

Swiss economy

Strong economic growth throughout 2010

Economic activity remained on a robust expansionary course during the third quarter of 2010. All key industries, except for the finance industry, contributed to a year-on-year growth in gross domestic product (GDP) of 3.0 percent. However, the outlook for the coming months is somewhat less optimistic. Uncertainties regarding the global economic recovery, public debt crises in parts of the eurozone and the strength of the Swiss Franc continue to pose a risk to economic recovery. In its December 2010 statement, the State Secretariat for Economic Affairs (SECO) forecast a slowdown in GDP growth from 2.7 percent in 2010 to 1.5 percent in 2011.

Some risks remain

In the fourth quarter of 2010, the situation on the Swiss labour market improved further. With employment figures increasing over the course of last year, the unemployment rate declined from 4.1 percent in January to 3.6 percent in November 2010. Given the expected slowdown in economic activity in Switzerland, further reductions are expected to be slight at best. According to SECO, the national unemployment rate is expected to level off at 3.4 percent in the coming two years - which is low in international comparison.

Unemployment rate reduced to 3.6 percent

A drop in consumer confidence

Consumer confidence in Switzerland has recently lost ground after five consecutive quarters of rising sentiment. In October 2010 the quarterly index, which is calculated by questioning over 1,000 Swiss households, reached a level of +7 points (compared with +16 points in July). Consumers are more cautious regarding future employment opportunities and their financial situation. The recent growth in retail turnover is therefore likely to moderate.

Switzerland: Key indicators and change since last year

Population (2009)	7,785,806	↗
Real GDP growth (2010, Q3)	3.0%	↗
GDP per capita (CHF, current prices, 2009)	68,638	↘
Unemployment rate (11/2010)	3.6%	↘
Total employment (FTE, 2010, Q3)	3,412,900	→
Share of service employment (FTE, 2010, Q3)	71.4%	→
Disposable household income (CHF p.a., 2008*)	77,580	↗
Monthly inflation (12/2010, year-on-year)	0.5%	↗
New variable mortgage rate (11/2010)	2.73%	→
10-year confederation bond yield (12/2010)	1.67%	↘
Libor CHF 3 months (12/2010)	0.17%	↘
5-year CHF SWAP rate (24/01/2011)	1.73%	↘
10-year CHF SWAP rate (24/01/2011)	2.45%	↘
Consumer sentiment index (2010, Q4)	7	↘
Change in retail turnover, real (11/2010)	2.6%	↗

Arrows indicate the year-on-year change (throughout the whole document; quarter-on-quarter change applies to prime rents and yields).

Prime yield: Net initial yield for prime property.

*most recent available data.

Sources: BFS, SECO, IMF, SNB, UBS

Office market

A moderate downward correction in all office regions

In the final quarter of 2010, all office regions experienced a moderate downward correction in average asking rents. On one hand, lower grade office space, which was held back during the recession, appears to have re-entered the market. On the other hand, some markets are still burdened by an oversupply of space and continuous construction activity. In Zurich, office space availability remains at over 7 percent of stock, and major property developments are due for completion in 2011. These projects alone will add over 60'000 sqm of lettable office space to the market.

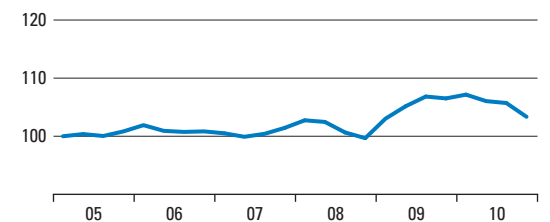
Prime rents have remained largely stable

At the top end of the market however, rents are stable thanks to buoyant demand and limited availability of high-quality space. In both Zurich and Geneva, prime rents are currently in the region of CHF 1,000 per sqm.

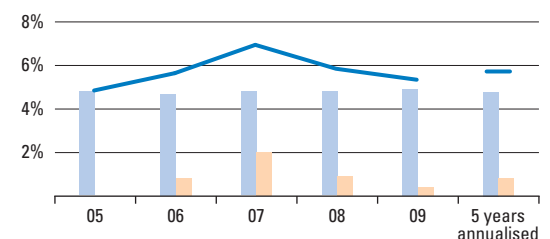
Major office development in Basel on the horizon

Biotech multinational Roche has submitted a planning application for a new office development providing 76'000 sqm of floorspace at its Basel headquarters. Roche plans to relocate 1'900 staff from rental offices by 2015, thereby freeing up significant office space throughout Basel.

