

Zurich and Geneva Property

Q3 2010

ZURICH

Quick Stats

	Change from	
	Q2 10	Q3 09
Availability	→	↑
Rents	→	→

Hot Topics

- Space consolidation processes as well as the big development pipeline are the key market drivers.
- Especially the financial sector shows consolidation and relocation trends.
- The big office buildings coming on the market in the CBD area face a relatively high demand.
- Much new demand is emerging from foreign companies wanting to relocate to or expand in Switzerland.

GENEVA

Quick Stats

	Change from	
	Q2 10	Q3 09
Availability	→	↓
Rents	→	→

Hot Topics

- The Geneva market remains tight and dry.
- Geneva office vacancy dropped 22% compared to 2009.
- Ongoing demand for quality space.

OVERVIEW

• Higher growth forecast for 2010

Gross domestic product (GDP) grew by 0.9% over the second quarter of 2010 in real terms. GDP growth was primarily the product of domestic demand (higher rates of investment activity). Demand from exports has softened over the course of the year however. As a consequence of the lively economic revival up to the middle of the year in Switzerland, the SECO expert group has increased the federal government's growth forecast for 2010 to 2.7%. The prospects for 2011 are less positive than recently assumed, due to modest world economic prospects as well as a higher valuation of the Swiss franc producing significant drag and having a negative influence on Swiss export growth. (Source: State Secretary for Economic Affairs SECO)

• Zurich and Geneva vacancy rate remaining relatively low

With a rate of approx. 3.7%, the overall vacancy in Zurich still is on low level, but it has increased heavily since Q2 2009 when a rate of below 3% was recorded.

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

• Stabilization in availability in Zurich and Geneva

In Zurich, around 222,000 sq m were available at the end of Q3 2010. When we compare this to Q1 2010 (218,000 sq m) and Q2 2010 (221,000 sq m) we have seen a stabilization of the market.

In Geneva, the overall availability continues to be low in Q3 2010.

• Zurich take-up weaker in Q3 2010, continuous take-up in Geneva

With 18,000 sq m in Q3 2010, take-up in Zurich was somewhat lower than in the preceding quarters.

Continuous take-up in Geneva during Q3 2010.

• Rents moving sideways in Zurich, stable rents in Geneva

CBD Prime rents are in the region of CHF 860/sq m pa, average rents in the most important submarkets are at approx. CHF 320/sq m pa. Rents in certain CBD areas are expected to rise again.

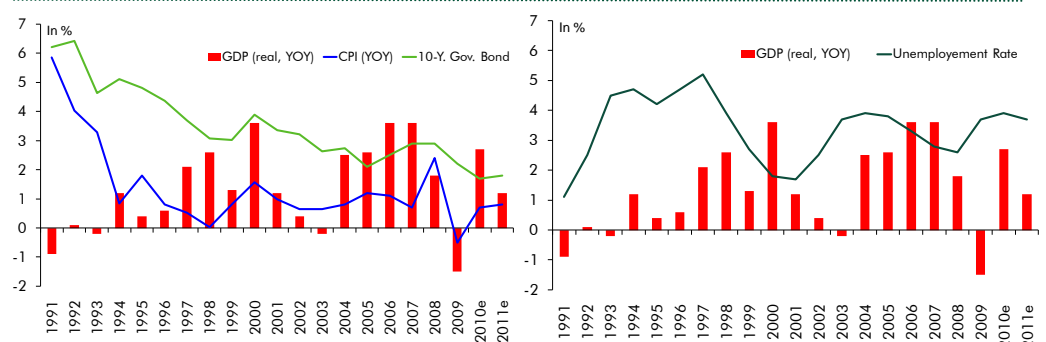
In Geneva, asking rents in the CBD have reached a peak and are currently stable. Average rents in submarkets are stable

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

In Zurich, completion outlook for 2010 still looks weak. In 2011 and 2012, more than 180,000 sq m office space are going to come on the market. The bulk of this space is under construction and already pre-let.

In Geneva, the development completion outlook for 2010 is slightly weaker than last year with 24,000 sq m under construction, the completions for the next 24 months are expected to be 51,000 sq m of additional office space.

