

Swiss economy

Economic recovery in Switzerland on a solid footing

The prompt recovery of GDP in Q4 2009, up 0.7 percent on Q3, suggests that the recession in Switzerland has been and gone. The Swiss State Secretariat for Economic Affairs (SECO) now expects GDP to grow by around 1.4 percent this year.

Appreciation of Swiss franc as risk factor for exports

The heartening resurgence in the Swiss export sector since mid-2009 is still under threat, due both to the jittery recovery in Switzerland's key export countries (notably those in the eurozone) and the detrimental impact of the strong Swiss franc. On the other hand, Q1 2010 saw the previously rising jobless figures level off even though capacity utilization in the manufacturing sector is still low. In the financial sector, meanwhile, employment is back on the rise.

Low risk of inflation at present

In view of the recent oil price trends, the gentle rise in inflation observed since the start of 2010 looks set to continue. By contrast, core inflation, which excludes volatile components such as energy prices, has continued to ease downwards.

Consumption indicators herald brighter prospects

The better-than-expected growth rates in consumer spending over the past year are attributable to the continuing net inward migration into Switzerland, an increase in real wages and the country's typically high savings ratio, which helps to cushion income fluctuations. Positive growth is expected to continue this year despite persisting uncertainty surrounding developments in the job market.

Switzerland: Key indicators and change since last year

Population (2009)	7,783,000	↗
GDP growth, real (2009)	-1.5%	↘
GDP per capita (CHF, current prices, 2008)	70,300	↗
Unemployment rate (02/2010)	4.2%	↗
Total employment (FTE, 2009, Q4)	3,320,000	↘
Share of service employment (FTE, 2009, Q4)	71.1%	↗
Disposable household income (CHF p.a., 2007*)	75,300	↗
Monthly inflation (01/2010, year-on-year)	0.9%	↗
New variable mortgage rate (02/2010)	2.74%	↘
10-year confederation bond yield (02/2010)	1.93%	↘
Libor CHF 3 months (02/2010)	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, Q4)	-7	↗
Change in retail turnover, real (02/2010)	5.4%	↗

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

Falling transaction prices

The rise in asking prices for office units in recent months, rather than reflecting any fundamental revival in the demand for floorspace, has been triggered by shifts in the supply-side structure.

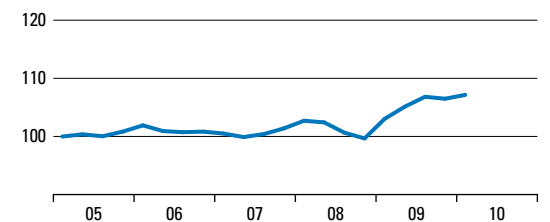
Relative stability by international comparison ...

The relevant transaction price data - which show the price increases achieved for new office lettings to have declined to almost 0 percent over the last six months - paint a clear picture for the future. As a consequence, this segment is likely to experience a 1.2 percent drop in prices over the coming 12 months, with the Zurich and Geneva market regions bearing the brunt of the downturn.

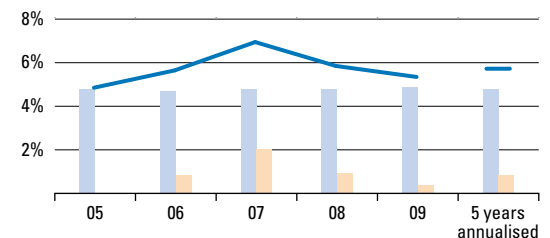
... though prospects generally gloomy

In contrast to much of the English-speaking world, the country as a whole saw its office properties appreciate by 0.4 percent in 2009, according to the IPD/Wüest & Partner Switzerland Annual Property Index. The net income return inched up to 4.9 percent.

