Trendbarometer
Real Estate
Investment Market
Switzerland 2019
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Turning point in the Swiss real estate market – investors face new challenges

Switzerland remains an attractive location for real estate investments. This is partly because the low-interest rate phase will continue in 2019 and increasing digitalization will lead to savings in various segments. At the same time the current trend barometer for the annual real estate investment market, which we have now conducted and compiled for the ninth time, shows that the high point has essentially been reached in the development of real estate prices, and prices will generally move sideways or down in 2019.

In the context of digitalization innovative space concepts and so-called “coworking” premises will become more important. “Affordable housing” will also be in high demand in 2019 according to our internal and external sector experts, whether as student flats, micro and serviced apartments or temporary housing. This increasing flexibility will also be reflected in the structuring of future leases.

In the large Swiss cities in particular traditional hotels will continue to be challenged in 2019 by international hotel operators with innovative concepts and competitive prices. Hotel operators should prepare for additional competition and increased capacities, which will in turn up the pressure on occupancy rates of their properties. We see the best chances for successful and sustainable positioning in individual services and a local, personal character of the respective hotel.

In this final stage of the current market cycle all real estate investors whom we surveyed for this study expect to streamline their portfolios with strategic divestitures of assets and properties not conforming to strategy. Many of them are therefore planning selective acquisitions, profit-taking and foreign real estate investments.

We hope you enjoy reading our Real Estate Trend Barometer 2019 and find it a source of valuable information.

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Hospitality & Construction
Trend barometer real estate investment market

- The results of the survey are based on our questionnaire (October 2018), in which around 45 investors who were active on the Swiss real estate market in previous years took part.
- In terms of content, the survey deals mainly with the following topics:
  - General assessment of the real estate investment market in Switzerland in 2019 by active market participants.
  - Investigation of the strategy of real estate investors in Switzerland with regard to the development of the real estate market.

Vendor groups

- Banks
- Real estate funds
- Real estate companies
- Institutional investors
- Investment companies
- Opportunity/private-equity funds
- Private/Family Offices
- Housing associations
- Other

Background

- EY Real Estate Switzerland is conducting this survey for the ninth time since 2011.
- In the period from October to November 2018, around 45 investors described their expectations for the coming year.

Objective

- To assess the Swiss real estate investment market in the coming year.
- To cast an eye over the strategy that investors will pursue in Switzerland in the coming year.

Statements

- As well as prepared answers, the participants were allowed to make individual comments in response to every question.
- The following statements are reproduced in anonymised form and partly summarised with similar estimations.
Retrospective assessment of the Swiss investment markets and outlook

2017

1 Switzerland remains an attractive location for real estate investments.
2 Prices for office and retail spaces will stabilize.
3 Demographic change will influence the price trend significantly.

2018

1 The low-interest phase will continue in 2018.
2 Prices of office and residential real estate will remain stable, while the price of retail spaces will fall.
3 Lease incentives are an important instrument and a huge risk in terms of overvaluing office real estate.

2019

Investments in own portfolio (development) are gaining in importance due to the high price level in comparison to acquisitions.

1 Office and residential real estate will show stable to positive development, while prices of retail spaces will continue to fall.
2 The high price level within the core area will cause investors to engage in value added and opportunistic strategies.

Three-year trend

- Switzerland is still seen as an attractive location for real estate investments.
- Demographic change and digital transformation are seen as important megatrends.
- A sideways movement is generally expected in real estate prices.

Price trend

- Further price increases are expected for residential properties in prime locations.
- Stable prices are expected for office and hotel properties in prime locations.
- Falling prices are expected for retail spaces in prime locations.

International

- The saturation and high-price situation of the Swiss market could lead to Switzerland becoming less attractive in comparison to foreign markets.

Attractiveness

- In an international comparison, Switzerland is still seen as an attractive country for real estate investments.
94 percent of respondents see Switzerland as an attractive or very attractive investment location...

Key statements

- The overwhelming majority of participants (94%) still consider Switzerland an attractive or very attractive location for real estate investments in 2019.
- A similarly high attractiveness is expected in comparison to the previous year (2018: 97%). Whereas in the previous year’s survey 17% of investors considered the market very attractive, this figure is around 29% for 2019.

