



## Short Report 2022

## Key Figures

Peach Property Group AG is a real estate investor with its investment focus on residential real estate in Germany. Our tenants are at the center of our activities. With innovative solutions for modern living needs, we offer clear added value. Our portfolio comprises high yielding investment properties, typically in German Tier II cities in the commuter belt of metropolitan areas. In addition, we are developing selected projects to be sold as condominiums. Our services span the entire value chain, from location evaluation and acquisition to active asset management and the letting or sale of our properties. We have our registered office in Zurich; our German headquarters are based in Cologne.

The shares of Peach Property Group AG are listed on the SIX Swiss Exchange.

Peach Property Group (consolidated)		Dec 31, 2022	Dec 31, 2021
Rental income	in EUR thousands	116 497	100 409
EPRA like-for-like rental income	in %	5.0	4.0
Funds from operations I (FFO I)	in EUR thousands	19 207	10 208
Result before taxes	in EUR thousands	-19 967	239 997
Result after taxes	in EUR thousands	-15 031	186 102
NAV IFRS	in EUR thousands	1 107 822	1 081 273
Equity ratio (IFRS)	in %	39.6	40.1
Real estate portfolio at market values (incl. right-of-use assets) <sup>1</sup>	in EUR thousands	2 663 089	2 618 742
Number of employees		233	194
Number of shares (nominal value of CHF 30.00 each)		16 882 373	16 882 373
Share capital	in EUR thousands	455 597	14 510
Diluted earnings per share	in EUR	-0.97	11.45
Diluted FFO I per share	in EUR	1.14	0.67
NAV IFRS per share <sup>2</sup>	in EUR	60.17	58.50
EPRA NTA per share <sup>2</sup>	in EUR	64.88	66.40
Share price as of December 31	in CHF	16.40	63.40
Market capitalization as of December 31 <sup>3</sup>	in CHF thousands	276 688	1 069 852

1 NAV market value based on the independent appraisal of Wüest Partner incl. assets held for sale.

2 Excluding hybrid capital and non-controlling interests.

3 Excluding treasury shares.



Reto Garzetti  
Chairman of the Board of Directors



Dr. Thomas Wolfensberger  
Chief Executive Officer

## Dear shareholder,

The world is reflecting on a very challenging 2022. The war in Ukraine caused tragic human suffering and brought with it significant challenges for the global economy. Energy prices and inflation reached their highest levels in more than 70 years.

Despite these turbulent factors, Peach Property Group demonstrated its operational robustness. Our business concept and the demand for our highly sought-after product of affordable housing in vibrant metropolitan areas proved extremely resilient against external factors.

Operating profit I (FFO I) in 2022 reached the highest value in our corporate history at more than EUR 19 million. The decisive contributing factor was the active, efficient asset management whereby among others, the portfolio

of approximately 4 300 rental units acquired in the first half-year of 2021 was fully integrated into our management, vacancies were successfully reduced, and further optimizations of operational processes were rolled out.

We continued to progress our sustainability strategy in 2022 and reached an important milestone when we received our first ESG risk assessment from Morningstar Sustainalytics, with a low risk rating.

There is also a fundamental change in our 2022 reporting. For the first time, we are reporting our annual financial statements in Euro, which represents a more appropriate reflection of our underlying operations in Germany. The currency conversion should also be helpful to investors concerning the comparability of our key figures.

### Stable overall real estate portfolio value, record FFO I result, strengthening of financial position through mandatory convertible bond

The stable framework conditions prevailing in the real estate sector have changed drastically over the past year, mainly by way of high inflation and unprecedented rising interest rates. The sharp rise in borrowing costs reduced the demand for mortgage loans, resulting in real estate prices falling in Germany for the first time since the reunification in 1990. Our real estate portfolio was not spared, and we recorded a slight devaluation of approximately EUR 12 million. The total value of our real estate

portfolio was around EUR 2.6 billion as of December 31, 2022, and remained virtually unchanged compared to the previous year due to our renovation and modernization investments and a small acquisition concluded in the second half-year. The result before taxes was EUR -20 million, which includes net foreign exchange losses of EUR 30 million. Excluding the impact of net foreign exchange losses, we report a profit before taxes of EUR 10 million.



Our operating profit I (FFO I) increased by almost 90 percent compared with the previous year, to the highest value in our corporate history. Our operating success results primarily from the integration of our acquisitions in previous years and the associated efficiency potential we unlocked, the successful progress made in reducing vacancies, and the further optimization and automation of operating processes.

As a result of the significant change in interest rates offered and the capital market environment, borrowing costs for financing rose sharply. Through our refinancing actions and accompanying interest rate hedging measures during the first half-year, we reduced our average financing costs slightly from 2.8 percent to 2.6 percent despite the unfavorable market conditions.

The average residual term of all financing is 3.7 years and remained virtually unchanged from the previous financial year.

With a focus on strengthening our equity, we announced in December 2022 the issuance of a short-termed mandatory convertible bond with an issue date in

January 2023. We received net issue proceeds of around EUR 68 million in January 2023 and used them in full to repay borrowings. As a result, our capital structure mix significantly improved. This measure translated into a pro-forma leverage ratio (LTV) of 52 percent in January 2023. As of December 31, 2022, our leverage ratio was around 54 percent. The new mandatory convertible bond was subscribed to by a large majority of our anchor shareholders and will be fully converted into Peach Property Group AG shares on April 12, 2023. The mandatory convertible bond transaction underpins the confidence of our shareholders in our robust business model and the positive assessment of its potential.

