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«Prénom\_nom\_copreneur»  
«Etiquette\_Destinataire»

Our ref.: TBM/mnd

Geneva, *date to be personalised*

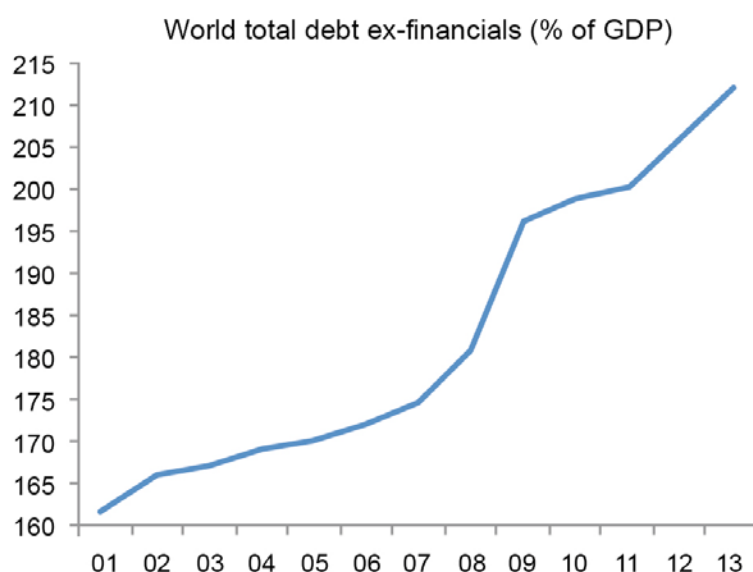
«Dear Mr / Ms. Formule\_Politesses\_Destinataire»,

The end of the year is marked by a number of customs, or little rituals, and ours consists of sharing with you an overview, in the form of taking stock of the past year, focusing in particular on developments in the world economy, then the Swiss economy and, lastly the conditions prevailing on the real estate market in which we operate.

Let us begin with **the overall outlook** and a question we are not sure we can answer: has the world really become more unstable and turbulent, or are we simply overinformed in real time and continuously, of every tragedy, every turmoil and every accident wherever they occur? And are we not all saturated with news about Ebola, the Islamic State, civil war (or just war) in Ukraine, hostage-taking, and corruption scandals? In any case, no one can claim that the past year has been peaceful and unsurprising. And yet in this apparently turbulent context, the global economy seems rather resilient. Admittedly, growth is sluggish but, in view of the many instability factors, would not a real recession be expected? Optimists will see in this conclusive evidence that the world is no more turbulent than in the past. Moreover, has not **the US economy**, for example, regained some surprising positive figures: a significant fall in unemployment, and a budget deficit that has suddenly dropped below the critical 3% threshold for 2014? Pessimists will perhaps reply that global growth – even if low – is obtained at the price of increasing debt, which heralds less rosy days to come, and it is quite paradoxical to note that, despite all the talk about austerity measures and stabilization, particularly in Europe, **global debt has only continued to grow since 2008**, and that, in reality, the required deleveraging process has yet to be initiated (see a very interesting and weighty study on this subject entitled "Deleveraging? What Deleveraging?"<sup>1</sup>) with adjustments that will inevitably be sudden and painful. The graph below, which speaks volumes, is taken from this study:

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<sup>1</sup> *Deleveraging? What Deleveraging?* ICMB International Center for Monetary and Banking Studies, September 2014. To see the study [http://bit.ly/etude\\_deleveraging](http://bit.ly/etude_deleveraging)



Source: Authors' calculation based on OECD, IMF and national accounts data.

We will not expand on this topic, particularly as a number of considerations set out in our 2012 and 2013 annual letters are still valid<sup>2</sup>. In particular the phenomenon of inflation of assets and disinflation or deflation of current prices, the growing impact – but still far from its peak – of the ageing population, the rebalancing of world economic forces, the schemes of the political world and monetary authorities essentially aiming to gain time – all this gives us the feeling that there are forces at work without us being able to assess when and how it will end; however, it is almost certain that a number of structural imbalances (we only need to think of France and its promises of reform and budgetary recovery that are never kept, of Japan embarked upon monetary easing on an unprecedented scale, which has not prevented it – predictably – from slipping back into recession, or of China with its growing and opaque debt simultaneously with GDP growth at its lowest for twenty-four years) will reach breaking point at one time or another, the impact of which is impossible to measure. With regard to China, and without going into detail because this is not at the heart of our subject matter, we are nevertheless fascinated by the news of the existence of **no less than fifty ghost towns in that country**, the spectacular and highly visible legacy of the overheating in the real estate market over the past few years<sup>3</sup>.

