

Zurich and Geneva Property

Q1 2011

ZURICH

Quick Stats

	Change from	
	Q4 10	Q1 10
Availability	→	→
Rents	→	↘

Hot Topics

- Space consolidation and relocation processes are the key market drivers.
- The CBD availability has further risen to 60,000 sq m.
- In the CBD, prime rents again exceed CHF 950 / sq m pa.
- About 200,000 sq m of office space are under construction.

GENEVA

Quick Stats

	Change from	
	Q4 10	Q1 10
Availability	→	↘
Rents	→	→

Hot Topics

- The Geneva market remains tight and dry.
- CBD availability has further dropped.
- Ongoing demand for high quality space.

OVERVIEW

• Situation of the Swiss economy still positive in spring 2011

In Q4 2010, the economy continued to grow strongly across a wide range of sectors. The most recent economic indicators since the beginning of the year have also been positive. Business and consumer confidence surveys show few signs of weakness. The risk of a sharper downturn is limited due to the solid state of the domestic economy. Following the strong growth of recent years, the construction industry has probably passed its peak, but may lift somewhat again due to continued low interest rates and positive impulses due to immigration. For 2011, the expert group expects an annual average unemployment rate of 3.2% and 3.3% for 2012. Average annual inflation is expected to reach 1% in 2011 before dropping again in 2012. (Source: State Secretary for Economic Affairs SECO)

• Zurich and Geneva vacancy rates remaining relatively low

With a rate of approx. 3.5%, the vacancy in Zurich still is quite low. However, the figure has to be treated with some caution (further comments on p. 3). It has increased heavily since Q1 2009 when a rate of much below 3% was recorded.

Geneva vacancy rate (Canton and City) remains low around 1.75%.

• Increase in availability expected for Zurich, availability remains low in Geneva

In Zurich, the citywide availability has (temporarily) decreased somewhat last quarter. It adds up to approx. 205,000 sq m of office space (available within 3 months). However, it is expected to rise again soon (further comments on p. 3).

In Geneva, the overall availability continues to be low in Q1 2011.

• Zurich take-up stronger in Q1 2011, continuous take-up in Geneva

With 27,000 sq m, take-up in Zurich has increased again in Q1 2011.

Continuous take-up in Geneva during Q1 2011.

• Rents moving sideways in Zurich, stable rents in Geneva

In Zurich, average asking prices stabilized on a somewhat lower level, they are at approx. CHF 310 / sq m pa in the most important submarkets. Prime rents have been rising again and even exceed CHF 950 / sq m pa in certain CBD areas.

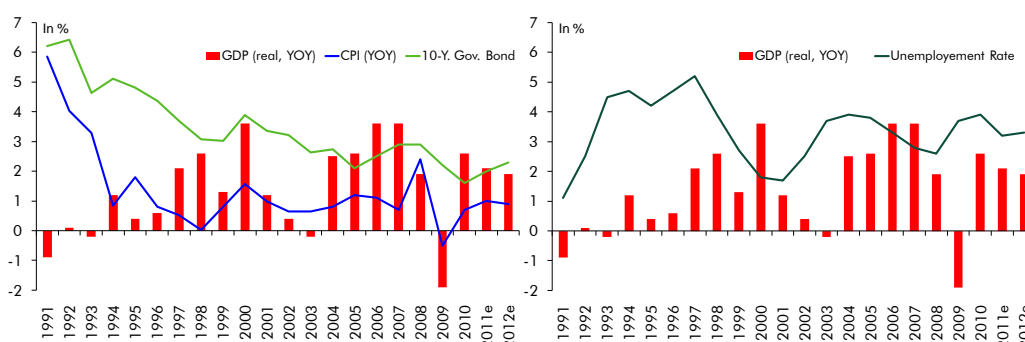
In Geneva, asking rents in the CBD have reached a peak and are currently stable. Average rents in submarkets are stable.

• Strong completion outlook in Zurich, stability of supply in Geneva

The Zurich completion outlook for 2011 looks strong. More than 180,000 sq m office space are expected to come on the market in 2011 and 2012.

In Geneva, the development completion outlook for 2011 is slightly weaker compared to last year with 24,000 sq m under construction, the completions for the next 24 months are expected to be 50,000 sq m of additional office space.

Swiss Economic Indicators



OFFICE RENTS

The downward pressure on asking rents has ceased, especially in the CBD where many attractive buildings have been brought on the market. In certain cases this has even led to a modest backlash with rising prices. In the CBD, prime rents even exceed CHF 950 / sq m pa, average rents are around CHF 520 / sq m pa. In Zurich-West, prime rents are around CHF 380 / sq m pa, in specific new developments such as the Prime Tower up to approx. CHF 500 / sq m pa. The average asking rents are at CHF 270 / sq m pa. The average 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 city as a whole is between CHF 300 and 320 / sq m pa. Prices are expected to be stable.

