

Swiss economy

Positive economic development

Following the Swiss economy's expansion by 2.6 percent in 2010, the recent development of economic indicators has remained positive. In recent quarters, a sustained upward trend in the manufacturing and services sectors has been apparent, whilst construction investment has now stabilised, albeit at high levels. Although it is anticipated that economic development will lose some momentum in 2011, any slowdown is expected to be less pronounced than was feared a few months ago. Currently, the State Secretariat for Economic Affairs (SECO) is predicting real GDP growth of around 2.1 percent for 2011; an upward revision of 0.6 percentage points compared with the winter 2010 forecast.

Fall in the unemployment rate

The situation in the Swiss labour market has brightened significantly over the past year. Thanks to the sustained positive economic outlook, the unemployment rate should continue to fall in the coming months before levelling off at around 3.2 percent later in the year, below the average for the past 20 years. Accordingly, the Swiss Consumer Confidence Index has also developed positively, increasing from +7 to +10 in the 1st quarter of 2011.

Consumer confidence increases

Continued immigration

Immigration – especially from Germany, Portugal and France – has continued: In 2010, net migration totalled about 60,000 people. From 1st May 2011 the extended freedom of movement agreements with further EU states should provide international migration with additional impulses.

Switzerland: Key indicators and change since last year

Population (2009)	7,785,806	↗
Real GDP growth (2010)	2.6%	↗
GDP per capita (CHF, current prices, 2009)	68,640	↘
Unemployment rate (03/2011)	3.4%	↘
Total employment (FTE, 2010, Q4)	3,415,100	↗
Share of service employment (FTE, 2010, Q4)	71.6%	→
Disposable household income (CHF p.a., 2008*)	77,580	↗
Monthly inflation (03/2011, year-on-year)	1.0%	↘
New variable mortgage rate (02/2011)	2.73%	→
10-year confederation bond yield (03/2011)	1.93%	→
Libor CHF 3 months (03/2011)	0.18%	↘
5-year CHF SWAP rate (26/04/2011)	1.88%	→
10-year CHF SWAP rate (26/04/2011)	2.56%	→
Consumer confidence index (2011 Q1)	10	↗
Change in retail turnover, real (02/2011)	1.0%	↘

Arrows indicate the year-on-year change
*most recent available data

Sources: FSO, SECO, SNB, UBS

Office market

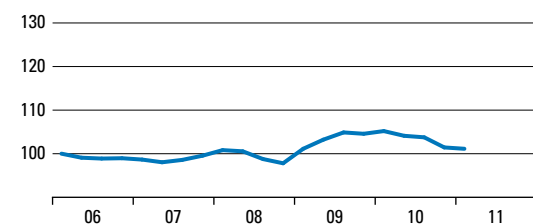
Demand for office space remains subdued

Overall, the Swiss commercial property market survived the recent recession largely unscathed; nevertheless the economic recovery of recent months has not yet significantly contributed to reducing existing over-capacity for office space. Consequently, asking rents declined by two percent last year and only a sideways movement in the national asking price index was recorded in the first quarter of 2011. Indeed, in the two major centres of Zurich and Lausanne office rents modestly reduced still further.

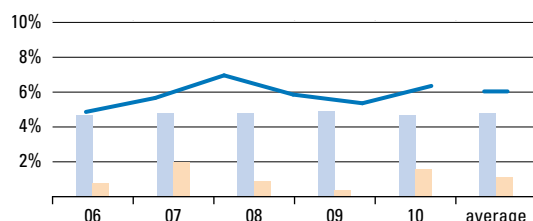
Approved new-build investment increases further

Nevertheless, investors appear to be reacting to the favourable economic outlook: In recent months, the volume of approved investment projects for additional office space has increased again. If these projects are realised, a further expansion in supply can be expected. Accordingly, current projections point to an overall stagnation in office rents.

