

PROPERTY ONE

ONEFOCUS
PRACTICAL EXAMPLE
ISOLA

LIVING IN A FRESH NEW SPACE

Residential properties around Lake Zurich are highly coveted. As a result, the spaces between buildings are being filled in, factories are being repurposed and properties that are outdated are giving way to new buildings. However, there are also properties that are worth carefully renovating. Property One found one such property in Richterswil. The nearly 60-year-old property was made fit for the next several decades.

It all started with an offer that doesn't come along every day. The sellers discreetly approached Property One with an off-market offer. A project involving two older apartment buildings and rental apartments. The location was especially attractive. Not more than 100 meters to the lake, with most units providing lake views. It is only a few hundred meters to the village centre and the train station.

First, there was a quick review of the property documents, followed by a visual inspection of the property and a thorough review of the building structure. It soon became clear that a significant renovation was required and that there was additional potential.

Market Analysis as the Basis

Property One Investment Management and the Development, Planning & Building team take a closer look at the floor plans. It quickly becomes clear that they should expand the exteriors, upgrade the attic apartments and convert the apartment kitchens into an open layout. There is additional space in the side rooms that can be added to the rentable space. Speaking of renting, any serious analysis must include an assessment of the market conditions. What are the possible rents in this micro-location? Will there be sufficient demand from tenants? The

assessment of future income is included in the calculation of the property's value.

All of this information is now used to make an initial cost estimate of the necessary renovations and to sketch out the expansion options. Due diligence, an analysis of the property's potential and the market analysis lead to two basic conclusions: the property has potential and it can be renovated on a sustainable basis.

Continue to Use or Renovate?

A modular analysis is conducted on each individual component to determine which elements have not yet reached the end of their life cycle. A pragmatic cost-benefit analysis then shows whether it is worth continuing to use the component or if it should be renovated. In most cases, the result is that it's better to tackle it now rather than later. A contaminant report identifies materials that were installed decades ago, but which are now viewed as problematic. In particular, this includes asbestos. The soil needs also to be tested for contaminants.

For the purchase, a small group of investors, including Property One, works together and conducts the transaction as a club deal (see reverse). Working with their own financing specialists, they find a financing structure that is suitable for everyone involved based on the future value of the building and with an optimal ratio of equity capital and debt financing. Purchase negotiations and the transfer of ownership proceed quickly and seamlessly. This is due to the many years of experience in purchasing properties, the good relationships among the participants and the fact that Property One is viewed as a professional negotiating partner.

Fair Solutions for All Participants

Now, the detailed work can begin. This includes proactive and open communication right from the beginning and a human and professional approach to the current tenants. Most residents were aware of the status of the buildings. All of the participants know that a renovation in the narrowly defined time frame – with a scheduled construction time of nine months – can only be carried out if the building is vacant. Simple move-out options and relatively generous deadlines are arranged for the tenants.

The renovations, which are carried out by expert regional companies, are done in two stages. A 3D digital rendering of the exact spaces and dimensions of all 45 units makes planning easier. The floor plans of the apartments, which have 2.5 to 4.5 rooms each, are made more modern and spacious through minor interventions. The envisaged fit-out standard is higher quality, but not luxurious. An open kitchen, new oak parquet flooring and a washing machine and dryer in each apartment makes the offer attractive. There is also a renovated underground car park and ample outdoor parking.

Precise planning and timely completion of the work makes it possible to keep the rent-free period to a minimum. It takes just one quarter to rent out the apartments again, thanks in part to moderate rents. Most apartments are still in the lower to middle price segment of the local rental market.

A Win for the Environment as Well

The two properties have gained in environmental terms as well. Thanks to a comprehensive renovation of the facades, the heating insulation now meets the latest standards.

Energy consumption per square meter is now much lower than before. Soundproof windows have boosted the quality of life inside. The builders work with the cantonal authorities to implement these measures, with the authorities providing subsidies.