Asking price index (Q1 2005 = 100)



Total return (income return; capital growth)



	Office Stock (sq m GFA, 2009)	Planning appl. (m CHF, 2010 Q4)	Vacancy rate (2010)	Supply rate (2010 Q4)	Asking prices (Median, 2010 Q4)	Prime rents (2010 Q4)	Prime yields (2010 Q4)
Zurich	8,964,490 ↗	246.0 ↗	2.0% ↘	7.3% ↗	290 ↘	1'000 →	3.6% ↘
Berne	2,034,362 →	310.6 ↗	1.1% ↘	3.8% ↗	230 →	430 →	4.1% →
Basel	4,236,637 →	550.0 ↗	2.6% ↗	3.6% ↘	220 ↘	410 →	4.3% →
Lausanne	2,084,676 →	52.6 ↗	— —	4.4% →	250 →	510 →	4.2% →
Geneva	3,332,166 →	24.9 ↗	1.7% ↘	5.5% ↘	420 ↘	980 ↗	3.8% →
Switzerland	50,743,868 ↗	3,038.4 ↗	— —	7.0% →	200 →	— —	— —

Retail market

Decline in average retail rents

In 2010 the Swiss retail sector recorded healthy turnover growth figures, which were largely driven by a continuation of inward migration. Nevertheless, ongoing structural changes and fierce competition between retailers meant that demand for retail floorspace did not keep pace with increasing stock. As a result, the asking price index for the Swiss retail property market recorded a year-on-year decline of around 4 percent in the fourth quarter of 2010.

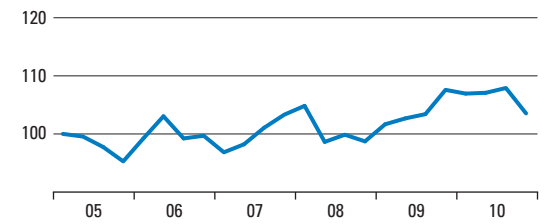
Ongoing construction activity

With planning applications for retail floorspace still rising in all major centres, building activity in the retail market is unlikely to drop off this year. Given the less optimistic outlook for retail turnover in 2011, some further downward pressure on average asking rents cannot be ruled out.

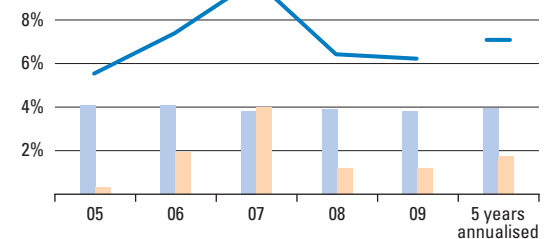
Prime rents continue to rise

Similar to the situation in the Swiss office market, prime retail property in all major centres appears to be unaffected by prevailing market conditions. Top rents at sought after high street locations continued to rise in Zurich (reaching CHF 8,300 per sqm), Geneva (CHF 7,000 per sqm) and Lausanne (CHF 2,600 per sqm).

Asking price index (Q1 2005 = 100)



Total return (income return; capital growth)



	Retail Stock (sq m GFA, 2009)	Planning appl. (m CHF, 2010 Q4)	Vacancy rate (2010)	Supply rate (2010 Q4)	Asking prices (Median, 2010 Q4)	Prime rents (2010 Q4)	Prime yields (2010 Q4)
Zurich	1,841,073 →	21.1 ↗	0.2% ↘	1.5% →	360 →	8,300 ↗	3.6% ↘
Berne	945,445 →	3.3 ↗	0.3% →	1.0% ↘	400 →	4,200 →	3.9% →
Basel	883,255 ↗	2.8 ↗	2.0% ↘	2.0% ↘	240 ↘	2,800 →	4.2% →
Lausanne	461,075 →	1.6 ↗	—	2.0% ↘	270 →	2,600 ↗	4.2% →
Geneva	631,872 →	4.8 ↗	1.9% ↘	2.1% ↘	400 ↗	7'000 ↗	3.8% →
Switzerland	32,248,035 ↗	570.6 ↘	—	1.1% →	220 ↘	—	—

