Zurich and Geneva Property

Q1 2010

ZURICH

Quick Stats

	Change from Q4 09	Change from Q1 09
Availability	→	↑
Rents	→	↘

Hot Topics

- The latest Q1 2010 figures show a (temporary) stabilization of the market in terms of availability increase.
- Much new demand is emerging again from foreign companies wanting to relocate to or expand in Switzerland. This could to a certain extent offset the increasing availability.
- Space consolidation and optimization processes, lease renegotiations as well as the big mid-term pipeline will lead to more market activity.

GENEVA

Quick Stats

	Change from Q4 09	Change from Q1 09
Availability	→	↗
Rents	→	→

Hot Topics

- The Geneva market is still tight and dry.
- Increasing number of relocation projects from financial companies and multinationals.

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OVERVIEW

- **Swiss economy recovering**

Economic recovery in Switzerland has stabilized, and the short-term outlook reveals to be more favorable than a few months ago. In the course of this year, however, the upswing is expected to lose some of its impetus again in the face of not more than moderate global economic impulses and a declining domestic demand. For 2010, the Expert Group of the Federal Government now expects the Swiss economy to grow by 1.4%, a growth rate which is higher than anticipated so far (+0.7%). Nevertheless, relief – i.e. rising employment and a decline in the unemployment rate – is not expected before next year. (Source: State Secretary for Economic Affairs SECO)

- **Zurich vacancy rate rising, Geneva vacancy rate remaining low**

With a rate of approx. 3.8%, the vacancy in Zurich still is on low level, but it has increased heavily since Q2 2009 when a rate of below 3% was recorded. In certain sought-after CBD areas such as Kreis 1 the vacancy rate still is below 2.0%.

Geneva vacancy rate (Canton and City) remains low around 1.5%.

- **Stabilization in availability in Zurich and Geneva**

In Zurich, around 218,000 sq m were available at the end of Q1 2010. Compared to Q4 2009 (224,000 sq m), we have even seen a slight decrease in availability (available within 3 months).

In Geneva, the overall availability continues to be low in Q1 2010.

- **Zurich take-up has slightly recovered, continuous take-up in Geneva**

With 25,000 sq m in Q1 2010, take-up in Zurich has caught up compared to the 3 preceding quarters when average take-ups of only 16,000 sq m were recorded.

Continuous take-up in Geneva during Q1 2010.

- **Rents falling slightly in Zurich, stable rents in Geneva**

Prime rents are in the region of CHF 850/sq m pa, average rents in the most important submarkets (CBD, North, West, Altstetten) have decreased slightly over the last quarters to approx. CHF 320/sq m pa.

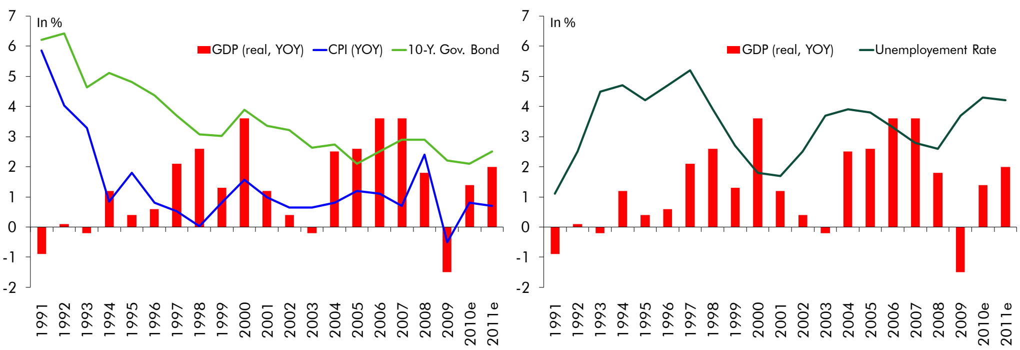
In Geneva, asking rents in the CBD have reached a peak and are currently stable. Average rents in submarkets are stable.

- **Strong mid-term development pipeline in Zurich, stability of supply in Geneva**

In Zurich, the completion outlook for 2010 looks weak. However, more than 150,000 sq m office space are expected to come on the market in 2011 and 2012.

