SPGI COMMERCIAL PROPERTY ADVISORS

IN ASSOCIATION WITH CUSHMAN & WAKEFIELD

Snapshot

OFFICE MARKET

H1 2023

VAUD | SWITZERLAND

AUGUST 2023

SPGI COMMERCIAL PROPERTY ADVISORS

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Overview

In the first half of 2023, the Vaud office market presents a mixed picture. There is a perceptible gap between the resilience of the rental market and the apprehension felt by many investors.

The economic consequences of the deteriorating geopolitical environment have led the main players in the investment market to adopt a more cautious attitude.

Capital increases have become rarer. In the first quarter of the year, Swiss real estate funds raised 52% less than in the previous quarter, or CHF 215 million.

The rental market remained buoyant in the first half of the year.

Positive demand conditions have been fuelled by continued population and employment growth in the canton. In the centre of Lausanne, demand for office space is exacerbated by limited supply.

The encouraging indicators for the rental market were reflected in :

- good absorption,
- a drop in availability rates,
- stabilisation of rents.

The limited construction activity in the canton in recent years has led to a reduction in the amount of space available on the market, and consequently to a fall in the availability rate to 4.7%.

These positive signals, combined with the low pressure on interest rates, point to a resurgence in transaction volumes in the near future.

Falling inflation and a still-attractive interest rate environment will undoubtedly help to strengthen the transaction market.

Key indicators

133 k
Projects in progress *in sqm*

5.09 M
Stock *in sqm*

4.7%
Availability rate

3.3%
Prime gross yield

Letting Vaud

Total stock	5,090,000 sqm GFA
growth over 1 year	+ 0.6%
Available area	241,500 sqm GFA
availability rate	4.7%
Projects in progress	133,000 sqm GFA
Prime rent	500 CHF/sqm/yr

Letting Lausanne

Total stock	2,995,000 sqm GFA
growth over 1 year	+ 0.8%
Available area	131,500 sqm GFA
availability rate	4.4%
Projects in progress	128,000 sqm GFA
Prime rent	500 CHF/sqm/yr

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Letting

In the first half of the year, despite the spread of remote working and the increasing adoption of shared offices, availability fell.

The strong performance of the office property market can be attributed to employment growth and a reduced number of new construction projects.

The supply of office space in the most sought-after sectors remains very limited. This has led to a rather low overall availability of around 4.7% on 30th of June 2023.

This supply has also played a role in stabilising, and even slightly increasing, median rents in the main sectors of the canton.

Only one major project was delivered in the first half of the year. The unlimitrust campus in Prilly, created by Sicpa, offers 26,000 sqm of workshop and office space.

Three other office developments will follow in the second half of 2023:

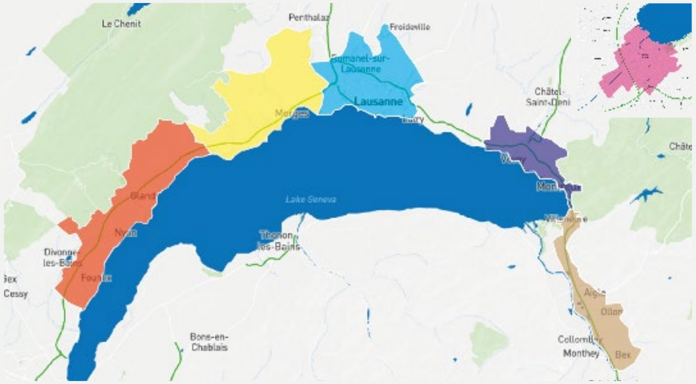
- Cocoon (Bussigny), 38,000 sqm
- Biopôle, Leucine (Epalinges), 9,500 sqm
- L'Orée phase 1 (Crissier) , 4,300 sqm

In total, around 133,000 sqm of office space is currently under construction and will be added to the total office stock by 2025.

Letting indicators

Vaud

	Rent *CHF/sqm/yr*	Availability *% of stock*	Outlook of demand
Nyon	*from* 250 *to* 350	5.0%	→
Morges	*from* 220 *to* 320	8.5%	→
Lausanne	*from* 220 *to* 500	4.4%	↗
Vevey	*from* 240 *to* 290	2.5%	→
Aigle	*from* 220 *to* 270	1.5%	→
Yverdon-les-Bains	*from* 210 *to* 260	6.5%	↘



Lausanne

	Rent *CHF/sqm/yr*	Availability *% of stock*	Outlook of demand
Lausanne Centre	*from* 300 *to* 500	3.5%	↗
Lausanne Lake	*from* 350 *to* 430	2.0%	→
Lausanne North	*from* 250 *to* 320	4.0%	→
Lausanne East	*from* 220 *to* 300	1.5%	→
Le Mont - Epalinges	*from* 220 *to* 300	8.5%	→
EPFL - UNIL	*from* 240 *to* 290	3.5%	↗
Lausanne West	*from* 230 *to* 320	7.5%	↘
Western periphery	*from* 200 *to* 250	13.5%	↘

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Investment

In the first half of 2023, the Vaud office property investment market was confronted with a resurgence in inflation and changes in interest rates.

These challenges, combined with rising bond yields and changing energy and sustainability expectations, have prompted some institutional investors to reduce their allocation to real estate.

Investors have concentrated on rationalising their portfolios. Pension funds and insurance companies, for example, have refrained from acquiring new administrative buildings in 2023, despite the equity available.

On the other hand, the favourable valuation of certain properties on owners' balance sheets does not encourage them to sell.

As a result, users and consumers have benefited from this scenario thanks to :

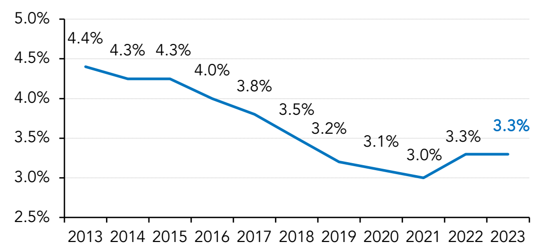
- a limited number of participants,
- the type of property on offer,
- an attractive risk/return ratio.

According to our analysis, the 22 transactions identified in the canton relate exclusively to PPE.

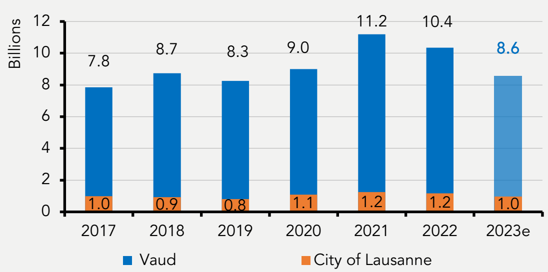
Although uncertainties persist, inflation continued to slow in June and the interest rate environment remains favourable.

These positive signals and the resilience of the Vaud property market point to a future increase in transaction volumes and a stabilisation of the prime gross yield.

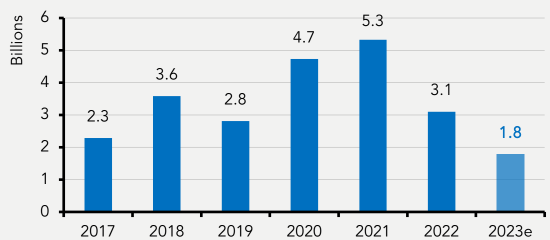
ESTIMATED **PRIME GROSS YIELD**



TRANSACTION VOLUME IN CHF (ALL TYPES)



CAPITAL INFLOWS IN CHF (SWISS REAL ESTATE FUNDS)



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