

## Press release

7 November 2023

### Interim results as per 30 September 2023

## In a challenging market environment, PSP Swiss Property achieved a solid operating result.

**In the first nine months of 2023, the core activity of PSP Swiss Property – the letting of commercial space – developed positively. With its high-quality portfolio and its solid capital structure, the company considers itself well positioned.**

#### Real estate portfolio

At the end of September 2023, the value of the portfolio was CHF 9.7 billion (end of 2022: CHF 9.4 billion), the vacancy rate was 3.2% (end of 2022: 3.0%). Of the lease contracts maturing in 2023 (CHF 43.0 million), only 3% were open at the end of September 2023. As per year-end 2023, we forecast a vacancy rate of below 4%. The slight increase is due to the reclassification of "B2Binz" (project completion in Q4 2023). The wault (weighted average unexpired lease term) of the total portfolio was 4.7 years.

In the reporting period, we purchased the modern office building at Pfingstweidstrasse 60/60b in Zurich for CHF 216.5 million. We sold the investment property at Bahnhofstrasse 23 in Interlaken for CHF 3.0 million, part of the Wädenswil site for CHF 13.0 million and the project "Spiegel" in Köniz near Bern for CHF 2.7 million. There were partial sales at the project "Residenza Parco Lago" in Paradiso and at the "Salmenpark" site in Rheinfelden totalling CHF 17.2 million.

Four larger projects were successfully completed, and the properties were reclassified back into the investment portfolio. The car park "P-West" in Zurich West was completely renovated (Q1 2023). "Clime" (a sustainable wooden building) in Basel was handed over to the tenants (Q2 2023). Furthermore, the two projects (both comprehensive renovations and modernisations) "Hotel de Banque" in Geneva and "Bahnhofplatz 2" in Zurich were completed (Q3 2023).

#### Real estate market

In the segment relevant to us (quality properties in central locations in the most important economic centres), the letting market remained satisfactory in the reporting period. For older office

properties in B and C locations as well as non-food retail space, however, letting remained a challenge. The market was dynamic in the centres of Geneva and Zurich with continuously good demand for attractive letting space. The environment was more difficult in Basel with its oversupply of office space.

The transaction market for properties in good inner-city locations has hardly changed in the reporting period in terms of prices and initial yields. Despite higher interest rates, required yields remain very low for attractive investment opportunities in prime locations. The number of closed transactions, however, has decreased significantly in the reporting period. Investors continue to prefer assets with high cash flow visibility. Due to the uncertain economic development and higher interest rates, yield needed by investors have risen in peripheral locations and for qualitatively outdated properties.

### **Quarterly results Q1-Q3 2023**

In the reporting period, the letting of commercial space developed positively. Rental income increased from CHF 236.8 million by CHF 10.7 million or 4.5% to CHF 247.6 million compared to the previous year's period. The operational result, i.e., net income excluding gains/losses on real estate investments increased by CHF 29.5 million or 16.3% to CHF 210.8 million (Q1-Q3 2022: CHF 181.3 million). The release of deferred taxes in the amount of CHF 30.6 million had a positive effect on the overall result (this release was recorded in the half-year results 2023 as of the end of June 2023). For the calculation of the property gains tax contained in the deferred taxes on real estate, the market value 20 years ago is used in the relevant cantons, if applicable. The adoption of these market values led to the mentioned release of deferred taxes. On the other hand, lower profit from the sale of development projects and condominiums had a negative impact (CHF - 9.8 million compared to Q1-Q3 2022). Operating expenses decreased by CHF 1.3 million or 3.1% to CHF 41.7 million (Q1-Q3 2022: CHF 43.0 million). Financial expenses were up by CHF 6.9 million or 79.8% to CHF 15.5 million (Q1-Q3 2022: CHF 8.6 million). Earnings per share excluding gains/losses on real estate investments, which is the basis for the dividend distribution, amounted to CHF 4.59 (Q1-Q3 2022: CHF 3.95).

Net income reached CHF 155.3 million (Q1-Q3 2022: CHF 284.0 million). The decrease in net income by CHF 128.6 million or 45.3% was mainly due to the portfolio devaluation by CHF 67.2 million (Q1-Q3 2022: appreciation of CHF 131.9 million). As per 30 June 2023, the regular semi-annual portfolio valuation by our external real estate valuation company Wüest Partner resulted in a depreciation of CHF 90.7 million. Due to property-specific changes in value, we had two properties valued by Wüest Partner as of the end of September 2023, in accordance with our accounting principles (Bahnhofplatz 1, 2 / Bahnhofquai 9, 11, 15, Zurich: completion of project development; Binzring 15/17, Zurich: extension of lease contract). This resulted in a total

appreciation of CHF 23.5 million. Earnings per share amounted to CHF 3.39 (Q1-Q3 2022: CHF 6.19).

At the end of September 2023, net asset value (NAV) per share was CHF 112.85 (end of 2022: CHF 113.33). NAV before deducting deferred taxes amounted to CHF 135.45 (end of 2022: CHF 136.62).

### **Solid capital structure**

With total equity of CHF 5.2 billion at the end of September 2023 – corresponding to an equity ratio of 53.2% – the equity base remains strong (end of 2022: CHF 5.2 billion or 54.8%). Interest-bearing debt amounted to CHF 3.4 billion or 34.8% of total assets (end of 2022: CHF 3.1 billion or 32.6%). At the end of September 2023, the average passing cost of debt was at 0.88% (end of 2022: 0.47%). The average fixed-interest period was 4.1 years (end of 2022: 4.1 years). Currently, unused credit lines amount to CHF 1.0 billion (thereof CHF 0.7 billion committed). PSP Swiss Property has an Issuer Rating A3 and a Senior Unsecured Rating A3 (outlook stable) from Moody's.

