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Real Estate Monitor Switzerland

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Editorial

Dear readers

As the year draws to an end, it is time to review the last 12 months and consider the outlook for the coming year. There are increasing signs that we are approaching the end not only of the calendar, but also of certain trends that have been affecting the real estate market. First and most important is the multi-year period of falling interest rates, which is unlikely to be prolonged into the future. The US Federal Reserve Bank is in the process of winding down its accommodative monetary policy, albeit with less determination than originally announced. It is all but certain that our expectation of a second increase in US benchmark rates this month will be realized. The rise in long-term interest rates in recent weeks has already anticipated this development and, among other effects, has weighed on Swiss real estate funds. These have nonetheless reported an annual performance that outshines European real estate investments and Swiss stocks (page 14).

Immigration too will provide less support for the Swiss real estate market in the future. For the first time ever, immigration from abroad declined by a double-digit rate this year, which has a direct effect on the absorption of rental apartments. Still, the year should end on a relatively conciliatory note for many property owners. The glass is still viewed as half full, and the challenges ahead can be faced with confidence. At any rate, as it stands, the interest rate level still has scope for another reduction in discount rates, which would give a renewed boost to valuations by year-end. Real estate yields are still attractive and should encourage further capital flows into the sector in the coming year, to the relief of the construction industry as well as other actors and service providers in the real estate market. You can read about the other effects we anticipate on pages 5 and 6.

While tenants will probably be among the winners next year, potential homeowners face significant financing challenges that will be difficult to overcome, especially for young households. We see increasing evidence of collateral damage from the forced economic cooling on the owner-occupied housing market. In this environment, the topic of imputed interest rates is of vital interest. Ironically, long-term interest rates are making an unexpected leap at the very same time. Since our observations suggest that an easing of the affordability calculation would stimulate a renewed increase in prices, this issue comes down to a balancing act between real estate market stability and the promotion of homeownership (pages 7 and 8).

Furthermore, we have reviewed the effect of the second-home initiative on price growth for owner-occupied housing. Special statistical methods made it possible to quantify the causal effect of the second-home initiative on price developments. This isolated negative effect should be temporary, since its key drivers (increased supply, legal uncertainty) are weakening over time. Provided no other drivers suddenly spark negative effects, this would not be a bad time to purchase a holiday home (pages 10 and 11).

On behalf of our authors, I wish you a happy holiday season with informative and inspiring reading.

Fredy Hasenmaile
Head Real Estate & Regional Research

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Real estate market

What's ahead in 2017?

The political arena is likely to be riveting in 2017. Greater volatility is unavoidable, and even a disaster scenario cannot be completely ruled out. The real estate markets, on the other hand, are unlikely to spring any surprises in 2017. Rather, the current trends should stay on track. Respectable returns in the real estate market will continue to attract investors, encouraging further production of floor space.

Brexit will be an issue throughout 2017

Politics in the new year promises to be just as unpredictable as in 2016, the year of Brexit and a surprising US election upset. Political change of this caliber affects not only exchange rates and interest rate levels, but also the Swiss real estate market. So it is wise to keep an eye on developments. All of Europe is waiting expectantly for the opening negotiations on Brexit. It remains to be seen whether the process will be triggered by the end of March, as declared by Prime Minister Theresa May, because the further the British government looks into the matter, the more it seems to resemble the labors of Hercules. The "acquis communautaire"", the total body of European Union law, contains around 170'000 pages. Much of this has been accumulated since the UK joined the EWR, the precursor organization to the EU, in 1973. How can the British create in two years a substitute for a body of law that the EU has been working on for 43 years? And how can they negotiate when they have no version of their own law? So one of the first surprises of the new year could be the postponement of negotiations, so that the UK does not come under unnecessary time pressure due to the maximum two-year negotiation period.

Politics likely to spark volatility

Political actors will continue to stir up controversy in 2017. The elections scheduled for May in France and autumn in Germany will reveal whether the established parties are capable of channeling voters' disaffection into a smooth course or not. There is a lot at stake for Europe. Referendums in favor of the EU would be difficult to achieve in most member states at the moment. Marine Le Pen has made no secret of her intention to have the French electorate vote on EU membership if she is elected French president – which is not an entirely absurd proposition. An exit by France would spell the end of the EU. This scenario alone shows that 2017 will be an unpredictable year. The same applies on the other side of the Atlantic, where a volatile personality has been elected president. Big issues are coming up for Switzerland as well. In February there will be a decisive referendum on the tax system. If the Corporate Tax Reform III, against which the referendum was organized, is approved, a great deal of uncertainty will be swept away – uncertainty that has hampered companies from setting up offices and, especially in Western Switzerland, choked the economic motor.

Interest rates remain low...

Besides politics, another interesting question in 2017 will be how the central banks organize their exit from an only marginally successful ultra-expansive monetary policy. We expect that after the recent jump in rates, the interest rate environment will ease somewhat next year. After all, the big picture – too much saving and too little investing worldwide – is unlikely to change much. This means real interest rates will be low for some time. A dearth of decent investment opportunities will likely continue to plague investors in 2017, since bonds will hardly make a positive contribution to portfolio returns in future. Given the sparse contributions from government bonds, which were still positive until recently, thanks to falling interest rates, the search for yield is likely to intensify. In this situation, real estate continues to offer very interesting prospects.

