Real estate

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1H26 Switzerland – Real Estate Outlook

An anchor in a volatile environment

UBS

Demand remains high

Stability takes priority in a challenging environment

2025 was a year marked by economic policy uncertainty. International tensions and US import tariffs placed considerable pressure on export-oriented economies – including Switzerland.

At the beginning of 2026, geopolitical uncertainties moved back into focus. The sharp rise in both the level and volatility of energy prices is fueling stagflation concerns, although Switzerland is once again expected to demonstrate resilience in international comparison.

The Swiss real estate market experienced exceptionally strong demand over the past year. Capital market transactions reached record levels, with residential funds in particular recording premium expansions, and defensive segments saw further yield compression. Real estate has once again proven to be an anchor – offering inflation-protected rental income and attractive diversification benefits due to its low correlation with other asset classes.

In our 1H26 Switzerland – Real Estate Outlook, we examine the current situation and prospects of the Swiss real estate market in today's environment. **How is the Swiss market positioned in this challenging landscape? How sustainable is the momentum in the residential segment? What developments are shaping the commercial user markets?**

Economic environment

Uncertainty as the defining feature of the economic outlook

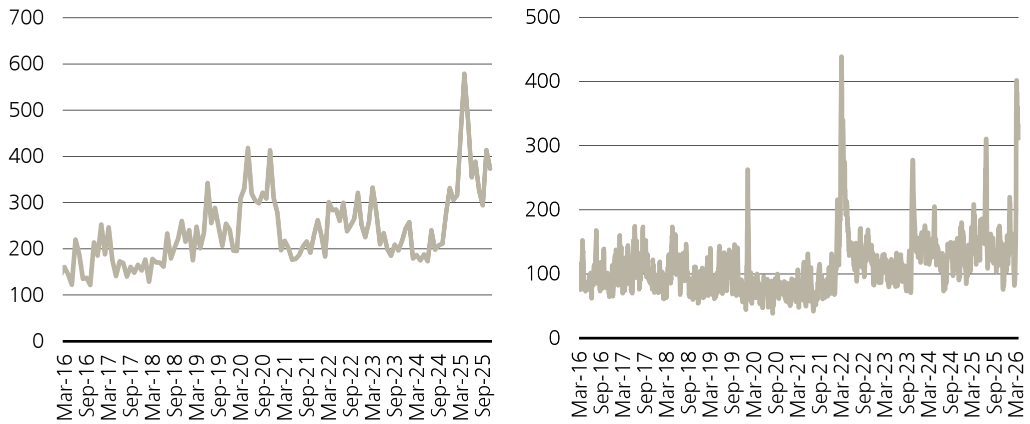
When uncertainty becomes the constant

The year 2025 was marked by a high degree of economic policy uncertainty. In particular, US import tariffs placed a noticeable burden on export-oriented economies such as Switzerland.

With the start of 2026, geopolitical risks have once again come to the forefront. The conflict in the Middle East has driven commodity markets into extreme volatility and has fueled concerns about stagflation. Europe is feeling these effects very acutely, which is dampening the expected economic recovery.

Switzerland, by contrast, remains resilient in international comparison: a lower energy share in the consumer basket, regulated electricity prices and a strong Swiss franc all provide stabilizing effects. At the same time, the franc's role as a safe-haven currency increases pressure on the export sector. In the baseline scenario, Swiss GDP growth is expected to remain at 1.1% in 2026, while inflation is likely to come in slightly above previous expectations.

Figure 1: Uncertainty continues to increase
Left (1a): Global Economic Policy Uncertainty Index (Index, 1997–2015 = 100)
Right (1b): Geopolitical Uncertainty Index (Index, 1985–2019 = 100, 7-day moving average)



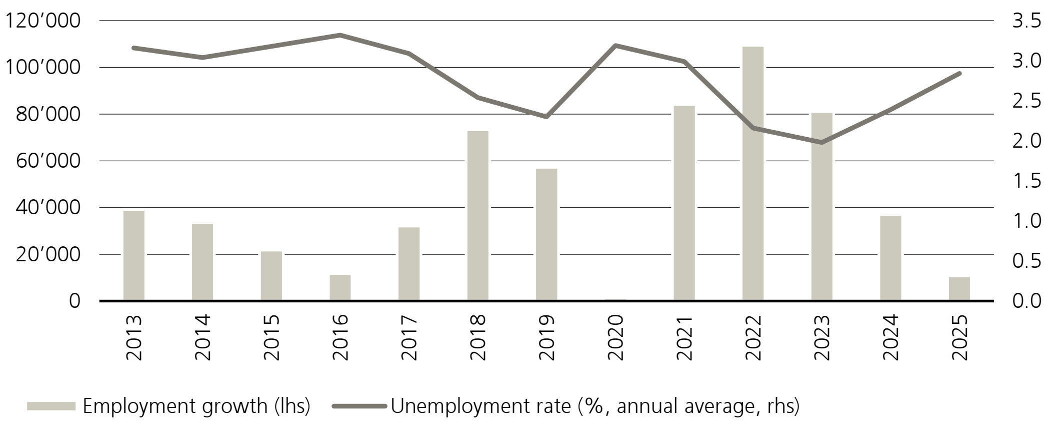
Sources: Davis, Steven J., 2016. 'An Index of Global Economic Policy Uncertainty', Macroeconomic Review; latest data point: November 2025; Caldara, Dario & Matteo Iacoviello (2022), 'Measuring Geopolitical Risk', American Econ. Review; latest data point: 23 March 2026.

