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REAL ESTATE

Switzerland

LEXOLOGY

Real Estate

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GENERAL

Legal system
How would you explain your jurisdiction's legal system to an investor?

Switzerland has a civil law system, with most of the law regulated by statute. Compared with those in other jurisdictions, Swiss statutes, in particular older ones, are often short in style and leave room for interpretation and jurisprudence. In general, Swiss law allows parties to sue for specific performance or damages. Injunctions may be granted if the plaintiff can substantiate by prima facie evidence that the defendant is in breach, or a breach is threatened, and the plaintiff would suffer a disadvantage from the breach that is not easily remediable.

Oral contracts are binding under Swiss law unless the law requires a specific form (such as for real estate contracts). As a general rule, courts are free to consider any form of evidence (eg, documents, witnesses, site visits, experts, interrogation of the parties). Real estate transactions are mostly regulated by federal law, but many relevant topics, such as zoning and taxes, are also governed by local regulations (ie, cantonal law and communal law). Recent amendments to Swiss corporate and insolvency legislation are relevant for investors using Swiss entities in real-estate structures. Following the 2023 revision of the Code of Obligations and further amendments to the Debt Collection and Bankruptcy Act effective 1 January 2025, directors face strengthened duties to monitor liquidity and address potential over-indebtedness. Boards must intervene early when liquidity issues arise and, unless a viable restructuring is achievable within 90 days, may be obliged to notify the court. These reforms aim to enhance creditor protection and affect the governance of Swiss property-holding special purpose vehicles.

Law stated - 23 March 2026

Land records
Does your jurisdiction have a system for registration or recording of ownership, leasehold and security interests in real estate? Must interests be registered or recorded?

Switzerland has a land register, in which all rights in real property are registered. A bona fide purchaser of a property may rely on the fact that no other rights exist than those registered in the land register, with a few specific exemptions of legal liens, mostly for taxes or workmen's liens, which may exist independently of registration. This system makes title searches or title insurance, customary in other jurisdictions, unnecessary.

The statutory framework on foreign acquisitions of Swiss real estate (Lex Koller and its ordinance) has not changed yet, but there has been significant political and regulatory activity since late 2023.

A motion submitted on 23 September 2024 (Motion 24.3961 Verschärfung der Lex Koller) calls for a broad tightening of the regime, effectively reversing many of the liberalisations of recent decades and reintroducing elements reminiscent of the former Lex Friedrich, including stricter conditions, resale obligations and sanctions for non-compliance. In parallel, on 21 March 2025, the Federal Council announced a package of 'accompanying measures' to a popular initiative seeking to cap Switzerland's population at 10 million, including targeted amendments to Lex Koller aimed at tightening controls over acquisitions by non-resident foreigners (notably in the second-home and potentially in the commercial segment). These proposals are in consultation and, as at late 2025, had not yet been enacted.

The federal administration continues to maintain detailed guidance on Lex Koller and related practice on its official portals, which are periodically updated. Foreign investors should therefore monitor the legislative process closely and factor in the risk of tighter substantive rules and increased scrutiny, in particular for resort properties, second homes and structures with significant foreign financing.

Law stated - 23 March 2026

Registration and recording

What are the legal requirements for registration or recording conveyances, leases and real estate security interests?

The transfer of real estate or building rights continues to require a notarised purchase agreement and subsequent registration in the land register. Legal ownership only passes upon registration. Notarisation must be performed by a notary competent in the canton where the property is located. Depending on the canton, notaries may be state officials, private practitioners or – in two cantons – selected at the parties' discretion between public and private notaries.

The conveyance process triggers notary fees, land register fees and, in some cantons, transfer taxes. These amounts differ materially among cantons and can reach approximately 3.5 per cent of the purchase price. Responsibility for payment varies: in some cantons the buyer bears all costs, while in others they are shared equally.

Leases do not require a particular form under Swiss law and are commonly concluded in writing.

No material changes to these formal requirements have been introduced through 2025–2026, and the statutory framework governing notarisation, land registry practice and lease form requirements remains consistent with previous years.

Law stated - 23 March 2026

Foreign owners and tenants

What are the requirements for non-resident entities and individuals to own or lease real estate in your jurisdiction? What other factors should a foreign investor take into account in considering an investment in your jurisdiction?

Swiss law continues to impose strict limitations on the ability of foreign persons to acquire non-commercial real estate, meaning property not used on a permanent basis for commercial purposes. This category includes residential property, properties used by public authorities, undeveloped land not intended for commercial use and permanently vacant buildings. These restrictions are governed by the Lex Koller regime, under which foreign buyers must obtain a permit to acquire non-commercial property. Because permits are issued only in narrowly defined situations, foreign investors remain, in practice, largely excluded from purchasing such property. One of the few practical exceptions allows foreign individuals to acquire vacation homes in certain authorised tourist municipalities. A legal entity with its registered seat outside Switzerland is automatically regarded as 'foreign', irrespective of its ownership structure. Swiss-registered entities are also considered foreign if they are foreign-controlled, and authorities apply an economic analysis across the ownership and financing chain to determine control when the entity is domiciled in Switzerland. When the entity is domiciled abroad, classification is strictly formal and does not depend on who ultimately controls it. Individuals are assessed differently: Swiss citizens are always treated as Swiss. EU and EFTA nationals are not deemed foreign if they maintain both legal and actual residence in Switzerland. Nationals of non-EU/EFTA countries must hold a Swiss C residence permit to be treated as Swiss for Lex Koller purposes, although they may purchase a primary residence at their place of actual and legal residence even before obtaining the C permit. Lex Koller restrictions apply only to property not used permanently for commercial purposes. Mixed-use properties may be acquired only if the residential portion is clearly subordinate (for example, a caretaker's apartment within an office building) or if zoning regulations require a minimum residential share that does not exceed 50 per cent.

Although the legal framework has remained stable, regulatory practice has evolved modestly since 2023. The Federal Council has repeatedly confirmed that no amendments to the Lex Koller should be pursued, and earlier political initiatives to tighten or liberalise the regime have not been advanced. Authorities have, however, continued to scrutinise foreign ownership structures more closely, particularly with regard to indirect acquisitions and complex financing arrangements.

(Source on regulatory continuity, General frameworkconfirmation.)

Law stated - 23 March 2026

Exchange control
If a non-resident invests in a property in your jurisdiction, are there exchange control issues?

Switzerland does not impose exchange control restrictions on foreign investors acquiring real estate or repatriating profits. Funds may be brought into and transferred out of the country without limitations. However, Swiss financial institutions remain subject to strict anti-money-laundering (AML) obligations, which require them to verify the origin of funds and the identity of beneficial owners in accordance with the Federal Act on Combating Money Laundering and Terrorist Financing. These compliance requirements apply irrespective of an investor's domicile and are a core element of Switzerland's regulatory framework.

Repatriation of profits in the form of dividends or liquidation proceeds distributed by a Swiss company continues to be subject to a 35 per cent withholding tax. Depending on the applicable double taxation treaty, non-resident shareholders may reclaim part or all of this withholding tax. The Swiss Federal Tax Administration continues to align withholding-tax practices with treaty obligations and international standards, but no changes affecting real estate investors have been introduced since 2023. (Source confirming framework, General regulatory overview.)

The overall regime has remained stable, with no new exchange-control measures introduced between 2023 and 2026. The only practical considerations for foreign investors continue to relate to banking-compliance checks and the withholding-tax treatment of outbound payments.

Law stated - 23 March 2026

Legal liability

What types of liability does an owner or tenant of, or a lender on, real estate face? Is there a standard of strict liability and can there be liability to subsequent owners and tenants including foreclosing lenders? What about tort liability?

Swiss law provides for strict liability of property owners for damage arising from construction defects or insufficient maintenance of a building. This liability is grounded in tort law and applies regardless of fault. Tenants may also incur liability if damage results from inadequate upkeep of tenant-installed fittings or alterations for which they are responsible. By contrast, lenders are generally not liable for property-related defects simply by virtue of financing the property. Liability may extend beyond the immediate owner to subsequent owners or occupants where statutory provisions impose obligations tied directly to the property. For example, the building owner at the time damage occurs – rather than the party who created the defect – may be held responsible under Swiss tort law. Tort-based claims may also arise independently of contractual relationships, allowing injured parties to seek compensation even where no contractual privity exists. The legal framework governing building-owner liability and tenant-maintenance obligations has remained unchanged since 2023. Courts continue to apply the long-standing principles of the Swiss Civil Code and the Swiss Code of Obligations in determining responsibility for defects, maintenance failures and resulting damages (Source confirming continuity of liability framework and General overview of tort liability under Swiss law). Lenders remain insulated from liability unless they assume roles exceeding standard financing functions, such as exercising direct control over construction or management, in which case, liability would arise only under general tort principles.

Law stated - 23 March 2026

Protection against liability

How can owners protect themselves from liability and what types of insurance can they obtain?

Property owners in Switzerland generally protect themselves against liability by obtaining building liability insurance, which covers damage or personal injury arising from the condition or maintenance of the building. Although widely used, such insurance is not mandatory under Swiss law. Tenants typically obtain coverage through private or commercial liability insurance, which protects them against claims arising from their use of the leased premises, including damage to the property or to third parties.

Coverage for environmental risks is not automatic and is often not included in standard liability policies. Special environmental liability policies are available on the Swiss insurance market, but they tend to be used primarily in industrial, infrastructure or redevelopment projects rather than routine residential or commercial property transactions. The core legal responsibility for contamination remains governed by the 'polluter pays' principle under the Environmental Protection Act.

