

Press release

5 May 2023

Quarterly results as per 31 March 2023

In a challenging market environment, PSP Swiss Property once again achieved a solid operating result in Q1 2023. Ebitda and vacancy guidance for FY 2023 confirmed.

In Q1 2023, the core activity of PSP Swiss Property – the letting of commercial space – developed positively. With its high-quality portfolio and its strong capital structure, the company considers itself well positioned.

Real estate portfolio

At the end of March 2023, the value of the portfolio was CHF 9.450 billion (end of 2022: CHF 9.421 billion), the vacancy rate was 3.2% (end of 2022: 3.0%). 0.3 percentage points of the vacancy is due to ongoing renovations. Of the lease contracts maturing in 2023 (CHF 43.0 million), 66% were renewed by the end of March 2023. 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 3.9 years.

In Q1 2023, no investment properties were purchased. We sold the property at Bahnhofstrasse 23 in Interlaken for CHF 3 million.

Following an extensive refurbishment, the car park project «P-West» was completed, and the property was reclassified back into the investment portfolio. During this, we planted greenery on the facades and measures were taken to promote biodiversity in the surrounding area.

No sites or development projects were purchased respectively sold during the reporting period. There were partial sales at the project «Residenza Parco Lago» in Paradiso and at the «Salmenpark» site in Rheinfelden.

Two investment properties were reclassified as development projects: i) The building at Hochstrasse 16 / Pfeffingerstrasse 5 in Basel is being modernised. About half of the rental space (around 15 500 m²) will be converted to an alternative use with 187 serviced apartments. The renovation will be completed by the end of 2024. The total investment amounts to around CHF 28 million. ii) The property at Theaterstrasse 12 in Zurich was built in 1973 as a department store (known as Globus at Bellevue). Since its construction, the building has never been completely renovated and is now facing a high need for refurbishment. The new property will be a contemporary commercial building with a total of around 5 000 m² of representative retail, gastronomy and office space. The investment amounts to around CHF 35 million. The property will be ready for move-in at the end of 2024.

Real estate market

The letting market for quality properties in central locations in the most important economic centres remained stable in Q1 2023. This contrasts with the market for older office properties in B and C locations as well as non-food retail space in secondary locations, where leasing remains challenging. The market was particularly dynamic in the centres of Geneva and Zurich.

The transaction market for properties in good inner-city locations has hardly changed in Q1 2023 in terms of prices and initial yields. The number of implemented transactions remained at a low level. For investments in peripheral locations or for properties that are not up to date in terms of quality, yield expectations have been rising slightly since mid-2022 due to the uncertain economic development and higher interest rates.

Quarterly results

In Q1 2023, rental income increased from CHF 79.1 million by CHF 2.0 million or 2.6% to CHF 81.1 million compared to the previous year's period. The operational result, net income excluding gains/losses on real estate investments, decreased by CHF 13.4 million or 19.2% to CHF 56.3 million (Q1 2022: CHF 69.7 million). The decline was mainly due to lower profit from the sale of development projects and condominiums (- CHF 17.5 million) and lower capitalised own services (- CHF 1.3 million). Operating expenses decreased by CHF 0.9 million or 6.3% to CHF 13.2 million (Q1 2022: CHF 14.0 million). Financing expenses were up by CHF 0.6 million or 19.9% to CHF 3.6 million (Q1 2022: CHF 3.0 million). Earnings per share excluding gains/losses on real estate investments, which is the basis for the dividend distribution, amounted to CHF 1.23 (Q1 2022: CHF 1.52).

Net income reached CHF 57.0 million (Q1 2022: CHF 78.0 million). The decrease in net income by CHF 21.0 million or 26.9% compared to the previous year's figure is explained, on the one hand, by the aforementioned factors. On the other hand, there was a portfolio appreciation of CHF 11.9 million in the previous year's period (there were no revaluations in Q1 2023). Earnings per share amounted to CHF 1.24 (Q1 2022: CHF 1.70).

At the end of March 2023, net asset value (NAV) per share was CHF 114.59 (end of 2022: CHF 113.33). NAV before deducting deferred taxes amounted to CHF 137.91 (end of 2022: CHF 136.62).

Solid capital structure

With total equity of CHF 5.256 billion at the end of March 2023 – corresponding to an equity ratio of 55.2% – the equity base remains strong (end of 2022: CHF 5.198 billion or 54.8%). Interest-bearing debt amounted to CHF 3.077 billion or 32.3% of total assets (end of 2022: CHF 3.092 billion or 32.6%). At the end of March 2023, the average cost of debt was low at 0.50% (end of 2022: 0.47%). The average fixed-interest period was 4.0 years (end of 2022: 4.1 years). Currently, unused credit lines amount to CHF 880 million (thereof CHF 580 million committed).

