



Outlook Real Estate Market




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Market environment: Residential properties

Economic outlook

The Swiss economy has lost momentum after a dynamic start to the year. Employment continued to rise in the second quarter, but growth lagged expectations. Since the beginning of August, US tariffs of 39% on Swiss goods have put pressure on companies, even though the gold sector remains exempt. Initial cases of short-time work and the relocation of production reflect the strain on businesses. Although negotiations with the US are ongoing, some economic damage seems unavoidable. For the full year, the Swiss economy is still expected to grow, albeit more slowly than hoped at the beginning of the year.

Financing conditions

The Swiss National Bank (SNB) kept its key interest rate at 0% in September 2025 and, for the time being, has refrained from reintroducing negative interest rates. For mortgage borrowers, the interest rate environment remains attractive, as long-term market rates also remain very low at less than 0.5%. However, anyone planning to close or renew a financing agreement should compare options carefully, as bank margin premiums can vary significantly. Switching from a SARON mortgage to a fixed-rate mortgage can also be worthwhile, especially since SARON margins have gradually increased since the beginning of this year.

Demand

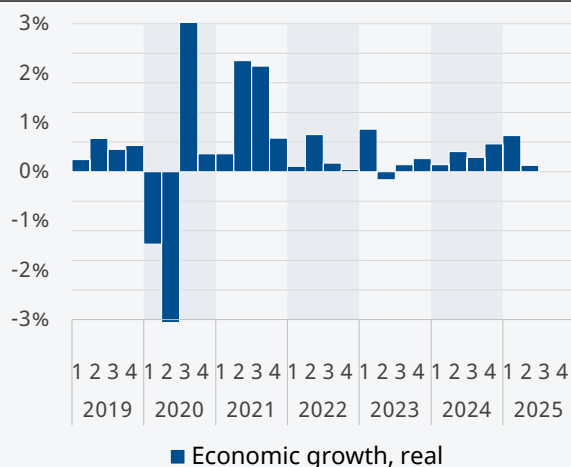
Still low financing costs and continuously rising rents are making homeownership increasingly attractive compared to renting. As a result, demand remains strong and is driving prices higher. This is also reflected in a rising number of transactions, both for new construction projects and existing properties, indicating that higher prices are supported by sustained demand. The abolition of the imputed rental value is likely to further increase demand. For buyers, this means further increases in home prices, while investors and project developers benefit from a robust market environment.

Outlook residential property market

Prices for single-family homes and condominiums are expected to continue to rise. Despite a somewhat weaker economy in 2025, demand remains strong enough to support – and even further drive – current price levels. With stable construction costs and an increasing willingness to buy, depending on the region, attractive opportunities are emerging for new development projects. However, financing remains the biggest challenge and has long been a key obstacle for many market participants. We anticipate a noticeable easing of lending conditions starting in mid-2026.

Tariffs dampen economic growth

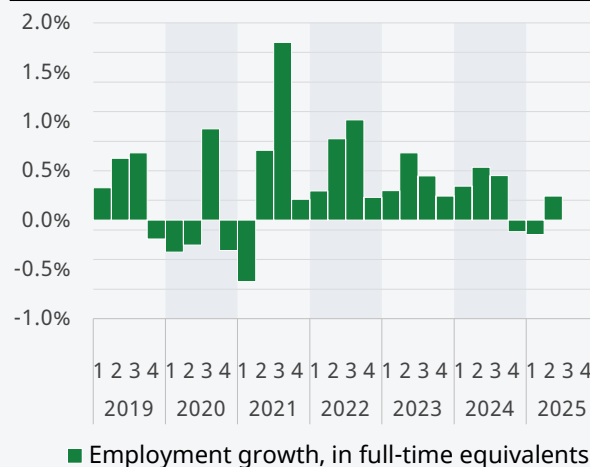
Economic growth, quarter-on-quarter change



Source: Federal Statistical Office, smzh ag.

The Swiss labor market is losing momentum

Employment growth, quarter-on-quarter change



Source: Federal Statistical Office, smzh ag.

Imputed rental value is history: Is now the time for amortization?

On September 28, 2025, Swiss voters voted in favor of abolishing the imputed rental value. As a result, a key element of residential property taxation to date has been removed: Going forward, homeowners no longer need to pay tax on a fictitious income, but in turn can no longer deduct mortgage rates from taxable income. High mortgages therefore lose some of their previous advantage. Many homeowners are now wondering whether they might want to repay their mortgage as quickly as possible.

A high level of debt can feel burdensome – especially when it exceeds the available assets. Now that tax deductions are no longer available, amortization is becoming a more obvious option. However, before making a hasty decision, it is worth looking at the numbers.