2025 marked by economic policy uncertainty

High uncertainty continues to dominate the economic environment, with economic policy uncertainty a particularly prominent factor in 2025 (see Fig. 1a). In particular, US import tariffs placed considerable pressure on international trade. For a small, export-oriented economy like Switzerland, this posed a significant challenge. The industrial sector has been hit especially hard. This is clearly reflected in the Purchasing Managers' Index (PMI), which has remained below the 50-point growth threshold since January 2023. The labor market data from the Federal Statistical Office also mirrors this weakness: in 2025, industrial employment declined by roughly 2,100 full-time equivalents.

The services sector is performing somewhat better. Private consumption remained solid thanks to rising real wages, even though consumer sentiment is subdued given the elevated uncertainty and the slowdown in labor market dynamics. Over the course of 2025, the seasonally adjusted unemployment rate rose from 2.6% in January to around 3.0% in December. Despite the decline in industrial employment, overall job growth in 2025 remained positive but reached only about 10,800 full-time equivalents – roughly 71% below the previous year and around 79% below the average over the past ten years (see Fig. 2). Overall, the Swiss economy still managed to grow by 1.4% in 2025 (adjusted for calendar effects and major sporting events), supported by a very strong first quarter driven by various front-loading effects.

Figure 2: Labor market momentum slows noticeably
Employment growth (total, full-time equivalents, lhs); unemployment rate (%, annual average, rhs)



Source: Federal Statistical Office, Oxford Economics, UBS Asset Management; March 2026; latest data point: 4Q25.

2026: Geopolitical escalation fuels stagflation concerns

At the start of 2026, geopolitical uncertainty has once again moved sharply into focus (see Fig. 1b). The US intervention in Venezuela and the hostilities over Greenland, together with the outbreak of conflict in the Middle East on 28 February, have all contributed to a significant rise in uncertainty. With the escalation in the Middle East, fears of stagflation have resurfaced. Commodity prices have increased sharply and are showing exceptionally high volatility.

The European economy is being hit particularly hard. Although Europe imports only a limited share of oil and gas directly from the crisis region, it is heavily dependent on commodity imports and therefore exposed to global market prices. The high weight of energy in the consumer basket, combined with low gas storage levels following a cold winter, further intensifies this effect. As a result, hopes for a swift recovery in the European – and especially the German – economy that emerged last year have been somewhat dampened. The European Central Bank has corrected its inflation forecast up to 2.6% for 2026 from its December forecast of 1.9% and has revised its growth forecast down from 1.2% to 0.9%.

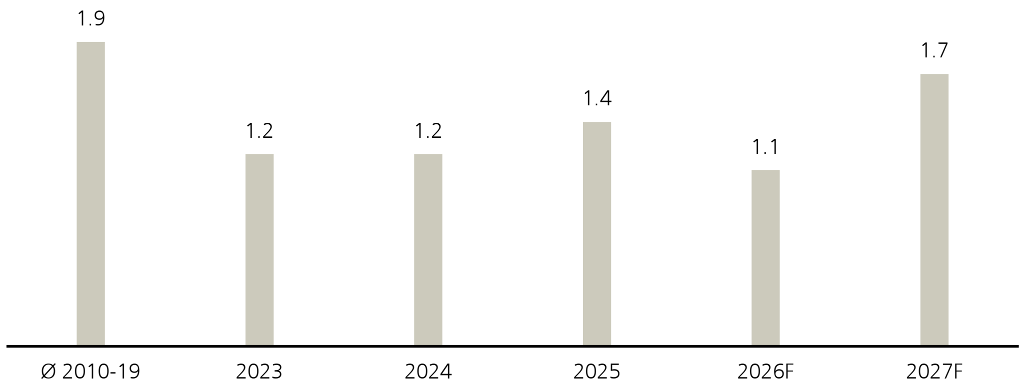
Relative resilience of the Swiss economy

The Swiss economy is less directly affected. This is due to the lower weight of energy in the consumer basket, regulated electricity prices – which already provided a protective buffer in 2022 and 2023 – and the strength of the Swiss franc. The latter has also contributed to Switzerland's currently very low inflation rate, which averaged 0.2% in 2025.