In Geneva, the commercial property market remained stable in Q1 due to the combination of ongoing demand and little availability. Rents in the city centre and other areas have been stable during Q3 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 360 / sq m pa.

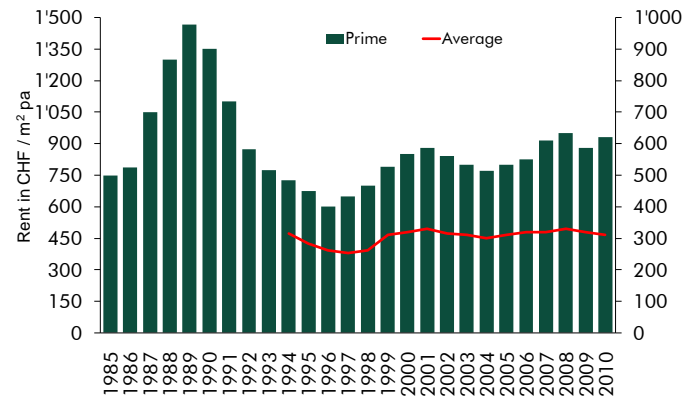
OFFICE DEMAND

Space consolidation processes as well as the big development pipeline are the key market drivers. There is quite a high demand for big office units. The demand still is very cost-sensitive. Many tenants are reviewing their lease contracts. An increasing number of tenants have started to relocate. We can see high letting activities and many pre-lets. Demand in Zurich-North and Zurich-West is largely underpinned by cost-sensitive tenants relocating or establishing secondary offices in the sub-markets where more modern space is available. Much new demand is also emerging from foreign companies wanting to relocate to or expand in Switzerland. This could to a certain extent offset the increasing availability.

With 27,000 sq m, take-up in Zurich has increased. Thereof 39,000 sq m or almost 40% were absorbed in the CBD, which is a lower value than in the preceding quarters.

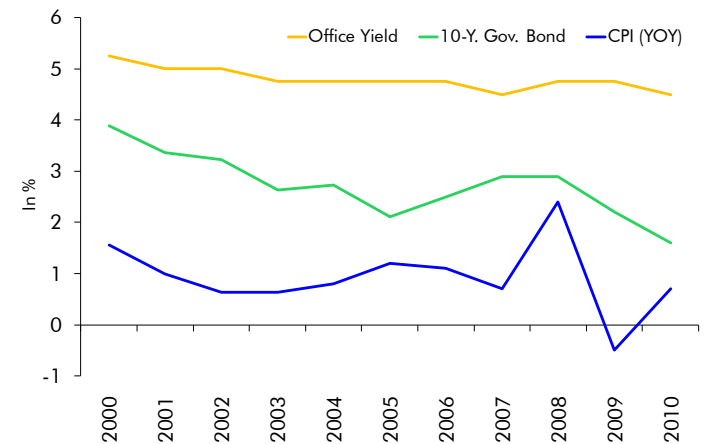
In Q1, the Geneva market remains robust and shows currently little liquidity. Geneva continues to be one of the top cities for relocation projects of multinationals and the financial sector. Constant demand continues to be shown by multinationals. The main demand is for modern, well equipped premises 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 future development projects within the next 36 months but the take up continues to be robust.

Zurich Prime & Average Rents



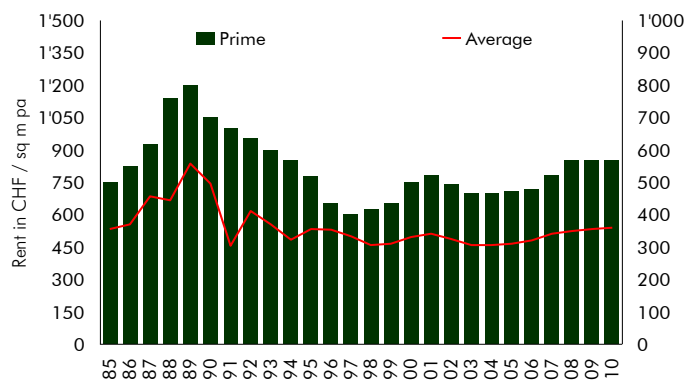
Source: CB Richard Ellis - PI Performance

Zurich Net Office Yields (10th quantile)