...and real estate remains attractive

After the latest sell-off in indirect real estate investments in November, Swiss real estate funds are once again fairly valued with an agio of 24.8%. The payout yield alone gives investors a return of 2.8%. The dividend yield on real estate companies stands at 3.9%, albeit at a higher risk. Net initial yields on directly held real estate objects generally range from 2.5% to 4.5%, depending on their location.

Growing challenges in the tenant markets

While Swiss real estate investments are currently riding high compared to other asset classes, conditions in the rental markets are much less reassuring, especially in an international comparison. Rents in Switzerland are declining, both for commercial properties and, most recently, on the housing market. This is due less to the demand side, although it is hardly dynamic, than to the excessive output of floor space as a result of the interest rate environment. The situation is quite different in many other European markets, where price growth in rents is almost exclusively positive. Only in Russia and parts of Poland and Norway are rents in a downward trend. Switzerland will also report a decline in rents in 2017; there will be no escaping the supply overhang next year.

Property conversions a popular option

As long as interest rates remain at such a low level and the yield spread between real estate investments and risk-free Swiss government bonds remains so wide, there is no end in sight to the steady increase in construction output. Hence vacancies can only be reduced in individual cases with skillful management and price reductions. Since vacancies will continue to increase across the market as a whole, we can expect to see more cases of property conversions in 2017. Conversions may not always add up in terms of targeted returns, but are preferable to long periods of vacancy.

A quiet year for homeowners

For homeowners, on the other hand, 2017 should be a relatively peaceful year. We expect price movements that will be close to zero growth across the country. In our view, the easing in prices observed in German-speaking Switzerland will continue, and increasingly spread to the more reasonably priced regions. In Western Switzerland, where housing prices are already falling, the downtrend should slow. Developments in mortgage rates will become more interesting; we recommend that mortgage borrowers leaning towards Fix mortgage loans use any dips in interest rates to nail down an advantageously long term. The interest rate reversal initiated in the USA seems to be solid, which will make it difficult for Swiss rates, which recently hit a new absolute low, to go any lower. Owner-occupied housing is not entirely isolated from the growing challenges for investment properties. We expect more conversions of rental apartments into condominiums as marketing the numerous new rental units becomes increasingly difficult.

Light and shadow for owners – good news for tenants and producers

On balance, it seems that 2017 will be a year of light and shadow for property owners. Yields are still satisfying for investors, and development property is likely to continue to increase in value, given the trends in spatial planning. Nonetheless, the predatory conditions in the rental markets will only worsen, and will probably have an adverse effect on returns. On the other hand, tenants in all segments have every reason to rejoice. In 2017, they will regain the upper hand, both with regards to rent price growth and in terms of choice. The housing shortage will likely play a role only in major centers. The construction industry will also be on the winning side, with prospects of another year of higher revenues and full order books.

Owner-occupied housing

Spotlight on imputed interest rate

Lowering the imputed interest rate could temporarily enable more households to become a homeowner. However, the subsequent price increases would jeopardize the current market stability.

Imputed mortgage interest rate is a hurdle when buying property

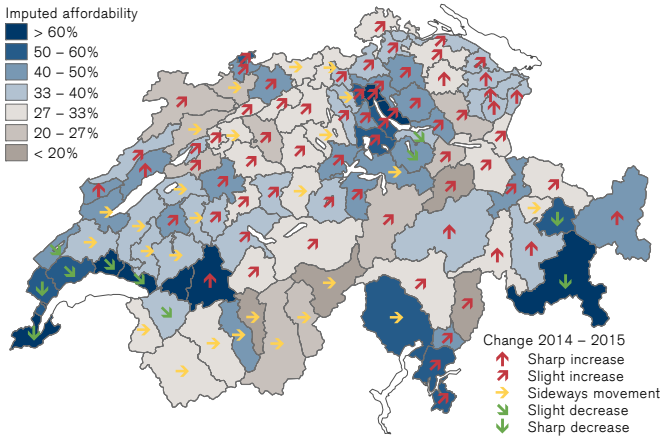
As a result of the sharp rise in housing prices, many young households – especially those without a high income – no longer meet the affordability criteria for homeownership. The dream of becoming a homeowner has become more difficult, or even impossible (cf. fig. 1). At last count, housing prices had only risen 0.5% year-on-year, but until just a few years ago, price increases of 6% and more per year were not at all rare (cf. fig. 2). As part of an affordability assessment, the imputed mortgage rate is second only to the capital requirement as a major hurdle to homeownership. However, the exclusion of certain income groups from homeownership is desirable, from a regulatory view, since it discourages groups with insufficient risk tolerance from acquiring expensive properties.

