Commentary on the Portfolio

As at the reporting date the Group's portfolio comprises investment properties in Switzerland and Germany. The transaction announced in June 2015 in relation to the French portfolio was completed. Züblin Immobilien Holding AG has therefore effected its economic withdrawal from the French market, with the result that this segment is no longer included in the financial report.

The overall value of the portfolio was CHF 330 million as of 30 September 2015. This represents an increase of CHF 8.4 million compared with 31 March 2015 and reflected successful lettings and an associated increase in market values by CHF 4.4 million combined with positive currency translation effects of CHF 5.7 million. The portfolio value was also increased by investments of CHF 1.5 million. Against this, one non-strategic property was sold in Germany at the market value of CHF 3.3 million.

Annual rental income was CHF 18.9 million as of 30 September 2015. The vacancy rate excluding the French portfolio improved from 13.7% to 13.0% during the reporting period. Only considering the strategic portfolio, the vacancy rate reduced from 10.8% to 9.7%. The two non-strategic properties in Jettingen and Neumünster which are almost completely vacant are due to be sold shortly.

The Swiss rental market has been stable in the office segment in the last six months. In the second quarter vacant office space in the Zurich region rose by around 3% to 403,000 m2, equivalent to 5.2% of the overall Zurich office market. There was a slight decline in vacancy rates in the Zurich CBD, top rents remaining steady at CHF 825/m². Following the introduction of negative interest rates by the Swiss National Bank, expected peak yields for top office properties in Zurich city centre have fallen by around 20 basis points. The entire Zurich region is likely to remain a tenant's market for some time due to the continued high level of building activity.

Sentiment in Germany remains strong on both the rental and transaction markets. Low interest rates, the fall in the oil price and a favourable euro exchange rate are ensuring largely positive news from the corporate sector. In the seven main German property centres of Berlin, Düsseldorf, Frankfurt, Hamburg, Munich, Cologne and Stuttgart take up of office space rose by 18% in the first nine months of 2015 to 2.49 million m2 (Q1-3 2014: 2.11 million m²). Letting activity therefore picked up compared with the first six months of the year. As a result the cumulative vacancy rate stood at 6.17 million m2 at 30 September 2015, a fall of 12% compared with a year ago. The average vacancy rate across the seven leading German cities has fallen by 1 percentage point to 6.9% over the last twelve months.