

Swiss economy

Stabilisation of the Swiss economy

Since mid-2009, Switzerland has witnessed the first signs of an economic recovery. Recent business surveys have added strength to the belief that this recovery was sustained in the final quarter of the year. This improvement is expected to continue in 2010, albeit at a moderate level. In the most recent economic forecast, published by the State Secretariat for Economic Affairs (SECO), GDP growth of 0.7 percent is forecast for this year. A more appreciable recovery is not expected until 2011 when GDP growth is expected to reach 2.0 percent.

Rising Unemployment

By contrast, unemployment reached 4.4 percent in December 2009 with short-time working at its highest level for a decade. Although the Swiss domestic economy has been relatively robust, few companies have registered additional labour requirement. Nevertheless, the slowing of job losses in the secondary sector should be interpreted as a first positive signal for the labour market as a whole. Unemployment of up to 5.0 percent is predicted by SECO by the end of 2010, a figure that is expected to decline slightly during the course of 2011.

Interest rates and inflation at a low

Both interest rates and inflation have recorded record-low levels in Switzerland in the last 12 months. Initial interest rate increases are not expected before the second half of 2010. At 2.0 percent, yields for Swiss government bonds remain low, consequently no significant inflation is currently expected. The consumer sentiment index was able to regain some lost ground in the last quarter of 2009, nevertheless rising unemployment is likely to slow consumer spending in 2010.

Negative consumer sentiment

Switzerland: Key indicators and change since last year

Population (2008)	7,701,856	↗
GDP growth, real (2009)	-1.6%	↘
GDP per capita (CHF, current prices, 2008)	70,300	↗
Unemployment rate (12/2009)	4.4%	↗
Total employment (FTE, 2009, Q3)	3,326,000	↘
Share of service employment (FTE, 2009, Q3)	70.7%	↗
Disposable household income (CHF p.a., 2007*)	75,300	↗
Monthly inflation (09/2009, year-on-year)	0.0%	↘
New variable mortgage rate (11/2009)	2.74%	↘
10-year confederation bond yield (12/2010)	1.97%	↘
Libor CHF 3 months (12/2010)	0.25%	↘
5-year CHF SWAP rate (14/01/2010)	1.82%	↘
10-year CHF SWAP rate (14/01/2010)	2.57%	↘
Consumer sentiment index (2009, Q3)	-14	↘
Change in retail turnover, real (11/2009)	0.3%	↘

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

Trend reversal in asking prices?

The latest monthly data for office space shows stable price levels for the first time following four consecutive quarters of growth. Despite this, asking prices in the main centres continue to increase. Given labour market uncertainties and contracting employment growth, falling prices for new lettings are to be expected in the near future.

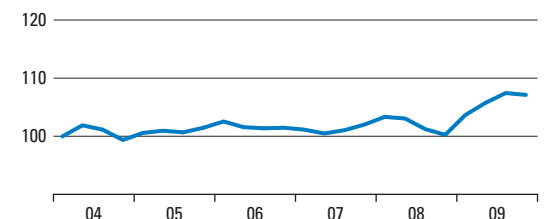
Construction applications falling

The predicted decrease in overall demand has already been reflected in a decrease in the number of submitted planning applications. Nationwide the volume of planning applications submitted over the previous year lies 25 percent lower; in the five major cities the reduction is 90 percent of the previous year's level. Larger projects are increasingly being constructed in lower-priced, easy-to-reach locations outside the city centres.

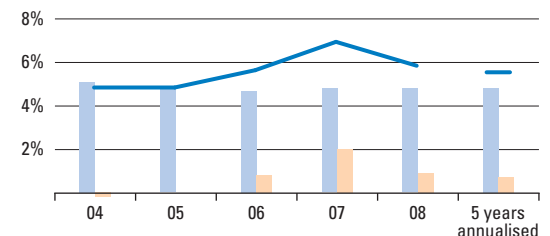
Increasing vacancies to be expected

In principle, the decline in demand is already being felt in a significant increase in the share of overall office stock being offered on the market. In the medium-term, rising vacancy rates are to be expected.

