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Real Estate 2026

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Switzerland: Trends and Developments

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Trends and Developments

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Niederer Kraft Frey

Niederer Kraft Frey (NKF) is a leading full-service Swiss corporate law firm based in Zurich and Geneva with an international approach. The firm works closely with its clients in Switzerland and internationally to implement strategic goals, strengthen businesses and navigate change effectively. NKF strives to sat-

isfy the growing expectations of its clients, employees and the wider society by making a real and lasting difference in doing business in a responsible way. Corporate social responsibility is therefore an integral part of its corporate identity and culture.

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Introduction

The Swiss real estate market stands at a pivotal moment. While it continues to benefit from Switzerland's long-standing strengths such as political stability, economic resilience, and quality of life, it is also undergoing profound structural change. Demographic shifts, evolving work patterns, sustainability requirements, technological innovation, and regulatory developments are reshaping how real estate is developed, financed, and valued.

Over the past decade, historically low interest rates fuelled strong price growth and high transaction volumes. The recent normalisation of monetary policy marked a turning point. Although the market has proven resilient, investors, developers, and policymakers are adapting to a new environment characterised by higher financing costs, tighter supply, affordability concerns, and rising ESG expectations.

At the same time, new opportunities are emerging. The growth of digital infrastructure, life sciences clusters, and mixed-use developments reflects the changing needs of a modern economy.

This article explores the macroeconomic drivers, residential and commercial dynamics, financing conditions, digital transformation, regulatory developments, and emerging risks currently shaping the Swiss real estate market.

Macroeconomic Conditions

Economic context

Switzerland's macroeconomic environment remains a cornerstone of its real estate stability. Despite global headwinds including geopolitical tensions, supply

chain disruptions, and inflationary pressures, the Swiss economy has maintained moderate growth and low unemployment.

Interest rate increases between 2022 and 2024 by the Swiss National Bank – followed by a decrease to the current rate of 0% – marked the end of the long period of negative rates. While borrowing costs rose, the Swiss retail real estate market proved much more resilient than markets in other countries due to conservative lending standards and widespread use of long-term fixed-rate mortgages, while the Swiss investment real estate market benefited from the strong presence of Swiss institutional capital.

Inflation has moderated, but construction costs remain elevated due to labour shortages, material costs, and regulatory requirements. These cost pressures continue to affect development feasibility and contribute to supply constraints.

Valuation and pricing

A feature of the current market cycle is the persistent gap between seller price expectations and buyer underwriting models. During the low-interest-rate era, yields compressed to historically low levels, driving strong capital appreciation. As financing costs rose, investors began to reassess valuations using higher discount rates and more conservative exit assumptions.

Buyers now apply stricter stress tests to rental growth projections, vacancy rates, and refinancing conditions. Sellers, particularly in core segments such as prime residential assets, often remain anchored to pre-adjustment pricing. This mismatch has led to

longer negotiation periods and, in some cases, postponed transactions.

Construction cost inflation and development feasibility

Construction costs remain elevated due to material price volatility, labour shortages, and energy-related expenses. Developers face tighter margins and greater uncertainty in project budgeting. Cost escalation risks have become a central concern in general contractor agreements, with parties negotiating more detailed clauses addressing price adjustments, delays, and supply chain disruptions.

Feasibility studies now incorporate conservative assumptions and contingency buffers. Financing institutions require more robust cost controls. Projects that would have been viable under previous cost conditions may now require redesign, phasing, or alternative financing structures.

The cost environment has also encouraged innovation. Modular construction, energy-efficient building technologies, and adaptive reuse of existing structures are gaining attention as ways to manage costs while meeting sustainability requirements.

Population growth and urbanisation

Population growth remains one of the most significant drivers of real estate demand. Switzerland's population has surpassed nine million and continues to grow.

Urban centres such as Zurich, Geneva, Basel, Lausanne, and Zug attract a disproportionate share of new residents. This concentration intensifies pressure on housing supply and infrastructure. However, rising costs in core cities are pushing residents toward suburban and peri-urban areas with strong transport links.

This trend is reshaping regional development patterns. Municipalities with good rail connections to major cities are experiencing increased demand, leading to densification and new residential projects in previously less central locations.

