



# EDMOND DE ROTHSCHILD REAL ESTATE SICAV ("ERRES") PUBLICATION OF THE UNAUDITED SEMI- ANNUAL REPORT AS OF 30 SEPTEMBER 2022

**ERRES's half-year results as at 30 September 2022 are in line with the objectives.**

- **Reduction of the rental loss rate to 2.22%** thanks to dynamic marketing combined with the analysis and anticipation work of the management teams.
- **Strengthening of the residential allocation** (69.4% of rental income) **in Geneva** (with 52.5% of rental income) thanks to developments and acquisitions.
- **Successful CHF 289.9 million capital increase** fully subscribed in September 2022.
- **Continued active deployment of the sustainability policy** through targeted actions with a positive impact on the environment and tenant comfort.
- **Distribution targets for 2022/23 confirmed**, with a tax-free dividend of minimum CHF 3.60/share.

## **Income statement**

At 30 September 2022, net income for the half-year, including current income and expenses, increased by 6.3% compared with the same period last year to stand at CHF 29.6 million, or CHF 1.85/share.

Income was up 7.9%, mainly thanks to revenues from new acquisitions and to income from the capital increase of September 2022.

The rental loss rate was 2.22% at 30 September 2022 compared with 3.35% at the previous half-yearly closing. The downward trend, already observed at 31 March 2022, continues and reflects the proactive management of the properties, particularly with the anticipation of tenant turnover. The vacancy rate is thus at a very low level of 1.90% (2.88% at 30 September 2021) reflecting the quality of management and the quality of the portfolio with buildings located in high demand locations

Total expenses rose by 9.8% to CHF 25.5 million in the first half of the year. This increase is justified by the various acquisitions made during the period.

Maintenance and repair costs remain at a controlled level of CHF 3.4 million, i.e. +8.8% compared to the previous period. The manager continues to invest in improving the quality of the buildings, particularly from an energy point of view, and is pursuing the value enhancement strategy by exploiting the portfolio's densification potential.

The tax expense decreased by -9.4% to CHF 7.7 million at the end of the first half of 2022/23, despite the recent increase in tax values published by the canton of Geneva. This decrease is due to the holding of assets through share structures, the progressive imputation of tax on profits in Geneva and an exceptional correction.

As at 30 September 2022, the disposal of a building located in the commune of La Roche (FR) generated a realised gain of CHF 432,000, i.e. a gain of CHF 0.03/share.

The half-yearly accounts show an unrealised gain of CHF 156,000 mainly due to the revaluation of 31 properties since the last annual closing. The entire property portfolio will be revalued at the annual closing on 31 March 2023.

The total result at the end of the first half of the year came to CHF 30.2 million, which is comparable to the first six months of the previous year. The investment return was 1.54% over the first half of the 2022/23 financial year.

### **Balance sheet**

The total asset increased by 29.9% to CHF 2.80 billion at 30 September 2022 as a result of investments, developments and acquisitions made during the period. These were financed by the capital increase in accordance with the planned strategy.

The operation also enabled the manager to make significant mortgage repayments and reduce the debt. As at 30 September 2022, the debt ratio was at 26.0% compared with 30.6% as at 31 March 2022.

The manager took advantage of the favourable drawing conditions obtained at the beginning of the year to extend the average maturity of the debt to 3.74 years (compared with 2.93 years at 31 March 2022). The average cost of debt was 0.86% at 30 September 2022 (compared with 0.72% at 31 March 2022).

Net asset value (NAV) reached CHF 123.81/share, up 4.87% compared with the same period last year. The CHF 1.73/share decline since the last annual report as at 31 March 2022 is attributed to the payment of the dividend of CHF 3.60/share in July 2022.

As at 30 September 2022, the SICAV's sector allocation, as a percentage of rental income, is as follows: 69.4% residential, 8.3% office, 7.3% healthcare, 5.1% industrial and artisanal, 3.6% food retail, 3.2% other retail and 3.1% other. The cantonal allocation is as follows: 52.5% Geneva, 23.4% Vaud, 7.3% Fribourg, 4.5% Zurich, 4.2% Neuchâtel, 2.5% Bern, 1.9% Basel-Stadt and 3.9% other.

