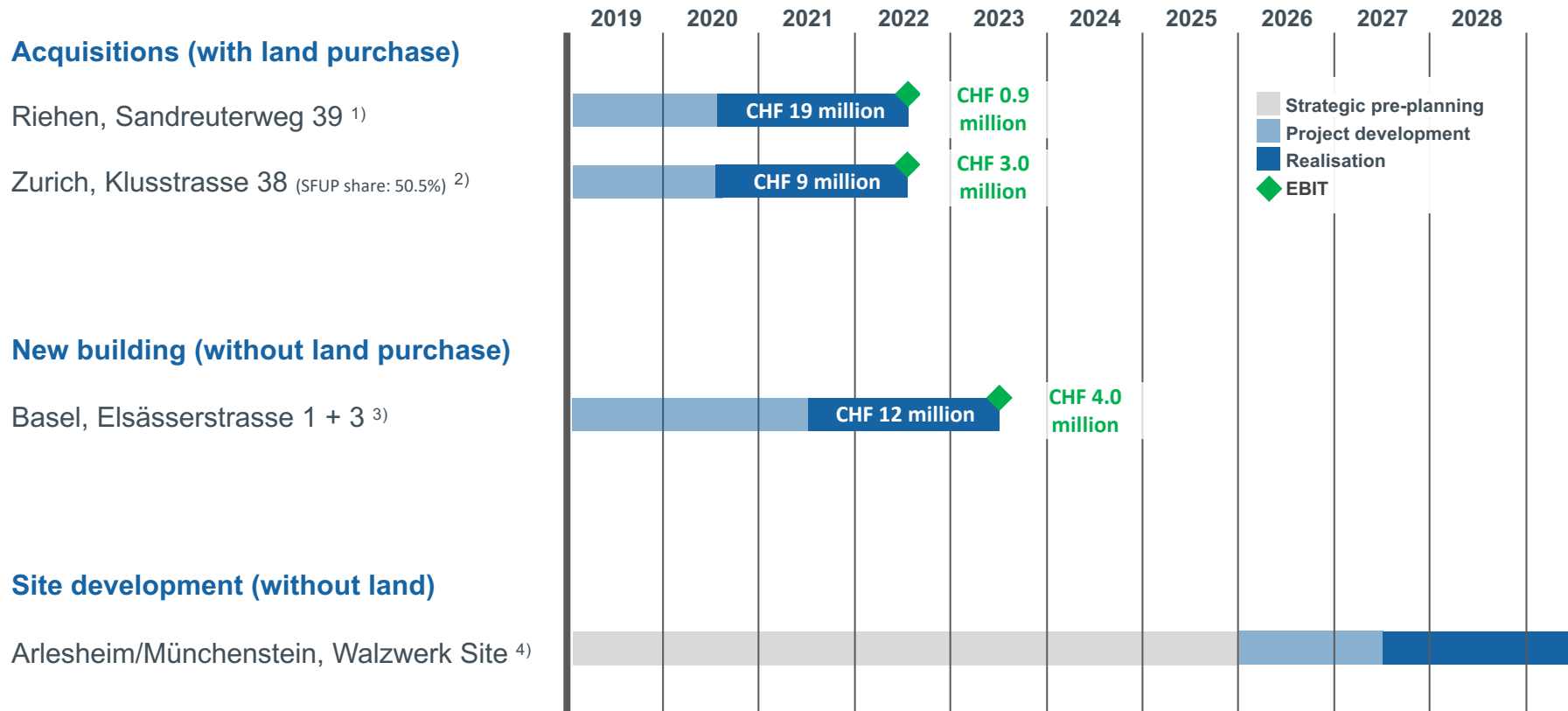
- Indefinite term rental contracts were further reduced during the reporting period
- Active asset management paved the way for agreements of early rental contract renewals
- WAULT now amounts to 4.4 years as at the reference date 30 June 2020 (31 December 2019: 4.3 years)

A photograph of a modern office interior. The space features glass-walled partitions, a wooden reception desk, and a meeting room with a large white table and chairs. The ceiling has recessed lighting and a large white pendant light hangs in the meeting room. The floor is covered in a light-colored carpet.

