

locationgroup research

Retail Market Study Switzerland 2010

Rent Prices

Zurich third most expensive
City in Europe



Key Money

Multiple millions on
Rue du Rhône



Expansion

Christian Louboutin comes
to Switzerland



Investment Market

Time for active
property management



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Publisher:
LOCATION GROUP
Usterstrasse 23, 8021 Zurich
Switzerland

Contact:
zurich@location.ch
Telephone +41 (0)44 225 95 02



Author LOCATION RETAIL AG:
Marc-Christian Riebe

Authors LOCATION LUXURY AG:
Marc-Christian Riebe
Horst Edenhofer

Author LOCATION INVESTMENT AG:
Ulrich Schmidt



Cover photos:
Jan Deichner, Hamburg
www.deichner.de

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Orders:
Order directly from your customer
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00 Foreword

Dear clients, prospective clients
& interested parties,

We are pleased to present our Retail Market Study for Switzerland to you having published the first study of this kind in 2008. Due to repeated requests on behalf of our clients, partners and friends we decided to create this new issue for 2010.

The Swiss market is small and lacks transparency. For many market participants this is not necessarily a disadvantage. However, this circumstance does impede market efficiency to a certain extent. Even established market players are constantly searching for reference points that shed light on patterns in rent and purchase prices, trends and resulting opportunities as well as impending obstacles.

The fact is, in the global setting, Switzerland is an island of good fortune. And this is precisely why it is essential to take full advantage of the possibilities opening up as a result of Switzerland's international appeal – without fundamentally calling into question Switzerland's economic, structural and urban or urban planning structures.

The beginning of 2009 was marked by restrained expansion for most retailers. However, this changed quickly especially with young fashion companies. Luxury goods retailers are still cautious, as they continue to suffer from the financial crisis and deal with considerable losses.

Then, from mid-year onward, any expansion programmes retailers had wound down were back in full swing. And this was happening in all segments. Young fashion suppliers were just as active as discount retailers. Even the badly shaken fashion retailers in the luxury segment and watchmakers recorded increases in sales in the 4th quarter of 2009.

The break in retailer expansion endeavours was thus purely temporary and can certainly be attributed to the effects of the global financial crisis. Nevertheless, once company headquarters began to notice that, based on their sales figures, Switzerland remained largely unaffected and was able to navigate the financial crisis without a severe recession, by the end of the year we were once again at nearly the same buoyancy as before the crisis in 2008. This also helped Zurich's Bahnhofstrasse attain the same status as the Champs Elysées, not only in terms of revenue potential but also in terms of market rental levels.

Consequently, the search is on again for the best available space and owners clearing their properties for optimisation. This is because good surfaces in good locations are rare, while the basic situation remains unchanged: There is still a great, unsatisfied desire for consumption and expansion in Switzerland!

The lion's share of purchases and sales of retail properties continues to take place in a very opaque environment. Swiss Prime Site's takeover of Jelmoli definitely skewed the picture for 2009, but with the exception of this "once in a decade transaction", the highest levels of market transparency are still found beyond the city's suburbs. Generally, though, it is clear that demand for property in solid locations continues to vastly exceed supply. The number of foreign investors competing with prominent locals for desirable properties is also on the rise.

The Location Group is more broadly established today than ever before. Not only do we offer specialised location consultancy services for retailers and location development for retail property owners; more importantly, we also work as a local partner for retail property investors and enjoy putting our expertise to use most when we are able to sustainably increase rental profits and improve tenant quality through active enhancement, repositioning and management of retail property.

We wish you enjoyable reading.

Yours sincerely,



Marc-Christian Riebe

01 Zurich among the three most expensive retail locations in Europe

In Switzerland's financial metropolis, the latest new rental on Zurich's Bahnhofstrasse puts the luxury shopping mile between Bally Capitol and Paradeplatz among the top three most expensive shopping streets in Europe, with a top rent of CHF 9,475 per square metre per year¹. This translates into a 13.5 percent increase compared to the previous year, which means that Zurich has now surpassed London's New Bond Street (CHF 8,350) and Tokyo (CHF 8,450) and taken fifth place after Fifth Avenue in New York (CHF 18,500), the Causeway Bay in Hong Kong (CHF 16,600), the Avenue des Champs Elysées in Paris CHF 11,000), and via Montenapoleone in Milan (CHF 9,650). More than 12,000 people pass between the central railway station and the Globus department store every hour. Over 340,000 people frequent the central railway station each day.

High Key Money on Bahnhofstrasse

The Salis & Vertis Gallery recently moved from St. Moritz to the location where the Trois Pommes Outlet was formerly located at the top of Bahnhofstrasse. Dieter Meier opened the highly popular and successful Bärengasse Restaurant in the Credit Suisse Lichthof, after both of his predecessors have failed with their businesses. Across the way, French fashion label Zadig & Voltaire will open its first boutique in German-speaking Europe in spring 2010 next to the Agent Provocateur lingerie shop on Bärengasse.

In the building complex where the Orell Füssli-Hof department store is located on Bahnhofstrasse, the over 600 square metre carpet shop Vidal closed its doors after 84 years of business due to a lack of a successor within the proprietor's family. Swatch sealed the deal under the leadership of property owner Credit Suisse just before Christmas 2009, with key money running into the millions. For Swatch, the Pelz Paradies fur boutique on Paradeplatz (150 square metres) was much more affordable, and today watchmaker Blancpain is located here in the Hotel Savoy Baur en Ville building, which also belongs to Credit Suisse. This summer, Hermès will move into Meister Silber's former location (700 square metres) on Bahnhofstrasse and Paradeplatz across from the main entrance to the Lichthof. Meister Silber moved to Augustinergasse in January. It is still uncertain whom Credit Suisse will award the 120 square metre space to where the Hermès shop was previously located at Bahnhofstrasse 31 in the Orell Füssli-Hof.



Ladurée to Première in Zurich

French macaron brand Ladurée celebrated its highly successful grand opening in October 2009 between Bucherer and Omega on Kuttelgasse. In summer 2010, Bernie's fashion house will move into the 400 square metre space located next to the Landolt-Arbenz stationer's shop at Bahnhofstrasse 65. A leading Swiss property management company took proactive steps to assist in the rental process with the help of an external advisor. To the left, Sunrise managed to open its flagship store in Pelz AG's former location (70 square metres) before the announced merger with Orange.

After a more than five-year wait and over a year of renovation and expansion work, Apple celebrated the grand opening of its long awaited flagship with around 500 square metres of space on Bahnhofstrasse below the Manor department store.



Rennweg More Popular than Ever

After twelve changes in the past five years, Zurich's Rennweg remained unaltered in 2009. In summer 2010, a premium German accessory retailer will further enhance the prime location across from Kiehl, which is now frequented by up to 50,000 people per day. Nearby, three properties changed ownership at 25, 35 and 40 Year's Purchase.

Former Navyboot owner Bruno Bencivenga returned to his roots by establishing a new Benetton store in what had previously been a Bagatt shoe shop on Löwenstrasse along with a Playlife Boutique, also belonging to the Benetton Group, on Sihlstrasse (formerly Varesino Shoes). The freshly rebuilt Navyboot Concept Store on the corner of Sihlstrasse and Nüscherstrasse radiates new splendour with a foot lounge and coffee bar. The Petit Bateau children's boutique is the successor to the former Sunrise store on Sihlstrasse, next door to the Hiltl Restaurant. In addition to outdoor supplier Patagonia, mountaineering brand Mammut is now situated on the front part of Löwenstrasse heading towards the central railway station.

Storchengasse Develops into Luxury Shopping Mile

On the street that many now refer to as "Trudie-Götz-Gasse", the fashion retailer of the same name celebrated the grand opening of both of her new boutiques, Miu Miu and Prada Men, and she now has 17 of her own boutiques on the left side of the Limmat. Strehlgasse was further improved by Maho jewellers, located where hairstylist Kaiser had once been. Across the street, Buckles & Belts took over the space that was previously occupied by the Jacadi children's boutique in summer 2009.

Nevertheless, the high concentration on Bahnhofstrasse and directly adjacent streets such as Rennweg brings with it a high rate of pedestrian frequency, sales per square metre, and thus appeal for retailers. This means that Zurich Bahnhofstrasse's greatest strength is also one of its greatest weaknesses. Attempts to spread retailing to other areas of the city remained unsuccessful to date. The Sihl-city shopping centre for example has not yet been able to create an acceptable level of footfall inclined to buy: Overshadowed by Bahnhofstrasse and lacking a critical mass of indispensable retailers in a healthy mix and on-the-spot frequency, the long-term development of this location will definitely be one to watch.

The dedicated shopping centres outside the city, such as the Spreitenbach Centre or retailers at the Zurich Airport, are the areas that have successfully established themselves as profitable retail locations alongside Bahnhofstrasse.

How and in what manner it will be possible to extend retail provision laterally to Bahnhofstrasse, i.e. towards Löwenstrasse, Pelikanstrasse or Nüscherstrasse, remains to be seen over the coming years. Here as well, the political agenda pursued by the planning authorities and the flexibility on behalf of the listing authorities are key parameters.



02 Geneva's Rue du Rhône boasts highest number of new brands in history

GENEVA, highly central, with impressive purchasing power and an international audience, has a unique appeal for many retailers as an entry point into the Swiss retail market. The principle affinity of predominantly Anglo-Saxon retailers towards the French-speaking part of Switzerland with its retail centres Geneva and Lausanne plays a significant role alongside the typical purchasing power argument. We are thus seeing a disproportionate amount of interest generated by British and North American retailers entering the market. A prominent example, though not crowned with success, was Marks & Spencer on the Rue du Marché. Yet another factor in favour of Geneva's incubator function is the wider spread of high streets compared to Zurich, which allows more room for creativity when designing selling space. Top rents on Rue du Rhône are at CHF 7,400 per square metre per year. At CHF 6,900, Rue du Marché is equally attractive and is in demand now more than ever. This is further underpinned by the frequency of over 80,000 people each day.

Across from watchmakers Jaeger-Le-Coultre and IWC Schaffhausen, at the top of the Rue du Rhône, jeweller Boucheron chose the location for their first boutique. A piece of property recently acquired by a Chinese investor is now the site of the Swiss flagship of the Gucci Group affiliate. UBS announced that it would renovate its property that extends from Rue du Rhône through to Rue de la Confédération on Rue du Commerce and make it suitable for retail use. French star shoe designer Christian Louboutin has occupied the prime location across from here since December 2009, in the building where mobile communications provider Orange was previously located. Louboutin recently opened its sixth US boutique in Miami's Design District and its first South American boutique in the Iguatemi shopping centre in São Paulo.



Watchmakers Compete for the Best Locations in Geneva

Watchmaker Audemars Piguet moved from its former location to a new boutique twice the size on Place de la Fusterie in March 2009, now occupying an area of 300 square metres. Neighbours on the same side include Morgan and PKZ as well as Bulgari, and Swatch brand watches across the street. Watchmaker Panerai now occupies the space where Audemars Piguet's boutique was formerly located. Two years ago, Jean-Paul Gaultier had already opened a shop in the same building. Across from this building, the property next to Globus that was auctioned for CHF 80 million two years ago is still under construction. Not far from here, Graff Diamonds and Swiss watch designer Gérald Genta, part of the Bulgari Group, opened their first Swiss boutiques two years ago. Watchmakers Hublot and Dior Horlogerie, both of which acquired new presentation space on Rue Robert-Céard in 2009, also belong to LVMH. Hublot now occupies Montblanc's former location. Dior took over the lease agreement that was previously held by the Catimini children's shop. Burberry will renovate its boutique on the same street this summer.

