

Property Market Switzerland 2023 | 4

Data & Prospects



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Background

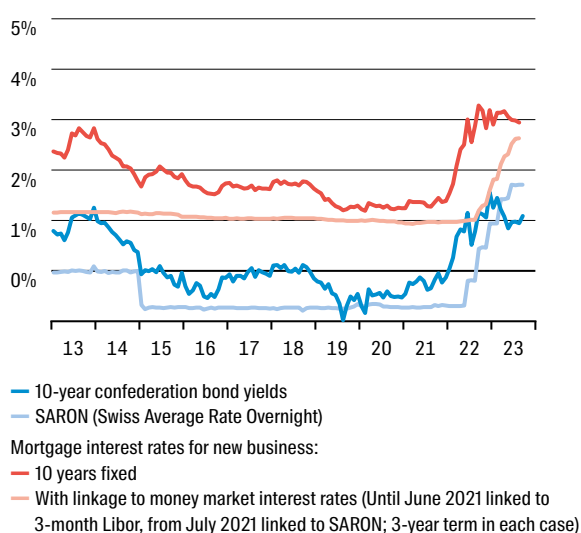
- Annual GDP growth in Switzerland fell from 1.4% in the first quarter to 0.6% in the second quarter of 2023. Despite persistent challenges, Switzerland is expected to close the current year with real economic growth of 0.9%, due in particular to strong consumer spending.
- Employment continues to prove dynamic: the unemployment rate in September 2023 was 2.0%. In addition, some 116,000 new jobs were filled between the third quarter of 2022 and the second quarter of 2023.
- Inflation fell year-on-year and was 1.7% in September compared to the same month in 2022. However, the costs of housing, energy, food, leisure activities and clothing are continuing to climb. Inflation is likely to rise again over the coming months. An average inflation rate of 2.3% is expected for 2023.

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

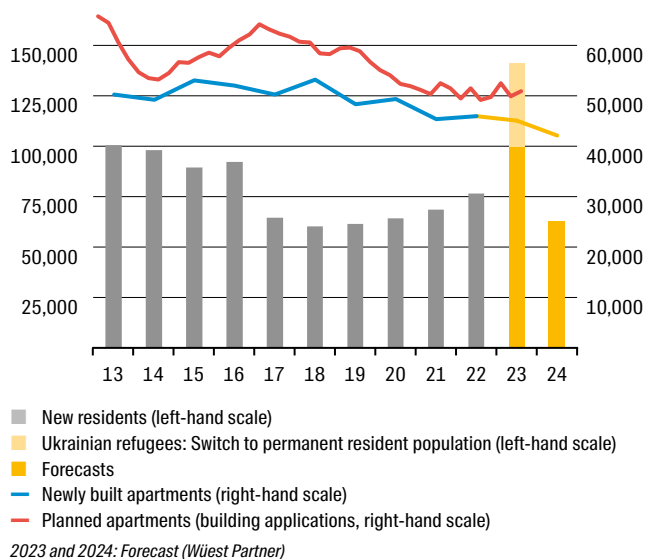
	2021	2022	2023	2024
Population				
Persons (millions)	8.74	8.82 ⁽⁴⁾	8.96 ⁽¹⁾	9.02 ⁽¹⁾
Annual change	0.8%	0.9% ⁽⁴⁾	1.6% ⁽¹⁾	0.7% ⁽¹⁾
Economy				
Annual change in real GDP	5.1%	2.4%	0.9% ⁽²⁾	1.3% ⁽²⁾
Annual change in employment	2.1%	2.4%	2.1% ⁽¹⁾	1.0% ⁽¹⁾
Unemployment rate	3.0%	2.2%	2.0% ⁽¹⁾	2.3% ⁽¹⁾
Consumer confidence index (Oct. each yr.)	4	-47	-40	-
Annual average change in real retail turnover	4.2%	-0.7%	1.4%	-
Building construction investment				
Annual change (nominal, new-build & refurb.)	-0.5%	3.7% ⁽¹⁾	3.7% ⁽¹⁾	-0.3% ⁽¹⁾
Money market				
Annual inflation	0.6%	2.8%	2.3% ⁽¹⁾	1.9% ⁽¹⁾
10-year fixed mortgage rate (August each yr.)	1.3%	2.9%	2.9%	-
10-year confederation bonds (Sep. each yr.)	-0.17%	1.16%	1.09%	-