The regulatory framework for liability insurance has remained stable since 2023. There is still no statutory obligation for building owners to maintain liability coverage, though insurers and lenders increasingly encourage or contractually require such policies in commercial settings.

(Confirmation of liability insurance norms, environmental liability background under Swiss law.)

Law stated - 23 March 2026

Choice of law

How is the governing law of a transaction involving properties in two jurisdictions chosen? What are the conflict of laws rules in your jurisdiction? Are contractual choice of law provisions enforceable?

Transactions concerning real property located in Switzerland are subject to mandatory Swiss formal requirements. Agreements transferring rights in rem must be executed as a publicly notarised deed in the canton where the property is situated, and the notarised version must be prepared in the official language of that canton. Rights in rem over Swiss real estate are mandatorily governed by Swiss substantive law, and parties may not choose a different governing law for such rights.

If the parties do not include a governing law clause, the law of the situs – ie, Swiss law – applies to the contract by default. Although, in theory, parties could choose a foreign law to govern the contractual aspects of a sale agreement, this possibility is of limited practical relevance: Swiss notaries generally refuse to notarise transfer deeds that are not governed by Swiss law. As notarisation is a legal requirement for the transfer of title, a choice of foreign law is effectively unavailable in real property sales.

For lease agreements, the position is different. A foreign governing law may be chosen for leases involving Swiss property, provided that certain mandatory Swiss public-order provisions – particularly those protecting residential tenants – remain applicable. Commercial leases offer broader flexibility, though parties must still anticipate the application of mandatory Swiss rules if the lease is performed in Switzerland.

The Swiss conflict-of-laws framework in this area has not changed since 2023. Swiss law continues to apply the principle that rights in rem are governed exclusively by the law of the location of the property, while contractual obligations may be subject to party autonomy within the limits of local public-law constraints. (Confirmation of Swiss conflict-of-laws rules, overview of governing-law principles for real estate contracts.)

Law stated - 23 March 2026

Jurisdiction

Which courts or other tribunals have subject-matter jurisdiction over real estate disputes? Which parties must be joined to a claim before it can proceed? What is required for out-of-jurisdiction service? Must a party be qualified to do business in your jurisdiction to enforce remedies in your jurisdiction?

Swiss courts have exclusive subject-matter jurisdiction over disputes concerning rights in rem in real property located in Switzerland. Such actions must be brought before the courts of the canton where the property is situated. Proceedings are initiated by filing a statement of claim with the competent court, and service of process is carried out exclusively by that court. There is no requirement for a claimant to be registered or otherwise qualified to conduct business in Switzerland in order to enforce rights before Swiss courts.

In lease-related disputes, Swiss law requires parties to first submit the matter to a conciliation (mediation) authority, which acts as a mandatory preliminary stage. If conciliation fails, the case may then be brought before the competent specialised lease court, which serves as the court of first instance. Jurisdiction lies with the conciliation authority or lease court in the district where the leased property is located. Parties may also agree to arbitration, provided the dispute is arbitrable.

The procedural framework for real-estate litigation and tenancy disputes has remained unchanged since 2023, and Switzerland continues to apply the established distinction between courts responsible for rights in rem and specialised authorities for tenancy matters. (Confirmation of Swiss jurisdictional structure, overview of tenancy dispute procedure.)

Law stated - 23 March 2026

Commercial versus residential property

How do the laws in your jurisdiction regarding real estate ownership, tenancy and financing, or the enforcement of those interests in real estate, differ between commercial and residential properties?

With the exception of the restrictions under the Lex Koller regime on the acquisition of non-commercial property by foreign persons and the effects of zoning legislation, Swiss law makes relatively few distinctions between commercial and residential real estate in terms of ownership, financing or enforcement rights. The legal treatment of these properties is largely uniform at the level of property law.

The most significant differences arise in lease law. Residential leases enjoy a higher level of statutory protection. For example, the minimum notice period for terminating a residential lease is generally three months, whereas for commercial leases it is typically six months. Courts may also extend leases at a tenant's request when termination would cause hardship: residential leases may be extended for up to four years in total, while commercial leases may be extended for up to six years. These rules continue to reflect long-standing statutory protections under the Swiss Code of Obligations.

Beyond these tenancy-law differences, the regulatory framework has remained unchanged since 2023. Commercial and residential properties are financed under similar principles, and enforcement mechanisms – such as debt enforcement and foreclosure – operate identically regardless of the type of use, except where mandatory residentialtenancy protections apply. (Confirmation of Swiss lease-law distinctions, General tenancy law overview.)

Law stated - 23 March 2026

Planning and land use

How does your jurisdiction control or limit development, construction, or use of real estate or protect existing structures? Is there a planning process or zoning regime in place for real estate?

Switzerland regulates planning and land use through a multi-level framework consisting of federal, cantonal and communal legislation. While federal law (notably the Spatial Planning Act) sets the overarching objectives for land use and sustainable development, the cantons implement these principles and the communes are responsible for detailed zoning, including designations for residential, commercial, industrial and agricultural use.

Any construction project requires the submission of a building application to the competent communal or cantonal authority. The application is examined through an administrative procedure that varies by canton but typically includes publication of the proposed project and the installation of building profiles (stakes) on the site. These measures ensure public transparency and provide neighbours, environmental organisations and other affected parties the opportunity to file objections or appeals against the proposed development. For larger or more complex projects, the approval process may take longer and may involve additional expert assessments or environmental reviews.

The fundamental structure of Swiss planning and building law has remained stable since 2023. Ongoing national discussions on densification, biodiversity protection and redevelopment of existing building zones have not yet resulted in legislative reforms materially altering the approval or zoning regime. (Overview of Swiss planning law framework, General confirmation of zoning and building-permit procedure.)

Law stated - 23 March 2026

Government appropriation of real estate

Does your jurisdiction have a legal regime for compulsory purchase or condemnation of real estate? Do owners, tenants and lenders receive compensation for a compulsory appropriation?

Switzerland provides a legal framework for the compulsory acquisition (expropriation) of real estate, though expropriations occur primarily in connection with public infrastructure projects, such as the construction or expansion of roads, railways, airports and utilities. When an expropriation is based on federal law, the process is governed by the Swiss Federal Expropriation Act, which sets out the procedural steps and compensation rules.

Property owners affected by expropriation are entitled to full compensation. If the amount of compensation cannot be agreed upon, it is determined through a judicial procedure before the competent expropriation authority or court. Where federal law applies, compensation is distributed first to holders of rights in rem, such as mortgage lenders, according to the priority of their rank, with any remaining amount paid to the property owner.

Tenants may also be affected by expropriation. If a lease must be terminated early or the tenant's use of the premises is materially restricted, the tenant may claim compensation for economic loss arising from the impairment or premature termination of the lease. The scope of compensation is assessed under public law principles and depends on the degree of impact on the tenancy.

The Swiss system of compulsory purchase has not undergone legal reform since 2023, and the compensation principles – particularly full compensation and priority distribution to secured creditors – remain firmly established. (Overview of Swiss expropriation law, General confirmation of compensation rules and creditor priority.)

Law stated - 23 March 2026

Forfeiture

Are there any circumstances when real estate can be forfeited to or seized by the government for illegal activities or for any other legal reason without compensation?

Real estate in Switzerland may be forfeited to the state only within the framework of a criminal proceeding and only if the property was acquired through the commission of a criminal offence. Forfeiture is therefore exceptional and limited to cases in which the property constitutes the direct proceeds of crime or was purchased using illicit assets.

The state's authority to order forfeiture is subject to time limits: in general, forfeiture may be ordered only within seven years of the offence, unless the underlying criminal offence carries a longer statute of limitations, in which case that longer period applies.

Importantly, Swiss law protects third parties who have acted lawfully. No forfeiture may be imposed if a bona fide purchaser has acquired the property, even if the seller originally acquired the property through criminal means. This protection reflects the principle of legal certainty in Swiss property law.

The statutory rules governing forfeiture have not changed since 2023, and the practice continues to follow the provisions of the Swiss Criminal Code and related case law. (Overview of forfeiture rules under Swiss criminal law, General commentary confirming applicability to real estate.)

Law stated - 23 March 2026

Bankruptcy and insolvency

Briefly describe the bankruptcy and insolvency system in your jurisdiction.

Swiss law provides for both voluntary and involuntary bankruptcy of Swiss legal entities. When enforcing a claim against a debtor, a secured creditor may elect either to pursue foreclosure of the security – which results in the liquidation of the collateral – or to pursue payment of the underlying claim, which may lead to bankruptcy proceedings. Creditors secured by mortgage notes typically opt for foreclosure, while unsecured creditors, such as landlords, generally seek bankruptcy.

Both foreclosure and bankruptcy proceedings begin with the issuance of a payment order under Swiss debt-enforcement law. The debtor may object to the payment order, which then requires the creditor to obtain a court judgment or an equivalent enforceable title before enforcement can proceed.

The directors of Swiss companies have statutory duties when the company faces financial distress. If the company becomes over-indebted – that is, its liabilities exceed its assets based on audited financial statements – directors must file for voluntary bankruptcy or request a court-approved moratorium. A voluntary bankruptcy can also be initiated while debt-enforcement proceedings are already pending. Throughout these processes, the priority rights of secured creditors remain preserved.

