

## Swiss economy

### Growth is gaining momentum

The Swiss economy is continuing the robust growth seen in recent months. Real GDP rose by around 0.5 percent quarter-on-quarter for the third time in succession. The Swiss State Secretariat for Economic Affairs (SECO) predicts that the economy grew by 1.9 percent in 2013. The forecast is even more optimistic. While the strength of the domestic economy continues to provide a solid basis, exports are expected to rise substantially. Overall, SECO anticipates economic growth of 2.3 percent in 2014. Nevertheless, the uncertainty with regard to the development of the global economy should not be ignored.

### Turnaround in unemployment

The rise in unemployment that started in late 2011 has now stabilized at a low level. Since May 2013, the (seasonally adjusted) unemployment rate has remained unchanged at 3.2 percent. In view of the positive economic outlook, SECO expects it to drop slightly to 3.1 percent in 2014 and edge down further to 2.8 percent in 2015.

### Positive impetus on the real estate market

The Swiss housing market should also benefit from the favourable overall conditions in the coming months, i.e. population growth, ongoing immigration, rising household incomes and sustained low interest rates. Demand for owner-occupied properties could be somewhat dampened as mortgage rates are likely to rise slightly in the wake of the country's recent decision to raise banks' capital buffer. On the commercial property markets, the good economic situation should boost demand.

### Switzerland: Key indicators and change since last year

Population (2013, Q3, provisional)	8'112'200	↗
Real GDP growth (2012)	1.0%	↘
GDP per capita (CHF, current prices, 2012, prov.)	74'010	→
Unemployment rate (12/2013)	3.5%	↗
Total employment (FTE, 2013, Q3)	3'543'600	↗
Share of service employment (FTE, 2013, Q3)	72.2%	↗
Disposable household income (CHF p.a., 2011*)	81'000	↘
Monthly inflation (12/2013, year-on-year)	0.1%	↗
10-year fixed mortgage rate (11/2013)	2.65%	↗
10-year confederation bond yield (12/2013)	1.25%	↗
Libor CHF 3 months (12/2013)	0.02%	→
Consumer confidence index (2013 Q4)	-5	↗
Change in retail turnover, real (11/2013)	3.9%	↗

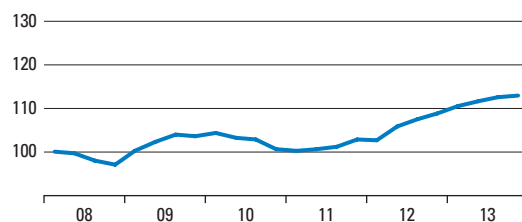
Arrows indicate the change on the same period of the previous year.  
\* Most recent available data  
Sources: FSO, SECO, SNB

## Office market

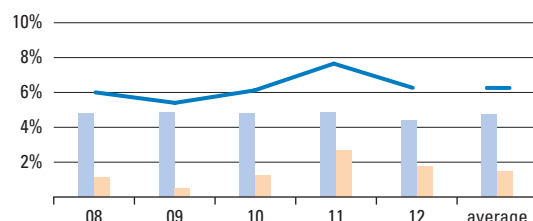
### Persistent market liquidity

Buoyant construction activity in many parts of Switzerland, especially in the Geneva area, has resulted in a further increase in the high liquidity of the office market. Despite this, rents on the Swiss office market held up well towards the end of 2013, thanks in part to the improvement in the quality of the office space on offer. In reality though, financial concessions are still being made by landlords – for example through rent-free periods or contributions to tenants' interior fit-out costs.

### Asking rent index (2008 Q1 = 100)



### Total return (income return + capital growth)



### Construction activity set to slow

Investors seem to be responding to the high level of market liquidity. For more than a year now there has been a clear downtrend in both construction applications and planning permission for office space. Nevertheless, a considerable amount of office space is currently under construction and will be coming onto the market in the months to come. While new and refurbished buildings in good locations should be absorbed relatively well, rents for older buildings and premises in less attractive locations are likely to decline.

