

# Swiss Real Estate update

## Assessment of Swiss real estate funds



The Coronavirus presents major challenges to all of us and sets a variety of uncertainties into motion. The duration of the current state of emergency and the impact on the economy and real estate markets is currently difficult to estimate. The anxiety in the markets is correspondingly high as the stock exchanges around the globe have seen strong corrections and volatility has increased considerably.

The listed Swiss real estate funds have also been unable to escape this trend in recent weeks. As of Wednesday 18th March 2020, the listed real estate funds have declined around -12% YTD (SXI RE Funds TR), although from a comparatively high level. The agios are now in the range of about 15-18%, which is slightly below the long-term average. The Swiss stock market declined by about -21% in the same period (SMI TR, YTD). Disproportionate corrections have affected commercial and smaller real estate funds in particular, therefore fund-specific circumstances must be taken into account.

There is a direct impact on the real economy, but we also expect negative effects on the real estate market in the event of the current situation being further prolonged. Lower immigration, falling sales in brick-and-mortar retail and gastronomy, as well as potential corporate bankruptcies could have a negative impact on rental income. Despite these events, residential properties are likely to be less affected than commercial properties. Support for affected industries and companies is currently under intense discussion and significant federal support measures are expected.

Further assessments of the Swiss real estate market can be found under the following link: <https://www.ubs.com/ch/de/asset-management/distribution-partners/investment-solutions/real-estate/news.html>

On the other hand, the continually low interest rates have a supportive effect and should keep demand stable for listed real estate funds in comparison to other asset classes. The current listed real estate funds' dividend yield of 2.8% offers a comparatively attractive risk premium.

Real Estate Switzerland is well-equipped for this unprecedented situation. Our organizational structure, stable platform and well-established processes allow our employees to ensure smooth continuation of our business activities reliably and passionately, even with the current challenges.

- The market has declined and the agios are currently below the long-term average.
- Fundamental factors such as the low interest rate environment, the search for yield and the stability of cash flows continue to support investments in Swiss real estate in the long term.
- Our real estate investment products have a sustainable focus, are broadly diversified and have moderate leverage ratios. Therefore, they are well prepared for the current crisis.

For additional insights, please don't hesitate to contact:

**UBS Asset Management Switzerland AG**

Real Estate & Private Markets (REPM)

**Nicki-Marco Weber**

Head of REPM Business Development Switzerland, Germany and Austria  
nicki-marco.weber@ubs.com

**Benoit Galloro**

Business Development Switzerland  
benoit.galloro@ubs.com

**Sandro Jäger**

Business Development Switzerland  
sandro.jaeger@ubs.com

[www.ubs.com/realestate](http://www.ubs.com/realestate)

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