Residential market

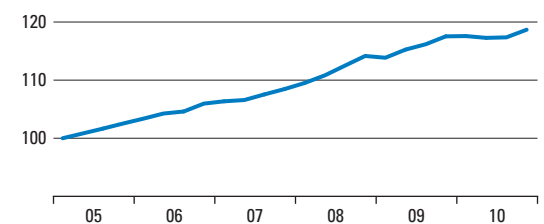
Asking rents have started to rise again

The asking price index for the Swiss residential market started to rise again during the fourth quarter of 2010. The aforementioned inward migration has sustained population growth in Switzerland and in turn the demand for rental accommodation. Particularly the Lake Geneva region and areas around Zug and Lucerne have benefited from favourable demographic development, with average quarter-on-quarter rent rises of around 3%.

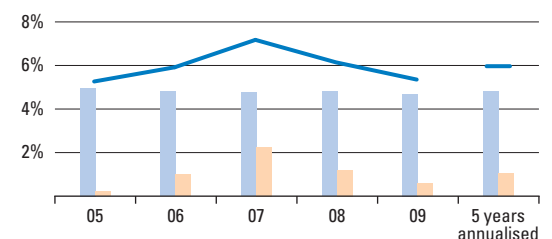
Construction of multi-family houses is set to continue

Planning applications indicate that the construction of multi-family houses is set to continue at a high level, particularly in Zurich. While market liquidity (supply) is likely to rise as a result, it is well below average (both compared with national rates and with cities such as Berne and Basel) and unlikely to affect prices. Indeed, the medium-term outlook for the various residential markets within Switzerland's main centres remains positive, whilst asking rents in peripheral locations are likely to experience some moderate downward pressure.

Asking price index (Q1 2005 = 100)



Total return (income return; capital growth)



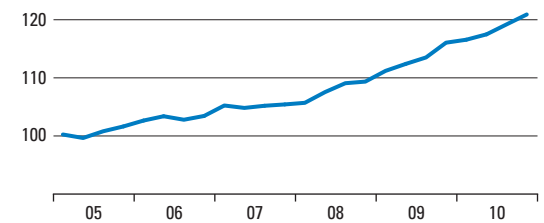
	Number of Apartm. (2009)	Planning appl. (m CHF, 2010 Q4)	Vacancy rate (2010)	Supply rate (2010 Q4)	Asking prices (Median, 2010 Q4)	Prime rents (2010 Q4)	Prime yields (2010 Q4)
Zurich	173,800 →	1,037.3 ↗	0.1% →	2.9% →	280 →	620 ↗	3.4% ↘
Berne	58,200 →	87.3 ↘	0.6% ↘	5.5% →	220 →	400 →	3.6% →
Basel	76,700 →	23.0 ↘	0.9% ↘	5.4% ↘	210 →	360 →	3.8% →
Lausanne	58,900 →	125.8 ↘	0.2% ↗	2.3% →	260 →	500 ↗	3.8% →
Geneva	81,800 →	142.3 ↗	0.3% ↗	1.3% →	350 ↗	600 →	3.7% →
Switzerland	2,058,200 →	16,802.9 ↗	1.4% ↗	4.9% →	190 →	—	—

Single-family houses

House prices continue to grow

The overall price development in the Swiss single-family housing sector remained positive during the final quarter of 2010. In some market regions, house prices have reached a level that is beyond the financial means of a growing number of potential buyers. Geneva leads the way with transaction prices for the average single-family home currently in the region of CHF 2.2 million. Geneva is followed by the city of Zurich with just under CHF 1.8 million. Tourism destinations such as Ascona, St. Moritz, Saanen and Verbier are also not far behind with price levels for the same type of property currently around CHF 1.5 million.

