

QUALITY OF LIFE AND NEW BUSINESS FRONTIERS SWITZERLAND

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For Switzerland the bilateral agreements with the European union opened a way to combine political independence with economic integration. The free influx of talent enhances business development combined with a low inflation rate. The quality of life and the entrepreneurial spirit create surprising new opportunities for business and investors.

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PHOTO: IMAGESELECT/ALAMY



PHOTO: FREELANS POOL

< Rennweg in Zurich.



PHOTO: CORBIS

A view of Zurich with Limmatquai and Grossmünster.

Switzerland is a federal puzzle of areas with often underestimated cultural differences. The 5.36 million people in the Swiss German area are part of a different market than the approx. 1.76 million inhabitants in the French speaking western part of the country. The same is true regarding the 0.33 million people living in the Italian speaking Switzerland south of the Alps.

The metropolitan areas (where today approx. 70% of the Swiss live) are well integrated in the global business network with competitive clusters in the fields of finance, life sciences, high-tech industries and business-supporting services. Zurich and Basel in the Swiss German part and Geneva with the Lake Geneva area in the French speaking part are the main economic centers with international significance. Bern as the national political capital and about 20 to 30

smaller towns in the densely populated northern foothills of the Alps form the network of 'everyday Switzerland' combining old centers with new industry and housing in the green. In the Jura mountains some places are restoring their reputation for watchmaking and precision-work skills. The approx. 10 main alpine tourist destinations are enjoying a revival after heavy investments in their resort

infrastructures. On the other hand, new projects for nature parks aim for sustainable economic development in the lesser populated alpine valleys. The Italian speaking southern Switzerland with Lugano as its economic center is a major contributor to the Swiss economic welfare in providing a link to the metropolitan area of Milan, one of the most dynamic and creative economic zones in Europe. >>



PHOTO: IMAGESELECT/ALAMY

Enjoying the day on Lake Zurich.



The Light Cube let to Kraft Foods for its European HQ.

PHOTO: ALLREAL



Sihlcity, a mixed-use shopping and entertainment



Shoppi-Tivoli in Spreitenbach, Switzerland's largest shopping center.

PHOTO: ARCHITRON, ZURICH ARCHITECT: TK ARCHITEKTES, ZURICH

ZURICH AND AREA

The Zurich Area includes about 3 million inhabitants in a radius of a one-hour drive. The population enjoys a high standard of living due to the natural setting, the quality of urban transport and the high income per capita. After several years of restructuring, the economy returned to a growth path in 2006.

Office

The office supply in the City of Zurich diminished to 3.6% (63,000 m²) in the CBD and to 5.2% (302,000 m²) on the city's boundaries. In November 2006 the Zurich area had a vacancy rate of 7.6%, with class A office rents of €270/m²/year and top rents of €460/m²/year (Source: Colliers International). There is land ready for new development currently available (such as Glattpark, the largest development area of Switzerland). The Light Cube building of Allreal (13,300 m²) has been one of the few recent speculative developments.

The Conex project (8,000 m²) is under way in the same area. In Winterthur internationally competitive high-tech companies such as Sulzer, Rieter and Zimmer successfully continue the industrial tradition, and the University for Applied Sciences provides a competitive educational setting. St. Gallen, a regional center in the Bodensee area, profits from its well-known University for Economics, Management and Social Sciences.

Aarau has undertaken considerable urban development to keep its position as a regional center. Zug continues to attract international companies due to the favorable tax regime and a service-oriented public administration. Office supply is adequate and competitive. In Lucerne new premises for the university close to the main station and the Conference and Cultural Centre KKL will enhance the economic prospects as the regional center of Central Switzerland.



Glatt Park is a new suburb (311,000 m²).



The AFG Arena in St. Gallen, Switzerland.

PHOTO: JELMODI IMMOBILIEN AG/ARCHITECT BRUNO CLERIA

Retail

Zurich Main Station receives daily traffic of over 320,000 travelers. Based on this, Zurich's Bahnhofstrasse is the most visited prime location in Switzerland. The best locations close to the station are aimed towards a mass audience. Here international chains stocked with accessory, fashion, beauty or other daily-demand products, are making their highest profits worldwide – measured by return per m².

From the summer of 2007, Apple plans to open its first continental European retail store in addition to its openings in Paris and Rome. On Zurich's Bahnhofstrasse, rents reached a high of over €4,470/m²/year (based on a 100-m² store and a shop front measuring six m). Compared to €3,000/m²/year in the most expensive areas of Munich in Germany, the top rents in these parts are definitely in a league of their own.

Sihlcity, the new mixed-used shopping and entertainment location in the south of the Zurich city center will open in spring 2007 and is expected to attract 30,000 visitors daily. Switzerland's largest shopping center – the Shoppi-Tivoli – newly designed and with a total area of over 75,000 m², will open on November 1, 2007 in Spreitenbach with a new connecting mall between Shoppi and Tivoli. The Tivoli will later be completely refurbished and is expected to re-open in 2009 with an incomparable mix of tenants.

