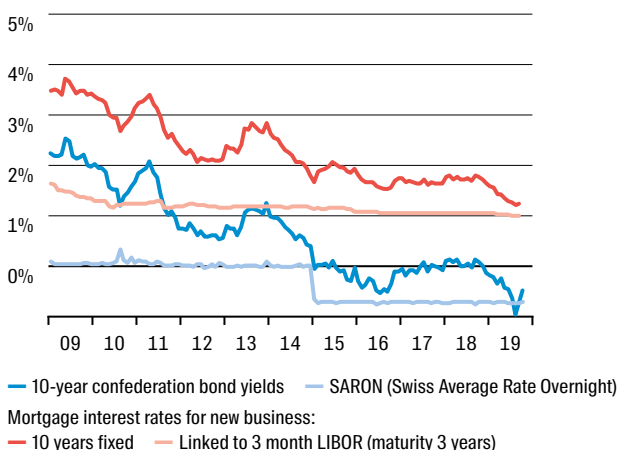


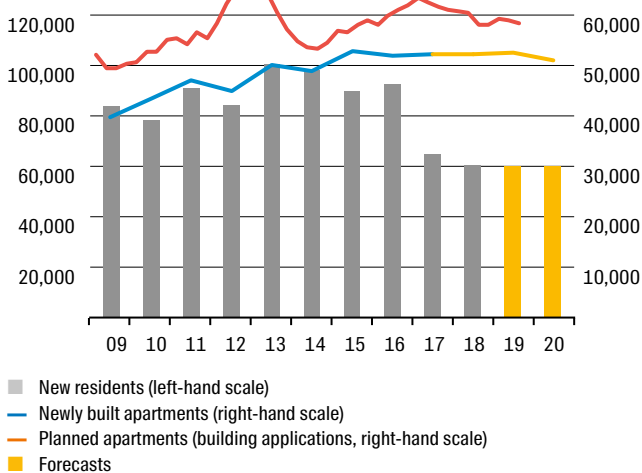
# Background

- Even though the Swiss economy performed well at the beginning of 2019, prospects for the future remain modest. An increase in the economic output of 1.4% in real terms is expected in the current year and growth of 1.9% in 2020.
- The situation on the labour market is encouraging. Employment is growing and the unemployment rate was 2.1% in June 2019, the lowest level since 2001.
- The resident population is growing at a slower pace. Wüest Partner expects the number of inhabitants to increase by 0.7 to 0.8% in 2019. This means that the expected growth is below the average of the past ten years.
- The low-interest period seems to be continuing. Consequently, investments in real estate remain high in demand. Investors show a high willingness to pay for commercial properties, but also for residential properties with relatively low vacancy rates.

## Confederation bond yields and mortgage rates



## Population growth and residential construction activity



## Key indicators on the Swiss economy (yellow numbers: forecasts)

	2017	2018	2019	2020
<b>Population</b>				
Persons (millions)	8.48	8.54	8.60 <sup>(1)</sup>	8.66 <sup>(1)</sup>
Annual change	0.8%	0.7%	0.7% <sup>(1)</sup>	0.7% <sup>(1)</sup>
<b>Economy</b>				
Annual change in real GDP	1.7%	2.5%	0.9% <sup>(2)</sup>	1.5% <sup>(2)</sup>
Annual change in employment	0.8%	1.3%	1.1% <sup>(1)</sup>	0.8% <sup>(3)</sup>
Unemployment rate	3.2%	2.6%	2.3% <sup>(3)</sup>	2.5% <sup>(3)</sup>
Consumer confidence index (Oct. each yr.)	-1	-3	-10	-
Annual average change in real retail turnover	0.0%	-0.1%	-0.1% <sup>(4)</sup>	-
<b>Building construction investment</b>				
Annual change (nominal, new-build & refurb.)	2.2%	0.8% <sup>(1)</sup>	0.6% <sup>(1)</sup>	-1.0% <sup>(1)</sup>
<b>Money market</b>				
Annual inflation	0.5%	0.9%	0.5% <sup>(2)</sup>	0.6% <sup>(2)</sup>
10-year fixed mortgage rate (Sep. each yr.)	1.66%	1.78%	1.22%	-
10-year confederation bonds (Oct. each yr.)	-0.03%	-0.07%	-0.51%	-