We achieved another important operational milestone in the reporting year with our last remaining development project in Wädenswil, Switzerland where we held the official groundbreaking ceremony in December 2022. Of the 57 high-end residential units being built in a sought-after location on the shore of Lake Zurich, around 60 percent were already sold or reserved well before the groundbreaking ceremony. In total, the construction project has an estimated market value of around CHF 138 million.

## Strong demand for affordable housing, vacancy rate reduced through active portfolio management, rental income significantly increased

Our focus on real estate in Tier II locations puts us in a market with continued strong demand for housing despite the challenging environment. This is not least evident from increases in rental income in 2022, which saw us increase like-for-like rental income by around 5 percent. At the same time, we have reduced vacant rental units from 8.0 percent in the previous year to 6.9 percent by year-end 2022.

As a result of Russia's war of aggression, energy, and electricity costs increased significantly over the 2022 financial year. However, thanks to the conclusion of forward-looking hedging transactions, we were able to avoid an increase in ancillary costs for many of our tenants. Our business focus will remain on affordable housing. Even though we made selective rent adjustments in 2022, our average rents charged remain below the German average. This further ties into our sustainability strategy which is not only aimed at environmental aspects, but also focuses on society.

## Social responsibility towards tenants and society, first ESG rating with low-risk rating

In these current uncertain times characterized by significant cost increases, we remain committed to providing our tenants with secure and affordable housing. We advise and support our tenants in person at our Peach Points, by telephone, by e-mail, and online. For example, we advise on energy-saving practices in a household and support tenants in applying for government assistance.

In addition to our social responsibility towards our tenants, we are pursuing the goal of continuously reducing the CO<sub>2</sub> emissions of our real estate portfolio and making our contribution to climate protection. Based on our decarbonization path, which we defined for the first time in the 2022 financial year, we aim to operate a climate-neutral real estate portfolio by 2050.

In 2022, we renovated around 2 160 individual rental units, among which around 110 rental units underwent substantial energy-related renovations, such as replacing the windows or the thermal insulation of the walls. We further renewed or renovated around 40 heating systems serving around 700 rental units. These efforts reduce our carbon footprint while also reducing ancillary costs over the long term.

Our clearly formulated sustainability strategy delivered satisfying insights during the 2022 financial year.

We obtained our first ESG risk rating from Morningstar Sustainalytics. Our rating score of 11.5 is classified as low risk and is among the top four percent of the more than 15 000 companies rated globally. We value the excellent rating obtained from one of the most renowned ESG rating providers, as it confirms the success of our ESG activities to date with measurable progress. The rating determination particularly considered our regular tenant satisfaction surveys, our dealing with tenant matters, and the life cycle analyses we perform on newly acquired properties.

## Continued high demand for housing in Tier II locations expected in 2023, positive operational growth in 2023

The robustness of our business model lies in our focus on residential real estate in German Tier II locations, especially those in the western German federal states. Recent surveys done by the Federal Institute for Population Research suggest that major German cities lost more inhabitants in 2021 than at any other time over the last 30 years. Surrounding metropolitan areas and smaller cities, effectively many of them Peach locations, benefited from the suburbanization.

We expect the current decline in newly erected housing in Germany to continue through 2023 and beyond due to increases in construction and financing costs. This trend will directly benefit the existing real estate market and our operations. In addition, we expect the demand

for affordable housing in Germany to remain very high in the medium to long term and that new construction in this segment will not be able to meet the rising demand. The anticipated excess demand over the supply of affordable housing should lead to increases in rental charges in the coming years. This trend was already evident in the 2022 financial year, where market rents in many key Peach locations increased more than the Germany-wide average, and by more than we have seen in the past 20 years.

Overall, we are optimistic about the 2023 financial year and anticipate positive operating developments. The focus will remain on optimizing our costs and financial position in the future.

Yours



Reto Garzetti  
Chairman of the Board of Directors



Dr. Thomas Wolfensberger  
Chief Executive Officer

## Peach Property Group reduces vacancy rate and celebrates the official groundbreaking in Wädenswil





**Acquisition of 2 899 apartments:** including 1 247 units around Bielefeld, 1 061 units in Heidenheim, 273 units in Kaiserslautern and Saarbrücken and 213 units in Bochum

**Expansion of tenant communication:** Opening of Peach Points in Heidenheim and Oberhausen, further development of tenant app, launch of tenant internet portal



**Portfolio increases to around 23 200 residential units with a market value of over EUR 2 billion.** Expansion mainly in existing locations through the **acquisition of around 10 800 apartments** in North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate.

A further **5 new Peach Points** were opened.



**Vacancy rate** reduced from 8 % in the previous year, to **6.9 %** in the reporting year.

**Integration** of the portfolio of the approximately **4 300 residential units** acquired in the previous year into own management.

First-ever ESG risk rating by Morningstar Sustainability of 11.5 in the "low" risk category - placing Peach Property in the **top 4 % of all 15 000 plus companies** assessed.

Advancing its sustainability strategy: **more than 2 160 residential refurbishments** carried out in 2022, of which around 810 were energy-related refurbishments.

