

Press release, 22 August 2024
Ad hoc announcement pursuant to Art. 53 LR

Swiss Central City Real Estate Fund successfully optimises portfolio in the first half-year 2024

- **Strategically planned sale of two smaller properties in St. Gallen executed**
- **Two construction projects in St. Gallen successfully completed as at 30 June 2024; reclassification of the two fully let properties to investment properties will occur in H2 2024; positive impact on target rental income of CHF 0.4 million p.a.**
- **Target rental income of investment properties at CHF 20.0 million as at 30 June 2024; excluding transactions +2.3% compared to 31 December 2023**
- **Market value of the portfolio is at CHF 568.6 million as at 30 June 2024; excluding transactions +0.7% compared to 31 December 2023**
- **Residential use at 50% of target rental income as at 30 June 2024**

The Swiss Central City Real Estate Fund (SIX Swiss Exchange: CITY) took further important operational steps in its planned portfolio optimisation during the first half of 2024, despite a challenging market and economic environment. Two renovation/construction projects for residential properties in St. Gallen (Felsenstrasse 84 and Unterer Graben 9) were successfully completed as at 30 June 2024. Both properties are fully let and will be reclassified to investment properties in the second half of 2024. This will have a positive impact of CHF 0.4 million p.a. on the target rental income from the investment properties from the second half of 2024 onward. In addition, a mixed-use property at Avenue du Léman 23A, B, C in Lausanne was successfully extended, creating five additional residential units (2.5-, 3.5- and 4.5-room flats). An important existing rental agreement for the property at Gütschstrasse 2, 4, 6 in Lucerne with the main tenant B.H.M.S. AG was renegotiated at an early stage and extended for a further 20 years at an agreed target rental income of CHF 2.7 million p.a., valid as of 1 January 2026. The extension of this agreement increases the WAULT of the fixed-term rental agreements in the portfolio from 5.1 to 8.3 years as at 30 June 2024. Two smaller properties in St. Gallen were sold as planned with transfer of ownership as at 3 January 2024. The vacancy rate of the investment properties as at the reporting date was again significantly reduced to 2.6% (31.12.2023: 3.2%).

Target rental income of investment properties at CHF 20.0 million

The target rental income of the investment properties increased, excluding sale transactions and projects, by 2.3% to CHF 20.0 million p.a. as at 30 June 2024 (31.12.2023 excl. transactions CHF 19.5 million). The share on target rental income applicable to residential use was 50% as at 30 June 2024 (31.12.2023: 51%).

Results first half of 2024 in detail

Income statement

Rental income in the first half of 2024 amounted to CHF 9.7 million (H1 2023: CHF 9.7 million). It remained stable, despite the sale of the two properties in St. Gallen in the reporting period and the sale of four properties in the second half of 2023, mainly due to successful letting activities and rent increases in connection with index and reference interest rate adjustments.

The fund's net income for the first half of 2024 was CHF 3.8 million (H1 2023: CHF 4.2 million). The decline is primarily due to the increase in mortgage interest expenses as a result of the higher interest rate environment. The property divestments in St. Gallen led to realised capital losses of CHF -1.3 million in the first half of 2024 (H1 2023: nil), while the valuation of the portfolio by the independent valuation expert Wüest Partner AG led to an unrealised valuation result of CHF -2.0 million (H1 2023: CHF -8.9 million). The moderate devaluation of 0.4% on the overall portfolio as

at 30 June 2024 is partly due to a slight increase in the discount rates for individual properties by Wüest Partner AG. The overall result for the first half of 2024 improved year-on-year to CHF 0.5 million (H1 2023: CHF -3.1 million).

Balance sheet

Supported by investments into the investment properties and construction projects, the market value of the real estate portfolio was CHF 568.6 million as at 30 June 2024, 0.7% higher than at the end of 2023 excluding transactions (31.12.2023: CHF 573.4 million; excl. transactions CHF 564.8 million). Total fund assets amounted to CHF 575.2 million as at the balance sheet date (31.12.2023: CHF 580.2 million). Taking into account the distribution of CHF 2.10 per fund unit in March 2024 totalling CHF 8.0 million and the aforementioned profit for the first half of 2024, net fund assets amounted to CHF 384.6 million (31.12.2023: CHF 392.1 million). The net asset value per fund unit was therefore CHF 101.16 (31.12.2023: CHF 103.14) with an unchanged number of fund units of 3,802,070.

