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# Construction Law 2025

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**Switzerland: Trends and Developments**

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Niederer Kraft Frey

# Trends and Developments

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**Niederer Kraft Frey**

**Niederer Kraft Frey** has one of the largest and most established real estate practices in Switzerland, advising on all aspects of real estate law. The core team of 11 lawyers, including four SBA construction and real estate law specialists, works from Zurich and Geneva and covers matters across Switzerland, including real estate transactions such as asset deals, share deals, share transfers, asset swaps, club deals, structuring of real estate investments, joint ventures, development projects, infrastructure projects, construction, leasing, financing, restructuring and litigation, and also the full range of public law (eg, building objections, monument protection, administrative contracts, environmental law, etc). NKF is the only major Swiss law firm that fully covers both private and public real estate law in-house. The team regularly acts for institutional investors, private equity houses, hotel owners, banks, asset managers, insurance companies and high net worth individuals. It is involved in high-value transactions and complex mandates across Switzerland, working closely with NKF's tax, corporate/M&A, banking and dispute resolution teams.

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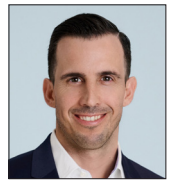

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## Introduction to Construction Law Trends in Switzerland

The Swiss construction sector is currently characterised by a dynamic interplay of regulatory, economic, environmental and technological developments. As urban centres face increasing pressure from population growth, rising demand for affordable housing, and limited land availability, policymakers and industry stakeholders are confronted with complex challenges requiring co-ordinated responses. Concurrently, evolving legal frameworks, stricter financing conditions and heightened environmental standards are reshaping the parameters within which development takes place. This chapter provides a high-level analysis of the current landscape, examining the factors influencing construction policy in Switzerland, while highlighting emerging trends and potential future developments.

## Political Landscape and Housing Protection

Housing policy continues to be a key political issue in Switzerland, especially in urban areas where demand for affordable housing remains high and available land is scarce. Over the past years, various political initiatives and legislative trends have shaped a complex regulatory environment that seeks to balance development needs with the protection of tenants and historical urban character.

One notable development is the increasing support for non-profit housing projects. Municipalities are acquiring and expanding their portfolios with new buildings to create affordable housing. The broader political aim is to maintain social diversity in urban neighbourhoods and prevent displacements caused by gentrification.

## Economic Conditions and Construction Activity

The construction sector in Switzerland continues to respond to evolving economic, spatial and demographic dynamics. One of the most pressing challenges remains the limited availability of building land, particularly in urban areas. This scarcity could lead to a growing interest in alternatives such as leasehold models (*Baurecht*).

Spatial planning policies increasingly aim to direct growth toward predefined development zones, which shifts tradition construction hotspots and influences project pipeline distribution. In parallel, demographic shifts – particularly an aging population – are driving the demand for housing concepts that cater to older residents, both in terms of location and accessibility.

Another trend is the rising popularity of modular and multi-generational housing, which offer flexibility in response to changing living arrangements and space requirements. At the same time, the commercial and office real estate sectors are facing certain structural changes, as home office and hybrid work models reduce the long-term demand for conventional office spaces. This is prompting many developers to reconsider usage concepts and invest in more adaptable building structures.

Investment behaviour in the construction sector is also undergoing a shift. Higher financing costs have curbed enthusiasm for speculative projects and redirected capital flows toward refurbishment and the modernisation of existing stock. In addition, resilient assets – such as energy-efficient buildings with stable rental yields – are becoming increasingly attractive to institutional investors and pension funds.

## Financing Situation

In recent years, financing conditions for construction projects in Switzerland have undergone significant change. After a prolonged period of historically low interest rates that fuelled a boom in residential and commercial development, the construction sector now faces a more challenging financial environment. Rising interest rates have increased the cost of borrowing and have had a cooling effect on new investments, particularly in larger and more capital-intensive development. However rates have recently begun to stabilise and even declined slightly.