Retail rents in Lucerne, Winterthur and St. Gallen are reaching €2,500/m²/year. In St. Gallen the new football stadium is combined with a shopping center, including an IKEA. Foot Locker opened its first Swiss store at the beginning of 2006 in Lucerne at Weggisgasse. New leases in Aarau, Chur and Zug are now closed at €1,250/m²/year.>>



PHOTO: CHRISTOPH ACKERET

The Novartis campus in Basel.

Westside mall



PHOTO: NEUE BRÜNNEN AG

The Westside leisure and shopping center in Brünnen, Bern is a mixed-use facility that reinvents the concept of shopping, entertainment and living. It includes shops, restaurants, a hotel, senior housing, a multiplex cinema and a theme park swimming pool. Westside was designed to connect to its surroundings thus creating a unique integration of architecture and landscape – the wooden facade links the city

area with the countryside while the large cuts allow for fantastic views to the outside. The Westside mall is a crystalline structure that articulates public spaces and leisure facilities within the realm of sculptural architecture. The space creates a great variety of scales, perspectives and atmospheres ranging from the grand to the intimate, from the dynamic to the contemplative.

GENEVA AND AREA

Geneva is an international city on its own. The canton has approximately 440,000 inhabitants. The office market has a vacancy rate of 3.2% with class A office rents of €360/m²/year and top rents of €505/m²/year (Source: Colliers International).

Space is very limited and the apartment market is heavily regulated. Therefore the neighboring areas in the canton du Vaud and in France have become living quarters for the local workforce and employees of the numerous international organizations.

The Léman Area has in a radius of a one-hour drive approximately 1.7 million people, with Lake Geneva in the center and Lausanne, Vevey, Montreux and Evian-les-Bains as the main surrounding economic and tourist locations.

OTHER CITIES

Basel

Basel and the trinational Basel Area (including the German and French parts) has approximately 2.2 million inhabitants.

By way of economics, transportation and science, Basel is the traditional gate to Switzerland. One of the most important pharmaceutical and biotechnology clusters in the world has come into being here from the traditional chemical-pharmaceutical industry. The Novartis campus development project will secure the space for competitive infrastructures. The office market shows a vacancy rate of 3.2% with class A office rents of €185/m²/year and top rents of €280/m²/year (Source: Colliers International). New commercial developments are being discussed in the area of the Basel central station.



PHOTO: JEAN-MARC CHAPUIS

La Maladière in Neuchâtel comprises 22,000 m² of retail space.

Bern

Bern as the Swiss political capital is the regional center of the Espace Mittelland network, the economic area in the geographic middle of Switzerland between the Jura mountains and the Alps. Biel and Solothurn enjoy considerable new dynamism after long years of restructuring.

Retail

Rue de la Croix d'Or, which is specified as the most expensive retail street of Geneva, is actually only one part of the whole street – together with Rue du Marché, Rue de la Confédération and Rue de Rive as well as the parallel street and worldwide known luxury pitch of Geneva – Rue du Rhône. Here Geneva presents itself as a wealthy metropolitan city in a mini format. In August Louis Vuitton opened its new flagship store at Rue du Rhône 33 on more than 700 m². The former L.V. store is now occupied by Omega. Nicole Kidman was the main attraction and star guest at the opening of

the jewelry shop at the end of November 2006. Retail rents are also reaching €4,400/m²/year. Recently a building was sold for €25 million, which has resulted in a m² price of €48,000. Along Rue de la Croix d'Or plots of over 5,000 m² are lined up, comprising a value of more than €250 million.

In Neuchâtel the new shopping center La Maladière opened in one of the EURO 2008 football stadium's with 22,000 m² of retail space.

In Bern construction finally started on the Westside leisure and shopping center in Brünnen (designed by star architect Daniel Libeskind) after many years of planning.

In the city center the short shopping mile of the Heiliggeist church with the station up to Bärenplatz in front of the parliament buildings is one of the most expensive streets. The m² price here can be as high as €25,000, which results in a total value of over €188 million. Marktgasse and Spitalgasse in Bern belong

to the same high-end category as Freie Strasse in Basel.

In Basel the young fashion retailer New Yorker has taken over the former UBS main hall and is now represented on approximately 1,200 m² with one of its most prestigious flagship stores. Esprit is also represented in the Füglistaller building and showcases one of its most famous flagship stores worldwide.

In Basel and Bern retail rents have climbed to €3,870/m²/year. >>



PHOTO: JEAN-JACQUES KISSLING

Rue du Rhône, luxury shopping in Geneva.



