

RETAIL MARKET STUDY SWITZERLAND 2008

themes

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GENEVA AND ZURICH ARE AMONG THE 10 MOST EXPENSIVE RETAIL LOCATIONS IN THE WORLD.

The high demand for luxury goods is not only useful for expansion for high-end watch and fashion manufacturers. National and international retailers are queuing up to open a shop in ZURICH or GENEVA and are ready to pay rents comparable to London and Paris. The reason is that, among other things, Switzerland's two largest cities lead the globe in purchasing power in terms of retail sales. Retail shops achieve their best results globally on the Rue du Rhône in Geneva as well as on Bahnhofstrasse in Zurich. However, the luxury miles of the Via Serla in St. Moritz, with the largest expanse of luxury boutiques in Europe, the Promenade in Gstaad, the Via Nassa in Lugano and top locations in the twenty-five largest Swiss cities and ski resorts are equally as sought-after locations as both of Switzerland's best-known shopping streets. As a result, Tom Ford, former designer for Gucci, will open his first boutiques in St. Moritz and Zurich.

AMERICAN RETAILERS EXPAND TO SWITZERLAND.

In Spring 2008 Apple will open its second continental European flagship shop after Rome in the current Benetton shop on Zurich's Bahnhofstrasse. After the third shop launches in Munich in the summer, in the autumn of 2008 on approximately 1,000 m², the fourth computer temple will follow on Geneva's Rue de Rive in the former Hollywood Cinema. The first Apple shop-in-shop in a media market was situated in December 2007 on approximately 80 m² in Zurich's Dietlikon where the electronics retailer, belonging to the Metro company, has achieved its most successful results throughout Europe for over ten years. The American fashion company BCBG Max Azria took over the Alain Manoukian fashion business and opened its first Swiss boutique on the Rue du Marché at the beginning of 2007. The first Starbucks



Apple in New York
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coffeehouse opened in central Zurich in March 2001. Over the past six years, expansion has continued at a moderate pace. After numerous internal measures and changes over the past two years, the American coffee chain now owns 36 cafes, 15 of which are in ZURICH.

The young fashion supplier American Apparel from Los Angeles will make its debut in Spring 2008 on Zurich's Rennweg. Here Kiehl's New York also opened its first Swiss cosmetics shop 13 months ago. The equally globally-renowned watch and accessory company Fossil acquired the rental agreements of the Swiss businesses of the British branch chain

Top Ten Locations
Worldwide
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Land	Stadt	Location	CHF/m ² Jahr 1	€/m ² Monat 1
USA	New York	5th. Avenue	16'304	849
Hong Kong	Hong Kong	Causeway Bay	13'170	686
USA	New York	Madison Avenue	13'037	679
France	Paris	Ave. des Champs Elysées	10'020	522
USA	New York	East 57th Street	9'778	509
UK	London	New Bond Street	8'845	461
Switzerland	Zurich	Bahnhofstrasse	7'530	392
Japan	Tokio	Ginza	7'426	387
Switzerland	Geneva	Rue du Rhône	7'310	381
Ireland	Dublin	Grafton Street	7'262	378

Accessorize in prominent sites such as Bahnhofstrasse in Zurich. Guess opened its first two Swiss fashion shops on Geneva's Rue de Rive and Freie Strasse in Basel. A further American cult brand, which recently celebrated the opening of its first European branch, will open its doors in Zurich. In addition, Tom Ford will come to the largest Swiss city, probably on Storchengasse and in St. Moritz in the neighbourhood around the Palace Hotel.

GENEVA IS IN FULL SWING. After Louis Vuitton opened its flagship boutique on the Rue du Rhône diagonally across from Dior, Gucci followed suit last year and doubled the sales area on the first floor. Omega is now located in the former Louis Vuitton shop. According to the Sunday newspaper, the Swatch Group, a 15-fold Key Money was paid for the monthly rent. The rents here currently hit new top values of CHF 7,300 per square metre per year. With this Geneva is just behind Zurich in the order of the ten most expensive retail cities in the world.

In Winter 2007/2008, no fewer than six luxury brands will open their own sales shops on Geneva's luxury mile. The watch manufacturer Boucheron, which belongs to the Gucci Group (PPR), will then be present for the first time in this country. Louis Vuitton Moët Hennessy, the large competitor of PPR, does not wish to be left behind and will be represented by Fendi in



Louis Vuitton
in Geneva
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the Rhone city. The French fashion designer Jean-Paul Gaultier has recently come to Switzerland, as well as the British jeweler Graff. The Swiss watch designer Gerald Genta, a part of the Italian Bulgari Group, has also chosen Geneva for its first flagship shop.

At the beginning of 2008, the Italian luxury fashion label Loro Piana, which according to its own statistics is the largest cashmere manufacturer worldwide, opened what is already its third shop area. After St. Moritz and Gstaad, Geneva now has the largest boutique with a 550 m² sales floor.

Fashion companies that still have not yet found a site on the Rue du Rhône are forced to follow unusual paths to serve their clientele from Russia and the Arab countries. Consequently, buses carrying the collections are driven from Milan to Lac Léman and are sold directly to the hotels.



