

16 July 2010

Contents

| | |
|-------------------|---|
| Executive Summary | 1 |
| Economic overview | 2 |
| Offices | 3 |
| Take-up | 3 |
| Prime rent | 3 |
| Immediate supply | 4 |
| New supply | 5 |
| Key trends | 6 |
| Definition | 7 |
| Contacts | 8 |

Authors

Pierre Stämpfli
Managing Partner
+41 (0)22 839 73 70
pierre.stampfli@dtz.com

Andrew Wood
Consultant
+41 (0)22 839 73 74
andrew.wood@dtz.com

Contacts

Magali Marton
Head of CEMEA Research
+33 (0)1 49 64 49 54
magali.marton@dtz.com

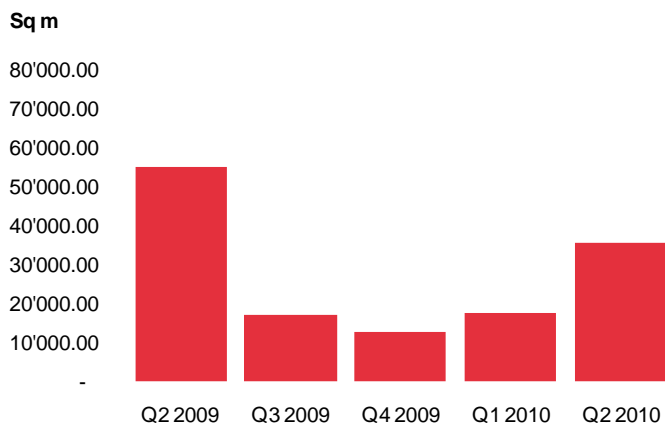
Tony McGough
Global Head of Forecasting &
Strategy Research
+44 (0)20 3296 2314
tony.mcgough@dtz.com

Hans Vrensen
Global Head of Research
+44 (0)20 3296 2159
hans.vrensen@dtz.com

- The signs of an economic recovery are becoming more evident. Greater consumer confidence, an upturn in manufacturing, and increased export volumes have all contributed to a healthier and more robust economic climate.
- On an occupational level, market sentiment in Q2 2010 continued to be more positive than Q1 2010, increasing from 17,132 sq m to 35,274 sq m (figure 1).
- Office availability has decreased for the first time since Q4 2007, from 146,000 sq m in Q1 2010 to 119,281 sq m in Q2 2010, an availability ratio of 2.74%.
- Prime rental levels have appeared to stabilise at approximately CHF 950 / sq m pa.
- Total transaction volume for office property in Q2 2010 has declined considerably since the end of Q1 2010. Landlords are inclined to keep their investments until the economic climate shows greater signs of recovery.
- The number of secondary transactions such as sublets, renegotiations and company relocations continue to be on the increase.

Figure 1

Take up in Geneva



Source : DTZ Research

Economic Overview

- The Swiss economy looks much healthier than neighbouring Europe, which still remains fragile.
- According to the latest indicators, the Swiss economy will recover better than expected over the course of 2010. Switzerland is seeing an upturn in private consumption (consumer spending), exports and manufacturing.
- With these considerations in mind, GDP is expected to increase to 1.8% in 2010, 0.4% higher than previously predicted, according to the State Secretariat for Economic Affairs (SECO).
- The pace of recovery is however likely to slow a little in the coming months, and as we edge closer to 2011, we expect GDP to be approximately 1.6% – 1.7%.
- There are concerns about uncertain global / European forecasts and the strength of the Swiss Franc. Swiss exports are likely to come under pressure from the strong Swiss franc. In contrast, the banking sector should profit from the Franc's strength, as Switzerland's 'safe haven' status makes it an attractive proposition for international investors (Oxford Economics).
- However, given the ongoing changes to bank secrecy, risks continue to remain on the attractiveness of the Swiss banking sector.
- The labour market has improved since the previous quarter. Although companies are continuing to seek out new ways of reducing cost, they are beginning to recruit additional staff, albeit slowly.
- According to Oxford Economics and the SECO, the unemployment rate is seen at 4.0%, 0.5% lower the previous quarter which stood at approximately at 4.5%. The outlook continues to be positive with unemployment rate falling further to 3.8 in 2011. On an historic level, the unemployment rate is still high and a substantial reduction is not expected for several years.
- The Swiss National Bank (SNB) is expected to leave its key interest rate unchanged for a fifth consecutive time at 0.25%. Given the large uncertainties surrounding the recovery, the first rate increase is not expected until the latter part of this year, possibly as far as early next year.