⁽¹⁾ Wüest Partner forecast – ⁽²⁾ Average of Credit Suisse, KOF, SECO, UBS forecasts – ⁽³⁾ SECO forecast September 2023 – ⁽⁴⁾ FSO

Confederation bond yields and mortgage rates



Growth of the permanent resident population and construction activity



- Residential property continues to be scarce on the Swiss rental apartment market as newbuild activity is sluggish: The number of approved rental apartment newbuilds throughout Switzerland was 11% below the average of the last ten years in the third quarter of 2023.
- The housing shortage is driving up rents. On the one hand, the traditional advertised rental price index in the third quarter of 2023 was up 3.9% year-on-year. On the other hand, the new hedonic advertised rental price index from Wüest Partner shows that quality-adjusted rents have risen by 3.6% over the same period.
- The impact of the higher reference interest rate on existing rents is also evident from October 2023, and the next reference interest rate move is expected in December. Rents in existing leases are likely to rise by an average of 3.7% in 2024. As for advertised rents, we expect an increase of 3.8% next year.



+3.8%

Forecast 2024:
Change in asking rents

24

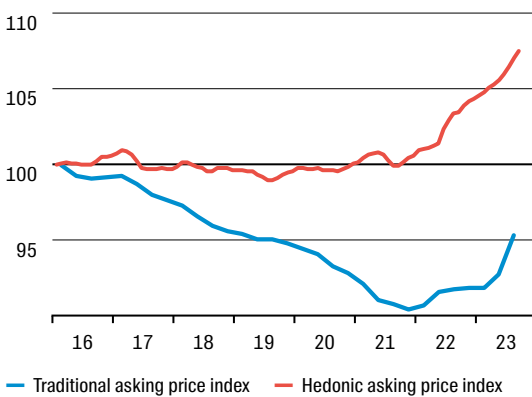
Marketing duration
(days, median)



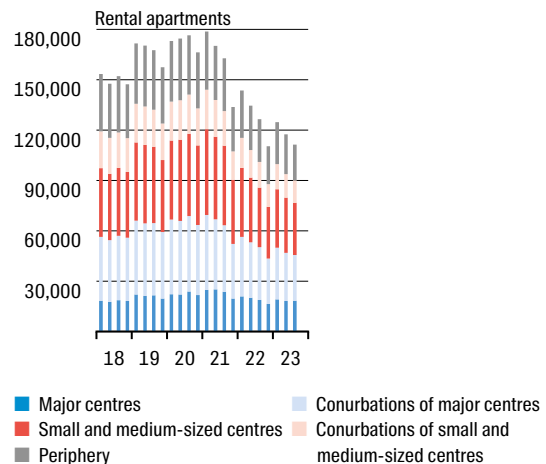
1'371

Market value (bn CHF,
excl. parking spaces)

Development of rents (index 2016 Q1 = 100)



Number of apartments on offer (per quarter)



Key indicators for the major centres

	Apartments (number, 2022)	Building permits (Number of res. units *)	Vacancy rate (June 2023)	Supply rate	Asking rent (median)	Prime rent (2023 Q3)	Prime yield (2023 Q3)	Total return (MSCI, 2022)
Rental apartments								
Zurich	154,000	3,096 ↗	0.1%	4.1%	400	840	1.65%	6.8%
Berne	59,700	123 ↘	0.6%	4.5%	250	480	2.05%	4.9%
Basel	75,600	323 ↘	1.4%	5.8%	250	420	2.15%	5.0%
Lausanne	61,800	303 ↘	0.6%	3.8%	290	470	2.30%	4.0%
Geneva	91,700	606 →	0.6%	3.1%	410	660	2.20%	4.5%
Switzerland	2,606,200	25,163 →	1.6%	4.3%	220	—	—	5.3%

*The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2023 Q3 unless otherwise stated

- Despite the interest rate trend reversal and the high price levels in many areas, demand for residential property continues to outstrip the very tight supply.
- Although prices for both privately owned apartments and single-family houses rose slightly year-on-year in the third quarter of 2023, the most recent annual growth rates of 1.9% and 0.6% respectively were a sign of a substantial reduction in the tempo of increases versus the previous decade.
- Due to the persistently high mortgage interest rates and the now increasing supply, only low price rises are expected in 2024 too. A nominal price increase of 1.2% is expected for privately owned apartments, and near stagnation of +0.3% in the single-family home segment. However, with expected inflation of 1.9%, these would be declines in real terms.

