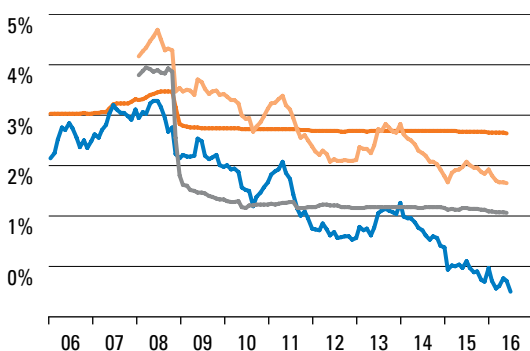


Background

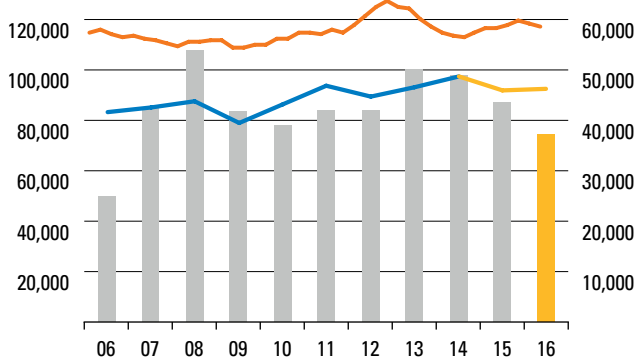
- The Brexit vote has led to a number of new unknowns, which could possibly have repercussions in Switzerland. The Swiss franc has already appreciated against the British pound, and some tourism and export-related sectors could suffer.
- However, the Swiss economy should only be partially impacted by Brexit. Moderate economic growth is anticipated for 2016, with the momentum picking up in 2017.
- The SNB is making an even greater effort to mitigate the strength of the franc, which is exacerbating the downward pressure on interest rates. Relatively safe investments such as Swiss real estate are likely to remain attractive in this situation.
- Low interest rates are also influencing building construction, which is strong in the rented residential sector. Investments in new apartment blocks are set to increase by 1.2% in 2016.

Confederation bond yields and mortgage rates



- 10-year confederation bond yields
- Variable mortgage rates
- 10-year fixed mortgage rates
- Libor mortgage (3 months)

Population growth and residential construction activity



- New residents (left-hand scale)
- Newly built apartments (right-hand scale)
- Planned apartments (building applications, right-hand scale)
- Forecasts

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

	2014	2015	2016	2017
Population				
Persons (millions)	8.24	8.33 ⁽¹⁾	8.4 ⁽²⁾	—
Annual change	1.2%	1.1% ⁽¹⁾	0.9% ⁽²⁾	—
Economy				
Annual change in real GDP	1.9%	0.9%	1.4% ⁽³⁾	1.8% ⁽³⁾
Annual change in employment	1.0%	0.9%	0.4% ⁽³⁾	0.6% ⁽³⁾
Unemployment rate	3.2%	3.3%	3.6% ⁽³⁾	3.5% ⁽³⁾
Consumer confidence index (April)	1	-6	-15	—
Annual change in real retail turnover	1.1%	-0.6%	-1.6% ⁽⁴⁾	—
Building construction investment				
Annual change (nominal)	2.7% ⁽¹⁾	-3.9% ⁽¹⁾	-1.5% ⁽²⁾	—
Money market				
Annual inflation	0.0%	1.0%	-0.4% ⁽³⁾	0.3% ⁽³⁾
10-year fixed mortgage rate (May each yr.)	2.29%	1.97%	1.65%	—
10-year confederation bonds (Jun. each yr.)	0.71%	0.10%	-0.51%	—

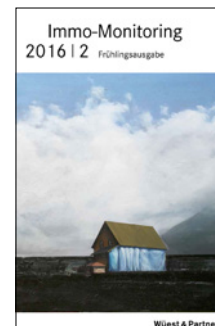
⁽¹⁾ Provisional — ⁽²⁾ Wüest & Partner forecast — ⁽³⁾ SECO forecast, June 2016
⁽⁴⁾ Change between May 2015 and May 2016

Immo-Monitoring

Detailed analyses and forecasts on the Swiss property market can be found in the current Immo-Monitoring (spring edition 2016|2).

For more than 20 years, Wüest & Partner has published the Immo-Monitoring in book format. As of autumn 2014, the Immo-Monitoring is also available as an App. In addition to the main autumn and spring releases (book and digital format), an update on key market developments and a special research study will be published each winter and summer. The Immo-Monitoring is available in German and French.

www.wuestundpartner.com/en/publikationen/immo-monitoring



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.

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.

