

Real estate

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2H26 Switzerland – Real Estate Outlook

Remains on a stable course



UBS

Holding its ground

Resilience amid
changing challenges

Following the trade policy headwinds of the previous year, geopolitical risks and volatile energy prices have been the primary focus in 2026. Uncertainty has remained elevated, although equity markets have demonstrated resilience, supported by the ongoing boom in artificial intelligence (AI).

Rising inflationary pressures have led to higher interest rates in the euro area, while Switzerland has maintained its exceptional position, supported in part by the strength of the Swiss franc and lower inflation.

The Swiss real estate market has remained largely unaffected by global turbulence. Strong capital inflows have continued to drive demand in the investment market, while the supply of assets has remained limited.

The residential market remained tight: low vacancy rates and steadily rising demand continue to support growth, albeit at a slightly slower pace. The commercial real estate market has also proved broadly resilient overall.

In our Swiss Real Estate Outlook 2H26, we examine the current state of the Swiss real estate market and its prospects against this backdrop.

**How is the Swiss market positioned amid these challenging conditions?
How sustainable are the tailwinds supporting the residential sector?
What changes are shaping commercial occupier markets?**



Economic environment

Uncertainty remains the only constant

Switzerland continues to show resilience.

Geopolitical uncertainty and higher energy prices continue to weigh on the global environment, while rising government debt and growing capital requirements for AI infrastructure have put further upward pressure on long-term interest rates.

Switzerland remains comparatively resilient, supported by low inflation, moderate interest rate movements, and a strong Swiss franc. Robust growth in the first half of 2026 has improved the outlook for the year as a whole, although this momentum is unlikely to be fully sustained due to temporary effects related to exports and the pharmaceutical sector.

Overall, economic conditions for Swiss real estate are improving, although uncertainty and some economic risks persist.

From trade conflict to geopolitical uncertainty

The fundamental pattern of the macroeconomic environment has changed little. Elevated uncertainty remains the defining feature. However, the source of that uncertainty has evolved. While trade policy measures and US import tariffs dominated the agenda in 2025, the first half of 2026 was heavily shaped by the conflict in the Middle East. Since then, repeatedly shifting expectations around peace negotiations have sparked volatility in both energy prices and business sentiment. This turbulence has complicated planning for companies and investors. Nevertheless, risk appetite in equity markets remains intact, and the global economy has proven remarkably resilient. A key source of support continues to be strong expectations for the productivity and earnings potential of AI.

As the third quarter progressed, hopes for a lasting easing of tensions in the Persian Gulf faded. As a result, a ‘higher-for-longer’ scenario, meaning persistently elevated energy prices, appeared more likely. For the global economy, this implies not only a direct increase in costs but, more importantly, greater uncertainty regarding the future path of inflation and economic growth. The impact is particularly noticeable in Europe. The region’s strong dependence on imported energy and insufficiently replenished gas storage facilities amplify the transmission of higher global energy prices to consumer prices. In response to rising inflationary pressure, the European Central Bank (ECB) has raised interest rates on two occasions so far in 2026. At the same time, pressure is becoming increasingly evident in bond markets, as reflected in a significant rise in long-term interest rates.

Long-term interest rates reflect more than inflation expectations

The rise in long-term interest rates should not be viewed solely as a response to higher short-term inflation expectations. Increasing attention is being paid to the question of how steadily growing government financing needs can be met, and investors are demanding greater compensation for underwriting public debt. Meanwhile, competition for long-term capital is intensifying. Large-scale bond issuance programs by major technology companies to finance AI infrastructure are further expanding the supply of debt securities. Both factors are putting upward pressure on long-term yields regardless of immediate inflationary impulses.

Switzerland again demonstrates relative resilience

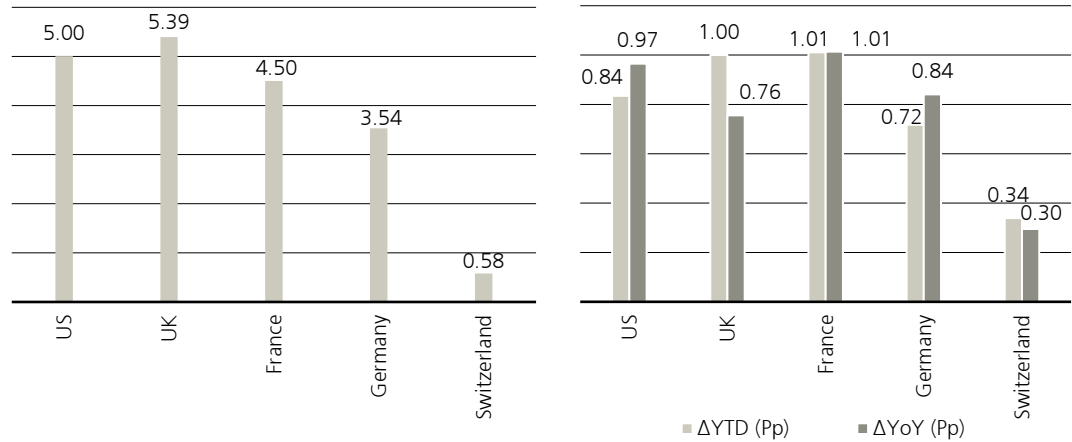
Switzerland occupies a unique position in this environment. Inflation has so far risen much less sharply than in many other industrialized countries. On the one hand, energy carries a lower weighting in the Swiss consumer basket. On the other hand, the strength of the Swiss franc exerted a dampening effect on prices during the first half of the year. The conflict and the associated flight to safe-haven assets further reinforced this currency movement at times.