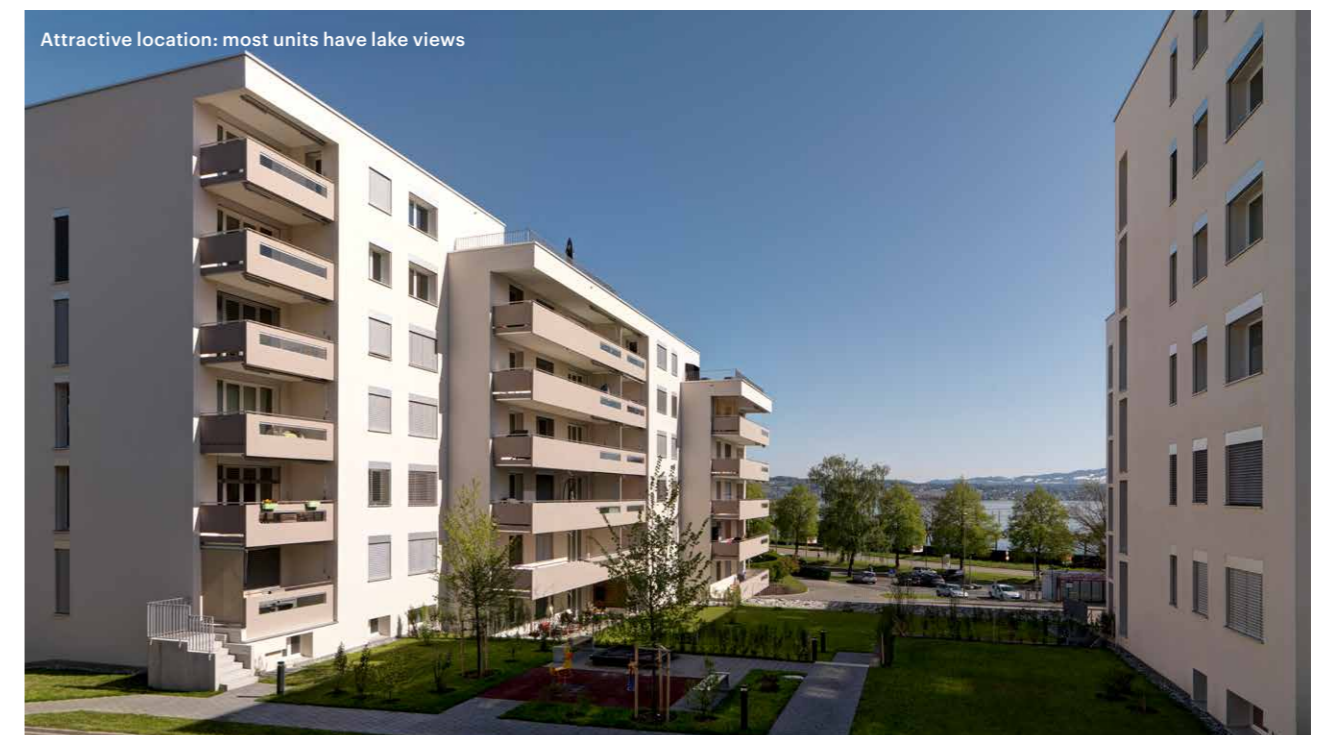
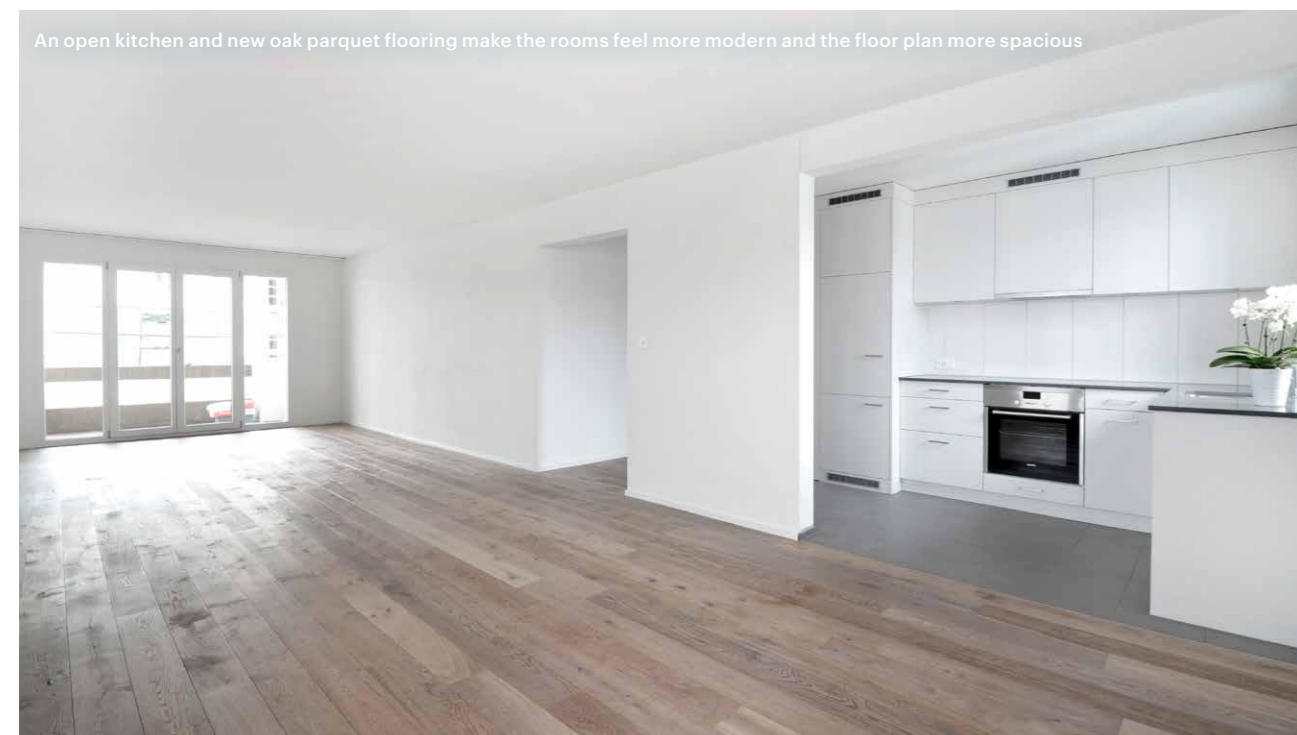
16 Professions Under One Roof