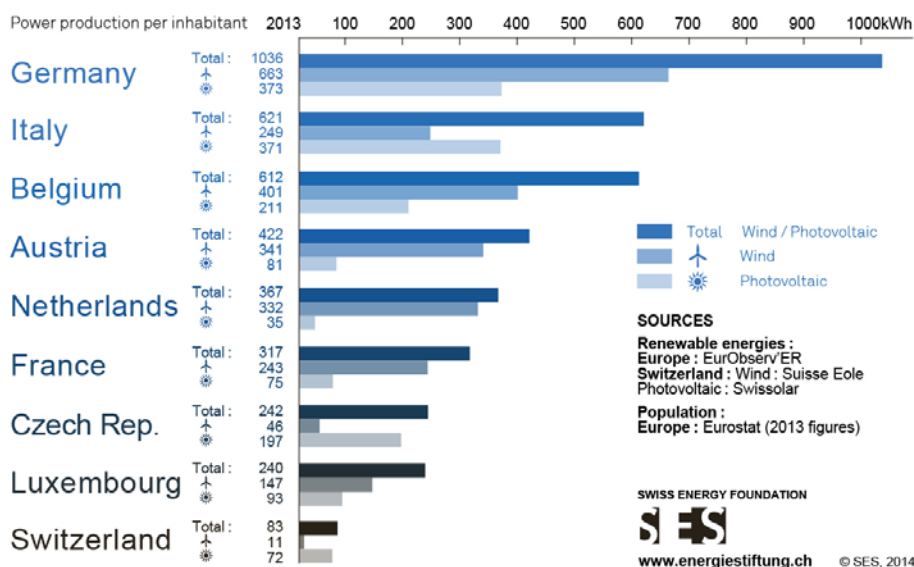
**And Switzerland? It is doing incredibly well!** This is not Pangloss speaking: unemployment is low, the federal budget is in surplus, the economy is growing (with a notable slowdown, however), companies have a low level of debt, and the political system is stable. However, a number of **major trends are worrying** and negative: the banking/financial sector is having a rough time, our relations with Europe are tense and uncertain, populist trends emerge with increasing strength and our country struggles – which is a euphemism – to be proactive or even to react quickly when circumstances require it. One need only think of company taxation reform: this is a major instrument of international competitiveness for Switzerland and it has been in the "political pipeline" for at least two years but only possibly coming into effect in 2019! Or one could talk about our exit from nuclear energy, which is planned and yet the weak measures put in place, such as promoting solar energy production (we are currently ranked, in terms of renewable energy production, among the worst performers in

<sup>2</sup> The 2012 and 2013 annual letters are available on our website [www.spglettreannuelle.ch](http://www.spglettreannuelle.ch)

<sup>3</sup> A Chinese newspaper, *Caixin*, has even drawn up an index on this subject. To see the article: [http://bit.ly/english\\_caixin](http://bit.ly/english_caixin)

Europe – see graph below), make the target hard to believe. We must also mention again, without dwelling on it, the incredible improvisation relating to the issue of tax fraud and banking secrecy.

### SWITZERLAND IS BOTTOM OF THE TABLE Comparison of wind and solar power production



As for **populism**, Swiss citizens had the reputation – which fortunately is often still founded – of voting in a wise and level-headed way, and yet some recent referendums give the impression that they are more an expression of impulsive mood swings, serving as bullets with which to shoot ourselves in the foot. Whether it concerns the vote on the initiative against "mass immigration", which citizens perceive – after the event, in our opinion – to be incompatible with the bilateral agreements concluded with Europe, or the initiative known as "Minder" on the subject of which we will refer to a very interesting interview with the Chairman of Nestlé, Peter Brabeck, emphasising that it has had the paradoxical effect of large Swiss groups listed on the stock exchange moving their decision-making centres outside of Switzerland<sup>4</sup>. These populist eruptions should not, however, conceal the **fundamentally reasonable and responsible temperament of our citizens**, which is proven by the quite systematic rejection of any proposal that is extreme or too interventionist ("Ecopop" initiative, the save the gold of the Swiss National Bank initiative, the initiative to abolish lump sum taxation, but also, in 2013, the initiative to cap the salaries of top managers).