As at 30 June 2024, the borrowing ratio was 30.94% (31.12.2023: 30.25%). Estimated liquidation taxes amounted to CHF 5.2 million or 0.9% of total fund assets in the first half of 2024.

On 27 June 2024, a sales agreement was notarised for the property at Sundgauerstrasse 11, 13 in Basel with a valuation of CHF 5.0 million as at 30 June 2024. The transfer of ownership of this property will take place on 2 September 2024.

Outlook

Due to the geopolitical risks and the ongoing armed conflicts in the Middle East and Ukraine, it is difficult to assess the future development of the economic situation. There is also a risk that international monetary policy will remain restrictive due to core inflation rates, which would have a dampening effect on global demand. According to the State Secretariat for Economic Affairs SECO and the Swiss National Bank, economic growth in Switzerland is expected to be below average in 2024.

Nevertheless, the overall sentiment on the Swiss property market has brightened slightly. The interest rate cuts in the first half of 2024 are likely to have a positive impact on developments on the transaction market in 2024. Demand in the residential property market should remain high due to continued population growth and the simultaneous limited construction activity. With a residential share of 50%, the Swiss Central City Real Estate Fund has a robust, diversified business model. The central locations of the properties and the persistently high demand for inner-city residential space support positive development. The fund management aims to further optimise the property portfolio with an active portfolio management approach.

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Key Figures First Half-Year 2024

Balance Sheet		30.06.2024	31.12.2023
Market value of properties	CHF	568 564 000	573 373 000
Market value of properties excl. transactions	CHF	568 564 000	564 833 000
Target rental income investment properties excl. transactions ¹	CHF	19 992 490	19 547 365
Average discount rate	%	2.51	2.47
Gross asset value (GAV)	CHF	575 176 537	580 237 910
Net fund assets (NAV)	CHF	384 614 935	392 138 023
Net asset value per fund unit	CHF	101.16	103.14
Pay-out per fund unit (paid in March)	CHF	2.10	2.50
Fund units at the end of the reporting period	Units	3 802 070	3 802 070
Borrowing ratio	%	30.94	30.25
Gearing	%	33.13	32.42
Interest on debt capital	%	1.78	1.96
Weighted average term of debt	Years	0.79	0.85
Income Statement		01.01.-30.06.2024	01.01.-30.06.2023
Rental income	CHF	9 669 143	9 729 905
Total operating income	CHF	9 699 399	9 826 553
Total expenses	CHF	5 945 666	5 657 386
Net income	CHF	3 753 733	4 169 167
Unrealised valuation result	CHF	-2 042 075	-8 913 955
Total income	CHF	461 259	-3 131 788

¹ Target rental income based on annual rents.

The Half-Year Report 2024 (in German) as well as a Summary Report in English are available on the Nova Property Fund Management AG website at:

www.novaproperty.ch/en/real-estate-fund/swiss-central-city-real-estate-fund/download-center/publications/

The Half-Year Report 2024 (German version) is also available on www.swissfunddata.ch

Swiss Central City Real Estate Fund

The Swiss Central City Real Estate Fund invests in properties in prime locations in the major economic centres in Switzerland. The key criteria are centrality of the property, good accessibility, stable cash flows and a product profile geared to the needs of the tenants.

SIX Swiss Exchange listed; Security number 44414255; ISIN CH0444142555; Symbol CITY

Nova Property Fund Management AG

Nova Property Fund Management AG is a fund management company authorised by the Swiss Financial Market Supervisory Authority FINMA on 5 November 2018 with its registered office in Pfäffikon SZ and has been active in the fund business since that date. This includes the establishment, management and administration of collective investment schemes under Swiss law and the distribution of the self-managed funds. In addition, the company provides investment advice to real estate investment companies and investment foundations with a focus on real estate. With its five portfolios, the owner-managed fund management company currently covers the entire Swiss real estate market for residential and commercial properties. These portfolios include Novavest Real Estate AG (SIX Swiss Exchange: NREN), Swiss Central City Real Estate Fund (SIX Swiss Exchange: CITY), two investment groups at 1291 Die Schweizer Anlagestiftung (KGAST member) and Central Real Estate Holding AG (including its subsidiary Rhystadt AG), which together hold about CHF 3.7 billion in Swiss real estate assets.

Disclaimer

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