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

<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>Swiss Prime Site</td>
<td>SPA Immobilien Schweiz</td>
<td>Business park in Solothurn</td>
<td>12</td>
<td>90</td>
</tr>
<tr>
<td>Q1</td>
<td>Swiss Prime Site</td>
<td>SPA Immobilien Schweiz</td>
<td>Office building in Lucerne</td>
<td>1</td>
<td>59</td>
</tr>
<tr>
<td>Q1</td>
<td>Implenia</td>
<td>UBS</td>
<td>Office building in Muri (Bern)</td>
<td>1</td>
<td>38</td>
</tr>
<tr>
<td>Q1</td>
<td>Swiss Prime Site</td>
<td>SPA Immobilien Schweiz</td>
<td>Retail property in St. Gallen</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>Q1</td>
<td>Swiss Prime Site</td>
<td>SPA Immobilien Schweiz</td>
<td>Hotel in Geneva</td>
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</tr>
<tr>
<td>Q2</td>
<td>Heinz Häusler Real Estate Investment AG</td>
<td>Swiss Prime Site</td>
<td>Office building in Baar</td>
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<tr>
<td>Q2</td>
<td>Unknown</td>
<td>Swiss Finance &amp; Property</td>
<td>Office building in Zurich</td>
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<tr>
<td>Q2</td>
<td>Banque Heritage</td>
<td>Swiss Life</td>
<td>Office building in Geneva</td>
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<td>57</td>
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<tr>
<td>Q2</td>
<td>Publica</td>
<td>Swiss Prime Site</td>
<td>Retail property in Lucerne</td>
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<td>Q2</td>
<td>Fortress Paper</td>
<td>GAM OBO Procimmo Swiss Commercial Fund II</td>
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<td>PSP Swiss Property</td>
<td>Office building in Zurich</td>
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<tr>
<td>Q3</td>
<td>Procimmo Swiss Commercial Fund I</td>
<td>UBS</td>
<td>Office building in Eysins</td>
<td>1</td>
<td>58</td>
</tr>
<tr>
<td>Q3</td>
<td>Swiss Prime Site</td>
<td>Swiss Life</td>
<td>Retail property in Geneva</td>
<td>1</td>
<td>43</td>
</tr>
</tbody>
</table>

**Seller groups**
- The active seller groups in 2016 include real estate companies.

**Buyer groups**
- Investment foundations and real estate companies are the primary buyers.

**Transaction size**
- Commercial property transactions range from small to midsize in volume.
### ...and residential property transactions in 2016

<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>Swiss Prime Site</td>
<td>SPA Immobilien Schweiz</td>
<td>Residential property in Zurich</td>
<td>137</td>
<td>96</td>
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<tr>
<td>Q2</td>
<td>Unknown</td>
<td>Residentia</td>
<td>Residential property in Monte Carasso (Ticino)</td>
<td>76</td>
<td>27</td>
</tr>
<tr>
<td>Q2</td>
<td>Swiss Finance &amp; Property</td>
<td>Unknown</td>
<td>Residential property in Winterthur</td>
<td>Unknown</td>
<td>23</td>
</tr>
<tr>
<td>Q3</td>
<td>Unknown</td>
<td>SF Sustainable Property Fund</td>
<td>Residential property in Spreitenbach (Aargau)</td>
<td>52</td>
<td>20</td>
</tr>
<tr>
<td>Q3</td>
<td>Unknown</td>
<td>SF Sustainable Property Fund</td>
<td>Residential property in Lausen (Basel)</td>
<td>50</td>
<td>19</td>
</tr>
<tr>
<td>Q3</td>
<td>Unknown</td>
<td>CSA Real Estate Switzerland</td>
<td>Residential property in Walenstadt (St. Gallen)</td>
<td>36</td>
<td>17</td>
</tr>
<tr>
<td>Q3</td>
<td>Unknown</td>
<td>SF Sustainable Property Fund</td>
<td>Residential property in Richterswil (Zurich)</td>
<td>31</td>
<td>16</td>
</tr>
<tr>
<td>Q3</td>
<td>Unknown</td>
<td>Raiffeisen Futura Immo Fonds</td>
<td>Residential property in Burgdorf (Bern)</td>
<td>44</td>
<td>16</td>
</tr>
</tbody>
</table>

#### Seller groups
- Information on the seller is not usually published.

#### Buyer groups
- Real estate funds are the main buyer group.

#### Transaction size
- The transaction volumes for residential properties ranged from small to medium-sized.
- Larger portfolio transactions remain the exception in Switzerland.
Trend Barometer Real Estate Investment Market Switzerland 2017
The results of the study are based on our survey conducted in October 2016. Around 50 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 2017 by active market participants
- Investigating investors’ strategies for real estate market developments in Switzerland

Trend Barometer Real Estate Investment Market

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

EY Real Estate Switzerland conducted the survey for the 7th time since 2011.

