



SOCIÉTÉ PRIVÉE DE GÉRANCE S.A.
GENÈVE

GENERAL MANAGEMENT

Route de Chêne 36
Case postale 6255 1211 Genève 6
Direct line: +41 58 / 810 30 43
Email: direction@spg.ch
Internet: www.spg-rytz.ch
VAT CHE-101.659.969 TVA

N/ref. : TBM/mnd

Geneva, 7 December 2020

«Politesse_lettre»,

For some fifteen years now, when we have taken the initiative to address an annual letter to our inner circle of clients, it has always been essentially to share information and offer our views on the evolution of the real estate market, while also relating the latest news on the life of our company. We quickly came to realise that these elements had to be put in context and that we had to accompany them with an assessment of the development of certain economic, social and political trends. A company—especially a family business—is made up of men and women of flesh and bone who have their own interests, personal commitments and passions. Consequently, it was only logical for us to expand our objectives, as well as the circle of recipients.

This year, the question arose as to whether it was appropriate to maintain this tradition. The pandemic and its accompanying constraints and disruptions, both present and future, provided a convenient excuse. Yet to be fair, some of our staff made us aware that our presence alongside our clients and partners would constitute a positive sign. Duly noted. We simply had to make a small adjustment because of the usual precautions: the number of signatories was restricted, but the personal initials were maintained, as they represent our resistance to the dehumanising aspects of mechanisation and digitalisation.

This quite naturally leads us to the top news story of 2020: the pandemic. We would have loved to be able to circumvent it, **(1)** as its ubiquity has elicited a sense of saturation. However, there is no way to avoid it. Since the beginning of the year, COVID-19 has invaded every facet of our existence and occupied the greater part of our thoughts. The changes that this virus has now induced are immense for the human species and are very likely to endure. Who among us has not been startled (at least mentally) when witnessing a scene from *le Monde d'avant*, with people embracing each other or exchanging a simple handshake, a more or less dense crowd and interactions that only yesterday were completely natural?

Tackling this topic demands rigour and humility. Knowledge is continuously expanding (like the virus and the illness), and the conditions for managing a pandemic are not the same in a liberal

¹ And since it is impossible to get around it or get away from it, we would like to offer you a wonderful opportunity to escape to a more philosophical, poetic dimension. That is exactly what you will find in this interview with Sylvain Tesson published in the 2 November 2020 edition of *Le Figaro*, titled '*Sommes-nous véritablement passionnés par la liberté?*' (Are we really passionate about freedom?), which you can read (in french) on the following link: (<https://sl.spg-rytz.ch/Tesson>).



democracy as they are in China. Normally, the former should be able to count on the support of the people. However, restraint and modesty do not mean that one must refrain from expressing oneself on the topic: the health crisis is not just a medical or scientific affair; it concerns society overall, the economy, culture, social life, family life and more. We are all affected and we all have our two cents' worth to add: obeying the authorities does not prohibit us from reflecting (even if the contradictions between our emotions and our capacity to reason have rarely been so apparent) or expressing our often divergent opinions.

A few words about the **first wave**: Our federal authorities no doubt did the best they could in the month of March. It would be pointless to criticise this or that aspect of the decisions they made, even if they proved to be costly (it will be necessary to revisit this aspect). However, this does not prohibit us from noting that our preparation at the beginning of 2020 was quite obviously insufficient: a shortage of disinfectant (even for caretakers and the military), a shortage of masks, a shortage of tests, etc. And this despite the fact that the Federal Office of Public Health had gone to great expense in preparing a 128-page pandemic plan in 2018, bearing the portentous inscription **'If you fail to plan, you are planning to fail!'** The implicit sub-title was clear: 'Here at the Federal Office of Public Health, we are ready!'

However, the Pandemic Plan remained in the desk drawers of the Administration (and the Internet), even though it was accessible to all **(2)**. It is hardly controversial to affirm that, during this first phase, the policy of the authorities was dictated by shortage and, quite frankly, by fear, more than by any discernible strategy.

The lack of tests was seriously damaging not only at the epidemiological level but also at the economic and social levels: it was impossible to focus actions on proven cases! Thus, we had to resort to archaic methods: large-scale confinement and precautionary quarantines in cases of contact **(3)**. Honestly, it is difficult to affirm that a more organised reaction and proactive measures would have prevented the economic and social disaster that ensued, all of whose true consequences have yet to be seen. Indeed, it seems as though an epidemic always ends by following its course, with variations in the shape of the curves but a similar final result, regardless of the containment measures that are adopted. The only exceptions are a true dictatorship, an island or perhaps a few Asiatic countries that are more organised, methodical and experienced than Western countries.

