Trend Barometer
Real Estate Investment Market
Switzerland 2015
Overview of content

Swiss real estate transaction market, pages 4-5

Survey structure and methodology, pages 7-8

Market outlook and strategies - Switzerland 2015, pages 9-29

Key messages - Switzerland 2015, pages 31-32

Your contacts, page 34
Swiss real estate transaction market
## A selection of commercial real estate transactions...

<table>
<thead>
<tr>
<th>Date</th>
<th>Seller</th>
<th>Buyer</th>
<th>Target</th>
<th>Properties</th>
<th>Price (MCHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Compagnie des Parcs</td>
<td>CSA Real Estate Switzerland</td>
<td>Commercial properties / retirement accommodation</td>
<td>7</td>
<td>approx. 300</td>
</tr>
<tr>
<td>Q1</td>
<td>A&amp;A Property Group</td>
<td>CS REF Interswiss / CSA RES Commercial</td>
<td>Shoppi Tivoli Mall, Spreitenbach (26.2% condominium shares)</td>
<td>1</td>
<td>&gt; 240</td>
</tr>
<tr>
<td>Q1</td>
<td>No data</td>
<td>Swiss Healthcare Properties AG</td>
<td>&quot;Villa im Park&quot; Clinic, Rothrist</td>
<td>2</td>
<td>No data</td>
</tr>
<tr>
<td>Q1</td>
<td>Hochgebirgsklinik, Davos</td>
<td>Kühne Real Estate AG</td>
<td>Clinic property, Davos</td>
<td>1</td>
<td>33-35</td>
</tr>
<tr>
<td>Q1</td>
<td>Losinger Marazzi AG</td>
<td>CS REF Green Property</td>
<td>&quot;Twist Again&quot; office building, WankdorfCity, Bern</td>
<td>1</td>
<td>88</td>
</tr>
<tr>
<td>Q2</td>
<td>No data</td>
<td>UBS REF Swiss Commercial</td>
<td>Shopping Mall, Villars-sur-Glâne</td>
<td>1</td>
<td>36</td>
</tr>
<tr>
<td>Q2</td>
<td>No data</td>
<td>Procimmo Swiss Commercial Fund</td>
<td>Logistics Center, Onnens</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>Q3</td>
<td>Credit Suisse</td>
<td>Swiss Prime Site</td>
<td>“Schönburg” Post Headquarters, Bern</td>
<td>1</td>
<td>No data</td>
</tr>
<tr>
<td>Q3</td>
<td>No data</td>
<td>UBS REF Swissreal</td>
<td>Cormanon Centre Shopping Mall</td>
<td>1</td>
<td>36</td>
</tr>
<tr>
<td>Q3</td>
<td>No data</td>
<td>UBS REF AST-IS/KIS</td>
<td>Mixed-use property, Zurich</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>Q3</td>
<td>Orior Liegenschaften AG</td>
<td>CS REF LogisticsPlus</td>
<td>Logistics portfolio (Project &quot;Apple&quot;)</td>
<td>Various</td>
<td>No data</td>
</tr>
<tr>
<td>Q4</td>
<td>Credit Suisse</td>
<td>Swatch Group</td>
<td>Grieder Building, Bahnhofsstrasse, Zurich</td>
<td>1</td>
<td>No data</td>
</tr>
<tr>
<td>Q4</td>
<td>SBB</td>
<td>Turidomus Investment Foundation</td>
<td>SBB Headquarters, Bern-Wankdorf</td>
<td>1</td>
<td>No data</td>
</tr>
<tr>
<td>Q4</td>
<td>Tamedia AG</td>
<td>HIG Immobilien Anlage Stiftung (HIG Real Estate Investment Foundation)</td>
<td>Commercial properties in Winterthur</td>
<td>2</td>
<td>No data</td>
</tr>
<tr>
<td>Q4</td>
<td>SBB / Mettler2Invest AG</td>
<td>CS REF Green Property</td>
<td>New building for Aarau rail station, 2nd stage (project)</td>
<td>1</td>
<td>approx. 100</td>
</tr>
</tbody>
</table>

### Seller groups
- The active seller groups include project developers, banks and corporates.

### Buyer groups
- The buyers mainly include high-equity investors such as real estate funds, insurance companies and real estate companies.

