

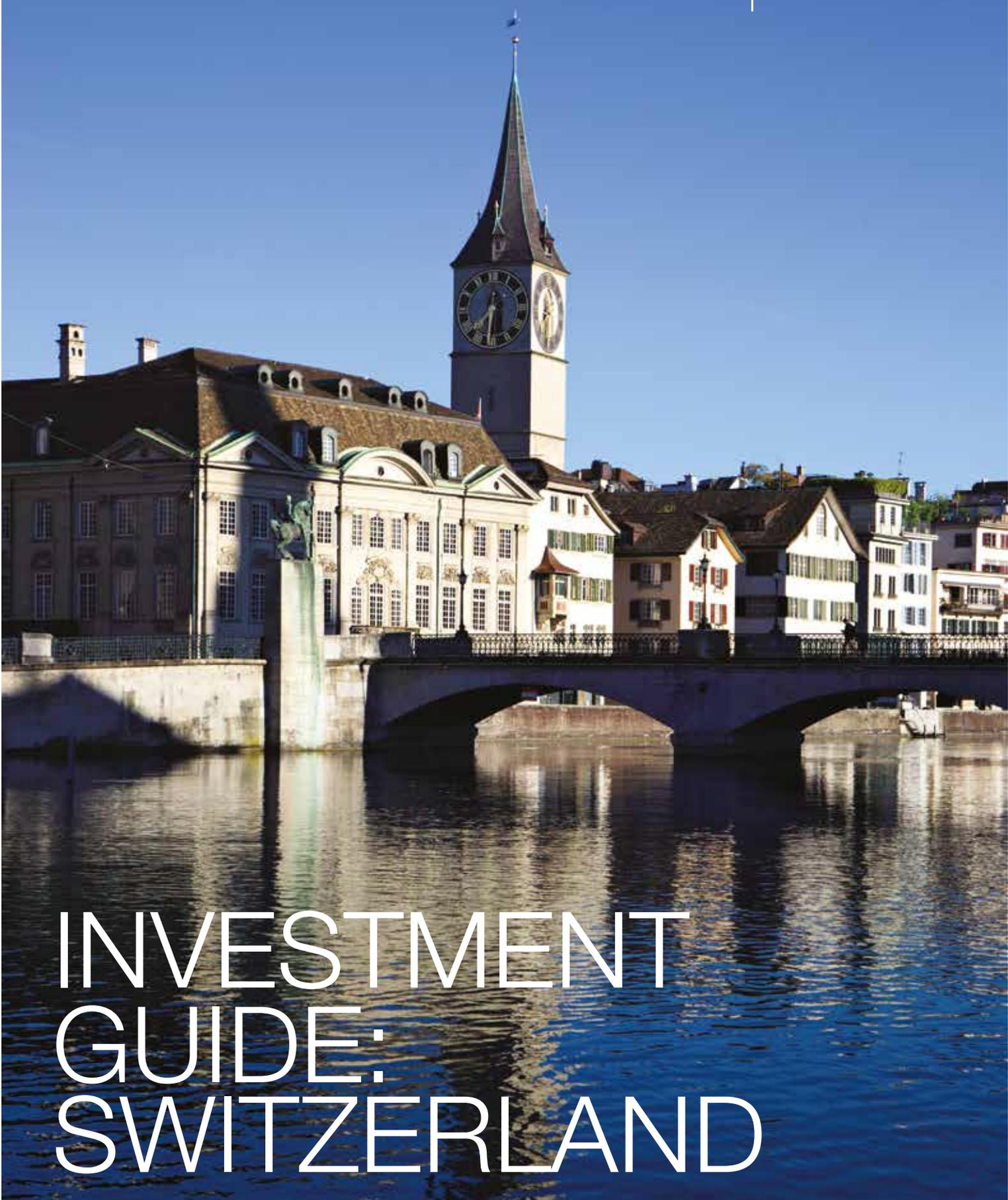
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INVESTMENT GUIDE: SWITZERLAND