Paradeplatz in Zurich

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MANY MORE CHANGES IN ZURICH. In Autumn 2008, after Geneva, Loro Piana will open its fourth boutique in the current traditional leather goods shop Mädler on Paradeplatz. In Spring 2008, the watch manufacturer Blancpain, which belongs to the Swatch Group, will position its first Swiss branch in the current fur paradise on Paradeplatz. In addition to Cartier, Salvatore Ferragamo, Sprüngli, Navyboot and Och Sport, Mont Blanc has now renovated the boutique in the lit courtyard of Credit Suisse on Bahnhofstrasse and has practically doubled the sales space. Ermenegildo Zegna achieved a 40% increase in sales in comparison with the previous year, more than any other Zegna shop in the world.

In early May, the women's fashion chain Bonita opened its Swiss flagship between Swarovski and Body Shop.

For new leasings, the price per square metre amounts to up to CHF 7,500 net. With this, Bahnhofstrasse is

among the top 7 locations in the world for net rents, behind 5th Avenue in New York, Causeway Bay in Hong Kong, Madison Avenue (N.Y.), the Champs Elysées in Paris, East 57th Street (N.Y.), New Bond Street in London, and Ginza in Tokyo as well as equal to Dublin and Geneva (Munich follows in 24th place).

02

GLOBUS IS WORLD LEADER – MIGROS ANNOUNCES RECORD SALES.

The Globus department shop, which belongs to the Migros Associated Federation in Zurich, earned CHF 180 million (EUR 108 million) on 7,500 m² according to recently published figures in 2007. With sales of over CHF 24,000 per m² (+ 9%), the department store is one of the most productive in the world. The sister house in Geneva was able to latch on to this success on approximately 9,000 m², with total sales of CHF 140 million.

In comparison, the House of Brands by Jelvoli realised sales of CHF 317 million (+3.6%) and with over 30,000 m² lies substantially behind the Globus in the Pestalozzi-Wiese. It may therefore be assumed that several thousand more square metres of additional floor space for suppliers of luxury fashion will be created. The sale of the real estate portion of Jelvoli to a global consortium led by Delek for over CHF 3.4 billion collapsed in Autumn 2007 because the Israelis felt that the purchase was too expensive due to the credit crisis. Experts assume that a Swiss consortium will be accepted.

The industry and trade company Migros achieved record sales in the fiscal year 2007 with CHF 22.71 billion (EUR 14 billion). The increase amounts to 6.2%. Here, retail sales increased despite price reductions in the supermarkets and consumer markets sector by a narrow 6% to 18.5 billion Swiss Francs.

During the 2007 fiscal year, the Coop Group achieved retail sales of approximately CHF 15.7 billion. This represents an increase with respect to the previous year of over CHF 1.0 billion or 7.1%. The 2007 annual sales include the December turnover of approximately CHF 0.1 billion of Dipl. Ing. Fust AG, recently added to the Coop Group.

03

CHANGES IN SWITZERLAND'S 15 LARGEST CITIES.

The Marktgasse and Spitalgasse in BERN did not show any substantial changes. A new entrant in the former Beldona boutique is the Danish jeans label, Jack & Jones. People are curious to find out with whom the property owner had signed the new



Picture above: Marktgasse in Berne

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Picture below: Globus in Zurich

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lease agreement for the three-story space at Markt-gasse 31, as successor to his Confiserie Meyer.

With the restructuring of the Christoffel underpass in Bern, there are 15 new shops in the central railway station. The city of Bern has now already leased all spaces. The sales spaces will be opened in June 2008. In February 2007, the contract agreement with Migros was signed. Migros is leasing the largest space in the new shopping passage with approximately 600 m². The rough concept was refined at the same time. A shopping mall with shops in the mid- to high price segment has been created. The total leasable area of approximately 2,700 m² yields lease interest revenue of five million Swiss francs a year, which clearly exceeds the annual budget projections of CHF 3.9 million.

In Freie Strasse in BASEL, Fossil has taken over what was formerly Accessorize and Guess has stepped in for the former men's clothier Renz. Bally has found a new location adjacent to Louis Vuitton after the previous shop was surrendered to Post-Finance – to the regret of the street scene. Across from Bally, Füglistaller re-opened in the UBS building. Also in the best-known Basel shopping street, the new L'Occitane En Provence has opened its seventh shop in Switzerland in a former boutique of Trudie Götz next to Starbucks. Grieder took over the business of Merkur Mode in Eisengasse and at the same time, in addition to Zurich and Geneva, the third Max Mara boutique in Freie Strasse. In Steinenvorstadt, on approximately 2,000 m² that previously housed Spengler, you will now find the French music and bookshop, FNAC, which belongs to the PPR Group.

In the heart of LAUSANNE over the next few years, new shopping areas will be created over thousands of square metres on the Place de l'Europe, the neuralgic future railway station of the M2 underground railway. On 28 February, in the former headquarters of UBS on the Place Saint-François, the gallery of the same name will be opened with a Nespresso Bar. On the other side of the Grand-Point, there will be the Bel-Air Shopping Centre with a total area of a football field. Only a few steps further on, you will find the Métropole 2000 Shopping Centre. The new Flon has numerous new shopping options such as Migros, Athleticum, Casino etc. Franz Carl Weber has leased a children's toyshop on the Place de la Palud. The Rue de l'Ale and St-Laurent are enriched by the new entrants Jean's & Co, and the young fashion supplier Pimkie. Soon Lewis will open a 250 m² shop on the Place de la Palud. Confiserie Ladurée Paris opened at the prime location Rue du Bourg. For the top locations, the annual lease prices in Lausanne lie at CHF 3,400 per m².

