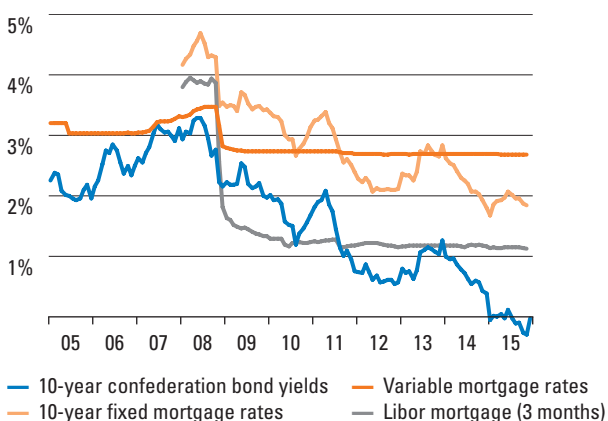


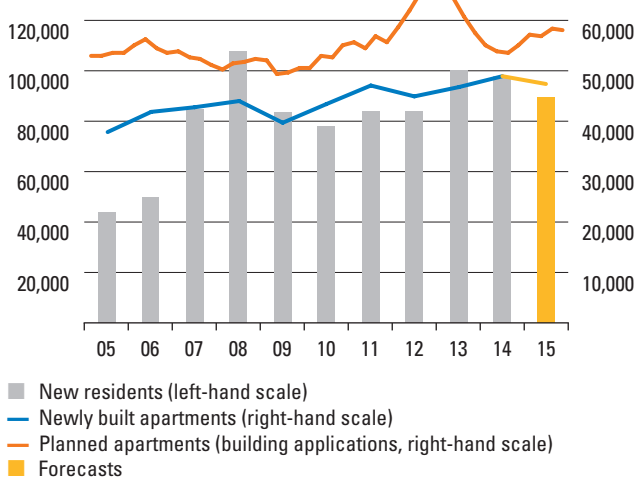
Background

- Switzerland's economic growth is only picking up slowly. Persistently low interest rates and the current turbulence on the stock markets have further increased the appeal of real estate. Investors are thus on the lookout for properties to invest in, although final demand is levelling out after reaching a high level.
- The situation on the labour market is subdued. Adjusted for seasonal fluctuations, unemployment hit 3.4% at the end of 2015 and looks set to rise to 3.6% in 2016. Manufacturing is under pressure across the world.
- With deflationary tendencies still on-going, private consumption is underpinning economic growth.
- Despite the recent slowdowns in growth on the construction markets, current investment remains high in a historical comparison.

Confederation bond yields and mortgage rates



Population growth and residential construction activity



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

	2013	2014	2015	2016
Population				
Persons (millions)	8.14	8.24	8.31 ⁽¹⁾	
Annual change	1.3%	1.2%	1.1% ⁽²⁾	
Economy				
Annual change in real GDP	1.8%	1.9%	0.8% ⁽³⁾	1.5% ⁽³⁾
Annual change in employment	1.0%	1.0%	0.9% ⁽³⁾	0.8% ⁽³⁾
Unemployment rate	3.2%	3.2%	3.3% ⁽³⁾	3.6% ⁽³⁾
Consumer confidence index (Oct. each yr.)	-1	-5	-15	—
Annual change in real retail turnover	1.9%	1.1%	-0.3% ⁽⁴⁾	—
Building construction investment				
Annual change (nominal)	2.3%	2.7%	-3.8%	-0.6%
Money market				
Annual inflation	-0.2%	-0.1%	-1.1% ⁽³⁾	-0.1% ⁽³⁾
10-year fixed mortgage rate (Nov. each yr.)	2.65%	1.92%	1.84%	—
10-year confederation bonds (Dec. each yr.)	1.25%	0.38%	-0.04%	—

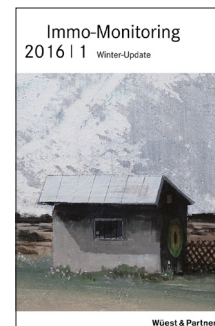
⁽¹⁾ Q3 2015, prov.; ⁽²⁾ Wüest & Partner forecast; ⁽³⁾ SECO forecast, Dec. 2015; ⁽⁴⁾ until Nov. 2015

Immo-Monitoring

Detailed analyses and forecasts on the Swiss property market can be found in the current Immo-Monitoring (winter update 2016 | 1).

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.