PHOTO: MANIFESTAZIONI

Ascona is a popular tourist destination on the banks of beautiful Lago Maggiore.

Southern Switzerland and Alpine Resorts

Ticino and the Lugano area in southern Switzerland are part of the Regione Insubrica, which includes the Italian part in the provinces of Varese, Como and Verbano-Cusio-Ossola, with a total population of approximately 1.8 million. Ticino, the only Italian-speaking canton besides parts of Graubünden has 320,000

inhabitants. Lugano, with a population of approximately 49,000 is a center for finance, education and tourism on Lago di Lugano. Its most famous streets Via Nassa and Via Pessina used to be where fishermen met to sell their catch. Hence the name 'Nassa', which means 'fish basket'. At one time there were 'botteghe' (corner shops) selling fruits, vegetables, fabric or laced articles. Today

this street houses the luxury watchmakers, jewelry shops and boutiques. "In former times the beach began directly behind Via Nassa," says Mario Tamborini, President of the retailer association Via Nassa. "Most of the buildings on that side of the road therefore are built on piles – similar to Venice. On the other side of this road they had to be built in rock."

The expensive rents and real estate prices of the last decades has meant that nearly no one lives in the most representative street Luganos, any longer. The last luxury brand to settle at this top location was Hermès at the end of November. Retail rents on this prime street reach €1,900/m²/year. Locarno and Ascona are well-known tourist destinations overlooking the Lago Maggiore. Varese and Como are the centers in the Italian part of this region with strong economic ties to the Lombardy area with Milan as its center. So far the real estate market in southern Switzerland is regarded as being not very transparent and operates mostly on a local basis.

The Swiss Alpine Resorts remain attractive for international clients. St. Moritz for example is famous all over the world. Trendy, elegant and exclusive, with a very cosmopolitan ambience, it is situated 1,856 meters above sea level. On its main street, Via Serlas, luxury brands such as like Dolce &



PHOTO: HERZOG & DE MEURON

The Schatzalp Tower in Davos, designed by Herzog & De Meuron.

Gabbana, Gianni Versace, Gucci, Jil Sander, Loro Piana, Cartier, Chopard, Prada, Giorgio Armani, Bvlgari are represented. But it is not only this place that offers luxury, most of these brands are also represented in Davos, Arosa, Gstaad, Zermatt or Crans-Montana. The retail rents at these locations are €2,000/m²/year. Hermès opened its 10th boutique in Switzerland in Gstaad on December 27, 2006.

Demand for holiday apartments in the alpine resorts remains very high. However, the canton Wallis, with Verbier, Zermatt and Crans-Montana as international destinations, has recently stopped a sale to foreign investors because they feel that new production is detrimental to the environment. In St. Moritz residents have voted for a legal limitation on new production. <<

First class hotels are again in high demand by investors as well as guests. For example, in the canton Graubünden in Davos several new hotel projects are in the pipeline, such as the Schatzalp Tower project by world-famous architects Herzog & De Meuron. In Arosa the 5,000-m² wellness extension of the Tschuggen Grand Hotel, designed by Italian star architect Mario Botta, opened in December 2006. Hotels aiming at attracting a younger generation are in the planning stages in Flims, Laax and Lenzerheide.



PHOTO: TSCHUGGEN GRANDHOTEL ARCHITECT: MARIO BOTTA

New wellness area of Tschuggen Grand Hotel.

PSP Swiss Property

How do you assess the opportunities for an investor of your size for further growth in Switzerland?

There are still growth opportunities for PSP in Switzerland that are accretive for our shareholders. Being a Swiss-based company with a broad and strong presence in the entire country, we are in a position to structure deals in such a way as to minimize the tax consequences, and we are also well equipped to meet specific needs of the seller as well as to deal with complex situations.

The Hürlimann site has been a speculative development without pre-let space. Recently, you had the chance to win Google as an important international tenant. What has been the success factor to attracting this world-known company?

To get a reliable answer, you should ask them. I believe that the most important factor was presumably the quality of this new building, enabling a flexible, tailor-made use. The decision in favor of the Hürlimann Site was likely also influenced by the fact that this site has



Dr. Luciano Gabriel,
CEO
(des. after 01-04-07)
PSP Swiss Property

the characteristics of a 'campus' and it enables such a fast growing tenant to further expand at the same location. The stamina of our letting team and our flexibility in meeting the tenant's needs have also played a substantial role.

