

- UBS: The situation of negative yields on Swiss government bonds with maturities up to 2027 is forcing investors to turn to assets with positive cash flows. Residential investment properties are an alternative offering stable rental income. Last year this heavy investment pressure pushed net initial yields for top-quality apartment buildings in major Swiss cities below 3%; in 1998 the yield was nearly 5%. That corresponds to an 80% rise in property values.
- According to SWX IAZI real estate price index the price growth for apartment buildings is slightly decreasing since 3 quarters. This leads to a sideways-movement. In the 4th quarter 2015, the increase is slightly negative (-0,05). On a yearly basis, the price decrease is -0,3%. The performance stagnates in the 4th quarter at 0,8%, on a yearly basis it is 3,3%. Performance is the total return and includes the net cashflow return and the increase in value.
- In January 2016, Swiss consumer sentiment (index value -14 points) has remained below the long-term average (-9 points). Although confidence in the future trend on the labour market increased slightly, the level is still relatively low. Expectations over price trends have again been revised downwards.

Apartment buildings

(1)

	Demand		Supply		Cash-flow		Initial yields		Market values	
	2015	2016	2015	2016	2015	2016	2015	2016	2016	2017
Lake Geneva	●	→	●	→	●	↗	●	↗	↗	↗
Jura	●	→	●	↘	●	↘	●	→	↗	→
Swiss plateau (Mittelland)	●	→	●	↘	●	↘	●	↗	↗	↗
Basel	●	→	●	→	●	→	●	↗	↗	↗
Zurich	●	→	●	↘	●	→	●	↗	↗	↗
Eastern Switzerland	●	→	●	→	●	→	●	↗	↗	↗
Alpine area	●	→	●	↘	●	→	●	↗	↗	→
Southern Switzerland	●	↘	●	↘	●	↘	●	↗	↗	→
Switzerland	●	→	●	→	●	→	●	↗	↗	↗

All valuations are done from a owner/seller perspective. The circles describe the actual situation: green: unproblematic situation; yellow: some problems; red: problematic situation. Arrows describe the forecast for the following 12 months. ↗: expected improvement; →: stable; ↘: expected aggravation.

Helptext to the valuations: http://www.fpre.ch/de/03_meta/Hilfetext_Einschaetzungen_FPPE.pdf

Source: Fahländer Partner.

Office buildings (new construction)

(2)

	Demand		Supply		Cash-flow		Initial yields		Market values	
	2015	2016	2015	2016	2015	2016	2015	2016	2016	2017
Lake Geneva	●	↘	●	→	●	↘	●	→	→	→
Jura	●	→	●	→	●	↘	●	→	→	→
Swiss plateau (Mittelland)	●	→	●	→	●	↘	●	↗	→	→
Basel	●	→	●	→	●	→	●	↗	→	→
Zurich	●	→	●	↘	●	↘	●	→	→	→
Eastern Switzerland	●	→	●	→	●	→	●	↗	↗	→
Alpine area	●	→	●	→	●	→	●	→	→	→
Southern Switzerland	●	→	●	→	●	→	●	→	→	→
Switzerland	●	→	●	↘	●	↘	●	→	→	→

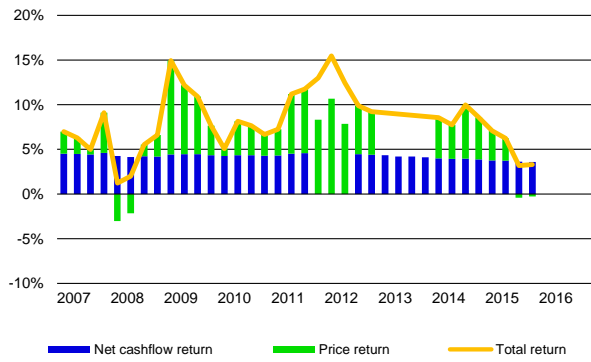
All valuations are done from a owner/seller perspective. The circles describe the actual situation: green: unproblematic situation; yellow: some problems; red: problematic situation. Arrows describe the forecast for the following 12 months. ↗: expected improvement; →: stable; ↘: expected aggravation.

Helptext to the valuations: http://www.fpre.ch/de/03_meta/Hilfetext_Einschaetzungen_FPPE.pdf

Source: Fahländer Partner.

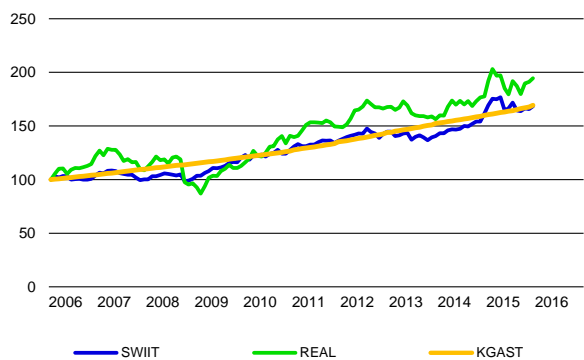
For all sources please check the glossary and impressum on the last page.