Statements made by the survey participants

- “The Swiss real estate market is supported by a stable economic environment with strong fundamentals.”
- “The domestic market is still characterized by a high degree of regulation, historically low returns and a small market volume. In addition, the real estate market in Switzerland is mainly dominated by national players.”
- “In comparison to other asset classes the domestic real estate market remains attractive, despite historically low returns. Further gains in value are not foreseeable, however, as the peak has probably been reached.”
- “The current yield spreads (difference between real estate yields and ten-year federal bond) are still very high.”

Wording of the question:
“How would you rate the attractiveness of Switzerland as a location for real estate investments in 2019, viewed in absolute terms?”
...also in comparison with other European countries

**Attractiveness of Switzerland as location for real estate investments in the European comparison**

<table>
<thead>
<tr>
<th>Attractiveness</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very attractive</td>
<td>21%</td>
</tr>
<tr>
<td>Attractive</td>
<td>60%</td>
</tr>
<tr>
<td>Less attractive</td>
<td>19%</td>
</tr>
</tbody>
</table>

**Key statements**

- Compared to other European countries, a majority of respondents (81%) regard Switzerland as an attractive or very attractive investment location.
- The result of this year’s survey appears unchanged in comparison to the previous year (2018: 81%).

**Statements made by the survey participants**

- “In comparison to foreign real estate markets the yields of the Swiss real estate market are more stable and less volatile.”
- “In foreign markets an overarching sector diversification proves challenging. This is due in particular to country-specific regulations.”
- “The national market, with limited transaction opportunities, is dominated by many players. Interesting investment properties are much easier to find in major foreign cities. Financial return and development opportunities abroad can therefore outperform those in Switzerland.”

**Wording of the question:**

“How would you rate the attractiveness of Switzerland as a location for real estate investments in 2019, compared to the rest of Europe?”
A continuing high investment volume is expected...

Key statements

- 77% of respondents expect a continuing high investment volume at a similar level for 2019, as in recent years.
- Only 11% of investors surveyed agree with the statement that the investment volume will decline in 2019.

Statements made by the survey participants

- “Switzerland is still seen as a safe haven. Therefore, a great deal of capital will also flow into Switzerland in 2019, so the interest rate situation will remain the same. This trend will result in a continuing high investment volume.”
- “Investors, particularly insurance companies, will still be confronted with a lack of investment alternatives.”

Wording of the question:
“How will the investment volume develop in Switzerland in 2019?”
Overproduction in the construction industry, smart infrastructures and a sustained low-interest phase are the main factors influencing the real estate market

Key statements

- Most respondents expect real estate risks to increase in 2019 due to overproduction in the construction industry (90%).
- 90% of investors surveyed believe that project developers will have to take account of smart infrastructure requirements (connectivity, car charging points and smart energy concepts) in future.
- There is a unanimous expectation that the low-interest phase will continue in 2019 (90%).
- Around 59% of respondents think that a continuing high capacity utilization in construction will delay digitalization within the construction sector.

Wording of the question: “Which of the following statements about the Swiss real-estate transactions market do you with for 2019?”

- Overproduction by the construction industry will lead to an oversupply of space and thus increase real estate risks.
  - I totally agree: 48%
  - I partly agree: 42%
  - I totally disagree: 8%
  - I tend to disagree: 2%

- Project developments will have to meet the requirements of a smart infrastructure in future (connectivity, car charging points, smart energy concepts).
  - I totally agree: 49%
  - I partly agree: 41%
  - I totally disagree: 8%
  - I tend to disagree: 2%

- The low-interest phase will continue in 2019.
  - I totally agree: 51%
  - I partly agree: 39%
  - I totally disagree: 10%

- Legally established allocation ratios of public sector real estate to subsidized housing construction projects will have an influence on the real estate market.
  - I totally agree: 34%
  - I partly agree: 35%
  - I totally disagree: 29%
  - I tend to disagree: 2%

- Political and global economic instabilities (Brexit, punitive tariffs, CHF currency risks) could also impact on the Swiss real estate market.
  - I totally agree: 23%
  - I partly agree: 45%
  - I totally disagree: 28%
  - I tend to disagree: 4%

- A persistently high capacity utilization in construction will also delay modernization/digitalization of the construction industry (e.g. introduction of BIM).
  - I totally agree: 24%
  - I partly agree: 35%
  - I totally disagree: 35%
  - I tend to disagree: 6%
Portfolio developments, asset deals and lease incentives for retail spaces characterize the Swiss real estate transactions market

Key statements

- Almost all respondents (98%) believe that investments in their own portfolio are gaining in importance due to the high price level in comparison to acquisitions.
- 98% of the investors surveyed are of the opinion that asset deals are still preferred over share deals.
- Lease incentives are an important instrument in relation to vacancy management in the retail space segment (94%).
- Most respondents (89%) believe that investors are motivated to engage in higher risk strategies (value added and opportunistic) due to the high price level.
- The majority of respondents (65%) believe that foreign real estate investments are becoming increasingly attractive due to the saturation and high-price situation in Switzerland.