It is well-known that fear impedes careful reflection. However, this sentiment, although understandable, has been fostered and sustained by the media, in which few have done a good job of distancing themselves and performing a careful analysis, preferring to take the path of least resistance, even resorting to third-rate sensationalism. Although much could be said about this matter, we are content to cite one example: the big, obscene, attention-grabbing headlines regarding the possible threat of 'triage sacrifice' in hospitals. Headlines like this are neither useful nor constructive, yet the public has been subjected to these types of messages for months.

Nevertheless, we salute the frank, humble simplicity of the entire Federal Council during the first wave from March to June and the care they took to remain factual (a welcome contrast to the martial

² We should also recall that, **during 2018**, the Confederation made the decision—which was disastrous in retrospect—to forfeit an existing reserve of 10,000 tons of ethanol in the process of privatising the Swiss Alcohol Board.

³ The argument of unexpectedness does not hold; suffice it to mention that Germany started producing tests as of mid-January. We should also mention a brief but dense analysis from 26 January, co-authored by Nassim Taleb (who is not exactly unknown, especially in the area of probabilities and risk assessment in rare and unforeseen events), alerting us of the significant risk of massive, rapid development of the epidemic because 'Global connectivity is at an all-time high', and urging political authorities to react swiftly and decisively to temporarily restrict travel (*Systemic Risk of Pandemic via Novel Pathogens – Coronavirus: A Note*, <https://sl.spg-rytz.ch/system>).



grandiloquence of Emmanuel Macron, for example). A Federal Council that is well-served by the personality of Alain Berset, calmly dealing with the complacent attitude of the head of the Federal Office of Public Health's Communicable Diseases Department, Daniel Koch, as the matter seems to have gone to his head. In addition to the blunder of failing to act on the Pandemic Plan, the statements of this figure, delivered in an incredibly light tone, claiming that school closures were not an epidemiological necessity, seemed irresponsible and disrespectful to us. We understand what school closures have meant to children and their parents.(4)

In fact, the main topic of this letter could be **unpredictability, the precariousness of every seemingly stable situation** and the reminder that our illusions of mastery and control over the course of events are just that: illusions. It is a valuable reminder that may lead us to a beneficial state of acquiescence in certain situations or at least to a certain degree of modesty. A year ago, the major tourist destinations (Barcelona, Venice, etc.) were already fighting—quite understandably—against the excessive influx of tourists and the resulting damage! At the beginning of 2020, President Trump had a very good chance of being re-elected, given the robust health (5) of the American economy!

Let's look at a more abiding example of the impermanence of things: In 1989, Japanese banks dominated the planet (the ten largest banks in the world were **all** Japanese). By 2019, only one of them remained in the top ten. Continuing with the topic of change and unpredictability, we cannot resist citing the provocative, categorical prediction Paul Krugman (2008 Nobel Prize winner in Economic Sciences) made in 1998 that the impact of the internet on the economy would be short-lived and would not be more significant than that of the introduction of the fax machine.(6)

Undoubtedly, this pandemic is also an economic cataclysm of incalculable proportions, which will continue to grow worse. **Magic money** has appeared in all of the developed countries (7) to ward off urgency, soften the blow and sustain businesses and employees, even though a number of firms and households are not necessarily suffering a significant loss of revenue, at least **for the moment**. On the other side of the pond, for example, emergency aid has frequently offset lost wages in recent months. Nevertheless, for some, the decrease in income is already a harsh reality. However, the total bill will come later, just when public support measures begin to dry up or cease altogether.

A few random figures to illustrate the breadth of the debacle: the IMF estimates the losses to the world economy at some \$325,000,000,000 per month; as for the US budget deficit, it could reach \$3,800,000,000,000 this year. In April of 2019, the US automotive industry had produced 1.4 million pickup trucks and all-terrain vehicles; during the same month this year, 4,840 units in total! In Switzerland, hotels experienced a 50 percent decrease in overnight stays during the second quarter of 2020. For the construction industry in Switzerland, the reduction in the volume of business is also substantial: a 7 percent decrease is expected for the year in relation to 2019; 2020 will be the worst year since 2015. The deficit in the canton of Geneva could reach a thousand million francs for the year and the same amount in 2021. The economic situation is much more dramatic than it was in 2008

⁴ Even at the end of February, Daniel Koch was declaring that Switzerland faced only a 'moderate' risk.