The former Spengler-Modehaus on Markt-gasse in WINTERTHUR, which was most recently operated by Schild, will in the future be used on approximately 1,000 m² by the German fashion company, s.Oliver. Not far away, the young fashion label Yendi Paris has taken over the traditional shoe shop Peterhans. Apple will come with a partner shop to the site

of Büro Schoch on the Untertor. Bonita opened its doors diagonally across from this location. After a long search, Nespresso found the right site on Steinberggasse and launched its 14th Swiss cafe boutique there. Square metre rents of up to CHF 4,000 per year are realised here.

An original shop of Ermenegildo Zegna has been located with additional sales areas at Mode Weber in the Webersbleiche on St. Leonhardstrasse in ST. GALLEN since October 2007. Manor has a new home in the same building with 5,400 m². The existing shopping worlds of Multergasse will now be supplemented by a supermarket and a Sanovit chemist's shop. The former Manor-Haus will move into Orell Füssli at the end of 2008 on 1,500 m². In the spring, Metro Boutique opened its 16th shop for teenagers on the former C&A space on over 1,000 m² in Multergasse. Across the street, Bonita will be located in the former Swatch and Swarovski shop.

Top
Twelve Locations
Switzerland

City	Location	CHF/m ² year	€/m ² month
Zurich	Bahnhofstrasse	7'530	392
Geneva	Rue du Rhône	7'310	381
Geneva	Rue du Marché/Rue de Rive	6'815	355
Berne	Markt-gasse/Spitalgasse	6'180	322
Basle	Freie Strasse	4'980	259
Lucerne	Weggisgasse/Hertensteinstrasse	4'650	242
Winterthur	Untertor/Markt-gasse	4'260	222
Zurich	Rennweg	4'070	212
St. Gallen	Multergasse	4'020	209
Lausanne	Rue du Bourg	3'445	179
St. Moritz	Via Serlas	3'190	166
Lugano	Via Nassa	2'950	154
Davos	Promenade	1'560	81

On Schwanenplatz in LUCERNE, Hermès will open in December 2008 on 150 m² and for this reason, other luxury brands will make the city on the Vierwaldstädter Lake en-route to Andermatt, tasteful. The Austrian lingerie company Palmers founded its second Swiss company on the Kornmarkt. PKZ expanded its presence on Weggisgasse with a MarcCain shop across from the new Bonita boutique. Bo-Concept will make its Swiss debut in April with an urban furniture shop near Pilatusstrasse. The highlight will be that the customer can drop off his car at the shop and it will be parked underground via a lift.

The Via Nassa in LUGANO has gained a purveyor of luxury items. Bulgari has established itself in the former space of Moda Gasser in the same representative building as Louis Vuitton, which also recently includes the handbag manufacturer MCM.

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Shortly before Christmas, Bonita opened an additional branch in Badstrasse in BADEN and an additional boutique will open in the spring in Thun on Bälliz. In Zug, Esprit will have a 450 m² store on Bahnhofstrasse diagonally across from Metalli-EKZ and next to Apple Datquest. Otherwise, there have been no noteworthy changes in the individual shopping streets of Zug. The Rue du Lac in YVERDON is an additional new location for the company based in Hong Kong and Ratingen, as well as a 500 m² shop in Igelweid in AARAU. In Zurich's airport, there will be an Esprit shop at the end of 2008. One was opened in Shop Tivoli in Autumn 2007 and an EDC standalone will be opened on 300 m² in Lausanne, in the new Portes St. Francois. In the new Shoppyländ in Schönbühl, Esprit will have its debut on 250 m².

NEWCOMER IN SKI RESORTS. The world's most renowned luxury ski region, ST. MORITZ, welcomes prominent new tenants: Tom Ford will come at the end of 2008 and Roberto Cavalli opened its first Swiss shop on 120 m² on Christmas Eve in the former Posthotel and today's "The Murezzan" in the Via dal Vout. Also in the Murrezan Complex designed by Norman Foster, Ermenegildo Zegna celebrated the opening of the third Swiss boutique on 65 m² on the Via Serla in December on the most densely populated luxury shopping mile in Europe.



Old town
in Lucerne
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Since the Bieri butcher shop in GSTAAD definitively closed its doors at the end of October last year, the location has been vacant. Now the sad sight will soon be over, since a local retailer will open a boutique during the winter season. This would then be his seventh on the Promenade. Trudie Götz is now present with a second Trois Pommes and a Prada

boutique in Palacetrasse. The watch manufacturer Girard Perregaux, which belongs to the Sowind Group, runs its only flagship shop in the world on the Promenade.

The Outdoor outfitter Salewa is now also represented on the Promenade in DAVOS as of the end of 2007 just like Bonita. Flims-Laax now houses the third shop – after Zurich and Meiringen – of the Swiss cult brand Alprausch.

