



EDMOND DE ROTHSCHILD REAL ESTATE SICAV (“ERRES”) PUBLICATION OF THE UNAUDITED SEMI- ANNUAL REPORT AS OF 30 SEPTEMBER 2023

ERRES’s half-year results as at 30 September 2023 are in line with the objectives.

- Decrease in the **rental loss rate to a record low of 1.71%** and a **+1.63% increase in the rent roll** at constant scope over the last 12 months (+0.82% over the first six months of the financial year).
- **Extension of the average duration of liabilities to 4.79 years** with a **weighted average rate of 1.22%**.
- **CHF 11.0 in rent roll under construction.**
- **Signature of a 15-year lease covering 14,000 m²** with a first-rate tenant at the Biopôle F1 site under construction in Lausanne.
- **Proactive revaluation of 34 buildings** to present a net asset value that reflects current market conditions.
- **Distribution targets for 2023/24 confirmed**, with a tax-free dividend of a minimum of CHF 3.80/share including contribution from strategic sales.
- **No capital increase planned for financial year 2023/24.**

Income statement

At 30 September 2023, rental income was up 7.4%, driven by income from acquisitions made last year, income from new properties delivered, and increases in the rent rolls for the properties in the portfolio. At constant scope, this increase was 0.82% over the first six months of the year and 1.63% over the last twelve months. With a low rental loss rate of 1.71% at 30 September 2023 compared with 2.22% at the previous half-yearly closing, the Manager is more than ever focused on enhancing the quality of the portfolio of properties located in areas with high rental demand, as well as on tenants’ financial soundness.

It should be noted that CHF 11.0 million in rent roll is currently under construction and will gradually supplement rental income in the coming years.

Total income was down compared with the previous financial year, which benefited from subscribers’ share in accrued income resulting from the September 2022 capital increase.

Total expenses rose by 12.2% to CHF 28.57 million in the first half of the year.

Maintenance and repair costs totalled CHF 2.57 million, down 24.9% compared with the previous period thanks to the reimbursement of exceptional expenses in the first half of the year.

Mortgage interest charges rose 49.4% to CHF 4.82 million, reflecting the rising interest rate environment in Switzerland and the increased volume of financing in the portfolio.

The tax expense increased by 15.3% to CHF 8.92 million as it was adversely affected by the further increase in Geneva tax values.

Net income for the half-year, including current income and expenses, fell by 14.1% compared with the same period last year to stand at CHF 25.45 million, or CHF 1.59/share.

At 30 September 2023, the sale of two assets generated a realised gain after taxes and expenses of CHF 2.83 million, or CHF 0.18/share, bringing distributable income to CHF 1.76/share.

The half-yearly accounts show an unrealised loss of CHF 31.55 million mainly due to the revaluation of 34 properties since the last annual closing. The Manager has decided to proactively revalue a large number of properties in order to provide investors with a net asset value that reflects current market conditions.

The total result at the end of the first half of the year resulted in a loss of CHF 3.27 million. The investment return was -0.17% over the first half of the 2023/24 financial year, impacted by decreases in the value of the revalued properties.

Balance sheet

The total value of the properties increased by 0.25% to CHF 2.84 billion at 30 September 2023, driven mainly by the progress made on numerous construction projects.

The debt ratio was 28.99% compared with 27.19% at 31 March 2023. 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 4.79 years (compared with 4.14 years at 31 March 2023). The average cost of debt increased marginally to 1.22% at 30 September 2023 (compared with 1.10% at 31 March 2023).

Net asset value (NAV) reached CHF 120.81/share, down 2.4% compared with the same period last year due to the revaluations of 30.09.2023. The CHF 4.00/share decline since the last annual report as at 31 March 2023 can be attributed to the payment of the dividend of CHF 3.80/share in July 2023.

As at 30 September 2023, the SICAV's sector allocation, as a percentage of the rent roll, is as follows: 68.2% residential, 8.1% office, 7.1% healthcare, 4.4% industrial and artisanal, 4.0% food retail, 2.5% other retail and 5.8% other. The cantonal allocation is as follows: 53.8% Geneva, 21.9% Vaud, 7.0% Fribourg, 4.3% Zurich, 4.1% Neuchâtel, 2.4% Bern, 2.6% Basel-Stadt and 3.9% other.