Asking price index (Q1 2005 = 100)



Total return (income return; capital growth)



	Office Stock (sq m, 2008)	Planning appl. (m CHF, 2010 Q1)	Vacancy rate (2009)	Supply rate (2010 Q1)	Asking prices (Median, 2010 Q1)	Prime rents (2010 Q1)	Prime yields (2010 Q1)
Zurich	8,835,827 →	52.7 ↘	2.3% ↘	6.1% →	310 ↗	900 →	3.8% ↘
Berne	2,025,229 →	81.1 ↗	1.5% ↘	4.4% ↘	230 →	400 ↘	4.1% ↘
Basel	4,209,858 →	6.0 ↘	1.6% ↘	4.1% ↘	240 ↗	380 →	4.3% ↘
Lausanne	2,075,101 →	2.0 ↘	— —	6.0% ↘	270 ↗	430 ↘	4.2% ↘
Geneva	3,316,705 →	30.0 ↘	2.1% →	9.2% ↗	470 ↗	900 →	3.9% ↘
Switzerland	50,143,170 ↗	2228.8 →	— —	7.3% ↗	200 ↗	— —	— —

Retail market

Recession survived unscathed?

So far, the retail market has managed to shrug off the economic crisis, with price trends continuing on an upward trajectory over the past six months.

Increased consumer spending in 2009

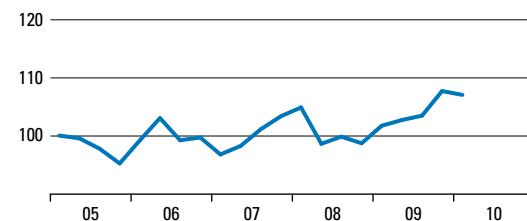
Yet, there is still no cause to sound the all-clear: the high unemployment rate constitutes a major threat to consumer spending this year and any decline here would be more than likely to impact retail rents.

Regional variations in price corrections

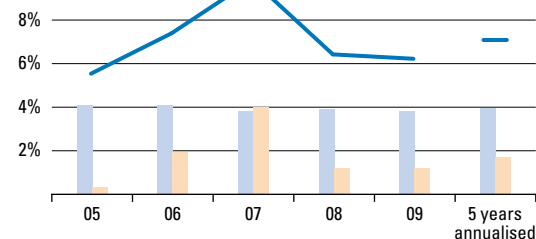
Nationwide, retail rents looks set for downward correction in the order of 0.8 percent over the next 12 months according to the most recent forecast by Wüest & Partner.

Considerable geographical variations are, however, probable. Worst hit will be the Berne market region with a slide of 1.4 percent. On the other hand, the price slump predicted for Switzerland's two largest centres, Zurich and Geneva, is comparatively moderate, at 0.6 and 0.3 percent, respectively.

Asking price index (Q1 2005 = 100)



Total return (income return; capital growth)



	Retail Stock (sq m, 2008)	Planning appl. (m CHF, 2010 Q1)	Vacancy rate (2009)	Supply rate (2010 Q1)	Asking prices (Median, 2010 Q1)	Prime rents (2010 Q1)	Prime yields (2010 Q1)
Zurich	1,835,741 →	34.2 ↗	0.3% →	1.7% →	380 ↗	6,800 ↗	3.8% ↗
Berne	943,309 →	0.0 ↘	0.3% →	1.5% ↘	400 ↗	4,200 →	4.0% ↘
Basel	870,695 ↗	0.0 ↘	3.1% ↘	3.2% →	250 ↗	2,800 ↗	4.2% ↘
Lausanne	459,169 →	4.1 ↘	— —	3.3% →	270 ↗	2,200 →	4.2% ↘
Geneva	625,972 →	0.0 ↘	2.2% →	3.6% ↗	400 ↗	6,200 ↗	3.9% ↘
Switzerland	31,821,676 ↗	807.6 ↗	— —	1.3% →	230 ↗	— —	— —

Residential market

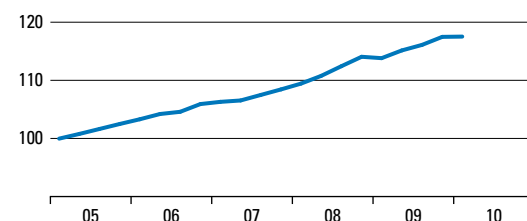
End of rent rises in sight

With the demand for rented housing sustained, among other things, by the high level of inward immigration (running to around 40,000 persons in 2009), the continuing residential development boom has not yet precipitated any significant rented housing surplus.

