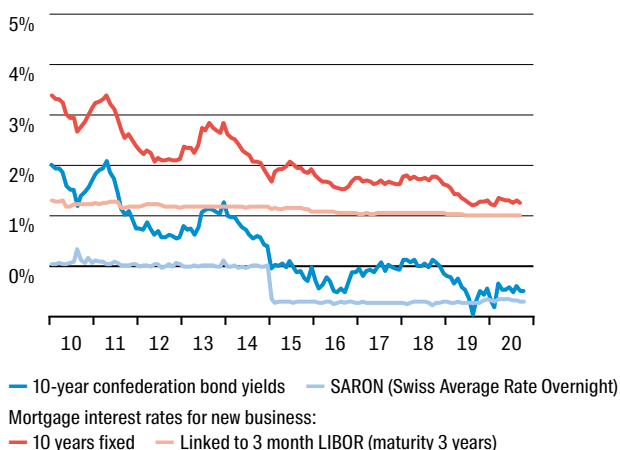


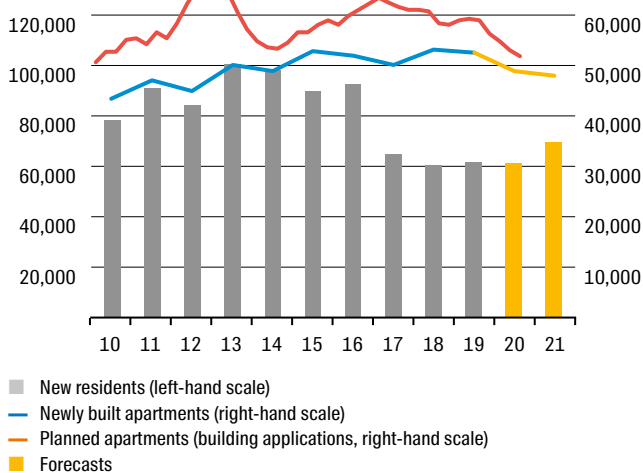
# Background

- The outlook for the Swiss economy has improved following the brief easing of the pandemic in the summer. Although the economy is still expected to contract by 3.8 percent in 2020, in 2021 economic output could return to almost the 2019 level.
- Nevertheless, the upswing is not proceeding at the same pace in all sectors. In the hospitality and entertainment sectors and the export-oriented mechanical engineering industry, in particular, the drop in demand could continue at first.
- Faced with the threat of an economic slump, many countries have tightened their low-interest policy. Consequently, yields on Swiss government bonds have also remained low. Investment in Swiss real estate has therefore continued to attract much interest from investors and there is a strong willingness to pay good prices for investment properties.

## Confederation bond yields and mortgage rates



## Population growth and residential construction activity



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

	2018	2019	2020	2021
<b>Population</b>				
Persons (millions)	8.54	8.60	8.66 <sup>(1)</sup>	8.73 <sup>(1)</sup>
Annual change	0.7%	0.7%	0.7% <sup>(1)</sup>	0.8% <sup>(1)</sup>
<b>Economy</b>				
Annual change in real GDP	2.8%	1.0%	-3.8% <sup>(3)</sup>	4.2% <sup>(3)</sup>
Annual change in employment	1.3%	1.2%	-0.4% <sup>(3)</sup>	0.3% <sup>(3)</sup>
Unemployment rate	2.5%	2.3%	3.2% <sup>(3)</sup>	3.4% <sup>(3)</sup>
Consumer confidence index (Oct. each yr.)	-3	-10	-13	-
Annual average change in real retail turnover	-0.1%	0.6%	-0.2%	-
<b>Building construction investment</b>				
Annual change (nominal, new-build & refurb.)	-0.6%	0.8% <sup>(1)</sup>	-1.8% <sup>(1)</sup>	-0.7% <sup>(1)</sup>
<b>Money market</b>				
Annual inflation	0.9%	0.4%	-0.7% <sup>(2)</sup>	0.1% <sup>(2)</sup>
10-year fixed mortgage rate (Sep. each yr.)	1.77%	1.22%	1.23%	-
10-year confederation bonds (Oct. each yr.)	0.07%	-0.51%	-0.52%	-

<sup>(1)</sup> Wüest Partner forecast - <sup>(2)</sup> Average of Credit Suisse, KOF, SECO, UBS forecasts - <sup>(3)</sup> SECO forecast October 2020

## Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitorings (fall edition 2021 | 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
- New Work: New demands on the living and working environment
- Residential properties and CO<sub>2</sub> reduction: Cantonal differences
- 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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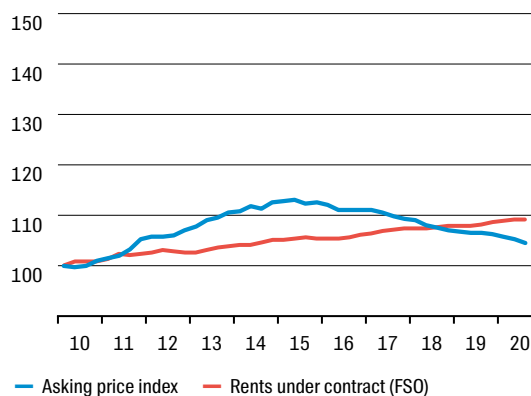
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# Residential market

- Vacancies have increased further over the past year. That said, the rise was far more modest than might have been expected given the buoyant new-built activity. This was mainly due to faster-than-expected population growth and the fact that many of the construction permits are for replacement properties and all-round refurbishment work.
- Since new-built activity remains high, vacancies will continue to dominate the market for rental apartments in the coming years, putting pressure on rents. Advertised apartment rents are expected to drop by a further 1.2 percent in 2021.
- Demand seems to be remaining high in urban regions, partly because prospective tenants attach considerable importance to the employment, leisure and cultural opportunities offered by cities.

Development of rents (index 2010 Q1 = 100)

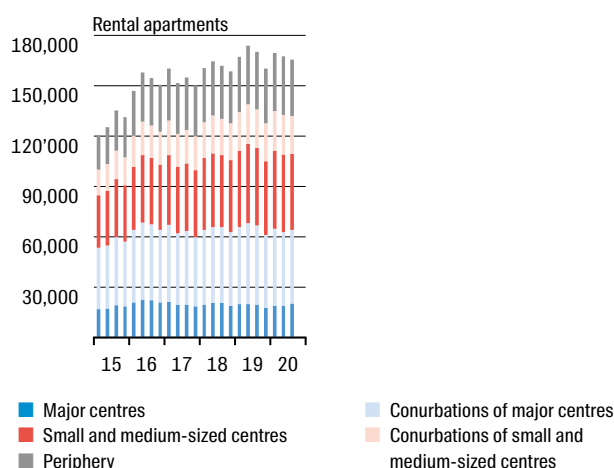


## Key indicators for Switzerland

	2018	2019	2020
<b>Rental apartments</b>			
Market value (bn CHF, excl. parking spaces)	—	—	1,158
Planning applications (bn CHF) <sup>(1)</sup>	11.4	12.8	11.1
Vacancy rate (June)	2.5%	2.6%	2.7%
Supply rate	7.0%	7.4%	7.2%
Asking price index (year-on-year change in rents)	-2.1%	-1.0%	-1.8%
Current asking rent (CHF/sqm per year, median)	—	—	190
Marketing duration (days, median, Q2)	37	41	30

<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, 2018)	Planning appl. (m CHF)	Vacancy rate (June 2020)	Supply rate	Asking rent (median)	Prime rent (2020 Q2)	Prime yield (2020 Q2)	Total return (MSCI, 2019)
<b>Rental apartments</b>								
<b>Zurich</b>	191,700	1,032.5	0.2%	3.2%	330	700	1.4%	7.4%
<b>Berne</b>	60,800	121.9	0.7%	4.8%	240	375	1.9%	6.0%
<b>Basel</b>	79,600	420.1	1.2%	6.1%	230	380	1.9%	7.5%
<b>Lausanne</b>	63,500	455.7	0.6%	5.3%	280	430	2.1%	7.0%
<b>Geneva</b>	85,600	203.6	0.7%	3.7%	370	630	1.9%	9.2%
<b>Switzerland</b>	2,349,800	11,102.9	2.7%	7.2%	190	—	—	6.9%

As at 2020 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.

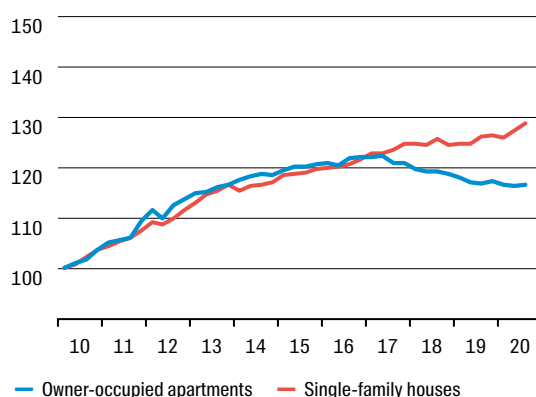
**Commercial and residential properties:** Asking rents and prime rents in CHF per sqm usable area; prime yields = net initial yields (net earnings/gross purchase price) for fully let prime properties at top locations. **Single-family houses:** Asking prices per house in CHF; transaction and top prices 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 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

- Interest in owner-occupied properties has increased sharply in recent months. Moreover, in the third quarter of 2020 there was a perceptible rise in the number of properties changing hands and, in most regions of Switzerland, prices were higher than a year ago.
- Across Switzerland, the transaction price for an average single-family house increased by 5.1 percent year-on-year, while the price of owner-occupied apartments increased by 3.1 percent. There was an above-average rise in selling prices, for example, in areas slightly outside major centres.
- Despite the economic risks, owner-occupied property is likely to remain highly sought-after. Declining new-build activity, which is exacerbating the supply shortfall, and low mortgage rates indicate that the prices will continue to trend upward.