SWX IAZI Investment Real Estate Performance Index (3)



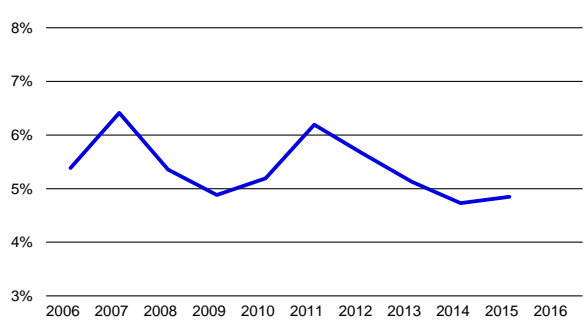
Source: IAZI, cf. meta analysis real estate FPRE.

SWIIT (Closing Prices), REAL (Closing Prices), KGAST (4)



Source: SIX Swiss Exchange, KGAST.

SFA yield on investm. indicator for real estate funds SFA ARI (5)



Source: SFA.

- In January 2016, the KOF Economic Barometer climbed by 3,5 points to 100,3. Thus, according to the Barometer, the momentum of the Swiss economy in the near future can be expected to evolve close to its long-term average.
- The UBS Consumption Indicator rose to 1,62 points in December 2015 from 1,55. Consumer sentiment improved somewhat toward the end of the year, but retailers did not share this confidence. It is assumed that private consumption will continue trending upward.
- According to SECO, the unemployment increased from 3,7% in December 2015 to 3,8% in January 2016. Compared to the same month of the previous year, there are 12'698 more unemployed (+8,4%).

Economic forecasts Swiss economy

(6)

	SECO		KOF		Créa		CS		UBS		BAK		Arithmetic means	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
GDP, real	1.5	1.9	1.1	2.0	1.2	1.8	1.0	-	1.4	1.8	1.1	2.0	1.2	1.9
	→		↘	↗	↘	↘	↘		→	→	↘	↘	→	→
Private consumption	1.3	1.5	1.6	1.7	1.4	1.4	1.0	-	1.4	1.0	1.2	1.7	1.3	1.5
	↘		↘	↗	↗	↗	→		↘	→	→	→	↘	→
Public consumption	1.8	2.2	0.2	0.8	-	-	1.5	-	1.0	0.7	1.6	1.4	1.2	1.3
	→		↘	↗			→		→	→	→	→	→	→
Equipment investments	1.2	2.0	2.3	0.3	0.4	0.9	1.5	-	0.1	2.9	0.3	7.9	1.0	2.8
	↘		↘	→	↗	↘	↘		↘	→	↗	↘	↘	→
Investments in construction	-0.3	1.0	0.9	0.9	0.6	0.2	0.5	-	0.4	0.3	-0.8	1.3	0.2	0.7
	↘		↗	↗	↘	↘	↘		→	→	→	→	→	→
Exports	3.2	3.7	2.9	4.6	1.9	5.0	1.5	-	1.8	3.5	2.3	5.3	2.3	4.4
	↗		↘	↘	↘	↘	↘		↗	→	↘	↘	↗	→
Imports	2.9	3.7	3.7	4.5	2.5	4.9	2.0	-	1.8	2.6	2.1	7.6	2.5	4.7
	→		↘	↗	↗	↘	↘		↗	→	↗	→	↗	→
Unemployment rate	3.6	3.4	3.6	3.8	3.8	3.9	3.7	-	3.5	3.4	3.6	3.5	3.6	3.6
	→		→	↗	↘	↘	→		→	→	→	→	→	→
Consumer prices	-0.1	0.2	-0.5	0.2	-0.4	0.1	0.0	-	-0.4	0.3	-0.3	0.3	-0.3	0.2
	↘		↘	↘	↘	↘	→		→	→	↘	↘	→	→

Changes to previous year as a %. Consecutively, the date of the current forecast will be listed directly, the date of the previous forecast in parentheses:

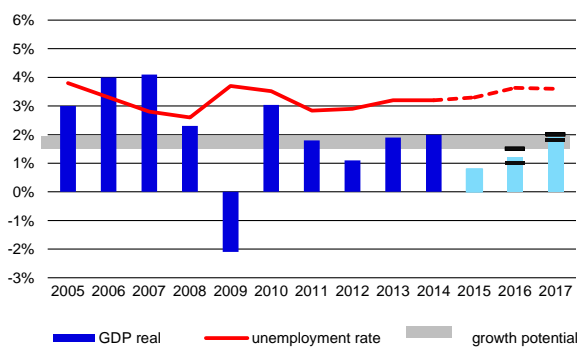
SECO: 17.12.2015 (17.9.2015), KOF: 17.12.2015 (1.10.2015), Créa: 16.11.2015 (31.5.2015), CS: 15.12.2015 (15.9.2015), UBS: 31.1.2016 (10.11.2015), BAKBASEL: 8.12.2015 (11.9.2015).

Arrows: ↗ (previous forecast was adjusted upwards), ↘ (previous forecast was adjusted downwards), → (previous forecast kept). The first forecast of the year will not be listed with an arrow.

The arrows with the arithmetic means (columns on the right) show the changes of the means to the previous meta analysis economy.

Real GDP and unemployment rate

(7)



Note: The values for 2015 and 2016 are forecasts.