Following an initiative by a right-wing political party, Switzerland will vote on a population cap of ten million until 2050 (up from approximately nine million).

If accepted, and depending on its exact implementation, the initiative is expected to have a material impact on both population growth in Switzerland and its relationship with its neighbouring countries.

Household formation

Demographic changes are transforming housing needs in Switzerland. The country is experiencing a marked increase in single-person households alongside a steadily ageing population, reflecting longer life expectancy, changing family structures, and greater professional mobility. These trends are driving strong demand for smaller, flexible, and centrally located housing units, particularly in urban areas and well-connected regional centres.

In parallel, hybrid work models have reshaped housing preferences. While access to employment centres remains important, the ability to work from home has increased demand for larger homes that can accommodate dedicated office space, quiet work areas, and flexible layouts. Outdoor areas such as balconies, terraces, and shared gardens, as well as proximity to green spaces, have become decision factors.

Market defined by selectivity

Overall, the year 2026 is and will be characterised less by contraction than by a pronounced shift toward selectivity. Rather than withdrawing from the market, investors are becoming more disciplined in how they allocate capital, focusing on assets that combine resilient demand and regulatory clarity. Prime residential properties in metropolitan areas and modern office buildings with strong sustainability credentials continue to attract interest, while secondary assets with uncertain repositioning potential face longer marketing periods and pricing pressure. This more discriminating approach reflects not only higher financing costs but also a broader reassessment of long-term value drivers, including location quality and adaptability to future use.

Developers are responding by prioritising projects with strong fundamentals and manageable risk profiles. Schemes with secure planning status, clear zoning parameters, and demonstrable market demand are more likely to proceed, while speculative developments or projects in politically sensitive locations face

delays or redesign. The market, therefore, remains active, but decisions are more deliberate, timelines longer, and risk assessments more sophisticated, signalling a transition from growth-driven expansion to stability-oriented investment strategies.

Residential Real Estate Trends

Continued price growth with regional variation

Residential prices have continued to rise, though at a more moderate pace. Price dynamics vary significantly by region:

- Prime urban markets remain the most expensive and supply-constrained.
- Suburban areas benefit from spillover demand.
- Peripheral regions offer affordability but face slower growth.

Owner-occupied housing remains highly desirable, but stricter affordability criteria and high equity requirements limit access.

Rental market dynamics

Switzerland's residential rental market is under significant strain. Vacancy rates in major cities remain extremely low. Demand consistently exceeds supply, resulting in rising rents and competitive tenant selection.

While foreign investors are in effect banned from investing in Swiss residential assets due to restrictions under Federal Act on the Acquisition of Immovable Property in Switzerland by Foreign Non-Residents (Lex Koller), Swiss investors continue to show a strong appetite for this asset class due to its stable income streams and strong demand fundamentals. This has reinforced the role of pension funds and insurance companies as dominant residential buyers and landlords.

Supply constraints and building activity

Housing supply constraints stem from multiple structural factors such as:

- limited land availability;
- strict zoning regulations;
- lengthy permitting processes;
- rising construction costs; and

- local opposition to densification or construction projects.

Densification strategies are increasingly necessary to accommodate population growth. However, these projects often face political and community resistance.

Construction activity slowed during periods of cost volatility but is gradually recovering. Nonetheless, the structural housing shortage in urban areas is expected to persist for the near future.

Affordability pressures and social implications

Housing affordability has become a central social and political issue. Rising rents and property prices disproportionately affect low- and middle-income households.

Policy responses include support for co-operative housing, housing protection measures, restrictions on demolition, and replacement of affordable units.

These measures aim to balance market dynamics with social stability, but they also introduce additional regulatory complexity for developers.

Commercial Real Estate Trends

Transaction volumes in certain traditional office and retail segments have moderated, reflecting structural changes such as hybrid work models and evolving consumer behaviour.

Office market

The office sector has undergone significant transformation but remains resilient. While remote work has reduced overall space demand, offices continue to play a critical role in collaboration, innovation, and corporate identity. Demand has shifted toward central locations and buildings with flexible layouts.

Older office buildings in secondary locations face increased vacancy risks. Many are being repositioned through renovation, conversion to residential use, or transformation into mixed-use developments.

