

Zurich and Geneva Property

THIRD QUARTER 2006

Market Overview

In Zurich, office rents remain more or less stable, availability decreased & demand increased. For the first time since 2001, the vacancy rate decreased 2006.

In Geneva, office rents remain stable throughout the city, availability has decreased and the vacancy rate is below 2%.

Zurich and Geneva, Switzerland's two largest economic centres, offer leading financial institutions and service-providers key advantages: a highly qualified workforce, proximity to universities and research centres and to international financial institutions. These cities also have excellent international travel connections and a high standard of living. For these reasons, not mentioning the tax advantages, Zurich and Geneva can compete with top business locations throughout the world.

The commercial property markets in each of these two cities differ considerably. In Zurich, the annually measured vacancy rate decreased in 2006 (to 4.75% for the office market*) for the first time 2001. The highest vacancy rates are still to be found in the submarkets of Zurich-Altstetten, Zurich-West and Zurich-North, whereas the centre shows the lowest vacancy rate. Nonetheless the vacancy rate has decreased remarkably in all these areas, which shows that besides the centre, also the more peripheral locations are getting attractive for the service sector. In accordance with the development of the vacancy rate, we have again observed an overall availability decrease in this qualendar quarter. Both facts could signal a turn in the market situation and create good conditions for new development. In the last two years, new office construction has been done primarily on a pre-let or built-to-suit basis and there are still some projects with

construction permit waiting to be realised. The currently occurring absorption of the vacant space and the demand increase could mean that at least some of them might soon be realised.

In Geneva, the vacancy rate has decreased further in regard to the last quarter. Supply and demand are well balanced and new demand for large office space can only be satisfied with development projects. Planning activity is underway in major submarkets and the airport region. The construction of these developments will only start with pre-lets in place.

The Swiss economy, supported by foreign as well as domestic demand and industrial sector growth, has continued to grow in the third quarter. In 2006, GDP growth is now expected to reach 2.7%, whereas for 2007 a slowdown to a GDP growth of 1.7% has been forecasted. The unemployment rate has remained stable at 3.1% this quarter and is expected to reach an annual average of 3.3% in 2006, which means a decrease compared to 2005 with a rate of 3.8%. Forecasts for 2007 assume a further decrease to an average of 2.8%. Price development remains rather stable. The overall inflation is expected to reach 1.2% this year and 1.0% in 2007. Interest rates increased slightly, but remain low in a long-term comparison. The redemption yields on 10-year government bonds are thereby expected to reach 2.6% in 2006.

