

Media release

for immediate publication

Zurich, 30 March 2020

SF Sustainable Property Fund Stable 2019 financial year

- Realised profit increased by 12.8% to CHF 25.9 million
- Portfolio value grew by 13.7% to CHF 1.05 billion and 91 properties
- Expected net rental income rose by 16.7% to CHF 43.7 million
- Distribution of CHF 3.50 per share

17 properties with a market value of CHF 121.6 million were added to the existing portfolio, resulting in a portfolio value of CHF 1.05 billion as at 31 December 2019. With the additional purchases, expected rental income increased during the reporting period by 16.7% to CHF 43.7 million in comparison with the prior period. The vacancy rate fell by 0.7% points to end 2019 at 7.0%. One property was sold in 2019 for portfolio adjustment purposes. Two properties were refurbished in line with investment and strategy requirements. Building work began on the new build in Lausen.

Property portfolio

As in previous years, the SF Sustainable Property Fund expanded its property portfolio, acquiring 17 good-quality properties. In addition to the cantons already represented in the portfolio, Geneva, Glarus, Graubünden and Appenzell Ausserrhoden were also added through new purchases. The property in Neuenhof was sold on 19 December 2019, having appreciated considerably since it was acquired in 2012. Development of the site, nearby road and rail links plus upcoming maintenance led to the decision to sell. On the reporting date, the SF Sustainable Property Fund therefore recorded a total of 91 properties with a market value of CHF 1.05 billion (+13.7%). The vacancy rate fell in 2019 by 0.7% points from 7.7% to 7.0%. The reduction was due to successful letting in Unterkulm, Dietlikon and southern Switzerland.

Renovation projects and developments

In 2019, the refurbishment work in Oberglatt and Rümlang was completed on schedule, to the right quality and within budget. Building work on two properties (Münchenstein and Zofingen) began in the second half of the year. As with last year's projects, the refurbishment work on both properties is being carried out whilst people are still living there to avoid notice of termination. In Münchenstein and Zofingen, the structural work (string replacement) is being expanded to include energy measures. Changes to the floor plan in Zofingen and balcony extensions in Münchenstein are being carried out to make the properties more marketable. The development project in Dietlikon comprising over 21 000 m² was fully let at year-end. More than 11 000 m² of space has been let since the commercial site was acquired.

Financial result

In 2019, target net rent rose by 16.7% to CHF 43.7 million due to the acquisition of properties. The realised result rose by 12.8% to CHF 25.9 million. The dividend per share fell by 10 centimes to CHF 3.50. Net fund assets rose to CHF 786.8 million (+0.8%) and the debt financing ratio increased by 10.1 percentage points to 23.0%. At 31 December 2019, the stock market price for the SF Sustainable Property Fund was CHF 145.90.

Outlook

To generate an attractive return over the long term, the focus of the 2020 financial year will be on targeted purchases and the disposal of properties with limited development potential. Another property will also be refurbished in 2020 in line with investment requirements. The renovation work in Pratteln (BL) is likely to start in the last quarter of this year. Renewal of the energy systems, including replacement of kitchens and bathrooms, is planned in all 62 apartments, with adjustments to various floor plans improving the marketability of the rental properties. The SF Sustainable Property Fund was able to secure a new build project in Aarwangen. Ownership is due to be transferred and occupancy of the three buildings is due to start at the beginning of July 2020.

The current situation in connection with the coronavirus naturally also affects the real estate market. In addition to lower transaction activity, we expect vacancy rates to rise, especially outside the conurbations, if the economic downturn continues. Loss of rent should be rather rare due to the measures adopted by the federal government. For the SF Sustainable Property Fund with a residential component including parking spaces of 91%, the risk can be considered manageable for the time being. Nevertheless, vacancies must be actively managed and a proactive exchange with commercial tenants must be sought.