Retail sector

Retail real estate continues to adapt to structural change driven by e-commerce and evolving consumer behaviour. Prime retail locations in major cities remain strong due to tourism and high foot traffic. Secondary locations, however, face declining demand.

Industrial and logistics sector

The logistics sector is growing. E-commerce growth and supply chain restructuring have increased demand for warehouses and distribution centres.

Limited land availability makes logistics assets particularly valuable. Investors increasingly view the sector as a stable, long-term income generator.

Specialised sector: life sciences and data infrastructure

Specialised real estate sectors are expanding. Switzerland's life sciences clusters, particularly in Basel, Zurich and Lausanne, continue to attract investment in research facilities and innovation campuses.

Digital infrastructure has emerged as a strategic asset class. A standout example of this trend is Antin Infrastructure Partners' agreement to acquire NorthC Datacentres from DWS and other sellers in a share deal. Data centres combine physical assets with long-term service contracts and energy-intensive operations, requiring sophisticated regulatory and environmental analysis. Such investments are closely linked to grid capacity, energy sourcing, and environmental permitting. As digitalisation accelerates, demand for secure and sustainable data infrastructure is expected to grow, positioning data centres as a component of institutional real estate strategies.

Financing

Financing, security structures and refinancing risk

Financing conditions remain more restrictive than in previous years. Higher interest rates, Basel-aligned capital requirements, and Swiss non-bank lender rules, including the "10/20" rules, require careful structuring.

Refinancing transactions and amendments to security packages demand particular attention. Avoiding unintended novation effects or bankruptcy-avoidance

risks has become a core legal concern. Cross-border group guarantees and mezzanine structures require detailed regulatory and tax analysis, especially where Lex Koller considerations may be triggered.

The CHF125 million revolving credit facility arranged by UBS (formerly Credit Suisse), together with a consortium of Swiss banks, for Andermatt Swiss Alps AG demonstrates that structured financing remains available. The facility refinances existing indebtedness and supports investments in hotel and tourism infrastructure in Andermatt.

Investment flows and institutional dominance

Institutional investors such as pension funds and insurance companies dominate the Swiss real estate market. Their long-term investment horizons and regulatory advantages support stable demand.

International capital remains active but selective, especially due to Lex Koller, focusing on prime assets and specialised sectors such as logistics and life sciences.

Alternative financing and structuring

Innovative financing structures are gaining traction, including:

- joint ventures;
- club deals;
- forward funding; and
- sale-and-leaseback transactions.

These structures enable risk sharing and facilitate large-scale development projects. Sale-and-leaseback transactions, portfolio reorganisations, and redevelopment-driven acquisitions increasingly call for multi-disciplinary structuring (tax, regulatory, and planning).

The sale of a residential real estate portfolio in the Cantons of Zug and Lucerne from "Pensionskasse der HOCHDORF-Gruppe" to an investment foundation illustrates the diversity of the different types of deal structuring. The sale was structured by way of a combination of an asset deal and a tax-neutral asset swap carried out as an asset transfer according to the Merger Act.

Sustainability and ESG

ESG as an investment criterion

Sustainability considerations have become embedded across the real estate life cycle. Energy-efficiency standards, CO₂ reduction targets, and environmental reporting obligations increasingly shape development approvals, asset management strategies, and transaction documentation.

Planning authorities frequently require low-carbon systems and energy optimisation measures. Larger asset owners face growing expectations regarding climate reporting and life cycle transparency. Institutional investors integrate ESG metrics into acquisition models. Financing structures may include sustainability-linked components.

It is, therefore, advisable to conduct a technical due diligence of energy installations, environmental permits, and compliance with sector-specific requirements. In asset classes such as data centres, energy sourcing and grid stability are fundamental to investment viability.

Energy transition and building retrofits

Switzerland's climate targets are driving large-scale building retrofits. Owners are investing in:

- insulation upgrades;
- renewable energy systems;
- heat pumps; and
- smart energy management.

Retrofitting existing buildings represents both a challenge and a major investment opportunity.

Technology and Innovation

Digitalisation

Digitalisation is transforming the real estate life cycle. Building Information Modelling (BIM) and advanced data analytics improve planning accuracy, reduce costs, and enhance operational efficiency. The application of artificial intelligence in areas such as valuation, asset management, and predictive maintenance is also attracting increasing attention.

