

Swiss economy

First signs of a slow economic recovery

As global economic conditions have started to improve in recent months, the downturn in the Swiss economy appears to be considerably less substantial than had been feared in the second quarter. The decline in real GDP has slowed down and expectations for the final quarter of 2009 have become increasingly optimistic. While in its June forecast, the State Secretariat for Economic Affairs (SECO) expected the Swiss economy to decline by 2.7 percent over the course of 2009, in its latest statement it revised its economic forecast upwards to a contraction of 1.7 percent. Driven by stable domestic demand, which partly offset the slowdown in both the industrial and finance sector, economic growth is likely to start picking up in the fourth quarter of 2009. The recovery is expected to continue throughout 2010 with GDP forecast to grow by 0.4 percent. However, the risk of a double-dip recession remains and another decline cannot be ruled out once the effects of government stimulus packages start to wear off.

Prospects for the Swiss labour market remain bleak

Despite the anticipated economic recovery, the employment situation is expected to deteriorate further over the coming months. According to current forecasts, the national unemployment rate is likely to increase to 5.2 percent in 2010.

No change in interest rates

Because of a persistent – albeit more moderate – risk of deflation, the Swiss National Bank announced that its expansionary monetary policy will be kept unchanged.

Consumer sentiment at lowest level since 1996

With consumer confidence at its lowest level since the middle of 1996, private consumption is expected to provide less support to the Swiss economy in the near future.

Switzerland: Key indicators and change since last year

Population (2008)	7,701,856	↗
GDP growth, real (2009)	-1.7%	↘
GDP per capita (CHF, current prices, 2008)	70,300	↗
Unemployment rate (09/2009)	3.9%	↗
Total employment (FTE, 2009, Q2)	3,319,600	↗
Share of service employment (FTE, 2009, Q2)	70.6%	→
Disposable household income (CHF p.a., 2007*)	75,300	↗
Monthly inflation (09/2009, year-on-year)	-0.9%	↘
New variable mortgage rate (08/2009)	2.74%	↘
10-year confederation bond yield (09/2009)	2.16%	↘
Libor CHF 3 months (09/2009)	0.29%	↘
5-year CHF SWAP rate (21/10/2009)	1.90%	↘
10-year CHF SWAP rate (21/10/2009)	2.71%	↘
Consumer sentiment index (2009, Q3)	-42	↘
Change in retail turnover, real (08/2009)	-1.0%	↘

Arrows indicate the year-on-year change (throughout the whole document; quarter-on-quarter change applies to prime rents and yields).

Prime yield: Net initial yield for prime property.

*most recent available data.

Sources: BFS, SECO, IMF, SNB, UBS

Office market

Asking price increases due to a shift in office space supply

Seemingly unaffected by the current recession, asking prices in the Swiss office market continued to rise over the last twelve months. At 1.5 percent, the price increase even exceeded that of the preceding period. However, the recent upswing is largely due to a shift in supply towards more expensive office space at prime locations, which has become vacant and is now offered on the market.

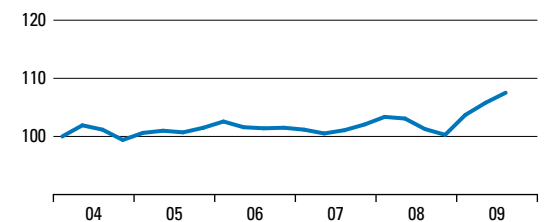
Increasing supply levels in Zurich and Geneva

In line with deteriorating demand, office space supply has doubled in the centre of Zurich and even quadrupled in Geneva, while supply rates have remained stable in other major cities. Structural vacancies are starting to build up particularly in the Zurich office market.

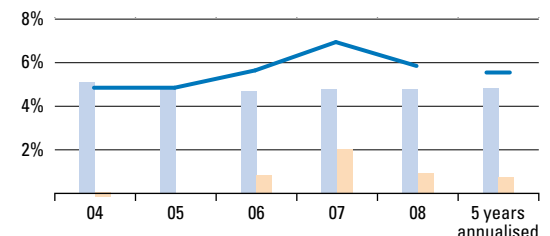
Price corrections expected

Floorspace demand is expected to reduce further due to the anticipated decline in service sector employment. In addition, overcapacities are starting to burden the office market once again and put pressure on asking prices. According to current forecasts, a decline of up to 4.5 percent in the asking price index over the coming months cannot be ruled out.