Wording of the question: “Which of the following statements about the Swiss real estate market environment do you agree with for 2018?”

![Survey Results](chart)

- Investments in own portfolio (development) are gaining in importance due to the high price level in comparison to acquisitions.
  - 69% totally agree
  - 29% partly agree
  - 2% mostly disagree

- Swiss investors continue to favor asset deals (as opposed to share deals).
  - 65% totally agree
  - 33% partly agree
  - 2% mostly disagree

- Lease incentives are an important instrument for vacancy management in the retail space sector.
  - 56% totally agree
  - 38% partly agree
  - 8% mostly disagree

- Due to the pressure to invest for many investors and a stable economy, Switzerland remains a sellers’ market.
  - 56% totally agree
  - 38% partly agree
  - 6% mostly disagree

- The high price level within the core area will cause investors to engage in value added and opportunistic strategies.
  - 48% totally agree
  - 41% partly agree
  - 11% mostly disagree

- Foreign investments are becoming increasingly attractive due to the saturation and high-price situation of the Swiss market.
  - 23% totally agree
  - 43% partly agree
  - 34% mostly disagree
Portfolio streamlining, selective acquisitions and profit-taking through sales are preferred investment strategies at the end of a market cycle (“Late Cycle”)

Key statements

- Divestment of assets not conforming to strategy (portfolio streamlining) are unanimously preferred as an investment strategy at the end of a market cycle (100%).
- The majority of respondents also prefer selective acquisitions (94%) and profit-taking (83%).
- The majority of respondents believe that foreign real estate investments are also a preferred strategy at the end of a market cycle (65%).
- The majority of respondents do not believe that waiting for lower prices, super-core strategies and investments in mezzanine/debt funds are preferred “Late Cycle” strategies.

Wording of the question:
“Which investment strategy is preferred at the end of a market cycle (“Late Cycle”)?”

The percentage sum can deviate from 100% if not all respondents have answered the question.

<table>
<thead>
<tr>
<th>Investment Strategy</th>
<th>Totally Agree</th>
<th>Partly Agree</th>
<th>Tend to Disagree</th>
<th>Totally Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio streamlining (divestment of assets not conforming to strategy)</td>
<td>66%</td>
<td>34%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More selective acquisition</td>
<td>48%</td>
<td>46%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Profit-taking through sales</td>
<td>32%</td>
<td>51%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Manage-to-Core strategy</td>
<td>14%</td>
<td>68%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Foreign investments</td>
<td>32%</td>
<td>33%</td>
<td>26%</td>
<td>9%</td>
</tr>
<tr>
<td>Focus on niche products</td>
<td>15%</td>
<td>45%</td>
<td>36%</td>
<td>4%</td>
</tr>
<tr>
<td>Purchase of forward deals</td>
<td>11%</td>
<td>47%</td>
<td>33%</td>
<td>9%</td>
</tr>
<tr>
<td>Wait for lower prices</td>
<td>11%</td>
<td>34%</td>
<td>42%</td>
<td>13%</td>
</tr>
<tr>
<td>Super-Core strategy</td>
<td>4%</td>
<td>37%</td>
<td>52%</td>
<td>7%</td>
</tr>
<tr>
<td>Investment in mezzanine/debt funds</td>
<td>11%</td>
<td>28%</td>
<td>38%</td>
<td>23%</td>
</tr>
</tbody>
</table>
Retail spaces still under pressure according to real estate investors surveyed...

Key statements

- Retail spaces continue to show a negative trend: Only one in ten respondents expects rising prices for retail spaces (prime location). The majority expect prices to fall (52% for prime location, 83% for subprime location and 90% for periphery).
- Over half of respondents expect stable prices for office premises in prime and subprime locations (prime locations: 63%, subprime locations: 61%).
- 73% of respondents expect prices for office real estate in peripheral locations to fall in 2019.