Nevertheless, the Swiss economy will increasingly feel the strain the longer the conflict persists. While the strong franc helps to dampen inflation, its safe-haven status reinforces appreciation pressures and places an additional burden on the export sector. As an open economy, Switzerland is also not immune to an economic downturn abroad.

In our baseline scenario, Swiss economic growth in 2026 remains unchanged at the previously projected 1.1% (see Fig. 3), with downside risks growing day by day. The expected acceleration in growth in 2027 may, also prove somewhat weaker depending on potential downward revisions to the eurozone outlook. Inflation is likely to come in slightly higher than previously expected (0.3%). The Swiss National Bank's policy rate, however, is expected to remain unchanged – even though financial markets currently fully price in a 25 basis point rate increase by December 2026 (as of 30 March 2026).

Figure 3: Below-average growth expected for 2026
Real GDP growth in Switzerland (seasonally and sport-event adjusted, year-on-year change, in %)



Sources: State Secretariat for Economic Affairs SECO, KOF Swiss Economic Institute; latest data point: 2025.
This does not constitute a guarantee by UBS Asset Management.

In the downside scenario, the energy price shock persists for a longer period, which would lead to stronger upward pressure on inflation and weigh on growth, particularly in the eurozone. The direct impact on Swiss inflation is still likely to remain limited due to the factors mentioned above. However, second-round effects could also become noticeable in Switzerland. At the same time, the Swiss franc would be expected to come under continued appreciation pressure. Should the European Central Bank be forced to respond with rate hikes, this could partially offset the franc's strength.

Investment market

Strong demand for Swiss real estate investments

Stable values in turbulent times

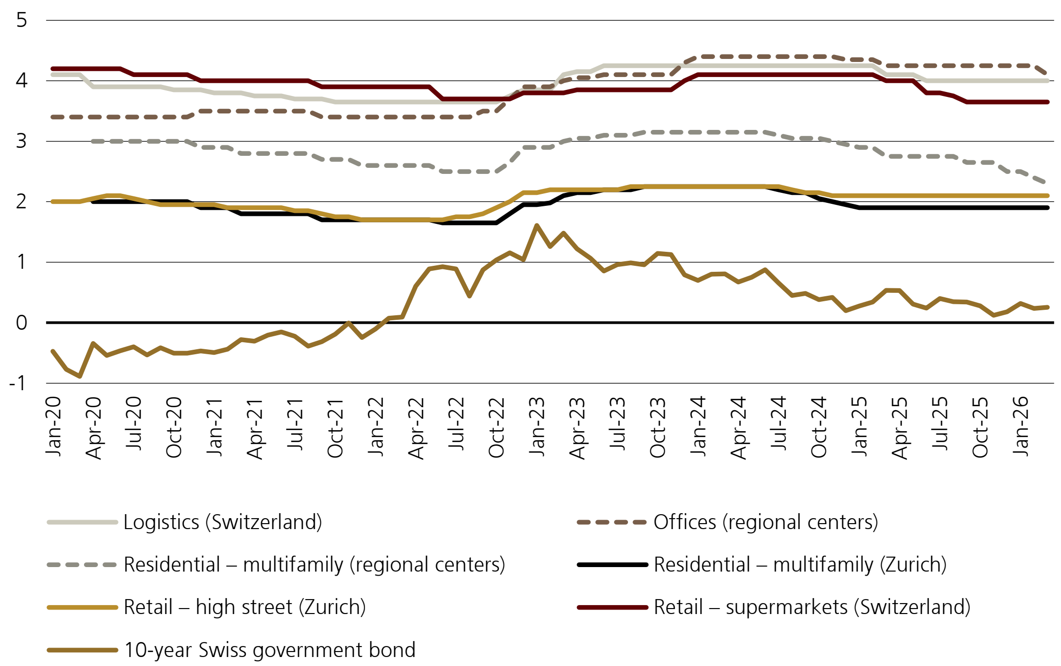
The Swiss real estate market saw exceptionally high activity in 2025: capital market transactions reached a record volume, and residential property funds were particularly in demand, as reflected in rising premiums. Defensive segments experienced further yield compression – a sign of strong demand for stable, well-leased properties in a low-interest-rate environment.

Despite rising geopolitical uncertainty in 2026, real estate remains a reliable anchor of stability within portfolios: it provides often inflation-protected, predictable rental income and valuable diversification.

Strong momentum in the capital market
Swiss real estate enjoyed exceptionally high popularity over the past year. This is reflected in a record year for capital market transactions, which totaled around CHF 7.5 billion, according to the data registered by alphaprop. Approximately CHF 3.7 billion of this volume was attributable to listed real estate funds. Despite the high volume of new capital raisings, the premiums of listed funds continued to rise over the course of 2025, increasing from an average of around 31% at the beginning of January to approximately 36% by the end of December. Products with a residential focus were particularly sought after, while the challenging macroeconomic environment continued to dampen demand for products focused on commercial real estate.

