



## Q4 2015: Switzerland Commercial Property Monitor

# Prime industrials set to outperform while secondary markets remain challenging

### Key macroeconomic trends

The Swiss economy looks likely to have posted sub 1% growth in 2015 following stagnation in the third quarter of the year. Indeed, a rise in consumer spending and modestly positive net trade was offset by the decline in both investment and inventories. Going forward, the Swiss National Bank (SNB) expects the pace of economic expansion to improve slightly, forecasting GDP growth of around 1.5% in 2016. Consumer spending should be underpinned by high immigration and ultra low interest rates (the SNB key policy rate is currently negative, at -0.75%) while the central bank expects an improvement in global demand to support exports. Nevertheless, risks remain tilted to the downside with uncertainty surrounding the health of the global economy and the recent rise in unemployment likely to weigh on consumer confidence. In keeping with the deterioration in the labour market, sentiment remains downbeat on the occupier side of the commercial real estate sector and headline all-sector rents are expected to decline over the course of 2016. In the investment market, capital value expectations are positive (marginally) across the prime areas of the market, but point to prices declining notably across secondary assets.

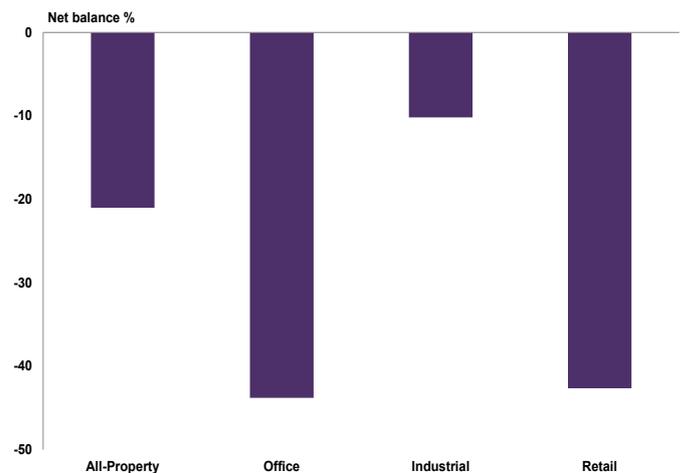
### Occupier Market

- The Occupier Sentiment Index remained negative at -21 with the weakness largely concentrated in the office and retail sectors.
- Demand for leasable space fell across all areas of the market, with retail seeing a particularly steep decline.
- Availability increased sharply in the office segment but was unchanged in the industrial and retail sectors.
- The value of incentive packages offered by landlords increased in the office and retail arenas while holding steady in the industrial segment.
- Rents are expected to fall further over the coming twelve months across all sectors with projections in the office and retail sectors especially negative.

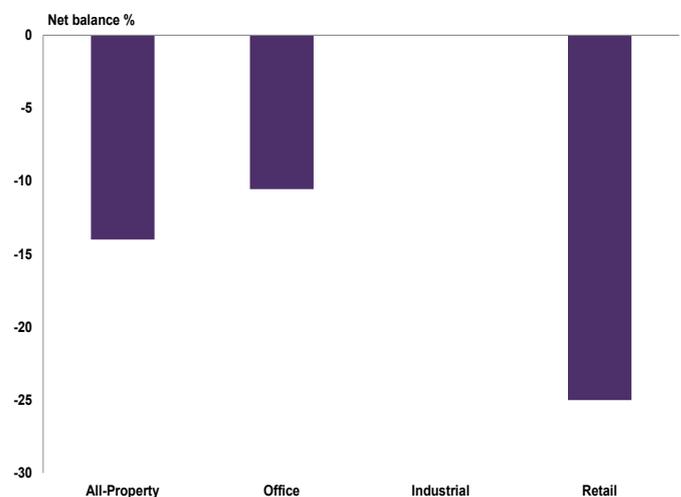
### Investment Market

- The Investment Sentiment Index registered a value of -11 in Q4. The sector breakdown signals a deterioration in investment market dynamics for offices and retails but points to stable conditions in the industrial segment.
- Investment enquiries picked up in both the office and industrial sectors but fell across retail units. The office sector was the only area of the market to see an increase in demand from foreign buyers.
- The supply of property for sale rose in both the office and retail segments but was unchanged within the industrial sector.
- Twelve month capital value expectations are marginally positive across prime markets but remain firmly stuck in negative territory for secondary assets.

