

BULLETIN MARCH 2025

Swiss Federal Council Announces Stricter Rules for Foreign Investors in Real Estate

I. INTRODUCTION

On 21 March 2025, the Swiss Federal Council announced its intention to introduce a set of measures aimed at tightening the legal framework governing real estate acquisitions by foreign persons, notably through targeted amendments to the *Lex Koller*. These announcements were made in the context of the message recommending the rejection of the popular initiative launched by the Swiss People's Party (SVP/UDC), which seeks to limit Switzerland's population to 10 million.

As part of this broader response, the Federal Council presented a series of policy proposals to promote sustainable land use and address pressure on the housing market. Among these, several measures would directly affect the conditions under which foreign persons may acquire real estate in Switzerland.

To this end, the Federal Department of Justice and Police (FDJP) has been formally tasked with preparing a draft legislative proposal for submission to the Federal Council by June 2025. While no specific draft legal provision has been published yet, the policy direction is now clearly defined. This bulletin summarizes the key reform elements and anticipates their potential implications for foreign investors and market participants.

II. CURRENT REGULATORY LANDSCAPE

Under current law, the acquisition of Swiss real estate by foreign nationals – whether individuals domiciled abroad or foreign-controlled legal entities – is subject to authorization when residential property is involved. Key exemptions apply:

- Nationals of EU/EFTA member states domiciled in Switzerland are treated as Swiss citizens and are not subject to restrictions.
- Real estate acquired for commercial or industrial use (so-called “permanent business establishments”) is exempt from authorization.
- Foreign persons may currently acquire shares in Swiss-listed real estate companies without triggering the Lex Koller regime.

These carve-outs have been widely used and are particularly relevant for foreign corporate investors and private clients seeking indirect exposure to the Swiss market.

III. PLANNED REFORMS: SUMMARY OF PROPOSED CHANGES

The proposals outlined by the Federal Council include the following four key measures

Primary Residences – Conditional on Domicile

Foreign individuals domiciled in Switzerland would remain entitled to acquire a primary residence. However, the exemption would be limited in time: the property would need to be sold if the acquirer ceases to be domiciled in Switzerland. This change introduces a personal and temporal condition that does not currently apply.

Commercial Properties – Self-Use Only

Foreign persons would continue to be allowed to acquire real estate serving as a business establishment. However, the property could no longer be leased or made available to third parties. Only direct use by the acquirer would remain permitted. This would eliminate the possibility of acquiring commercial property for investment or income-generating purposes, while maintaining access for genuine business operations.

Listed Real Estate Companies – End of the Public Market Exemption

Currently, foreign investors can acquire shares in publicly listed Swiss real estate companies without triggering Lex Koller restrictions. Under the proposed changes, such acquisitions would become subject to authorization, regardless of whether the shares confer any direct use rights over the underlying properties. This marks a clear departure from long-standing practice and would significantly affect the structure of property investment strategies relying on listed vehicles.

Holiday Homes and Aparthotels – Further Assessment Underway

The Federal Council also announced that it will assess whether to introduce new restrictions on the acquisition of vacation homes and aparthotel units by foreign persons. No legislative proposal has been issued at this stage, but future measures are expected to address these segments in response to concerns about housing availability in high-demand areas.

IV. WHAT COMES NEXT: LEGISLATIVE PROCESS AND POLITICAL OUTLOOK

The Swiss government sets a clear policy direction, but the reform is still at a very early stage. The FDJP has been mandated to deliver a formal draft bill by June 2025, which will then be submitted to a public consultation (only if accepted by the Federal Council). This process will take several months and is likely to attract a broad range of (negative) feedback from representatives of real estate sector.

Following consultation, the revised draft will be transmitted to Parliament. The legislative process may face political resistance, particularly in the Council of States. In the National Council, an unusual alliance between the SVP and left-wing parties could support the proposals (at least some of them), albeit for divergent reasons.

V. CONCLUSION

The proposals announced by the Federal Council are, at this stage, very far-reaching and would – if implemented as outlined – result in a fundamental change to the legal environment for foreign investment in Swiss real estate. In particular, the removal of key exemptions currently relied upon by commercial actors and institutional investors would significantly alter the structure and attractiveness of the Swiss Real Estate market.

In particular, the proposed restriction on the acquisition of commercial properties for self-use only would constitute a genuine paradigm shift. In our view, this measure is unlikely to achieve the Federal Council's stated objective of reducing acquisition prices and rental costs in the residential sector.

That said, the legislative journey ahead is long and uncertain. It is likely that the Federal Council itself will reconsider the scope of some of these measures once the FDJP submits the detailed draft bill. Furthermore, parliamentary deliberations may well lead to substantial revisions, delays, or even rejection of specific provisions.

In our view, the final legislative outcome will depend not only on economic and legal considerations, but also on political dynamics. In particular, resistance is expected in the Council of States, while support in the National Council could depend on cross-party alliances driven by diverging motives.

We will continue to follow these developments and provide updates in future legal bulletins.

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