⁵ We would prefer to say 'apparent robust health', as we have always expressed great reserve in the presence of massive economic growth financed by a budget deficit and ever-increasing debt.

⁶ 'The growth of the Internet will slow drastically, as the flaw in "Metcalfe's Law" – which states that the number of potential connections in a network is proportional to the square of the number of participants – becomes apparent: most people have nothing to say to each other! By 2005 or so, it will become clear that the Internet's impact on the economy has been no greater than the fax machine's.' Paul Krugman in *The New York Times Magazine*, 1998.

⁷ How can we not feel uneasy regarding this money that less than a year ago did not officially exist? What if it had been a matter of fighting otherwise deadlier plagues around the world? By June, McKinsey calculated that the public funds committed for the first two months, alone, already totalled \$10,000,000,000,000. The funds committed by western European countries represented \$4,000,000,000,000—nearly 30 times the amount (in today's dollars) of the Marshall Plan for reconstruction in Europe after World War II! (<https://sl.spg-rytz.ch/McKinsey>)



(although it is true that an effective vaccine could trigger the onset of a rebound). Worse yet, this is not a matter of a crisis that is limited to one or two industries or geographical zones; it is a crisis that affects many different sectors and every country at once, and there is still no end in sight. This is not overly pessimistic, considering that it took three years for the United States to return to its previous GDP following the subprime crisis of 2008. As for the Eurozone, it needed seven years.

The current crisis also serves to reveal a **major structural problem with stock market capitalism**. To put it simply, the interests of the executives (who are employees most of the time) are not aligned with those of the company and its shareholders. One could also say that the long-term interests of the company are not aligned with the short-term interests of the shareholders.

This problem is the result of a simple mechanism: the extremely low interest rates of the past few years have prompted a number of publicly traded companies to go into debt to finance the buy-back of their own shares in order to bolster prices (they replace capital with inexpensive debt, which, in the short term, increases share prices). These price increases make the executives of these companies, all of whom receive a considerable portion of their income in shares (purchase options at a preferential price, to be precise), wealthier automatically and in a very sustainable fashion. However, whenever an economic downturn occurs, the companies in question lack reserves, putting them in a substantially weakened position to confront the situation. Let's look at a particularly eloquent example: Between 2014 and 2019, the CEO of American Airlines, Doug Parker, received some 150 million dollars from the proceeds of the resale—most often at the ideal moment—of his shares in the company (in addition to more than a hundred million dollars in salary, cash bonuses and so on). At the same time, the corporation increased its debt of 14 thousand million dollars and bought back 13 thousand million in shares on the market. Today, American Airlines, now facing serious difficulties, is receiving thousands of millions of dollars in federal aid and is dismissing thousands of workers. Regardless of one's political doctrine (one does not necessarily have to be on the left to denounce a case like this), the situation is as aberrant as it is scandalous, and it warrants correction (such cases are numerous in the American stock exchanges).

Neither capitalism nor entrepreneurship is being called into question. Doug Parker is not a capitalist. Nor is he an entrepreneur. He has not created anything. He is simply a financial engineering tinkerer—if not a con artist—who had the luck to be in the right place and who acted without entrepreneurial spirit, ethics or a sustainable vision.

Obviously, this also poses the problem of socialising losses and privatising gains (which should outrage every taxpayer). This is relatively easy to resolve: we can already envision revocation proceedings (demanding restitution of the extraordinary sums paid to the executives and shareholders) in the event that public aid is given to a company that paid dividends or bought back its shares during the five years preceding the award of such subsidies.

Aside from the pandemic, a social issue has filled the columns of our newspapers and our various screens: we cannot fail to bring up the 'Darius Rochebin affair', by specifying, however, that what interests us here are not the facts that have been related (in the absence, for now, of any judgment or even adversarial proceedings), but rather their context and their consequences. A single article in the daily newspaper *Le Temps* (even if, on the face of it, we do not doubt the honesty and seriousness of the investigations led by the paper) leads to the quick, if not immediate **social and professional demise** of the main protagonist (whom, it is no doubt fitting to clarify, we do not know personally).