Owner-occupied apartm.

↑
+1.9%

Price development
(2022 Q3 to 2023 Q3)

Single-family houses

↑
+0.6%

Price development
(2022 Q3 to 2023 Q3)

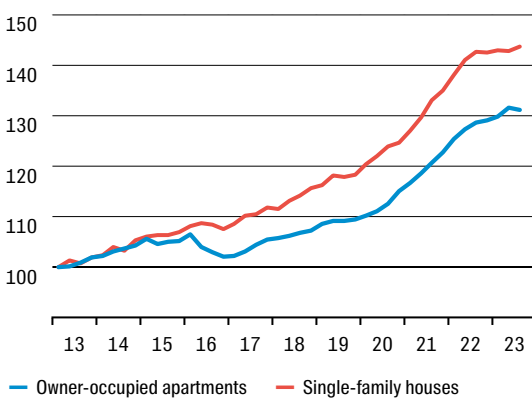
↑
+1.2%

Forecast 2024:
Price development

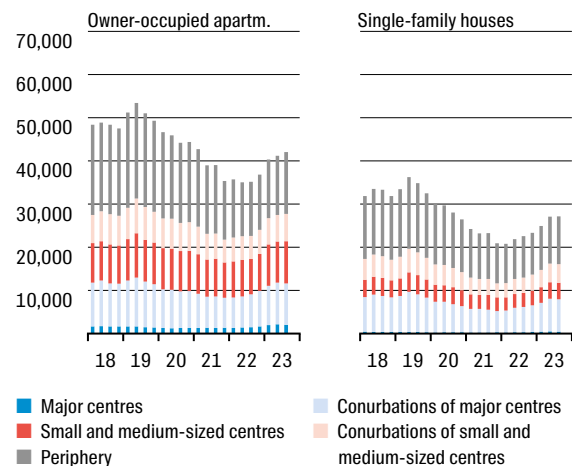
↑
+0.3%

Forecast 2024:
Price development

Transaction price development (Index 2013 Q1 = 100)



Number of properties on offer (per quarter)



Key indicators for the major centres

	Properties (2022)	Market value ⁽¹⁾ (m CHF)	Building permits (Number of res. units *)	Vacancy rate (June 2023)	Supply rate	Asking price ⁽²⁾ (median)	Transaction price ⁽²⁾	Price high-end segment ⁽²⁾
Owner-occupied								
Zurich	25,500	54,100	70 ↘	0.0%	1.5%	16,900	19,550	37,200
Berne	10,700	12,700	4 ↓	0.0%	0.9%	9,080	10,680	20,400
Basel	12,000	16,700	64 ↗	0.2%	2.0%	10,780	12,550	19,400
Lausanne	10,200	17,500	11 ↓	0.2%	3.9%	12,140	15,300	30,000
Geneva	14,300	31,100	12 ↓	0.5%	5.8%	15,710	19,870	40,100
Switzerland	944,100	1,080,200	11,121 →	0.5%	4.5%	7,480	8,500	—
Single-family houses								
Zurich	9,500	38,100	4 ↘	0.2%	0.8%	2,950,810	4,178,000	5,254,000
Berne	4,000	8,700	14 ↗	0.1%	1.0%	1,673,720	2,247,000	2,987,000
Basel	6,300	16,400	1 ↘	0.1%	1.2%	1,804,670	2,661,000	3,448,000
Lausanne	2,200	5,700	3 ↘	0.1%	6.8%	1,978,860	2,651,000	3,595,000
Geneva	700	2,200	0 →	1.0%	16.2%	2,580,200	3,386,000	4,508,000
Switzerland	1,012,200	1,570,700	6,083 →	0.6%	2.7%	1,265,500	1,200,000	—

⁽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. –
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As at 2023 Q3 unless otherwise stated.