### **Outlook**

In PSP Swiss Property's market segment, we expect demand for office space to remain sound. In general, due to the changing interest-rate environment, market participants are today confronted with challenges unlike anything we have seen in the last ten years. The valuation of properties must deal with these market uncertainties. Thanks to our low debt ratio of 34.8%, we are well positioned to cope with these challenges.

Major renovation projects will lead to manageable temporary rent losses in the current year. Nevertheless, we expect higher rental income overall in 2023 than in 2022 due to the indexation (inflation adjustment) of rental contracts as per the beginning of 2023, the completion of several projects as well as the acquisition in Zurich West.

We expect lower income from the sale of development projects and condominiums and stable operating expenses. The release of deferred taxes will positively impact net income excluding gains/losses on real estate investments (there will be a further release of deferred taxes of around CHF 60 million as per the end of 2023). Due to the higher interest-rate level, we expect higher financial expenses.

For the business year 2023, we expect an ebitda excluding gains/losses on real estate investments of CHF 295 million (2022: CHF 293.8 million). We are confident that we will be able to achieve another good operational result in 2023 to continue our shareholder-friendly dividend policy.

## Key figures

Key financial figures	Unit	2022	Q1-Q3 2022	Q1-Q3 2023	+/- <sup>1</sup>
Rental income	CHF 1 000	316 231	236 822	247 553	4.5%
EPRA like-for-like change	%	2.2	2.3	5.2	
Net changes fair value real estate investments	CHF 1 000	124 886	131 894	-67 188	
Income from property sales (inventories)	CHF 1 000	25 181	23 666	13 896	
Income from property sales (investment properties)	CHF 1 000	-447	-447	910	
Total other income	CHF 1 000	7 669	7 055	6 297	
Net income	CHF 1 000	329 960	283 969	155 344	-45.3%
Net income excl. real estate gains <sup>2</sup>	CHF 1 000	235 714	181 293	210 756	16.3%
Ebitda excl. real estate gains	CHF 1 000	293 822	226 694	226 931	0.1%
Ebitda margin	%	83.9	84.4	84.7	
Total assets	CHF 1 000	9 483 866		9 729 257	2.6%
Shareholders' equity	CHF 1 000	5 198 379		5 176 208	-0.4%
Equity ratio	%	54.8		53.2	
Return on equity	%	6.5		4.0	
Interest-bearing debt	CHF 1 000	3 092 389		3 386 206	9.5%
Interest-bearing debt in % of total assets	%	32.6		34.8	
<b>Portfolio key figures</b>					
Number of investment properties	Number	162		162	
Carrying value investment properties	CHF 1 000	8 886 673		9 097 462	2.4%
Implied yield, gross	%	3.5		3.7	
Implied yield, net	%	3.1		3.2	
Vacancy rate (CHF)	%	3.0		3.2	
Number of sites and development properties	Number	13		11	
Carrying value sites and development properties	CHF 1 000	534 382		559 639	4.7%
<b>Headcount</b>					
Employees/FTE	Number	100/91		103/92	
<b>Per share figures</b>					
Earnings per share (EPS) <sup>3</sup>	CHF	7.19	6.19	3.39	-45.3%
EPS excl. real estate gains <sup>3</sup>	CHF	5.14	3.95	4.59	16.3%
EPRA EPS <sup>3</sup>	CHF	4.66	3.50	4.37	24.8%
Distribution per share	CHF	3.80 <sup>4</sup>	n.a.	n.a.	
Net asset value per share (NAV) <sup>5</sup>	CHF	113.33		112.85	-0.4%
NAV before deduction of deferred taxes <sup>5</sup>	CHF	136.62		135.45	-0.9%
EPRA NRV <sup>5</sup>	CHF	139.42		138.18	-0.9%
Share price end of period	CHF	108.50		108.20	-0.3%

1 Change to Q1-Q3 2022 or carrying value as of 31 December 2022 as applicable.

2 "Net income excluding gains/losses on real estate investments" corresponds to the net income excluding net changes in fair value of the real estate investments, net income on sales of investment properties and all of the related taxes. Income from the sale of properties which were developed by the Company itself is, however, included in the "net income excluding gains/losses on real estate investments".

3 Based on average number of outstanding shares.

4 For the business year 2022. Cash payment (dividend) was made on 13 April 2023.

5 Based on number of outstanding shares.

### **Further information**

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### **Today, 9:30am (CET): Conference call, Q1-Q3 2023**

Pre-registering (required) [here](#).

### **Agenda**

Publication FY 2023 · 27 February 2024

Annual General Meeting 2024 · 4 April 2024

Publication Q1 2024 · 7 May 2024

Publication H1 2024 · 20 August 2024

Publication Q1-Q3 2024 · 12 November 2024

### **PSP Swiss Property – leading Swiss real estate company**

PSP Swiss Property owns a real estate portfolio of CHF 9.7 billion in Switzerland's main economic areas; its market capitalisation amounts to CHF 5.1 billion. The 103 employees are based in Basel, Geneva, Zug and Zurich.

PSP Swiss Property has been listed on the SIX Swiss Exchange since March 2000 (symbol: PSPN, security number: 1829415, ISIN CH0018294154).



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