In our democratic societies, it took several centuries to build law-abiding states that offer certain guarantees to anyone accused of a wrongdoing. However, today, alongside the legal regulations appear some sort of moral regulations, which are worrisome because they are not only ever-changing and unpredictable, but are also expressed through brutal judgements that are **impulsive and irrevocable**. It seems to us that the risks of this situation merit reflection and debate. Even if there is not necessarily a solution, we should be aware of the possible consequences. In the future, the only people who would be able to act and participate in the public realm would be those who are either totally bland or so outrageous and excessive (in a word, scandalous figures who are perfectly comfortable being that way) that no scandal or controversy could threaten them (some examples easily come to mind!). We realise that, by expressing ourselves with regard to this case, we run the risk of being misunderstood. It is not a matter of shrugging off the moral dimension or discouraging the necessary analysis of the culture of certain companies (especially if they are public), but rather of reflecting on the consequences of hasty, irrevocable judgements that are made in the public media, consisting of newspapers whose content is often similar, and then relayed by social media.

Let's look at another example supporting our remarks in relation to the impulsive nature of sweeping judgements: this autumn, the press echoed—so unanimously as to seem planned—alarming, rather sensationalist statements regarding money laundering and the role Swiss banks always play in it (although anyone who has tried to open a Swiss bank account can tell you what an obstacle course it can be now...). Of course, money laundering exists; of course, it would be desirable to prevent it. However, what warrants attention and reflection are the measures one is willing to adopt to do so. In this specific case, the former leader of the fight against money laundering in Switzerland complained about the fact that investigators must provide proof of the criminal origin of funds and suggested that the burden of proof should be reversed, in other words, that it should fall upon the person under suspicion to prove that the money is legitimate. It is so simple that one might wonder why no one has ever thought of it before... With a minimal amount of reflection, however, it can be seen that this is a dangerous idea that is not as good as it may have seemed: to a certain extent, it would boil down to **replacing the presumption of innocence with a presumption of guilt**. There is good reason to be alarmed that ideas like these are legitimised in the public media with not even a hint of contradictory reflection, at the very least, on the advantages and disadvantages of the method, even though it represents a major infringement on certain fundamental rights of any person accused of a crime in a democratic society. There is no doubt that everyone is committed to the fight against corruption and economic criminality. However, this example demonstrates that **the urge for justice**, while legitimate, can be dangerous and must, like any emotion, be framed by reflection. (8)

The US presidential elections merit a brief commentary. Much has been said about the record turnout and the inaccuracy of the polls: admittedly, Joe Biden won a substantial majority of the votes nationally, but the forecast democratic wave was partially countered by an equally significant—and unexpected—mobilisation of republican voters. In the end, from that perspective, democracy won out and the legitimacy of the Presidential Elect was reinforced (we will not elaborate on the archaisms of the American voting and counting system, which remain a surprisingly recurrent theme (9)).

⁸ A variation of the urge for justice is the equally dangerous urge for order, which is expressed, for example, in a survey published in 2018 (the French Institute of Public Opinion study conducted by the newspaper *Ouest-France*) showing that four out of six French people would be tempted to entrust leadership of their country to an authoritarian power to bring about deep reform.

⁹ Among other things, we want to mention that, as of 13 November, more than a week after the day of the elections, there were still five million uncounted votes (we are referring to the initial count and not the recounts for verification purposes) according to TV station NBC.



Furthermore, the fact that a candidate like Joe Biden, who is rather bland overall and therefore potentially unifying, has prevailed over an outrageous, controversial figure like Donald Trump seems, in the end, to be a fairly predictable, natural course of action. What seems intriguing to us, on the other hand, is the massive number of voters who have continued to support Trump. He has not known the scathing repudiation seen as logical and certain by some (and notably by nearly all of the media).

In the end, what seems frustrating and worrisome to us is that such a large democracy (more than 140 million people voted!) can only offer its citizens a choice between two rather mediocre candidates, both of whom are too old, both of whose mental faculties are subject to question and both of whom are far from exemplary in terms of their integrity (the Ukrainian affairs of the Biden family having nothing to envy the fiscal affairs of Donald Trump).

We fail to realise the extent to which the decade from 2010 to 2019 has been an economically blessed period: it is extremely rare for a **full decade** to go by without at least one recession. In the United States, it was the first time ever (in any case, since 1910). Switzerland also found itself in this exceptionally favourable situation and took advantage of it. The budget of the Confederation was extremely well-maintained, thanks to debt deceleration measures, a plan that worked remarkably well, enough so that the rupture caused by the pandemic could, at the economic and budgetary levels, be mitigated by exceptional expenses and resorting to debt, both of which were massive. On that occasion, the pertinent decision was made to draw on debt reserves.

