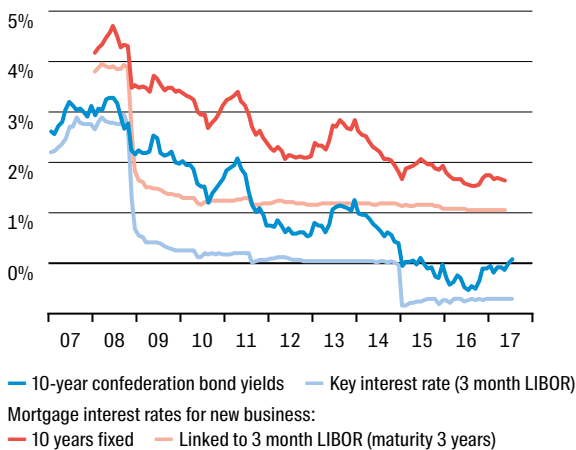


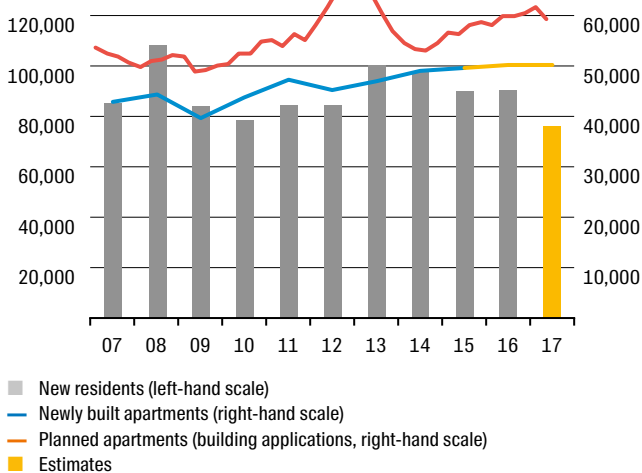
# Background

- The global economy continues to improve, with the economies of many European countries in a better state than previously.
- Recent growth figures for the Swiss economy have tended to be lower than expected. However, it is doing well and stimuli on a number of fronts are likely to boost the economy.
- As employment growth is expected to gather momentum next year, this could invigorate the market for commercial premises.
- Yields on 10-year Swiss government bonds were recently positive; however, the range of investment alternatives remains limited as key rates are not expected to see a substantial rise.
- Both the SPI and indirect real estate investments (WUPIX-A and WUPIX-F) gained in value during the first half of 2017. Gross initial yields on direct investments witnessed a further fall.
- The development of real estate projects remains a favoured strategy on the part of investors.

## Confederation bond yields and mortgage rates



## Population growth and residential construction activity



## Key indicators on the Swiss economy (yellow numbers: forecasts)

	2015	2016	2017	2018
<b>Population</b>				
Persons (millions)	8.33	8.42 <sup>(1)</sup>	8.5 <sup>(2)</sup>	8.6 <sup>(2)</sup>
Annual change	1.1%	1.1% <sup>(1)</sup>	0.9% <sup>(2)</sup>	0.9% <sup>(2)</sup>
<b>Economy</b>				
Annual change in real GDP	0.8%	1.3%	1.4% <sup>(3)</sup>	1.9% <sup>(3)</sup>
Annual change in employment	0.9%	0.3%	0.4% <sup>(3)</sup>	0.6% <sup>(3)</sup>
Unemployment rate	3.2%	3.3%	3.2% <sup>(3)</sup>	3.1% <sup>(3)</sup>
Consumer confidence index (July each yr.)	-19	-15	-3	-
Annual average change in real retail turnover	-0.5%	-1.7%	-0.1% <sup>(4)</sup>	-
<b>Building construction investment</b>				
Annual change (nominal, new-build & refurb.)	1.5%	-0.4%	-0.2% <sup>(3)</sup>	-
<b>Money market</b>				
Annual inflation	-1.1%	-0.4%	0.5% <sup>(3)</sup>	0.2% <sup>(3)</sup>
10-year fixed mortgage rate (May each yr.)	1.97%	1.65%	1.63%	-
10-year confederation bonds (July each yr.)	-0.04%	-0.54%	0.06%	-