Defensive segments with the strongest compression
Yield developments in the Swiss real estate market were characterized by a phase of stabilization and selectively stronger compressions in 2025. In the defensive segments of residential and grocery-anchored retail, yields declined markedly, reflecting the strong demand for long-term, well-leased properties (see Figure 4). The yield compression observed since the peak in 2023 and 2024 was closely linked to the lower level of government bond yields, which averaged around 0.3% in 2025 – roughly 80 basis points below the average level recorded in 2023. Following the rapid rise in interest rates in 2022/23, real estate risk premia had temporarily fallen sharply, but have since recovered significantly.

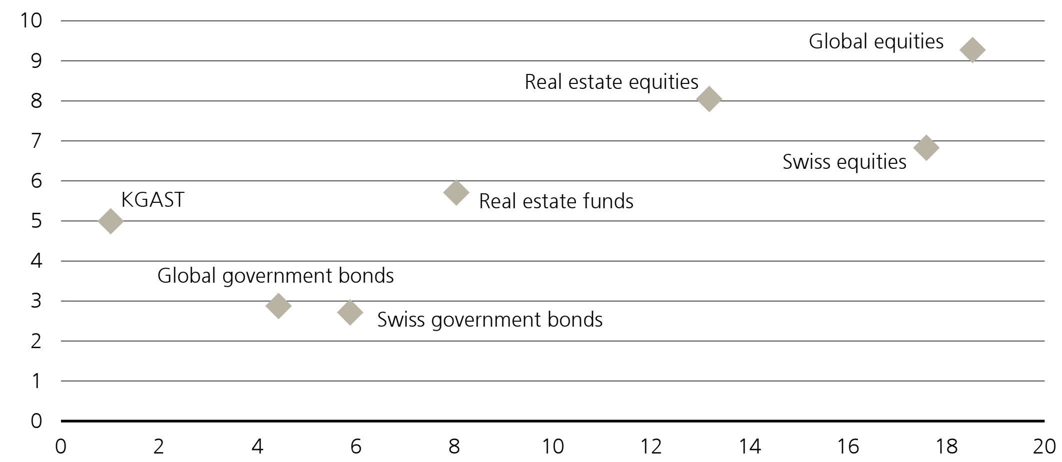
Figure 4: Real estate yields showing stabilization and selective compression
Yield on 10-year government bonds and prime real estate (%)



Source: CBRE; Refinitiv Datastream; UBS Asset Management, Latest data point: March 2026. **Past performance is not a guarantee of future results.**

Real estate as a stabilizer within a portfolio
Despite the market movements described above, which highlight the interest-rate sensitivity of real estate investments amid inflation concerns, real estate remains an attractive asset class in the current environment and continues to demonstrate its compelling strengths. Stable rental income – often indexed in the commercial segment – provides an effective hedge against inflation, while offering important diversification benefits within multi-asset portfolios. Correlations with other asset classes are comparatively low, and NAV-based products in particular exhibit limited volatility (see Fig. 5). Against this backdrop, Swiss real estate investments remain especially attractive in periods of heightened uncertainty.

Figure 5: Balanced risk-return profile
Total return (Y-axis) and volatility (X-axis), 2000–2025, %, p.a.



Source: Refinitiv, UBS Asset Management; March 2026. **Past performance is not a guarantee of future results.**

The risk-return profile of real estate investments lies, as shown in Figure 5, between that of bonds and equities. Over the past 25 years – which were initially marked by the increasing professionalization of the sector – Swiss real estate funds have generated an average return of 5.7%. Their total return was therefore only about 110 basis points below that of Swiss equities, while volatility was significantly lower. The valuation-based return measure (KGAST) is also less volatile due to its lower data frequency. Listed real estate securities, by contrast, have achieved a return of 8% over the same period, albeit with substantially higher volatility, as they are more strongly influenced by stock market fluctuations than funds and direct real estate holdings.

Owners of standing assets at an advantage
The direct transaction market, which saw a revival in 2025, may temporarily lose some momentum due to elevated uncertainty, as investors position themselves on the sidelines in light of the geopolitical environment and financing costs. Given the high price levels, holders of existing real estate portfolios particularly benefit from secure and predictable rental income in volatile times. As a result, organic growth – that is, further developing and optimizing existing properties – has become increasingly important.

