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Swiss Real Estate Transaction Market
### Selected Swiss commercial real estate transactions...

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Seller Group</th>
<th>Buyer Group</th>
<th>Target Property</th>
<th>Properties</th>
<th>Price (CHF m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>UBS</td>
<td>Swiss Life</td>
<td>UBS building Rue du Rhône, Geneva</td>
<td>1</td>
<td>535</td>
</tr>
<tr>
<td>Q1</td>
<td>Allreal</td>
<td>Municipality of Zurich</td>
<td>Office building, Eggbühlstrasse</td>
<td>1</td>
<td>81</td>
</tr>
<tr>
<td>Q1</td>
<td>Unknown</td>
<td>Schroders Investment Management Switzerland</td>
<td>Mövenpick Hotel, Lausanne</td>
<td>1</td>
<td>74</td>
</tr>
<tr>
<td>Q1</td>
<td>Unknown</td>
<td>Novavest Real Estate AG</td>
<td>Commercial property in St. Gallen and Dielsdorf</td>
<td>2</td>
<td>44</td>
</tr>
<tr>
<td>Q1</td>
<td>Unknown</td>
<td>Novavest Real Estate AG</td>
<td>Commercial property in Aarberg, Grenchen and Glattbrugg</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>Q1</td>
<td>Credit Suisse</td>
<td>Telico Investment Foundation</td>
<td>“Affenplatz” commercial property Langenthal</td>
<td>1</td>
<td>unknown</td>
</tr>
<tr>
<td>Q2</td>
<td>ING Real Estate</td>
<td>VIA Outlets</td>
<td>Designer Outlet Center Landquart</td>
<td>1</td>
<td>approx. 85</td>
</tr>
<tr>
<td>Q2</td>
<td>Unknown</td>
<td>Fondation de Famille Sandoz</td>
<td>Hotel Lausanne Palace / Château d’Ouchy</td>
<td>2</td>
<td>unknown</td>
</tr>
<tr>
<td>Q3</td>
<td>Credit Suisse</td>
<td>Angelo Gilardoni</td>
<td>Credit Suisse commercial property Lugano</td>
<td>1</td>
<td>approx. 60</td>
</tr>
<tr>
<td>Q4</td>
<td>Kuoni Group</td>
<td>Zürcher Kantonbank</td>
<td>Kuoni head office, Zurich</td>
<td>1</td>
<td>75</td>
</tr>
<tr>
<td>Q4</td>
<td>Unknown</td>
<td>Patrimonium Investment Foundation</td>
<td>Spinnerei an der Lorze, Baar</td>
<td>1</td>
<td>76</td>
</tr>
<tr>
<td>Q4</td>
<td>Credit Suisse</td>
<td>Yunfeng Gao</td>
<td>Hotel Palace Lucerne</td>
<td>1</td>
<td>unknown</td>
</tr>
<tr>
<td>Q4</td>
<td>Waldhaus Flims Mountain Resort AG</td>
<td>Z Capital Group</td>
<td>Waldhaus Flims</td>
<td>1</td>
<td>40</td>
</tr>
</tbody>
</table>

**Seller groups**
- The active seller groups in 2015 include banks and project developers.

**Buyer groups**
- The buyers consist mainly of capital-rich investors such as real estate funds and insurance companies.

**Transaction size**
- With one exception, the commercial property transactions ranged from small to medium-sized.

---

**Note:**
- Q1: First quarter of the year.
- Q2: Second quarter of the year.
- Q3: Third quarter of the year.
- Q4: Fourth quarter of the year.
## ...and residential property transactions in 2015

