

Asset class: Unlisted property
Educational material for clients

Banque Bordier & Cie SCmA

Asset class: Unlisted real estate

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*This educational factsheet provides a simple overview of unlisted property as an investment asset class. It is intended for clients without financial expertise and **does not replace, where applicable, the contractual documentation or official information relating to the investments in question.***

This factsheet does not cover listed property funds. These are the subject of separate educational factsheets.

1. Introduction

Unlisted real estate constitutes a **real asset class**, based on direct or indirect investment in properties that are not traded on a stock exchange. It allows investors to gain exposure to tangible assets that generate potential income, whilst generally taking a **long-term approach**.

Conversely, unlisted property is characterised by **limited liquidity, less frequent valuations** and **specific risks**, linked in particular to the local property market, property management and the structure of the investment.

2. What is unlisted property?

Unlisted property refers to investment in real estate assets not traded on a stock exchange, such as residential, commercial, industrial or logistics properties, either directly or through dedicated investment vehicles.

When the investment is made through unlisted structures (such as unlisted property funds, dedicated companies or club deal vehicles), it may share characteristics similar to private equity investments, particularly in terms of structure, investment horizon and liquidity.

In this regard, it is recommended that you also refer to the educational factsheet on Private Equity, which describes the general mechanisms applicable to investments in unlisted assets.

Investors hold a stake in a property asset or a property structure, proportional to their investment. The value of this stake depends on the performance of the underlying properties, in particular the rent received, developments in the property market and resale conditions.

Unlike listed property, unlisted property does not benefit from continuous market valuation. It forms part of a long-term wealth management strategy, until the assets are sold.

3. Key features of unlisted property

Unlisted property has specific characteristics that distinguish it from listed property investments and traditional financial instruments.

- **Investment in real, tangible assets:** Investments are based on physical properties, the value of which is linked to their location, quality, use and condition.

- **Long-term investment horizon:** Unlisted property is generally a medium- to long-term investment, often spanning several years.
- **Limited liquidity:** Unlisted property investments generally cannot be sold quickly. Exits mainly occur upon the disposal of the properties or in accordance with the terms set out in the investment structure.
- **Non-daily valuation:** The value of the assets is determined periodically, based on valuations or estimates, rather than by a continuous stock market.
- **Potential recurring income:** Property can generate regular income in the form of rent, subject to occupancy rates and the creditworthiness of tenants.
- **Limited transferability:** Interests in unlisted property structures are generally not freely transferable and may be subject to contractual restrictions.

4. Objective of investing in unlisted property

The main objective of unlisted property is to **generate potentially regular income**, whilst seeking **long-term capital appreciation**. This asset class is often used for portfolio diversification and as a partial hedge against inflation.

Performance depends mainly on the quality of the property assets, their management, developments in the local market and general economic conditions.

5. What are the main types of unlisted property?

Investments in unlisted property can cover various property segments, each with specific characteristics in terms of returns, risks and economic sensitivity:

- **Residential property**
Residential property includes, in particular, residential buildings intended for rental. It is generally considered more defensive, as demand for housing is relatively stable. Income comes mainly from rental payments, whilst performance also depends on location, occupancy rates and demographic trends.
- **Commercial property (offices, retail)**
This segment comprises office buildings, retail space and business centres. It can offer attractive returns, but is more sensitive to the economic cycle, changes in working patterns and the financial health of tenants. Leases are often longer-term, which can provide revenue visibility, subject to the risk of vacancy.
- **Industrial and logistics property**
Industrial and logistics property includes warehouses, logistics hubs and industrial premises. This sector has seen significant growth, particularly in line with the expansion of e-commerce. It has a specific risk and return profile, which is heavily dependent on location and the quality of infrastructure.

- **Specialist property (healthcare, hotels, serviced apartments, etc.)** This category comprises property assets for specific uses, such as healthcare facilities, hotels, serviced apartments or education-related infrastructure. These investments can offer diversification opportunities, but require specialist expertise and may be more sensitive to regulatory or operational risks.

6. Key players in the private real estate sector

An investment in unlisted property involves several specialist players, each playing a key role in the investment's performance and security.

- **Property manager or operator:** The manager is responsible for asset selection, acquisition, operational management and disposal. In particular, they oversee tenant management, maintenance works, tenant relations and strategic decisions aimed at creating long-term value.
- **Real estate vehicle or structure:** Investments are often made through dedicated companies or structures that hold the property assets. Investors hold a stake in these proportional to their investment, in accordance with the terms set out in the contract.
- **Technical and administrative service providers:** Specialist service providers handle the day-to-day management of the properties (maintenance, upkeep, letting management), as well as administrative and accounting functions. Their efficiency directly contributes to the quality of asset management.
- **Independent property valuers:** Property valuers are engaged to assess the value of the properties at regular intervals. Their valuations serve as the basis for determining the value of the investments and for providing information to investors.
- **Banks and financial institutions:** Property projects may require external financing. Financing terms influence the investment's return and risk profile.
- **Competent authorities:** The applicable regulatory and tax framework depends on the country in which the properties are located and the investment structure. The competent authorities ensure compliance with the rules in force.