Swiss Economic Indicators



OFFICE RENTS

Asking prices are currently moving sideways. The downward pressure on rents has ceased, especially given the fact that many attractive buildings have been brought on the market. In certain cases this could even lead to a modest backlash with rising prices. In the CBD, prime rents are in the region of CHF 860/sq m pa, average rents at approx. CHF 510/sq m pa. Rents in certain CBD areas are expected to rise again, this is especially true for some bigger office units that have come on the market. In Zurich-West, prime rents are at approx. CHF 370/sq m pa (not including the Prime Tower development where pre-let rents of up to approx. 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.

In Geneva, the commercial property market remained stable in Q3 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.

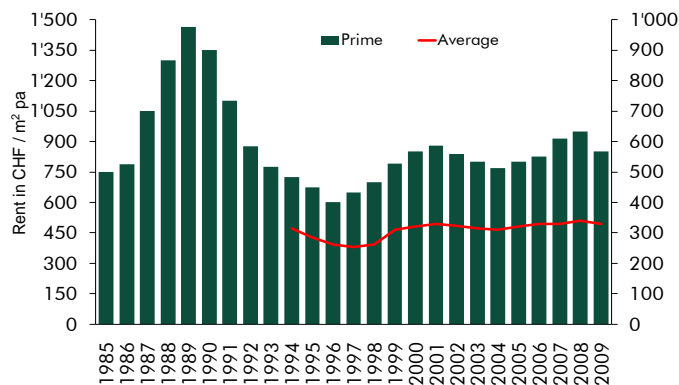
OFFICE DEMAND

The large office buildings coming on the market in the CBD and the big developments coming on the market in the more decentralized submarkets in 2011 and 2012 have both started to attract tenants. The local demand is driven by cost reductions rather than growth, which leads to consolidation and space optimization processes. In the following years large office units will be the key market driver. Much new demand is emerging from foreign companies wanting to relocate to or expand in Switzerland.

Take-up in Zurich was somewhat weaker in Q3 2010 (18,000 sq m in total). With 12,000 sq m take-up in the CBD was relatively high in Q3 2010 (two-thirds of the total market), which reflects the high activity in this area.

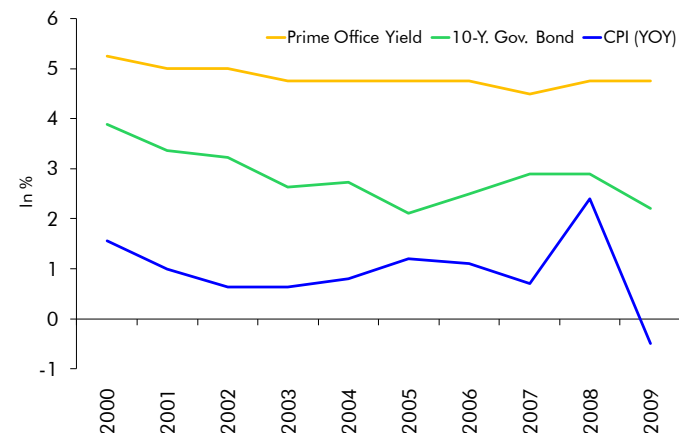
In Q3, the Geneva market remains robust and shows currently little liquidity. Geneva continues to be one of the top cities for relocation projects of multinationals and the financial sector. Constant demand continues to be shown by multinationals. The main demand is for modern, well equipped premises 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 development projects within the next 36 months but the take up continues to be robust.

Zurich Prime & Average Rents



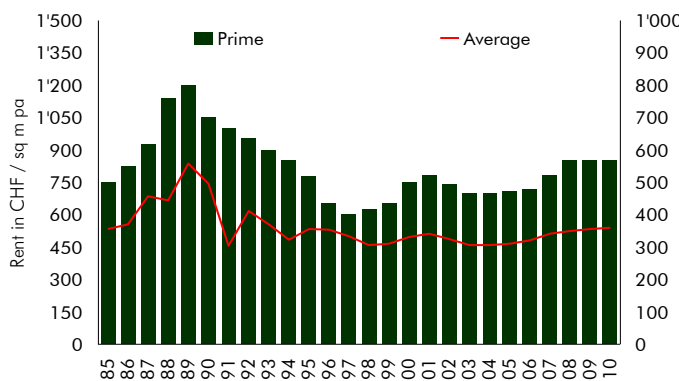
Source: CB Richard Ellis – PI Performance