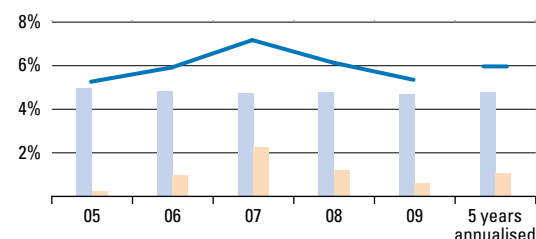
Persistent demand overhang

The projected decline in immigration, coupled with the persistently high levels of housebuilding, is expected to tip the market in favour of apartment seekers in the months ahead. Although forecasts predict a 0.7 percent drop in market rents, the still low vacancy rates are likely to protect the rented housing sector against any dramatic price slides.

Asking price index (Q1 2005 = 100)



Total return (income return; capital growth)



	Number of Apartm. (2008)	Planning appl. (m CHF, 2010 Q1)	Vacancy rate (2009)	Supply rate (2010 Q1)	Asking prices (Median, 2010 Q1)	Prime rents (2010 Q1)	Prime yields (2010 Q1)
Zurich	173,100 →	760.8 ↘	0.1% →	3.1% ↗	290 →	550 ↘	3.7% ↘
Berne	58,100 ↗	117.4 ↘	0.8% →	6.4% ↗	220 →	420 ↘	3.8% →
Basel	76,500 →	128.4 ↗	1.1% →	6.8% →	210 →	350 ↘	4.0% ↘
Lausanne	58,600 →	326.3 ↗	0.1% →	2.1% ↘	250 →	450 ↗	4.0% ↘
Geneva	81,500 →	114.2 ↘	0.2% →	1.2% →	330 ↗	580 →	3.9% →
Switzerland	2,039,000 ↗	15,187.9 →	1.3% →	5.2% →	190 →	— —	— —

Single-family houses

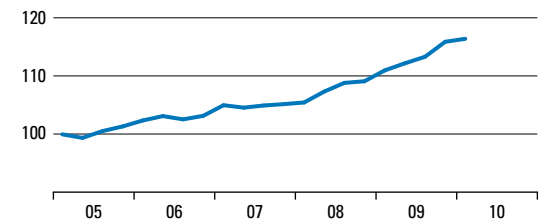
Sluggish trends in single-family house market

Regional alarm signals

Given the soaring numbers of single and couple households, which generate only a moderate demand for single-family houses, momentum in this market segment has remained relatively low.

Over the last year, a somewhat different picture emerges in Switzerland's two largest urban centres, Zurich (plus 8 percent) and Geneva (plus 7 percent), due to the high local supply-side shortages, especially in view of the gentle decline in transaction prices at national level. Otherwise, however, there is little risk of a price bubble in this segment at present. Prices look set to rise by 1.6 percent over the coming year.

Asking price index (Q1 2005 = 100)



Major cities

	Number of houses (2008)	Market value (m CHF, 2010 Q1)	Planning appl. (m CHF, 2010 Q1)	Vacancy rate (2009)	Supply rate (2010 Q1)	Asking prices (Median, 2010 Q1)	Transaction prices (av. object, 2010 Q1)
Zurich	8,730 →	13,750 ↗	21.3 ↗	0.0% →	0.7% →	8,180 ↗	13,070 ↗
Berne	3,850 →	3,630 →	0.0 ↘	0.1% →	1.3% ↘	5,210 ↗	7,830 →
Basel	5,800 →	6,700 ↘	6.6 ↗	0.1% →	1.2% →	5,820 →	9,590 →
Lausanne	2,100 ↗	2,350 →	21.4 ↗	0.0% →	6.4% ↘	5,880 ↘	9,460 ↗
Geneva	770 ↗	1,510 ↗	1.5 ↘	0.3% →	5.5% ↘	8,980 →	16,200 ↗