### Occupier Sentiment Index

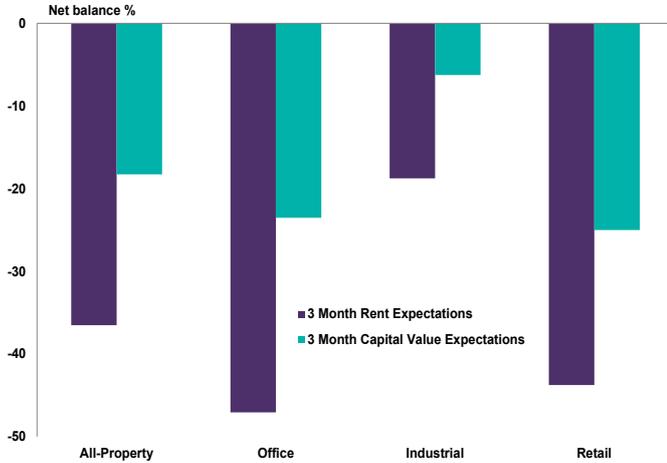


### Investment Sentiment Index

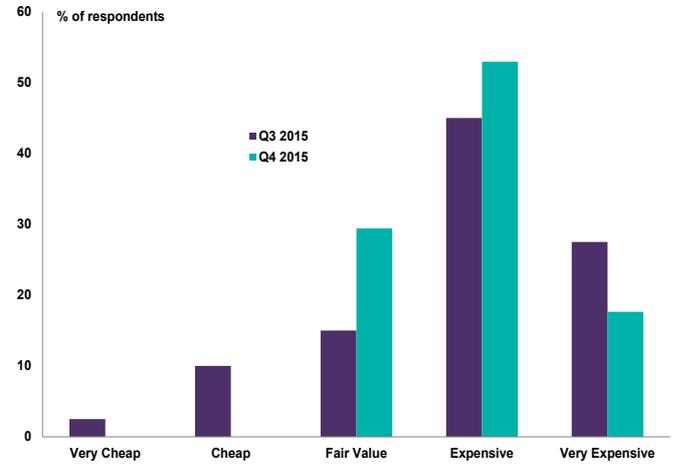


# Commercial Property Market

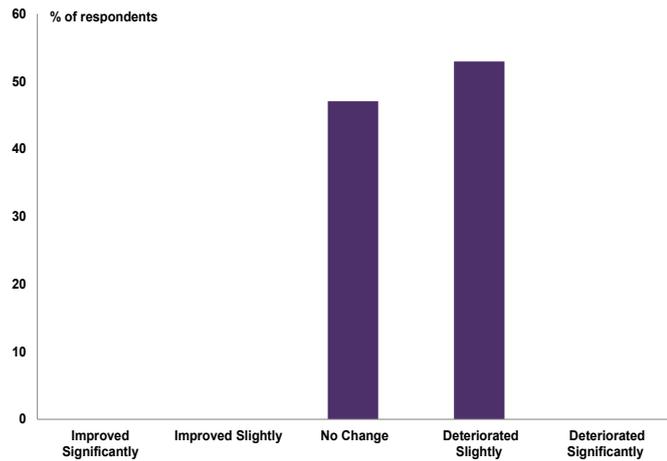
3 Month Rental and Capital Value Expectations - near term expectation expectations remain negative across all sectors, albeit to a lesser extent in the industrial area of the market.