Acquisitions and sales

In the first half of 2022/23, the SICAV made the following acquisitions and sales:

- Sale of a portfolio of three small residential and mixed-use buildings in Rolle (VD). Purchased as part of a portfolio in early 2022, these non-strategic properties for the SICAV were sold at a price slightly higher than the historical cost price. Ownership of Grand-Rue 32 was transferred in the first half of the year while the other two addresses will be sold on 1 January 2024.
- Sale of the Pont d'Arve 46 residential building in Geneva (GE). After acquiring the property in 2012, the manager was able to increase the rent roll by 31.1% and improve the heat consumption index by 57.1% thanks to active management of the building and renovation work resulting in High Energy Performance (HEP) certification. The sale generated a realised gain of CHF 3.0 million after taxes and expenses.
- Transfer of ownership of the building 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 took place in May 2023.

- Signing of a forward sale for the acquisition of a building located at Pré-Bouvier 9 in Satigny (GE). Owned through a surface right with the FTI, this artisanal building is fully rented with an average firm lease duration of 12 years and it offers a gross return of 5.4%.

The manager has also carried out the following transactions since the end of the half-year period:

- Sale of the Capite 180 building in Choulex (GE) generating a realised capital gain after taxes and expenses estimated at CHF 0.87 million.
- Acquisition of an office and business building located at Bernstrasse 82-90 in Dietikon (ZH) offering an initial gross return of 6.1% on the acquisition price with untapped rental potential. Vacancy is limited at 7.7% while the average lease term is 2.3 years.
- Acquisition of an office building located at Crassier 19 in Eysins (VD) offering an initial gross return of 7.4% on the acquisition price. Vacancy was 9.9% at the time of acquisition, while the average lease term is 4.0 years.

Active portfolio management is an integral part of the strategy, which aims to deliver sustainable returns to investors.

Construction, renovation and development projects

The construction project at Rue François-Jacquier 14-16-18 in Chêne-Bourg (GE) is now complete. This residential asset, consisting of 53 rent-controlled and Minergie P-certified flats, has been fully rented since October 2023.

Three new construction projects are currently underway as of 30 September 2023.

- At the Biopôle site in Lausanne (VD), the raft foundation has been completed for the construction of these three buildings totalling almost 20,000 m² of area dedicated to life sciences. A key rental milestone was reached with the signing of a firm 15-year lease for 14,000 m² with a Vaud parapublic player active in the healthcare sector. This success once again proves the attractiveness of the Biopôle ecosystem in which the SICAV has been present since 2011 with two office buildings and laboratories.
- In Bülach (ZH), the construction project for a commercial property at Trafostasse 1 is progressing according to plan. The building is fully rented with the signing of a third lease and an average lease term of over 10 years. Delivery of the premises to users is scheduled for May 2024, when rents will be received in full.
- In the Petite Prairie district of 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 already built a mixed-use building in phase I of this district in 2015.
- In downtown Geneva, the construction project for 37 rent-controlled flats at Edouard-Rod 12-14-16 began with delivery anticipated in Q3 2025.

Three renovation and densification projects are also underway as at the report date.

- Sources 22 in Geneva: full renovation of the building with High Energy Performance (HEP) certification and the redevelopment of certain areas. Project completion scheduled for Q1 2024.
- François-Besson 5-7-9 in Meyrin: full renovation of the building with HEP certification and two-storey elevation creating 12 new housing units. Project completion scheduled for Q2 2024.
- Baillive 5 in Geneva: renovation of the building with HEP certification and creation of two flats in the attic. Switch from gas heating to a heat pump coupled with the installation of photovoltaic solar panels. Project completion scheduled for Q3 2024.

Projects under construction currently require CHF 123.3 million in capital but will ultimately add CHF 11.0 million to the rent roll.

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.

In addition to the building renovations described above, the themes of work in the first half of the year were as follows:

- Installation of new heat production optimisation units bringing the total number of buildings equipped to 90 out of 151.
- Completion of the installation of new photovoltaic power plants at Veyrot 11 in Meyrin (GE) and Grey 55 in Lausanne (VD) bringing the total to 14 for an installed capacity of 1'187 kWp.
- Preparations for the connection to the district heating network for the Mouille-Galand 2-2F buildings in Vernier (GE) completed in November 2023.
- Completion of the very first tenant satisfaction survey, which resulted in 930 responses, enabling us to better understand our tenants' expectations.
- Deployment of numerous SIG eco-21 actions aimed at saving energy: changing light fittings, replacing circulators and ventilators and providing low electricity consumption appliances.
- Preparations for GRESB benchmark submission in June 2024.

The manager Edmond de Rothschild REIM has also published its 2022-2023 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.

Outlook

The manager is convinced of ERRES's 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 2024, we expect a result that will enable us to distribute a tax-free dividend of a minimum of CHF 3.80 per share.

If you have any questions, please contact:

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www.edr-realestatesicav.ch

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>

Link to the manager Edmond de Rothschild REIM's sustainability report

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