SPGI COMMERCIAL PROPERTY ADVISORS

IN ASSOCIATION WITH CUSHMAN & WAKEFIELD

Snapshot

INDUSTRIAL MARKET | H1 2022

GENEVA | SWITZERLAND

AUGUST 2022

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Overview

- The small size of the Geneva market and the strong demand from investors continue to squeeze the yields. In H1 2022, we consider that the industrial prime gross yield has remained stable from one year to another, i.e. 4.5%. Globally, it should be noted that the industrial investment market, with a total stock of 4.1 million sqm, is still much smaller than the office market. In the medium-term, we estimate that the global industrial transaction volume in Geneva will represent 10% to 15% of the office investment market, which may further compress yields.

- The industrial real estate market is predominantly detained by owners-occupiers. The State of Geneva and FTI play a key role in the structuring of the market, going towards a multi-tenant and mixed-use properties. In H1 2022, we toted up a pipeline of about 300'000 sqm for the coming 4 years. In the meantime, the temporary stagnation of the stock of industrial buildings has supported the reabsorption of the availability rate, which lied close to 2.0 % at the end of 2021.

Key indicators

120 M
Transaction volume (CHF)

4.1 M
Stock (sqm)

2.0 %
Availability rate

4.5 %
Prime gross yield (E)

Letting

Total stock	~ 4’140’000 sqm
Stock growth (Last 10 years)	+ 9.9 %
Availability rate (2021)	~ 2.0 %
Prime rent – Light industrial	280 CHF/sqm/year
Prime rent – Logistics	200 CHF/sqm/year
Pipeline	~ 300'000 sqm by 2026

Investment

Transaction volume (2020)	CHF 262’924’700
Transaction volume (2021)	CHF 463’971’000
Transaction volume (H1 2022)	CHF 120’013’500
Prime gross yield (Estimated)	4.5 %

Letting

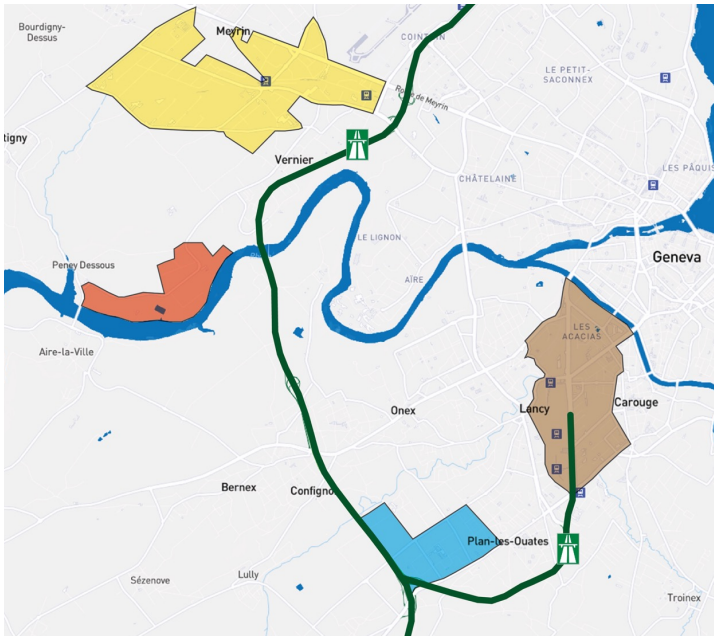
- The global repositioning of the ZIMEYSA area, initiated by the State of Geneva and FTI, have boosted the construction activity. There is about 160'000 sqm of planned projects. This future supply leads to consider stable rent levels over next 5 to 10 years for logistics and industrial spaces.
- The current supply of industrial spaces does not keep pace with demand. The existing light industrial buildings are about 30 years old on average and no longer meet the standards and the market players needs. The shortage of supply supported the high construction rate in Geneva. This is particularly true for logistics sector.
- The demand for logistic and manufacturing premises remains high. It is concentrated on both main sub-sectors, i.e. ZIMEYSA and ZIPLO, and is attracted to brand new spaces. The demand is structured with watchmaking companies and SMEs, and targets showrooms, storage and logistic spaces. For manufacturing-related activities, the requested surfaces usually ranges between 200 and 700 sqm.