The **real estate market** shows, overall, **clear signs of running out of steam** under the combined effect of several factors: sustained production with price projections that end up being too optimistic or even unrealistic, products that are not always shrewdly "gauged" in relation to demand (classic effect of a period of lasting euphoria: some developers eventually convince themselves that "anything can be sold"), and anti-overheating measures (various credit restrictions) coming either from the authorities or from the banking institutions themselves. Lastly, let us not forget mass psychology: rises feed rises – some buyers rush in for fear of missing out and for fear that it will be even more expensive in the future – and falling prices, on the contrary, freeze the desire to buy for fear of buying too soon or of missing out on an even better deal tomorrow. Some "real estate consultants" have also

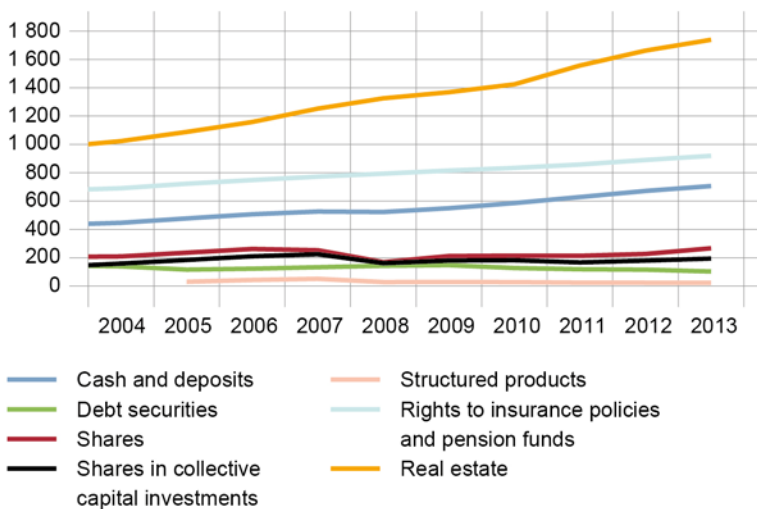
<sup>4</sup> *Le Temps* of Saturday 5 April 2014, "Our sole priority should be to ensure the success of Nestlé. However, this is no longer the case since Minder". To read the article: [http://bit.ly/letemps\\_5avril2014](http://bit.ly/letemps_5avril2014)

contributed to maintaining the illusion by validating off-market price expectations; you wouldn't think so, but it takes a certain amount of courage and also ethical strength to tell an owner who is consulting you the truth rather than what he wants to hear! This downturn in the real estate market will continue to have a substantial effect in 2015 and even beyond, when work on projects that include a significant share of unsold properties is completed (this "intermediate/under production stock" is impossible to quantify but it exists, as proven, for example – it is an empirical but meaningful indicator – by the increasing number of requests we have received since the start of the year from developers anxious to boost their sales by having recourse to our sales forces).

This downturn in the real estate market and prices will, in addition, have an **impact on the economic dynamic** as a whole, given the **weight of real estate in household financial assets** (more than 40% in 2013 – see graph on the right below). The graph on the left below, which comes from the Swiss National Bank, speaks for itself: not only does real estate represent a distinctly predominant share of household wealth, but this share has increased (see the orange curve) very noticeably in ten years! That is to say that this wealth effect arising from real estate has supported economic activity and economic growth in the past, and that the inversion of this trend will inevitably put a damper on the household consumption climate, and therefore domestic economic growth.

#### STOCKS OF HOUSEHOLD ASSETS

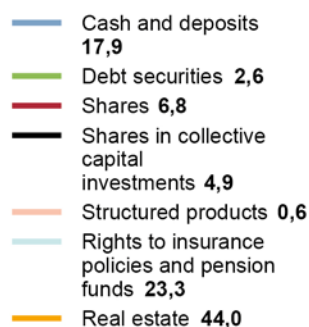
In billions of Swiss francs



Source: Household wealth in 2013 © Swiss National Bank, 2014

#### STRUCTURE OF HOUSEHOLD ASSETS

In %, end 2013



Source: Household wealth in 2013 © Swiss National Bank, 2014

We should also emphasise here that the appreciable increase in real estate values and assets has been accompanied by a **very significant increase in mortgage debt**: this amounted, for households, to

427 billion in 2000 and 712 billion in 2013<sup>5</sup> (over ten years from 2000 the increase is greater than 50%<sup>6</sup>). True, a good part of the increase in values – and therefore of debt – was due to catching up after the real estate depression of the 1990s, but it was actually justified that the authorities should intervene to curb this continuous growth in mortgage credit, which in the long run is manifestly disconnected from economic growth. Let us recall the following measures: since 1<sup>st</sup> July 2012, the obligation to put down a 10% deposit (limitation of the withdrawal of credit from the occupational pension scheme) and paying off the second-ranking mortgage over a maximum of 20 years; since 30 June 2014, the banks must double (from 1 to 2%) their equity capital coverage with regard to mortgage loans, which makes the policy of granting loans much more restrictive, and since 1<sup>st</sup> September 2014 the obligatory period for paying off the second-ranking mortgage has been reduced from 20 to 15 years. What is less understandable, however, is the sudden impatience of the authorities, which were prepared, in autumn 2014, to add new restrictions before gauging the effect of those already in place. We welcome on this matter the motion of national councillor Olivier Feller proposing a welcome and necessary moratorium, all the more so since it is now evident that the curbing desired by the authorities has been thoroughly felt on the market. The question is now open as to whether this slowdown will enable a soft or a hard landing. The answer will probably come in 2015 or 2016 (we should briefly mention here the considerable "shock absorbers" that are the fixed rates contracted for the large majority of loans, and the still spectacularly low interest rates – the 10-year fixed rate was still 3.18% in January 2010 and was around 1.5% at the end of 2014).