The Swiss National Bank (SNB) has therefore seen no need for a monetary policy response to date. Market expectations of an interest rate hike in 2026, which had been priced in temporarily after the conflict in the Middle East started, were reversed relatively quickly. The rise in inflation to 0.8% in August also did not trigger a policy response. Over the remainder of the year, inflation is expected to increase gradually, driven by base effects and the weaker Swiss franc, and, by the end of 2026, it is forecast to reach 1.3% – well within the SNB’s target range of 0% to 2%. As a result, a move away from the current zero-interest-rate policy towards positive nominal interest rates is not expected until 2027, although the risks of an earlier rate increase have grown.

Figure 1: Long-term interest rates in International comparison –

a. Absolute yield to maturity of 10-year government bonds in the US, UK, France, Germany and Switzerland (%)

b. Change from mid-September 2026 relative to mid-January 2026 (in percentage points)



Source: LSEG Datastream; UBS Asset Management; Latest data point: 15 September 2026.

This is also reflected at the long end of the yield curve. By mid-September, the yield on the 10-year Swiss Confederation bond had risen to 0.6%. In an international comparison, however, not only does the absolute level of long-term rates remain low, but the increase has also been relatively moderate (Fig. 1). As a result, relative financing conditions have changed less markedly than in other markets. This distinction is crucial for real estate: pressure to adjust discount rates remains limited so long as risk-free interest rates increase only moderately and cash flows remain stable.

Strong growth, with caveats

Given the elevated level of uncertainty, weaker global growth had been expected for 2026. Forecasts were revised down further following the outbreak of the conflict in the Persian Gulf. However, the Swiss economy expanded strongly in the first half of 2026, particularly in the second quarter. Robust exports made the largest contribution to this performance, particularly in the chemicals and pharmaceuticals sector. However, this momentum should be interpreted with caution. Part of this development is likely attributable to catch-up effects following the imposition of trade tariffs. In addition, the contribution of the pharmaceutical industry has historically been volatile and may partially reverse in the coming quarters.

Aside from these specific factors, however, the broader picture is also improving. Both the KOF Economic Barometer and the Purchasing Managers’ Index (PMI) have strengthened noticeably. The labor market, however, remains less dynamic than in the past. The seasonally adjusted unemployment rate has risen to 3.1%, which is 1.2 percentage points higher than it was in the first half of 2023. While the KOF Employment Indicator has recently improved, the employment components of the Purchasing Managers’ Indices have yet to show a corresponding recovery. Companies therefore remain cautious despite improving order books and are only gradually expanding capacity.

Thanks to the strong performance in the first half of the year, sports-event-adjusted growth is expected to reach around 1.8% in 2026, broadly in line with the previous year’s level. Growth of 1.5% is projected for 2027. However, the elevated degree of uncertainty increases the range of possible outcomes around these forecasts. Despite the stronger rise in inflation recorded in August, average inflation is still expected to remain at 0.7% in 2026 and 0.8% in 2027, assuming the stabilization of oil markets in the short to medium term. The SNB is now expected to raise its policy rate by 25 basis points each in March and June 2027, thereby returning to positive nominal interest rates.

Investment market

Abundant capital meets limited real estate supply

Continued strong inflows into Swiss real estate investment vehicles.

The Swiss real estate market remains attractive despite global turbulence. A comparatively high risk premium by European standards, strong capital inflows and the limited supply of assets suitable for institutional investors continue to support pricing and transaction activity.

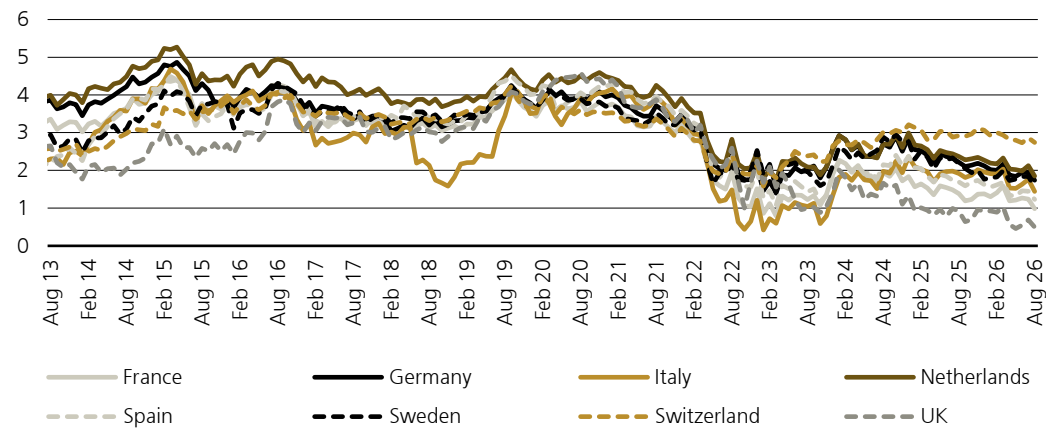
In the indirect market, valuations have declined. However, residential real estate funds, in particular, continue to trade at high premiums due to structural supply constraints. As a result, commercial real estate vehicles may currently offer attractive entry opportunities, supported by more moderate valuations and robust market fundamentals.



