

# The Lex Koller under review: a safeguard or a relic?

Thomas Hilpert, September 2025

**The Lex Koller is a Swiss federal law that restricts the acquisition of real estate by persons abroad (BewG). Its original aim was to prevent an “over-foreignization” of Swiss land. The question arises as to whether this regulation is still appropriate and necessary in today’s economic and political environment. The article examines the intersection between the state’s duty to protect economic reality.**

## Origin

Lex Koller stems from the desire to control the sale of land and residential property to persons abroad. The assumption behind this is that land is a non-renewable resource and therefore particularly worthy of state protection. In the 1970s, the increasing purchase of second homes by foreigners led to political pressure, especially in regions attractive to tourists. The Lex Friedrich (1983, enacted on 1 January 1985) and later the Lex Koller (revised in 1997) institutionalised these concerns in the form of legislation.

Over time, the reality of the real estate market changed. Foreign acquisitions became increasingly professionalized, structured through legal entities, trust arrangements, or multi-tiered ownership chains, all of which are now examined before a transaction to assess whether they might result in significant foreign control.

At the same time, the regulatory framework for banks, which still account for 95% of the entire Swiss mortgage market, is becoming increasingly restrictive. This has led to tighter lending policies and, in turn, a growing demand for alternative, non-traditional sources of capital. This is particularly relevant because the BewG also requires the review of financing parties in certain situations.



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All of this provides fertile ground for a widespread approval bureaucracy, which in turn creates increasing uncertainty in transactions and leads to delays.

As a result, the Lex Koller today stands between its original protective purpose and the realities of a globalized real estate market with numerous new players. The underlying process economy must be questioned in light of the parallel protective mechanisms that already exist, such as cantonal second-home quotas. The political debate to date has been confronted with various unsubstantiated claims, which fuel fears and have caused previous reform efforts to stall.

## Thesis 1: Foreign investment in residential property increases the cost of investment properties and thus rents.

There is no doubt that the Swiss property market is relatively stable, particularly due to political and economic stability. Against this backdrop, it stands to reason that foreign investors with free access to the market would consider diversifying their portfolios, which would lead to increased demand overall. However, yields in Switzerland are naturally somewhat lower than in other countries. In prime locations in Zurich, average yields are around 2.00% to 2.50%, and around 1% higher in the periphery. Office and retail properties, which are not affected by the Lex Koller, yield around 0.50% and 1.00% respectively in prime locations, and between 1.00% and 2.00% more than residential properties in secondary locations<sup>1</sup>.

According to the Global Property Guide<sup>2</sup>, Zurich ranks even behind Monaco. By way of comparison, the average yields for 1- to 3-room apartments in Oslo are 4.27%, in Berlin and Paris 4.76% and in Milan 5.32%.

From this, two questions arise. First, it must be assessed whether yield-driven investors are willing to relocate capital from abroad to Switzerland. Second, foreign investors already have the opportunity to acquire office or commercial properties. How strong, then, would the incentive be for owners already active in this sector to reallocate funds despite lower returns and to restructure their business models? It should not be forgotten that increased demand alone would further suppress returns

in the short and medium term. Any correction in this regard could realistically only be compensated through higher rents, which would be subject to legal frameworks and pricing regulations, such as the reference interest rate, return limits, and so on.

## "Average yields in Zurich are lower than in Monaco."

However, there are other dimensions that need to be examined in order to argue from the perspective of a foreign property investor. On the one hand, the Swiss franc has always been considered a safe haven and is held by investors, especially in times of crisis, as a hedge against the devaluation of their own currency. Over the last two decades, for example, the euro has lost around half of its value against the Swiss franc. An investor with the euro as their reference currency would have profited massively from CHF investments.

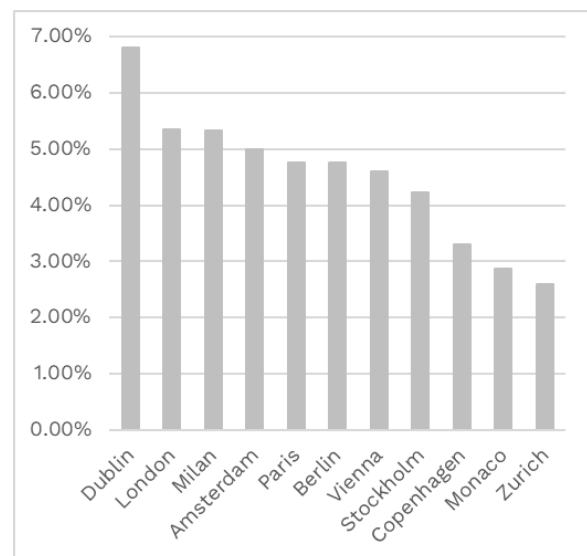


Fig. 1: Average gross yields on residential properties in selected European cities (source: Global Property Guide).