3. Developments

Investment pipeline

Development properties



- 1) Trading property project: legally valid building permit granted, transfer of ownership in January 2019, marketing successfully launched, construction start-up planned for Q4 2020
- 2) Trading property project: registration April 2019, transfer of ownership in February 2020, legally valid building permit granted, marketing launch and construction start-up planned for Q4 2020
- 3) Trading property project: planning application submitted in Q4 2019, earliest construction start-up in Q2 2021
- 4) District planning process until 2025, thereafter project planning and realisation

Riehen, Sandreuterweg

New building as trading property

Timeline

- Transfer of ownership 4 January 2019
- TC submission Q4 2019
- Start of marketing Q2 2020
- Start of construction (after sale of 50%) Q4 2020
- Handover date mid-2022

SFUP objectives

- Construction of four stand-alone single-family buildings comprising roughly 1 600 m² of residential space and common garden area as well as subterranean car park.

Noteworthy

- Number of reservations: 10 of 10 units are already reserved



Aerial view, as at June 2020



Visualisation, as at June 2020

Zurich, Klusstrasse 38

New building as trading property

Timeline

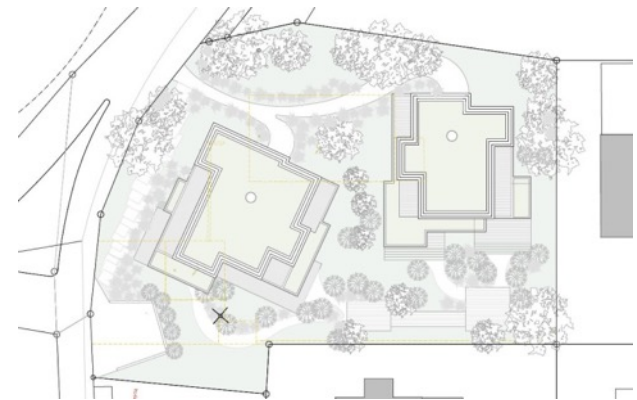
- Registration 10 April 2019
- Submission of planning application 29 October 2019
- Transfer of ownership 27 February 2020
- Legally valid building permit 27 July 2020
- Planned start of marketing Q4 2020
- Planned start of construction Q4 2020

SFUP objectives

- Situated in a prime location in district 7, SFUP is planning to construct a new replacement structure on the existing property with two multi-family buildings comprising a total of 13 condominiums with superior standards (including subterranean garage).
- Proceeding proactively enabled SFUP to avoid any objectives from being submitted in the recourse to construction period. The legally valid building permit has been granted.

Noteworthy

- Already around 40 interested parties (without marketing activities).



Area map, as at planning application 2019



Preliminary interior visualisation, as at July 2020

Basel, Elsässerstrasse 1+3

New replacement building as trading property

Timeline

- | | |
|---------------------------------------|------------------|
| - Submission of planning application | end-October 2019 |
| - Publication of planning application | 10 June 2020 |
| - Legally valid building permit | pending |
| - Planned TC submission | H2 2020 |
| - Planned marketing | H2 2020 |
| - Planned realisation | from Q2 2021 |

SFUP objectives

- SFUP is planning the construction of a new replacement building with two commercial units and 14 condominiums comprising roughly 1 800 m² of useable floor space, situated in a prime location in the St. Johannis suburb with excellent views of park and Rhein River.
- An agreement was reached with the existing restaurant tenant at the outset of 2019, which paves the way for realisation from 2021.

Noteworthy

- Three objections have been submitted against the building application.