	Office Stock (sq m GFA, 2012)	Planning appl. (m CHF, 2013 Q4)	Vacancy rate (2013)	Supply rate (2013 Q4)	Asking rent (median, 2013 Q4)	Prime rent (2013 Q4)	Prime yield (2013 Q4)
Zurich	9,325,900 ↗	134.6 ↘	2.7% ↗	7.1% →	340 ↗	940 ↘	2.7% ↘
Berne	2,103,400 ↗	12.0 ↘	1.5% ↗	2.3% ↘	230 →	380 ↘	3.3% ↘
Basel	4,393,000 ↗	66.9 ↘	2.2% ↘	2.1% →	250 ↗	420 →	3.6% ↘
Lausanne	2,107,400 →	5.3 ↘	2.0% ↗	3.1% ↘	300 ↗	520 ↗	3.4% ↘
Geneva	3,438,800 ↗	12.6 ↘	3.3% ↗	13.3% ↗	530 →	950 ↘	3.0% →
Switzerland	52,933,300 ↗	1,734.8 ↘	—	6.4% →	200 ↘	—	—

Arrows: Change on same period of the previous year.

## Retail market

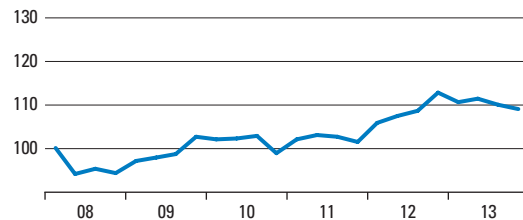
### Slight price increases

A continuation of the rapid population growth, rising real incomes and the related strength of domestic consumption provide a sound basis for the Swiss retail market. Prices are slightly higher than last year and the price trend is expected to be positive this year as well.

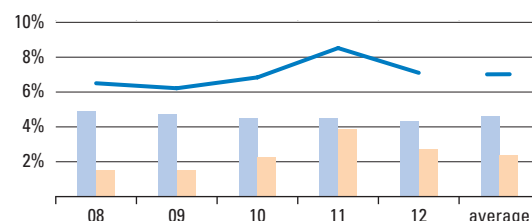
### Challenging market conditions

That said, the pressure from cross-border shopping and the rising competition from online retailing is continuing. The situation is particularly challenging for small and less well-located shopping centres and locations close to the borders. The market situation therefore remains heterogeneous. Rents for retail space in well-frequented locations and in the Zurich conurbation, Central Switzerland and around Lake Geneva are rising, whereas in second-class locations and less densely populated areas they are coming under increasing pressure.

### Asking rent index (2008 Q1 = 100)



### Total return (■ income return ■ capital growth)



	Retail Stock (sq m GFA, 2012)	Planning appl. (m CHF, 2013 Q4)	Vacancy rate (2013)	Supply rate (2013 Q4)	Asking rent (median, 2013 Q4)	Prime rent (2013 Q4)	Prime yield (2013 Q4)
Zurich	1,863,200 →	20.0 ↗	0.3% →	1.5% →	460 ↗	8,700 →	2.9% ↘
Berne	978,400 ↗	2.6 ↘	0.2% ↗	0.5% →	390 ↘	3,800 ↘	3.4% ↘
Basel	933,000 →	20.0 ↗	1.4% ↘	1.6% →	260 →	3,500 →	3.7% ↘
Lausanne	469,900 →	0.6 ↘	1.4% ↗	1.5% ↘	490 ↗	3,700 ↗	3.6% ↘
Geneva	642,000 →	0.1 ↘	2.6% ↗	1.5% ↘	520 ↗	7,400 →	3.2% →
Switzerland	33,378,800 ↗	249.4 ↘	—	1.0% →	230 →	—	—

Arrows: Change on same period of the previous year.

## Residential market

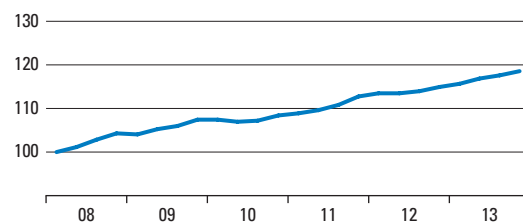
### High demand in major centres

Advertised rents for apartments in Switzerland continued to increase moderately in the fourth quarter of 2013. In major centres, supply is unable to keep up with the high level of demand despite the large number of new apartments on the market, and that is pushing up rents.