At its core, amortization is simply an investment where the return equals the interest savings. For example, if you voluntarily repay CHF 10,000 and your interest rate is 2.0%, you will save CHF 200 per year going forward. Under previous rules, the actual savings were even lower due to tax deductions – for instance, with a marginal tax rate of 25%, the effective savings would only be CHF 150.

Investing instead of voluntary amortization

Using your capital for investments rather than amortization can often achieve more in the long term. A broadly diversified securities portfolio has historically delivered average returns of 4% to 5% per year, significantly outperforming the interest savings from repaying debt. The example calculation in the diagram on the left shows that over ten years, making annual amortization payments of CHF 5,000 saves a total of approximately CHF 4,300 (before the change in the tax system) or CHF 5,800 (after the change).

If that same amount is invested in the capital markets, however, average net returns amount to 3.8% to 4.8%, creating an added value of CHF 11,700 and 15,300, respectively.

The question of voluntary amortization is therefore less about taxes and more about a financial consideration: while repayment offers a safe but low “return,” investing provides higher potential gains, though at increased volatility. Ultimately, it comes down to what you value more: the stability that comes with lower debt or the return opportunities in the capital markets.

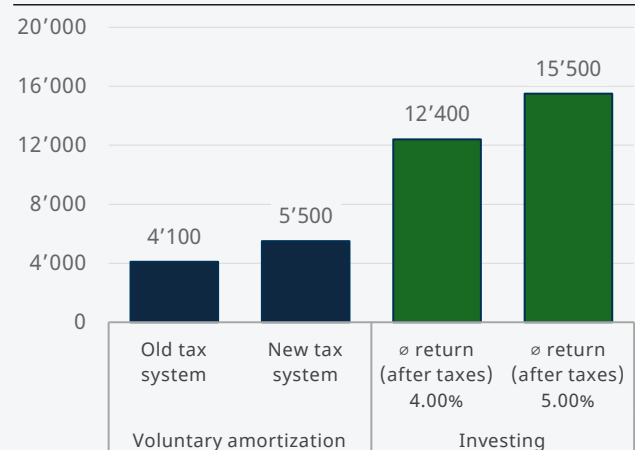
Is indirect amortization still worth it?

Some amortization remains mandatory once the loan-to-value exceeds two-thirds of a property's value. This repayment can be made directly or indirectly via the restricted pillar 3a. Indirect amortization has been particularly attractive in the past, because you could not only deduct 3a contributions from taxable income, but also claim mortgage interest for tax purposes. The latter benefit no longer applies. However, indirect amortization remains interesting since the tax advantage for pillar 3a contributions is still in place.

The key factor is the investment strategy: simply leaving retirement funds in a savings account will generate limited value going forward (as shown in the chart on the right). Only with a reasonable allocation to equities can long-term returns be achieved. In that case, indirect amortization continues to pay off under the new system – thanks to both the tax savings and the long-term capital gains.

Added value of voluntary amortization vs. investing

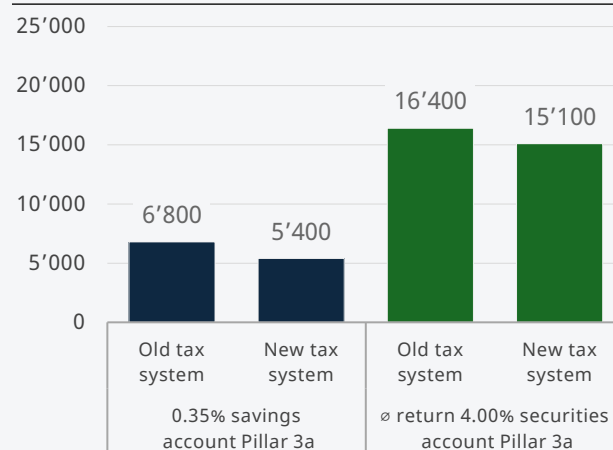
Added value after ten years with CHF 5,000 annually



Note: Own calculation. Assumptions: Mortgage interest rate 2.0%, marginal tax rate 25%. Reading example: With voluntary amortization, CHF 4,100 in interest is saved under the previous system after ten years. After the system change, the savings amount to CHF 5,500.