Asking price index (Q1 2004 = 100)



Total return (income return; capital growth)



	Office Stock (sq m, 2008)	Planning appl. (m CHF, 2009 Q4)	Vacancy rate (2009)	Supply rate (2009, Q4)	Asking prices (Median 2009, Q4)	Prime rents (2009, Q4)	Prime yields (2009, Q4)
Zurich	8,835,827 →	143.8 ↘	2.3% ↘	6.6% →	310 ↗	900 ↘	3.9% ↘
Berne	2,025,229 →	13.5 ↘	1.5% ↘	2.7% ↘	230 →	420 ↘	4.2% ↘
Basel	4,209,858 →	5.0 ↘	1.6% ↘	4.6% ↗	230 ↗	380 ↘	4.4% →
Lausanne	2,075,101 →	2.0 ↘	—	4.5% ↘	260 ↗	450 ↘	4.3% ↘
Geneva	3,316,705 →	21.9 ↘	2.1% →	7.6% ↗	460 ↗	900 →	4.0% ↘
Switzerland	50,143,170 ↗	2206.4 ↘	—	7.0% ↗	200 →	—	—

Retail market

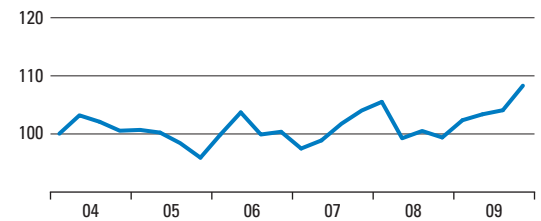
New development in Basel

... otherwise little activity from investors

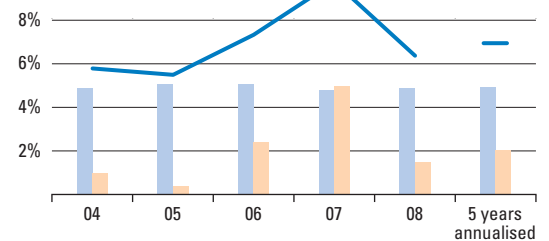
The impact of rising unemployment and the related expected moderation in consumption has already left its mark on the market for retail property. The total volume of submitted planning applications has returned to an extraordinarily high level after a weak third quarter, however more than one third of this total stems from one single project, the new construction of the Basel Exhibition Centre. This apart, hardly any planning activity has been observed in the five major cities.

Despite the fact that asking prices have continued to rise, a decline in the rental development is nevertheless expected. Indeed, it appears that the aforementioned price increases are based on the supply of better quality stock, and not on a greater willingness to pay on the part of tenants. Significantly, prime rents only gained ground in the two top locations of Zurich and Geneva.

Asking price index (Q1 2004 = 100)



Total return (income return; capital growth)



	Retail Stock (sq m, 2008)	Planning appl. (m CHF 2009, Q4)	Vacancy rate (2009)	Supply rate (2009, Q4)	Asking prices (Median 2009, Q4)	Prime rents (2009, Q4)	Prime yields (2009, Q4)
Zurich	1,835,741 →	1.5 ↗	0.3% →	1.5% →	310 ↗	6,700 ↗	3.9% ↘
Berne	943,309 →	0.0 →	0.3% →	2.2% →	230 ↗	4,200 →	4.1% →
Basel	870,695 ↗	430.0 ↗	3.1% ↘	2.9% →	230 →	2,400 →	4.3% →
Lausanne	459,169 →	0.0 ↘	— —	3.3% ↘	260 ↗	2,200 →	4.3% →
Geneva	625,972 →	0.0 ↘	2.2% →	3.8% →	460 ↗	6,000 ↗	4.0% →
Switzerland	31,821,676 ↗	1117.8 ↗	— —	1.4% →	240 ↗	— —	— —

Residential Market

Apartment rents climb and climb...