### Transaction size
- Commercial property transaction volumes range from small to large.
- The selling price is only published in rare instances.
...and residential real estate transactions in Switzerland in 2014

<table>
<thead>
<tr>
<th>Date</th>
<th>Seller</th>
<th>Buyer</th>
<th>Target</th>
<th>Properties</th>
<th>Price (MCHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Givaudan</td>
<td>CS REF Siat</td>
<td>Giessen site, Dübendorf</td>
<td>No data</td>
<td>No data</td>
</tr>
<tr>
<td>Q1</td>
<td>Ledermann Immobilien AG</td>
<td>Swiss Life</td>
<td>Property portfolio, Zurich</td>
<td>28</td>
<td>No data</td>
</tr>
<tr>
<td>Q1</td>
<td>No data</td>
<td>Patrimonium Investment Foundation</td>
<td>Residential property, Grand-Lancy</td>
<td>1</td>
<td>21</td>
</tr>
<tr>
<td>Q3</td>
<td>No data</td>
<td>SE Swiss Estates AG</td>
<td>Residential portfolio, Greater Bern</td>
<td>No data</td>
<td>31.8</td>
</tr>
<tr>
<td>Q4</td>
<td>Vaudoise Allgemeine Versicherungs-Gesellschaft AG</td>
<td>Immo Helvetic</td>
<td>Real estate portfolio, western Switzerland</td>
<td>12</td>
<td>approx. 50</td>
</tr>
<tr>
<td>Q4</td>
<td>Allreal</td>
<td>CS 1a Immo PK (Pension Fund)</td>
<td>&quot;Ringhof&quot; Wallisellen</td>
<td>No data</td>
<td>No data</td>
</tr>
<tr>
<td>Q4</td>
<td>Vaudoise Allgemeine Versicherungs-Gesellschaft AG</td>
<td>Immo Helvetic</td>
<td>Residential properties in western Switzerland</td>
<td>12</td>
<td>50</td>
</tr>
</tbody>
</table>

**Seller groups**
- The sellers are real estate companies.

**Buyer groups**
- The main buyer groups are real estate funds and insurance companies.

**Transaction size**
- The selling price is only published in rare instances.
Real estate investment market
Switzerland 2015
Our trend barometer tracks a wide spectrum of investor groups in Switzerland...

Trend Barometer: Market for real estate investments

- The Trend Barometer is based on a survey of 125 market participants (31 investors responded) who were active on the Swiss real estate market in recent years.
- The survey was conducted in November/December 2014, focusing mainly on two aspects:
  - Assessment of the Swiss real estate market for next year.
  - Outlook on strategies that Swiss investors will follow next year.
- The survey was conducted simultaneously in Germany as well as Switzerland.

<table>
<thead>
<tr>
<th>Investor groups:</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Banks</td>
</tr>
<tr>
<td>▶ Real estate funds</td>
</tr>
<tr>
<td>▶ Real estate companies</td>
</tr>
<tr>
<td>▶ Institutional investors</td>
</tr>
<tr>
<td>▶ Investment companies</td>
</tr>
<tr>
<td>▶ Opportunity/private equity funds</td>
</tr>
<tr>
<td>▶ Insurance companies</td>
</tr>
<tr>
<td>▶ Housing cooperatives</td>
</tr>
<tr>
<td>▶ Others</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ This is the fifth time EY has conducted this survey in Switzerland since 2011.</td>
</tr>
<tr>
<td>▶ 31 investors commented on their expectations for next year.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Assessment of the Swiss real estate market for next year.</td>
</tr>
<tr>
<td>▶ Outlook on strategies that Swiss investors will follow in 2015.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ As well as the predefined answers, participants were given the opportunity to provide individual statements about each question.</td>
</tr>
<tr>
<td>▶ The following statements are reproduced in anonymized form and in some cases, similar assessments are grouped together.</td>
</tr>
</tbody>
</table>
...who view Switzerland as more attractive than in 2014