During October and November 2016, around 50 investors gave their views on their expectations for the coming year.

Background
- EY Real Estate Switzerland conducted the survey for the 7th time since 2011.
- During October and November 2016, around 50 investors gave 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

2015
1. “Switzerland remains a safe haven for real estate investments.”
2. “The office and retail property market will see downward corrections in prices.”
3. “There will be growing pressure to cut costs further and increase efficiency.”

2016
1. “Switzerland remains an attractive destination for real estate investments.”
2. “Prices for premium properties have passed their peak.”
3. “Switzerland's stability has a positive impact on the market's attractiveness and is unlikely to be jeopardized by political uncertainty.”

2017
1. “Switzerland is still an attractive location for real estate investments.”
2. “The price of office and retail property will stabilize.”
3. “Demographic change will have a considerable impact on price trends.”

Price trend
- Prices of office and hotel properties in prime locations are expected to remain stable.
- Prices of residential properties in prime locations are expected to rise.

International
- Switzerland continues to be regarded as an attractive country for real estate investments compared with other countries.
- Pressure to deliver returns could mean that Switzerland loses some of its appeal going forward, however.

Attractiveness
- Switzerland is viewed almost unanimously as an attractive location for real estate investments.
Wording of the question: “In absolute terms, how do you rate Switzerland’s attractiveness as a location for real estate investments in 2017?”

Key messages
► The vast majority of respondents (90%) continue to view Switzerland as an attractive or very attractive location for real estate investments in 2017.
► Attractiveness is expected to decrease year-on-year (2016: 91% considered Switzerland attractive or very attractive).

Statements
► “Political stability, a solid economic situation and sustained price levels are some of the reasons why Switzerland is still extremely attractive for long-term investments.”
► “As long as interest rates remain low, returns on the real estate market will remain on the decline.”
► “The earnings situation is very sustainable and offers a wide range of attractive financing options.”
Key messages

► A majority (73%) of respondents see Switzerland as an attractive or very attractive investment location compared to other European countries.

► Here too the result is a little less positive than last year’s survey (2016: 76%).

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

Statements

► “Pressure on returns is causing the Swiss market to lose some of its appeal in European comparison. On a Swiss level, however, the real estate market still has some interesting potential.”

► “The mass immigration initiative and the departure of expats are severely depressing demand.”

► “Real estate prices in other European countries (with the exception of Germany) are generally lower, relatively speaking, than in Switzerland. Given a moderate uptick in the eurozone, real estate investments in selected European countries will likely gain in appeal.”

Wording of the question: “How do you rate Switzerland’s attractiveness as a location for real estate investments in 2017 compared with other European countries?”
Influence of the real estate market environment in 2017

Key messages

► The vast majority expect the low interest rate environment to continue in 2017 (96%).

► Most of those surveyed believe that strategic alliances between real estate companies and PropTech start-ups will increase in 2017 (81%).

► The majority of respondents think that political over-regulation will also trigger uncertainty on the Swiss real estate market (79%).

► The majority of those surveyed expect that property management will be influenced by smart home technologies (69%).

► Most respondents do not think that crowdfunding will be a significant form of financing and investment (75%).

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Wording of the question: “Which of the following statements about the Swiss real estate market environment in 2017 do you agree with?”
The Swiss real estate transaction market

Key messages

► The majority of those asked expect non-traditional asset classes to gain traction (89%).

► Like in the previous year, a high percentage of participants expect Swiss investors to step up their foreign investment activities (79% 2016: 79%).

► Product shortages will continue to drive up prices, and initial returns on core real estate will see a further decline (80% in each case).