Rental market – residential

Persistently strong demand for residential space

Scarce resource – urban residential space

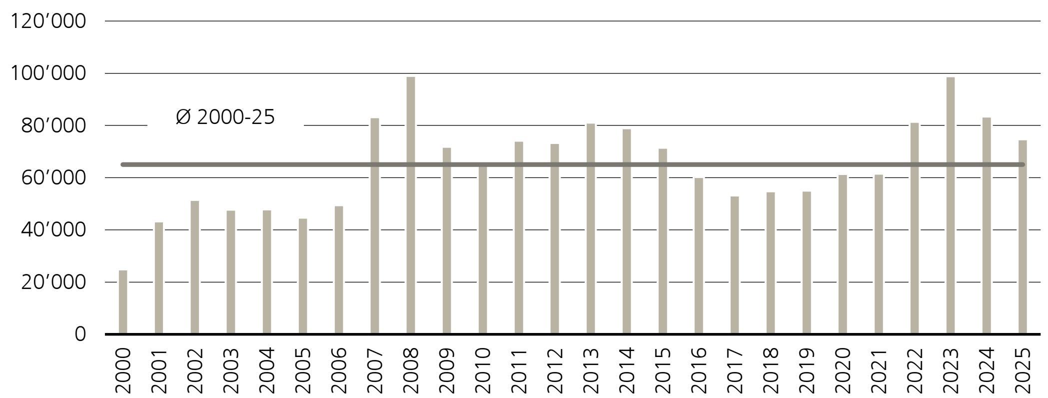
Switzerland's residential market continues to be underpinned by structural and demographic trends. Although net immigration in 2025 was slightly below the record levels of previous years, it still remains above the long-term average and provides lasting support to demand. In addition, individualization, an aging population, and ongoing urbanization continue to exert pressure – particularly in cities and urban agglomerations – where supply is limited.

On the supply side, the so-called pork cycle is becoming apparent: although building permits are rising again, completions continue to lag behind. Political uncertainties and lengthy approval procedures further amplify the bottleneck. As a result, vacancy rates continue falling, while rents are rising across almost all regions. Given the increase in long-term interest rates, the mortgage reference rate is also likely to edge higher again in the second half of the year.

Immigration and structural trends shape housing demand
In recent years, the Swiss housing market has been characterized by exceptionally strong demand dynamics. Immigration has been the dominant driver: although net migration in 2025, at around 74,700 people, fell short of the very high levels recorded in the preceding three years, it still remained well above the long-term 25-year average of roughly 65,000 people (see Fig. 6). Beyond immigration, long-term structural trends are also shaping housing demand in Switzerland. These include the increasing individualization of households, which is further reinforced by an aging population. Urbanization likewise plays a central role, with demand growing disproportionately in cities and their agglomerations, where supply – and the ability to expand it – is limited.

Given the currently subdued labor market dynamics, immigration is likely to decline slightly again in 2026. At the same time, the conflict in the Middle East and heightened sensitivity within the eurozone are increasing Switzerland's relative attractiveness once more. Any additional impact on housing demand from refugee inflows – similar to those seen at the start of the conflict in Ukraine – will depend heavily on the duration and intensity of the conflict. Structural trends, however, are expected to continue regardless. Chief among them is demographic aging, which will significantly increase the need for senior-friendly housing over the coming decade.

Figure 6: Net immigration remains above average
Net migration balance of Switzerland (permanent resident population, total)



Source: State Secretariat for Migration SEM; UBS Asset Management; March 2026; latest data point: 2025.

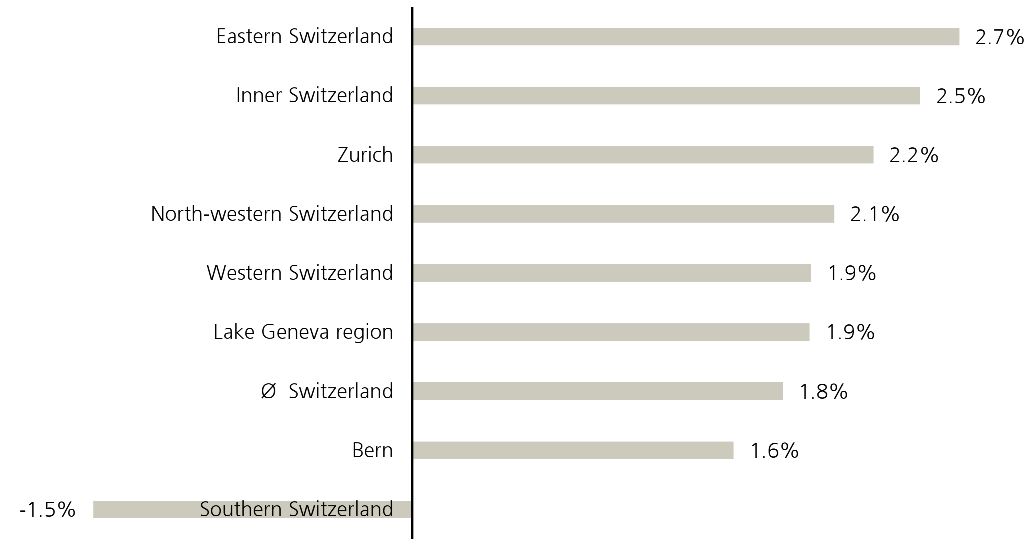
Slight increase in planning activity
On the supply side, planning activity has recently picked up somewhat. In 2025, around 40,500 residential units received building permits. However, it takes time for these permits to translate into actual market supply. This is evident when looking at completions: while building permits rose by around 10% in 2024 compared with the previous year, completions declined by roughly 13% over the same period. Building applications – an even earlier indicator of future supply trends – fell by about 9% in 2025 compared with the previous year, although they showed signs of stabilizing in the second half of the year.