Falling historical average interest rate tests the 5% threshold

In order to assess affordability, the imputed costs are compared to the potential buyers' income. Most banks currently use an imputed interest rate of 4.5% or 5%, combined with 1% for maintenance and amortization payments. The golden rule of home financing dictates that total financing costs only exceed one-third of gross income in exceptional cases. As an element of self-regulation, banks are required to set the imputed mortgage interest rate based on a long-term average interest rate, but the actual figure is not fixed by law. A rate of 5% corresponds roughly to the average interest rate for a 5-year Fix mortgage[1] between 1983 and 2010 (cf. fig. 3). However, if the time period is extended from 1983 to 2015, the average interest rate for a 5-year Fix mortgage is around 4.5%. The average drops even lower when the time period under consideration only begins in 2000 (2.9%). Based on the uncertain assumption that interest rates will remain low, some market participants are advocating a reduction in the imputed interest rate to as little as 3%.

Fig. 1: Imputed affordability

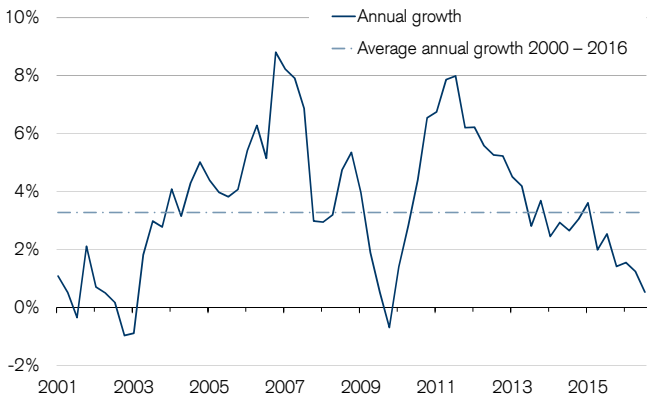
For the average household as % of income under the following conditions: 5% interest, 1% maintenance, 80% LTV, amortization to two-thirds over 15 years



Source: Credit Suisse, Geostat

Fig. 2: Price growth for housing

Growth in transaction prices compared to the previous year's quarter



Source: Wüest Partner

[1] The 5-year Fix mortgage is one of the most popular mortgage products in Switzerland. Hence this term is a good basis for calculating the imputed mortgage interest rate.

Easing would inevitably boost price growth

Historically low mortgage rates have kept the dream of homeownership alive for many households. Lowering the imputed mortgage rate would – at least temporarily – increase the number of households that fulfilled the affordability criteria. Under the current criteria, a household in Switzerland with an average income could afford a home costing up to CHF 730'000 (cf. fig. 4). Using a mortgage rate of 3%, the average household could buy a home costing up to CHF 1'000'000 – provided the necessary down payment was available. To draw a comparison, a new residential property costs around CHF 850'000 on average in Switzerland in the third quarter of 2016. Under the new regime, some households would be able to afford a larger object or a better location, while other households would be able to afford owning a home for the first time. Easing the lending criteria would boost demand and, inevitably, restart the cycle of rising housing prices. At the moment, prices are increasing much more sharply in regions where housing is still affordable, and thus the affordability threshold for the average household is still relatively low. Improved affordability on the back of lower imputed interest rates would thus have a price-driving effect.

Resurgent price growth would raise market risk

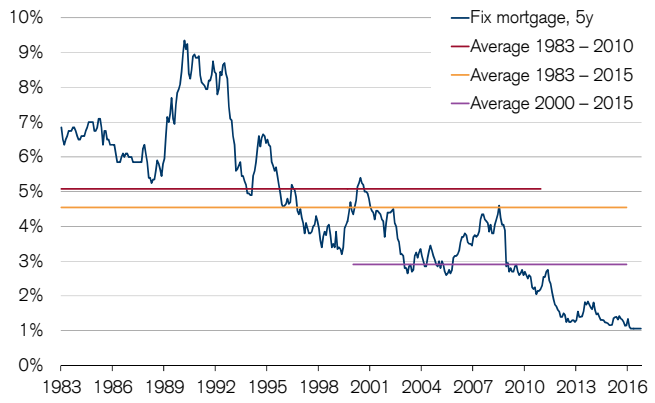
A renewed acceleration in price growth would do nothing for the stability of the housing market. It is in the interests of all market participants that real estate prices develop in a sustainable way. Already today, prices in a majority of Swiss regions are no longer at a level that is sustainable in the long term, since price growth has been outpacing income growth for 16 years. The current calm is largely due to banks' self-regulation measures. If price growth picks up again, imbalances will soar to new highs in many locations. This would revive the danger of a real estate bubble and increase the distance that real estate prices could fall in the event that it bursts. It is extremely difficult to estimate the sustainable future interest rate level given the expansive monetary policy now being pursued in many parts of the world. Only in hindsight, after this abnormal market phase is over, will we be able to judge whether the currently applied imputed interest rate was overly cautious.

Alternatives exist

There are other measures that could bolster the risk tolerance of certain income groups, rather than a general lowering of the imputed interest rate. Banks certainly have some leeway when granting credit, and can adjust the financing guidelines to individual household situations, within the bounds of their business policy. The guidelines only define some of the parameters involved in granting credit, and this is done purposefully so that personalized solutions are possible. Moreover, sector regulations allow for exceptions. Every bank is entitled to design individualized solutions in a certain number of cases. This would avoid the price-stimulating effects of a general lowering of the imputed interest rate.