In practice, both bankruptcy proceedings and court moratoria frequently result in the liquidation of the company. Successful restructurings are possible under the moratorium regime, but remain relatively rare, particularly for smaller enterprises.

The Swiss insolvency framework has remained largely unchanged since 2023. Amendments to the Debt Enforcement and Bankruptcy Act and related corporate-law revisions introduced in 2023 and coming fully into effect by 2025 have reinforced directors' duties to monitor liquidity risks and to address over-indebtedness promptly, but they have not altered the fundamental structure of bankruptcy or creditor-priority rules as applied to real estate finance. (Overview of Swiss insolvency law and recent amendments, General commentary on creditor enforcement and real estate security.)

Law stated - 23 March 2026

INVESTMENT VEHICLES

Investment entities

What legal forms can investment entities take in your jurisdiction? Which entities are not required to pay tax for transactions that pass through them (pass-through entities) and what entities best shield ultimate owners from liability?

In principle, any Swiss or foreign legal entity may acquire real estate in Switzerland, provided Lex Koller restrictions do not apply to the specific asset. In practice, real estate investments are commonly held through a Swiss company limited by shares (AG) or a Swiss limited liability company (GmbH). Both forms provide limited liability protection, ensuring that investors are not personally liable for obligations of the entity.

From a Swiss tax perspective, both AGs and GmbHs are taxable entities and are subject to corporate income tax and capital tax. Switzerland does not have a domestic 'pass-through' regime for companies; however, classification for foreign tax purposes may differ. For example, a Swiss GmbH is often treated as a pass-through or transparent entity for US federal tax purposes if the investor elects such classification, which makes the GmbH a commonly used vehicle for US-based investors.

Other investment vehicles – such as partnerships, contractual funds or regulated real estate investment structures – may also be used, but these are typically reserved for collective investment or institutional strategies rather than single-asset acquisitions.

The regulatory framework governing Swiss corporate forms and their tax treatment has remained stable since 2023. No reforms have altered the liability protection or tax status of AGs or GmbHs in the real estate context. (Overview of Swiss entity forms and tax treatment, General commentary on real estate investment structures.)

Law stated - 23 March 2026

Foreign investors

What forms of entity do foreign investors customarily use in your jurisdiction?

Foreign investors commonly hold Swiss real estate either directly through a foreign entity or through a Swiss company, typically an Aktiengesellschaft (AG/SA) or a Gesellschaft mit beschränkter Haftung (GmbH/Sàrl). A direct acquisition by a foreign entity can offer tax advantages, as distributions made by the foreign entity do not trigger Swiss withholding tax.

Using a Swiss property company, however, may provide practical benefits. Swiss counterparties – such as banks, notaries and transaction partners – often prefer dealing with a locally incorporated entity, and a Swiss company may simplify administrative processes, including land registration, financing, and ongoing property management. Liability protection is equivalent in both AG and GmbH structures.

The general framework governing foreign investors' choice of entity has not changed since 2023. Foreign investors may still acquire Swiss commercial property freely (subject to Lex Koller restrictions for non-commercial property), and Swiss corporate law continues to allow broad flexibility in structuring real estate acquisitions. (Overview of foreign investment structures in Swiss real estate, General Swiss corporate-entity guidance.)

Law stated - 23 March 2026

Organisational formalities

What are the organisational formalities for creating and maintaining the above entities? What requirements does your jurisdiction impose on a foreign entity? Does failure to comply incur monetary or other penalties? What are the tax consequences for a foreign investor in the use of any particular type of entity, and which type is most advantageous?

Swiss companies are incorporated through a notarial incorporation meeting, during which the founders execute the public deed of incorporation and adopt the articles of association. Following notarisation, the company must be registered in the commercial register to obtain legal personality. Although the drafting of formation documents can usually be completed within days, practical steps such as depositing the minimum share capital into a blocked bank account and collecting certified signatures or powers of attorney may take additional time. After registration, companies must maintain statutory corporate bodies – most notably a board of directors – and comply with ongoing corporate and accounting obligations.

Foreign entities that acquire real estate in Switzerland are not subject to special registration or reporting requirements, unless specific sectoral regulations apply. They are, in principle, treated similarly to Swiss companies for tax and administrative purposes, meaning they must file ordinary Swiss tax returns for income and capital taxes and must register for VAT if their activities in Switzerland exceed the statutory turnover threshold.

Ownership of Swiss real estate creates a limited tax liability in Switzerland for both Swiss and foreign entities. This includes corporate income tax on Swiss-source real estate income and capital tax on the value of Swiss real estate. For foreign investors, the choice between a Swiss AG/GmbH or a foreign holding vehicle does not change the Swiss tax base on real estate income, but it may affect withholding tax, treaty relief and foreign tax classification.

The organisational and tax framework applicable to Swiss and foreign entities holding real estate has remained stable since 2023, and no structural reforms have altered incorporation procedures or tax consequences for real estate ownership. (Overview of Swiss entity formation and tax obligations, General commentary on Swiss real estate taxation for foreign entities.)

Law stated - 23 March 2026

ACQUISITIONS AND LEASES

Ownership and occupancy

Describe the various categories of legal ownership, leasehold or other occupancy interests in real estate customarily used and recognised in your jurisdiction.

Most properties in Switzerland are held in full ownership, which grants the owner complete title to the land and any buildings on it. Another widely used structure is the building right, which resembles a long-term land lease. Under a building right, the landowner grants another party the right to construct and maintain buildings on the land for a fixed term, often up to 100 years. At the end of the term, ownership of the buildings reverts to the landowner, either with or without compensation, depending on the agreement. Building rights are transferable and typically traded in the market in much the same way as full ownership properties.

Both full ownership properties and properties held under a building right may be divided into co-ownership or condominium ownership. In co-ownership, each co-owner holds a proportional share of the entire property and participates in income and costs accordingly. In condominium ownership, each owner has exclusive rights to defined units within a building, such as apartments, while jointly owning and using common areas such as staircases, entrances or technical rooms. These structures are governed primarily by the Swiss Civil Code.

Properties can also be occupied under lease agreements, which are governed by the Swiss Code of Obligations. Swiss lease law is considered tenant-protective. Commercial leases are generally concluded for fixed terms, frequently between five and 10 years, while residential leases are often agreed for an indefinite period and may be terminated only with statutory notice periods.

Updates since 2023: There have been no legislative reforms that change the categories of ownership or occupancy described above. However, two developments are relevant in practice:

- Condominium ownership has become increasingly relevant for energy-efficiency projects and building modernisation. Industry associations and practitioners have encouraged revisions to decision-making rules in owner associations to facilitate measures such as solar installations or EV charging infrastructure. (Source.)
- The building right continues to gain importance in urban development and long-term land-use planning, especially for mixed-use and public-private projects, as noted in current real estate practice analyses.

Law stated - 23 March 2026

Pre-contract

What are the typical pre-contractual steps?

In the residential property market, sellers often ask prospective buyers to sign a reservation agreement and pay a reservation fee, generally between 20,000 and 50,000 Swiss francs. The seller usually removes the property from the market for the agreed period, and the fee may be retained if no notarised purchase agreement follows. Because a sale of real estate becomes legally binding only once it is executed before a notary as a public deed, the enforceability of reservation agreements remains limited, and disputes about the return of reservation fees continue to arise. Over the past few years, there has been increased attention to the clarity and fairness of these agreements, particularly regarding disclosure of their legal effect.

In commercial real estate transactions, Swiss institutional investors rarely use pre-contracts because only notarised sale agreements produce binding obligations. Instead, negotiations typically proceed on the basis of a detailed offer submitted by the buyer, which may be labelled 'binding' in commercial practice but is not binding in legal terms. In cross-border transactions, it is more common to see non-binding pre-contractual documents such as term sheets, letters of intent or indicative agreements that remain expressly subject to contract, due diligence and financing arrangements. Sellers occasionally grant exclusivity for a defined period, especially in competitive processes. Since 2023, exclusivity provisions and structured negotiation schedules have become more widely used in transactions involving foreign investors or complex financing structures.

Brokers remain unregulated in Switzerland and do not require any formal qualification or certification, which leads to varying levels of professional experience and service quality. Brokers are most often engaged by sellers, although in some cases they may seek their commission from the buyer. While the legal framework has not changed, the market has seen a gradual shift toward more professional brokerage practices in larger commercial transactions.

Law stated - 23 March 2026

Contract of sale

What are typical provisions in a contract of sale?

Contracts for the sale of Swiss real estate continue to follow established local notary practice and are typically concise and relatively standardised, especially in transactions involving institutional investors. A standard contract of sale usually contains the following elements:

- Description of the property, taken from the land register, including parcel number, rights and encumbrances.
- Purchase price and payment terms, which often include provisions for portions of the price to be paid directly to financing banks for the release of existing mortgages, or to the tax authorities as a security payment for real estate gains tax.
- Closing arrangements. Among Swiss institutional investors, signing and closing frequently occur on the same day. A deferred closing is used when the buyer requires time to secure financing or when pre-emptive rights must be observed.
- Cost allocation, including notary fees, land register fees and any transfer taxes, which vary by canton and are allocated according to local practice or party agreement.
- Apportionment of recurring income and costs between seller and buyer, such as lease income, insurance premiums, taxes, energy costs and service charges.
- Transfer of certain operational agreements, such as facility-management, service or property-management contracts, where applicable.
- Allocation and payment of real estate gains tax. Although this tax is owed by the seller, it is common for the buyer to pay the amount directly to the tax authorities as a deduction from the purchase price.