The sharp increase in construction and financing costs between 2021 and 2023 has had a lasting dampening effect on planning activity. Against this backdrop, the current conflict in the Middle East has raised concerns that further cost increases could occur, potentially leading to renewed caution regarding new projects. In addition, political uncertainties continue to weigh on supply development. Discussions around housing-policy initiatives, such as the '*Wohnschutzinitiative*' in the city of Zurich, as well as generally lengthy approval procedures, continue to delay construction projects. In the short term, a strong acceleration of supply dynamics therefore appears unlikely. As a result, supply scarcity is expected to continue shaping the housing market over the coming quarters.

Very low vacancy rates, especially in major cities
The scarcity is also reflected in vacancy figures. The official residential vacancy rate by the Federal Statistical Office fell further in 2025, from 1.08% to 1.00%, driven in particular by a sharp decline of around 8% in vacant rental apartments compared with the previous year. Vacancy rates in the major urban centers remain well below the national average: as of 30 June 2025, only 0.10% of apartments in the city of Zurich were vacant, compared with 0.36% in Geneva and 0.43% in Bern. Lausanne also recorded a year-on-year decline, reaching 0.58%. The only city to see an increase was Basel, where the vacancy rate rose from 0.77% to 0.95%, mainly due to a rise in newly built, furnished micro-apartments.

Broad-based regional rent increases
As a result, asking rents continued to rise, albeit at a more moderate pace than in the previous year. In 2025, growth amounted to 1.8% (2024: 4.7%). The increase in rents was evident in almost all regions of Switzerland. The only exception was Southern Switzerland, where asking rents declined by around 1.5%. In Eastern Switzerland and Central Switzerland, by contrast, rent growth was above average at 2.7% and 2.5%, respectively (Fig. 7).

Figure 7: Almost all regions with rent growth
Growth rate of asking rents (2025 vs. previous year, %)



Source: Wüest Partner; latest data point: 2025.

Mortgage reference rate likely to rise again
The mortgage reference rate currently stands at 1.25%, following two reductions in March and September 2025. By the end of 2025, the underlying average mortgage rate reached 1.32%, leaving it just 6 basis points below the threshold for another increase in the reference rate to 1.5%. With long-term interest rates having risen, the likelihood of a renewed uptick in the mortgage reference rate has also increased.

Rental market – commercial

Resilient despite structural and cyclical challenges

Global challenges, Swiss resilience

Over the past decade, commercial rental markets worldwide have faced numerous challenges. Structural shifts, such as the increasing prevalence of mobile and remote working, have been dampening demand for office space, while the growth of e-commerce continues to put pressure on retail space. At the same time, the logistics sector has benefited significantly from these developments. Adding to this has been the overall subdued economic momentum that has persisted since the COVID-19 pandemic.

In both international and historical comparison, Switzerland's commercial real estate markets nonetheless remain resilient. Population growth not only supports the residential market but also positively impacts employment and consumption, which in turn provides tailwinds for the commercial real estate sector in Switzerland.

Office: Space market improving despite weak employment momentum
In the office segment, net absorption amounted to around 200,000 square meters in 2025. The floor-area-weighted average vacancy rate in Switzerland continued to decline, reaching around 5.3% at the end of 2025 compared with 5.5% at the end of 2024. Vacancy in Basel fell sharply after several difficult years following a period of elevated construction activity. According to CBRE, an increase in vacancy was observed only in Lausanne. Construction activity in the office segment is declining across Switzerland, and the pipeline for the coming years remains limited. At the same time, the market is not without risks. A look at the supply ratios suggests that further home-office-driven space consolidations may occur in certain markets – effects that are not yet fully reflected in the vacancy figures. On the other hand, the past one to two years have seen a growing number of return-to-office policies, which could counter this trend.

A positive development can be seen in the rental trends. After several years of declining asking rents, Wüest Partner recorded an increase of around 2.3% in 2025 (see Figure 8). Prime rents also showed a clear upward movement in most markets according to JLL, underscoring the continued demand for modern, well-located office space. The only exceptions to prime-rent growth last year were Basel and Lausanne – both markets that had previously been affected by rising vacancy rates following periods of elevated construction activity. Above-average construction volumes in these locations may also imply that modern space is somewhat less scarce. At the same time, the polarization within the office market is likely to persist. High-quality, sustainability-compliant space in central locations continues to see above-average demand, while properties in less well-connected areas are expected to remain challenged, although they may offer selective potential for conversion or alternative uses.

Figure 8: Office rents back in positive territory
Rental growth (asking rents for office space, Swiss average, % change vs. previous year)

Source: Wüest Partner; latest data point: 2025.