AN INTRODUCTION TO BUYING COMMERCIAL PROPERTY IN SWITZERLAND

Switzerland in numbers

Population	8.3 million
GDP (2014)	CHF 642 billion (c. €593 billion)
GDP per capita (nominal 2014)	CHF 78,432 (c. €72,428)
CPI inflation (Dec 15)	-1.4%
Unemployment rate (Q4 2015)	4.7%
Commercial property investment volume (2015)	CHF 2.3 billion (c. €2.1 billion)
Ten-year government bond yield (Dec 15)	-0.06%
Largest companies headquartered in Switzerland	Glencore, Nestlé, Novartis, Zurich Insurance, Roche

Source: Federal Statistical Office, Swiss National Bank, Real Capital Analytics, Forbes

WHY INVEST IN SWITZERLAND?

Economic strength and stability:

Switzerland has experienced relatively stable economic growth over the last decade, in comparison with other European economies. Its real estate sector is characterised by similarly stable conditions and low market volatility.

Attractive business location:

Switzerland is well established as a location for international businesses, with a strong presence of companies from the banking, insurance and pharmaceutical sectors. There are 12 Fortune Global 500 companies headquartered in Switzerland, an unusually high number for a country of its size.

Market size: With a value of CHF 2,516 billion, the Swiss housing stock is worth four times the country's annual GDP. Commercial property represents a further CHF 430 billion.

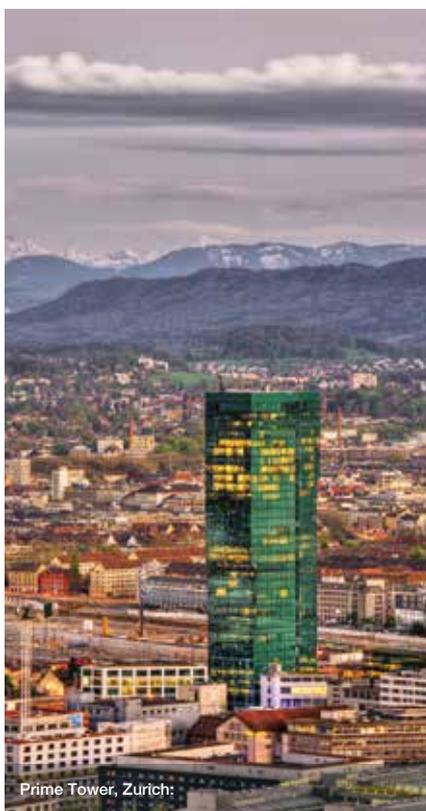
Residential investment opportunities:

Switzerland's large residential rental property market is attractive to investors.

Home ownership rates are low by international standards, with just under 40% of the Swiss population living in their own homes. Some 53% of the 4.15 million dwellings in Switzerland are rental apartments.

Investment returns: Real estate is currently seen as an attractive investment proposition compared with other asset classes such as shares and bonds. Its appeal is boosted by its stable total returns, and while its long-term yields do not quite match those of Swiss shares, real estate still outperforms Swiss bonds.

Indirect investments: Indirect investment in real estate, through the acquisition of shares in listed property companies or real estate funds, offers an alternative to direct investment. There has been a surge in the number and size of indirect investment vehicles in recent years, although they continue to represent a relatively small part of the Switzerland's total property stock.