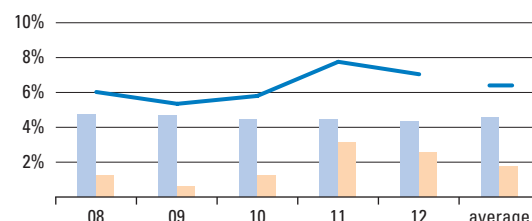
### Building activity continues

The building boom in apartment blocks should continue in the coming months. Since demand indicators are favourable overall, new rental apartments should be absorbed well, especially in metropolitan areas. At the same time, the high volume of new apartments could stabilize rent rises this year. Further uncertainty stems from moves to curb immigration. If the upcoming referendums on limiting immigration are successful, the result could be a perceptible drop in demand with an adverse effect on rents for residential properties.

### Asking rent index (2008 Q1 = 100)



### Total return (■ income return ■ capital growth)



	Apartments (number, 2012)	Planning appl. (m CHF, 2013 Q4)	Vacancy rate (2013)	Supply rate (2013 Q4)	Asking rent (median, 2013 Q4)	Prime rent (2013 Q4)	Prime yield (2013 Q4)
Zurich	179,200 ↗	972.0 →	0.1% →	3.3% →	320 ↗	580 ↘	2.5% ↘
Berne	59,000 →	39.6 ↘	0.5% ↘	3.4% ↘	230 →	390 →	2.9% ↘
Basel	77,300 →	143.0 ↘	0.4% ↘	3.4% ↘	220 →	420 ↗	3.0% ↘
Lausanne	59,900 →	232.5 ↘	0.2% →	2.6% →	270 →	500 ↘	2.9% ↘
Geneva	82,700 →	211.8 ↘	0.5% ↗	3.8% ↗	360 →	720 →	2.8% ↘
Switzerland	2,136,200 ↗	18,921.1 ↘	1.5% →	4.6% ↘	200 ↗	—	—

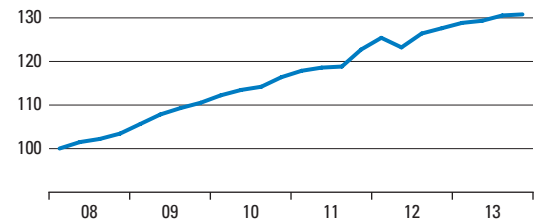
Arrows: Change on same period of the previous year.

## Owner-occupied apartments

### Price development slows down

Although demand for owner-occupied apartments remains high, buoyant construction activity and more restrictive financing conditions are slowing the upward price trend. The nationwide asking price index flattened in the fourth quarter of 2014. In particular, there was a further increase in supply and in the length of advertising periods for high-end owner-occupied apartments. By contrast, the positive price trend is likely to continue for more affordable properties in easily accessible areas. In view of the recent regulations on raising the countercyclical capital buffer, mortgage rates look set to rise slightly and this could well dampen people's readiness to invest.

### Asking price index (2008 Q1 = 100)



	Apartments (number, 2012)	Market value (m CHF, 2013 Q4)	Planning appl. (m CHF, 2013 Q4)	Vacancy rate (2013)	Supply rate (2013 Q4)	Asking price (median, 2013 Q4)	Transaction price (2013 Q4)
<b>Major centres</b>							
Zurich	24,400 →	27,250 →	972.0 →	0.0% →	3.2% →	11,030 →	12,090 →
Berne	11,600 →	8,220 ↗	39.6 ↘	0.0% →	2.3% →	6,870 ↗	7,670 ↗
Basel	14,800 →	11,840 ↗	143.0 ↘	0.0% →	1.2% ↘	7,320 →	8,640 ↗
Lausanne	11,100 →	10,620 →	232.5 ↘	0.0% ↘	9.7% ↗	9,230 →	10,390 →
Geneva	21,100 →	32,550 ↗	211.8 ↘	0.1% ↘	5.7% →	12,800 →	16,660 ↗
<b>Tourism destinations</b>							
Saanen/Gstaad	3,300 →	4,030 →	30.9 ↘	1.5% ↗	2.5% →	12,530 ↘	13,150 ↘
St. Moritz	3,400 →	4,510 →	3.4 ↘	0.1% ↘	3.6% ↘	13,760 →	14,510 →
Davos	6,200 →	6,080 ↗	20.4 ↘	1.0% ↗	4.6% →	10,070 ↗	10,590 ↗
Ascona	3,000 ↗	2,910 ↗	26.8 ↘	0.0% →	14.5% ↘	9,710 →	10,670 ↗
Bagnes/Verbier	5,300 →	6,700 →	19.8 ↘	0.2% ↗	4.8% ↘	12,110 ↘	13,760 →
Zermatt	3,600 ↗	4,460 ↗	25.9 ↘	0.0% →	2.7% ↘	11,910 ↘	13,400 ↗
<b>Switzerland</b>	960,600 ↗	661,750 ↗	18,921.1 ↘	0.4% →	5.7% →	6,500 →	6,480 ↗

