



Snapshot

OFFICE MARKET

H2 2023

GENEVA | SWITZERLAND



Overview

Letting

In 2023, Geneva is set to experience a notable surge in its office space inventory, nearing 119,000 sqm in total, marking a growth of 2.5% compared to the previous year.

The development in the Pont-Rouge and Étang districts has been pivotal in driving this expansion, offering contemporary, flexible spaces that appeal to esteemed corporations.

Despite the abundance of available spaces, there's a diminishing demand, indicating a tightening in the rental market. This is evident particularly in the challenges in leasing large areas and a more stringent selection process by companies, who are presented with a plethora of options.

Nevertheless, the Left Bank continues to appeal tenants, with a consistent demand for premium locations, maintaining prime rents at CHF 960/sqm/year.

The prolonged occupancy durations for newly developed office spaces on the outskirts are temporarily affecting availability at the cantonal level, which stands at 6.4% by the conclusion of 2023.

Investment

The investment market saw a significant 59% drop in trading volume to CHF 516 million, reflecting heightened caution among institutional investors due to economic instability and shifting rental market trends, resulting in fewer large-scale transactions.

Consequently, there has been a shift in the composition of market participants, notably with increased participation from end-users and asset managers.

In 2024, the evolution of the office property investment market will continue to be shaped by the implementation of new energy regulations and adjustments to risk premiums.

Key indicators in 2023

516.2 M

Transactions volume *in CHF*

4.9 M

Stock *in sqm*

6.4 %

Availability rate

3.0 %

Gross premium yield

Letting

Total stock	4,905,000 m ² SBP
<i>change compared with 2022</i>	+ 2.5%
Availability rate	6.4%
Premium rent	960 CHF/sqm/year
Pipeline <i>to 2026</i>	275,000 sqm GFA

Investment

Transactions volume 2023	CHF 516,238,100
<i>change compared with 2022</i>	- 59.3%
Transactions volume H1 2023	CHF 189'803'400
Transactions volume H2 2023	CHF 326'434'700
Prime gross yield	3.0%



Letting

The year 2023 marked a significant milestone for the Geneva office market, witnessing the delivery of nearly 119,000 sqm of office space, the highest in over a decade.

Located at the core of the PAV, the Pont-Rouge area is set to provide 65,000 sqm of office space, with over 60% already leased out, establishing itself as an attractive hub for esteemed companies and showcasing the transformation of the canton's commercial landscape.

Additionally, the Étang district, within the Airport sector, has contributed to this growth, adding 40,000 sqm of new office space with a consistently increasing occupancy rate.

These districts offer a diverse range of options and boast excellent density, embodying urban modernity. The appeal of these spaces lies in their adaptability, brightness, accessibility, and the array of services available, all at competitive rental rates compared to the city center.

Despite the abundant supply, demand is showing signs of stabilization after peaking in 2022, a trend likely to persist. Larger spaces exceeding 800 sqm are witnessing a slowdown in uptake, as businesses adopt a more discerning approach amidst a wide selection of choices.

The right bank of Geneva, notably the Nations and Servette - Petit-Saconnex areas, is currently experiencing a period of relative calm, although there are indications of potential challenges arising from future increases in supply.

Of particular concern are the offices in the Sécheron FTI zone, which are bound by strict regulations under the *règlement sur les zones industrielles et d'activités mixtes* (RZIAM). Despite their strategic location, these offices often struggle to meet demand, resulting in low occupancy rates.

On the left bank, demand continues to outstrip supply. Offices recently vacated by private banks are undergoing renovation to meet new standards, slated for completion by 2025, indicating a potential expansion of the building stock.

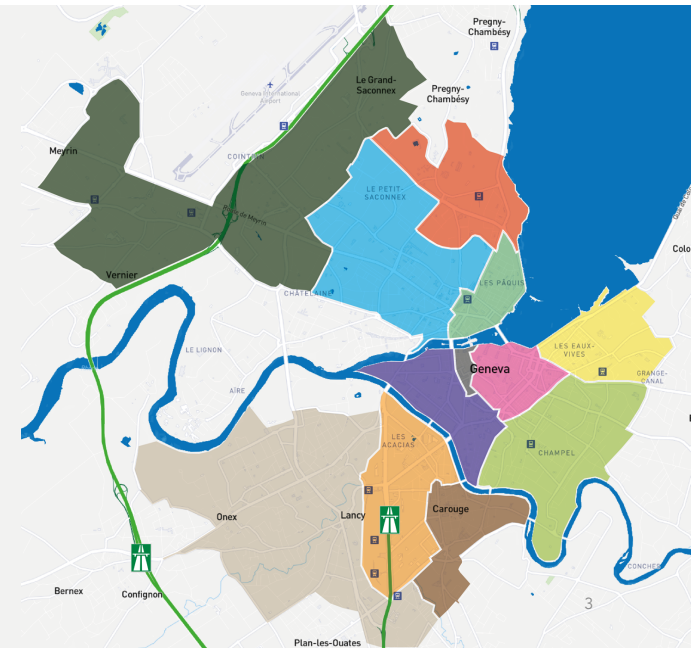
Additionally, there's a resurgence of interest in the Lancy - Onex sector, especially from public institutions seeking economically feasible solutions, further enhancing its appeal as an alternative to the city center.

