

Property Market Switzerland 2021 | 4

Background

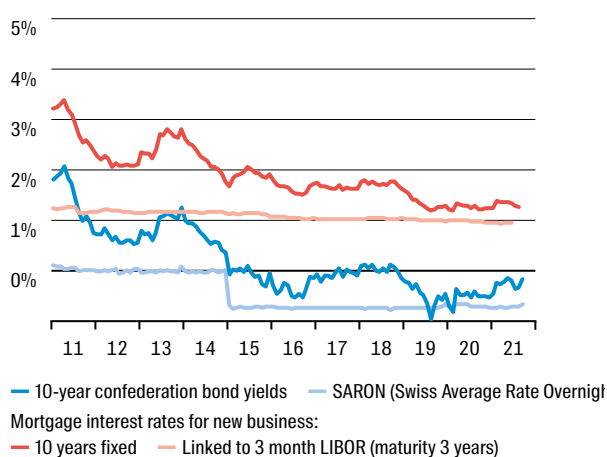
- The recovery of the Swiss economy is proceeding apace: weekly economic output is now back above pre-crisis levels and should have made good last year's production deficit by the end of 2021.
- In keeping with this development, the employment outlook is also positive. Employment growth is expected above all in manufacturing, the construction industry, retailing, wholesaling and other services.
- Although there are increasing signs of a rise in inflation in Switzerland too, the current expectation is that inflation will prove modest at well below one percent. Thus inflation in Switzerland should remain below the levels in most major industrialised nations but above the average of the last ten years (+0.2 percent).
- Interest in direct investments in Swiss real estate continues to be strong, whereby the willingness to pay has risen particularly for residential properties once again.

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

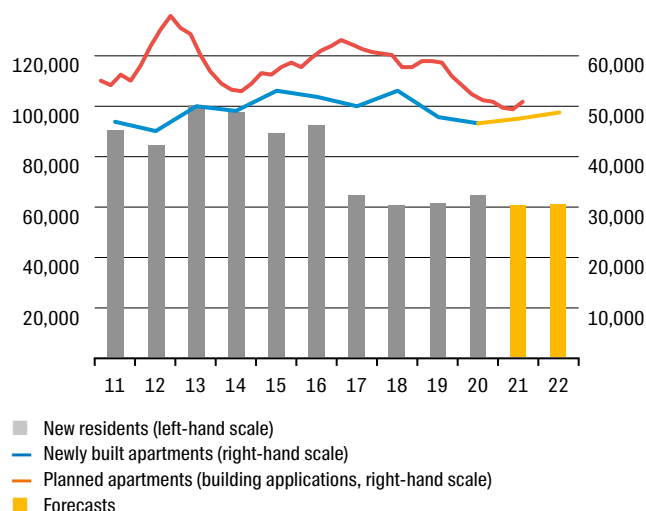
	2019	2020	2021	2022
Population				
Persons (millions)	8.60	8.67	8.73 ⁽¹⁾	8.79 ⁽¹⁾
Annual change	0.7%	0.7%	0.7% ⁽¹⁾	0.7% ⁽¹⁾
Economy				
Annual change in real GDP	1.5%	-2.5%	3.3% ⁽²⁾	3.1% ⁽²⁾
Annual change in employment	1.6%	-0.3% ⁽¹⁾	0.5% ⁽¹⁾	1.5% ⁽¹⁾
Unemployment rate	2.3%	3.1%	3.0% ⁽²⁾	2.7% ⁽²⁾
Consumer confidence index (Oct. each yr.)	-10	-13	4	-
Annual average change in real retail turnover	1.2%	2.6%	2.6% ⁽²⁾	4.2% ⁽²⁾
Building construction investment				
Annual change (nominal, new-build & refurb.)	-0.7%	-1.5% ⁽¹⁾	1.0% ⁽¹⁾	1.5% ⁽¹⁾
Money market				
Annual inflation	0.4%	-0.7%	0.5% ⁽²⁾	0.6% ⁽²⁾
10-year fixed mortgage rate (August each yr.)	1.2%	1.3%	1.3%	-
10-year confederation bonds (Sep. each yr.)	-0.70%	-0.50%	-0.17%	-

