

Switzerland: A Real Estate Overview

An Introduction to the Swiss Lex Koller

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The Swiss Federal Act on the Acquisition of Real Estate by Persons Abroad, commonly known as the “Lex Koller”, imposes significant restrictions on the acquisition of Swiss residential and other non-commercial real estate by foreign (non-Swiss) persons. Since its enactment in 1983 (with similar laws dating back to the 1960s), the Lex Koller has been the subject of ongoing debate and has undergone a certain liberalisation, particularly with respect to commercial properties and publicly listed real estate companies. Mounting political pressure, persistent concerns over housing shortages and rising property prices (fuelled by net migration trends) have reignited calls for a comprehensive reassessment of the current regime. Now, another proposal to amend the Lex Koller is up for debate.

Background and political drivers of reform

Over time, the Lex Koller has been progressively relaxed, particularly in the area of commercial real estate, where foreign nationals may generally acquire business premises without restriction. In stark contrast, the residential real estate market remains tightly regulated for non-Swiss investors.

In September 2024, National Councillor Thomas Aeschi of the conservative Swiss People’s Party (*Schweizerische Volkspartei*, SVP) introduced a motion advocating for the reversal of all liberalisations enacted over the past four decades. The motion calls for a return to the more restrictive standards of the former Lex Friedrich regime, including measures such as resale obligations and progressive fines for foreign owners who no longer meet acquisition criteria. Although the Federal Council initially rejected this approach, it has since proposed a set of its own measures to selectively tighten the Lex Koller framework, citing the need to address housing market pressures and demographic developments.

In March 2025, the Federal Council formally mandated the Federal Department of Justice and Police (FDJP) to prepare a legislative draft which will form the basis for a broad consultation process involving cantons, political parties and key industry stakeholders. The consultation process took place from 15 April 2026 to 15 July 2026 and the draft bill is now in the legislative process.

Key elements of the planned reform

The FDJP draft proposal reflects a more nuanced policy approach than the aforementioned motion, focusing on four principal areas, as follows.

Reintroduction of restrictions on commercial property acquisition

Foreign individuals and entities would still be permitted to acquire commercial properties (so-called “*Betriebsstätte-Grundstücke*”) but solely for their own operational use. The leasing or subletting of such properties to third parties would be prohibited. This would effectively eliminate the possibility of acquiring commercial real estate for investment purposes, reversing the liberalisation that has been in force since 1997.

Stricter conditions for primary-residence ownership by third-country nationals

The proposed reform would introduce a resale obligation tied to domicile status. Foreign nationals from non-EU/European Free Trade Association (EFTA) countries would only be permitted to retain ownership of a primary residence while domiciled in Switzerland. Upon termination of residence, the property would need to be sold within a specified timeframe.

Revocation of the public market exemption for listed real estate companies

Since 2005, foreign investors have been able to acquire shares in publicly listed Swiss real estate companies without triggering Lex Koller restrictions. The proposed amendments would subject such acquisitions to authorisation requirements, even where there is no direct access to the underlying property. This fundamental shift would significantly impact institutional investors and could render listed investment vehicles inoperable for non-Swiss investors.

Motion “Schmid”

In conjunction with the consultation process, the Federal Council also intends to submit proposals for the motion “Schmid”, which calls for foreign-owned hotels to be allowed to

purchase and build staff accommodation. This is in direct contradiction to the intent of the motion “Aeschi”.

Some Lex Koller basics

Real estate transactions in Switzerland fall under the scope of the Lex Koller if two conditions are met:

- the acquirer of a property (or the beneficial owner of the acquiring entity) qualifies as a person abroad under the Lex Koller; and
- the property in question is considered real estate within the meaning of the Lex Koller – ie, with regard to its use (non-commercial) and the nature of the rights being acquired (transactional).

Persons abroad

Both individuals and legal entities can be classified as “persons abroad”.

Individual persons – under the Lex Koller, individuals are considered persons abroad if they are:

- resident or domiciled outside Switzerland; or
- temporarily residing in Switzerland but are neither nationals of an EU/EFTA member state nor holders of a valid permanent residence permit (C permit).

Legal entities – these are deemed persons abroad if they are either:

- domiciled abroad (irrespective of whether they are controlled by persons abroad); or
- controlled by persons abroad.

Control of a legal entity by persons abroad can take various forms and must be assessed on a case-by-case basis. By law, control by persons abroad is presumed if persons abroad:

- directly or indirectly hold or control more than one third of the entity’s equity capital or voting rights; or

- provide significant debt capital, defined as at least 50% of the difference between the company's assets and its debts with respect to parties not subject to the Lex Koller.