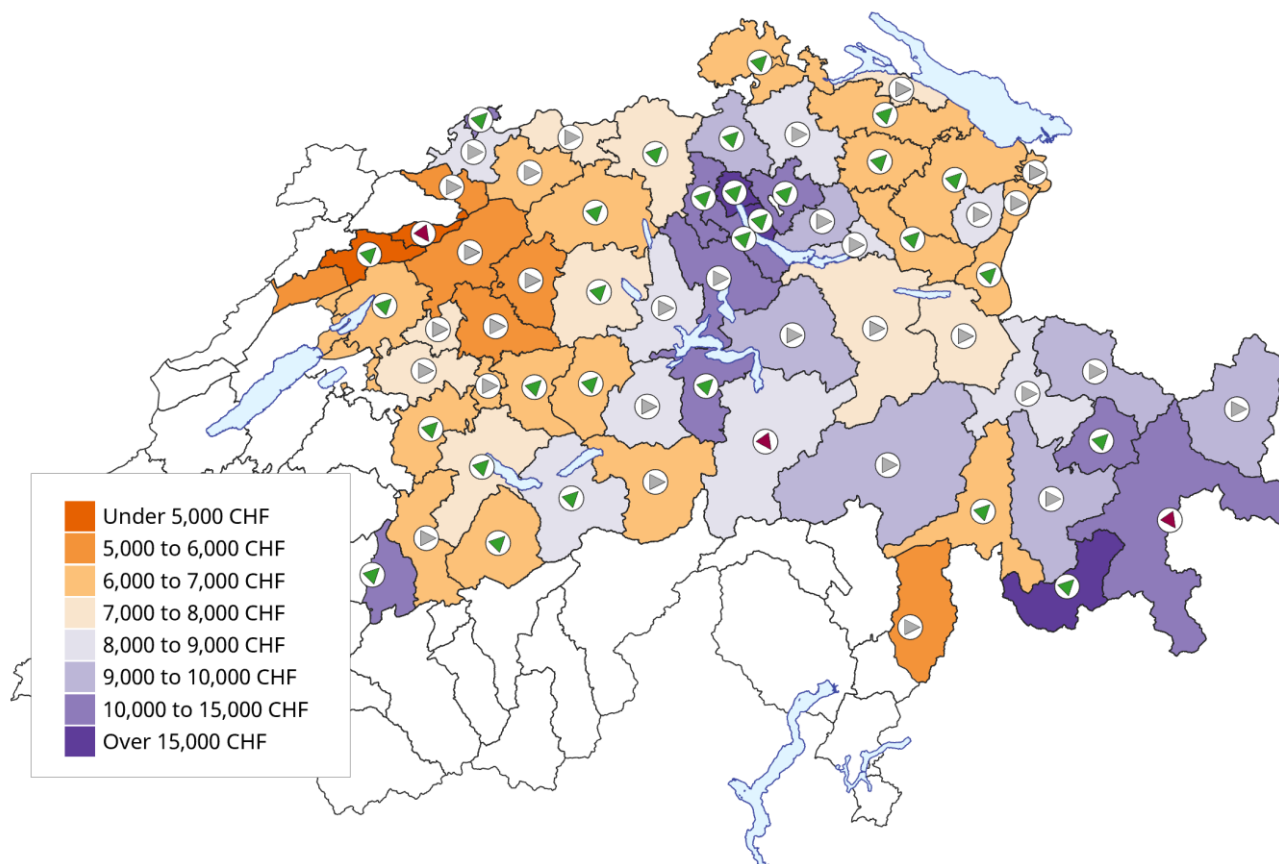
Added value of indirect amortization

Added value after ten years with CHF 5,000 annually



Note: Own calculation. Assumptions: Mortgage interest rate 2.0%, marginal tax rate 25%, capital gains tax from Pillar 3a: 5%. Reading example: Regardless of the pension solution, in this calculation example the added value through the reduction of debt amounts to around CHF 1,400 after ten years.

Development of residential property prices in German-speaking Switzerland



Source: Wüest Partner, smzh ag.

Note: The analyses are based on median values for all listed condominiums and single-family homes over the past twelve months. The arrows indicate price trends over the last twelve months.

Residential property prices in Switzerland have increased significantly since the beginning of the year. This development is driven both by favorable financing conditions and by the clear cost advantage of buying versus renting, which continues to incentivize many households to purchase property.