Visualisation, building project status



Current status

Münchenstein/Arlesheim, Walzwerk Site

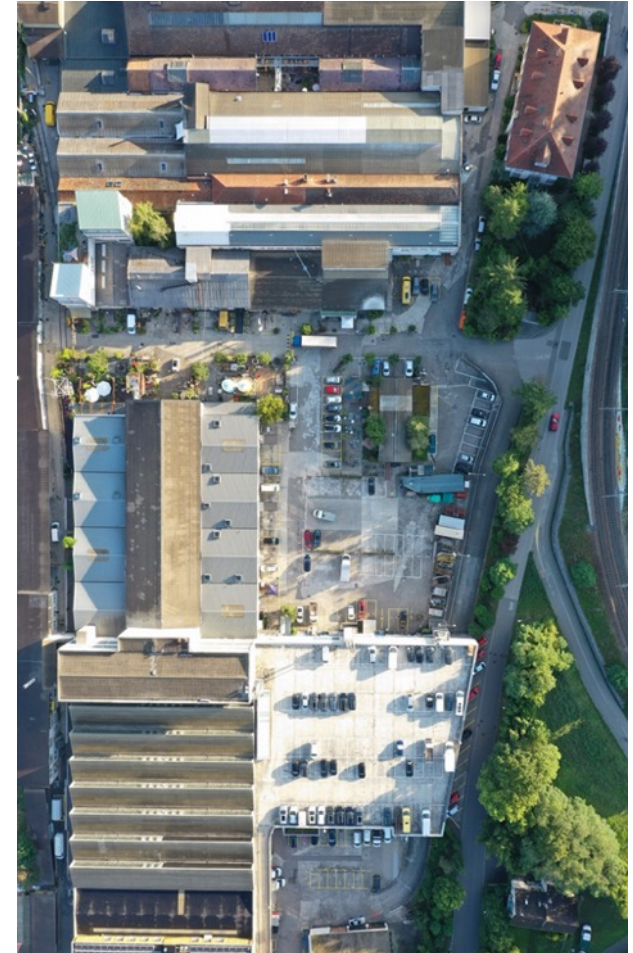
Property site development

Timeline

- | | |
|---|-----------------|
| - Feasibility study | H1 2018 |
| - Initial bureaucratic procedures | H2 2018 |
| - Branding / positioning | Q3 2019 |
| - Restructuring I: Vision with more AZ | Q4 2019 |
| - Restructuring II: Vision, expanded perimeter | May - June 2020 |
| - Official presentation building authorities | June 2020 |
| - Communication / further development portfolio | H2 2020 |

SFUP objectives

- The site harbours utilisation reserves that should be exhausted in the medium to long term.
- Consequently, this will open the door to opportunities for additional players in the commercial sector to establish themselves at the Walzwerk Site and cultivate the available diversity and liveliness.