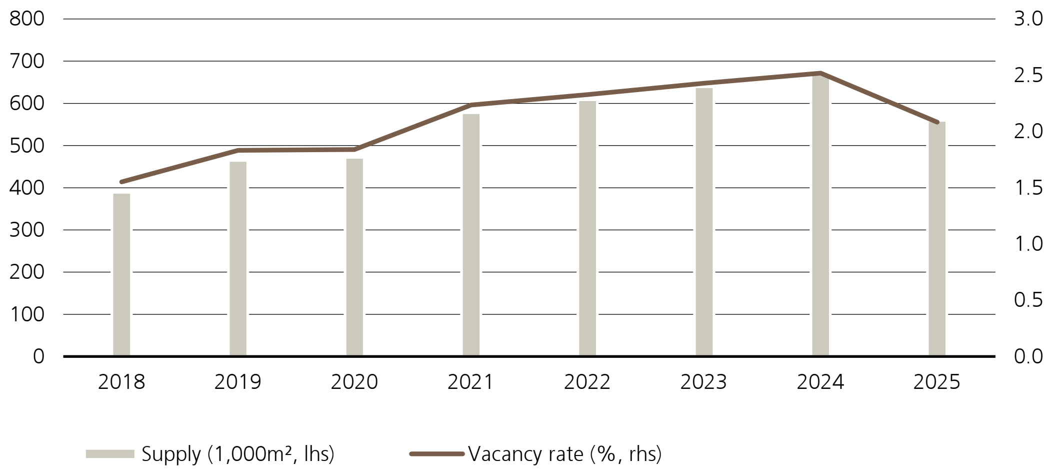
Retail: consumer sentiment remains subdued, yet retail proves resilient
Consumer sentiment remains below average and volatile. Despite some improvement from the low point reached in autumn 2022, the outlook continues to be shaped by uncertainty, particularly regarding perceived job security. Nevertheless, retail sales overall performed well in 2025 – supported by population growth, rising real wages, and a strong tourism sector. The non-food segment, in particular, recorded a marked increase in sales.

After several years of declining rents, asking rents in the retail segment also saw a renewed increase of around 2.9% in 2025. Even though the overall rent level remains below that of 10 years ago, this development sends a positive signal. Prime rents in absolute top locations such as Zurich and Geneva rose by around 3.7% in 2025 – marking the fifth consecutive year of growth.

Logistics: limited supply continues to drive rents for modern logistics space
The logistics market continues to benefit from structural drivers such as the expansion of e-commerce and efforts to strengthen supply-chain resilience. In Switzerland, however, the market remains comparatively small and is heavily dominated by owner-occupied space.

The supply of listed space remains low. In 2025, the supply ratio stood at around 2.1%, below the previous year's 2.5% despite the challenging environment facing the export industry, which is closely linked to the logistics sector (see Figure 9). Available space also remained concentrated mainly in smaller units. Modern logistics space continues to be scarce. As a result, prime rents have increased significantly over the past four years (+14% since 2021), while rents for older logistics properties have stagnated according to CBRE.

Figure 9: Logistics supply ratio declines again
Supply of logistics space (total, in 1,000 m², lhs; supply ratio, %, rhs)



Source: CBRE; latest data point: 2025.

The structural tailwinds for the logistics segment remain intact. However, given the global economic outlook, US import tariffs and the strong Swiss franc, some short-term headwinds are likely.

Hotels: Swiss hotels record another exceptional year in 2025
The Swiss hotel industry performed extremely well in 2025 despite a challenging environment. With 43.9 million overnight stays registered by the Federal Statistical Office, an increase of 2.6% compared with the previous year, another record was achieved. Growth continued to be driven primarily by international visitors, whose overnight stays rose by 3.7%. Domestic demand also reached a new high, with 21.1 million overnight stays (+1.4%).

Demand from the US increased particularly strongly, with an additional 190,000 overnight stays (+5.4%), marking the largest absolute gain among foreign markets. European demand also rose, especially from Germany (+76,000; +2.0%) and the UK (+121,000; +7.5%), the latter partly boosted by the Women's European Football Championship. Cities benefited disproportionately – supported by major events such as the European Championship and the Eurovision Song Contest. According to the Federal Statistical Office, net room occupancy reached a new record of 56.8%.

The outlook remains broadly positive, although uncertainty has increased. Even before the onset of the conflict in the Middle East, the economic outlook had already softened, and inflation concerns could further raise household saving rates. In addition, the Swiss franc is expected to continue appreciating. At the same time, Swiss tourism has demonstrated remarkable resilience over several years. Global tourism is booming, supported by shifting preferences and the continued expansion of the global middle class. Against this backdrop, overnight stays in Switzerland are likely to rise again in 2026, albeit at a more moderate pace of around 0.5%.