3rd QUARTER AT A GLANCE

Zurich

Supply →

Vacant →

Rents →

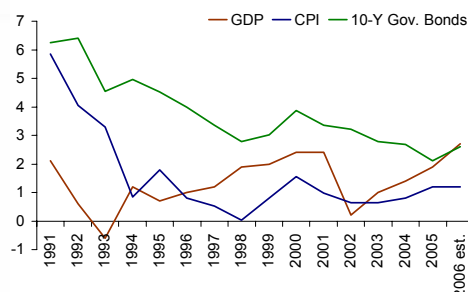
Geneva

Supply →

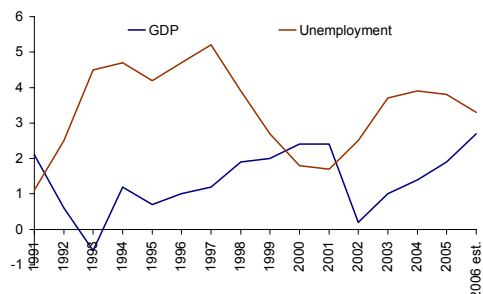
Vacant →

Rents →

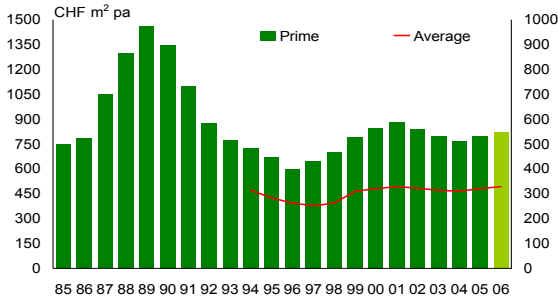
SWISS ECONOMIC INDICATORS



UNEMPLOYMENT IN SWITZERLAND

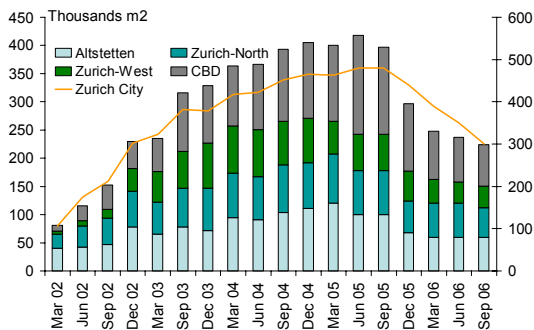


ZURICH
PRIME & AVERAGE RENTS



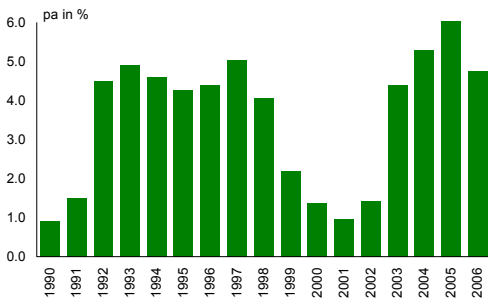
Source: CB Richard Ellis – PI Performance

ZURICH
OFFICE SPACE AVAILABILITY



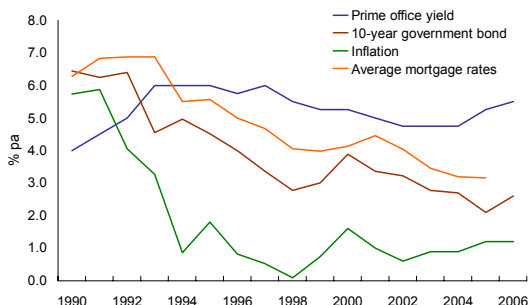
Source: CB Richard Ellis – PI Performance

ZURICH
VACANCY RATE



Source: Stat. Office City of Zurich

ZURICH
PRIME OFFICE YIELDS



Source: CB Richard Ellis – PI Performance

Office Rents

In the 3rd quarter, the rents continue to be rather stable and the prime rental values remain at the same slightly increased level as last quarter. Economic upturn and demand increase could begin to cause rental growth by the end of this year or the beginning of 2007. The top rents for the best locations in the city centre remained stable between CHF 780 and 800/sq m/annum and the highest asking rents reached CHF 850/sq m/annum for properties on Bahnhofstrasse. In Zurich-West, average asking rents remained stable at around CHF 260-270/sq m/annum, as well as in Zurich-North and in Zurich-Altstetten, where they were around CHF 250/ sq m/annum and CHF 220/sq m/annum respectively. The average rent for the city as a whole remains also stable at around CHF 320-340/sq m/annum.

In Geneva, the commercial property market remains stable in the 3rd quarter. Rents in the city centre and other areas have slightly increased during the last quarter as a result of both restricted supply of office space but sustained demand from multinationals, governmental and non-governmental organisations related to the United Nations. CBRE-PI estimates that the top rent in the city centre is currently around CHF 720 /sq m/annum; the highest asking rents reach CHF 900/ sq m/annum for premises located in the heart of the CBD. In the rest of the city, the average rent is around CHF 320 / sq m/annum.

Office Demand

The market situation in Zurich in the 3rd quarter remains convenient for tenants looking to improve their location and able to take advantage of the favourable rental conditions. Tenants can still optimise their space use by re-sizing, moving to more efficient premises and/or negotiating more favourable terms with regard to the tenant incentives and rent levels currently available in the market.