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Seller</th>
<th>Buyer</th>
<th>Target</th>
<th>Properties</th>
<th>Price (CHF m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Steiner AG</td>
<td>Baugenossenschaft des eidgenössischen Personals</td>
<td>Cooperative printworks site, Manegg (project)</td>
<td>90 units</td>
<td>28</td>
</tr>
<tr>
<td>Q1</td>
<td>Unknown</td>
<td>Municipality of Zurich</td>
<td>Oerlikon residential block</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>Q2</td>
<td>Implenia</td>
<td>Allianz Suisse Immobilien AG</td>
<td>Sue&amp;til Winterthur (project)</td>
<td>260 units</td>
<td>135</td>
</tr>
<tr>
<td>Q2</td>
<td>Edmond de Rothschild Real Estate SICAV</td>
<td>Unknown</td>
<td>Residential and commercial property Philosophes 20, Geneva</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>Q2</td>
<td>Unknown</td>
<td>Edmond de Rothschild Real Estate SICAV</td>
<td>“La Meyrinoise” complex, Meyrin-Village</td>
<td>160 units</td>
<td>55</td>
</tr>
<tr>
<td>Q2</td>
<td>Unknown</td>
<td>Swiss Finance &amp; Property Investment AG</td>
<td>Basel residential property</td>
<td>44 units</td>
<td>15</td>
</tr>
<tr>
<td>Q2</td>
<td>Unknown</td>
<td>Valres Swiss Residential Fund</td>
<td>Residential and commercial properties Fribourg, Geneva</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Q2</td>
<td>Unknown</td>
<td>Edmond de Rothschild Real Estate SICAV</td>
<td>Mouille Galand 2C, Vernier</td>
<td>48 units</td>
<td>12</td>
</tr>
</tbody>
</table>

### Seller groups
- The sellers are project developers and real estate funds.
- Information on the sellers is not usually published.

### Buyer groups
- Real estate funds, insurance companies and the public sector were the main buyer groups.

### Transaction size
- The transaction volumes for residential properties ranged from small to medium-sized.
- Larger portfolio transactions are the exception in Switzerland.
Trend Barometer Real Estate Investment Market Switzerland 2016
Our trend barometer covers a broad spectrum of investor groups

Trend Barometer Real Estate Investment Market

► The results of the study are based on our survey conducted in October 2015. Around 40 investors who have been active on the Swiss real estate market in recent years took part.

► The survey mainly covers the following issues:
  ► General assessment of the real estate investment market in Switzerland in 2016 by active market participants
  ► Investigating investors’ strategies for real estate market developments in Switzerland

Investor groups
► Banks
► Closed-end real estate funds
► Real estate companies/REITs
► Institutional investors
► Asset managers
► Opportunity/private equity funds
► Private/family offices
► Housing cooperatives
► Others

Background
► This is the 6th edition of EY Real Estate Switzerland’s survey since 2011.
► In October and November 2015, around 40 investors shared their views on their expectations for the coming year.

Objectives
► Views on the Swiss real estate investment market in the coming year.
► Insight into the strategy that investors will pursue in Switzerland next year.

Statements
► As well as the predefined answers, participants were able to provide individual comments on each question.
► The statements shown in the next slide are reproduced in anonymized form and some have been combined with similar assessments.
Views on the Swiss transaction market in recent years

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “Switzerland remains attractive due to its low interest rates and stable economy.”</td>
<td>1. “Switzerland remains a safe haven for real estate investments.”</td>
<td>1. “Switzerland remains an attractive destination for real estate investments.”</td>
</tr>
<tr>
<td>2. “Swiss real estate prices will peak in 2014.”</td>
<td>2. “The office and retail property market will see downward corrections in prices.”</td>
<td>2. “Prices for premium properties have passed their peak.”</td>
</tr>
<tr>
<td>3. “Uncertainty about real estate investments will increase because better opportunities for returns are available abroad.”</td>
<td>3. “There will be growing pressure to cut costs further and increase efficiency.”</td>
<td>3. “Switzerland’s stability has a positive impact on the market’s attractiveness and is unlikely to be jeopardized by political uncertainty.”</td>
</tr>
</tbody>
</table>

**Price trend**
- Prices of office properties in prime locations expected to remain stable.
- Prices for office and retail properties in non-central locations will fall.

**International**
- Switzerland is regarded more than ever as an attractive country for real estate investments compared with other countries.

**Attractiveness**
- Switzerland is viewed almost unanimously as an attractive location for real estate investments.
91% of respondents rate Switzerland as an attractive or very attractive investment location...

Key messages
► The vast majority of respondents (91%) continue to view Switzerland as an attractive or very attractive location for real estate investments in 2016.
► The market is considered to be slightly less attractive than in the previous year (2015: 97% considered Switzerland attractive or very attractive).