⁽¹⁾ Wüest Partner forecast – ⁽²⁾ Average of Credit Suisse, KOF, SECO, UBS forecasts –
⁽³⁾ SECO forecast September 2021

Confederation bond yields and mortgage rates



Population growth and residential construction activity



- Despite high demand, advertised apartment rents recorded year-on-year decline of 2.7% on average in the third quarter of 2021. On the one hand this decline is attributable to the ample supply of accommodation still evident in many places. On the other, there has been a shift in the overall market for advertised rental apartments towards smaller properties as well as those outside of the major centres.
- Over the next 12 months we are likely to see a smaller decline in market rents (around -0.8%) due to the expectation of brisk demand for housing with a simultaneous slight increase in new construction.
- The home working trend is prompting tenants to seek apartments with more space. For example, the number of registered searches for rental apartments offering between 3 and 5.5 rooms has increased strongly, whereas demand for small apartments with a maximum of 2.5 rooms has declined.



29

Marketing duration (days, median, Q2)

-2.7%

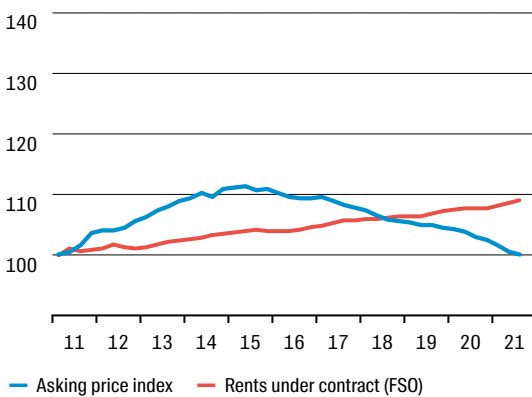
Change in asking rents (2020 Q3 to 2021 Q3)



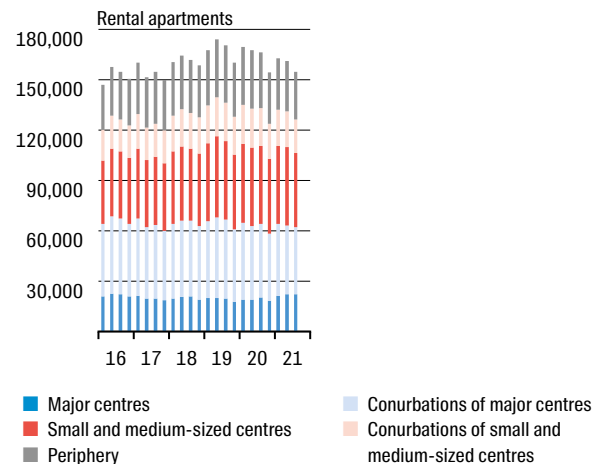
1'280

Market value (bn CHF, excl. parking spaces)

Development of rents (index 2011 Q1 = 100)



Number of apartments on offer (per quarter)



Key indicators for the major centres

	Apartments (number, 2019)	Building permits (Number of res. units *)	Vacancy rate (June 2021)	Supply rate	Asking rent (median)	Prime rent (2021 Q2)	Prime yield (2021 Q2)	Total return (MSCI, 2020)
Rental apartments								
Zurich	193,400	2,245 →	0.2%	3.7%	330	680	1.3%	8.2%
Berne	61,400	200 ↘	0.7%	5.0%	240	390	1.6%	6.2%
Basel	80,300	760 ↗	1.4%	6.6%	240	380	1.6%	6.6%
Lausanne	64,300	1,089 ↗	0.9%	5.7%	280	460	1.7%	7.3%
Geneva	86,300	491 ↗	0.8%	3.7%	370	670	1.6%	5.9%
Switzerland	2,386,500	28,858 →	2.4%	6.5%	190	–	–	7.0%

*The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2021 Q3 unless otherwise stated

- Widespread demand for owner-occupied property contrasts with a scarcity of supply in many places. The supply across Switzerland has declined by a further fifth over the last 12 months, which is hardly surprising in view of the low level of recent newbuild activity. There is a general shortage of building land in numerous regions, with fierce competition on the part of investors in the rental apartment market for any such land that is available.
- This has translated into a further rise in the transaction prices of owner-occupied property in the third quarter of 2021. On average, Swiss owner-occupied apartments appreciated by 7.3 percent year-on-year, while the price of an average single-family house increased by 7.5 percent.
- Wüest Partner is expecting price growth to slow in 2022, among other things because the latest data on building permit issuance points to at least a slight increase in newbuild activity.