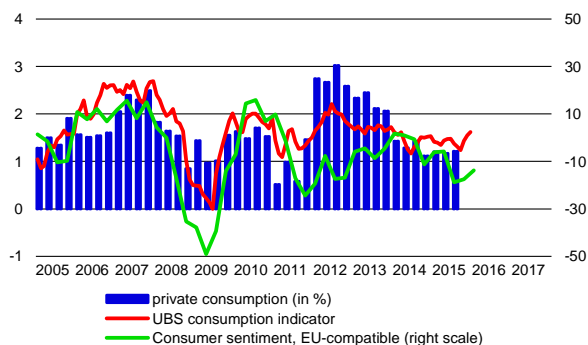
Note: In June 2012, the population census 2012 replaced the one of 2000 as database.

The unemployment rate has been revised retroactively until 2010 by SECO.

Source: cf. fig. 6, Fahrländer partner (growth potential).

Private consumption, consumer sentiment and UBS consumption indicator

(8)

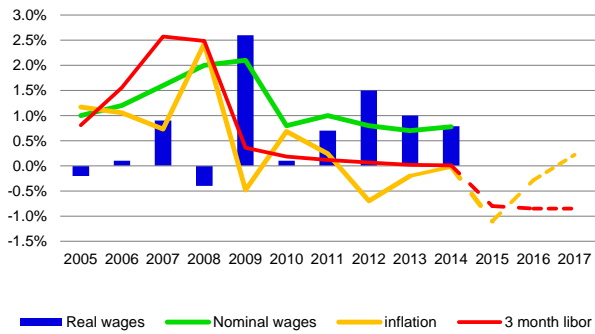


- The UBS Consumption Indicator rose to 1,62 points in December 2015 from 1,55. Consumer sentiment improved somewhat toward the end of the year, but retailers did not share this confidence. It is assumed that private consumption will continue trending upward.

Source: WMR UBS, Seco, cf. meta analysis economy FPPE.

Real wages and rate of price increase

(9)



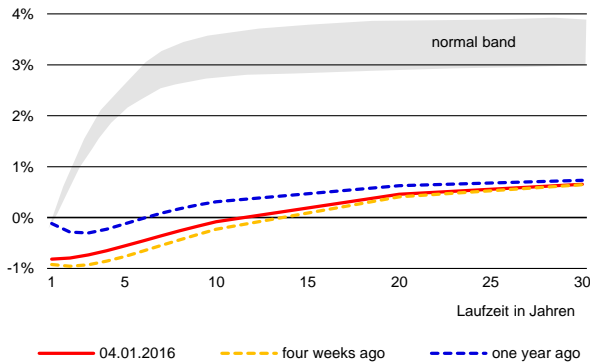
Inflation forecast SNB	2015	2016	2017
Forecast December 2015	-1.1%	-0.5%	0.3%
Libor	-0.75%		
Forecast September 2015	-1.2%	-0.5%	0.4%
Libor	-0.75%		

- SNB: Overall, the new conditional inflation forecast in December 2015 differs little from that of September. For 2015, inflation is forecast at -1,1%. For 2016 an inflation rate of -0,5% is expected and for 2017 the forecast is now at 0,3%.

Source: FSO, cf. meta analysis economy FPPE.

Yields on Confederation bonds

(10)

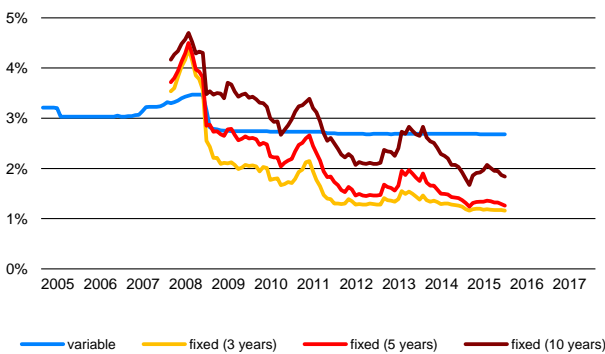


Duration	04.01.2016	four weeks ago	one year ago
1 year	-0.82%	-0.92%	-0.12%
5 years	-0.56%	-0.76%	-0.12%
10 years	-0.08%	-0.23%	0.31%

Source: SNB, Fahrländer Partner (normal band), cf. meta analysis real estate FPPE.

Mortgage rates

(11)

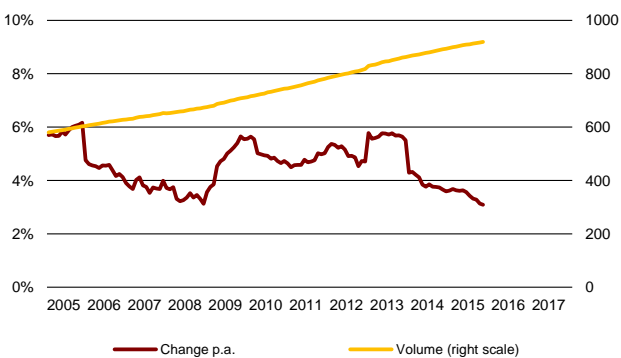


Mortgage	November 2015
variable	2.7%
fixed (3 years)	1.2%
fixed (5 years)	1.3%
fixed (10 years)	1.8%

Source: SNB, cf. meta analysis real estate FPPE.

