

Press release, 18 March 2024
Ad hoc announcement pursuant to Art. 53 LR

Swiss Central City Real Estate Fund successfully initiates strategic portfolio optimisation and increases rental income

- **Sale and transfer of ownership of four properties in Basel and St. Gallen successfully completed in December 2023**
- **Two further properties sold and ownership transferred in January 2024**
- **Increase in target rental income of investment properties to CHF 19.9 million**
- **Reduction in the vacancy rate (excluding projects) to 3.2% as at 31 December 2023**
- **Market value of the property portfolio as at 31 December 2023 of CHF 573.4 million**
- **51% share of rental income from residential use**
- **Distribution of CHF 2.10 per fund unit with payout on 28 March 2024**
- **Participation in the Global Real Estate Sustainability Benchmark (GRESB) for the first time in 2023**

Swiss Central City Real Estate Fund (SIX Swiss Exchange: CITY) has successfully made its first divestments for a strategic portfolio optimisation in the challenging market and economic environment of 2023. The transfers of ownership of properties in Basel and St. Gallen were successfully completed for four smaller properties in December 2023 (total volume CHF 17.6 million) and for two others in January 2024 (total volume CHF 8.5 million). The sale and transfer of ownership of three further properties (total volume of around CHF 17.2 million) is planned for the first half of 2024.

In the 2023 reporting year, the fund was able to implement important measures in the portfolio from an operational perspective with the completion of two residential construction projects at Lindenstrasse 155 in St. Gallen and Luisenstrasse 40 in Zurich, the re-letting of space at Rue du Vélodrome 5A in Geneva with a physiotherapy centre and a lease extension with H&M for larger retail space at Greifengasse 36, 38 / Rebgasse 6 in Basel. The target rental income of investment properties, as at the balance sheet date and adjusted by the properties sold, increased by about 7% to CHF 19.9 million (31.12.2022: adjusted CHF 18.6 million). This is primarily a result of the completed projects in Zurich and St. Gallen. As at 31 December 2023, the share of rental income from residential use was 51%. With the ongoing construction projects "Felsenstrasse 84" and "Unterer Graben 9" in St. Gallen, there is further potential to increase rental income by around CHF 0.4 million that has already been secured and will be realised in 2024. The vacancy rate (excluding projects) was reduced significantly to a low level of 3.2% (31.12.2022: 4.3%).

Details on the 2023 annual financial statements

Income statement

In the financial year 2023, rental income rose by 12% to CHF 19.9 million (2022: CHF 17.7 million), mainly as a result of the further portfolio expansion in 2022. Due to the current higher interest rate environment, which affected the discount rates for property valuation, the independent valuation expert Wüest Partner AG devalued the property portfolio, which is reflected in the unrealised result from revaluation of CHF -26.0 million (2022: positive revaluation of CHF 10.3 million). In addition, the property divestments in the 2023 reporting year led to realised capital losses of CHF -7.3 million (2022: zero). Total income for the 2023 reporting year amounted to CHF -20.4 million (2022: CHF 15.6 million), mainly due to revaluation differences. The net income relevant for the distribution amounted to CHF 8.0 million in the 2023 reporting year (2022: CHF 9.5 million).

Balance sheet

At the end of 2023, the gross asset value was at CHF 580.2 million (31.12.2022: CHF 622.2 million) and net fund assets came to CHF 392.1 million (31.12.2022: CHF 422.0 million). Accordingly, a net asset value of CHF 103.14 per fund unit was reported as at 31 December 2023 (31.12.2022: CHF 110.99 per fund unit). The number of fund units remained unchanged in the reporting year 2023 compared to the previous year at 3,802,070.

As of the end of January 2024, the inflow of funds from the divestment reduced the debt ratio to 28.9% (at balance sheet date 31.12.2023: 30.25%). The estimated liquidation taxes amounted to CHF 5.2 million in the 2023 reporting year (31.12.2022: CHF 10.2 million).