<sup>(1)</sup> FSO prov. data - <sup>(2)</sup> Wüest Partner forecast - <sup>(3)</sup> SECO forecast June 2017 - <sup>(4)</sup> Change between January and May 2017

## Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitorings (spring edition 2017|2 and summer update, only in German and French). In addition to current market assessments and comprehensive data, the following special topics are discussed:



- Swiss buildings on the way towards achieving key climate objectives
- Current trends in current housing demand
- Interim uses: an instrument to avoid vacancies?
- Listed buildings: between conservation and progress
- Direct and indirect real estate investments

Learn more about the comprehensive publication on the Swiss real estate market. [www.wuestpartner.com/publications](http://www.wuestpartner.com/publications)

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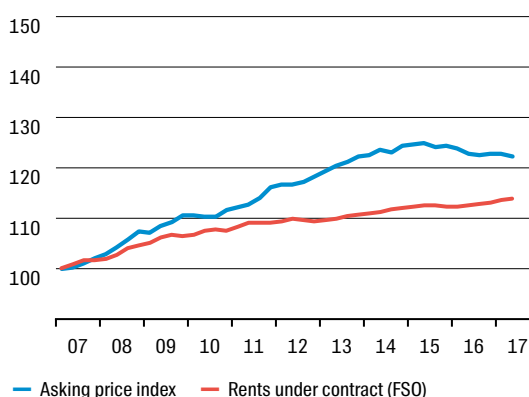
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# Residential market

- The main risk in the market for rented residential property is the growing supply overhang. There is a considerable mismatch between robust construction activities and stagnating demand. In 2017, population growth is likely to drop below 1% for the first time in 10 years, as particularly net inward migration of foreign residents has been declining for two years.
- In light of the number of building permits issued, however, almost 51 000 new units (owner-occupied and rental) could find their way onto the market this year. This means that a surplus of close to 9 000 rented residential properties is likely this year.
- The marketing duration for a rented residential property was 35 days in the first quarter of 2017, similar to the average of 34 days in 2016.
- The supply of rental apartments – which is currently stagnating – will probably increase again. As a result, asking rents could decline by around 0.9% this year.

Development of rents (index 2007 Q1 = 100)

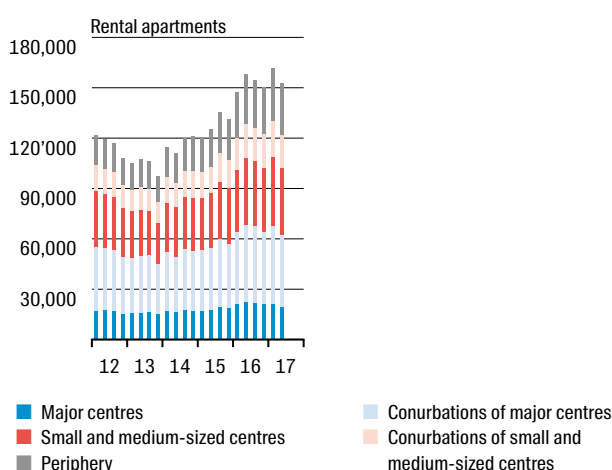


## Key indicators for Switzerland

	2015	2016	2017
<b>Rental apartments</b>			
Market value (bn CHF, excl. parking spaces)	–	–	1,010
Planning applications (bn CHF) <sup>(1)</sup>	19.1	20.5	20.0
Vacancy rate (June of each year)	1.8%	2.0%	–
Supply rate	5.7%	7.1%	6.8%
Asking price index (year-on-year change in rents)	1.1%	-1.6%	-0.5%
Current asking rent (CHF/sqm per year, median)	–	–	190
Marketing duration (days, median, Q1)	30	31	35

