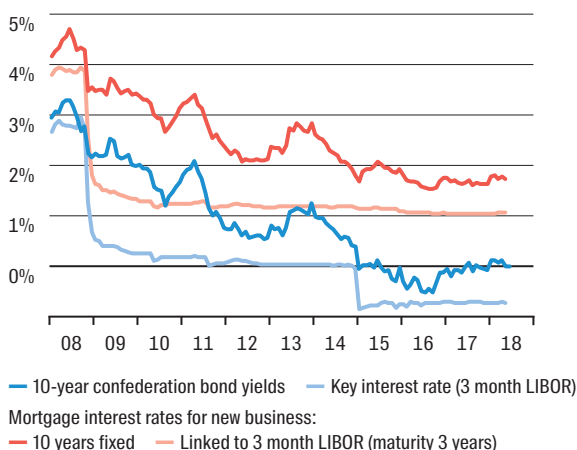


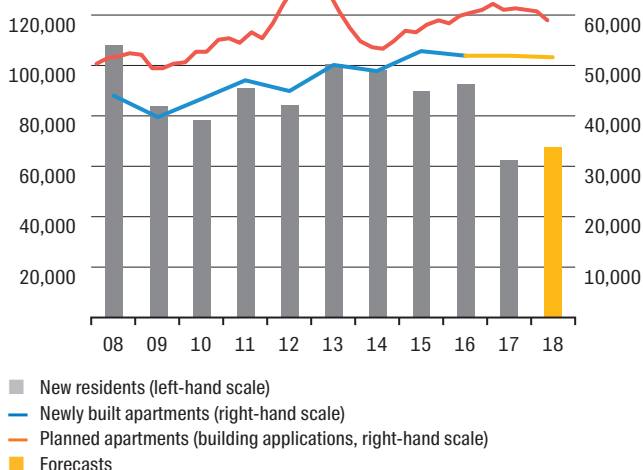
Background

- The development of the Swiss economy is distinctively buoyant. Real GDP increased 0.6% in the first quarter of 2018 and could grow by well over 2% over the year as a whole. There are also good prospects of a positive economic trend in 2019.
- The economic recovery is providing stimulus for the Swiss labour market: the seasonally adjusted unemployment rate dropped to 2.6% in June 2018. Robust job creation is also expected in the second half of the year, which could also boost demand for commercial premises.
- Population growth is likely to be slightly higher in 2018 than in 2017, but the increase is expected to be under 1%.
- Last year, the inflation rate in Switzerland was 0.5%. Inflation has risen somewhat since then as a result of higher oil prices, but nevertheless remains low.

Confederation bond yields and mortgage rates



Population growth and residential construction activity



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

	2016	2017	2018	2019
Population				
Persons (millions)	8.42	8.48	8.55 ⁽¹⁾	8.63 ⁽¹⁾
Annual change	1.1%	0.7%	0.8% ⁽¹⁾	0.9% ⁽¹⁾
Economy				
Annual change in real GDP	1.4%	1.1%	2.3% ⁽²⁾	1.9% ⁽²⁾
Annual change in employment	0.5%	0.8%	1.4% ⁽¹⁾	1.0% ⁽³⁾
Unemployment rate	3.3%	3.2%	2.7% ⁽²⁾	2.5% ⁽²⁾
Consumer confidence index (Apr. each yr.)	-15	-8	2	-
Annual average change in real retail turnover	-1.9%	0.0%	0.2% ⁽⁴⁾	-
Building construction investment				
Annual change (nominal, new-build & refurb.)	0.3%	2.1%	0.8% ⁽¹⁾	-
Money market				
Annual inflation	-0.4%	0.5%	0.8% ⁽²⁾	0.8% ⁽²⁾
10-year fixed mortgage rate (May each yr.)	1.65%	1.63%	1.72%	-
10-year confederation bonds (June each yr.)	-0.51%	-0.02%	-0.01%	-

⁽¹⁾ Wüest Partner forecast - ⁽²⁾ Average of Credit Suisse, KOF, SECO, UBS forecasts - ⁽³⁾ SECO forecast June 2018 - ⁽⁴⁾ Change between January and May 2018

Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitoring (spring edition 2018 | 2 and summer update, only in German and French). In addition to current market assessments and comprehensive data, the following topics are discussed:



- The real estate markets around the football stadiums
- Roofs and facades: High utilisation potential
- Focus on gastronomy
- Direct and indirect real estate investments
- Market and regional data