Mortgage volume inland (in bn CHF)

(12)

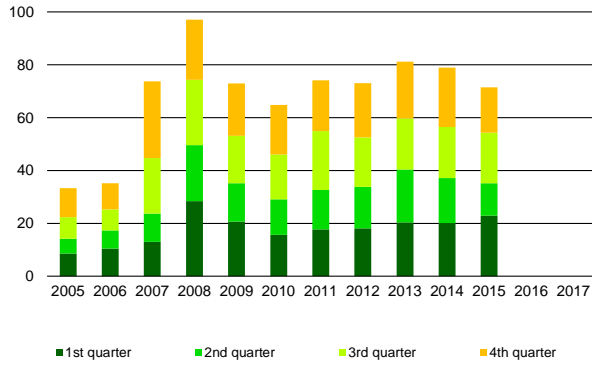


October 2015	Volume in billion CHF	Change p.a.
Mortgage claims	919.4	3.1%

Source: SNB, cf. meta analysis real estate FPPE.

Net immigration permanent resident population (in 1'000)

(13)



4th quarter 2015

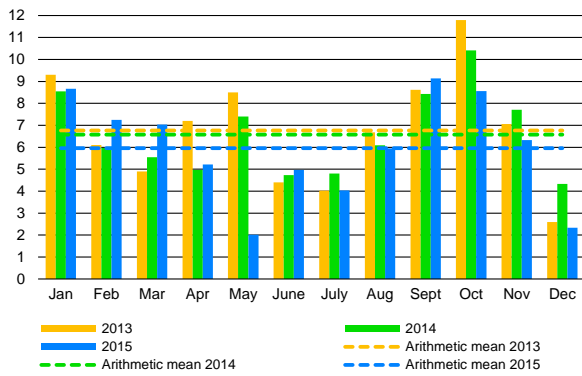
Net immigration permanent resident population (in 1'000)

17.2

Source: FSO (2001-2009), SEM (2010-2014), cf. meta analysis real estate FPRE.

Net immigration monthly (in 1'000)

(14)



December 2015

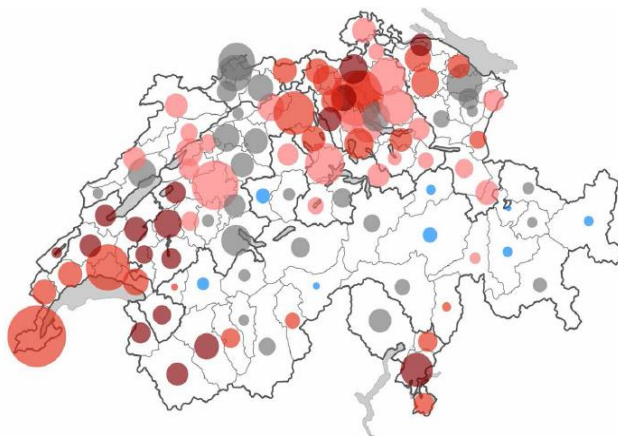
Net immigration permanent resident population (in 1'000)

4.3

Source: SEM, cf. meta analysis real estate FPRE.

Population growth by MS regions (2011-2014)

(15)



- < 0%
- 0% bis 3%
- 3% bis 4%
- 4% bis 5%
- > 5%

Note: circle radius in relation to population 2014.

Maps: FSO Geostat/Swisstopo.

Source: FSO, cf. Immobilien-Almanach Schweiz 2016.

Forecast construction activity

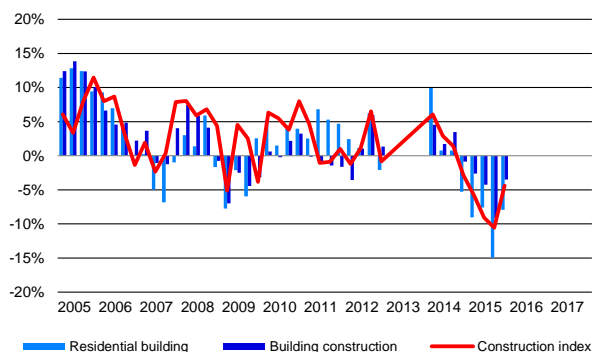
(16)

in m CHF	2015	2016	2017	Change p.a.	2015	2016	2017
Total	63'139	63'921	64'753	Total	1.1%	1.2%	1.3%
Building construction	49'644	50'244	50'861	Building construction	1.0%	1.2%	1.2%
Residential building	30'612	30'887	31'212	Residential building	0.9%	0.9%	1.1%
Civil engineering	13'495	13'677	13'892	Civil	1.3%	1.4%	1.6%

Source: BAK, cf. meta analysis real estate FPRE.

Construction index Credit Suisse / SBV (nominal)

(17)



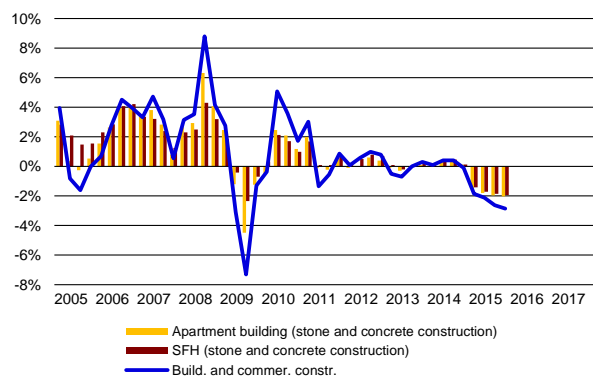
4th quarter 2015	Index (1996=100)	Change p.a.
Construction index total		-4%
- Building construction		-3%
- Residential building		-8%

- The construction index is an early indicator of the construction economy in Switzerland which foresees current quarter turnover.