Swiss sale contracts routinely exclude statutory warranties in full, a practice that remains consistent through 2026. Instead, the parties agree on a targeted set of representations and warranties, which typically cover:

- Absence of legal liens such as tax liens or craftsmen's liens.
- No pending or threatened litigation relating to the property.
- Environmental matters and compliance.
- Lease-related representations, particularly regarding rent rolls, arrears and security deposits.

The contractual framework and notarial formal requirements have not changed since 2023, and Swiss practice continues to rely on concise, standardised notarial deeds with limited representations.

(Source confirming continuity of sale-contract practice, additional confirmation of Swiss transaction norms.)

Recent practice trends include increased focus on ESG-related disclosures in commercial transactions and more frequent use of pre-closing security mechanisms (such as direct payments to authorities or lenders) as financing structures become more complex; however, these developments have not resulted in changes to statutory requirements.

Law stated - 23 March 2026

Environmental clean-up

Who takes responsibility for a future environmental clean-up? Are clauses regarding long-term environmental liability and indemnity that survive the term of a contract common? What are typical general covenants? What remedies do the seller and buyer have for breach?

In transactions involving existing properties with no known environmental issues, it remains common for sellers to provide no environmental warranties, or only a limited representation confirming that the property is not listed in the official register of contaminated sites and that the seller is no t aware of any contamination. This approach continues to reflect long-standing Swiss market practice. For development projects or for properties where contamination is known or suspected, parties negotiate a broader range of solutions. In some cases, the seller undertakes to bear the costs of remediation. In others, the buyer accepts responsibility for remediation – either fully or up to an agreed threshold – while the purchase price is adjusted to reflect the estimated remediation costs. Variants combining cost-sharing, escrow arrangements or staged remediation obligations are also increasingly used in larger commercial or industrial transactions. If the parties do not expressly allocate responsibility, and statutory warranties have been excluded, the owner at the time of remediation (ie, typically the buyer after closing) must bear the clean-up costs under Swiss environmental law. However, public-law liability may still attach to a seller if the contamination originated during the seller's period of ownership or occupancy, or if the seller was responsible for causing or contributing to the pollution. In such cases, authorities may seek recovery from previous owners regardless of contractual arrangements. The regulatory framework governing contaminated sites and remediation obligations – primarily the Environmental Protection Act and the Contaminated Sites Ordinance – has not undergone significant changes since 2023, and the allocation of responsibility between property owners and polluters remains based on the established 'polluter pays' principle. (Overview of contaminated-sites regime and polluter liability: General reference confirming stability of environmental liability framework.)

In practice, environmental due diligence has become more detailed in recent years, with increased attention to legacy contamination, asbestos, groundwater protection zones and emerging risks such as PFAS substances. These developments have influenced contractual drafting but have not altered the underlying statutory responsibilities.

Law stated - 23 March 2026

Lease covenants and representation

What are typical representations made by sellers of property regarding existing leases? What are typical covenants made by sellers of property concerning leases between contract date and closing date? Do they cover brokerage agreements and do they survive after property sale is completed? Are estoppel certificates from tenants customarily required as a condition to the obligation of the buyer to close under a contract of sale?

Under mandatory Swiss law, existing lease agreements automatically transfer to the purchaser upon the sale of a property. The new owner steps into the position of the former lessor by operation of law. In limited circumstances, the new owner may terminate a lease at the next statutory termination date if it has an urgent personal need for the premises. Should such an early termination occur, the seller, as the former landlord, may be required to compensate the tenant for resulting damages. For this reason, purchasers typically covenant in the sale agreement not to exercise their right of early termination. Early termination rights can also be excluded if the lease has been registered in the land register, which grants the tenant enhanced protection and binding effect against successors in title.

Sale and purchase agreements generally include a set of representations by the seller relating to the accuracy and status of existing leases, commonly covering the following points:

- the rent roll reflects the correct net rental income;
- there are no material side agreements, whether written or oral;
- no tenant has issued or threatened a written termination;
- no written requests for rent reductions are outstanding;
- no extraordinary rent arrears exist;
- no disputes or threatened litigation with tenants exist; and
- all rental guarantees and security deposits exist and will be transferred to the buyer at closing.

Unlike in some other jurisdictions, estoppel certificates are not customary in Switzerland. Instead, buyers rely on the seller's representations, due diligence on the lease documentation, and – in the case of larger commercial transactions – direct reviews of tenant ledgers and property management records.

The legal framework governing lease transfers and early-termination rights has remained unchanged since 2023, and current practice continues to reflect traditional Swiss tenancy law principles. (Confirmation of lease transfer and tenant-protection rules, overview of statutory lease termination framework.)

Law stated - 23 March 2026

Leases and real estate security instruments

Is a lease generally subordinate to a security instrument pursuant to the provisions of the lease? What are the legal consequences of a lease being superior in priority to a security instrument upon foreclosure? Do lenders typically require subordination and non-disturbance agreements from tenants? Are ground (or head) leases treated differently from other commercial leases?

Under Swiss law, leases transfer automatically to the purchaser of a property, including where the sale occurs through foreclosure. The buyer – whether a private purchaser or a secured creditor acquiring the property – assumes the rights and obligations of the former landlord by operation of law.

The new owner may, however, terminate the lease at the next statutory termination date if it has an urgent personal need for the premises. This termination right does not apply if the lease has been registered in the land register, as registered leases enjoy priority similar to rights in rem and are binding on successors in title.

The interaction between registered leases and mortgage rights can affect foreclosure outcomes. If the proceeds of a public auction are insufficient to satisfy the secured creditor due to the existence of a registered lease, and the lease was registered after the mortgage, Swiss foreclosure law provides a mechanism to auction the property again without the lease registration. If the second auction yields a higher price, the property is sold free of the lease registration, allowing the purchaser to exercise the statutory early termination right. This ensures the secured creditor is not disadvantaged by a junior lease registration that depresses market value.

In practice, Swiss lenders do not commonly request separate subordination or non-disturbance agreements from tenants, as the statutory framework already governs priority and termination rights. Such agreements appear only in exceptional commercial arrangements, such as long-term anchor-tenant leases or complex financing structures.

Ground leases are treated differently because they constitute a registered right in rem rather than a contractual lease. As such, they rank according to their land register priority and typically cannot be terminated by a purchaser, even in foreclosure, unless the governing agreement provides otherwise. Their treatment reflects their quasi-ownership character and longstanding protection in Swiss property law.

The underlying statutory rules on lease priority and mortgage enforcement have not changed since 2023, and foreclosure practice continues to follow the regime established under the Swiss Civil Code and the Debt Enforcement and Bankruptcy Act. (General confirmation of Swiss lease-priority and foreclosure principles, Overview of Swiss foreclosure and land-register ranking rules.)

Law stated - 23 March 2026

Delivery of security deposits

What steps are taken to ensure delivery of tenant security deposits to a buyer? How common are security deposits under a lease? Do leases customarily have periodic rent resets or reviews?

Swiss leases commonly require tenants to provide security for their obligations. In residential leases, the amount typically ranges from one to three months' rent, whereas in commercial leases security is often set between three and twelve months' rent. Security is usually provided either through a cash deposit or a bank guarantee.

Where a security deposit is used, Swiss law requires the deposit to be held in a blocked bank account in the tenant's name, over which the landlord and tenant may dispose only jointly. When a property is sold, the deposit is 'transferred' to the buyer by instructing the bank to recognise the new owner as the landlord entitled to the deposit. If the tenant has provided a bank guarantee or surety, these instruments typically must be reissued or amended to reflect the change in ownership, as they are tied to the identity of the landlord.

Periodic rent resets or rent reviews are not common in Swiss leasing practice, in part because Swiss law restricts unilateral rent increases by landlords. However, in fixed-term leases with a minimum duration of five years, the parties may agree on a staggered rent schedule or on a rent adjustment mechanism tied to the consumer price index, but Swiss law does not permit both mechanisms to be used simultaneously.

The legal framework for security deposits and permissible rent adjustment mechanisms has remained stable since 2023, with no legislative changes affecting their structure or treatment. (Overview of Swiss lease-deposit rules, general confirmation of rent adjustment mechanisms.)

Law stated - 23 March 2026

Due diligence

What due diligence should be conducted before executing a contract? Is any due diligence customarily permitted or conducted after contract but before closing? What is the typical method of title searches and are they customary? How and to what extent may acquirers protect themselves against bad title? Discuss the priority among the various interests in the estate. Is it customary to obtain government confirmation, a zoning report or legal opinion regarding legal use and occupancy?

Switzerland's land register system provides a high degree of reliability and legal certainty. As a result, real-estate due diligence is often more streamlined than in many other jurisdictions. Because title and encumbrances are conclusively recorded in the land register, independent title searches or title insurance – common in some other countries – are generally unnecessary. The land register extract is typically sufficient to confirm ownership, easements, mortgages, building rights, priority ranking and other rights in rem.

Zoning reports or legal opinions on compliance with planning and building regulations are seldom obtained for properties with existing, lawfully constructed buildings. Such detailed assessments are more commonly requested in development projects, particularly where no recent building permit exists or where zoning changes may affect redevelopment potential.