Table 1

| Key indicators and economic forecasts | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| (Annual percentage changes) | | | | |
| | Q2 2010 | Q2 2011 | Q2 2012 | Q2 2013 |
| GDP | 1.8 | 1.7 | 2.1 | 2.2 |
| Unemployment rate | 4.0 | 3.8 | 3.5 | 3.1 |
| Consumer price index (CPI) | 1.1 | 0.8 | 1.1 | 1.4 |
| Industrial production | 2.5 | 3.5 | 3.9 | 5.0 |

Source: Oxford Economics

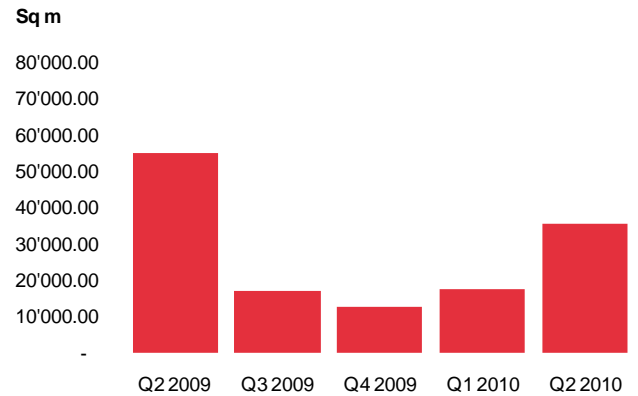
Offices – Geneva

Take-up

- Since the upsurge in Q2 2009, due to notable organisations taking large amounts of space, the following quarters in office take-up 2009 took a steady decline. However, with more confidence in the market, take-up increased from 17,132 sq m in Q1 2010 to 35,274 sq m in Q2 2010 (figure 2).
- More companies are taking up space in the canton of Geneva, possibly after a period of indecision by occupiers and partly by a recovery in business sentiment in Q2 2010.
- The CBD remains the most sought after area. However, due to limited availability, some companies are migrating to the periphery, where they can find larger, more modern, and less expensive premises.

Figure 2

Take-up in Geneva



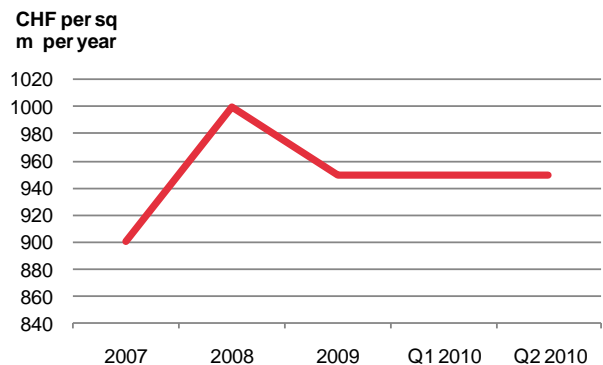
Source : DTZ Research

Prime rents

- In the Geneva CBD, located in proximity to the lake, the most recent transactions on prime buildings were carried out on the basis of approximately CHF 950 / sq m pa (figure 3).
- These current asking prices, although stable, remain fragile. However, we are seeing signs of increased occupier demand, greater consumer confidence and an improved job market.
- Inducements are seen in the market, however, nothing like they are in London. Before the economic downturn, there had been very few rent free periods offered by landlords. We estimate an average rent free period of approximately 3 months (in the current climate).

