

Press release

18 August 2023

Half-year results as per 30 June 2023

PSP Swiss Property achieved a solid operating result. Improved ebitda guidance for FY 2023.

In H1 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 June 2023, the value of the portfolio was CHF 9.6 billion (end of 2022: CHF 9.4 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), 68% were renewed by the end of June 2023. As per year-end 2023, we still forecast a vacancy rate of below 4%. Our forecast is also supported by leasing successes achieved after 30 June 2023. For example, the sustainable new wooden building “Clime” in Basel and the two properties at Bleicherweg 14 and Förrlibuckstrasse 60/62 in Zurich are now fully let. The wault (weighted average unexpired lease term) of the total portfolio was 4.4 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 and part of the Wädenswil site for CHF 13.0 million. There were partial sales at the project “Residenza Parco Lago” in Paradiso and at the “Salmenpark” site in Rheinfelden totalling CHF 12.4 million.

The revaluations of the properties by the external valuation expert resulted in a devaluation of CHF 90.7 million (investment portfolio: devaluation of CHF 100.9 million, sites and development properties: appreciation of CHF 10.1 million). The weighted average discount rate for the entire portfolio was nominally 3.81% as at mid-2023 (end of 2022: 3.48%). The devaluation resulted mainly from the higher discount rate. On the other hand, the increase in market rents due to indexation of the rental agreements had selectively a net value-increasing effect.

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 H1 2023 – in contrast to the market for older office properties in B and C locations and non-food retail space in secondary locations, where letting remains challenging. The market was dynamic in the centres of Geneva and Zurich. The environment was more difficult in Basel, where there is currently an 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. The number of closed transactions, however, has decreased significantly. Investors continue to prefer assets with high cash flow visibility. For investments in peripheral locations or for properties that are not up to date in terms of quality, yield expectations have been rising since mid-2022 due to the uncertain economic development and higher interest rates.

Half-year results

In H1 2023, the core activity of PSP Swiss Property – the letting of commercial space – developed positively; rental income increased from CHF 157.8 million by CHF 5.6 million or 3.5% to CHF 163.3 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 26.0 million or 20.9% to CHF 150.5 million (H1 2022: CHF 124.5 million). The release of deferred taxes in the amount of CHF 30.6 million had a positive effect on the overall result. 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 (CHF -11.2 million) had a negative impact. Operating expenses decreased by CHF 1.5 million or 5.3% to CHF 27.2 million (H1 2022: CHF 28.7 million). Financing expenses were up by CHF 2.4 million or 42.4% to CHF 8.2 million (H1 2022: CHF 5.7 million). EPS excluding gains/losses on real estate investments, which is the basis for the dividend distribution, amounted to CHF 3.28 (H1 2022: CHF 2.71). Net income reached CHF 76.9 million (H1 2022: CHF 227.2 million). The decrease in net income by CHF 150.2 million or 66.1% was not least due to the portfolio devaluation by CHF 90.7 million; in the previous year's period H1 2022, a portfolio appreciation in the amount of CHF 131.9 million had been recorded. EPS amounted to CHF 1.68 (H1 2022: CHF 4.95).

At the end of June 2023, NAV per share was CHF 111.19 (end of 2022: CHF 113.33). NAV before deducting deferred taxes amounted to CHF 133.57 (end of 2022: CHF 136.62).

Solid capital structure

With total equity of CHF 5.1 billion at the end of June 2023 – corresponding to an equity ratio of 52.2% – the equity base remains strong (end of 2022: CHF 5.2 billion or 54.8%). Interest-bearing debt amounted to CHF 3.5 billion or 36.0% of total assets (end of 2022: CHF 3.1 billion or 32.6%). At the end of June 2023, the average passing cost of debt was at 0.73% (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 1.2 billion (thereof CHF 0.9 billion committed). PSP Swiss Property has an Issuer Rating A3 and a Senior Unsecured Rating A3 (outlook stable) from Moody's.

Outlook

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

In general, market participants are now confronted with challenges of a changed interest rate environment, which has not been the case for ten years: the valuation of properties must cope with market uncertainties. Thanks to a low debt ratio of around 36%, however, we are well prepared for this.

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 of rental contracts (inflation adjustment), the completion of several projects as well as acquisitions done in the past. Furthermore, we expect lower income from the sale of development projects and condominiums and stable operating expenses. The release of deferred taxes (further release of around CHF 60 million in H2 2023) will positively impact the net income excluding gains/losses on real estate investments. Due to the higher interest rate level, we expect higher financial expenses.

For the business year 2023, we now expect an ebitda excluding gains/losses on real estate investments of CHF 295 million (previously: CHF 290 million; 2022: CHF 293.8 million). PSP Swiss Property is well positioned; the resulting perspectives are positive, and we are confident that we will be able to achieve another very good operational result in 2023 to continue our shareholder-friendly dividend policy.

Key figures

Key financial figures	Unit	2022	H1 2022	H1 2023	+/- ¹
Rental income	CHF 1 000	316 231	157 787	163 339	3.5%
EPRA like-for-like change	%	2.2	3.2	5.0	
Net changes fair value real estate investments	CHF 1 000	124 886	131 894	-90 712	
Income from property sales (inventories)	CHF 1 000	25 181	21 502	10 312	
Income from property sales (investment properties)	CHF 1 000	-447	-447	910	
Total other income	CHF 1 000	7 669	2 630	3 397	
Net income	CHF 1 000	329 960	227 154	76 916	-66.1%
Net income excl. real estate gains ²	CHF 1 000	235 714	124 478	150 522	20.9%
Ebitda excl. real estate gains	CHF 1 000	293 822	155 060	150 470	-3.0%
Ebitda margin	%	83.9	84.7	85.0	
Total assets	CHF 1 000	9 483 866		9 766 970	3.0%
Shareholders' equity	CHF 1 000	5 198 379		5 099 851	-1.9%
Equity ratio	%	54.8		52.2	
Return on equity	%	6.5		3.0	
Interest-bearing debt	CHF 1 000	3 092 389		3 516 278	13.7%
Interest-bearing debt in % of total assets	%	32.6		36.0	

Portfolio key figures

Number of investment properties	Number	162		161	
Carrying value investment properties	CHF 1 000	8 886 673		8 845 033	-0.5%
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		756 243	41.5%

Headcount

Employees/FTE	Number	100/91		100/90	
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Per share figures

Earnings per share (EPS) ³	CHF	7.19	4.95	1.68	-66.1%
EPS excl. real estate gains ³	CHF	5.14	2.71	3.28	20.9%
EPRA EPS ³	CHF	4.66	2.30	3.11	35.3%
Distribution per share	CHF	3.80 ⁴	n.a.	n.a.	
Net asset value per share (NAV) ⁵	CHF	113.33		111.19	-1.9%
NAV before deduction of deferred taxes ⁵	CHF	136.62		133.57	-2.2%
EPRA NRV ⁵	CHF	139.42		136.36	-2.2%
Share price end of period	CHF	108.50		99.90	-7.9%

1 Change to H1 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

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Today, 9:30am (CET): Conference call, H1 2023

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

Agenda

Publication Q1-Q3 2023 · 7 November 2023

Publication FY 2023 · 27 February 2024

Annual General Meeting 2024 · 4 April 2024

Publication Q1 2024 · 7 May 2024

PSP Swiss Property – leading Swiss real estate company

PSP Swiss Property owns a real estate portfolio of CHF 9.6 billion in Switzerland's main economic areas; its market capitalisation amounts to CHF 4.7 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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