Asking price index (Q1 2006 = 100)



Total return (income return capital growth)



	Office Stock (sq m GFA, 2009)	Planning appl. (m CHF, 2011 Q1)	Vacancy rate (2010)	Supply rate (2011 Q1)	Asking prices (median, 2011 Q1)	Prime rents (2011 Q1)	Prime yields (2011 Q1)
Zurich	8,964,500 ↗	351.0 ↗	2.0% ↘	6.6% ↗	290 ↘	1,050 ↗	3.5% ↘
Berne	2,034,400 →	240.2 ↘	1.1% ↘	5.6% ↗	240 →	450 ↗	4.1% →
Basel	4,236,600 →	563.0 ↗	2.6% ↗	2.7% ↘	220 ↘	430 ↗	4.2% ↘
Lausanne	2,084,700 →	10.8 ↘	—	3.9% ↘	270 →	520 ↗	4.1% ↘
Geneva	3,332,200 →	110.4 ↗	1.7% ↘	5.6% ↘	430 ↘	1,050 ↗	3.7% ↘
Switzerland	50,743,900 ↗	3,575.1 ↗	—	6.5% ↘	190 ↘	—	—

Retail market

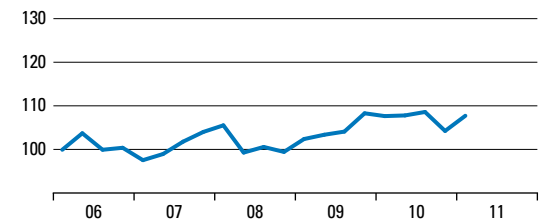
Increasing prices

In the first quarter of 2011, asking prices for retail areas have started to recover from the temporary downward correction experienced towards the end of last year. The Swiss asking price index has returned to the same level as a year ago. Positive consumer sentiment and continued immigration have contributed to this recovery. Currently, both factors have a positive effect on retail sales and consequently on the demand for retail space. At the same time it appears that the sustained production of new retail stock, experienced over recent years, has started to calm somewhat.

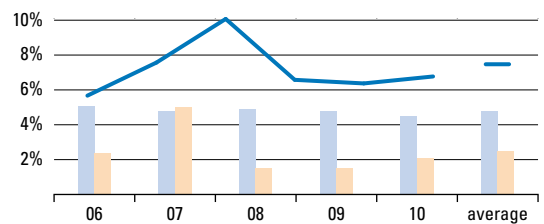
New peaks for prime rents

Prime rents continue to climb still further: Most recently rental prices of up to CHF 8,500 per square meter for retail space in prime locations on the Zurich Bahnhofstrasse have been observed. During 2008 and 2009, the corresponding rates were below CHF 7,000 per square meter. In recent years, yields for prime real estate in Zurich have fallen from 4.0 percent to 3.5 percent.

Asking price index (Q1 2006 = 100)



Total return (■ income return ■ capital growth)



	Retail Stock (sq m GFA, 2009)	Planning appl. (m CHF, 2011 Q1)	Vacancy rate (2010)	Supply rate (2011 Q1)	Asking prices (median, 2011 Q1)	Prime rents (2011 Q1)	Prime yields (2011 Q1)
Zurich	1,841,100 →	11.2 ↗	0.2% ↘	1.2% ↘	370 →	8,500 ↗	3.5% ↘
Berne	945,400 →	5.8 ↗	0.3% →	1.4% →	430 ↗	4,200 →	3.9% ↘
Basel	883,300 ↗	2.8 ↗	2.0% ↘	2.6% ↘	250 →	2,800 →	4.2% →
Lausanne	461,100 →	0.0 ↘	— —	2.7% ↘	280 ↗	2,600 ↗	4.2% →
Geneva	631,900 →	7.8 ↗	1.9% ↘	1.9% ↘	420 ↗	7,200 ↗	3.7% ↘
Switzerland	32,248,000 ↗	534.9 ↘	— —	1.1% →	230 ↘	— —	— —

Residential market

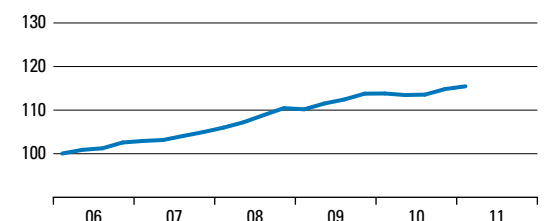
Return to price stability

The brief upturn in the asking price index, which took place in the second half of 2010, has proven to be unsustainable. In the face of increasing housing supply, asking rents in the first quarter of 2011 stagnated further. Only in the Lake Geneva region were notable price increases still observed. In addition, the link between the development of existing rents and the reference interest rate has continued to have a dampening effect on price development - a factor that is expected to remain important after a revision of the Swiss tenancy law was definitely rejected in the autumn of 2010.

