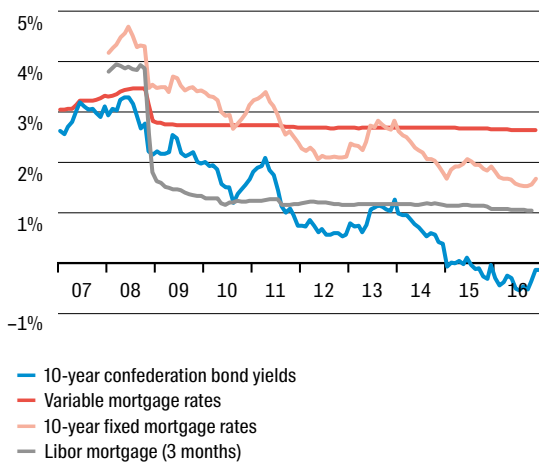


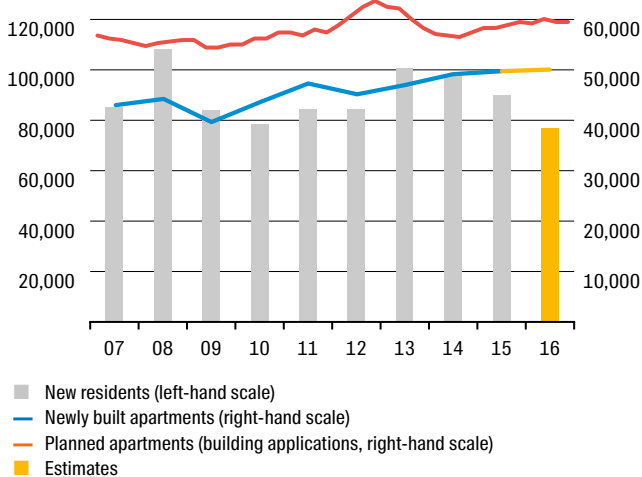
Background

- Despite considerable geopolitical risks, economic fundamentals are rather positive as the new year gets underway. Real GDP should grow again by around 1.5% in 2017.
- The unemployment rate was 3.3% in December 2016. The strong Swiss franc is squeezing job creation. However, the number of full-time equivalents should increase by 0.5% this year, generating a little impetus on the property markets.
- Despite slight increases, interest rates remain very low at present. Moreover, the stock market remains volatile. Consequently, real estate investments have retained their appeal and pressure on gross initial yields is reaching record levels.
- Despite the heightened risk of vacancies, interest in developing real estate projects is buoyant. A large number of rented residential properties have been built while commercial premises – particularly retail – tend to receive less attention.

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	8.4 ⁽¹⁾	8.5 ⁽¹⁾
Annual change	1.2%	1.1%	0.9% ⁽¹⁾	0.9% ⁽¹⁾
Economy				
Annual change in real GDP	1.9%	0.9%	1.5% ⁽²⁾	1.8% ⁽²⁾
Annual change in employment	1.0%	0.9%	0.1% ⁽²⁾	0.4% ⁽²⁾
Unemployment rate	3.2%	3.2%	3.3%	3.2% ⁽²⁾
Consumer confidence index (Oct. each yr.)	-11	-18	-13	-
Annual change in real retail turnover	1.1%	-0.6%	-1.5%	-
Building construction investment				
Annual change (nominal, new-build & refurb.)	4.3%	-1.7%	-1.2%	±0.0%
Money market				
Annual inflation	±0.0%	-1.1%	-0.4%	±0.0% ⁽²⁾
10-year fixed mortgage rate (Nov. each yr.)	1.92%	1.84%	1.68%	-
10-year confederation bonds (Dec. each yr.)	0.38%	-0.04%	-0.14%	-

⁽¹⁾ Wüest Partner forecast; ⁽²⁾ SECO forecast Dec. 2016.

Immo-Monitoring

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



- 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
- Moving patterns: more fluctuation in the Swiss residential market
- 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