<sup>(1)</sup> Wüest Partner forecast - <sup>(2)</sup> Average of Credit Suisse, KOF, SECO, UBS forecasts - <sup>(3)</sup> SECO forecast September 2019 - <sup>(4)</sup> Change between January and August 2019

## Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitoring (autumn edition 2020 | 1, only in German and French). In addition to current market assessments and comprehensive data, the following topics are discussed:



- Economic background
- Residential and commercial market outlook
- Replacement construction: complete renewal of the housing stock
- Changing housing demand
- Direct and indirect real estate investments
- Market and regional data

Learn more about the comprehensive publication on the Swiss real estate market. [www.wuestpartner.com/publications](http://www.wuestpartner.com/publications)

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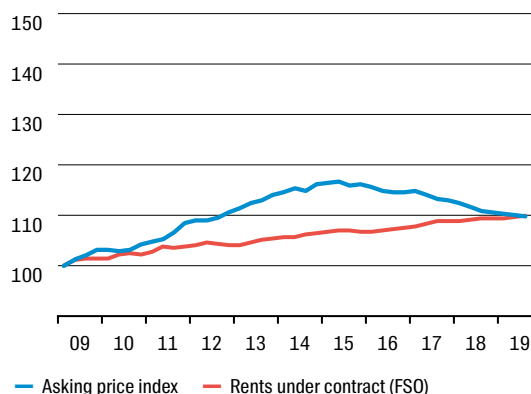
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# Residential market

- The average rental level for advertised apartments has been falling for more than four years now. Rents declined by 5.8% on average between mid-2015 and mid-2019, with the sharpest falls recorded in the cantons of Vaud, Schwyz, Valais, Geneva and Obwalden.
- Rents can be expected to decline further in 2020. A reduction of 0.9% is expected in rents for advertised apartments. Rental prices for existing leases could also decline once again next year. The reference interest rate is likely to fall to 1.25%, which would result in tenants being entitled to a rent reduction of 2.91%.
- Going forward, a further increase in rental apartment vacancy rates should be expected, as net growth in the stock of apartments will probably continue to outstrip additional demand.

Development of rents (index 2009 Q1 = 100)

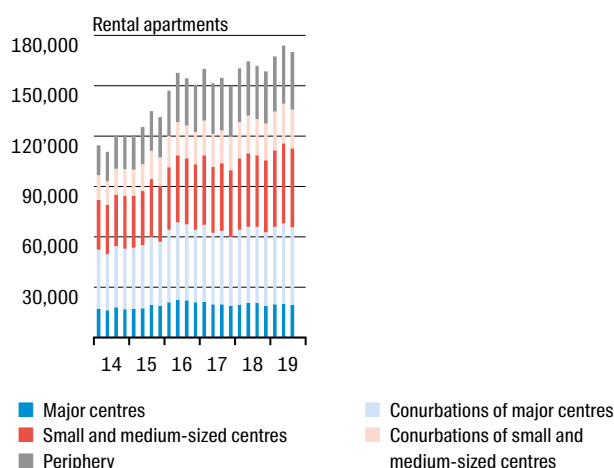


## Key indicators for Switzerland

	2017	2018	2019
<b>Rental apartments</b>			
Market value (bn CHF, excl. parking spaces, Q2)	—	—	1,094
Planning applications (bn CHF) <sup>(1)</sup>	12.4	11.5	12.8
Vacancy rate (June)	2.3%	2.6%	2.7%
Supply rate	6.8%	7.1%	7.5%
Asking price index (year-on-year change in rents)	-1.1%	-2.1%	-1.0%
Current asking rent (CHF/sqm per year, median)	—	—	190
Marketing duration (days, median, Q2)	35	37	41

<sup>(1)</sup> Apartments in multi-family houses.  
As at Q3 unless otherwise stated

Number of apartments on offer (per quarter)