Switzerland’s attractiveness as a location for real estate investments

<table>
<thead>
<tr>
<th>Attractiveness</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>very attractive</td>
<td>24%</td>
</tr>
<tr>
<td>attractive</td>
<td>67%</td>
</tr>
<tr>
<td>less attractive</td>
<td>9%</td>
</tr>
</tbody>
</table>

Messages
► “Property prices have reached a level that no longer provides an appropriate reward for the long term risks of real estate investments.” (Pension fund)
► “Given the very high price levels in most cases and generally falling rents the real estate investment market in Switzerland no longer offers attractive yields even for investors with a long-term horizon.” (“Other” investor)
► “Switzerland continues to deliver stable cash flow yields. However, its performance in terms of capital gains is much weaker.” (Insurer)

Wording of the question: “In absolute terms, how do you rate Switzerland’s attractiveness as a location for real estate investments in 2016?”
Key messages

► A majority (76%) of respondents see Switzerland as an attractive or very attractive investment location compared with other European countries.

► Here too, the result is less positive than in last year’s survey (2015: 90%).

Switzerland’s attractiveness as a location for real estate investments compared with other European countries

Statements

► “Switzerland’s stability has a very positive impact on the attractiveness of the market. However, low yields and the strong Swiss franc are making things increasingly difficult, particularly for foreign investors.” (Real estate company)

► “Switzerland is an attractive real estate destination compared with other countries in Europe. However, it is not optimal for international investors due to restrictions and uncertainty sparked by political debates.” (“Other” investor)
Influence of the capital markets in 2016...

Key messages
► Corporate bonds are regarded as an important financing instrument (78% 2015: 83%).
► Over two thirds of participants foresee a tightening of real estate supply in 2016 (70% 2015: 65%).
► Political instability is not factored in adequately into investment decisions (65% 2015: 71%).
► A majority of participants expect increasing consolidation of real estate companies (64%).
► A small majority of participants expect alternative funding sources to gain market share (55% 2015: 63%).

Wording of the question: “Which of the following statements about the Swiss real estate capital market in 2016 do you agree with? ”

- Corporate bonds will again be a key financing instrument for real estate companies in 2016.”
  - 25% Strongly agree
  - 53% Agree
  - 19% Disagree

- Real estate supply is likely to tighten further in 2016.”
  - 15% Strongly agree
  - 55% Agree
  - 24% Disagree
  - 6% Strongly disagree

- Political instability is not adequately factored into international investment decisions.” (71%).
  - 6% Strongly agree
  - 59% Agree
  - 32% Disagree
  - 3% Strongly disagree

- The technical standard of building operations is becoming an increasing risk factor for major projects.”
  - 9% Strongly agree
  - 55% Agree
  - 33% Disagree
  - 3% Strongly disagree

- Consolidation of real estate companies will again play an important role in 2016.”
  - 3% Strongly agree
  - 61% Agree
  - 33% Disagree
  - 3% Strongly disagree

- Alternative funding sources (insurance companies, pension funds, debt funds, mezzanine capital) will capture a relevant market share.”
  - 3% Strongly agree
  - 52% Agree
  - 39% Disagree
  - 6% Strongly disagree
Key messages

► Participants remain split on whether the gap between Swiss government bond yields and property yields will decline in 2016 (53% agree, 47% disagree, 2015: 52% and 48%).

► Two-thirds of participants do not expect 2016 to be an active year for IPOs and capital increases (66% 2015: 65%).

► A clear majority of participants (76%) does not expect the need to accommodate refugees to have a significant impact on the property market.

► A large majority of participants (85%) does not foresee a tangible upturn in interest rates in 2016.

Wording of the question: “Which of the following statements about the Swiss real estate capital market in 2016 do you agree with? ”
The Swiss real estate transaction market

Key messages

► More high-risk investments are expected than in 2015 (88% 2015: 77%).
► 79% of participants expect Swiss investors to step up their foreign investment activities (2015: 73%).
► Year-on-year, a clear decline in portfolio deals is anticipated in the commercial property sector (45% 2015: 62%).
► More than half of participants do not expect speculative commercial project developments to increase in 2016 (64% 2015: 64%).