Figure 3

Prime rents



Source : DTZ Research

Immediate supply

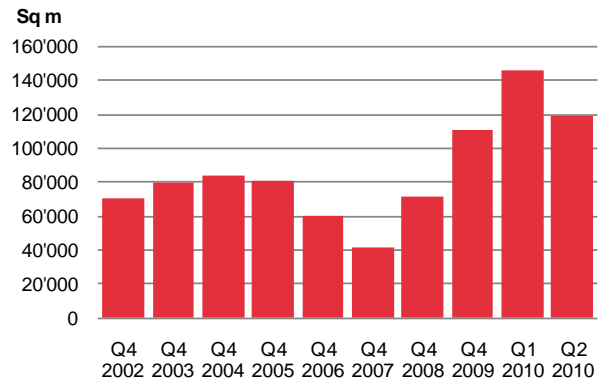
- Taking the canton of Geneva as a whole, immediately available supply amounted to 119,281 sq m at the end of the Q2 2010 (figure 4).
- Available supply has continued to be on the increase since Q4 2008 and reached 146,000 sq m in Q1 2010. With greater economic confidence, we are noticing, for the first time since Q4 2007, a decrease in available supply.
- Development projects, which started before the economic recession, and now complete, are beginning to attract and generate interest to potential occupiers.
- We remain optimistic on international companies looking for space in Geneva. We have already seen evidence of this, while more and more press articles report on the potential to establish an office in Geneva, not only for tax reasons, but also to create innovative working conditions and consolidate in a central European hub.

Vacancy rate

- We have seen a steady drop in the vacancy rate since Q1 2010, coming close to levels in the middle part of last year.
- Stronger occupational indicators in the market place have resulted in a reduced vacancy rate from 3.36% in Q1 2010 to 2.74% in Q2 2010.
- We believe that there is still much uncertainty in the market at the moment and questions will be asked whether current occupier demand is sustainable over the course of 2010 and early 2011.

Figure 4

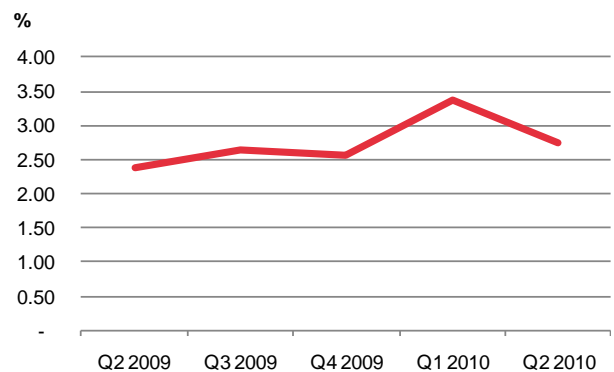
Immediately available supply in Geneva



Source : DTZ Research

Figure 5

Vacancy rate in Geneva



Source : DTZ Research

Offices – Geneva

New supply

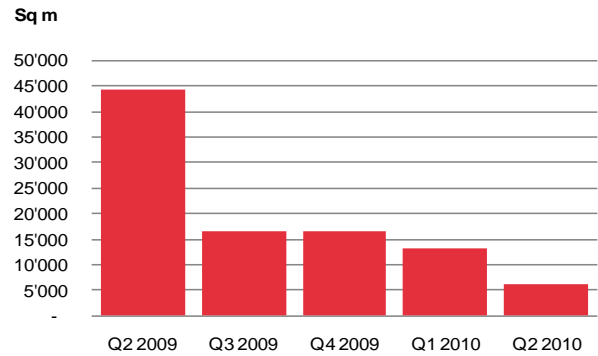
- In Q2 2010, we witnessed a decline from the previous quarter, with total new supply reaching 6,300 sq m in the next six months.
- As per the previous research report, we believe new supply to remain low with no major additional supply in the market until the economic climate is considered more confident and stable.
- With little additional new supply this year, prime rents in the CBD should remain at a good level.

