For UBS marketing purposes

Source: UBS

Swiss real estate in focus

11 April 2025, 08:08 am CEST, written by Daniel Kalt

Amid ongoing trade tensions, investors may overlook stable, income-generating investments. In our latest "Real Estate Focus" study, we provide a comprehensive analysis of all aspects of the Swiss real estate market.

First, some good news for homeowners: thanks to lower mortgage interest rates, since summer 2024 ongoing costs have once again become lower than the rent for a comparable apartment. This has significantly boosted demand for residential property in recent months. However, new construction activity remains one-third below the average of the past 15 years. According to our "Real Estate Focus," this situation is likely to intensify price dynamics, leading to price increases of around 3% for condominiums and 4% for single-family homes this year.

Nevertheless, affordability remains a significant challenge. Even households with above-average incomes of CHF 200,000 per year can afford only about half of all properties currently listed nationwide. For example, around the city of Zurich, affordable communities for this income bracket only become available at a commuting distance of 20 minutes or more. Younger households, in particular, often lack sufficient accumulated wealth, forcing them to postpone or entirely forego homeownership.

In the multi-family housing segment, the return of a low-interest-rate environment and strong rental income growth have recently stimulated the transaction market. According to "Real Estate Focus," multi-family homes are expected to appreciate by approximately 3% on average in 2025, following two years of stagnation. Asking rents are projected to rise by 2.5%, while existing rents are expected to increase by 1.5%. As a result of the positive market sentiment, the planning of new rental apartments has also increased by 20% since its low point in 2021. Since mid-2024, housing demand has shown signs of normalization. On the one hand, immigration, although still high, is declining. On the other hand, the increased rental price level is currently leading to fewer relocations, reduced household formation, and a shift in demand toward more affordable regions.

The ongoing aging of society will shape the Swiss real estate market over the coming decades. With an increasing number of elderly people, the availability of rental apartments is likely to decline as older individuals are less inclined to move. Moreover, due to their generally solid financial positions, downsizing is often not financially necessary.

Despite strong employment growth in office-based jobs averaging 1.6% per year since 2019, the vacancy rate for office space has risen from around 4% to 5%. Companies continue to optimize their office space requirements and remain cautious about new leasing agreements. Over the medium term, the share of remote working is likely to rise further due to ongoing labor shortages, dampening office space demand. Offices in central locations with high sustainability standards remain in demand. However, below-average employment growth is expected in the coming quarters, clouding leasing prospects. Consequently, quality-adjusted office rents are expected to stagnate nationwide, although Zurich and Zug will likely continue to outperform other major office markets.

Please read the legal disclaimer applicable to this publication.