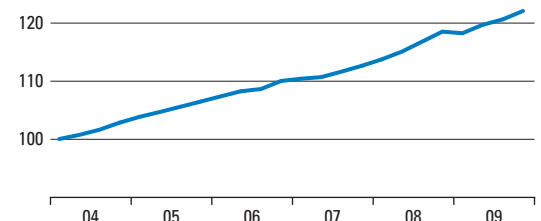
... however generous supply indicates a temporary trend reversal

Last year, 2009, rents for apartments in Switzerland rose again. In December 2009 rents were, on average, 1.9 percent higher than twelve months earlier. This increase was however not as strong as in 2008. Over the same period, indicators show an increase in supply of 20 percent, which in turn will, in the current less favourable economic environment, be met by lower and more price-sensitive demand.

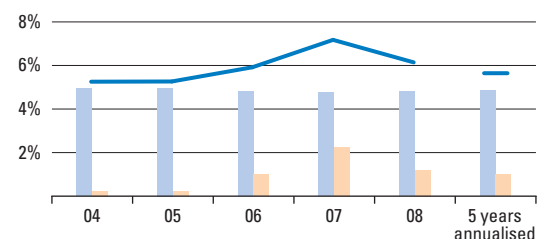
The investment pressure on real estate investors has resulted in observed prime yields as low as 3.8 percent for property situated in top locations. At the same time, a moderate softening of current prime rents is being experienced.

Over the last two years the property market in the city of Lausanne has benefited more than other locations from immigration (with a population increase of around 2.2 percent between early 2007 to end 2008) as well as the its good traffic links.

Asking price index (Q1 2004 = 100)



Total return (income return; capital growth)



Up-and-coming real estate market in Lausanne benefits from immigration

	Number of Apartm. (2008)	Planning appl. (m CHF 2009, Q4)	Vacancy rate (2009)	Supply rate (2009, Q4)	Asking prices (Median 2009, Q4)	Prime rents (2009, Q4)	Prime yields (2009, Q4)
Zurich	173,100 →	843.0 ↘	0.1% →	2.8% ↗	290 →	570 ↗	3.8% ↘
Berne	58,100 ↗	179.3 ↗	0.8% →	5.4% ↗	220 →	440 ↗	3.8% ↘
Basel	76,500 →	125.8 ↗	1.1% →	6.7% →	210 →	380 ↘	4.1% →
Lausanne	58,600 →	174.6 ↗	0.1% →	1.9% ↘	250 ↗	430 ↗	4.1% ↘
Geneva	81,500 →	82.1 ↘	0.2% →	1.0% →	330 →	580 →	3.9% →
Switzerland	2,039,000 ↗	14,625.1 →	1.3% →	4.8% ↗	190 →	— —	— —

Single-family houses

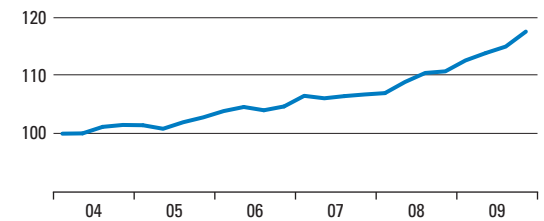
Transaction price indices indicate the end of increasing prices for the time being

Bursting price bubble in the tourist regions?

Despite the economic crisis asking prices for single-family homes grew almost stronger than ever before over the last twelve months. On the other hand, transaction price indices offered a somewhat different picture, with virtually all segments and regions witnessing marginal price corrections.

The largest price decreases were observed in tourist regions, the areas which experienced a significant boom in recent years.

Asking price index (Q1 2004 = 100)



