

Zurich and Geneva Property

FIRST HALF 2007

In Zurich, the office market continues to be strong. Take-up was strong, especially in CBD, and availability continues to decrease. New development is currently limited.

In Geneva, office rents increased further, strong take-up in CBD and the vacancy rate remains below 1.5%.

1st HALF AT A GLANCE

Zurich

Supply →

Vacant →

Rents →

Geneva

Supply →

Vacant →

Rents →

Market Overview

• Stabilised economic development

By international comparison, the Swiss economy is characterised by a low rate of inflation and unemployment. The economy enjoys fairly stable moderate growth. In 2006, GDP growth reached 2.7%. For 2007, a GDP growth of 2.3% is now forecasted. The annual unemployment rate is expected to reach an annual average of 2.7% compared to 3.3% a year before. Price development remains also rather stable. The overall inflation is expected to reach 0.6% in 2007 and 1.2% in 2008.

• Further Zurich vacancy rate decrease expected

Due to the improved demand and new development focused on pre-let schemes, office vacancy decreased from 6.23% in 2005 to 4.75% in 2006 for the first time since 2002. New figures will be available in at the end of summer and we expect further vacancy decrease in light of decreasing availability and limited development.

Geneva vacancy rate is expected to decrease further from currently below 1.5%

• Strong availability decrease in Zurich and Geneva CBD

In Zurich, the return to the city centre continues and CBD availability decreased both in Q1 and Q2 2007. On the city level, the office space availability recorded slight decrease.

In Geneva, the overall availability decreased slightly in Q1 and Q2 2007.

• Stable take-up

In Zurich, take-up has been stable compared to the Q4 2006 and concentrated on CBD. We recorded lettings totaling 36'000 sq m. Lettings averaged 630 sq m at CHF 412 /sq m /pa. Largest deals were for areas of 5'000 sq m, 4'100 sq m and 3'700 sq m.

• CBD rents on the increase

In Zurich, as office space availability in the city centre decreases, a rise in the asking rents has been recorded. City-wide rents remain stable, but a change could be at hand.

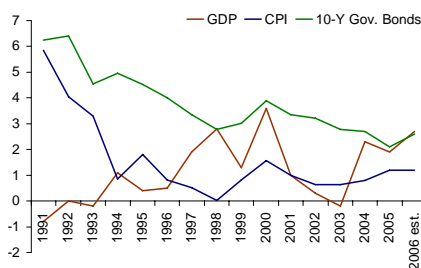
In Geneva, asking rents have increased further due to strong demand from financial and trading companies.

• Slow-down in development activity

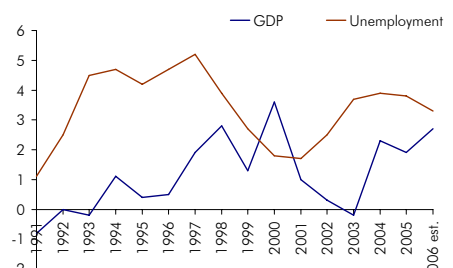
In Zurich, major mixed use development Sihlcity has been completed. The completion outlook for the rest of the year is weak.

Geneva has recorded a high development activity in 2006 with completion of 70'000 sq m in H1.

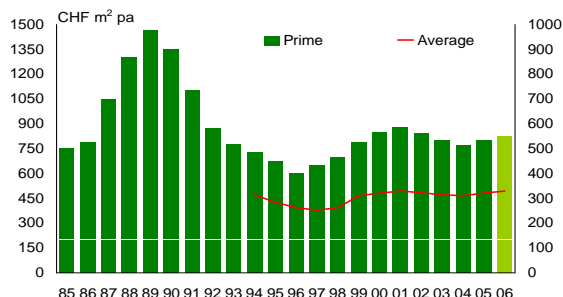
SWISS ECONOMIC INDICATORS



UNEMPLOYMENT IN SWITZERLAND

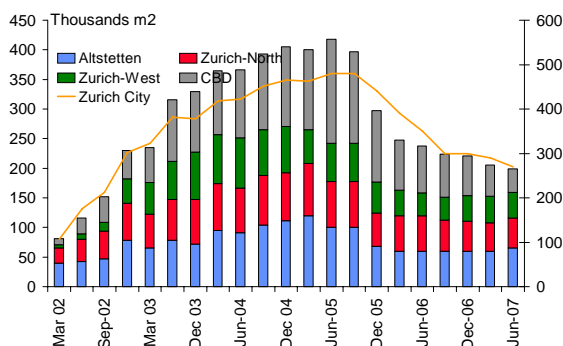


ZURICH PRIME & AVERAGE RENTS



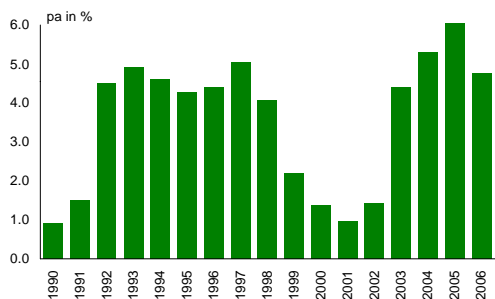
Source: CB Richard Ellis – PI Performance