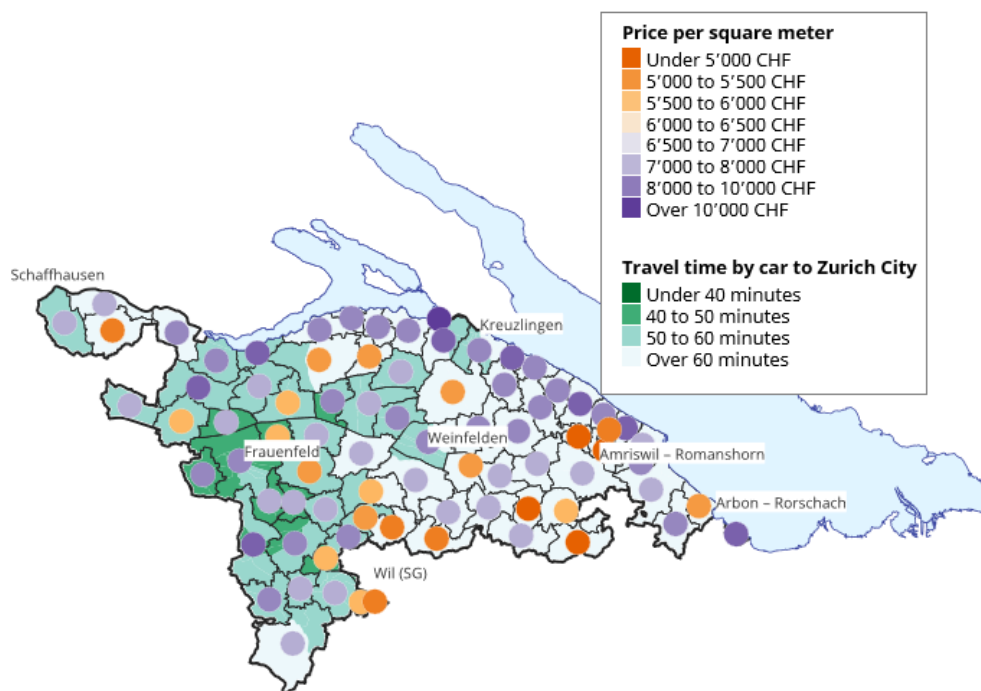
Based on transaction data, prices for single-family homes and condominiums rose by 2.5% to 3.0% nationwide in the first half of the year. A broad upward trend is evident across all regions, although there are marked differences in momentum.

Price increases were most pronounced in Central Switzerland, where single-family home prices rose by more than

4% and condominium prices by around 3.5%. At the lower end of the scale is the Bern region, where condominium prices increased by only about 1.5%. Even in the Greater Zurich area – where prices are already high – the rise was above average, while Northwestern Switzerland remained slightly below the national average.

This confirms the picture of a robust owner-occupied housing market, with demand continuing to outpace supply in many regions.

Focus on Thurgau: Pinpointing still attractive prices and development poten-



Source: Federal Office for Spatial Development ARE, Wüest Partner, smzh ag.

Note: The analyses are based on median values of all listed owner-occupied apartments and single-family houses of the last twelve months.

Thurgau combines rural tranquility with excellent connections to the urban centers of Zurich and Winterthur, making it a sought-after place to live and work. In addition to its attractive location and moderate prices, the canton's high quality of life continues to attract new residents, increasingly including city dwellers looking for a balance to urban environments. This combination has provided the market with stable growth impulses for years.

Communities closer to Zurich benefit significantly

Transport connectivity is crucial for price development. While proximity to a neighboring urban agglomeration does not automatically result in higher value, communities within Zurich's catchment area – such as Frauenfeld and the surrounding towns – benefit from their accessibility and command higher prices per square meter as a result. Other factors also play an important role. In regional centers like Kreuzlingen and Weinfelden, prices are above average, as these towns serve as residential and service hubs for a

broad surrounding area. Meanwhile, lakeside locations traditionally command a high price due to their attractive setting.

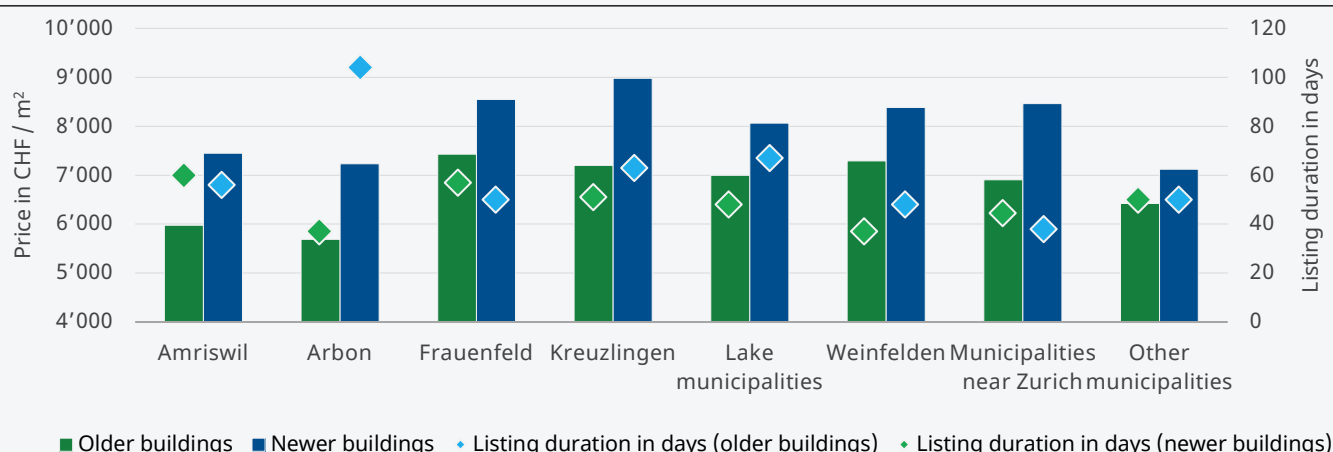
New-build premiums reach up to 30%

Analyzing the price difference between new and existing properties is especially insightful. A small price gap means buyers can acquire newly built real estate with little to no premium – a rare advantage given the superior construction quality. Conversely, municipalities with a substantial new-build premium are attractive for project developers, as they offer scope for profitable projects. In lakeside communities, the premium on new builds is around 15%; in Kreuzlingen it is over 24%, with a median value of just under CHF 9,000 per square meter. Municipalities within a 50-minute drive to Zurich also show a premium of over 20%, demonstrating buyers' elevated willingness to pay. Arbon shows the highest premium of around 30%.

