



EDMOND DE ROTHSCHILD REAL ESTATE SICAV (“ERRES”) PUBLICATION OF THE UNAUDITED SEMI- ANNUAL REPORT AS AT 30 SEPTEMBER 2020

ERRES’s strong half-year results as at 30 September 2020 reflect the portfolio’s very good positioning in terms of location, vacancy risk and environmental profile.

- **Vacancy rate down from 2.95% to 2.93% since March 2020**, underscoring the quality of the properties in the portfolio, their excellent locations and the manager’s ability to anticipate and manage tenants’ needs.
- **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 year.
- **Minimal impact of the health crisis** on rental income with a projected loss of about 0.5% to 0.7% of total revenues for the financial year.
- **A successful CHF 272.2 million capital increase**, which was fully subscribed and will be used to finance the acquisitions secured and the development projects underway.
- **Targets for 2020/21 reiterated**, including an increase in the dividend to CHF 3.55/share.

Income statement

At 30 September 2020, net income for the half-year, including current income and expenses, increased by 32.3% compared with the same period last year to stand at CHF 25.8 million.

Revenues were up 18.3%, mainly due to income from new acquisitions and income related to the September 2020 capital increase.

The rent loss rate was 2.93% of total potential rental income, down slightly from 2.95% at end-March. 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. There were two notable successes during the first half of the year: Ancienne-Poste 36 in Vallorbe (VD) where all the flats are now rented and Geais 19 in Epalinges (VD) with the signing of a 15-year lease with a single tenant.

Total expenses increased by 2.5% in the first half of the financial year to CHF 17.6 million and rose more slowly than total proceeds. The investments made in existing properties and the delivery of new projects has helped to reduce property charges. The SICAV is also benefiting from attractive terms on the credit market. Other operating expenses increased but proportionately less than income due to the economies of scale realised and the renegotiation of certain contracts.

The unrealised capital gain in the period rose to CHF 3.2 million. It reflects the revaluation of six properties where significant changes (investments, change in potential rental income, construction projects) have been made since the last reporting period. The entire portfolio will be subject to an annual valuation as at 31 March 2021.

Total income after the first half of the year rose to CHF 29.0 million, up 47.8% from 30 September 2019. The return on investment is satisfactory and amounts to 1.84% in the first six months of the financial year.

Balance sheet

The leverage ratio was low at 18.9% at 30 September 2020 following the CHF 272.2 million influx of liquidity from the capital increase closed at end-September. The manager initially used the funds to reimburse mortgages, 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 cost of debt is stable at 1.34% with an average maturity of 3.69. The terms obtained for the mortgage drawdowns through the end of the year suggest a continued decline in the cost of debt.

Net asset value (NAV) reached CHF 116.21/share, up 0.97% compared with the same period last year. The CHF 1.39/share decline since the last report is attributed to the payment of the dividend of CHF 3.50/share in July 2020.

Acquisitions

At 30 September 2020, the SICAV had agreed to several acquisitions with ownership to be transferred by the end of the year for a total amount of CHF 295 millions:

- A mixed-use building (61% residential) located at Geneva 109 in Thônex (GE) and fully leased,
- A mixed-use building (64% residential) located at Carl-Vogt 47 in Geneva (GE) and fully leased,
- A residential building located at Dancet 8 in Geneva (GE) and fully leased,
- A real estate company with 18 residential and mixed-use properties of which 16 in the canton of Geneva and 2 in the canton of Vaud. The vacancy rate is less than 0.5% and residential income represents 84% of current rental income.

These off-market 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 reserve and a gradual decrease in charges.

Construction and development projects

The first letting of the "La Pâla" project at Vevey 254 in Bulle (FR) - delivered in early April - was a success: the 55 apartments were leased three months after delivery. The combination of a good location, rents adjusted to the market and high-quality finishing was attractive to tenants.

The A14 project in the "Vergers" eco-district in Meyrin (GE) was completed over the summer and the first tenants were able to move in at the start of the school year in September. The marketing of the 102 apartments has been in line with expectations with 83 apartments rented in November. Lessees have also been found for three of the four commercial spaces on the ground floor and discussions are well underway for the last space.

In Köniz (BE), the "Bläuacker II" construction project, which was launched at the beginning of the year, is well on track. It is now at the "weatherproof" stage, with delivery dates scheduled for October and November 2021. The letting of the commercial spaces is promising: a lease was signed for the space in building 5 and discussions are well underway with potential tenants for

spaces in building 4. Lastly, half of the 29 apartments are already reserved even though marketing has not yet officially begun.

The project to add storeys to Prulay 37 in Meyrin (GE) will begin in November 2020 and last for 13 months. The property will offer 16 additional small apartments that meet the market's needs, and the existing structure will be renovated as well.

The transfer of ownership related to the future purchase of two residential buildings under construction in Quartier de l'Etang in Vernier (GE) is still scheduled for the summer of 2021. The 217 rent-controlled apartments will strengthen the portfolio's defensive and sustainable profile.

Sustainability

The manager is actively rolling out a sustainability strategy both for the existing property portfolio and when acquiring and constructing new buildings.

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 in parallel with the addition of storeys and the creation of 16 new apartments. The renovation of the thermal envelope, the installation of photovoltaic solar panels and the connection of the new units to a remote heating network will significantly reduce the complex's environmental impact.

Optimisation projects were launched in the fall to reduce the energy consumption related to the existing heating systems. Several innovative solutions combining sustainability and technology give owners and tenants cost-effective and environmentally friendly options.

The building in Köniz (BE) will meet the Minergie labelling criteria while following additional construction directives under the EKO-CFC 2016 framework. The addition of a larger number of photovoltaic solar panels is also under consideration.

The Quartier de l'Etang buildings are part of a "2000-watt site" and will be heated and cooled by a 100% renewable Genilac system using water from Lake Geneva.

Lastly, acquisitions of existing buildings are reviewed for sustainability from both an environmental and social perspective. The acquisition plans set out the steps to be taken to bring the buildings up to the level of the SICAV's overall strategy and to have a concrete and measurable impact in their management.

Covid-19

Tenant requests have stabilised since the publication of the annual report at the end of June. Acceptable accommodations have been found and agreed to with our tenants based on their specific needs. At the end of September, the financial statements presented include CHF 183,000 in additional expenses related to this rent relief representing less than 0.3% of overall income anticipated for the SICAV for financial year 2020/21. Final discussions are underway with other tenants for an additional amount of CHF 150,000.

The new outbreak of cases and the decisions made both at the Federal level and in the French-speaking cantons will certainly have an impact on the current financial year. While for now it is difficult to accurately estimate this impact, given all the uncertainties, we anticipate a total loss of rental income corresponding to 0.5-0.7% of total income for the financial year.

This relatively limited impact is due to the ERRES portfolio's mostly residential positioning, with 65% of projected rental income coming from this type of property. The commercial allocation is furthermore only minimally exposed to sectors severely affected by the health crisis (4,9%) such as hotels, restaurants, leisure and non-food retailers. On the contrary, the tenant base is sound and diversified and includes more than 280 commercial leases. Our main tenants are thus active in the healthcare and food retailing sectors, the public sector, logistics and storage, and financial services. Lastly, the average residual term on the commercial leases is long - 6,53 years - so the maturities can be serenely managed.

Perspectives

The manager believes ERRES is well positioned due to its predominant 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 2021, we forecast results that would allow us to distribute a higher dividend of CHF 3.55/share.

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Link to the unaudited semi-annual report

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

Link to investor presentation

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