With new openings in Cortina d'Ampezzo, DAVOS, ENGELBERG, SAAS FEE, Val d'Isère, Verbier, Whistler and ZERMATT, the Swedish leisure fashion purveyor Peak Performance is spreading its presence to the traditional and glamorous ski resorts around the world.

04

SHOPPING CENTRES AND CENTRAL RAILWAY STATIONS.

More than 1 million people frequent the railway stations daily. The Zurich central railway station is frequented on average by 300,000 people daily according to the latest SBB (Swiss Railway) data. With 145,000 people per day, Bern's main railway station is the second most frequented railway in Switzerland. Zurich-Stadelhofen follows with a considerable 135,000 people, followed by Winterthur (122,000), Basel (120,000), Zurich-Oerlikon (110,000), Geneva Cornavin (85,000), Olten (80,000), Zurich-Enge (70,000), Lausanne (65,000), Aarau (65,000) and Lucerne (62,000).

SBB Immobilien (Swiss Railway Real Estate²) improved its operating income in the previous year by 8.2% to CHF 184.8 million. Rent revenue with third parties amounted to CHF 310.7 million (+2.8%). The annual yield of CHF 27.8 million exceeded the previous year's result by 32.3%. The positive development of the RailCity lease revenues (+5.5%) contributed significantly to improvements in real estate revenues. Sales in the RailCity stations of Basel, Bern, Geneva, Lausanne, Lucerne, Winterthur and Zurich also increased above average in 2006 compared to the overall development in the retail business. On the other hand, profits from asset sales decreased and, at CHF 45 million, were CHF 4 million below the previous year.

If the trend researchers of the Gottlieb Duttweiler Institutes GDI are correct, railway stations will be the "Hot Spots of Trade" in 2025. In their Trendradar 1.07, they wrote that "highly-frequented, easily-accessible locations that combine comfort and experience" will have the greatest growth. And it is exactly this that characterises the railway station.

SHOPPING CENTRE – FORWARD ESCAPE. Imagination clearly has fewer and fewer boundaries. In the end, one wants the consumer to dig deep into his



Picture above:
Central Station
in Zurich
”

Picture below:
Ermenegildo Zegna
in St. Moritz
”

pocket, but one forgets that many of these pockets are not very full. In any case, according to the Economic Research of Credit Suisse³, these types of considerations – in addition to location optimisation – are a reason for the massive surface area expansions in recent years, above all for the development of larger shopping centres. Whether or not the calculation will actually work out everywhere is, indeed, to be seriously doubted. These types of “animation” are not free-of-charge, yet they penetrate the leases directly by means of higher associated costs.

Consequently, the ‘forward escape’⁴ will continue. The floor space expansion will continue almost uninterrupted. Both building licences and building searches are at a historic high. In 2006, building licences even reached a new historic all-time high. With Sihlcity in Zurich, the AFG Arena in St. Gallen and the Maladière Stadium in Neuenburg, approximately 100,000 m² of sales areas in large centres came on the market. Additional ones can be found in the pipeline, e.g. Westside in Bern, the Stückli shopping centre in Basel or EbiSquare in Ebikon. The Gottéron-Village in Freiburg received no building permit. Smaller areas are also included in development.

The Glatt Centre in north-east Zurich has currently achieved an increase in sales of 3.5% to CHF 647.6 million on a floor space of 43,387 m² due in part to a 1.5% increase in visitors.

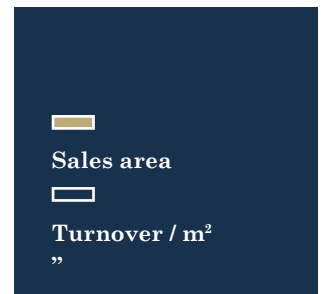
The (cumulative) turnover figures illustrate the increases achieved in the following sectors: jewellery, optics and photography up by 9.5%, and footwear & leather goods with a rise of 8.9%. Overall, the shopping centre – which (with 4,750 free car parking spaces) is more attractive than its counterpart in the south of Zurich – was visited by 8.18 million consumers in 2007.

Sihlcity opened in March last year, with approximately 41,000 m² of sales floor space. The range of outlets comprises not only 70 or so diverse businesses, some of which are new to Switzerland, but also a Coop supermarket, a Coop City Warenhaus, a Coop Vitality chemists⁵, an electronics dealer Dipl. Ing. Fust and Interdiscount (both of which belong to Coop, a perfumes importer and two Christ jewellers’ shops. It is gathered from specialist circles that the German Peek & Cloppenburg und Media Markt did not have the successful start that was expected. According to information from various fashion shops, the average turnover per square metre on the ground floor is approximately CHF 6,000. Facilities outside the shopping centre include diverse restaurants, a four-star Sheraton hotel, a cinema complex, a discotheque (which is in bankruptcy) and an Asian spa.