In Swiss practice, due diligence is conducted almost exclusively before signing the sale and purchase agreement. Post-signing due diligence is uncommon and generally limited to transactions involving multi-stage financing processes or exceptional commercial arrangements.

Acquirers protect themselves against bad title primarily through the public faith of the land register, which ensures that registered rights are accurate and enforceable against third parties. Priority among interests in the property – such as mortgages, easements and building rights – is determined strictly by their registration rank in the land register. This system allows buyers and lenders to evaluate risk with precision and makes additional title protection mechanisms largely redundant.

Although not a legal requirement, parties involved in development transactions occasionally request official zoning confirmations or written statements from local authorities regarding permitted uses, especially when land-use changes or redevelopment are anticipated.

The Swiss due-diligence framework and the evidentiary function of the land register have not changed since 2023, and the market continues to rely on pre-signing reviews and the conclusive effect of land register entries. (Overview of Swiss land register accuracy and its role in transactions, General confirmation of Swiss due-diligence practice.)

Law stated - 23 March 2026

Structural and environmental reviews

Is it customary to arrange an engineering or environmental review? What are the typical requirements of such reviews? Is it customary to get representations or an indemnity? Is environmental insurance available?

Because sale and purchase agreements for Swiss real estate typically exclude all warranties regarding the condition of existing buildings, institutional investors increasingly rely on technical building assessments. These reviews focus on the structural condition of the property, identifying potential defects, deferred maintenance and capital expenditure (capex) requirements over the coming years. Such reports are now standard practice in commercial transactions and are becoming more prevalent in larger residential portfolio deals.

Environmental due diligence is most often limited to a Phase I environmental site assessment, focusing on historical use, potential contamination and red flags in the public register of polluted sites. More detailed investigations-such as soil or groundwater sampling-are typically commissioned only where contamination is known or suspected, or in development projects where excavation is planned.

Environmental liability insurance is available on the Swiss market but is not widely used, except in industrial, infrastructure or redevelopment transactions where environmental risks are more pronounced.

The legal and regulatory framework governing environmental risk assessment and contaminated sites has remained unchanged since 2023, with due diligence practice continuing to follow market-driven standards rather than statutory requirements. (Overview of contaminated sites framework, general confirmation of Swiss real estate due diligence practice.)

Law stated - 23 March 2026

Review of leases

Do lawyers usually review leases or are they reviewed on the business side? What are the lease issues you point out to your clients?

In real estate transactions involving leased properties, both legal and commercial teams typically review the existing leases. Commercial teams focus on rent levels, expiry profiles, tenant stability and operational obligations, while lawyers concentrate on the legal structure and risk allocation within each lease.

Legal review generally includes:

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the nature and scope of tenant improvements and responsibility for repair and maintenance;

- the allocation of operating costs and service charges;
- the existence of early termination rights or break options;
- use restrictions and compliance with zoning and building regulations;
- clauses governing assignment or subleasing;
- change-of-control provisions; and
- the status of rent deposits, guarantees, arrears and ongoing disputes.

This review remains a critical component of Swiss real estate due diligence, especially as statutory protections in tenancy law can override contractual arrangements. The legal framework governing lease transfers, tenant protection and landlord rights has not changed since 2023. (Confirmation of Swiss lease law principles, General overview of lease-related issues in real estate transactions.)

Law stated - 23 March 2026

Other agreements

What other agreements does a lawyer customarily review?

Legal due diligence in Swiss real estate transactions focuses primarily on the land register and all supporting documentation. These records define the property's legal status, including servitudes, easements, rights of way, building rights, liens and priority rankings, and they are therefore the most essential documents for assessing legal risk. Lawyers typically review not only the land register extract itself but also the underlying deeds and agreements that establish or modify these rights.

Other contracts affecting the property – such as maintenance agreements, facility management agreements, service contracts, insurance policies and supply agreements – are generally reviewed only at a high level. These agreements tend to be operational in nature and often follow standardised industry formats. A more detailed review is conducted only where such contracts create long-term financial obligations, contain termination restrictions or involve key service providers essential to the operation of the property.

Market practice in this area has remained stable since 2023, with the land-register documentation continuing to form the core of legal review. However, in transactions involving complex commercial assets – such as logistics centres, hotels or infrastructure-adjacent properties – buyers increasingly also assess energy supply contracts, ESG-related service agreements and long-term maintenance obligations, reflecting evolving operational requirements. (General confirmation of Swiss due-diligence focus on land-register rights, Swiss land-register framework and legal significance.)

Law stated - 23 March 2026

Closing preparations

How does a lawyer customarily prepare for a closing of an acquisition, leasing or financing?

For the signing and closing of a real estate acquisition, lawyers prepare the transaction by ensuring that each party provides valid powers of attorney and evidence of corporate existence. For Swiss entities, this is typically an extract from the commercial register. For foreign entities, documentation may include a certificate of incorporation, a secretary's certificate, or other official corporate evidence from the relevant jurisdiction.

The seller's counsel prepares all annexes to the sale and purchase agreement, such as the rent roll, summaries of service contracts and other property-specific documentation. In addition, the seller's counsel obtains a tax authority confirmation concerning real estate gains tax and coordinates the transfer of any mortgage notes, including the required endorsements for registered mortgage notes.

The buyer's counsel arranges for the payment of the purchase price, either through a transfer to the notary's escrow account or via a payment undertaking issued by a Swiss bank, ensuring that financial settlement can occur simultaneously with the transfer of ownership at closing.

Leasing closings

The signing and closing of leases are significantly less formal. Neither notarisation nor land-register entry is required. Leases are usually executed by circulating signed copies via mail or courier, and increasingly via electronic signatures for commercial leases.

At the commencement of the lease, the parties or their representatives typically conduct an in-person handover at the premises. The condition of the property is recorded in a written inspection protocol signed by both parties. Lawyers are usually not involved in this step. Landlords routinely require that the rental security deposit or bank guarantee be provided before key handover, as Swiss law ties the landlord's rights to the security to proper timing and documentation.

Financingc losings

Financing documentation is typically executed by exchanging signed copies by mail or email. Lawyers play an important role in preparing and reviewing the security documents, particularly where new mortgage notes must be established or registered in the land register as collateral. These steps ensure that lenders obtain valid, enforceable security interests at or prior to closing.

The formal requirements for establishing or transferring mortgage notes and for notarisation of secured real estate transactions have not changed since 2023, and current practice continues to follow the established procedures under Swiss property and notarial law. (-Overview of Swiss real-estate closing formalities, General commentary on mortgage note formalities.)

Law stated - 23 March 2026

Closing formalities

Is the closing of the transfer, leasing or financing done in person with all parties present? Is it necessary for any agency or representative of the government or specially licensed agent to be in attendance to approve or verify and confirm the transaction?

In Switzerland, a real estate transfer is formally completed when the change of ownership is registered in the land register. In cantons that use private notaries, the notary who notarised the deed typically also submits the registration to the land register. To ensure proper settlement, the purchase price is usually paid into the notary's escrow account, and the funds are released to the seller only once the transfer has been successfully registered.

Mortgage notes that must be released by the seller's financing bank and provided to the buyer's lender as collateral are likewise sent to the notary, who holds them in escrow until the registration and purchase-price settlement are completed. This protects both parties and ensures uninterrupted financing.

In cantons with state notaries, the closing process often takes place in person at the land register office. Instead of using an escrow account, the buyer typically provides a payment undertaking issued by a Swiss bank, which guarantees that the purchase price will be paid immediately after registration. In these cantons, mortgage notes are frequently transferred directly between the banks. Depending on the structure, the transfer may occur before payment (based on the bank's payment undertaking) or after payment (based on the seller's bank's commitment to deliver the notes upon receipt of funds).

No governmental agency other than the competent land register office must approve or verify the transfer, and no licensed closing agent is required beyond the notary who authenticates the deed. The procedures used by both private and state notaries have not changed since 2023, and the land register continues to serve as the definitive authority for transfer of title.

(General overview of Swiss closing and registration requirements, Confirmation of notarial and mortgage-note practice.)

Law stated - 23 March 2026

Contract breach

What are the remedies for breach of a contract to sell or finance real estate?

Under Swiss contract law, the primary remedy for breach of a real estate sale or financing agreement is specific performance. A buyer may bring an action compelling the seller to transfer ownership of the property upon payment of the purchase price and may also claim damages for any loss caused by delayed delivery. Alternatively, the buyer may choose to terminate the contract and seek damages for non-performance instead.

Similarly, a seller may sue a defaulting buyer for payment of the purchase price, including damages for delayed payment, in exchange for transferring ownership. As an alternative remedy, the seller may terminate the agreement, retain ownership of the property and seek damages resulting from the buyer's breach. If the buyer has already paid a down payment, the seller may retain the deposit, provided the sale agreement expressly permits this.

These remedies, grounded in the Swiss Code of Obligations, have not changed since 2023, and specific performance continues to play a central role in Swiss real estate contract enforcement. (Confirmation ofSwiss remedies for breach, including specific performance, General overview of contractual remedies under Swiss law.)

Law stated - 23 March 2026

Breach of lease terms

What remedies are available to tenants and landlords for breach of the terms of the lease? Is there a customary procedure to evict a defaulting tenant and can a tenant claim damages from a landlord? Do general contract or special real estate rules apply? Are the remedies available to landlords different for commercial and residential leases?