Fig. 3: Historical development of 5-year Fix mortgages

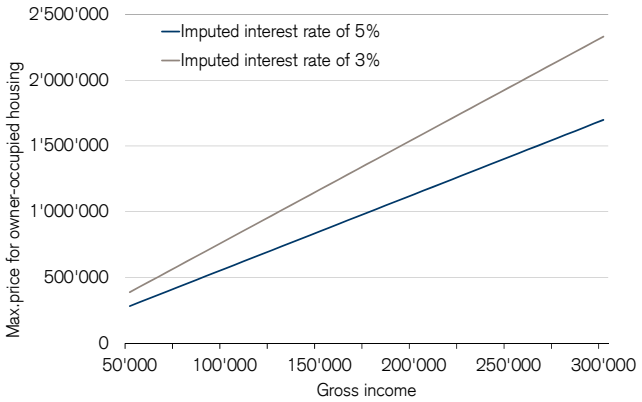
Interest rate for 5-year Fix mortgages



Source: Credit Suisse, Datastream

Fig. 4: Maximum affordable price for housing

Loan-to-value ratio: 80%, affordability calculation including maintenance (1%) and amortization to two-thirds over 15 years



Source: Credit Suisse

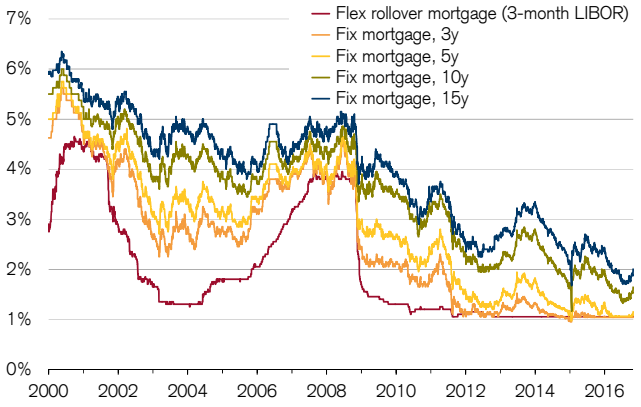
Owner-occupied housing

Mortgage rates remain low despite recent increase

The robust economic trend in the USA and higher inflation expectations after the US presidential election resulted in a marked increase in long-term mortgage rates. Despite the recent jump, rates are still at comparably low levels: as of November 23, 2016, 10-year Fix mortgages were available at 1.81%, which is 125 basis points (1.25 percentage points) below the average since 2005 of 3.06%. We expect the Swiss National Bank (SNB) to leave the target range for policy rates unchanged at –1.25% to –0.25% over the next 12 months. Thus we expect short-term rates to stay in a sideways pattern, while medium- and long-term rates remain volatile.

Fig. 5: Mortgages with various terms

Interest rate for new loans



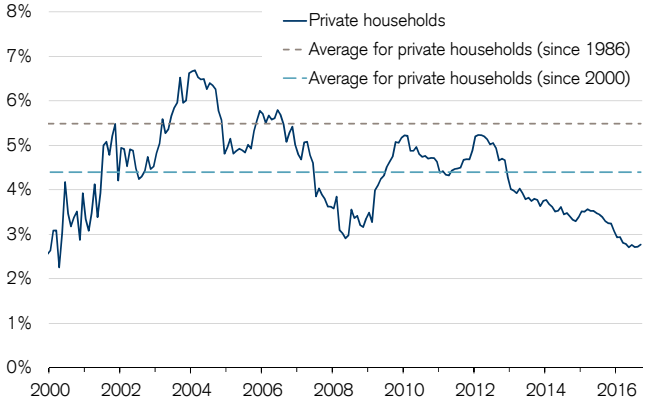
Source: Credit Suisse

Further calming in mortgage volume growth

Although favorable financing conditions continue to make homeownership appealing, banks' (self-)regulatory measures, combined with the current high price levels, have the effect of depressing demand for owner-occupied housing. This is evident not only in the price trend for housing, which is steadily running out of steam (cf. fig. 2), but also in the development of mortgage lending volumes for private households. The latter posted growth of just 2.8% in August 2016, which is well below the average since 2000 (4.5%) and even further below the average since 1986 (5.5%). A lower rate of growth has not been reported since April 2000.

Fig. 6: Growth in mortgage volumes for private households

Annual growth in mortgage volumes for private households, nominal



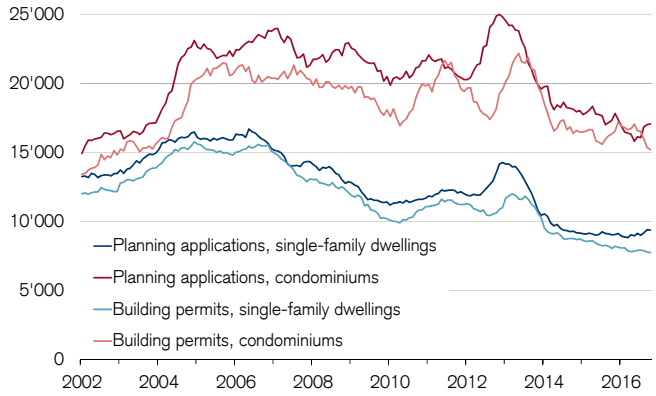
Source: Swiss National Bank, Credit Suisse

Construction of new condominiums and single-family houses should pick up a bit again

Depressed demand for owner-occupied housing weighed on planning for new housing projects. As of September, the 12-month total of condominiums approved for construction was 15'200, the lowest figure since the end of 2002. In the single-family dwelling segment, only 7800 houses had been approved for construction in the 12 months to September, the lowest figure since record-keeping began in 2002. However, the trend in planning applications in both segments suggests that more housing projects will soon be approved and built. Low interest rates keep the dream of homeownership alive, which should gradually help output to stabilize.