Aerial photo: Tobias Sutter / Andreas Zimmermann

4. Financials

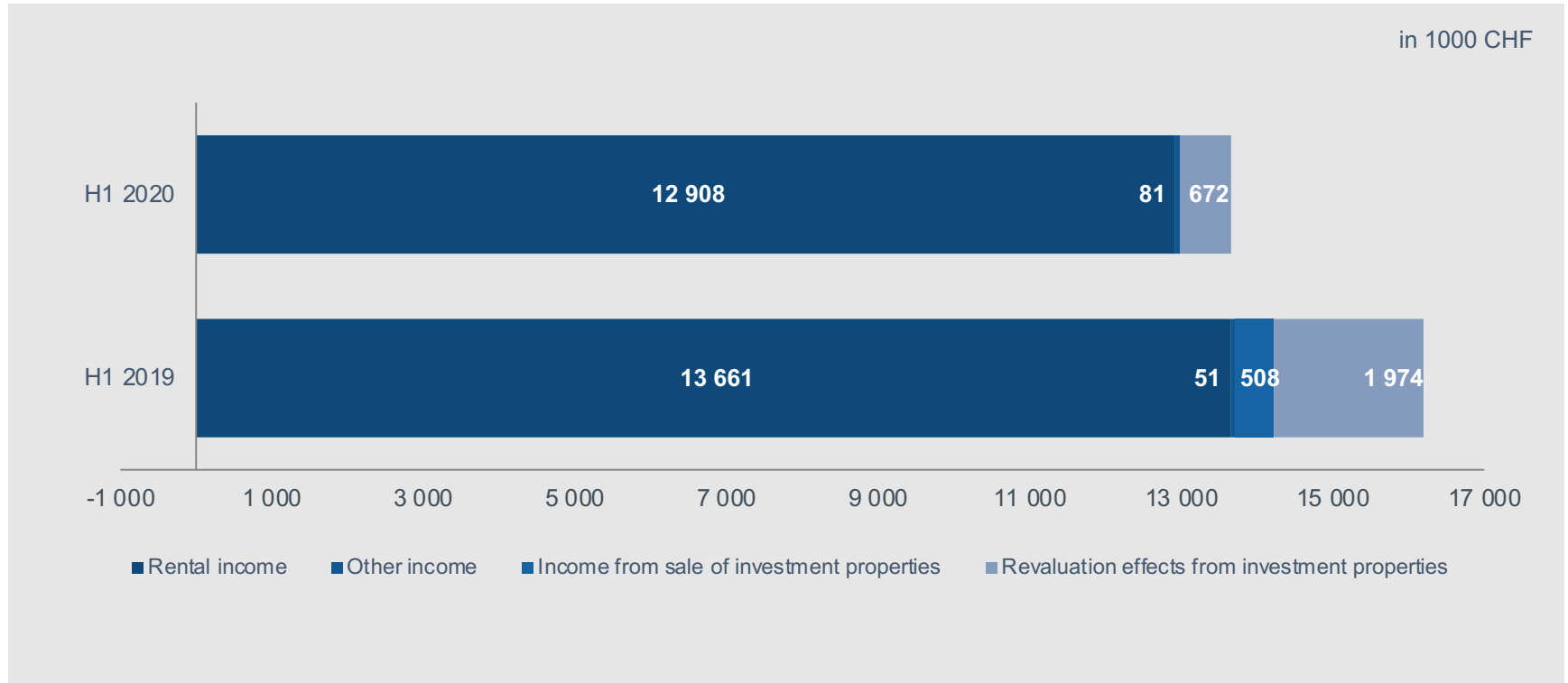


Income statement key figures

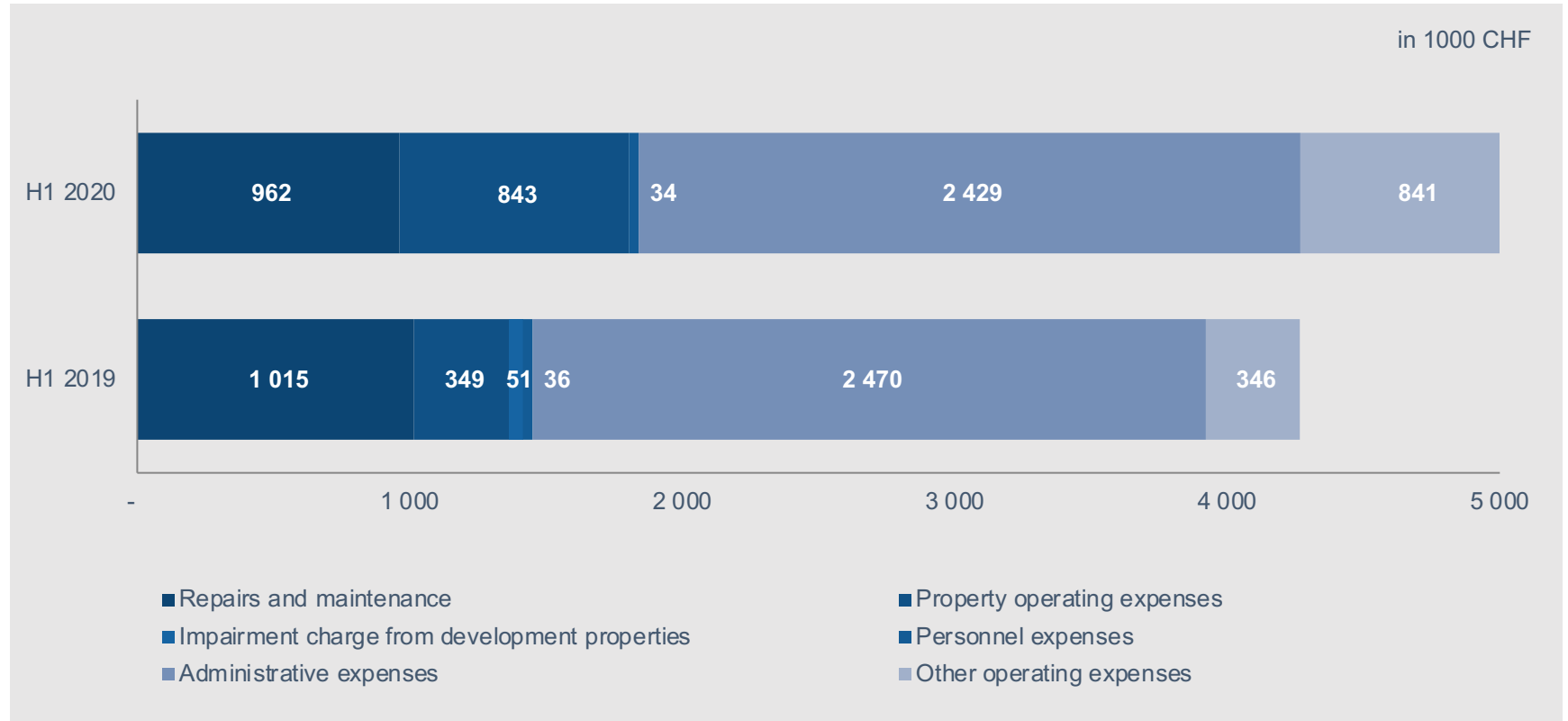
	Figures in	1 Jan. to 30 Jun. 2020	1 Jan. to 30 Jun. 2019	Deviation	Change in %
Property income	CHF 1 000	12 908	13 661	-753	-5.5%
Total operating income before revaluations	CHF 1 000	12 989	14 220	-1 231	-8.7%
Revaluation of investment properties	CHF 1 000	755	1 974	-1 219	-61.8%
Earnings before interest and tax (EBIT)	CHF 1 000	8 552	11 926	-3 374	-28.3%
EBIT margin	%	62.6	73.6	-11.0	-14.9%
Net profit	CHF 1 000	4 825	8 485	-3 660	-43.1%
Net profit excl. revaluation effects as well as their tax effects and further tax effects	CHF 1 000	5 500	7 455	-1 955	-26.2%