Location	Project	Switzerland / Projects 2007 and beyond Program	Development	Planning
Allschwil-Basel	i-Park	Life Science Innovation Park	SUVA	n.a.
Basel	Roche Tower	Office	Hoffmann-La Roche Ltd.	2011
Basel	Knowledge Campus	Office, research	Novartis AG	2006-2020
Basel	Südpark	Apartments, retail	SBB Real Estate	2007-2009
Bern	Westside	Leisure & shopping center	Migros Aare	2006-2008
Davos	Schatzalp Tower	Hotel, appartments	Schatzalp AG	n.a.
Geneva-Vernier	Casai 58	Office 8,000 m ²	Losinger	2007
Geneva-Vernier	Patio Plaza	Office 12,000 m ²	Tivona Promotion AG	2007
Geneva-Vernier	Blandonnet III + IV	Business center 30.000 m ²	RI Realim SA	n.a.
Geneva-Vernier	Lumion II + III	Office 15,000 m ²	Redevco	n.a.
Geneva	Rue du Grand-Pré	Office	A&A Real Estate	2007
St. Gallen	Stade / Shopping	Stade	Jelmoli, Ikea, HRS	2006-2008
Zug, Steinhausen	Four Towers	Office, research, high-tech, 15,000 m ²	Private Investors	2007
Zurich	Stadtraum HB	Educational facilities, apartments	SBB Real Estate	2008-2020
Zurich	West-Link	Office, mixed-use	SBB Real Estate	n.a.
Zurich	Prime Tower	Office, 40,000 m ²	Swiss Prime Site AG	n.a.
Zurich	Sihlcity	Offices, retail, hotel, leisure	Credit Suisse RE Funds	March 2007
Zurich	Tower Hagenholzstrasse	Office, services 40,000 m ²	BVK Pension Fund	n.a.
Zurich	Glattpark	Office, residential	Area Marketing (Landowners)	n.a.
Zurich	Dolder Grand	The city resort of Zurich	Private Investors	2005-2008
Zurich	Stade Letzigrund	Stade	Amt für Hochbauten Stadt ZH	2008
Zurich	Conex	Office	Colliers CSL	2009

SOURCE: COLLIERS INTERNATIONAL AG

More information: www.europe-re.com/projects

S W I T Z E R L A N D I N S H O R T

ECONOMIC PROFILE

The political and economic integration of Europe over the past half century, as well as Switzerland's role in many UN and international organizations, has strengthened Switzerland's ties with its neighbors. Switzerland is a peaceful, prosperous, and stable modern market economy with low unemployment, a highly skilled labor force, and a per capita GDP larger than that of the large Western European economies. The Swiss in recent years have brought their economic practices largely into conformity with the EU's to enhance their international competitiveness. Switzerland remains a safe haven for investors, because it has maintained a degree of bank secrecy and has kept up the Swiss franc's long-term external value. Reflecting the anemic economic conditions of Europe, GDP growth dropped in 2001 to about 0.8%, to 0.2% in 2002, and to -0.3% in 2003, with a small rise to 1.8% in 2004-05. Even so, unemployment has remained at less than half the EU average.¹

In the third quarter of 2006 the Swiss economy expanded by 0.4% quarter-on-quarter and 2.4% year-on-year (a slowdown from 3.2% year-on-year in both the first and second quarters).²

OUTLOOK

Economic growth, which should reach about 3% in 2006, is likely to slow in 2007 and 2008 in a context of tighter monetary policy and a slightly less buoyant international environment. GDP will continue to rise more rapidly than potential output however, which should entail a further reduction in unemployment. Inflationary pressures, however, seem likely to remain low. With the economy still growing strongly, the gradual tightening of monetary policy towards more neutral conditions should continue. Steps will also have to be taken to keep social spending under control and maintain healthy public finances. Recent economic results, though encouraging, must not lead to complacency: potential growth needs to be strengthened, which requires the pursuit of reforms to stimulate competition and boost productivity.³

1 CIA World Facts
2 CB Richard Ellis
3 www.oecd.org

F A C T S H E E T

SWITZERLAND



STATISTICS

POPULATION (2006)	7,523,934
GDP GROWTH (2005)	2.70 %
CONSUMER SPENDING GROWTH (2006) ..	1.80 %
INFLATION (2005)	1.20 %
UNEMPLOYMENT	3.30 %
EMPLOYMENT (2005)	77.20 %
INTEREST RATES	1.91 %

MOST IMPORTANT CITIES INHABITANTS

ZURICH	347,517
BASEL	163,930
GENEVA	178,722
BERN	122,178
LAUSANNE	117,388

PRIME OFFICE YIELDS	2006	2005
(PERCENT)	Q3	Q3
ZURICH	5.50	5.50

PRIME INDUSTRIAL YIELDS	2006	2005
(PERCENT)	Q3	Q3
ZURICH	7.00	8.50

PRIME RETAIL YIELDS	2006	2005
(PERCENT)	Q3	Q3
ZURICH	5.50	5.25
GENEVA	5.00	5.25

MARKET STATISTICS BY: CB RICHARD ELLIS FOR MORE INFORMATION: WWW.EUROPE-RE.COM/DATABASEONLINE: www.europe-re.com/switzerland