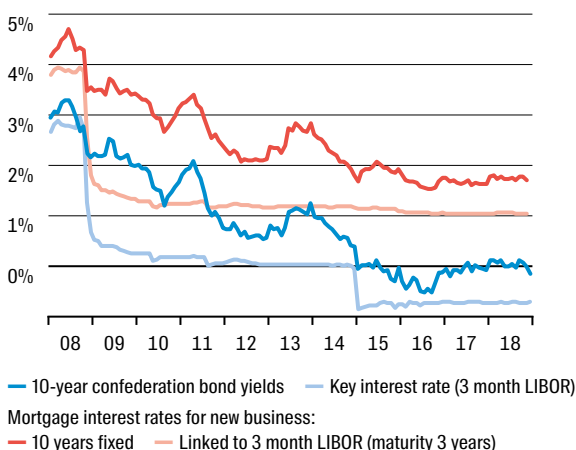


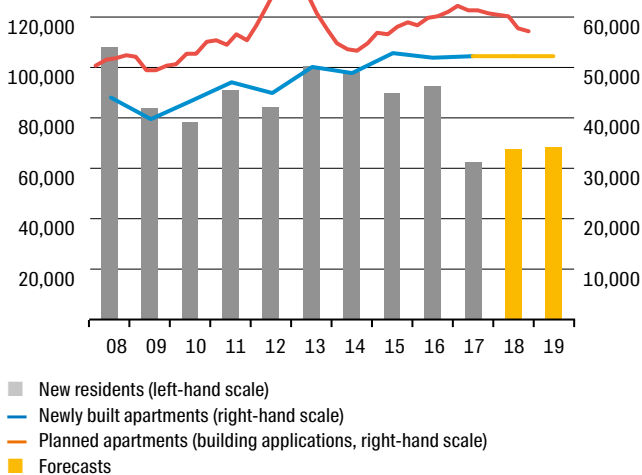
# Background

- After Swiss GDP rose by an estimated 2.6% in 2018, economic growth is likely to slow down this year. On the one hand, this is due to the slowdown in economic expansion in Europe and Asia. On the other hand, the renewed appreciation of the Swiss franc is burdening the export sector.
- Nevertheless, the development remains positive: real GDP growth is expected to reach 1.6% in 2019, which corresponds to the long-term annual growth rate.
- The encouraging economic development is reflected in the labour market: the seasonally-adjusted unemployment rate of 2.4% virtually corresponds to full employment.
- A rapid and significant rise in interest rates, which are still very low, is currently not to be expected. As a result, real estate continues to be very popular with institutional investors.

## 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                |
|---|--------|---------------------|----------------------|---------------------|
| <b>Population</b>                             |        |                     |                      |                     |
| Persons (millions)                            | 8.42   | 8.48                | 8.55 <sup>(1)</sup>  | 8.62 <sup>(1)</sup> |
| Annual change                                 | 1.1%   | 0.7%                | 0.8% <sup>(1)</sup>  | 0.8% <sup>(1)</sup> |
| <b>Economy</b>                                |        |                     |                      |                     |
| Annual change in real GDP                     | 1.4%   | 1.1%                | 2.6% <sup>(2)</sup>  | 1.6% <sup>(2)</sup> |
| Annual change in employment                   | 0.5%   | 0.8%                | 1.4% <sup>(1)</sup>  | 0.8% <sup>(3)</sup> |
| Unemployment rate                             | 3.3%   | 3.2%                | 2.6% <sup>(3)</sup>  | 2.4% <sup>(3)</sup> |
| Consumer confidence index (Jan. each yr.)     | -14    | -3                  | 5                    | -4                  |
| Annual average change in real retail turnover | -1.9%  | 0.0%                | -0.2% <sup>(4)</sup> | -                   |
| <b>Building construction investment</b>       |        |                     |                      |                     |
| Annual change (nominal, new-build & refurb.)  | 0.3%   | 0.6% <sup>(1)</sup> | 1.1% <sup>(1)</sup>  | 0.5% <sup>(1)</sup> |
| <b>Money market</b>                           |        |                     |                      |                     |
| Annual inflation                              | -0.4%  | 0.5%                | 0.9%                 | 0.7% <sup>(2)</sup> |
| 10-year fixed mortgage rate (Nov. each yr.)   | 1.68%  | 1.63%               | 1.71%                | -                   |
| 10-year confederation bonds (Dec. each yr.)   | -0.14% | -0.10%              | -0.15%               | -                   |