- Risk provisions related to COVID-19 of TCHF 740 and increased allowance for bad debts of TCHF 180 had a negative effect on property income.
- The lack of revenues from sales transactions weighed on operating income and revaluations declined by TCHF 1 200.
- Accordingly, the operating result as well as net profit decreased.
- Thanks to lower offsetting items, attributable net profit fell at a less proportionate extent.

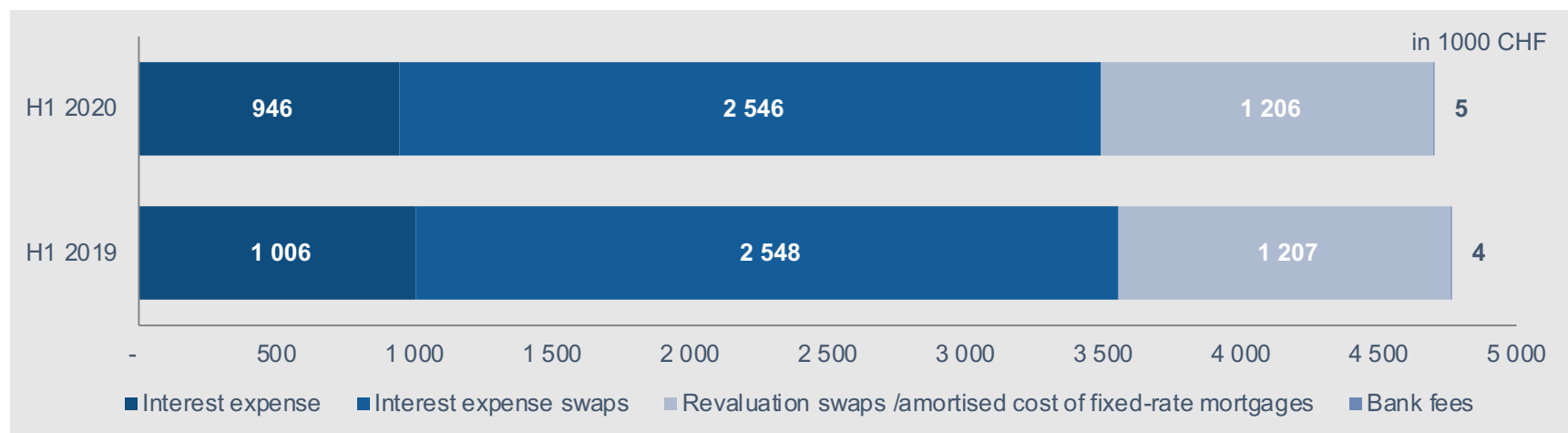
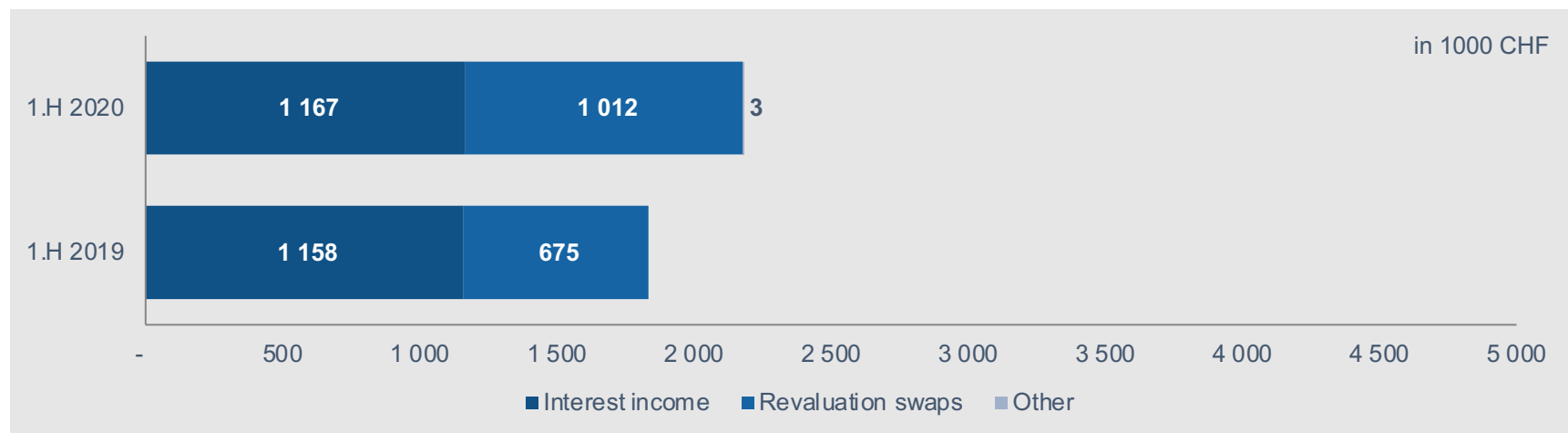
Operating income