► Two-thirds of those surveyed think that 2017 transaction volumes will be below the level seen in 2016 (66%).

► Just under two-thirds believe that the real estate market in the major Swiss cities could be headed toward a bubble (64%).

Non-traditional asset classes (parking garages, nursing homes, student dorms, micro apartments) will...

<table>
<thead>
<tr>
<th>Non-traditional asset classes (parking garages, nursing homes, student dorms, micro apartments) will...</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign investments remain attractive for Swiss investors given higher return expectations.</td>
<td>16%</td>
<td>73%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Product shortages will continue to drive up prices.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial returns on core real estate will see a further decline in 2017.</td>
<td>14%</td>
<td>63%</td>
<td>21%</td>
<td>2%</td>
</tr>
<tr>
<td>Asian investors come into play in Switzerland primarily for large-scale transactions.</td>
<td>23%</td>
<td>49%</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>The willingness to conclude forward-funding/forward deals to secure properties will increase.</td>
<td>18%</td>
<td>48%</td>
<td>34%</td>
<td>2%</td>
</tr>
<tr>
<td>The overall transaction volume in 2017 will be below the 2016 level.</td>
<td>16%</td>
<td>48%</td>
<td>34%</td>
<td>2%</td>
</tr>
<tr>
<td>A bubble may form in the major Swiss cities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The size of real estate deals will decrease in 2017.</td>
<td>12%</td>
<td>43%</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Brexit will have a tangible effect on the real estate transaction market in 2017.</td>
<td>2%</td>
<td>28%</td>
<td>63%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Wording of the question: “Which of the following statements about the Swiss real estate transaction market in 2017 do you agree with?”
Expectations for price trends vary sharply depending on location and usage category (1/2)

Key messages

► Just under one half of those surveyed expect prices for office property in prime locations to remain stable (53%). The other half thinks prices will increase (20% 2016: 12%) or decrease (27% 2016: 36%).

► Declining prices are likely for office buildings in subprime locations (59% 2016: 70%) and peripheral zones (86% 2016: 88%).

► The trend for retail properties is similar: stable (43% 2016: 61%) or falling (48% 2016: 27%) prices in prime locations, but a negative outlook for subprime locations (68% 2016: 73%) and properties in peripheral zones (86% 2016: 85%).

Wording of the question: “What is your expectation for property prices in Switzerland in 2017, 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 in prime locations are more optimistic, with rising (52% 2016: 42%) or stable (39% 2016: 58%) prices expected.

► Just under two-thirds of those surveyed expect stable prices for residential buildings in subprime locations (61% 2016: 76%) and peripheral zones (59% 2016: 42%).

► As regards hotels, the majority of respondents anticipate a stable price trend in prime locations (69% 2016: 53%), but falling prices in subprime locations (54% 2016: 62%) and peripheral zones (78% 2016: 81%).

Wording of the question: “What is your expectation for property prices in Switzerland in 2017, depending on usage category and location?”
Which groups of sellers will be most active in 2017?

Key messages

► Banks are expected to take an increased and thus the primary role as sellers in 2017 versus the previous year (31% 2016: 21%).

► As in the prior year, the most active seller groups are also expected to include opportunity/PE funds (24% 2016: 30%) and real estate companies (14% 2016: 22%).

► These are followed in 4th place by housing associations (14% 2016: 12%) and insurers and pension funds (14% 2016: 22%).

► According to expectations, the public sector (5% 2016: 6%) will be less active as a seller group.

**Wording of the question:** “In your opinion, how active will the following groups of sellers be in Switzerland during 2017?”

