

# Property Market Switzerland 2021 | 3

## Background

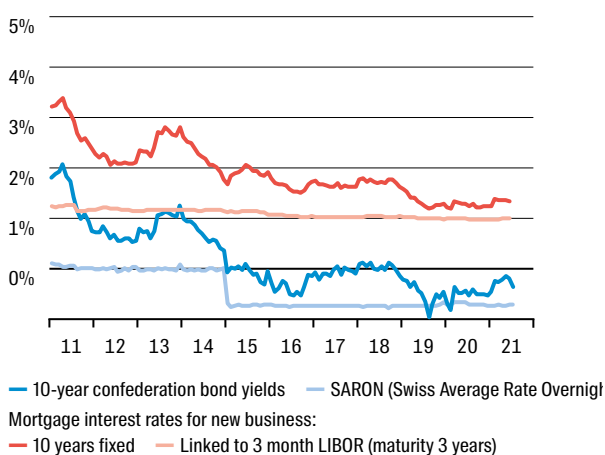
- The Swiss economy has recovered remarkably quickly from the shock of the coronavirus pandemic. At the end of June, economic output in Switzerland was 0.7 percent higher than in the fourth quarter of 2019. There is evidence of powerful growth momentum for the second half of the year. Based on the current situation, the economy is expected to grow by 3.7 percent in real terms in 2021.
- The economic boom has triggered a rise in consumer prices. However, we are expecting this price inflation to weaken in the second half of the year.
- The Swiss National Bank is sticking to its expansionary monetary policy for the time being. As a consequence, real estate investments remain in demand, particularly in the residential segment. By contrast, many investors are circumspect about investing in office properties at the moment. Only core properties in urban areas have shown any real sign of attracting greater investor interest recently.

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

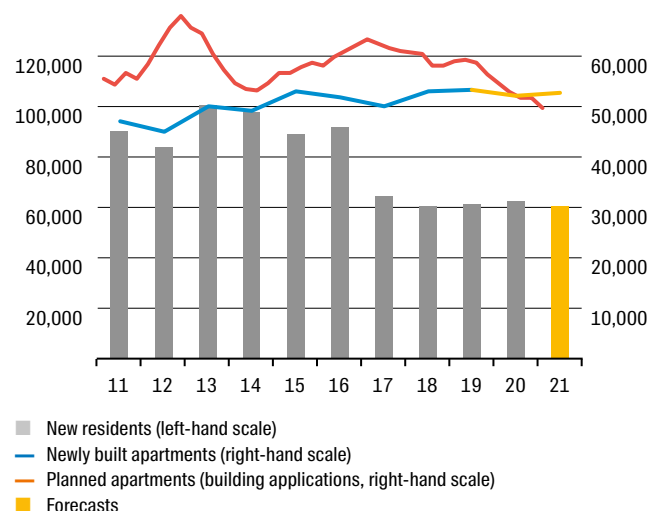
	2019	2020	2021	2022
<b>Population</b>				
Persons (millions)	8.60	8.66 <sup>(1)</sup>	8.73 <sup>(1)</sup>	<b>8.80</b>
Annual change	0.7%	0.6% <sup>(1)</sup>	0.7% <sup>(1)</sup>	<b>0.8% <sup>(1)</sup></b>
<b>Economy</b>				
Annual change in real GDP	1.6%	-2.7%	<b>3.7% <sup>(2)</sup></b>	<b>3.3% <sup>(3)</sup></b>
Annual change in employment	1.2%	-0.3% <sup>(1)</sup>	<b>0.6% <sup>(1)</sup></b>	<b>0.7% <sup>(1)</sup></b>
Unemployment rate	2.3%	3.1%	<b>3.1% <sup>(2)</sup></b>	<b>2.8% <sup>(3)</sup></b>
Consumer confidence index (July each yr.)	-9	-13	8	-
Annual average change in real retail turnover	1.2%	2.6%	<b>4.0% <sup>(1)</sup></b>	<b>3.7% <sup>(3)</sup></b>
<b>Building construction investment</b>				
Annual change (nominal, new-build & refurb.)	-0.0% <sup>(1)</sup>	<b>-0.9% <sup>(1)</sup></b>	<b>0.3% <sup>(1)</sup></b>	-
<b>Money market</b>				
Annual inflation	0.4%	-0.7%	-0.4% <sup>(2)</sup>	<b>0.4% <sup>(1)</sup></b>
10-year fixed mortgage rate (June each yr.)	1.3%	1.3%	1.4%	-
10-year confederation bonds (July each yr.)	-0.65%	-0.53%	-0.37%	-