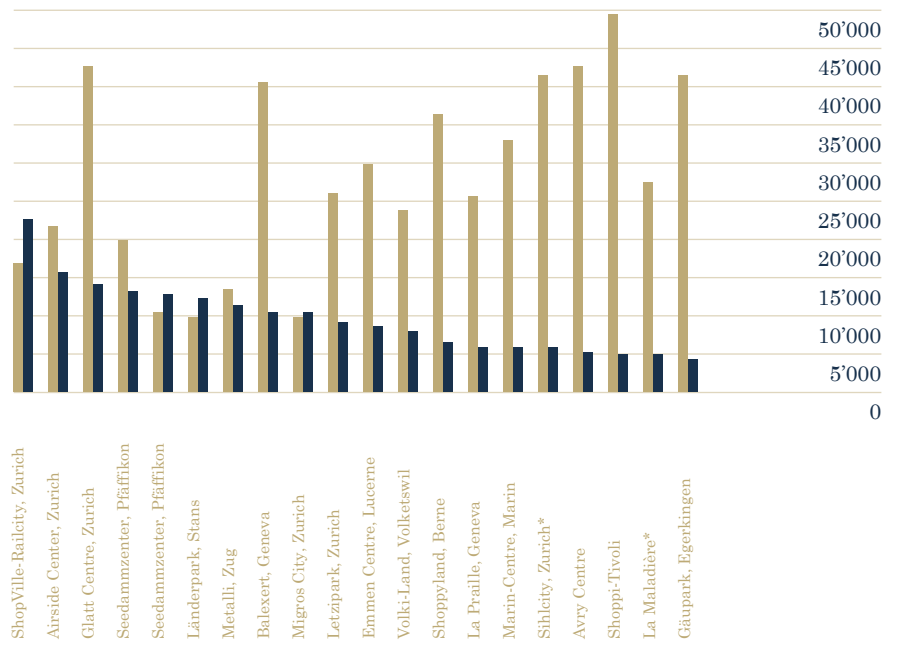
Experience shows that it takes from two to three years until the tenant mix settles down in a shopping centre that does not have a typical city-centre position and sizing and until visitor figures and turnover levels are able to match up to expectations and aspirations.

Building work is proceeding rapidly with the Westside shopping and leisure centre in Bern, with prominent architecture by Daniel Libeskind. The planned opening date is 8 October 2008. Globus will be operating a full range of products on approximately 6,000 m² of sales floor space. Orell Füssli will be opening a large bookshop at the same time. Good entertainment is provided, courtesy of cinema operator Pathé. The InterContinental Hotels Group is having 144 rooms operated by Turicum Hotel Management under the name of Holiday Inn Westside. We look forward to the emergence of further facilities.

On the A1 motorway to the west of the town of St. Gallen, the AFG Arena shopping centre is being set up in conjunction with the new football arena. Eastern Switzerland’s largest shopping and leisure centre accommodates IKEA and 50 other specialist businesses. Opening is scheduled for 6 March 2008 with a shopping mall measuring 30,000 m², catering facilities over 2,000 m² and 1,100 customer parking spaces. Carrefour will not be opening until late in the summer, on premises measuring approximately 7,000 m². Overall, more than 50 businesses that are well known from other shopping centres will be represented, including Esprit, Dipl. Ing. Fust, H&M, C&A, Mode Weber, New Yorker, Ochsner Sport, Sun Store Apotheke, Thalia, Vögele Shoes and Zara.



Shopping Center Switzerland⁵



* Estimation

In November 2007, the largest Swiss shopping centre, Shoppi-Tivoli, opened, on a re-designed complex of 75,000 m² in Spreitenbach, on the connecting mall between two outlets: Shoppi and Tivoli. The Tivoli outlet has now been completely renovated.

In the Sulzer area in Works 2, they are opening the shopping centre of the same name, which will present tremendous competition for the Neuwiesen shopping centre, also based there on 22,000 m²

of gross floor space. With Coop (2,500 m²), H&M (1,500), Choice, La Senza, L'tur, McOptik, Müller Drogeriemarkt (1,600), New Yorker, Ochsner Sport (1,000) Young Angels and many other businesses, the objective is to achieve the 110-million turnover mark within the next three years.

The A1 shopping centre in Oftringen has not been so successful. Many of the 47 lessees in sales premises measuring 18,000 m² have complained of poor levels of turnover and some of them are in the red. This is caused by markedly low visitor figures and the relative unattractiveness of the location.

05

MERGERS AND ACQUISITIONS.

Dipl. Ing. Fust AG, a division of Jelmoli, together with the electrical household goods and multimedia products segments, has been sold to Coop for 990 million Swiss Francs. Fust continues to be operated within the Coop group as an independent chain. The 1900 employees are being taken over by Coop. The 151 Fust branches will be kept on.

Coop, the number two behind Migros, has bought the local Carrefour outlets. The purchase price was CHF 470 million. At the beginning of the year, in a surprise coup, Migros bought Denner, thus markedly extending its lead over Coop. Coop has taken over 12 existing Carrefour shops, which had achieved approximately CHF 950 million in turnover in 2006. Coop has also taken over the two projects at the St. Galler Stadium and in Chur.

Fossil, the American watch and accessory company, has taken over the five boutiques at the top positions of Accessorize, including the ones on Bahnhofstrasse in Zurich, Freie Strasse in Basle and Weggisgasse in Lucerne.

Maus Frères, on the back of its subsidiary Procastor SA, has extended its share in Swedish fashion company Gant to 35.3%. Maus, according to information dating from 17 January, has sold (following the expiry of the bid deadline of 11 January) a further 84,700 shares, which correspond to 0.5% of the voting shares.

