

SWISS LAKES INSIGHT 2018

ALEX KOCH DE GOOREYND, HEAD OF KNIGHT FRANK'S SWITZERLAND DESK, SHARES HIS KNOWLEDGE AND INSIGHT ON THE SWISS LAKES' PRIME RESIDENTIAL MARKET.



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WHAT DO BUYERS WHO ARE CONSIDERING PURCHASING IN SWITZERLAND NEED TO KNOW?

There are two distinct markets in Switzerland, those where non-residents can buy (largely confined to ski resorts as well as the immediate areas surrounding Montreux, Lugano, Interlaken and Lucerne - see figure 2) and those where non-residents cannot buy, which includes the cities of Geneva and Zurich. This clear distinction, established by a law known as Lex Koller, results in two very distinct property markets operating along very different lines.

Where non-residents can purchase a home, they can only buy a single property where the official living space does not exceed 200 square metres. However, buyers still need to be aware of the Lex Weber law which places a 20% cap on second homes in key communes.

In contrast, Swiss residents face less restrictions on where or what they can purchase, although non-European passport holders are restricted to one primary residence.

HOW DO RESIDENT AND NON-RESIDENT BUYERS DIFFER IN THE SWISS LAKES?

Resident buyers tend to have larger budgets; they will be in possession of their residency permit, be aware of the different cantonal tax rules and usually have a clearly-defined search area. Interest in recent months is strongest within the CHF2m and CHF8m price bracket. Previously, the upper end of the price bracket would have extended to CHF10m but this has reduced slightly, partly because of the more stringent assessment of lump sum taxation, which came into force on 1 January 2016.

The budgets of non-resident buyers are significantly lower at around CHF1m to CHF4m. Most make their first acquisition at this price but then increase their investment having familiarised themselves with an area.

WHAT TRENDS ARE YOU NOTICING IN 2018?

Residents that work in Geneva are showing a greater willingness to commute to the city from areas in the Canton of Vaud such as La Côte and even from Lausanne where property prices and municipal taxes are lower. The Swiss Riviera (stretching from Montreux to Vevey) boasts excellent schools and views across Lake Geneva, and sits within a 75-minute train ride of the city itself.

Switzerland's super prime market has become polarised. From CHF20m to CHF40m vendors face strong competition making pricing and a property's condition critical. At the ultra-prime level (above CHF40m), demand remains stable, with those properties offered in an immaculate condition generating the strongest interest.

Although the Swiss Franc dipped against key currencies in the last year it remains strong by historic standards. While this can influence buyer sentiment in all Swiss markets, buyers in the lakes tend to focus more on the long-term gain and lifestyle benefits. Here, a property boasts year-round appeal, offering summer by the lake whilst some of the top Alpine resorts sit within an hour's drive.

WHAT IS YOUR OUTLOOK FOR THE MARKET?

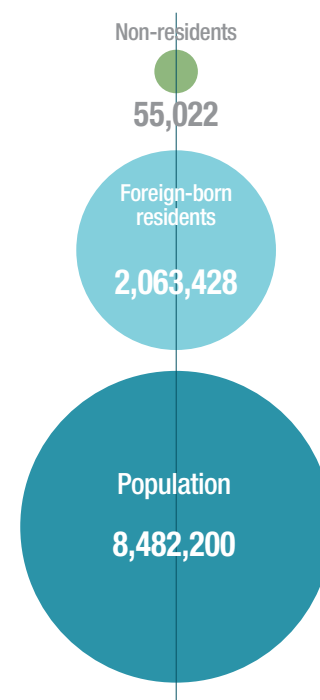
The market slowed post 2016 when the OECD's convention on Swiss banking secrecy was first mooted, but in 2017 we saw renewed interest as education, lifestyle and personal security moved to the fore as key motivations amongst buyers.

Lugano and Montreux, as well as other areas that offer lakeside views and dual season appeal, will increasingly come under the spotlight. Although the properties currently on offer are of good quality in these areas, there is limited volume, which is putting pressure on prices.

