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FINANCIAL MARKETS & ASSET MANAGEMENT

Equity markets had a good start to the month on hopes of a bail-out for Spain. As soon as it was given, doubts prevailed again. Thin volumes, elections in France and in Greece, loomed on investors' mood. Piles of cash are still sitting on the sidelines waiting for a real concerted political action in the EU and a synchronised QE. As long as we don't see some European consensus on how this crisis has to be addressed, equity market will not be picking up significantly. We perhaps still are to see the last leg of the secular downtrend initiated in 2000.

At NGI, though we remain very cautious on the short term, we do think it may be time to begin building up some core positions in a very prudent way. Equity markets will literally jump as soon as they perceive a clear sign of political unity in Europe.

REAL ESTATE & PROPERTIES

The end of the second quarter gives us the opportunity to focus on the real estate market in the Lake Geneva area.

Office market: since the beginning of the year, companies looking for new offices have suspended their decisions as they are waiting to see the evolution of the international economic situation. In the same time, available office spaces for rent have increased. Consequently vacancy rates rose from 2.5% to 3.5% which still remains low. Moreover, rental values have decreased. For instance, the highest rents in Geneva Central Business District (CBD), which had reached record highs, have come back down again below 1,000 francs per m2 per year. Companies are no longer depending on what they are offered; they increasingly negotiate and have more facilities requirements. In the next two quarters, the market should continue to decrease but this situation should ease transactions. In fact, there are still many investors and some owners may find it is a good time to sell.

Residential market: the residential rental market is less impacted by the international economic situation. Rents stagnate although we can see a very slight decrease in the highest ones. Vacancy rates have increased even if they remain dramatically low: 0.2% in Lausanne and 0.3% in Geneva. Sale prices are still rising in Lausanne although less strongly than in 2011. Current average values range between 10,000 and 15,000 Swiss francs per m2. A first marginal price decrease has been observed in Geneva although prices remain very high: between 15,000 and 20,000 Swiss francs per m2.

Capital gains are lower after three years of strong growth and direct investment yields remain stable. In conclusion, the Swiss office and residential real estate market is impacted by the international economic situation but to a much lesser degree than in some Western countries. And as the French singer Jean Ferrat used to sing: "How can you imagine, when seeing a flight of swallows that Autumn has just arrived?)"

Our next newsletter will be issued in September. In the meanwhile, we wish you all a nice summer holiday.