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. &quot;Switzerland will remain attractive as long as interest rates stay low and positive net migration is maintained.&quot;</td>
<td>1. &quot;Switzerland remains attractive due to its low interest rates and stable economy.&quot;</td>
<td>1. &quot;Switzerland continues to be a safe haven for real estate investments.&quot;</td>
</tr>
<tr>
<td>2. &quot;The question is not whether prices will be adjusted but merely when and to what extent.&quot;</td>
<td>2. &quot;Swiss real estate prices will peak in 2014.&quot;</td>
<td>2. &quot;There will be downward price corrections in the office and retail property market.&quot;</td>
</tr>
<tr>
<td>3. &quot;Investors will definitely focus on residential real estate in 2013.&quot;</td>
<td>3. &quot;Uncertainties regarding real estate investment will increase because better opportunities for returns are available abroad.&quot;</td>
<td>3. &quot;There will be greater pressure to cut costs further and increase efficiency.&quot;</td>
</tr>
</tbody>
</table>

1. **Price trend**
   - Prices for residential properties in prime locations are expected to continue rising.
   - Prices for office and retail properties in non-central locations will fall.

2. **International**
   - By international standards, Switzerland will be regarded more than ever as an attractive country for real estate investments.

3. **Attractiveness**
   - Investors are almost unanimous in viewing Switzerland as an attractive location for real estate investments.
97% of respondents rate Switzerland as an attractive or very attractive investment location...

Key messages

► The vast majority of respondents (97%) continue to view Switzerland as an attractive or very attractive location for real-estate investments in 2015.

► Attractiveness is expected to increase year-on-year (2014: 80% considered Switzerland attractive or very attractive).

Switzerland's attractiveness as a location for real estate investments

Original question – “In absolute terms, how do you rate Switzerland's attractiveness as a location for real estate investments in 2015?”

Statements

► "Relatively high prices and low returns – but still adequate in relation to Switzerland's low-interest environment and the relatively low risks in the core real estate segment." (Real estate fund)

► "The spread between the 10-year Swiss government bond and real estate returns is at an all-time high." (Real estate company)
...also in comparison to other European countries

Key messages

► The vast majority (90%) of respondents see Switzerland as an attractive or very attractive investment location compared to other European countries.

► Here too, the result is more positive than last year's survey (2014: 70%).

Switzerland's attractiveness as a location for real estate investments in comparison to other European countries

Statements

► "Given the current economic focus shaped by major monetary flows and low interest rates, with economic results that are just about sustainable, demand for real estate in Switzerland as a "safe haven" is set to continue unabated." (Real estate company)

► "In comparison to other countries, Switzerland can still hold its own as an attractive real estate market thanks to its political and economic stability - even though opportunities for returns generally lag behind those abroad." (Anonymous)

Original question - "How do you rate Switzerland's attractiveness as a location for real estate investments in 2015 as compared to the rest of Europe?"
Influence of the capital markets in 2015...

Key messages
► Corporate bonds are regarded as an important financing instrument (83%).
► Political instability is not factored in adequately when making investment decisions (71%).
► Most respondents anticipate a future increase in inflation (69%).
► Two thirds of respondents expect the commercial mortgage-backed securities (CMBS) market to continue gaining importance in 2015 (67%).
► Just under two thirds of participants foresee an increased real estate supply in 2015 (65%).

Original question - "Which of the following statements about the market environment for Swiss real estate in 2015 do you agree with?"
...on real estate investment activity

Key messages
► More than half the respondents believe that alternative financing sources will capture relevant market share (63%).
► Respondents are undecided about the trend for the yield differential between interest on Swiss government bonds and returns on real estate in 2015 (52% down/48% up).
► Half of the respondents expect financing activity to contract due to the bank stress test (52%).
► Respondents do not anticipate very much IPO and capital increase activity in 2015 (35%).

Original question - "Which of the following statements about the market environment for Swiss real estate in 2015 do you agree with?"

- Alternative financing sources (insurance companies, pension funds, debt funds, mezzanine capital) will capture relevant market share.
- The yield differential between interest on Swiss government bonds and real estate returns will continue to decrease in 2015.
- The bank stress test will trigger a reduction in financing activity.
- 2015 will be an active year for IPOs and capital increases.
Key messages

► Year-on-year, rather more high-risk investments are anticipated (77% 2014: 70%).
► Swiss investors are expected to step up their foreign investment activities (73%).
► Over half of the respondents expect prices to overheat in certain agglomerations (71%).
► Over half of the respondents expect Asian investors to become more prominent in 2015 (68%).
► Year-on-year, rather more portfolio deals are anticipated in the commercial property sector (62% 2014: 55%).