Owner-occupied apartm.

↑
+7.3%

Price development
(2020 Q3 to 2021 Q3)



66

Marketing duration
(days, median, Q2)

Single-family houses

↑
+7.5%

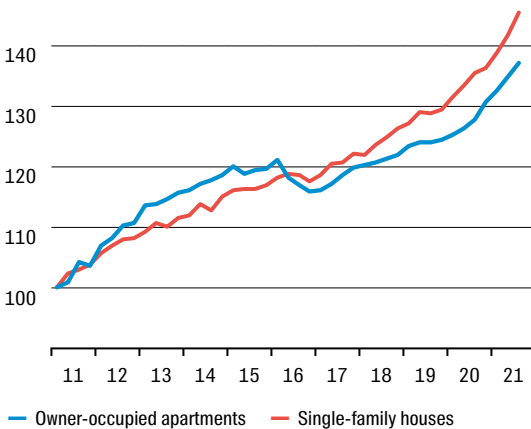
Price development
(2020 Q3 to 2021 Q3)



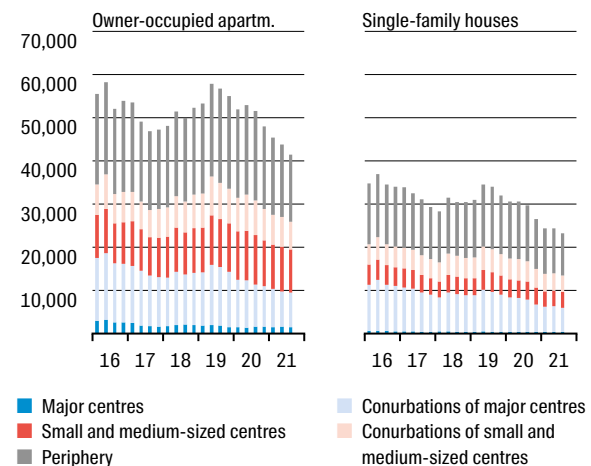
57

Marketing duration
(days, median, Q2)

Transaction price development (Index 2011 Q1 = 100)



Number of properties on offer (per quarter)



Key indicators for the major centres

	Properties (2019)	Market value ⁽¹⁾ (m CHF)	Building permits (Number of res. units *)	Vacancy rate (June 2021)	Supply rate	Asking price ⁽²⁾ (median)	Transaction price ⁽²⁾	Price high-end segment ⁽²⁾
Owner-occupied								
Zurich	25,500	46,250	222 →	0.1%	1.0%	14,520	16,830	33,800
Berne	11,800	12,920	4 ↓	0.0%	1.1%	8,600	10,070	18,600
Basel	15,000	19,260	49 →	0.1%	1.1%	10,240	11,660	18,800
Lausanne	11,400	16,810	78 →	0.0%	2.4%	11,490	13,290	26,700
Geneva	21,400	43,900	33 ↘	0.4%	3.2%	15,430	18,810	41,000
Switzerland	1,030,600	1,038,160	12,284 →	0.5%	4.0%	8,020	7,800	–
Single-family houses								
Zurich	8,900	29,050	28 ↑	0.1%	0.6%	2,327,500	3,283,000	4,624,000
Berne	3,900	7,610	6 →	0.2%	0.6%	1,364,620	2,027,000	2,702,000
Basel	5,900	14,070	8 →	0.1%	1.1%	1,535,180	2,397,000	3,143,000
Lausanne	2,200	4,650	16 ↗	0.1%	5.0%	1,725,620	2,173,000	3,106,000
Geneva	800	2,350	0 →	0.0%	8.7%	2,178,060	3,072,000	4,438,000
Switzerland	1,001,300	1,424,990	6,932 →	0.6%	2.3%	1,350,000	1'150'000	–

⁽¹⁾ Owner-occupied apartments: Market value excl. parking spaces. – ⁽²⁾ Owner-occupied apartments: price in CHF/sqm; single-family houses: price in CHF per house. – * The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2021 Q3 unless otherwise stated.