Wording of the question:
“How do you assess the purchase-price trend in Switzerland in 2018, depending on type of use and location?”

Office

- Prices are rising: 33%
- Prices are remaining stable: 63%
- Prices are falling: 21%

Retail

- Prices are rising: 10%
- Prices are remaining stable: 38%
- Prices are falling: 52%
Residential: Stable to rising prices expected to continue in prime locations

Key statements

- In the residential sector, rising or stable prices are expected in prime locations (46%, 44%, 2018: 34%, 59%).
- Whereas in 2018, 80% of respondents expected residential real estate prices to remain the same in subprime locations, this figure is 50% for 2019.
- In the hotel sector, most respondents expect a stable price trend in prime locations (64%, 2018: 69%).
- In 2018, price increases were only expected for hotels in prime locations (according to 3% of respondents). For 2019, 21% of respondents expect higher prices in prime locations (11% for subprime and 2% for peripheral locations).

Wording of the question: “How do you assess the purchase-price trend in Switzerland in 2018, depending on type of use and location?”
A third of those surveyed expect interest rates to increase in 2019...

Key statements

- The vast majority of respondents agree that credit requirements for real estate loans will increase (56%) or remain the same (44%) in 2019.
- The majority expect interest rates to remain the same in 2019 (65%). However, a third expect interest rates to rise (previous year’s value: 14%). Only 2% expect interest rates to fall.
- According to the investors surveyed, the interest margin and loan duration will be at a similar level to 2018 (67%, 58%).

Wording of the question: “How will the conditions for real-estate loans develop during 2019?”

Conditions for real-estate loans

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Rising</th>
<th>Remaining stable</th>
<th>Falling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit requirements</td>
<td>56%</td>
<td>44%</td>
<td>0%</td>
</tr>
<tr>
<td>Interest</td>
<td>33%</td>
<td>65%</td>
<td>2%</td>
</tr>
<tr>
<td>Term of loan</td>
<td>33%</td>
<td>58%</td>
<td>9%</td>
</tr>
<tr>
<td>Margin</td>
<td>14%</td>
<td>67%</td>
<td>19%</td>
</tr>
</tbody>
</table>
Residential and office real estate will remain in focus...

Key statements

- The majority of real estate investors surveyed will focus strongly on residential real estate in 2019 (52%). For around 30% of respondents the focus will only partially be on the type of use.
- The respondents will also focus only partially (56%) to strongly (23%) on office real estate.
- Strong (15%) to only partial (44%) focus will be placed on other types of use, according to the majority of investors surveyed.
- 80% of the investors surveyed, however, will not (30%) or will only slightly (50%) focus on retail spaces.

Wording of the question:
“How strongly will your investment focus be on the following types of use in 2019?”

Types of use as a focus of investment

- Residential: 52% High, 30% Medium, 11% Low, 7% Not at all
- Office: 23% High, 56% Medium, 14% Low, 7% Not at all
- Other: 15% High, 44% Medium, 17% Low, 24% Not at all
- Retail real estate: 2% High, 18% Medium, 50% Low, 30% Not at all
In the case of retail spaces, the focus is now on Central Switzerland (Zug and Lucerne)

Key statements

- In comparison to the previous year, Zurich has overtaken Geneva as the most attractive location for investments in office real estate (22%, 2018: Geneva with 20%).
- Zug and Lucerne are rated the most attractive in terms of investors’ demand for retail spaces (both 29%).

Wording of the question: “Which Swiss locations will be a special focus of your investments in 2019?”
Low geographical preference for residential real estate

Key statements

- The demand for residential real estate shows no clear focus, as in the previous year.
- Zurich, Basel, Berne and Lucerne are still the preferred cities (15%, 13%, 13%, 13%, 2018: 12%, 11%, 15%, 14%).
- St. Gallen and Lugano are less of a focus for investors, at 7%.

Wording of the question: “Which Swiss locations are particularly within your investment focus for 2019?”
Slow implementation of concrete digitalization projects...

Key statements

- The vast majority of respondents (93%) agree or tend to agree that digitalization will lead to savings in various segments (incidental costs, accounting, leasing and brokerage etc.).
- 79% of respondents expect that digitalization will make transaction and valuation processes more efficient.
- 77% agree that connectivity will be just as important as location in future.
- The majority of respondents believe that the implementation of concrete digitalization projects will be very slow (74%).