Once Chanel had acquired the property located between Patek Philippe and Bucherer for over 50 million francs, the new owner terminated the lease agreement held by neighbour Hermès in the same building. As a result, Jean-Louis Dumas bought the property to the left of Patek Philippe, where Les Ambassadeurs is a tenant. Across from here, Lanvin (150 square metres) and Loro Piana (over 500 square metres) opened their shops last year and the year before, respectively. Now Italian fashion and accessory company and LVMH subsidiary Fendi is located in Lanvin's former boutique, next door to Christian Dior.

Millions of Francs in Key Money on Rue du Rhône

Montblanc, which has now moved 50 metres further to Place du Port next to Celine, managed to double its space to 100 square metres. Versace had opened the Galli stationer's shop on Place de Longemalle for key money in the high single digit millions. However, following a change in management within the haute couture fashion house based in Milan, the company distanced itself from the shop, which only offered a 60 square metre ground floor. Now the owner is looking for a new tenant for key money running into the millions. Next door, Vacheron Constantin opened a 3-year provisional arrangement on Place de Longemalle. One building to the right, the premium label Hervé Leger from American fashion designer BCBG Max Azria finds its domicile. High-quality shoemaker John Lobb, also a part of the Hermès Group, is located across from here. French swimwear designer Vilebrequin opened its shop opposite the Hotel Métropole. Shoe manufacturer Church's, which belongs to the Prada Group, and the haute couture boutique Show-Off have occupied space opposite Escada and Max Mara since the beginning of 2009. Further on, near the end of Rue du Rhône, towards Rue Pierre Fatio, one now finds bed manufacturer Hästens along with Touzeau Arts de la Table.

Touzeau Arts de la Table themselves sold their shop on Rue de la Croix d'Or to Diesel; now they are situated adjacent to shoe manufacturer J.M. Weston.



Apple Opens Second Continental European Shop in Geneva

In the Fust shop on Rue de Rive a new Christ jewellers can be found, which also belongs to Coop. Just opposite, Apple had already opened its first shop in Switzerland in 2008, which after Rome was the second one to open in Continental Europe. Last summer, Sunrise took over the shop located on the left from women's fashion supplier Sinequanone.

British men's outfitter Hackett and French designer Tara Jarmon both came to Rue de la Tour Maîtresse in 2009. Premium quality fashion and accessory company Paul & Joe became a recent addition to Rue de la Madeleine, parallel to Rue de la Croix d'Or. Not far from here, Agent Provocateur can also be found on Rue d'Enfer in the city on the Rhone.

In the former EPA department store on Rue de la Croix d'Or, the Dosenbach shoe company, part of the Deichmann Group, rented over 1,000 square metres of space from Interdiscount. Across from Zara, Massimo Dutti and Bershka, Wolford is new to Place du Molard next door to Gübelin jewellers, paying a six-digit key money. At the end of Rue du Marché, the Brunshwig family acquired the Valora Pension Fund property. Now that former Valora Group member Merkur confectionery's lease agreement has expired, Bon Genie is expanding the entrance area. Four doors to the right, Orange managed to take over the space that was formerly occupied by accessory shop Static. At the top of Rue du Marché, the family-owned enterprise Victorinox, known overseas primarily as "The Swiss Army Knife", celebrated the grand opening of its approximately 700 square metre Swiss flagship at the end of November 2009 in the shop that formerly belonged to Marks & Spencer. The latter withdrew completely from Switzerland following an unsuccessful attempt at expansion. Mobile communications provider Mobilezone took over Barber Optique's shop on Rue de la Confédération. Also new here are the perfume shop chain Marionnaud and Swisscom, located opposite.

In 2008, Assetimmo already acquired a minor share in the Geneva property located at Place Cornavin 14-20 for around CHF 3 million.

03 Changes to the most prominent Swiss prime locations

The federal capital BERN is the European capital with the smallest presence of luxury goods suppliers in all of Europe. With the exception of Bally and Hermès, there are no premium retailers such as Louis Vuitton or Cartier, for instance. The highest rent recorded to date is just over CHF 6,000 per square metre.

In December 2009, after remaining vacant for some time, Mammut rented the shop formerly occupied by Dies & Das on Kramgasse. Kornhausplatz, near the Zytglogge tower, will be further enhanced in mid-2010 by an additional Edelweiss shop. Now visitors to Bern can also shop in a G-Star boutique on Theaterplatz. H&M took over City Disc's former location on Marktgasse, thereby expanding the front to approximately 12 metres. Just opposite, the Merkur confectionery is now present in the space where Laura Ashley was once located. Next door, Gamestop took over the Langenthal linen shop. At the end of Marktgasse, near the Käfigturm (Prison Tower), Fein-Kaller exited the scene. The men's outfitter from Zurich passed its location on to the Metro boutique. This enabled the young fashion chain from Biel to connect its existing floorspace to the new shop. Just opposite, McDonald's was no longer able to keep up with the game of rental poker and ceded its restaurant in the most highly frequented area to Tally Weijl. The latter reached an agreement for its former boutique with its neighbouring successor, clothing discounter Chicorée.



Railcity & Christoffelunterführung in Bern Boast Record Sales of 29,000 Francs per Square Metre

The Christoffelunterführung underpass opened in the summer of 2008, featuring 15 shops between the Railcity in the Bern central railway station and the Loeb department store. Pedestrian frequency levels here are the second highest in Switzerland, and the retailers located here enjoy the best results in the country. The average annual sales per square metre is CHF 29,000, and represents Switzerland's highest figure. Spitalgasse also underwent a change: Sunrise took over kiosk's 75 square metre space in the Loeb department store. The Pasito-Fricke chain of shoe stores took over C&A's Clockhouse space on Neuengasse. Nespresso moved from Schaubplatzgasse to Neuengasse, and now presents its products in an area twice the size with 290 square metres. As the designers for all of Nespresso's boutiques, the star architects from Concept Consult Architects in Lausanne are once again responsible for the design of the second "in-place" for coffee in Bern. Dosenbach-Ochsner, part of the German Deichmann Group, ended the Nike Store franchise contract in December 2009 and will open an Ochsner Sport shop in the same location. Vero Moda moved to the Christoffelunterführung underpass and Pieces is now located in their former boutique at the end of Neuengasse.

Compared to other European capitals, Bern plays a rather inconsequential role nationally when it comes to retail trade. The economic and purchasing power in the Bern area is simply not comparable to that of places such as Zurich or Geneva. Moreover, the quality of space available on the Aare-rock is at odds with the aim of high productivity per square metre due to the UNESCO World Heritage site's structural and spatial limitations.

But it is precisely due to these conditions that retail trade in Bern has such great potential. Here again, the focus is on downtown locations with development potential. The great success of the Christoffelunterführung underpass offers a stark contrast to the Westside shopping centre development, which, like the Urban Entertainment Centre Sihlcity in Zurich, is an example of an unsuccessful and unfinished concept in a peripheral location.

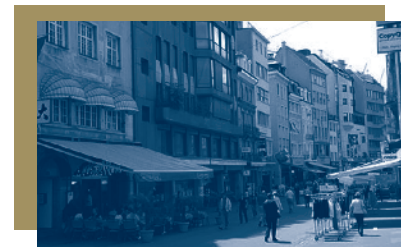
Rent price comparison for prime Swiss locations*, 2009/2010

		CHF/m ²	€/m ²	Steigerung in %
Zurich	Bahnhofstrasse	9'475	530	13.5
Geneva	Rue du Rhône	7'400	414	–.–
Geneva	Rue du Marché/Rue de Rive	6'900	386	0.7
Bern	Marktgasse/Spitalgasse	6'300	352	1.6
Basel	Freie Strasse	5'400	302	8.0
Lucerne	Hertensteinstr./Weggisgasse	4'900	274	5.4
Winterthur	Untertor/Marktgasse	4'400	246	2.3
Zurich	Rennweg	4'300	240	4.9
Lausanne	Rue du Bourg	4'075	228	16.4
St. Gallen	Multergasse	4'050	227	–.–

* Top rent prices, net (ground floor shop/100–150 sqm/6–8 meter front)

BASEL is the largest city in the border triangle, with pharmaceutical giants Novartis (Ciba-Geigy & Sandoz) and Roche. The city on the Rhine comes in fourth in Switzerland with top rents above CHF 5,000 per square metre. Here, the German women's wear chain Bonita took over the approximately 120 square metre Tchibo shop in the prime Freie Strasse location. Directly adjacent to the right, it remains to be seen who will receive the 900 square metre space used by a shoe shop. The franchisee and franchisor reached a friendly agreement with the new owner before the lease agreement expired. Trudie Götz of Zurich has one less Trois Pommes shop in Basel, as she sold her boutique to Body Shop competitor L'Occitane. The established perfumery Mäder closed due to age and lack of a successor. The same property owners rented the location to Basel jeweller Urs Mezger.

At the end of Aeschenvorstadt, the space that formerly belonged to Migros Kirschgarten is now occupied by gastronomy trendsetter Vapiano, Lidl, and the Valiant Bank. The retail shops in the new MM Migros Drachencenter were not so successful.



Bestseller Makes its Mark with Flagship Store in Basel

Sprüngli is opening its second shop on Barfüsserplatz in addition to the Basel central railway station in the City Casino across from the Doll Museum. In Steinenvorstadt, the Danish Bestseller Group will open the largest shop in Switzerland in March of 2010, with 1,300 square metres in the Credit Suisse location that had originally been designed for the Spengler fashion house. The transaction volume reaches into the mid eight-figure range. The previous tenant was FNAC, German electronics shop Saturn's French competitor, who threw in the towel not even a year after opening. Saturn opened the first Swiss electronics shop in the new Stücker shopping centre in Basel in October of 2009. Scandinavian fashion brand VILA will celebrate its premiere in Switzerland in Vero Moda's current store across from the Bestseller Family store. Valora Group convenience supplier Avec acquired the Migros Food Court across from the Nike Sports Shop. The property located at the centre of the shopping and entertainment mile was sold; the Beldona lingerie shop had occupied this space for years. However, before the purchase agreement was concluded, the owner determined it was more profitable to rent it to the Burger King fast food chain. The cult fashion label Bench is now located at the end of the street.

Falknerstrasse was able to maintain its appeal by attracting Marc O'Polo through the Bollag-Guggenheim Fashion Group. The new Apple reseller Ingeno Data, Gamestop, and the Swiss concept gastronome Nooch are all new to Gerbergasse, as is the German chain Street One in Yendi's former 180 square metre location.

LAUSANNE has a rapidly growing population combined with increasing affluence and an international audience. This has strengthened retail trade along key high street areas in Lausanne. In line with the city's dynamic growth, a high level of retail activity could be observed, improving the quality of retail provision within the established pedestrian zones. Overall, the diversity of retail in Lausanne is the largest in Switzerland. This phenomenon is also owed to the expansion opportunities available to retail shops due to the decentralised nature of the high street area boasting yet high levels of footfall. The decentralized nature of Lausanne's high street is equally keeping top rents at moderate levels at just over CHF 4,000 per square metre per year. In excess of 80,000 pedestrians frequent the Rue de l'Ale and Rue Saint Laurent each day.



