Information for investors in the "Sustainable Real Estate Switzerland" investment group of the J. Safra Sarasin Investment Foundation

Basel, 6 April 2020

Assessment of the impact of coronavirus on the "Sustainable Real Estate Switzerland" investment group of the J. Safra Sarasin Investment Foundation

Coronavirus (COVID-19) is impacting all areas of our daily lives, with specific and varying effects on each individual sector. The initial repercussions of the crisis are also spreading to the real estate market and causing uncertainty amongst tenants. At the same time, the stock markets are showing high levels of volatility. As portfolio managers of the "Sustainable Real Estate Switzerland" investment group of the J. Safra Sarasin Investment Foundation we have therefore consulted the executive board of the J. Safra Sarasin Investment Foundation and decided to be proactive in providing information on the investment group's return situation.

We have calculated the scope of possible rental losses per month for the "Sustainable Real Estate Switzerland" investment group. We have made assumptions to quantify the effects on the tenants that are currently affected from sectors such as catering and restaurants, retail, leisure activities etc. The scenarios are based on the assumption that tenants will no longer be required or able to pay their rents in full or in part. We have assumed that the exceptional situation ordered by the Swiss Federal Council will apply until the middle of this year. The timescale of the crisis is therefore of crucial importance to all stakeholders.

Assessment of the "Sustainable Real Estate Switzerland" investment group

The "Sustainable Real Estate Switzerland" investment group is only marginally affected by the current crisis as the investment foundation invests across Switzerland. 26% of rental income is derived from commercial or office space. Around 24.5% of the tenants in question are in sectors that are not affected by the Swiss Federal Council's measures. This leaves approximately 1.5% of total rental income that is affected by the ban on working in the current exceptional situation.

Ongoing construction projects can continue and be completed while complying with the recommended safety precautions. Although it is not currently possible to estimate the mid to long-term economic repercussions of the pandemic, at this point in time the portfolio management expects it to have only a marginal impact on returns for the 2020 financial year. Overall, a potential loss of rent worth some 0.50% of total rental income in the current financial year is foreseeable as a direct consequence of the crisis.

Dealing with the current situation

The portfolio management and the executive board of the investment group aim to mitigate the current situation and the economic fallout. It is therefore important to maintain a dialogue with stakeholders such as investors, tenants, partners and builders.

The investment group's portfolio managers are constantly in touch with the appointed property managers. All property managers were instructed in the middle of March 2020 to refrain from terminating or threatening to terminate rental contracts and implementing debt collection measures in the event of rents not being paid until further notice. Depending on the level of impact, the portfolio managers are arranging individual solutions such as rent deferrals, which will help to avoid hardship amongst tenants. The tenants' concerns are being accommodated, with targeted solutions developed on a cooperative basis. This approach is in line with the guidance and instructions issued by the Swiss government.

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