7. The investment cycle in unlisted property

An investment in unlisted property follows a **structured life cycle**, generally spanning several years.

The first stage involves **the acquisition of the property**, following a phase of analysis and selection. The property is then **put into operation**, with the search for tenants and the establishment of a letting management system.

During the holding phase, the manager handles the **day-to-day management of the property**, collects rent and may undertake **renovation or optimisation works** to improve the asset's quality, attractiveness and value.

When market conditions are deemed favourable, the property may be sold. The sale generally marks the end of the investment or of a phase of the project. The proceeds from the sale are then **distributed to investors**, after deduction of costs and any financial commitments.

8. Yield structure of unlisted property

The return on an investment in unlisted property is based on two main components.

The first is **rental income**, generated by letting the properties. This income can be fairly regular, subject to occupancy rates, the quality of the tenants and the level of service charges.

The second component is the **potential capital gain** realised upon the sale of the properties. This capital gain depends in particular on trends in the property market, the location of the assets, their condition and any improvements made during the holding period.

The gross return is reduced by various costs, notably management fees, operating costs, financing costs and, where applicable, costs related to the investment structure. The net return therefore depends heavily on the quality of management and market conditions.

9. Risk profile of unlisted property

Investing in unlisted property involves several **specific risks**, which it is important to understand before making any investment decision.

- **Property market risk:** The value of property can rise or fall, depending on supply and demand, interest rates and local economic conditions.
- **Liquidity risk:** Property assets cannot be sold quickly. Investors must be prepared to tie up their capital for a long period.
- **Rental risk:** Vacancies, tenants moving out or becoming insolvent may reduce expected income.
- **Operational risk:** Management issues, unforeseen works or poor management can affect the overall performance of the investment.
- **Financing risk:** The use of debt can amplify returns, but also losses in the event of rising interest rates or a fall in asset values.
- **Regulatory and tax risk:** Changes in regulations or taxation may impact the profitability and structure of the investment.

These risks can be **partially mitigated** through asset diversification, rigorous project selection and professional management, but cannot be eliminated entirely.

10. Key advantages and disadvantages

Advantages	Disadvantages
▪ Tangible assets	▪ Limited liquidity
▪ Potentially regular income	▪ Long-term investment horizon
▪ Asset diversification	▪ Non-continuous valuation
▪ Partial protection against inflation	▪ Sensitivity to the local market and management

The above points provide a brief and non-exhaustive overview of the main advantages and disadvantages associated with unlisted property.

11. How to invest in unlisted property

Investments can be made directly or through specialist vehicles, subject to eligibility. It is recommended that investors assess whether this type of investment is suitable for their objectives and personal circumstances.

12. How to exit a position in unlisted property

Liquidation generally occurs upon the sale of the property or in accordance with the terms set out by the investment vehicle. Timelines and exit prices may vary depending on market conditions.

13. Bordier's offering in unlisted property

The Bank supports clients wishing to access investment opportunities in unlisted property, as part of alternative investments.

These investments can take various forms and form part of a long-term wealth diversification strategy. They are offered in accordance with the applicable regulatory framework and the client's investment profile.

The Bank acts in an advisory and execution capacity, based on the client's instructions and, where applicable, advice provided, without prejudice to the illiquid nature and specific risks inherent in this type of investment.

14. Important information

This document is provided for informational and educational purposes only and does not constitute personalised financial advice. Nor should it be interpreted as an advertisement or an offer of financial instruments. The content presented is neither exhaustive nor intended to cover all the characteristics and risks associated with the relevant category of financial instruments.

This information is intended to provide a factual overview and should not be used as the sole basis for investment decisions. Past performance is not indicative of future results, and the value of investments may fall as well as rise.

For general information on financial instruments, please refer to the Swiss Bankers Association's brochure entitled 'Risks Involved in Trading Financial Instruments', available on our website under the heading Legal & Compliance, Switzerland, FINSA, Guidelines Risks Involved in Trading Financial Instruments (published by SBA): <https://www.bordier.com/legal-and-compliance/switzerland/finsa/>.

If, for the relevant type of financial instrument, a key information document (KID) or a prospectus has been drawn up in accordance with the applicable legal provisions, these documents can be viewed and downloaded from our website under the heading Legal & Compliance, Switzerland, FINSA, Key Information Document (KID), at the following address: <https://www.bordier.com/legal-and-compliance/key-information-documents-kids/>

Before making any investment decision, investors are advised to carry out their own checks and carefully assess the potential risks. It is strongly recommended that they seek the assistance of a qualified financial adviser. The relationship manager is available to provide, upon request, any further information and to supply the relevant documentation. The Bank accepts no liability for decisions made on the basis of the information provided in this document.

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