<sup>(1)</sup> Wüest Partner forecast – <sup>(2)</sup> Average of Credit Suisse, KOF, SECO, UBS forecasts – <sup>(3)</sup> SECO forecast June 2021

### Confederation bond yields and mortgage rates



### Population growth and residential construction activity



- The volume of new-build approvals for rental apartments rose by 7.2 percent between the second quarter of 2020 and the second quarter of 2021. After recent signs of weakness, the rental apartment market is gaining new stimuli as a result; the production of rental apartments can therefore be expected to rise further in the medium term.
- Accordingly, vacancy risks remain high, with supply continuing to outstrip actual demand in numerous areas of Switzerland. In many places, it is likely that we will see persistent downward pressure on advertised rents.
- Rental apartment construction will at least be driven first and foremost by those regions that exhibit relatively low vacancy figures. In addition, new rental apartments on greenfield sites are becoming an increasing rarity, with the majority being replacement new-builds; in other words, while new living space is being created, this is occurring at the cost of existing living space.



29

Marketing duration (days, median, Q2)

↓  
-3.2%

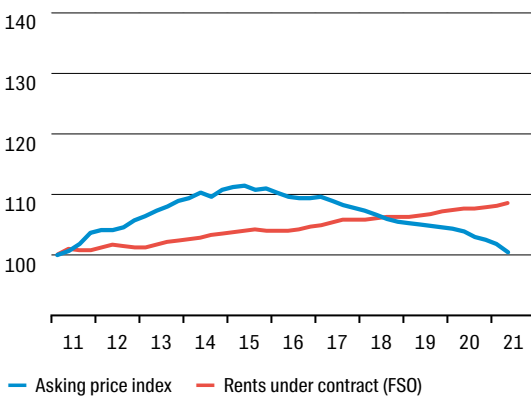
Change in asking rents (2020 Q2 to 2021 Q2)



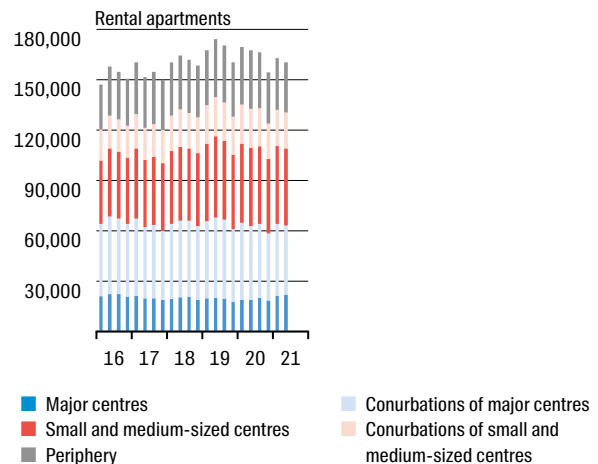
1'268

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 2020)	Supply rate	Asking rent (median)	Prime rent (2021 Q2)	Prime yield (2021 Q2)	Total return (MSCI, 2020)
<b>Rental apartments</b>								
Zurich	193,400	2,064 →	0.2%	3.6%	330	680	1.3%	8.2%
Berne	61,400	195 ↘	0.7%	5.3%	240	390	1.6%	6.2%
Basel	80,300	576 →	1.2%	6.0%	240	380	1.6%	6.6%
Lausanne	64,300	983 ↗	0.6%	5.8%	280	460	1.7%	7.3%
Geneva	86,300	347 →	0.7%	3.8%	370	670	1.6%	5.9%
Switzerland	2,386,500	28,374 →	2.7%	6.7%	190	–	–	7.0%

\*The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2021 Q2 unless otherwise stated

- The transaction prices for owner-occupied residential property reached new highs in the second quarter of 2021. On average, Swiss owner-occupied apartments appreciated by 6.8 percent year-on-year, while the price of an average single-family house increased by 6.3 percent. Properties in the upmarket segment are generally in very high demand.
- The latest market developments are driven by a further increase in demand coupled with declining supply. The number of owner-occupied apartments on the market has declined by almost a fifth since the summer of 2020. Single-family houses are increasingly difficult to find on the free market, with the scarcity of building land being a major obstacle to the construction of new properties.
- Further price increases are expected in the second half of 2021, as the economy has already bounced back from the coronavirus pandemic and the supply of properties for sale is likely to remain low for the time being.