## Key indicators for the major centres

	Apartments (number, 2016)	Planning appl. (m CHF)	Vacancy rate (June 2019)	Supply rate	Asking rent (median)	Prime rent (2019 Q2)	Prime yield (2019 Q2)	Total return (MSCI, 2018)
<b>Rental apartments</b>								
<b>Zurich</b>	186,900	1,479.3	0.1%	3.2%	320	660	1.6%	7.8%
<b>Berne</b>	60,100	80.3	0.7%	4.6%	240	390	2.1%	6.2%
<b>Basel</b>	78,700	114.8	1.2%	5.8%	230	370	2.2%	6.5%
<b>Lausanne</b>	62,500	81.0	0.4%	5.4%	280	445	2.3%	7.0%
<b>Geneva</b>	84,400	619.5	0.7%	3.3%	360	620	2.2%	6.2%
<b>Switzerland</b>	2,273,100	12,839.1	2.7%	7.5%	190	—	—	6.9%

As at 2019 Q3 unless otherwise stated

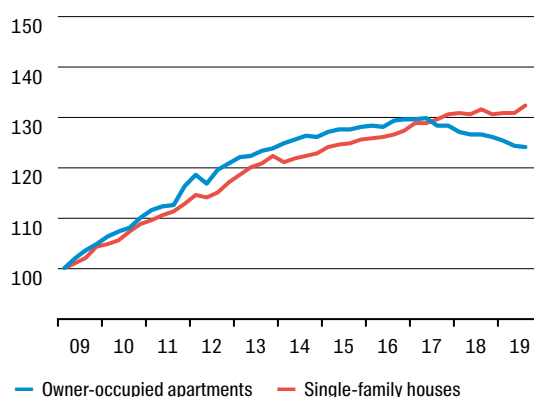
**Notes:** This market report has been produced by Wüest Partner with due care. It is intended as general guidance only. Reliance should not be placed upon the information, forecasts and opinions set out herein for any purpose whatsoever, and Wüest Partner accepts no liability, whether in negligence or otherwise, arising from such use.

**Commercial and residential properties:** Asking rents and prime rents in CHF per sqm usable area; prime yields = net initial yields (net earnings/gross purchase price) for fully let prime properties at top locations. **Single-family houses:** Asking prices per house in CHF; transaction and top prices in CHF for an average/upmarket house. **Owner-occupied apartments:** Asking prices (median), transaction and top prices (average/upmarket property) in CHF per sqm usable area. **All market segments:** The planning applications are moving annual totals per quarter (sum of current quarter + 3 preceding quarters). The supply rate indicates the number of properties/floorspace on offer as a percentage of total stock. The change in the asking price index shows the development of roughly quality adjusted asking prices and asking rents.

**Sources:** This market survey is based on a broad Wüest Partner data pool. It also draws on the following public sources: Federal Statistical Office (FSO) as well as cantonal and local statistical offices, Baublatt Info-Dienst, KOF Swiss Economic Institute, State Secretariat for Economic Affairs SECO, Swiss National Bank and MSCI.

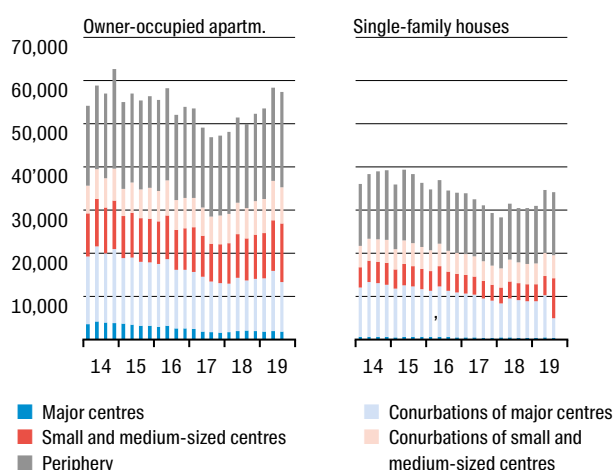
## Owner-occupied market

- The financing environment, which has become even more attractive, has further fuelled interest in residential property. In August 2019, the average interest rates for various mortgage products as published by the SNB reached new record lows.
- The already strong demand for owner-occupied apartments can be expected to remain high next year. However, in many cases the market offering in this segment is out of kilter with demand, either with respect to advertised purchase prices or in terms of location (proximity to the major centres of employment). Prices are likely to show stable development.
- Single-family homes offering good value for money are attracting an increasing number of potential buyers. Average transaction prices rose by 4.4% between the third quarter of 2018 and the third quarter of 2019. The prices of single-family homes should rise slightly next year too.