In Geneva, the development completion outlook for 2010 is slightly weaker than last year with 33,000 sq m under construction, the completions for the next 24 months are expected to be 60,000 sq m of additional office space.

Swiss Economic Indicators



Source: SNB, State Secretary for Economic Affairs SECO

OFFICE RENTS

Overall demand for space has slowed down in the recent past. Asking prices have slightly fallen and lease negotiations are characterized by growing rent allowances to tenants. In the CBD, prime rents are in the region of CHF 850/sq m pa, average rents decreased to approx. CHF 510/sq m pa. In Zurich-West, prime rents are at approx. CHF 370/sq m pa (not including the Prime Tower development where pre-let rents of around CHF 500/sq m pa can be seen), the average asking rents stabilized around CHF 270/sq m pa. In line with the high vacancy rate, the average rents and prime rents in Zurich-Altstetten are CHF 210/sq m pa and CHF 320/sq m pa respectively. Zurich-North profits from a healthier demand and average asking rents are at CHF 260/sq m pa, prime rents at CHF 350/sq m pa. The average rent for the most important submarkets is between CHF 310 and 330/sq m pa.

In Geneva, the commercial property market remained stable in Q1 due to he combination of ongoing demand and little availability. Rents in the city centre and other areas have been stable during Q1 as a result of restricted supply of office space, sustained demand from multinationals and the finance sector combined with low vacancy. CBRE-PI estimates that the top rent in the city centre is currently around CHF 850/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 350/sq m pa.

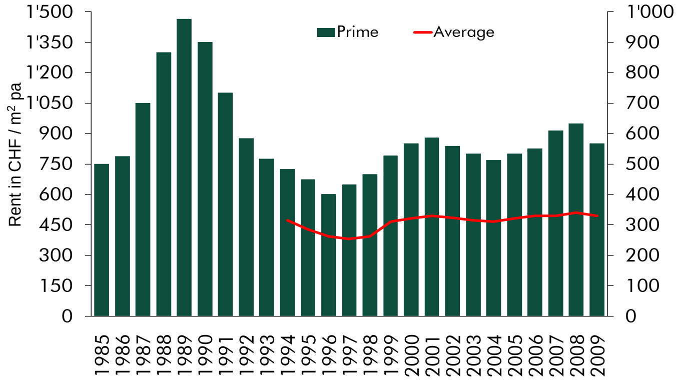
OFFICE DEMAND

Space consolidation processes, lease renegotiations as well as the big mid term pipeline have led to more market activity since H2 2009. The demand still is very cost-sensitive. Demand in Zurich-North and Zurich-West is largely underpinned by tenants optimizing their space requirements, and hence relocating or establishing secondary offices in the sub-markets where more modern space is available. Much new demand is emerging again from foreign companies wanting to relocate to or expand in Switzerland. This could to a certain extent offset the increasing availability.

Take-up in Zurich has strongly increased in Q1 2010 (25,000 sq m in total). With more than 12,000 sq m, take-up in the CBD was very high (50% of the total market), which reflects the high activity in this area. Take-up in Zurich-West still was weak at approx 1,000 (without pre-lets), take-up in Zurich-North has recovered.

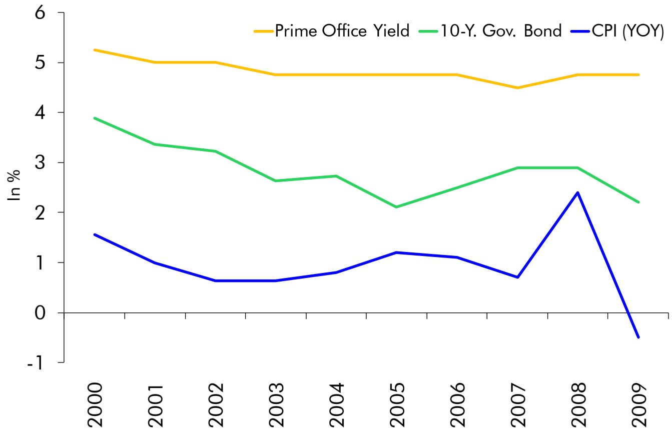
In Q1, the Geneva market remains robust and shows little liquidity. Geneva continues to be one of the top cities for relocation projects of multinationals and the financial sector. Constant demand continues to be shown by multinationals. The main demand is for modern, well equipped premises in the 600 to 1,500 sq m range located in the CBD (financial institutions) or less expensive submarkets (multinationals). The airport region offering buildings with large floor plates is expected to show a higher future availability due to development projects but the take up continues to be robust.

