IN ASSOCIATION WITH

Snapshot

OFFICE MARKET

H1 2023

GENEVA | SWITZERLAND

AUGUST 2023

SPGI COMMERCIAL PROPERTY ADVISORS

IN ASSOCIATION WITH CUSHMAN & WAKEFIELD

Overview

The Geneva office investment market remains affected by inflationary trends and rising interest rates. Investment volume fell by 78% year-on-year.

Although the latest figures show a slowdown in inflation, the indirect effects of the rise in the reference interest rate are holding back the fall in inflation.

The sector is going through an adjustment period, evidenced by:

- the adjustment of risk premiums,
- the energy regulations, and
- the financing conditions.

On the rental market, the supply of office space is increasing slowly due to the high level of construction in the canton. At 6.7%, availability remains high by national standards.

Despite a slight increase in supply, rents for prime space rose to some extent in the first half of 2023, thanks to the shortage of office space in the downtown's key sectors.

However, we expect rent levels to ease between now and the end of the year, due to a moderate economic growth and a continuing increase in supply.

More than 60,000 sqm of office space was delivered during the first half of the year, including :

- Esplanade3 (PAV), 34,000 sqm
- Les Atmosphères (Airport), 19,300 sqm
- Trèfle d'Or (Lancy), 5,750 sqm

While there is a sustained demand for offices meeting new standards of comfort, almost 20% of new space remains available.

However, the eventual relocation of companies historically based in the city centre to outlying areas augurs well for a rapid recovery in these areas.

Key indicators

189.8 M
Transactions volume *in CHF*

4.85 M
Stock *in sqm*

6.7%
Availability rate

2.9%
Prime gross yield

Letting

Total stock	4,845,000 sqm GFA
growth over 1 year	+ 1.4%
Availability rate	6.7%
Prime rent	960 CHF/sqm/year
Pipeline *by 2027*	488,000 sqm GFA

Status as of 04.08.2023 (source: FAO)

Investment

Transactions volume 2022	CHF 1,372,106,500
Transactions volume H1 2022	CHF 872,676,000
Transactions volume H1 2023	CHF 189,803,400
growth compared with H1 2022	- 78.3%
Prime gross yield	2.9%

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Letting

The Geneva office rental market is growing steadily, with 64,400 sqm delivered since the start of the year.

The demand for modern, well-equipped office space, combined with the canton's economic development, has contributed to its dynamism.

New developments on the outskirts of the city offer modern facilities that are often less expensive than in the city centre, at an average of CHF 450 per sqm per year in the Pont-Rouge and Étang districts.

In addition, they better meet current requirements in terms of facilities and accessibility, which is encouraging companies to consider alternatives outside the centre.

With a shortage of skilled labour, companies are looking to design a stimulating and attractive environment to attract and retain the best talent, as well as encouraging creativity and innovation.

However, longer absorption periods are having a temporary impact on the rental of new space.

During the first half of 2023, the PAV, Lancy and Airport sectors saw an increase in their respective availability rates of between 10 and 30 percentage points. Availability in the canton then naturally rose to 6.7%.

In the city centre, the situation appears to have remained stable, with sustained demand, despite the upcoming departures of major players from the CBD to the suburbs.

While foreign companies are still attracted to the CBD left bank sector, Geneva-based players will keep welcoming their clients, who are used to receiving advice in storied buildings, in the Banking district.

Nevertheless, the trend towards relocating tertiary activities to new districts may eventually have an impact on the immediate periphery of the downtown.

Faced with changing demand and new energy standards, a growing number of owners of "ageing" buildings are considering their future strategies:

- renovation as office space,
- conversation in housing, etc.