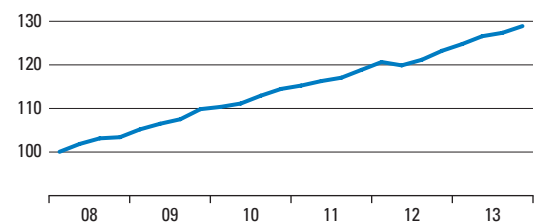
Arrows: Change on same period of the previous year.

## Single-family houses

### Limited supply

In this segment, prices rose by nearly 5 percent year-on-year in the fourth quarter of 2013. The principal driving forces were the shortage of supply in easily accessible areas and the sustained popularity of single-family houses. However, given the very high price levels in some places, there is a clear shift in demand to more affordable towns and villages. Upward price momentum in very expensive areas has therefore slowed. At the same time, the shortage of building land for single-family houses has led to a perceptible shift in the focus of buyers to «used homes» in good macro-locations.

### Asking price index (2008 Q1 = 100)





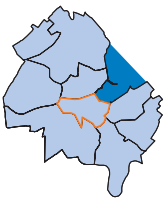


	Houses (number, 2012)	Market value (m CHF, 2013 Q4)	Planning appl. (m CHF, 2013 Q4)	Vacancy rate (2013)	Supply rate (2013 Q4)	Asking price (median, 2013 Q4)	Transaction price (2013 Q4)
<b>Major centres</b>							
Zurich	8,800 →	16,850 ↗	18.9 ↗	0.2% ↗	1.2% →	1,641,000 →	2,008,000 ↗
Berne	3,900 →	4,140 ↗	15.7 ↗	0.0% ↘	1.1% →	1,012,000 →	1,121,000 ↗
Basel	5,800 →	7,750 →	1.9 ↘	0.0% →	1.1% →	1,071,000 →	1,393,000 →
Lausanne	2,100 →	2,890 →	7.6 ↘	0.8% ↗	10.5% ↘	1,252,000 →	1,431,000 →
Geneva	800 →	1,450 ↘	0.0 →	0.6% ↗	10.5% ↘	1,578,000 →	1,937,000 ↘
<b>Tourism destinations</b>							
Saanen/Gstaad	1,000 →	1,520 →	3.7 ↘	1.2% ↗	3.4% →	1,822,000 ↗	1,544,000 →
St. Moritz	300 ↗	430 ↘	0.0 ↘	0.0% →	2.9% ↘	1,758,000 →	1,634,000 ↘
Davos	800 →	1,220 ↘	8.4 ↘	0.3% →	2.5% →	1,667,000 ↘	1,614,000 ↘
Ascona	800 ↗	1,110 →	5.9 ↘	1.2% →	8.5% →	1,578,000 →	1,554,000 ↘
Bagnes/Verbier	2,500 →	3,020 ↘	45.8 ↘	0.0% →	5.9% ↘	1,316,000 ↘	1,279,000 ↘
Zermatt	300 →	200 ↘	30.4 ↗	0.0% →	3.1% →	928,000 ↗	823,000 ↘
<b>Switzerland</b>	952,600 →	855,420 ↗	6,772.8 ↘	0.5% →	3.9% →	1,150,000 →	870,000 →

Arrows: Change on same period of the previous year.