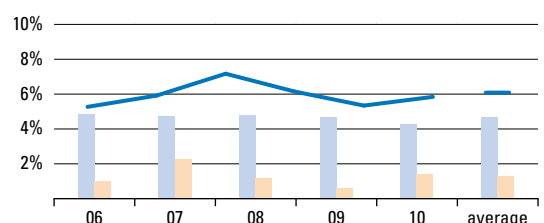
Demand backlog expected in the Lake Geneva region

Nevertheless, according to the current Wüest & Partner forecasts residential rents are expected to continue to remain generally stable. The only exception is the Lake Geneva region: This region is currently experiencing the strongest population growth throughout Switzerland, whilst at the same time residential construction activity has remained moderate in comparison with the rest of the country. Consequently, rents in this region are expected to trend further upwards in the foreseeable future.

Asking price index (Q1 2006 = 100)



Total return (■ income return ■ capital growth)



	Apartments (number, 2009)	Planning appl. (m CHF, 2011 Q1)	Vacancy rate (2010)	Supply rate (2011 Q1)	Asking prices (median, 2011 Q1)	Prime rents (2011 Q1)	Prime yields (2011 Q1)
Zurich	173,800 →	1,119.8 ↗	0.1% →	3.2% →	280 →	650 ↗	3.3% ↘
Berne	58,200 →	76.5 ↘	0.6% ↘	5.8% ↘	220 →	400 ↘	3.5% ↘
Basel	76,700 →	44.9 ↘	0.9% ↘	5.7% ↘	210 →	380 ↗	3.7% ↘
Lausanne	58,900 →	116.3 ↘	0.2% ↗	2.2% →	260 ↗	500 ↗	3.7% ↘
Geneva	81,800 →	159.0 ↗	0.3% ↗	1.3% →	350 ↗	650 ↗	3.6% ↘
Switzerland	2,058,200 →	17,421.1 ↗	1.4% ↗	5.3% →	190 →	— —	— —

Single-family houses

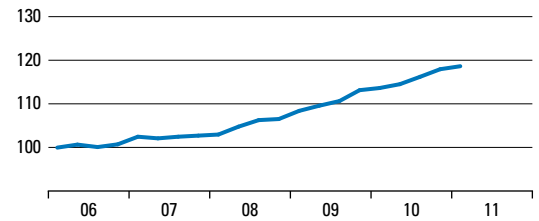
Positive price trend continues

In the first quarter of 2011 the surprisingly strong price growth for single-family homes, experienced during 2010, slowed once again. Nevertheless, the asking price index continued its upward trend, showing an increase of 2 percent since the same quarter of 2010.

Strongest price rise in the Lake Geneva region

As in other market segments, the price development in the Lake Geneva region continues to stand out. Here the local price development is firmly divorced from that experienced in the rest of Switzerland. Last year alone the increase in asking prices for single family homes located around Lake Geneva reached double-digit levels.

