

INSIDE VIEW

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For Sale - Chexbres, Vaud

Swiss Market Overview

Switzerland may be loved by the International community for the sense of reliability, quality of life, stability and security it offers, but it is not without its surprises.

In Geneva, the first six weeks of 2016 produced 30% of the activity we saw in the whole of the previous year. Similarly in the Alps, after four years of uncertainty since the Lex Weber (the law that set a 20% cap on the proportion of second homes in every commune) was announced, it finally was written into law in January this year.

Since then, we have seen a surge in interest in Swiss property. Confidence is beginning to return to the market. Buyers who had put their searches on hold have started to return. Where previously they were concerned about the lack of clarity over a potential purchase – if they bought a house in Montreux, for example, would the new laws allow them to sell it to another non-national buyer? – now the terms are clear.

What has emerged in recent months are two distinctly different performing markets in Switzerland: buyers seeking residency and those wanting a holiday home.

It used to be that International clients mainly sought Swiss residency for tax reasons. Now it is more about personal safety, education and economic stability, with tax taking a back seat. We are noticing a significant uplift in the number of International clients wanting to relocate to Switzerland, whether they are non-doms from the UK or people from less fiscally

and personally secure spots around the world.

Those who want easy airport access and good international schools generally choose Geneva or along the lake, Lausanne has a richer cultural scene and more authentically Swiss feel. For those who want space and lawns that lead down to the lake, ‘La Côte’ between Nyon and Lausanne in the Vaud canton is better for affordability, tax and it is still within easy reach of Geneva.

Holiday home buyers are restricted to investing in certain areas – mainly the traditional ski resorts and certain towns along the various lakes such as Montreux – with good stock available, interest rates are low and in French-speaking areas, notably Geneva, prices have come down by up to 25%.

The Swiss had feared that overseas buyers were pushing up property prices, but their attitude is changing and they are becoming more welcoming of this market.

The long-standing Lex Koller – the law that limits where and what non-resident investors can buy – in combination with the new Lex Weber, which has restricted what is available in those resorts, seems like a double-edged sword. But the Swiss recently voted against any further controls over foreign property ownership and are talking about making corporation tax more appealing to overseas investors.

For the next 12-18 months, we see an opportunity. The surge in planning applications for new developments in 2012, before the Lex Weber was announced, means several projects are now coming out of the ground

and there are more to come, particularly in secondary resorts such as Grimentz and La Tzoumaz near Verbier.

In five years, the squeeze on available property will see prices rise. But for now, developers would rather get some good sales figures under their belt than charge a premium, so they are being realistic with their pricing.

When Switzerland’s holiday home stock dries up in a few years, I think we will start to see the emergence of secondary areas. For example, Verbier has already far exceeded its 20% quota of holiday homes, so developers will look at other villages nearby where they can then build a ski lift straight to Verbier, as is already happening in La Tzoumaz.

The Swiss franc is still strong, which is leading some second home buyers to feel that Switzerland has become too expensive for them – not just in the price of property but daily costs from ski passes to meals out. Conversely, most residency buyers find the strong Franc a source of comfort. It may cost them more to buy a home, but they feel it’s a secure and protected investment. In a climate of negative interest rates, those with Swiss savings accounts are also deciding that rather than pay bank charges on savings that see no return, it makes more sense to invest in property, especially as confidence returns.



Alex Koch de Gooreynd
Head of Swiss & Alpine Network

Breaking the mould

Switzerland may be sought-after as a safe haven, but that doesn't necessarily mean its developers always choose to play it safe. Two new projects, one in the city, one in the mountains, are prime examples of high-end new developments that break the mould.

By Zoe Dare Hall

Chalet Spa, Verbier takes the breath away – and not simply because it sits 1,600 metres up on a mountainside overlooking the rooftops of Verbier. Its owner, Andy Turner, left corporate law in Jersey to “create something special”. He trawled the Alps collecting ideas and contacts, saw the last

remaining plot on a peaceful, private road near the ski lift and knew he had found his perfect location.

He then built a chalet of almost unimaginable luxury – not for him, his wife and two children, who live in Montreux, but primarily to put on the rental market. The family use the house for occasional

holidays and weekends, but essentially the five-bedroom Chalet Spa Verbier, which comes with a weekly price tag of CHF 45,000-120,000, is a rental property for the world's wealthiest holidaymakers. His first ever client rented it for five weeks one summer. Another holidayed there with his six round-the-clock bodyguards.