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

	Q1 11	Q4 10	Q3 10
Take-up in sq m	27,000	22,000	18,000

Source: CB Richard Ellis - PI Performance

OFFICE SUPPLY

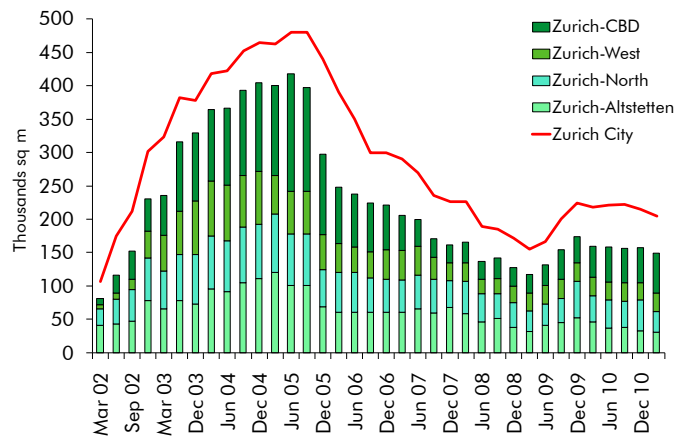
In Zurich, around 205,000 sq m were available* at the end of Q1 2011. When we compare this to Q4 2010 (215,000 sq m) and Q3 2010 (222,000 sq m) we have even seen a decrease in overall availability. However, this figure has to be treated with some caution. In line with the big number of consolidation processes currently seen on the market, it should not be forgotten that many development projects and pre-leased buildings have never entered into the availability statistics, even though some of them are ready to be occupied soon or even standing vacant. Only when these buildings will get occupied space will be freed up in the buildings currently occupied, this will then also be reflected in the statistics. This trend can already be seen in the CBD where the available office space CBD rose from 53,000 sq m in Q4 2010 to 60,000 sq m in Q1 2011. Some of the space coming on the market in the CBD is very attractive and the chance to unlock off-market opportunities quite high.

The completion outlook for the next two years looks very strong. Approx. 200,000 sq m are currently under construction. Beside the Europaallee project, 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 overall availability* has decreased in comparison to Q3 2010. The vacancy rate has dropped in comparison to Q1 2010. Mainly small to medium premises or dated stock are vacant, though there are also some spaces of over 1,000 sq m mainly in the submarkets. The total office space available is 40,000 sq m for the city and 42,000 sq m for the canton (excluding city). In the next 36 months (2014), approximately 15,000 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 39,000 sq m of office space under construction. Planning permission has been granted for a further 106,000 sq m of office space in the Geneva region. The construction of the schemes are subject to securing pre-lets.

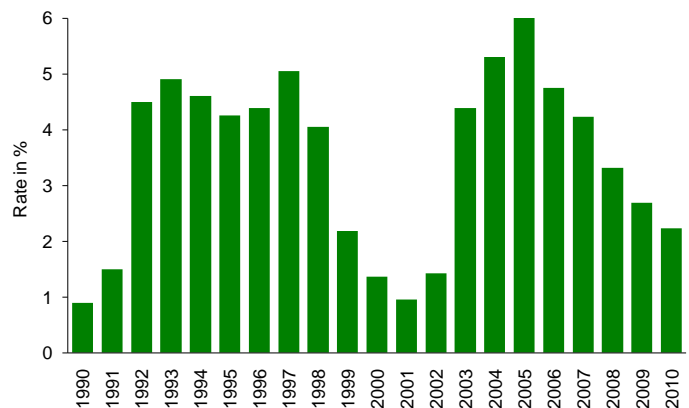
*Definition of Availability: Availability refers to floor space currently under offer available within 3 months. This does also include space available that may still be occupied.

Zurich Office Space Availability



Source: CB Richard Ellis – PI Performance

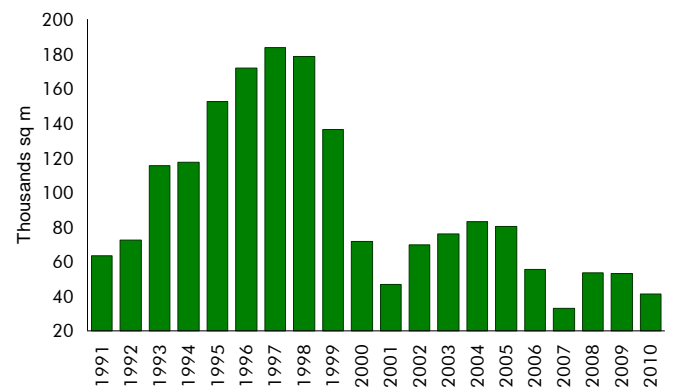
Zurich Vacancy Rate



Source: Statistical Office City of Zurich

Comment: Please note that these figures sometimes vary from the figures reported by CB Richard Ellis – PI Performance due to other data gathering methods.

