Press release

21 February 2023

Annual results as per 31 December 2022

PSP Swiss Property with a very successful business year. Green Bond Framework and Sustainability-Linked Loans implemented. Proposal for an increased dividend of CHF 3.80 per share.

PSP Swiss Property has achieved a very good operational result. With its high-quality portfolio and its strong capital structure, PSP Swiss Property considers itself well positioned.

Real estate portfolio

At the end of 2022, the value of the portfolio was CHF 9.421 billion (end of 2021: CHF 9.127 billion), the vacancy rate was 3.0% (end of 2021: 3.8%).

Through selective transactions, we further optimised our portfolio in Zurich and Geneva and thus improved the quality of earnings. With effect as of 17 February 2022, we entered an asset swap with Swiss Life AG and the Anlagestiftung Swiss Life. We acquired two commercial properties in Zurich (Lintheschergasse 10 and Mühlebachstrasse 2 / Falkenstrasse 30), for a total of CHF 67.6 million. In return, we sold three properties (Rue du Pont 22 in Lausanne, Lintheschergasse 23 and Löwenstrasse 16 in Zurich) for a total of CHF 59.4 million. Furthermore, at the end of February 2022, with retroactive effect as of 1 January 2022, we acquired the prime office property located at Place de la Synagogue 3, 5 / Rue Jean-Petitot 4, 6 in Geneva for CHF 64.0 million. As of 30 March 2022, we sold the development project “Grand-Pré” in Geneva for CHF 60.5 million. In addition, we sold further condominium units of the residential development “Residenza Parco Lago” in Paradiso (Lugano) during the reporting period.

The valuation of the properties by the independent appraiser resulted in an appreciation of CHF 124.9 million as at the end of 2022. Thereof, CHF 92.0 million were related to the investment portfolio and CHF 32.9 million to the sites and development projects. The appreciation resulted mainly from the lower discount rate and from various lettings. As at the end of 2022, the weighted average discount rate for the entire portfolio was 3.48% in nominal terms; this includes an inflation rate of 1.0% (end 2021: 3.01%; inflation rate 0.5%).

At the end of 2022, the vacancy rate stood at 3.0% (end of 2021: 3.8%). 0.3 percentage points of the vacancy is due to ongoing renovations. Of the lease contracts maturing in 2023 (CHF 43.0 million), 55% were renewed by the end of 2022. The wault (weighted average unexpired lease term) of the total portfolio was 4.4 years. The wault of the ten largest tenants, contributing around 25% of the rental income, was 4.1 years.

Real estate market

The prime office and high-street retail letting markets, the most important market segments for us, developed favourably in 2022. It is of great advantage to us that our portfolio does not reflect the overall market, but rather a stable sub-segment with an above-average number of quality properties in central locations in the most important business centres. In contrast, the letting market for older office properties in B and C locations as well as non-food retail space at secondary locations remains challenging. The markets in the centres of Geneva and Zurich were particularly dynamic. In both cities, demand was very stable, and we were able to let our space successfully. The environment in Basel was somewhat better than in the previous year, although still difficult. The higher supply is only being absorbed hesitantly, partly because international companies are reluctant to return their workers to the workplace.

The transaction market for properties in good inner-city locations has hardly changed in the second half of the year compared to the first six months in terms of prices and initial yields. However, slightly more offers came onto the market, although the number of transactions implemented remained at a low level. Assets with high cash flow visibility continue to be favoured by investors. For investments in peripheral locations or for properties that are not up to date in terms of quality, yield expectations have risen slightly since mid-2022 due to the uncertain economic development and generally higher interest rates.

Sustainability

A milestone in our sustainability efforts is our Green Bond Framework, which was presented in November 2022. All outstanding bonds in the amount of CHF 1.8 billion were reclassified as green bonds. Future bonds will also be issued as green bonds. The green bonds are linked to a green asset portfolio that is to become successively more sustainable. The qualification of properties for the green asset portfolio is based on two criteria: one is the effective CO_2 emissions per square meter and the other is a property specific ESG rating. Furthermore, mid-February 2023, we linked our loan agreements to sustainability targets and converted them to sustainability-linked loans in accordance with the guidelines of the Loan Market Association (LMA). The sustainability targets are based on the criteria of the Green Bond Framework.