### **Acquisitions and sales**

Since the annual closing on 31 March 2022, the SICAV has made the following acquisitions and sales:

- Purchase of a share deal portfolio with 13 mixed-use and residential properties located in Geneva (GE), Nyon (VD) and Rolle (VD). The 170 flats are in good condition and offer significant rental potential;
- Purchase of a mixed-use complex located at Rue de l'Industrie 2-4-6 in Renens (VD) near the train station. A demolition-reconstruction project is being planned with a view to erecting two Minergie-Eco residential buildings;
- Purchase of a residential building at Rue du XXI-Décembre 58 in Geneva (GE). This building has an excellent location in the centre of Geneva as well as a significant rental reserve and complements two alleys already held on this street;
- Purchase of a residential building located at Chemin du Banc-Bénil 36-38 in Grand-Lancy (GE). This building is composed of 53 fully rented flats with a very good micro-location. This property has the potential to be heightened and renovated for energy efficiency;

- Post-closing purchase through a share deal of a residential building located at Quai du Cheval-Blanc 22 in Geneva (GE). This is a building that was heightened in 2016, is very well located in the city centre and offers rental potential.
- Purchase after closing of a construction project at Edouard-Rod 14-16-18 in Geneva (GE). Ideally located in the city of Geneva, this project will comprise 37 rent-controlled flats.
- Forward purchase of three alleys located at Chemin de Pré-Marquis 5B-C-D in Puplinge (GE). The property is composed of 21 fully rented flats and has a good location and rental potential. The transfer of ownership will take place at the beginning of 2023;
- Forward purchase in share deal of a residential complex located at Promenade des Oiseaux 4-6 in Thônex (GE). This complex comprises 68 fully rented flats close to public transport. The transfer of ownership is scheduled for 1 January 2023;
- Sale of a mixed-use building located at Haut de Scherwyl 2-4-6-8 in La Roche (FR). Located in an unpromising location, this building was suffering from falling market rents. The sale was made at a price above the historical cost price and above the last valuation, allowing for both unrealised and realised capital gains.

These acquisitions offer attractive yields, a strengthening of ERRES' strategic positioning in the Geneva residential market as well as a strong potential for value creation through the realisation of elevation projects, the deployment of the rental reserve and a gradual reduction in operating expenses linked to energy renovations.

### **Construction, renovation and development projects**

Four new construction projects are currently underway as of 30 September 2022.

Near the new Léman Express station, the construction project at Rue François-Jacquier 14-16-18 in Chêne-Bourg (GE) is ahead of schedule. This residential asset, whose delivery is now anticipated for late spring 2023, will consist of 53 rent-controlled flats and will be certified Minergie P.

In Bülach (ZH), the construction project for a commercial property at Trafostasse 1 is progressing according to plan. Marketing has been completed with the signing of a third lease and an average lease term of over 10 years.

The SICAV has acquired two new construction projects on sites it favours:

- At La Petite Prairie in Nyon (VD), 36 flats will be built by the end of 2024 in a building heated by a water/water heat pump coupled with photovoltaic panels. As a reminder, the SICAV has already built a mixed-use building in phase I of this district in 2015;
- On the Biopôle site in Lausanne (VD) with the ongoing construction of three buildings totalling almost 20,000 m<sup>2</sup> of area dedicated to life sciences. The SICAV has already owned two buildings on the site since 2011 and 2014.

The manager has also launched several preliminary projects to develop existing plots. Interesting densification and renovation projects are expected to emerge in the coming years.

### **Sustainability**

The manager is actively deploying its sustainability strategy by putting significant human and financial resources into existing buildings in order to maximise the impact of its actions.

The themes of work in the first half of the year were as follows:

- Strong increase in the number (+45) of boilers equipped with heat production optimisation boxes;

- Completion of the installation of a new photovoltaic plant at Boveresses 44, Lausanne (VD) and launch of five promising preliminary projects;
- Site audits and implementation of a production monitoring system for our photovoltaic installations;
- Start of energy renovation and Minergie certification of the Sources 22 building in Geneva (GE);
- Signing of a contract to connect the Mouille-Galand 2-2F buildings in Vernier (GE) to the district heating network with a planning for early 2023;
- Deployment of numerous SIG eco-21 actions aimed at saving energy: changing light fittings, replacing circulators and ventilators and providing low electricity consumption appliances.

The manager Edmond de Rothschild REIM has also published its 2021-2022 sustainability report, which focuses on the implementation of its strategy based on the improvement of existing stock, the central role of users and committed and determined action. This report is available on the SICAV's website via the link below.

### **Outlook**

The manager is convinced of ERRES' attractive positioning thanks to its predominant exposure to the residential sector, the quality of its property locations and the favourable market conditions for real estate. For the current financial year ending 31 March 2023, we expect a result that will enable us to distribute a stable tax-free dividend of minimum CHF 3.60 per 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>

### **Lien to the manager Edmond de Rothschild REIM's sustainability report**

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