Schlossberg Switzerland has acquired Langenthal Leinen and can now boast the best positions in Switzerland. High-quality home textiles are displayed in shops such as those on Strehlgasse in Zurich, the Rue de la Corraterie in Geneva, Markt-gasse in Bern and in Appenzell, Basel, Davos, Langenthal, Lucerne, Montreux and Zermatt.

As long ago as 2005, Sturzenegger, the fashion and linen company with a long-standing tradition, sold the property-owning family's best property on Zurich's Bahnhofstrasse, after the business had been given up, and leased out to Diesel, the Italian

jeans label. There, the new owners are achieving returns of approximately 2.8%. In 2007, further businesses were handed over and one of the last positions on Zurich's Löwenstrasse was taken over by Hästens, the Danish bed company. Some of the other branches in Basle, Davos, Gstaad, Berne, Lucerne, Saas Fee, St. Gallen, St. Moritz and Zermatt are being taken over or have been taken over by outdoor wear suppliers Salewa.

The boutiques of Speed-Trailer, the former young fashion suppliers, have mostly been taken over by Valora and are now being operated for their Caffè Spettacolo concept. Coop is planning on opening 40 coffee shops in Switzerland and has started on two Ca'Puccini pilot projects in Neuenburg and Unterentfelden. A further 40 branches will follow over the next five years. Currently the lead in the Swiss coffee-bar marketplace is held by Tchibo, with 50 branches, followed by Starbucks (see Page 1) and Spettacolo with 30 coffee shops.

06

PROSPECTS FOR SWISS RETAIL MARKET.

The Swiss economy is back into growth figures, and powerful ones at that. The economic dip from 2001 to 2003 is a thing of the past and Switzerland's much-discussed growth problems are now seldom discussed. No surprise, in view of the emphatic economic success of the last three years.

Despite the uninhibited expansion in retail outlets throughout Switzerland, good city centre locations have become hard to find. This is the result of a newly-emerging enthusiasm for city life. It is also promoted by the increased centralisation, which is the result of high acceptance for public transport.

In Zurich, work has finally started on the building site for the Löwenstrasse through station. Due for completion within six years, this investment on a scale of millions will fend off traffic congestion at the centre of Swiss public transport.

The legal impediments on construction of the "HB" city project have also been resolved. These further investments on the scale of billions in the new section of the city will create a new centre within a few years, thus providing the new space that is so urgently needed for city centre development. In order to remain competitive internationally, the new centre will have to adapt to new constraints following the city's expansion.

In the old Winterthur centre, demand also far outstrips supply. Here, the "Arch-Areal" project, with a "House of Fashion", will help to achieve the necessary addition to the available space.

In Chur in the summer of 2007, after long and tedious planning work, the conversion of the railway

station was completed, with attractive pedestrian access to Bahnhofstrasse as the main shopping street in the city of Chur. Bahnhofstrasse – now to function as a connection to Poststrasse, well-positioned as a pedestrian zone since 2005 – has also been made more pedestrian-friendly. This will release more potential for Chur city centre as a retail location.

Given the high demand for retail premises in city-centre positions, it can be assumed that in future property owners will have the potential to exploit their premises appropriately and to convert premises currently used for office & administration purposes into sales premises. The precedent set by the migration of luxury businesses in Amsterdam from Kalverstraat to PC Hofstraat, or those in Frankfurt to Goethestrasse will be echoed in Zurich by developments on Pelikanstrasse, Nüscherstrasse and Löwenstrasse. However, this will require municipal support and corporate owners' commitment for the revival of such key streets.

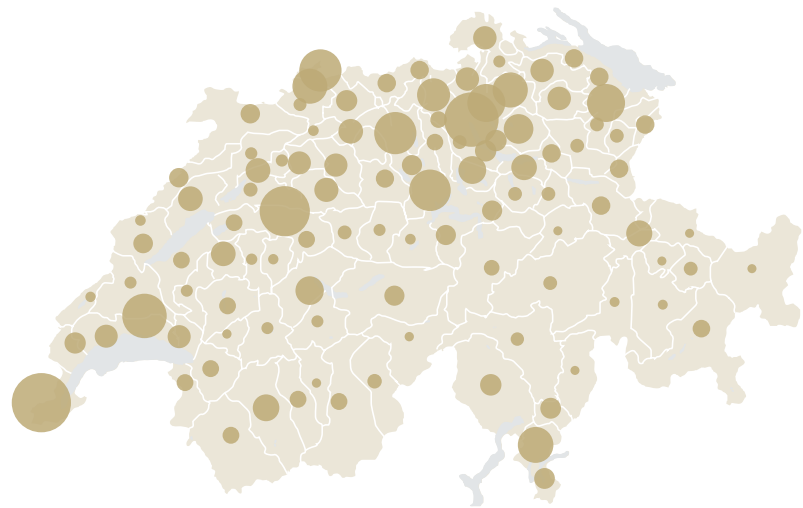
It is clear from the graphics showing turnover per m² in relation to the overall size of Swiss shopping centres (see Page 3) that the majority of shopping centres greatly need to improve their productivity per unit of floor space area. This mainly hinges on attractiveness and thus, in turn, on the retail mix. One thing in common between most shopping centres is that the people who visit them, in almost all cases, have the same choices available to them. Consequently, customers have no reason to change their established habits and look for different shopping malls. It can be assumed that city administration centres and proprietors will give preference to new and innovative brands, after the current lessees' agreements expire, with the result of a future "breath of fresh air" on the shopping centre landscape, as exemplified to some extent in the case of Shoppi-Tivoli.