Summary & outlook

An anchor in a volatile environment

The Swiss economy faces a challenging year within an exceptionally difficult global environment. A tangible improvement is not expected until 2027 and will also depend on a recovery in the European economy, particularly in Germany. The recent increase in commodity prices adds an additional risk.

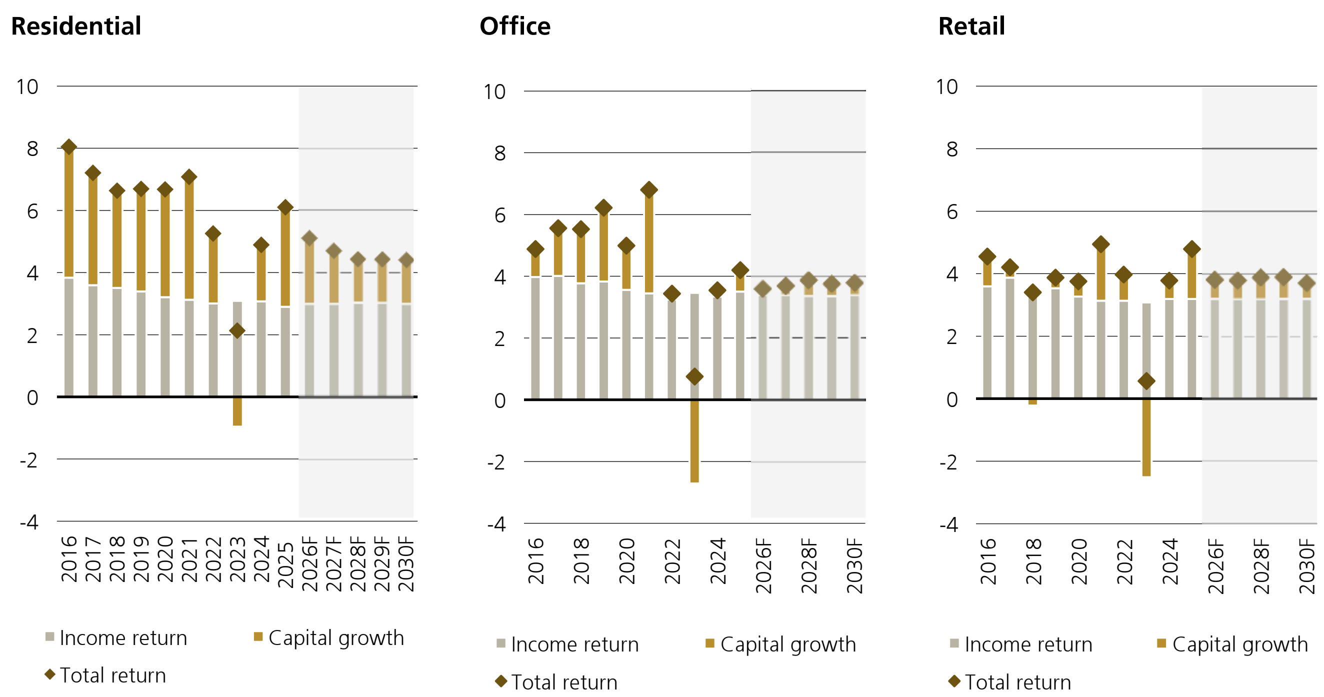
The Swiss real estate market experienced very strong demand in 2025, supported by the safe-haven character of Swiss property and the return to a low-interest-rate environment. In our baseline scenario, we expect these conditions to remain broadly unchanged in 2026, with demand for Swiss real estate investments staying at a high level. Capital-market activity remains strong, evidenced by announced and completed issuances as well as new listings in the first quarter of 2026. Supply in the direct transaction market remains limited, and pricing momentum is correspondingly high – especially in the residential segment.

Despite rising long-term interest rates due to geopolitical tensions, we still expect positive valuation growth in 2026, albeit somewhat weaker than in the previous year. Fundamentals in the residential segment remain particularly robust. After an appreciation of 3.2% in 2025, we anticipate growth of around 2.1% for 2026. In the commercial sector, valuation growth is likely to be lower. Following increases of 0.7% for offices and 1.6% for retail properties in 2025, we expect changes of roughly 0.2% and 0.6%, respectively in 2026 (see Fig. 10).

While residential assets are expected to deliver higher capital growth than commercial properties, the latter remain attractive, especially when supported by active asset management. In addition to offering higher running income yields, commercial properties continue to provide compelling acquisition opportunities with more attractive yields and risk premia. Given robust fundamentals, moderate valuations, increasing regulation in the residential sector, and inflation-linked long-term leases, commercial real estate continues to represent an appealing investment opportunity in the current environment.

Figure 10: Residential remains in the lead

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



Source: MSCI/Wüest Partner; Oxford Economics; UBS Asset Management; March 2026; latest data point: 2025.
1: Total return: standing investments (like-for-like). **Past and expected performance is not a guarantee of future results.**

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