Zurich 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	Q3 10	Q2 10	Q1 10
Take-up	18,000	24,000	25,000

Source: CB Richard Ellis – PI Performance

OFFICE SUPPLY

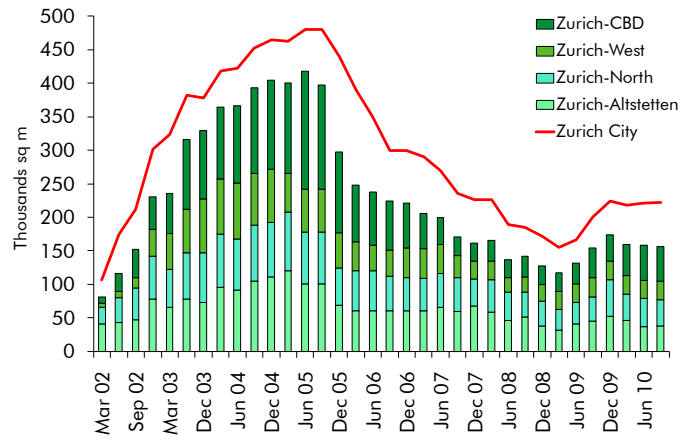
In Zurich, around 222,000 sq m were available* at the end of Q3 2010. We have seen an increasing vacancy in the CBD. This trend can mainly be traced back to the fact that this area is dominated by the financial sector and corresponding service companies. Rising vacancy rates can be expected in all the submarkets (centralized and decentralized) in 2011 and 2012. Many companies intend to move from the CBD to Zurich West or Zurich North where much new space is under construction. Whereas we see clear decentralization trends in other Swiss cities we do not see a loss of the key role of Zurich CBD however.

Many landlords have taken the opportunity to carry out necessary repair or renovation works. With many companies looking for large and modern units, some of these buildings face a relatively high level of demand, especially in the CBD (often without any longer vacant possession periods for the landlords). Some buildings are also being repositioned on the market. This is especially true for B and C locations/buildings at the very fringes of the city. These areas have suffered the most in line with the recent market development.

In Geneva, the availability has decreased in comparison to Q1 2010. Around 77,500 sq m were available at the end of Q3 2010. The vacancy rate has significantly dropped (22.2%) in comparison to Q3 2009. 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 39,500 sq m for the city and 38,000 sq m for the canton (excluding city). In the next 36 months (2013), approximately 20,000 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 24,000 sq m of office space under construction. Planning permission has been granted for a further 27,000 sq m of office space in the Geneva region. The construction of the schemes are subject to securing pre-lets.

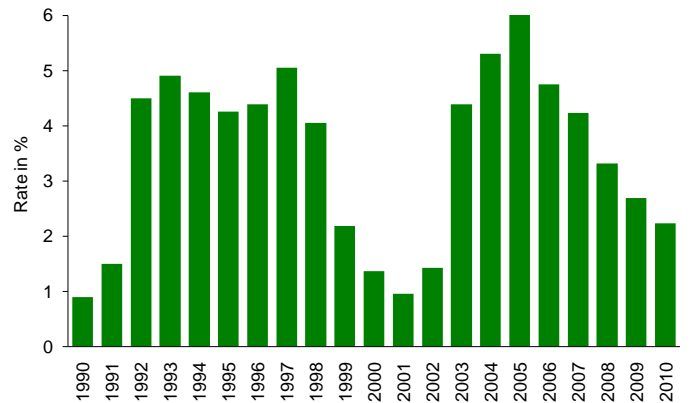
*Definition of Availability: Availability refers to floor space currently under offer available within 3 months. This does also include space available that may still be occupied.