07

SWISS RETAIL MARKET: FACTS.

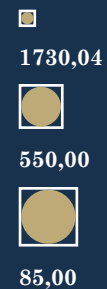
There is hardly any category of commodities where global drops in prices are as accentuated as in clothing. As a worldwide average, women have to pay EUR 420 for their outfits, and men have to pay EUR 553. When it comes to Zurich, the corresponding figures are EUR 669 for women and EUR 870 for men. This difference is at least partially co-determined by the selection of clothing items under consideration. For men and women alike, costs in Zurich, Geneva and Vienna are equally above average. The pricing information from the UBS study⁷ "Prices and earnings for 2006 – comparison of purchasing power around the world" relates to purchases of off-the-peg clothes in large shops, rather than to special businesses, boutiques or designer labels whose prices are less subject to variation, according to international comparison.

Distribution of gross nominal added value in retail trade in the Swiss MS regions, 2006⁶

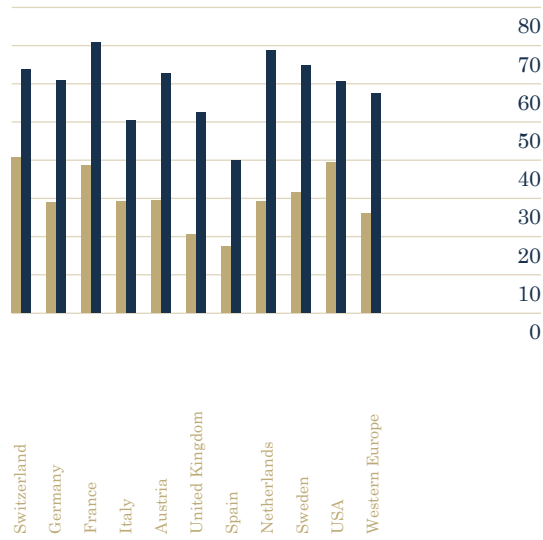


During the period from June to August 2007, the influence of hotel guests on shopping turnover figures in Zurich was investigated in a study by BAK Economics⁶ and by the School for Tourism. During that survey period, on average hotel guests spent CHF 524 per day, 27% of which went on shopping. The high proportion spent on watches and jewellery in that shopping - 61% - is surprising. Shopping

Nominal gross added value in millions of Swiss Francs



Nominal hourly productivity in retail trade and in the overall economy according to international comparison⁶, 2005



■ Retail trade
□ Overall economy

turnover accounted for by hotel guests has been calculated as CHF 324 million per annum.

Below, we set out an example that is representative for many successful businesses: the branch of Body Shop – 58 - on Zurich’s Bahnhofstrasse has one of the highest levels of turnover worldwide. Body Shop currently operates 37 outlets in Switzerland and five of them are in Zurich. 25% of Swiss turnover is generated in Zurich, 10% of it at the flagship shop on Bahnhofstrasse. A further superlative is that the flagship outlet generates 35% more than the best other shop in a shopping centre, the “Glattzentrum”. A total of 35% of the profit is generated in Zurich, and the Bahnhofstrasse branch alone accounts for 18% of it.

ZURICH – ONE OF THE WORLD’S FOUR MOST EXPENSIVE CITIES.

In a UBS comparative study⁷ of costs of living in 71 cities around the world, the four most expensive cities were Oslo, London, Copenhagen and Zurich. Including rent levels, which in a Western European economy represent approximately one quarter of total living costs, London and New York are far and away the most expensive cities. It is not surprising that residents of those areas very often put up with very long journeys to work in order to be able to live affordably. UBS’s shopping basket reflects the consumer pattern of an average Western European family. However, the effective costs of living in a city may differ considerably depending on the residential area, personal lifestyle or lifecycle involved.

Cities Pricing level	Excluding rent Zurich = 100	Including rent Zurich = 100
Oslo	113,1	108,3
London	102,9	120,9
Kopenhagen	101,6	98,9
Zurich	100,0	100,0
Tokio	99,5	107,1
Geneva	95,8	98,3
New York	93,1	114,6
Dublin	91,5	96,6
Stockholm	91,3	86,8
Helsinki	90,3	88,5
Paris	89,0	89,5
Vienna	88,4	84,8
Luxembourg	86,9	87,7
Chicago	85,8	94,2
Los Angeles	85,2	92,4
Toronto	82,4	81,8
Munich	82,3	81,6
Brussels	82,3	78,5
Amsterdam	81,7	83,6

How much is a salary worth? Income levels on their own do not tell you very much about what you can afford to buy with them. An employee in a Western European city can buy the contents of the shopping basket about 13 times over, with his gross annual income. One gross hour of pay is usually taken as the equivalent value in Copenhagen, Zurich, Geneva, Berlin and Frankfurt – before taxes and social security contributions are deducted. The league table is once again displaced as appropriate where purchasing power is being compared with net hourly rates of pay. On that basis, Copenhagen and German towns markedly lag behind because of their high levels of tax and social security contributions. In Swiss cities, as in Dublin, Los Angeles and Chicago, there’s usually something left over after taxes and social security contributions have been deducted.