Market trends

Supply	↑	The supply of manufacturing and logistics premises is increasing, with many building sites starting up, in response to a currently very dry market.
Demand	↑	Demand for logistic spaces boomed during the COVID pandemic and remains high. The demand for manufacturing premises is increasing to regain the pre-pandemic dynamism.
Rent level	→	The overall level of rents is expected to stagnate for manufacturing premises, which were expensive before the pandemic, and to increase slightly for logistics. Incentives remain high for new developments to compensate significant level of fit-out costs.

Subsectors indicators

	Market Rent (CHF/sqm)			Availability Rate
	Office	Logistics	Light industrial	
ZIMEYSA	From 220 to 280	From 150 to 195	From 180 to 250	~ 3.00%
ZIPLO	From 270 to 320	From 190 to 200	From 220 to 290	~ 8.00%
ZIBAY	From 200 to 240	From 150 to 180	From 150 to 180	~ 4.00%
PAV (ZI)	From 275 to 320	From 150 to 200	From 200 to 250	~ 2.50%

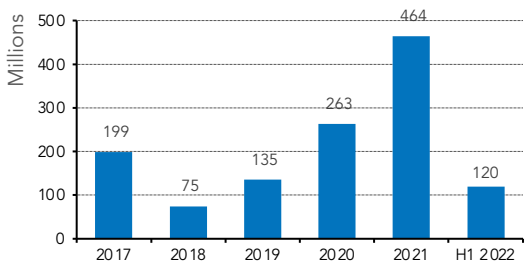


Investment

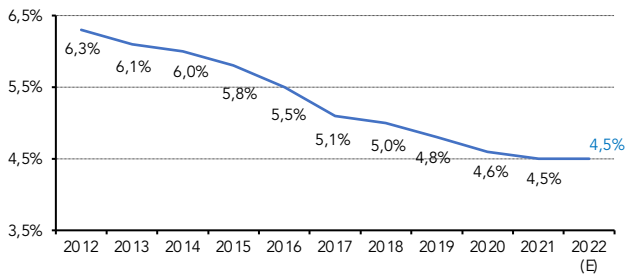
- The investment market has been dynamic over the last 3 years. The launch of new projects dedicated to multi-tenants has significantly impacted the investment activity throughout 2021. H1 2022' asset deals demonstrate a slight slowdown compared to last year's volume. However, the current transaction volume is not fully representative of the actual market activity. Cumulative share deals exceeded CHF 200 million in 2022. In short, the upward trend will follow its track for the next 5 to 10 years, given the redevelopment projects in the pipeline.

- The industrial prime gross yield is reaching rock bottom, in H1 2022. Despite a growing interest from institutional investors for industrial and logistics real estate, the yields compression that has taken place since 2012 is not expected to last. Inflationary pressure has pushed SNB to raise interest rates for the first time in 15 years, which will possibly stop the prime yield in its track.

Transaction volume (mCHF)



Prime gross yield



5 largest transactions (last 12 months)

	Address	Area	Surface (sqm)	Sales price (CHF)	CHF/sqm
1	Espace Tourbillon - route de la Galaise	ZIPLO	20'000	135'000'000	6'750
2	Espace Tourbillon - route de la Galaise	ZIPLO	20'000	125'000'000	6'250
3	Rue Emma Kammacher 5A-5B-5C	ZIMEYSA	17'322	89'053'594	5'141
4	Route de la Galaise 18	ZIPLO	7'343	29'500'000	4'017
5	Chemin de la Marbrerie 3-5	ZIPA	7'074	23'720'000	3'353

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Contact us

SPGI Geneva SA

Rue Ferdinand-Hodler 23
1207 Geneva
Tel +41 (0)22 707 46 00
geneva@spgi.ch | geneva.spgi.ch