

REAL ESTATE

Lawyer Monthly here speaks to Dr Wolfgang Müller MBA, Partner and Head Real Estate, and Dr Christian Eichenberger LL.M., MRICS, Senior Associate in Meyerlustenberger Lachenal's real estate department. Both have in-depth experience in the areas of real estate law. As one of Switzerland's leading law firms with offices in Zurich, Geneva, Zug and Lausanne, Meyerlustenberger Lachenal is present in the most important economic centres in Switzerland, as well as operating an office in Brussels to assist clients with their needs as related to EU regulation.

We last spoke in April 2015, what major real estate cases have you been working on since then?

In the past year we were involved in various very big and exciting real estate area development projects, in particular in the Western part of Switzerland, but also in central Switzerland. At the same time, we managed large transactions for our clients regarding, for example, a shopping centre and hotels as well as transactions regarding residential properties. We were also involved in various real estate dispute resolution cases before courts in Switzerland, in particular in the areas of construction disputes and landlord-tenant conflicts.

Have you witnessed a rise in real estate activity in Switzerland during this time? To what do you attribute this?

No, in 2015 the cooling off of the real estate market, in almost all areas, continued in spite of the fact that Switzerland still has historically low interest rates. These low interest rates also meant that prices have been relatively high in 2015. Negative yields on Swiss government bonds with maturities up to 2017 forced institutional investors, in particular pension funds and insurance companies, to look out for assets with positive cash flows such as real estate investments. In turn, the heavy investment pressure pushed net initial yields down to a new record low of 2.5% to 3% for prime commercial and residential properties, sometimes even lower.

What are the biggest challenges facing your clients within the Swiss commercial real estate market currently and how do you help them overcome these challenges?

There is a risk of overproduction in some sectors of commercial real estate in certain areas in

and around big cities (such as Zurich). Strong construction activity has already resulted in increased vacancies and such overproduction could lead to more vacancies, falling rents and, ultimately, higher loan defaults. We assist our clients with tailor-made advice which we provide not only based on our in-depth knowledge of the law, but also based on our first-hand knowledge of the real estate industry and recent trends in such industry. Last but not least, we also put our clients into a position in which they can take advantage of our broad real estate network.

Have there been any regulatory changes during the time since we last spoke that have affected your work? Do you see the need for any? If so, please explain.

Yes, there have been many changes recently and we expect the activity of legislators to persist in the future. For example, on January 1st 2016 the Federal Act on Second Homes and the respective ordinance, as well as an amendment to the Water Protection Act, entered into force. Also, the Technical Ordinance on Waste was revised totally and its name changed to the Ordinance on Waste Avoidance and Disposal

(VVEA). It is widely known that many buildings constructed before 1990 contain asbestos. In the future, builder-owners renovating or converting such buildings will regularly have to submit (rather extensive) disposal concepts to the building permit authorities. This will shift the duty of investigation from companies to builder-owners and needs to be taken into account in the planning process (timeline and costs).

Companies would certainly prefer less than more regulation in the future. In order to preserve one of Switzerland's great strengths, which is to provide investors with stability and predictability with respect to the regulatory framework, it seems important to us not to increase the level of regulation but to remove the general uncertainty that has evolved from certain initiatives, such as the initiative on enforced implementation of the deportation initiative, and from delayed legislation projects like the business tax reform III. Good news from the last vote is that a majority of the Swiss people seem to have realized that stability, as well as the rule of law, are key factors for Switzerland's success, and they cast their vote accordingly. **LM**



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