

Swiss economy

Moderate slowdown in economic growth

Growth of real GDP in Switzerland slowed somewhat in recent months. This is mainly due to a moderation in private consumption and reductions in equipment investment. On the other hand, thanks to robust international demand (particularly from Germany and Asia), the Swiss exporting industries have continued to perform well up until now – despite the strength of the Swiss Franc. Strong construction activity also sustained output growth.

According to its latest June statement, the State Secretariat for Economic Affairs (SECO) is expecting real GDP growth of 2.1 percent for the current year. However, factors such as the ongoing strength of the Swiss Franc and the current debt crisis in the euro area as well as the US represent a risk to output growth in Switzerland in the coming months. The economic forecast for 2012 is therefore somewhat lower at 1.5 percent GDP growth.

Further fall in unemployment

Swiss labour market conditions continued to improve in recent months. In June 2011, the national unemployment rate stood at 2.8 percent, compared with 3.7 percent the year before.

Consumer sentiment has declined

Expectations amongst Switzerland's consumers regarding the future economic development have started to deteriorate somewhat. Despite recent positive labour market developments, the Swiss consumer confidence index declined from +10 in the first quarter of 2011 and currently stands at -1.

Switzerland: Key indicators and change since last year

Population (2010)	7,866,500	↗
Real GDP growth (2010)	2.6%	↗
GDP per capita (CHF, current prices, 2009)	68,640	↘
Unemployment rate (06/2011)	2.8%	↘
Total employment (FTE, 2010, Q4)	3,415,100	↗
Share of service employment (FTE, 2010, Q4)	71.6%	↗
Disposable household income (CHF p.a., 2008*)	77,580	↗
Monthly inflation (06/2011, year-on-year)	0.6%	→
New variable mortgage rate (05/2011)	2.73%	→
10-year confederation bond yield (06/2011)	1.74%	↗
Libor CHF 3 months (06/2011)	0.18%	↗
5-year CHF SWAP rate (08/08/2011)	1.10%	↘
10-year CHF SWAP rate (08/08/2011)	1.92%	↘
Consumer confidence index (2011 Q2)	-1	↘
Change in retail turnover, real (05/2011)	-4.3%	↘

Arrows indicate the year-on-year change

*most recent available data

Sources: FSO, SECO, SNB, UBS

Office market

Stagnation in asking prices

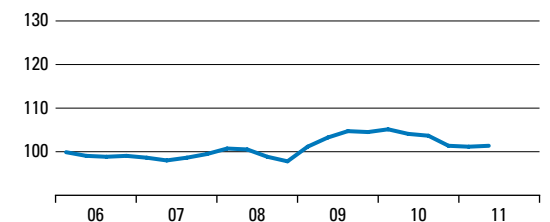
Floorspace demand in the Swiss office market continued in the second quarter of 2011. At the same time, the supply rate edged up again in recent months due to ongoing construction activity. As a result, the asking price index for office space only moved sideways once again.

High market liquidity in Zurich

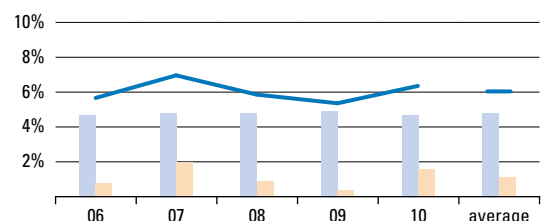
The Zurich office market in particular appears to experience an oversupply of office space: at around 8 percent, supply rates are currently the highest amongst the 5 major cities. Consequently, average rents have reduced slightly in the first two quarters of 2011. By contrast, the top end of the market has not been affected by recent supply side developments – at CHF 1,100 per sqm p.a., prime office rents in Zurich are currently the highest in Switzerland.

Market conditions are still tight in Basel, Switzerland's second largest office market, but with major projects such as the Roche Tower still in the development pipeline, supply levels are likely to rise in the future.