### Seller groups

<table>
<thead>
<tr>
<th>Seller group</th>
<th>Active</th>
<th>Moderately active</th>
<th>Cautious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>31%</td>
<td>55%</td>
<td>14%</td>
</tr>
<tr>
<td>Opportunity/PE funds</td>
<td>24%</td>
<td>52%</td>
<td>24%</td>
</tr>
<tr>
<td>Real estate companies</td>
<td>14%</td>
<td>36%</td>
<td>50%</td>
</tr>
<tr>
<td>Housing associations</td>
<td>14%</td>
<td>38%</td>
<td>48%</td>
</tr>
<tr>
<td>Insurers/pension funds</td>
<td>14%</td>
<td>31%</td>
<td>55%</td>
</tr>
<tr>
<td>Open-ended funds Corporates</td>
<td>10%</td>
<td>49%</td>
<td>41%</td>
</tr>
<tr>
<td>(Non-property) Other</td>
<td>10%</td>
<td>61%</td>
<td>29%</td>
</tr>
<tr>
<td>International funds</td>
<td>7%</td>
<td>64%</td>
<td>29%</td>
</tr>
<tr>
<td>Closed-ended funds</td>
<td>5%</td>
<td>56%</td>
<td>39%</td>
</tr>
<tr>
<td>Public sector</td>
<td>5%</td>
<td>46%</td>
<td>49%</td>
</tr>
</tbody>
</table>
Which groups of buyers will be most active in 2017?

Key messages

► As in the previous year, insurers are expected to be among the most active buyers (79% 2016: 73%).

► Compared with the previous year, buyer activity is expected to be significantly higher (52% 2016: 36%) for open-ended funds, and lower (33% 2016: 44%) for real estate companies.

► In line with the prior-year trend, private investors/family offices are anticipated to remain active buyers (45% 2016: 55%).

► Sovereign wealth funds and the public sector are again expected to be less active buyers in 2017, at 24% and 5% respectively (2016: 15% and 9%).

Wording of the question: “In your opinion, how active will the following groups of buyers be in Switzerland during 2017?”

<table>
<thead>
<tr>
<th>Buyer groups</th>
<th>Active</th>
<th>Moderately active</th>
<th>Cautious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurers/pension funds</td>
<td>79%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Open-ended funds</td>
<td>52%</td>
<td>41%</td>
<td>7%</td>
</tr>
<tr>
<td>Private individuals/family offices</td>
<td>45%</td>
<td>48%</td>
<td>7%</td>
</tr>
<tr>
<td>Housing associations</td>
<td>45%</td>
<td>45%</td>
<td>10%</td>
</tr>
<tr>
<td>Opportunity/PE funds</td>
<td>44%</td>
<td>46%</td>
<td>10%</td>
</tr>
<tr>
<td>Real estate companies/REITs</td>
<td>33%</td>
<td>57%</td>
<td>10%</td>
</tr>
<tr>
<td>Closed-end funds</td>
<td>29%</td>
<td>56%</td>
<td>15%</td>
</tr>
<tr>
<td>Banks</td>
<td>27%</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>Sovereign wealth funds</td>
<td>24%</td>
<td>43%</td>
<td>33%</td>
</tr>
<tr>
<td>Other international funds</td>
<td>24%</td>
<td>50%</td>
<td>26%</td>
</tr>
<tr>
<td>Public sector</td>
<td>5%</td>
<td>36%</td>
<td>59%</td>
</tr>
</tbody>
</table>
What will be the greatest impediments to transactions in 2017?

Key messages

► The mismatch in price expectations between buyers and sellers (96%, 2016: 100%) is seen as the biggest impediment to deal flows.

► Like last year, the level of equity required by debt providers is not viewed as a major hurdle (52%, 2016: 49%).

► Limited availability of subordinated or senior debt funding is seen as less of an impediment to deal flows (38%, 2016: 33% and 29%, 2016: 21%).

What do you think will be the greatest impediments to successful transaction closings in Switzerland in 2017?

Greatest impediments to deal flows

- Price mismatch between buyers and sellers
  - Strongly agree: 56%
  - Agree: 40%

- Level of equity required
  - Strongly agree: 21%
  - Agree: 31%
  - Disagree: 31%
  - Strongly disagree: 17%

- Limited availability of junior debt funding/mezzanine capital
  - Strongly agree: 5%
  - Agree: 33%
  - Disagree: 45%
  - Strongly disagree: 17%

- Limited availability of senior debt funding
  - Strongly agree: 5%
  - Agree: 24%
  - Disagree: 47%
  - Strongly disagree: 24%

Wording of the question: “What do you think will be the greatest impediments to successful transaction closings in Switzerland in 2017?”
Key messages

► A slight majority (55%) expect loan terms to tighten (2016: 70%).

► The majority of respondents do not anticipate a change in interest rates or margins in 2017, at 69% and 71% respectively (2016: 79% and 52%).

► About two-thirds of those surveyed also think the collateral value will remain the same (66%).