Attractive risk premium

In historical terms, the risk premium for Swiss real estate is below the average of the past 15 years. However, that period was heavily influenced by the negative interest-rate environment of the 2010s. As a result, the value of a purely historical comparison is limited, as the attractiveness of stable local cash flows and strong market fundamentals to investors has likely changed. In addition, the relative positioning of Switzerland compared with other international real estate markets is important. Owing to the differing interest rate developments described above, the Swiss market currently appears highly attractive. This becomes especially evident when comparing the risk premium of Swiss real estate with those of selected European peer markets (Fig. 2). As of September 2026, the risk premium for Swiss real estate is between 90 and 230 basis points higher.

Figure 2: Risk premium¹ of Swiss real estate compared with European markets (Percentage points)



Source: CBRE; LSEG Datastream; UBS Asset Management; Latest data point: August 2026.

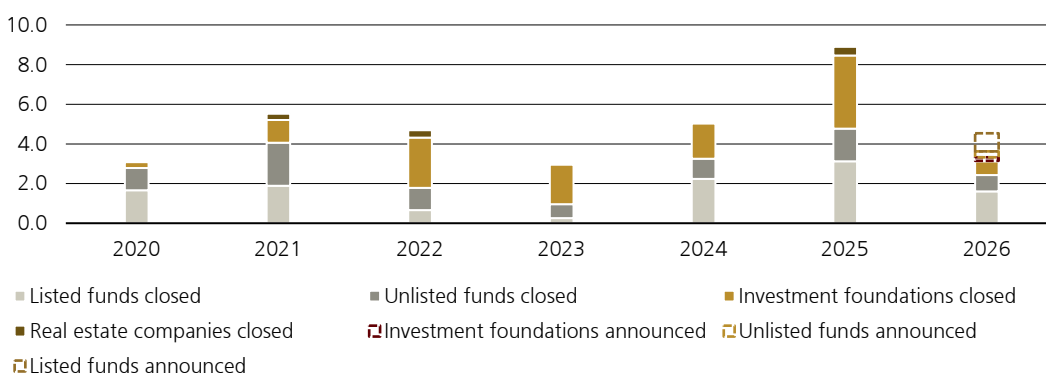
Past performance is not a guarantee of future results.

Notes: ¹ Risk premium = unweighted national average of prime yields for logistics, office and retail properties, less the yield on the respective domestic 10-year government bond.

Capital markets transactions remain highly dynamic

The strong appeal of Swiss real estate investments is clearly evident in the capital markets. Capital markets activity remains at a similarly high level to that observed in 2025. By the end of August 2026, approximately CHF 3.1 billion had been raised through capital increases. Activity was particularly strong among listed real estate funds, where issuance volumes were significantly above the previous year's level. A further CHF 1.4 billion in capital raisings has already been announced, with additional transactions likely to follow in the fourth quarter. As a result, the volume for the year as a whole is expected to comfortably exceed the level recorded at the beginning of September.

Figure 3: Capital increases in the Swiss real estate market by investment vehicle (CHF bn, estimate¹)



Source: Alphaprop; UBS Asset Management, September 2026. Latest data point: 4 September 2026.

Past and expected performance is not a guarantee of future results.

Notes: ¹ For capital increases where final subscription volumes are not yet known, volumes are estimated based on the historical relationship between announced issuance volumes and actual subscription volumes.

Fresh capital fuels upward pressure on prices

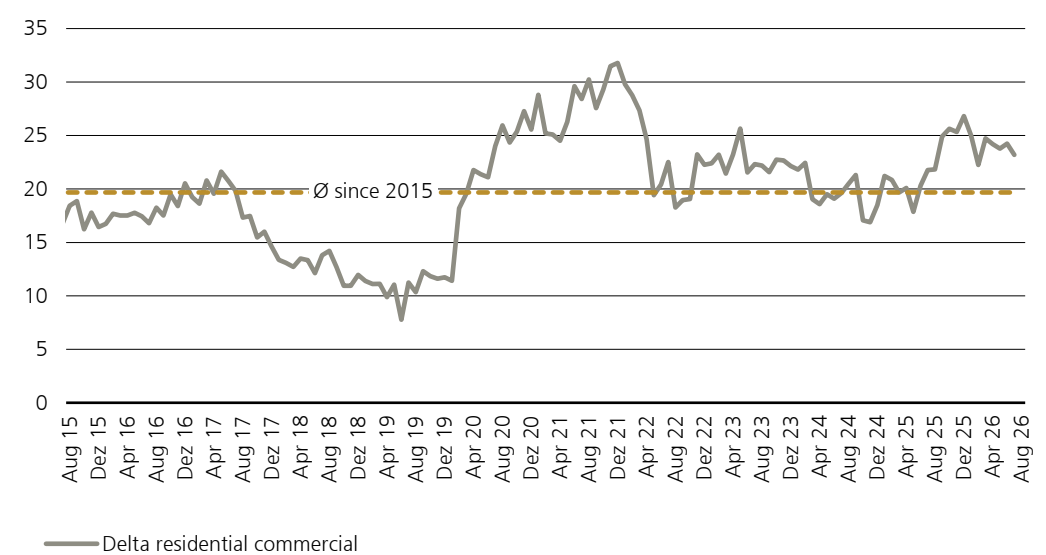
Fresh capital inflows are having a direct impact on the transaction market. Newly raised capital needs to be deployed. According to CBRE, the 12-month rolling volume of real estate transactions in Switzerland was 53% higher in 2Q26 than in the same period a year earlier. At the same time, the supply of properties suitable for institutional investors remains relatively limited. This imbalance continues to drive competition for assets. As a result, real estate yields have generally remained stable despite the modest increase in the risk-free base rate, while yields in the particularly sought-after residential segment have continued to compress.