<sup>(1)</sup> Apartments in multi-family houses.  
As at Q2 unless otherwise stated

Number of apartments on offer (per quarter)



## Key indicators for the major centres

	Apartments (number, 2015)	Planning appl. (m CHF)	Vacancy rate (June 2016)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2016)
<b>Rental apartments</b>								
Zurich	184,700	975.3	0.2%	3.8%	320	660	1.7%	8.6%
Berne	59,900	133.5	0.6%	4.7%	230	400	2.2%	8.3%
Basel	78,400	138.6	0.5%	4.9%	230	400	2.2%	8.5%
Lausanne	61,200	211.3	0.3%	4.5%	280	460	2.5%	8.5%
Geneva	84,100	164.1	0.6%	3.7%	360	630	2.4%	9.1%
Switzerland	2,234,500	20,004.1	2.0%	6.8%	190	–	–	8.2%

As at 2017 Q2 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.

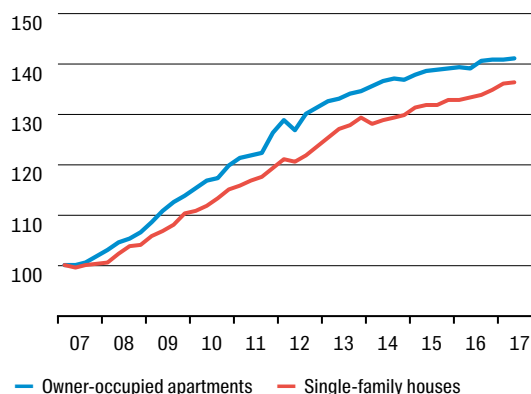
**Commercial and residential properties:** Asking rents and prime rents in CHF per sqm usable area; prime yields = net initial yields (net earnings/gross purchase price) for fully let prime properties at top locations. **Single-family houses:** Asking prices per house in CHF; transaction and top prices 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

- Prices of owner-occupied apartments increased between mid-2016 and mid-2017. Even the transaction prices of the most expensive properties, which had fallen by over 11% in 2016, stabilised in the first half of 2017.
- This development can be attributed to the level of supply, which has dropped by 18% over the last 12 months. With 50 000 units available for sale this quarter, supply is at its lowest level since 2013. The construction of owner-occupied apartments is likely to increase again.
- Currently it takes two months on average to sell an owner-occupied apartment, ten days less than a year ago.
- The transaction price for an average single-family home increased by 2.6% in the first half of 2017. Even in the high-end segment, which had witnessed a downturn in 2016, prices rose by 2.3%.
- The supply of individual homes remains low, while demand is consistently high. This situation is not expected to change any time soon.

Development of asking prices (index 2007 Q1 = 100)