Asking price index (Q1 2005 = 100)



Major cities

Tourist destinations

Switzerland

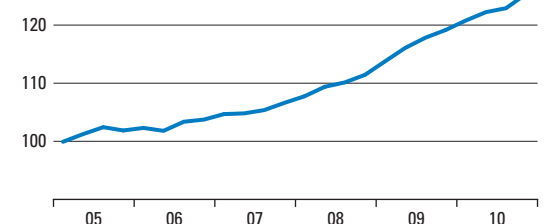
	Number of houses (2009)	Market value (m CHF, 2010 Q4)	Planning appl. (m CHF, 2010 Q4)	Vacancy rate (2010)	Supply rate (2010 Q4)	Asking prices (Median, 2010 Q4)	Transaction prices (av. object, 2010 Q4)
Zurich	8,740 →	14,300 →	9.6 →	0.0% →	1.3% →	8,570 ↗	1,791,000 ↗
Berne	3,850 →	3,740 →	2.2 ↗	0.2% ↗	1.6% →	5,560 ↗	1,062,000 ↗
Basel	5,810 →	6,680 →	2.6 →	0.1% →	1.4% →	5,850 ↗	1,259,000 ↗
Lausanne	2,100 →	2,420 →	21.4 →	0.1% ↗	5.3% →	6,570 ↗	1,272,000 ↗
Geneva	780 →	1,570 →	0.0 →	0.3% →	7.3% →	9,850 ↗	2,202,000 ↗
Saanen/Gstaad	1,020 →	1,350 ↗	23.1 ↗	1.8% ↗	2.0% →	9,950 ↗	1,450,000 ↗
St. Moritz	270 →	380 ↗	17.0 ↗	0.0% →	0.7% →	10'890 ↗	1,521,000 ↗
Davos	790 ↗	920 ↗	2.3 →	0.1% →	2.3% →	9,250 ↗	1,281,000 ↗
Ascona	720 →	1,080 ↗	0.0 →	0.0% →	4.4% →	11,410 ↗	1,647,000 ↗
Bagnes/Verbier	2,420 ↗	3,160 →	42.1 →	0.0% →	3.3% ↗	10,160 →	1,433,000 →
Zermatt	260 ↗	240 →	4.5 ↗	0.0% →	5.5% →	6,300 →	1,022,000 →
Switzerland	924,900 ↗	726,570 ↗	7,531.4 →	0.5% →	3.5% →	5,000 →	820,000 ↗

Owner-occupied apartments

Positive price development throughout the past decade

In recent years, favourable economic conditions, rising household income levels and inward migration of well qualified residents have each had a positive impact on the demand for owner-occupied apartments in Switzerland. Asking prices in this segment have increased by more than 50 percent since 2000. The risk of a property bubble is nonetheless only limited, mainly due to the lack of speculative buying, the moderate borrowing ratios and – by international standards – the positive but relatively modest development in prices.

Asking price index (Q1 2005 = 100)








Major cities

Tourist destinations

Switzerland

	Number of Apartm. (2009)	Market value (m CHF, 2010 Q4)	Planning appl. (m CHF, 2010 Q4)	Vacancy rate (2010)	Supply rate (2010 Q4)	Asking prices (Median, 2010 Q4)	Transaction prices (av. object, 2010 Q4)
Zurich	23,670 →	20,940 ↗	1,037.3 ↗	0.0% →	2.0% ↗	9,140 ↗	9,780 ↗
Berne	11,500 →	6,590 ↗	87.3 →	0.0% →	2.5% →	5,710 ↗	6,340 ↗
Basel	14,750 →	9,460 ↗	23.0 →	0.1% →	2.3% →	6,290 ↗	7,090 ↗
Lausanne	10,920 →	7,820 ↗	125.8 →	0.0% →	2.9% →	7,550 ↗	7,920 ↗
Geneva	21,010 →	26,120 ↗	142.3 ↗	0.1% →	2.6% →	11,610 ↗	13,750 ↗
Saanen/Gstaad	3,240 →	3,390 ↗	66.3 ↗	1.1% →	1.8% →	12,550 ↗	11,570 ↗
St. Moritz	3,330 →	4,050 ↗	56.6 ↗	0.2% →	2.5% →	13,680 ↗	13,450 ↗
Davos	5,970 →	4,680 →	63.5 ↗	1.2% ↗	4.8% →	8,000 ↗	8,650 ↗
Ascona	2,840 ↗	2,290 ↗	37.5 ↗	0.7% ↗	9.2% →	8,550 →	8,930 ↗
Bagnes/Verbier	5,230 →	5,790 →	74.1 →	1.1% →	3.7% ↗	12,300 ↗	12,250 →
Zermatt	3,500 →	3,390 →	31.7 →	0.0% →	2.6% →	10,450 →	10,750 ↗
Switzerland	927,400 ↗	530,740 ↗	16,802.9 ↗	0.4% →	4.5% →	5,350 ↗	5,913 ↗

