

Investments - Flash

M. Alain Freymond - Partner & CIO

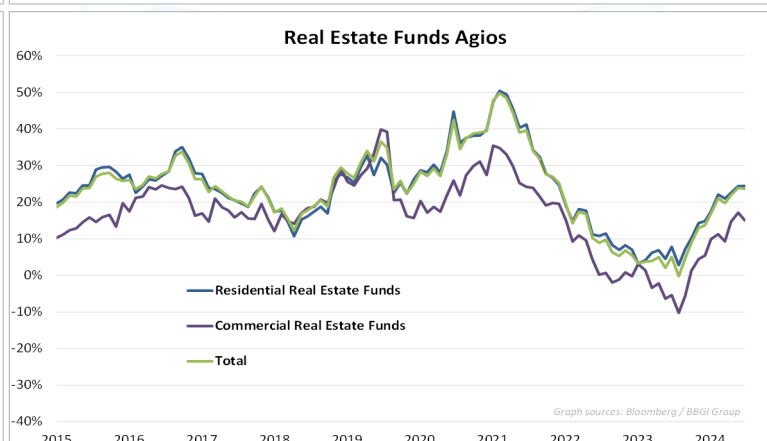
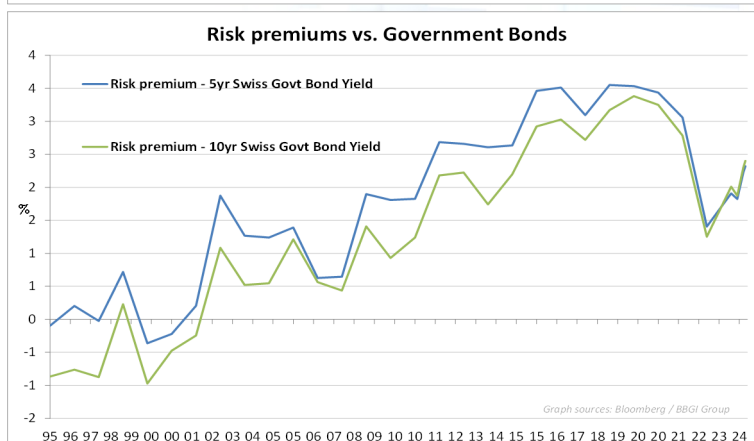
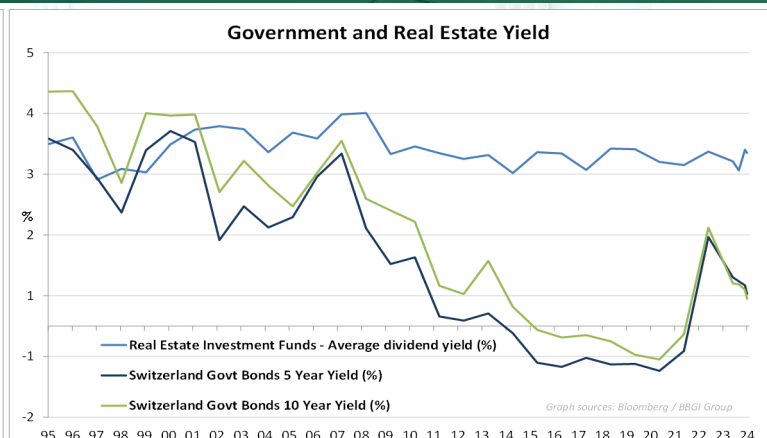
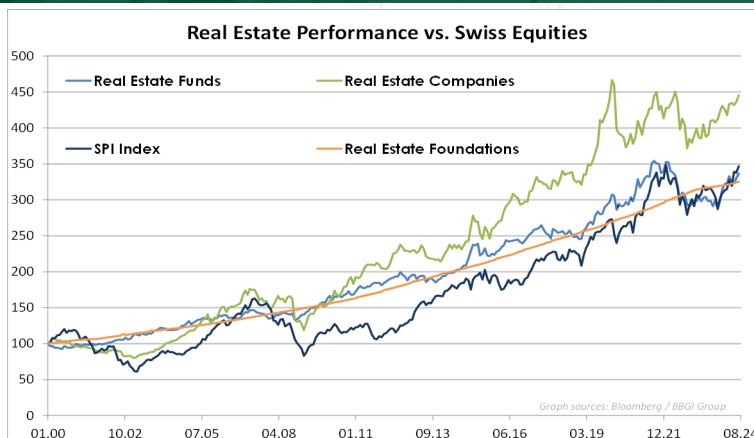


SWISS SECURITIZED REAL ESTATE REMAINS VERY ATTRACTIVE

Attractive yields, risk premiums and agios

Since our recommendation in November 2023 in favor of Swiss securitized real estate, our expectations of declining inflation and the SNB's change in monetary policy, which were expected to boost the appeal of funds and listed companies, the trend has clearly been positive. The very attractive yields, risk premiums and agios available at the time effectively led investors to rediscover these investments at the end of 2023 and in 2024. The +10% rebound of the SWIT index in the last two months of 2023 was followed by an additional +6% gain to date. Listed real estate companies had been slower to benefit from the return of investors between November and December (+5%), but then enjoyed a +10.9% advance, finally also bringing their total performance over almost twelve months to +16%. Today, the real estate market can count on a normalizing monetary policy which, in our view, should lead to two further key rate cuts of -0.25% before the end of the year.

On the long end of the yield curve, inflation may not have bottomed out at +1%, but 10-year Swiss government yields have already reacted by declining from 1.6% to just 0.35%, which seems to us to be close to the nadir of the current cycle. Against this backdrop, the average yield of Swiss real estate funds remains above 2.8%, while that of real estate companies is above 3.6%. Assuming a key interest-rate target of 0.75% and a flattening of the yield curve at this level, the yield differential in favor of real estate investments is being rebuilt quite significantly, to the point of representing around 200 bps on year-end short rates and 300 bps for listed companies. With agios just shy of their ten-year averages, Swiss securitized real estate investments should remain on an upward trend.



Important information: This document is confidential and intended exclusively for its recipient and may not be transmitted or reproduced, even partially, without the express written consent of BBGI Group. It is provided for information purposes only and does not constitute an offer or solicitation to buy, sell or subscribe. BBGI Group cannot be held responsible for any decisions taken on the basis of the information provided. The figures are based on quantitative and judgmental analysis. The client remains fully responsible for the management decisions made in relation to this document. We endeavour to use information that is deemed reliable and cannot be held responsible for its accuracy and completeness. The opinions and all information provided are subject to change without notice. The data mentioned is indicative only and is subject to change without notice in the light of changing market conditions. Past performance and simulations are not indicative of future results.