



# EDMOND DE ROTHSCHILD REAL ESTATE SICAV ("ERRES") PUBLICATION OF THE UNAUDITED SEMI- ANNUAL REPORT AS OF 30 SEPTEMBER 2021

**ERRES's half-year results as at 30 September 2021 reflect the portfolio's very good positioning in terms of location, vacancy risk and environmental profile.**

- The **rental loss rate** was maintained at a **stable level of 3.35%**, reflecting the quality of the buildings and the work done by the manager.
- **Residential allocation increased**, in particular in **Geneva**, thanks to the development projects completed and acquisitions secured, for which ownership is expected to be transferred by the end of the financial year.
- **Successful capital increase of CHF 279.7 million** fully subscribed and deployed by the end of 2021 on 22 properties and representing a tied investment amount of CHF 330 million.
- **Continued active deployment of the sustainability policy** through targeted actions with a positive impact on the environment and the comfort of tenants.
- **Targets for 2021/22 confirmed**, including a dividend to CHF 3.60/share.

## **Income statement**

At 30 September 2021, net income for the half-year, including current income and expenses, increased by 8.0% compared with the same period last year to stand at CHF 27.9 million.

Income was up 17.7%, mainly thanks to revenues from new acquisitions and to income from the capital increase of September 2021.

The rental loss rate stood at 3.35%, at the same levels as at the end of March 2021 (3.33%). This demonstrates both the active management of the properties by the manager, who has sought to anticipate tenants' needs, and the quality of the properties and their location. The effective vacancy rate as at 30 September 2021 is a pleasing 2.88%

Total expenses increased by 31.9% in the first half of the year to CHF 23.2 million. This increase is mainly explained by the sharp increase in expenditure on buildings for maintenance and repairs. These costs are in line with the strategy of preserving the value of the heritage and achieving the objectives of energy improvement and quality of the spaces offered. The manager had also anticipated a catch-up effect compared to the previous year, which was affected by the Covid-crisis and the difficulty of operating on buildings during certain periods.

Two properties were sold, generating a realised gain of CHF 4.0 million with a net margin of over 20% on both the total costs and the last valuation. The realised result of the fund came to CHF 31.9 million, up 23.7% from 30 September 2020.

The half-yearly financial statements show an unrealised loss of CHF 2.9 million mainly due to capitalised work on non-revalued properties. The entire property portfolio will be subject to an annual valuation as at 31 March 2022. The total result at the end of the first half of the year came to CHF 29.0 million, the same level as in the first six months of the previous year. The investment return was 1.54% over the first half of the 2021/22 financial year.

### **Balance sheet**

The debt ratio was low at 22.7% at 30 September 2021 following the CHF 279.7 million influx of liquidity from the capital increase closed a few days before the half-year closing. The manager initially used the funds to make mortgage payments, and will invest the entire amount raised by the end of the calendar year in accordance with the debt strategy and the opportunities that have been closed.

The average debt rate is stable at 1.08% with an average maturity of 3.55 years. The conditions obtained for the drawdowns planned by the end of the year point to a further fall in debt costs and a lengthening of the duration.

Net asset value (NAV) reached CHF 118.94/share, up 2.35% compared with the same period last year. The CHF 1.81/share decline since the last annual report as at 31 March 2021 is attributed to the payment of the dividend of CHF 3.60/share in July 2021.

### **Acquisitions and sales**

Since the annual close of 31 March 2021, the SICAV has made the following acquisitions and sales:

- Purchase of a construction project located at François-Jacquier 12-14-18 in Chêne-Bourg (GE). Close to the new Léman Express station, this development with the Minergie P label will provide 53 housing units with controlled rents.
- Purchase of a portfolio of four residential properties in Geneva (GE). Excellently situated, the 62 apartments are in very good condition and offer significant rental potential.
- Purchase of a residential property located at De-Luserna 34 in Geneva (GE). This small residential property on the right bank comprises 13 apartments.
- Sale of the asset located at Baslerstrasse 37/Ringstrasse 1 in Olten (SO). This property, which was completely repositioned through active management, no longer offered any potential with regard to the latent risk of vacancies and investments. The price obtained during the competitive tender process provides a solid positive margin compared to the total costs and the last valuation.
- Forward sale of the building located at Giulio Vicari 30 in Lugano (TI). Acquired as part of a portfolio two years ago, this asset was not strategic for ERRES.