Asking price index (Q1 2004 = 100)



Total return (income return; capital growth)



	Office Stock (sq m, 2008)	Planning appl. (m CHF, 2009 Q3)	Vacancy rate (2009)	Supply rate (2009, Q3)	Asking prices (Median 2009, Q3)	Prime rents (2009, Q3)	Prime yields (2009, Q3)
Zurich	8,835,827 →	170.0 ↘	2.3% ↘	7.4% ↗	320 ↗	980 →	4.0% →
Berne	2,025,229 →	0.0 ↘	1.5% ↘	3.1% ↘	240 →	450 →	4.3% →
Basel	4,209,858 →	12.5 ↘	1.3% ↘	4.4% →	230 ↗	400 ↘	4.4% →
Lausanne	2,075,101 →	2.4 ↘	—	4.1% →	260 ↗	480 →	4.4% →
Geneva	3,316,705 →	33.9 ↗	2.1% →	6.3% ↗	460 ↗	900 ↘	4.1% →
Switzerland	50,143,170 ↗	2040.7 ↘	—	6.6% ↗	190 →	—	—

Retail market

Average prices continue to increase ...

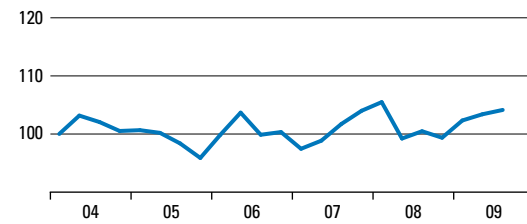
... whilst prime retail rents are tending downwards

Price volatility likely to persist

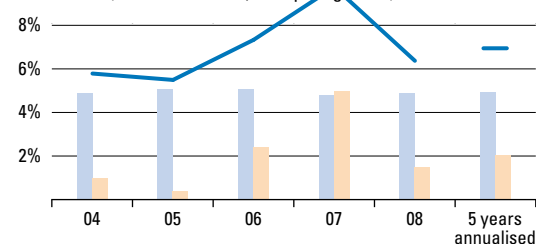
Average asking prices in the Swiss retail sector continued their upward trend in the third quarter of 2009. Overall, asking prices increased by 0.5 percent over the last twelve months. At the same time however, conditions have been more difficult in the prime retail segment as sales of luxury goods have been falling. Since the beginning of 2009, prime retail rents have declined in all major cities except for Bern.

The price volatility that has marked the retail sector for some time now is likely to continue. The expansion in retail space of the last few years, which has resulted in a continuous decline in turnover per sqm floorspace, is expected to lead to further consolidation and restructuring in this sector. Asking prices for retail space are expected to reduce by as much as 2.7 percent in the next twelve months. There are signs that the retail market is reacting to deteriorating consumer sentiment. In the third quarter of 2009, the volume of planning applications for retail property fell to its lowest level since 2004.

Asking price index (Q1 2004 = 100)



Total return (income return; capital growth)



	Retail Stock (sq m, 2008)	Planning appl. (m CHF 2009, Q3)	Vacancy rate (2009)	Supply rate (2009, Q3)	Asking prices (Median 2009, Q3)	Prime rents (2009, Q3)	Prime yields (2009, Q3)
Zurich	1,835,741 →	6.2 ↗	0.3% →	1.5% →	350 ↗	6,400 →	4.0% →
Berne	943,309 →	0.0 →	0.3% →	1.5% ↘	370 ↗	4,200 ↗	4.1% →
Basel	870,695 ↗	1.3 ↘	3.1% ↘	4.9% ↗	260 →	2,400 →	4.3% →
Lausanne	459,169 →	0.0 ↘	— —	3.4% ↗	260 ↗	2,200 ↘	4.3% →
Geneva	625,972 →	0.0 ↘	2.2% →	3.6% ↗	370 →	5,800 →	4.0% →
Switzerland	31,821,676 ↗	637.1 ↘	— —	1.2% →	230 ↗	— —	— —

Residential Market

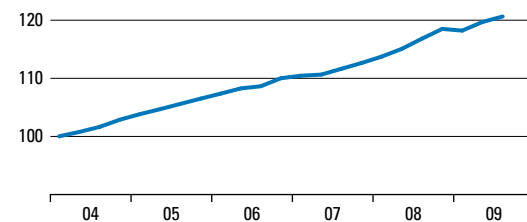
Rental growth is slowing down ...