<sup>(1)</sup> Wüest Partner forecast - <sup>(2)</sup> Average of Credit Suisse, KOF, SECO, UBS forecasts - <sup>(3)</sup> SECO forecast December 2018 - <sup>(4)</sup> Change between January and November 2018

## Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitorings (autumn edition 2019 | 1 and winter update, only in German and French). In addition to current market assessments and comprehensive data, the following topics are discussed:



- Economic background
- Residential and commercial market outlook
- Affordable living: a fact check
- Bricks-and-mortar retail trade: future prospects
- Property stock: Identifying hidden potentials
- 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](http://www.wuestpartner.com/publications)

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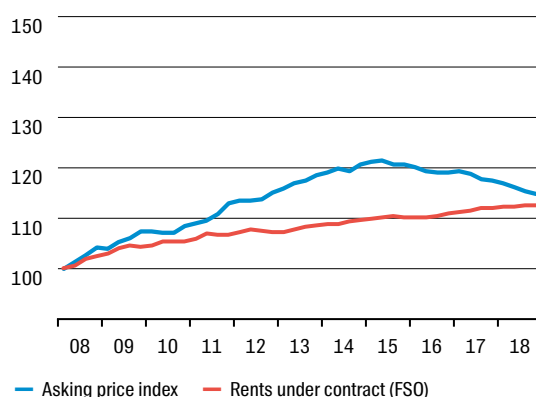
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# Residential market

- On the basis of the planning applications granted, the first signs of a slowdown in the construction of rental apartments are apparent; nevertheless, the number of new rental apartments being built in Switzerland still exceeds the additional demand.
- There are major regional differences: in regions such as Zug, Zim-merberg, Zurich (city), Pfannenstiel, Bern and Thun, there is still a demand surplus – in other words, the number of people using search subscriptions to look for rental apartments is significantly greater than the number of units advertised on relevant platforms.
- For Switzerland as a whole, it is expected that the oversupply will maintain the pressure on the advertised rents. In 2018, asking rents fell by 2.1% and a decline of 1.5% is projected for 2019.
- The reference interest rate, which is applicable to rents under ex-isting leases, is unlikely to be adjusted this year.

Development of rents (index 2008 Q1 = 100)

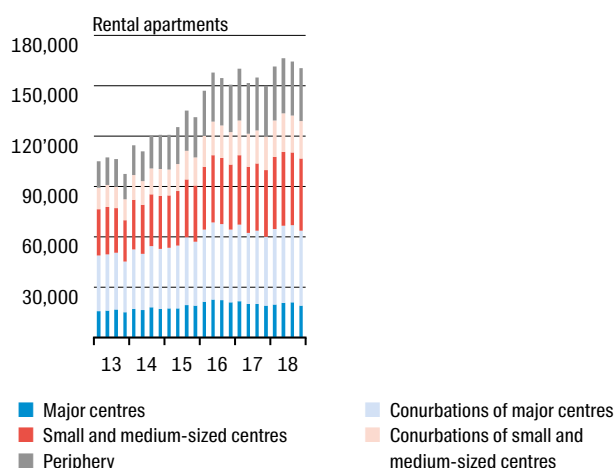


## Key indicators for Switzerland

|   | 2016  | 2017  | 2018  |
|---|-------|-------|-------|
| <b>Rental apartments</b>                          |       |       |       |
| Market value (bn CHF, excl. parking spaces, Q2)   | –     | –     | 1,068 |
| Planning applications (bn CHF) <sup>(1)</sup>     | 12.4  | 12.0  | 11.8  |
| Vacancy rate (June)                               | 2.0%  | 2.3%  | 2.6%  |
| Supply rate                                       | 6.7%  | 6.6%  | 7.1%  |
| Asking price index (year-on-year change in rents) | -1.3% | -1.5% | -2.1% |
| Current asking rent (CHF/sqm per year, median)    | –     | –     | 190   |
| Marketing duration (days, median, Q3)             | 36    | 36    | 39    |