Fig. 7: Planned construction of owner-occupied housing

Number of housing units, moving 12-month total



Source: Baublatt, Credit Suisse

Second homes

Prices lower due to second-home initiative

Voters' approval of the second-home initiative put a stop to price growth of owner-occupied housing in second-home municipalities. Instead of continuing their dynamic rise, prices actually fell slightly. This was reported in a study that analyzed the effects of the initiative in isolation for the first time.

In March 2012, a wafer-thin majority of 50.6% accepted the second-home initiative. The initiative calls for rigorous intervention in the housing markets of the affected regions. In the aftermath, the effects of the initiative were the subject of exhaustive discussion and speculation. Today, more than four years after the referendum, there is sufficient data available to assess the impact of the initiative on housing prices. Early analysis had been carried out, but it was impossible to clearly distinguish the effect of the second-home stop from other factors such as the Swiss franc shock. With special statistical methods (see next page) it is now possible to quantify the causal effect of the second-home initiative.

Sharp price drops following approval of second-home initiative

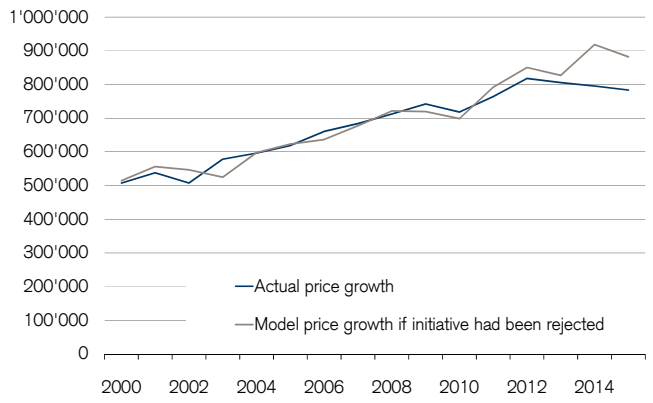
Figure 8 compares the actual price development in second-home regions with a model of the price development in the scenario in which the initiative was rejected. This highlights that the second-home initiative had an adverse effect on prices for owner-occupied housing. In 2012 and 2013, there were no clear differences between the two price trends. However, by 2014 actual prices were 15.4% lower on average than the model indicated they would have been if the initiative had been rejected. And in 2015 average prices were still 12.6% lower than the model prices.

2015: housing prices CHF 100'000 lower due to acceptance of the initiative

In absolute terms, this means that the average price of housing in second-home regions was around CHF 70'000 lower per condominium or house because of the initiative than it would have been if the initiative had been rejected (cf. fig. 9). In 2014 the difference climbed to CHF 122'000 and in 2015 it was still a considerable CHF 100'000 on average. This shows that the initiative caused a significant price drop in second-home regions. The results are statistically highly significant, and other effects such as the franc shock were factored out.

Fig. 8: Housing prices in second-home municipalities

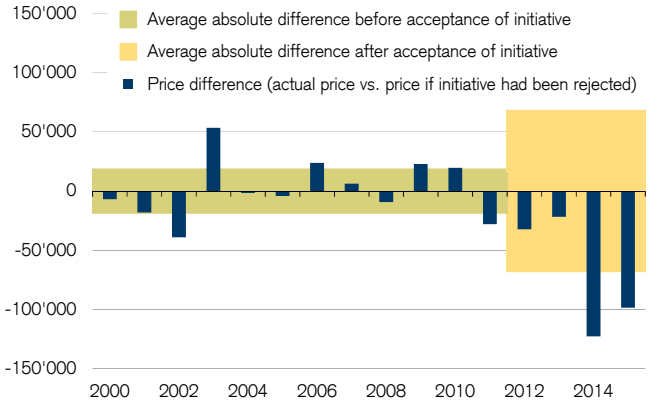
Average transaction prices, in CHF



Source: SRED, Federal Office for Spatial Development

Fig. 9: Price difference: actual prices vs. price if initiative had been rejected

Difference in CHF



Source: SRED, Federal Office for Spatial Development

Prices declined on short-lived building boom, legal uncertainties and buyer reluctance

It might seem that placing a limit on the construction of second homes would tend to trigger higher prices. So how can we explain the decline in prices? The answers can be found on both the supply and demand sides. On the supply side, the rush to submit applications before the initiative came into effect boosted planning above the average. Many landowners wanted to quickly build second homes since their land stood to lose great value otherwise. While objections prevented all the planned objects from being built, the initiative nonetheless sparked a short-term surge in output, which had a negative effect on price levels. On the demand side, it was the legal uncertainties prior to the presentation of the second-home legislation in March 2015 that discouraged potential buyers. Other factors – such as the economic trend, stricter lending requirements for mortgages and the appreciation of the Swiss franc – were controlled in the methodology applied and can thus be ruled out as contributing to the effect.

