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PHN with Stable Operating Results as at the End of H1 2023

Wednesday, September 13, 2023 - 09:58

PHN Group, thanks to its consistently pursued policy of diversifying its activities, generated in the first half of this year PLN 280.3 million in consolidated sales revenue. Thanks to strict cost control, adjusted EBITDA amounted to PLN 44.2 million.

PHN Group had a successful first half of 2023 in terms of operations. Consolidated rental revenue, a key segment of the business, increased year-on-year by 20%, to PLN 118.3 million, with a result of PLN 68.9 million. Revenue from construction activities amounted to PLN 125.8 million, up by 2% year-on-year. In total, sales revenue generated in the rental, construction services, development and other business segments amounted to PLN 280.3 million as of the end of June this year. The net result from sales amounted to PLN 43.2 million, after a 28% year-on-year increase.

During a period of market shocks, the real estate industry in Poland is showing the first positive signs. Although in the first half of the year, due to high interest rates and thus lower availability of mortgages, one of the driving forces behind our growth, the residential segment, did not deliver optimal results, the diversification of our operations allowed us to achieve stable financial results. I would particularly like to emphasise the dynamic development of the rental segment and the growth in the construction segment, as well as maintenance of PHN Group's strong cost discipline, said **Adam Lesiński**, Member of the Management Board for Finance, Polski Holding Nieruchomości.

The change in the fair value of investment properties, whose value amounted to PLN 3.7 billion, resulted in a write-off of PLN 92.8 million. This was mainly influenced by interest rates in the eurozone, which rose to their highest level in more than 20 years (e.g. the deposit rate to 3.75%) and the strengthening of the zloty against the euro. Of course, the write-off had no impact on the core

business, which is growing significantly faster than inflation.

“The most important thing is the core business, and it has a strong foundation for further growth. The change in capitalisation rates, while unpleasant, is purely accounting in nature and we assume it is temporary. The recent interest rate cuts in Poland by 0.75 basis points to 6% for the benchmark rate, far stronger than the market consensus expected, has resulted in a weakening of the zloty, which will have a positive impact on the future valuation of our properties. Importantly, the market sees a chance for more rate cuts in the next few quarters, which will also have a positive impact on the valuation of our portfolio. This year we forecast for Poland economic growth has been lowered, but next year growth is expected to accelerate and be higher than the EU average. In addition, the interest rate cuts will stimulate the housing market and allow for a significant reduction in debt servicing costs,” explains **Adam Lesiński**, Member of the Management Board for Finance, Polski Holding Nieruchomości.

The PHN Group investment portfolio comprises more than 150 standalone property assets with a market value of approx. PLN 3.7 billion, which makes it one of the industry leaders in Poland. Increased revenue and improved rental performance were recorded in all prospective sub-segments, namely:

- office space – thanks to the signing of new contracts with tenants in Warsaw – INTRACO skyscraper, or Alchemia II in Gdańsk. In addition, space in the SKYSAWA complex was handed over to PKO Bank Polski. Furthermore, another tenant has been secured for INTRACO Prime, which, in the case of both of these prestigious office properties, offers the prospect of further improvement in rental performance later this year, and will be fully reflected in 2024;
- warehousing space – thanks to the expansion of the PHN Pruszków park located in Brwinów near Warsaw, for the needs of DPD Poland, the area occupied by this company increased by nearly 30%, i.e. to about 18,000 sqm. In August, a Castorama store opened in PHN Building and Interior Design Centre in Warsaw. PHN signed a long-term lease agreement with the retail chain.

At the same time, preparatory works are being continued before the start of construction of a logistics complex in Zgorzelec, with a potential of approx. 220,000 sqm. It will be built by a joint venture of PHN and Hillwood, an American developer specialising in the construction and management of commercial real estate.

PHN Group has also remained active in the residential segment. In order to secure revenue in future periods, construction of two residential complexes was continued: in Wrocław – the ŁAN estate, and KOLEJ NA 19 in Warsaw. In August, PHN Group signed a contract with Unibep for the construction of the second phase of Osiedle Olimpijczyk, a housing estate in Łódź in the Polesie district at ul. Janusza Kusocińskiego 119 i 121. The project will provide 132 apartments. PHN Group also plans to launch more projects in Warsaw and Bydgoszcz, among others.

Polski Holding Nieruchomości Group

The Polski Holding Nieruchomości Group is the leading managing investor in the commercial property market in Poland. It is one of the largest companies in the sector in terms of the market value of its portfolio, which includes more than 150 properties and ca. 600 ha of land across the country (e.g. in Warsaw, Poznań, Wrocław and the Tri-City). PHN has long experience both in real estate management and construction project implementation. The company has been listed on the Warsaw Stock Exchange since February 2013.

Contact

Magdalena Kacprzak, Head of the Marketing, Strategy, Investor Relations and PR Office

Mobile: +48 721 000 071; Phone: +48 22 850 91 34; Email: magdalena.kacprzak@phnsa.pl ^[1]

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