- The supply of office space in the third quarter of 2023 was 5.6% below the average of the previous year. In addition to buoyant demand, this was due to low construction activity, which has fallen because of high construction and financing costs and uncertainties linked to structural change.
- In prime locations in particular, willingness to pay for office space remains high: peak rents in Zurich, Geneva and Bern recently rose again. We expect a slight rise of 0.2% in average Swiss rents in 2024.
- The environment in the retail space market remains challenging. Rising housing costs and persistent inflation are a burden on many household budgets. Together with the continuing structural change, this is impacting negatively on tenants' willingness to pay.
- Rents for retail spaces are expected to fall by around 1.4% in the coming year.

Office space



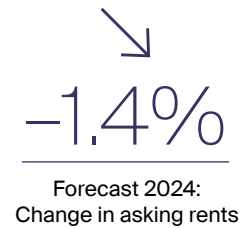
Market value (bn CHF, excl. parking spaces)



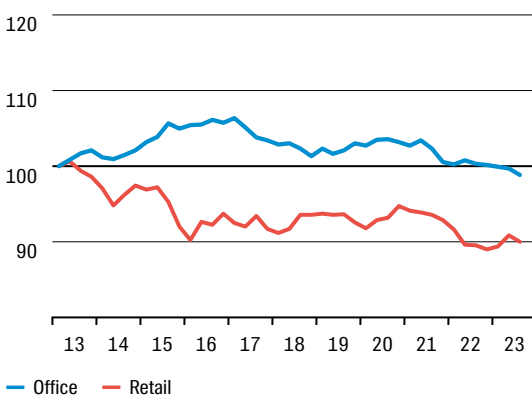
Retail space



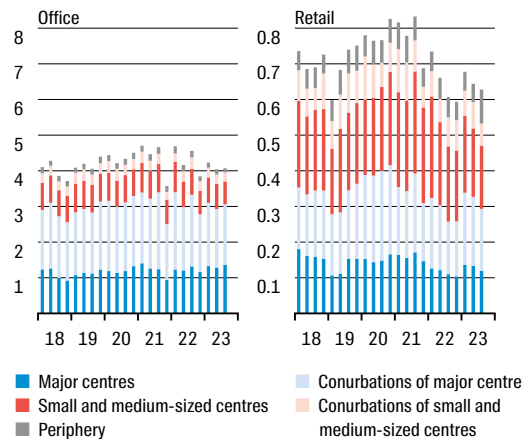
Market value (bn CHF, excl. parking spaces)



Development of asking rents (index 2013 Q1 = 100)



Commercial space on offer (million sqm per quarter)



Key indicators for the major centres

	Stock (sqm GFA, 2021)	Building permits (Mio. CHF *)	WAULT (in years)	Supply rate (median)	Asking rent	Prime rent (2023 Q3)	Prime yield (2023 Q3)	Total return (MSCI, 2022)
Office space								
Zurich	10,328,800	1 ↓	3.3	4.2%	320	1,050	1.80%	4.1%
Berne	2,283,000	0 ↓	4.3	3.7%	230	400	2.35%	4.1%
Basel	4,819,400	79 ↗	3.7	6.5%	260	400	2.50%	1.9%
Lausanne	2,245,400	0 ↓	2.6	5.8%	300	450	2.55%	3.1%
Geneva	3,716,300	6 ↓	3.0	10.8%	470	950	2.20%	1.8%
Switzerland	59,438,600	906 ↘	–	6.9%	230	–	–	3.4%
Retail space								
Zurich	1,963,500	1 ↓	3.7	0.9%	370	10,200	2.50%	5.9%
Berne	1,002,500	2 ↘	6.3	0.7%	290	2,700	2.90%	3.2%
Basel	978,800	5 →	3.2	2.1%	270	3,300	3.10%	2.7%
Lausanne	502,900	0 ↓	2.9	5.2%	310	2,400	3.10%	3.2%
Geneva	678,100	44 ↗	3.0	7.0%	410	7,300	2.80%	3.2%
Switzerland	36,690,400	411 →	–	1.7%	250	–	–	4.0%

*The direction of the arrow shows the change compared to the average of the previous 5 years. As at 2023 Q3 unless otherwise stated



Immo-Monitoring

Detailed analyses and an outlook for the Swiss real estate market can be found in the current Immo-Monitoring (fall edition 2024 | 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
- Sustainability: How refurbishments really work
- The revival of the manufacturing industry
- 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; WAULT (Weighted Average Unexpired Lease Term) for commercial properties refers to the weighted average remaining term of the rental agreements.
- **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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