MARKET OUTLOOK

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

Sectors indicators

	Rent CHF/sqm	Availability % of stock
CBD left bank	*from* 650 *to* 960	1.7 %
Banking district	*from* 550 *to* 700	2.0 %
CBD right bank	*from* 425 *to* 725	3.0 %
Eaux-Vives	*from* 450 *to* 650	2.75 %
Champel	*from* 400 *to* 525	3.75 %
UN district	*from* 375 *to* 550	4.75 %
Servette - Petit-Saconnex	*from* 300 *to* 425	4.5 %
Plainpalais	*from* 350 *to* 525	4.25 %
Carouge	*from* 250 *to* 500	2.8 %
PAV (Praille-Acacias-Vernets)	*from* 300 *to* 575	3.3 %
Lancy - Onex	*from* 250 *to* 375	10.1 %
Airport - Vernier - Meyrin	*from* 250 *to* 450	20.2 %

Investment

In the first half of 2023, there were fewer and smaller offers than in the previous year on the commercial real estate investment market.

At CHF 189.5 million, the transactions volume of office properties fell sharply year on year. Despite a certain availability of capital, investors are currently more cautious in their decisions and are delaying their commitments.

They are now showing a degree of vigilance in their assessment of the risks associated with office investments. This wait-and-see attitude is having an impact on market liquidity.

For example, insurance companies and pension funds are reducing their exposure to the commercial segment. While this trend does not necessarily suggest a period of selling, it does indicate a reduction in the weighting in their portfolios.

Prime properties, on the other hand, are more resilient to changes in the economic climate and therefore continue to attract investors' attention.

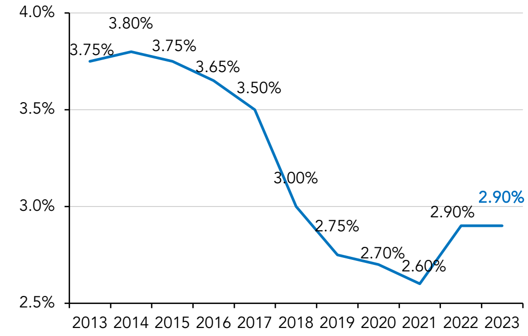
The sale of a commercial property at rue du Rhône 86 for CHF 133 million, i.e., more than CHF 60,000 per sqm, symbolises a resumption of activity after a 5-month lull.

In this segment, the fall in the 10-year Swiss government bonds' yield has stabilised the estimated prime gross yield at 2.9%.

In view of a monetary easing, driven by a slowdown in inflation, the office investment market could rebound in the second half.

Several institutional investors have large reserves of equity, giving them the capacity to invest in new assets or renovate existing stock.

ESTIMATED **PRIME GROSS YIELD**



Top 10 largest transactions in 2023

	Address	**Sector**	**Area** sqm	**Price** CHF	CHF/sqm
1	Rue du Rhône 86 / Place de Longemalle 2-4	CBD left bank	2,180	133,000,000	61,010
2	Route de Suisse 154 (internal transfer)	Versoix	990	19,600,000	19,800
3	Rue de Lausanne 54 (for 455/1000)	CBD right bank	1,815	11,700 000	6,445
4	PPE units (3588-101, 3589-101, 3590-101 & 3591-101) for 110/1000	Eaux-Vives	*n.d.*	4,409,864	*n.d.*
5	Quai Gustave Ador 30 / rue du Roveray 2 (for 152.4/1000)	Eaux-Vives	*n.d.*	4,200,000	*n.d.*
6	Rue du Collège 19 (for 93/1000)	Carouge	*n.d.*	2,380,000	*n.d.*
7	Quai du Seujet 12-14 (for 6.5/1000)	Plainpalais	*n.d.*	2,200,000	*n.d.*
8	Route de l'Aéroport 10 (for 3/100)	Airport	*n.d.*	2,000,000	*n.d.*
9	Boulevard des Philosophes 23 (for 96/1000)	Plainpalais	*n.d.*	1,963,000	*n.d.*
10	Avenue de Sécheron 6	UN district	300	1,500,000	5,000

Status at 04.08.2023 (source: FAO)

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