Tourist destinations

Saenen/Gstaad	1,010 →	1,280 ↗	11.0 ↘	0.0% →	1.5% ↘	9,870 ↗	10,470 ↗
St. Moritz	270 →	350 ↘	12.4 ↘	0.0% →	1.1% ↘	10'010 ↗	10,790 ↘
Davos	780 ↗	880 →	6.9 ↘	0.1% →	3.6% ↗	8,310 ↗	9,390 →
Ascona	720 →	1,060 ↘	0.0 ↘	1.0% →	6.4% ↗	10,570 →	12,260 →
Bagnes/Verbier	2,390 ↗	3,340 ↘	54.5 →	0.0% →	1.4% →	9,770 ↘	11,580 ↘
Zermatt	250 ↗	260 ↘	3.5 ↘	0.0% →	6.6% ↘	7,070 ↘	8,560 ↘
Switzerland	915,700 ↗	697,540 →	7,129.4 →	0.5% →	3.6% ↘	4,990 ↗	5,810 →

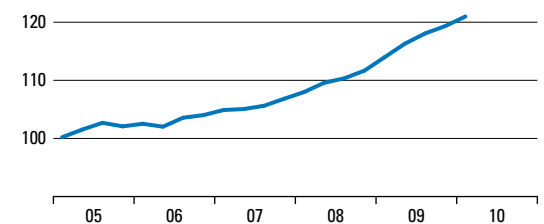
Owner-occupied apartments

Price bubble in owner-occupied apartment sector?

Only slight upward movement in transaction prices

The 6.8 percent plus recorded for asking prices of private apartments over the last 12 months was almost double the long-term average. Due to the present record-low mortgage rates, the current price hikes for owner-occupied apartments risk turning into a price bubble, which bursts as soon as interest rates are raised. Unlike asking prices, the transaction prices crept up only slightly (by 1.3 percent) during the past half-year. Therefore, price growth is expected to remain at a modest 1.1 percent over the coming 12 months.

Asking price index (Q1 2005 = 100)








Major cities

	Number of houses (2008)	Market value (m CHF, 2010 Q1)	Planning appl. (m CHF, 2010 Q1)	Vacancy rate (2009)	Supply rate (2010 Q1)	Asking prices (Median, 2010 Q1)	Transaction prices (av. object, 2010 Q1)
Zurich	23,320 →	19,730 ↗	760.8 ↘	0.0% →	1.7% ↘	8,310 ↗	9,150 →
Berne	11,310 →	6,430 →	117.4 ↘	0.0% →	3.8% ↘	5,480 →	6,130 ↗
Basel	14,600 →	8,780 →	128.4 ↗	0.1% →	2.1% ↘	6,060 ↗	6,530 →
Lausanne	10,800 →	7,270 ↗	326.3 ↗	0.0% →	2.7% ↘	7,030 ↗	7,320 ↗
Geneva	20,800 →	24,760 ↗	114.2 ↘	0.1% →	2.2% ↘	10,940 →	12,920 ↗

