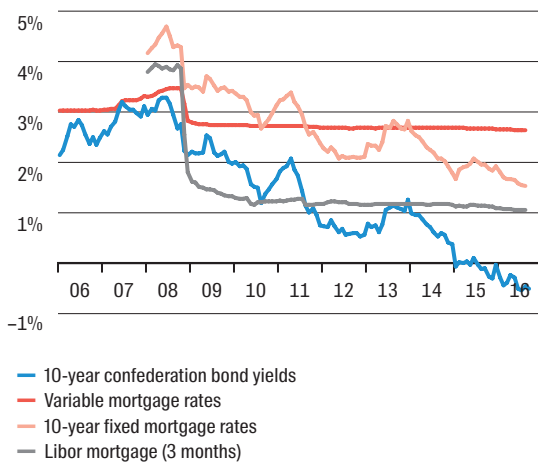


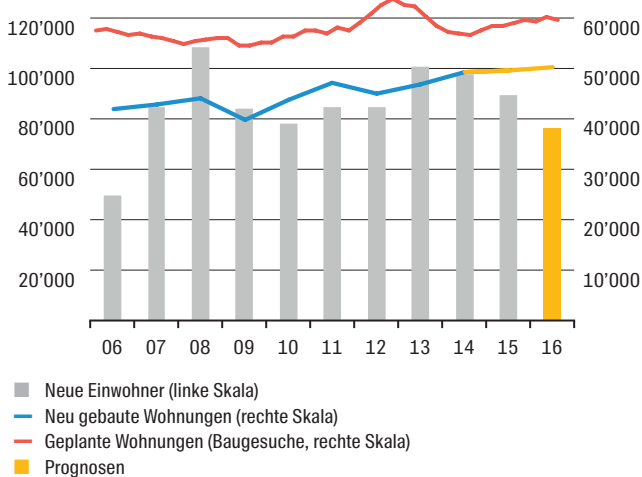
Background

- The economic outlook for 2016 and 2017 is picking up and real GDP should grow by 1 to 2%.
- However, the euro is still weak and the international environment is still characterised by a good deal of uncertainty.
- Employment growth dynamics have weakened in Switzerland, and that has repercussions for net migration. As a result, population growth is slowing.
- Interest rates look set to remain low in 2017. As such, Swiss investors are still facing a number of challenges and will likely continue to focus on real estate projects. A further rise in real estate investment is therefore expected for 2017, especially in apartment buildings (+1.5%).

Confederation bond yields and mortgage rates



Population growth and residential construction activity



Key indicators on the Swiss economy

	2014	2015	2016	2017
Population				
Persons (millions)	8.24	8.33 ⁽¹⁾	8.4 ⁽²⁾	8.5 ⁽²⁾
Annual change	1.2%	1.1% ⁽¹⁾	0.9% ⁽²⁾	0.9% ⁽²⁾
Economy				
Annual change in real GDP	1.9%	0.9%	1.5% ⁽³⁾	1.8% ⁽³⁾
Annual change in employment	1.0%	0.9%	0.2% ⁽³⁾	0.4% ⁽³⁾
Unemployment rate	3.2%	3.3%	3.3% ⁽³⁾	3.3% ⁽³⁾
Consumer confidence index (July each yr.)	-1	-19	-15	-
Annual change in real retail turnover	1.1%	-0.6%	-0.3% ⁽⁴⁾	-
Building construction investment				
Annual change (nominal, new-build & refurb.)	4.3%	-1.7%	-1.2%	±0.0%
Money market				
Annual inflation	0.0%	1.0%	-0.4% ⁽³⁾	0.3% ⁽³⁾
10-year fixed mortgage rate (Aug. each yr.)	2.07%	1.95%	1.53%	-
10-year confederation bonds (Sep. each yr.)	0.59%	-0.10%	-0.52%	-

⁽¹⁾ Provisional; ⁽²⁾ Wüest Partner forecast; ⁽³⁾ SECO forecast Sept. 2016; ⁽⁴⁾ Change between August 2015 and August 2016

Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitoring (summer update 2017 | 1). Discussed topics in the current edition:



- Economic environment
- Residential market outlook
- Commercial market outlook
- Ease of investment index: different levels of investment constraints in Swiss real estate markets
- Residential market: the end of a role model
- Micro location for commercial properties
- Direct and indirect real estate investments
- Construction market and components
- Real estate atlas
- Market and regional data

Learn more about the comprehensive publication on the Swiss real estate market. www.wuestpartner.com/publications