Wüest Partner AG
Alte Börse, Bleicherweg 5
CH-8001 Zürich

Rue du Stand 60-62
CH-1204 Genève

Münzgraben 6
CH-3011 Bern

www.wuestpartner.com

W&P Immobilienberatung GmbH
Am Salzhaus 2
D-60311 Frankfurt am Main

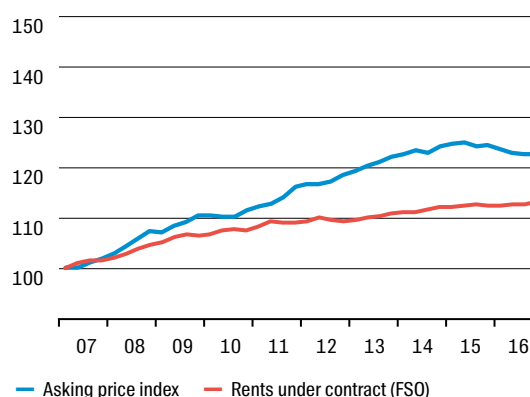
Neue Schönhauser Straße 20
D-10178 Berlin

www.wuestpartner.com/int

Residential market

- For tenants, the residential market is generally favourable. Asking rents dropped by 1.3% last year. The fall in rents could continue in 2017; the projected decrease comes to -0.7%.
- Supply has increased by 54% since the end of 2013 and is increasingly spread across the whole of Switzerland. Even the major employment areas are experiencing a rise in supply. The increase is particularly pronounced in certain regions (the towns in the canton of Valais, the Thal region, Olten, Mutschellen or the cantons of Aargau and Solothurn).
- Numerous new properties have been built, despite a slight contraction during the fourth quarter of 2016. Consequently, owners still face considerable risks of vacancy and difficulties in letting their properties.
- A possible reduction in the reference interest rate could trigger a decline in rents under existing rental contracts.

Development of rents (index 2007 Q1 = 100)



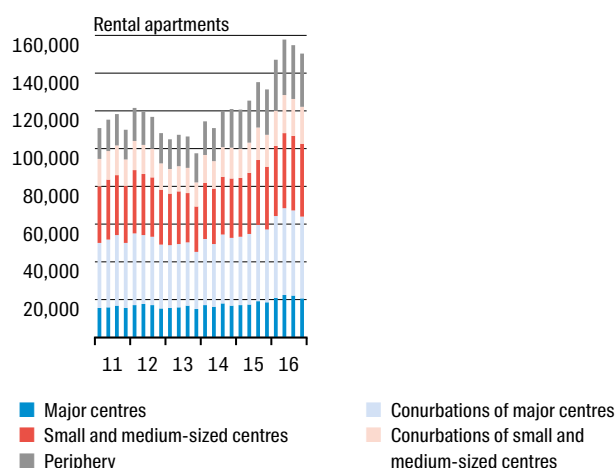
Key indicators for Switzerland

	2014	2015	2016
Rental apartments			
Market value (bn CHF, excl. parking spaces, Q3)	—	—	925
Planning applications (bn CHF) ⁽¹⁾	18.8	20.2	20.6
Vacancy rate (June of each year)	1.6%	1.8%	2.0%
Supply rate	5.6%	6.0%	6.8%
Asking price index (year-on-year change)	1.8%	0.0%	-1.3%
Current asking rent (CHF/sqm per year, median)			200
Marketing duration (days, median, Q3)	29	31	36

⁽¹⁾ Apartments in multi-family houses.

As at Q4 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	1,047.9	0.2%	3.8%	310	640	1.8%	9.3%
Berne	59,600	57.8	0.6%	4.1%	230	380	2.3%	7.9%
Basel	77,900	238.0	0.5%	5.1%	230	390	2.3%	8.4%
Lausanne	60,700	355.2	0.3%	5.0%	280	460	2.5%	8.8%
Geneva	83,400	125.3	0.6%	5.3%	350	620	2.4%	9.4%
Switzerland	2,197,700	20,639.4	2.0%	6.8%	200	—	—	8.4%

As at 2016 Q4 unless otherwise stated

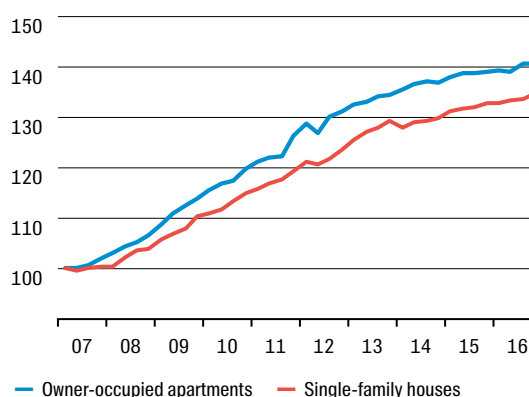
Notes: This market report has been produced by Wüest Partner with due care. It is intended as general guidance only. Reliance should not be placed upon the information, forecasts and opinions set out herein for any purpose whatsoever, and Wüest Partner accepts no liability, whether in negligence or otherwise,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

