

PSP Swiss Property: Leading the Way in Swiss Real Estate

With 168 office and commercial properties in prime locations, 7 development sites, 2 individual projects and a total portfolio value of close to 6 billion francs, PSP Swiss Property is one of the country's biggest real estate companies. First listed on the SIX Swiss Exchange after its IPO in March 2000, the Company's market capitalisation now stands at 3.6 billion francs. Having resisted the temptation of buying overpriced properties in a challenging market environment, PSP Swiss Property is well placed to continue playing a leading role on Switzerland's commercial property market. (All figures as at 31 December 2011.)

Since its establishment 12 years ago, PSP Swiss Property has focused on office and commercial properties in the premium segment, i.e. high-quality buildings in prime locations in Switzerland's business centres. For instance, the Company owns several top properties in one of Europe's most coveted locations on and around Bahnhofstrasse in Zurich as well as further buildings nearby. Additional major locations are in the well-frequented shopping and business districts of Geneva, Basel, Bern and Lausanne. The sites with development projects include the Hürli-mann site and the Löwenbräu site in the heart of Zurich as well as further sites in Lugano, Wädenswil, Bern, Rheinfelden and Wollishofen. These are either in a planning stage or already under construction.

Solidly financed

With an equity base of more than 3.2 billion francs and an equity ratio of 54%, PSP Swiss Property is solidly financed. Due to its excellent credit rating and long-term continuity and predictability in its business operations, the Company has easy access to the capital markets. At the end of December 2011, PSP Swiss Property had unused credit lines totalling 780 million francs from various banks. This allows the Company to avoid cluster risks and to keep its financial independence. The open credit lines also offer the Company sufficient financial leeway for further growth – albeit not for growth

at any price. PSP Swiss Property is in a position to react quickly to attractive purchasing opportunities, but its acquisition strategy remains based on the premise of “adding value” for its shareholders and not “size at any price”.

Adding long-term value

For years, PSP Swiss Property has pursued a prudent, long-term acquisition strategy focusing on profitability instead of size. Size is neither an end in itself nor a corporate goal. In this respect, the Company also benefits from the fact that it is under no pressure to invest and purchase new properties, because it does not continuously receive funds to be invested as in the case of a real estate fund. Rather, PSP Swiss Property's business policy is guided by the maxim that each acquisition must “make sense” for both the Company and the shareholders.

Prestige purchases are, as a matter of course, totally out of the question. PSP Swiss Property will not risk its reputation and long-term perspective by short-term headline grabbing. Consequently and in line with its prudent acquisition policy, PSP Swiss Property did not purchase any properties in 2011. Conversely, the Company sold 6 properties to further streamline its portfolio. The sales generated an income of 55 million francs; the average sales price exceeded the latest external valuation by 17% – further proof of the Company's success with its conservative business policy.

Broadly diversified tenant base

The majority of rental income is generated by office leases (59%; services and financial-services firms, telecom and IT companies as well as government agencies), followed by retail spaces (20%) as well as restaurants and hotels (5%). The remaining 16% are parking areas and others. Swisscom is the biggest single tenant, accounting for 9% of the total rental income. All other tenants (Swiss Post, Deutsche Bank, Google and others) account for 4% or less each. PSP Swiss Property's tenant portfolio is thus broadly diversified and well balanced.

Prime properties

Commercial properties are particularly popular with institutional investors with high investment needs as well as long-term oriented private investors. They have an attractive risk/return profile and high safety levels – especially compared with other investment instruments. The demand for office and retail space is particularly pronounced in central business and shopping areas. The availability of high-quality office space, however, is relatively small, especially in areas such as Zurich's central business district. Retail spaces are equally rare and coveted in city centres.

Commercial properties in prime locations are in high demand not least due to their stability with regard to both value and earnings. It is not by chance that the investment market for commercial properties in Switzerland has been relatively illiquid for some time.

Satisfying all stakeholders

In such an environment of high demand and limited availability, it is crucial to stick to one's predefined strategy and resist the temptation to hastily

A conservative approach to financing and a prudent acquisition policy have served PSP Swiss Property well in the past. And will continue to do so in the years to come.

purchase overpriced properties. A well-established, prudent strategy must be adhered to unwaveringly in order to equally satisfy all stakeholders – staff, tenants, business partners and shareholders. Sustainable and above-average returns as well as long-term added value, i.e. shareholder value, can only be gained, if all these particular interests are taken into consideration. Year after year, PSP Swiss Property has shown that this is possible on the Swiss commercial property market.

PSP Swiss Property has always pursued a shareholder-friendly distribution policy. For years, the Company has delivered its shareholders a distribution yield of around 3 to 5% on the respective year-end share price (see chart). In addition to the distributions, the PSP share price clearly outperformed the Swiss Performance Index SPI since the IPO. There is a reason, why the PSP share is considered as a predictable, stable core investment for the Swiss property market.

Ecological sustainability

PSP Swiss Property strives to keep the Company’s “ecological footprint” as small as possible. Ecological sustainability means taking ecological criteria into account in the purchase of existing

and the construction of new buildings, in renovations and conversions and in property management. Therefore, in addition to the usual economic and legal aspects, the Company always considers the impact on the environment of potential purchases as well as new constructions and conversions. In other words, sustainability criteria are an integral part of the evaluation and planning process. In renovations and conversions, optimising energy efficiency is particularly important. In property management the focus is on minimising the environmental impact with regard to energy and water consumption as well as CO₂ output.

Social sustainability

Social sustainability at PSP Swiss Property concerns, on the one hand, its staff, and, on the other hand, tenants and business partners. Working at PSP Swiss Property means benefiting from flat, uncomplicated hierarchies and respect on all levels. At the same time it requires a willingness to excel and to reach common goals. PSP Swiss Property wants to be the employer of choice for its employees and to promote their professional and personal potential. For its tenants and business partners, the Company wants to be known for its

reliability, fairness, quality and transparency – the basis for a long-term, successful cooperation.

Economic sustainability

Ultimately, economic sustainability at PSP Swiss Property is all about the shareholders and long-term corporate success. Thereby, the most important value drivers are those, which, at the same time, relate to economic as well as ecological and social sustainability: the disciplined implementation of the Company’s prudent investment policy, continuous portfolio optimisation focusing on quality and value, a rigorous market orientation, lowering administrative and property expenses as well as vacancy rates and strict adherence to the Company’s long-term, conservative financing policy.

Positive outlook

Due to its perfect strategic positioning, its broadly diversified, high-class property portfolio and a full “pipeline” of interesting development projects, PSP Swiss Property is well placed for the future. The Company will continue to benefit from the opportunities which will arise on the Swiss real estate market, without taking excessive risks.

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