Groundbreaking in Wädenswil on Lake Zurich in December 2022: **57 exclusive apartments are being built in a sought-after location, of which almost 60 % have been sold or reserved.**

2018

2019

2020

2021

2022

**Portfolio increases to around 13 000 residential units with a market value of over EUR 1 billion**

**Acquisition of 3 672 apartments** in the Ruhr area, Bielefeld and Kaiserslautern as well as a portfolio of **528 apartments** in North Rhine-Westphalia

Transfer of ownership of **421 apartments** in Marl and Kaiserslautern

Opening of three further Peach Points in Nordhessen, Ostwestfalen and Kaiserslautern

**Further expansion of the portfolio to over 27 400 units. Total market value of the existing portfolio increases significantly to over EUR 2.6 billion.**

Regional focus of the 4 300 newly acquired apartments, mainly in the federal state of North Rhine-Westphalia.

Focus on energy efficiency and environment related refurbishment of existing properties as well as improvements in the surroundings, e.g. the opening of an outdoor physical activity pathway ("Trimm Dich Pfad") in Kaiserslautern.





## Portfolio

Peach Property Group is a real estate investor with an investment focus on residential real estate in Germany. Our portfolio consists of high-yielding real estate assets located in Tier II locations within the commuter belt of metropolitan areas. Our operations focus on providing affordable housing, with tenant well-being representing our leading priority.

We achieve this through an emphasis on service delivery, continuous dialogue and communication with tenants, and targeted measures aimed at continuously improving the offered living quality as well as the general state of the surroundings. In Switzerland, we are finalizing our last development property project which is held for trading.

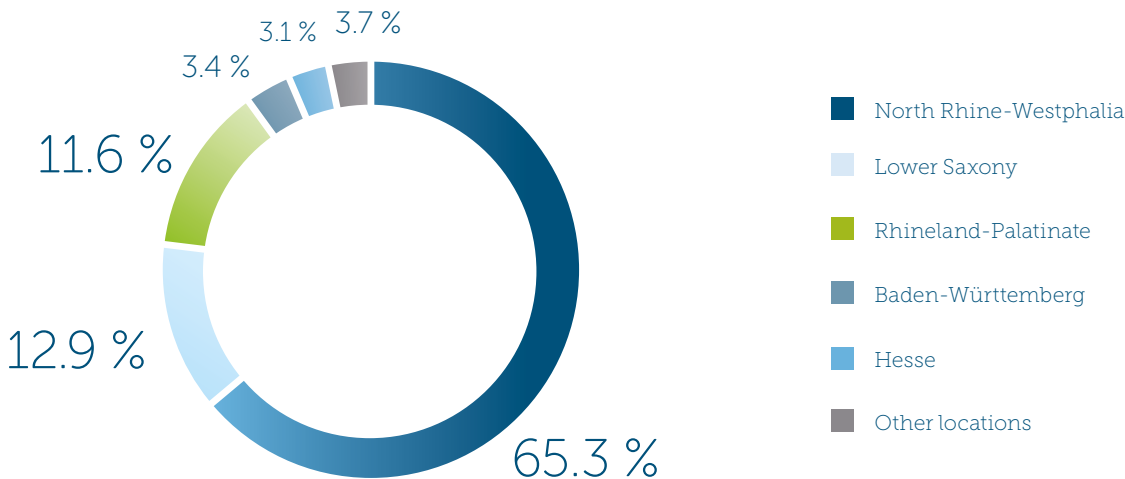
## Investment properties portfolio

Following our strong and sustained growth in recent years, the 2022 financial year is characterized by consolidation efforts. We integrated the approximately 4 300 residential units acquired in the first half-year of 2021 into our management, intensified the revitalization work on vacant properties, and reinforced targeted energy-related renovations. Operationally we optimized processes that again contributed to the improvement in our operating performance.

After acquiring a small property portfolio in Saarbrücken during the second half-year of 2022, our investment properties portfolio grew to more than 27 500 residential units, located across eight German federal states, with a total lettable area of approximately 1.8 million square meters. The market value of our portfolio is EUR 2.6 billion as of the 2022 financial year-end.

The focal point of our real estate investments is the Rhine-Ruhr metropolitan region in North Rhine-Westphalia. We own approximately 15 000 residential units in this economically strong region, which counts multiple highly capitalized German companies among its residents. Other significant locations are the Kaiserslautern/Ludwigshafen, as well as the Helmstedt/Schöningen areas.