MARKET OUTLOOK 2024

	Left bank	Right bank
Offer	CBD →	CBD →
	City / PAV →	City / UN →
	Periphery →	Periphery →
Demand	CBD →	CBD →
	City / PAV →	City / UN →
	Periphery →	Periphery →
Rent	CBD →	CBD →
	City / PAV →	City / UN →
	Periphery →	Periphery →

Sectors indicators

	Rent CHF/m ²	Availability % of stock
● CBD left bank	from 650 to 960	2.0%
● Banking district	from 550 to 700	1.5%
● CBD right bank	from 425 to 725	3.0%
● Eaux-Vives	from 450 to 650	3.0%
● Champel	from 400 to 525	2.5%
● UN district	from 375 to 550	5.0%
● Servette - Petit-Saconnex	from 300 to 400	4.5%
● Plainpalais	from 350 to 550	3.5%
● Carouge	from 250 to 500	2.5%
● PAV (Praille-Acacias-Vernets)	from 300 to 575	6.0%
● Lancy - Onex	from 250 to 375	7.0%
● Airport - Vernier - Meyrin	from 250 to 450	17.0%



Investment

In 2023, the office space transaction volume in Geneva plummeted by 59% compared to the previous year, reaching a mere CHF 516 million, marking the lowest level in a decade.

Although there were 37 transactions recorded, slightly higher than the 34 in 2022, the scarcity of large-scale property sales significantly hindered the overall volume.

This decline in demand, particularly in the mid-market segment ranging from CHF 20 to 100 million, can be attributed to heightened caution among both local and international institutional investors.

Confronted with economic uncertainty and construction activities affecting space availability in the canton, these investors have adopted a cautious approach.

In 2022, there were 14 transactions exceeding CHF 20 million, contrasting sharply with only 6 in 2023. The average transaction volume also declined to CHF 14 million in 2023, down from CHF 37 million in 2022 and CHF 49 million in 2021.

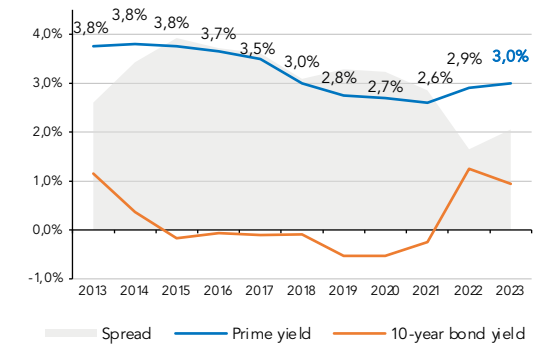
As real estate investment trusts adopt a more cautious approach in evaluating the risks linked to commercial property investments, insurance companies and pension funds are increasingly inclined towards less volatile and more liquid alternatives, such as bonds.

This shift paves the way for greater involvement from end-users, property companies, and asset managers. In 2023, the majority of market participants were comprised of the latter, signalling a notable shift in the investor composition within this asset class.

In 2024, the tertiary sector will be significantly impacted by energy standards and market polarization. These factors, along with dynamic construction activity and evolving work patterns, are poised to continue shaping the transaction market.

Over the past 15 years, the average spread between *prime* yields and 10-year bonds has stood at 284 bp. With the current spread at 206 bp, it is anticipated that yields will adjust by 25 to 50 bp, contingent upon the location and energy efficiency of the buildings.

ESTIMATED PRIME GROSS YIELD



Top 10 largest transactions in 2023

	Address	Sector	Area sqm	Price CHF	Price CHF/sqm
1	Rue du Rhône 86 / Place de Longemalle 2-4	CBD left bank	2,180	133,000,000	61,010
2	Rue du Rhône 31 / quai du Général Guisan 12	CBD left bank	2,940	120,000,000	40,816
3	Route de Chancy 65-67	Lancy - Onex	4,687	37,500,000	8,001
4	Philosophes 14 / Jean-Malbuissin 8-12, 20-22 / Fusterie 5 bis	CBD left bank	470	30,798,035	4,471
5	Place de Cornavin 10	CBD right bank	2,778	29,750,000	10,709
6	Impasse Colombelle 8-8B	Airport	3,640	23,000,000	6,319
7	Route de Suisse 154 (internal transfer)	Versoix	990	19,600,000	19,800
8	Rue Charles Galland 18	CBD left bank	555	16,200,000	29,189
9	Route de Pré Bois 14	Airport	2,850	16,000,000	5,614
10	Rue de Lausanne 54 (for 455/1000)	CBD right bank	1,815	11,700,000	6,446

Status at 29.02.2024 (source: FAO)

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