This shift has made traditional construction loans less attractive and harder to obtain. Banks have become more conservative in their lending practices due to macroeconomic uncertainty and regulatory pressure. As a result, borrowers face stricter capital requirements and more thorough risk assessments, especially for developments or large-scale residential or commercial projects. In some cases, projects are being postponed or scaled back, especially where return on investment becomes uncertain due to higher construction costs. The merger between UBS and Credit Suisse has also reshaped the mortgage and construction finance landscape. With one major market player now dominant, smaller banks and new digital providers are trying to gain market share by offering competitive lending products and faster approval processes. At the same time, regulatory frameworks such as *"Basel III"* have continued to tighten the capital adequacy rules for banks with its governing lower of cost or market principle, leading to more risk-sensitive lending behaviour. These structural changes have sparked growing interest in alternative financing models. Public-private partnerships (PPPs) are gaining traction. Green bonds and ESG-linked financing tools are being used to attract capital. Dedicated sustainability funds are directing capital into ecological and socially responsible real estate projects, aligning investment strategies with environmental and societal impact goals. Another innovation is that mezzanine financing providers are on the rise in Switzerland and a significant number of new players are entering the market.

Similarly, crowdfunding has been explored as a means to democratise real estate investment, particularly for small-scale residential or community-focused developments.

Despite these innovations, many developers still face considerable hurdles. The requirement for increased equity capital, fluctuation construction costs and regulatory complexity limits the pool of qualified investors.

Finally, the availability of land and planning permissions remains a significant barrier to project financing. Without a clear planning framework and predictable approval timelines, many investors remain hesitant. Financing challenges are therefore not purely economic.

## Construction Costs and Material Prices

Rising construction costs remain a key concern in the Swiss construction sector. In recent years, global supply chain disruptions, geopolitical tensions and currency fluctuations have significantly driven up the prices of building materials. The effects of international conflicts, tariff increases and raw material shortages have made it increasingly difficult to plan and budget for new developments. Project developers and investors are facing mounting financial and scheduling uncertainties as a result.

Materials such as steel, concrete, insulation and timber have become more expensive and less predictable in terms of availability. In parallel, the

industry has also had to cope with rising labour costs, as demographic changes and a growing shortage of skilled workers drives up wages. The competition for qualified construction personnel has intensified. This tight labour market is not only increasing payroll expenses but also impacting productivity and project timelines.

These dynamics also encourage a shift in market behaviour. Many investors and developers are now focusing more on the renovation and upgrading of existing buildings rather than initiating new construction. Urban densification strategies in existing infrastructures are often more economical than greenfield development.

To mitigate the cost pressure, there is a growing shift toward cost-efficient and sustainable building strategies. Recycling materials, using locally sourced products and focusing on circular construction approaches are becoming increasingly attractive in order to reduce both costs and environmental impact. For example, wood construction has gained new relevance as a renewable and often regionally available resource. The same goes for innovative low-carbon concrete and prefabricated modular elements that reduce on-site labour time. These methods not only reduce dependency on volatile global markets but also align with environmental and climate-related goals.

Looking forward, construction cost inflation is likely to remain a challenge. The industry must navigate not only price volatility but also structural transformation including the shift to more sustainable building practices and the integration of digital planning tools which (at least at the beginning) also drive up costs.

## Insolvency and Bankruptcy

The construction industry in Switzerland remains one of the sectors that is more likely to be affected by insolvencies. Due to the capital-intensive nature of building projects, tight margins and frequent payment delays, companies along the construction value chain are particularly vulnerable to financial distress. In recent years, the number of bankruptcies has increased noticeably with many cases occurring during active construction phases.

A key factor contributing to the fragility of the sector is its reliance on uninterrupted cash flow and tightly calculated project financing. Rising construction costs, supply chain disruptions and stricter credit conditions have increased pressure on companies operating with limited reserves. Insolvencies can trigger cascading effects: subcontractors face unpaid invoices, suppliers lose customers and property owners are left with unfinished buildings and unclear claims.

From a legal perspective, the insolvency of a key contractor often leads to delays in handovers, complex questions of risk allocation and conflicts over the legal status of work already completed. Increasingly, project developers and investors seek to mitigate such risks through improved contract design and a suite of legal instruments tailored to insolvency scenarios.

Contracts now often include insolvency-specific clauses that define the legal consequences of a party's financial collapse. These may include the right to terminate contracts for cause, trigger a re-tendering mechanism for unfinished portions of the work or active step-in rights for project owners or financing parties. Step-in rights allow the principal to assume control of a project if a contractor becomes insolvent – either by com-

pleting the work directly or by assigning it to a third party.

Furthermore, the use of escrow arrangements for advance payments and payment guarantees such as surety bonds or bank guarantees has become the standard for larger projects involving professional parties. These instruments are designed to ensure that funds are not lost in the event of bankruptcy and that work already paid for can be completed or compensated.