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

Green Bond Report

Detailed information on the implementation of the Green Bond Framework is published for the first time in our Green Bond Report; it can be found at www.psp.info. We will report annually on our activities and progress in the field of sustainability on an asset and portfolio level.

Subsequent events

Following the resolution of the ordinary Annual General Meeting on 5 April 2023 a dividend of CHF 3.80 gross per share was paid on 13 April 2023 totalling CHF 174.3 million (previous year: CHF 3.75 gross per share totalling CHF 172.0 million).

Outlook

In the letting market relevant to us – modern office space and attractive retail space in central locations – we expect demand to remain sound.

Today, however, we are confronted with challenges that we have not seen in the past ten years: the interest rate environment has changed, we must cope with market uncertainties in the valuation of properties.

However, the increased interest rates will have only a minor impact on our operational performance. The higher financial expenses can be compensated to a large extent, as we can pass on the inflation through the rental contracts that are indexed to inflation (about 90% of the rental contracts are indexed). But the increased interest rates and lower liquidity in the transaction market are likely to have a general impact on valuations. Selective devaluations can therefore not be excluded.

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, the completion of several projects as well as the acquisitions of the previous year. Income from the sale of development projects and condominiums will decline. Operating costs will remain stable. Due to the higher interest rate level, financial expenses will increase. For the business year 2023, we still expect an ebitda excluding gains/losses on real estate investments of CHF 285 million (2022: CHF 293.8 million). As per year-end 2023, we still forecast a vacancy rate of below 4% (end of Q1 2023: 3.2%).

Key figures

Key financial figures	Unit	2022	Q1 2022	Q1 2023	+/- ¹
Rental income	CHF 1 000	316 231	79 102	81 135	2.6%
EPRA like-for-like change	%	2.2	3.3	4.0	
Net changes fair value real estate investments	CHF 1 000	124 886	11 864	0	
Income from property sales (inventories)	CHF 1 000	25 181	18 444	938	
Income from property sales (investment properties)	CHF 1 000	-447	-447	910	
Total other income	CHF 1 000	7 669	1 949	628	
Net income	CHF 1 000	329 960	77 975	57 024	-26.9%
Net income excl. real estate gains ²	CHF 1 000	235 714	69 685	56 283	-19.2%
Ebitda excl. real estate gains	CHF 1 000	293 822	86 991	69 901	-19.6%
Ebitda margin	%	83.9	86.4	84.5	
Total assets	CHF 1 000	9 483 866		9 524 236	0.4%
Shareholders' equity	CHF 1 000	5 198 379		5 256 082	1.1%
Equity ratio	%	54.8		55.2	
Return on equity	%	6.5		4.4	
Interest-bearing debt	CHF 1 000	3 092 389		3 077 156	-0.5%
Interest-bearing debt in % of total assets	%	32.6		32.3	

Portfolio key figures

Number of investment properties	Number	162		160	
Carrying value investment properties	CHF 1 000	8 886 673		8 695 357	-2.2%
Implied yield, gross	%	3.5		3.7	
Implied yield, net	%	3.1		3.3	
Vacancy rate (CHF)	%	3.0		3.2	
Number of sites and development properties	Number	13		14	
Carrying value sites and development properties	CHF 1 000	534 382		754 487	41.2%

Headcount

Employees/FTE	Number	100/91		102/92	
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Per share figures

Earnings per share (EPS) ³	CHF	7.19	1.70	1.24	-26.9%
EPS excl. real estate gains ³	CHF	5.14	1.52	1.23	-19.2%
EPRA EPS ³	CHF	4.66	1.16	1.21	4.9%
Distribution per share	CHF	3.80 ⁴	n.a.	n.a.	
Net asset value per share (NAV) ⁵	CHF	113.33		114.59	1.1%
NAV before deduction of deferred taxes ⁵	CHF	136.62		137.91	0.9%
EPRA NRV ⁵	CHF	139.42		140.73	0.9%
Share price end of period	CHF	108.50		104.00	-4.1%

1 Change to Q1 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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Report and presentation are available on www.psp.info

www.psp.info/reports

www.psp.info/presentations

Today, 9:30am (CET): Conference call, Q1 2023 (EN)

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

Agenda

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 4.7 billion. The 102 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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