<sup>(1)</sup> 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<br>(number, 2016) | Planning appl.<br>(m CHF) | Vacancy rate<br>(June 2018) | Supply rate | Asking rent<br>(median) | Prime rent<br>(2018 Q3) | Prime yield<br>(2018 Q3) | Total return<br>(MSCI, 2017) |
|--------------------------|------------------------------|---------------------------|-----------------------------|-------------|-------------------------|-------------------------|--------------------------|------------------------------|
| <b>Rental apartments</b> |                              |                           |                             |             |                         |                         |                          |                              |
| <b>Zurich</b>            | 186,900                      | 885.7                     | 0.2%                        | 3.1%        | 320                     | 640                     | 1.7%                     | 7.0%                         |
| <b>Berne</b>             | 60,100                       | 25.8                      | 0.6%                        | 4.2%        | 230                     | 400                     | 2.2%                     | 5.7%                         |
| <b>Basel</b>             | 78,700                       | 221.9                     | 0.9%                        | 5.7%        | 230                     | 370                     | 2.2%                     | 6.9%                         |
| <b>Lausanne</b>          | 62,500                       | 144.1                     | 0.8%                        | 5.0%        | 280                     | 440                     | 2.4%                     | 7.5%                         |
| <b>Geneva</b>            | 84,400                       | 465.6                     | 0.7%                        | 3.6%        | 360                     | 610                     | 2.2%                     | 8.1%                         |
| <b>Switzerland</b>       | 2,273,100                    | 11,775.0                  | 2.6%                        | 7.1%        | 190                     | –                       | –                        | 6.8%                         |

As at 2018 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.

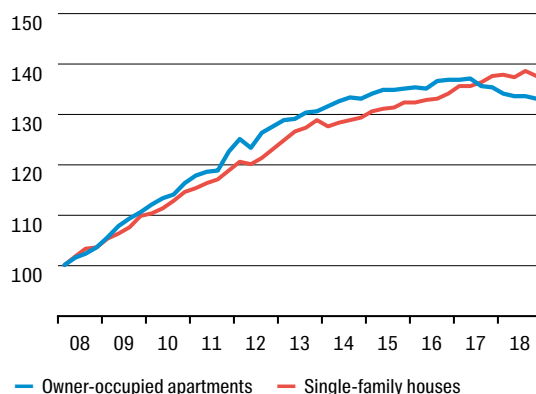
**Commercial and residential properties:** Asking rents and prime rents in CHF per sqm usable area; prime yields = net initial yields (net earnings/gross purchase price) for fully let prime properties at top locations. **Single-family houses:** Asking prices per house in CHF; transaction and top prices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

- Although price growth for owner-occupied apartments has levelled off, it is still clearly in the positive range: last year, transaction prices for medium-sized properties rose by 1.7%. In addition, price increases were also seen in the simple as well as the upmarket segments.
- By contrast, the price level of advertised owner-occupied apartments fell by 1.7%. This is due to the changed price structure of the offer. Thus, smaller apartments with an attractive though not superior fit-out standard are more frequently on offer.
- Transaction prices of single-family houses rose by an additional 3.4% last year. For nine years now, prices in this particular segment of the Swiss housing market have been rising steadily.
- Even though the number of advertised single-family homes has recently increased slightly, the choice remains limited. As a result, prices should continue to rise.

Development of asking prices (index 2008 Q1 = 100)

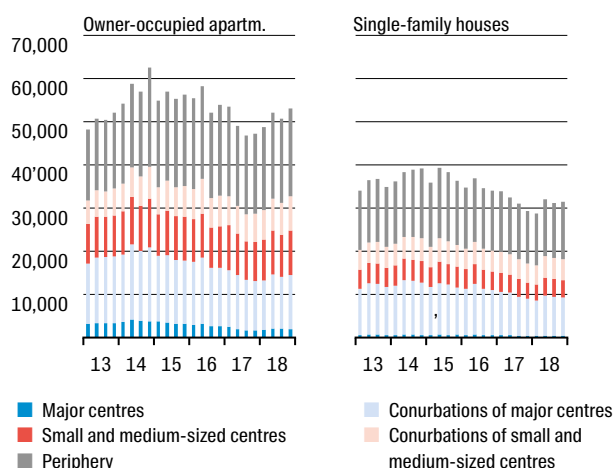


## Key indicators for Switzerland

|   | 2016 | 2017  | 2018      |
|---|------|-------|-----------|
| <b>Owner-occupied apartments</b>                |      |       |           |
| Market value (bn CHF, excl. parking spaces)     | —    | —     | 837       |
| Supply rate                                     | 5.4% | 4.7%  | 5.3%      |
| Vacancy rate (June)                             | 0.5% | 0.5%  | 0.6%      |
| Asking price index (year-on-year change)        | 1.2% | -1.0% | -1.7%     |
| Current asking price (CHF/sqm, median)          | —    | —     | 6,560     |
| Marketing duration (days, median, Q3)           | 84   | 75    | 73        |
| <b>Single-family houses</b>                     |      |       |           |
| Market value (bn CHF)                           | —    | —     | 1,147     |
| Supply rate                                     | 3.5% | 3.0%  | 3.2%      |
| Vacancy rate (June)                             | 0.7% | 0.7%  | 0.7%      |
| Asking price index (year-on-year change)        | 1.5% | 2.6%  | -0.1%     |
| Asking price (CHF per 6-6.5 room house, median) | —    | —     | 1,180,000 |
| Marketing duration (days, median, Q3)           | 76   | 69    | 61        |