Digital platforms are streamlining property transactions, leasing, and asset management, increasing transparency and accessibility.

Smart buildings

Smart building technologies are being installed more frequently in new developments. Such systems can reduce operating costs, improve sustainability performance, and enhance tenant comfort.

Regulatory and Policy Landscape

Lex Koller

Lex Koller continues to shape cross-border investment in Swiss real estate by restricting the acquisition of property by foreign individuals and entities and remains one of the most prominent regulatory considerations in the Swiss real estate market.

While no fundamental overhaul has yet been implemented recently, political signals suggest renewed momentum toward tightening aspects of the regime. In practice, the authorities conduct thorough and detailed examinations in borderline cases. This applies in particular to situations involving foreign lenders with “owner-like” influence, mixed-use properties with varying usage profiles, and intra-group financing arrangements that may blur control structures.

As a result, transactions now routinely incorporate detailed regulatory assessments and conservative financing structures. Lex Koller considerations increasingly extend beyond direct residential acquisitions by foreign buyers and influence financing, restructuring, and structuring of collateral.

Zoning, planning, heritage protection, and ISOS

Planning procedures have become more complex and time intensive. Densification policies, environmental standards, heritage protection, and political participation rights intersect in ways that extend project timelines and increase execution risk.

The ISOS inventory (Federal Inventory of Heritage Sites of national importance) continues to significantly affect redevelopment potential in designated areas. Developers must carefully balance preservation objectives with economic feasibility and housing demand.

Building permit disputes and heritage-related objections have increased, particularly in dense urban areas. Early engagement with authorities is increasingly essential to secure approvals.

Land use planning and densification

Land use planning plays a crucial role in shaping real estate development in Switzerland, where spatial planning policies aim to balance growth with the protection of landscapes, agricultural land, and natural resources. Planning frameworks encourage inward development and more efficient land use, making densification a central strategy for accommodating population growth without expanding settlement boundaries. As a result, redevelopment projects, infill construction, vertical extensions, and the conversion of underutilised sites are becoming increasingly common in urban and suburban areas.

Despite strong policy support, densification projects often face practical and political challenges. Lengthy approval procedures, complex zoning rules, and overlapping regulatory requirements can delay projects and increase costs. In addition, local opposition, frequently driven by concerns about neighbourhood character, infrastructure capacity, and traffic can result in objections, referenda, or project redesigns.

Developers must, therefore, engage early with municipalities, stakeholders, and local communities, integrating architectural quality, public amenities, and environmental considerations to build acceptance. Successfully navigating these processes is increasingly essential to delivering projects that meet both planning objectives and market needs.

Housing pressure and political initiatives

Housing affordability remains a politically sensitive topic, particularly in major urban centres. Public debate increasingly focuses on rent control mechanisms, public pre-emption rights, and measures to expand housing supply.

Cantonal differences are significant and require careful legal assessment. Investors with multi-canton portfolios must consider varying political dynamics and regulatory frameworks.

However, large-scale residential development remains essential to address supply shortages. Empira Group's acquisition and financing of its first Swiss residential development project on the "Crypto Areal" site in Steinhausen (Canton of Zug), demonstrates continued institutional commitment to housing in economically dynamic regions. Such projects require careful co-ordination of planning law and financing structures in an increasingly sensitive political environment.

Construction law developments

The revision to the Swiss Code of Obligations concerning construction defects and defect rights requires developers and contractors to reassess standard contractual frameworks.

Warranty rules, notification obligations, and default risk allocation mechanisms must be carefully reviewed. In a market characterised by cost inflation and financing discipline, contractual clarity is essential to avoid disputes and protect margins.

Developers must ensure that general contractor agreements remain compliant with updated statutory frameworks while remaining commercially competitive.

Consolidation and Structural Reorganisation

Consolidation in a more demanding market

A notable trend is increasing consolidation and structural reorganisation within the Swiss real estate sector. In a market characterised by regulatory complexity, ESG requirements, and financing constraints, scale and institutional expertise provide significant advantages.

Larger platforms benefit from diversified portfolios, stronger balance sheets, and greater capacity to manage planning procedures and sustainability investments. Smaller owners may face challenges in meeting regulatory and ESG requirements, encouraging partnerships, asset transfers, or corporate transactions.

