

Market environment

Real Estate

Transactions market

Due to the negative interest rates introduced by the Swiss National Bank in January 2015 and the lack of viable investment opportunities, demand for yield-producing properties is high. As a result, even less attractive properties are being sold at record prices. In the current market environment there is little hope that the low initial yield derived from renting property will change in the short to mid-term as, generally speaking, there is no potential for rent increases.

Residential rental market

At stable rents, centrally located apartments in the lower to medium price range with good access to public transport and shopping facilities continue to enjoy a steady demand. Apartments commanding a higher rent and those at decentral locations with bad access are under growing pressure. In the medium to long term this development may become even more evident owing to the continuing brisk construction activity and declining immigration.

Commercial rental market

Commercial real estate, especially in the areas to the north and west of Zurich's central business district, is characterised by marked excess supply with potential for continued growth. Pressure on rents across Switzerland is continuing owing to the large supply of available commercial space which sometimes forces lessors to make far-reaching concessions in order to find a tenant. The current market situation gives tenants wide scope for optimisation and lessors, who are flexible and close to the market and to tenants, an opportunity to find a lessee.

Residential ownership

Demand for residential ownership in the lower to medium price range at central locations and locations with good access remains high despite stricter financing regulations. While prices in this segment are stable, prices in the higher-priced segment are softening. As a result of the increasing acquisition of development real estate by institutional investors, finding plots of land and sites suitable for the development and realisation of affordable apartments is growing more and more demanding.

Projects & Development

As contracts are still generally awarded to the lowest bidder despite related risks concerning quality and reputation, competition and pressure on costs in the industry remain high. The lower construction volume will lead to growing pressure on margins across the entire value-added chain. Although individual clients currently lean toward rethinking this approach, completing a project successfully, also in an economic sense, is extremely challenging.