Leases of real property in Switzerland are governed by the Swiss Code of Obligations, which contains mandatory rules applicable to both residential and commercial leases. Early termination by the landlord is permitted only in limited circumstances – primarily where the tenant's breach is so serious that continuation of the lease can no longer reasonably be expected.

In the case of non-payment of rent, the landlord must follow a strict statutory procedure. The landlord must issue a written demand for payment, granting the tenant a minimum 30-day deadline to cure the default and expressly warning that the lease will be terminated if payment is not made. If the tenant fails to pay within this period, the landlord may terminate the lease with a statutory notice period of 30 days (or the applicable notice period for commercial leases). Following a valid termination, the landlord may initiate eviction proceedings before the competent tenancy court.

Where early termination is not available or not desired, both landlords and tenants may rely on the general remedies under Swiss contract law and specific tenancy law provisions. These include claims for specific performance (for example, requiring the tenant to remedy unlawful alterations or requiring the landlord to repair defects), damages or, on the tenant's side, a rent reduction if the leased premises are defective or unusable in part.

The remedies available to landlords do not differ fundamentally between commercial and residential leases, although residential tenants benefit from stronger statutory protections, including stricter rules on termination and broader grounds to challenge abusive rent increases or improper notices.

The legal framework governing breach, termination and eviction has remained unchanged since 2023, and Swiss courts continue to apply the established procedures under the Code of Obligations and tenancy practice.

(Statutory overview of Swiss lease-termination rules, General commentary on landlord/tenant remedies.)

Law stated - 23 March 2026

FINANCING

Secured lending

Discuss the types of real estate security instruments available to lenders in your jurisdiction. Who are the typical providers of real estate financing in your country? Are there any restrictions on who may provide financing?

The principal security instrument used in Swiss real estate financing is the mortgage note, which is registered in the land register. A mortgage note establishes a secured, transferable claim for the lender and grants a lien over the property for the amount stated in the instrument. Mortgage notes may be structured either as paper mortgage notes or as register mortgage notes; both forms can be transferred and reused as collateral for subsequent financings once prior obligations have been repaid. Enforcement of mortgage notes occurs through a formal debt-enforcement procedure conducted by the debt enforcement office in the district where the property is located. Such proceedings are lengthy and typically require more than a year to complete.

In commercial real estate financings – particularly those arranged by non-Swiss lenders-additional security is customarily taken. Common forms include an assignment of rental income and operating receivables, a pledge or assignment of bank accounts, and, in some cases, a pledge of the shares of the property-owning company. Assigned receivables may be collected directly by the lender following a default, while enforcement of a share pledge is procedurally more complex and often requires formal auction or private sale procedures.

Swiss banks remain the dominant providers of real estate financing in Switzerland. However, since 2023, the market has continued to diversify: a growing number of pension funds provide mortgage financing through specialised intermediaries, several foreign banks have entered the Swiss commercial real estate lending market, and certain private debt providers offer mezzanine or bridge financing solutions. None of these developments has prompted regulatory restrictions on who may provide real estate loans, although all lenders must comply with anti-money laundering and financial-market regulations, as applicable.

The statutory framework governing mortgage notes and secured lending has remained stable since 2023, with no legal reforms altering the structure, priority or enforcement of real estate collateral. (Overview of Swiss real estate security instruments, General guidance on mortgage-note law and enforcement.)

Law stated - 23 March 2026

Leasehold financing

Is financing available for ground (or head) leases in your jurisdiction? How does the financing differ from financing for land ownership transactions?

Financing for building rights – the Swiss equivalent of long-term ground leases – is generally structured in the same manner as financing for full ownership of land. Lenders routinely finance the purchase price for the building right, and the security is taken by registering a mortgage note against the building-right parcel in the land register, just as in a standard ownership transaction. However, recurring ground-lease payments owed under the building-right agreement are not financeable, as they are ongoing contractual obligations rather than capitalisable acquisition costs.

Lenders do not provide financing secured by ordinary rental agreements, because they do not constitute rights in rem and cannot be pledged. The financing of tenant fit-outs is usually provided through general-purpose business loans, reflecting the fact that tenant improvements cannot practically be pledged as collateral in Switzerland. In some commercial transactions, lenders may take an assignment of rental receivables, but this is distinct from financing the leasehold itself.

The legal and financing framework for building rights and tenant fit-out funding has remained stable since 2023, with no reforms affecting the enforceability, registration or ranking of mortgages over building-right parcels. (Overview of building rights and related financing in Switzerland, general information on Swiss mortgage note security.)

Law stated - 23 March 2026

Form of security

What is the method of creating and perfecting a security interest in real estate?

1In Switzerland, security interests over real estate are created and perfected almost exclusively through mortgage notes. A mortgage note represents both a secured claim and the corresponding lien on the property. To establish the security interest, the mortgage note must be created and registered in the land register, which perfects the lender's right in rem.

Mortgage notes may take the form of:

- paper mortgage notes, issued either in bearer form or registered form; or
- register mortgage notes, which exist only as an electronic entry in the land register and have become the predominant form in modern real estate financing.

Once registered, the mortgage note can be pledged or transferred as collateral to lenders. Its ranking and enforceability derive from the priority position recorded in the land register.

The legal framework governing the creation and perfection of mortgage-note security has remained unchanged since 2023, and the land register continues to serve as the definitive mechanism for establishing real estate security interests in Switzerland. (Overview of Swiss mortgage-note security and perfection, Swiss mortgage-note law and land-register system.)

Law stated - 23 March 2026

Valuation

Are third-party real estate appraisals required by lenders for their underwriting of loans? Are there government or industry standards for appraisals? Must appraisers have specific qualifications or required government or industry certifications? Who is required to order the appraisal?

Swiss law does not require lenders to obtain third-party real estate appraisals as a condition for financing. Nevertheless, in commercial transactions lenders frequently request an independent external valuation as part of their underwriting process. Regardless of whether an external appraisal is commissioned, Swiss capital-adequacy regulations obligate banks to perform at least an internal valuation of the property for risk-assessment purposes.

In the investment market, many institutional investors-including Swiss real estate funds, pension funds and regulated investment vehicles-require an independent third-party appraisal for acquisitions. Some private investors also impose such requirements through their internal governance rules. Where an appraisal exists, financing banks routinely request disclosure of the valuation report as part of their due-diligence review.

Switzerland does not impose statutory licensing requirements for real estate appraisers. However, market participants commonly rely on appraisers who follow recognised industry standards, such as RICS, TEGoVA or Swiss Valuation Standards, and who possess professional certification or substantial practical experience. There is no regulatory restriction on who may order an appraisal; typically it is commissioned by the buyer, seller or lender, depending on the needs of the transaction.

The regulatory environment for real estate valuations has remained unchanged since 2023, and appraisal practice continues to be shaped primarily by lender requirements and institutional-investor policies rather than statutory mandates. [Overview of Swiss valuation practice and lender expectations, Swiss financial-market guidance on valuation and capital adequacy.)

Law stated - 23 March 2026

Legal requirements
What would be the ramifications of a lender from another jurisdiction making a loan secured by collateral in your jurisdiction? What is the form of lien documents in your jurisdiction? What other issues would you note for your clients?

Foreign lenders may in principle make loans secured by Swiss real estate without a special qualification to do business in Switzerland being required, provided that lenders do not have infrastructure or employees in Switzerland. However, foreign lenders may face certain tax disadvantages: borrowers of a loan by a non-Swiss-resident lender that is secured by Swiss real estate must withhold federal and cantonal income tax of roughly 13 to 33 per cent of the interest at source. The tax at source on interest income is reduced to zero under a number of double taxation treaties, including those with France, Germany, Luxembourg, the United Kingdom and the United States.

The creation of new mortgage notes leads to notary fees, land register fees and in some cantons even taxes. The fees are substantial in some cantons. Mortgage notes are thus usually not deleted in the land register but transferred to a new lender in the case of a refinancing – in general, no fees accrue in this case.

Law stated - 23 March 2026

Loan interest rates

How are interest rates on commercial and high-value property loans commonly set? What rate of interest is legally impermissible in your jurisdiction and what are the consequences if a loan exceeds the legally permissible rate?

Foreign lenders may, in principle, extend loans secured by Swiss real estate without obtaining any special licence or qualification in Switzerland, provided the lender has no business infrastructure, personnel or permanent establishment in the country. However, cross-border financing into Switzerland can trigger specific withholding tax implications.

Under Swiss tax law, interest paid by a Swiss borrower on a loan secured by Swiss real estate is subject to withholding tax at source on the interest component. Depending on the canton, the combined federal and cantonal rate is typically between 13 and 33 per cent. In many cases, this withholding tax can be reduced to zero per cent under applicable double taxation treaties, including treaties with France, Germany, Luxembourg, the United Kingdom and the United States. Lenders must satisfy the treaty-eligibility requirements and complete the required refund or relief procedures to benefit from reduced rates.

Security over Swiss real estate is created through mortgage notes, which can be issued either as paper instruments (registered or bearer) or as register mortgage notes recorded electronically in the land register. The issuance of new mortgage notes involves notarial fees, land register fees, and in some cantons, transaction taxes. These costs can be substantial and are often relevant when structuring secured financing. Because of these fees, mortgage notes are rarely cancelled; instead, they are transferred to the new lender when refinancing occurs, which generally avoids additional registration costs.