Source: Credit Suisse, SBC, cf. meta analysis real estate FPRE.

Production price index (change p.a.)

(18)



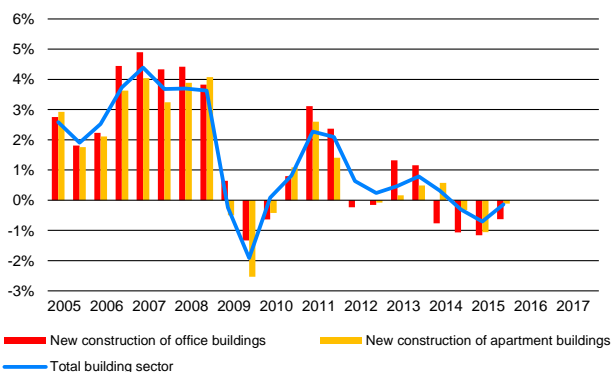
4th quarter 2015	Index (2003=100)	Change compared to previous quarter	Change p.a.
Stone and concrete construction			
- Apartment building	109.2	-2.0%	-0.3%
- SFH	110.4	-1.9%	-0.3%
Build. and commer. constr.	109.1	-2.9%	-0.6%

- The production price index PKI shows the change in production costs.

Source: SBV, vedi Meta-analisi immobiliare FPRE.

Swiss construction price index (change p.a.)

(19)



2nd half year 2015	Index (2010=100)	Change compared to previous half year	Change p.a.
Total building sector	102.7	-0.1%	0.5%
- Office buildings	101.6	-0.6%	0.5%
- Apartment buildings	101.4	-0.1%	0.5%

- The Swiss building price index is an economic indicator which captures the evolution of construction costs as reported by local construction companies.

Source: FSO, vedi Meta-analisi immobiliare FPRE.

FPRE

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«Immobilien-Almanach Schweiz»

On 18 december 2015, the guide for Swiss residential and commercial properties markets for the year 2016 was published.

Order: almanach@fpre.ch

Costs: CHF 150 / copy

Information: http://www.fpre.ch/en/produkte_almanach.asp

Market value index apartment buildings

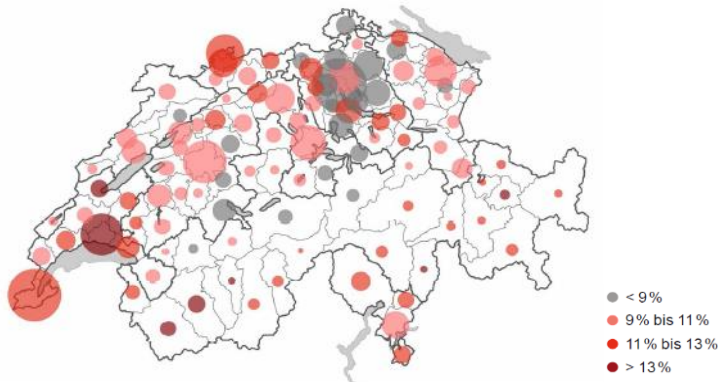
(20)



Note: market value index (2004=100).
Source: RESC Fahrländer Partner, base scenario November 2015

Market value evolution apartment buildings 2014-2018

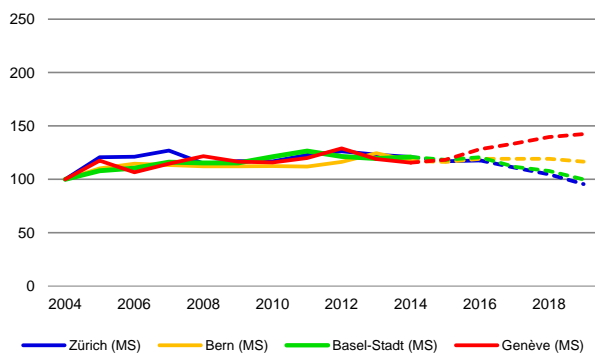
(21)



Note: all values are based on new constructions (excl. depreciation).
Circle radius in relation to stock of rented apartments 2014.
Maps: FSO Geostat/Swisstopo.
Source: RESC Fahrländer Partner, base scenario November 2015.