Slight easing in the indirect market

In contrast to the direct real estate market, valuations in the listed indirect real estate market have shown signs of moderation so far this year. Initially, the conflict in the Persian Gulf triggered a brief but clearly visible decline in the average premium of the SXI Real Estate Funds Broad Index (SWIIT)¹ in March. Once it became apparent that the direct impact on inflation and interest rates in Switzerland was likely to remain limited, prices stabilized quickly. Over the summer, however, they softened somewhat again, likely reflecting the fact that a return to a negative interest rate environment, which had been priced in at the start of the year and had driven the weighted premium to around 40%, became increasingly unlikely as the conflict persisted. In addition, larger capital increases, in particular, were accompanied by price corrections in the affected funds.

Although premiums have declined for both residential and commercial real estate funds, a significant premium spread in favor of residential products remains. Demand for residential funds continues to be supported by the structural shortage of housing in Switzerland. For commercial real estate, investors are likely assigning a high weight to, and pricing in, the sector's greater sensitivity to economic conditions in the current uncertain environment. As a result, the spread between the average premium of residential and commercial vehicles currently stands at around 23.2 percentage points, above the long-term average of 19.7 percentage points. This creates a favorable valuation backdrop for a number of commercial real estate vehicles and may therefore present attractive entry opportunities, particularly as the fundamentals of commercial real estate in Switzerland also remain robust.

Figure 4: Premium spread between residential and commercial real estate funds over time (Percentage points)¹



Source: UBS Asset Management, Datastream, annual and semi-annual fund reports. Data as of 31 August 2026.

Past performance is not a guarantee of future results.

Notes: ¹ Average premium of residential real estate funds minus the average premium of commercial real estate funds.

¹ The SXI Real Estate Funds Broad Index comprises all real estate funds that are primarily listed on the SIX Swiss Exchange and have invested at least 75% of their fund assets in Switzerland.



Residential leasing market

Housing shortage persists

Lower immigration and increased planning activity are not yet enough to ease market tightness.

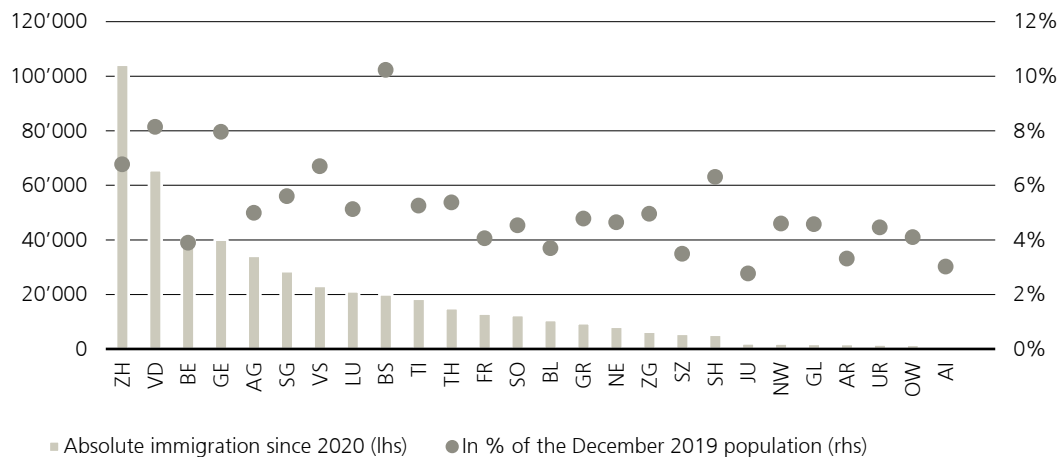
In the residential leasing market, demand is normalizing and supply is beginning gradually to recover. At the same time, vacancy rates remain at very low levels. Falling vacancy rates in suburban municipalities indicate that the housing shortage in major urban centers is increasingly spilling over into surrounding areas. For investors, market fundamentals are favorable, although regulatory pressure remains elevated.

Immigration returns to more normal levels

Immigration has continued to normalize in 2026. Between January and July, net migration amounted to just under 32,000 people, 14.5% below the corresponding period of the previous year. For the year as a whole, net migration is expected to reach around 63,500 people. This would place immigration in 2026 at 2.4% below the long-term average of 65,100 people. The exceptionally high levels recorded in recent years are therefore no longer being reached. Nevertheless, it would be premature to speak of weakening housing demand, not least because the ongoing demographic trend towards smaller household sizes continues to influence the market.

Measured relative to population size, net migration has been particularly high over the past five years in the cantons of Basel-Stadt, Vaud, Geneva, Zurich and Valais. International companies and organizations have driven disproportionately high inflows of people from abroad in these regions. Compared with the exceptionally strong years seen previously, immigration declined in 2025 and 2026, particularly in Geneva and Vaud, as well as in Solothurn, Basel-Stadt, Nidwalden and Zug. The geographical distribution of housing demand therefore remains closely linked to labor market conditions, corporate locations and international institutions. This relationship is unlikely to change materially in the immediate future.

Figure 5: Net immigration by canton since 2020 (absolute figures, Jan 2020 to Jul 2026) **and relative to the population as of December 2019 (%)**



Source: State Secretariat for Migration (SEM); UBS Asset Management; September 2026. Latest data point: July 2026.

Planning activity has moved beyond its trough

Supply-side conditions are increasingly showing signs of improvement. Following an almost uninterrupted decline in planning activity from 2015, the trough appears to have been reached by the end of 2023. The total number of building permits issued amounted to just under 41,500 units in the second half of 2025 and the first half of 2026. This represents an increase of 18.8% compared with the low point recorded in the fourth quarter of 2023.