Guests can luxuriate in the chalet's spa, gym or hot tub, while away hours in the cinema room, games room or wine cellar or notch up some gentle post-ski lengths in the chlorine-free swimming pool while soaking up 50km views across the valley towards Chamonix. They can also test out super yachts, private planes, sport cars, even antique violins, all of which Turner can have delivered to the door (or near enough). There is a full-time house manager and chef – or for guests who come with their own staff, there is a self-contained two-bed flat on the basement level.

“I wanted to design something that would target the kind of ultra high net people I'm used to working

with,” says Turner. “It also needed to have the opportunity for rentals not just in the ski season but summer too. July and August are always fully-booked. I can cover my annual running costs from summer rentals alone.”

Although he knew a build of this quality would not bring a quick return. “I wanted to generate a return based on my operating spend rather than my capital spend,” he says. A decade on, though, Verbier's land prices have risen sufficiently for Turner to decide to release his capital and start on a new project, so Chalet Spa is for sale.

“The buyer, who needn't be a Swiss resident, could use it as a family home. But it's fully set up as a rental property and running smoothly, so they could benefit from that,” says Turner.

Meanwhile, in Geneva, the Pâquis neighbourhood is akin to London's Soho in some ways: it is centrally located and lively, with a wide array of shops and restaurants

that reflect its culturally diverse community. Unlike Soho, it has the added benefit of being near the lake, just behind the city's most prestigious waterfront hotels such as the Kempinski and the Beau Rivage. But the Pâquis has not traditionally been seen as an area for high-end residential development.

The developers behind 1 Gevray, however, saw an opportunity in this fast-changing district to design an apartment building that would target a high net worth clientele who want London-style luxury.

The striking new build – with 27 apartments ranging from one-bedroom flats at CHF 1.5m to five-bedroom penthouses for CHF 15m – has been designed by the Italian architect Piero Lissoni to maximise the sense of light, volume and space. There is underground parking, shifting panels on the façade, large open-plan interiors and a Japanese-style courtyard. Also new to Geneva, 1 Gevray offers residents

“Buyers from bigger cities such as Barcelona or Munich are used to living in this kind of central neighbourhood and love the dynamic aspect of Paquis.”

Alexandra Janet,
Naef Prestige | Knight Frank, Geneva

an upscale concierge service and a gym exclusively for their use.

“Buyers from bigger cities such as Barcelona or Munich are used to living in this kind of central neighbourhood and love the dynamic aspect of Pâquis. We are also seeing high interest in renting the flats. One 216m² flat has just rented out for CHF 14,000 a month,” comments Alexandra Janet from Naef Prestige | Knight Frank in Geneva.

New, it may be, but expect to see imitators before too long.



1 Gevray, Geneva



Chalet Spa, Verbier

Seeking security

The stability of the Swiss franc, a return to sensible pricing and greater clarity surrounding the second home cap has boosted market sentiment.

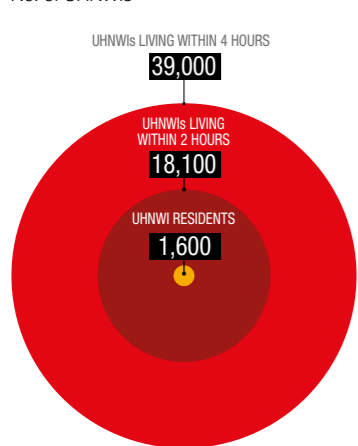
By Kate Everett-Allen

The Swiss housing market is unique. Not only does it demand examination from two different perspectives; 1) as a Swiss resident and 2) as a non-resident, but the prime housing markets in its French and German-speaking areas have followed markedly different trajectories over the last decade.

Add to a strong currency, a plethora of new rules, regulations and referenda in recent years adjusting who can buy what, where, and with what tax implications, and the waters have been somewhat muddled for buyers.

However, the final quarter of 2015 brought with it some clarity and stability which has led to resurgent levels of activity. The Geneva

Geneva's good connections



New World Wealth
 *UHNWIs = individuals with net assets of US\$30m+

Statistics Office reports that 23 sales above CHF 4m took place in the first six weeks of 2016, an increase of 64% compared with the same period in 2015.