In contracts involving multiple parties, joint and several liability is often imposed to ensure that subcontractors or consortium partners remain accountable if one party struggles.

Developers and institutional investors therefore conduct financial due diligence and credit checks before awarding contracts, especially in large developments, and are well advised to do so.

Ultimately, the risk of insolvency remains an inherent part of the construction landscape. Legal advisers play a growing role in designing protective measures and contingency plans that can minimise exposure. Given the economic climate and ongoing volatility in input costs and financing conditions, proactive insolvency risk management has become a key success factor in the construction sector.

### Heritage Protection and the Role of ISOS

Heritage protection is becoming an increasingly influential factor in construction law and urban planning in Switzerland. While typically, monument conservation is a Cantonal task, the Federal Inventory of Swiss Heritage Sites of National Importance (*Bundesinventar der schützenswerten Ortsbilder der Schweiz von nationaler Bedeutung*, ISOS), which is aimed at preserving the architectural and historical character of towns, villages and landscapes where a federal task is involved, has become a central element in this context. Over recent years, the interpretation and legal application of ISOS provisions have become more stringent, both in administrative practice and in court decisions. One key development is the expanded definition of what constitutes *"federal task"* a legal concept that triggers the full application of ISOS-based restrictions. This has led to more frequent and thorough reviews of new construction projects in historically protected areas.

The growing emphasis on heritage conservation creates a fundamental tension with the political and societal push for urban densification. Cities continue to grow, and the demand for new housing remains high, yet ISOS zones often limit the potential for vertical or structural expansion. Planning authorities are increasingly faced with the challenge of weighing cultural preservation against the need for affordable and high-quality living space.

Recent legal developments show a trend toward more comprehensive impact assessments and stricter thresholds for the demolition or modification of protected structures. Rather than demolishing historic buildings, developers are encouraged – both by regulation and financial incentives to undertake careful, conservation-minded renovations. These types of projects, however, are often more complex, time-consuming and costly, particularly due to the need for expert opinions and compliance with detailed preservation guidelines.

The imbalance between preservation mandates and the needs of a growing population has sparked increasing political debate. While heritage protection remains an essential part of

Swiss planning law, questions are being raised about the flexibility of ISOS in responding to modern housing needs. Particularly in urban centres, there is a pressing need to reconcile the interests of conservation with sustainability, densification and affordability.

### ESG and Environment

Environmental, Social and Governance (ESG) considerations are playing an increasingly prominent role in the Swiss construction sector. Regulatory changes, investor expectations and public awareness are driving a shift towards more sustainable building practices. For developers, investors and public authorities, ESG is becoming a requirement. For international investors and tenants, certificates like LEED, BREEAM, DGNB, BNB, etc, are often requested.

In Switzerland, energy efficiency standards such as Minergie, certifications are commonly applied and often supported by public funding. These standards reward buildings that meet strict energy performance criteria, promoting the use of renewable energy, better insulation and efficient ventilation systems. Public procurement guidelines and municipal building policies also favour projects that align with environmental goals, including zero-emissions construction and reduced resource consumption.

In line with broader sustainability goals, the development of car-free residential areas is being increasingly supported at municipal and cantonal levels. These neighbourhoods aim to reduce traffic-related emissions, free up space for green infrastructure and enhance the overall quality of life for residents. Legal and planning frameworks are gradually adapting to facilitate such projects, often by tying planning permissions or subsidies to mobility concepts.

Closely related is the growing importance of charging infrastructure for electric vehicles. As e-mobility expands, new residential and commercial developments are expected to integrate adequate charging points and the corresponding energy supply systems from the outset. These not only raise technical and financial planning requirements but also introduce regulatory questions around shared usage, maintenance responsibilities and energy metering.

New legal frameworks, such as the Federal Act on the Reduction of $CO_2$ Emissions (the *"$CO_2$ Act"*), and cantonal regulations are being developed or strengthened to align with Switzerland's climate strategy. In urban areas, efforts to improve the microclimate have led to greater investment in green infrastructure, such as parks, green roofs and water-retention systems. These initiatives aim to mitigate heat islands and enhance urban resilience to climate change.