Annual results

In the reporting period, we achieved a net income excluding gains/losses on real estate investments of CHF 235.7 million. This represents an increase of CHF 14.6 million or 6.6% compared to the previous year (2021: CHF 221.1 million). The increase was mainly due to higher rental income (+ CHF 6.6 million), higher income from the sale of development projects and condominiums (+ CHF 5.1 million), more capitalised own services (+ CHF 1.3 million) and increased other income (+ CHF 1.4 million). Regarding rental income, it must be considered that in 2022 practically no more corona-related rent reliefs have accrued, i.e., only CHF 0.02 million (2021: CHF 3.7 million). On the cost side, operating expenses decreased by CHF 0.6 million to CHF 57.7 million (2021: CHF 58.4 million). Financing expenses were up by CHF 0.4 million to CHF 11.6 million (2021: CHF 11.1 million). Earnings per share excluding gains/losses on real estate investments, which is the basis for the dividend distribution, amounted to CHF 5.14 (2021: CHF 4.82).

Net income reached CHF 330.0 million (2021: CHF 595.0 million). The decrease in net income by CHF 265.1 million or 44.5% compared to 2021 is explained by the portfolio appreciation of CHF 124.9 million, which was lower compared to the previous year (2021: CHF 464.9 million). Earnings per share amounted to CHF 7.19 (2021: CHF 12.97). At the end of 2022, net asset value (NAV) per share was CHF 113.33 (end of 2021: CHF 109.42). NAV before deducting deferred taxes amounted to CHF 136.62 (end of 2021: CHF 131.84).

Strong capital structure

With total equity of CHF 5.198 billion at the end of 2022 – corresponding to an equity ratio of 54.8% – the equity base remains strong (end of 2021: CHF 5.019 billion or 54.7%). Interest-bearing debt amounted to CHF 3.092 billion or 32.6% of total assets (end of 2021: CHF 3.013 billion or 32.8%). At the end of 2022, the average cost of debt was low at 0.47% (end of 2021:

0.40%). The average fixed-interest period was 4.1 years (end of 2021: 5.1 years). Currently, unused credit lines amount to CHF 970 million (thereof CHF 640 million committed).

PSP Swiss Property has an Issuer Rating A3 and a Senior Unsecured Rating A3 (outlook stable) from Moody's.

Subsequent events

On 1 February 2023, a 2.0% bond (green bond, all-in 2.087%, spread of 49 basis points) with a volume of CHF 100 million and a maturity in July 2026 was issued.

Material proposals to the Annual General Meeting on 5 April 2023

For the business year 2022, the Board of Directors proposes an increase in the ordinary dividend payment to CHF 3.80 per share (previous year: CHF 3.75). In relation to net income excluding gains/losses on real estate investments, this corresponds to a payout ratio of 73.9%; in relation to the 2022 year-end share price of CHF 108.50, it corresponds to a yield of 3.5%.

As already announced, after 14 years of successful service on the Board of Directors, Mr. Aviram Wertheim will not stand for re-election. The Board of Directors thanks Mr. Wertheim for his many years of valuable service and commitment to the Company. All other current members of the Board of Directors and the Compensation Committee as well as Mr. Luciano Gabriel as Chairman of the Board of Directors stand for re-election. The Nomination Committee and the Compensation Committee shall consist of the three current members: Henrik Saxborn, Corinne Denzler and Adrian Dudle; Henrik Saxborn is foreseen as Chair of both committees. The Audit Committee shall also consist of the current members Adrian Dudle (Chair) and Mark Abramson. Furthermore, the Board of Directors proposes the re-election of Ernst & Young AG, Zurich, as Auditors for the business year 2023.

Outlook 2023

The Swiss real estate market is basically stable. This is true for the rental market and, with some restrictions, also for the transaction market. The sensitivity of the market players has increased because the yield trend is not yet clear in the wake of higher interest rates. If yield expectations rise, valuations could fall. On the other hand, the prospect of economic growth in Switzerland and rental income linked to inflation should have a stabilising effect.

Demand for office space is likely to remain high in the economic centres of Zurich and Geneva, while supply tends to decline. We have an advantage in that we have a high-quality portfolio in central locations. This allows us to conclude attractive lettings; moreover, we can accept taking on concessions in peripheral locations.

The further development and optimisation of the existing portfolio remains our focus. Acquisitions are considered only if we identify potential added value in the medium to long term. In terms of financing, we will continue to pursue our proven conservative approach. As in the past, we will also access the capital market when appropriate.