Asking price index (Q1 2006 = 100)



Total return (income return capital growth)



	Office Stock (sq m GFA, 2009)	Planning appl. (m CHF, 2011 Q2)	Vacancy rate (2010)	Supply rate (2011 Q2)	Asking prices (median, 2011 Q2)	Prime rents (2011 Q2)	Prime yields (2011 Q2)
Zurich	8,964,500 ↗	286.2 ↗	2.0% ↘	8.2% ↗	300 →	1,100 ↗	3.4% ↘
Berne	2,034,400 →	242.8 ↘	1.1% ↘	6.1% →	230 ↘	460 ↗	4.0% ↘
Basel	4,236,600 →	568.0 ↗	2.6% ↗	3.8% ↘	220 ↘	450 ↗	4.1% ↘
Lausanne	2,084,700 →	6.8 ↘	—	4.2% ↘	280 ↗	520 ↗	4.0% ↘
Geneva	3,332,200 →	202.4 ↗	1.7% ↘	6.2% →	450 →	1,050 ↗	3.6% ↘
Switzerland	50,743,900 ↗	3,586.5 ↗	—	7.6% →	190 ↘	—	—

Retail market

Strong floorspace demand

Healthy growth in retail turnover has driven demand for retail floorspace in Switzerland. In the second quarter of 2011, the nationwide asking price index for retail space gained another 1 percent.

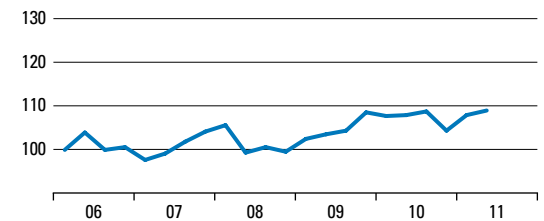
Further expansion in shopping centres

Like several other countries, Switzerland has seen a surge in the development of shopping centres in recent years. Considerable investment volume in this segment is still in the development pipeline. Most projects are currently being realised outside the major centres (recent openings were in Winterthur, Martigny and Sierre). An exception is the «Erlenmatt Galerie» in Basel, a medium-sized shopping centre which will add around 24,000 sqm of retail space by 2014.

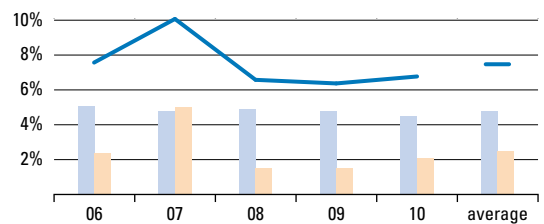
Prime rents keep rising

Despite sustained competition within the retail sector, prime rents in Zurich and Basel continue on their upward trend. In the second quarter of 2011, rental prices of more than CHF 8,000 per sqm p.a. for retail space on the Zurich Bahnhofstrasse were observed. The net initial yield for prime real estate remained at 3.5 percent in Zurich.

Asking price index (Q1 2006 = 100)



Total return (income return | capital growth)



	Retail Stock (sq m GFA, 2009)	Planning appl. (m CHF, 2011 Q2)	Vacancy rate (2010)	Supply rate (2011 Q2)	Asking prices (median, 2011 Q2)	Prime rents (2011 Q2)	Prime yields (2011 Q2)
Zurich	1,841,100 →	11.2 ↗	0.2% ↘	1.4% →	390 ↗	8,700 ↗	3.5% ↘
Berne	945,400 →	5.8 ↗	0.3% →	1.6% →	440 ↗	4,200 →	3.9% ↘
Basel	883,300 ↗	100.0 ↗	2.0% ↘	2.4% →	250 →	3,000 ↗	4.2% →
Lausanne	461,100 →	4.5 ↗	—	2.1% ↘	300 ↗	2,700 ↗	4.2% →
Geneva	631,900 →	7.8 ↗	1.9% ↘	2.1% ↘	400 ↘	7,200 ↗	3.7% ↘
Switzerland	32,248,000 ↗	548.6 ↘	—	1.2% →	220 ↘	—	—

Residential market

Moderate growth in asking rents

Demand for rental apartments remained strong during the second quarter of 2011, and this has kept the average price development on a positive trend line. Switzerland's residential market has benefited from strong inward migration in recent years, and market fundamentals are unlikely to change in the foreseeable future.