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The proportion of higher-risk real estate investments will grow.</td>
<td>30%</td>
<td>58%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Foreign investments are becoming more attractive for Swiss investors again given higher return expectations.</td>
<td>18%</td>
<td>61%</td>
<td>18%</td>
<td>3%</td>
</tr>
<tr>
<td>The overall transaction volume in 2016 will exceed that in 2015.</td>
<td>6%</td>
<td>41%</td>
<td>50%</td>
<td>3%</td>
</tr>
<tr>
<td>Asian investors will be more prominent in 2016.</td>
<td>3%</td>
<td>43%</td>
<td>39%</td>
<td>15%</td>
</tr>
<tr>
<td>There will be more trading of real estate portfolios in the commercial sector during 2016.</td>
<td>3%</td>
<td>42%</td>
<td>49%</td>
<td>6%</td>
</tr>
<tr>
<td>The size of real estate deals will continue to increase in 2016.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There will be more speculative commercial project developments in 2016.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International investors will increase their share in the transaction volume in Switzerland.</td>
<td>6%</td>
<td>30%</td>
<td>49%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Wording of the question: “Which of the following statements about the Swiss real estate transaction market in 2016 do you agree with?”
Expectations for price trends vary sharply depending on location and usage category (1/2)

Key messages

► Some respondents expect prices for office property in prime locations to remain stable whereas others anticipate a downturn (52% / 36%). Only 12% expect higher prices, the same proportion as last year.

► Declining prices are likely for office buildings in subprime locations (70% 2015: 92%) and peripheral zones (88% 2015: 92%).

► The trend for retail properties is similar: stable prices in prime locations (61% 2015: 62%), but a negative outlook for subprime locations (73% 2015: 72%) and properties in peripheral zones (85% 2015: 84%).

Wording of the question: “What is your expectation for property prices in Switzerland in 2016, depending on usage category and location?”
Expectations for price trends vary sharply depending on location and usage category (2/2)

Key messages
► Expectations for the residential construction sector are more optimistic: rising prices are anticipated in prime locations (42% 2015: 69%), with stable prices in subprime locations (76% 2015: 72%) and peripheral zones (55% 2015: 61%).
► As regards hotels, half of respondents anticipate a stable price trend in prime locations (53% 2015: 68%) but a majority expects falling prices in subprime locations (62% 2015: 58%) and peripheral zones (81% 2015: 79%).

Wording of the question: “What is your expectation for property prices in Switzerland in 2016, depending on usage category and location?”
Which categories of sellers will be most active in 2016?

Key messages
► As in the prior year, the most active sellers in 2016 are expected to include opportunity/PE funds (30%, 2015: 31%), other international funds (27% 2015: 12%) and real estate companies (22% 2015: 31%).
► They are followed by insurers and pension funds in 4th place (22% 2015: 27%) and banks in 5th place (21% 2014: 46%).
► The public sector (6% 2015: 4%) and housing cooperatives (3% 2015: 8%) are expected to be less active as sellers.

Seller categories

<table>
<thead>
<tr>
<th>Seller categories</th>
<th>Active</th>
<th>Moderately active</th>
<th>Cautious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity/PE funds</td>
<td>30%</td>
<td>55%</td>
<td>15%</td>
</tr>
<tr>
<td>Other international funds</td>
<td>27%</td>
<td>49%</td>
<td>24%</td>
</tr>
<tr>
<td>Real estate companies / REITs</td>
<td>22%</td>
<td>53%</td>
<td>25%</td>
</tr>
<tr>
<td>Insurers/pension funds</td>
<td>22%</td>
<td>38%</td>
<td>40%</td>
</tr>
<tr>
<td>Banks</td>
<td>21%</td>
<td>55%</td>
<td>24%</td>
</tr>
<tr>
<td>Corporates (non-property)</td>
<td>15%</td>
<td>52%</td>
<td>33%</td>
</tr>
<tr>
<td>Open-ended funds</td>
<td>15%</td>
<td>46%</td>
<td>39%</td>
</tr>
<tr>
<td>Housing associations</td>
<td>12%</td>
<td>33%</td>
<td>55%</td>
</tr>
<tr>
<td>Public-sector</td>
<td>6%</td>
<td>33%</td>
<td>61%</td>
</tr>
<tr>
<td>Closed-end funds</td>
<td>3%</td>
<td>52%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Wording of the question: “In your opinion, how active will the following categories of sellers be in Switzerland during 2016?”
Which categories of buyers will be most active in 2016?