## Owner-occupied apartm.



## Single-family houses



66

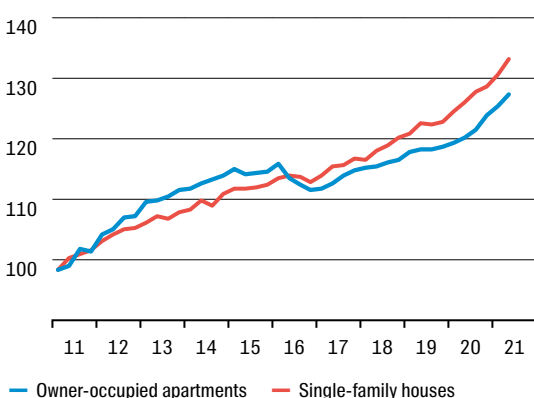
Marketing duration  
(days, median, Q2)



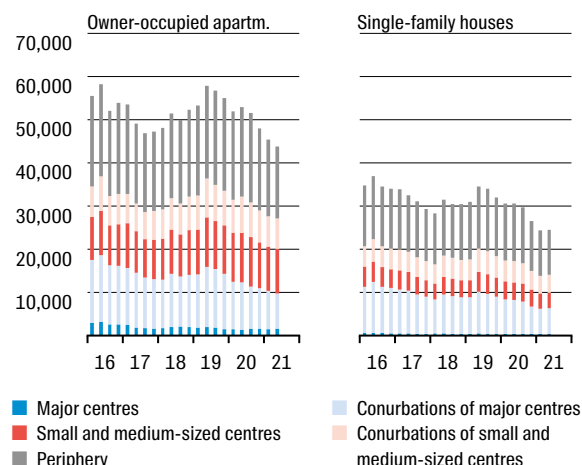
57

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 (2018)	Market value <sup>(1)</sup> (m CHF)	Building permits (Number of res. units *)	Vacancy rate (June 2020)	Supply rate	Asking price <sup>(2)</sup> (median)	Transaction price <sup>(2)</sup>	Price high-end segment <sup>(2)</sup>
<b>Owner-occupied</b>								
Zurich	25,500	45,240	239 ↗	0.1%	0.9%	14,130	16,560	32,900
Berne	11,800	12,650	23 →	0.0%	0.6%	8,390	9,920	18,100
Basel	15,000	19,080	65 ↗	0.0%	1.2%	9,910	11,630	18,600
Lausanne	11,400	16,250	138 ↗	0.1%	3.4%	11,300	12,950	25,700
Geneva	21,400	42,950	6 ↓	0.3%	3.2%	15,540	18,530	40,000
Switzerland	1,030,600	1,012,750	13,125 →	0.6%	4.3%	7,400	7,600	—
<b>Single-family houses</b>								
Zurich	8,900	29,090	37 ↑	0.1%	0.5%	2,252,100	3,304,000	4,583,000
Berne	3,900	7,840	12 ↑	0.1%	0.8%	1,366,180	2,088,000	2,743,000
Basel	5,900	14,200	7 ↑	0.2%	0.7%	1,485,440	2,421,000	3,134,000
Lausanne	2,200	4,590	9 ↘	0.1%	5.1%	1,669,740	2,149,000	3,021,000
Geneva	800	2,400	0 ↓	0.5%	9.1%	2,118,660	3,151,000	4,487,000
Switzerland	1,001,300	1,387,840	6,785 →	0.7%	2.4%	1,195,000	1'105'000	—

<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. – \* The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2021 Q2 unless otherwise stated.