... while supply rates are on the rise

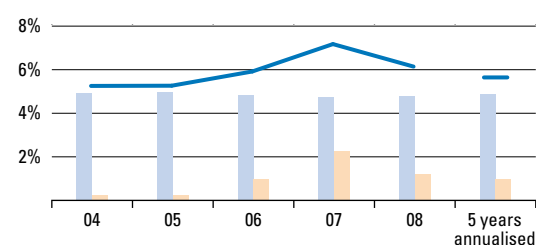
The positive price trend in Switzerland's residential sector has started to slow down. With an overall increase of 1.1 percent since the beginning of 2009, rental development was well below the 2.9 percent rise observed during the previous semester. In addition, with inward migration set to decline considerably, demand for rental apartments is likely to reduce further in the coming year. Given the unabated construction activity in the multi-family housing sector, the supply of new apartments is set to expand even in the major cities. Rental growth is therefore expected to level off or even turn slightly negative. Hence, after a ten-year period of steadily increasing asking prices, a trend reversal is on the horizon.

At the high end of the spectrum, prime rents of up to CHF 580 per sqm p.a. can be observed in Geneva. Nonetheless, a drop of more than 10 percent year-on-year indicates that demand is starting to wane in this particular segment. Prime rents have remained more or less stable at CHF 560 per sqm p.a. in Zurich's most sought after locations (such as Seefeld and the city centre).

Asking price index (Q1 2004 = 100)



Total return (income return; capital growth)



	Number of Apartm. (2008)	Planning appl. (m CHF 2009, Q3)	Vacancy rate (2009)	Supply rate (2009, Q3)	Asking prices (Median 2009, Q3)	Prime rents (2009, Q3)	Prime yields (2009, Q3)
Zurich	173,600 →	935.3 →	0.1% →	3.2% ↗	280 →	560 →	3.9% →
Berne	58,400 ↗	93.3 ↘	0.8% →	6.2% ↗	220 →	400 ↗	3.9% →
Basel	76,800 →	49.3 ↘	1.1% →	7.4% →	210 →	400 →	4.1% →
Lausanne	58,900 →	212.1 ↗	0.1% →	2.5% ↘	240 →	390 →	4.2% →
Geneva	82,000 →	158.1 →	0.2% →	1.1% →	320 →	580 ↘	3.9% →
Switzerland	2,035,000 ↗	14,697.3 →	1.3% →	5.2% ↗	190 →	— —	— —

Single-family houses

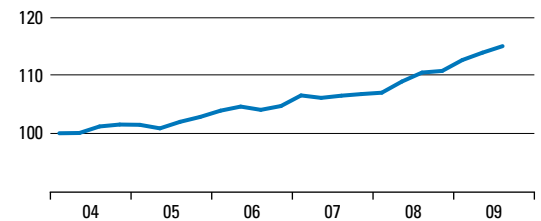
Corrections at the high-end of the housing market

With low interest rates sustaining demand in the single-family housing sector, asking prices increased by a further 2.4 percent over the last six months. Nevertheless, price corrections of up to five percent in the luxury market segment have been observed in recent months. Driven by the expected decline in household incomes, a shift in demand towards smaller houses is taking place.

Downward trend in Zermatt and Verbier

Whilst asking prices for single-family houses continued to increase in most tourist destinations, Zermatt and Verbier have experienced a year-on-year decline of -7 percent and -10 percent respectively.