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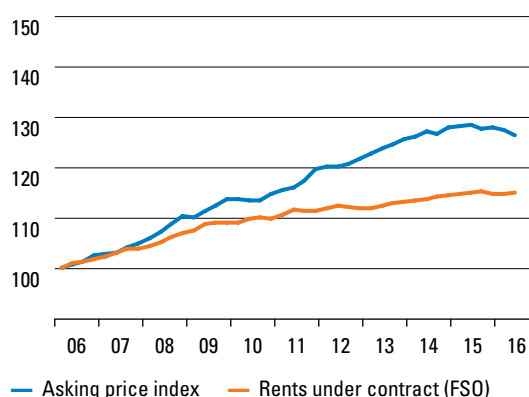
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Residential market

- Asking prices for rented accommodation declined by an average of 1.6% between mid-2015 and mid-2016. For newly built properties coming onto the market, a drop of 3.6% has been registered.
- High construction activity has contributed to a 26% rise in supply in the past twelve months. 158,000 units were available to rent in Switzerland in mid-2016 – the highest level since 1997. The overall supply rate has thus risen to 7.3%.
- While the number of rental apartments on offer has increased, demand has weakened. This is partly due to slower population growth.
- However, affordable properties are increasingly sought after. Additionally, demand still outpaces supply in the major urban areas, as reflected in the below-average supply rate of 4.8%.

Development of rents (index 2006 Q1 = 100)



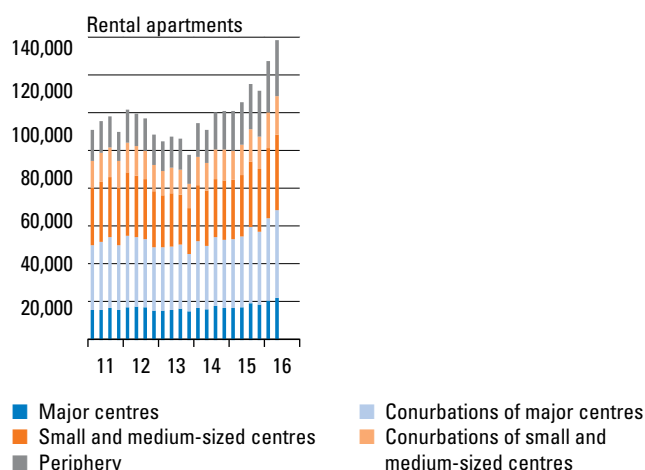
Key indicators for Switzerland

	2014	2015	2016
Rental apartments			
Market value (bn CHF, excl. parking spaces)	793	865	913
Planning applications (bn CHF) ⁽¹⁾	18.4	19.2	19.1
Vacancy rate (June of each year)	1.6%	1.8%	—
Supply rate	5.1%	5.8%	7.3%
Asking price index (year-on-year change)	2.6%	1.1%	-1.6%
Current asking rent (CHF/sqm per year, median)	—	—	200
Marketing duration (days, median, Q1)	30	30	31

⁽¹⁾ 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, 2013)	Planning appl. (m CHF)	Vacancy rate (June 2015)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2015)
Rental apartments								
Zurich	181,300	864.8	0.2%	4.1%	310	600	1.9%	9.3%
Berne	59,200	44.4	0.5%	4.6%	230	410	2.4%	7.9%
Basel	77,500	360.3	0.4%	5.4%	230	400	2.4%	8.4%
Lausanne	60,500	388.9	0.1%	6.3%	280	500	2.6%	8.8%
Geneva	83,100	151.6	0.5%	5.1%	360	670	2.5%	9.4%
Switzerland	2,165,700	19'126.5	1.8%	7.3%	200	—	—	8.4%

As at 2016 Q1 unless otherwise stated

Owner-occupied market

- Momentum in the market for owner-occupied apartments has slowed but remains positive. Prices rose by an average of 0.3% across Switzerland between mid-2015 and mid-2016.
- However, prices for upmarket apartments dropped by a further 5.3% between mid-2015 and mid-2016. By contrast, buoyant demand for affordable owner-occupied apartments has pushed up prices by 5.7% in this market segment.
- As the construction of apartments for the owner-occupied market has slowed, supply is stabilising. The average supply rate for Switzerland is currently 6.0%. In major centres the rate remains below-average at 3.7%.
- Single-family houses registered a rise in both asking prices (+1.2%) and transaction prices (+2.2%) since mid-2015. Prices for basic properties are rising particularly strongly (+7.8%) while those for upmarket properties are falling (-2.1%).