- Employment has risen in many office sectors since the start of 2020, and further growth stimuli can be anticipated thanks to the current health of the Swiss economy. On the other hand, the development of user-side demand for office premises is uncertain, as a greater proportion of home-working could reduce demand.
- The office property market appears to be stable for now. While the volume of advertised space rose to 41 million square metres in the second quarter of 2021, this expansion of supply has been driven mainly by a few large-scale projects close to city centres. In addition, new-build activity is likely to weaken in the medium term.
- Bricks-and-mortar retailing has done well in recent months. However, online trade has gained further market share in both the food and the non-food segment. There are plenty of indications to suggest that this shift to the online segment will continue. Thus, the retail property environment is likely to remain fiercely contested.

## Office space



312

Market value (bn CHF, excl. parking spaces)



-0.1%

Change in asking rents (2020 Q2 to 2021 Q2)

## Retail space



176

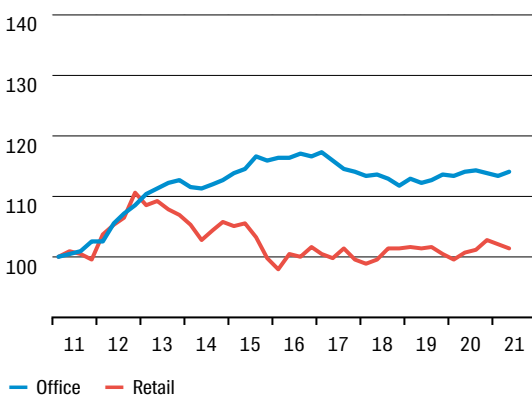
Market value (bn CHF, excl. parking spaces)



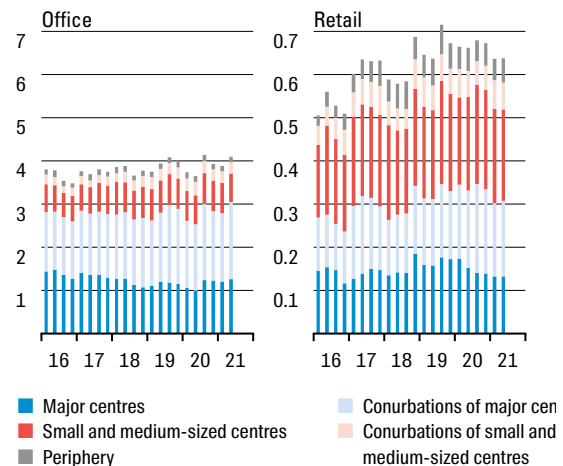
+0.6%

Change in asking rents (2020 Q2 to 2021 Q2)

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, 2018)	Building permits (Mio. CHF *)	Vacancy rate (June 2020)	Supply rate (median)	Asking rent	Prime rent (2021 Q2)	Prime yield (2021 Q2)	Total return (MSCI, 2020)
<b>Office space</b>								
Zurich	10,148,100	58 ↘	1.1%	5.4%	360	820	1.6%	6.6%
Berne	2,258,000	4 ↘	1.7%	3.7%	240	350	2.0%	2.7%
Basel	4,695,600	1 ↓	2.2%	4.7%	250	350	2.1%	4.4%
Lausanne	2,219,700	46 →	1.5%	4.2%	310	450	2.2%	4.6%
Geneva	3,663,800	29 ↘	5.0%	8.5%	480	830	1.8%	3.1%
Switzerland	57,960,400	1,689 →	–	7.1%	260	–	–	5.3%
<b>Retail space</b>								
Zurich	1,940,900	23 ↘	0.3%	1.3%	440	9,000	2.2%	5.4%
Berne	997,900	0 ↓	0.3%	0.8%	370	2,000	2.5%	3.5%
Basel	965,900	2 ↑	1.3%	1.9%	310	2,800	2.7%	0.2%
Lausanne	498,400	36 ↑	1.9%	4.7%	300	2,300	2.8%	3.6%
Geneva	668,800	8 ↗	1.5%	8.8%	430	5,000	2.5%	5.8%
Switzerland	35,895,100	559 →	–	1.8%	300	–	–	3.9%

\*The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2021 Q2 unless otherwise stated



## Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitorings (spring edition 2020 | 2 and summer update, 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
- The impact of climate change on the real estate market
- Economic explanation of rental price development
- Price developments of investment properties explained economically
- 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](http://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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