Digitalization trends

Segments of the real estate industry (incidental costs, accounting, leasing and brokerage etc.) are also being digitalized, leading to a reduction in personnel.

Transaction and valuation processes are made quicker and more transparent through digitalization.

Connectivity will be just as important as location in future.

The implementation of concrete digitalization projects will be very slow.

“Digital newcomers” are becoming increasingly important and putting the big, established investors visibly under pressure.

Data protection/regulation and digitalization are slowing each other down.

Wording of the question:
“How do you rate the following digitalization trends?”
Location advantages for Smart Cities

Key statements

- The vast majority of respondents agree or tend to agree that cities that are more focused on the trend towards digitalization have location advantages (91%).
- The majority of respondents believe that locations with high immission levels benefit from E-mobility and car-sharing (65%).
- With 53%, a narrow majority agree (or tend to agree) that decentralized office locations in trendy areas benefit compared to established central locations.

Wording of the question:
“Which investment opportunities does digitalization bring?”

Investment opportunities through digitalization

- Cities which are more focused on the trend towards digitalization have location advantages (e.g. increased demand).
  - 27% I totally agree
  - 64% I partly agree
  - 9% I tend to disagree
  - 0% I totally disagree

- Locations with high immission levels benefit from E-mobility and car-sharing.
  - 23% I totally agree
  - 42% I partly agree
  - 30% I tend to disagree
  - 5% I totally disagree

- Decentralized office locations in trendy areas benefit compared to established central locations.
  - 7% I totally agree
  - 46% I partly agree
  - 45% I tend to disagree
  - 2% I totally disagree
“Coworking spaces” as a focus of investment in the office sector thanks to digitalization

Key statements

- The vast majority of respondents (89%) agree or tend to agree that coworking spaces will have a stronger investment focus in the office sector in future thanks to digitalization.
- A majority of 58% of respondents expect that prime locations will have a stronger focus in future as a result of digitalization (office sector). A similar number of respondents (57%) also expect this to be the case for decentralized office locations.

Wording of the question:
“Which asset classes will have a stronger investment focus in future thanks to digitalization?”

The office sector

Investment focus due to digitalization

- Coworking space
  - I totally agree: 44%
  - I tend to disagree: 45%
  - I partly agree: 9%
  - I totally disagree: 2%

- Prime location
  - I totally agree: 22%
  - I tend to disagree: 36%
  - I partly agree: 33%
  - I totally disagree: 9%

- Decentralized location
  - I totally agree: 9%
  - I tend to disagree: 48%
  - I partly agree: 36%
  - I totally disagree: 7%
The high street as a focus of investment for retail premises

Key statements

- The majority of respondents (58%) agree that high street premises will become a stronger investment focus for retail strategies as a result of digitalization.
- The investors surveyed see the future of discount stores and specialist centers less optimistically. 37% agree or tend to agree that discount stores will become a focus of investment in future as a result of digitalization. For specialist centers this is only 30%.

Wording of the question:
“Which asset classes will have a stronger investment focus in future thanks to digitalization?”
Retail premises

Investment focus due to digitalization

- **High Street**: 27% totally agree, 32% partly agree, 30% disagree, 12% strongly disagree.
- **Discounter**: 7% totally agree, 30% partly agree, 45% disagree, 18% strongly disagree.
- **Retail park**: 7% totally agree, 23% partly agree, 52% disagree, 18% strongly disagree.
Serviced apartments and micro apartments a focus of investment in the residential sector thanks to digitalization

Key statements

- The majority of respondents agree or tend to agree that serviced apartments (80%), micro apartments (80%) and trendy central locations (69%) will have a stronger investment focus in future thanks to digitalization (residential real estate).

Wording of the question: “Which asset classes will have a stronger investment focus in future thanks to digitalization?”
Residential

Investment focus due to digitalization

- Serviced Apartment: 38% totally agree, 42% partly agree, 13% tend to disagree, 7% totally disagree
- Micro apartment: 39% totally agree, 41% partly agree, 18% tend to disagree, 2% totally disagree
- Trendy central locations: 24% totally agree, 45% partly agree, 24% tend to disagree, 7% totally disagree
Last mile storage as a focus of investment for logistical real estate thanks to digitalization

Key statements

- The vast majority of respondents (84%) agree or tend to agree that last mile storage premises will become a stronger investment focus for logistics strategies in future as a result of digitalization.
- The investors also view the future of hubs/centralized warehouses with similar optimism. 72% of respondents agree or tend to agree that hubs/centralized warehouses will be a focus of investment in future thanks to digitalization.