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

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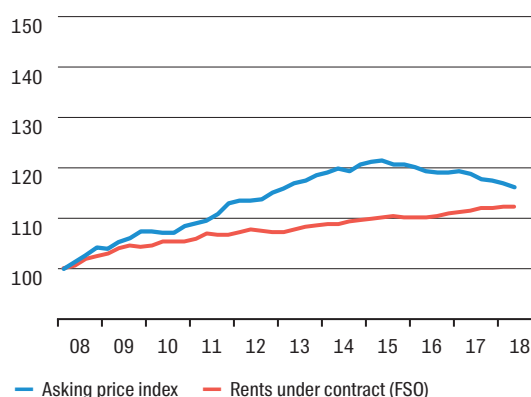
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Residential market

- Since investors are still showing great interest in real estate investments, the construction of new rental apartments is proceeding apace. As a result, the Swiss market for rental apartments is becoming increasingly tenant-friendly.
- There has recently been a further increase in the number of advertised rental apartments. Around 166,000 apartments were on the market in the second quarter of 2018, the highest level since records began. The choice is not only extensive in rural areas. In 15 out of 27 towns and cities, supply is currently above the Swiss average of 7.4%.
- The risk of vacancies is increasing, and pressure on rental prices is continuing. Asking rents declined particularly sharply, by 2.2%, between mid-2017 and mid-2018. There is unlikely to be a significant improvement in the situation for real estate owners in the short to medium term.

Development of rents (index 2008 Q1 = 100)

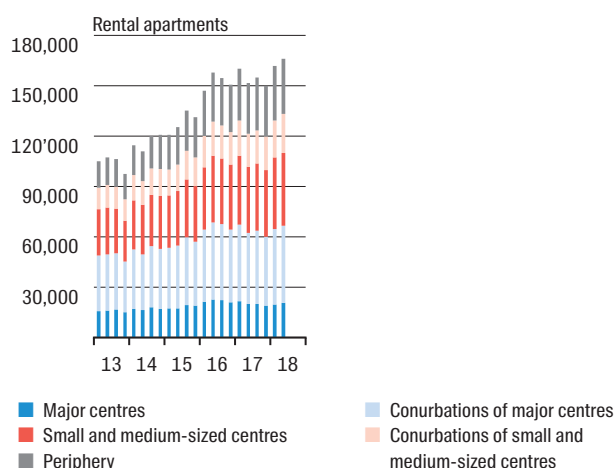


Key indicators for Switzerland

	2016	2017	2018
Rental apartments			
Market value (bn CHF, excl. parking spaces, Q1)	—	—	1'052
Planning applications (bn CHF) ⁽¹⁾	12.9	11.6	12.3
Vacancy rate (June of each year)	2.0%	2.4%	—
Supply rate	7.1%	6.8%	7.4%
Asking price index (year-on-year change in rents)	-1.6%	-0.5%	-2.2%
Current asking rent (CHF/sqm per year, median)	—	—	190
Marketing duration (days, median, Q1)	31	34	36

⁽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, 2016)	Planning appl. (m CHF)	Vacancy rate (June 2017)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2017)
Rental apartments								
Zurich	186,900	862.7	0.2%	3.9%	320	620	1.8%	7.0%
Berne	60,100	16.3	0.7%	4.9%	240	410	2.2%	5.7%
Basel	78,700	283.7	0.6%	5.6%	230	360	2.2%	6.9%
Lausanne	62,500	157.3	0.4%	5.4%	280	445	2.4%	7.5%
Geneva	84,400	183.3	0.6%	3.3%	360	610	2.2%	8.1%
Switzerland	2,273,100	12,341.5	2.4%	7.4%	190	—	—	6.8%

As at 2018 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.

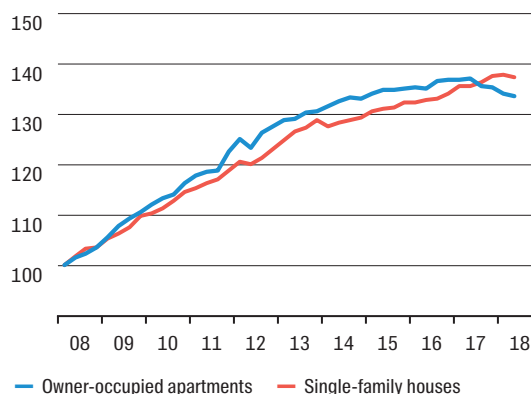
Commercial and residential properties: Asking rents and prime rents in CHF per sqm usable area; prime yields = net initial yields (net earnings/gross purchase price) for fully let prime properties at top locations. **Single-family houses:** Asking prices per house in CHF; transaction and top prices in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