In the meantime, this downturn in prices and real estate activity is also having a noticeable downward impact on the turnovers and margins of real estate service providers, which we will come back to later...

In **Geneva**, the **economic fundamentals** are rather good: economic growth is slowing down but remains positive, demographic growth is still strong and the overall wage bill is also progressing (in real terms – inevitably since inflation is zero, which could, moreover, become a concern), and the support shown by referendum for maintaining lump sum taxation has lifted a considerable uncertainty for the future. Nevertheless, the slowdown certainly conveys the loss of attractiveness of Geneva and Switzerland internationally: the Swiss environment is perceived both as less stable and predictable, and – temporarily? – less business-friendly (further to the Minder initiative, the fixing immigration quotas initiative and the inheritance tax initiative, etc.). Geneva specifically has a serious and worrying budgetary governance problem since it is **by far the most heavily indebted canton in Switzerland**. The very comfortable growth in tax revenues has continued to enable numerous civil service positions to be created (2,300 in five years!) and the necessary restructuring to be continuously postponed, and the past decade has really been a missed chance for long-term stabilisation, as shown by the harsh comparison between Geneva and Vaud in particular. Let us take a look at **the change in gross cantonal debt in billions of the four "heavyweights" among the Swiss cantons, between 2000 and 2012:**

	2000	2012	
Bern	9,353	6,160	- 34%
Geneva	10,557	14,753	+ 40%
Vaud	7,181	4,532	- 37%
Zurich	9,687	6,511	- 33%

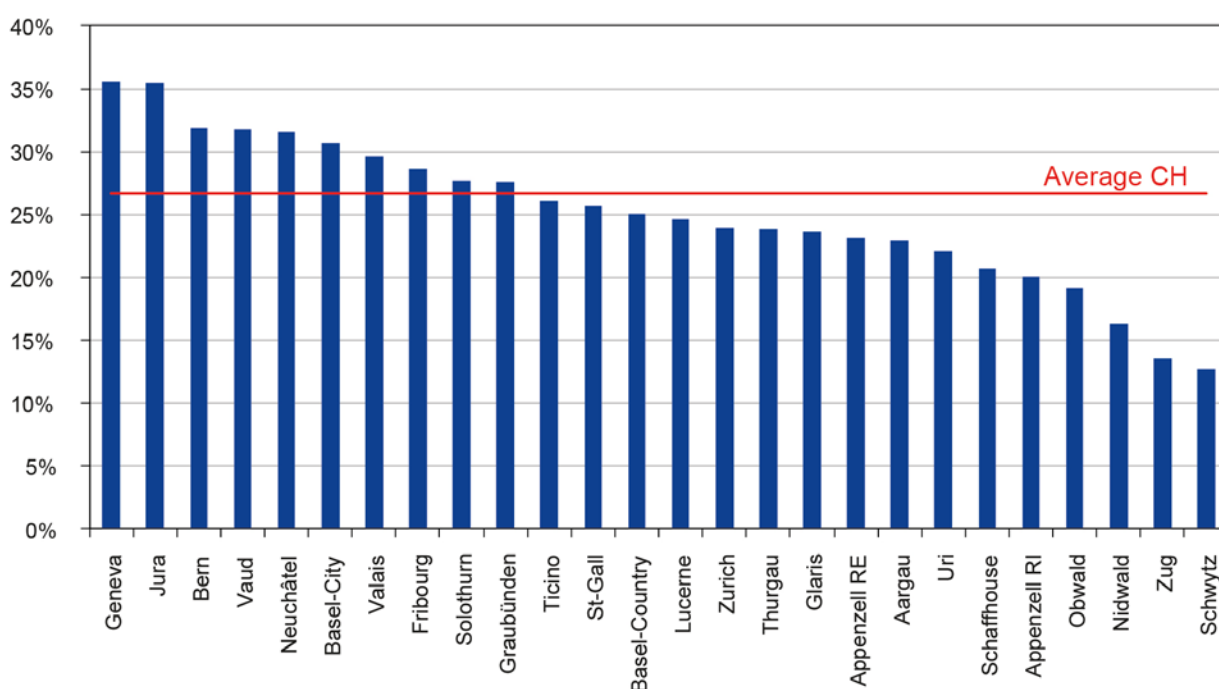
<sup>5</sup> Source: [http://www.snb.ch/fr/mmr/reference/pre\\_20141120/source/pre\\_20141120.fr.pdf](http://www.snb.ch/fr/mmr/reference/pre_20141120/source/pre_20141120.fr.pdf)