At the date of publication of the half-yearly report, and in accordance with what was planned during the capital increase, the SICAV is also committed to several acquisitions for transfers of ownership to take place by the end of the calendar year and representing a total investment volume of CHF 254.3 million:

- A portfolio of nine residential properties located in Lausanne and its urban area (VD)
- A residential property located at Servette 11 in Geneva (GE)
- A mixed building located at Est 8 in Geneva (GE)
- New buildings in the Quartier de l'Etang in Vernier (GE)

- A commercial property located at Geneva 92 in Thônex (GE) offering significant potential for residential development
- A residential building located at Jean-Baptiste Vandelle 13 in Versoix (GE)

These acquisitions offer attractive returns, strengthen ERRES's strategic positioning in the Geneva residential market and have high potential for value creation through the addition of storeys, the implementation of rental restrictions and a gradual decrease in charges.

### **Construction and development projects**

In Köniz (BE), the "Bläuacker II" construction project is nearing completion: the first building was handed over in the summer of 2021 and is fully let, while the second building was handed over in early November 2021. It is fully let on long-term commercial leases (25 years, 15 years and 10 years) with the exception of a last area representing 4.3% of the total rental income. The excellent location on the central square opposite the station and the quality of construction convinced both residential and commercial tenants.

The Prulay 37 elevation project in Meyrin (GE), offering 16 additional apartments to market needs, is also in its final phase. Delivery of the new units is planned for January 2022 with full marketing anticipation at that time.

Construction of residential buildings in the Quartier de l'Etang in Vernier (GE) has been completed and transfer of ownership took place after the closing date of 1 November 2021. The 253 apartments with controlled rents all found tenants.

Close to the new Léman Express station, the newly acquired construction project at François-Jacquier 12-14-18 in Chêne-Bourg (GE) began in summer 2021. This residential asset, which is expected to be handed over in November 2023, will comprise 53 apartments with controlled rents and Minergie P label.

### **Sustainability**

The manager actively deploys its sustainability strategy with significant resources on existing buildings with the aim of maximising the impact of its actions.

Several renovation and improvement projects are underway for the existing portfolio, including at Prulay 37 in Meyrin (GE) where a Minergie label is being sought. The renovation of the thermal envelope, the installation of photovoltaic solar panels and the connection of the new units to a long-distance heating network will significantly reduce the complex's environmental impact. This site uses mainly local components with significant prefabrication in the factory to limit the nuisance for the tenants.

The manager is currently equipping the ERRES building stock with systems for optimising heat production through technology. The installation of smart boxes makes it possible to fine-tune heat production to weather conditions and tenant behaviour. This connectivity also provides accurate data for ambitious renovation projects.

Equipping existing roofs with photovoltaic solar panels is an integral part of the further implementation of the sustainability strategy. In Lausanne (VD), the Boveresses 44 commercial property will be equipped during the winter with a facility enabling tenants to benefit from local, renewable energy at a competitive price. Other projects are currently in the study phase.

### **Covid-19**

The health situation has improved in Switzerland since the end of spring and the beginning of the ERRES financial year.

Over the first six months of the financial year, the rental loss related to the subsidies granted came to about CHF 150,000, representing less than 0.3% of total revenues over six months. At

the closing date of the report, the amount of the open payment instalments stood at around CHF 145,000 and concerns six commercial tenants. Under these conditions, ERRES's 2021/22 full-year results will only be very slightly impacted.

**Outlook**

The manager believes ERRES is well positioned due to its very high exposure to the residential sector, the quality of its buildings' locations, and the framework conditions, which remain favourable for real estate. For the current financial year ending 31 March 2022, we forecast results that would allow us to distribute a stable dividend of CHF 3.60/share.

**If you have any questions, please contact:**

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**Link to the unaudited semi-annual report**

<http://www.edr-realestatesicav.ch/publications/documents-officiels.aspx>

**Link to the investor presentation**

<http://www.edr-realestatesicav.ch/publications/reporting.aspx>