<sup>1</sup> CSL Real Estate Market Report 2025  
www.csl-immobilien.ch

<sup>2</sup> Global Property Guide  
www.globalpropertyguide.com

Furthermore, the Swiss property market has increased massively and relatively steadily in value since the last major crisis in the 1990s. This is due, among other things, to the scarcity of building land and steady immigration. There are currently no signs of a correction in the near future. Investors who take into account not only cash flow and security, but also potential increases in value and inflation protection, may indeed feel incentivised to invest in this country, although this type of investor is probably already active in the office and commercial sectors, which brings us back to the above question of whether reallocations are likely.

The increasingly stringent regulatory conditions surrounding real estate financing are having a dampening effect. In addition to capital requirements, which were further tightened with Basel III <sup>(3)</sup>, the affordability guidelines are a major obstacle for yield-oriented investors. The interest rate used for calculation purposes – usually around 5.00% – automatically leads to lower loan-to-value ratios and thus also to a significantly lower return on equity when yields are low. It takes a great deal of conviction for an investor to be prepared to tie up a disproportionate amount of equity capital.

Overall, we believe that the local residential property market is moderately attractive to foreign investors and is probably overestimated by the advocates of the Lex Koller. We consider a sell-off of Swiss residential properties to foreign investors as a result of a change in the law to be very unlikely.

## **Thesis 2: Regions dominated by tourism would be confronted with purchase prices for flats and houses that are unaffordable for locals.**

The utilisation rate of the available permit units throughout Switzerland has regularly been below 50% in recent years<sup>4</sup>. A particularly marked decline was felt after the abolition of the minimum euro exchange rate in 2015, which made Swiss real estate significantly more expensive for euro buyers. In recent years, the quotas have been used almost exclusively in tourist cantons such as Valais, Graubünden and Ticino. Some cantons have even waived their allocations.

However, statistics also suggest that it is not so much the quota as the prices that have a significant impact on the number of property transfers. The entry into force of the Federal Act on Second Homes (ZWG) on 1 January 2016 has further exacerbated this situation. The purpose of the law is to limit the construction of second homes in municipalities in order to prevent the displacement of the local population and to curb the shortage of housing. Municipalities may only approve a limited number of new second homes. The only exceptions are existing holiday homes, which enjoy protection of existing rights, with a maximum increase in floor space of 30% under certain circumstances.

As a result, two parallel property markets for primary and secondary residences have developed in these regions, with secondary residences in the Engadin, for example,

<sup>3</sup> See Hyrock Newsletter from April 2025

<sup>4</sup> Federal Office of Justice – [Statistics](https://www.bj.admin.ch) (bj.admin.ch)

costing almost twice as much per square metre as primary residences. The restriction on supply imposed by the second home initiative and the associated price increase are, in principle, helping to alleviate the problem of "foreign infiltration" of Swiss land originally addressed by the Lex Koller. A double approval procedure under the BewG and ZWG for foreigners wishing to build therefore seems to make little sense.

## Conclusion

In practice, the control mechanisms for ensuring compliance with the BewG often lead to delays. Some offices tend to adopt a more restrictive approach in cases of uncertainty and refer matters to the licensing authority - for example, the District Council in the canton of Zurich. This is often justified by reference to established administrative practice. However, such practices are rarely documented transparently or publicly accessible. The result is a patchwork of interpretation variants, which places investors, intermediaries, financiers, and legal advisors in a position of bureaucratically induced transaction uncertainty.

The fact that the annual quota for holiday homes in Switzerland is practically never used up and that foreign investors' interest in Swiss residential properties is likely to remain moderate for the reasons explained above suggests that the Lex Koller is more of a relic from the 1970s. Today, strict money laundering checks, tax requirements, housing prices and the Second Homes Act are the determining factors. In general, we believe that there is at least no justification for an excessive BPC review

process. With its guidelines for land registries, the Federal Office of Justice took a step in the right direction years ago. The competent first instances are thus encouraged to make full use of their scope of responsibility and thus relieve the burden on the administration as a whole. If a repeal of the law has not yet reached the required level of maturity, a more uniform, flexible and process-oriented approach is clearly preferable to case-by-case assessment decisions, which in the worst case have to be repeated annually.

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