In Geneva, the situation is, alas, very different: during the decade from 2010 to 2019, little or nothing was done to prepare the government and public finances for any sort of crisis. Therefore, it was perfectly foreseeable that an economic downturn would have immediate large-scale effects: are we not talking today about an annual deficit soon to reach a thousand million Swiss francs? And this in a canton that already has the highest taxes and debt in Switzerland (see appended graphs)! We have often criticised this situation in our annual letters: for example, by comparing the evolution of public finances in Geneva and Vaud over the course of the last decade, it has been easy to see that Geneva has been on the wrong path. Moreover, Geneva, with the most voracious tax authority in Switzerland is obviously running the risk of a fiscal exodus. The authorities are deluding themselves (in any case, they are taking an irresponsibly risky gamble) in this regard, confident that the attractiveness of the canton will be enough to retain the small number of wealthy taxpayers that provide a significant portion of the canton's tax revenues. They need only look at the United States, where New York is seeing its taxpayers retreat to Florida (the two states have comparable populations, but the ratio of officials is twice as high in New York, with tax rates that are obviously higher), while a handful of other states with excessive taxes are also suffering a haemorrhage of wealthy taxpayers.

In the years to come, Geneva will inevitably be faced with decisions that are important and brutal in comparison with the (ephemeral) 'measuring spoon' consisting of saving one percent of the public service payroll (i.e. 44 million per year **(10)**) and the decision to keep the *Jet d'eau* out of service, **(11)** both of which will be shown for what they are: ridiculous and irrelevant. Geneva's authorities, in addition to being unprepared, regularly made strategic errors in their initiatives: we can understand

¹⁰ The government of Geneva, according to its own estimates, has injected more than 800 million in special funds into this crisis since March of 2020. And this on top of a regular annual budget of some 8.5 thousand million, with a total gross debt of more than 20 thousand million, a likely annual deficit of a thousand million for 2020 and another thousand million (840 million at the budget to date) in 2021. In this context, it is difficult to understand the surreal decision (by all government parties) to approve the recruitment of 350 supplemental officials.

¹¹ Much could be said about the deep symbolism of this decision and its sad, severe, self-flagellating and quasi-expiatory nature...



the desire to lower public service payroll, but was it necessary to include healthcare personnel in this plan when they are currently being pushed to their limits? What is the sense of closing Geneva's hair salons, with a carry-over effect just a few kilometres away in the canton of Vaud? Why, exactly, close the museums in the name of health precautions? Where is the logic in implementing restrictions on gatherings while, at the same time, authorising a demonstration involving 6,000 officials?

The fact that Geneva is **the only** canton in Switzerland to have mandated semi-confinement during the 'second wave' in November 2020, particularly with the closure of the vast majority of shops, raises questions and will, as a matter of course, require thorough analysis (or perhaps even an investigative committee). Words cannot describe the harsh, even dramatic consequences for countless small businesses and artisans. Was it necessary? If so, why did the health situation seemingly get out of control only in Geneva? And if not, why were the authorities led to overreact?

Luckily, Geneva's government actions also brought about some positive consequences. Our canton was one of the first (if not the only) to implement a three-party social partnership solution (negotiated between the government, tenant representatives and landlord representatives) making it possible to ensure equitable distribution of storefront tenant rent during the mandatory shop closures. Without going into too much detail, it was anticipated in essence that, at the request of the affected tenant and with the agreement of the landlord, the lost rent would be subject to treatment split between the government, the tenant and the landlord. **Geneva was clearly a trailblazer in this area**, and we can salute both the responsiveness of the government and the goodwill and pragmatism of the landlords and tenants, who refused to engage in legal battles (which would have lasted for years) over this matter. The pioneering nature of this negotiated solution is clear if we consider that it served as inspiration at the Confederation level. For once, the canton of Geneva was cited as an example! It is notable that this loss-sharing solution requires the willing agreement of the landlord; it is therefore fitting to specify here the general policy of our company: we estimate that, in the presence of an unexpected and unforeseeable event of such scope (a pandemic entailing the closure of commercial spaces), the question is not one of knowing if, legally, the damages should be assumed by the tenant or the landlord. It is necessary to enter the territory of **moral equity**, which demands that each party make an effort, a sacrifice, within its means. A prosperous landlord, who has hypothetically banked punctually regulated rent for years, should be able to make a gesture with regard to his or her tenant. Conversely, a tenant that hypothetically avails of comfortable reserves (while this may not be the majority of cases, it does exist) should also contribute them, rather than simply counting on the government or the landlord to cover his or her temporary loss. It is all a matter of balance and an honest, pragmatic evaluation on a case-by-case basis. In the end, a number of negotiated shared-burden solutions have been implemented for commercial tenants in our society (with the agreement of the involved landlords) and no litigation has been initiated as a pure consequence of the pandemic. With regard to the portfolio of properties we manage, **98 percent of the landlords** we represent have agreed to the three-party exemption program or have accepted a similar partial rent exemption solution, which bears witness to a gratifying spirit of solidarity and partnership.