Breakdown of residential units by federal state as of December 31, 2022

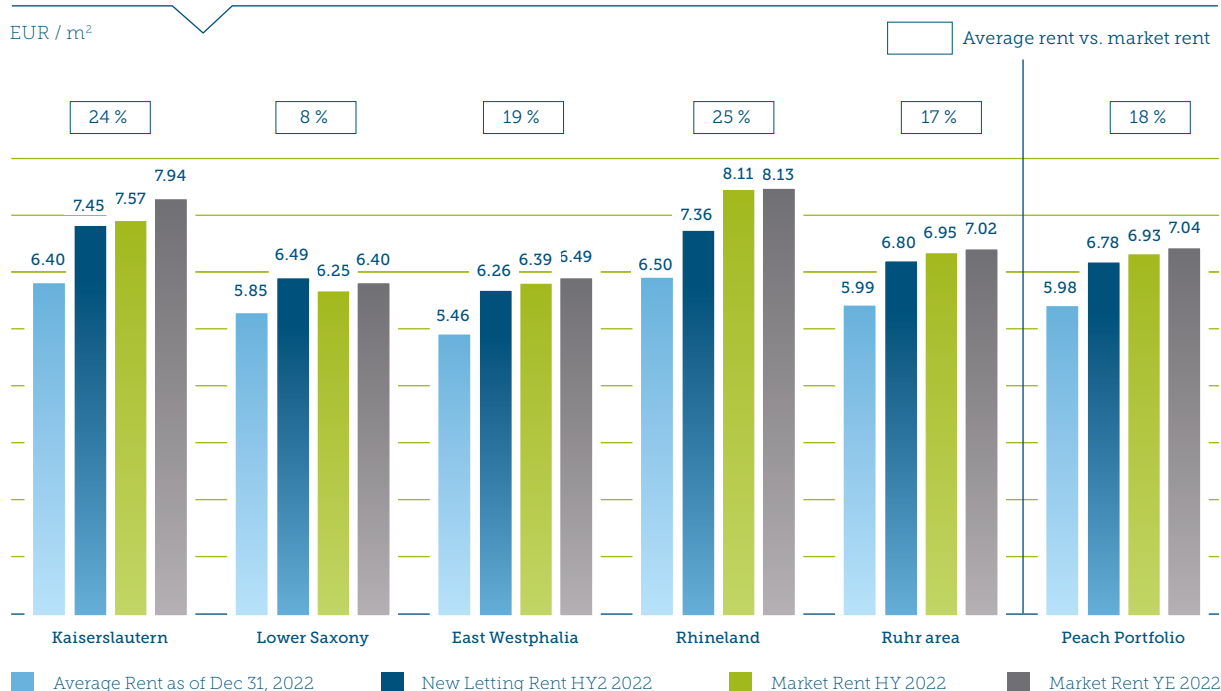




We increased our rental income by 16 percent year-on-year, from EUR 100 million in 2021, to EUR 116 million in 2022. Thereof, around EUR 9 million result from the annualized effect of rental income generated by the approximately 4 300 residential units acquired in June 2021. Measured on a like-for-like basis, rental income before collection losses increased by around 5 percent.

We are convinced about the potential of passing further rental increases in the future. Despite selective rent adjustments in 2022, our charged rents remain below the German average. We expect the noticeable decline in new construction activity in Germany to influence achievable rents in the medium to long term due to demand outweighing supply. When comparing our current, very affordable rents to market rents, we see significant upside potential from our property portfolio.

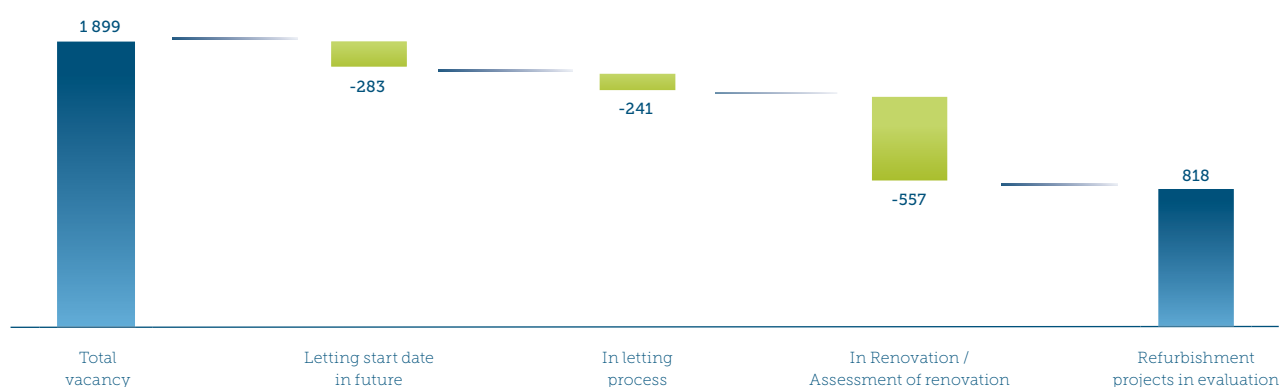
## Rental income potential in core portfolios



With more than 3 600 new rental agreements concluded in 2022, the new rental rate for 2022 was 13.3 percent of the average number of lettable units, almost one percent higher than the rental termination rate of 12.4 percent. The rental termination rate, excluding landlord-initiated terminations, was almost 11 percent.

The termination rate development is further seen in the positive development of vacancy rates. We reduced the number of vacant residential units from 8 percent at the end of the previous year, to 6.9 percent as of year-end 2022. With more rental units occupied, the average letting potential reduced from 11.4 percent in 2021, to 10.6 percent in 2022.

## Number of vacant units as of December 31, 2022



The reduction in vacancies in 2022 was achieved, among other things, through investments made into our portfolio to renovate and modernize rental units and increase their appeal to prospective tenants. In this regard, we capitalized investments of approximately EUR 58 million (previous year EUR 42 million), representing an average investment per square meter of EUR 32.30 and an increase of 27 percent compared to the previous year.

As a real estate Group, we are fully aware of our environmental responsibility to operate a portfolio with energy-efficient rental units of a modern standard – even more so in these current times of rising energy costs. In 2022, we renovated around 2 160 individual rental units, among which around 110 rental units underwent substantial energy-related renovations, such as replacing the windows or the thermal insulation of the walls. We further renewed or renovated around 40 heating systems serving around 700 rental units. These efforts represent the highest number of renovations per annum in our corporate

history. The replacement of heating systems that are based on obsolete technology and the renewal of thermal insulation particularly have positive impacts on the CO<sub>2</sub> intensity of our portfolio. We are increasingly focusing on these two components. Despite a shrinking investment budget, we will continue to invest in the modernization of our rental portfolio in the short- and medium-term and continue our decarbonization journey to reach our decarbonization goals. Our efforts not only relieve the environment but also support our tenants given the current energy markets price developments while creating sustainable values.