Development of asking prices (index 2010 Q1 = 100)

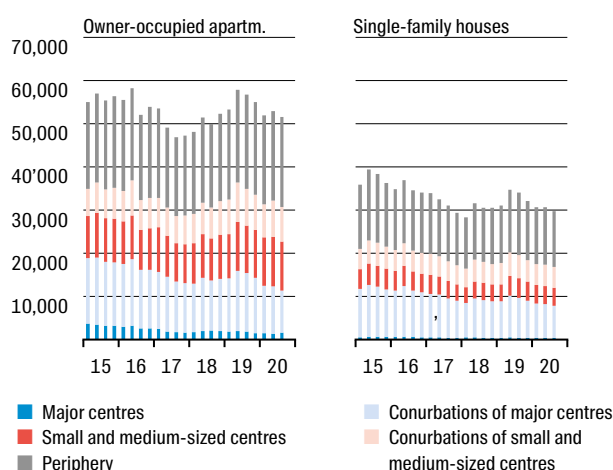


## Key indicators for Switzerland

	2018	2019	2020
<b>Owner-occupied apartments</b>			
Market value (bn CHF, excl. parking spaces)	—	—	939
Supply rate	4.9%	5.7%	5.1%
Vacancy rate (June)	0.6%	0.5%	0.6%
Asking price index (year-on-year change)	-1.5%	-2.0%	-0.2%
Current asking price (CHF/sqm, median)	—	—	7,040
Marketing duration (days, median, Q2)	64	73	68
<b>Single-family houses</b>			
Market value (bn CHF)	—	—	1,294
Supply rate	3.1%	3.4%	3.0%
Vacancy rate (June)	0.7%	0.8%	0.7%
Asking price index (year-on-year change)	1.7%	0.5%	2.1%
Asking price (CHF per 6-6.5 room house, median)	—	—	1,370,000
Marketing duration (days, median, Q2)	59	60	60

As at Q2 unless otherwise stated

Number of properties on offer (per quarter)



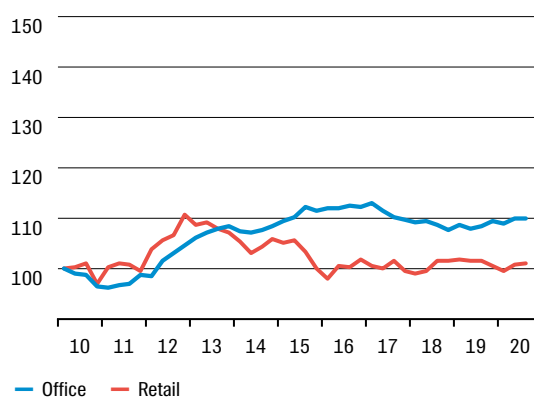
## Key indicators for the major centres

	Properties (2018)	Market value <sup>(1)</sup> (m CHF)	Planning appl. (m CHF)	Vacancy rate (June 2020)	Supply rate	Asking price <sup>(2)</sup> (median)	Transaction price <sup>(2)</sup>	Top price <sup>(2)</sup>
<b>Owner-occupied</b>								
Zurich	25,400	42,270	197.9	0.1%	1.0%	13,490	15,020	30,700
Berne	11,700	12,020	13.2	0.0%	0.8%	7,850	9,130	17,200
Basel	15,000	17,890	50.8	0.0%	1.3%	9,750	10,540	17,400
Lausanne	11,300	15,410	90.8	0.1%	2.3%	10,290	12,010	24,400
Geneva	21,400	40,890	37.1	0.3%	3.5%	14,290	17,030	38,400
Switzerland	1,022,400	939,300	7,427.6	0.6%	5.1%	7,040	7,400	—
<b>Single-family houses</b>								
Zurich	8,900	28,010	38.9	0.1%	0.7%	2,136,820	3,040,000	4,482,000
Berne	3,900	7,820	7.5	0.1%	0.9%	1,269,230	1,961,000	2,827,000
Basel	5,900	14,060	6.0	0.2%	1.5%	1,441,130	2,259,000	3,160,000
Lausanne	2,200	4,500	2.5	0.1%	4.8%	1,513,670	2,008,000	2,955,000
Geneva	800	2,260	1.6	0.5%	8.8%	2,063,370	2,823,000	4,248,000
Switzerland	995,300	1,293,870	5,668.0	0.7%	3.0%	1,370,000	1,050,000	—

As at 2020 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.