ZURICH OFFICE SPACE AVAILABILITY



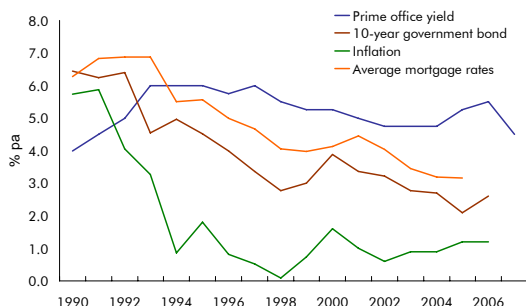
Source: CB Richard Ellis – PI Performance

ZURICH VACANCY RATE



Source: Stat. Office City of Zurich

ZURICH PRIME OFFICE YIELDS



Source: CB Richard Ellis – PI Performance

Office Rents

In H1 2007, the rents overall continue to be stable. However, we have recorded increase in prime rents and rental values. The continued strong demand for CBD space starts to put pressure on the rents here. New lettings have been concluded for more than CHF 900 /sq m /pa, a level would have been unthinkable in 2006. In Zurich-West, Zürich-North and especially in Zürich-Altstetten average asking rents decreased. The availability in Altstetten increased in the last quarter and the rents are down to CHF 200 /sq m /pa. In Zürich-West and Zürich-North average asking rents are at CHF 260 /sq m /pa and CHF 240 /sq m /pa respectively. The average rent for the city as a whole remains stable in between CHF 320-340 /sq m/ pa.

In Geneva, the commercial property market remains stable in H1. Rents in the city centre and other areas have slightly increased during the H1 as a result of both restricted supply of office space but sustained demand from multinationals, the finance sector and organisations related to the United Nations. CBRE-PI estimates that the top rent in the city centre is currently around CHF 750 /sq m/ pa; the highest asking rents reach CHF 1'200 /sq m /pa for premises located in the heart of the CBD. The average rent for the entire city is around CHF 330 /sq m /pa.

Office Demand

In Zurich, a strong trend of return to the CBD could be observed throughout H1 2007. Rents are increasing but remain still at a more affordable level than several years ago. Demand for historical, prestigious buildings with excellent infrastructure increased. Finance, business services and IT-companies as well as public administration rented space in prime locations such as Bahnhofstrasse (5'000 sq m) and Klausstrasse (3'700 sq m), but also on Badenerstrasse (4'100 sq m).

The market in Geneva remains liquid. Geneva is one of the top cities for relocation projects and financial activities. Strong demand continues to be shown by multinationals, the financial and public sector. Supply and demand are still balanced. Especially the CBD locations are demanded, which could lead to a further rent increase within the next 3-6 months. The main demand is for properties in the 600 to 1'500 sq m range. However, space requirements over 10'000 sq m can be satisfied only from specially designed new buildings. A 20'000 sq m office demand from a multinational has been registered.

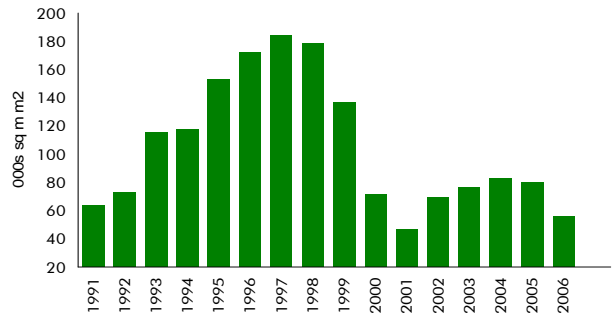
Office Supply

In Zurich, around 270'000 sq m were available at the end of H1 2007 compared to around 300'000 sq m at the end of Q4 2006. In CBD, availability decreased strongly by 27'000 sq m. In Zürich-North availability remains stable (we have recorded a slight increase of 1'000 sq m). In Zurich-West the availability has decreased marginally by 2'000 sq m. In Altstetten availability increased further by 5'000 sq m to 65'000 sq m.

We estimate that around 30'000 sq m of new office stock has been delivered onto the market in H1 2007. Sihlcity with 18'000 sq m of office space was the most important completion. Other completions have been smaller developments of 1'000 to 3'000 sq m. Another 12'000 sq m could be completed before the end of the year. The currently low office development activity appears to be a follow-up of the high vacancy period between 2003 and 2005. There are several major developments in planning but their construction will not be launched before 2008 or 2009.

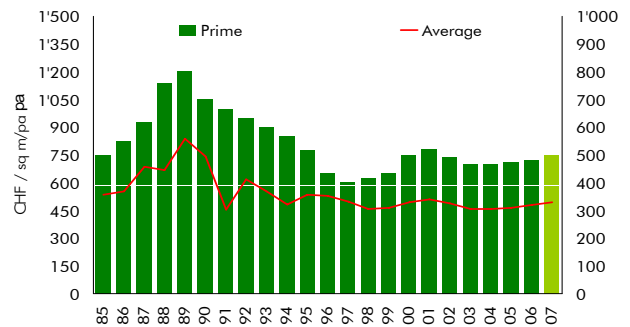
In Geneva, the availability has further decreased in comparison to H2 2006. Mainly small to medium premises are vacant, though there are also some spaces of over 1'000 sq m. The total office space available is 53'600 sq m for the city and 51'800 sq m for the canton (excluding city). In the next 12 months (2008), approximately 15'000 sq m of existing office space will become available on the letting market. However, for spaces over 10'000 sq m, can only be offered to potential tenants by developments with approximately 66'000 sq m of office space under construction. Planning permission has been granted for a further 47'000 sq m of office space in the Geneva region.

