

Outlook

In Switzerland, the sound economic growth and robust business trend is expected to continue in 2017.

Construction activity, which remains vigorous despite decreasing demand, will inevitably further accentuate competitive pressure in the real estate market and will result in rising vacancies in commercial buildings, especially, but also in the residential rental market. Allreal expects prices for residential ownership to remain stable, or decrease slightly. Owing to the high investment pressure, no change is expected in the transaction prices for fully-let yield-producing properties. The trend toward lower rents could, therefore, accelerate further.

The competition and pressure on prices and margins in the primary and secondary construction industry will probably increase and make successful business activity very demanding for general contractors.

Allreal enjoys good preconditions for the continuation of successful business activity based on its business model – the combination of a stable-income real estate portfolio with the activity of a project developer and general contractor – and its financial power.

In the year under review, Allreal clearly reduced the loss of income related to the vacancy rate. As several larger rental agreements become effective only in 2017, and only few agreements are up for renewal, the vacancy rate is expected to decrease further.

Optimisation of the real estate portfolio was essentially completed with the divestment of four commercial properties. Allreal expects portfolio growth of over 200 million francs planned for the coming years to be achieved by means of own projects that are profitable across the long term and realised by the Projects & Development division. The first addition to its portfolio – the office building on Schiffbauplatz in Zurich-West – will be carried out in the second half of 2017.

The Projects & Development division is well positioned thanks to experience in project development and its utilisation capacity which is adjusted to the lower project volume. Owing to the low number of development projects under construction, Allreal expects a clearly reduced profit on sales in 2017.

The termination of interest swaps will result in massively lower financial expenses for the current year.

Based on the development emerging in both divisions, Allreal expects its business development to remain stable. Thanks to the optimisation potential offered by financing, the company expects to report operating results for the 2017 financial year of slightly below those of the year under review.