The Swiss Franc remains a go-to safe haven currency and despite its strength a number of buyers cite a desire to hold an asset in a non-US dollar and non-Euro denomination as a key motivation behind their purchase. I don't see this changing any time soon.

“RESIDENTS THAT WORK IN GENEVA ARE SHOWING A GREATER WILLINGNESS TO COMMUTE TO THE CITY FROM AREAS IN THE CANTON OF VAUD SUCH AS LA CÔTE AND EVEN LAUSANNE.”

FIGURE 1
SWITZERLAND'S DEMOGRAPHIC PROFILE



Source: Swiss Federal Statistics Office, State Secretariat for Migration.
As at 31 March 2018

MARKET INTELLIGENCE

Knight Frank's Research team take the pulse of Switzerland's prime residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

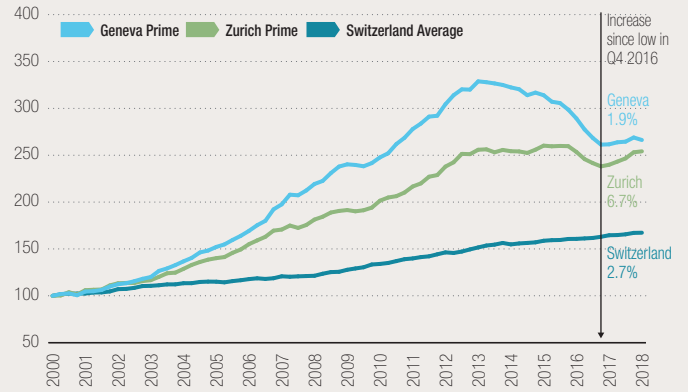
FIGURE 2
WHERE CAN NON-RESIDENTS BUY IN SWITZERLAND?



Source: Knight Frank Research

FIGURE 3
A RETURN TO PRICE GROWTH

Indexed, 100 = Q1 2000



Source: Wüest Partner AG

FIGURE 4 **TOP 3 THINGS TO CONSIDER**



Education, a key demand driver:

Switzerland has the best education system in the world according to the World Economic Forum.



Beating the base rate:

With interest rates in Switzerland in negative territory since 2014, property is attracting interest from investors looking for a tangible asset that is capable of delivering a stronger return.

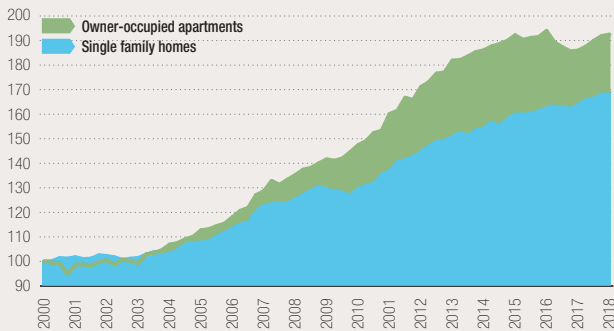


It's not all about tax:

According to The Federal Council less than 0.1% of Swiss taxpayers are taxed on a lump sum basis.

FIGURE 5
SWISS SALES RECOVER FROM 2016 DIP

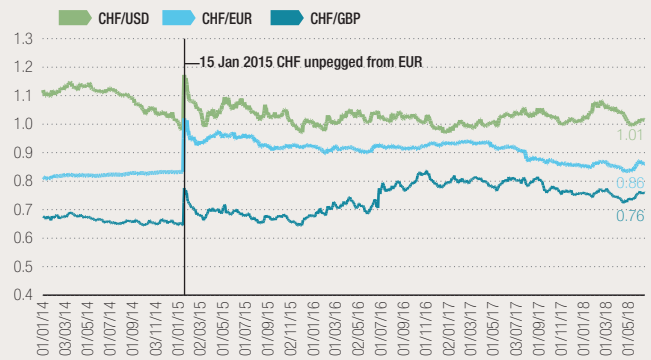
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Source: Wüest Partner AG

FIGURE 6
THE SAFE HAVEN CURRENCY

Swiss Franc vs EUR, USD and GBP



Source: Macrobond, Knight Frank Research



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