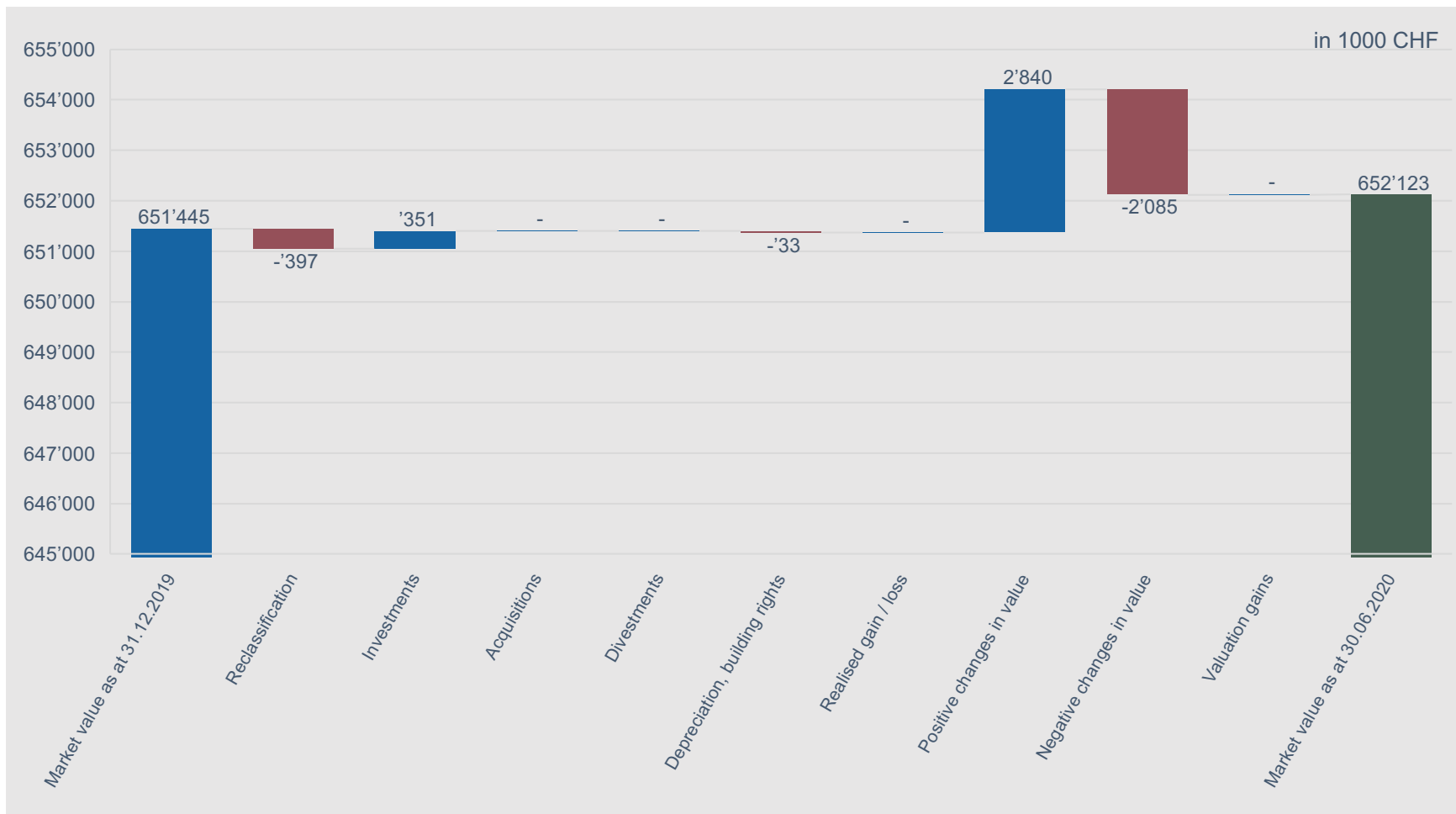
Operating expenses



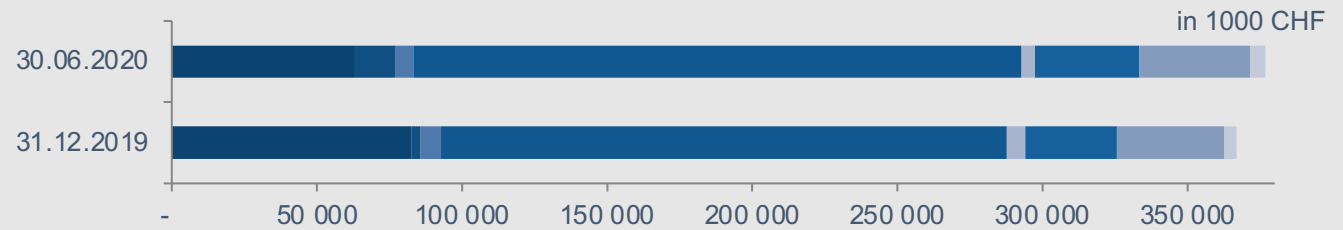
Financial income and financial expenses



Portfolio development



Financing structure



	31.12.2019	30.06.2020
■ Bank liabilities	82 641	62 716
■ Mortgages / roll-over credit (short term)	3 005	14 123
■ Current liabilities	7 011	6 343