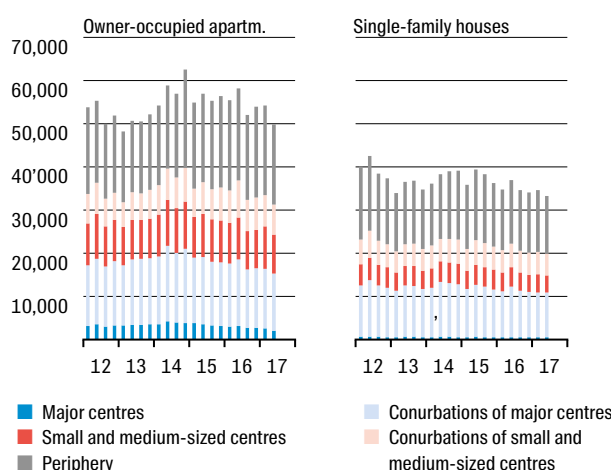


## Key indicators for Switzerland

	2015	2016	2017
<b>Owner-occupied apartments</b>			
Market value (bn CHF, excl. parking spaces)	—	—	792
Supply rate	5.8%	5.9%	5.0%
Vacancy rate (June)	0.5%	0.5%	—
Asking price index (year-on-year change)	1.6%	0.3%	1.5%
Current asking price (CHF/sqm, median)	—	—	6,690
Marketing duration (days, median, Q1)	71	71	60
<b>Single-family houses</b>			
Market value (bn CHF)	—	—	1,067
Supply rate	4.1%	3.8%	3.4%
Vacancy rate (June)	0.7%	0.7%	—
Asking price index (year-on-year change)	2.2%	1.2%	2.2%
Asking price (CHF per 6-6.5 room house, median)	—	—	1,095,000
Marketing duration (days, median, Q1)	70	77	58

As at Q2 unless otherwise stated

Number of properties on offer (per quarter)



## Key indicators for the major centres

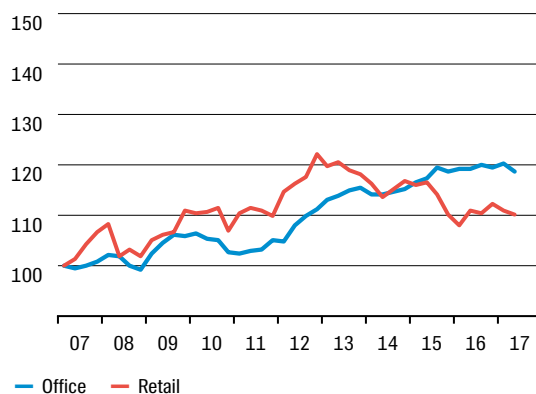
	Properties (2015)	Market value <sup>(1)</sup> (m CHF)	Planning appl. (m CHF)	Vacancy rate (June 2016)	Supply rate	Asking price <sup>(2)</sup> (median)	Transaction price <sup>(2)</sup>	Top price <sup>(2)</sup>
<b>Owner-occupied</b>								
Zurich	24,900	33,510	975.3	0.2%	1.4%	11,800	12,770	26,000
Berne	11,700	9,510	133.5	0.0%	0.9%	6,880	7,580	14,200
Basel	14,900	15,170	138.6	0.0%	1.2%	8,550	9,450	15,100
Lausanne	11,200	12,280	211.3	0.1%	3.9%	9,260	10,550	21,500
Geneva	21,300	30,550	164.1	0.2%	3.9%	11,530	13,590	30,600
Switzerland	993,000	792,440	20,004.1	0.5%	5.0%	6,690	6,800	—
<b>Single-family houses</b>								
Zurich	8,900	20,600	10.3	0.2%	0.8%	1,636,250	2,405,000	3,694,000
Berne	3,900	5,980	0.5	0.1%	1.0%	1,092,320	1,587,000	2,389,000
Basel	5,900	10,930	1.8	0.1%	1.0%	1,221,700	1,909,000	2,886,000
Lausanne	2,100	3,160	11.9	0.2%	8.8%	1,304,730	1,534,000	2,417,000
Geneva	800	1,570	1.8	1.3%	8.9%	1,395,770	2,076,000	3,244,000
Switzerland	975,500	1,067,170	5,954.6	0.7%	3.4%	1,095,000	900,000	—

As at 2017 Q2 unless otherwise stated. — <sup>(1)</sup> Not comparable with previous year, s figure due to methodical adjustments; owner-occupied apartments: Market value excl. parking spaces. — <sup>(2)</sup> owner-occupied apartments: price in CHF/sqm; single-family houses: price in CHF per house.