Wüest & Partner AG
Alte Börse, Bleicherweg 5
CH-8001 Zurich

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

Rue de la Rôtisserie 1
CH-1204 Geneva

Neue Schönhauser Straße 20
D-10178 Berlin

www.wuestundpartner.com/en/

www.de.wuestundpartner.com/en/

Residential market

- Although demand remains healthy, supply is squeezing prices, with Switzerland's supply rate at 6.1% in Q4 2015.
- Currently, around 131,000 rental properties are being advertised for rent, up 8.8% in the space of a year. Even the major centres of Geneva, Lausanne and Basel – for a long time suffering a shortage – have a supply rate pushing 4.5%.
- Asking rents saw virtually no increase between Q4 2014 and 2015. As a result, the gap in net terms that had been observed in recent years between the trend in asking rents and that in rents under contract has narrowed.
- Thus the figures confirm the slowdown, with the current year set to end with a slight fall in rents (-0.3%).
- Investment in construction looks set to stabilise at a high level in 2016, suggesting that rents will remain under pressure this year.

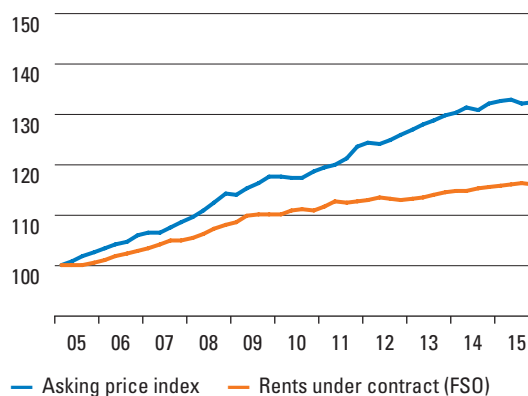
Key indicators for Switzerland

	2013	2014	2015
Rental apartments			
Market value (bn CHF, excl. parking spaces)	787	836	896
Planning applications (bn CHF) ⁽¹⁾	19.0	18.8	19.7
Vacancy rate (June of each year)	1.4%	1.6%	1.8%
Supply rate	4.6%	5.6%	6.1%
Asking price index (year-on-year change)	3.2%	1.8%	0.0%
Current asking rent (CHF/sqm per year, median)			200
Marketing duration (days, median, Q3)	29	29	31

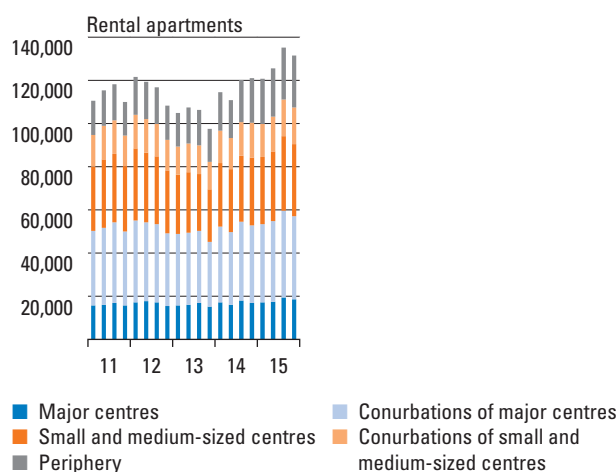
⁽¹⁾ Apartments in multi-family houses.

As at Q4 unless otherwise stated

Development of rents (index 2005 Q1 = 100)



Number of apartments on offer (per quarter)



Key indicators for the major centres

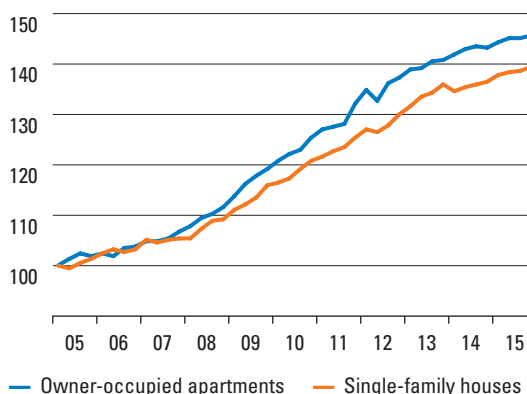
	Apartments (number, 2013)	Planning appl. (m CHF)	Vacancy rate (June 2015)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2014)
Rental apartments								
Zurich	181,300	1,028.7	0.2%	3.5%	310	600	2.0%	6.5%
Berne	59,200	33.1	0.5%	3.7%	230	420	2.5%	5.6%
Basel	77,500	459.4	0.4%	4.7%	230	400	2.5%	5.6%
Lausanne	60,500	221.6	0.1%	4.7%	280	480	2.7%	6.6%
Geneva	83,100	284.8	0.5%	4.4%	360	650	2.6%	5.7%
Switzerland	2,165,700	19,708.0	1.8%	6.1%	200	—	—	6.1%