Real estate subject to Lex Koller (non-commercial use)

The Lex Koller requires persons abroad to obtain a permit from the relevant authorities to acquire Swiss real estate, unless the property serves as a permanent business establishment (*Betriebsstätte*) for economic activities such as industrial production, trade or services.

Exceptions

Certain exceptions apply for real estate linked to a permanent business establishment, including:

- residential property necessary for business operations (eg, caretaker's flat);
- cases where separating the residential property from the business is impossible or unreasonable; and
- residential property that is mandatory due to housing unit quotas or zoning regulations.

It is important to note that the mere construction, sale or rental of residential property does not constitute an economic activity under the Lex Koller. Additional exceptions include the following:

- persons abroad may acquire commercial real estate with land reserves without a permit, provided the land reserves do not exceed one third of the property area;
- land for development purposes may be acquired if construction for commercial use begins within approximately one year; and
- acquisition of residential property is permitted via purchase or merger with a company whose main business purpose is not the acquisition, holding and sale of residential property, provided the value of the residential property is less than 30% of the company's assets.

Permit requirement for non-commercial real estate

Any real estate that does not qualify as commercial under the above criteria is subject to authorisation, unless a specific exemption applies. Permits may be granted for the acquisition of a holiday home or serviced apartment but only if the property is located in an area designated as a holiday resort by the cantonal authorities.

Cantons and tourist municipalities may impose further restrictions, such as:

- banning authorisations in specific locations;
- limiting acquisitions to condominium units, and imposing quotas;
- capping the annual number of authorisations; or
- allowing purchases only of residences that are already foreign-owned.

In practice, persons abroad may acquire second homes only in designated tourist areas, mainly in Alpine regions and certain parts of Lake Geneva.

Transactions subject to the Lex Koller

Beyond direct purchases, the Lex Koller also covers transactions that grant persons abroad de facto control over Swiss real estate, such as:

- leaseholds;
- granting or exercising rights of purchase, first refusal or repurchase; or
- providing financing.

The term “acquisition of real estate” includes:

- acquisition via joint ownership, co-ownership (including condominium ownership), leasehold, occupancy or usufruct rights; and
- the acquisition of shares (including non-voting shares) in a legal entity, interests in partnerships or units in investment vehicles (including investment funds) whose de facto purpose is real estate acquisition.

However, acquiring shares listed on a Swiss stock exchange or regularly traded investment fund units, even if such trading is off exchange, does not trigger a Lex Koller authorisation

requirement. Conversely, purchasing a single share in an unlisted company involved solely or substantially in acquiring, holding and trading residential property does require prior Lex Koller authorisation.

Long-term leases with atypical contractual terms may also be subject to authorisation.

Examples include:

- one-off advance payment of the rent or waiving consent for major architectural alterations;
- linking rental agreements to loan contracts with offsetting of rent against interest;
- financing in excess of typical Swiss bank lending limits; and
- construction bans or similar restrictions on neighbouring properties.

Significance of the Lex Koller for real estate transactions

The practical importance of the Lex Koller for real estate transactions in Switzerland is apparent from the preceding analysis. The Lex Koller applies not only to straightforward asset deals but also to share deals and other transaction structures, including:

- direct sales and acquisitions;
- indirect acquisitions through the purchase of shares in an entity holding real estate subject to the Lex Koller;
- real estate exchanges;
- gifts involving real estate; and
- acquisitions of the assets and liabilities of a business, as well as restructurings such as mergers, demergers and asset transfers.

For both asset and share deals, any transaction falling within the scope of the Lex Koller can only take legal effect once the requisite Lex Koller authorisation has been granted, otherwise:

- if a transaction is completed without securing authorisation or before authorisation is granted, it is rendered null and void;

- if contractual obligations have already been performed, the parties may reclaim any payments made; and
- the authorities are empowered to remedy the unlawful situation, either by revoking the entry in the land register or by forcing the buyer to sell the property.

In practice, parties to a prospective transaction are often unable to definitively determine whether the transaction is subject to the Lex Koller. In such cases, the buyer is advised to submit a request for a formal ruling from the competent authority prior to entering into the transaction.

Legislative outlook

Given the political sensitivity of the subject matter and the economic stakes involved, it is highly likely that any final version of the law enacted by the Swiss parliament that materially restricts foreign access to the Swiss property market along the lines of the main reform elements will be subject to a popular referendum. Business associations, pension funds, and institutional investors are expected (and called upon) to mobilise political opposition and public campaigns in defence of legal certainty and Switzerland's reputation as an attractive destination for capital investment.