Further Information

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SF Sustainable Property Fund

The SF Sustainable Property Fund invests in existing real estate and projects in the whole of Switzerland. The strategy is to optimize the sustainability of its buildings throughout their life cycle. The fund invests primarily in real estate, which can be brought up to the ecological, sociological and economic criteria of the fund within seven years.

Key Figures on the Real Estate Fund

as at 31 December 2019

Rent default rate	Entity	31 Dec. 2019	31 Dec. 2018
Expected net rentals	CHF	43 669 030	37 411 385
Vacancy ²	CHF	3 657 258	2 929 950
Losses on receivables ²	CHF	468 068	380 606
Rent default rate	%	9.45	8.85

Borrowing ratio	Entity	31 Dec. 2019	31 Dec. 2018
Borrowed capital	CHF	242 277 460	119 350 000
Market value of properties	CHF	1 053 987 000	927 136 000
Borrowing ratio	%	22.99	12.87

Dividend yield	Entity	31 Dec. 2019	31 Dec. 2018
Dividend per share	CHF	3.50	3.60
Market rate per share at end of reporting period	CHF	145.90	131.70
Dividend yield³	%	2.40	2.73
Payout ratio³	%	106.73	103.94

Operating profit margin (EBIT margin)	Entity	31 Dec. 2019	31 Dec. 2018
Operating profit	CHF	23 847 986	22 085 143
Rental income	CHF	39 338 899	34 043 838
Operating profit margin	%	60.62	64.87

Fund operating expense ratio (TER_{REF})	Entity	31 Dec. 2019	31 Dec. 2018
Operating expenses	CHF	8 176 776	5 994 400
Ø Gross asset value	CHF	1 014 943 169	858 535 186
Ø Market value	CHF	913 468 527	787 096 392
TER_{REF} (GAV)	%	0.81	0.70
TER_{REF} (MV)	%	0.90	0.76

Return on equity (ROE)¹		31 Dec. 2019	31 Dec. 2018
Total income	CHF	30 132 703	19 446 047
Net fund assets at beginning of reporting period	CHF	780 421 051	587 728 758
+ Balance from unit transactions at principal value	CHF	–	192 048 684
Net fund assets at beginning + balance unit transactions	CHF	780 421 051	779 777 442
Return on equity (ROE)	%	3.86	2.49

Premium	%	22.34	11.33
Performance	%	13.70	-0.45

Investment yield¹	Entity	31 Dec. 2019	31 Dec. 2018
NAV at beginning of reporting period	CHF	118.29	118.78
NAV at end of reporting period	CHF	119.26	118.29
Dividend per share in period	CHF	3.60	3.80
Investment yield	%	3.99	2.88

Return on invested capital (ROIC)¹	Entity	31 Dec. 2019	31 Dec. 2018
Adjusted total income + interest expense	CHF	30 952 917	17 873 392
Ø Gross asset value	CHF	1 014 943 169	858 535 186
Return on invested capital (ROIC)	%	3.05	2.08

Weighted average term of debt	Jahre	1.66	3.85
Interest on debt capital	%	0.35	0.57

Stock market capitalisation	CHF	962 552 781	868 870 468
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¹ Historical performance data is no guarantee of future income. The income and value of the fund's shares may go up as well as down and cannot be guaranteed. When shares are redeemed, the investor may get back less money than originally invested.

² In the 2018 annual report, vacancies and losses from receivables were included in rent losses.

³ The calculation is based on the anticipated distribution per unit.

Disclaimer

SF Sustainable Property Fund (ISIN CH0120791253) is an investment fund under Swiss law of the type "Real Estate Fund" within the meaning of Art. 25 ff. in conjunction with Art. 58 ff. of the Federal Act on Collective Investment Schemes of 23 June 2006 (CISA). About SF Sustainable Property Fund – SF Sustainable Property Fund invests in real estate and projects in the whole of Switzerland. The strategy is to optimise the sustainability of its buildings throughout their life cycle. The fund invests primarily in real estate that can be brought up to the ecological, sociological and economic criteria of the fund within seven years. Additional information can be found on www.sfp.ch.

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