The concept of the circular economy is gaining ground in the industry. Builders are increasingly using recyclable materials or opting for local sourcing to reduce transport emissions and dependency on global supply chains. This also responds to growing material scarcity and price volatility. Meanwhile, projects focusing on the renovation of existing buildings – rather than demolition and reconstruction – are becoming more popular.

One legal instrument that plays a central role in environmental regulation is the register of contaminated sites under the Environmental Protection Act. Construction activities in affected areas must consider these entries, adding complexity and potentially higher costs to certain developments. Similarly, noise protection regulations and traffic emission thresholds are becoming

more relevant in permit procedures and design choices.

Lastly, the updated SIA Standard 390/1 aims at marking key developments in climate-conscious construction. It introduces uniform guidelines for climate transparency in the building sector.

### Energy Joint-Consumption Models (ZEV)

Switzerland has seen a growing adoption of joint-consumption models in multi-unit buildings, known as *Zusammenschluss zum Eigenverbrauch* (ZEV), as outlined in Article 17 of the Energy Act. These structures allow multiple households or businesses in a building or complex to jointly use electricity generated on site, typically through photovoltaic systems, instead of each unit sourcing electricity individually from the grid.

ZEV arrangements are especially attractive in light of rising energy prices and decarbonisation goals promoting local and renewable energy production. ZEVs often reduce grid fees and improve return on investment for building-integrated solar installations, making them financially viable and environmentally desirable.

From a legal perspective, the ZEV model changes the electricity supplier for the parties. Instead of purchasing energy from the regional grid operator, participants become internal consumers of the shared installation. This change has implications for billing, metering and contract structuring. Building owners or third-party energy service providers often take on the role of internal energy managers, responsible for distributing electricity, charging fees and maintaining the system.

One area of legal uncertainty relates to liability, especially in the event of power outages or technical failures within the ZEV. As the legal framework is still evolving, there is ongoing discussion about whether and to what extent the internal provider can be held responsible for supply interruptions and what consumer protection standards should apply. These questions become more complex as ZEVs scale up in size or are integrated into mixed-use or neighbourhood-level developments.

While federal and cantonal authorities promote ZEVs, their practical implementation still requires careful planning and legal structuring. Not all buildings are suitable for ZEVs due to technical constraints or divergent interests among co-owners or tenants.

Despite these challenges, ZEVs are expected to become increasingly relevant in the coming years. They reflect a broader trend towards decentralised energy systems and are likely to play an important role in shaping future developments.

### Technology

Technological innovation continues to reshape the Swiss construction industry, albeit at varying speeds across different segments. The integration of digital tools and automated systems promises to improve efficiency, reduce costs and enhance sustainability. However, despite the growing interest, the widespread application of these tools is still in an early phase, with many stakeholders just beginning to explore their full potential.

Building Information Modelling (BIM) has been a topic of discussion for several years and is now starting to be used in planning processes. It enables stakeholders to collaborate more effectively by working on a shared digital model, improv-

ing accuracy and reducing errors throughout the project lifecycle.

Automation and robotics are also gaining traction. On construction sites, robots are being tested for tasks such as bricklaying and material transport, while drones and IoT sensors help monitoring logistics, safety and environmental conditions in real time. These technologies can provide valuable data for decision-making. Nevertheless, their application remains experimental.

Artificial intelligence is being gradually incorporated into planning tools to optimise construction schedules, forecast material needs and support energy-efficient designs. Virtual and augmented reality are used for training and virtual site inspections. Meanwhile, 3D printing is explored as a way to reduce material waste and shorten construction timelines.

In the financing and legal segments, digital platforms are emerging to facilitate automated credit approvals and streamline project financing. Blockchain-based solutions and tokenisation of real estate assets are being tested.

While technological potential is vast, challenges remain, and technical development is still in the early stages. The coming years will likely determine whether these tools become mainstream or remain niche solutions. This will be an interesting area to follow closely.

## Outlook

In conclusion, Switzerland's construction sector is navigating a complex and evolving environment, shaped by a confluence of regulatory, financial, demographic and sustainability-related pressures. While cautious optimism prevails, the challenges posed by rising construction costs, stricter lending practices, and legal constraints – particularly in heritage and environmental protection – necessitate deliberate and forward-thinking responses. The sector's future resilience will depend on its ability to innovate, adapt financing and planning models, and align development strategies with both societal needs and regulatory expectations. A co-ordinated effort among public authorities, private stakeholders and legal experts will be essential in ensuring that the built environment continues to evolve.

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