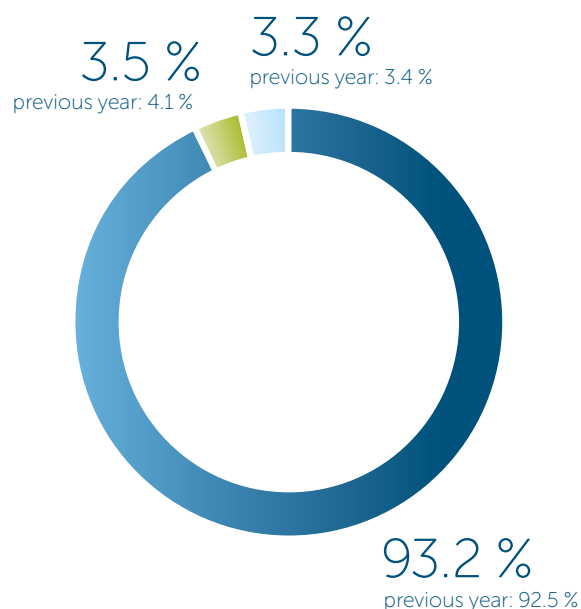
In line with our corporate strategy, which emphasizes a high degree of tenant satisfaction, and we focus on providing our tenants with affordable, attractive housing as an enabler. In previous years we already concluded gas and electricity hedging transactions which reduce the risk of uncontrolled increases in energy costs as a result of Russia's war of aggression. Through our actions drastic ancillary cost increases and unanticipated financial pressure on many of our tenants are avoided.

Direct exchanges with our tenants beyond the usual communication channels, and an active contribution to creating a tenant community, is important to us. To this end we hold regular tenant events or sponsor campaigns. After a longer pandemic-enforced break, we hosted the first such tenant event in Kaiserslautern again in June 2022.



### Rental income by use category as of December 31, 2022

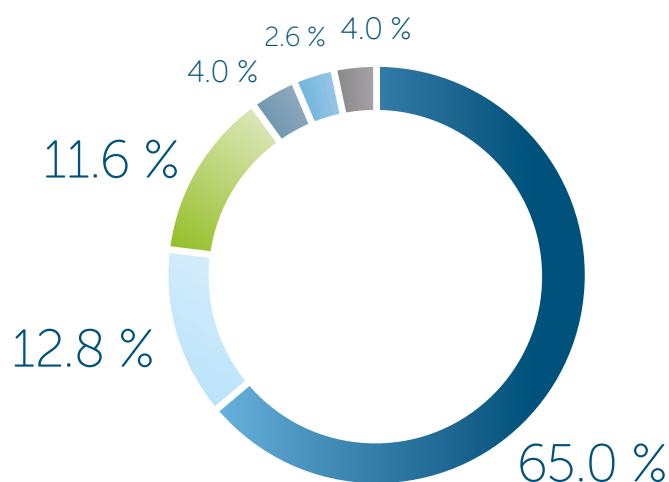
In % of total rental income



- Residential
- Commercial
- Parking & other

### Rental income breakdown by federal state as of December 31, 2022

% Annualized target rental income



- North Rhine-Westphalia
- Lower Saxony
- Rhineland-Palatinate
- Baden-Württemberg
- Hesse
- Other locations