## Asking rents and prices in the major cities

As at 2013 Q4

	Percentile	Office	Retail	Rental apartments	Owner-occ. apartments	Single-family houses
 <b>Zurich</b>	10 <sup>th</sup> percentile	240 ↘	400 ↘	190 ↘	8,310 →	— —
	50 <sup>th</sup> percentile	580 ↘	760 ↘	390 ↘	13,310 ↘	— —
	90 <sup>th</sup> percentile	960 →	1,700 ↘	730 ↗	20,090 ↘	— —
	10 <sup>th</sup> percentile	170 ↗	240 ↗	200 →	7,410 ↗	907,000 →
	50 <sup>th</sup> percentile	340 ↗	460 ↗	320 ↗	11,030 ↗	1,641,000 →
	90 <sup>th</sup> percentile	680 ↗	1,040 ↗	490 ↗	16,920 →	2,971,000 ↘
 <b>Berne</b>	10 <sup>th</sup> percentile	230 ↗	340 ↗	210 ↗	5,980 ↗	— —
	50 <sup>th</sup> percentile	300 ↗	630 ↗	290 ↗	8,640 ↗	— —
	90 <sup>th</sup> percentile	420 ↗	1,800 ↗	440 ↗	14,290 ↗	— —
	10 <sup>th</sup> percentile	140 →	220 ↘	180 →	4,730 ↗	679,000 ↗
	50 <sup>th</sup> percentile	230 →	390 ↘	230 →	6,870 ↗	1,012,000 →
	90 <sup>th</sup> percentile	360 →	1,140 ↘	310 →	11,410 ↗	1,724,000 →
 <b>Basel</b>	10 <sup>th</sup> percentile	210 →	320 ↘	190 →	5,910 →	— —
	50 <sup>th</sup> percentile	280 ↗	450 ↘	230 ↘	8,080 ↗	— —
	90 <sup>th</sup> percentile	380 →	1,110 ↗	310 →	11,870 ↗	— —
	10 <sup>th</sup> percentile	180 ↗	180 ↗	180 →	5,090 ↘	585,000 →
	50 <sup>th</sup> percentile	250 ↗	260 →	220 →	7,320 →	1,071,000 →
	90 <sup>th</sup> percentile	370 ↗	550 ↗	270 →	10,040 ↘	1,779,000 ↗
 <b>Lausanne</b>	10 <sup>th</sup> percentile	200 ↘	290 ↗	210 ↘	7,680 →	— —
	50 <sup>th</sup> percentile	370 ↗	550 ↗	300 →	11,020 ↗	— —
	90 <sup>th</sup> percentile	520 ↗	930 ↗	400 ↘	16,310 ↘	— —
	10 <sup>th</sup> percentile	170 ↘	270 ↗	200 →	6,370 →	740,000 ↘
	50 <sup>th</sup> percentile	300 ↗	490 ↗	270 →	9,230 →	1,252,000 →
	90 <sup>th</sup> percentile	430 →	860 ↗	400 ↗	12,890 ↘	2,061,000 →
 <b>Geneva</b>	10 <sup>th</sup> percentile	310 ↘	310 ↘	260 →	10,450 ↘	— —
	50 <sup>th</sup> percentile	750 →	610 →	440 →	16,700 ↗	— —
	90 <sup>th</sup> percentile	1,100 ↘	1,040 →	740 →	22,980 →	— —
	10 <sup>th</sup> percentile	290 ↘	250 ↗	250 ↘	8,980 ↘	856,000 ↗
	50 <sup>th</sup> percentile	530 →	520 ↗	360 →	12,800 →	1,578,000 →
	90 <sup>th</sup> percentile	940 ↗	880 ↗	540 →	17,210 ↘	2,444,000 ↘
<b>Switzerland</b>	Median	200 ↘	230 →	200 ↗	6,500 →	1,150,000 →

Arrows: Change on same period of the previous year.

**Sources** This market survey is based on a broad internal data pool. It also draws on the following public sources: Federal Statistics Office as well as cantonal and local statistical offices (vacancy rates), Baublatt Info-Dienst (planning applications for single-family houses and apartment blocks) and IPD (performance indices). The cartographic illustrations are based on the generalised municipal boundaries (BFS Geostat/L+T).

**Notes** Commercial and residential markets: Asking rents and prime rents in CHF per sqm usable area. Single-family houses: Asking prices per house in CHF; transaction prices in CHF for an average house. Owner-occupied apartments: Asking prices (median) and transaction prices (average object) in CHF per sqm usable area. Arrows indicate the change on the same period of the previous year.

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