■ Mortgages / roll-over credit	195 038	209 478
■ Accrued expenses and deferred income	6 356	4 839
■ Derivative financial instruments	31 593	35 891
■ Deferred taxes	36 943	38 094
■ Other	4 180	5 270

■ Bank liabilities

■ Current liabilities

■ Accrued expenses and deferred income

■ Deferred taxes

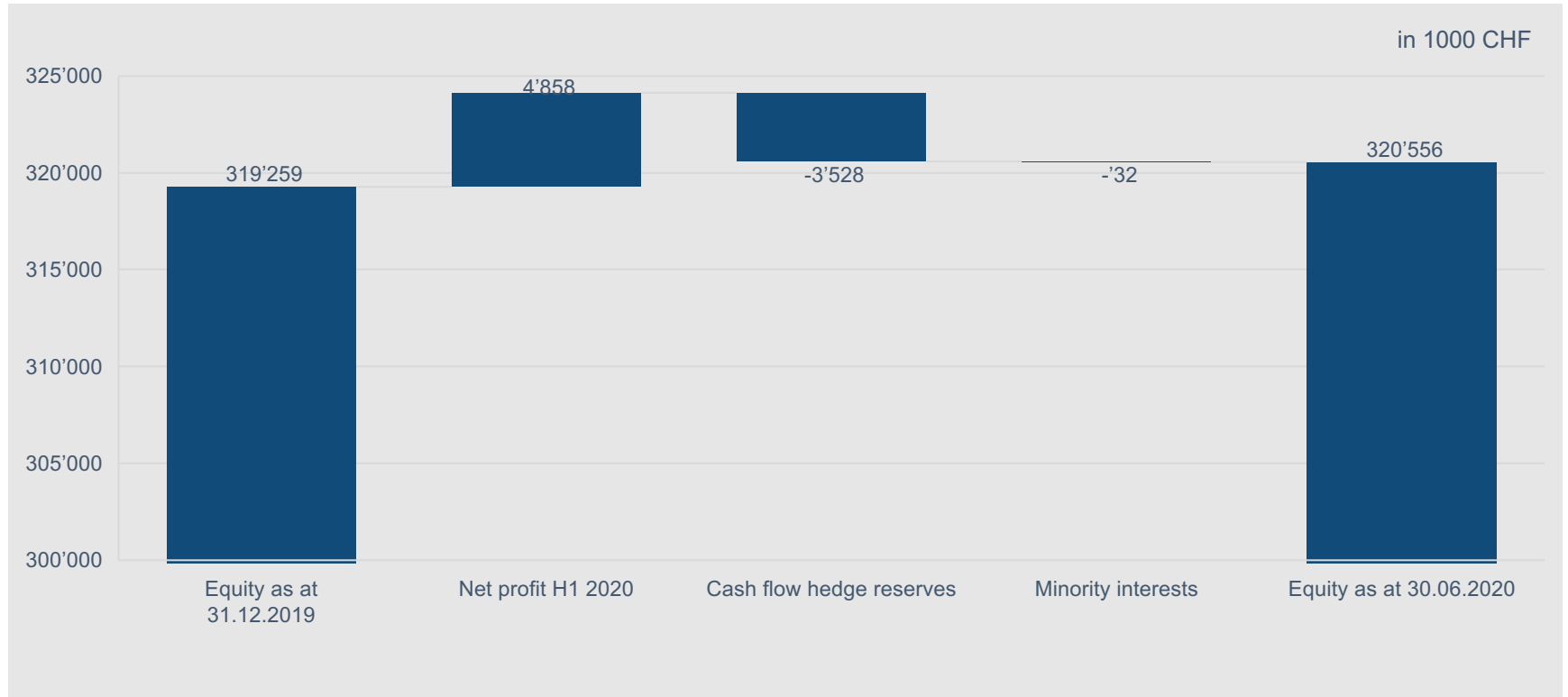
■ Mortgages / roll-over credit (short term)