Corporate consolidation

The sale of EMWE Holding AG to Mobimo Holding AG illustrates this consolidation trend. EMWE held residential properties in Zurich, Uster, and Wädenswil, as

well as development projects in Zurich and Kloten. The transaction was structured as a quasi-merger, with consideration partly in newly issued listed shares of Mobimo and partly in cash.

In a region characterised by planning complexity and densification pressure, scale and institutional expertise provide a competitive advantage in navigating regulatory procedures and delivering large-scale projects.

Portfolio Reorganisation

Helvetia Schweizerische Lebensversicherungsgesellschaft AG's transfer of a real estate portfolio in the Cantons of Zurich, St. Gallen, Neuchâtel, and Basel to Helvetia Asset Management AG for the Helvetia (CH) Swiss Property Fund reflects the ongoing portfolio reorganisation, which is another form of consolidation.

Such transfers allow institutional groups to align assets with appropriate investment vehicles and optimise regulatory and tax treatment.

Structural adjustments by institutional investors

Beyond corporate transactions, pension funds and institutional investors increasingly review portfolio composition, consider asset transfers, and evaluate investment foundation structures.

Consolidation is, therefore, not merely a response to market conditions; it is a strategic adaptation to a more complex regulatory and sustainability landscape.

Risks and Uncertainties

Interest rate and economic risks

Future increases in interest rates remain one of the most immediate risks to the Swiss real estate market. Higher borrowing costs could affect property valuations, particularly for leveraged investors and developers who rely on debt financing. As financing becomes more expensive, the cost of holding or acquiring assets rises, potentially slowing investment activity and contributing to price adjustments in certain segments.

Economic downturns also pose a real risk. Reduced business activity can impact tenant demand, particu-

larly in the commercial sector, affecting office, retail, and industrial occupancy rates. Slower economic growth may result in muted rental growth, longer leasing cycles, and increased negotiation power for tenants. Developers and investors are, therefore, placing greater emphasis on cash flow resilience, long-term tenant quality, and careful stress testing of financing assumptions to mitigate these risks.

Geopolitical risk

Global geopolitical tensions and wars, trade disputes, and energy market fluctuations continue to create uncertainty for investors and developers. While Switzerland's political stability, strong legal system, and safe-haven currency provide a strong buffer, the local market is not fully insulated from global shocks, particularly in cross-border investment and financing activities.

Climate risk

Climate-related risks are an increasingly important consideration in Swiss real estate. Flooding, heat-waves, landslides, and other extreme weather events can directly affect property values. Certain regions, such as river valleys or areas prone to heavy precipitation, may face heightened physical risk, requiring careful site assessment and risk mitigation strategies.

Beyond immediate physical risks, investors and developers must also consider the transitional risks associated with climate policy and regulatory expectations. Climate adaptation measures such as resilient building design, energy-efficient construction, and flood protection are becoming essential components of project planning and long-term asset management. Integrating these measures not only mitigates risk but increasingly enhances property attractiveness and marketability.

Regulatory uncertainty

Evolving regulations in Switzerland create both challenges and opportunities for market participants. Policies relating to sustainability, energy efficiency, and land use continue to change at federal, cantonal, and municipal levels. These regulatory shifts can affect project feasibility, timelines, costs, and long-term investment returns. Developers and investors must

SWITZERLAND TRENDS AND DEVELOPMENTS

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stay informed and engage proactively with authorities to ensure compliance and anticipate changes.

At the same time, regulatory uncertainty can drive innovation. Proactive adaptation to regulatory trends can create competitive advantage and position assets for long-term success in a market that is both dynamic and closely regulated.

Outlook

The Swiss real estate market is transitioning from a period of rapid expansion to one of structural transformation. Demographic growth, sustainability requirements, technological innovation, and evolving work and lifestyle patterns are reshaping demand across all asset classes.

Residential markets will remain under pressure due to supply constraints and affordability challenges. Commercial real estate will continue to evolve, with growth in logistics and digital infrastructure offsetting structural changes in office and retail sectors. ESG considerations and digitalisation will increasingly determine asset value and investment attractiveness.

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