As at Q4 unless otherwise stated

Number of properties on offer (per quarter)



## Key indicators for the major centres

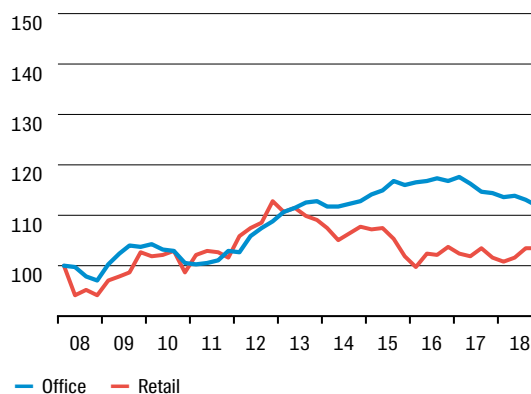
|                             | Properties (2016) | Market value <sup>(1)</sup> (m CHF) | Planning appl. (m CHF) | Vacancy rate (June 2018) | Supply rate | Asking price <sup>(2)</sup> (median) | Transaction price <sup>(2)</sup> | Top price <sup>(2)</sup> |
|-----------------------------|-------------------|-------------------------------------|------------------------|--------------------------|-------------|--------------------------------------|----------------------------------|--------------------------|
| <b>Owner-occupied</b>       |                   |                                     |                        |                          |             |                                      |                                  |                          |
| Zurich                      | 25,100            | 37,820                              | 92.7                   | 0.1%                     | 1.6%        | 12,820                               | 14,050                           | 28,600                   |
| Berne                       | 11,700            | 10,800                              | 18.8                   | 0.0%                     | 1.2%        | 7,270                                | 8,590                            | 16,400                   |
| Basel                       | 14,900            | 15,740                              | 32.7                   | 0.1%                     | 2.1%        | 8,680                                | 9,750                            | 16,200                   |
| Lausanne                    | 11,300            | 13,370                              | 13.4                   | 0.1%                     | 3.0%        | 9,900                                | 11,120                           | 22,600                   |
| Geneva                      | 21,300            | 33,850                              | 132.7                  | 0.4%                     | 3.6%        | 12,810                               | 14,740                           | 33,400                   |
| Switzerland                 | 1,003,700         | 837,250                             | 7,218.1                | 0.6%                     | 5.3%        | 6,560                                | 7,300                            | —                        |
| <b>Single-family houses</b> |                   |                                     |                        |                          |             |                                      |                                  |                          |
| Zurich                      | 8,900             | 22,860                              | 16.6                   | 0.1%                     | 0.8%        | 1,800,620                            | 2,644,000                        | 3,997,000                |
| Berne                       | 3,900             | 7,020                               | 16.4                   | 0.1%                     | 0.5%        | 1,199,160                            | 1,848,000                        | 2,712,000                |
| Basel                       | 5,900             | 12,480                              | 1.4                    | 0.1%                     | 1.1%        | 1,354,660                            | 2,158,000                        | 3,099,000                |
| Lausanne                    | 2,100             | 3,710                               | 7.3                    | 0.0%                     | 5.4%        | 1,393,800                            | 1,787,000                        | 2,747,000                |
| Geneva                      | 800               | 1,830                               | 3.9                    | 0.5%                     | 9.3%        | 1,673,410                            | 2,379,000                        | 3,609,000                |
| Switzerland                 | 982,300           | 1,146,500                           | 5,428.3                | 0.7%                     | 3.2%        | 1,180,000                            | 995,000                          | —                        |

As at 2018 Q4 unless otherwise stated. — <sup>(1)</sup> 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

- Despite good economic conditions, the letting of office space last year was challenging. While the selection of rentable properties has increased, the amount of space used per employee keeps declining – not least due to usage concepts such as desk sharing, co-working spaces and home offices.
- Throughout Switzerland, advertised office rents in the fourth quarter of 2018 were 2.0% below the previous year's level. At least in the dynamic growth regions, however, additional demand is expected to remain healthy in 2019, which could contribute to the absorption of office space and reduce the pressure on rents.
- Suppliers of retail space are still facing a difficult situation. The structural change in the retail trade is also likely to intensify further and have a dampening effect on space turnover. This is likely to further increase the risk of vacancies and the pressure on rents.