- Following the easing of pandemic-related restrictions, many workers are now returning to the office, and the proportion of working time spent there is now likely to be back above 70%. The great majority of companies are therefore anticipating an unchanged or slightly growing requirement for office space.
- On the supply side, a number of significant regional differences are evident. High market liquidity can be discerned around Lake Geneva, in southern Ticino and in the Zurich conurbation. By contrast, the supply rates in the cities of Zurich, Basel and Lausanne currently stand at a modest 5% or so.
- With e-commerce businesses having gained further retail market share, it is likely that demand for retail space will remain weak. Wüest Partner is therefore expecting rents to decline, at least for rental premises not based in prime locations.

Office space



307

Market value (bn CHF, excl. parking spaces)



-1.2%

Change in asking rents (2020 Q3 to 2021 Q3)

Retail space



177

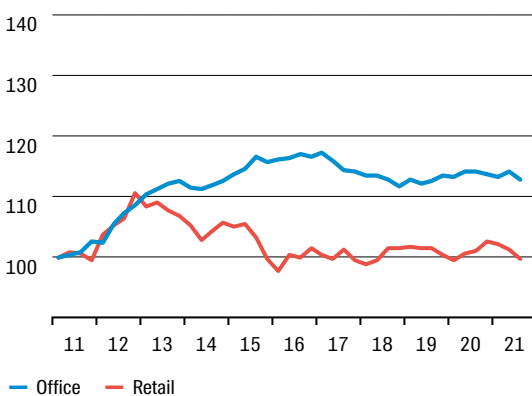
Market value (bn CHF, excl. parking spaces)



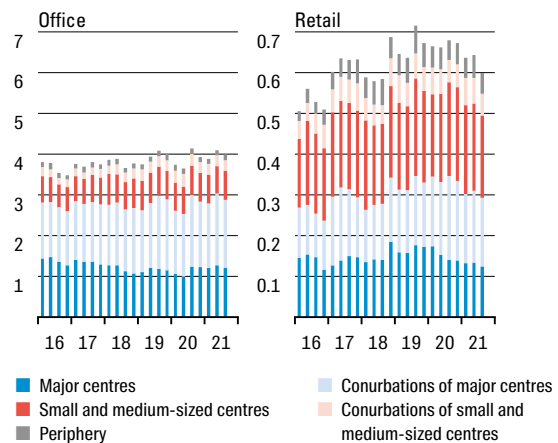
-1.3%

Change in asking rents (2020 Q3 to 2021 Q3)

Development of asking rents (index 2011 Q1 = 100)



Commercial space on offer (million sqm per quarter)



Key indicators for the major centres

	Stock (sqm GFA, 2019)	Building permits (Mio. CHF *)	Vacancy rate (June 2021)	Supply rate (median)	Asking rent	Prime rent (2021 Q2)	Prime yield (2021 Q2)	Total return (MSCI, 2020)
Office space								
Zurich	10,148,100	58 ↘	1.3%	5.1%	350	820	1.6%	6.6%
Berne	2,258,000	0 ↓	2.6%	3.4%	240	350	2.0%	2.7%
Basel	4,695,600	0 ↓	3.4%	4.7%	250	350	2.1%	4.4%
Lausanne	2,219,700	26 →	3.1%	4.9%	300	450	2.2%	4.6%
Geneva	3,663,800	24 ↘	4.2%	7.7%	470	830	1.8%	3.1%
Switzerland	57,960,400	1,647 →	–	6.9%	240	–	–	5.3%
Retail space								
Zurich	1,940,900	10 ↘	0.3%	1.0%	420	9,000	2.2%	5.4%
Berne	997,900	0 ↓	0.2%	0.6%	370	2,000	2.5%	3.5%
Basel	965,900	1 →	2.2%	2.2%	310	2,800	2.7%	0.2%
Lausanne	498,400	44 ↗	3.0%	5.1%	300	2,300	2.8%	3.6%
Geneva	668,800	13 ↗	1.5%	7.9%	450	5,000	2.5%	5.8%
Switzerland	35,895,100	532 →	–	1.7%	270	–	–	3.9%

*The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2021 Q3 unless otherwise stated



Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitorings (fall edition 2022 | 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
- Natural hazards and their impact of the real estate markets
- Office space demand: A glimpse into the year 2030
- 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/ch-de/insights/publikationen

- **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.



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