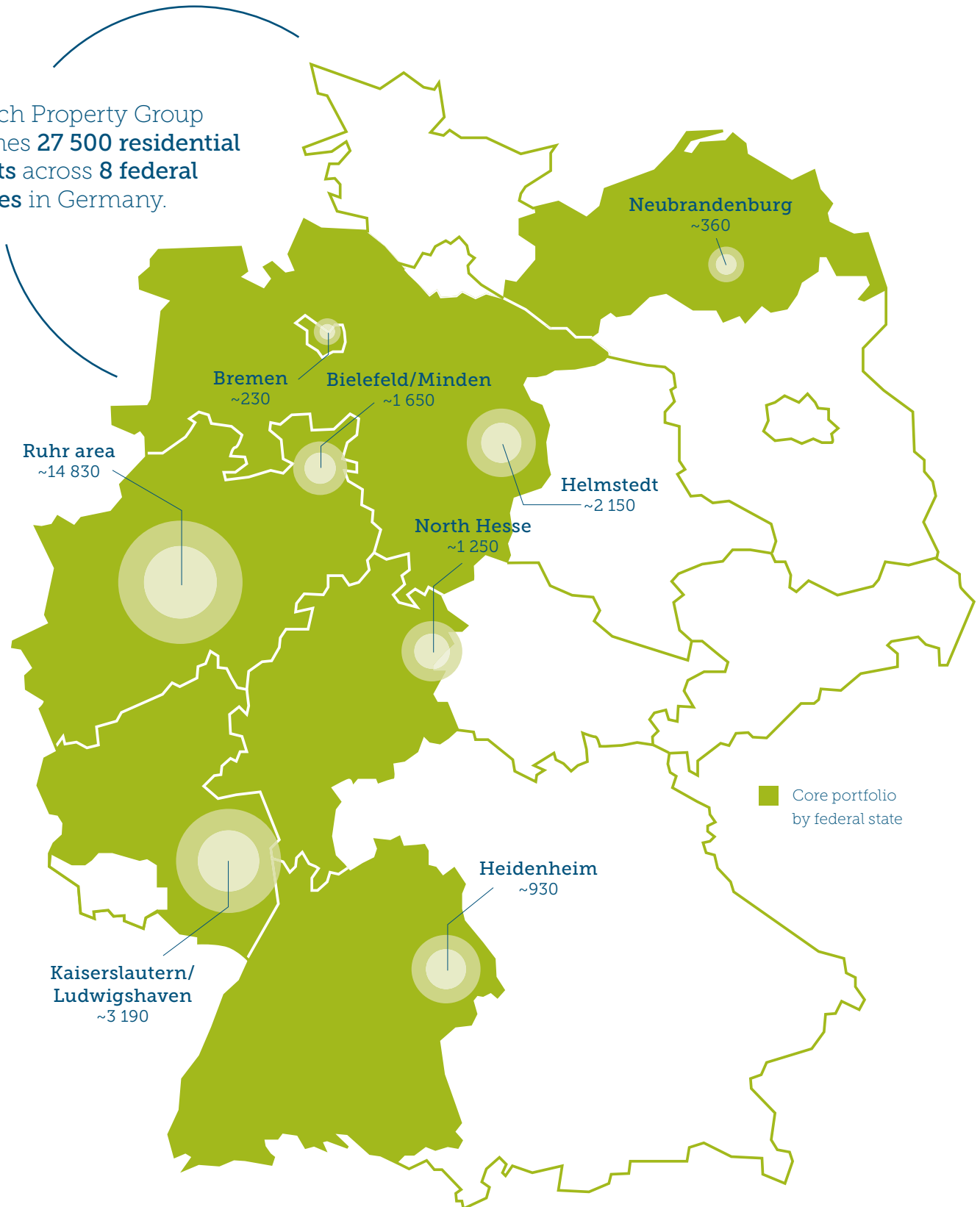
## Portfolio key indicators

	Dec 31, 2022		Dec 31, 2021	
Number of residential units		27 549		27 441
Total rental space in m <sup>2</sup>		1 784 029		1 773 980
thereof residential space in m <sup>2</sup>		1 712 431		1 705 227
thereof commercial space in m <sup>2</sup> (GF DIN 277)		71 598		68 753
Rental income in EUR thousands *		116 497		100 409
Maintenance costs in EUR thousands *		14 879		11 951
Administrative and operating costs in EUR thousands *		8 891		9 824
Vacancy costs in EUR thousands *		6 248		4 838
Target rental income in EUR thousands p.a.		132 996		127 668
Vacant residential units (number of residential units as a percentage of all rental units)	1 899	6.9 %	2 190	8.0 %
Average total rental potential as a percentage of target rental income *		10.6 %		11.4 %
Market value in EUR thousands		2 602 837		2 541 417
Gross rental yield *		4.5 %		4.8 %
Net rental income / cash-flow yield *		2.8 %		3.0 %

\* Previous financial year indications include only six months' results from the acquisitions in June 2021.

## Core portfolios of Peach Property Group

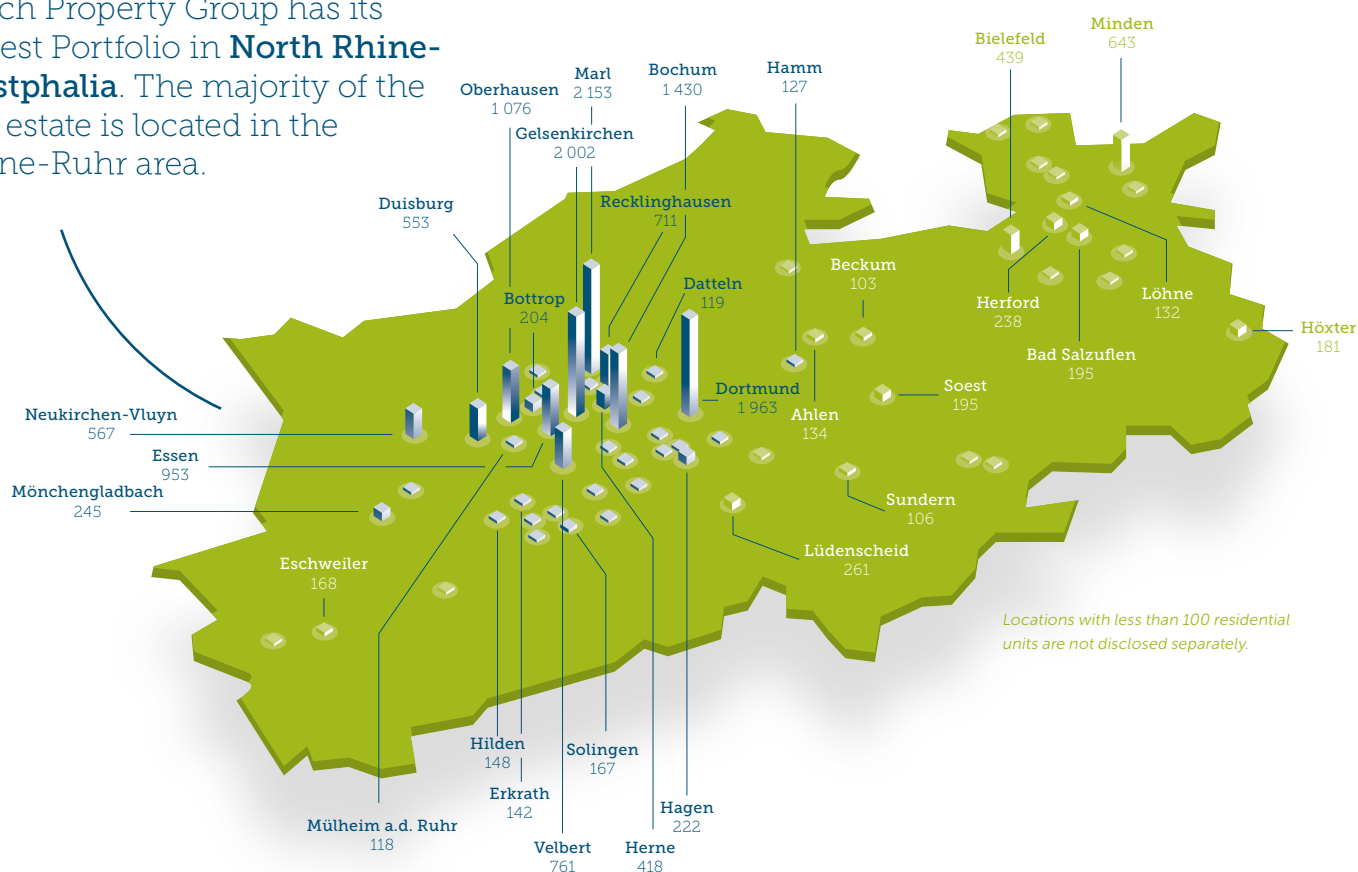
Peach Property Group owns **27 500 residential units** across **8 federal states** in Germany.



