

Sustainability at PSP Swiss Property

Sustainability and sustainable investing are on everyone's lips. But what does sustainability have to do with construction and properties? More than what one might assume at first sight. Luciano Gabriel, CEO of PSP Swiss Property, explains, why sustainability is becoming increasingly important in the real estate business and how his Company also invests in this sector.



Interview with Luciano Gabriel CEO PSP Swiss Property

PRIVATE: Mr. Gabriel, the term «sustainability» is not usually associated with commercial properties. Nevertheless, PSP Swiss Property has been investing in sustainability in the real estate sector for years. How exactly?

Gabriel: For PSP Swiss Property, sustainability consists of ecological, economic and social sustainability. Ecological sustainability means that we take environmental factors into account at all stages of our business activities. Social sustainability means that we strive to achieve a reasonable balance between the requirements of our most important stakeholders and partners, i.e. employees, tenants and suppliers, and consequently meet their expectations and needs in the long run. Eventually this is also positive for our competitiveness, which brings us to the third pillar of our sustainability policy,

economic sustainability. Economic sustainability means that we generate long-term added value for our shareholders and ensure a steady, attractive cash distribution.

PRIVATE: First things first. What exactly does your Company do to be ecologically sustainable?

Gabriel: To be ecologically sustainable we take environmental factors into account in the purchase respectively construction of properties, in investments for renovations and improvements and in the management of the properties. For instance, we check potential purchases as well as new buildings and conversions not just with regard to the usual economic and legal aspects, but also with regard to their impact on the environment. In other words: We take sustainability criteria and questions regarding energy efficiency into account in the evaluation of potential purchases and in the planning of new buildings and conversions. In new constructions and conversions we usually follow the Swiss "Minergie" standard, while other certifications may be applied in special projects. In renovations and property improvement projects we focus on optimising energy efficiency. However, in inner cities it is not always possible to implement all the desired measures for better energy efficiency. Here the preservation of historical monuments and consequently social sustainability may be more important. On the other hand, such properties score high marks with regard to mobility due to their

excellent connections to public transport. With regard to the management and maintenance of our properties, we strive to minimise the impact on the environment as much as possible, in particular in energy and water consumption as well as CO₂ output.

PRIVATE: Do you have concrete figures to quantify the success of these measures?

Gabriel: Yes, we made a survey and analysis of these environmental areas last year. For 167 properties the corresponding figures have already been ascertained. For the remaining properties the figures were outstanding as at the end of 2010 due to purchases or conversions or for other reasons. These properties will be evaluated as soon as possible. Furthermore new buildings and conversions are added to the analysis after their completion. The figures we have so far show that we achieve good results with regard to the most important environmental key figures, from heating to electricity and from water consumption to CO₂ output. It is interesting to note in this respect, that last year 46% of the heating demand was met by gas, 21% by district heating and only 33% by oil, the source with the highest CO₂ output.

PRIVATE: The survey has been made. What next?

Gabriel: In a further step we will now work out and implement additional measures to reduce energy and water consumption as well as CO₂ output in

For years, PSP Swiss Property has been striving to keep the Company's so-called "ecological footprint" as small as possible.

our buildings. As in the past, the focus will be on technically optimal solutions in building engineering. We plan to optimise all the properties, which are not converted in the regular renovation cycle, energywise in the next five years, mainly by means of operative measures.

PRIVATE: How do the tenants play along in your sustainability efforts?

Gabriel: As landlord, of course, we have no direct influence on the way our tenants deal with environmental issues. What is important is a continuing dialogue with our tenants, in which we try to inform them about ecological issues and sensitise them accordingly. At the same time, more and more companies, particularly larger ones, are beginning to occupy themselves with environmental issues more professionally, for instance in the evaluation process for new rental areas.

PRIVATE: Moving on to your second cause, social sustainability. What do you do in this respect?

Gabriel: On the one hand, social sustainability concerns our employees, on the other hand, our tenants and suppliers. It is important to us, that we don't just talk about social sustainability in our corporate culture but actually live by it. This means that our employees can work in an environment with flat, uncomplicated hierarchies; it also means that we show them respect on all levels, encourage them to take responsibility for their own actions and motivate them to strive for excellence and always keep their goal in mind. But it also entails a high degree of transparency and open communications. We want to be the employer of choice for our employees and offer them an interesting working environment. Furthermore we promote our employees' professional and social potential. And since last year we again offer commercial apprenticeships. Finally, through the financial support of our employees to use public transport, we also make an additional contribution in the area of ecological sustainability.

On the other hand, our business relationship with tenants and suppliers is built on reliability, fairness, quality

PSP Swiss Property in Brief

PSP Swiss Property owns more than 170 office and commercial properties throughout Switzerland worth approximately 5.5 billion francs. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. In addition, the Company owns development sites with conversion and new construction projects totalling 0.2 billion francs. With this portfolio, PSP Swiss Property is one of Switzerland's leading real estate companies.

Compared with its peers, PSP Swiss Property has a strong equity base with a high equity ratio of around 53% and a low debt ratio of just 35%. (The difference consists primarily of deferred taxes which do not activate any interest charges.) Furthermore the Company has open credit lines of more than 640 million francs.

The PSP shares have been listed on the SIX Swiss Exchange since the initial public offering in March 2000. The shares' liquidity is high: In 2010, 115,511 shares worth 7.8 million francs were traded on average each day. In the same period, the total trading volume of the PSP shares reached 1.978 billion francs. A nominal value reduction was paid to the shareholders in June 2011, corresponding to a cash yield of 3.7% on the year-end share price 2010. PSP Swiss Property thus confirmed its shareholder-friendly distribution policy and strengthened its position as a predictable, stable core investment for the Swiss real estate market.

and transparency on both sides. This forms the basis for a successful long-term collaboration. That's why we always want to be able to offer attractive office and living spaces and first-class services.

PRIVATE: Finally, what do you mean by economic sustainability?

Gabriel: As I indicated in the beginning, economic sustainability means generating added value for our shareholders and ensuring the Company's long-term success. In this respect those economic value drivers which also relate both to ecological and social sustainability are particularly important: the disciplined implementation of our long-term oriented investment policy, a constant quality- and value-oriented portfolio optimisation through specific conversions of individual properties, a rigorous market orientation with an attractive portfolio of rental properties and active client care, the optimisation of operative and property expenses, lowering the vacancy rate and, last but not least, the consistent implementation of our long-term conservative financing policy.

PRIVATE: Do all these efforts really make economic sense in the end?

Gabriel: Absolutely. In the long run – and at PSP Swiss Property we always think and act long term – we are convinced that a business model which is based on sustainability will sooner or later deliver higher rental and sales prices. While the effects on the prices are not yet immediately measurable today, we are confident that our clients' sensitivity towards sustainability will continue growing. It is not always possible to precisely quantify the results of our long-term investments in this field. Decisions with long-term implications are inevitably based on values and visions. However, sustainability factors are increasingly relevant in the valuation systems of real estate valuation companies. At the same time, the importance of sustainability in real estate investments is also growing among institutional investors, not least among mutual funds which pick their investments according to sustainability criteria. But to avoid any misunderstandings: For PSP Swiss Property, sustainability is not merely lip service trying to make a good impression on potential investors; for us, sustainability is a question of ethics, which we live by wholeheartedly day in and day out.

luciano.gabriel@psp.info
www.psp.info