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Media Release

UBS real estate investment products: Assessment of the Swiss real estate market and listed real estate funds

UBS (CH) Property Fund – Swiss Mixed «Sima»: Capital increase postponed to June 2020

Basel, 27th March 2020 – The coronavirus has taken charge of public life in Switzerland. The consequences are still difficult to predict, and the associated uncertainty is also shaping events on the financial and real estate markets. In this regard, the UBS fund management company would like to provide the following information:

- Assessment of Swiss real estate funds market
- Handling of the current situation by the UBS fund management company
- Assessments of listed UBS (CH) real estate funds
- Planned capital increase for UBS «Sima» to be postponed

Assessment of Swiss real estate funds market

In the course of the year so far, listed Swiss real estate funds have fallen by around 8%.¹ Starting from a comparatively high level, however, they have currently reached the level corresponding to that of mid-July last year. Premiums are currently in the region of 21%, more or less in line with the long-term average. We anticipate that the traded funds will remain highly volatile.

Link to the assessment of the UBS fund management company on the Swiss real estate market as well as to the latest information on UBS Real Estate Switzerland and its products: <https://www.ubs.com/ch/en/asset-management/distribution-partners/investment-solutions/real-estate/news.html>

Handling of the current situation by the UBS fund management company

It is our eager intent to mitigate the economic impact of the current situation for all parties and we are working hard to achieve this. To this end, we are in continuous dialog with all of our stakeholders (investors, tenants, suppliers, partners). Accordingly, we are working with our appointed property managers to carry out straightforward reviews of our commercial tenants' needs and attempting to find mutually acceptable solutions. Where tenants have been critically affected, we are agreeing on individualized solutions such as rent holidays and are attempting to avoid detrimental outcomes. The actions of the fund management company are based on the recommendations of leading industry associations such as the Swiss Real Estate Association (VIS), as well as on the requirements of the Federal Government. Simultaneously, we are making every effort to ensure that our invoices are paid on time. As ever, we want to provide our investors with the clearest and most transparent information possible. As announced, the annual results of our UBS «Sima», UBS «Swissreal» and UBS «Foncipars» real estate funds will be published after the close of trading on Friday, 3rd April 2020. The results have not been affected by the current crisis and are very solid.

¹ SXI RE Funds TR-Index as per 26.03.2020

Assessments of listed UBS (CH) real estate funds

UBS (CH) Property Fund – Swiss Mixed «Sima»

UBS «Sima» is broadly diversified. It is the largest and most liquid Swiss real estate fund with a high-quality portfolio that has grown over time and presents considerable internal development potential. Around half of the investments are residential buildings, with the rest being commercial and mixed-use properties. A large proportion (around 20%) of tenants directly impacted by the measures taken by the Federal Council are large tenants with very good credit ratings. We expect rent to fall by approximately 10 -20% in the affected business sectors in 2020, compared to the previous year. This would imply a potential rental decline of 2-4% for UBS «Sima» as a direct result of COVID-19 (ceteris paribus).

Current rental success, such as the rental contract concluded with Implenla for 12,000m² at Ambassador House in Opfikon, strengthens the fund's long-term profitability. The current debt financing ratio of around 23% is moderate and will allow ongoing construction projects to be completed without issues. Major construction projects, in particular "Illet sud" in Morges and the "Claratum" in Basel, are currently proceeding on schedule. However, we are continually monitoring the situation in close consultation with project management.

UBS (CH) Property Fund – Swiss Residential «Anfos»

As one of the largest Swiss residential real estate funds, UBS «Anfos» will, presumably, only be impacted by the pandemic to a minimal extent. Only around 3% of its rental income comes from the business sectors/tenants directly affected by the measures taken by the Federal Council, while around 79% comes from pure residential use. Its profitability, in combination with its low debt financing (around 17%), ensures its stability and flexibility.

Although the mid- to long-term economic repercussions of the pandemic cannot be foreseen today, the fund management company currently expects that it will merely have a marginal impact on the results for the financial year 2019/20.