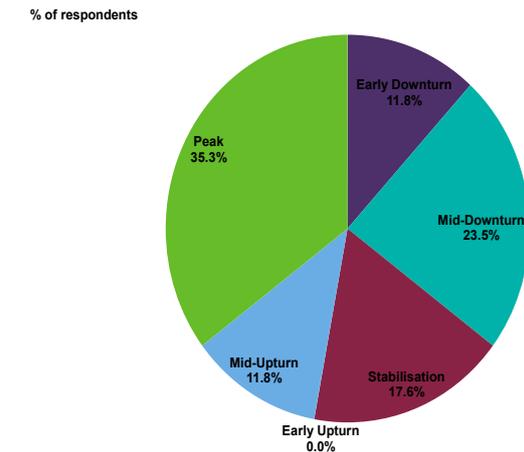
Market Valuations - 71% of respondents felt the Swiss commercial real estate market is overpriced to some extent in Q4, broadly unchanged from the 73% who took this view in Q3.



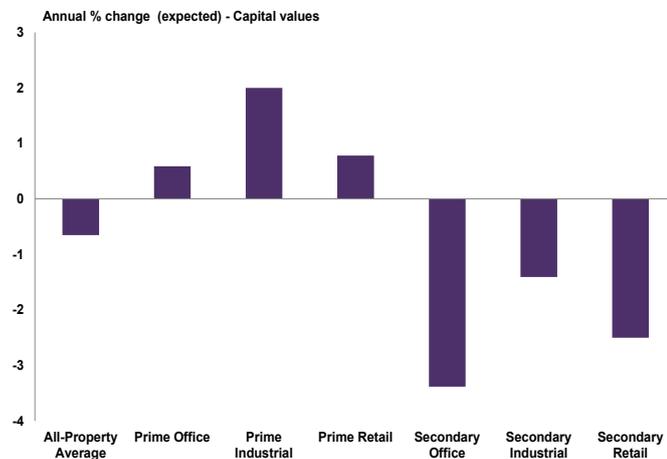
Credit Conditions - 53% of contributors reported a slight deterioration in credit conditions over the past three months.



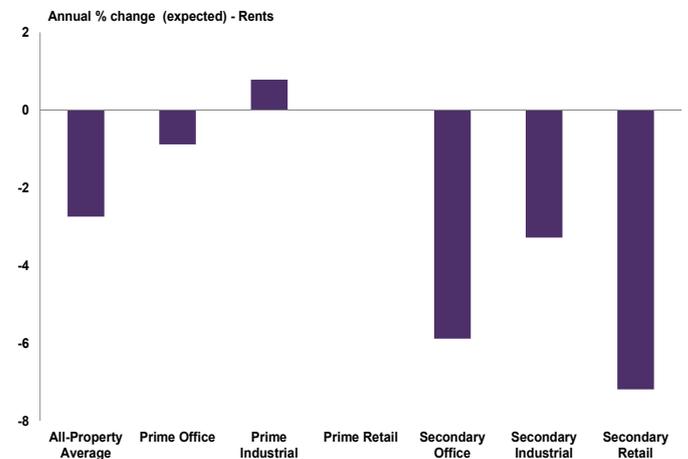
Property Cycle - Respondents expressed mixed views on the current stage of the property cycle, although the largest share (35%) feel conditions in their local market have peaked.



12 Month Capital Value Expectations - The prime industrial sector is expected to chalk up reasonable capital value growth over 2016 while price projections remain firmly negative across all secondary markets.



12 Month Rent Expectations - Secondary market rents are expected to post significant declines while the outlook is broadly flat across the prime areas of the market.



# Information

## Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets.

The Global Commercial Property Monitor is available from the RICS website [www.rics.org/economics](http://www.rics.org/economics) along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

## Methodology

Survey questionnaires were sent out on 1 December 2015 with responses received until 7 January 2016. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1288 company responses were received, with 291 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations.

The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale.

## Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: [economics@rics.org](mailto:economics@rics.org)

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We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

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