Development of asking rents (index 2008 Q1 = 100)



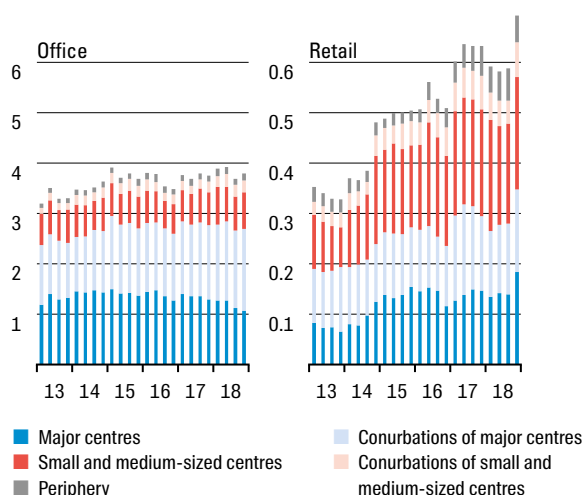
## Key indicators for Switzerland

|   | 2016 | 2017  | 2018  |
|---|------|-------|-------|
| <b>Office space</b>                               |      |       |       |
| Market value (bn CHF, excl. parking spaces; Q2)   | –    | –     | 294   |
| Planning applications (bn CHF)                    | 2.4  | 2.0   | 1.8   |
| Supply rate                                       | 6.3% | 6.7%  | 6.8%  |
| Asking price index (year-on-year change in rents) | 0.7% | -2.2% | -2.0% |
| Current asking rent (CHF/sqm and year, median)    | –    | –     | 200   |
| Marketing duration (days, median, Q3)             | 91   | 77    | 88    |

|   | 2016 | 2017  | 2018 |
|---|------|-------|------|
| <b>Retail space</b>                               |      |       |      |
| Market value (bn CHF, excl. parking spaces, Q2)   | –    | –     | 160  |
| Planning applications (bn CHF)                    | 0.5  | 0.6   | 0.7  |
| Supply rate                                       | 1.5% | 1.8%  | 2.0% |
| Asking price index (year-on-year change in rents) | 1.8% | -2.1% | 2.0% |
| Current asking rent (CHF/sqm and year, median)    | –    | –     | 210  |

As at Q4 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 2018) | Supply rate | Asking rent (median) | Prime rent (2018 Q3) | Prime yield (2018 Q3) | Total return (MSCI, 2017) |
|---------------------|----------------------|------------------------|--------------------------|-------------|----------------------|----------------------|-----------------------|---------------------------|
| <b>Office space</b> |                      |                        |                          |             |                      |                      |                       |                           |
| Zurich              | 9,795,000            | 126.7                  | 1.8%                     | 4.6%        | 330                  | 900                  | 2.2%                  | 5.9%                      |
| Berne               | 2,206,200            | 0.0                    | 3.6%                     | 4.4%        | 250                  | 400                  | 2.4%                  | 5.5%                      |
| Basel               | 4,551,800            | 15.9                   | 1.7%                     | 2.4%        | 240                  | 370                  | 2.6%                  | 6.6%                      |
| Lausanne            | 2,164,400            | 3.1                    | 2.1%                     | 3.6%        | 300                  | 530                  | 2.8%                  | 5.1%                      |
| Geneva              | 3,569,300            | 199.6                  | 4.9%                     | 9.5%        | 430                  | 940                  | 2.5%                  | 4.6%                      |
| Switzerland         | 55,770,200           | 1,759.3                | –                        | 6.8%        | 200                  | –                    | –                     | 5.7%                      |
| <b>Retail space</b> |                      |                        |                          |             |                      |                      |                       |                           |
| Zurich              | 1,911,800            | 43.1                   | 0.4%                     | 1.4%        | 420                  | 9,000                | 2.6%                  | 5.2%                      |
| Berne               | 992,400              | 0.0                    | 0.4%                     | 1.4%        | 300                  | 2,400                | 2.8%                  | 6.6%                      |
| Basel               | 952,000              | 0.0                    | 1.7%                     | 2.0%        | 310                  | 3,500                | 3.0%                  | -1.9%                     |
| Lausanne            | 487,700              | 23.8                   | 0.9%                     | 6.6%        | 300                  | 2,600                | 3.2%                  | 5.0%                      |
| Geneva              | 657,800              | 22.3                   | 1.5%                     | 13.9%       | 480                  | 5,200                | 2.8%                  | 5.8%                      |
| Switzerland         | 34,767,800           | 690.1                  | –                        | 2.0%        | 210                  | –                    | –                     | 4.3%                      |

As at 2018 Q4 unless otherwise stated