Prime Tower, Zurich:

Zurich fact box

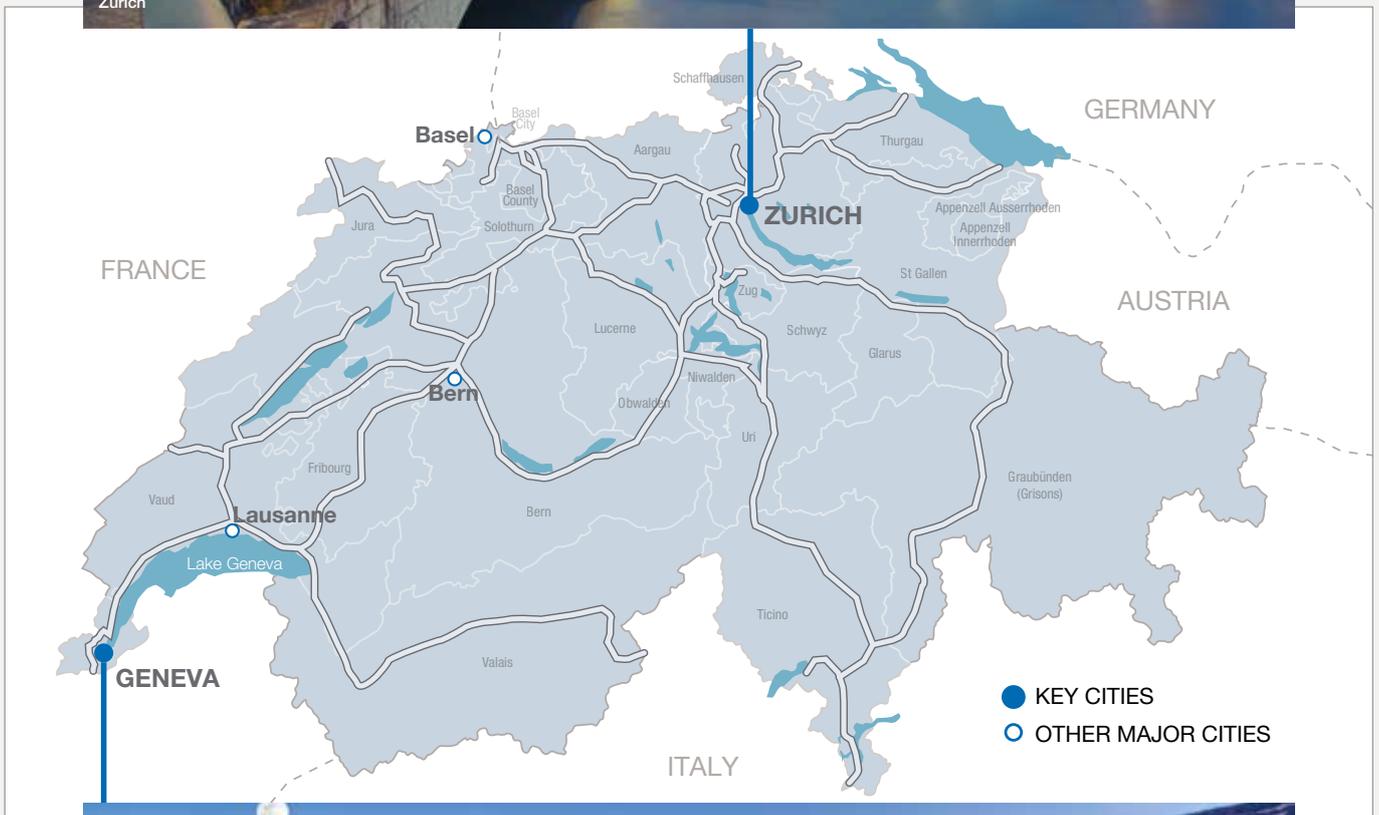
Population	390,000 (city), 1.4 million (canton)
GDP (canton, 2013)	CHF 137 billion (€127 billion)
Total office stock	9 million sq m
Official language	German
Prime office rents	CHF 800/sq m/annum (€739/sq m/annum)
Prime office yields	3.25%
Key office sectors	Finance, banking, pharmaceuticals and biotechnology
Key retail locations	Bahnhofstrasse, Rennweg, Strehlgasse, Münsterhof
Top companies headquartered in Zurich	UBS, Zurich Insurance Group, Credit Suisse
Mercer global quality of living ranking	2 (of 230)