Key messages

► As in the previous year, insurers are expected to be among the most active buyers (73%, 2015: 77%), followed by private investors/family offices (55%).

► In line with the prior year’s trend, real estate companies are also expected to be active buyers (44%, 2015: 54%).

► Unchanged from the trend seen in the previous year, banks are not expected to be very active buyers in 2016 (21%, 2015: 12%).

Wording of the question: “In your opinion, how active will the following categories of buyers be in Switzerland during 2016?”

Buyer categories

- Insurers/pension funds: 73% Active, 27% Cautious
- Private/family offices: 55% Active, 30% Moderately active, 15% Cautious
- Real estate companies/REITs: 44% Active, 31% Moderately active, 25% Cautious
- Housing associations: 43% Active, 39% Moderately active, 18% Cautious
- Open-ended funds: 36% Active, 55% Moderately active, 9% Cautious
- Opportunity/PE funds: 30% Active, 37% Moderately active, 33% Cautious
- Closed-end funds: 24% Active, 58% Moderately active, 18% Cautious
- Other international funds: 24% Active, 40% Moderately active, 36% Cautious
- Banks: 21% Active, 46% Moderately active, 33% Cautious
- Sovereign wealth funds: 15% Active, 52% Moderately active, 33% Cautious
- Public sector: 9% Active, 52% Moderately active, 39% Cautious
What will be the greatest impediments to transactions in 2016?

Key messages

► The mismatch in price expectations between buyers and sellers (100% 2015: 96%) is seen as the biggest impediment to deal flows.

► Unlike last year, the level of equity required by debt providers is no longer viewed as a major hurdle (49% 2015: 77%).

► Limited availability of subordinated funding (33% 2015: 42%) or senior debt funding (21% 2015: 31%) is seen as less of an impediment to deal flows.

Wording of the question: “What do you think will be the greatest impediments to successful transaction closings in Switzerland in 2016?”
How will real estate credit conditions evolve in 2016?

Key messages
► A clear majority (70%) expect loan terms to tighten (2015: 80%).
► Only a little over a third of participants expect margins to rise in 2016 (36% 2015: 46%).
► Over 79% of respondents do not anticipate a change in interest rates.

### Change in real estate credit conditions

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase</th>
<th>Remain Unchanged</th>
<th>Fall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan terms</td>
<td>70%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Margins</td>
<td>36%</td>
<td>52%</td>
<td>12%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>21%</td>
<td>79%</td>
<td></td>
</tr>
</tbody>
</table>

Wording of the question: “How will real estate credit conditions evolve in 2016?”
Key messages

► As in the prior year, consensual restructuring deals (76% 2015: 88%) and prolongation of the repayment period (75% 2015: 65%) are seen as the best approaches to dealing with non-performing loans.

► Only a little over a third of participants expect banks to deal with non-performing loans through repossessions (36% 2015: 31%).

Approaches to dealing with non-performing loans

<table>
<thead>
<tr>
<th>Approach</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consensual restructuring</td>
<td>18%</td>
<td>58%</td>
<td>18%</td>
<td>6%</td>
</tr>
<tr>
<td>Extension of repayment period</td>
<td>16%</td>
<td>59%</td>
<td>22%</td>
<td>3%</td>
</tr>
<tr>
<td>Changing asset managers</td>
<td>9%</td>
<td>46%</td>
<td>39%</td>
<td>6%</td>
</tr>
<tr>
<td>Sale of loans</td>
<td>3%</td>
<td>39%</td>
<td>55%</td>
<td>3%</td>
</tr>
<tr>
<td>Debt-for-equity swaps</td>
<td>36%</td>
<td>61%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Repossessions</td>
<td>36%</td>
<td>52%</td>
<td>12%</td>
<td></td>
</tr>
</tbody>
</table>

Wording of the question: “What in your view will be the main ways banks in Switzerland deal with non-performing loans in 2016?”
The following property usage categories will be popular with investors in 2016

Key messages
► Investors will continue to focus heavily on residential real estate (60% 2015: 61%).
► For office buildings, the picture is virtually unchanged since last year. 44% of respondents are focusing moderately on offices (2015: 38%) with only 6% focusing heavily on this segment (2015: 8%).
► As in 2015, only a minority of investors will be putting a moderate to strong focus on retail properties (19% 2015: 31%).