Geneva Vacant Space



Source: OCSTAT

	AVAILABILITY		TAKE-UP		PRIME / AVERAGE RENT	DEVELOPMENT SUPPLY PIPELINE		
	Q4 2010	Q1 2011	Q4 2010	Q1 2011	Q1 2011	Total Completions 2010	Under Construction	Expected Completions 2011
Zurich CBD	53 000	60 000	12 000	10 500	950/520	15 000	-	-
Zurich West	25 000	28 000	3 000	1 000	380/270	-	72 000	72 000
Zurich North	47 000	31 000	3 000	7 000	350/260	-	55 000	18 000
Zurich Altstetten	32 000	30 000	1 500	3 000	320/210	6 000	-	-
Total City of Zurich	215 000	205 000	22 000	19 000	950/300 – 320	22 000	200 000	110 000
Geneva City Centre	3 700	3 400	n/a	n/a	850/550 – 650	0	5 000	0
Total City of Geneva	42 500	40 000	n/a	n/a	360	35 500	24 000	24 000
Canton of Geneva	85 500	82 000	n/a	n/a	320 – 350	35 500	39 000	24 000

ZURICH DEVELOPMENT AREAS

Zurich-CBD: There still is a general lack of modern, open plan office space in the CBD. However, this can to a certain extent be offset by the growth in availability thanks to space consolidation processes. Furthermore, many landlords have taken the opportunity to carry out necessary repair or renovation works. These buildings face a relatively high level of demand.

The biggest development in vicinity of the CBD is Europaallee (formerly Stadtraum HB), a mixed use project next to the main station with 100,000 sq m office space due to be completed in stages from 2012 to 2018 (tenants/owners such as UBS, Swisscanto, Clariden Leu, etc.). The additional Credit Suisse Uetlihof office building in south direction of the CBD will be completed in mid 2011.

Zurich-West: The former industrial area of Zurich-West is about to change. 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 2011). Significant other construction activity has started on the surrounding industrial zones Coop, 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: In Zurich-North, the biggest projects are Vertex with 19,000 sq m and Main Tower with 17,000 sq m, both pre-let development schemes currently under construction (available in 2012). The many developments in the Leutschenbach area are rapidly changing the picture of the neighborhood. Also some bigger elder office buildings (most of them being renovated and repositioned) have come on the market here, further renovation projects will follow.

Zurich-Altstetten: Compared to the CBD – Zurich West – Zurich North/Airport axis, the construction activity in Zurich-Altstetten has been somewhat lower in the recent past. The West-Link mixed-use development at and around the train station (approx. 29,000 sq m of office space spread over 2 buildings) is the main scheme currently in planning. The construction will start as soon as an anchor tenant is found.

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 (Butzenbühl). 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

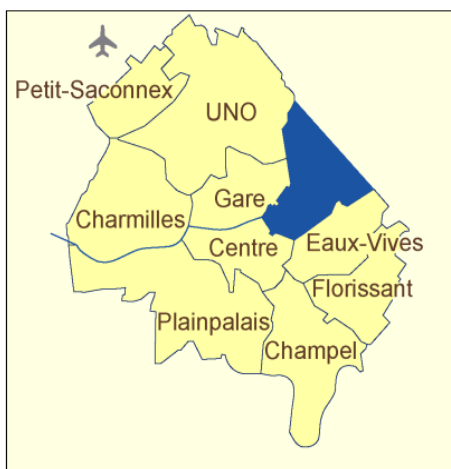
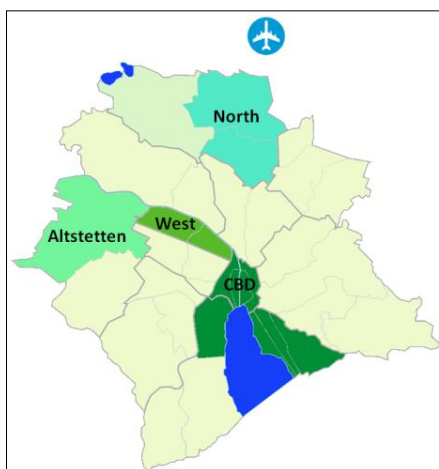
Geneva: Expanded Airport region: Geneva's largest market area, with the development Blandonnet IV of 20,000 sq m, the l'Arc building (12,000 sq m) and Riantbosson project. Further development projects of about 150'000 sq m are planned in this area (Saconnex) subject to rezoning and planning consent.

Acacias/Lancy: The submarket has been an industrial past and is dominated by the headquarter of Pictet 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. A building of 10,000 sq m for United Nations related organizations is currently under construction. 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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