UBS (CH) Property Fund – Swiss Commercial «Swissreal»

As one of the largest commercial real estate funds, UBS «Swissreal» is very well diversified, both regionally and across various business sectors. The vast majority (around 30%) of tenants impacted by the measures taken by the Federal Council are large tenants with very good credit ratings. We expect rent to fall by approximately 10 -20% in the affected business sectors in 2020, compared to the previous year. This would suggest a potential rental decline of 3-6% for UBS «Swissreal» as a direct result of COVID-19 (ceteris paribus). The debt financing ratio of around 22% and the vacancy rate of around 5%, which is moderate for a commercial portfolio, testify to the high portfolio quality and contribute to the stability and flexibility of the fund.

UBS (CH) Property Fund – Léman Residential «Foncipars»

As a residential real estate fund focusing on the best locations in the Lake Geneva region, UBS «Foncipars» holds a very robust position under these circumstances. The current portfolio offers substantial rental income potential over the long term due to the rental law arrangement in the French-speaking area of Switzerland. The current construction projects (Nyon, Bussigny) are being managed very carefully. As pure residential use property accounts for a share of around 87%, the impact from the business sectors/tenants affected by the measures taken by the Federal Council (around 2%) should be minimal. The fund is currently very well positioned, thanks to its low vacancy rate (3.3%) and its low debt financing ratio of under 20%. Although the mid- to long-term economic repercussions of the pandemic cannot be foreseen today, the fund

management company currently expects that it will merely have a marginal impact on the results of the financial year 2020.

UBS (CH) Property Fund – Direct Residential

As a Swiss countrywide residential real estate fund focusing on obtaining good value for money, UBS Direct Residential should only be marginally affected by the current situation. Solely around 2% of its rental income originates from the business sectors/tenants affected by the measures taken by the Federal Council, while around 84% is generated by pure residential use. Given the fund's stable profitability and moderate debt financing ratio of around 20%, the fund is well positioned for the crisis and thereafter. Although the mid- to long-term economic repercussions of the pandemic cannot be foreseen today, the fund management company currently expects that it will merely have a marginal impact on the results for the financial year 2019/20.

UBS (CH) Property Fund – Direct Urban

As a real estate fund with direct investments, UBS Direct Urban has a qualitatively high-caliber and young portfolio in urban locations throughout Switzerland. While most of the rental income stems from property used for residential purposes, just under 10% is generated by business sectors/tenants directly affected by the measures taken by the Federal Council. We expect rent to fall by approximately 10 -20% in the affected business sectors in 2020, compared with the previous year. This would imply a potential drop in rent of 1-2% for UBS Direct Urban as a direct result of COVID-19 (*ceteris paribus*).

The largest tenant in the fund, Tecan Schweiz AG with a share of approx. 11% of the total income, is active in the medical technology industry and is therefore in our opinion not directly affected. While the construction projects in Locarno and Aarburg have been concluded and the properties have already been transferred to the tenants, the residential property construction project in Zürich Wiedikon is currently in the final stage of completion. The moderate vacancy rate (around 5.4%) and the completion of the residential property projects further strengthen profitability and stabilize the portfolio.

Real Estate Switzerland is well-equipped for this unprecedented situation. Our organizational structure, stable platform and well-established processes allow our employees to ensure smooth continuation of our business activities reliably and passionately, even with the current challenges.

This leads to the following key messages:

- The market has declined and the agios are more or less in line with the long-term average.
- Fundamental factors such as the low interest rate environment, the search for yield and the stability of cash flows continue to support investments in Swiss real estate in the long term.
- Our real estate investment products have a sustainable focus, are broadly diversified and have moderate leverage ratios. Therefore, they are well prepared for the current crisis.

Planned capital increase for UBS «Sima» to be postponed

As of 10th January 2020, the fund management company UBS Fund Management (Switzerland) AG announced the capital increase with subscription rights of approximately CHF 200 million for the real estate fund UBS (CH) Property Fund – Swiss Mixed «Sima» (securities no. 1442087) in a media release, on the Real Estate Switzerland web page and in an advertisement. The capital increase was planned for the end of April/beginning of May 2020.

The fund management company is closely monitoring current developments on the real estate markets. The capital increase has been postponed to June 2020 as a result of COVID-19. The fund management company reserves the right to further postpone the capital increase dependent on future market developments.

The detailed terms and conditions of the planned capital increase will be published in May 2020.

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