As at 2015 Q4 unless otherwise stated

Owner-occupied market

- In Q4 2015, prices of owner-occupied apartments in Switzerland rose by 1.6% year-on-year, although this increase fell short of the annual average for 2005 to 2015 (3.8%).
- Although demand for these apartments remains robust, high prices and tougher lending conditions are curbing how much of the supply is being taken up. Buyers are now turning their attention to the more affordable market segment. Prices for upmarket owner-occupied apartments rose more slowly last year than those for small properties (1.5% as against 3.3%).
- Despite the number of available owner-occupied apartments falling at the end of 2015, the supply rate is high (5.8%). Prices are thus expected to stabilise or fall slightly this year.
- As the construction of single-family houses is declining in Switzerland, further price increases are possible in this market segment despite them already being at a high level.

Development of asking prices (index 2005 Q1 = 100)

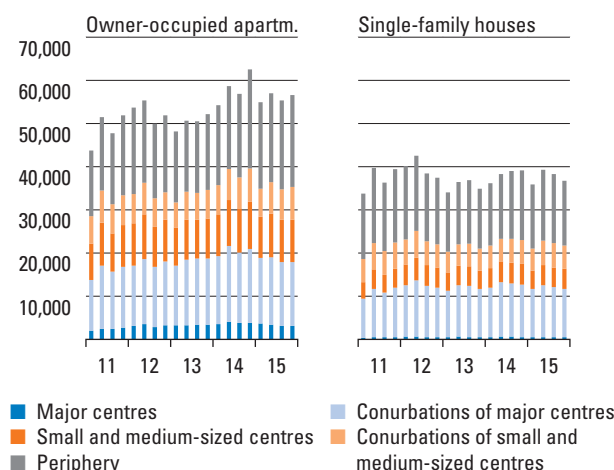


Key indicators for Switzerland

	2013	2014	2015
Owner-occupied apartments			
Market value (bn CHF, excl. parking spaces)	662	692	694
Supply rate	5.4%	6.4%	5.8%
Vacancy rate (June)	0.4%	0.5%	0.5%
Asking price index (year-on-year change)	2.5%	1.8%	1.6%
Current asking price (CHF/sqm, median)			6,680
Marketing duration (days, median, Q3)	66	69	75
Single-family houses			
Market value (bn CHF)	855	873	914
Supply rate	3.7%	4.1%	3.8%
Vacancy rate (June)	0.5%	0.6%	0.7%
Asking price index (year-on-year change)	4.6%	0.4%	2.3%
Asking price (CHF per 6-6.5 room house, median)			1,065,000
Marketing duration (days, median, Q3)	74	83	83

As at Q4 unless otherwise stated

Number of properties on offer (per quarter)



Key indicators for the major centres

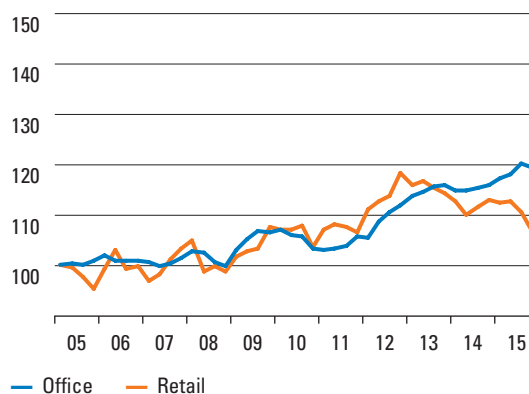
	Properties (number, 2013)	Market value (m CHF)	Planning appl. (m CHF)	Vacancy rate (June 2015)	Supply rate	Asking price (median)	Transaction-price*	Top price*
Owner-occupied								
Zurich	24,600	28,560	1,028.7	0.1%	2.4%	11,170	12,120	28,300
Berne	11,600	8,820	33.1	0.0%	1.6%	6,850	7,850	16,800
Basel	14,800	13,020	459.4	0.0%	2.0%	7,910	9,050	16,600
Lausanne	11,100	10,460	221.6	0.3%	8.2%	9,000	9,840	23,000
Geneva	21,200	27,750	284.8	0.4%	5.3%	11,590	13,630	35,200
Switzerland	971,200	694,070	19,708.0	0.5%	5.8%	6,680	6,700	—
Single-family houses								
Zurich	8,800	17,920	9.7	0.2%	0.9%	1,624,690	2,273,000	3,918,000
Berne	3,900	4,790	1.5	0.2%	1.6%	1,052,320	1,378,000	2,334,000
Basel	5,800	9,370	4.1	0.1%	1.2%	1,175,140	1,793,000	3,032,000
Lausanne	2,100	2,880	19.1	0.4%	10.9%	1,225,660	1,510,000	2,610,000
Geneva	800	1,500	7.5	0.3%	8.8%	1,451,000	2,134,000	3,650,000
Switzerland	960,400	914,000	6,180.8	0.7%	3.8%	1,065,000	890,000	—