However, this does not necessarily mean we are seeing a short-term easing of conditions in the housing market. There is a considerable time lag between the submission of a building application, the granting of a permit, the start of construction and completion. In addition, building applications and permits do not represent a net measure of housing supply. Demolished housing units that are removed from the market are not captured in these figures. This becomes evident when looking at actual housing completions. According to the Federal Office for Housing, just under 40,000 housing units were added in 2025. Although planning activity had already picked up significantly by 2025, the number of completed housing units represented an increase of only 0.1% compared with the previous year.

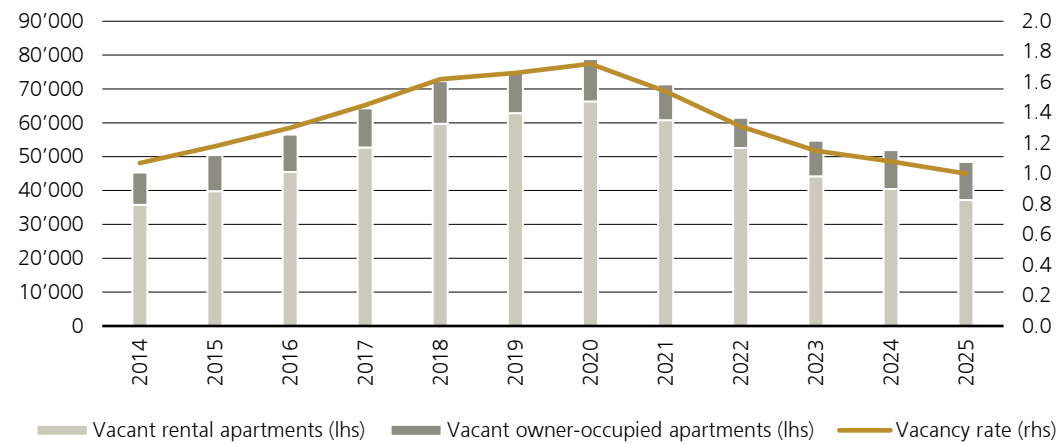
Over the period from 2021 to 2025, Switzerland's housing stock increased by an average of 43,600 units per year, around 12% less than the average annual increase recorded during the 2010s. At the same time, net migration between 2021 and 2025 was approximately 20% higher than during the 2011–2020 period. As a result, supply and demand dynamics have effectively been moving in opposite directions. This once again provides a clear illustration of the typical real estate cycle. When demand rises rapidly, housing supply cannot respond immediately due to the lengthy planning and construction process. But by the time additional housing becomes available, demand conditions may have changed.

Vacancy rates remain very low as demand shifts elsewhere

The nationwide residential vacancy rate has continued to decline. After standing at 1.00% in 2025, the vacancy rate fell further to 0.93% in 2026, reaching its lowest level since 2010. As of 30 June, the number of vacant homes was 6.1% lower than a year earlier. Once again, the number of vacant rental apartments has declined more sharply than that of owner-occupied homes, falling by 6.7% compared with a 4.1% decrease for vacant owner-occupied units.

When examining residential vacancy rates in and around Switzerland's major urban centers, a distinct geographical shift becomes apparent. In four of the five largest urban centers, vacancy rates have remained stable at very low levels or increased only marginally. At the same time, vacancy rates have continued to decline across many surrounding municipalities. This suggests that households are increasingly responding to tight market conditions and limited availability in the cities by widening their search radius. As a result, the housing shortage is not disappearing but is instead spreading to neighboring suburban areas. For investors, this broadens the range of potentially attractive locations, with accessibility, local infrastructure and connectivity to urban centers becoming increasingly important.

Figure 6: Vacant residential units (Total, left-hand side; in % of housing stock, right-hand side)



Source: Federal Statistical Office (FSO); UBS Asset Management; September 2026. Latest data point: June 2026.

Rental growth continues to moderate

Despite the further decline in vacancy rates, growth in asking rents has continued to slow. After increasing by 4.7% in 2024, growth eased to 1.8% in 2025. In 2Q26, asking rents were 1.2% higher than a year earlier. This moderation in growth is consistent with a process of normalization following the exceptionally strong increases seen in previous years, but it does not indicate a broad-based easing of market conditions. Regional developments continue to vary. In Central Switzerland, asking rents rose by 2.5% year-on-year in the first half of 2026. Since 2020, the region has recorded the second-highest growth rate after Zurich. It is followed by the Lake Geneva region at 1.6% and Northwestern Switzerland at 1.5%. By contrast, asking rents in Southern Switzerland declined by 1.1% compared with the previous year. These differences highlight the importance of analyzing regional fundamentals, even within the Swiss residential market.

Reference interest rate: A further increase remains possible

The mortgage reference interest rate remains unchanged at 1.25%. Although mortgage rates were somewhat higher in the first half of 2026 than in the second half of 2025, the underlying average interest rate remained stable. In September 2026, it stood at 1.31%, unchanged from June. For the reference interest rate to increase, the underlying average rate would need to rise by a further seven basis points. Yields on 10-year Swiss Confederation bonds have meanwhile stabilized in a range of 0.4% to 0.5%, while risks remain tilted to the upside. As a result, a renewed increase in the reference interest rate cannot be ruled out. However, such an increase is thought unlikely to be seriously considered before the summer of 2027.

