

# PSP Swiss Property: Premium Quality on the Swiss Real Estate Market

With 167 office and commercial buildings in prime locations, 7 development sites as well as 3 individual construction projects and a total portfolio value of more than 6 billion francs, PSP Swiss Property is one of Switzerland's biggest real estate companies. Despite these impressive figures, the quality of its properties is even more important for the Company than its size: PSP Swiss Property has always focused on premium-quality office buildings and other commercial properties in top locations in the country's business centers (all facts and figures as at 30 June 2012).

## Top properties in top locations

If there is one top location for office buildings and retail space in Switzerland, it is Bahnhofstrasse in Zurich. If you want your office, your law firm or your shop on Bahnhofstrasse, you must be willing to pay a considerable lease. It is exactly here, in one of Europe's most sought-after locations, on and around Bahnhofstrasse, Bahnhofquai and Bahnhofplatz, and in the immediate vicinity that PSP Swiss Property owns several premium properties.

Additional major locations are in other well-frequented shopping and business districts in Zurich as well as Geneva, Basel, Bern and Lausanne. Overall, 86 of the 167 properties in the Company's portfolio are in the greater Zurich area, 16 are in and around Geneva, 15 in Lausanne, 13 in Basel and 12 in Bern; the portfolio is completed by 25 further properties in other interesting locations such as Lugano, Lucerne and Zug. An important advantage of spreading the property portfolio across all of the country's economic centers is diversification and the distribution (and, consequently, minimisation) of risk.

## Promising development sites

In addition to its existing properties, PSP Swiss Property also owns a number of sites (mainly former brewery sites), where the Company and partner firms construct office parks and housing developments: the Hürlimann site

and the Löwenbräu site in Zurich as well as the project "Vorderer Sternen" and a site in Wollishofen, both also in Zurich, a site in Wädenswil, the Gurten site in Bern, the "Salmen-Park" in Rheinfelden, the "Paradiso" project in Lugano and the "Grosspeter Tower" in Basel. In addition, a health spa with a building permit on the grounds of the Lido Locarno was purchased at the beginning of 2012.

On the *Hürlimann site* apartments, commercial space with various shops and a health center, a restaurant, a seniors' residence, several office buildings, a spa and a boutique hotel were built on approximately 64,000 m<sup>2</sup>. As a final stage, the former heating room of the brewery (the "Kesselhaus") is being converted to a loft-like office space. The site is centrally located, the infrastructure flawless and the ambience extraordinary. Bahnhofstrasse, the lake and renowned cultural institutions can be reached in a few minutes.

On the *Löwenbräu site*, a top location in Zurich West, a thrilling combination of old and new is coming to life with a unique mix of international art, services, living and local institutions. 10,200 m<sup>2</sup> are earmarked for offices and other commercial use, approximately 11,600 m<sup>2</sup> for apartments and 9,400 m<sup>2</sup> for cultural use. Architectural highlights will include two new high-rises of 37 und 70 meters as well as the distinct, heritage-protected buildings alongside Limmatstrasse.

In July 2011, construction began for the new *Vorderer Sternen* on Theaterstrasse 22 at the Bellevue in Zurich. Here, a new building will replace the old one with a restaurant and offices.

Two smaller sites are the property in *Wollishofen*, which is likely to be sold this year, as soon as the building permit is issued, and the *Wädenswil site*, where high-quality apartments were raised in several stages over the past years; the rest of this site is in the planning phase.

At the foot of Bern's local mountain, the *Gurten*, with a unique view on the city of Bern and the houses of parliament, an architectural synthesis is being created. Existing buildings are renovated and modernised, while at the same time a high-quality new building with 100 apartments is raised. Of the total usable floor space of approximately 31,000 m<sup>2</sup>, about half is allocated to the apartments and the other half to commercial use and services.

In Rheinfelden near Basel, a large-scale conversion with a distinctive character is emerging on the former Cardinal site: the *Salmen-Park*. The building ensemble will blend perfectly into the unique environment on the River Rhine. With nearly 59,000 m<sup>2</sup> the site offers perfect conditions for modern living with urban flair combined with commercially used properties.

In Lugano, near the lake, a building complex is planned on the *Paradiso* site, including 65 exclusive freehold apartments (11,200 m<sup>2</sup>) as well as offices (1,400 m<sup>2</sup>) and retail spaces (750 m<sup>2</sup>).

In Basel, a building plan issued in 2004 for the investment property on Grosspeterstrasse 18–20 allows the construction of a high-rise building. PSP Swiss Property has drawn up a project for the undeveloped part of the

For PSP Swiss Property, the quality of its property portfolio is more important than its size.

plot and submitted the building application for the *Grosspeter Tower* at the end of 2011. The 78-meter tower with 18,000 m<sup>2</sup> on 22 floors would offer a mixed use for a hotel and offices on the upper floors.

The *Lido* project in Locarno, finally, with wellness and spa facilities, has already been leased and is planned for completion by mid-2013.

**Strong capital base**

It is a matter of course, that such a broad property portfolio requires a solid capital base. With equity of more than 3 billion francs and an equity ratio of nearly 60%, 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 June 2012, PSP Swiss Property had unused credit lines from various banks amounting to approximately half a billion francs. The spread of the credit lines across several banks allows the Company to avoid cluster risks and to keep its financial independence.

**Conservative business policy**

A strong capital base and high unused credit lines might tempt a company to purchase properties which would not necessarily be in its shareholders' best long-term interest – particularly in the

current environment. Demand for commercial properties remains high, not least from institutional investors and long-term oriented private investors in search of solid values and earnings stability. The risk/return profile of commercial properties is attractive, the safety level high – especially compared to other investment instruments.

Demand for commercial properties is notably strong in the office and retail segments in economic centers. On the other hand, the supply of high-quality office space remains limited, particularly in places such as Zurich's central business district. Retail spaces are equally rare and sought after in city centers.

PSP Swiss Property purposely and with good reason abstains from hasty, overpriced purchases. Instead, the Company sticks to its prudent acquisition strategy and only buys properties, if it makes sense for 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, the Company has not purchased any properties for quite some time. PSP Swiss Properties understands that at times it is more reasonable to invest one's money in the optimisation of one's own portfolio and to

develop one's own projects than to purchase additional properties, which would never be considered under different circumstances. Conversely, the Company sells properties to further optimise its portfolio, if a favourable opportunity arises. It is, however, under no sales pressure whatsoever.

**Positive outlook**

While Switzerland has so far been able to evade the major problems many Eurozone countries are faced with, the turbulences on the financial markets, the international sovereign debt crisis and the strong franc might still adversely affect the country's economy. Nevertheless, PSP Swiss Property has a positive outlook for its own future. There are several good reasons for this optimism: The strength of the Swiss franc has only a limited impact on the domestic real estate sector; most leases are long term which means that rental income is steady and predictable; furthermore, the Company pursues not only a prudent acquisition strategy but a conservative financing policy as well; finally, PSP Swiss Property has a strong market position, a solid capital base, a low debt ratio and a high-quality portfolio of premium properties in some of the country's most sought-after locations.

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