Key additional considerations for foreign lenders include:

- ensuring that security documents comply with Swiss form requirements, particularly notarisation for the creation of mortgage notes;
- confirming that the loan does not inadvertently create a Swiss permanent establishment for tax purposes; and
- reviewing the borrower's capacity and authority to grant security, especially where foreign-law financing documents are used.

The Swiss legal and tax framework governing cross-border real estate lending and the use of mortgage notes has remained stable since 2023, with no reforms altering the core rules described above. (Swiss withholding-tax framework and treaty relief, overview of Swiss secured-lending and mortgage note formalities.)

Law stated - 23 March 2026

Loan default and enforcement

How are remedies against a debtor in default enforced in your jurisdiction? Is one action sufficient to realise all types of collateral? What is the time frame for foreclosure and in what circumstances can a lender bring a foreclosure proceeding? Are there restrictions on the types of legal actions that may be brought by lenders?

When a borrower defaults outside of insolvency proceedings, lenders in Switzerland generally initiate debt-enforcement proceedings to foreclose on the real estate collateral. Enforcement follows the formal procedures set out in the Debt Enforcement and Bankruptcy Act (DEBA). After receiving the lender's payment request, the debt-enforcement office issues a payment order to the borrower, who may file an objection. The lender must then obtain an enforceable title to overcome the objection (eg, a court judgment or recognition of debt).

Once enforcement is authorised, the debt-enforcement office proceeds with realisation of the property. Before scheduling a public auction, the office must grant the borrower a final six-month grace period to pay the outstanding amounts. If payment is not made by the end of that period, the property is liquidated through a public auction. Because of these statutory steps and the potential for borrower objections, the enforcement and foreclosure process typically requires well over a year to complete.

Where the lender holds assigned claims as security – for example, rental receivables or insurance claims – the lender may notify the relevant third parties and instruct them to make direct payment to the lender. This remedy operates independently of the foreclosure proceedings and is often exercised in parallel.

At any stage, the borrower may file for bankruptcy or request a composition moratorium. These insolvency measures affect the manner and timing of enforcement but do not compromise the priority rights of secured lenders, whose claims remain senior to unsecured creditors and are satisfied first from the proceeds of the real estate collateral.

The legal framework governing foreclosure, assignment of receivables and secured-creditor priority has remained unchanged since 2023, and lenders continue to rely on the established procedures under DEBA and Swiss property law. (Swiss foreclosure and enforcement procedures, general overview of secured-creditor remedies in Swiss real estate finance.)

Law stated - 23 March 2026

Loan deficiency claims

Are lenders entitled to recover a money judgment against the borrower or guarantor for any deficiency between the outstanding loan balance and the amount recovered in the foreclosure? Are there time limits on a lender seeking a deficiency judgment? Are there any limitations on the amount or method of calculation of the deficiency?

Outside of bankruptcy proceedings, a borrower in Switzerland remains fully liable for the outstanding loan balance, including interest and contractually permitted costs, even after the foreclosure of the real estate collateral. If the foreclosure proceeds are insufficient to cover the secured debt, the lender may pursue the borrower – and any guarantors, if applicable – for the deficiency.

Swiss law does not impose a statutory cap on deficiency claims, nor does it limit the method for calculating a deficiency, provided the lender's claim reflects the outstanding contractual obligations. After the foreclosure auction, the debt enforcement office determines the shortfall, and the lender may continue enforcement for the remaining amount through the ordinary debt collection process.

The time limits that apply are those under the general statute of limitations for contractual debt claims (typically 10 years, unless a shorter period applies to specific components of the claim). These limitation periods run independently of the foreclosure process.

In bankruptcy, the lender may enforce the deficiency only through the bankruptcy estate, but the secured lender's priority to collateral proceeds remains unaffected.

The legal framework governing deficiency claims and post-foreclosure liability has not changed since 2023, and Swiss lenders continue to rely on the longstanding rights provided under the Swiss Code of Obligations and the Debt Enforcement and Bankruptcy Act. (Swiss debt-enforcement framework and deficiency claims, general commentary on Swiss secured-creditor rights.)

Law stated - 23 March 2026

Protection of collateral

What actions can a lender take to protect its collateral until it has possession of the property?

Before a lender obtains possession of the property through foreclosure, Swiss law provides several mechanisms to protect real estate collateral.

In standard debt-enforcement proceedings (outside insolvency), once foreclosure proceedings have been initiated, the debt-enforcement office registers a transfer restriction in the land register. This prevents the debtor from selling or further encumbering the property. The bailiff must also assume responsibility for the administration of the property, which may include managing leases, collecting rents and arranging for necessary maintenance.

If the lender holds an assignment of rental income as part of the security package, the lender may notify the tenants directly. Following such notification, tenants are legally required to pay rent directly to the lender, bypassing the borrower. This remedy is often exercised prior to or in parallel with foreclosure.

In bankruptcy proceedings, the bankruptcy administration immediately assumes control over all assets of the debtor, including the property. The administration manages the property until liquidation, always subject to the secured lender's priority rights.

In a composition (moratorium) proceeding, the court-appointed administrator supervises the debtor's activities. The debtor may not sell or otherwise dispose of fixed assets, including investment properties, without the consent of the administrator and, in most cases, the court. These restrictions ensure that secured creditors' interests in the collateral are preserved while the moratorium is evaluated.

The rules governing enforcement, assignment of rents and asset-protection measures in insolvency have not changed since 2023, and lenders continue to rely on the established protections under the Swiss Debt Enforcement and Bankruptcy Act. (Swiss enforcement and collateral-protection rules, general commentary on secured lender rights.)

Law stated - 23 March 2026

Recourse

May security documents provide for recourse to all of the assets of the borrower? Is recourse typically limited to the collateral and does that have significance in a bankruptcy or insolvency filing? Is personal recourse to guarantors limited to actions such as bankruptcy filing, sale of the mortgaged or hypothecated property or additional financing encumbering the mortgaged or hypothecated property or ownership interests in the borrower?

Under Swiss law, claims arising from real estate loan financings are generally unrestricted personal claims against the borrower. Unless the financing documents expressly provide otherwise, lenders have full recourse to all assets of the borrower-not only to the mortgaged property. Thus, the borrower remains personally liable for the entire loan obligation, whether or not the value of the collateral is sufficient.

Non-recourse or limited-recourse structures are uncommon in Switzerland and must be clearly documented if intended. Where such structures exist, they typically limit the lender's recovery to the real estate collateral or to specified assets, but these limitations apply only if expressly agreed in the loan and security documents.

In an insolvency proceeding, a lender with a personal claim participates in the bankruptcy estate for any unsecured portion of the claim pari passu with other non-preferred creditors. The lender's priority right to the proceeds of the collateral remains intact to the extent of the secured portion of the loan, but any deficiency becomes an unsecured claim.

Personal recourse to guarantors is generally not restricted unless the guarantee itself is drafted as a limited-recourse guarantee or subject to specific triggers (such as bankruptcy filings, unauthorised refinancing or transfer of ownership interests). In the absence of such limitations, guarantors are typically fully liable for the guaranteed obligations.

The legal framework governing recourse, secured claims and creditor priority has not changed since 2023, and Swiss practice continues to rely on the established principles of the Swiss Code of Obligations and the Debt Enforcement and Bankruptcy Act.

(General overview of secured and unsecured creditor rights, Swissinsolvency and creditor-ranking rules.)

Law stated - 23 March 2026

Cash management and reserves

Is it typical to require a cash management system and do lenders typically take reserves? For what purposes are reserves usually required?

In the Swiss real estate finance market, cash management systems – such as lender-controlled bank accounts, cash sweeps, lockbox arrangements or waterfall controls – are not typically required by Swiss banks. Domestic lenders generally rely on traditional borrower-operated accounts and do not impose cash dominion or reserve structures as part of their standard underwriting.

However, foreign lenders active in the Swiss market increasingly require cash-management arrangements, particularly in larger commercial or cross-border financings. These requirements often reflect the lenders' home jurisdiction practice, rather than Swiss legal necessity. Such structures may include:

- rent-collection accounts with lender access rights;
- debt-service reserve accounts to cover interest or amortisation;
- capex or maintenance reserves, especially in value-add or redevelopment projects; and
- tax and insurance reserves, depending on the nature of the property and financing profile.

Outside these cases, reserves are uncommon in financings arranged purely by Swiss banks, which continue to rely primarily on the borrower's financial standing and the strong security position offered by Swiss mortgage notes.

The financing market's approach to cash management has not materially changed since 2023, and reserve requirements remain more a function of lender policy than of Swiss regulation. (Overview of Swiss lending practice and comparison with foreign-lender structures.)

Law stated - 23 March 2026

Credit enhancements

What other types of credit enhancements are common? What about forms of guarantee?

In Swiss real estate financing, credit enhancements beyond the real estate collateral itself are uncommon. Swiss lenders traditionally rely on the strong security position provided by mortgage notes, together with the borrower's credit quality, and do not routinely require additional guarantees or credit-support instruments.

Corporate guarantees, parent guarantees and comfort letters may appear in transactions involving foreign lenders or complex ownership structures, but they are the exception rather than the rule. When used, guarantees follow standard Swiss contract-law principles and provide full recourse unless explicitly drafted as limited-recourse instruments.

In larger commercial or cross-border financings, some lenders – particularly non-Swiss banks and institutional lenders – may request additional forms of credit enhancement, such as:

- pledges of shares in the property-owning entity;
- assignments of rental receivables;
- account pledges or cash reserves; or
- debt service undertakings by sponsors.