Since our analysis is based on asking prices, we cannot assume that supply will automatically be absorbed by demand. This is particularly evident in Arbon when looking at

Municipalities with good transport connections to Zurich offer attractive development potential

Price premiums for new and older buildings and listing duration for various municipalities and regions



Source: Wüest Partner, smzh ag. Based on the median values of all listed condominiums and single-family houses over the past twelve months.

listing durations: The high asking prices for new builds in Arbon are not necessarily absorbed by the market.

While new builds generally remain on the market for the same amount of time or longer everywhere else, only in communities near Zurich is the listing period relatively shorter. At just over one month, it is also the lowest absolute figure among all the regions analyzed.

Thurgau offers opportunities with clear distinctions

Thurgau has evolved from a peripheral market into an established residential and economic region. Buyers can find opportunities where the price difference between existing and new properties is small and good location quality coincides with moderate prices. For project developers, municipalities with a high new-build premium—such as those in Zurich's catchment area—offer compelling return potential. Yet, listing durations signal caution: not every property is immediately absorbed by the market, and in certain locations like Arbon, significant price premiums are only realized selectively. Those who understand these regional nuances can take targeted advantage of opportunities in Thurgau, whether as buyers or investors.

Your contact for project development

Do you own a plot of land in Thurgau or have a real estate project in German-speaking Switzerland? We support you as a sparring partner – from development and financing advice to marketing. We are your dedicated contact for comprehensive support and look forward to connecting with you.



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Talberg-Park Schaffhausen

A high-quality new development is being built in Schaffhausen that not only offers modern living comfort but also contributes to enhancing the neighborhood. Surrounded by nature and featuring excellent public transport connections, this is the perfect opportunity to secure your new home or make an attractive investment.

Features:

- Living space of 80 to 112 m²
- Large window fronts, bright rooms
- Close to nature and yet near urban centers
- Only 5 units of 17 are still available

Prices starting at CHF 786,000.00

Contact:
Diego Schleinzer
+41 52 544 07 17
schleinzer@smzh.ch



City-Flat Apartments Zurich-Affoltern

These modern apartments in downtown Zurich are fully furnished. All units are barrier free, providing unlimited comfort and accessibility. In addition, you benefit from excellent technical amenities.

Features:

- Living space of 38 to 54m²
- Fully furnished, intelligent floor plan
- Central location

Prices starting at CHF 890,000.00

Contact:
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Market environment: Investment properties

Rental prices

The mortgage reference rate was lowered to 1.25% in September, returning to the level seen before the recent interest rate hike cycle. While landlords are not required to reduce existing rents, many households are still likely to benefit from decreases. At the same time, advertised rents continue to rise, having increased by 1.7% nationwide in the first half of the year. As a result, the gap between existing and offered rents is widening further, putting additional strain on the functionality of the housing market.

Demand for investment properties

Demand for real estate investments remains high but has been shifting for some time from city centers to suburban areas and surrounding communities. There, declining vacancy rates, more favorable regulatory conditions, and rising rents are creating attractive investment opportunities, especially for investors focused on development potential. Institutional investors, who successfully raised significant new capital last year, continue to act as buyers but are taking a more selective approach. The kind of aggressive pricing seen in the years before the pandemic has not yet returned.

Construction activity

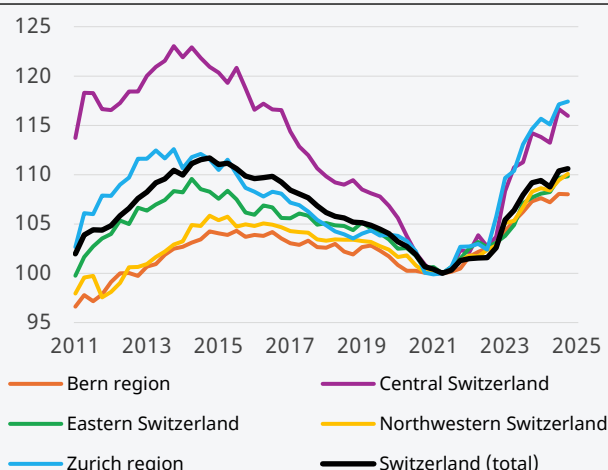
Construction activity has gained momentum over the past two years, thanks in part to improved financing conditions and stabilized construction costs. This is reflected in a higher number of building permits issued. However, it can take several years before these new units are actually built and ready for occupancy. For 2024, the completion figures still point to relatively low new production levels. Additionally, fewer and fewer homes are being built on undeveloped land; instead, existing buildings are often replaced. As a result, the overall supply is growing more slowly than the number of issued permits might suggest.