Tourist destinations

Saenen/Gstaad	3,200 ↗	3,230 ↗	58.2 ↗	0.8% →	1.7% ↗	11,260 ↗	11,020 ↗
St. Moritz	3,300 ↗	3,870 ↗	28.8 ↗	0.1% →	2.7% →	12,240 ↗	12,870 ↗
Davos	5,900 ↗	4,620 ↗	32.4 ↘	0.5% ↘	7.7% ↘	7,500 ↗	8,470 ↗
Ascona	2,800 →	2,160 ↘	5.8 ↘	0.1% →	8.9% →	8,480 ↗	8,480 →
Bagnes/Verbier	5,200 ↗	6,060 →	125.1 ↗	1.1% →	1.7% →	12,140 →	12,730 →
Zermatt	3,500 ↗	3,290 ↗	40.0 ↗	0.0% →	2.7% ↗	10,310 ↗	10,470 →
Switzerland	920,800 →	506,640 →	15,187.9 →	0.5% →	4.9% ↘	5,260 ↗	5,270 ↘

Prices in the major cities (2010 Q1)

	Percentile	Office	Retail	Rental apartments	Single-family houses	Owner-occupied apartments
 Zurich	10 th percentile	290 ↗	420 ↗	210 ↘	5,120 →	5,760 →
	50 th percentile	550 ↗	780 ↗	370 →	8,250 →	11,180 →
	90 th percentile	960 ↗	1,570 ↗	540 →	16,420 ↗	15,730 ↘
	10 th percentile	180 ↗	220 ↗	210 →	5,030 ↗	5,340 ↗
	50 th percentile	310 ↗	380 ↗	290 →	8,180 ↗	8,310 ↗
	90 th percentile	550 ↗	760 ↗	420 ↗	16,400 ↗	13,660 ↗
 Berne	10 th percentile	220 ↗	240 ↗	190 →	3,700 ↗	4,990 →
	50 th percentile	290 ↗	490 ↗	270 →	6,120 ↗	8,000 →
	90 th percentile	370 →	1,150 ↗	370 →	9,990 ↗	12,400 →
	10 th percentile	140 →	210 ↗	170 →	3,150 →	3,400 →
	50 th percentile	230 →	400 ↗	220 →	5,210 ↗	5,480 →
	90 th percentile	360 →	1,210 ↗	300 →	8,510 ↗	9,110 →
 Basel	10 th percentile	180 →	240 ↗	180 →	3,420 ↗	5,310 →
	50 th percentile	250 →	330 ↗	220 ↗	5,040 ↗	6,840 →
	90 th percentile	320 →	810 ↗	290 ↗	8,160 ↗	9,490 →
	10 th percentile	160 ↗	140 ↗	170 →	3,890 ↗	4,540 ↗
	50 th percentile	240 ↗	250 ↗	210 →	5,820 →	6,060 ↗
	90 th percentile	330 ↗	450 ↗	260 →	9,370 ↗	8,400 ↗
 Lausanne	10 th percentile	180 ↗	200 ↗	200 ↗	4,090 ↗	5,830 ↗
	50 th percentile	280 ↗	330 ↗	260 ↗	6,300 ↗	8,390 ↗
	90 th percentile	390 ↗	630 ↗	360 ↗	10,390 ↗	11,780 ↗
	10 th percentile	170 ↗	140 ↗	190 →	3,830 →	5,390 ↗
	50 th percentile	270 ↗	270 ↗	250 →	5,880 ↘	7,030 ↗
	90 th percentile	380 ↗	470 →	330 →	9,700 →	10,520 ↗
 Geneva	10 th percentile	370 ↗	340 →	240 ↗	5,770 ↗	9,310 ↗
	50 th percentile	640 →	640 ↗	370 ↗	9,500 ↗	13,200 ↗
	90 th percentile	950 ↗	1,330 ↘	600 ↗	15,680 ↗	18,720 ↗
	10 th percentile	280 ↗	230 ↗	240 ↗	5,530 ↗	7,510 ↗
	50 th percentile	470 ↗	400 ↗	330 ↗	8,980 →	10,940 →
	90 th percentile	780 ↗	700 →	510 ↗	15,290 ↗	14,900 →
Switzerland	Median	200 ↗	230 ↗	190 →	4,990 ↗	5,260 ↗

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 quarter-on-quarter change to prime rents and yields, otherwise year-on-year change (throughout the whole document).

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