In this troubling, uncertain context, **the real estate market** in Switzerland and Geneva remains **very stable**, supported essentially by two positive fundamental factors: constant demographic growth and extremely low interest rates. The only downside is the tendency toward overproduction of housing at the national level, which negatively affects rising vacancy rates, even if there are significant disparities from one region to another (**12**). So far, Geneva has not been affected by this phenomenon,

¹² The situation in Ticino is particularly difficult with a 2.7 percent vacancy rate (the average in Switzerland is 1.72 percent), which translates into nearly 7,000 dwellings (the equivalent, in relation to the number of occupants, of the city of Locarno!). The logical corollary of this situation is that Ticino is recording a negative demographic trend, a factor that must always be prioritised and monitored attentively.



despite historically high levels of housing development. In Geneva, the demand for the purchase of apartments and villas still remains firm (with a slight move—which is not a tidal wave here like it is in the USA—from apartments toward villas, influenced by the confinement experience: it is more pleasant to be confined to one's home when there is access to a yard and the perceived health risks are somewhat mitigated as a result of a lower concentration of people). Likewise, there is a move toward apartments that are a little larger: it now seems useful, even necessary, to avail of an extra room that can serve as a home office or cubicle. Finally, the quality of the dwelling now matters more than its proximity to one's workplace.

However, the hot topic in real estate concerns office space! There is speculation here and there regarding the end of the office and the end of the company as an assembly of employees under one roof, affirming that telecommuting is the obvious solution. However, we believe that the recent experiences of confinement and working from home have demonstrated the limits of this concept **(13)**. While it is true that new modes of organisation have appeared, and a day (or two) of telecommuting each week offers certain advantages, anything more than that and the workings of the company begin to stall. Furthermore, **what is a company if not a network of people?** In order for this network to function efficiently, spatial proximity is a necessity! **(14)**

In summary, the demand for office space has not plummeted; of course, the new forms of working and organisation, as well as the pressure to streamline (a phenomenon that occurs every time there is an economic crisis) are limiting the demand. However, we are not in the presence of a wholesale paradigm shift.

What then will be the impact of the turbulence of 2020 on rents? For apartments, rents are stable (although the upscale market is experiencing some pressure); as for office space, there is downward pressure, especially in secondary and peripheral zones (the city centre remains attractive, with a rather rare offering). The market for retail space remains under pressure (dating from before the health crisis because of the emergence of online commerce and also because of a certain level of saturation: how many handbags and shoes can one buy?).

Finally, we would like to mention an important ruling made by the Federal Tribunal in the area of lease law. For a long time, practitioners have noted that tenant protection (regardless of what one thinks about the suitability of this institution in principle) results in numerous cases of shockingly excessive overprotection. A concrete example would be if tenants were to sign a lease agreement with a monthly rent of CHF 2,190, contest the initial rent within 30 days, claiming that it would be abusive, and then receive from the two cantonal authorities, successively, confirmation of the calculation of non-abusive rent in the reduced amount of CHF 900 per month! Confronted with this textbook case resulting from jurisprudential calculation methods that have been in use for decades, the Federal Tribunal, in turn, has yielded to the evidence: **a theoretically fair calculation could lead to a manifestly false result!** It has now revised the baseline non-abusive yield upwards, simply to bring it closer to the economic reality.

After further reflection on this example, we arrive at the worrisome observation that it is necessary to allow a flawed, erroneous system, whatever it may be, to go to its extreme consequences, ridiculous and unsustainable as they may be, before corrective measures can be envisioned.