Outlook investment properties

In the current macroeconomic environment – characterized by geopolitical tensions and low interest rates – investment properties are particularly attractive from a risk-return perspective. This is reflected in strong demand from both private and institutional investors, which continues to exceed the limited supply of properties in prime locations. Accordingly, further price increases can be expected. However, financing remains a hurdle: banks are cautious and setting lower loan-to-value limits. Sellers aiming to achieve the ideal price today will find the best opportunities with investors who have strong equity positions.

Asking rents continue to rise

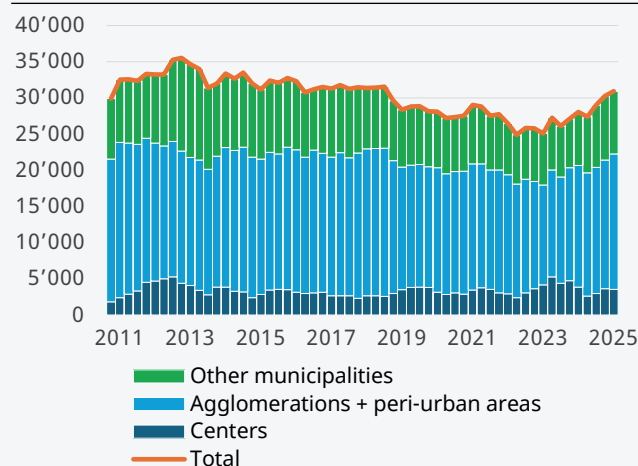
Asking rent indices by region (31.12.2021 = 100)



Source: Wüest Partner, SNB, smzh ag.

Construction activity insufficient despite recovery

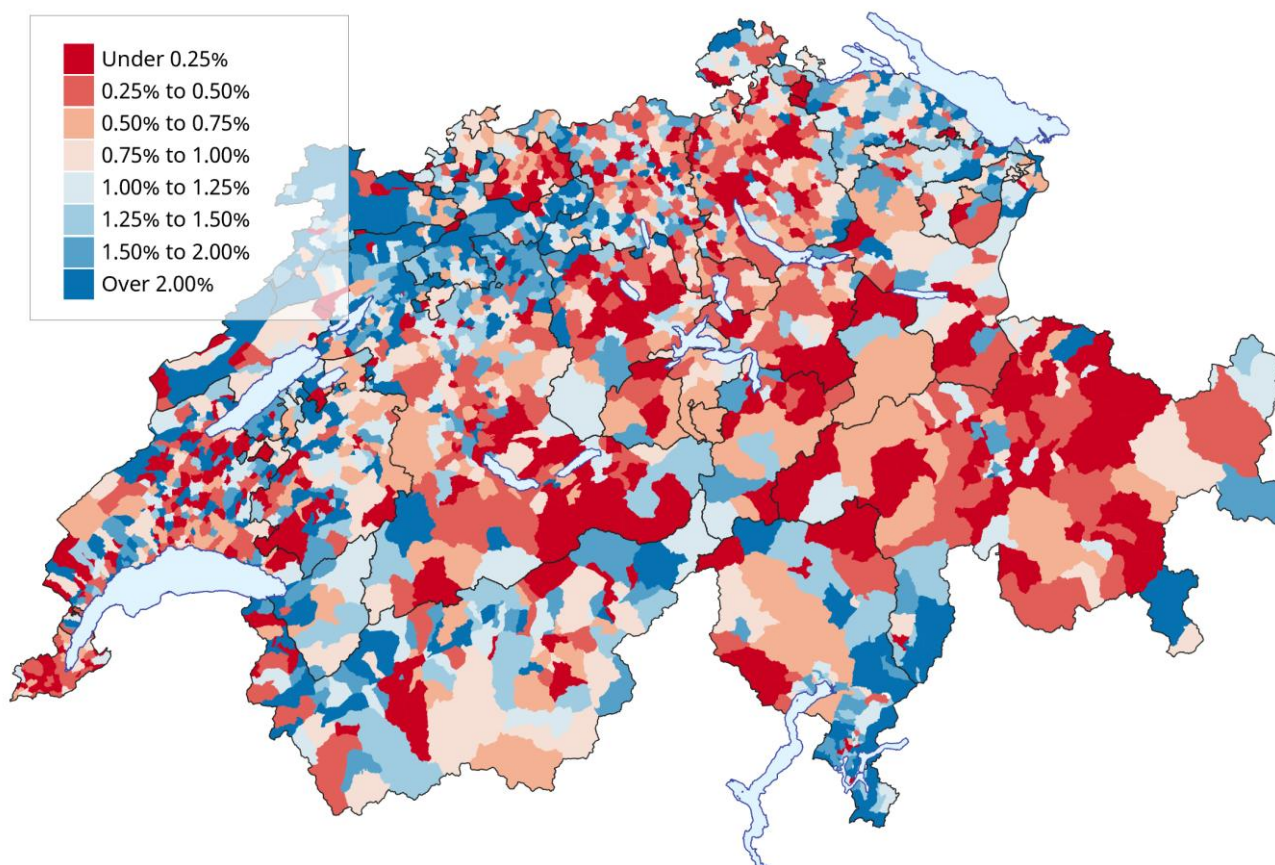
Rolling annual total of approved housing units



