

RESIDENTIAL RESEARCH



SWITZERLAND INSIGHT 2017

ANALYSIS OF SWITZERLAND'S PRIME
RESIDENTIAL MARKET

MARKET DRIVERS

SALES BY PRICE BAND

PRIME PRICE
PERFORMANCE

Safety in Numbers

The world's wealthy are no longer drawn to Switzerland purely as a result of its benign tax regime, instead personal security, privacy and education are emerging as key motivations behind new residency applications.

By Kate Everett-Allen

The results of our 2017 Attitudes Survey, contained in The Wealth Report 2017, shows that ultra high net worth individuals (UHNWIs) deem lifestyle and personal security to be the most important factors when considering where to reside. At a time of heightened geopolitical tension this finding may come as no surprise but it helps explain Switzerland's widening appeal.

Quality of Living, 2017 Top 10 rankings

1	VIENNA	
2	ZURICH	
3	AUCKLAND	
4	MUNICH	
5	VANCOUVER	
6	DUSSELDORF	
7	FRANKFURT	
8	GENEVA	
9	COPENHAGEN	
10=	BASEL	
10=	SYDNEY	

Source: Mercer

Switzerland ranks as one of the safest places to reside in the world according to Mercer. Three Swiss cities – Geneva, Zürich and Basel – sit within the top ten in Mercer's 2017 Quality of Living rankings. No other country is as well-represented.

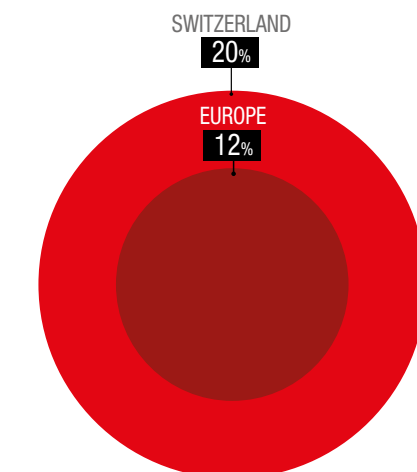
But whilst it is the lifestyle and education on offer within Switzerland that continue to attract buyers, it is the tax rules beyond its borders which are boosting the country's credentials in the eyes of the world's wealthy.

Swiss policymakers have introduced their fair share of measures restricting who can buy what, and where, but these have remained largely static since Lex Weber's introduction in 2013. Since this time residential property in some of the world's top cities has been the subject of a range of new measures, from foreign buyer taxes and stamp duty hikes to new administration fees and restrictions on multiple property purchases.

Together these external measures have put Switzerland back under the spotlight. Figures from our 2017 Attitudes Survey show 26% of UHNWIs say protecting their wealth from political interference is one of the most important factors when managing their wealth.

The OECD's new Common Reporting Standards (CRS), which will come into force in September 2017, may also be focusing the minds of UHNWIs. Under the new rules 100 tax authorities will sign

UHNWI Forecast* % change 2016-26



Sources: Knight Frank Research, New World Wealth
*UHNWI = net worth of US\$30m+ excluding primary residence

up to the annual transmission of personal financial information.

Whilst most UHNWIs are accepting of the need for greater transparency it has raised concerns regarding data protection in less developed markets.

26%

Of UHNWIs say protecting their wealth from political interference is one of most important factors when managing their wealth

The majority of jurisdictions commence the automatic exchange of information (AEOI) in 2017, but Switzerland has said it will start collecting data in 2018 with a view to sharing in 2019.

Pricing

Geneva and Zürich saw prime residential prices dip in the year to March 2017, slipping 2% and 7% respectively but wealth preservation, not appreciation, remains the focus for most buyers in Switzerland.

Portfolio diversification is another key driver. Most UHNWIs will have some exposure to the US dollar and potentially Sterling with property assets in New York and/or London and potentially Europe too. Since the de-pegging of the Swiss Franc from the Euro in 2015 the 'safe haven' tag has been applied in equal measure to the country's currency as to its bricks and mortar and some investors see exposure to the Franc as a means of spreading risk.

Permanent residents are undeterred by softening prices and the Franc's strength given their long-term outlook. The CHF 4m-20m market in Geneva has been notably strong with 96 sales recorded in 2016, up 17% year-on-year.

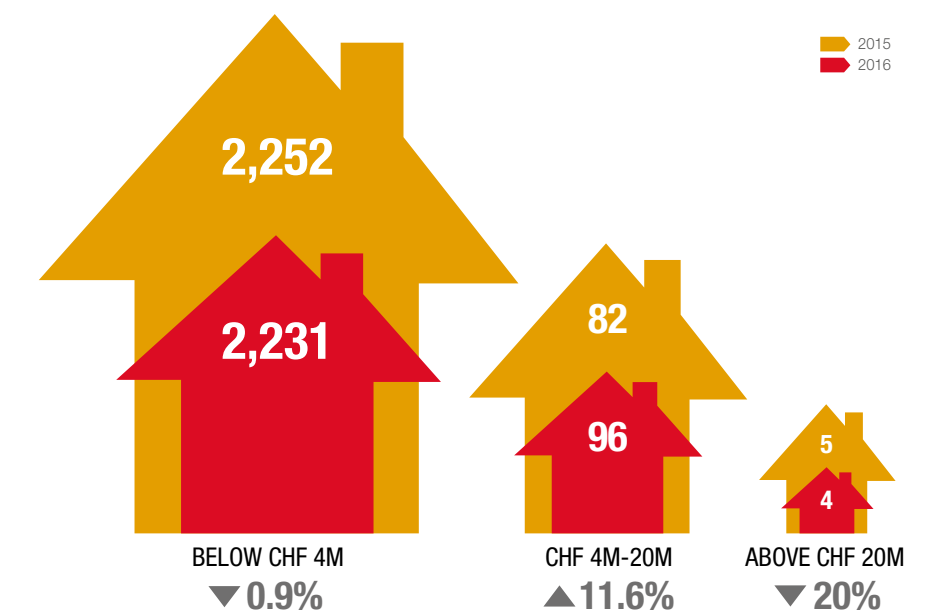
For those buying as a non-resident in one of the few holiday zones (amongst them Vaud, Valais and Lausanne) the combination of low interest rates, quality stock and limited supply is helping to support prices with sales activity focused below CHF 5m at the current time.

Top 10 nationalities living as permanent residents in Switzerland, 2015

1	ITALY	311,742	6	SPAIN	82,334
2	GERMANY	300,691	7	SERBIA	71,260
3	PORTUGAL	267,474	8	TURKEY	69,215
4	FRANCE	122,970	9	MACEDONIA	64,448
5	KOSOVO	106,879	10	UK	41,766

Sources: FSO, STATPOP

Geneva residential sales Number of sales 2015 v 2016



Sources: Knight Frank Research, Naef
Graphic not to scale

Takeaways

- Plans to tighten rules surrounding non-EU citizens buying in Switzerland are on hold while Brexit negotiations progress
- The OECD's Common Reporting Standards will add a new dimension to UHNWIs residency decisions when they come into effect in 2017 (2019 in Switzerland)
- Properties priced between CHF 5m and 20m in Geneva saw the strongest increase in sales in 2016
- The shifting landscape of tax and property market regulations globally is refocusing the attention of UHNWIs on Switzerland and the lifestyle it offers



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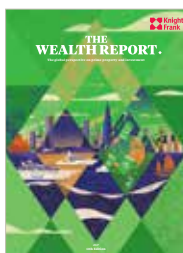
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[Switzerland Inside View](#)

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RESEARCH PUBLICATIONS



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