Positive fundamentals, rising regulatory pressure

From an investment perspective, the outlook for the Swiss residential market remains supportive. Although immigration is expected to be lower in 2026 than in previous years, it is still projected to increase the population by around 65,000 people on a net basis. The increase in planning activity is therefore unlikely to be sufficient to provide meaningful short-term relief to the tight housing market. Demand remains strong, and pressure on transaction prices and rents persists, even as growth rates continue to normalize.

At the same time, political pressure remains elevated. The rejection of stricter regulation in Zurich has provided some short-term relief. However, given ongoing pressures in housing markets, particularly in urban centers, further regulatory initiatives remain possible.

At the federal level, the popular initiative 'Yes to protection against abusive rents (Rent Price Initiative)' was submitted on 23 June 2026. The initiative seeks to introduce automatic and regular reviews of rental prices to determine whether they exceed actual costs plus an appropriate return. Key implementation details, however, remain unresolved, particularly with regard to the definition of an appropriate return, the review mechanism and transitional provisions. There are also doubts about the effectiveness of the initiative as a housing policy measure. Stricter rent regulation is unlikely to create additional housing supply and may, by reducing incentives to invest in new construction and refurbishment projects, exacerbate the current housing shortage over the longer term.

Commercial leasing markets

Robust present,
structural change

Employment and population growth continue to support the market, while structural change remains a defining feature.

Commercial real estate markets remain resilient despite ongoing structural change. Remote working and, increasingly, AI are reshaping demand for office space, while e-commerce continues to simultaneously weigh on retail space demand while supporting demand for modern logistics properties. At the same time, population and employment growth continue to underpin occupier markets.

There is particularly strong demand for centrally located, well-connected and flexible space, while peripheral properties or assets with limited adaptability are coming under increasing pressure. As a result, location quality, adaptability and active asset management remain important differentiating factors.

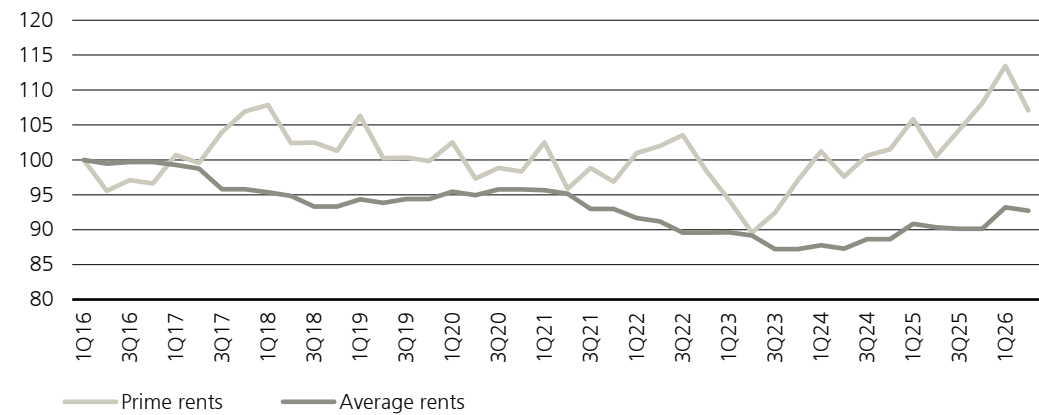


Offices: Fundamentals continue to improve

Labor market momentum remains relatively moderate, but the market has performed better than expected a year ago. The upward revision of employment statistics in August 2026 has notably changed the assessment of 2025. According to the revised figures, employment increased by 43,200 full-time equivalent positions. While this was 21% below the average of the past 10 years, it was significantly stronger than previously reported, when growth had been estimated at 79% below the long-term average. The first half of 2026 showed considerably stronger momentum. Overall, employment increased by 46,500 full-time equivalent positions. The second quarter alone accounted for 42,100 additional jobs, of which 33,100 were created in the services sector. Following at least three challenging years, the increase of 9,000 full-time equivalent positions in industry is also a positive development. In addition, employment expectations have recently improved, according to the KOF Employment Indicator.

This positive employment trend is also being reflected in the office market. According to CBRE, net absorption remains positive. The average vacancy rate declined to 5.1% in the second quarter of 2026, down from 5.5% in the corresponding quarter of the previous year. The decline was particularly pronounced in Basel and Geneva, while most other markets remained broadly stable. Across Switzerland, asking rents in 2Q26 were 2.4% higher than a year earlier. Behind these headline figures, however, market polarization persists. Modern office space in central, well-connected locations remains highly sought after. In contrast, space in peripheral locations continues to be more difficult to market, with rents facing greater pressure. This trend is clearly illustrated by comparing the development of prime rents and average asking rents in the cities of Zurich and Geneva since 2016, as reported by Wüest Partner (Fig. 7).

Figure 7: Development of prime and average rents in Geneva and Zurich
(Index, 2016=100)



Source: Wüest Partner, UBS Asset Management; September 2026. Latest data point: 2Q26/1H26.

AI as a long-term unknown

Despite the currently positive market data, the long-term impact of AI on office space demand remains uncertain. What is clear is that AI primarily affects knowledge-intensive activities and, therefore, many typical office-based jobs. It is less clear, however, whether productivity gains will generate additional growth and create new tasks, or whether automation will lead to a substantial reduction in employment. The range of possible scenarios extends from a productivity boom to significant displacement of existing roles. From a real estate perspective, this argues against a simple extrapolation of recent employment and office space demand trends. Over the medium to long term, the combination of demographic developments and AI can be expected to have a moderating effect on demand for office space. At the same time, higher productivity could enhance competitiveness and alter the quality or type of space that occupiers demand. Under most scenarios, well-located, flexible and high-quality buildings are likely to remain better positioned than peripheral assets with limited adaptability.