Change in real estate credit conditions

<table>
<thead>
<tr>
<th></th>
<th>Increase</th>
<th>Remain unchanged</th>
<th>Fall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan terms</td>
<td>55%</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Interest rates</td>
<td>19%</td>
<td>69%</td>
<td>12%</td>
</tr>
<tr>
<td>Margin</td>
<td>17%</td>
<td>71%</td>
<td>12%</td>
</tr>
<tr>
<td>Collateral value</td>
<td>10%</td>
<td>66%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Wording of the question: “How will real estate credit conditions evolve in 2017?”
The following property classes will be popular with investors in 2017

Key messages
► Investors will continue to focus heavily on residential real estate (61% 2016: 60%).
► One-third of those surveyed will place a moderate focus on office properties (32% 2016: 44%), down on the prior-year figure.
► As in the previous year, only a minority of investors will be putting a moderate to strong focus on retail properties in 2017 (17% 2016: 19%).

Wording of the question: “How heavily do you envisage focusing on investments in the following property classes in 2017?”
For office and retail the focus is Zurich

**Key messages**

- As in the previous year, Zurich is the most attractive location for investment in offices and retail, at 23% and 24% respectively (2016: 26% and 22%), followed by Geneva, both at 17% (2016: 14%), and Basel, at 16% and 17% (2016: 20% and 18%).

- Investor demand for retail properties has fallen in Bern (9%), Lucerne (4%) and St. Gallen (7%) compared with 2016 (12%, 16% and 8% respectively), but has risen in Lausanne (15% 2016: 12%. 12%).

<table>
<thead>
<tr>
<th>City</th>
<th>Office</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zurich</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>Geneva</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Basel</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Bern</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Lucerne</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Lausanne</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Lugano</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Zug</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>St. Gallen</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Wording of the question:** “Which cities in Switzerland will your investments mainly focus on in 2017?”

*Respondents could choose more than one option*
No clear focus in residential real estate

Key messages

► As in 2016, demand for residential real estate is not focused on any one location.

► Zurich, Basel, Bern and Lucerne remain popular with investors, at 15% 14% 14% and 15% respectively (2016: 19% 16% 13% and 16%).

Wording of the question: “Which cities in Switzerland will your investments mainly focus on in 2017?”

*Respondents could choose more than one option
Most attractive exit options for real estate investments in 2017

Key messages

► The majority of those surveyed are not planning an exit in 2017 (57%; 2016: 77%); for 2017, the preferred option, if at all, would seem to be direct sale as a single property (29%; 2016: 37%).

► Strategies such as portfolio direct sales (10%; 2016: 13%) and issues of public funds (2%) are becoming less important as exit options.

Wording of the question: “Which exit strategies do you envisage in 2017?”

*Respondents could choose more than one option
Key messages

 ► The vast majority of those surveyed agreed with the statement that demographic change will have a significant impact on the property market in 2017 (88%).

 ► 74% of respondents regard interest rates as a relevant megatrend for the real estate market.

 ► Other perceived trends on the real estate market include political instability (71%), digitization (61%) and the globalization of investment flows.

Megatrends 2017*

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic change</td>
<td>26%</td>
<td>62%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Interest rate developments</td>
<td>40%</td>
<td>34%</td>
<td>24%</td>
<td>2%</td>
</tr>
<tr>
<td>Political instability/uncertainty</td>
<td>23%</td>
<td>48%</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>Urbanization/rural depopulation</td>
<td>10%</td>
<td>57%</td>
<td>26%</td>
<td>7%</td>
</tr>
<tr>
<td>Digitization</td>
<td>20%</td>
<td>41%</td>
<td>32%</td>
<td>7%</td>
</tr>
<tr>
<td>Globalization of investment flows</td>
<td>5%</td>
<td>44%</td>
<td>43%</td>
<td>8%</td>
</tr>
<tr>
<td>Climate change</td>
<td>5%</td>
<td>15%</td>
<td>53%</td>
<td>27%</td>
</tr>
</tbody>
</table>

*Respondents could choose more than one option

Wording of the question: “Which megatrends will have the biggest influence on the Swiss property market in 2017?”
Residential trends:

“Smart building technology is the future of the housing industry.”