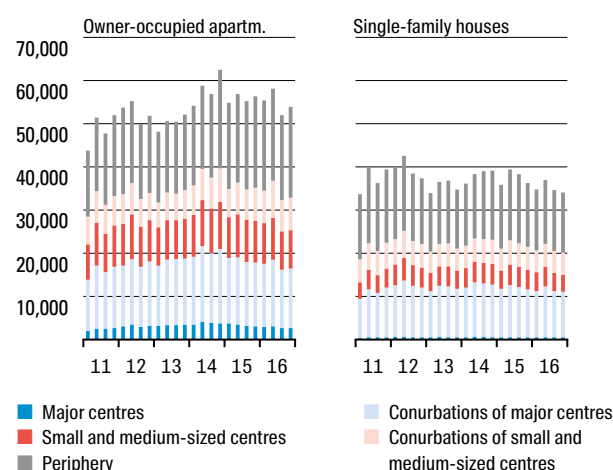
Owner-occupied market

- The number of owner-occupied properties for sale has been stable since 2014, but with a supply rate of 5.5% the market is still liquid.
- The supply of owner-occupied properties is increasingly concentrated on specific locations – most notably the tourist regions, the French-speaking part of Switzerland and Ticino.
- Asking prices for owner-occupied apartments rose by 1.2% last year. However, the transaction prices for the most expensive properties – which few buyers can afford in the current climate – fell by 11% while modest properties are becoming more expensive.
- The prices of owner-occupied properties could increase by 0.3% this year, while supply is expected to contract somewhat in 2017.
- The prices of single-family houses rose in 2016 and a slight increase of 0.6% is expected in 2017. However, demand is concentrated on moderately priced properties and certain locations. Tourist regions are losing ground, with prices dropping by 8% last year.

Development of asking prices (index 2007 Q1 = 100)

Key indicators for Switzerland

	2014	2015	2016
Owner-occupied apartments			
Market value (bn CHF, excl. parking spaces, Q3)	–	–	759
Supply rate	6.5%	5.7%	5.5%
Vacancy rate (June)	0.5%	0.5%	0.5%
Asking price index (year-on-year change)	1.8%	1.6%	1.2%
Current asking price (CHF/sqm, median)	–	–	6,610
Marketing duration (days, median, Q3)	83	84	83
Single-family houses			
Market value (bn CHF, Q3)	–	–	994
Supply rate	4.1%	3.7%	3.5%
Vacancy rate (June)	0.6%	0.7%	0.7%
Asking price index (year-on-year change)	0.4%	2.3%	1.5%
Asking price (CHF per 6-6.5 room house, median)	–	–	1,067,500
Marketing duration (days, median, Q3)	73	77	75

As at Q4 unless otherwise stated

Number of properties on offer (per quarter)

Key indicators for the major centres

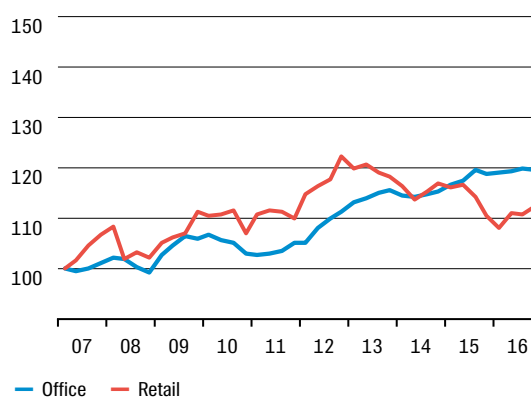
	Properties (number, 2014)	Market value ⁽¹⁾ (mCHF)	Planning appl. (mCHF)	Vacancy rate (June 2016)	Supply rate	Asking price ⁽²⁾ (median)	Transaction- price ⁽²⁾	Top price ⁽²⁾
Owner-occupied								
Zurich	24,700	31,520	1,047.9	0.2%	1.8%	11,350	12,620	25,600
Berne	11,700	9,310	57.8	0.0%	1.1%	6,640	7,630	14,300
Basel	14,900	14,310	238.0	0.0%	1.6%	8,490	9,350	15,000
Lausanne	11,100	11,440	355.2	0.1%	5.5%	9,380	10,160	20,600
Geneva	21,200	28,710	125.3	0.2%	5.4%	11,420	13,450	30,100
Switzerland	982,200	759,110	20,639.4	0.5%	5.5%	6,610	6,800	–
Single-family houses								
Zurich	8,800	18,960	11.0	0.2%	0.6%	1,588,190	2,405,000	3,607,000
Berne	3,900	5,400	1.4	0.1%	1.1%	1,070,520	1,604,000	2,362,000
Basel	5,800	10,560	2.4	0.1%	0.7%	1,184,050	1,932,000	2,891,000
Lausanne	2,100	2,960	15.2	0.2%	10.0%	1,220,440	1,529,000	2,367,000
Geneva	800	1,510	0.1	1.3%	16.2%	1,439,360	2,119,000	3,239,000
Switzerland	968,000	994,220	6,167.5	0.7%	3.5%	1,067,500	900,000	–