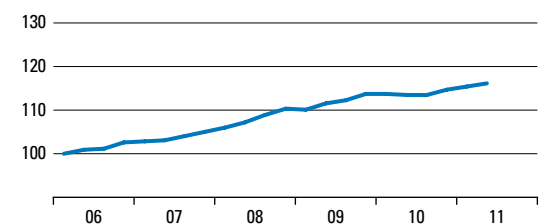
Strong rental growth in Geneva

However, there are significant regional disparities with regard to rental growth: While the major centres of German-speaking Switzerland have seen only modest increases in asking rents in recent months, notable price increases were observed in the Lake Geneva region. Since 2000, asking rents have more than doubled in Geneva, while an average increase of around 60 percent was observed in Zurich.

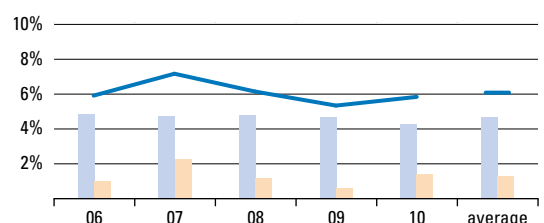
Ongoing construction activity

Construction activity in Switzerland's residential market is still at a high level. The volume of planning applications indicates that housing construction in the Zurich, Geneva and Lausanne multi-family housing sectors will continue to be strong over the current year.

Asking price index (Q1 2006 = 100)



Total return (income return | capital growth)



	Apartments (number, 2009)	Planning appl. (m CHF, 2011 Q2)	Vacancy rate (2010)	Supply rate (2011 Q2)	Asking prices (median, 2011 Q2)	Prime rents (2011 Q2)	Prime yields (2011 Q2)
Zurich	173,800 →	1,144.9 ↗	0.1% →	3.0% →	290 →	670 ↗	3.2% ↘
Berne	58,200 →	86.0 ↘	0.6% ↘	6.0% →	220 →	400 →	3.4% ↘
Basel	76,700 →	40.4 ↘	0.9% ↘	6.3% →	210 →	390 ↗	3.6% ↘
Lausanne	58,900 →	189.4 ↗	0.2% ↗	2.4% →	260 ↗	480 ↗	3.6% ↘
Geneva	81,800 →	174.8 ↗	0.3% ↗	1.3% →	340 ↗	650 ↗	3.5% ↘
Switzerland	2,058,200 →	17,220.9 →	1.4% ↗	5.6% →	190 →	—	—

Single-family houses

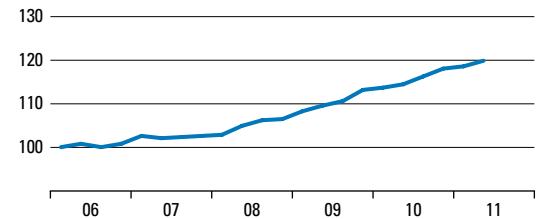
Further price increases

In a year-on-year comparison, the national asking price index for single-family houses increased by almost 5 percent on average. Transaction prices grew even more strongly by around 8 percent, indicating the popularity of this segment.

Highest prices in Geneva

Zurich continues to benefit from healthy demand: transaction prices for an average property have reached close to CHF 1.9 million in the second quarter of 2011. However, with average prices of around CHF 2.3 million, Geneva remains the most expensive market for transactions of single-family houses. Nonetheless, single-family houses represent only a small share of the housing markets in the major centres.

Asking price index (Q1 2006 = 100)