Retail: Robust sales, structural pressure

Consumer sentiment remains highly subdued. While it has improved from the sharp decline seen at the beginning of the conflict in the Middle East earlier this year, it remains below the level recorded a year ago. The sub-index measuring expectations for future economic conditions recovered following its pronounced decline in March and April but remains subdued. Households continue to be particularly concerned about job security. This uncertainty points to more cautious consumer spending behavior, especially in discretionary spending categories.

So far, however, retail sales in Switzerland have remained resilient. Between January and July 2026, real retail sales increased by an average of 1.6% year-on-year. At the same time, pressure from e-commerce continues to be felt. In 2025, the Swiss e-commerce market grew by 6% compared with the previous year. In the non-food segment, the online share increased from 18.8% to 19.7%. In contrast, the online share in the food segment remained low and unchanged at 3%.

The retail property market therefore remains divided. Prime locations continue to benefit from strong footfall, including from tourists, as well as excellent accessibility and limited availability of space. Demand also remains robust for retail space occupied by tenants serving everyday consumer needs. Outside prime locations, however, adjustment pressures remain high.

Logistics: Modern space remains scarce

When it comes to online shopping, one sector's gain is another's loss in terms of real estate. While the growth of e-commerce continues to put pressure on bricks-and-mortar retail, logistics space is benefiting from higher demand. In Switzerland, the advertised supply of logistics space remains limited. According to CBRE, the availability rate stands at around 2.1%. The space currently available consists primarily of smaller units, while modern logistics facilities in metropolitan regions and their surrounding areas remain scarce. It is precisely in these locations that demand continues to grow, driven by e-commerce and the associated need for last-mile logistics.

As a result, urban logistics assets with multimodal transport connections are gaining strategic importance over the long term, according to the GS1 Logistics Study. At the same time, electrification, digitalization and flexible operating models such as warehouse-as-a-service² are changing the requirements placed on logistics buildings. Charging infrastructure, strong transport connectivity and a high degree of adaptability are becoming increasingly important attributes.

Hotels: Slight moderation following record years

The Swiss hotel sector continues to perform steadily in 2026. Following the record year of 2025, 25.3 million overnight stays were recorded between January and July 2026. This represents a 0.5% decline compared to the previous year. The decrease is largely concentrated in urban centers, which benefited significantly from major events in the prior year. Compared with the same period last year, overnight stays in tourist destinations increased by 0.1%. In urban centers, overnight stays declined by 1.1%, while the decrease in other municipalities was 0.3%. The decline was driven primarily by international visitors, whose overnight stays fell by 2.1% compared with the first seven months of the previous year. Domestic demand, by contrast, increased by 1.3%. The sharpest decline was recorded among visitors from Asia and Oceania, possibly reflecting travel restrictions associated with the conflict in the Middle East. Demand from US visitors, on the other hand, continued to grow strongly. Despite the high comparison base of the previous year, overnight stays by US travelers increased by a further 1.7% between January and July 2026.

² Warehouse-as-a-service is a flexible logistics and leasing model. Under this approach, companies reserve physical warehouse space on a flexible basis, often online or through a subscription model, rather than entering into long-term lease agreements for dedicated warehouse facilities.

Summary & outlook

Healthy fundamentals,
sustained strong demand

The Swiss real estate market continues to enjoy sound health and demand from institutional investors remains strong. The risk premium relative to risk-free investments is somewhat lower than its historical average, particularly compared with the negative interest rate environment of the 2010s. However, the appeal of stable domestic cash flows and strong market fundamentals has increased, and Swiss real estate compares favorably with other national markets.