Zurich Office Space Availability



Source: CB Richard Ellis – PI Performance

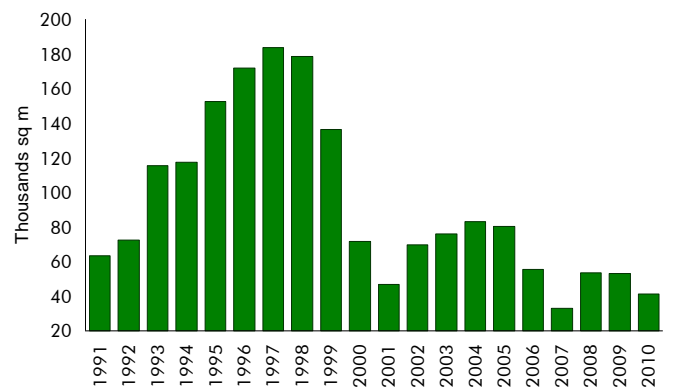
Zurich Vacancy Rate



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		
	Q2 2010	Q3 2010	Q2 2010	Q3 2010	Q3 2010	Total Completions 2009	Under Construction	Expected Completions 2010
Zurich CBD	53 000	52 000	10 000	13 000	860/510	3 000	2 200	15 000
Zurich West	26 000	27 000	4 000	500	370/270	-	72 000	-
Zurich North	43 000	40 000	2 500	1 200	350/260	23 000	48 000	-
Zurich Altstetten	36 000	37 000	2 500	1 500	320/210	-	-	6 000
City of Zurich	221 000	222 000	24 000	18 000	860/320	29 000	185 000	22 000
Geneva City Centre	3 400	3 700	n/a	n/a	850/550 – 650	2 500	0	0
Total City of Geneva	42 500	39 500	n/a	n/a	360	38 500	24 000	35 500
Canton of Geneva	85 500	77 400	n/a	n/a	320 – 350	41 000	24 000	35 500

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, etc.). Conversion and refurbishment of the existing stock also make a significant contribution to the market supply in the CBD.

Zurich-West: The former industrial area of Zurich-West is about to change. Since the turn of the millennium many large scale office buildings have been built. The com.West (2002), Westpark (2002), Mobimo Hochhaus (1974, renovation 2003), Puls 5 (2005) and Josef (2006/2007) buildings are the most known among them, the Technopark building (1992) is somewhat older. Since the 90ies more than 150,000 sq m new office space have been brought on the market. However, with the completion of the Prime Tower development with its annex buildings (totaling approx. 53,000 sq m) and the neighboring 51 building more than 70,000 sq m will be delivered only in 2011. The Landlord of the Prime Tower has been increasing the prices for the remaining space step by step. The Landlord of the 51 building, Union Investment Real Estate GmbH, found a single tenant (Swisscom) that will consolidate several functions on 20,500 sq m (1,600 employees) in 2012. Significant other planning activity is under way.

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). Significant other construction and planning activity is under way.

Zurich-Altstetten: The Bourquin area (Connect development; 6,500 sq m office space) was completed in 2010. The West-Link mixed-use development at and around the train station (approx. 35,000 sq m of offices) is the main scheme currently in planning, the letting activities have already started.

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 (Butzenbuel). 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

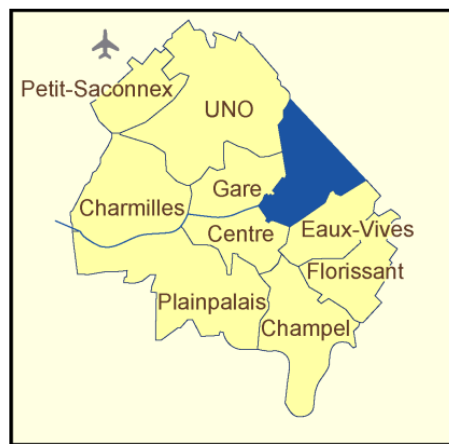
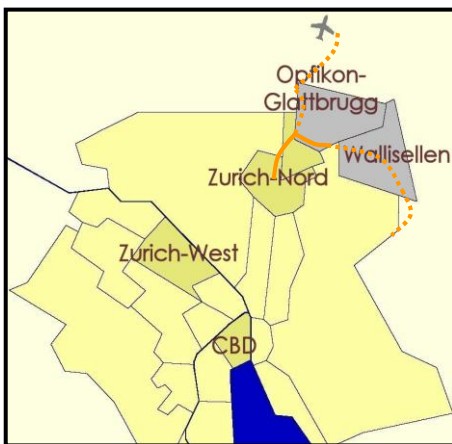
Geneva: Expanded Airport region: Geneva's largest market area, with the development Blandonnet IV of 20,000 sq m, the l'Arc building (12,000 sq m), the recently completed Ikea building (retail and office space) and Riantbosson project. Further development projects of about 150'000 sq m are planned in this area 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. 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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