Market value index office property

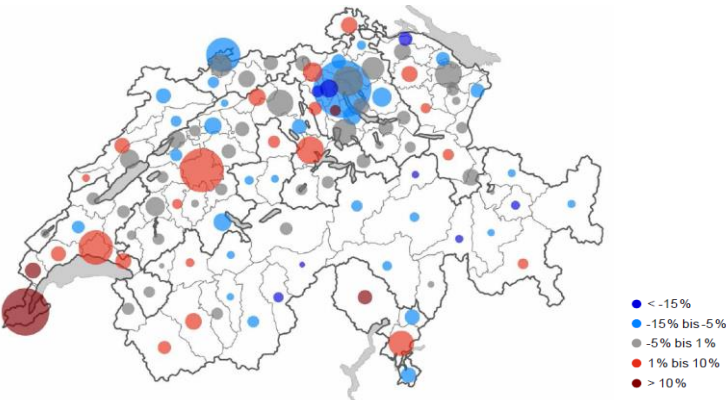
(22)



Note: market value index (2004=100).
Source: RESC Fahrländer Partner, base scenario November 2015

Market value evolution office property 2014-2018

(23)



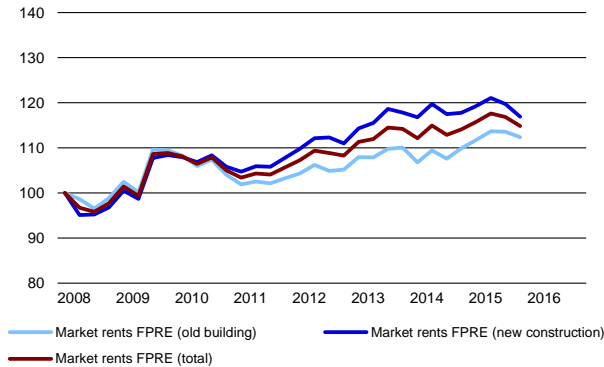
Note: all values are based on new constructions (excl. depreciation).
Circle radius in relation to stock of office space 2010.
Maps: FSO Geostat/Swisstopo.
Source: RESC Fahrländer Partner, base scenario November 2015.

Forec. rented ap. / ap. buildings (tot. / av. new constr.) (24)

CS(2)		FPRE(1)		W&P(2)
Rents	Rents	Prices	Prices	Rents
Forecast	2016	2016	2017	2016
→	→	↗	↗	-0.3%

Note: market rents / transaction prices (1) resp. quoted rents (2).
Source: Credit Suisse, FPRE, Wüest & Partner, meta analysis real estate FPRE.

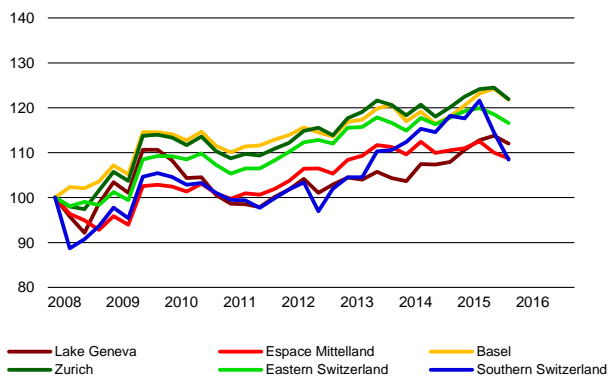
Market rents rented apartments (RA) Switzerland (25)



	4th quarter 2015	Index (=100)	Changes to previous quarter	Change p.a.
Lake Geneva		112.0	-1.5%	3.8%
Jura		96.5	0.4%	-2.4%
Espace Mittelland		108.7	-1.2%	-1.6%
Basel		121.8	-2.0%	3.1%
Zurich		121.9	-2.1%	1.5%
Eastern Switzerland		116.6	-1.7%	-1.0%
Alps		109.5	-0.3%	7.5%
Southern Switzerland		108.5	-5.3%	-8.2%

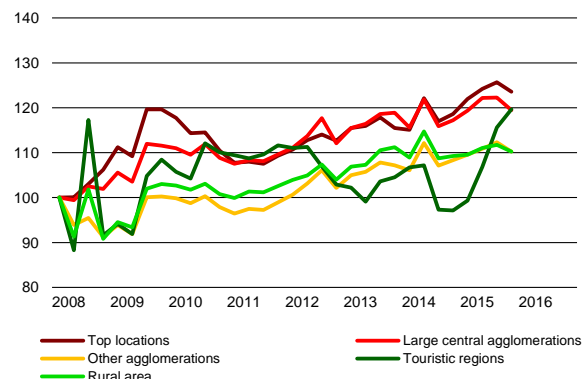
Source: Fahrländer Partner, meta analysis real estate FPRE.

Market rents RA by region (26)



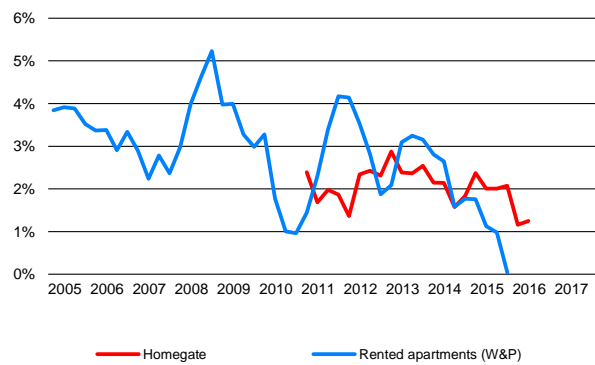
Source: Fahrländer Partner, meta analysis real estate FPRE.