Key indicators for Switzerland

	2013	2014	2015
Owner-occupied apartments			
Market value (bn CHF, excl. parking spaces)			741 ⁽¹⁾
Supply rate	6.1%	5.9%	6.0%
Vacancy rate (June)	0.5%	0.5%	—
Asking price index (year-on-year change)	2.7%	1.6%	0.3%
Current asking price (CHF/sqm, median)	—	—	6'800
Marketing duration (days, median, Q1)	70	71	72
Single-family houses			
Market value (bn CHF)			976 ⁽¹⁾
Supply rate	4.0%	4.1%	3.9%
Vacancy rate (June)	0.6%	0.7%	—
Asking price index (year-on-year change)	1.4%	2.2%	1.2%
Asking price (CHF per 6-6.5 room house, median)	—	—	1,190,000
Marketing duration (days, median, Q1)	70	70	77

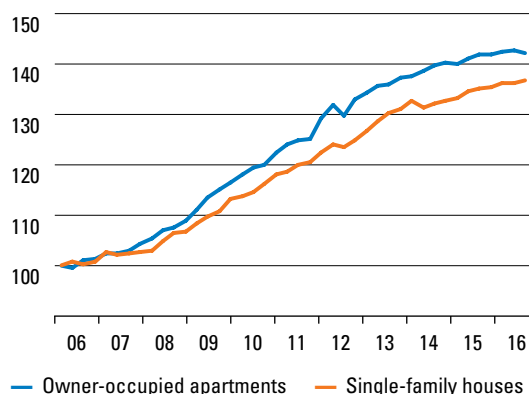
As at Q2 unless otherwise stated

Key indicators for the major centres

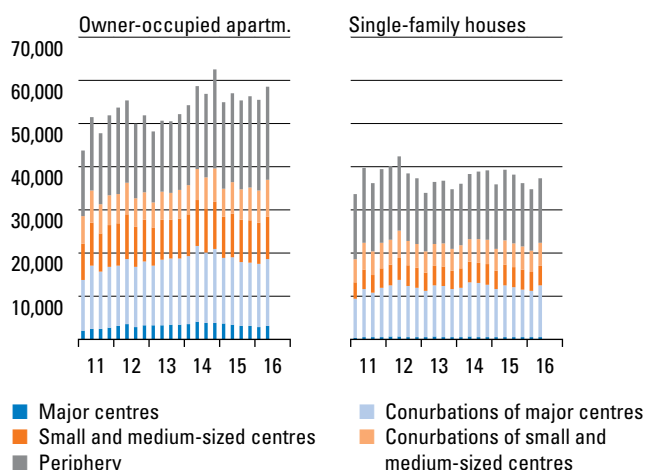
	Properties (number, 2013)	Market value ⁽¹⁾ (m CHF)	Planning appl. (m CHF)	Vacancy rate (June 2015)	Supply rate	Asking price (median) ⁽²⁾	Transaction- price ⁽²⁾	Top price ⁽²⁾
Owner-occupied								
Zurich	24,600	30,530	864.8	0.1%	2.7%	11,260	12,310	27,000
Berne	11,600	9,280	44.4	0.0%	1.4%	6,700	7,790	15,500
Basel	14,800	13,900	360.3	0.0%	2.1%	8,210	9,130	15,600
Lausanne	11,100	11,210	388.9	0.3%	7.6%	9,090	10,110	22,200
Geneva	21,200	28,310	151.6	0.4%	5.4%	11,710	13,240	32,000
Switzerland	971,200	740,730	19'126.5	0.5%	6.0%	6,800	6,800	—
Single-family houses								
Zurich	8,800	18,680	11.5	0.2%	0.9%	1,619,080	2,302,000	3,750,000
Berne	3,900	5,200	1.8	0.2%	1.4%	1,109,650	1,442,000	2,309,000
Basel	5,800	10,420	1.9	0.1%	0.9%	1,180,130	1,918,000	3,008,000
Lausanne	2,100	2,930	17.1	0.4%	11.3%	1,200,660	1,507,000	2,509,000
Geneva	800	1,490	3.6	0.3%	14.6%	1,441,310	2,074,000	3,441,000
Switzerland	960,400	976,190	6,167.5	0.7%	3.9%	1,190,000	900,000	—

As at 2016 Q2 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 per house

Development of asking prices (index 2006 Q1 = 100)



Number of properties on offer (per quarter)