Wording of the question: “How heavily do you envisage focusing on investments in the following property usage categories in 2016?”
For office and retail the focus is Zurich

Key messages
► Zurich (26% 2015: 27%) is the most attractive location for investments in the office sector, followed by Basel (20% 2015: 21%) and Geneva (14% 2015: 21%).
► Investor demand for retail properties has remained the same or fallen in all locations compared with 2015, with the exception of Basel (18% 2015: 15%).

Office and retail*

*Multiple responses permitted

Wording of the question: “Which cities in Switzerland will your investments mainly focus on in 2016?”
No clear focus in residential real estate

Key messages
► Demand for residential real estate is not focused on any one location.
► Zurich, Basel and Lucerne remain popular with investors (19% 16% 16% 2015: 46% 49% 40%).
► The focus on residential property has declined in general compared with 2015.

Residential*

- Zurich: 19%
- Geneva: 16%
- Basel: 3%
- Bern: 13%
- Lucerne: 10%
- Lausanne: 4%
- St. Gallen: 0%
- Others: 9%

*Multiple responses permitted

Wording of the question: “Which cities in Switzerland will your investments mainly focus on in 2016?”
Most attractive exit options for real estate investments in 2016

Key messages
► Most respondents (77%) do not envisage an exit; if at all, a direct sale as a single asset appears to be the preferred option in 2016 (37%).
► Strategies such as direct sales of portfolios (13%) and special funds (3%) will be less significant exit options.

Wording of the question: “Which exit strategies do you envisage in 2016?”
Key messages

► A large majority of participants agreed with the statement that rising urbanization will have a significant impact on the property market in 2016 (77%).
► 78% of participants regard political instability as a relevant megatrend for the real estate market.
► Only 39% of participants believe that information transparency resulting from online portals has a significant impact on the real estate market.

Most important megatrends in 2016

Megatrends 2016*

<table>
<thead>
<tr>
<th>Wording of the question: “Which megatrends will have the biggest influence on the Swiss property market in 2016?”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration on cities/urbanization/rural depopulation</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>29%</td>
</tr>
<tr>
<td>Political instability/uncertainty</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>26%</td>
</tr>
<tr>
<td>Immigration</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>42%</td>
</tr>
<tr>
<td>Interest rate movements</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>32%</td>
</tr>
<tr>
<td>Exchange rate movements</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>16%</td>
</tr>
<tr>
<td>Globalization of investment flows</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>10%</td>
</tr>
<tr>
<td>Sustainability</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>6%</td>
</tr>
<tr>
<td>Information transparency through online portals</td>
</tr>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>10%</td>
</tr>
</tbody>
</table>

*Multiple responses permitted.
Wording of the question: “What will be the leading trends in the residential category in 2016?”

“Prices for condominiums have reached their peak for the time being.”
- Strongly agree: 94%
- Agree: 49%
- Disagree: 45%
- Strongly disagree: 6%

“The regulation of immigration is having an adverse impact on rental increases”
- Strongly agree: 12%
- Agree: 24%
- Disagree: 40%
- Strongly disagree: 24%

“Furnished apartments (e.g., micro and student apartments) are emerging as an attractive investment product.”
- Strongly agree: 12%
- Agree: 30%
- Disagree: 52%
- Strongly disagree: 6%

“Government regulation of rents is a good idea.”
- Strongly agree: 64%
- Agree: 88%
- Disagree: 0%
- Strongly disagree: 0%
Office trends:

“Modern office space designs must be adaptable to different users and sectors.”
- Strongly agree: 76%
- Agree: 24%

“There is increased pressure on companies to cut costs and use space efficiently.”
- Strongly agree: 67%
- Agree: 33%

“From the user’s perspective, a premium location remains important despite the need to cut costs.”
- Strongly agree: 61%
- Agree: 27%
- Disagree: 12%

“The importance of the financial services industry as a user group is rising.”
- Strongly agree: 30%
- Agree: 52%
- Disagree: 18%

Wording of the question: “What will be the leading trends in the office category in 2016?”
Wording of the question: “What will be the leading trends in the hotel category in 2016?”