Source: Federal Statistical Office, Infopro Digital, smzh ag.

Note: Figures represent the number of approved units in newly constructed multi-family houses.

Vacancy rate falls to 1.00% – What does this mean for investment properties?



Source: Federal Statistical Office, smzh ag.

The situation on the Swiss housing market has become even more critical. The most recent vacancy survey shows a rate of just 1.0%, which equates to around 48,500 unoccupied apartments. What matters is not only how low this rate is, but, more importantly, where shortages are emerging and what consequences this has for rents, politics, and investors.

Scarcity is no longer an urban phenomenon

The map above tells a clear story. City centers are not the only areas affected by vacancies. Low vacancy rates now

extend far into suburban areas and even into some rural regions. The remaining vacancy reserves are concentrated partly in otherwise attractive locations where prices are barely affordable, and partly in areas with significantly lower location quality and longer commuting times. The public transportation analysis makes this tangible: compared to 2020, the largest reductions in available housing are observed beyond about 35 to 40 minutes by public transport from one of the five major centers. Even at greater distances to the nearest major center, it remains difficult to find a vacant apartment. This means that shortages are now widespread across the country; housing surpluses are no longer isolated to peripheral areas. Where location quality

is high, but prices have risen accordingly, demand has increasingly shifted to areas farther afield.

The real estate market is cyclical – and currently favors landlords

Demand for housing is highly dynamic, while construction activity responds more slowly. Since 2020, this contrast has intensified: on the one hand, sustained strong immigration has driven demand; on the other hand, the pandemic has led to a higher number of households, as fewer people are living together per apartment. Both factors have caused vacancy rates to decline rapidly.

On the supply side, construction activity is less prone to short-term fluctuations but shows a clear trend toward fewer new builds each year. This is driven by more complex and lengthy approval processes, stricter regulatory requirements, rising construction costs, more challenging financing conditions, and the fact that fewer new homes are being built on greenfield sites, with replacement developments often resulting in a net loss of housing units. As long as there is no surplus for several consecutive years, supply will remain constrained, leading to continued increases in asking rents. Based on historical patterns, annual growth rates of 2% to 4% appear realistic.

As a result, not only market forces but also political considerations are coming into greater focus, and debates about interventions in the housing market are becoming more intense.

Rental prices under pressure, politics required to act

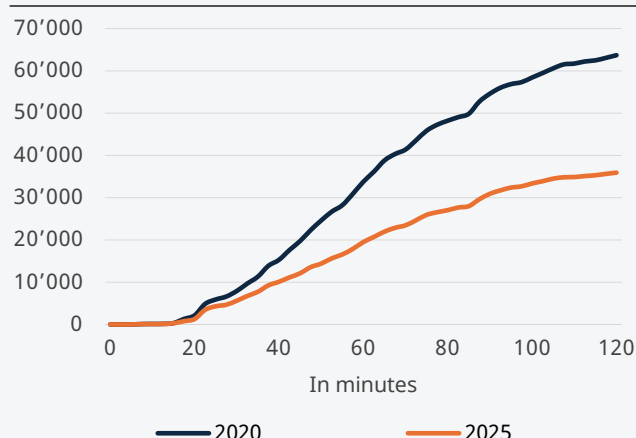
In the canton of Zurich, voters will decide on November 30, 2025, on the initiative "More Affordable Housing in the Canton of Zurich." The proposal calls for a pre-emption right for municipalities on major land and property sales, a direct intervention in the market. The counterproposal focuses on increased subsidies for non-profit housing and is considered the more likely winner. At the same time, four additional housing policy initiatives are pending in the cantonal parliament, and further proposals are being prepared at both the cantonal and municipal levels (city of Zurich). The spectrum ranges from greater support for affordable housing – both rental and owner-occupied – to direct measures such as pre-emption rights, restrictions on evictions, or limits on rent increases after renovations.