As at 2015 Q4 unless otherwise stated. — * owner-occupied apartments: price in CHF/sqm; single-family houses: price per house; owner-occupied apartments: Market value excl. parking spaces

Commercial market

- The situation on the office markets is strained: high supply, a shaky labour market, changing tenant requirements and weakening international demand are hindering marketing efforts.
- The recent increase in the asking rent index is misleading, with a shift in supply towards small, part-furnished offices pushing up asking prices whilst rents under contract are flat-lining or falling.
- A high supply rate (6.9% at the end of 2015) and subdued demand continue to put pressure on office rents in 2016.
- The amount of available retail floorspace increased to over 500,000 sqm in 2015, reaching levels not seen in Switzerland since 2006.
- Asking rents for retail floorspace fell by 3.3% in 2015, with the situation likely to be similar in 2016.

Development of asking rents (index 2005 Q1 = 100)

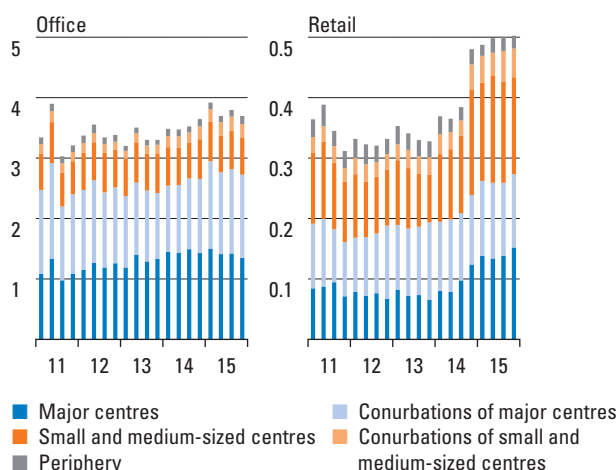


Key indicators for Switzerland

	2013	2014	2015
Office space			
Market value (bn CHF, excl. parking spaces)	244	252	268
Planning applications (bn CHF)	1.8	2.1	1.8
Supply rate	6.2%	6.8%	6.9%
Asking price index (year-on-year change)	3.7%	0.0%	2.9%
Current asking rent (CHF/sqm and year, median)			190
Marketing duration (days, median, Q3)	90	88	91
Retail space			
Market value (bn CHF, excl. parking spaces)	154	153	146
Planning applications (bn CHF)	0.3	0.3	0.3
Supply rate	1.0%	1.4%	1.5%
Asking price index (year-on-year change)	-3.3%	-1.1%	-5.6%
Current asking rent (CHF/sqm and year, median)			230

As at Q4 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, 2014)
Office space								
Zurich	9,444,800	178.2	2.9%	6.4%	350	890	2.3%	3.7%
Berne	2,148,200	0.2	4.1%	4.6%	240	450	3.1%	5.9%
Basel	4,441,100	83.4	1.8%	2.5%	250	380	3.3%	5.0%
Lausanne	2,115,100	2.5	1.8%	4.7%	320	470	3.3%	4.9%
Geneva	3,478,300	123.5	4.1%	12.6%	520	950	2.7%	3.2%
Switzerland	53,733,400	1,773.2	—	6.9%	190	—	—	4.2%
Retail space								
Zurich	1,875,500	6.5	0.4%	2.1%	380	9,700	2.3%	5.7%
Berne	981,900	47.5	0.4%	1.2%	340	3,200	3.0%	5.3%
Basel	936,200	0.0	2.5%	3.4%	290	3,100	3.3%	3.1%
Lausanne	475,000	4.2	2.0%	5.2%	320	3,000	3.4%	6.0%
Geneva	647,300	7.0	1.2%	6.9%	430	6,300	2.7%	5.4%
Switzerland	33,717,400	313.1	—	1.5%	230	—	—	5.3%

As at 2015 Q4 unless otherwise stated