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News Release

Residentia: Making headway in a challenging environment

The fund management company decides on a temporary fee reduction as of 1 January 2023 to support further product development.

Basel, 15 December 2022 – After UBS Fund Management (Switzerland) AG assumed the fund management of Residentia, the portfolio has been successfully stabilized and the foundation has been laid for its sustainable further development. In the current financial year, the vacancy rate was reduced and profitability was further strengthened. The ESG milestones achieved reinforce our commitment and drive the decarbonization of the portfolio.

The Ticino real estate market at a turning point

The real estate market in Ticino is at a turning point. In recent quarters, the supply rate in the rental housing market has fallen continuously. As a result, the supply of housing is becoming scarce and vacancies are receding. In addition, investment in building construction has declined significantly in recent years and will imply a lower supply of space in the rental housing and commercial segments in the future. These two factors are offset by an increasing demand for rental space, which should lead to a positive development of the prospects for the direct Ticino real estate market.

Vacancy reduction and operational optimizations strengthen profitability

Through the reduction in the vacancy rate within the portfolio, the earnings base has further improved in the current financial year. Various lease successes have contributed to this, such as the lease of office space in a prime location at "Via Besso" in Lugano. During the year, the vacancy rate reduced by around 30% to around 12%.

The integration into Real Estate Switzerland's platform and processes results in various operational adjustments as well as further tax improvements. This enables further cost reductions and thus generates additional earnings potential. The streamlining of the portfolio and the replacement of maintenance-intensive properties with well-located and well-maintained properties further reduces costs and allows the distribution of additional income to investors in the future.

Progress in ESG

With the assumption of the fund management function, Residentia's portfolio was integrated into the sustainability strategy of Real Estate Switzerland. Important progress has been made since February 2021. For example, the fund took part in the "Global Real Estate Sustainability Benchmark" (GRESB) for the first time as part of a test phase and immediately achieved "Green Star" status. The results will be analyzed in detail with the aim of aligning the property portfolio to reach new heights in sustainability and further advance decarbonization. Fossil fuels are to be gradually replaced by renewable energy sources. The share of renewable energies (including district heating) is already at 36% and is continuously improving. At the beginning of 2023, for example, the oil heating systems will be replaced by a district heating connection at

two properties in Bellinzona and Gambarogno. In order to make progress measurable and transparent, regular participation in GRESB will be sought in the future.

With the recent adjustment of the fund contracts of all managed real estate funds, Real Estate Switzerland has also set binding sustainability targets for Residentia. In doing so, the fund management company is reaffirming its commitment and sending another strong signal on the road to climate neutrality.

Temporary reduction of the effectively applied administrative flat-rate commission

The current challenging market environment has led to price declines and increased volatility for listed Swiss real estate funds. In this context, Residentia trades at a significant discount to net asset value (NAV). In order to maintain the flexibility of the product and to support the income or distribution, the fund management company has reviewed the level of the effectively applied administrative flat-rate commission for Residentia and has decided to temporarily reduce it by 50% from 0.72% to 0.36% per annum as of 1 January 2023. The reduction is expected to be effective for two financial years until 31 December 2024 and will support the fund in tackling the current challenging phase within the market.

Further information on the Swiss real estate funds can be found at www.ubs.com/realestate-switzerland. Up-to-date information on stock market prices, premiums and distribution yields can be found at www.ubs.com/fundgate.

UBS Fund Management (Switzerland) AG

Media Relations Switzerland: +41-44-234 85 00

www.ubs.com