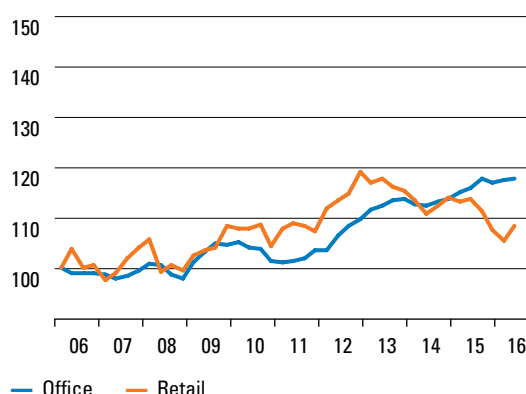


■ Major centres
■ Small and medium-sized centres
■ Periphery
■ Conurbations of major centres
■ Conurbations of small and medium-sized centres

Commercial market

- There is a lack of impetus in the commercial property market. The upturn in employment has not yet materialised.
- Additional pressure on supply seems unlikely to come from the construction of commercial property (forecast: -2.0% in 2016).
- Liquidity in the Swiss office market is high. Some 3.8 million sqm of office space was available at the end of Q2 2016. However, it appears that supply is now stabilising.
- Office rents rose by 1.6% between mid-2015 and mid-2016, mainly due to an improvement in quality and the large number of fully fitted offices that are currently on the market.
- Asking rents in the retail sector are still being squeezed by online retailing and cross-border shopping. This year's steady drop in nominal retail turnover is dampening the ability of retailers to pay for rental space.

Development of asking rents (index 2006 Q1 = 100)

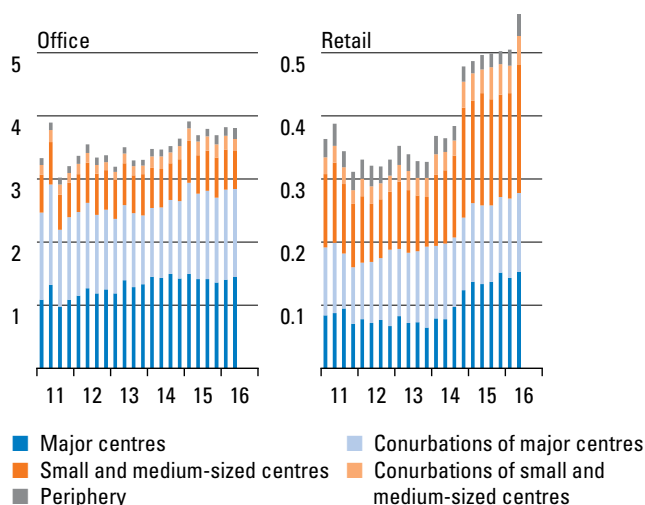


Key indicators for Switzerland

	2013	2014	2015
Office space			
Market value (bn CHF, excl. parking spaces)	249	257	274
Planning applications (bn CHF)	2.0	1.7	2.2
Supply rate	6.5%	6.9%	7.0%
Asking price index (year-on-year change)	0.1%	2.9%	1.6%
Current asking rent (CHF/sqm and year, median)	—	—	200
Marketing duration (days, median, Q1)	70	61	70
Retail space			
Market value (bn CHF, excl. parking spaces)	145	148	152
Planning applications (bn CHF)	0.3	0.3	0.5
Supply rate	1.1%	1.5%	1.7%
Asking price index (year-on-year change)	-5.8%	2.5%	-4.7%
Current asking rent (CHF/sqm and year, median)	—	—	220

As at Q2 unless otherwise stated

Commercial space on offer (million sqm per quarter)



Key indicators for the major centres

	Stock (sqm GFA, 2013)	Planning appl. (m CHF)	Vacancy rate (June 2015)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2015)
Office space								
Zurich	9,444,800	245.5	2.9%	7.0%	350	880	2.3%	5.0%
Berne	2,148,200	2.7	4.1%	4.9%	250	470	2.9%	5.4%
Basel	4,441,100	52.1	1.8%	2.8%	240	420	3.1%	4.8%
Lausanne	2,115,100	99.0	1.8%	4.5%	320	490	3.2%	6.1%
Geneva	3,478,300	120.3	4.1%	13.2%	490	930	2.6%	4.2%
Switzerland	53,733,400	2,183.9	—	7.0%	200	—	—	5.0%
Retail space								
Zurich	1,875,500	0.0	0.4%	2.5%	400	9,300	2.3%	6.9%
Berne	981,900	0.0	0.4%	1.1%	340	3,000	2.9%	6.5%
Basel	936,200	2.6	2.5%	3.2%	300	3,000	3.1%	0.7%
Lausanne	475,000	0.0	2.0%	4.6%	320	3,000	3.3%	6.2%
Geneva	647,300	7.0	1.2%	6.9%	430	5,800	2.6%	5.1%
Switzerland	33,717,400	450.2	—	1.7%	220	—	—	5.4%

As at 2016 Q2 unless otherwise stated