

Investments - Flash



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SWISS REAL ESTATE FAVORED BY A 1% 10-YEAR RATE

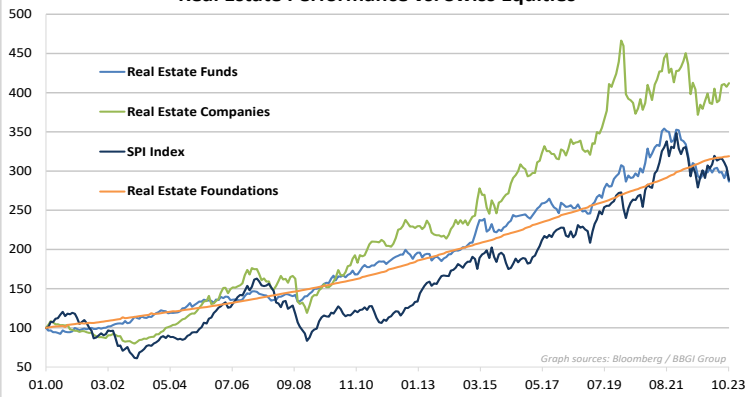
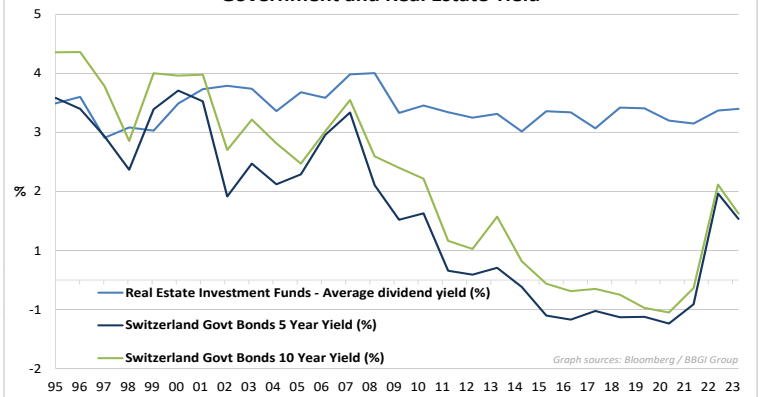
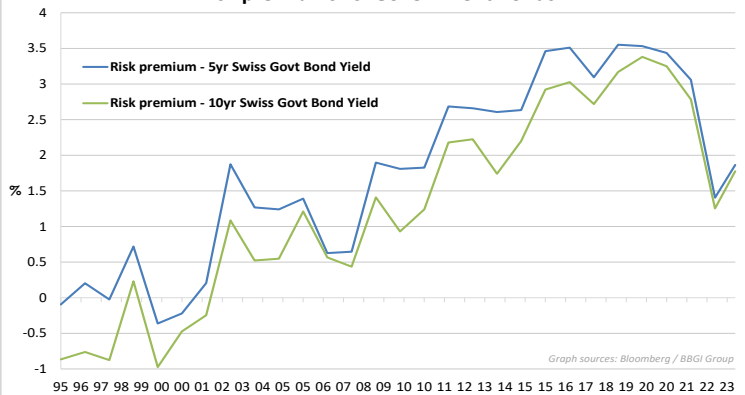
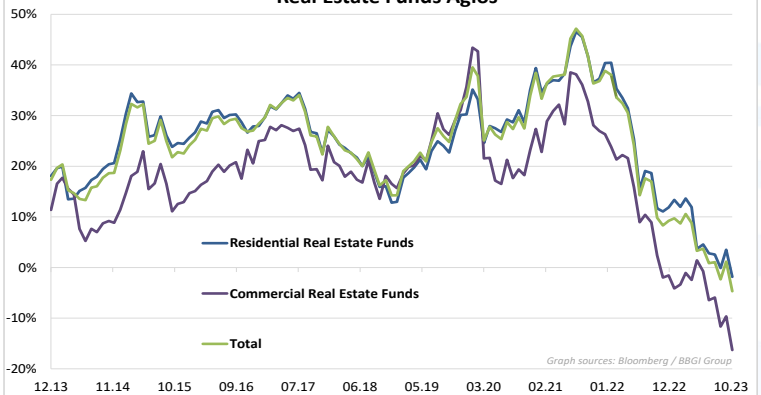
Attractive yields, risk premiums and agios

After the sharp rise in the Swiss Confederation's ten-year yields to 1.6% in December 2022 and March 2023, the long end of the CHF yield curve steepened fairly sharply over the summer. Ten-year yields then followed the international uptrend from June to October, before falling back below 1% in recent weeks. The yield curve is now very much inverted, with SNB rates at 1.75%, well above long-term rates. These latest developments will have a major impact on the Swiss real estate market. Core inflation (1.5%) and CPI (1.7%) are below the SNB's 2% target, supporting the recent trend, while leading indicators suggest a weakening in economic activity. We believe that the SNB could change its policy as early as H1 2024, once again easing financing conditions for real estate.

The decline in ten-year rates over the past few days to 0.95% should be passed on to mortgage rates, triggering an

adjustment in expectations. Listed real estate has suffered from the tighter interest rate environment, and has struggled to recover due to SNB policy, despite attractive valuations, but the situation is about to change and improve for securitized Swiss real estate. Indeed, the average agio of 5.9% is now well below its historical average (17%) and its 2008 low (10%), representing a unique opportunity.

We also believe that current fund (2.9%) and corporate (3.6%) yields are attractive in the current economic and stock market climate. The risk premiums of 2% and 2.7% respectively are particularly attractive, and should lead to a substantial upturn in Swiss securitized real estate in the near future.


Real Estate Performance vs. Swiss Equities

Government and Real Estate Yield

Risk premiums vs. Government Bonds

Real Estate Funds Agios


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