Can a reversal in the price trend be expected in the long term?

The initiative costs the construction industry many orders. While robust demand for primary homes in many valley communities and regional centers of the mountainous areas staved off the worst fears, the fact remains that permits for apartments and houses in second-home regions are down by nearly 50% compared to the 2011 level. This is a heavy blow for the construction sector and even put some companies out of business. Municipalities are also smarting from the lower revenues: the taxation of second-home owners as a potential revenue source to fund infrastructure is a concept found in only a few communities to date. Most municipalities are cautious and prefer to explore other ways to integrate second-home owners. Over time, the remaining uncertainties regarding implementation of the second-home law should dissipate, and the existing oversupply of second homes should diminish. Then the effect of limiting new construction of second homes can gradually emerge, leading to a potential increase in prices. Owners of apartments that are not covered by the new law can especially benefit, since their properties can still be sold as second homes.

Underlying methodology: in order to determine the causal effect of an intervention, and isolate it from other factors, there must be a control group that has the greatest possible similarity of characteristics as the affected group. The idea is that the control group will show how the affected group would have developed in the absence of the intervention. In the case of the second-home initiative, municipalities consisting of more than 20% second homes qualify as the affected group, while all others can be viewed as the control group. The problem here is that the municipalities affected by the second-home initiative are not completely similar to the control municipalities – hence this methodology does not deliver reliable results. For this reason, this analysis applies the synthetic control method, in which for each individual municipality only the control municipalities whose data are the most similar to the affected one are selected and weighted for comparison. In this way, every second-home municipality has a synthetic control municipality that matches it as closely as possible. The difference in the price track between the second-home municipality and the synthetic control municipality reflects the causal and isolated effect of the second-home initiative.

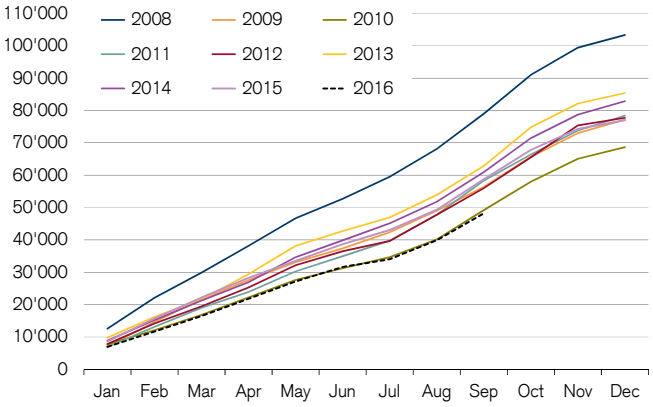
Rental apartments

Immigration 2016: back to 2010 level

Immigration of foreign residents slowed significantly throughout the year. Stagnant employment and lower job offerings resulted in fewer persons immigrating to Switzerland. At the same time, emigration increased thanks to the economic recovery in many immigrants' countries of origin. At the end of September, cumulative net migration reached around 48'200 persons, 18% fewer than a year earlier. Since the free movement of people was ratified, net migration has only been this low in 2010. The low number of immigrants weakened demand for rental apartments, which, combined with the big increase in supply, boosted the number of vacant rental apartments in 2016.

Fig. 10: Net migration of foreigners

Cumulative net migration of foreign residents, excluding registry corrections



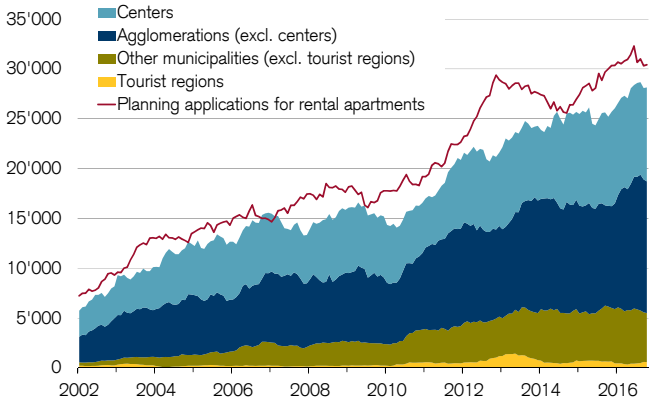
Source: State Secretariat for Migration, Credit Suisse

Planning for new rental apartments tapering at a high level

The current environment of low interest rates makes real estate much more attractive than many other long-term investments. The consequence: great amounts of money streaming into construction of rental apartments. The number of building permits for rental apartments has dipped slightly from its high in July 2016 (–1.9%), but is still at a high level (+13%) compared to the figure for the previous year. In addition to consistently high planning activity in city centers, an increase in agglomeration municipalities (+16%) contributed to these high values. At the moment, planning applications have decreased slightly, but construction activity is likely to pick up further since order intake will benefit from the higher number of permits issued.