- Strongly agree: 33%
- Agree: 52%
- Disagree: 15%
- Strongly disagree: 11%

“Modular building needs to be taken seriously again for new housing construction projects.”

- Strongly agree: 65%
- Agree: 24%
- Disagree: 11%
- Strongly disagree: 8%

“A tightening of rental price policy in the portfolio is to be expected.”

- Strongly agree: 58%
- Agree: 21%
- Disagree: 21%
- Strongly disagree: 8%

“The gap between price falls in rural regions and rent/housing price increases in urban areas is widening.”

- Strongly agree: 46%
- Agree: 30%
- Disagree: 16%
- Strongly disagree: 8%

Wording of the question: “What will be the leading trends in the residential category in 2017?”
Office trends:

“Space savings can primarily be achieved through modern office space concepts.”
- Strongly agree: 49%
- Agree: 49%
- Disagree: 2%
- Strongly disagree: 2%

“New user groups (e.g., start-ups) are becoming more and more important as renters versus traditional sectors.”
- Strongly agree: 20%
- Agree: 55%
- Disagree: 25%

“Office design and amenities are becoming increasingly important for attracting and motivating staff.”
- Strongly agree: 24%
- Agree: 37%
- Disagree: 39%

“Rentable co-working spaces have established themselves as a niche product.”
- Strongly agree: 24%
- Agree: 56%
- Disagree: 20%

Wording of the question: “What will be the leading trends in the office category in 2017?”
Wording of the question: “What will be the leading trends in the hotel category in 2017?”

Hotel trends:

- **“The budget and midscale segment will replace the upscale segment as the most popular investment segment.”**
  - Strongly agree: 25%
  - Agree: 58%
  - Disagree: 3%
  - Strongly disagree: 6%

- **“Purchases of midsized hotel chains and brand-independent hotels continue to determine the growth of large hotel groups.”**
  - Strongly agree: 6%
  - Agree: 6%
  - Disagree: 28%
  - Strongly disagree: 60%

- **“The Continental European hotel markets will not see any significant increase in their key performance indicators as a result of Brexit.”**
  - Strongly agree: 11%
  - Agree: 33%
  - Disagree: 56%
Retail trends:

- Delivery services are capturing significant market shares in food retailing.
- Online retailing has already claimed its first victims in the retail sector.
- Competitive pressure in the retail industry is leading to creative shopping experience concepts.
- Shopping tourism will increase even further in border-adjacent areas (CHF/EUR exchange rate).

Wording of the question: “What will be the leading trends in the retail category in 2017?”
Attractiveness

- A clear majority of participants believe Switzerland will remain an attractive or very attractive location for real estate investments in 2017.

Real estate market environment

- The low interest rate environment will very likely continue in 2017.

- Smart home technologies are expected to have an impact on property management.

- It is not anticipated that crowdfunding will gain ground as a form of financing and investment.

Real estate transaction market

- Non-traditional asset classes will be accorded major importance in 2017.

- Investments abroad will retain their appeal.

- An additional price increase is expected due to product shortages.

- Transaction volumes are expected to be lower than in 2016.

Price expectations

- Prices of office buildings and retail properties in subprime locations and peripheral zones are expected to trend downward.

- Prices of residential properties in prime locations will remain stable or increase.

- The majority of those surveyed expect prices for residential properties in subprime locations to remain stable.

Seller and buyer groups

- Alongside banks, opportunity/private equity funds and real estate companies will be among the most active groups of sellers in 2017.

- On the buyer side, insurers/pension funds, open-ended funds and private investors/family offices will be the most active players on the market.

- Sovereign wealth funds and the public sector will play a marginal role as buyers.
Greatest impediments to deal flows
► Differing price expectations between buyers and sellers are seen as the main impediment to successful deals in 2017.

Real estate loan terms
► Real estate loan terms could tighten in 2017.
► The interest rate level is likely to remain constant.

Investment focus by usage type
► The spotlight will be on residential real estate in 2017.
► Only a minority of participants stated that they would put their investment focus on retail properties in 2017.

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

Exit strategies
► A majority of respondents consider that an exit in 2017 is unattractive in general.

Top trends
► Those surveyed expect demographic change and interest trends to have a significant impact on the Swiss property market.
► Political instability, urbanization and digitization are also regarded as relevant megatrends.
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