**Development of asking prices** (index 2009 Q1 = 100)

**Key indicators for Switzerland**

	2017	2018	2019
<b>Owner-occupied apartments</b>			
Market value (bn CHF, excl. parking spaces)	–	–	885
Supply rate	4.7%	5.0%	5.7%
Vacancy rate (June)	0.5%	0.6%	0.6%
Asking price index (year-on-year change)	-0.8%	-1.5%	-2.0%
Current asking price (CHF/sqm, median)	–	–	6,600
Marketing duration (days, median, Q1)	70	64	73
<b>Single-family houses</b>			
Market value (bn CHF)	–	–	1,214
Supply rate	3.2%	3.1%	3.5%
Vacancy rate (June)	0.7%	0.7%	0.8%
Asking price index (year-on-year change)	2.4%	1.7%	0.5%
Asking price (CHF per 6-6.5 room house, median)	–	–	1,125,000
Marketing duration (days, median, Q1)	61	59	60

As at Q3 unless otherwise stated

**Number of properties on offer** (per quarter)

**Key indicators for the major centres**

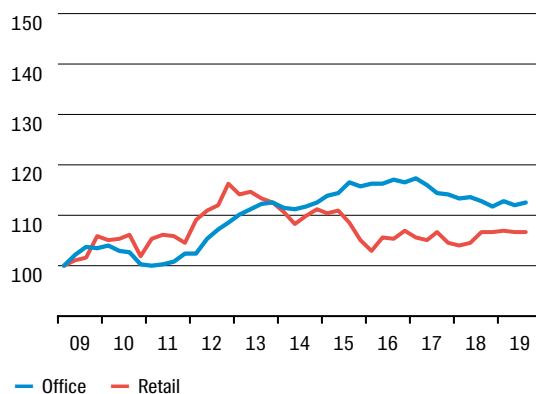
	Properties (2016)	Market value <sup>(1)</sup> (m CHF)	Planning appl. (m CHF)	Vacancy rate (June 2019)	Supply rate	Asking price <sup>(2)</sup> (median)	Transaction price <sup>(2)</sup>	Top price <sup>(2)</sup>
<b>Owner-occupied</b>								
Zurich	25,100	41,140	113.8	0.1%	1.4%	12,920	14,760	30,400
Berne	11,700	11,640	24.7	0.0%	1.2%	7,510	8,900	17,000
Basel	14,900	17,140	17.5	0.1%	1.3%	8,970	10,150	17,100
Lausanne	11,300	14,800	15.3	0.0%	3.3%	9,890	11,620	23,700
Geneva	21,300	37,490	65.7	0.3%	3.8%	13,610	15,690	36,000
Switzerland	1,003,700	885,450	7,179.8	0.6%	5.7%	6,600	7,200	–
<b>Single-family houses</b>								
Zurich	8,900	24,860	32.4	0.1%	0.7%	1,971,470	2,742,000	4,137,000
Berne	3,900	7,100	8.3	0.2%	1.3%	1,232,640	1,803,000	2,631,000
Basel	5,900	12,910	4.4	0.2%	1.2%	1,415,550	2,102,000	3,012,000
Lausanne	2,100	4,100	7.4	0.0%	4.7%	1,500,630	1,856,000	2,834,000
Geneva	800	2,050	7.4	1.5%	8.2%	1,832,600	2,587,000	3,908,000
Switzerland	982,300	1,214,060	5,492.5	0.8%	3.5%	1,125,000	1'005'000	–

 As at 2019 Q3 unless otherwise stated. – <sup>(1)</sup> Owner-occupied apartments: Market value excl. parking spaces. – <sup>(2)</sup> Owner-occupied apartments: price in CHF/sqm; single-family houses: price in CHF per house.