Prices in the major cities (2010 Q4)

	Percentile	Office	Retail	Rental apartments	Single-family houses	Owner-occupied apartments
 Zurich	10 th percentile	250 ↘	420 ↗	210 ↘	5,260 ↗	6,190 ↗
	50 th percentile	540 →	820 ↗	380 →	8,800 ↗	11,680 ↗
	90 th percentile	910 ↘	1,610 ↗	610 ↗	17,040 ↗	17,040 ↗
	10 th percentile	160 ↘	190 ↘	210 ↘	5,110 ↗	5,720 ↗
	50 th percentile	290 ↘	360 →	280 →	8,570 ↗	9,140 ↗
	90 th percentile	550 →	710 →	420 →	16,620 →	16,060 ↗
 Berne	10 th percentile	220 ↗	210 ↘	210 ↗	4,060 ↗	4,550 ↘
	50 th percentile	290 ↗	460 ↘	280 ↗	6,450 →	7,180 ↘
	90 th percentile	370 ↗	1,130 ↘	400 ↗	10,450 →	11,150 ↘
	10 th percentile	130 →	200 ↘	170 →	3,500 ↗	3,630 ↗
	50 th percentile	230 →	400 →	220 →	5,560 ↗	5,710 ↗
	90 th percentile	360 →	1,130 ↘	300 →	9,000 ↗	9,380 →
 Basel	10 th percentile	170 →	230 ↗	190 →	3,240 ↘	5,760 ↗
	50 th percentile	230 ↘	320 →	230 →	5,380 ↗	7,050 →
	90 th percentile	320 ↘	680 ↘	290 ↗	8,720 ↗	9,900 →
	10 th percentile	150 →	140 →	170 →	3,430 ↘	4,680 ↗
	50 th percentile	220 ↘	240 ↘	210 →	5,850 ↗	6,290 ↗
	90 th percentile	310 ↘	420 ↘	260 →	9,380 ↗	8,530 ↗
 Lausanne	10 th percentile	200 ↗	170 ↘	200 →	4,420 ↗	5,870 ↗
	50 th percentile	270 →	300 ↘	270 →	6,660 ↗	8,240 →
	90 th percentile	410 ↗	620 ↗	380 ↗	11,150 ↗	11,170 →
	10 th percentile	160 →	150 ↗	200 →	4,380 ↗	5,680 ↗
	50 th percentile	250 →	270 →	260 →	6,570 ↗	7,550 ↗
	90 th percentile	380 →	460 ↘	340 →	11,010 ↗	11,420 ↗
 Geneva	10 th percentile	370 ↗	300 ↘	250 ↗	6,370 ↗	8,890 ↘
	50 th percentile	640 ↗	600 ↘	390 ↗	10,620 ↗	13,630 ↗
	90 th percentile	1,040 ↗	1,190 ↘	650 ↗	18,440 ↗	18,430 →
	10 th percentile	260 ↘	240 ↗	250 ↗	5,980 ↗	7,990 ↗
	50 th percentile	420 ↘	400 ↗	350 ↗	9,850 ↗	11,610 ↗
	90 th percentile	720 ↘	760 ↗	550 ↗	17,710 ↗	15,550 ↗
Switzerland	Median	200 →	220 ↘	190 →	5,000 →	5,350 ↗

Sources This market survey is based on a broad internal data pool. It also draws on data provided by the Federal Statistics Office as well as cantonal and local statistical offices (vacancy rates), the Baublatt Info-Dienst (planning applications for single-family houses and apartment blocks) and IPD (performance indices). The cartographic illustrations are based on the generalised municipal boundaries (BFS Geostat/L+T).

Notes Office Stock in sqm gross floor area (GFA); commercial rentals in CHF per sqm usable area p. a.; rented apartments: net rentals in CHF per sqm usable area; single-family houses: market prices in CHF; owner-occupied apartments: market prices in CHF per sqm usable area. Arrows indicate the quarter-on-quarter change to prime rents and yields, otherwise year-on-year change (throughout the whole document).

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