Market rents RA by spatial type (27)



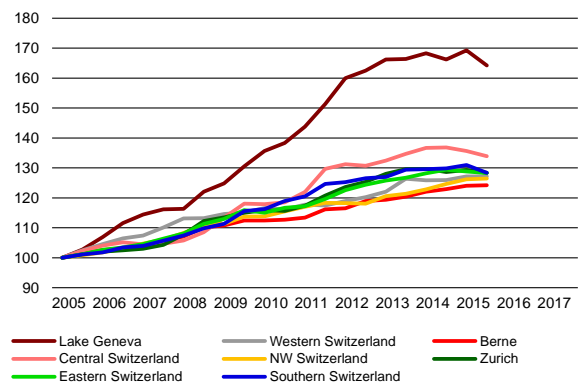
Source: Fahrländer Partner, meta analysis real estate FPRE.

Quoted rents RA Switzerland (change p.a.) (28)



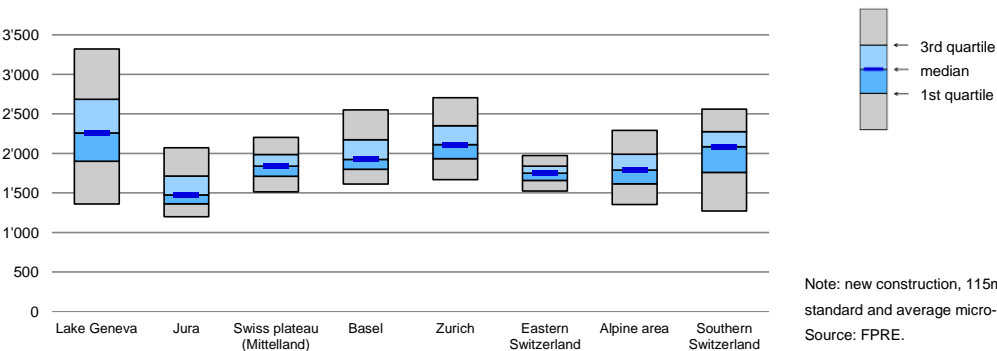
Source: Homegate, Wüest & Partner, cf. meta analysis real estate FPRE.

Quoted rents RA by regions (29)



Source: SNB, Wüest & Partner, cf. meta analysis real estate FPRE.

Market rent 4.5 room apartment by regions (CHF/month) (30)



Note: new construction, 115m2 HNF SIA 416, average standard and average micro-location.
Source: FPRE.

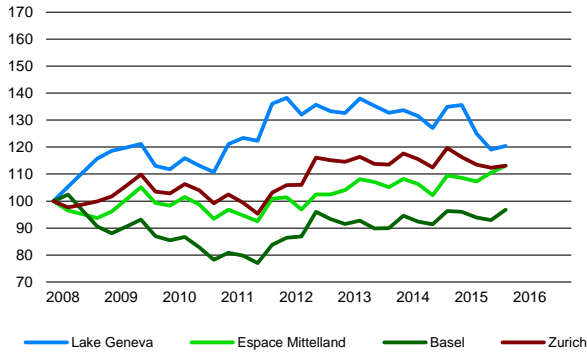
Forecast office space (31)

	CS(2) Forecast	FPRE(1) 2016	W&P(2) 2016
Rents	↘	↘	-2.4%
Prices	→	→	

Note: market rents / transaction prices (1) resp. quoted rents (2).
Source: Credit Suisse, FPRE, Wüest & Partner, meta analysis real estate FPRE.

Market rents for office spaces by region (net rents)

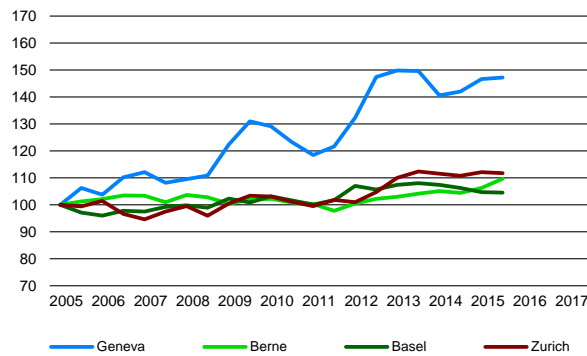
(32)



	4th quarter 2015	Index (=100)	Changes to previous quarter	Change p.a.
Lake Geneva		120.4	1.1%	-10.7%
Espace Mittelland		113.1	2.3%	3.3%
Basel		96.8	4.2%	0.5%
Zurich		113.1	0.7%	-5.5%

Source: Fahrländer Partner, meta analysis real estate FPRE.

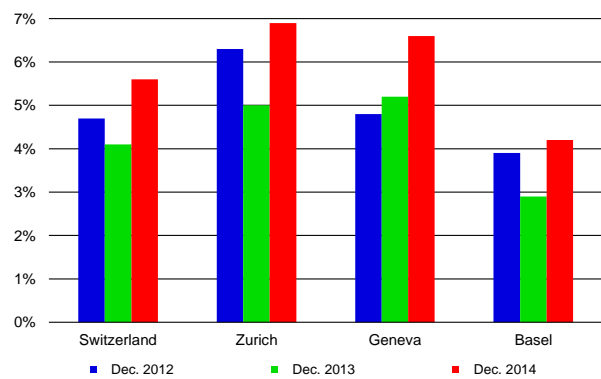
Quoted rents for office space (net rents)



Source: SNB, Wüest & Partner, meta analysis real estate FPRE.

