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Swiss property is a safe bet for investors

By Peta Tomlinson

Demand for stable and secure Swiss real estate remains strong, writes Peta Tomlinson



A view over the city of Bern in Switzerland, a country that is increasingly reaching out to Asian property buyers.

Switzerland's property market is doing well, and the government wants to keep it that way. With mainstream home prices rising 30 per cent since the start of 2007, and foreign investors being drawn by the "safe haven" perception of one of Europe's most stable and prosperous economies, legislation has long been in place to ward off a bubble.

For years, Switzerland has restricted opportunities for holiday home ownership by non-residents in certain popular resort areas. In January this year, the rules were tightened, with a 20 per cent cap on secondary home ownership nationwide. While the new legislation was applied across the country, it appeared to be a clear move to avoid the end of snow season exodus, and the resultant summer "ghost towns" in alpine areas.

In effect, this also means that fewer properties will be available to foreign buyers.

Tax changes are also in the wind, which could see the present arrangement so popular with wealthy families end in 2015. This introduced "some uncertainty" to the Swiss property market last year, according to Knight Frank.

Yet the research suggests that despite these changes, the market should hold firm, especially in the luxury sector. Given the Knight Frank Wealth Report's projection of a 27 per cent rise in the high-net-worth individual (HNWI) population of Switzerland by 2022, and the strict new planning regulations curtailing new development, Knight Frank has deemed that "the outlook for prime prices in Switzerland looks positive. Demand looks set to remain strong and supply tight".

Another indicator of the market's resilience is a 62 per cent rise in the volume of online searches for luxury Swiss homes on Knight Frank's global portal last year. While the

Alex Koch de Gooreynd, head of Knight Frank's Swiss desk, expects that Switzerland will remain high on the wish list of international buyers seeking the lifestyle and privacy, and an appealing tax environment.

He says: "The property market is still performing well despite all the legislation changes and a more cautious banking environment. For this reason, it will continue to encourage interest from global buyers and, with a lack of holiday homes in the future or the simple requirement of taking residency, it always will be a little bit special."

Others believe that the restriction on future supply will further heighten the desire of potential buyers. And even though Europeans are the traditional buyers of property in Switzerland, Asia has appeared on the radar of some developers.

Olivier Croonenberghs, partner at Swiss Finance & Property, says The Chedi Andermatt, a five-star hotel and residential development under construction in the alpine hamlet of Andermatt, is one such target. Noting that Swiss tourism arrivals from China have jumped by 50 per cent in the past three years (and 20 per cent from across Asia), the development recently had its global debut in Asia, with previews in Hong Kong and Singapore. With prices starting at US\$2 million for a one-bedroom apartment, Croonenberghs concedes that The Chedi is not for everyone. But those who can afford it may buy freely: as part of the negotiations to redevelop a disused military site, and thereby breathe new economic life into the community, the government agreed to waive the usual restrictions on foreign ownership. "The big selling point is that you don't need a permit to buy here," he says. "From now until 2030, foreigners can buy and sell a freehold apartment, at The Chedi, free of any restrictions. This is very attractive to foreign investors."

No deals were sealed at the June roadshows, but several attendees did sign up for a three-day tour and site inspection. Selling agent Julian Sedgwick, director of international residential sales at Savills Singapore, expects to field further inquiries.

"Interest has been strong," he says. "Switzerland is a nice part of Europe to invest in, and [there is] no need to get a permit to buy. Given the expected capital gains over the next 10 years, people will view this as a long-term investment."

Although he agrees that wealthy Asian investors look to Switzerland for lifestyle reasons, Koch de Gooreynd has yet to see concrete evidence of this translating into sales. He says: "Interest from Asia in Geneva and Zurich is definitely on the increase, but the desire for investment in residential [properties]

is still in its infancy. The commercial sector, however, has witnessed much greater interest from the region as there are no restrictions, and the strong economy and currency has seen this become a very interesting opportunity to consider."

He adds: "I am, however, convinced that as education and personal security become key considerations for wealthier families, then we will start to see many more Asian and African families moving to Switzerland as we have already seen from Eastern Europe."

He says that the lack of properties on offer, a situation which Knight Frank believes will be greatly exacerbated in the future due to the new restrictions, "does give a sense of exclusivity".

Koch de Gooreynd also doesn't expect any significant impact from the mooted tax changes. "General perception suggests that the market will be hugely affected should this arrangement disappear in 2015 as expected. All we can say for sure is that with only a few thousand such arrangements throughout the country, the impact on the market will be minimal.

"Zurich stopped this arrangement a few years ago, and the market remained strong, [with] interest from international buyers keen to take advantage of still interesting tax conditions, but also with excellent schools and safety," he says.

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The priciest penthouse at The Chedi Andermatt. Designed by Jean-Michel Gathy of Denniston International Architects and Planners of Malaysia, the 13 lavish penthouse residences feature indoor-outdoor fireplaces and spectacular views of the Urseren Valley and nearby peaks. Owners also have use of an adjoining luxury hotel and spa.

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A stake in a new lakeside residential apartment project near the ski slopes of Bernese Oberland. Foreigners can buy without a permit on the condition that they use the apartment for a maximum of eight weeks a year, and provide it for rent for the remainder. Construction is due to start in September 2013 and to be completed by the end of next year.