The stability of the Swiss franc, the decision not to abolish the 'forfait' (lump sum form of taxation) in Geneva and Vaud, and greater clarity over the detail surrounding the cap on second homes has influenced market sentiment. But, so too has a return to sensible pricing.

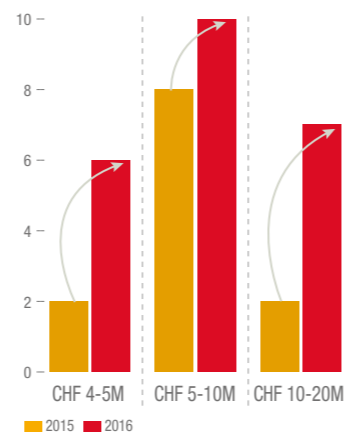
Unlike Zurich and the key German-speaking areas of Schwyz and Zug where prime prices have remained relatively steady throughout the last decade, Geneva and Vaud saw prices accelerate strongly before slipping back, by as much as 20%-30%, post-Lehman. The gap between asking and achieved prices continued to widen post-2008 as vendors tested the market. However, since mid-2015, vendors have adopted a more realistic stance.

Swiss residents

Switzerland is arguably the world's ultimate 'safe haven' and as a result continues to attract new residents drawn as much by the security, privacy and educational facilities it offers as its tax rules.

The fragility of the global economy, escalating geopolitical crises and

Geneva sees strong start to 2016
 No. of sales, 1 Jan-19 Feb (2015 v 2016)



FAO (Geneva Statistic Office)

the increased regulation and taxation of property in key global cities is driving wealth towards Switzerland.

More than 360,000 millionaires and 5,680 UHNWIs* live in Switzerland, and both figures are forecast to rise by 12% in the next decade.

To put its importance to the world's wealthy in perspective, cross-border investment into Switzerland reached US\$1.1 trillion in 2015, a rise of 369% over the course of the previous decade. Even the world's largest economy, the US, saw growth of only 99% over the same period.

Education is emerging as a key driver of Swiss property

investment. Along with schools in the US and the UK, Swiss schools offer unrivalled education in a secure setting.

Non-Swiss residents

At present the total number of homes that can be sold each year to non-residents in the whole of Switzerland is 1,440.

Two Swiss laws have shaped the country's second home market; Lex Koller and Lex Weber. One limited non-resident purchasers to specific holiday zones, the other introduced a 20% cap on second homes and specified that second homes should not exceed 200 sq m in size.

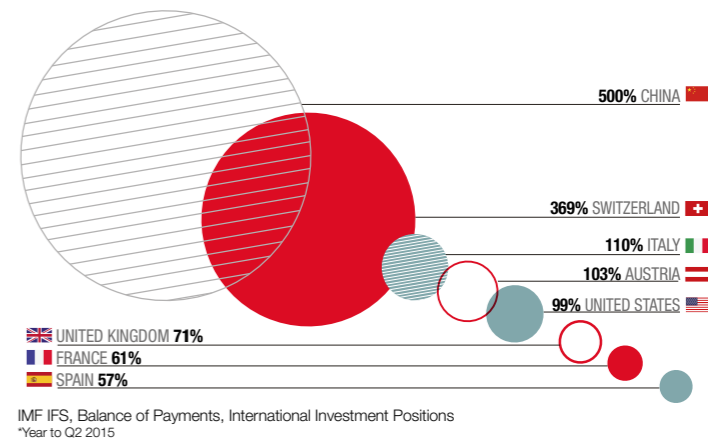
Sales volumes suffered more than prices in 2015 as the market awaited news of the exact interpretation of Lex Weber. Swiss

residents, are also reviewing the implications, keen not to limit their pool of potential future buyers to residents only.