In the 3rd quarter, the trend of a picking up demand for office space has continued. Especially CBD locations such as Bahnhofstrasse and Enge are in demand. This trend could cause a rental growth by the end of this year or the beginning of 2007.

The market in Geneva remains liquid and positive. Geneva is one of the top cities for relocation projects. Strong demand continues to be shown by multinationals, the financial and public sector. Supply and demand are evenly balanced. Especially CBD and airport locations are demanded, which could lead to a rent increase within the next 6 months. The main demand is for properties in the 300 to 1'000 sq m range. However, space requirements over 10'000 sq m can be satisfied only from specially designed new buildings.

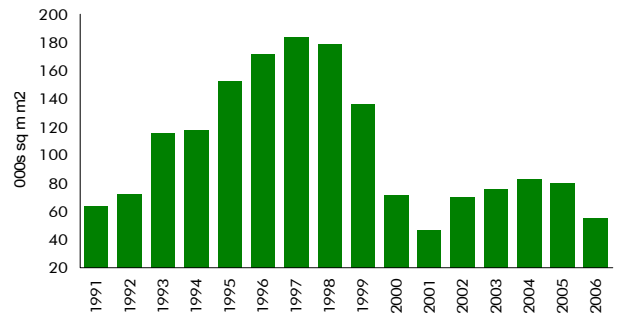
Office Supply

In Zurich, around 300'000 sq m or 5.1% of the total office stock were available at the end of Q3. Availability decreased again compared to the last quarter. The strongest availability decline in the 3rd quarter has occurred in Zurich-North due to the large office space quantities that have been rented in two office buildings, but also CBD shows again a clear availability decline. In Zurich-Altstetten, the availability has decreased only very slightly, and in Zurich-West the availability has even increased compared to the last quarter.

We estimate that around 32'000 sq m of new office stock will still be delivered to the market in Zurich in this year. The developments are schemes which have been started in 2004 and 2005, some with pre-lets in place. Furthermore, development planning has continued, especially in former industrial areas such as Maag, Escher-Wyss, Löwenbräu or Zurich-North.

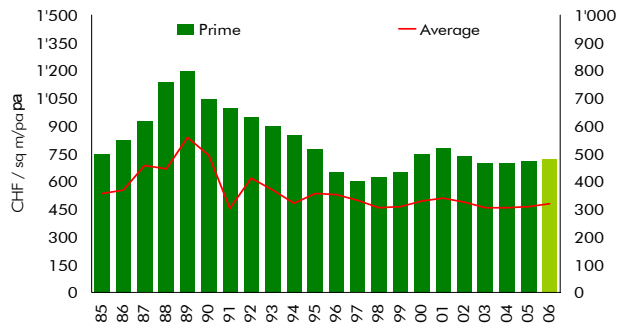
In Geneva, the availability has further decreased in regard to the last quarter. Mainly small to medium premises are vacant, though there are also some spaces of over 1'000 sq m. The total office space available is 61'400 sq m for the city and 55'900 sq m for the canton (excluding city). In the next 6 to 12 months (2007), approximately 45'000 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 158'600 sq m of office space under construction. Although 141'500 sq m of this is already pre-let or for owner occupiers, planning permission has been granted for a further 45'500 sq m of office space in the Geneva region.