Geneva fact box

Population	197,000 (city), 483,000 (canton)
GDP (canton, 2013)	CHF 48 billion (€44 billion)
Total office stock	4 million sq m
Official language	French
Prime office rents	CHF 800/sq m/annum (€739/sq m/annum)
Prime office yields	3.50%
Key office sectors	Finance, banking, international organisations
Key retail locations	Rue du Rhône, Rue de la Confédération, Rue du Marché, Rue de la Croix d'Or, Rue de Rive
Top companies headquartered in Geneva	Richemont, SGS, Firmenich
Mercer global quality of living ranking	8 (of 230)

Source: Knight Frank Research, Federal Statistical Office, Mercer, Forbes

SWITZERLAND LOCATION MAP





SWITZERLAND IS A GLOBAL FINANCIAL CENTRE, CHARACTERISED BY ITS WEALTH, STABILITY AND INNOVATION.

Property ownership

Who can own property in Switzerland?

Under the federal “Lex Koller” legislation, the purchase of residential property by foreign citizens is restricted in Switzerland. EU citizens require either a permit B or C, while non-EU citizens must hold a permit C (permanent residency status). No such restrictions apply to the purchase of commercial property.

Forms of ownership

Real estate ownership is defined in the Swiss Civil Code (ZGB). The most common forms of ownership include the sole or collective ownership of an entire property, the ownership of an apartment (“Stockwerkeigentum”) or a ground lease.

The main forms of property ownership are:

Sole ownership:

Sole ownership of real estate is a comprehensive legal position according to Swiss law, which gives the single owner the sole right to control and dispose of the property.

Shared ownership:

Several persons or entities own a property. There are several types of shared ownership:

Collective ownership (“Miteigentum”):

Shares of an undivided property are allocated to several persons. Each co-owner is registered with an ownership share and has the right to dispose of their share independently.

Ownership in common (“Gesamteigentum”):

A property is owned by a group of individuals, which is established by statutory provision. Each person owns a share of the entire property, but does

not have the right to dispose of their share independently.

Condominium ownership (“Stockwerkeigentum”)

A special type of shared ownership, which usually relates to residential apartments. The owner of a condominium has full ownership of a designated part of a building (an apartment) and co-ownership of common areas within the property.

Ground lease (“im Baurecht”):

The beneficiary of a ground lease may erect a building on an area of land, or may use an already erected building. A ground rent is paid to the owner of the land. In Switzerland, a ground lease generally lasts for a maximum period of one hundred years. At the end of this period, ownership of the construction falls to the owner of the land, who is obliged to pay an adequate compensation for receipt of the building (“Heimfall”).

Commercial lease structures

In general, lease agreements in Switzerland are governed by the Swiss Law of Obligations (OR). However, tenants and lessors are free to arrange the tenancy agreement as long as such arrangements comply with protective norms laid down by legislation.

Rents: For most real estate in Switzerland, rents are quoted in Swiss francs per square metre (either per month or per year). In the case of retail property, a revenue-dependent rent is often agreed in addition to a base rent. Rents are usually paid either one month or three months in advance.

Lease lengths: Commercial property is generally let under fixed-term agreements for 5 to 10 years, with the option to extend the lease period

thereafter. The maximum lease term for fixed-term agreements in Switzerland is 25 years. Lease agreements with stepped rental payments must be signed for a minimum of three years.

Break clauses: Early termination rights can be agreed between the tenant and the landlord.

Rent revisions: Fixed-term rental agreements with a term of at least five years are usually indexed to the Swiss Consumer Price Index. Adjustments can be made every year. Stepped rents are increased annually by a predetermined amount. Stepped rents cannot be combined with indexed rents.

Repair and maintenance costs:

The owner of residential property bears all costs for maintenance and repair, unless only minor costs are involved. Commercial property is commonly let with basic tenant fit-out. This means that

the landlord provides and maintains the basic fit-out, while the tenant is responsible for maintaining their specific installations.