1. “The lifting of the minimum exchange rate on the euro is having a negative impact on Swiss tourism.”
   - Strongly agree: 31%
   - Agree: 6%
   - Disagree: 63%
   - Strongly disagree: 94%

2. “Hotels with less than 50 beds are not profitable.”
   - Strongly agree: 19%
   - Agree: 16%
   - Disagree: 65%
   - Strongly disagree: 81%

3. “The hotel sector is losing market share to private providers and accommodation websites.”
   - Strongly agree: 13%
   - Agree: 23%
   - Disagree: 45%
   - Strongly disagree: 68%

4. “The enactment of restrictions on second homes will have a favorable impact on hoteliers in the tourist regions.”
   - Strongly agree: 58%
   - Agree: 29%
   - Disagree: 10%
   - Strongly disagree: 3%
Retail trends:

- **Online retailing remains a major concern for traditional bricks-and-mortar retailing.**
  - Strongly agree: 94%
  - Agree: 64%
  - Disagree: 18%
  - Strongly disagree: 6%

- **Bricks-and-mortar retailing will be even more focused on prime locations in future.**
  - Strongly agree: 38%
  - Agree: 49%
  - Disagree: 13%
  - Strongly disagree: 9%

- **Temporary retail space (pop-up shops) are becoming a more attractive proposition.**
  - Strongly agree: 82%
  - Agree: 55%
  - Disagree: 18%
  - Strongly disagree: 18%

- **The lifting of the minimum exchange rate on the euro is having a negative impact on buying behavior in Switzerland.**
  - Strongly agree: 36%
  - Agree: 40%
  - Disagree: 18%
  - Strongly disagree: 6%

- **There is no future for discounters with low sales square footage.**
  - Strongly agree: 49%
  - Agree: 33%
  - Disagree: 9%
  - Strongly disagree: 9%

Wording of the question: “What will be the leading trends in the retail category in 2016?”
Key messages
Switzerland 2016
Attractiveness

► A clear majority of participants believe Switzerland will remain an attractive or very attractive location for real estate investments in 2016.

Real estate market environment

► Corporate bonds continue to be an important financing instrument.
► Real estate supply is expected to tighten further in 2016.
► An upturn in interest rates is regarded as very unlikely in 2016.
► No large-scale IPO activities are expected.

Real estate transaction market

► The market for high-risk investments is becoming ever more important.
► Investments abroad are becoming more attractive due to increased return expectations.
► International investors will increase their transaction volume in Switzerland.

Price expectations

► Prices of office and retail properties in prime locations will remain stable or fall slightly.
► Prices of residential properties in prime locations will remain stable or increase.
► A large majority of participants expect prices for residential properties in sub-prime locations to remain stable.

Seller and buyer groups

► Alongside opportunity/private equity funds, other international funds and real estate companies will be among the most active groups of sellers in 2016.
► On the buyer side, insurers/pension funds, private investors/family offices and real estate companies are expected to be among the most active groups.
► The importance of banks as buyers is regarded as low.

Greatest impediments to deal flows

► Differing price expectations between buyers and sellers are seen as the main impediment to successful deals in 2016.
Real estate loan terms
► Real estate loan terms are expected to tighten.
► The interest rate level is likely to remain constant.

Banks’ approach to non-performing loans
► Consensual restructuring deals and prolongation of the repayment period are the most likely approach.
► It is highly unlikely that repossessions will become more frequent.

Investment focus by usage category
► The spotlight will be on residential real estate in 2016.
► Demand for office properties will be moderate to low, depending on their location.
► Only a minority of participants stated that they would put their investment focus on retail properties in 2016.

Preferred investment locations
► Zurich, Basel and Geneva are popular destinations for investments in office properties.
► Demand for residential properties is highest in Zurich, Basel and Lucerne.

Exit strategies
► A majority of respondents consider that an exit in 2016 is unattractive in general.
► If at all, the direct sale of a single asset will be the most significant exit strategy in 2016.

Top trends
► The participants agreed that urbanization and rural population flight will have a significant impact on the Swiss property market.
► Political instability and uncertainty are also regarded as a relevant megatrend.
► Regulation of immigration is seen as having a detrimental impact on rental increases.
► Government regulation of rents is not regarded as a good idea.
► The pressure on companies to cut costs and use space efficiently will increase further.
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