Despite temporary rent losses due to new major renovation projects, we expect a slightly higher rental income in the current year compared to 2022. Regarding current projects, the increase in construction cost will only affect us moderately; PSP Swiss Property has only a small project pipeline in relation to its portfolio size. All projects are on track, which will bring first rental income in several cases during the current year. Income from the sale of project developments and condominiums will decrease compared to 2022. As in the past, operating expenses will remain relatively stable. Due to a higher interest rate environment, financial expenses are expected to increase compared to 2022.

Overall, we are confident that we will be able to generate another good operating result in 2023 and thus continue our shareholder-friendly dividend policy. For the business year 2023, we expect an ebitda excluding gains/losses on real estate investments of CHF 285 million (2022: CHF 293.8 million). Regarding the vacancies, we expect a rate of below 4% at year-end 2023 (end of 2022: 3.0%).

Key figures

Key financial figures	Unit	2021	2022	+/-[1]
Rental income	CHF 1 000	309 638	316 231	2.1%
EPRA like-for-like change	%	-0.2	2.2[2]	
Net changes fair value real estate investments	CHF 1 000	464 920	124 886	
Income from property sales (inventories)	CHF 1 000	20 059	25 181	
Income from property sales (investment properties)	CHF 1 000	9 462	-447	
Total other income	CHF 1 000	4 971	7 669	
Net income	CHF 1 000	595 022	329 960	-44.5%
Net income excl. real estate gains[3]	CHF 1 000	221 124	235 714	6.6%
Ebitda excl. real estate gains	CHF 1 000	278 756	293 822	5.4%
Ebitda margin	%	83.0	83.9	
Total assets	CHF 1 000	9 182 479	9 483 866	3.3%
Shareholders' equity	CHF 1 000	5 019 087	5 198 379	3.6%
Equity ratio	%	54.7	54.8	
Return on equity	%	12.4	6.5	
Interest-bearing debt	CHF 1 000	3 012 749	3 092 389	2.6%
Interest-bearing debt in % of total assets	%	32.8	32.6	
Portfolio key figures				
Number of investment properties	Number	158	162	
Carrying value investment properties	CHF 1 000	8 509 792	8 886 673	4.4%
Implied yield, gross	%	3.6	3.5	
Implied yield, net	%	3.1	3.1	
Vacancy rate (CHF)	%	3.8	3.0	
Number of sites and development properties	Number	18	13	
Carrying value sites and development properties	CHF 1 000	617 180	534 382	-13.4%
Headcount				
Employees/FTE	Number	98/90	100/91	
Per share figures				
Earnings per share (EPS)[4]	CHF	12.97	7.19	-44.5%
EPS excl. real estate gains [4]	CHF	4.82	5.14	6.6%
EPRA EPS[4]	CHF	4.48	4.66	4.1%
Distribution per share	CHF	3.75	3.80[5]	1.3%
Net asset value per share (NAV)[6]	CHF	109.42	113.33	3.6%
NAV before deduction of deferred taxes[6]	CHF	131.84	136.62	3.6%
EPRA NRV[6]	CHF	135.40	139.42	3.0%
Share price end of period	CHF	113.70	108.50	-4.6%

1 Change to 2021 or carrying value as of 31 December 2021 as applicable.
2 EPRA like-for-like growth excluding effect from Covid-19 rent reliefs is +0.8% (2021: -0.5%).
3 “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”.
4 Based on average number of outstanding shares.
5 Proposal to the AGM on 5 April 2023 for the business year 2022: dividend payment.
6 Based on number of outstanding shares.

Further information

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Report and presentation are available on www.psp.info

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Today, 9am (CET): Conference call, FY 2022 (EN)

Pre-registering (required) **here**.

Today, 11am (CET): Media and capital markets conference, FY 2022 (DE)

Pre-registering (required) **here**.

Agenda

Annual General Meeting 2023, in Zug · 5 April 2023

Publication Q1 2023 · 5 May 2023

Publication H1 2023 · 18 August 2023

Publication Q1-Q3 2023 · 7 November 2023

Publication FY 2023 · 27 February 2024

Annual General Meeting 2024 · 4 April 2024

PSP Swiss Property – leading Swiss real estate company

PSP Swiss Property owns a real estate portfolio of CHF 9.4 billion in Switzerland's main economic areas; its market capitalisation amounts to CHF 5.2 billion. The 100 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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