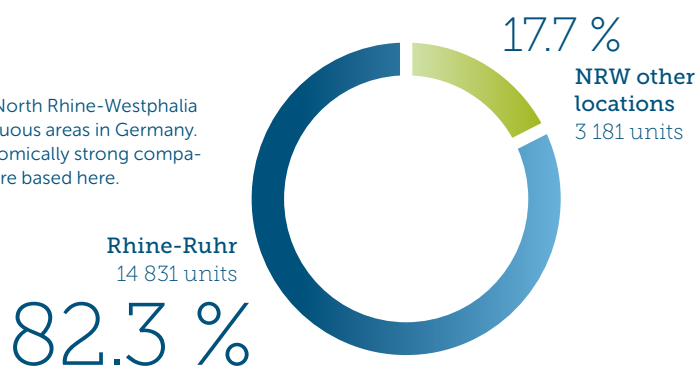




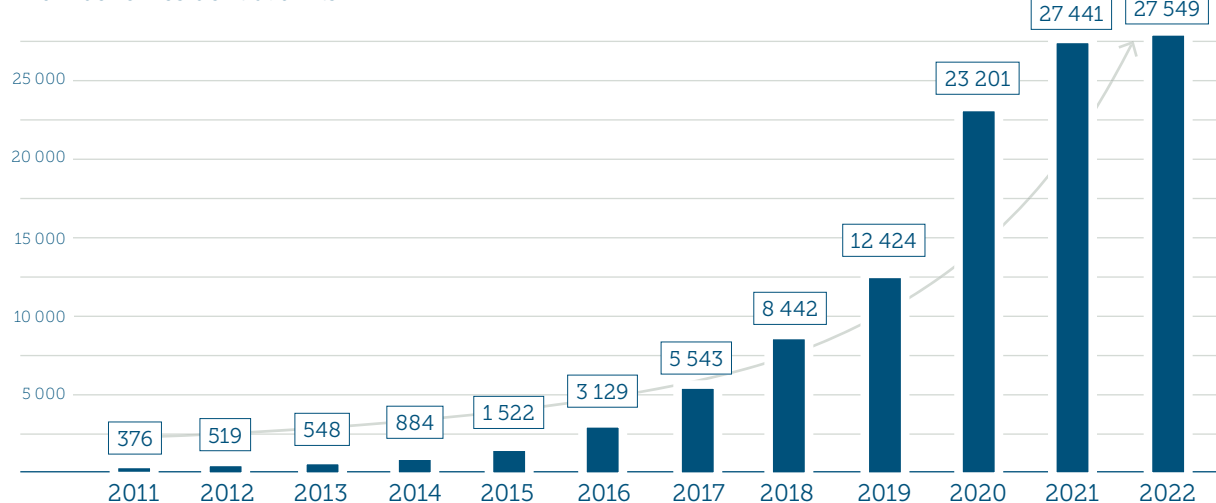
With ~ 18 000 residential units, Peach Property Group has its largest Portfolio in **North Rhine-Westphalia**. The majority of the real estate is located in the Rhine-Ruhr area.



The Rhine-Ruhr area in North Rhine-Westphalia is one of the most populous areas in Germany. A number of large, economically strong companies, listed on the DAX, are based here.