Service charges and utilities: Unless otherwise stipulated in the rental agreement, utility costs such as water and heating are paid by the tenant. These costs can be included in the rent, paid separately to the landlord or paid directly to the suppliers by the tenant. Only costs that are related to operating the property are considered utilities. Mortgage interest rates or building insurance costs cannot be passed on to the tenant.

Subletting: The subletting of a rental property is permitted in Switzerland, as long as the landlord does not object for valid reasons. As such, the tenant is obliged to seek consent from the landlord (or the building management) for any sublease.



Roche Tower, Basel

Purchasing and owning property

Property acquisition process: A property purchase contract has to be publicly certified by a notary and entered into the local land register. In some cantons, the same office is authorised to carry out both the notarisation and land register entry. In other cantons, independent notaries are entitled to grant the certification.

Fees payable on property purchases

Transfer duty: Most Swiss cantons levy a transfer tax as part of a property purchase. The rate varies between around 0.5% and 3% of the transaction price depending on the canton. The tax is usually paid by the buyer, but in some cantons it is split between both parties.

Land registry and notary fees: In Switzerland, the transfer of real estate is subject to cantonal and/or municipal land registry and notary fees. Based on a transaction involving a purchase price of CHF 10 million, land registry and notary fees combined would typically range between 0.1% and 1% of the transaction value.

Agents' fees: Real estate agency fees are usually around 3% of the purchase price of the property, plus VAT. In general the fee is paid by the seller, unless otherwise agreed in advance.

VAT: The sale of real estate is generally exempt from VAT in Switzerland. However, the seller can opt for VAT to apply to the sale under certain conditions. In such cases, the standard rate of 8% applies.

Taxes associated with the ownership and sale of property

Real estate tax: An annual real estate tax ("Grundsteuer") must be paid in some

Swiss cantons. The tax is levied at the cantonal or municipal level, at various rates up to 0.3% of the property value. As a general rule, corporate entities pay a higher real estate tax rate than private property owners.

Income tax: Net income derived from rental properties – that is, rental income after running and financing costs – is subject to either personal or corporate income tax. Private and corporate tax rates are set by municipalities and can therefore vary greatly.

Capital gains tax: Capital gains arising from a property sale are subject to capital gains tax ("Grundstückgewinnsteuer"). The tax rate depends on both the net gain and the holding period. Different rules apply for corporate entities, whereby capital gains are subject to normal corporate tax. Furthermore, public limited real estate corporations are subject to capital gains tax in only some Swiss cantons.

Tax on imputed rental value: In Switzerland, an owner of a privately used home is subject to a tax on an imputed rental value ("Eigenmietwert"). The imputed rental value is estimated annually by each canton and taxed at the personal income tax rate.

Definitions

Yields: Yield definitions can vary between sectors and investors. Prime yields for commercial property in Switzerland are usually quoted as net initial yields (net earnings divided by the gross purchase price) for fully let prime properties in the best locations.



Rue du Rhône, Geneva

Valuation methodology

Valuation standards used in Switzerland are increasingly converging with internationally accepted standards. As such, the International Valuation Standards (IVS) and the standards of the Royal Institution of Chartered Surveyors (RICS) are commonly followed.

For the valuation of investment property in Switzerland, the most commonly used valuation method is the discounted cash flow method. This is also considered to be best practice within the real estate consulting industry.

In the private residential property market, either the sales comparison approach (depending on the availability of transaction data) or the hedonic valuation model is commonly used for valuation purposes.

Real estate funds are subject to the Collective Investment Schemes Act (CISA). According to CISA, a property valuation assignment for real estate funds can only be carried out by an appraisal expert who is approved by the Swiss Financial Market Supervisory Authority (FINMA).



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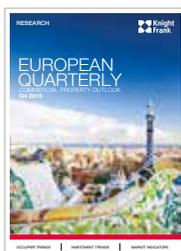
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