Asking price index (Q1 2004 = 100)



Major cities

	Number of houses (2008)	Market value (m CHF 2009, Q3)	Planning appl. (m CHF 2009, Q3)	Vacancy rate (2009)	Supply rate (2009, Q3)	Asking prices (Median 2009, Q3)	Transaction prices (av. object 2009, Q3)
Zurich	8,730 →	13,150 →	17.7 ↗	0.0% →	1.2% →	7,840 ↗	12,430 ↗
Berne	3,850 →	3,580 →	2.8 ↗	0.0% →	2.6% →	5,090 →	7,670 →
Basel	5,800 →	6,650 ↘	5.0 ↘	0.0% →	1.3% →	5,800 →	9,460 ↘
Lausanne	2,100 ↗	2,340 →	25.1 ↗	0.2% →	8.3% →	6,110 →	9,360 ↗
Geneva	770 ↗	1,480 ↗	1.5 ↘	0.0% ↘	9.5% ↘	9,230 ↗	15,760 ↗

Tourist destinations

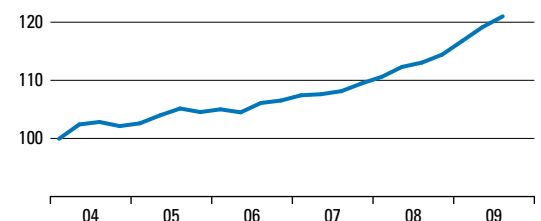
Saenen/Gstaad	1,010 →	1,250 →	18.6 ↗	0.0% →	1.1% →	9,480 ↗	10,210 →
St. Moritz	270 →	370 →	3.4 ↘	0.0% →	0.7% ↘	9,750 →	11,290 →
Davos	780 ↗	900 ↗	11.2 ↗	0.1% →	2.1% →	8,680 ↗	9,530 →
Ascona	720 →	1,110 →	8.6 ↗	1.0% →	5.3% ↗	10,550 →	12,720 ↗
Bagnes/Verbier	2,390 ↗	3,670 ↘	48.2 ↘	0.0% →	1.3% →	10,670 ↘	12,670 ↘
Zermatt	250 ↗	280 →	4.7 ↘	0.0% →	8.8% ↗	7,720 ↘	9,340 →
Switzerland	915,700 ↗	688,520 →	7,237.2 →	0.5% →	4.2% →	4,790 ↘	5,660 →

Owner-occupied apartments

Positive price trend has continued up until now ...

Both asking and transaction prices for owner-occupied apartments are still on the rise, especially for properties in Switzerland's urban regions. In Geneva for instance, transaction prices have risen by 6 percent, and Zurich experienced a 3 percent increase in a year-on-year comparison. However, due to a combination of increasing supply and the subdued outlook for demand (given the negative labour market developments) prices are expected to stagnate over coming months.

Asking price index (Q1 2004 = 100)



... but prices are likely to stagnate in the near future






Major cities

	Number of houses (2008)	Market value (m CHF 2009, Q3)	Planning appl. (m CHF 2009, Q3)	Vacancy rate (2009)	Supply rate (2009, Q3)	Asking prices (Median 2009, Q3)	Transaction prices (av. object 2009, Q3)
Zurich	23,320 →	18,780 →	935.3 →	0.0% →	1.7% ↘	8,060 ↗	8,650 →
Berne	11,310 →	6,370 →	93.3 ↘	0.1% →	4.9% →	5,360 →	6,050 ↗
Basel	14,600 →	8,650 →	49.3 ↘	0.6% ↗	2.9% →	5,610 →	6,390 →
Lausanne	10,800 →	6,980 →	212.1 ↗	0.1% →	4.0% ↘	6,700 ↗	6,990 ↗
Geneva	20,800 →	23,730 ↗	158.1 →	0.2% →	2.7% →	10,750 ↗	12,310 ↗

Tourist destinations

Saenen/Gstaad	3,200 ↗	3,130 ↗	55.0 ↗	0.8% →	1.1% →	10,590 ↗	10,250 ↗
St. Moritz	3,300 ↗	3,790 →	27.5 ↗	0.1% →	2.5% →	11,910 ↗	12,170 ↗
Davos	5,900 ↗	4,440 ↗	47.6 ↘	0.5% ↘	5.4% ↘	7,530 ↗	7,870 ↗
Ascona	2,800 →	2,200 →	1.9 ↘	0.1% →	11.1% ↗	8,050 ↗	8,280 →
Bagnes/Verbier	5,200 ↗	6,230 ↗	19.2 ↗	1.1% →	1.4% →	12,210 →	12,630 →
Zermatt	3,500 ↗	3,260 →	41.3 →	0.0% →	2.4% ↗	10,120 ↗	10,000 →
Switzerland	920,800 →	495,950 →	14,697.3 →	0.5% →	5.6% →	4,620 ↘	5,120 →