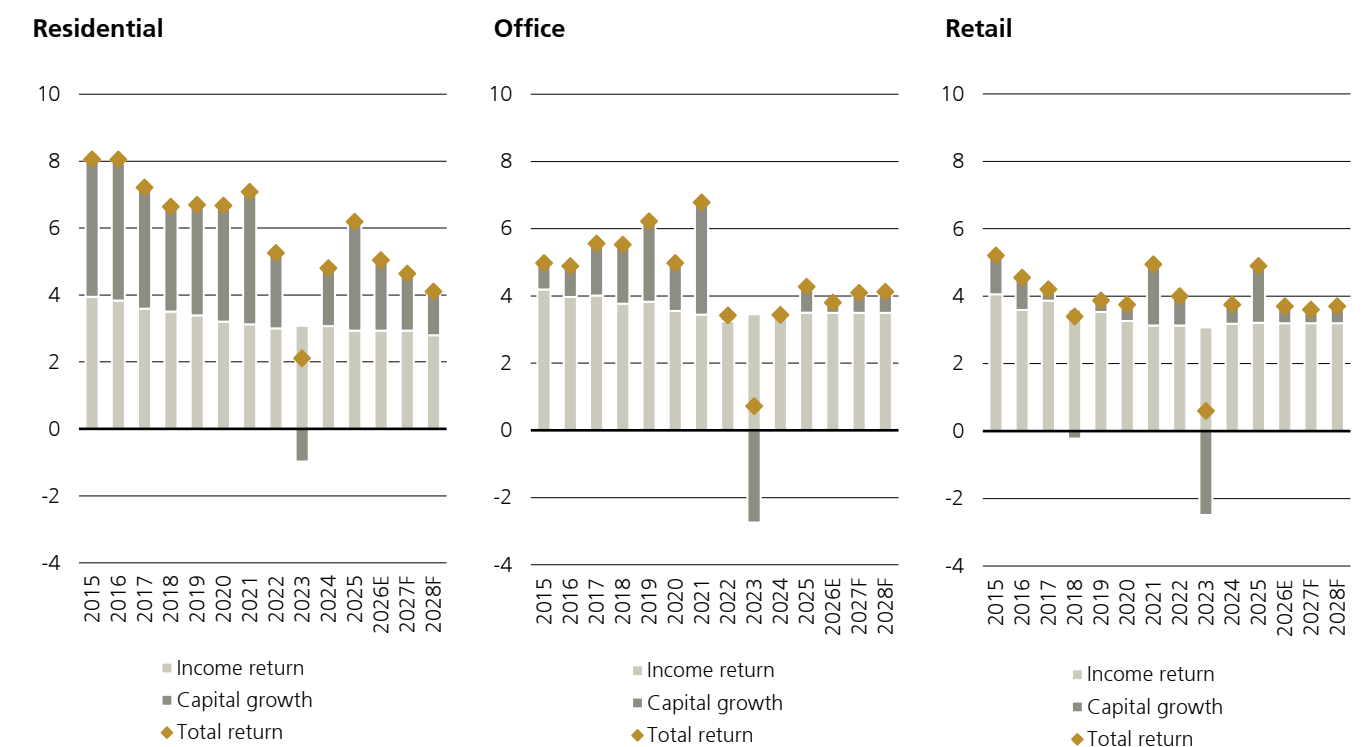
Its appeal means that the Swiss market continues to attract fresh capital seeking deployment. As the aggregate supply of suitable investment properties remains insufficient to meet demand, upward pressure on prices persists, particularly in the residential sector. Although performance in 2026 is expected to fall short of the exceptionally strong value growth recorded in 2025, it should nevertheless remain robust. We forecast capital growth of 2.1% in the residential segment in 2026, followed by 1.7% in 2027. The income return in the residential segment declined to 2.9% in 2025 and is expected to stabilize at around this level this year.

In the commercial sector, income returns remain higher, standing at 3.5% for office properties and 3.2% for retail properties, according to the MSCI Wüest Partner Property Index Switzerland.

This is closely linked to the more subdued capital growth recorded in commercial segments in recent years. The office sector in particular has been affected by pandemic-driven consolidation associated with remote working and the resulting decline in investor demand. For office properties, we expect modest capital growth of 0.3% in 2026. However, assets with high-quality specifications and prime locations are likely to outperform the market average. In 2027, ongoing market consolidation and an improving employment backdrop should support stronger growth of approximately 0.6%.

For retail properties, we forecast average capital growth of 0.5% in 2026 and 0.4% in 2027. Here, too, the continued polarization of the market is likely to result in high-quality assets outperforming the broader market.

Figure 8: Income return, capital growth, and total return of Swiss real estate investments (by segment, in %)



Source: MSCI Wüest Partner; Oxford Economics; UBS Asset Management; August 2026. Latest data point: 2025.

Notes: 1 Total return: standing assets (like-for-like). **Past and expected performance is not a guarantee of future results.**

The implications for investors are clear: Swiss real estate remains attractive, but careful asset selection and risk assessment are essential. In the residential sector, limited supply helps to constrain downside risk, although regulatory intervention could influence long-term investment appetite. In the commercial sector, the potential for higher levels of income alongside more moderate valuations may offer compelling opportunities, but require a careful assessment of occupier demand, asset quality and adaptability. Active asset management therefore remains a key driver of value creation.

More broadly, the Swiss real estate market's strong positioning should not be mistaken for an absence of risk. Regulatory pressure remains elevated, not only in the residential sector. While the rejection of the Housing Protection Initiative in Zurich has provided some short-term relief, further political initiatives are likely given the ongoing tightness in the housing market. At the federal level, a popular initiative on rent regulation could come to a vote next year.

In addition, the proposed tightening of the Lex Koller law, which limits purchases of Swiss real estate by foreign nationals, remains on the policy agenda. On 15 April 2026, the Federal Council launched a consultation on amendments to the Federal Act on the Acquisition of Real Estate by Persons Abroad. The proposed changes include a permit requirement for the acquisition of residential property by third-country nationals, tighter restrictions on holiday homes and aparthotels, limitations on commercial real estate held as an investment and restrictions on indirect real estate investments.

Although direct foreign investment in Swiss commercial real estate is currently limited, such restrictions could nevertheless affect the liquidity of individual transactions and development projects, particularly for large or specialized assets such as hotels and shopping centers.

Under the current proposals, the implications for indirect real estate investments would be particularly far-reaching. If listed real estate companies and real estate funds were made subject to a permit requirement, existing analyses suggest that neither issuers nor stock exchanges would be able to ensure that no foreign investors acquire shares. As a result, delistings would likely be required. This would not alleviate pressure in the housing market and could even indirectly exacerbate existing constraints through reduced capital availability.

In its current form, however, full legislative approval for such a requirement appears uncertain. Both the explanatory report accompanying the consultation process and the regulatory impact assessment point to significant shortcomings in the planned regulations. Nevertheless, the issue remains relevant for investors as regulatory uncertainty can influence investment decisions and market liquidity.

Overall, however, the Swiss real estate market remains well positioned. Strong fundamentals, stable income returns and sustained demand continue to provide a solid foundation, even in an environment shaped by uncertainty and structural change. Investors who carefully consider regulatory, cyclical and asset-specific risks may continue to find attractive opportunities for long-term investment.



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