Other cantons are also discussing housing policy interventions. On September 28, 2025, voters in the canton of Bern approved the Rent Initiative, which aims to increase transparency in previous rental agreements and curb abusive rents. At the national level, the "Yes to Protection against Unfair Rents" popular initiative is currently in the signature-collection phase. This initiative seeks to amend the Federal Constitution to ensure that rents are regularly reviewed and excessive levels are prevented.

The risks of such interventions are evident in the canton of Basel-Stadt. Since the passage of the "Yes to Genuine

Fewer vacant apartments also in the periphery

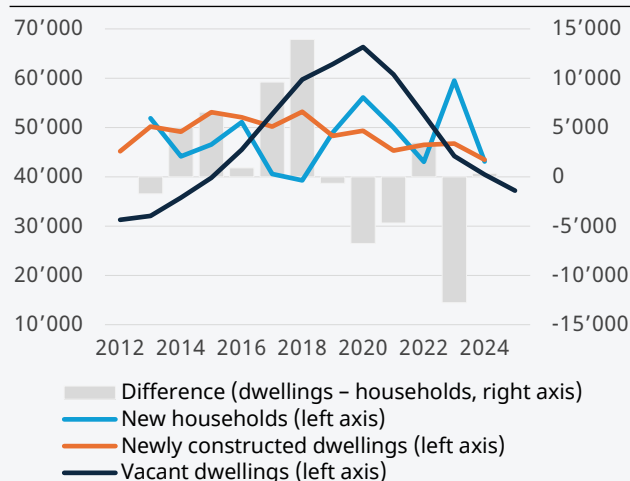
Vacant rental apartments by public transport travel time to the center



Source: Federal Office for Spatial Development ARE, Federal Statistical Office, smzh ag.

Housing demand dynamic, construction activity sluggish

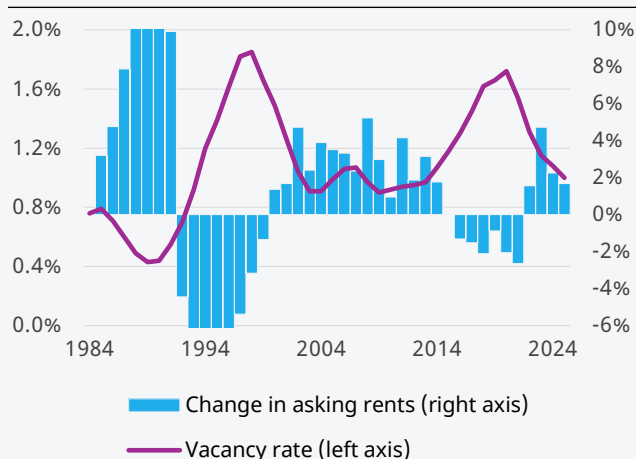
Vacancies, new households, and newly constructed dwellings



Source: Federal Statistical Office, smzh ag.

If supply remains tight, rents will continue to rise

Vacancy rate and annual change in asking rents



Source: Federal Statistical Office, SNB, Wüest Partner, smzh ag.
Note: For 2025, calculated from Q2 2025 compared with Q4 2024.

Housing Protection" initiative in 2021 and its implementation in 2022, construction and renovation activity has declined sharply. As a result, the cantonal government has decided on a partial revision of the housing protection ordinance, which will take effect on November 1, 2025. At the same time, a corrective initiative is underway that aims to further ease the regulations.

Political interventions in the real estate market are not just a Swiss phenomenon, but an international one. Overregulation or misguided policies not only make it more difficult to provide sufficient housing but also create additional risks for investors. This uncertainty is a key factor driving especially institutional investors to increasingly shift their focus from city centers to surrounding regions.

For investors: The winners are agglomerations and high-growth communities

The most attractive potential today lies in suburban areas and high-growth communities that are well connected to regional and major centers. On the one hand, these areas tend to have larger land reserves and typically more manageable regulatory requirements and approval processes. On the other hand, strong growth in housing demand outside city centers offers attractive earning opportunities through higher asking rents and lower vacancy rates.

Caution is still warranted, however. Although the current environment favors investors, there is a heightened risk of misjudgment. A sudden decline in net migration, an economic slowdown, or intensified political interventions could quickly shift the market. The key for investors is not to rely solely on the current shortage, but to focus on locations with structurally sustainable demand and on projects with

Your contact for investment properties

Whether it's acquisition, sale, or strategic portfolio management, we support investors throughout the entire investment and transaction process. In addition to identifying and brokering properties, we assist you in structuring financing and optimizing existing portfolios. This enables us to create solutions that are effective not just in the current market environment, but also sustainable over the long term.

We are your dedicated partner for comprehensive support – from strategy through to successful closing – and we look forward to connecting with you.



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