In the prime location Rue du Bourg, Mango took over Inside Home Design's shop, which boasts 600 square metres of vending space. Across from here, Buckles & Belts opened its doors in the former The Phonehouse shop. Further along, in the higher value area of the pedestrian zone, gift voucher retailer Smartbox acquired the 85 square metre space from Cotton Club. Next door in the same building, French fashion label Comptoir de Cotonniers is making a début with its own shop in Switzerland spanning roughly 120 square metres. The company belongs to the Japanese Fast Retailing Group and operates successfully in five Globus stores.



Unfortunately, the 10,000 square metre Galerie St-François was not quite as successful. Among other retailers, the largest Nespresso Boutique in Switzerland is located in the lavishly renovated UBS property. However, the space configuration and the tenant mix are less than favourable, and there is no anchor tenant to function as a true magnet.

Sunrise is new to Rue Saint François, with 75 square metres in the former GaleniCare Pharmacie Centrale. On the other side of Rue Centrale on Rue du Pont, the Danish Bestseller Group launched its first Pieces store (65 square metres) across from Globus. In the Place de la Palud passage from Rue Pichard to Rue Haldimand, French bakery chain Paul's closed its two shops. The newly renovated Métropole 2000 shopping centre was launched with great success and high sales just north of the Flon. The property features a vending space of more than 12,000 square metres and represents a strong contrast to Westside and Sihlcity. 50 metres away in the pedestrian zone on Rue Pichard, Sisley took over the Bata shop next to Tally Weijl. Across from here, Vero Moda plans to expand its store by 300 square metres. Four doors to the right on Rue Haldimand, West Swiss local hero and shoe shop Aeschbach Chaussures opened its Lausanne flagship store. Bata settled in next door in a 300 square metre shop.

As expected, in WINTERTHUR there was only one newcomer to Untertor. The Schild Group opened the women's fashion boutique Street One. The building was completely torn down with the exception of the façade. It took over a year to complete this work. The top rent here is comparable to Rennweg in Zurich, at a rate of CHF 4,400. More than 50,000 people pass through here daily from Bahnhofplatz towards Marktgasse.

At the top of Marktgasse, the Chiquita Fruit concept opened its first bar in Switzerland with an area of 40 square metres. The Vollenweider confectionery was unable to maintain its third café in the 250 square metre space and surrendered the location to Vero Moda. Now Tom Tailor products are sold in the location Street One previously occupied. The British pasta concept Wagamama also gave up after less than a year. Franchisee SV Group closed its location in the summer of 2009. The Bestseller Group will also take over this 300 square metre area with its accessory and fashion concept shops Pieces and VILA. At the corner of Obertor and Oberer Graben, underwear label Triumph opened its shop where the jeweller Goldige Egge once conducted business.

Noteworthy purchases made by Swiss institutions in 2009 included Swisscanto's acquisition of the "Shopping Seen" shopping centre in Winterthur for CHF 55.5 million as well as the UBS purchase of the Kesselhaus. Similarly, the CS REF PropertyPlus managed by Credit Suisse Asset Management uses project developments as a method of acquisition and counts the investment in the Lokwerk shopping centre development project in Winterthur among its most important retail investments in 2009.

Millions of Francs Given Away in St. Gallen

In ST. GALLEN, after brief yet intense negotiations, Esprit reached an agreement with the world's largest shoe manufacturer Bata and the property owner regarding the conditions for transferring the retail space that had previously been used by Bata and Tally Weijl. This is the largest amount of money that has changed hands in any transaction made in past years on Multergasse. Top rent in the shortest prime location in Switzerland is the most moderate compared to the remaining top 10, at around CHF 4,000. A footfall of more than 40,000 people per day is not uncommon here.



The property where Esprit's former shop was located belonged to a publicly traded Swiss real estate company. For strategic reasons, the property was sold for nearly the same rent prices to an insurance company from Zurich. Dosenbach-Ochsner is the new tenant, despite the fact that a fashion store chain had already made an offer that was one-third higher and translated into an additional value of several million francs. Thus, the leader of the Swiss shoe business market now has four shops along the most heavily frequented shopping street in East Switzerland's largest city. Across from here, Swarovski took over Navyboot's shoe shop.

In the passage between Marktgasse and Spisergasse, after more than a year of renovation work, Orell Füssli opened the Rösslitor bookshop spanning an area of 1,500 square metres where Manor had once been located. The latter moved to Webersbleiche at the end of 2007. Tally Weijl moved to City Disc's former location on Neugasse. Now jeweller Thomas Sabo (formerly Geschenkidee.ch), shoe shop Pasito Fricker (formerly Borsella Leather Goods) and the Roma boutique (formerly The Phonehouse) are all new tenants across the road.



Herren Globus men's outfitters opened a 1,000 square metre shop on Webergasse, where the Rösslitor bookshop was formerly located. CHF 4.7 million was invested in the renovation work.

Highest Key Money on Weggisgasse

In LUZERN, Fielmann took over the floor space of Dutch fashion brand Mexx for key money in the lower seven-figures on Weggisgasse. The second floor was also taken over by Promod so that the 40+ employees can begin handling the surge in customers as early as 8 am in the morning every day. The property, covering four floors, with a total area in excess of 1,000 square metres including storage, had been vacant for more than a year. To the right, Gränicher is making modifications to its Ella boutique and will offer exclusive women's fashion both here and on Pilatusstrasse. At the other end of Weggisgasse, Benetton secured the floor space of the former tenant Douglas perfumery after the chain did not renew the lease agreement. The franchisee of Benetton also took over the adjacent Subito by Kofler boutique to the right and opened a Benetton children's store there. The key money paid here was quite possibly in the upper six-figure range. Lucerne's centrality is the highest among the ten largest Swiss cities and a footfall of 70,000 people in a fairly confined high street is the main pre-eminent reason why this area is in such high demand, with rent prices paid up to CHF 5,000 for prime premises.

Near the crossing to Hertensteinstrasse and the Grendel, Wolford, Dosenbach and Yves Rocher have their shops in the completely renovated corner building. Pieces is opening its third store in Switzerland on Hertensteinstrasse at the former site of Waffen Stämpli with approximately 160 square metres of floor space. Sunrise took over the business from Casagrande, the local hero when it comes to souvenirs. On Kapellplatz, Thomas Sabo continued his expansion into Switzerland, adding 70 square metres to his shop between the Blue Lemon lingerie boutique and C&A. And fifty metres away on Kapellgasse, Apple reseller Data Quest secured the location for its second site in Lucerne. Next door, the outdoor outfitter House of Sherpa opened its doors for business. This former Fielmann site with 300 square metres will be the home to the third VILA boutique in Switzerland.

On Weinmarkt, a 150 square metre Mammut store and Weber's World, the oldest knife shop in Lucerne, opened in the lavishly renovated Mischa Palmers building. Across from there, shoe retailer Imgrüth closed the Mephisto shoe shop, which has now been replaced by a local fashion retailer offering the brand Silk & Cotton.

Right next to the central railway station, the CS Fund CS REF Siat 46 develops the ground floor of the Citybay residential building into 690 square metres of retail space.

Temple of Culinary Delights – Lino Gabbani in Lugano

In LUGANO, Louis Vuitton enlarged its boutique at the end of the luxury shopping mile via Nassa to cover approximately 300 square metres. A new five-star hotel is being built across the street. According to local insiders, Giorgio Armani and others will present their brands there. In the former Carisma boutique there is now a Bernie's shoe shop with 55 square metres of floor space. Following the closure of Chopard and Mobilezone next to the Weber & Bläuer antiques shop, Les Ambassadeurs jewellers will now move in next to Gübelin jewellers. On Piazzetta Maraini, Moncler will move in next to Hermès as the successor to the Valente Milano jewellery shop. The highest rents here are close to CHF 4,000 per square metre. Up to 50,000 people frequent this area on peak days.

“The attraction of Lugano's shopping district is neither the fine scarf nor the exquisite wristwatch, but rather Lino Gabbani's colourful temple of culinary delights.” This is how the Marco Polo travel guide depicts Mr. Gabbani, a man who after years of fighting for his business had to give in to the pressure from chains on via Pessina in favour of Swarovski. But the family did not give up: They purchased the property directly adjacent to their old location, which they then took great pains to renovate, and reopened their restaurant there in November 2009. On Piazza Dante, mobile communications provider Orange rented the space previously used by BSI Bank.

41 Million Franc Investment for Esprit and Lüthi + Stocker Books

IN BIEL, a German builder invested CHF 41 million in a project for the new business locations of Esprit and the Lüthi + Stocker bookshop totalling 1,900 square metres on Nidaugasse. The grand opening is planned for autumn 2010. This very popular prime location brings in rent prices higher than CHF 3,000 per square metre. Near the end of 2008, Manor opened its new 8,000 square metre department store at the end of Zentralstrasse in Nidau. A contemporary building complex now exists on the same historic site where the company began more than a century ago. The total investment was CHF 17.4 million. Optic 2000 and Body Shop have also moved into the department store. Body Shop sold their lease agreement on Nidaugasse to Apple reseller Data Quest. Following laborious negotiations, Metro-Boutiques succeeded in taking over the space from Cecil, the sister company of Street One. Metro-Boutiques is finally able to present itself appropriately in its own home town.

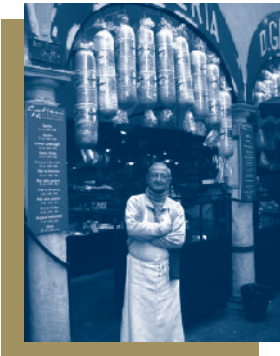


As a regional centre, Biel is also experiencing change among its retailers. The creation of new surfaces and the concentration within the city is also contributing to an overall improvement in offers for consumers. The Credit Suisse Investment Fund RE Switzerland Dynamic has provided a good example of Swiss asset management by winning over the Mövenpick winery and other solid tenants to move into Biel's Bözingenstrasse after modernising and reconfiguring nearly 1,120 square metres of retail space in the previously unattractive property.

In THUN, Esprit opened up a 860 square metre shop on Bälliz. The new owner invested CHF 21 million in the new building located between Sunrise and the Schaufelberger department store. Home accessory supplier Dies & Das sold its lease agreement to Chicorée. At the end of August, Data Quest took over the approximately 120 square metre former location of The Phonehouse from Swisscom after the space had been vacant for a long time. The annual rent prices here are as high as CHF 3,000.

In Zug, Dosenbach took over the nearly 1,000 square metre premises on Bahnhofstrasse from Zehnder Mode in March 2009. In the Metalli Center, Starbucks occupied the space of a local gastronome covering 120 square metres.

In BADEN, the Credit Suisse Fund CS REF Interswiss purchased the property on Badstrasse from Unimo Real Estate, where the fashion retailer Ledergerber is the tenant. The market value is CHF 22.9 million; the rental income was CHF 1.2 million. Meanwhile on Weite Gasse, Apple reseller Ingenodata took over the space from Volksbank.