Original question - "Which of the following statements about the Swiss real estate transaction market in 2015 do you agree with?"
Key messages

► As in the prior year, there is still uncertainty as to whether international investors will or will not increase their share of transaction volume in Switzerland (53% agree, 2014: 60%).

► Also as in the prior year, no major speculative project developments are expected (only 33% agree, 2014: 35%).

► Transaction volume is not expected to increase in 2015 (32% agree, 2014: 50%).

► There are few expectations of an increase in deal volume (30%, 2014: 40%).

Original question - "Which of the following statements about the Swiss real estate transaction market in 2015 do you agree with?"

- "International investors will increase their share of transaction volume in Switzerland." 13% Agree, 40% Strongly agree, 47% Strongly disagree
- "Speculative commercial project developments will increase in 2015." 13% Agree, 20% Strongly agree, 44% Strongly disagree, 23% Disagree
- "In overall terms, 2015 transaction volume will outperform the 2014 level." 3% Agree, 29% Strongly agree, 65% Strongly disagree, 3% Disagree
- "The size of real estate deals will continue to increase in 2015." 7% Agree, 23% Strongly agree, 70% Disagree
Expectations regarding price trends vary sharply depending on location and type of use (1/3)

Key messages

► Some respondents expect prices for office property in prime locations to remain stable whereas others anticipate a downturn (42%/46%). Last year, 5% of respondents expected prices for office buildings in prime locations to rise. Now, 12% anticipate higher prices in 2015.

► Declining prices are likely for office buildings in subprime locations (92%, 2014: 84%) and peripheral zones (92%, 2014: 100%).

► The trend for retail properties is similar: stable prices in prime locations (62%, 2014: 84%), but there is a negative outlook for subprime locations (72%, 2014: 72%) and properties in peripheral zones (84%, 2014: 89%).

Original question - "How would you assess the purchase price trend in Switzerland for 2015, depending on type of use and location?"
Key messages

► Expectations regarding the residential construction sector are more optimistic: rising prices are anticipated in prime locations (69%, 2014: 58%), with stable prices expected in subprime locations (72%, 2014: 69%) and peripheral zones (61%, 2014: 74%).

► As regards hotels, respondents anticipate a stable price trend in prime locations (68%, 2014: 63%) but falling prices in subprime locations (58%, 2014: 67%) and peripheral zones (79%, 2014: 84%).

Original question - "How would you assess the purchase price trend in Switzerland for 2015, depending on type of use and location?"
Expectations regarding price trends vary sharply depending on location and type of use (3/3)

Key messages

► For logistics buildings in prime locations, the number of respondents expecting stable and rising prices is almost equal (48%/44% 2014 stable: 58%).

► Stable prices are anticipated for subprime locations (49% 2014: 39%).

► Prices for logistics buildings in peripheral zones are expected to fall (60% 2014: 68%).

Original question - "How would you assess the purchase price trend in Switzerland for 2015, depending on type of use and location?"
Key messages

► As in the prior year, the most active seller groups in 2015 are expected to include banks (88% 2014: 89%) and corporates (non-property) (88% 2014: 72%).

► They are followed in third place by opportunity/PE funds (85% 2014: 78%) and other international funds in fourth place (77% 2014: 61%).

► According to expectations, the public sector (50% 2014: 50%) and housing cooperatives (27% 2014: 12%) will be less active as seller groups.

Original question – "In your opinion, how active will the following seller groups be in Switzerland during 2015?"
Which buyer groups will be the most active in 2015?

Key messages
- According to expectations, real estate funds (100% 2014: 95%) and insurance companies (100% 2014: 100%) will be the most active buyer groups.
- In line with the prior year’s trend, banks are expected to be less active as buyers in 2014 (47% 2014: 37%).

Original question - "In your opinion, how active will the following buyer groups be in Switzerland during 2015?"