Even in these cases, Swiss law imposes no special formalities beyond standard notarisation or registration requirements where real estate collateral is involved. The market has remained consistent since 2023, with no regulatory changes affecting the availability or enforceability of guarantees or other credit-support arrangements. (General confirmation of Swiss real estate financing practices.)

Law stated - 23 March 2026

Loan covenants

What covenants are commonly required by the lender in loan documents?

Swiss real estate loan agreements-especially those provided by Swiss domestic banks-tend to be relatively lean compared to international LMA-style loan documentation. They often contain only a limited set of covenants focused on protecting the lender's security position and ensuring stable cash flow from the property.

The covenants most commonly required include:

- no insolvency of the borrower;
- no foreclosure or enforcement against the secured property by third parties;
- no disposal (sale, transfer, or further encumbrance) of the secured property without lender consent;
- no change of use of the property that could reduce its value or violate zoning;
- no assignment of rental income to third parties other than the lender;
- maintenance of adequate insurance coverage, including building and liability insurance;
- proper maintenance and repair of the property to preserve value;
- no payment default (timely payment of interest, amortisation and fees);
- financial reporting obligations, including periodic delivery of rent rolls, tenancy summaries and financial statements; and
- pari passu and negative pledge undertakings, ensuring that the lender's claims rank equally with other unsecured creditors and that no competing security interests are granted.

In recent years, particularly in commercial and cross-border financings, lenders have increasingly incorporated ESG-related undertakings, rent-collection monitoring rights and cash-flow reporting obligations, though these remain deal-specific rather than industry-wide standards.

The Swiss market has not experienced legislative changes affecting loan-covenant structures since 2023. The evolution observed relates primarily to market expectations, especially among foreign lenders who sometimes introduce more comprehensive covenant packages aligned with international practice. (General confirmation of Swiss secured-lending and covenant practice.)

Law stated - 23 March 2026

Financial covenants
What are typical financial covenants required by lenders?

Swiss real estate loan agreements typically include loan-to-value (LTV) covenants, which remain the central financial covenant in domestic lending practice. These may be expressly stated in the loan documentation or incorporated implicitly through the lender's internal credit policies. Borrowers are expected to maintain the LTV ratio within an agreed range, and a breach may trigger obligations to amortise, provide additional collateral or cure the default through other measures.

In larger commercial financings or transactions involving foreign lenders, additional financial covenants are sometimes included. These may cover:

- interest coverage ratios, often requiring that net rental income exceed borrowing costs by a defined margin;
- debt service coverage ratios in structured or income-producing transactions;
- periodic financial reporting requirements, typically annual or semi-annual, including rent rolls, tenancy summaries, operating statements and financial accounts; and
- minimum cash-flow or occupancy thresholds, depending on the property type.

Swiss law imposes no statutory requirement for financial covenants, and their use continues to be driven by lender policy and transaction size. The framework has not changed since 2023, although increased participation of foreign lenders has led to more frequent adoption of international covenant standards in large-scale commercial transactions. (Overview of Swiss real estate finance practice.)

Law stated - 23 March 2026

Secured movable (personal) property
What are the requirements for creation and perfection of a security interest in movable (personal) property? Is a 'control' agreement necessary to perfect a security interest and, if so, what is required?

Except for shares in property-owning companies, movable (personal) property – such as furniture, fixtures, equipment or tenant improvements – is rarely taken as collateral in Swiss real estate financings. Under Swiss law, the creation of a valid pledge or security transfer over movable property generally requires that the lender obtain actual possession and physical control over the secured assets. Because the borrower must continue using its furniture, equipment or fit-out assets in the ordinary course, transferring possession to the lender is typically impractical. As a result, movable property is not commonly used as security in real estate transactions.

Instead, lenders rely on the assignment of claims, which is widely used and does not require the lender to take possession of physical assets. Common assignments include:

- rental receivables;
- insurance claims;
- bank account receivables (less frequently); and

- warranty or indemnity claims under construction or service contracts.

Assignments must be made by written agreement. Swiss law does not require that the underlying debtor (eg. tenants or insurers) be notified in order for the assignment to be legally valid. However, notification becomes important upon enforcement, because once notified, the debtor may discharge its obligations only by paying the assignee. For that reason, notice to tenants or insurers is often given only after an event of default.

Security interests in intellectual property or other non-contractual rights are theoretically possible but are rarely used in Swiss real estate financings.

The legal rules governing pledges, security transfers and claim assignments have not changed since 2023, and Swiss practice continues to rely mainly on land-register security and contractual assignments rather than security over physical movable assets. (Swiss secured-transactions and assignment principles, Swiss Code of Obligations – assignment of claims framework.)

Law stated - 23 March 2026

Single purpose entity (SPE)

Do lenders require that each borrower be an SPE? What are the requirements to create and maintain an SPE? Is there a concept of an independent director of SPEs and, if so, what is the purpose? If the independent director is in place to prevent a bankruptcy or insolvency filing, has the concept been upheld?

In the Swiss real estate finance market, lenders do not typically require that each borrower be structured as a single purpose entity (SPE). Nonetheless, SPEs are frequently used by investors for commercial and transactional reasons, particularly to facilitate exits by way of share deals, to isolate liabilities within a single property-holding vehicle and to simplify due diligence for future buyers.

Switzerland does not have a statutory regime specifically governing SPEs. The ordinary rules of Swiss company law apply, and an SPE is simply a Swiss company – usually an AG or GmbH – whose corporate purpose and activities are contractually restricted to owning and managing a specific real estate asset.

There is no Swiss legal concept equivalent to the 'independent director' commonly used in US bankruptcy-remote structures. Swiss corporate law requires directors to act in the best interests of the company, not of creditors or sponsors, and independence is not defined as a mechanism to prevent a bankruptcy filing. While parties may appoint an external or independent director for governance purposes, such an appointment does not provide legal protection against insolvency filings and has not been tested or upheld in Switzerland as a bankruptcy-avoidance tool.

The regulatory environment for real estate SPEs has not changed since 2023, and the use of SPEs remains a matter of commercial structuring rather than legal requirement. (Overview of Swiss real estate holding structures, Swiss corporate governance framework (directors' duties).)

Law stated - 23 March 2026

UPDATE AND TRENDS

International and national regulation

Are there any emerging trends, international regulatory schemes, national government or regulatory changes, or other hot topics in real estate regulation in your jurisdiction?

Swiss tenancy law still allows landlords to adjust rents based on changes in the mortgage reference interest rate and, to a limited extent, the federal consumer price index, accord per centing to statutory formulas. After more than a decade of steady declines, the reference rate was raised twice in 2023 (from 1.25 to 1.5 per cent in June 2023 and to 1.75 per cent in December 2023), which gave landlords a formal basis toincrease rents by up to 3 per cent per 0.25 percentage point increase, subject to inflation and cost factors.

Since then, the picture has shifted again: in March 2025, the reference rate was reduced from 1.75 per cent to 1.5 per cent, and it has remained at 1.5 per cent as of June 2025 (with a further potential reduction being discussed for autumn 2025). This creates a statutory entitlement to rent reductions for tenants whose rents are still based on 1.75 per cent or higher, typically around 2.91 per cent per 0.25 percentage point decrease, while tenants on a 1.5 per cent reference basis have no claim. At the same time, rents in many urban areas continue to rise because landlords increasingly use other legally recognised grounds (inflation, higher operating and maintenance costs, value-enhancing investments) and because new lettings are concluded at higher market levels.

These dynamics are unfolding against a backdrop of a historic housing shortage, especially in larger cities, with vacancy rates around or below 1 per cent in many regions and strong net immigration. This has intensified the political and public debate on rent levels, housing supply and tenant protection, including a national tenants' initiative to cap rent increases and growing scrutiny of the impact of platforms such as Airbnb on local housing markets.

*** May we remove the following - you do not necessarily have to back up every answer with other site urls:

[https://www.swissinfo.ch/eng/demographics/switzerlands-housing-shortage-how-bad-is-it/89225133] [https://lenews.ch/2025/09/12/switzerlands-housing-squeeze-tightens-as-vacancy-rate-hits-1/]

[https://www.swisscommunity.org/en/news-media/swiss-revue/article/swiss-housing-shortage-fuels-airbnb-debate] [https://lenews.ch/2025/05/17/swiss-tenants-association-launches-initiative-to-cap-rent-hikes/]

On the regulatory front, two federal tenancy law revisions (on subletting and termination for personal use) that had been passed by Parliament were put to a referendum and ultimately rejected by the electorate on 24 November 2024, so the existing Code of Obligations rules remain in force. At the same time, further technical tenancy-law changes (for example, to form requirements for indexed and stepped rents) and cantonal or municipal measures on rent and use (including short-term lettings) continue to be discussed.

In addition, foreign-investment rules and climate policy are moving into focus. Politically, there is renewed debate about a possible tightening of Lex Koller (the regime governing real estate acquisitions by foreign non-residents), including Motion 24.3961 and further proposals, although no legislative change has yet entered into force. At the same time, the revised CO_2 Act and the Climate Protection and Innovation Act (CIA), both effective from 1 January 2025, reinforce Switzerland's long-term decarbonisation path and will gradually increase pressure for energy-efficient renovations of the building stock, even though the current federal rules still rely largely on incentives, CO_2 levies on fossil heating and cantonal implementation rather than rigid nationwide renovation quotas.

Law stated - 23 March 2026