More Movement in the Alpine Resorts

In the SKI RESORTS, Ralph Lauren took over the long-standing Bogner boutique next to Ermenegildo Zegna in ST. MORITZ on via Serlas. Next door, Italian shoe manufacturer Silvano Lattanzi opened a shop in the 30 square metre former boutique of the Slupinski fur shop. Slupinski moved on the same side of the street to the top of via Maistra into the somewhat larger former space of hairdresser Helen Röher. There is now a fifth Trois Pommes shop from Trudie Götz in the former Salis & Vertes gallery next to Nespresso. Yet the Italian shoe manufacturer Santoni has taken up shop in Badrutt's Palace. Sonja and Willy Bogner purchased the property from Credit Suisse on via Maistra. The 300 square metre "World of Bogner" is across from the historic Kriemler shop (underwear boutique) and the famous Hanselmann confectionery. Marni opened a fashion boutique on Via Maistra, Kacy Crown opened a shop only a few metres away, and on Via Somplaz Komsoos & Giganten offers Ed Hardy collections. In ST. MORITZ-BAD, one will find Columbia Sportswear Company's first Swiss pro shop on via Rosatsch. Rents of over CHF 4,000 are not uncommon.



In GSTAAD, the second Ralph Lauren boutique in Switzerland opened in the 170 square metre Les Amis chalet on three storeys. Next to the chalet, by Hermès, is the new Moncler boutique with approximately 80 square metres of floor space, which is operated by Ciolina. On the main street is Brunello Cucinelli's only Swiss cashmere boutique. Heidi and Curt Engelhorn acquired two additional chalets and reside in the „Souleiadou“ chalet built by Aga Khan in the 1950s.

In DAVOS on the Promenade, the Morosani hotel was completely refurbished for CHF 15 million and the ground floor was developed for additional retail space. At the beginning of December 2009, Odlo moved into the 150 square metre boutique on the left corner location and opened its second business in Switzerland. Sunrise took over a place with 70 square metres at the old main entrance next to the Angerer sports shop. Migrolino is now also present at the right corner location of the hotel with a 150 square metre convenience store. Here as well, rents of CHF 3,000 and more are paid per square metre.

In VERBIER at Place Centrale, a further Moncler boutique has opened, with approximately 70 square metres. The next destination of the successful down jacket label will open in Autumn 2010 with a 50 square metre shop in ZERMATT on Bahnhofstrasse. Another shop is located in CRANS SUR SIERRA next to Bally on Rue du Prado.



Other high-quality international retailers have also opened up shop in the fashionable ski resorts in the Alps, with special offerings for the well-heeled clientele. There is a clear trend towards assimilation of the brands offered at the respective location. The restrictions on new buildings are most evident in that most expansion or relocation of retailers takes place in existing buildings in central locations.

At the other end of the consumer spectrum, one will now find, at least in part, food discounters in or near the most important resorts. This development is particularly favourable for the budgets of local inhabitants and seasonal workers.

04 Department stores and shopping centres worldwide, highest success in Zurich



Department stores and shopping centres are once again benefiting from the great demand of Swiss consumers. With one exception, the ten largest companies have reported exceptional sales figures. And sales per square metre were also largely higher. Less than one fifth of the existing shopping Meccas had stagnating to shrinking sales. At plus three percent overall, floor space growth was marginal compared to previous years. The building boom still holds strong: 22 new shopping centres are in the planning stages – how many of these will be built is yet to be seen.

Still a world leader, Globus, the 7,500 square metre department store belonging to the Migros Cooperative, boasts annual sales of around CHF 25,000 per square metre. No less impressive is the little sister in Geneva on Rue du Marché and Rue du Rhône with 9,000 square metres and sales of CHF 140 million. The 28,000 square metre department store Jelmoli just 100 metres away now benefits from a refurbished sales area and hopes to achieve better results than last year's CHF 350 million by introducing more attractive brands. Despite the fact that the productivity per square metre floor space on the ground floor has more than doubled, with a current annual productivity of CHF 13,000 per square metre, there is still greater turnover potential from the more than 20,000 visitors per week-dayday and 49,000 visitors on a typical Saturday. The complete opening of the remodelling project is planned for autumn 2010. For the Manor department store located between Globus and Jelmoli, the owner is evaluating a tenant mix to bring in greater sales for the 10,000 square metres of floor space.



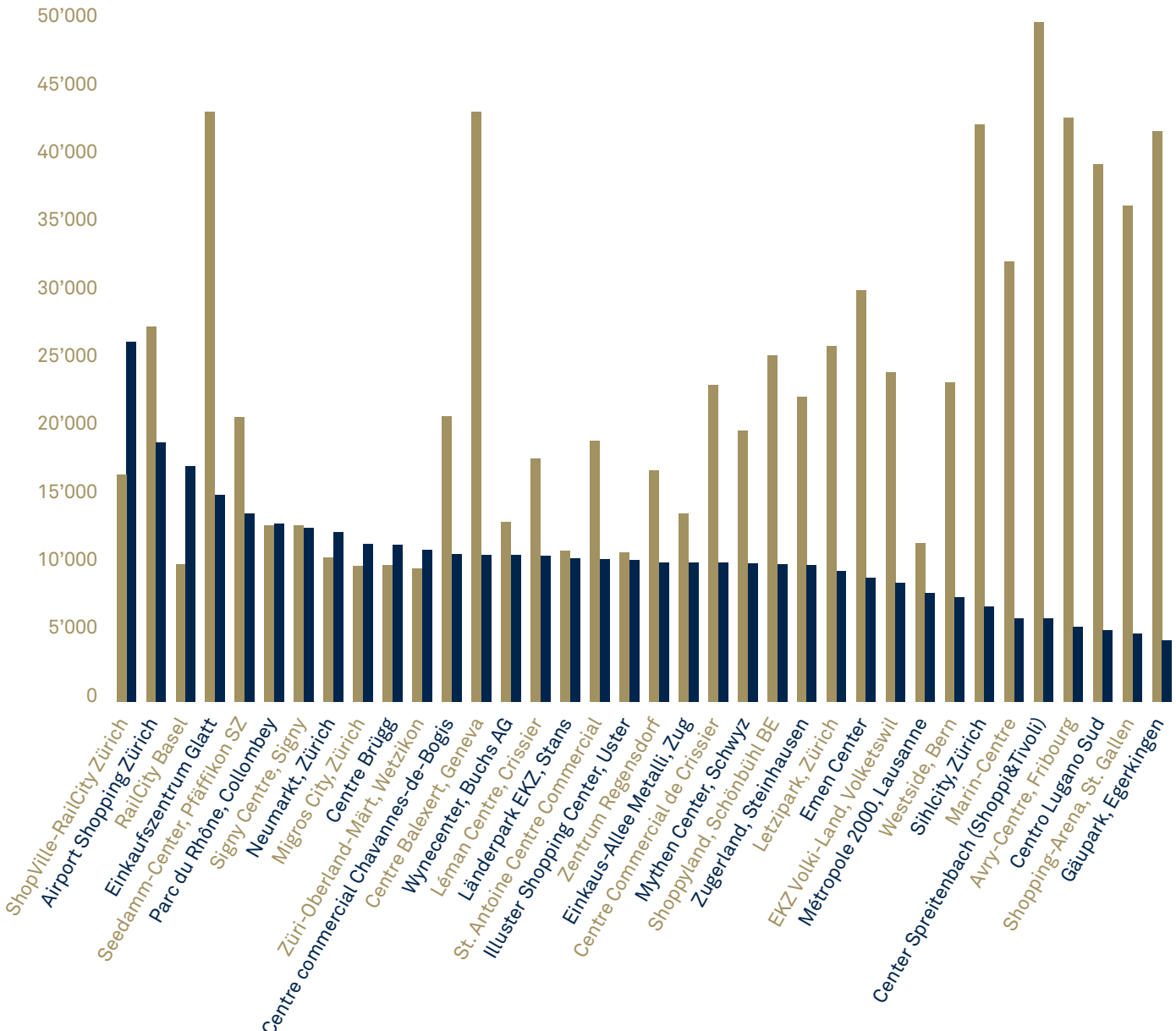
Successful Centre Management

In the Glattzentrum in WALISELLEN near Zurich, both Esprit and the two Bollag-Guggenheim Fashion Group labels Guess and Marco Polo will be opening their doors. Leaving the centre are the fashion retailers Modissa and the young fashion shop BIG, which belongs to the same group. Also Atlanta Jeans is departing. After many years of belonging to the centre mix and contributing with annual sales upwards of CHF 30,000 per square metre, these three businesses must now throw in the towel in 2010. Unlike other leading European shopping centre operators, centre owner Migros has had the same local management for the last nine years. With average annual sales per square metre higher than CHF 15,000, the Glattzentrum is among the most successful shopping centres in Europe.

Switzerland's largest shopping centre complex with more than 70,000 square metres of floor space, the Spreitenbach Center (formerly Shoppi-Tivoli) in Spreitenbach near Zurich, is now in the last third of the conversion phase and is currently only achieving annual sales of CHF 6,126 per square metre. H&M will operate its largest shop in Switzerland here, and will start remodelling work at the beginning of 2010. In November 2009, Tivoli celebrated the opening of the centre's largest fashion shop: Van Graaf from the Hamburg Peek & Cloppenburg Group opened a 4,500 square metre shop and hopes to have more success with its first engagement in Switzerland than the competition from Düsseldorf with the same name in Zurich's Sihlcity. After initial difficulties, the urban entertainment centre in southwestern Zurich has now also begun to experience the tenant fluctuation. There are other tenants besides Charles Vögele that would like to get out of their long-term agreements and are looking for next tenants. Sales per square metre here are CHF 7,000 annually.

Shopping Centres in:

- Selling space
- Sales/sqm



The Centre Balexert, which belongs to the Migros Cooperative Geneva, has been partially refurbished and expanded by roughly 20,000 square metres for a total of approximately 60,000 square metres. This makes it the second-largest shopping centre in Switzerland. The department store Globus will open its 14th location as a large-area tenant with around 6,000 square metres. With sales of approximately CHF 11,000 per square metre, the Centre Balexert still belongs to the top 30 in Switzerland.

Stücki is a new, classic shopping centre in Basel-Kleinhüningen, located at the site of the former dye works, the Stückfärberei Basel. Attached to the shopping centre are a hotel and a commercial complex, the Stücki Business Park. The shopping centre opened in September 2009; the investor is Tivona Eta AG, which belongs to Jelmoli. Hamburg-based ECE Projektmanagement is the operator. Basel-based architects Diener & Diener designed the building. The shopping centre houses 125 shops, 15 of which are food and restaurant businesses, with 32,000 square metres of retail space. The centre's anchors are Saturn and Migros. Metro AG's consumer electronics chain Saturn is thereby opening its first location in Switzerland. There are also a number of retail groups aiming to expanding operations into Switzerland by opening their first shops in the Stücki shopping centre.