Development pipeline

- Although the graph states that over 60,000 sq m of office space will be constructed in 2011, this could be delayed into 2012, dependant on planning and suitable pre-let agreements for approximately 30%-40% of the building.
- In previous quarters, a decrease in office demand has resulted in fewer planning applications for development. However, having improved take-up over this quarter may generate a marginal increase in planning applications towards the end of the year / early 2011.
- In general, the market is seeing a greater amount of large development projects at a relatively low budget outside the city centre.
- The construction sector has been robust in recent months helped by the government stimulus measures introduced to the construction sector during the crisis. Although these measures are wearing off, the Swiss government in conjunction with the State of Geneva has put in place a refurbishment subsidy system for existing buildings to improve energy efficiency, which may encourage greater activity in the construction sector.

Figure 6

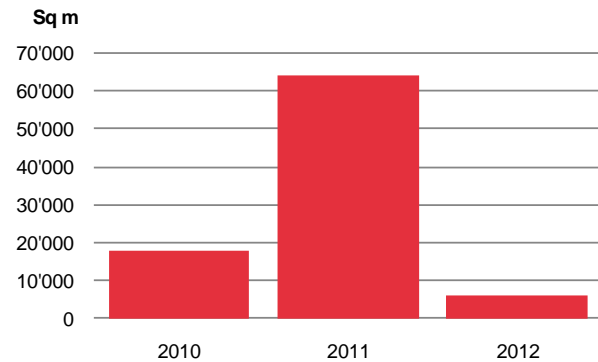
New supply in Geneva



Source : DTZ Research

Figure 7

Development pipeline in Geneva



Source : DTZ Research

Key trends

Table 2

| Office market | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|-----------------------|--------------------------------|
| | Q2 2009 | Q3 2009 | Q4 2009 | Q1 2010 | Q2 2010 | Q/Q Change | Y/Y Change | Directional outlook |
| Geneva | | | | | | | | |
| Take-up | 55,050 | 17,000 | 12,400 | 17,132 | 35,274 | +206% | -36% | ▲ |
| Immediately available supply (in 000 sq m) | 103,000 | 115,000 | 111,165 | 146,000 | 119,281 | -18.3% | +16% | ▼ |
| Vacancy rate | 2.38 | 2.65 | 2.56 | 3.36 | 2.74 | -18.4% | +15% | ▶ |
| Prime rent in CHF | 980 | 980 | 950 | 950 | 950 | 0% | -3.1% | ▶ |

Source : DTZ Research

Definitions

Take-up: Total number of deals, carried out by end users (rental or sale), including pre-lets, turnkey contracts and owner-occupier operations.

Immediately available supply: Total volume of vacant premises available for letting as of June 30th 2010. This excludes the search for successors or lease terminations up to the effective departure of the tenant.

New supply: Total volume of new surfaces to build and under construction with or without construction permits over the next six month.

Prime rents: Expressed in CHF/sq m excluding tax and charges, per annum. The highest value recorded during a determined period, after elimination of abnormal statistical values (less than 2 occurrences).

Contacts

Pierre Stämpfli
Managing Partner

+41 (0) 22 839 73 70

pierre.stämpfli@dtz.com

Managing Partners

Matthew Leguen de Lacroix
Managing Partner

+41(0) 22 839 73 71

matthew.leguendelacroix@dtz.com

Anna Briffod
Managing Partner

+41(0) 22 839 73 72

anna.briffod@dtz.com

Surveyors

Andrew Wood
Valuation & Investment

+41(0) 22 839 73 74

andrew.wood@dtz.com

Charles Brooke
Valuation & Investment

+41(0) 22 839 73 75

charles.brooke@dtz.com

Leonard de Rham
Valuation & Project Management

+41(0) 22 839 73 77

leonard.derham@dtz.com

Raphael Moreno
Agency & Investment

+41(0) 22 839 73 76

raphael.moreno@dtz.com

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ.

© DTZ July 2010