Asking price index (Q1 2006 = 100)



	Houses (number, 2009)	Market value (m CHF, 2011 Q1)	Planning appl. (m CHF, 2011 Q1)	Vacancy rate (2010)	Supply rate (2011 Q1)	Asking prices (median, 2011 Q1)	Transaction prices (2011 Q1)
Grosszentren							
Zurich	8,700 →	14,590 →	8.7 →	0.0% →	1.1% →	8,860 →	1,826,000 →
Berne	3,900 →	3,770 →	2.2 →	0.2% →	1.8% →	5,740 →	1,072,000 →
Basel	5,800 →	6,750 →	1.2 →	0.1% →	1.1% →	6,040 →	1,272,000 →
Lausanne	2,100 →	2,470 →	22.6 →	0.1% →	6.9% →	6,780 →	1,298,000 →
Geneva	800 →	1,620 →	0.0 →	0.3% →	9.3% →	9,650 →	2,266,000 →
Tourismusdestinationen							
Saenen/Gstaad	1,000 →	1,380 →	17.1 →	1.8% →	2.4% →	9,630 →	1,476,000 →
St. Moritz	300 →	390 →	0.0 →	0.0% →	1.5% →	11,010 →	1,573,000 →
Davos	800 →	950 →	1.7 →	0.1% →	2.0% →	9,550 →	1,323,000 →
Ascona	700 →	1,120 →	2.8 →	0.0% →	4.2% →	11,300 →	1,708,000 →
Bagnes/Verbier	2,400 →	3,270 →	39.2 →	0.0% →	3.3% →	9,830 →	1,479,000 →
Zermatt	300 →	240 →	3.0 →	0.0% →	6.7% →	6,100 →	1,018,000 →
Switzerland	924,900 →	739,070 →	7,766.2 →	0.5% →	3.6% →	5,150 →	790,000 →

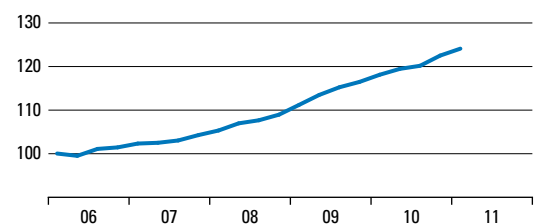
Owner-occupied apartments

Price growth continues

Given the continued price growth for condominium apartments - in the first quarter of 2011 a further annual increase of 5 percent was evident - the issue of a property price bubble continues to be a much discussed topic. Somewhat calming is the fact that prices are not being driven higher by speculative purchases, but by property purchased primarily for own use. At the same time, in some locations the high level of new construction activity of apartment buildings could lead to a surplus of supply during the remainder of the year.

Continued high levels of new-build activity





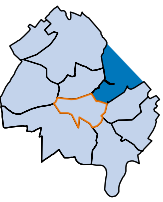
Asking price index (Q1 2006 = 100)



	Apartments (number, 2009)	Market value (m CHF, 2011 Q1)	Planning appl. (m CHF, 2011 Q1)	Vacancy rate (2010)	Supply rate (2011 Q1)	Asking prices (median, 2011 Q1)	Transaction prices (2011 Q1)
Grosszentren							
Zurich	23,700 →	22,490 →	1,119.8 →	0.0% →	2.1% →	9,440 →	10,510 →
Berne	11,500 →	6,960 →	76.5 →	0.0% →	2.5% →	5,750 →	6,690 →
Basel	14,800 →	9,970 →	44.9 →	0.1% →	2.4% →	6,490 →	7,470 →
Lausanne	10,900 →	8,350 →	116.3 →	0.0% →	2.3% →	7,790 →	8,460 →
Geneva	21,000 →	27,840 →	159.0 →	0.1% →	2.8% →	11,490 →	14,650 →
Tourismusdestinationen							
Saenen/Gstaad	3,200 →	3,590 →	39.8 →	1.1% →	1.8% →	12,950 →	12,270 →
St. Moritz	3,300 →	4,300 →	78.3 →	0.2% →	2.8% →	14,020 →	14,280 →
Davos	6,000 →	4,850 →	58.2 →	1.2% →	6.1% →	8,260 →	8,980 →
Ascona	2,800 →	2,410 →	43.5 →	0.7% →	9.6% →	8,720 →	9,420 →
Bagnes/Verbier	5,200 →	6,130 →	74.6 →	1.1% →	3.2% →	12,250 →	12,970 →
Zermatt	3,500 →	3,560 →	50.2 →	0.0% →	3.6% →	10,790 →	11,300 →
Switzerland	927,400 →	556,690 →	17,421.1 →	0.4% →	4.6% →	5,450 →	5,780 →