Sulzer Areal Experiences Positive Development

With almost no exception, nearly all retailers in the Lokwerk shopping centre on Zürcherstrasse had an exceptional start in the complex with 20,000 square metres of gross floor area. Kamata Real AG built the shopping centre with Coop as the anchor, the largest H&M in Winterthur, Müller Drogeriemarkt and other retailers and chains. Credit Suisse is the investor. Completion of the Kesselhaus project from the same developer on the railway tracks near the Neuwiesen shopping centre is planned for summer 2010. Media Markt and a multiplex cinema will be the anchors here. Whether the Arch-Höfe project will still find an investor remains open. However, there is talk that a renowned Spanish fashion chain has signed a preliminary agreement. Well-informed sources say that the builder, more than two years delayed, still has not found an investor because the

project has too high a share of residential space and due to Lex Friedrich/ Lex Koller restrictions is not investible for foreigners.

The completely redesigned Marin shopping centre will be home to Globus and H&M, among others, which will open shops with 5,900 and 1,400 square metres of floor space, respectively. The centre, located between Biel and Neuchâtel, is experiencing noticeable improvements thanks to space reconfiguration. One example is the optimised link from the motorway, which will considerably improve access to the centre. The appearance has also been vastly improved, and the total sales floor space increased by 15%. The opening is scheduled for autumn 2011. Average sales per square metre are expected to improve considerably from the current CHF 6,160.

With annual sales per square metre of CHF 5,000, the shopping centre in the AFG Arena on the A1 motorway in west St. Gallen failed to meet expectations. Eastern Switzerland's largest shopping and leisure centre includes an IKEA, a 30,000 square metre shopping mall, 2,000 square metres of restaurants and 1,100 customer parking spaces. Covering 7,000 square metres, Coop occupies the space originally intended for Carrefour. Overall, more than 50 businesses known from other shopping centres are represented, including Esprit, Dipl. Ing. Fust & Interdiscount, H&M, C&A, Mode Weber, New Yorker, Ochsner Sport, Sun Store Apotheke, Thalia, Vögele Shoes and Zara.

Once again, the A1 shopping centre in Oftringen exhibited disappointing results. Many of the 47 tenants have complained about poor sales levels (CHF 5,200 per square metre), and some of them are in the red. This is due to visitor numbers that are clearly too low and the relative unattractiveness of the location. And the gates at the car park surely play a role in this context.

In its sixth year of operation, the La Praille shopping centre in Geneva recorded an increase in sales of + 8.3 % and total sales of CHF 187.5 million, which corresponds to CHF 8,700 per square metre, as well as steady growth in the flow of customers with 3.8 million visitors.

The UBS Asset Management controlled UBS SIMA Fund purchased the 13,900 square metre Cristal Centre Commercial Martigny shopping centre for roughly CHF 90 million; the grand opening is planned for spring 2011.

Railcity in Bern Frontrunner among All Shopping Destinations

The retail and food sales at the 31 largest Swiss railway stations experienced above-average growth compared to retailers. The nine largest RailCity stations achieved annual sales of around CHF 1.1 billion. Sales grew last year as well at the 31 SBB grand stations. All together, tenants achieved retail and restaurant sales of CHF 1.45 billion. Growth was well above the average growth rate experienced by Swiss retailers. The forerunner among all is the railway station in Bern, with average annual sales per square metre of CHF 29,229, followed by Railcity Zurich (CHF 25,391), Railcity Basel (17,327) and Lucerne (16,952).

Further planning and construction is underway. 22 new shopping centres with more than 5,000 square metres of space are currently in the planning or being built, exceeding the number of projects in the previous year. The next few years will see the construction of more than a million square metres of new shopping space. The largest project, Ebisquare in Ebikon, will cover 40,000 square metres. However, without an investor, the project does not yet stand on solid ground. The shopping centre operator La Société Générale Immobilière (LSGI) has not yet finalised the purchase agreement signed in July 2008, likely due to the economic prospects. The planned investment is 500 million francs and there are already a few established shopping centres in the area.

In general, it can be said that the average size of shopping centres has grown continuously over the last ten years. Today's average size is 17,900 square metres, which is closer to that of the 1970s when there was an extreme boom phase for shopping centres.

What is fuelling this continued growth? One reason is that retail-related projects still offer investors high yields. The lease agreements are long-term, and many tenants are willing to pay a high price to secure their place in a shopping centre.

Thus, the demand for new retail space, not just in shopping centres, is still strong. This is tied to the relatively limited space in Switzerland. Similarly, most of the activity is focused on the Swiss basin, with its main economic axis between Geneva and Zurich. Two thirds of the population live here and produce the greatest wealth and hold the bulk of the national purchasing power. Swiss consumers are generally considered to be an attractive and affluent target group, which is the reason many foreign companies have established themselves in Switzerland over the last two decades. These companies now depend on new locations so that they can attain an acceptable market size.

It is clear from the statistics on sales per square metre in relation to the overall size of shopping centres that the majority of shopping centres greatly need to improve their productivity per square metre of floor space. This mainly hinges on attractiveness and, in turn, on the retail mix. One thing in common between most shopping centres is that the people who visit them almost always face the same retail offering. Consequently, customers have no reason to alter their shopping habits and look for different malls. One can only assume that shopping centre managers and owners will give preference to new and innovative brands after the current tenants' agreements expire. This will bring a breath of fresh air to the shopping centre landscape, something that is happening right now for example with some of the changes taking place at the Spreitenbach Centre.



05 An appetite for mergers & acquisitions

The markets reacted positively to Orange's acquisition of Sunrise for CHF 1.8 billion – and they wanted more. Natixis analysts point to another player who could enter the Swiss market either as a virtual mobile service provider or as a buyer of the Sunrise network: Hong Kong-based Hutchison is already active in eight European countries and, thanks to its presence and heavy investments, has increased its share in the mobile broadband market in Europe mainly at its competitors' expense.²

Migros again increased its share in the clothing retailer Charles Vögele. "The involvement is purely financial", Migros again emphasised. Market participants cast doubt on this statement. The largest Swiss retailer now holds a position of 15.11% in the country's leading clothing chain. Their interest in the clothing chain has existed for some time, and has not declined in any way since then: Migros took over shares of Vögele in February 2008, and exceeded another threshold as early as April 2008 when they announced their holding of 5.18% in Vögele. By the end of June 2009, they had increased their share to 10.33%. Rumours that Migros intends on taking over the domestic operations of the clothing chain have continually resurfaced ever since they purchased their first shares two years ago. Vögele has 165 locations in Switzerland. In total, the company has around 850 sales branches.⁴

Last year, the Gaydoul Group implemented their new store concept at Navyboot and, in addition to the converted flagship store on Zurich's Nüscherstrasse, opened four stores in Germany in Berlin, Düsseldorf, Hamburg and at the Munich airport. In October 2009, news broke that Philippe Gaydoul won the contest for the Swiss hosiery manufacturer Fogal. Fogal is active with its own brand labels in 22 countries, selling stockings, tops, socks and lingerie in the upper price segment, and is present with its own shops in world capitals such as New York, London, Paris and Tokyo. Annual sales figures for the company are in the CHF 20 million range.

In December, Philippe Gaydoul stepped down from his functions as supervisory board chairman and CEO at Denner. The new CEO is former Ex-Libris managing director Peter Bamert. The D-Vino wine bars were sold in a management buy-out to managing director Anita Daeppen.

Then, just before Christmas 2009, followed the purchase of St. Moritz-based luxury sportswear and fashion company Jet Set.



Together with Das Depot, Interio opened the joint venture's first shops in Switzerland in autumn 2009. Migros had acquired 49% of the family business just ten months earlier. Now more than 150 branches are operated in Germany, Austria and Switzerland.

Globus transformed the Esco travel agencies into Globus Reisen lounges last year. Hotelplan and Travelhouse merged to form "M-Travel Switzerland" (MTCH AG). The Touring Club of Switzerland (TCS) is responding to the heightened Internet and telephone competition and closing 24 offices by next summer. Moreover, the travel group Kuoni took over the travel business of TCS effective December 2009.

The Manor department stores belonging to the Keller-Ullmann Group in Rapperswil-Jona, Rüti, Schattdorf and Wattwil were acquired by Manor Holding for an undisclosed price.

Galenica's engagement with Coop Vitality pharmacies is paying off: Sales at the 39 locations last year were CHF 105 million, which – thanks to eight new locations – represents a growth of 24%. Galenica holds 49% of the Coop subsidiary and operates the shops. All together, Galenica either operates or controls around 375 pharmacies in Switzerland and, with its market share of 30%, is by far the national leader in this area. The company achieves nearly CHF 900 million in sales with these businesses, including the share in Coop Vitality. Galenica scored a great coup in 2009 by taking over the Sun Store pharmacy chain and its roughly 100 shops. Sales skyrocketed by 50% as a result.⁵

Meat processor Bell is taking over the Belgian commercial enterprise Marco Polo in Zellik near Brussels at the end of the year. With this move, the Coop subsidiary intends on strengthening its sales organisation in the Benelux countries, according to a press release. No price was named. Marco Polo has annual sales revenues of around EUR 60 million and has 35 employees. The company specialises in selling of top-of-the-line butcher's shop items in the Benelux countries. In France, however, Bell is letting go of its 50 percent participation in the Alsatian Maurer-Frères. A private French investor has taken over the share, according to the press release. Bell wants to release further details about the transactions within the scope of its annual reporting.⁶

In the Stuttgart area, Shell is testing the Migrolino convenience shop in cooperation with Migros. This adds power to the expansion strategy of the orange giant into foreign countries. Four Shell shops are currently being transformed into Migrolino convenience shops in Stuttgart. By June, four additional Migrolino shops should be in operation in Deizisau, Ostfildern, Metzingen and Filderstadt to test the market. If the results are positive, expansion will take place quickly. Critical for this test is the successful collaboration between Shell and Migrol in Switzerland. 124 Migrolino shops are set to be in operation by the end of the year in Switzerland. Previous expansion efforts of the Migros retail concept abroad have faltered.

There are currently three M-shops in Germany, and two MMM-locations in France. The retail turnover for Migros outside of Switzerland fell by 8% last year to just CHF 207 million. Revenues in the preceding year were still CHF 225 million. In Germany, the Migros shops are located in Lörrach, Freiburg and Reutlingen, the last of these just opened in 2009. The Migros shop, which was located in Bad Säckingen in a rural market area, did not produce good results under Migros management and was sold to Rewe. Migros director Herbert Bolliger hopes to expand business operations with large Migros shops located in Southern Germany and is looking for further locations in city centres. The next larger-scale Migros shop will open in a shopping centre in Ludwigshafen in 2010. An additional ten to twelve shops of this type are set to open in Germany in the coming years.