Cities Purchasing power nationally	Gross hourly pay Zurich = 100	Net hourly pay Zurich = 100	Net annual income Zurich = 100
Zurich	100,0	100,0	100,0
Genva	100,7	97,0	93,9
Dublin	83,9	92,1	87,5
Los Angeles	88,0	91,6	97,0
Luxembourg	84,0	90,9	78,1
Chicago	89,5	88,9	94,6
New York	93,4	86,5	87,6
Berlin	95,6	86,3	67,7
Sydney	86,7	85,6	77,5
Auckland	82,5	85,4	79,1
Frankfurt	94,1	85,2	76,3
Munich	89,7	82,6	75,5
Nikosia	69,2	80,5	75,8
Helsinki	81,7	79,4	68,7
Oslo	89,9	78,9	71,5
Toronto	78,3	78,6	76,6
Brussels	91,6	76,5	70,2
Montreal	79,1	76,4	75,3
Kopenhagen	101,1	75,8	69,4
London	75,3	75,1	73,6

CENTRALISATION OF RETAIL TRADE IN SWITZERLAND.

In Switzerland for the first time, in collaboration with a German consumer research Institute, characteristics for centralisation are set out for the 10 largest cities in Switzerland. It is conspicuous that tourism in Lucerne makes a major contribution to the fact that the greatest increase in purchasing power has been achieved here.

A figure in excess of 100 indicates that an increase in purchasing power has occurred. In other words,

more turnover is achieved in retail trade in this area than is available to the population based in the area to spend on retail trade. A figure of less than 100 means that there is a decline in purchasing power. In other words, less turnover is achieved in retail trade in this area than the population is able to spend on retail trade in the area.

Winterthur, Switzerland's fastest growing city, shows that it has the highest purchasing power index after Zurich.

The highest consumption of fashion products by far arises in Zurich, Switzerland's largest city. The figures show that Winterthur also has a leading position in this respect.

References.

This report was based on our own market surveys and the analysis of media reports. The following sources were also used for special information:

- ¹ Cushman & Wakefield: Main Streets Across the World 2007 (Net rent levels adjusted as a function of adopted criteria, according to a representative survey conducted by international retail experts)
- ² SBB Immobilien (Swiss Railway Real Estate): 2006 annual report
- ³ Euroforum Retail Conference 2007: Retail spaces – the end of the boom, 14.11.2007, Martin Neff, Credit Suisse
- ⁴ Credit Suisse Economic Research: Swiss Issues Immobilien, 2007 property marketplace – facts and trends
- ⁵ GFK IHK: Retail trade in Switzerland, 2007
- ⁶ BAK Basel Economics (2007b/d): Analysis and forecasts for consumption and retail trade in Switzerland; International comparison of Swiss retail trade performance
- ⁷ UBS Research: Prices and earnings in 2006

Retail trade turnover in 2007	In millions of euros	Euros per capita	Turnover index for country = 100	Centralisation index for 2007 country = 100
Zurich	4'452.5	12'741	161.2	150.2
Geneva	2'214.8	12'379	156.6	153.1
Basle	2'144.3	13'132	166.1	159.3
Berne	1'715.8	14'064	177.9	177.2
Lausanne	1'292.3	10'990	139.0	143.9
Winterthur	952.0	10'070	127.4	123.0
St. Gallen	858.9	12'245	154.9	156.5
Lucerne	1'012.7	17'586	222.5	221.6
Lugano	498.2	10'062	127.3	132.8
Biel/Bienne	540.2	11'091	140.3	146.9
Thun	452.9	10'072	138.8	144.2

Purchasing power 2007	In millions of euros	Proportion promille	Euros per capita	Purchasing power index for country = 100
Zurich	10'696.1	53.155	30'608	114.1
Geneva	5'070.1	25.196	28'339	105.7
Basle	4'665.4	23.185	28'572	106.5
Berne	3'247.4	16.138	26'617	99.2
Lausanne	2'927.8	14.550	24'899	92.8
Winterthur	2'712.8	13.481	28'696	107.0
St. Gallen	1'821.	9.054	25'971	96.8
Lucerne	1'497.1	7.440	25'998	96.9
Lugano	1'181.8	5.873	23'870	89.0
Biel/Bienne	1'173.4	5.831	24'090	89.8

Consumption of fashion products in 2007	In millions of euros	Proportion promille	Euro per capita	Index for country = 100
Zurich	296.0	52.7	847	113.1
Genf	142.7	25.4	798	106.5
Basle	132.2	23.5	809	108.1
Berne	93.0	16.6	762	101.8
Lausanne	84.5	15.0	719	96.0
Winterthur	75.6	13.5	799	106.7
St. Gallen	51.8	9.2	738	98.6
Lucerne	43.2	7.7	751	100.3
Lugano	34.4	6.1	695	92.8
Biel/Bienne	34.0	6.1	699	89.8

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