Fig. 11: Planning applications and building permits for new rental apartments

Building permits by type of municipality and total planning applications in numbers of housing units, moving 12-month total



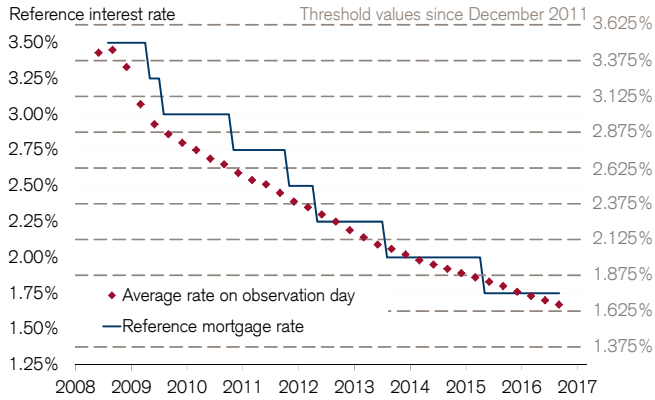
Source: Baublatt, Credit Suisse

Reference interest rate to fall to 1.5% in 2017

In the current environment of low interest rates, a majority of mortgages are being renewed at lower rates. This fact resulted in the average interest rate falling by 3 basis points, to 1.67%, as of December 1, 2016. This keeps the reference interest rate unchanged at 1.75%. However, the threshold required for the next cut, 1.625%, is approaching ever closer – it is now only 4.5 basis points away. We think that the reference interest rate will break below this threshold in June 2017, and that the reference mortgage rate will be reduced again – but for the last time. The many probable applications for rent reductions would put pressure on rental income for property owners.

Fig. 12: Reference rate and average rate

Reference mortgage rate and average interest rate on reference date



Source: Federal Housing Office, Credit Suisse

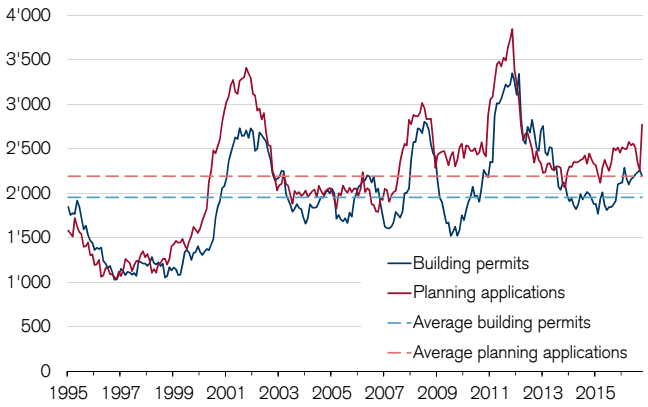
Commercial real estate

Office property: low interest rates encourage (too much) planning

Although the stagnating labor market trend and structural changes (outsourcing and automating jobs) make for little stimulus on the demand side of the office property market, new office projects are constantly being drawn up. The 12-month total of building permits currently exceeds the long-term average since 1995 by 12%, or by a construction value of CHF 240 million. This is due to the environment of low interest rates, in which investors are prepared to accept higher vacancies and lower yields. The sharp increase in planning applications in October 2016 can be traced to Roche's Building 2 in Basel, with projected construction costs of CHF 550 million, which will be the future workplace for around 1700 employees.

Fig. 13: Planned new office space

Construction value in CHF m, new build, moving 12-month total



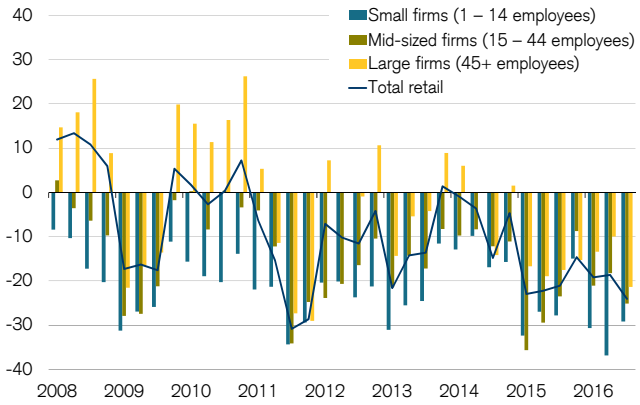
Source: Baublatt, Credit Suisse

Retail property: barely any demand stimulus

The retail business is in the midst of structural change due to the shift in revenues to online channels. As if this were not enough of a challenge, there is no sign of a recovery in the revenue trend. Shopping tourism – both in stores and online – is a particular problem. From January to September 2016, retail sales fell –1.2% year-on-year, entirely due to the miserable sales trend in the non-food segment (–3.0%). The retailers surveyed by the KOF economic research unit of the Federal Institute of Technology in Zurich had a correspondingly negative view of their income situation over the last three months. As a result, demand for retail space is very modest.