(33) Office markets: offer as a % of total space available

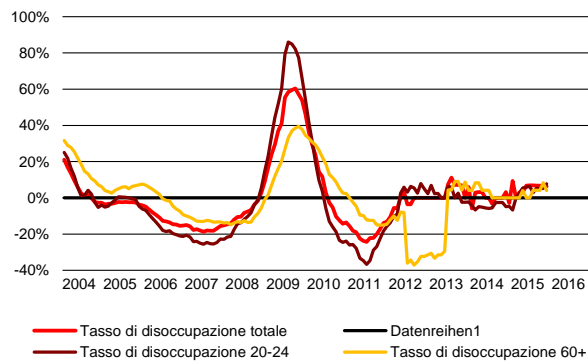
(34)



Source: CSL Immobilien, meta analysis real estate FPRE.

Change in job vacancies

(35)

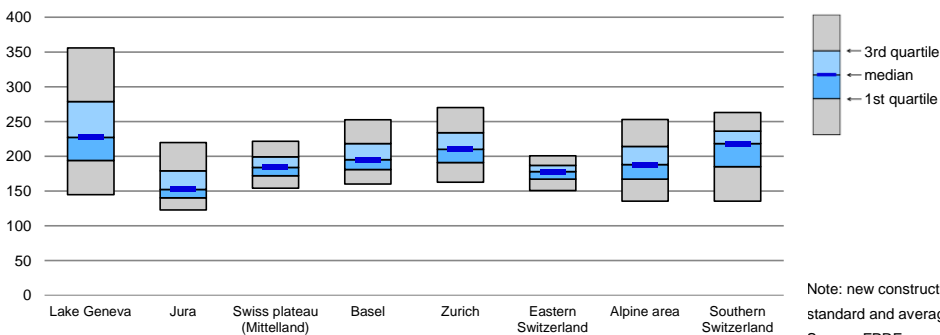


Index of job vacancies	Change p.a. 2nd quarter 2015
TOTAL	-8%
Banking and insurance sector	3%
Real estate sector	-10%
IT sector	12%
Other services	8%

Source: FSO, cf. meta analysis real estate FPRE.

Market rents office space by region (CHF/m2a)

(36)



Note: new construction, 200m2 NF SIA 416, average standard and average micro-location.
Source: FPRE.

Glossary	Note	Indicator	Source	Data as of
1-2			Fahrländer Partner	1st quarter 2016
3	Cf. meta analysis real estate FPPE		IAZI	4th quarter 2015
4	Closing Prices	SWIIT, REAL	SIX	30.12.2015
		KGAST	KGAST	30.12.2015
5			SFA	2nd quarter 2015
6	Cf. meta analysis economy FPPE	Unemployment rate	SECO	January 2016
			FSO	December 2015
			SECO	17.12.2015
			KOF	17.12.2015
			Créa	16.11.2015
			Credit Suisse	15.12.2015
7	Cf. meta analysis economy FPPE	Unemployment rate	UBS	31.01.2016 fig. 6
8	Cf. meta analysis economy FPPE		SECO	3rd quarter 2015
			SECO	January 2016
			FSO	
9	Cf. meta analysis economy FPPE		FSO	2014
10	Cf. meta analysis real estate FPPE		SNB	04.01.2016
11-12	Cf. meta analysis real estate FPPE		SNB	Oct 2015
13	Cf. meta analysis real estate FPPE		FSO, SEM	4th quarter 2015
14	Cf. meta analysis real estate FPPE		SEM	Oct 2015
15	Immobilien-Almanach Schweiz 2016		FSO, FOM	2014
16	Cf. forecast below			
17	Nominal change compared to same quarter of previous year		Credit Suisse, SBV	4th quarter 2015
18			SBV	4th quarter 2015
19			FSO, FOM	2nd half year 2015
20	Base scenario November 2015		Fahrländer Partner	4th quarter 2014
21	Cf. meta analysis real estate FPPE Base scenario November 2015 Maps		Fahrländer Partner	4th quarter 2014
			FSO Geostat/Swisstopo	
22	Base scenario November 2015		Fahrländer Partner	4th quarter 2014
23	Cf. meta analysis real estate FPPE Base scenario November 2015 Maps		Fahrländer Partner	4th quarter 2014
24	Cf. forecast below			
25-27	Cf. meta analysis real estate FPPE		Fahrländer Partner	4th quarter 2015
28			Homegate	2nd quarter 2015
			Wüest & Partner	4th quarter 2015
29	Cf. meta analysis real estate FPPE		SNB/W&P	2nd half year 2015
30			IMBAS FPPE	3rd quarter 2014
31	Cf. forecast below			
32	Cf. meta analysis real estate FPPE		Fahrländer Partner	4th quarter 2015
33	Cf. meta analysis real estate FPPE		SNB/W&P	2. half year 2015
34	Cf. meta analysis real estate FPPE		CSL Immobilien	2014
35	Cf. meta analysis economy FPPE		FSO JOBSTAT	2nd quarter 2015
36			IMBAS FPPE	3rd quarter 2014
Forecasts		The Swiss Real Estate Market	Credit Suisse	2015
		Immobilien-Almanach Schweiz 2016	Fahrländer Partner	2016
		Immomonitoring	Wüest & Partner	2016 1
		Hochbauprognose 2013-2019	BAKBASEL	2013

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