<sup>6</sup> Swiss National Bank

For all of the twenty-six Swiss cantons, total gross debt was reduced from 63,141 billion to 55,166 billion (-12.5%) over the same period, which means that **the situation in Geneva is specific and against the general trend.**

At the same time, let us remember that Geneva is also the canton that holds the **record for the highest taxation in Switzerland** according to the table below<sup>7</sup> (the comparison we find interesting is that with Zurich, the other large urban and economic centre, and frequently our competitor in attracting companies or individuals with high fiscal capacity<sup>8</sup>):

Exploitation of fiscal capacity in 2014 per canton in %



Source: 2014 exploitation of fiscal capacity index © Federal Finance Administration

**In summary: Geneva, one of the richest cantons but with the greatest debt, while levying the highest taxes...**

Sometimes we have to resort to stereotypes: would we dare to say that Geneva is very "French" in some respects? A political debate where marketing and ideological posturing replace substantive action and pragmatism, an overdeveloped State called upon to get involved in everything, trade unions and public employees (not all it must be specified) carrying out "preventive strikes" as a method of applying pressure and dissuasion, high taxation that is supposed to be social but that encourages constant growth in public expenditure and also a certain economic ignorance, which leads

<sup>7</sup> Federal Finance Administration, 5 December 2013, "2014 exploitation of fiscal capacity index". To see the document: [http://bit.ly/AAF\\_2013](http://bit.ly/AAF_2013)

<sup>8</sup> We refer with regard to this matter, without any comment, to an interesting study by UBS SA of 4 March 2014 entitled "2014 indicator of competitiveness of the cantons". To see the study: [http://bit.ly/UBS\\_2014](http://bit.ly/UBS_2014)

a number of political leaders to think that public deficits are of no consequence (or "that we only have to increase taxes")... whereas in reality Geneva benefits from the "Swiss umbrella" in the sense that our growing and excessive debt is tolerated in part because the Confederation and the other cantons have healthy finances (like France is indulged in the Euro zone due to its coupling with Germany). In this context, it is incredible to observe that, for 2015 again, our Government has put forward a budget of alleged austerity showing an increase in expenditures notably higher than both inflation and demographic growth, an increase in the wage bill of greater than 4% (again: between 2013 and 2015 the number of staff is increasing by 8%), and the debt is increasing by 160 million due to the absence of self-financing of investments. All this in a context of great fragility of tax revenue since less than 2% of taxpayers (individuals) pay 30% of income tax<sup>9</sup>.

We cannot overlook the law adopted in the spring by the Grand Council (Parliament) of Geneva, introducing serious **restrictions on buying apartments in development zones**. This was brought about due to the abuse, as regrettable as it is indisputable, committed by developers and buyers agreeing to hoard up the limited stock of condominium apartments in development zones (where control of selling prices is exercised, making them favourable – good value – in relation to the open market). This systematic breach – even if it only involves a minority of developers – of the spirit of the law (which aims to encourage home ownership by the middle class) has resulted in a law banning anyone who already owns a property in Geneva from buying an apartment in a development zone... Another law will be submitted to a referendum following an initiative aimed at banning such apartments from being rented out, and therefore obligating their owner to live in them personally (we will have a chance to come back to this in another letter in due course). In the meantime, it will suffice to observe that the law already in force has the very concrete consequence of noticeably reducing the circle of potential buyers and therefore has a negative influence on demand at a time when it is already low due to a slowdown in the real estate market. One of the possible effects of this may be that developers will give up producing condominiums, on account of the increased risk of not being able to sell all their stock, and will prefer to turn to the rental market (subject to what we discuss below in relation to new case law...). This would result in the "first-time buyers" who were intended to be protected also finding themselves, in the end, penalised by a reduction in supply, which will probably result one day in a law imposing a quota of condominiums in new projects – yet another illustration of the principle outlined by Ludwig von Mises<sup>10</sup> of the endless chain of state intervention. Lastly, let us remember that state control of prices of condominium housing in development zones suffers from a fundamental fault: it does not differentiate between the location of the apartments. And, as we know, location is the primary factor in determining the value of a property. How can we maintain that a controlled sale price is hypothetically the same in Cologny as it is in Vernier?<sup>11</sup>