<table>
<thead>
<tr>
<th>Buyer groups</th>
<th>Active</th>
<th>Moderately active</th>
<th>Cautious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance companies</td>
<td>77%</td>
<td></td>
<td>23%</td>
</tr>
<tr>
<td>Real estate funds</td>
<td>58%</td>
<td></td>
<td>42%</td>
</tr>
<tr>
<td>Real estate companies</td>
<td>54%</td>
<td></td>
<td>38%</td>
</tr>
<tr>
<td>Public sector</td>
<td>50%</td>
<td></td>
<td>42%</td>
</tr>
<tr>
<td>Housing cooperatives</td>
<td>38%</td>
<td></td>
<td>54%</td>
</tr>
<tr>
<td>Opportunity/PE funds</td>
<td>35%</td>
<td></td>
<td>53%</td>
</tr>
<tr>
<td>Corporates (non-property)</td>
<td>12%</td>
<td></td>
<td>73%</td>
</tr>
<tr>
<td>Other international funds</td>
<td>19%</td>
<td></td>
<td>62%</td>
</tr>
<tr>
<td>Banks</td>
<td>12%</td>
<td></td>
<td>35%</td>
</tr>
</tbody>
</table>
Which will be the greatest impediments to deal flows in 2015?

Key messages
► Last year’s trend is unchanged. Price mismatch between buyers and sellers (96% 2014: 100%) is seen as the greatest impediment to deal flows.
► As was the case last year, the level of equity required by debt providers is viewed as a major hurdle (77% 2014: 79%).
► Only a minority considers limited availability of debt funding to be a problem:
  ► Junior debt funding (42% 2014: 42%).
  ► Senior debt funding (31% 2014: 27%).

Transaction impediments

<table>
<thead>
<tr>
<th>Impediment</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price mismatch between buyers and sellers</td>
<td>65%</td>
<td>31%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Level of equity required</td>
<td>23%</td>
<td>54%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Limited availability of junior debt funding</td>
<td>15%</td>
<td>27%</td>
<td>54%</td>
<td>4%</td>
</tr>
<tr>
<td>Limited availability of senior debt funding</td>
<td>4%</td>
<td>27%</td>
<td>61%</td>
<td>8%</td>
</tr>
</tbody>
</table>
How will conditions for real estate loans evolve in 2015?

Key messages
► A clear majority (80%) foresees an increase in credit requirements.
► On margins, opinions are split between an increase and no change (46%/46%).
► Over 75% of respondents do not anticipate a change in interest rates.
► More than half of respondents (61%) expect the loan-to-value ratio to fall.

Conditions for real estate loans

- Credit requirements: 80% increase, 16% remain unchanged, 4% reduction
- Margins: 46% increase, 46% remain unchanged, 8% reduction
- Internet rates: 15% increase, 77% remain unchanged, 8% reduction
- Loan-to-value ratio: 8% increase, 31% remain unchanged, 61% reduction

Original question - "How will conditions for real estate loans evolve in 2015?"
Key messages

► As in the prior year, consensual restructuring deals (88% 2014: 100%) and prolongation of the repayment period (65% 2014: 79%) are seen as the best approaches to dealing with non-performing loans.

Approaches to dealing with non-performing loans

<table>
<thead>
<tr>
<th>Approach</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consensual restructuring deals</td>
<td>4%</td>
<td>84%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Prolongation of the repayment period</td>
<td>4%</td>
<td>61%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>Replacement of asset managers</td>
<td>8%</td>
<td>50%</td>
<td>38%</td>
<td>4%</td>
</tr>
<tr>
<td>Sale of receivables</td>
<td>8%</td>
<td>38%</td>
<td>54%</td>
<td></td>
</tr>
<tr>
<td>Debt-for-equity swaps</td>
<td>8%</td>
<td>35%</td>
<td>42%</td>
<td>15%</td>
</tr>
<tr>
<td>Claim enforcements</td>
<td>4%</td>
<td>27%</td>
<td>54%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Original question - "Which actions will banks in Switzerland step up in order to deal with non-performing loans in 2015?"
The following types of use will be popular with investors in 2015

Key messages

► Investors will continue to focus heavily on residential real estate (61% 2014: 58%).

► For office buildings, the picture is virtually unchanged since last year. 38% of respondents focus moderately on offices (2014: 39%) and only 8% focus heavily on this segment (2014: 17%).

► The number of investors who envisage a moderate focus on the retail sector has fallen by more than a half year-on-year (23% 2014: 47%). Only a few investors envisage a strong focus on retail properties (8% 2014: 6%).

Original question - "How heavily do you envisage focusing on investments in the following types of use in 2015?"
The following types of use will not be as popular with investors in 2015

Key message

► As in the prior year, only one third of respondents (31% 2014: 33%) envisage a low investment focus on the office sector.