Property One carries out the entire project without the involvement of a general or sole contractor. The renovation is exemplary of the competencies the company combines for such projects. No fewer than 16 professions and extensive expertise are combined under one roof – for successful **real estate transactions, tailored financing solutions, project planning, renovations and conversions** as well as the **repositioning and marketing of the property**.

Clear planning and the ability to respond flexibly in the event of unforeseen events are essential for successful projects. This allows clients and investors to maintain cost security and avoid unpleasant surprises. Property One met the need for discretion during all phases of the project. The renewed property in Richterswil provides the participants with a profitable jewel in their portfolio.

Key Data for the Isola Richterswil Project

- 2 properties with a total of 45 apartments
- Apartments with 2.5 to 4.5 rooms, 58m²–95m²
- Rentable space: 3,750 m²
- Duration of renovations: 9 months
- Structure of the transaction: club deal with several investor
- Project scope: acquisition, total renovation, re-rentin



CLUB DEALS

Achieve More Together

Given the current low-interest environment, institutional investors, wealthy individuals and family offices are focusing on direct investments in real estate as a sustainable investment alternative. This has helped to boost investments in tangible assets in the form of club deals. Club deal structures offer several advantages: First, they make it possible to distribute the risk across several investors. Investors who join a club can also consider purchasing larger properties than would be possible with an individual investment. Commitments generally range from the millions to the tens of millions. Second, club deals offer significant opportunities to exert influence. They make it possible to build up smaller portfolios without complex structures.

Act Entrepreneurially

In general, a club deal involves two or more investors who want to implement a project together with an indefinite or a specific duration. This may involve the purchase of individual properties or entire portfolios as well as development projects. A specialist, such as Property One, is involved to help develop and structure the deal and to take care of legal, tax and technical aspects. Thus, it is a true entrepreneurial real estate investment in which the participants are actively involved.

Your Advantages

Club deals offer you a vast range of opportunities – with the option of investing both in existing properties and in development projects. Property One provides you with advice and support in setting up club deals and looks for interesting investment opportunities and suitable co-investors for you. Our in-depth expertise in the preparation, administration, structuring and coordination of club deals allows you to participate in real estate as an investment professionally and worry-free. In the context of club deals, we assume responsibility for the management of the structure and the investment during the holding period on your behalf. Club deals provide investors with the opportunity to minimise their risks and optimise their returns.

Our Offering

- Search for interesting investment opportunities and suitable co-investors
- Active participation of co-investors if desired
- Professional supervision and management of the club deal structure
- We coordinate all specialists and implement investments on behalf of the club
- Synergies/networking among club deal members

ABOUT PROPERTY ONE

Property One provides services spanning the entire real estate value chain. With sustainable and innovative solutions, Property One creates more value for its clients and gets people excited about real estate. At its three locations in Zurich, Zug and Ascona, the company combines expertise in the fields of investment, financing, development, execution and marketing as well as real estate family office under one roof. This comprehensive value chain allows Property One to cover the entire property life cycle.