On the same topic of price-controlled housing, we should mention an **important judgment of the Swiss Federal Court**. Up until now it was clearly accepted and constant case law that the subsidised housing sector (still some 10% of the housing stock) was exempt from the provisions protecting tenants, in particular with regard to the rate of return and rents said to be "unfair". This sensible standpoint was a necessity to ensure stability in the social housing sector and its rents; it is difficult to understand how the latter can be controlled and even fixed by a legally competent state authority and nevertheless be able to be considered as "unfair". A judgment of the Federal Supreme Court (dated 25 September 2014<sup>12</sup>) therefore created great surprise by ruling that subsidised/controlled rents are not exempt from the criteria for unfair return according to the general federal provisions for the

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<sup>9</sup> Source: Geneva Chamber of commerce, industry and services: [http://bit.ly/ccig\\_2013](http://bit.ly/ccig_2013)

<sup>10</sup> <http://mises.org/>

<sup>11</sup> To find out more, you can read our newsletter on this topic: [www.spgnews.ch](http://www.spgnews.ch)

<sup>12</sup> Judgment of the Federal Supreme Court of 25 September 2014, ATF 1C\_500/2013

protection of tenants. In very concrete terms, acceptable returns and rents in subsidised buildings are likely to fall substantially if tenants request it. This evidently heavily undermines the principle of trust in the public sphere: many owners (private and institutional) have taken the decision to invest in social housing by agreeing to the control and capping of return for periods of ten to fifty years in exchange for certain guarantees that are now being challenged. And there is therefore no guarantee that, ultimately, it is not the taxpayer who will lose out because the State will probably have to offset any falls in return suffered by investors. And in the meantime, it is evidently the fluidity of the market that is further reduced: Geneva was already producing too little housing in relation to its demographic growth, and it is obvious that many social housing construction projects are currently suspended while awaiting clarification of the consequences of this change in case law.

### A few **trends in figures** and statistics on the **Geneva real estate market**.

Let us firstly clarify that some official statistics are very useful and reliable (for example the vacancy rate of rental apartments, or that of housing production), while others leave some room for improvement, to say the least (for example, the vacancy rate of commercial, administrative and industrial premises, or the statistics for real estate transactions, issued with a considerable delay). This is one of the reasons that leads the SPG Group to draw up its own internal statistics, which enables us to produce current and also more detailed data, on the basis of a widely representative selection of samples, given the extent of our portfolio and our market share in Geneva and on the Vaud Shore in particular (between 10 and 20% depending on the segment and year).

A brief overview in figures of offices and commercial premises: few vacant **commercial premises**, which is normal because they are intrinsically rare since most of the time they are situated only on the ground floor of buildings; the peak for vacant commercial premises was in 2000, and then in 2005 (approximately 25,000 m<sup>2</sup> vacant) which represents a vacancy rate that is still low at less than 2%. Currently, the amount of vacant commercial premises totals 12,300 m<sup>2</sup>, i.e. 1.36%; these figures were stable between 2013 and 2014, as were prices. For **offices to rent**, we note a fundamental discrepancy between the official statistics (which show a drop over the past year from 83,000 to 69,000 m<sup>2</sup> vacant, or in percentage a vacancy rate that has fallen from 1.93 to 1.55%) and the perception of operators, which observe a marked increase in supply and vacant premises. For the time being, however, prices are not completely oriented downwards; demand is not non-existent but a little "sluggish". In Geneva, our company has concluded leases for a total surface area noticeably higher in 2014 than in 2013, but with an average price approximately 10% lower (this does not necessarily mean a reduction in rents, but that tenants are turning towards cheaper premises). And for those interested in international price comparisons, let us mention one study<sup>13</sup> by our global partner Cushman & Wakefield presenting comparative rents of premium quality office premises, which shows, incidentally, that Geneva does not necessarily deserve its reputation as an "expensive city", since it is in fifteenth place (with a rent of 718 euros m<sup>2</sup>/year), far behind London (2,122 euros/m<sup>2</sup>/year), Hong Kong (1,432 euros/m<sup>2</sup>/year), Moscow (1,092 euros/m<sup>2</sup>/year) and even Beijing (1,027 euros/m<sup>2</sup>/year).

For **industrial premises**, we note a vacancy rate of below 1% (down from 0.83% to 0.7% between 2013 and 2014), and stable rents.

For **apartment rentals**, Geneva still has a very low rate of vacant apartments, i.e. 0.39%. Moreover, our company statistics show a stable rate of rotation in our portfolio (approximately 10% of the housing stock under management has a change of tenant each year – which is far from being

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<sup>13</sup> *Office space across the world 2014*. To see the study: [http://bit.ly/officespaceacrosstheworld\\_2014](http://bit.ly/officespaceacrosstheworld_2014)



negligible given the low rate of vacant housing; because, in the end, before vacating one apartment another one needs to have been found...).

