



## Apartment buildings – renovate or sell?

This guide will help you make  
the right decision for you.

When an apartment building looks like it might need major renovation and investment, private owners and heirs ask themselves: Renovate, rebuild, do nothing or sell? What is this property's potential? What are my personal wishes and ideas? Make what will be a good decision in the long term with the help of our experience.



A stylized, handwritten signature in black ink that reads "C. Walde".

Claudio F. Walde  
CEO





# Renovate or sell?

## Making the decision in three steps

Older properties often have a lot of potential, but are also in urgent need of refurbishment. Many private owners misjudge this potential – and leave renovations to their heirs or to the new owners.

Over a third of all apartment buildings and mixed-use residential and commercial buildings in the larger Swiss cities were built between 1940 and 1970. Around half of these are owned by private individuals. According to a study by the Institute of the Swiss Property Industry at the HWZ, these properties are seen as a “sleeping giant in residential construction”: These properties often harbour the potential for additional living space that could be exploited through extensions, additions or rebuilding. Institutional owners often have access to better information and therefore carry out full renovations or replace buildings with newly constructed ones – and then benefit from consistently better returns. Private owners, however, often put off long-overdue renovation work until complete refurbishment becomes necessary – which they then shy away from.



### **Overwhelming effort?**

The reasons for this are easy to see: The amount of money and time required can seem overwhelming, communities of heirs cannot agree or you don't want to upset tenants with whom you have a good personal relationship with a major rent adjustment. According to Zurich architect and renovation expert Vera Gloor, the greatest risk involved in a renovation is that the people undertaking it completely underestimate its complexity. Official requirements and regulations for building permits – which are also increasingly to do with energy and sustainability – as well as tenancy law, which only allows the costs of refurbishment to be passed on to a limited extent, are not easy to navigate.

### **Making the decision in 3 steps**

Deciding what to do with a property in need of renovation is part and parcel of the question of whether the owners are willing and able to bear the financial burden and sacrifice the time, as well as the associated risks. This question can only be answered by those who are clear about their personal plans, goals, wishes and capacities – and know the actual potential of the property.

## **Step 1**

### **Identify potential**

Undertaking comprehensive analysis of the property and land with regard to its location and utilisation is essential. "Solid analysis enables you to consider various renovation, utilisation and cost scenarios and takes economic development as well as rental and tax law aspects into account", says Vera Gloor. This makes it easier to assess the risks and opportunities involved in renovation.

## **Step 2**

### **Determine the current market value**

The second important element is to make a realistic estimate of the market value of the property and the possible net sales proceeds, i.e. the sales price less capital gains tax, fees and charges. If you know how much the property is worth, you have a better chance of weighing up whether to renovate or sell.

## **Step 3**

### **Think through scenarios**

How cost-effective is renovation? How can you pay for it? Or would you benefit more from selling? Once you know the market value and potential of your property, you can go through the various scenarios. And no matter which way you want to go: With good, well-informed advice, you can make sure that it's not just your gut feeling that's right.

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"Properties often stir up lots of emotions – much more than you might think."

**Nicolas Schnetzer**  
**Head of Zurich North Region**

# Interview

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Zurich architect Vera Gloor is an expert in renovating old properties and has successfully completed numerous renovation projects to date. In this interview, she explains the opportunities and risks involved in a renovation project.

**Mrs Gloor, wherever you look these days, properties are being renovated or demolished. In your opinion, which buildings are worth renovating and which are fit for demolishing?**

I love old buildings, so I'd prefer to renovate them rather than demolish them. It makes me sad when a beautiful old building has to make way for a new build just for the sake of making a profit. You can often come up with a cost-effective plan for renovating old buildings. But there are houses that can't be saved because they've been neglected for too long. These include the typical low-cost buildings from the 1950s onwards, which require high levels of investment to sound-proof them and upgrade their thermal insulation, and whose floor plans need extensive work to adapt them to current living requirements. In such cases, it makes more sense to develop a sustainable new building.

**What advice do you have for private owners and those who inherit older apartment buildings?**

The most important thing is to get an assessment of the property and its potential from the ground up. This also includes a realistic market value assessment, as offered by Walde. Their well-founded analysis gives you a good basis to decide whether to renovate, rebuild, or sell, based on various renovation, utilisation and cost scenarios. A good plan takes social and economic developments into account, alongside tenancy and tax law.

**What are the biggest risks involved in a renovation project?**

The biggest risk is complexity. Experience shows that it's always underestimated. The many interconnected aspects must be taken into account, otherwise not only will the construction

costs get out of hand, but also the entire structure of the investment will fall apart. For example, a planned renovation that doesn't fit with the location or the tenant profile can't be economically viable. It's important that property owners receive ample support and comprehensive advice at every step. Time and again, I meet people who want to buy or renovate an old property but haven't considered the opportunities and risks in detail beforehand. That's naïve and very dangerous, because investing in property is demanding.

**When do you recommend selling a property?**

For example, when communities of heirs have irreconcilable interests or private owners don't have time to deal with the numerous issues involved in renovation and management. Other reasons include when there's a lack of liquidity or a lack of equity for a complete renovation.

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“We recommend carefully weighing the time, financial, tax-related, and experience-based aspects before undertaking a renovation or new construction project on your own. It is important to thoroughly evaluate all options before making a final decision.”

**Ramona Ruh**  
**Head of Investment**  
**Properties**



# Case study

## “The building embodied a piece of family history”

Bruno Müller

Representative of a  
community of heirs

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## One apartment building, four siblings: Read on to hear why the Müller family's community of heirs decided to sell their apartment building in Dietikon.