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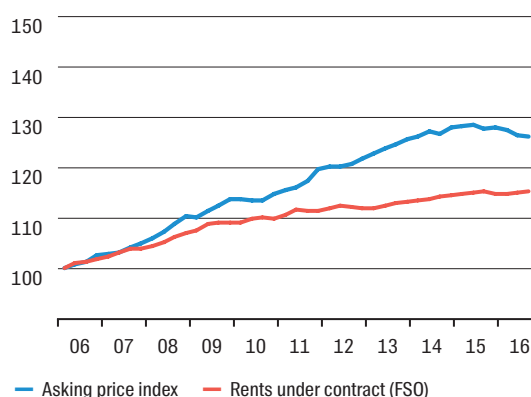
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Residential market

- The large number of construction permits granted in recent months and slowing population growth suggest that the market for rented residential property will increasingly shift in favour of tenants.
- Supply is currently high and 157,900 new properties are available for rent.
- Asking rents dropped by 1.3% between the third quarter of 2015 and the same period of 2016. A similar trend is expected for 2017, with a reduction of 0.7%.
- However, there are still considerable differences between segments. Demand for affordable properties remains high, whereas high-end properties are proving difficult to let.

Development of rents (index 2006 Q1 = 100)

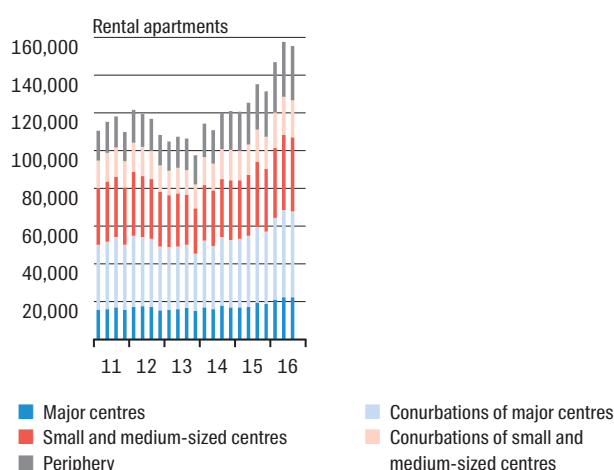


Key indicators for Switzerland

	2014	2015	2016
Rental apartments			
Market value (bn CHF, excl. parking spaces)	786	872	925
Planning applications (bn CHF) ⁽¹⁾	18.1	20.1	20.7
Vacancy rate (June of each year)	1.6%	1.8%	2.0%
Supply rate	5.5%	6.1%	7.1%
Asking price index (year-on-year change)	1.6%	1.0%	-1.3%
Current asking rent (CHF/sqm per year, median)	—	—	200
Marketing duration (days, median, Q2)	29	30	31

⁽¹⁾ Apartments in multi-family houses.
As at Q3 unless otherwise stated

Number of apartments on offer (per quarter)



Key indicators for the major centres

	Apartments (number, 2014)	Planning appl. (m CHF)	Vacancy rate (June 2016)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2015)
Rental apartments								
Zurich	182,300	872.7	0.2%	4.0%	310	620	1.8%	9.3%
Berne	59,600	72.8	0.6%	4.5%	230	400	2.3%	7.9%
Basel	77,900	300.5	0.5%	5.5%	230	390	2.3%	8.4%
Lausanne	60,700	448.5	0.3%	5.7%	280	480	2.5%	8.8%
Geneva	83,400	145.1	0.6%	5.2%	350	640	2.4%	9.4%
Switzerland	2,197,700	20'699.4	2.0%	7.1%	200	—	—	8.4%

As at 2016 Q3 unless otherwise stated

Notes: This market report has been produced by Wüest Partner with due care. It is intended as general guidance only. Reliance should not be placed upon the information, forecasts and opinions set out herein for any purpose whatsoever, and Wüest Partner accepts no liability, whether in negligence or otherwise, arising from such use.

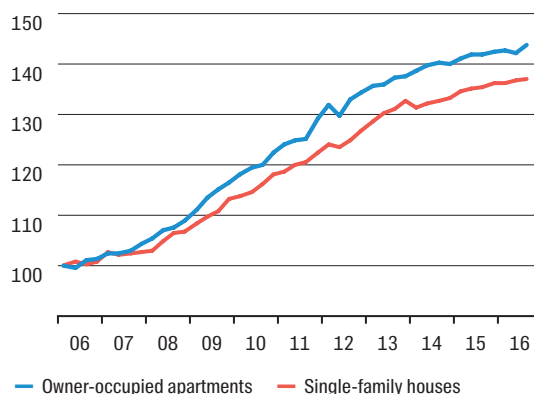
Commercial and residential properties: Asking rents and prime rents in CHF per sqm usable area; prime yields = net initial yields (net earnings/gross purchase price) for fully let prime properties at top locations. **Single-family houses:** Asking prices per house in CHF; transaction and top prices in CHF for an average/upmarket house. **Owner-occupied apartments:** Asking prices (median), transaction and top prices (average/upmarket property) in CHF per sqm usable area. **All market segments:** The supply rate indicates the number of properties/floorspace on offer as a percentage of total stock. The change in the asking price index shows the development of roughly quality adjusted asking prices and asking rents.