For **residential luxury housing**: "bar-room philosophising" likes to ramble on about a significant drop in demand and transactions but the statistics we have drawn up on the basis of published transactions show otherwise for the moment. If we focus on the segment of residential sales over 10 million per unit, we see the following overall figures: 12 transactions for a total of 202 million in 2011, 20 transactions for a total of 324 million in 2012, 17 transactions for a total of 290 million in 2013, and for ten months in 2014 (situation at the end of October) a total of 16 transactions for a sales volume of 232 million (**no sale above 20 million**, however). Therefore, some stability for the moment but it is true that the stock is increasing while demand is always by its nature limited. The conclusion for this very specific segment: it has always been a niche market, "haute couture" if you like, with a restricted volume and number of transactions and absolutely unable to support all the operators that have moved into this specific market, mistakenly thinking that it was a new eldorado (this explains why certain agencies operating specifically in this niche, and which have a shop window that has no real substance behind the facade, have now shut up shop). In this niche market, SPG Finest Properties now works out of three offices (Geneva, Nyon and Lausanne) in French-speaking Switzerland, and works in exclusive partnership internationally with Christie's International Real Estate (which is 100% owned by the Christie's Group and therefore benefits from all the possible synergies).

Lastly, the **average price of apartments and other villas has been significantly falling** for two years (-10 to -20%) whilst the **average length of time for concluding a transaction** (from putting up for sale to signing) has doubled, which is significant. We anticipate a "downward stabilisation" in 2015, noting that it is difficult to measure the impact that the arrival on the market of a stock of unsold properties from current construction projects could have (since the operators involved have good reason not to be too transparent about possible marketing difficulties during construction...).

The **rental building** market remains very favourable to sellers: they are rare, and buyers looking for stable returns are proportionally more numerous, so much so that buildings are always sold on very "aggressive" bases of return (historically low returns and high sale prices).

**Comprehensive summary:** the real estate market is, in the majority of segments (with the exception of transactions on investment properties) clearly decelerating, in proportions which are by no means disastrous (we note, moreover, that our vacancy rates, both for business premises and for housing, would make real estate professionals in any European country green with envy – we shall quickly mention the vacancy rates for offices in Amsterdam [approximately 17%], Berlin [approximately 5%] or even London [6%]), and for projects in progress that have not yet found a tenant, the carrying cost will be low and generally bearable given the low level of interest rates; lastly, for condominium housing projects in particular, it will be easy to redirect them onto the rental market where the vacancy rate is close to zero. The current situation is quite unlike, for example, the disastrous scenario of the 1990s when the rapid rise in interest rates, in correlation with a collapse in demand, suddenly stifled a number of developers.

Be that as it may, for many real estate operators, this simultaneous drop in prices (-10 to -20%) and transaction volumes (-15 to -35%) puts margins under considerable pressure, or even destroys them. In a particularly fragile position are real estate service providers and operators that are too geographically diversified (branches in small towns are expensive and have little chance of covering their overheads on a long-term basis), or insufficiently diversified in their sources of income (it is not a good idea in the current market to depend too exclusively on income from development or

brokerage, which are in noticeable decline). In this respect, the strategy (established for a long time now) of the SPG Group has now been confirmed: we have always been careful to maintain a wide diversification of our sources of income, by being active – beyond trends and temporary difficulties – in **all segments** of the market and all types of real estate services. We are a major player in management and marketing of **commercial buildings** (between 25 and 30% of our rental portfolio), but also of **condominiums** (more than 300 co-owned properties under management at group level, representing 15 to 20% of our volume under management), and in **real estate management of rental buildings both on the open market and subsidised**, and also **cooperatives** in which we have a know-how and experience seldom encountered, and lastly in high-end **residential rentals**. Besides this management activity, we provide brokerage services, both **residential** (villas, apartments) and for **investment properties** (we are one of the very few real estate agencies in Geneva to maintain **separate teams on a long-term basis** for residential brokerage and investment property brokerage); we should also mention our **development and renovation management** services and our **publications** department (which amounts to some 10% of our turnover). This diversification enables us to meet multiple expectations with regard to real estate services, but is also evidently a guarantee of stability and sustainability during economic reversals, which is reassuring both for our customers and for our employees (and enables us to avoid redundancies).