Zurich Prime & Average Rents



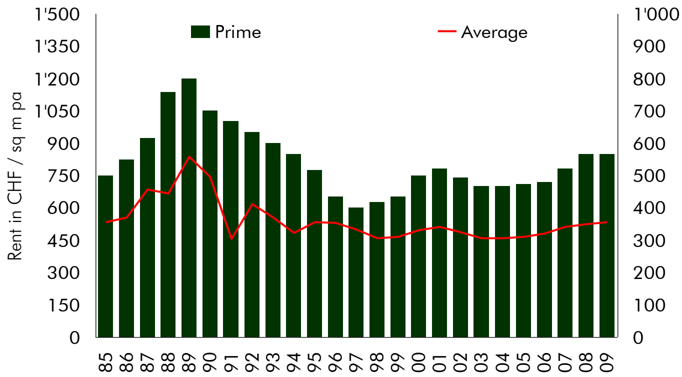
Source: CB Richard Ellis – PI Performance

Zurich Prime Office Yields



Source: CB Richard Ellis – PI Performance, SNB, State Secretary for Economic Affairs SECO

Geneva Prime & Average Rents



Source: CB Richard Ellis – PI Performance

Zurich Take-up

In sq m	Q1 10	Q4 09	Q3 09
Take-up	25,000	14,000	19,000

Source: CB Richard Ellis – PI Performance

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OFFICE SUPPLY

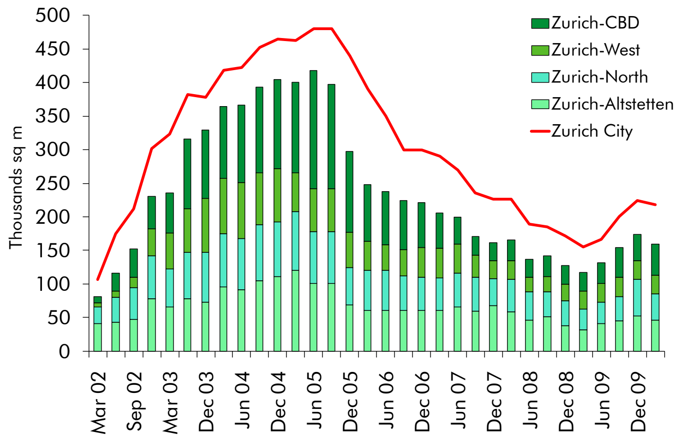
In Zurich, around 218,000 sq m were available* at the end of Q1 2010. Compared to Q4 2009 (224,000 sq m), we have even seen a slight decrease in availability. The office space available in the CBD added up to around 45,000 sq m in. In Zurich-Altstetten (46,000 sq m), the availability slightly decreased. With 39,000 sq m available in Q1 2010, the decrease in availability in Zurich-North was significant compared to the last quarter. In Zurich-West, the space on the market was stable at 28,000 sq m.

With only 26,000 sq m, the completion outlook for this year looks relatively weak. However, from 2011, significant amounts of office space are expected to come on the market (more than 150,000 sq m in 2011 and 2012). On the whole, around 200,000 sq m office space are currently under construction. Beside the Europaallee project (formerly Stadtraum HB), located close to Zurich main station, especially in Zurich-West and Zurich-North several large scale development schemes are being constructed and further planning activity is under way.