■ Mortgages / roll-over credit

■ Derivative financial instruments

■ Other

Change in equity



Key figures per share

in CHF	1 Jan. to 30 Jun. 2020	1 Jan. to 30 Jun. 2019
Net profit per share (EPS) à CHF 12.60 nominal	1.45	2.53
Net profit per share (EPS) à CHF 12.60 nominal excluding revaluation effects	1.64	2.22
EPRA earnings per share (EPS) à CHF 12.60	1.32	2.05
Net asset value (NAV) per share à CHF 12.60	95.62	91.92
Net asset value (NAV) per share à CHF 12.60 before deferred taxes	105.82	101.14
EPRA (NAV) per share à CHF 12.60	116.99	110.81
Share price	87.00	90.00
Premium (+) / discount (–) versus NAV in %	-9.01	-2.09



5. Outlook for H2 2020

Transactions after balance sheet date

Divestment of MEG Badenerstrasse 425 - 431

Property	Purchase date as at	Market value MEG in CHF	Purchase price MEG in CHF	Difference in CHF	Difference to purchase price
No. 425	31.12.2012	5 265 000	2 500 000	2 765 000	110.6%
No. 427	29.05.2012	3 530 000	2 550 000	980 000	38.4%
No. 429	15.07.2011	3 505 000	2 800 000	705 000	25.2%
No. 431	29.05.2012	2 130 000	2 700 000	- 570 000	- 21.1%
Total		14 430 000	10 550 000	3 880 000	36.8%



Current status – aerial view

Divestment key data

- Chinese option (buy / sell) from 1 January 2020
- Exercise of acquisition rights LEAG 20 May 2020
- Offer price or **sale price** for 50% MEG SFUP CHF **27 250 000**
- Transfer of ownership planned Q3 2020

Existing properties key data

- Use: Residential / office
- Property area: 2 629 m2
- Share of ownership: 50%
- Approx. income p.a.: CHF 480 000 (50%)

Conclusion

- Based on the attractive purchase offer from Ledermann Entwicklung AG, SFUP decided to realise its protect planning-related appreciation gains with the sale of its 50% share of ownership.
- MEG growth in value through purchase offer results in CHF +12.82 million (see market value) and CHF +16.70 million (see purchase price)
- The incurred property gains tax given sale of MEG SFUP amounts to CHF 5.77 million
- **Gross profit** after deduction of property gains tax of **CHF 7.05 million**, liquidity inflow of roughly CHF 21.48 million

Outlook for second half-year

Overview of key points

	Objectives
Overall portfolio	Striving for a stable dividend distribution of CHF 3.60
	Maintaining a vacancy rate of < 3%
	Leasing vacant floor space.
	Marketing properties requires higher expenses due to the current pandemic.
	Expiring commercial property rental contracts should be extended on a timely basis.
Developments	Elsässerstrasse 1+3, Basel: Legally valid building permit expected
	Sandreuterweg 39, Riehen: Advance sales of condominiums. Start of construction planned.
	Klusstrasse 38, Zurich: : Legally valid building permit granted. Start of construction planned.
Acquisitions and divestments	Focus of investment strategy: Properties with excellent quality of location and medium-term expansion/development potential in the Zurich and Basel economic areas
	Divestment of property at Badenerstrasse 425-431
	Parco d'Oro, Ascona: Registration of last apartment

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