What can we expect from the real estate investment market in 2021?

This year has been full of negative outlooks and terrible predictions for different areas of business and investment. But as we finally come to the end of 2020, we would like to end this year on a positive note – and luckily, property experts share our view. Despite the pressure on some parts of the real estate market from the pandemic, it seems that in general 2021 will be a good year for real estate investors, as a result of historically low interest rates across Europe and a continuing economic recovery, according to experts from Credit Suisse.

In its real estate outlook for 2021, Credit Suisse said: "With valuations in listed markets still below pre Covid- 19 levels, we expect the asset class to deliver positive, mid- single-digit returns in 2021." Undoubtedly, the pandemic has changed our lives. But we as humans have learned to adapt to new circumstances, and so has the real estate market. A number of sectors will therefore emerge as winners in 2021.

According to a report by PwC, Emerging Trends in Real Estate Europe 2021, "logistics and housing are particular beneficiaries, with data centres, life sciences buildings, energy infrastructure, and industrial property or warehouses benefitting from relatively stable demand. Communication towers/fibre have also benefited as life continues to shift online."

Switzerland remains strong

Meanwhile, the Swiss real estate market is in a particularly strong position to benefit both on the commercial and residential side. Switzerland offers a unique combination of natural beauty and a potential for a strong financial return from property investment.

In particular, the Swiss hotel market is set to benefit as people across Europe look for a quiet, secluded destination to have a healthy holiday with the entire family, without long flights and crowds.

R & S ASSOCIATES SA Rue Le Corbusier 40 - CH-1208 Geneva - Switzerland
Tel.: +41 22 310 51 39 - Email: info@rs-associates.ch - www.rs-associates.ch

For those wanting to invest in this area of the market, we have observed that some sellers are willing to reduce prices by as much as 30% for a quick sale. Many of them are simply unable to wait until the pandemic is over to sell their hotel businesses, for example as a result of old age. Therefore, now could be the perfect time to invest.

Across other areas of the Swiss real estate market, however, prices have in fact been on the rise this year, despite the pandemic, and this is only likely to continue. In fact, according to analysts, it is only the office market in Switzerland that has seen any lasting negative effects from the pandemic, as many companies transition to home office models or reduced office working.

Supportive interest rate environment

At the same time, the low interest rate environment in Switzerland is expected to continue for even longer as a result of the pandemic, with the Swiss National Bank keeping its policy rate at -0.75%. This, of course, is good news for property buyers looking for a mortgage, with mortgage rates in Switzerland at historic lows. Today it is possible to find Libor rates easily under 1%, and often as low as 0.5%, while 10-year fixed rate mortgages are available at 1.32% or lower.

For all these reasons, we also continue to see strong demand for residential real estate in Switzerland, especially for luxury chalets in Alpine regions. For example, this year alone we have seen the sale of four out of five chalets priced at CHF 5.5 million each at a new 4-star spa residence in Grindelwald (canton Bern). We expect next year to follow the same trend.

In summary, we are pleased to share this positive outlook for the real estate investment market in 2021 based on predictions from industry experts. We foresee price growth and attractive investment opportunities in many sectors. The Swiss real estate market has remained particularly resilient throughout 2020 and will continue to be a smart place to invest in 2021.