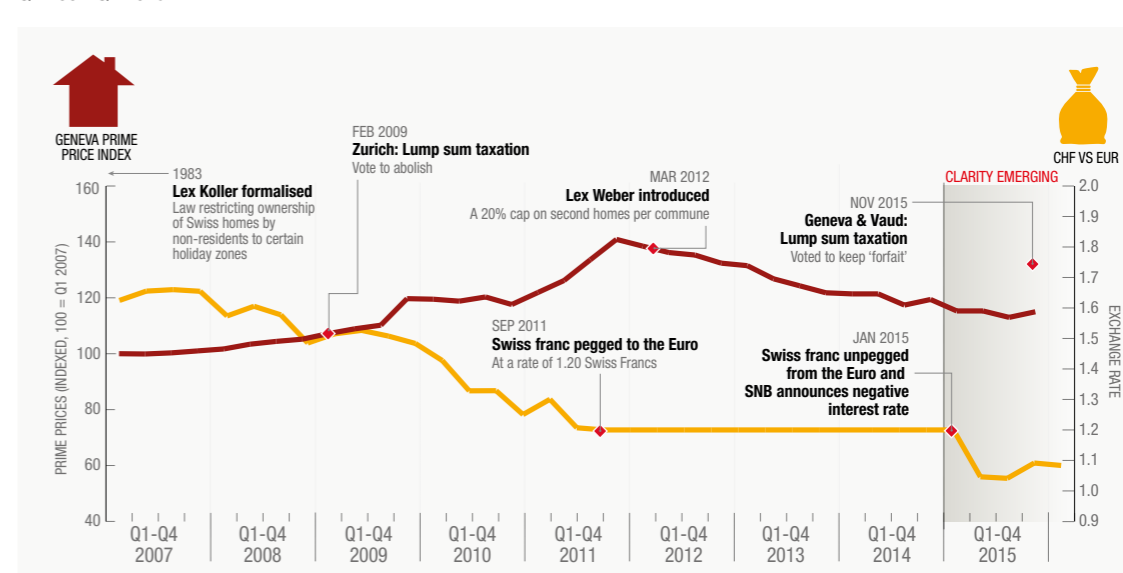
We expect supply within the second home market to become constrained in the next five

years, particularly in areas such as Verbier and Montreux where construction will effectively be halted, and non-residents will only be able to buy from non-residents, effectively producing a two-tier market.

Switzerland as a safe haven Ten-year shift in global wealth movements (US\$)*



Swiss property market timeline



Knight Frank Research

The purchase of real estate in Switzerland

The law on acquisition of real estate in Switzerland has numerous restrictions for foreigners, otherwise referred to as Lex Koller.

The law on acquisition of real estate in Switzerland has numerous restrictions for foreigners, otherwise referred to as Lex Koller. This law clearly distinguishes between categories of real estate, residential and commercial, and categories of purchasers such as those interested to purchase a property in Switzerland as a holiday home, to relocate their main residence to Switzerland or even to establish their permanent business in Switzerland.

It is therefore fairly difficult for non-Swiss residents to purchase property in Switzerland unless they are located within the designated 'Holiday Zones'. These zones are predominately found in certain ski resorts as well as the immediate areas surrounding both Montreux and Lugano. With all these areas the maximum size allowed is 200 sq m of official living space, this does not include balconies or basement areas.

There is also a second law, Lex Webber, which limited the number of properties owned as secondary residences to 20% of the total housing stock. Unfortunately if the area of the property falls under the jurisdiction of a commune that has already exceeded this limit. It is

therefore impossible to sell unless the property is already owned as a secondary residence.

Of course there are occasional allowances such as if a buyer's children are to be educated in Switzerland or if they can purchase through a Swiss-based and managed company. All of these are possible, but must be negotiated with the authorities on your behalf by a local lawyer.

All of the various reasons for the purchase of real estate have very different consequences, not only from a tax and legal point of view, but also regarding succession, financial structuring and asset allocation. In addition, the costs for the acquisition, the holding and the sale are different depending on each specific case.

In the top right hand corner are three examples for buying, owning and selling a property in Switzerland. In each canton and in some cantons in each commune, the costs are different. Furthermore, the taxes and costs can be different for residents and non-residents. Income and wealth taxes are progressive and different in each commune and canton. The three following examples are



indicative examples to understand the different systems.