In Geneva, the availability is stable in comparison to Q4 2009. Around 85,500 sq m were available at the end of Q1 2010. Mainly small to medium premises or dated stock are vacant, though there are also some spaces of over 800 sq m mainly in the submarkets. The total office space available is 42,500 sq m for the city and 43,000 sq m for the canton (excluding city). In the next 24 months (2012), approximately 16,000 sq m of existing office space requiring major refurbishment 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 33,000 sq m of office space under construction. Planning permission has been granted for a further 25,000 sq m of office space in the Geneva region. The construction of the schemes are subject to securing pre-lets.

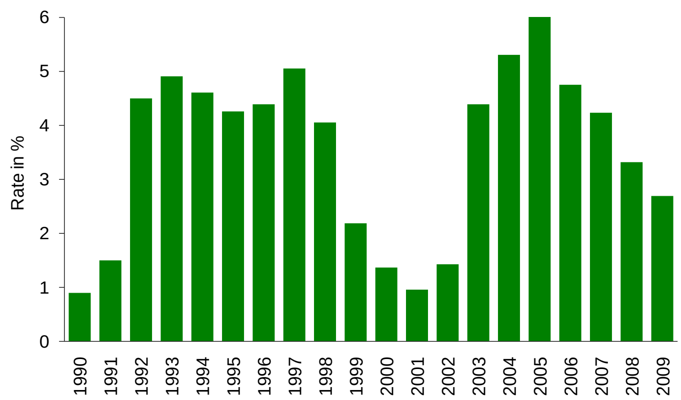
*Definition of Availability: Availability refers to floor space currently under offer available within 3 months. This does also include space available that may still be occupied.

Zurich Office Space Availability



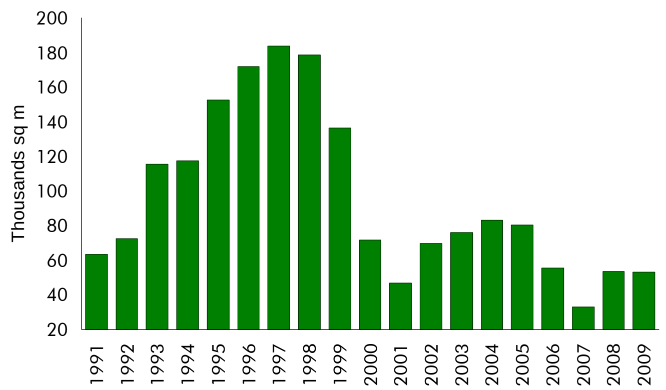
Source: CB Richard Ellis – PI Performance

Zurich Vacancy Rate



Source: Statistical Office City of Zurich

Geneva Vacant Space



Source: OCSTAT

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	AVAILABILITY		TAKE-UP		PRIME / AVERAGE RENT	DEVELOPMENT SUPPLY PIPELINE		
	Q4 2009	Q1 2010	Q4 2009	Q1 2010	Q1 2010	Total Completions 2009	Under Construction	Expected Completions 2010
Zurich CBD	39 000	46 000	5 500	12 000	850/510	3 000	15 000	18 000
Zurich West	28 000	28 000	1 000	1 000	370/270	-	70 000	-
Zurich North	54 000	39 000	3 000	5 000	350/260	23 000	48 000	-
Zurich Altstetten	52 000	46 000	500	3 000	320/210	-	6 000	6 000
Total City of Zurich	224 000	218 000	14 000	25 000	850/310 – 330	29 000	200 000	26 000
Geneva City Centre	4 200	3 400	n/a	n/a	850/550 – 650	2 500	5 000	0
Total City of Geneva	40 000	42 500	n/a	n/a	350	38 500	28 000	27 000
Canton of Geneva	83 500	85 500	n/a	n/a	320 – 350	41 000	33 000	27 000

ZURICH DEVELOPMENT AREAS

Zurich-CBD: The biggest development in vicinity of the CBD is Europaallee (formerly Stadtraum HB), a mixed use project that will be completed next to the main station in stages from 2012 to 2018. In total, about 100,000 sq m new office space will come on the market (42,000 sq m in 2012 and 20,000 in 2013). Contracts have already been concluded with several well known occupiers (UBS, Clariden Leu, Swisscanto, Di-Gallo Group). Conversion and refurbishment of the existing stock also make a significant contribution to the market supply in the CBD.