GENEVA VACANT SPACE



Source: OCSTAT

GENEVA PRIME & AVERAGE RENTS



Source: CB Richard Ellis – PI Performance

	AREA AVAILABLE	STOCK *	SHARE	PRIME / AVERAGE RENT	NEW CONSTRUCTION		
	3Q06 Sq m	Sq m	%	2Q06 Sq m	Completions 2004 Sq m	Completions 2005 Sq m	Outlook 2006 Sq m
Zurich City Centre	73 000	1 841 000	4.0	850/500	5 000	-	15 000
Zurich West	39 000	616 700	6.3	260 – 270	10 000	-	15 000
Zurich North	52 000	633 700	8.2	245 – 250	8 000	20 600	800
Zurich Altstetten	60 000	488 900	12.3	215 – 225	10 400	37 000	0
Total City of Zurich	300 000	5 847 800	5.1	320 – 340	46 600	57 600	32 000
Total City of Geneva	61 400	2 573 000	2.4	320	17 000	7 000	51 500
Geneva City Centre	30 500	1 077 000	2.8	720/440-480	-	-	-
Canton of Geneva (incl. City)	117 000	4 127 000	2.8	250-290	99 000	7 000	68 000

*Source Stat. Office City of Zurich / OCSTAT

DEVELOPMENT AREAS

Zurich-West: The Josef and Heinrich mixed-use development is one of the largest currently under construction in the area. It includes 15'000 sq m of office space and should be finished by the end of this year. Significant planning activity is under way for major projects in former industrial zones such as Escher-Wyss, Löwenbräu or Maag, where Switzerland's highest office tower (Prime Tower) with 42'000 sq m is being planned.

Zurich-North: Tailor-made buildings and pre-lets dominate the market in this part of the city.

Zurich-Altstetten: The UBS mixed-use development of Luwa Areal (13'500 sq m) is currently the largest office scheme under construction in this part of the city. A mixed use building, the „Hof zur roten Buche“, has been completed this quarter.

Zurich-South: Construction continues on Sihlcity, an ambitious shopping, leisure and commercial centre project. Completion is planned for March 2007. On the former Huerlimann Area, further phase of the City-South development with around 14'000 sq m in Building DL3 is scheduled for completion by the end of 2006.

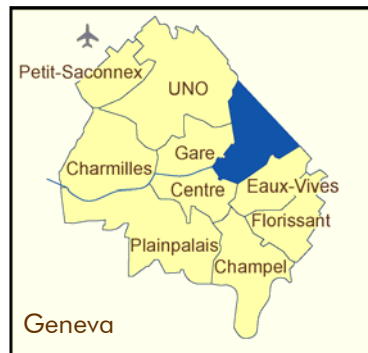
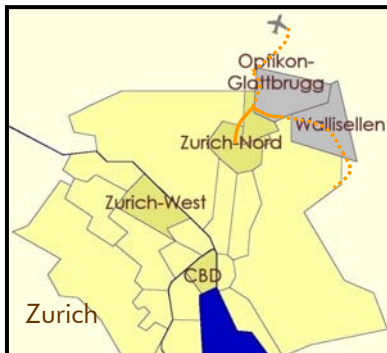
Glattal: Two major office developments (2Sides, Light Cube) with 34'000 sq m are currently underway in the area. Planning activity is intensive in this part of the agglomeration with a total number of projects being planned or waiting for pre-lets reaching 90'000 sq m. The Glattvalley is the area with Switzerland's greatest economic development potential. The core of this development area, the future Glattpark, is intended for mixed use, with residential and office buildings as well as a park and an artificial lake. The first phase of the planned Glattal rail link is under construction and will become operational in 2006.

Geneva: expanded Airport region: Geneva's biggest market area, with development as the Blandonnet III & IV project (30'000 sq m) the Lumion II et III (15'000 sq m), the l'Arc building (13'000 sq m). The construction of the Casai58 project (7'000 sq m) and the Patio Plaza (12'000 sq m) have started with completion in Q1 2007.

Acacias/Lancy: the future headquarter of Pictet & Cie Bank, with 40'000 sq m of service space, will be operational at the end of 2006 and a tailor made building with 20'000 sq m entirely pre-let to Procter & Gamble is currently under construction (completion in 2007). Several development projects requiring re-zoning are projected in this area.

Cornavin (station): The submarket is dominated by the Serono office building which will be operational at the end of 2006 (50'000 sq m).

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



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