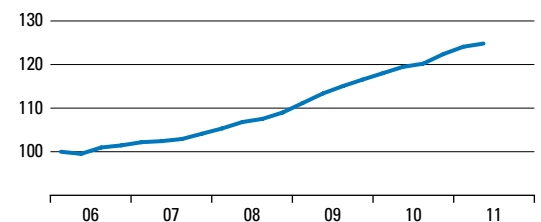
	Houses (number, 2009)	Market value (m CHF, 2011 Q2)	Planning appl. (m CHF, 2011 Q2)	Vacancy rate (2010)	Supply rate (2011 Q2)	Asking prices (median, 2011 Q2)	Transaction prices (2011 Q2)
Major centres							
Zurich	8,700 →	14,820 ↗	14.0 ↘	0.0% →	1.5% →	9,230 ↗	1,851,000 ↗
Berne	3,900 →	3,820 ↗	6.9 ↗	0.2% ↗	2.4% ↗	5,690 ↗	1,081,000 ↗
Basel	5,800 →	6,750 →	8.1 ↗	0.1% →	1.4% →	6,160 ↗	1,268,000 →
Lausanne	2,100 ↗	2,550 ↗	6.8 ↘	0.1% →	8.6% ↗	7,080 ↗	1,336,000 ↗
Geneva	800 →	1,650 ↗	0.3 ↘	0.3% →	11.9% ↗	9,400 →	2,309,000 ↗
Tourism destinations							
Saenen/Gstaad	1,000 →	1,390 ↗	19.4 ↗	1.8% ↗	1.7% →	9,530 ↘	1,488,000 ↗
St. Moritz	300 ↗	420 ↗	15.5 ↘	0.0% →	0.7% →	11,280 ↗	1,663,000 ↗
Davos	800 →	1,020 ↗	5.4 →	0.1% →	2.4% ↘	9,960 ↗	1,413,000 ↗
Ascona	700 →	1,160 ↗	2.8 ↗	0.0% ↘	6.7% →	11,290 →	1,757,000 ↗
Bagnes/Verbier	2,400 →	3,340 ↗	48.7 ↘	0.0% →	2.4% ↘	9,400 ↘	1,508,000 ↗
Zermatt	300 ↗	230 →	8.5 ↗	0.0% →	7.1% →	5,830 ↘	1,001,000 ↘
Switzerland	924,900 →	756,060 ↗	8,080.8 ↗	0.5% →	4.3% →	5,180 ↗	800,000 ↗

Owner-occupied apartments

Price trend remains positive

Similar to recent developments in single-family housing sector, the overall price trend for owner-occupied apartments continued to be positive during the second quarter of 2011. Average transaction prices increased by 8 percent in one year, while the Swiss asking price index shows an increase of 5 percent. Transaction prices have increased in all major tourist destinations. Particularly St. Moritz and Saenen/Gstaad – already amongst the most expensive property markets in Switzerland – recorded significant gains of more than 10 percent in a year-on-year comparison.






Asking price index (Q1 2006 = 100)



	Apartments (number, 2009)	Market value (m CHF, 2011 Q2)	Planning appl. (m CHF, 2011 Q2)	Vacancy rate (2010)	Supply rate (2011 Q2)	Asking prices (median, 2011 Q2)	Transaction prices (2011 Q2)
Major centres							
Zurich	23,700 →	22,930 ↗	1,144.9 ↗	0.0% →	2.3% ↗	9,670 ↗	10,800 ↗
Berne	11,500 →	6,950 ↗	86.0 ↘	0.0% →	2.8% →	5,730 →	6,740 ↗
Basel	14,800 →	9,890 ↗	40.4 ↘	0.1% →	2.6% →	6,510 ↗	7,480 ↗
Lausanne	10,900 →	8,520 ↗	189.4 ↗	0.0% →	5.1% ↗	8,130 ↗	8,700 ↗
Geneva	21,000 →	27,800 ↗	174.8 ↗	0.1% →	3.3% →	11,990 ↗	14,750 ↗
Tourism destinations							
Saenen/Gstaad	3,200 →	3,670 ↗	48.2 →	1.1% ↗	2.3% ↗	13,520 ↗	12,650 ↗
St. Moritz	3,300 →	4,380 ↗	81.4 ↗	0.2% ↗	2.9% ↗	13,850 ↗	14,670 ↗
Davos	6,000 →	4,890 ↗	50.6 →	1.2% ↗	5.4% ↗	8,590 ↗	9,130 ↗
Ascona	2,800 ↗	2,400 ↗	36.8 ↗	0.7% ↗	11.3% →	8,840 ↗	9,440 ↗
Bagnes/Verbier	5,200 →	6,150 ↗	79.5 →	1.1% →	3.8% ↗	12,480 ↗	13,110 ↗
Zermatt	3,500 ↗	3,600 ↗	44.0 →	0.0% →	3.6% ↗	11,270 ↗	11,510 ↗
Switzerland	927,400 ↗	560,950 ↗	17,220.9 →	0.4% ↘	5.5% →	5,580 ↗	5,750 ↗