Original question – "How heavily do you envisage focusing on investments in the following types of use in 2015?"
Top trends for offices and retail in 2015

Key messages

► Pressure on companies to cut costs/use space efficiently is assessed by the respondents as very high (96%).
► More than half of the respondents rate multi-tenant properties as their preferred investments (69%).
► The picture is similar for new user groups who have a demand for locations and space concepts (69%).
► A large majority of respondents think that the market for shopping malls in Swiss cities is saturated (96%).
► 69% believe that traditional department stores are on the way out.

Office

"There is increased pressure on companies to cut costs and use space efficiently."

61% Agree
35% Strongly agree
4% Strongly disagree

"Multi-tenant properties are preferred as investments."

23% Agree
46% Strongly agree
31% Strongly disagree

"New user groups (such as start-ups) demand different locations and space concepts."

12% Agree
57% Strongly agree
31% Strongly disagree

Retail

"The market for shopping mall space in Swiss cities is saturated."

60% Agree
36% Strongly agree
4% Strongly disagree

"Over-the-counter retailing will focus more on prime locations in the future."

57% Agree
35% Strongly agree
4% Strongly disagree
4% Disagree

"Online offerings are forcing other sectors as well as video stores and bookshops to abandon over-the-counter trading."

46% Agree
42% Strongly agree
12% Strongly disagree

"Classical department stores are on the way out."

34% Agree
35% Strongly agree
23% Strongly disagree
8% Disagree

Original question - "Which will be the top trends in use categories in 2015?"
Top trends for residential and hotel properties in 2015

Key messages

► Almost all the respondents agree with the statement that stricter overall conditions will play a more prominent part in the future (96%).
► Only a few investors view subprime and peripheral locations as investment alternatives to prime locations (25%).
► International hotel brands are still a key investment criterion (96%).

Original question - "Which will be the top trends in use categories in 2015?"

Residential

- "Stricter overall conditions (political/financial market regulation) will play a more prominent part in the future." 61% Agree, 35% Strongly agree, 4% Strongly disagree
- "The substantial growth in new housing construction makes rent control measures superfluous." 35% Agree, 42% Strongly agree, 23% Disagree
- "Rent control measures will have a distinctly negative impact on returns for holders of large portfolios." 27% Agree, 42% Strongly agree, 27% Strongly disagree, 4% Disagree

Hotels

- "An international hotel brand is still a key investment criterion." 50% Agree, 46% Strongly agree, 4% Disagree
- "Hotel lease agreements are still the preferred operating model for investors." 41% Agree, 38% Strongly agree, 17% Strongly disagree, 4% Disagree
- "Subprime and peripheral locations offer an investment alternative to prime locations." 4% Agree, 21% Strongly agree, 42% Strongly disagree, 33% Disagree
The office and retail focus is Zurich

Key messages

- Zurich (27% 2014: 36%) is the most attractive location for investments in the office sector, followed by Bern (22% 2014: 23%), Geneva (21% 2014: 27%) and Basel (21% 2014: 27%). Interest has dwindled in all locations except Lausanne (19% 2014: 19%).

- Investor demand for retail property has contracted, except in western Switzerland and Lucerne (Geneva 21% 2014: 19% and Lausanne 19% 2014: 19% Lucerne 16% 2014: 12%); (Zurich 22% 2014: 27% Basel 15% 2014: 20% Bern 13% 2014: 17%).

Original question - “On which particular Swiss locations will you focus your investments in 2015?”
Focus within residential real estate

Key messages

► Lucerne continues to be one of the most preferred cities (61% 2014: 50%).
► It is followed by St. Gallen at 53% (2014: 45%), Basel (49% 2014: 33%), Zurich (46% 2014: 42%) and Bern (40% 2014: 40%). On the other hand, ratings for Lausanne (31% 2014: 37%) are similar to those in prior years. Geneva (24% 2014: 23%) is viewed as the least interesting real estate location.

Original question – “On which particular Swiss locations will you focus your investments in 2015?”

<table>
<thead>
<tr>
<th>Location</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucerne</td>
<td>61%</td>
<td>50%</td>
</tr>
<tr>
<td>St. Gallen</td>
<td>53%</td>
<td>45%</td>
</tr>
<tr>
<td>Basel</td>
<td>49%</td>
<td>33%</td>
</tr>
<tr>
<td>Zurich</td>
<td>46%</td>
<td>42%</td>
</tr>
<tr>
<td>Bern</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Lausanne</td>
<td>31%</td>
<td>37%</td>
</tr>
<tr>
<td>Geneva</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Others</td>
<td>54%</td>
<td></td>
</tr>
</tbody>
</table>

Focus on residential property, and no focus

![Graph showing residential property and no focus by city]
Key messages

► Most respondents do not envisage an exit (71%); if at all, a direct sale as a single property appears to be the preferred option in 2015 (38%).