¹³ Banking giant J.P. Morgan (with 220,000 employees around the world) reports a **slight decline in productivity with telecommuting** (especially on Mondays and Fridays...) and has vigorously encouraged employees to return to the office.

¹⁴ Likewise, people are rethinking the 'very modern' idea of hot desking, given its demotivating and dehumanising effects. This system, in which employees do not have an assigned workplace, ends up preventing them from having any links with each other.



With regard to our company, the health crisis mandates that the celebration of our 60th anniversary be largely carried out in some sort of virtual environment. However, we are no less happy about reaching this milestone and are particularly gratified by the fact that we have been able to preserve the family nature of our company for all these years and that this anniversary has taken place at the moment in which we are progressively (and harmoniously) organising the transition from the second to the third generation of our family.

This year has also witnessed the launch of our subsidiary SPG Prorenova SA. This highly specialised (and demanding) activity of studying and managing town-site real estate renovations had, up to now, been carried out in a department within our company. The success of this activity at a time when, among other things, energy-efficient renovations have become a necessity, and the observation that these services are of interest to property owners that are not necessarily clients of the SPG-Rytz group, convinced us to make the company fully autonomous (occupying three specialised architects, in addition to the administrative personnel), while preserving the synergies where they are useful. Leadership has been assumed by Juan Travieso in direct liaison with Thierry and Marie Barbier-Mueller, both of whom are administrators.

The year 2020 also saw new momentum in our subsidiary specialising in luxury residential real estate. We were among the first to tap into this market segment through a separate specialised company, SPG Finest Properties. That was fifteen years ago, and since then, the market situation and the needs of buyers and sellers have changed significantly, leading us to reposition this company, which has adopted a new identity: SPG One (spgone.ch). Operational leadership has been assumed by Maxime Dubus in direct liaison with administrators Thierry and Valentine Barbier-Mueller. What has not changed is the exclusive relationship with Christie's International Real Estate, which, as part of the Christie's Group, benefits from all of the group's synergies and resources (marketing, network of contacts, etc.), plus a network of 138 real estate agencies around the world specialising in deluxe residential properties.

The year 2020 also saw the departure of our Asset Development Department's Director of Real Estate Promotions and Developments, Dominique Bakis-Métoudi, who retired after a thirty-year collaboration during which time she rose through the ranks of the company, eventually becoming part of the management team. The length and quality of this collaboration illustrates her strength of will and character, her skill and her work ethic, in addition to demonstrating certain values that we hold dear, particularly our commitment to training and internal promotion. In other words, the success of this collaboration is the fruit of the fortuitous combination of Dominique Bakis-Métoudi's personal qualities and those of our company culture.

While we are on the topic of real estate developments, we would like to mention the completion of one particular project this year: the property at Rue de Moillebeau 53. This was a medium-size project (around thirty apartments), but it conclusively (and convincingly) demonstrated our objectives and ambitions in this area: to produce high-quality real estate despite a restricted budget. Indeed, at this address (in a development zone), we put two- to five-room apartments on the market at particularly affordable rents with no subsidies and no compromises on quality (even the landscaping, which is very restricted in an urban environment, was given special attention and care). You can judge for yourself: CHF 610 to CHF 645 per month for a two-room apartment; CHF 813 to CHF 860 per month for three rooms; CHF 1,405 to CHF 1,485 per month for four rooms with a balcony; and CHF 1,595 to CHF 1,685 per month for five rooms with a balcony. This also goes to show that the private sector is just as capable of producing dwellings at affordable prices as a public contracting company is.



We will end on an ecological note by mentioning a small project that was a true pleasure to implement. In 2017, our group initiated its sponsorship of a ‘Genevan Honey’ hive. It was an ecological action that permitted the introduction of a colony of 40,000 bees in the Genevan countryside. Since the spring of 2019, our company has welcomed three additional hives on our rooftop terrace. The honey was collected, and we were able to produce 200 jars this past autumn. These actions help protect the bees while safeguarding our local biodiversity.

Now, it only remains for us to thank you for taking the time to read this and to express our gratitude for the trust you have placed in us. We would also like to extend our best wishes to you and your loved ones for the upcoming end-of-year celebrations.

SOCI T  PRIV E DE G RANCE

T. Barbier-Mueller
Chief Executive Officer

M. Barbier-Mueller
Member of the General Management

Appendices referred to above.