GENEVA VACANT SPACE



Source: OCSTAT

GENEVA PRIME & AVERAGE RENTS



Source: CB Richard Ellis – PI Performance

	AVAILABILITY		PRIME / AVERAGE RENT	DEVELOPMENT SUPPLY PIPELINE		
	Q4 2006	H1 2007	Q2 2007	Total Completions 2006	Under Construction	Expected Completions 2007
Zurich City Centre	67 000	40 000	920 / 500	16 800	3 000	5 000
Zurich West	44 000	43 000	355/260	15 000	-	-
Zurich North	50 000	51 000	360/240	3 000	-	1 300
Zurich Altstetten	60 000	65 000	330/200	4 000	7 000	6 000
Total City of Zurich	300 000	270 000	320 – 340	53 000	12 300	30 000
Geneva City Centre	30 500	15 200	750/450-500	0	0	50 000 (completed)
Canton of Geneva (incl. City)	117 000	105 400	250-290	46 500	86 000	38 000
Total City of Geneva	61 400	53 600	330	46 500	86 000	88 000

DEVELOPMENT AREAS

Zurich-West: Prime Tower, Switzerland's second highest building with 42'000 sq m of office space, has been approved for construction and looks for pre-lets. Significant planning activity is under way on surrounding industrial zones Escher-Wyss, Löwenbräu, Coop and Maag, where whole new city quarters are being planned.

Zurich-North: Tailor-made buildings and pre-lets dominate the market in this part of the city. New office completions were negligible in first half of 2007. No change is expected in the next quarter. A whole new city has been built north of the Oerlikon train station and the development market appears to be saturated for the time being.

Zurich-Altstetten: The UBS mixed-use development of Luwa Areal (7'350 sq m of offices) is currently the largest office scheme under construction in this part of the city. The mixed-use development of the train station and surrounding area is the main scheme currently in planning. Construction is expected to commence in 2008.

Zurich-South: Sihlcity, an ambitious shopping, leisure and commercial development (18'000 sq m of office space) on a former industrial site, has been completed in March 2007. On the Huerlimann brewery site, further phase of the City-South development with 14'800 sq m has been completed at the end of 2006.

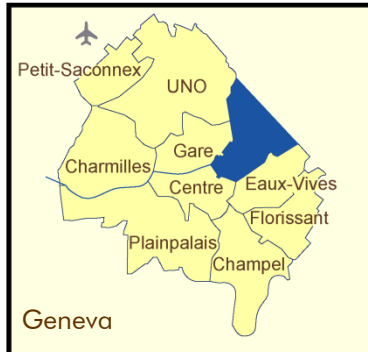
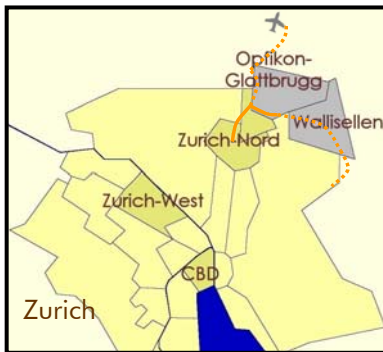
Glattal: Two major office developments (2Sides, Light Cube) with 34'000 sq m have been completed. Planning activity is intensive in this part of the agglomeration with a total number of projects being planned or waiting for pre-lets reaching 90'000 sq m. The Glatt valley is the area with Switzerland's largest economic development potential. The core of this development area, the Glattpark, is being developed with a mixture of residential and office buildings as well as a park and an artificial lake. The Glattal rail link is under construction and going into its second phase.

Geneva: expanded Airport region: Geneva's biggest market area, with development as the Blandonnet III & IV project (35'000 sq m) the Lumion II et III (5'000 sq m), the l'Arc building (12'000 sq m). The Casai58 project (7'000 sq m) and the Patio Plaza (12'000 sq m) have been completed in Q2 2007.

Acacias/Lancy: The headquarter of Pictet & Cie Bank, with 40'000 sq m of office space, has been completed at the end of 2006. A tailor made building with 20'000 sq m entirely pre-let to Procter & Gamble is currently under construction (completion in H2 2007). The entire submarket is subject to a rezoning masterplan which has been presented in H1 2007. Several development projects requiring re-zoning are projected in this area.

Cornavin (station): The submarket is dominated by the MerckSerono office building which will have been completed in Q1 2007 (50'000 sq m).

Golden Rectangle: a cross-border development area of 170 hectares between Switzerland and France is a potential for the expansion of Geneva in the long-term.



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