# Commercial market

- Robust employment growth is supporting demand for Swiss commercial property. The increase in the number of employed persons over the last 12 months alone can be expected to have triggered additional demand of more than 520,000 sqm of office space.
- At the same time, the vigorous new-build activity of recent years has resulted in an expansion of supply in office markets. Accordingly, available floorspace capacity decreases only slowly: In 2019 Q3, 7.3% of all office space in Switzerland was on the market. However, the brisk pace of new-build activity is now likely to slow.
- In the retail property market, the situation remains challenging due to the declining demand for floorspace. Meanwhile, the large number of mixed-use new-build projects will actually increase supply further. Rental prices for retail property should remain under pressure in 2020: an average decline of 1.5% is anticipated for Switzerland as a whole.

Development of asking rents (index 2009 Q1 = 100)

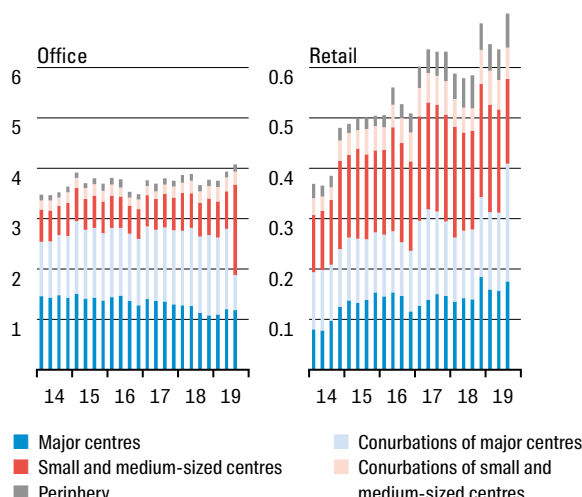


## Key indicators for Switzerland

	2017	2018	2019
<b>Office space</b>			
Market value (bn CHF, excl. parking spaces)	—	—	304
Planning applications (bn CHF)	2.4	1.8	1.6
Supply rate	6.8%	6.6%	7.3%
Asking price index (year-on-year change in rents)	-2.2%	-1.4%	-0.2%
Current asking rent (CHF/sqm and year, median)	—	—	200
Marketing duration (days, median, Q2)	78	81	81
<b>Retail space</b>			
Market value (bn CHF, excl. parking spaces)	—	—	162
Planning applications (bn CHF)	0.5	0.6	0.9
Supply rate	1.8%	1.7%	2.0%
Asking price index (year-on-year change in rents)	1.2%	0.1%	0.1%
Current asking rent (CHF/sqm and year, median)	—	—	250

As at Q3 unless otherwise stated

Commercial space on offer (million sqm per quarter)



## Key indicators for the major centres

	Stock (sqmGFA, 2017)	Planning appl. (m CHF)	Vacancy rate (June 2019)	Supply rate	Asking rent (median)	Prime rent (2019 Q2)	Prime yield (2019 Q2)	Total return (MSCI, 2018)
<b>Office space</b>								
<b>Zurich</b>	9,900,500	286.1	1.4%	4.8%	340	930	2.0%	8.4%
<b>Berne</b>	2,216,100	0.0	2.2%	4.0%	250	360	2.3%	6.0%
<b>Basel</b>	4,583,000	16.1	1.8%	2.4%	240	350	2.5%	3.7%
<b>Lausanne</b>	2,181,200	15.7	2.0%	4.8%	290	450	2.6%	3.7%
<b>Geneva</b>	3,602,400	235.5	5.0%	11.6%	450	940	2.3%	4.4%
<b>Switzerland</b>	56,471,800	1,618.3	—	7.3%	200	—	—	6.8%
<b>Retail space</b>								
<b>Zurich</b>	1,922,800	115.0	0.5%	1.5%	410	8,500	2.4%	4.9%
<b>Berne</b>	993,800	0.1	0.4%	1.5%	320	2,400	2.5%	3.9%
<b>Basel</b>	955,800	2.0	1.5%	2.6%	280	3,200	2.9%	-1.3%
<b>Lausanne</b>	491,100	13.5	1.8%	7.0%	300	2,300	3.1%	3.2%
<b>Geneva</b>	662,100	31.8	1.5%	11.2%	410	4,800	2.8%	3.1%
<b>Switzerland</b>	35,122,100	946.5	—	2.0%	250	—	—	3.4%

As at 2019 Q2 unless otherwise stated