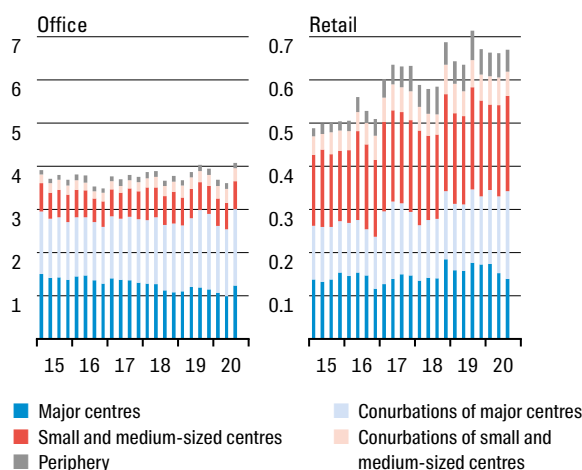
# Commercial market

- The outlook for office landlords is challenging. Since there has already been a 1.1 percent reduction in employment and more people are working from home, demand for additional office space is likely to drop. Rents are expected to decline by 1.5 percent next year.
- At the same time, the amount of additional space being created is declining. Fewer planning applications are being registered for new office premises, and many construction projects – especially in the main cities – are for replacement buildings.
- The Swiss retail sector recently benefited from the fall-off in cross-border shopping and from the fact that many residents spent their holidays in Switzerland. The situation in the stationary retail trade nevertheless remains challenging, especially in city centres. Rents are already under pressure and a further drop of 3.1 percent is forecast for 2021.

**Development of asking rents** (index 2010 Q1 = 100)

**Key indicators for Switzerland**

	2018	2019	2020
<b>Office space</b>			
Market value (bn CHF, excl. parking spaces)	–	–	312
Planning applications (bn CHF)	1.8	1.6	1.8
Supply rate	6.5%	7.2%	7.2%
Asking price index (year-on-year change in rents)	-1.4%	-0.2%	1.4%
Current asking rent (CHF/sqm and year, median)	–	–	220
Marketing duration (days, median, Q2)	81	81	89
<b>Retail space</b>			
Market value (bn CHF, excl. parking spaces)	–	–	166
Planning applications (bn CHF)	0.6	0.9	0.4
Supply rate	1.7%	2.0%	1.9%
Asking price index (year-on-year change in rents)	0.1%	0.1%	-0.5%
Current asking rent (CHF/sqm and year, median)	–	–	240

As at Q3 unless otherwise stated

**Commercial space on offer** (million sqm per quarter)

**Key indicators for the major centres**

	Stock (sqmGFA, 2018)	Planning appl. (m CHF)	Vacancy rate (June 2020)	Supply rate	Asking rent (median)	Prime rent (2020 Q2)	Prime yield (2020 Q2)	Total return (MSCI, 2019)
<b>Office space</b>								
<b>Zurich</b>	10,038,200	58.0	1.1%	5.0%	360	950	1.8%	8.3%
<b>Berne</b>	2,240,400	0.0	1.7%	4.3%	250	340	2.2%	7.4%
<b>Basel</b>	4,633,800	211.0	2.2%	4.6%	240	330	2.3%	5.9%
<b>Lausanne</b>	2,204,500	58.9	1.5%	3.4%	290	430	2.4%	3.8%
<b>Geneva</b>	3,633,000	21.4	5.0% <sup>m</sup>	9.9%	470	910	2.2%	4.1%
<b>Switzerland</b>	57,230,600	1,756.9	–	7.2%	220	–	–	6.9%
<b>Retail space</b>								
<b>Zurich</b>	1,932,000	6.7	0.3%	1.5%	440	8,000	2.4%	5.7%
<b>Berne</b>	995,500	22.3	0.3%	0.7%	380	2,300	2.5%	4.2%
<b>Basel</b>	960,100	1.6	1.3%	1.7%	310	2,800	2.8%	-1.8%
<b>Lausanne</b>	494,800	47.8	1.9%	6.2%	300	2,200	3.0%	6.6%
<b>Geneva</b>	665,000	2.6	1.5% <sup>m</sup>	8.4%	450	5,200	2.7%	3.0%
<b>Switzerland</b>	35,486,900	390.4	–	1.9%	240	–	–	3.9%

 As at 2020 Q3 unless otherwise stated – <sup>m</sup> June 2019