- Between mid-2017 and mid-2018 there was a relatively strong decline of 2.6% in the average prices of advertised owner-occupied apartments across Switzerland. This is principally attributable to the changing structure of supply – there is now a higher proportion of smaller and thus less expensive apartments.
- The simultaneous rise of 3.0% in the quality-adjusted transaction price index for medium-sized properties shows that demand for owner-occupied apartments remains very high.
- Asking prices and transaction prices for single-family houses have recently been trending the same direction (+1.3% and +2.6% respectively between mid-2017 and mid-2018).
- The positive rates of change are expected to continue in the coming months. However, the prices rises should flatten out given that supply has now increased slightly.

Development of asking prices (index 2008 Q1 = 100)

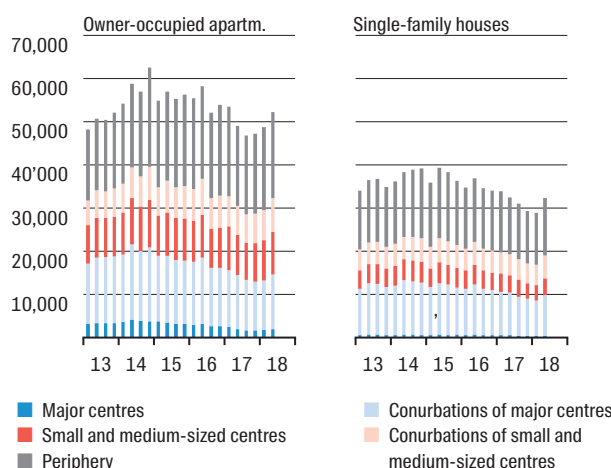


Key indicators for Switzerland

	2016	2017	2018
Owner-occupied apartments			
Market value (bn CHF, excl. parking spaces)	–	–	829
Supply rate	5.9%	4.9%	5.3%
Vacancy rate (June)	0.5%	0.5%	–
Asking price index (year-on-year change)	0.3%	1.5%	-2.6%
Current asking price (CHF/sqm, median)	–	–	6,500
Marketing duration (days, median, Q1)	71	60	61
Single-family houses			
Market value (bn CHF)	–	–	1,115
Supply rate	3.8%	3.3%	3.3%
Vacancy rate (June)	0.7%	0.7%	–
Asking price index (year-on-year change)	1.2%	2.2%	1.3%
Asking price (CHF per 6-6.5 room house, median)	–	–	1,195,000
Marketing duration (days, median, Q1)	77	58	60

As at Q2 unless otherwise stated

Number of properties on offer (per quarter)



Key indicators for the major centres

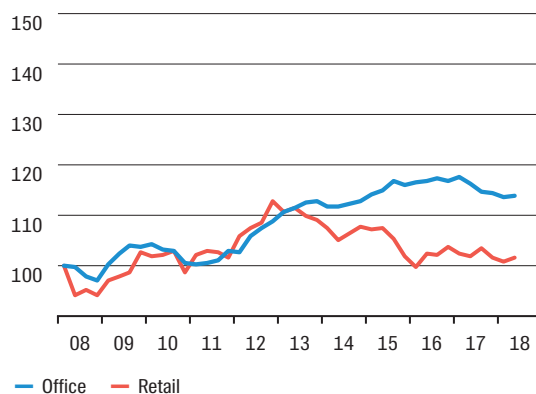
	Properties (2016)	Market value ⁽¹⁾ (m CHF)	Planning appl. (m CHF)	Vacancy rate (June 2017)	Supply rate	Asking price ⁽²⁾ (median)	Transaction price ⁽²⁾	Top price ⁽²⁾
Owner-occupied								
Zurich	25,100	36,960	45.4	0.1%	1.7%	12,280	13,790	28,200
Berne	11,700	10,580	26.2	0.0%	1.3%	7,230	8,450	15,900
Basel	14,900	15,590	50.7	0.0%	1.6%	8,650	9,710	15,700
Lausanne	11,300	13,170	31.1	0.3%	2.8%	9,880	10,990	22,300
Geneva	21,300	33,200	79.2	0.4%	4.2%	12,450	14,520	32,700
Switzerland	1,003,700	828,810	7,362.1	0.5%	5.3%	6,500	7,200	–
Single-family houses								
Zurich	8,900	21,930	2.2	0.1%	1.0%	1,739,820	2,532,000	3,843,000
Berne	3,900	6,670	8.2	0.3%	1.0%	1,164,430	1,755,000	2,614,000
Basel	5,900	11,770	2.8	0.1%	1.4%	1,348,300	2,030,000	3,021,000
Lausanne	2,100	3,600	4.3	0.0%	5.3%	1,333,540	1,733,000	2,676,000
Geneva	800	1,690	4.9	1.4%	10.3%	1,570,320	2,194,000	3,381,000
Switzerland	982,300	1,114,860	5,560.3	0.7%	3.3%	1,195,000	995,000	–