Fig. 14: Retailer survey on income situation

Balance of positive (= improved) and negative (= worsened)
Responses on income situation over the last 3 months



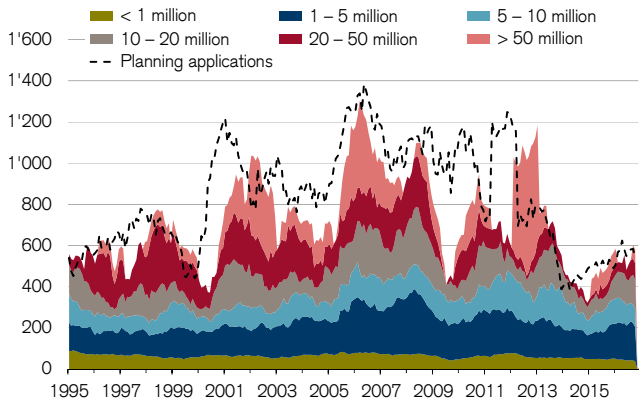
Source: KOF economic research unit of the Federal Institute of Technology in Zurich

Retail property: development of new space stuck at below-average level

High vacancies and lower yields are also evident on the retail property market. However, this is due less to market distortions based on interest rate-driven production of retail space than to weak demand (see above) and cautious investors. In October 2016, the 12-month total of building permits for retail space reached a value of CHF 580 million, which is 14% higher than a year earlier, but still around 20% lower than the average since 1995. Investor reticence is particularly obvious in the modest planning of large-scale retail projects. The only project with a construction value of more than CHF 50 million is the expansion of the Tenero shopping center approved in September 2016.

Fig. 15: Planned new retail space

Building permits by project size and value of total planning applications in CHF m, new build, moving 12-month total



Source: Baublatt, Credit Suisse

Indirect real estate investments

Rise in long-term interest rates weighs on real estate funds

The rise in interest rates in recent weeks did not leave real estate funds untouched. These lost considerable ground, although they still offer a large surplus return compared to the overall European market.

Higher inflation expectations in the USA sent global long-term interest rates north

After the surprising election of Donald Trump, long-term interest rates rose sharply as inflation expectations increased in the USA given the president-elect's plans for a more generous fiscal policy. Higher government spending, e.g. on infrastructure, could help to refuel inflation. This would limit the US central bank's room for maneuver and make further increases in benchmark interest rates more likely. Even though nothing currently suggests that the SNB would consider raising interest rates in the near future, here too the yield curve steepened considerably. With daily highs of nearly –0.1%, the yield on 10-year Swiss benchmark bonds is approaching its high for the year 2016 (cf. fig. 16).

Swiss real estate funds post solid annual performance despite price declines

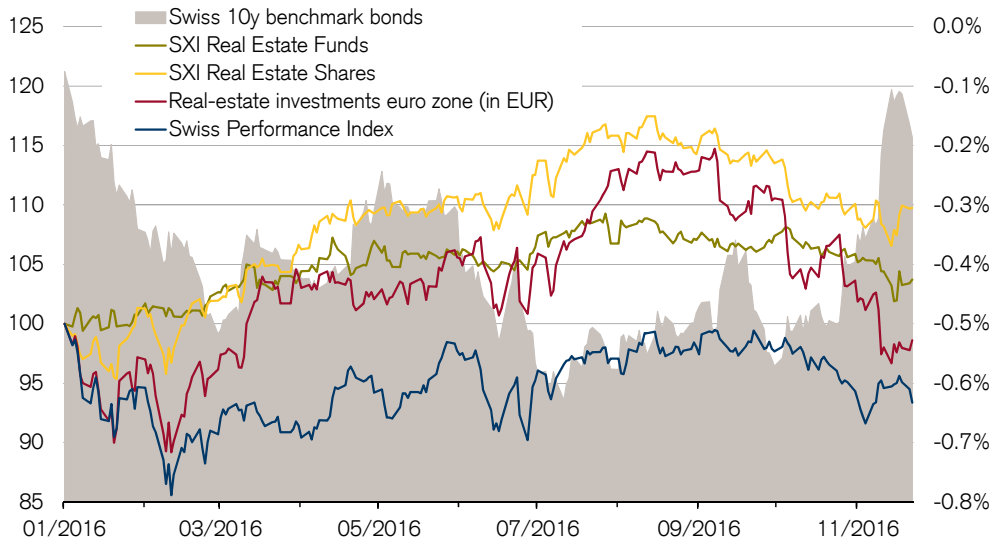
As a result of the increase in long-term interest rates, prices for Swiss real estate funds fell considerably (cf. fig. 16). Performance since the beginning of the year, which stood at +7.4% at the end of the third quarter, now amounts to just +3.7% (as at November 22, 2016). Even at this level, Swiss real estate funds post a better return than real estate investments in the euro zone (–1.4%) or Swiss shares (–6.6%). Total performance for Swiss real estate shares came in even better (+9.7%), although they are exposed to substantial risk of further price corrections, since they are primarily active in the office and retail property markets, which are faced with oversupply and falling rents.

No exit from the property market foreseen in the medium term

Agios of 24.8% (as at November 22, 2016) are still well above the long-term average since 1990 of 15.8%, albeit lower than values that sometimes exceeded 35% in the first half of the year. Real estate funds should remain popular, and their dividend yield, currently at 2.8%, is still comparably attractive even after the recent increase in interest rates. At the same time, the pressure on the Swiss franc remains high, and there is no sign of the SNB renouncing its negative interest rate policy any time soon.

Fig. 16: Total performance for listed Swiss real estate funds in comparison

Index: January 1, 2016 = 100 (left scale), yield on Swiss 10-year benchmark bond (right scale)



Past performance is no guarantee of future returns. Performance may be affected by provisions, fees and other costs, and exchange rate fluctuations.

Source: Datastream, Credit Suisse

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