Zurich-West: The most important ongoing development scheme in Zurich-West is Prime Tower and its annexes on the Maag area with around 53,000 sq m in total (available in summer 2011). Significant other planning activity is under way on the surrounding industrial zones Coop (Fifty-One building with approx. 16,000 sq m in the City West development area; available in spring 2011), Hardturm, Toni and Löwenbräu, where whole new city quarters are being planned. In addition, the project called Tram Zurich West (tram line between Escher-Wyss-Platz and Zurich Altstetten train station) will improve public transport connections soon.

Zurich-North: Tailor-made buildings and pre-lets dominate the market in this part of the city. The Andreaspark building with around 15,000 sq m office space recently came on the market. Just close-by, the construction of the Vertex and Main Tower projects with 19,000 sq m and 17,000 sq m respectively started recently, they both will be completed in 2012.

Zurich-Altstetten: The Connect development (6,500 sq m office space) should be completed soon. The West-Link mixed-use development at the train station (approx. 21,000 sq m of offices) is the main scheme currently in planning. Despite some attractive new developments we do not expect any strong improvement in the near future as demand concentrates on the axis CBD-Zurich West-North/Airport.

Glattal and Airport: Planning activity and economic potential is intensive in this part of the agglomeration. A big long-term development scheme is under planning in close vicinity of the airport (Butzenbüel). Glattalbahn, a tram connecting the business areas in Zurich-North with the airport has made a significant contribution to the quality of this area since December 2008.

GENEVA DEVELOPMENT AREAS

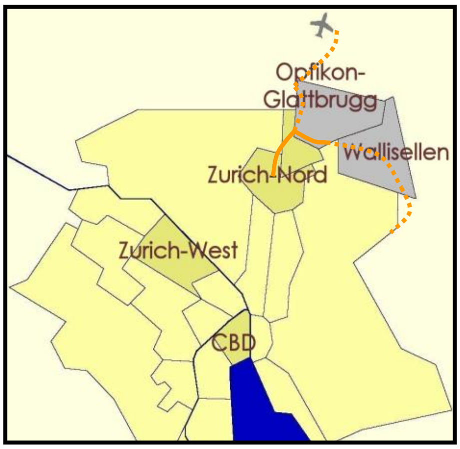
Geneva: Expanded Airport region: Geneva's largest market area, with the recent completion in Q4 2009 of the development Blandonnet III of 35,000 sq m, the l'Arc building (12,000 sq m), Ikea project (retail and office space) and Riantbosson project.

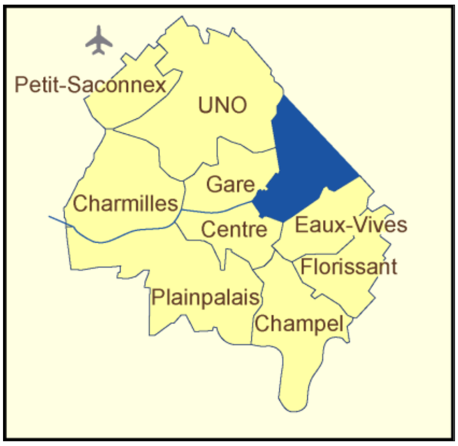
Acacias/Lancy: The submarket has been an industrial past and is dominated by the headquarter of Pictet & Cie Bank, with 40,000 sq m of office space, UBS back offices of 48,000 sq m and neighboring headquarter of JTI. The entire submarket has a large development potential in the medium term, as is part of a rezoning masterplan of Acacias/La Praille presented in 2007. Several mid to long term development projects (SOVALP 120,000 sq m, Etoile towers, etc.) requiring re-zoning are projected in this area. The submarket presents the largest development potential for the coming years.

International District/United Nations: The submarket is dominated by potential developments for United Nations related organizations. The redevelopment of the Geneva main station will comprise 5,000 sq m of office space. Some mixed development projects are at planning stage in the Sécheron area (25,000 sq m and 12,000 sq m).

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

Sub Markets Maps





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