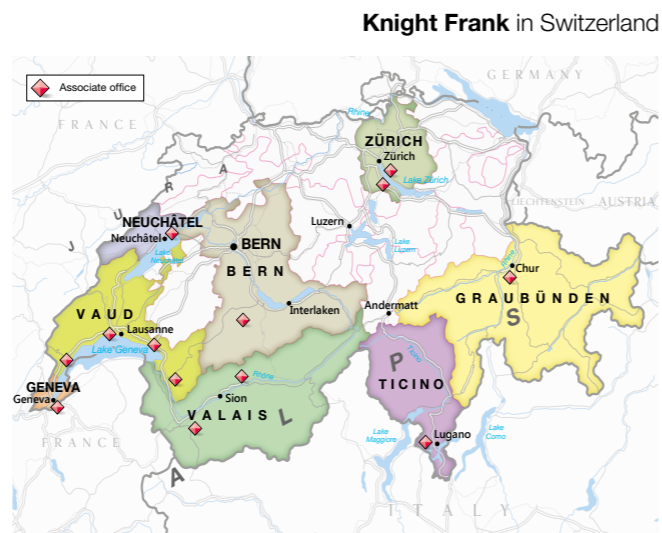
For more information please consult our Guide to buying property in Switzerland, prepared for us by *Transforma Consulting*, which is a general introduction to this complicated legal system. In practice, each individual transaction must be analysed according to local laws and regulations and expert advice must be sought.

BUYER	OWNER	VENDOR
PURCHASE IN GENEVA	RESIDENT IN GENEVA	SALE IN GENEVA
<p>Transaction costs</p> <ul style="list-style-type: none"> Notary fee: total 0.2145% Transaction tax: 3% Land registration fee: 0.25% Other costs: CHF 1,000 Registration or overtaking of mortgage: 1% of mortgage amount 	<p>Annual costs (Based on a property valued at CHF 10m)</p> <ul style="list-style-type: none"> Deemed rental value of CHF 300,000 taxed with other income at a maximum tax rate of approximately 40% Tax value of CHF 10m taxed with other wealth at a maximum tax rate of approximately 1% 	<p>Transaction costs (Based on a CHF 10m purchase)</p> <ul style="list-style-type: none"> Agency commission Capital gains tax: maximum of 50% (less than 2 years holding), 0% after 25 years of holding
PURCHASE IN ZUG	RESIDENT IN ZUG	SALE IN ZUG
<p>Transaction costs</p> <ul style="list-style-type: none"> Notary fee: maximum CHF 3,300 (usually 50/50 by parties) Transaction fee: maximum of CHF 6,000 Registration or overtaking of mortgage: maximum of CHF 4,500 	<p>Annual costs (Based on a property valued at CHF 4m)</p> <ul style="list-style-type: none"> Deemed rental value of CHF 144,000 (rental of CHF 12,000/month) taxed with other income at a maximum tax rate of approximately 21% Tax value of CHF 2.8m taxed with other wealth at a maximum tax rate of approximately 0.27% 	<p>Transaction costs (Based on a CHF 4m purchase)</p> <ul style="list-style-type: none"> Notary fee: maximum of CHF 3,300 (usually 50/50 by parties) Transaction tax: usually paid by the purchaser Capital gains tax: maximum of 60% (less than 1 year holding) and a minimum of 10% after 25 years of holding
PURCHASE IN TICINO	RESIDENT IN TICINO	SALE IN TICINO
<p>Transaction costs</p> <ul style="list-style-type: none"> Notary fee: 2% (usually 50/50 by parties) Transaction tax: 1.1% Registration or overtaking of mortgage: maximum of 2% 	<p>Annual costs (Based on a property valued at CHF 3m)</p> <ul style="list-style-type: none"> Deemed rental value of CHF 84,000 (rental of CHF 7,000/month) taxed at a maximum tax rate of approximately 34% Tax value of CHF 2.25m taxed at a maximum tax rate of approximately 0.6% 	<p>Transaction costs (Based on a CHF 3m purchase)</p> <ul style="list-style-type: none"> Attorney fee: 2% (usually 50/50 by parties) Transaction tax: paid by purchaser w/Capital gains tax: maximum of 31% (up to 1 year holding), minimum of 5% after 20 years of holding



The Swiss Network

The London team works closely with our network of local experts in Switzerland. Our local agents have been carefully selected for their integrity, experience and professionalism, and speak English as well as French, Italian and German.



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Other locations covered:
Graubünden, Crans-Montana,
Gstaad, Lugano, Neuchâtel, Verbier,
Villars and Zürich

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