How important a strong partner is for expansion abroad is something competitor Coop has known for a long time, successfully cooperating with German retailer Rewe to run Transgourmet – a joint venture in the restaurant wholesale market which has a volume of CHF 10 billion in its own right

Migros is not alone in testing the feasibility of convenience shops in Germany. Former Migros partner Valora will soon open its first Avec convenience shop in the Rhine-Ruhr area, in Gelsenkirchen. According to Valora director Thomas Vollmoeller,

the German convenience market has yet to be cultivated. Vollmoeller should know; just recently he was still working for Tchibo in Germany. "If we succeed in the Rhine-Ruhr area, we will succeed anywhere," says Vollmoeller with confidence. The difference to Migros is that Valora does not have a strong partner to depend on yet, but is still holding talks with numerous oil companies. Thanks to its strong partner, Shell, Migros has obtained a head start in the successful expansion of the convenience shops abroad.⁷

At the end of October 2009, Swiss Prime Site (SPS) completed the acquisition of Jelmoli, after major shareowners Walter Fust (6.6 %) and Klaus Wecken (8.4 %) also surrendered their shares. Georg von Opel had already sold his nearly 30% share in the company beforehand on May 29, 2009. Now Jelmoli only comprises the property of the traditional company including the department store in Zurich, the Grand Passage Globus in Geneva, the Stücker shopping centre in Basel, the shopping arena in St. Gallen, the La Praille shopping centre in Geneva, a property on Place Molard in Geneva, The Centre Commercial Carouge, the Globus on Rue du Pont in Lausanne and a property in Otelfingen. Valued at approximately CHF 2.5 billion, these nine largest properties account for two thirds of the total value of the Jelmoli real estate portfolio.

The rest of the former Jelmoli has now become an investment firm named Athris. This makes SPS the largest Swiss real estate company, with a portfolio valued at around CHF 8.1 billion. According to the company, cost savings and surpluses will result in an additional CHF 35 – 50 million in annual profits. The cost savings and surpluses are expected to increase the earnings per share by 12 – 17%. The transaction is worth CHF 1.8 billion. With a total value of CHF 4.1 billion and a share of over 90% prime locations, the company's real estate portfolio is one of the best in Switzerland with regard to quality. Another heavyweight in the SPS portfolio is the Zurich Sihlcity shopping centre with an interest of 24.2%, which corresponds to a market value of CHF 175.6 million.

Georg von Opel's Athris, mentioned above, includes the 5-star hotels that are part of Sailer Hotels Zermatt, Mont Cervin Palace, Le Petit Cervin as well as the 4-star hotel Monte Rosa, and a bed and breakfast in Täsch (Welcome). Athris also operates another 4-star hotel (Schweizerhof), and manages the restaurant chain Molino, the streetwear, snowboard, skateboard and surf outfitter Beach Mountain, Hypercenter Investment SA with activities in Russia, and Société Des Centres Commerciaux d'Algérie SPA with operations in Algeria.

And just before the takeover of SPS, a total of 32 properties (including Stücker Basel) of Tivona with a total value of CHF 860 million were incorporated into the Jelmoli portfolio in March 2009.

Encouraging Numbers

The beginning of 2009 was marked by restrained expansion for most retailers. However, this changed quickly especially with young fashion companies. Luxury goods retailers are still cautious, as they continue to suffer from the financial crisis and deal with considerable losses.

The world's largest watchmaker, Swatch, experienced improved sales in the second half-year of 2009. At the end of January 2010, the Swiss corporation surprisingly announced an adjusted drop in sales of 8.1 percent for the year, with total sales revenues of CHF 5.42 billion (EUR 3.69 billion). In the first six months of 2009, the economic environment led to a drop in sales of 15.3 percent.

Since the low in its share price at EUR 31.06 in November 2008, also the stock of luxury firm Pinault Printemps Redoute (PPR), which not only owns the Gucci Group but also Conforama, FNAC, Puma and the Redcats Group, has experienced significant growth. And if one looks at the price movement of market leader Louis Vuitton Moët Hennessy (LVMH), there was also only one direction for this share in 2009: up.



This trend is expected to continue and, in the core business of fashion and leather goods, sales after three quarters even went up a percentage point to EUR 4.54 billion. This positive development – corporate management is confident – is set to continue in 2010 as well.

The Inditex Group (Zara, Massimo Dutti, Bershka and others) opened 90 new shops by October 2009 in Asia alone. This year, the company also plans on opening the first shops in India. The current high growth rates in Asia are compensating for the stagnation in the home market of Spain. After a nine-month period in the financial year 2009, the fashion company increased sales by 8% to EUR 7.8 billion and added 4.3% to net profit in the third quarter of 2009 translating into earnings of EUR 456 million. Analysts have also predicted growth in the company's market share for this period compared to competitors Gap and Hennes & Mauritz. These developments in the industry further underpin the trend towards an increased presence of multi-national fashion multiples.



The opening of new shops and good Christmas sales have stopped the downward trend at Swedish fashion label Hennes & Mauritz (H&M). In December, H&M reported a growth in sales by three percentage points, based on a comparable period. In the fourth quarter, earnings before taxes were approximately EUR 782 million; analysts had only expected EUR 682 million. In the last financial year, consolidated sales climbed by 14.5 percent to currently just under EUR 9.9 billion. Net profits increased by 7.1 percent to EUR 1.6 billion. The competitor to Esprit and GAP has been able to meet the challenges of the economic crisis better than many rivals thanks to its global position and relatively inexpensive clothing. Nevertheless, H&M also had to deal with problems due to reluctant consumers last year, particularly in Europe.

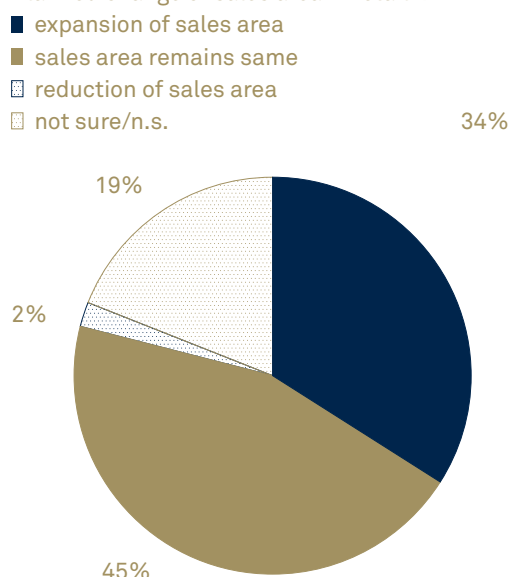
Nevertheless H&M's expansion is continuing in full swing. After opening 250 new shops in the last business year, H&M plans on opening another 240 branches by the end of fiscal 2009/2010, which ends on November 30th. "Our growth target is to increase the number of shops by ten to 15 percent each year," said the company. This would raise the number of H&M shops to more than 2,200 worldwide up from 1,988 the year before.

06 Prospects for Swiss retail space market

Swiss retail business figures are likely to decrease by 0.5% in 2010, as shown by the retail business study of Credit Suisse and the consulting company Fuhrer & Hotz. Even though this selective survey among retail business and industrial decision makers witnesses an unbowed optimism in the industry for 2010, the economists of Credit Suisse sound a note of caution: The increase in unemployment will weigh on the consumer climate in 2010. And a continued trend of falling immigration will provide positive, yet decreasing impulses for the retail business.

If you look back to the year 2009, then it is quite remarkable how the Swiss retail business has held up in the face of the most severe recession since 1970. Two factors significantly supported the industry in 2009. Following an advantageous wage bargaining round that year, many households disposed of increased purchasing power, especially since the inflation was negative. The customer potential furthermore increased thanks to yet another net population growth by 70,000 persons. This suggests that the moderate birth surplus and a weak customer spending increase per household renders migration an important demand factor. The Credit Suisse economists have tried to quantify this “Migration Effect” for the first time. Their analysis suggests that net immigration accounted for more than half of the growth in the grocery business between the years 2003 and 2007.⁸

Planned change of sales area in retail*:



* In percent, n = 47 (Source: Fuhrer & Hotz)

From a retailer perspective, a difficult year has just started. The industry will likely face once more a tougher competitive environment. In the food retail business, the German discount houses will further add to their network of outlets despite the current economic situation. In the non-food area, numerous vendors of durable goods in particular will probably attempt stimulating demand through greater discounts. The surface expansion will continue nevertheless. Retailers will instead try reduce employment costs. Following the boom years 2007 and 2008 and a moderate employment reduction in 2009, we anticipate retailers will increasingly revert to reduce the number of employees in 2010.

During recent years, sales areas in the Swiss retail business have increased incessantly. Given the difficult economic situation, it will of course be of interest to know whether retailers will continue opting for spatial expansion or if, on the contrary, we might be facing a retail space decrease. Of those retailers having participated in the survey, one third intends to expand its sales area in 2010 (by an average of 10%). 45% of retailers are likely to keep their commercial space unchanged in 2010. Only 2% plan a reduction (see chart).

Despite the uninhibited expansion of retail area across Switzerland, prime locations in downtown areas are sparser than ever. Among other factors, this is also a consequence of a revived pleasure to spend time downtown, partially aided by increased centrality through rising acceptance of public transport.

In Zurich, the construction site of the Löwenstrasse through station is in full swing. This billion-franc investment will prevent the centre of the Swiss public transport from suffering gridlock. Completion is planned for the year 2013. Until the year 2020, 500,000 passengers per day are anticipated for the Zurich Main Station. Today, a day averages 340,000 passengers.

The construction of the large-scale project Europaallee (HB city area) started in mid-2009. The size of the construction exceeds 78,000 square metres and will eventually boast a gross area of 250,000 square metres. Unfortunately, only 10,000 square metres will be assigned to retail. Instead the ground floors will be equipped with bike racks and office tenants are preferred to retail on the upper floors. Experts estimate that the market pressure will adjust this misguided planning favour of the retail by no later than the end of this decade.

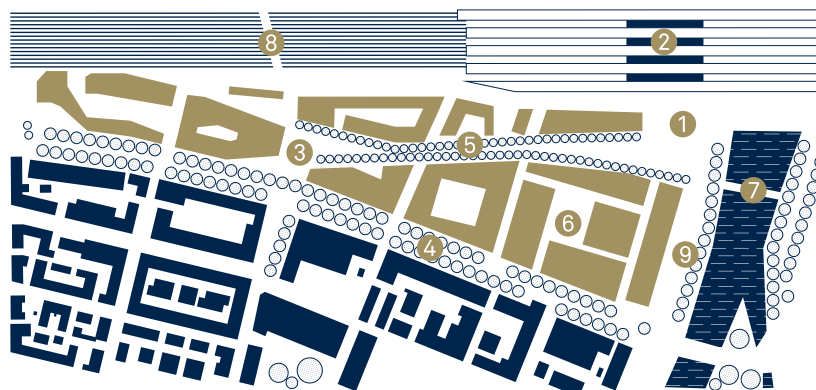
In a few years the project will provide a new urban district and therefore much-needed surfaces for inner-city development. Following the expansion of the city, the centre will equally have to adjust to the new demands in order to remain internationally competitive.



Due to the great demand for retail space in central inner-city areas, one can assume that property owners will want to take proper advantage of the potential of their property by converting their current office and administration space into retail area.

Following the example of luxury shop relocations in Amsterdam, from the Kalverstraat to the PC Hofstraat, or in Frankfurt, to the Goethestrasse, Zurich is predestined to experience such shift to e.g. the Pelikanstrasse, Nüscherstrasse, and Löwenstrasse. The implementation will however require the participation of the city as well as an interest of institutional and private owners to indeed revive the streets concerned.

