

# Opportunities and peculiarities in the Geneva mortgage market

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**For some market participants, the mortgage market of the greater Geneva-Lausanne region, and in particular the one of Geneva, appears to be detached from the mortgage market of the rest of Switzerland. On the other hand and in practice, we observe great mutual openness and opportunities for mutually profitable business as soon as language barriers and cultural differences are overcome.**

The mortgage market in the greater Geneva-Lausanne region differs from the rest of Switzerland in many ways. Special features are in particular:

- Deviations in the land registry system from the rest of Switzerland and other differences to most other Cantons (in particular higher transaction costs, private notaries, no cantonal building insurance in the canton of Geneva, etc.)
- Relatively closed funding market due to:
  - lack of a strong local ecosystem of mortgage-focused retail banks (regional banks and Raiffeisen

banks have a very low market share in Geneva),

- local cantonal banks do extensive business outside the mortgage market and
- the strong private banks often do not offer mortgage business



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- Very untypical properties for the rest of Western Switzerland (e.g. very large office buildings, residential properties in the super-luxury segment)
- Very tenant-friendly laws with the disadvantage that owners of rental properties have no incentive to renovate them
- Higher credit margins than in German-speaking Switzerland on comparable transactions.

For these reasons, some national financiers, especially in Geneva, are reluctant or unwilling to provide financing. However, the market is comparable with the rest of Switzerland in various respects.

Especially, loan defaults have been low over the past 20 years and volume growth is only slightly higher than in the other parts of Switzerland (average mortgage volume growth 2010-2020 = 3.6% per year in Switzerland as a whole vs. 4.4% in Geneva and 3.9% per year in Vaud).<sup>1</sup>

**Figure 1: Differences and similarities in financing markets**

	Geneva	Switzerland
Market share of regional and Raiffeisen banks	9%	26%
Market share of cantonal banks	27%	37%
Cost of issuing a debt certificate of CHF 1 million	2%	0.02% (Zurich)
Cost of property purchase of CHF 1 million	4%	0.02% (Zurich)
Average growth of mortgage loans 2010-2020	3.9%	3.6%

## Close market or self-restraint?

We observe that local Geneva borrowers in particular are very reluctant to make credit requests outside the greater Geneva-Lausanne region (let alone e.g. in German-speaking Switzerland), even for large, complex transactions. Typical reasons cited for this are mutual language barriers and a lack of a network among alternative refinancing partners in other large economic areas. Borrowers who have tried to process such transactions in the past were often confronted with the fact – even for loans which were approved – that some financing partners from the German-speaking part of

Switzerland have had difficulties to interact with land registry offices and needed assistance in drawing up the respective contracts.

## Depth of the market problem for borrowers

In our daily work, we focus on complex transactions with a volume of CHF 5+ millions, subordinated mortgages and bridge loans.

Focusing exclusively on local providers is not sufficient for these financings, no matter where this local market is. The individual market – whether it is Zurich, Geneva, Basel, Bern or a smaller city – lacks the necessary depth for optimal solutions. In particular, alternative funding partners (e.g. pension funds, collective foundations and private individuals) – often in addition to traditional providers – have taken a strong position in these transactions.

Our experience has shown, that above all in very complex cases and for transactions under great time pressure, it is often necessary to have at least complementary financing partners from all over Switzerland.

## Geneva credit market attractive for externals

Some lenders from German-speaking Switzerland have prejudices against the Geneva mortgage market. In our experience, this has less to do with rational risk considerations than with

<sup>1</sup> Source: SNB

the language barriers already mentioned, a lack of local presence and difficulties in the past with processing.

## «Objectively, the Geneva market offers very attractive projects and properties»

Objectively, the Geneva market offers very attractive projects/properties and at the same time allows for diversification compared to existing engagements in German-speaking Switzerland due to the different economic structure.

### **Conclusion: Opportunity for both sides**

Based on our experience, borrowers from the greater Geneva-Lausanne region and foreign lenders are very open to mutually beneficial business relationships if suitable properties/projects are found, the language barrier has overcome, an introduction to networks is made and, if necessary, support is provided in the handling of the loan cases.

In the recent months, we have observed an increasing number of such transactions – for examples of Hyrock see the Figure below.

### **Three transactions from the first half year of 2021**

#### **Case 1:**

CHF 15m subordinated bond secured by promissory notes of CHF 15m on a commercial property in Geneva. Placement of the bond through a Zurich-based asset manager.

#### **Case 2:**

Purchase of a luxury property with a purchase price of over CHF 4 million in the Geneva area. Financing via a pension fund from the greater Zurich area.

#### **Case 3:**

Short-term bridge loan for the acquisition of a large plot of building land in the region of Lausanne, financed through a bank from Liechtenstein.

**Hyrock** is an independent mortgage expert for sophisticated private and institutional clients in Switzerland, with offices in Zurich and Geneva. In 2020, Hyrock realised a total of over CHF 850 million in financing solutions for its clients, with an average volume of CHF 7 million per transaction. Around CHF 250 million of these were mezzanine and bridge loans. [www.hyrock.ch](http://www.hyrock.ch)