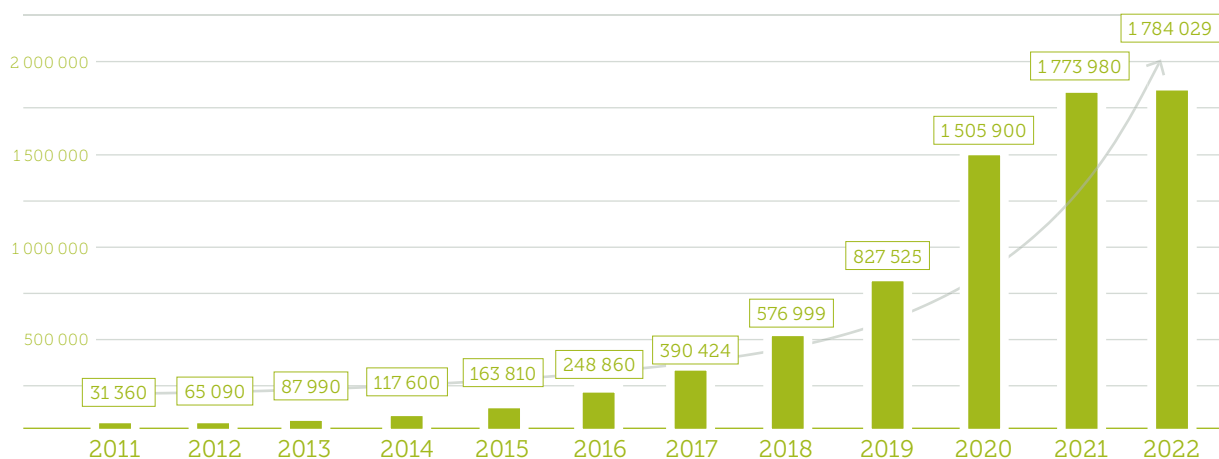


### Number of residential units



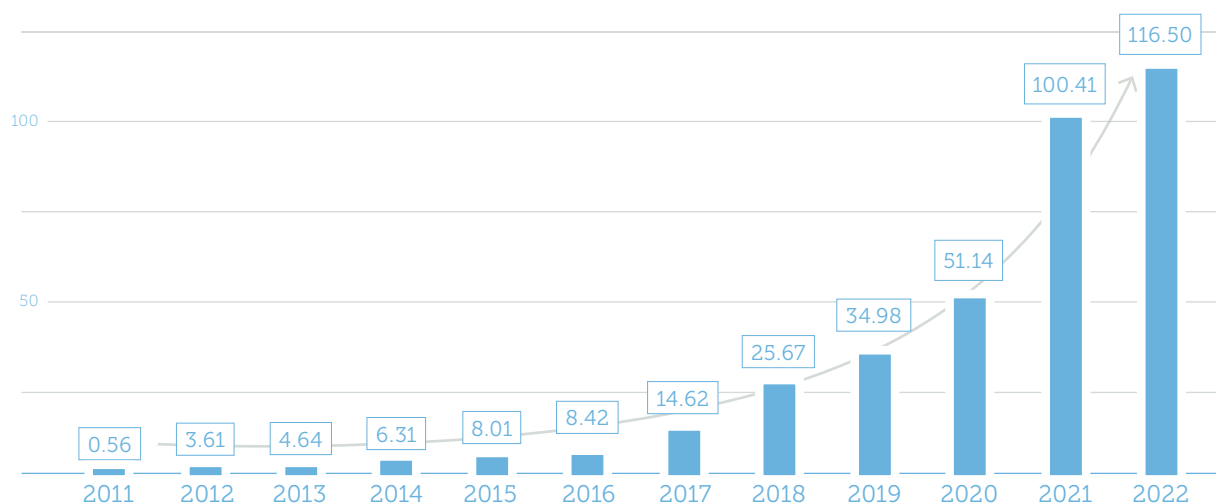
### Total floor space in the real estate portfolio considerably expanded

Total area in m<sup>2</sup>



### Actual rental income increased significantly

Actual rental income in EUR million



## Highlights 2022

# 27 549

Residential units (compared to 27 441 in 2021)

# 1.784 million m<sup>2</sup>

Floor space (compared to 1.774 million m<sup>2</sup> in 2021)

# Portfolio

# EUR 2 663 million

Market value of real estate portfolio  
(+ 1.7% compared to 2021)

# EUR 133.0 million

Annualized rental income (+ 4.2 % compared to 2021)

# 15 93 %

Occupancy rate total portfolio  
(compared to 92 % in 2021)

Peach Points  
(compared to 12 in 2021)

# EUR 116.5 million

Actual rental income (+ 16 % compared to 2021)

# EUR 58 million

Investments eligible for capitalization  
(compared to EUR 42 million in 2021)

# EUR 19.2 million

FFO I (+ 88 % compared to 2021)

# Corporate

# EUR 64.88

EPRA NTA per share  
(compared to EUR 66.40 in 2021)

# 2.6 %

Average interest rate total (compared to 2.8 % in 2021)

# 3.7 years

Average term (compared  
to 3.8 years in 2021)

# 14.2 h

Average response time tenant tickets  
(3.7 h faster than in 2021)

# 78 %

Tenant satisfaction rate  
(compared to 70 % in 2021)

# 2.85 days

Average time to resolve tenant tickets  
(2 days faster than in 2021)

# EUR 1 108 million

Equity (compared to EUR 1 081 million in 2021)

# 39.6 %

Equity ratio IFRS (compared to 40.1 % in 2021)

## **Contacts**

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## **Events**

Publication of annual results 2022:

March 21, 2023

Annual general meeting:

May 24, 2023 in Zurich,

Publication of half-year results 2023:

Wednesday, August 23, 2023

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