Wording of the question:
“Which asset classes will become a stronger investment focus in future thanks to digitalization?”

Logistics

Investment focus due to digitalization

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Totally Agree</th>
<th>Partly Agree</th>
<th>Tend to Disagree</th>
<th>Totally Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last Mile Storage</td>
<td>43%</td>
<td>41%</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>Hubs/centralized warehouses</td>
<td>18%</td>
<td>54%</td>
<td>23%</td>
<td>5%</td>
</tr>
</tbody>
</table>
As in 2018 demographic change, digitalization and interest rate development are considered clear megatrends

Key statements

- The vast majority of the respondents agree that demographic change will significantly influence the real estate market in 2019 (98%).
- 91% of respondents regard interest rate development as a relevant megatrend for the real estate market.
- Other perceived trends on the real estate market include digitalization (91%), currency developments (62%), political instability (61%), climate change (54%) and the globalization of investment flows (48%).

Wording of the question:
“Which megatrends will influence the Swiss real estate market most in the next 5–10 years?”

Megatrends 2019

<table>
<thead>
<tr>
<th>Trend</th>
<th>I totally agree</th>
<th>I partly agree</th>
<th>I tend to disagree</th>
<th>I totally disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic change</td>
<td>62%</td>
<td>36%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Interest rate development</td>
<td>60%</td>
<td>31%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Digitalisation</td>
<td>54%</td>
<td>37%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Currency trend</td>
<td>23%</td>
<td>39%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Political instabilities/uncertainties</td>
<td>18%</td>
<td>43%</td>
<td>30%</td>
<td>9%</td>
</tr>
<tr>
<td>Climate change</td>
<td>18%</td>
<td>36%</td>
<td>41%</td>
<td>5%</td>
</tr>
<tr>
<td>Globalization of investment flows</td>
<td>9%</td>
<td>39%</td>
<td>45%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Trends in the office segment: Innovative floor area concepts and human experience factors as key factors influencing building attractiveness

Wording of the question: “What will the trends be in the respective classes of use in the office sector in 2019?”

1. “Talented employees are also won by the attractiveness of working environments (“War for Talent”).”
   - I totally agree: 53%
   - I partly agree: 45%
   - I tend to disagree: 2%
   - I totally disagree: 9%

2. “Human experience factors (quality of living, feel-good factors, “cool” atmosphere) increasingly influence building attractiveness.”
   - I totally agree: 43%
   - I partly agree: 55%
   - I tend to disagree: 2%
   - I totally disagree: 5%

3. “Innovative retail space concepts: Despite higher space efficiency, attractiveness can increase for the users.”
   - I totally agree: 42%
   - I partly agree: 30%
   - I tend to disagree: 5%
   - I totally disagree: 23%

4. “Not only the building, but also lease contracts will have to be made more flexible in future (terms, decor, size etc.).”
   - I totally agree: 50%
   - I partly agree: 41%
   - I tend to disagree: 9%
Trends in retail spaces:
Trend towards a tenants’ market due to the ailing stationary textiles trade and tarnished image of the retail trade

Wording of the question:
“What will the trends be in the respective classes of use for retail spaces in 2019?”

- “The stationary textiles trade is suffering.”
  - 32% I totally agree
  - 66% I partly agree
  - 2% I tend to disagree
  - 2% I totally disagree

- “Experience and gastro concepts are on the rise.”
  - 43% I totally agree
  - 47% I partly agree
  - 5% I tend to disagree
  - 5% I totally disagree

- “The image of the retail trade is tarnished. Renters seek to capitalize on it (rents, terms, incentives).”
  - 55% I totally agree
  - 43% I partly agree
  - 2% I tend to disagree
  - 2% I totally disagree

- “The trend towards shopping as an experience is changing competition and leading to a realignment in the retail trade.”
  - 48% I totally agree
  - 47% I partly agree
  - 5% I tend to disagree
  - 2% I totally disagree
Residential trends:
Student and micro living as well as “affordable housing” will remain important trends

Wording of the question:
“What will the trends be in the respective classes of use in the residential sector in 2019?”