# Commercial market

- The number of jobs increased slightly in the tertiary sector. At the same time, the number of new offices coming onto the market has decreased – however, with 3.7 million square metres on offer, the supply of office space remains at a high level.
- In mid-2017, rents for office space in Switzerland were 0.4% lower than in the previous year.
- The situation is particularly difficult in the canton of Geneva, where the demand for office space has declined and where the supply rate amounted to 14% in the second quarter of this year.
- Structural changes continue to aggravate the situation for retail space in 2017. Adjusted for inflation, retail turnover fell by 0.7% between 2016 and 2017. Particularly the non-food segment is hit by declines (-1.4%).
- Rents for retail space thus contracted by 0.7% within a year, however the sharp decline in the Lake Geneva region has come to an end.

Development of asking rents (index 2007 Q1 = 100)



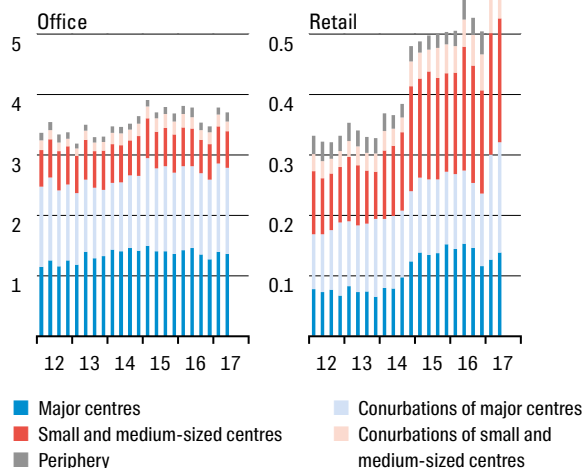
## Key indicators for Switzerland

	2015	2016	2017
<b>Office space</b>			
Market value (bn CHF, excl. parking spaces)	–	–	283
Planning applications (bn CHF)	1.7	2.5	2.6
Supply rate	6.8%	6.9%	6.7%
Asking price index (year-on-year change in rents)	2.9%	1.6%	-0.4%
Current asking rent (CHF/sqm and year, median)	–	–	210
Marketing duration (days, median, Q1)	61	66	66

<b>Retail space</b>			
Market value (bn CHF, excl. parking spaces)	–	–	158
Planning applications (bn CHF)	0.3	0.4	0.4
Supply rate	1.5%	1.6%	1.8%
Asking price index (year-on-year change in rents)	2.5%	-4.7%	-0.7%
Current asking rent (CHF/sqm and year, median)	–	–	240

As at Q2 unless otherwise stated

Commercial space on offer (million sqm per quarter)



## Key indicators for the major centres

	Stock (sqmGFA, 2015)	Planning appl. (m CHF)	Vacancy rate (June 2016)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2016)
<b>Office space</b>								
<b>Zurich</b>	9,671,400	49.3	2.6%	6.3%	350	870	2.4%	5.3%
<b>Berne</b>	2,194,100	41.1	4.5%	3.2%	240	480	2.5%	5.3%
<b>Basel</b>	4,523,200	925.5	1.6%	3.5%	250	340	2.8%	6.1%
<b>Lausanne</b>	2,147,300	90.5	2.4%	3.5%	290	460	3.1%	5.2%
<b>Geneva</b>	3,544,500	5.1	4.0%	12.6%	480	870	2.6%	3.0%
<b>Switzerland</b>	55,123,600	2,606.9	–	6.7%	210	–	–	5.0%
<b>Retail space</b>								
<b>Zurich</b>	1,899,200	12.6	0.2%	1.6%	380	8,800	2.4%	5.6%
<b>Berne</b>	989,600	0.0	0.4%	1.8%	310	2,600	2.9%	6.1%
<b>Basel</b>	940,100	0.0	1.5%	2.2%	280	3,200	3.2%	2.1%
<b>Lausanne</b>	483,800	1.8	1.7%	4.6%	280	2,500	3.3%	6.8%
<b>Geneva</b>	653,700	5.2	1.2%	7.1%	430	5,200	2.8%	3.9%
<b>Switzerland</b>	34,443,400	448.2	–	1.8%	240	–	–	4.7%

As at 2017 Q2 unless otherwise stated