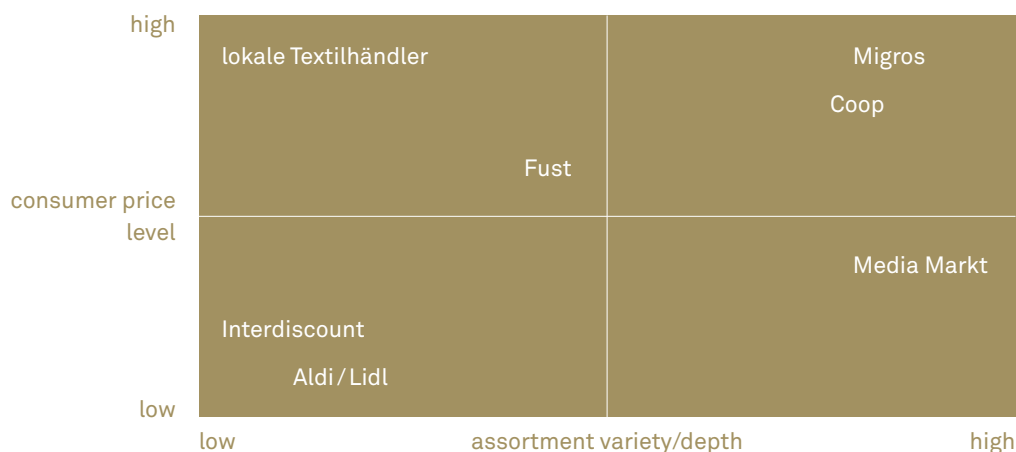
- 1 Le-Corbusier-Platz
- 2 Sihlquai Passage
- 3 Gustav-Gull-Platz
- 4 Lagerstrasse
- 5 Europaallee
- 6 Pädagogische Hochschule Zürich
- 7 Steg
- 8 Negrellisteg
- 9 Kasernenstrasse



07 The Swiss investment market for retail properties

Due to the country's size and its population, investors will continue to consider the Swiss market for retail business property a niche market. Simultaneously, this market features the same characteristics as any other property niche market: high barriers to entry, little liquidity and competition, great margins and profits for those already invested in the market.

In view of retail commercial property, the focus is naturally on the cash flow providers, i.e. the tenants and the rental situation of the property. Here, we notice that multiples are under-represented compared to the international situation. There are distinct oligopolies in some segments, i.e. where few retailers possess relatively large market shares in their segment, thus enabling them to drown competition and prevent a competitor's entrance at the expense of the consumer. They can therefore demand high prices despite suboptimal operational cost structures. Their product quality is not necessarily superior even though the high-priced retailers stoically cite such quality arguments. As can be expected, the margins of those retailers are well above average relative to other markets. In Switzerland, segment specialisation remains limited in the field of retail warehouses and discounters. Even successful food discounters like Aldi have still not achieved blanket coverage across Switzerland.



Ultimately, those characteristics do have detrimental effects on the consumer. With this in mind, the market entry of foreign retailers should be welcomed as competition increases business and provides the consumer with additional options whilst achieving optimal prices. The illustration below attempts to assess the positioning of some important retailers. It clearly shows the weak points as well as the advantages of the current positioning. The illustration furthermore indicates that there are currently retail business models operating in Switzerland that will not survive in the long term.

Market entry of foreign retailers

Despite the difficult conditions for new entrants, Switzerland represents a most attractive market since retail sales have remained virtually constant and even continue to increase for some segments thanks to a stable demand and the immigration of 70,000, mostly German, employees. Even and especially luxury good retailers recorded increased sales in Switzerland, while internationally, the luxury segment suffered the most severe sales drops in the wake of the global financial crisis.

Numerous international retailers of almost all segments have plans for an expansion into Switzerland, both in rural and urban areas, in order to benefit from characteristics such as strong purchasing power, stable consumption at high price levels, and limited competition or threat from market entrants.

A retailer entering the market often faces entry barriers in the following concrete fashion: dominating retailers such as Migros or Coop are anchor or global tenants of shopping centres and exploit their market power by determining the tenant mix and installing their entourage of typical secondary retailers or subtenants. This frequently takes properties off the letting market and imposes a certain tenant mix that will surely benefit the anchor tenant but not necessarily the consumer.

In many instances, important and commanding inner-city locations are held by Swiss owners such as pension funds, insurances or banks or by private persons, frequently ill-versed in real estate. Those owners are rarely pro-active regarding asset management and they invest relatively little energy in exploring (better paying) tenant groups. Instead, they prefer to market rentable areas through traditional channels and to mainstream tenant groups already known to them.

In addition to the conventional conservative marketing process of traditionally-minded real estate owners or property managers, the somewhat deficient customer- and tenant-orientation respectively specific business requirements causes quite a headache for any potentially well-heeled retailer: For a retailer to achieve operational efficiency it is not just important to get the production and logistics right. Especially with regard to more sophisticated products and clients, the point of sale is a crucial element for any retailer's success as it is a crucial part in the value chain and therefore key towards his or her ability to make sustainable and high profits. The reward for the retailer-oriented landlord is in turn that he puts his tenant in the position to pay elevated rents on a sustainable basis.

It is therefore the lack of readily available quality space that frequently obstructs the expansion-eager potential new entrant from setting up shop in Switzerland. Thereby achieving critical mass is key: The simultaneous opening of a minimum number of points of sales in order to justify the logistical backbone and the creation of the appropriate operational structure. Several retailers have tried to set up business without critical mass and tried to cut corners respective infrastructure. They tried to bring in supplies from abroad, for instance, but then faced serious delays at the border or shipment was blocked by the Swiss customs altogether. Using third party providers is equally inefficient as such services tend to be very expensive and there is no degree of operational control or quality assurance. All known attempts on behalf of retailers to enter the Swiss market without the appropriate infrastructure in Switzerland ended in failure.

Market entry of foreign real estate investors

Thanks to the strong domestic retail sales in the high streets and central locations, foreign real estate investors are mainly interested in purchasing property in good or central locations in the largest Swiss cities and the most popular ski resorts.

However, it is also such investors who encounter frequent difficulties to enter the market if they have not already established their presence. The most important reason for this is rooted in limited liquidity. Concretely, this often means: It is not worthwhile to open an office if no investments with significant volume (>CHF 75m) can be found. On the other hand, it is nearly impossible to find sizeable quality investments without a local presence in the first place. Therefore, local players remain dominant in what is an opaque market.

The fact that property is in many instances held by the hands of the same owner or owner family over decades might have positive effects, this circumstance, however, contributes little to liquidity and market transparency.

Meanwhile demand by Swiss institutions is as buoyant as ever: just recently, the asset group "Nachhaltig Immobilien Schweiz" of the Sarasin Anlage Stiftung has raised CHF 172m. This corresponds to twice the amount originally anticipated. SPS has furthermore created CHF 300m of fresh liquidity via a new issue of stock while the UBS Fonds Swiss Mixed Sima plans an additional capital raise in order to acquire more properties in the second quarter of 2010.

But also operationally some barriers to entry do exist: there is not a deep pool of qualified professional resources that do satisfy international standards. It is again the small size of the market and the relatively retarded development of the Swiss property profession that can be cited as the main reasons. Thereby the fact that the hedge fund industry as well as the medical profession face the same issues offers little comfort for the international property investor wishing to set up office.

There is, however, clearly no lack of fields of activity fundamentally suitable for international investors: contrary to other international property markets, the preparedness of the Swiss local investor and the Swiss institution to assume property market risk is rather limited. This results in e.g. relatively few speculative property developments or complex speculative property repositioning projects. Precisely those types of projects, however, enable investors to earn the kind of high returns their sophisticated clients demand. For running yields between 5 and 6.5% are surely borderline and often insufficient for international investors long-term, i.e. if rents cannot be raised in the foreseeable future following the purchase. And double-digit returns can most ordinarily not be achieved with standing investments in the Swiss market anyhow.

A digression: Net initial yields of 2.5% for fully let properties (at market rent) have been spotted at Zurich's Bahnhofstrasse. To our knowledge only Grafton Street in the Dublin of 2007 has seen such a pricing. It remains to be seen to what extent the market in Zurich is overheated. From a macroeconomic perspective, the comparison between Switzerland and Ireland is surely not justified.

One good example of a successful market entry by an active international real estate investor has been provided by Redecvo, whose Swiss real estate portfolio totals c. CHF 500m. In 2008, Redecvo showed what a committed property and asset management can achieve: Within one year, a former bank building in the Neumarkt of Brugg has been successfully converted and introduced to the market as a premium retail property with H&M as anchor tenant occupying an area of 3,180 square metres. Surely those successful repositionings increase the pressure on existing owners. In Brugg, Jelvoli/ SPS recently submitted a building application for refurbishing and repositioning the retail areas of the City Galerie at a total project cost of c. CHF 5.5m.

The way forward

Switzerland, too, is affected by internationalisation and this process cannot be reversed – it is merely a question of time.

All this happens despite high entry barriers and, at times, hostile reactions of local retailers who justifiably feel threatened in their comfortable position.

The interest of globally active retailers to expand into good locations in Switzerland is high and concrete. Retail chains of all segments are ready to unfold their already-drawn-up expansion plans.

But it should also be mentioned that there are a few traditional retailers who comprehend the internationalisation as a real opportunity do successfully expand abroad, like Migros and Coop.

International investors will in the meantime continue to strengthen their position in Switzerland. And while those processes are likely to take several years (maybe decades) increased transparency, liquidity, and greater efficiency will ultimately result in higher consumer choice, rents and opportunities for international investors to buy commercial property. Due to various reasons, the niche character of the market, however, will curtail any extreme volatility in prices.

The demise of highly geared private equity funds in the wake of the financial crisis should be viewed in a positive light since those would surely have put the price structure under strain without adding much value on the asset level. Foreign investors with a segment specialisation and high standards of property professionalism, on the other hand, are very welcomed and needed by the Swiss market in order to reach the next level.

08 Appendix

Zurich second most expensive city after Oslo

Oslo, Zurich, Copenhagen, and Geneva are the four cities with the greatest cost of living among 71 UBS⁹ international cities. Including rents, which in Western European households account for about one quarter of those costs, New York is by far the most expensive city, followed by Geneva, Oslo, Tokyo, and Zurich. Due to the global financial crisis, the cities of London and Stockholm have fallen far behind compared to year 2006. On average, the inhabitants of the Swiss cities of Geneva and Zurich pay 20% more for goods, services, and accommodation than people in other Western European cities.

Price Level 2009

Rang	Stadt	ohne Miete Zürich=100	mit Miete Zürich=100	Rang 2006
1	Oslo	103.8	104.0	1
2	Zurich	100.0	100.0	4
3	Copenhagen	99.9	96.6	3
4	Geneva	98.5	101.0	6
5	Tokio	94.1	100.7	5
6	New York	92.2	118.0	7
7	Helsinki	87.1	87.8	10
8	Vienna	86.3	81.4	12
9	Paris	86.1	90.4	11
10	Dublin	85.5	90.1	8
11	Munich	85.1	82.0	17
12	Frankfurt	83.7	83.4	23
13	Luxemburg	83.5	82.4	13
14	Los Angeles	81.2	85.8	15
15	Stockholm	80.2	77.3	9
16	Lyon	78.6	73.4	21
17	London	78.1	82.6	2
18	Brussels	78.1	79.8	18
19	Amsterdam	76.6	76.0	19
20	Chicago	75.6	85.0	14
21	Berlin	74.7	70.6	26
22	Miami	73.2	82.2	22
23	Toronto	72.8	74.4	16
24	Milan	72.8	76.0	25
25	Montreal	70.3	70.3	20

Where wages are worth most

The UBS survey of 73 international cities found that employees in Copenhagen, Zurich, Geneva and New York had the highest gross earnings. The undisputed champion in our international wage comparison is Zurich. Net incomes are higher there than in any other city in the world. With its extremely high gross wages and comparatively low tax rates, Switzerland is a very worker-friendly country. No other city in the comparison allowed workers to take home more income at the end of the month than Zurich and Geneva.