As at 2018 Q2 unless otherwise stated. – ⁽¹⁾ 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

- Despite the positive impetus from the labour market, asking rents for office space in Switzerland are declining. In the second quarter of 2018, the nationwide average was 2% below the prior-year level.
- In the Lake Geneva area in particular, overcapacity is hampering marketing of office space. In Ticino, where the supply of office space has already increased to over 8%, new-build activity is making the situation increasingly challenging for commercial space providers.
- In the retail sector, revenues generated by bricks-and-mortar stores are continuing to contract as a result of the structural change. Consequently, there is still heavy pressure on retail rents in locations with low footfall. By contrast, there is a good chance that rental prices will hold up for smaller retail premises in heavily frequented areas.

Development of asking rents (index 2008 Q1 = 100)

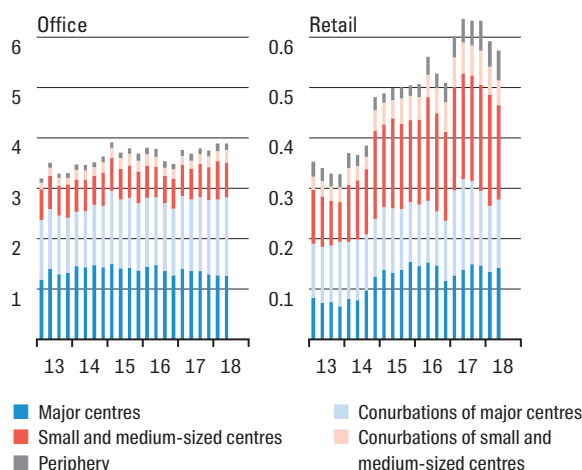


Key indicators for Switzerland

	2016	2017	2018
Office space			
Market value (bn CHF, excl. parking spaces)	–	–	294
Planning applications (bn CHF)	2.3	2.7	1.7
Supply rate	6.9%	6.7%	7.1%
Asking price index (year-on-year change in rents)	1.6%	-0.4%	-2.0%
Current asking rent (CHF/sqm and year, median)	–	–	190
Marketing duration (days, median, Q1)	66	63	75
Retail space			
Market value (bn CHF, excl. parking spaces)	–	–	160
Planning applications (bn CHF)	0.4	0.5	0.7
Supply rate	1.6%	1.8%	1.7%
Asking price index (year-on-year change in rents)	-4.7%	-0.7%	-0.3%
Current asking rent (CHF/sqm and year, median)	–	–	210

As at Q2 unless otherwise stated

Commercial space on offer (million sqm per quarter)



Key indicators for the major centres

	Stock (sqmGFA, 2016)	Planning appl. (m CHF)	Vacancy rate (June 2017)	Supply rate	Asking rent (median)	Prime rent	Prime yield	Total return (MSCI, 2017)
Office space								
Zurich	9,795,000	122.4	2.3%	5.5%	360	900	2.3%	5.9%
Berne	2,206,200	0.0	4.1%	4.5%	240	390	2.5%	5.5%
Basel	4,551,800	13.8	1.7%	3.2%	240	380	2.7%	6.6%
Lausanne	2,164,400	8.3	2.8%	4.3%	290	540	2.9%	5.1%
Geneva	3,569,300	61.9	3.4%	11.0%	430	960	2.6%	4.6%
Switzerland	55,770,200	1,671.5	–	7.1%	190	–	–	5.7%
Retail space								
Zurich	1,911,800	32.9	0.7%	1.5%	380	9,300	2.6%	5.2%
Berne	992,400	0.0	0.4%	1.0%	280	2,200	2.8%	6.6%
Basel	952,000	0.0	1.7%	3.4%	290	3,500	3.0%	-1.9%
Lausanne	487,700	4.9	2.4%	3.9%	280	2,600	3.2%	5.0%
Geneva	657,800	25.6	1.4%	8.1%	430	5,400	2.8%	5.8%
Switzerland	34,767,800	712.9	–	1.7%	210	–	–	4.3%

As at 2018 Q2 unless otherwise stated