	Number of houses (2008)	Market value (m CHF 2009, Q4)	Planning appl. (m CHF 2009, Q4)	Vacancy rate (2009)	Supply rate (2009, Q4)	Asking prices (Median 2009, Q4)	Transaction prices (av. object 2009, Q4)
Major cities							
Zurich	8,730 →	13,150 →	19.3 ↗	0.0% →	0.8% →	8,010 ↗	12,470 ↗
Berne	3,850 →	3,580 →	0.0 ↘	0.1% →	1.3% ↘	5,290 ↗	7,550 →
Basel	5,800 →	6,650 ↘	6.0 ↗	0.1% →	1.4% →	5,620 →	9,320 ↘
Lausanne	2,100 ↗	2,340 →	26.3 ↗	0.0% →	7.1% ↘	5,950 →	9,210 →
Geneva	770 ↗	1,480 ↗	1.5 ↘	0.3% →	9.1% ↘	9,100 ↗	15,670 ↗
Tourist destinations							
Saanen/Gstaad	1,010 →	1,250 →	12.3 ↗	0.0% →	2.1% ↗	9,630 ↗	10,010 →
St. Moritz	270 →	370 →	22.9 ↗	0.0% →	1.1% →	9,960 ↗	10,510 ↘
Davos	780 ↗	900 ↗	9.9 →	0.1% →	3.5% ↗	8,520 ↗	9,070 ↘
Ascona	720 →	1,110 →	10.6 ↗	1.0% →	4.7% ↗	10,690 →	12,090 →
Bagnes/Verbier	2,390 ↗	3,670 ↘	75.7 ↗	0.0% →	1.2% →	10,130 ↘	11,800 ↘
Zermatt	250 ↗	280 →	13.2 ↗	0.0% →	6.8% ↗	7,330 ↘	8,740 ↘
Switzerland	915,700 ↗	688,520 →	7,424.6 →	0.5% →	3.8% →	4,950 ↗	5,660 →

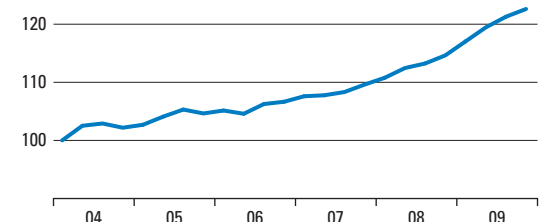
Owner-occupied apartments

Stagnating prices for owner-occupied apartments

Demand continues to be supported by attractive financing conditions






In a year-on-year comparison, the national asking prices for owner-occupied apartments increased on average by about 9 percent. Transaction prices could however only grow by a moderate 1.6 percent. Evidently, the market is no longer accepting the high price expectations of vendors. The latest transaction price observations suggest that prices for owner-occupied apartments will remain stable in 2010.

Asking price index (Q1 2004 = 100)



	Number of houses (2008)	Market value (m CHF 2009, Q4)	Planning appl. (m CHF 2009, Q4)	Vacancy rate (2009)	Supply rate (2009, Q4)	Asking prices (Median 2009, Q4)	Transaction prices (av. object 2009, Q4)
Major cities							
Zurich	23,320 →	18,580 ↗	843.0 ↘	0.0% →	1.4% ↘	8,080 ↗	8,650 →
Berne	11,310 →	6,250 ↗	179.3 ↗	0.0% →	4.0% →	5,420 →	6,050 ↗
Basel	14,600 →	8,750 ↗	125.8 ↗	0.1% →	2.5% →	5,890 ↗	6,390 →
Lausanne	10,800 →	6,780 ↗	174.6 ↗	0.0% →	4.9% ↘	7,040 ↗	6,990 ↗
Geneva	20,800 →	21,780 ↗	82.1 ↘	0.1% →	2.6% ↘	10,560 →	12,310 ↗
Tourist destinations							
Saanen/Gstaad	3,200 ↗	2,810 ↗	55.0 ↘	0.8% →	1.8% ↗	10,900 ↗	10,250 ↗
St. Moritz	3,300 ↗	3,670 ↗	23.2 ↗	0.1% →	2.4% →	12,050 ↗	12,170 ↗
Davos	5,900 ↗	4,120 ↗	100.7 ↗	0.5% ↘	6.2% ↘	7,750 ↗	7,870 ↗
Ascona	2,800 →	2,190 ↗	26.9 ↘	0.1% →	9.2% →	8,450 ↗	8,280 →
Bagnes/Verbier	5,200 ↗	6,050 ↗	26.7 ↗	1.1% →	1.6% →	11,720 →	12,630 →
Zermatt	3,500 ↗	3,120 ↗	36.2 ↘	0.0% →	2.9% ↗	10,210 ↗	10,000 →
Switzerland	920,800 →	486,840 ↗	15,212.1 ↗	0.5% →	5.4% →	5,090 ↗	5,610 →

Prices in the major cities (2009 Q4)