A continental comparison of average incomes paints a different picture: on average, the world's highest gross and net wages are paid in North America. However, there is a wage differential in North America as well. Wages in New York, Los Angeles, Miami and Chicago are significantly higher on average than in the Canadian metropolises of Montreal and Toronto.

The average gross hourly wages are highest in Copenhagen and Geneva (before taxes and social security contributions), followed by Los Angeles, Sydney, and Miami.

Wage levels 2009

Rank	City	w/o rent Zurich=100	with rent Zurich=100	Rank 2006
1	Copenhagen	108.4	78.0	1
2	Zurich	100.0	100.0	3
3	Geneva	96.3	89.7	4
4	New York	86.4	83.5	5
5	Oslo	80.7	69.9	2
6	Los Angeles	78.9	77.0	11
7	Munich	76.0	64.6	12
8	Luxemburg	73.8	80.5	15
9	Frankfurt	72.9	64.1	9
10	Dublin	72.7	82.4	8
11	Brussels	71.1	62.6	10
12	Helsinki	70.2	69.4	13
13	Miami	69.5	69.4	25
14	Chicago	69.3	65.9	7
15	Amsterdam	68.3	59.3	19
16	Berlin	65.4	60.4	14
17	Stockholm	64.3	59.3	16
18	Tokio	64.0	69.3	18
19	Vienna	62.2	61.7	17
20	Sydney	60.5	61.9	20
21	London	59.6	61.3	6
22	Paris	59.4	58.6	24
23	Lyon	58.6	59.0	23
24	Toronto	56.5	56.5	21
25	Montreal	55.7	56.6	22

This above analysis ignores one important parameter, namely, the vast differences in the number of hours worked per year. To account for this, the following table ranks purchasing power based on hourly wages and not annual income. Average gross hourly wages (before taxes and social security contributions) can purchase the most in Copenhagen, Zurich and Geneva, followed by Los Angeles, Sydney and Miami.

Where does an average income buy the most products and services? This question can only be answered when comparing the price and wage levels ranking lists. Wages alone do not determine the standard of living in a particular city or country. A better way to measure prosperity is to divide the average annual salary by the total price of our basket of goods and services. This tells us how much purchasing power local wages have and allows comparing the cities more accurately.

Net earnings matter

Above, we looked at the purchasing power of gross wages – income before deducting taxes and social security contributions. What really matters, though, is how many goods and services workers can buy with their net wages. Cities with high tax rates thus fall back down the ranking list compared with the gross wage analysis. Copenhagen and the German cities lose much of their purchasing power when net wages are considered. People in Zurich can buy the most goods after paying taxes and social security contributions, followed by Sydney, Luxembourg, Dublin and Miami.

Pronounced price differential for clothing

There's hardly any other category of goods with such a pronounced global price differential as there is in clothing. The global average for a women's outfit is CHF 630 (EUR 420), for men's clothing CHF 830 (EUR 553). In Zurich, it is CHF 1,004 (EUR 669) for women's clothing and CHF 1,305 (EUR 870) for men's. This difference is at least partially caused by the selection of the considered pieces of clothing. After Tokyo, the most expensive cities for women's clothing are Zurich, Geneva and Vienna. Men's clothing, by comparison, is dearest in Tokyo, Oslo and Vienna.

The prices of the UBS study "Prices and Earnings – a comparison of purchasing power around the world" are based on purchases of off-the-rack clothing in large department stores, not specialty shops, designer items or fashion boutiques. Herrenkleidung ist in den Städten Tokio, Oslo und Wien am kostspieligsten.

Domestic purchasing power 2009

Rank	City	hourly gross wage	hourly net wage	annual net income	Rank 2006
1	Zurich	100.0	100.0	100.0	1
2	Sydney	95.7	97.9	89.8	9
3	Luxemburg	88.3	96.3	90.2	5
4	Dublin	85.0	96.3	90.7	3
5	Miami	95.0	94.9	95.3	22
6	Los Angeles	97.1	94.8	94.5	4
7	Genf	97.7	91.1	87.8	2
8	New York	93.7	90.5	93.6	7
9	Chicago	91.7	87.1	83.1	6
10	Nikosia	72.5	86.2	76.2	13
11	Berlin	87.6	80.9	72.6	8
12	Montreal	79.1	80.4	78.5	18
13	Brüssel	91.0	80.1	71.3	17
14	Helsinki	80.6	79.7	73.1	14
15	London	76.3	78.5	72.0	20
16	Copenhagen	108.5	78.1	68.4	19
17	Toronto	77.6	77.6	75.3	16
18	Amsterdam	89.3	77.4	71.0	23
19	Frankfurt	87.0	76.5	69.1	11
20	München	89.2	75.9	67.8	12
21	Tokio	68.0	73.6	76.9	24
22	Wien	72.2	71.5	65.2	21
23	Oslo	77.7	67.4	62.5	15
24	Barcelona	61.5	66.6	61.8	25
25	Auckland	60.7	64.1	64.5	10

Retail centrality in Switzerland

For the second time, the centrality figures of Swiss cities above 10,000 inhabitants have been compiled in cooperation with a research institute using retail sales and retail-relevant purchasing power. The 10 largest Swiss cities are shown below.

City	Population	Centrality
Zurich	366'947	149.8
Geneva	184'053	153.4
Basel	165'092	154.6
Lausanne	123'104	138.2
Bern	122'870	176.0
Winterthur	98'728	124.0
St.Gallen	72'246	165.2
Lucerne	59'655	221.1
Lugano	54'677	134.1
Biel/Bienne	50'161	155.0

A figure of above 100 means that a purchasing power inflow takes place, i.e. retailers there sell more than the local population could buy without consumer inflow from outside the city. A figure below 100 means that there is a purchasing power outflow, i.e. retailers in this region sell less than the local population could buy. This is ultimately due to local retailers not providing the necessary assortment depth or variety (which does not necessarily imply the need for new retail forms there).

Lucerne is the last larger city before the Gotthard, featuring a relatively well-developed retail situation. It is evident that not only Lucerne's reach to resident population in an extended catchment area enhances centrality. It is also tourism that contributes significantly to Lucerne benefiting from the greatest purchasing power inflow.

Similar to Lucerne, Bern is positioned as "last" shopping destination north of the Alps. While Bern benefits from this exposed position, its situation is less natural and geographically-imposed compared to Lucerne: a better provision of retail in Thun would surely have effects on the centrality of Bern with a view to the Bernese Oberland. Thun's centrality is itself however at 150.1.

One of the fastest-growing cities in Switzerland, Winterthur, has the greatest purchasing power index position after Zurich. The consumption of fashion items in Zurich, the largest Swiss city, is by far the highest. This representation shows that Winterthur is also close to the top here.

When considering the cities with the greatest centrality in Switzerland, it becomes once more evident that greatest centrality is linked to the places with the best infrastructure, at least one large retail magnet, and a relatively small population. In Spreitenbach, this is the Center Spreitenbach (Shopy Tivoli) as well as the first IKEA outside of Scandinavia. In Walisellen, it is the Glattzentrum playing such a pivotal role.

Lucerne once again poses the exception to the list. Contrary to Zurich or also Geneva, the great centrality of the intra-urban retail business in Lucerne is surely partly due to its geographical position and infrastructure to the neighbouring communities that has not allowed for the formation of a retail antipole outside the city limits.

City	Canton	Population	Centrality
Spreitenbach	Aargau	10'541	468.1
Valaisellen	Zürich	12'858	396.0
Aarau	Aargau	15'779	252.0
Solothurn	Solothurn	15'690	228.0
Kloten	Zürich	17'559	225.3
Lucerne	Luzern	59'655	221.1
Pfäffikon	Zürich	10'331	220.5
Vevey	Waadt	17'831	216.6
Baden	Aargau	17'611	207.4
Schwyz	Schwyz	14'171	203.8

Purchasing power and population development in Switzerland

Purchasing power development is closely linked to population growth in the individual cantons. The table below lists the cantons according to the greatest purchasing power increase between 2004 and 2009.

The polarisation of growth is easily discernable at canton level: cantons and communities with a strong local economy and companies in need of additional workforce while simultaneously offering advantageous fiscal framework conditions for companies and employees feature the most significant growth rates.

Schwyz tops the list mostly because some highly profitable companies with some very well-remunerated employees chose Pfäffikon (SZ) as their headquarters. An increased number of financial companies settled here in the wake of the turbulence on the financial markets. Because of the small total population, this was immediately noticeable due to the denominator effect. On the other hand, this inflow might not be sustainable in the future since resources in labour, availability of properties, and office markets are limited in Schwyz. Also, financial regulation with regard to hedge funds is not up to the game compared to international regulatory standards.

Top 10 purchasing power increase between 2004 and 2009

	Population		Growth rate	
	2004	2009	Population 2004–2009	P. p.* 2004–2009
Schwyz	135'437	144'417	6.6%	4.3%
Waadt	643'285	692'275	7.6%	3.8%
Nidwalden	39'279	40'829	3.9%	3.7%
Fribourg	248'536	270'075	8.7%	3.7%
Zug	105'475	110'767	5.0%	3.6%
Genf	425'686	447'926	5.2%	3.4%
Valais	286'506	304'457	6.3%	3.2%
Zurich	1'255'804	1'339'517	6.7%	3.1%
Lucerne	352'899	370'046	4.9%	3.1%
Ticino	318'639	333'778	4.8%	2.9%

* Purchasing power

Top 10 population growth between 2004 and 2009

	Population 2009	Growth rate p.a. 04–09
Fribourg	270'075	1.7%
Waadt	692'275	1.5%
Zürich	1'339'517	1.3%
Schwyz	144'417	1.3%
Valais	304'457	1.2%
Aargau	594'077	1.1%
Genf	447'926	1.0%
Zug	110'767	1.0%
Lucerne	370'046	1.0%
Ticino	333'778	0.9%

The agglomeration of Lausanne was once more the focus of influx and immigration when it comes to nominal growth. One can observe especially mid-sized companies being successful here, featuring a demand for labour.

Equally Switzerland is still subject to a general urbanisation trend. Many young people move to larger cities, particularly moving from regions that were unable to transform themselves from the secondary to the services sector, such as the Jura, Glarus, Appenzell or the hinterland of Neuchâtel. Negative migration balances and decreasing consumption are clearly discernable.

The situation of the retail business in those structurally weak areas surely implies that the presence of discounters and low-price deals will be significantly more important and probably eat away from traditional retailers with their habit of providing large assortments and high prices.

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The logo for locationgroup, featuring a solid magenta square with the text 'locationgroup' in a white, lowercase, sans-serif font.

locationgroup

LOCATION GROUP

Usterstrasse 23

CH-8001 Zurich

T +41 (0)44 225 95 00

F +41 (0)44 225 95 01

contact@location.ch

www.location.ch