With regard to our Group, we will not discuss in too much detail our guiding values, which are part of our long-term vision, and the first of which is our constant effort to train up-and-coming professionals (in fact the SPG Group has always played a major role in training apprentices in the real estate sector), including in-house training and support with obtaining additional diplomas in the course of a career. Our sponsoring and patronage activity also forms part of our fundamental values, and **each year** we devote to it – **we will give concrete figures here – 10 to 20% of our operating profit**; it may involve occasional or long-term support of charitable activities, but also support of cultural life or even a connection with environmental initiatives. Some support is given discreetly, other support benefits from the media coverage required for the objective sought. This is the case for the **SPG Literary Prize** awarded for the first literary work of a French-speaking Swiss author. This year the jury (the members of which are Pascal Couchepin, Mania Hahnloser, Hélène Leibkutsch, Isabelle Falconnier, Christine Esseiva and Thierry Barbier-Mueller) awarded the prize to the outstanding poetical and evocative novel of Damien Murith, *La lune assassinée* published by L'Âge d'homme. We should also mention the **SPG Prize for sustainable real estate**, awarded in 2013 to Frederik Chappuis and in 2014 to Loïc Vallélian, and which supports training in energy management now offered by the Faculty of Science and the Environmental Sciences Institute of the University of Geneva.

This latter prize is evidently in line with our own efforts and actions in the environmental and energy field, which are coordinated within our company by a specialised department headed by Mrs Dominique Bakis-Métoudi, director, in direct liaison with Thierry Barbier-Mueller. We are happy that the time has passed when energy and environmental concerns were deemed to be a gadget or left in the lap of the gods. We believe we have contributed to giving this issue content and meaning, for example: implementation of the "Eco 21" programme of Services Industriels de Genève has enabled us **to save more than one million kWh per year** over the past three years in our buildings under management. And as we projected, owners have not lost out since the investments granted have generated savings corresponding to a rate of more than 10% on the actual investment. To take the example of a single office building of almost 10,000 m<sup>2</sup>, a comprehensive programme of various consumption and operation rationalisation measures has enabled a decrease in electricity consumption of 20%, without reducing comfort for the occupants. Another example: we have "pushed" as much as possible the installation of photovoltaic solar panels on roofs suited to them; and the owners who have taken up our offer currently have no complaints since the gross returns generated by the

installations fitted vary between 5.85 and 9.3%! However, these returns will no longer be possible in the future due to changes in state incentive measures and the buyback price of the energy produced. For construction, we have set up a "commitment charter for ecological construction" which applies to the entire production chain and to all participants, including subcontractors; this also includes use of the most effective new materials, such as, for example, the first implementation in Geneva of Graetzel solar cells<sup>14</sup> on a building, the conversion of which is managed by **SPG Asset Development - Environment**. All these actions obviously give us valuable know-how for our entire portfolio of properties under management and for new projects. Lastly, we should recall that an energy-efficient property is not only good for the environment, it is also more attractive on the rental or sale market.

We have also seen sustained activity in marketing new condominium projects, with delivery in progress of 28 apartments in PPE-ZD (development zone) in Chêne-Bourg (average price of 6,600 Swiss francs/m<sup>2</sup>), for which we have already complied, for ethical reasons, with priority allocation to middle class families, even before a legal constraint was decreed (see above) to this effect. The same applies to other projects such as 78 apartments in PPE-ZD in the area of Les Vergers in Meyrin (delivery 2016-2017), 48 apartments in PPE-ZD in Dardagny (delivery 2016) and 28 condominium apartments in Carouge (delivery 2016). It should be noted that all these projects are 100% pre-sold during construction, which proves that there is still demand and people are ready to buy when the quality-price ratio is correct.

In the publications sector, we will not dwell on our leading publications, *L'INFORMATION IMMOBILIÈRE* magazine and the *IMMORAMA* newspaper (print runs of 115,000 copies – i.e. an annual increase of 8% – and 310,000 copies respectively), but we will briefly mention no less than six newsletters published this year by our Group (with a print run varying between 1,500 and 20,000 copies depending on the subject) on topics as diverse as the new Vaud Energy Act, the new Land Use Plan of the City of Geneva or the Legislation on Collective Investments.

Lastly, as part of the controlled development of our Group, we are particularly proud of the success of the Lausanne branch of RYTZ & Cie SA, since it achieved profitability from its first full year of business, and confirms our strategic choice to focus on major urban centres, where it is possible for us to maintain diversified and complete teams of people (brokers, rental managers, condominium managers, valuers, etc.) able to meet all real estate needs in a wide geographical radius, and in a much more effective and convenient way for our customers than by having many small offices offering only partial services.

Allow us, in conclusion, to thank you for placing your trust in us, for our pleasant collaboration over the past year, and to wish you and your family all the best for the end-of-year celebrations.

## SOCIÉTÉ PRIVÉE DE GÉRANCE

T. Barbier-Mueller	P. Buzzi
Chief Executive Officer	Director

This letter is also available in French and German.

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<sup>14</sup> These solar cells were developed by EPFL. To find out more: [http://bit.ly/epfl\\_graetzel](http://bit.ly/epfl_graetzel)