“Affordable housing is a major trend in the big cities.”
38%
60%

“Student and micro living or temporary living (serviced apartments) remains a trend.”
44%
49%

“Additional services are increasingly in demand (concierge, care etc.).”
33%
51%

“Charging infrastructure (E-mobility) is becoming increasingly more important than location factor.”
13%
4%
33%

“Large-scale projects in urban centers will lead to a stagnating to slightly declining rent trend in 3 – 5 years.”
16%
5%
33%

I totally agree
I partly agree
I tend to disagree
I totally disagree
Trends in the hotel segment:
Growing foreign competition, individuality and local character as future success factors

Wording of the question:
“What will the trends be in the respective classes of use in the hotel sector in 2019?"

- "The individuality and local character of a hotel will become more important in future."
  - 46% agree
  - 28% partly agree
  - 15% tend to disagree
  - 18% disagree

- "The sustainability of a hotel is becoming a decisive criterion for booking decisions."
  - 47% agree
  - 28% partly agree
  - 15% tend to disagree
  - 12% disagree

- "The average occupancy rate of the Swiss hotel industry will come under pressure from additional foreign competition in future."
  - 21% agree
  - 23% partly agree
  - 25% tend to disagree
  - 36% disagree

- "More hotel projects will be designed as "dual branding concepts"."
  - 61% agree
  - 14% partly agree
  - 14% tend to disagree
  - 25% disagree
Key statements,
Switzerland 2019
Summary

**Attractiveness**
- The overwhelming majority of participants still see the Swiss real estate market as an attractive market in 2019.

**Real estate market environment**
- The respondents believe that the low-interest phase will continue in 2019. However, one third of respondents expect interest rates to rise in 2019.
- It is expected that digitalization will lead to savings in various segments (incidental costs, accounting, leasing and brokerage).

**Real estate transaction market**
- The assumption is that the price peak has essentially been reached and prices will mainly move sideways or downwards in 2019.
- In the area of office and residential real estate in top locations there is still a certain potential for prices to rise, in line with expectations.
- The volume of investments in 2019 should develop similarly to the previous year, corresponding to a lateral movement at a high level.

**Purchase price expectations**
- Prices of retail spaces in subprime and peripheral locations are expected to decline.
- The survey participants expect stable prices for office real estate in good and very good locations (prime and subprime). Falling prices are expected for peripheral properties.
- For residential real estate the investors surveyed only expect declining prices in peripheral locations. Otherwise a stable to positive outlook is generally forecast for this segment.
- For hotels a different price trend is forecast, depending on location. Declining prices are expected in peripheral locations, and otherwise stable to rising prices are expected.

**Biggest obstacles to transactions**
- The focus is increasingly moving towards real estate developments. This is partly resulting in fewer transactions.
- Investors will remain under pressure. A sellers’ market is therefore still expected.
Conditions for real estate loans

- The respondents expect to see an increase in credit requirements in 2019, in contrast to the previous year.
- Interest rates, margin and loan duration are likely to remain at the same level.

Investment focus by type of use

- Residential real estate will remain strongly in focus in 2019 with a substantial gap between it and other types of use.
- The overall picture in relation to office real estate appears more optimistic in comparison to the previous year (focus: moderate to strong).
- The vast majority expects to set little or no investment focus on retail spaces in 2019.

Preferred investment locations

- Zurich, Lausanne and Zug are popular regions for investments in office real estate.
- For investments in retail spaces the focus is on Zurich, Lucerne and Zug.
- The highest demand for residential real estate is shown in Zurich, Bern, Lucerne and Basel, although a clear trend is not yet in evidence.

Most important megatrends

- The respondents expect that demographic change will have a considerable influence on the Swiss real estate market.
- Digital transformation will change the real estate markets and challenge previous business models.
- Interest rate and currency developments as well as political uncertainties and climate change are regarded as relevant megatrends.
- Innovative retail space concepts and coworking spaces will gain in importance. In addition, not only the building itself, but also lease contracts will have to be made more flexible in future.
- “Affordable housing”, student and micro apartments as well as temporary accommodation will remain on trend.
- Foreign competition in the hotel segment will depress average occupancy rates. A hotel's individuality and local character will become increasingly important.
Contacts
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