Prices in the major cities (2009 Q3)

	Percentile	Office	Retail	Rental apartments	Single-family houses	Owner-occupied apartments
 Zurich	10 th percentile	280 ↗	300 ↗	230 →	5,000 →	6,090 ↗
	50 th percentile	540 ↗	700 →	380 ↗	8,350 →	11,600 ↗
	90 th percentile	930 ↗	1,450 ↗	560 ↗	16,310 ↗	16,660 ↗
	10 th percentile	180 ↗	200 ↗	210 →	4,650 ↗	5,230 ↗
	50 th percentile	320 ↗	350 ↗	280 →	7,840 ↗	8,060 ↗
	90 th percentile	560 ↗	730 →	400 →	15,380 ↗	13,250 ↗
 Berne	10 th percentile	210 →	220 ↘	190 ↘	4,050 ↘	4,740 →
	50 th percentile	280 →	510 ↘	260 →	6,680 ↘	7,490 →
	90 th percentile	360 ↘	1,190 ↘	370 →	10,340 ↘	11,340 →
	10 th percentile	130 →	210 ↗	170 →	3,090 ↘	3,430 →
	50 th percentile	240 →	370 ↗	220 →	5,090 →	5,360 →
	90 th percentile	360 →	1,120 ↗	300 →	7,890 →	9,200 →
 Basel	10 th percentile	170 →	230 ↗	180 →	3,390 →	5,040 →
	50 th percentile	240 →	320 ↗	220 →	4,970 →	6,550 →
	90 th percentile	320 →	790 →	280 →	7,980 →	9,510 ↘
	10 th percentile	160 ↗	140 →	170 →	3,890 →	4,220 →
	50 th percentile	230 ↗	260 →	210 →	5,800 →	5,610 →
	90 th percentile	320 ↗	460 ↘	260 →	9,270 →	7,860 →
 Lausanne	10 th percentile	180 ↗	190 ↗	200 ↗	4,010 ↗	5,660 →
	50 th percentile	280 ↗	310 ↗	270 ↗	6,280 ↗	7,510 →
	90 th percentile	380 ↗	600 ↗	350 ↗	10,020 →	11,130 →
	10 th percentile	160 ↗	130 ↗	190 →	3,890 →	5,140 ↗
	50 th percentile	260 ↗	260 ↗	240 →	6,110 →	6,700 ↗
	90 th percentile	380 ↗	480 ↗	320 ↗	9,770 ↘	9,970 ↗
 Geneva	10 th percentile	340 ↘	360 ↗	230 ↘	5,230 ↗	8,110 ↘
	50 th percentile	650 ↗	670 ↗	340 →	8,740 ↗	11,550 →
	90 th percentile	900 ↗	1,400 →	550 →	13,920 ↗	17,370 ↘
	10 th percentile	280 ↗	220 ↗	230 →	5,600 ↗	7,210 ↗
	50 th percentile	460 ↗	370 ↗	320 →	9,230 ↗	10,750 ↗
	90 th percentile	760 ↗	670 →	480 →	15,140 ↗	14,890 →
Switzerland	Median	190 ↘	230 ↘	190 →	4,790 →	4,620 ↘

Sources This market survey is based on a broad internal data pool. It also draws on data provided by the Federal Statistics Office as well as cantonal and local statistical offices (vacancy rates), the Baublatt Info-Dienst (planning applications for single-family houses and apartment blocks) and IPD (performance indices). The cartographic illustrations are based on the generalised municipal boundaries (BFS Geostat/L+T).

Notes Commercial rentals in CHF per sqm usable area p. a.; rented apartments: net rentals in CHF per sqm usable area; owner-occupied apartments and single-family houses: market prices in CHF per sqm usable area. Arrows indicate the year-on-year change (throughout the whole document).

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