 As at 2016 Q4 unless otherwise stated. – ⁽¹⁾ Market value excl. parking spaces, 2016 Q3. – ⁽²⁾ owner-occupied apartments: price in CHF/sqm; single-family houses: price in CHF per house.

Commercial market

- The expected growth in employment should have a somewhat positive impact on demand for office premises.
- Recently the supply of offices has somewhat reduced, which has led to a more stable market equilibrium. However, major construction projects that are underway will increase the available space and this could exert renewed pressure on supply.
- Consequently, owners of offices will still have to work hard to market their premises, including offering rental concessions when letting or re-letting their properties.
- The situation on the market for retail space remains tense. The sector is undergoing a rapid transformation, with online shopping gaining ever more traction.
- When marketing retail space, it is vital to have a usage concept that is adapted to specific target groups. Wüest Partner anticipates that rents will continue to fall this year.

Development of asking rents (index 2007 Q1 = 100)

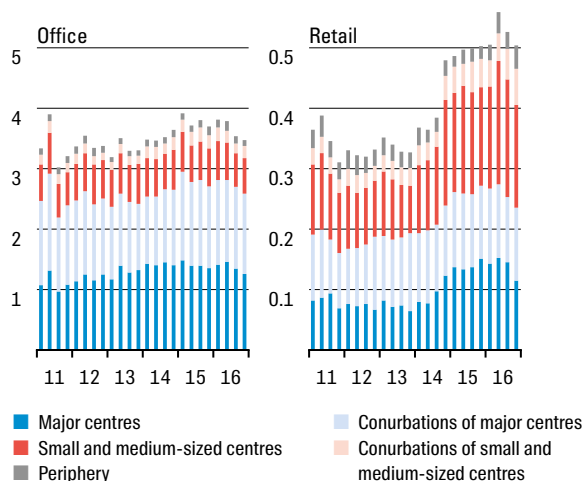


Key indicators for Switzerland

	2014	2015	2016
Office space			
Market value (bn CHF, excl. parking spaces, Q3)	—	—	276
Planning applications (bn CHF)	2.0	2.1	2.2
Supply rate	6.8%	6.8%	6.4%
Asking price index (year-on-year change)	0.0%	2.9%	0.7%
Current asking rent (CHF/sqm and year, median)	—	—	220
Marketing duration (days, median, Q3)	88	91	91
Retail space			
Market value (bn CHF, excl. parking spaces, Q3)	—	—	153
Planning applications (bn CHF)	0.3	0.2	0.5
Supply rate	1.4%	1.5%	1.5%
Asking price index (year-on-year change)	-1.1%	-5.6%	1.8%
Current asking rent (CHF/sqm and year, median)	—	—	220

As at Q4 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	164.7	2.6%	6.0%	350	850	2.3%	5.0%
Berne	2,180,100	1.6	4.5%	3.2%	250	460	2.5%	5.4%
Basel	4,482,800	614.5	1.6%	3.2%	240	370	3.0%	4.8%
Lausanne	2,130,700	2.3	2.4%	3.9%	300	470	3.1%	6.1%
Geneva	3,510,700	5.1	4.0%	11.5%	480	850	2.6%	4.2%
Switzerland	54,477,900	2,200.3	—	6.4%	220	—	—	5.0%
Retail space								
Zurich	1,889,400	6.1	0.2%	1.8%	380	9,000	2.3%	6.9%
Berne	985,300	0.0	0.4%	0.8%	330	2,500	2.8%	6.5%
Basel	938,500	2.6	1.5%	2.0%	290	3,000	3.1%	0.7%
Lausanne	480,100	0.8	1.7%	4.2%	290	2,600	3.3%	6.2%
Geneva	650,500	3.2	1.2%	5.2%	440	5,300	2.8%	5.1%
Switzerland	34,064,300	492.3	—	1.5%	220	—	—	5.4%

As at 2016 Q4 unless otherwise stated