Prices in the major cities

As at 2011 Q2

	Percentile	Office	Retail	Rental apartments	Single-family houses	Owner-occ. apartments
 Zurich	10 th percentile	240 ↘	420 ↘	190 ↘	5,240 →	6,160 →
	50 th percentile	560 →	910 ↗	370 →	9,200 →	11,550 →
	90 th percentile	950 ↘	1,800 ↗	600 ↗	17,890 ↗	16,850 ↗
	10 th percentile	170 ↘	180 ↘	200 ↘	5,260 ↗	6,090 ↗
	50 th percentile	300 →	390 ↗	290 →	9,230 ↗	9,670 ↗
	90 th percentile	550 →	780 ↗	440 ↗	18,020 ↗	16,890 ↗
 Berne	10 th percentile	220 →	210 →	200 ↗	4,440 ↗	4,960 ↗
	50 th percentile	280 ↘	470 →	280 ↗	6,740 →	7,740 →
	90 th percentile	350 ↘	1,200 →	390 ↗	11,000 →	11,660 →
	10 th percentile	130 ↘	220 ↗	170 →	3,750 →	3,620 →
	50 th percentile	230 ↘	440 ↗	220 →	5,690 →	5,730 →
	90 th percentile	350 ↘	1,360 ↗	290 →	9,300 ↘	9,150 ↘
 Basel	10 th percentile	190 ↗	230 ↘	190 ↗	3,490 ↗	5,910 ↗
	50 th percentile	250 →	340 →	230 ↗	5,800 →	7,120 →
	90 th percentile	350 ↗	620 ↘	300 ↗	9,320 ↗	10,360 ↗
	10 th percentile	160 →	160 ↗	170 →	3,610 →	4,850 ↗
	50 th percentile	220 ↘	250 →	210 →	6,160 ↗	6,510 ↗
	90 th percentile	310 ↘	420 ↘	270 →	9,790 ↗	9,340 ↗
 Lausanne	10 th percentile	220 ↗	190 →	210 ↗	4,700 ↗	6,240 ↗
	50 th percentile	300 ↗	340 ↗	290 ↗	7,030 ↗	8,490 ↗
	90 th percentile	460 ↗	650 ↗	420 ↗	11,300 ↗	12,370 ↗
	10 th percentile	170 →	160 →	200 →	4,760 ↗	5,800 ↗
	50 th percentile	280 ↗	300 ↗	260 ↗	7,080 ↗	8,130 ↗
	90 th percentile	430 ↗	570 ↗	350 ↗	11,390 ↗	12,310 ↗
 Geneva	10 th percentile	410 ↗	310 ↗	250 ↗	6,450 →	9,360 →
	50 th percentile	690 ↗	580 ↘	410 ↗	11,440 ↗	14,640 ↗
	90 th percentile	1,090 ↗	1,080 ↘	710 ↗	18,360 ↗	19,780 ↗
	10 th percentile	280 ↗	240 →	250 ↗	5,340 ↗	8,300 ↗
	50 th percentile	450 →	400 ↘	340 ↗	9,400 ↗	11,990 ↗
	90 th percentile	750 →	760 →	540 ↗	15,550 ↗	16,200 ↗
Switzerland	Median	190 ↘	220 ↘	190 →	5,180 ↗	5,580 ↗

Sources

This market survey is based on a broad internal data pool. It also draws on the following public sources: Federal Statistics Office as well as cantonal and local statistical offices (vacancy rates), 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 and residential markets: Asking prices and prime rents in CHF per sqm usable area. Single-family houses: Asking prices in CHF per sqm usable area; transaction prices in CHF for an average house. Owner-occupied apartments: Asking prices (median) and transaction prices (average object) in CHF per sqm usable area. Arrows indicate the year-on-year change.

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