Sources: This market survey is based on a broad Wüest Partner data pool. It also draws on the following public sources: Federal Statistical Office (FSO) as well as cantonal and local statistical offices, Baublatt Info-Dienst, KOF Swiss Economic Institute, State Secretariat for Economic Affairs SECO, Swiss National Bank and MSCI.

Owner-occupied market

- The construction of owner-occupied apartments is currently losing momentum. The relatively moderate supply is countered by strong demand.
- Between the third quarter of 2015 and the third quarter of 2016 prices in this segment rose faster (1.4%) than in previous quarters. Wüest Partner anticipates that the increase will be a more modest 0.3% in 2017.
- There is a significant difference in the price trends between top-end and affordable properties. By contrast, regional differences seem to be declining
- Construction of single-family houses remains low although such properties are highly sought-after. However, demand is focused on properties under CHF 1.5 million. Consequently, momentum in the high-end segment is declining. While there is strong demand for detached houses close to large cities, some tourist regions are suffering from a net drop in prices.

Development of asking prices (index 2006 Q1 = 100)

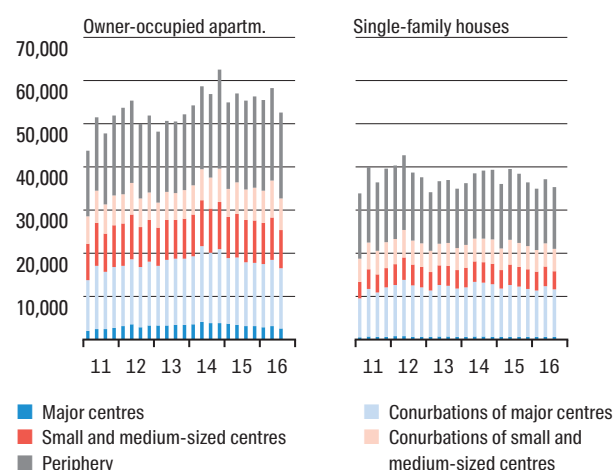


Key indicators for Switzerland

	2014	2015	2016
Owner-occupied apartments			
Market value (bn CHF, excl. parking spaces)	–	–	759 ⁽¹⁾
Supply rate	5.9%	5.6%	5.4%
Vacancy rate (June)	0.5%	0.5%	0.5%
Asking price index (year-on-year change)	2.3%	1.2%	1.4%
Current asking price (CHF/sqm, median)	–	–	6'700
Marketing duration (days, median, Q2)	69	76	71
Single-family houses			
Market value (bn CHF)	–	–	994 ⁽¹⁾
Supply rate	4.1%	3.9%	3.6%
Vacancy rate (June)	0.6%	0.7%	0.7%
Asking price index (year-on-year change)	1.2%	2.0%	1.4%
Asking price (CHF per 6-6.5 room house, median)	–	–	1,150,000
Marketing duration (days, median, Q2)	63	63	65

As at Q3 unless otherwise stated

Number of properties on offer (per quarter)



Key indicators for the major centres

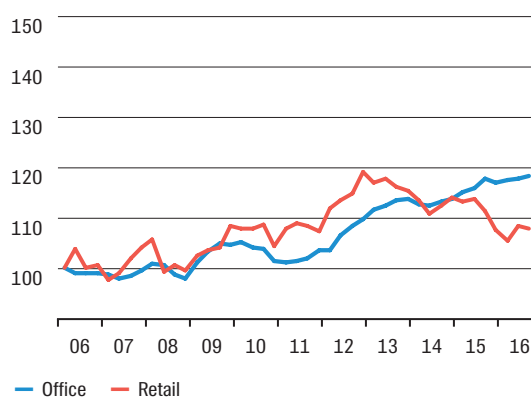
	Properties (number, 2014)	Market value ⁽¹⁾ (mCHF)	Planning appl. (mCHF)	Vacancy rate (June 2016)	Supply rate	Asking price ⁽²⁾ (median)	Transaction-price ⁽²⁾	Top price ⁽²⁾
Owner-occupied								
Zurich	24,700	31,520	872.7	0.2%	2.1%	11'280	12,430	26,400
Berne	11,700	9,310	72.8	0.0%	1.2%	6'590	7,650	14,800
Basel	14,900	14,310	300.5	0.0%	1.9%	8'250	9,200	15,300
Lausanne	11,100	11,440	448.5	0.1%	5.6%	9'100	10,120	21,500
Geneva	21,200	28,710	145.1	0.2%	4.9%	11'710	13,150	30,900
Switzerland	982,200	759,110	20'699.4	0.5%	5.4%	6'700	6,800	–
Single-family houses								
Zurich	8,800	18,960	9.6	0.2%	0.9%	1,639,210	2,298,000	3,678,000
Berne	3,900	5,400	1.6	0.1%	1.5%	1,085,100	1,476,000	2,328,000
Basel	5,800	10,560	0.0	0.1%	0.7%	1,168,510	1,910,000	2,951,000
Lausanne	2,100	2,960	16.5	0.2%	9.9%	1,237,860	1,494,000	2,443,000
Geneva	800	1,510	0.1	1.3%	16.8%	1,396,560	2,072,000	3,378,000
Switzerland	968,000	994,220	6'227.0	0.7%	3.6%	1,150,000	900,000	–