Prices in the major cities

As at 2011 Q4

	Percentile	Office	Retail	Rental apartments	Single-family houses	Owner-occ. apartments
 Zurich	10 th percentile	240 ↘	420 →	200 ↘	5,350 ↗	6,200 ↗
	50 th percentile	550 →	870 ↗	380 ↗	9,090 ↗	11,770 ↗
	90 th percentile	940 →	1,750 ↗	620 ↗	17,840 ↗	16,990 ↗
	10 th percentile	160 ↘	180 ↘	200 ↘	5,210 ↗	5,870 ↗
	50 th percentile	290 ↘	370 →	280 →	8,860 ↗	9,440 ↗
	90 th percentile	560 →	750 →	420 →	17,380 ↗	16,410 ↗
 Berne	10 th percentile	220 →	210 ↘	190 →	4,230 ↘	4,700 ↘
	50 th percentile	290 →	470 ↘	270 →	6,460 ↘	7,410 ↘
	90 th percentile	380 →	1,160 →	390 ↗	10,620 ↘	11,450 ↘
	10 th percentile	140 →	210 →	170 →	3,760 ↗	3,620 ↗
	50 th percentile	240 →	430 ↗	220 →	5,740 ↗	5,750 ↗
	90 th percentile	360 →	1,250 ↗	300 →	9,430 →	9,230 →
 Basel	10 th percentile	180 →	220 ↘	190 →	3,460 ↗	5,840 ↗
	50 th percentile	240 →	320 →	230 →	5,560 ↗	7,090 ↗
	90 th percentile	320 →	660 ↘	290 →	8,870 ↗	10,120 ↗
	10 th percentile	150 ↘	160 ↗	170 →	3,760 ↗	4,860 ↗
	50 th percentile	220 ↘	250 →	210 →	6,040 ↗	6,490 ↗
	90 th percentile	310 ↘	430 ↘	260 →	9,630 ↗	8,920 ↗
 Lausanne	10 th percentile	200 ↗	180 ↘	200 →	4,590 ↗	6,180 ↗
	50 th percentile	280 →	320 ↘	270 ↗	6,730 →	8,300 →
	90 th percentile	420 ↗	640 →	390 ↗	11,260 ↘	11,250 ↘
	10 th percentile	160 →	150 ↗	200 →	4,630 ↗	5,700 ↗
	50 th percentile	270 →	280 ↗	260 ↗	6,780 ↗	7,790 ↗
	90 th percentile	410 ↗	520 ↗	340 ↗	11,340 ↗	11,490 ↗
 Geneva	10 th percentile	390 ↗	310 ↘	250 ↗	6,400 →	9,050 →
	50 th percentile	670 ↗	600 ↘	400 ↗	10,960 ↗	14,030 ↗
	90 th percentile	1,090 ↗	1,150 ↘	680 ↗	18,240 →	19,020 →
	10 th percentile	260 ↘	250 ↗	250 ↗	5,630 ↗	7,990 ↗
	50 th percentile	430 ↘	420 ↗	350 ↗	9,650 ↗	11,490 ↗
	90 th percentile	710 ↘	780 ↗	560 ↗	16,300 ↗	15,410 ↗
Switzerland	Median	190 ↘	230 ↘	190 →	5,150 ↗	5,450 ↗

Sources

This market survey is based on a broad internal data pool. It also draws on the following public sources: Federal Statistics Office as well as cantonal and local statistical offices (vacancy rates), Baublatt Info-Dienst (planning applications for single-family houses and apartment blocks) and IPD (performance indices). The cartographic illustrations are based on the generalised municipal boundaries (BFS Geostat/L+T).

Notes

Commercial and residential markets: Asking prices and prime rents in CHF per sqm usable area. Single-family houses: Asking prices in CHF per sqm usable area; transaction prices in CHF for an average house. Owner-occupied apartments: Asking prices (median) and transaction prices (average object) in CHF per sqm usable area. Arrows indicate the year-on-year change.

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