	Percentile	Office	Retail	Rental apartments	Single-family houses	Owner-occupied apartments
 Zurich	10 th percentile	280 ↗	340 ↗	220 ↘	4,820 →	5,890 →
	50 th percentile	540 ↗	740 ↗	370 →	8,090 →	11,290 ↗
	90 th percentile	960 ↗	1,470 →	540 →	16,180 ↗	16,300 →
	10 th percentile	180 ↗	210 ↗	220 →	4,730 ↗	5,190 ↗
	50 th percentile	310 ↗	360 ↗	290 →	8,010 ↗	8,080 ↗
	90 th percentile	550 ↗	710 →	420 →	16,150 ↗	13,260 ↗
 Berne	10 th percentile	210 →	220 ↘	190 →	3,840 ↘	4,810 →
	50 th percentile	280 →	510 ↘	270 →	6,340 ↘	7,890 →
	90 th percentile	350 ↘	1,170 ↘	380 →	10,360 ↘	12,240 →
	10 th percentile	130 →	210 ↗	170 →	3,200 →	3,430 →
	50 th percentile	230 →	400 ↗	220 →	5,290 ↗	5,420 →
	90 th percentile	360 →	1,190 ↗	300 →	8,630 ↗	9,200 →
 Basel	10 th percentile	180 ↗	220 →	180 →	3,450 ↗	5,490 ↗
	50 th percentile	250 ↗	310 →	220 →	5,060 ↗	7,030 ↗
	90 th percentile	330 ↗	780 ↘	280 →	8,130 ↗	9,740 ↗
	10 th percentile	160 ↗	140 ↗	190 →	3,770 →	4,410 ↗
	50 th percentile	260 ↗	260 →	250 →	5,620 →	5,890 ↗
	90 th percentile	380 ↗	490 ↘	330 →	8,980 →	8,180 →
 Lausanne	10 th percentile	180 ↗	200 ↗	200 ↗	4,110 ↗	5,650 →
	50 th percentile	250 ↗	320 ↗	270 ↗	6,410 ↗	8,100 ↗
	90 th percentile	370 ↗	600 ↗	360 ↗	10,460 ↗	11,300 →
	10 th percentile	160 ↗	140 ↗	190 ↗	3,810 →	5,410 ↗
	50 th percentile	260 ↗	260 ↗	250 ↗	5,950 →	7,040 ↗
	90 th percentile	380 ↗	490 ↗	330 ↗	9,720 →	10,580 ↗
 Geneva	10 th percentile	340 ↘	370 ↗	240 →	5,500 ↗	9,230 ↗
	50 th percentile	610 ↘	680 ↗	360 ↗	9,180 ↗	12,830 ↗
	90 th percentile	870 →	1,350 ↘	580 ↗	15,200 ↗	18,750 ↗
	10 th percentile	280 ↗	220 ↗	240 →	5,520 ↗	7,140 ↗
	50 th percentile	460 ↗	440 ↗	330 →	9,100 ↗	10,560 →
	90 th percentile	760 ↗	720 ↗	500 ↗	15,570 ↗	14,490 ↘
Switzerland	Median	200 →	240 ↗	190 →	4,950 ↗	5,090 ↗

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).

This market report was carried out by Wüest & Partner and has been carefully prepared. It is intended for general guidance only. The market report is based upon data in our possession or supplied to us, which we believe to be reliable. The information is expected to be correct and accurate, but cannot be guaranteed. Reliance should not be placed upon the information, forecasts and opinions set out herein for any purpose whatsoever, and Wüest & Partner accept no liability whether in negligence or otherwise, arising from such use.

Addresses Wüest & Partner AG
www.wuestundpartner.com

Gotthardstrasse 6
CH-8002 Zurich
Phone +41 44 289 90 00

Rue de la Rôtisserie 1
CH-1204 Geneva
Phone +41 22 319 30 00

W&P Immobilienberatung GmbH
www.de.wuestundpartner.com

Am Salzhaus 2
D-60311 Frankfurt am Main
Phone +49 69 2193 888-0

Neue Schönhauser Straße 20
D-10178 Berlin
Phone +49 30 2576 087-0