Sustainability

In the 2023 financial year, the Board of Directors and the Executive Board of Nova Property Fund Management AG, acting as fund management company for the Swiss Central City Real Estate Fund, initiated the integration of EESG topics relating to economic, environmental, social and governance aspects into the value chain based on the fund's holistic sustainability approach. Against this background, the CO₂ reduction path was defined taking into account the investment costs included in the DCF valuations. With regard to social responsibility, a large-scale tenant survey was conducted for the first time with a focus on residential use, which will be extended to commercial tenants in 2024. With regard to corporate governance, sustainability criteria were included in the fund management company's directives and internal control system (ICS) in the 2023 financial year and further sustainability-oriented guidelines were put into effect. Participation in the Global Real Estate Sustainability Benchmark (GRESB) for the first time is also intended to provide more transparency with regard to the fund's sustainability performance. The sustainability report with a detailed explanation of the fund's sustainability efforts is part of the 2023 Annual Report (available in German).

Distribution of CHF 2.10 per fund unit

A total amount of CHF 8.0 million will be distributed for the 2023 financial year, equal to CHF 2.10 per fund unit. The payout ratio of net income for the 2023 financial year is 99.78%. The payout will occur on 28 March 2024.

Outlook 2024

The environment will remain challenging in 2024. According to the State Secretariat for Economic Affairs SECO and the Swiss National Bank, below-average economic growth is expected in Switzerland for the current year. Further interest rate pauses and a downward trend in interest rates should have a positive impact on the transaction market in 2024. Nevertheless, the transaction market for Swiss real estate remains challenging. Active portfolio management and balanced regional and sectoral diversification are becoming more important in this challenging environment. However, demand in the residential market is likely to remain high due to continued immigration to Switzerland and the simultaneous limited construction activity. With a residential share of 51%, 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 living space support positive development. The Fund Management Company uses an active portfolio management approach to further optimise the property portfolio and returns.

Contacts:

Marcel Schneider
CEO

marcel.schneider@novaproperty.ch

Marcel Denner
COO

marcel.denner@novaproperty.ch

Nova Property Fund Management AG

Zentrum Staldenbach 3

8808 Pfäffikon SZ

+41 58 255 37 37

info@novaproperty.ch

www.novaproperty.ch

Key Figures Fiscal Year 2023

Balance Sheet		31.12.2023	31.12.2022
Market value of properties	CHF	573 373 000	614 818 000
Average discount rate	%	2.47	2.38
Gross asset value (GAV)	CHF	580 237 910	622 217 713
Net fund assets (NAV)	CHF	392 138 023	421 998 492
Net asset value per fund unit	CHF	103.14	110.99
Fund units at the end of the reporting period	Units	3 802 070	3 802 070
Borrowing ratio	%	30.25	29.45
Gearing	%	32.42	32.18
Interest on debt capital	%	1.96	1.11
Weighted average term of debt	Years	0.85	0.78
Income Statement		01.01.-31.12.2023	01.01.-31.12.2022
Rental income	CHF	19 865 069	17 708 403
Total operating income	CHF	19 959 547	17 937 134
Total expenses	CHF	11 957 698	8 430 021
Net income	CHF	8 001 849	9 507 113
Total income	CHF	-20 355 294	15 576 828
Yields / Margins		31.12.2023	31.12.2022
EBIT margin	%	63.73	64.05
Return on equity (ROE)	%	-4.82	3.75
Distribution per fund unit	CHF	2.10	2.50
Total amount of distribution	CHF	7 984 347	9 505 175
Payout ratio	%	99.78	99.98

The audited Annual Report 2023 (in German) as well as a Summary Report in English are available on the Nova Property Fund Management AG website at:

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

The Annual Report 2023 (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), SenioResidenz

AG (BX Swiss AG: SENIO), Swiss Central City Real Estate Fund (SIX Swiss Exchange: CITY), 1291 Die Schweizer Anlagestiftung (KGAST member) and Central Real Estate Holding AG (including its subsidiary Rhystadt AG), which together hold about CHF 3.8 billion in Swiss real estate assets.

Disclaimer

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This media release is intended for the territory of Switzerland only.