Subordinated financing for Swiss investment properties with a residential focus

Daneo Partners is a joint venture of IFS and Vicenda, complementary partners in terms of expertise and experience. Together they unlock the private debt landscape for investors.

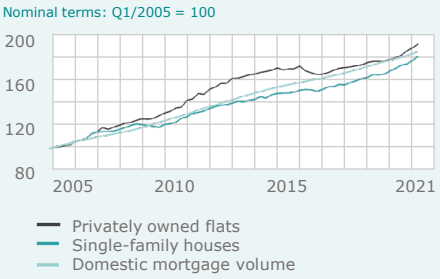
These partners have a combined pool of over 35 seasoned professionals with backgrounds in international investment banks, asset managers, law firms and consultancies.

Investment Rationale

Existing financing gap in real estate investments due to additional equity requirements. Strong and steady demand for CH residential real estate, however the supply of financing through traditional banks is decreasing.

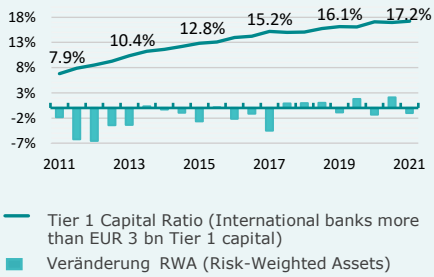
The demand for residential real estate in Switzerland is continuous, despite the financial crisis of 2008/09 and the pandemic of 2020/21.

Swiss Real Estate Price Indices and Mortgages Volume [1]



Decreasing loan-to-value ratios in the granting of loans under to Basel III due to increased capital requirements and increased risk aversion of the banks.

Increasing capital requirements reduce room for manoeuvre[2]



Investment Opportunity

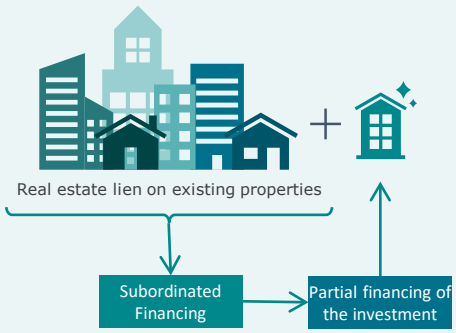
Banks finance up to approx. LTV 65%. For financings from LTV 65% to 80%, real estate investors increasingly rely upon subordinated financing.

Starting point

- Planned purchase of an investment property
- Limited availability of own funds
- Existing portfolio of residential investment properties with free financing capacities

Financing solution

- Subordinated loan on one or more existing properties (max. LTV 80%, max. term 48 months).
- Repayment at final maturity; usually by refinancing of the property by the bank



Investing in mortgage-backed subordinated loans

Investment profile for institutional and professional investors

Access

- Diversified access to attractive financing opportunities for Swiss investment properties (with a focus on residential)
- Sourcing / deal flow via a selective group of experienced partners with whom we strive for long-term cooperation

Credit structure

- Loan subordinated to bank financing in the first rank (senior loan)
- Maturities of individual transactions 12-48 months
- Collateral on existing property, mainly in the residential sector (no developments)

Attractive addition in Private Markets

- Attractive risk/return ratio and regular cash flow generation
- Complementary strategy in the area of private market loan financing (private debt) in the Swiss real estate sector

Illiquidity and complexity premiums

- Based on current studies, the illiquidity premium in private markets varies between 0.5% and 2% p.a. [3]
- Investors with a medium to long-term investment horizon can benefit from the illiquidity premium and skim it off as additional income

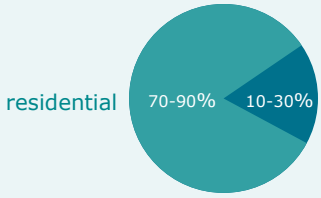
1) Source: SNB, Wüest Partner 2) Source: Basel III Monitoring Report (September 2022) 3) Source: LaSalle (January 2019)

Structure and characteristics of the fund (target portfolio)

Target return in CHF

6% p.a.
(gross)

Type of use



Minimum diversification [4]

max. 30%
of the net asset value per debtor

Financing situations

- Subordinated financing of CH investment properties (existing, no project developments)
- Focus on residential, mixed use with commercial possible
- Long-term partnerships with real estate investors

Target groups / investors

- Family offices and foundations
- Pension funds and insurance companies
- Qualified investors according to CISA (min. investment for initial investment CHF 250,000)

Terms and Conditions

Investors	Institutional investors or qualified investors Switzerland
Target return	Gross target yield 6% (as of interest rate landscape Q3 / 2022)
Currency	CHF
Structure	Investment fund under Swiss law of the "other funds for alternative investments" type (BVV 2 category: bond)
Duration	Evergreen structure with a once-a-year liquidity limited to the NAV (max. 10% of the net asset value) after set-up phase
Fund management	SOLUFONDS SA
Asset manager	IFS Independent Financial Services AG
Sponsor	Daneo Partners AG
Custodian	Zürcher Kantonalbank
Auditor	PwC
Management Fee	0.9% p.a. (S-class), 1.1% (I-class), 1.3% (P-class)
Performance Fee	-
TER (NAV)	Approx. 1.45% p.a. after set-up phase (basis I-class)
Minimum investment	CHF 250,000 (P & S class); CHF 2.5 million (I class)
Unit classes	Distributing
Late Arrival Fee	0.05% per month after payment of the first unit class of the sub-fund until the end of the fund set-up phase (24 months)

Investment strategy

- Diversified portfolio of subordinated financing in investment properties in Switzerland (mainly residential)
- Regional focus on German-speaking Switzerland with additions in western and southern Switzerland
- Attractive risk / return ratio and regular cash flow distributions
- Max. Loan-to-value of 80% at portfolio level

Contact



Mario Almer
Member of the Advisory Committee / Chairman of the Board of Directors

Email: mario.almer@daneopartners.ch
Tel: +41 79 527 34 28



Daniel Franc
Member of the Advisory Committee / Member of the Board of Directors

Email: daniel.franc@daneopartners.ch
Tel: +41 79 380 92 88

Legal notice

The information contained in this document is for informational purposes only and does not constitute investment advice. Opinions and assessments contained in this document are subject to change and reflect the viewpoint of Daneo Partners AG, Oberneuhofstrasse 3, CH-6340 Baar. No liability is assumed for the accuracy and completeness of the information. Past performance is not indicative of current or future performance.

4) Compliance at the latest at the end of the build-up phase (ramp-up 24 months maximum)