As at 2016 Q3 unless otherwise stated. –⁽¹⁾ Not comparable with previous year's figure due to methodical adjustments; owner-occupied apartments: Market value excl. parking spaces. –⁽²⁾ owner-occupied apartments: price in CHF/sqm; single-family houses: price in CHF per house.

Commercial market

- The forecast GDP growth in 2017 and stagnating construction of office premises offer a glimmer of hope for owners of such premises. The sharp rise in supply has come to an end.
- Nevertheless, incentives are still frequently offered in this segment, the period for which properties are on the market is continuing to rise (currently 84 days on average) and vacancy levels are high.
- Office rents are relatively stable thanks to an improvement in the quality of supply, but Wüest Partner anticipates a slight decline next year (-0.8%).
- Retail space is still having a tough time. Trends in this segment (on-line shopping, pop-up stores) are a new challenge for owners of such premises, who need to adjust to the changes. A further significant drop in prices (-3.3%) is likely in 2017.

Development of asking rents (index 2006 Q1 = 100)

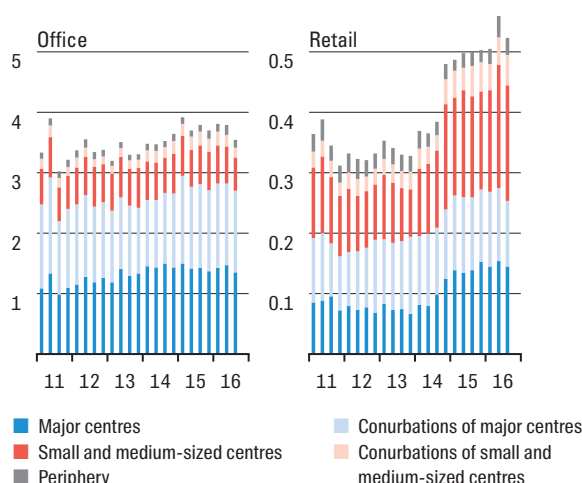


Key indicators for Switzerland

	2014	2015	2016
Office space			
Market value (bn CHF, excl. parking spaces)	249	257	276
Planning applications (bn CHF)	1.9	2.0	1.8
Supply rate	6.6%	7.0%	6.5%
Asking price index (year-on-year change)	-0.3%	4.2%	0.4%
Current asking rent (CHF/sqm and year, median)	—	—	200
Marketing duration (days, median, Q2)	81	76	84
Retail space			
Market value (bn CHF, excl. parking spaces)	145	148	153
Planning applications (bn CHF)	0.3	0.3	0.4
Supply rate	1.1%	1.5%	1.5%
Asking price index (year-on-year change)	-3.2%	-1.0%	-3.1%
Current asking rent (CHF/sqm and year, median)	—	—	220

As at Q3 unless otherwise stated

Commercial space on offer (million sqm per quarter)



Key indicators for the major centres

	Stock (sqm GFA, 2014)	Planning appl. (m CHF)	Vacancy rate (June 2016)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2015)
Office space								
Zurich	9,568,700	224.5	2.6%	6.4%	350	870	2.2%	5.0%
Berne	2,180,100	1.5	4.5%	4.4%	250	480	2.5%	5.4%
Basel	4,482,800	197.9	1.6%	2.7%	240	400	2.9%	4.8%
Lausanne	2,130,700	0.0	2.4%	3.7%	300	490	3.1%	6.1%
Geneva	3,510,700	120.3	4.0%	12.4%	480	880	2.5%	4.2%
Switzerland	54,477,900	1'843.4	—	6.5%	200	—	—	5.0%
Retail space								
Zurich	1,889,400	0.0	0.2%	2.3%	390	9,300	2.2%	6.9%
Berne	985,300	0.0	0.4%	1.5%	350	2,800	2.7%	6.5%
Basel	938,500	2.6	1.5%	2.4%	300	3,200	3.0%	0.7%
Lausanne	480,100	0.8	1.7%	4.3%	310	2,800	3.2%	6.2%
Geneva	650,500	0.0	1.2%	6.6%	440	5,500	2.6%	5.1%
Switzerland	34,064,300	414.2	—	1.5%	220	—	—	5.4%

As at 2016 Q3 unless otherwise stated