► Strategies such as direct sales of portfolios (21%), sales to real estate funds (8%) and real estate companies (IPO) (0%) will be less significant exit options.

Planned exit options

Original question - "Which exit strategies do you envisage in 2015?"
Key messages
Switzerland 2015
How respondents in Switzerland view the real estate investment market...

Attractiveness
► A clear majority of participants see Switzerland as an attractive or very attractive location for real estate investments once again in 2015.

Real estate capital market
► Corporate bonds continue to be an important financing instrument.
► Alternative sources of financing (insurance companies, pension funds, debt funds and mezzanine capital) will gain market share.
► High levels of IPO activity are unlikely.

Real estate transaction market
► The market for high-risk investments is gaining importance.
► Investments abroad are becoming more interesting due to increased expectations of return.
► International investors will increase their transaction volume in Switzerland.

Purchase price expectations
► Prices for office and retail properties in prime locations will show stable development.
► Over half of the respondents believe that prices for residential property in central locations will increase.
► Prices for residential real estate in average locations or peripheral zones will undergo stable development.

Seller and buyer groups
► Apart from corporates (non-property), banks and opportunity/private equity funds will number among the most active seller groups in 2015.
► Insurance companies, real estate funds and real estate companies will be the most active buyer groups.
► The importance of banks as buyers is regarded as low.

Greatest impediments to deal flows
► The price mismatch between buyers and sellers and the amount of equity required will be the main impediments to successful deals in 2015.
...and the strategies they adopt

Conditions for real estate loans
► Requirements for real estate loans will increase.
► The interest rate level will likely remain constant.

Banks' approaches to non-performing loans
► Consensual restructuring deals and prolongation of the repayment period are the most probable.
► It is highly unlikely that claim enforcements will become more frequent.

Focus on types of use
► The spotlight will definitely be on residential real estate in 2015.
► Demand for office properties will be moderate to low, depending on their location.
► Just under half of the respondents state that demand for retail properties will be low.

Regional focus
► Zurich, Geneva and Bern are popular regions for investments in office properties.
► Demand for residential properties will be highest in Lucerne, St. Gallen and Basel.

Trends in 2015
► There will be increased pressure on companies to make efficient use of space.
► The market for shopping malls in Swiss cities is viewed as saturated.
► Multi-tenant properties are a focus of investments.
► Tighter statutory conditions will play a prominent part.
► International hotel brands are still a key investment criterion.

Exit strategies
► A majority of respondents consider that an exit in 2015 would be generally unattractive.
► If at all, the direct sale of a single asset will be the most significant exit strategy in 2015.
Notes...
Your contacts

Rolf Bach
Executive Director
Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich
Phone +41 58 286 38 70
rolf.bach@ch.ey.com

André Mathis MRICS
Senior Manager
Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich
Phone +41 58 286 45 49
andre.mathis@ch.ey.com

Daniel Zaugg MRICS
Partner
Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich
Phone +41 58 286 46 86
daniel.zaugg@ch.ey.com
About the global EY organization

The global EY organization is a leader in assurance, tax, transaction, legal and advisory services. We leverage our experience, knowledge and services to help build trust and confidence in the financial markets and in economies all over the world. We are ideally equipped for this task – with well trained employees, strong teams, excellent services and outstanding client relations. Our global mission is to drive progress and make a difference by building a better working world – for our people, for our clients and for our communities.

The global EY organization refers to all member firms of Ernst & Young Global Limited (EYG). Each EYG member firm is a separate legal entity and has no liability for another such entity’s acts or omissions. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information, please visit www.ey.com.

EY’s organization is represented in Switzerland by Ernst & Young Ltd, Basel, with ten offices across Switzerland, and in Liechtenstein by Ernst & Young AG, Vaduz. In this publication, «EY» and «we» refer to Ernst & Young Ltd, Basel, a member firm of Ernst & Young Global Limited.

© 2015
Ernst & Young Ltd
All rights reserved.