The community of heirs' representative, Bruno Müller, explains: "We would probably have sold the apartment building back in 2007, but the financial crisis intervened. Following the death of our mother, the property, which was originally built in the sixties, offered us a secure investment and a good return, despite the very moderate rents. Then the need to renovate it grew to such an extent that the management suggested we think about the future of the property. We went over a number of options: One was to renovate the apartment building and keep it, as a community of heirs. Another envisaged one or two siblings assuming responsibility for the property. After detailed discussions, including with our children, we rejected both options. We would have been able to secure funding for the renovation, which was estimated at almost two million Swiss francs. However, faced with the anticipated inconvenience and the huge personal time commitment involved, we decided against it.

We were left with the option of selling, which we only considered with a heavy heart. The building embodied a piece of family history, to which we were emotionally attached. The lack of alternative investments also made us hesitate. But in the end, Walde's market value assessment made the decision easier for us four siblings. We quickly agreed that selling was the best solution. We realised that Walde is very well placed to assess market conditions and has an excellent network at its disposal. That convinced us, as did our ability to choose between a fixed fee and a commission based on the sales price. It didn't take long for Walde to find our ideal buyer. They were very competent and committed when handling the sales mandate. I have fond memories of working with them. Today, we heirs retain our memories of our grandfather's property and, as a consolation, got a respectable price for it."

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"To prevent your property from becoming a bone of contention, we recommend that you consult a professional."

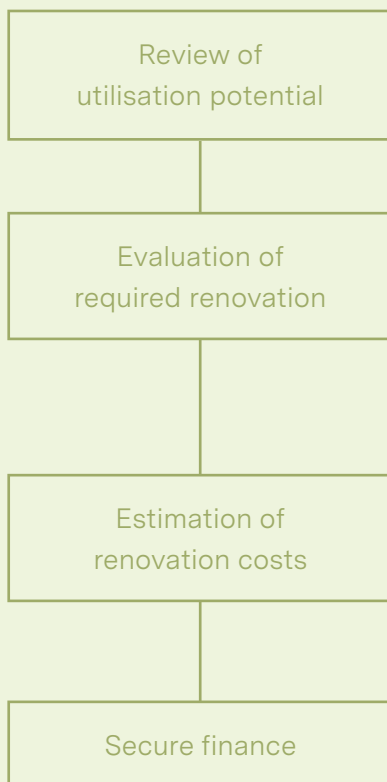
**Nina Sennhauser**  
**Estate Agent**



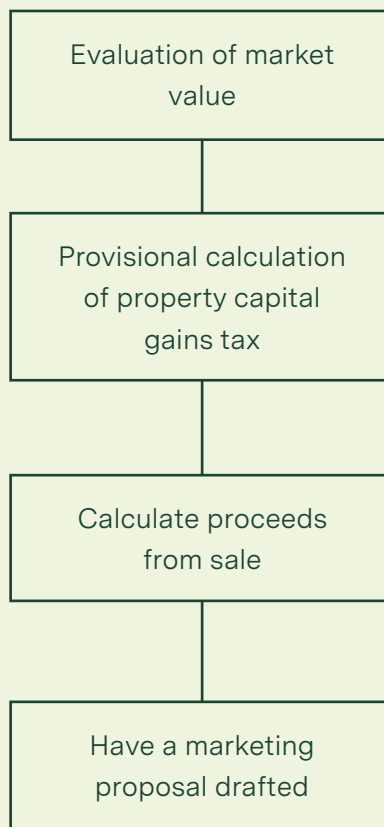
# Periodic assessment of positions

## Renovate or sell?

### Possible renovation



### Possible sale



Weigh up the pros and cons

Choosing a suitable partner (general contractor, consultant, architect)

Choosing the right sales partner

**Have the following documents ready for clarifying the utilisation potential and estimating market value:**

- Current rental value
- Layouts / Floorplans
- Land Register excerpt
- Cadastral plan 1:500
- Proof of buildings insurance
- Overview of renovations undertaken over the last 20 years
- Photos of the property (if available)
- Existing estimates and studies

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“The demand was very high precisely because the apartment block required an extensive renovation.”

**Mattia Bonasso**  
CSO and Head of  
Limmattal & Aargau Region



# Check list: Questions you should ask yourself from time to time.

## About yourself

- Do you have any descendants who are interested in the property ?
- Is a fair distribution of your assets (including property) amongst your descendants feasible?
- Do you own the apartment building as an investment or do you live in it?

## About your property

- What sort of structural condition is your property in ?
- Do the apartments meet current and future living requirements?
- Does the property have utilisation or rental potential?
- How much is the property currently worth and how high much are you likely to make from selling it?

## About a possible renovation

- How much capital do you personally need to renovate it?
- Are you able and willing to make the financial, time and personal commitment to the renovation project?
- Can renovation be made attractive in tax terms?
- Will renovation be profitable and what return can you expect?

## About re-letting

- Do you know the market risks involved in re-letting?
- Do you know the tenancy law risks involved in increasing rent to pay for renovation work?

## About a possible sale

- How much capital do you estimate raising from selling?
- Do current market conditions speak in favour of or against selling?
- What are the tax implications of a sale, in addition to capital gains tax?
- Do you have an alternative investment for the liquidity that results from the sale – a personal project that you would like to realise, for example, or something that your children have in mind that you would like to support?



“Apartment buildings that are in need of renovation are in high demand.”

**Melanie Seiler**  
Estate agent









Our team has already helped many people find their ideal home. You, too, can benefit from our experience.

Get in touch.

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#### Legal Notice

Overall direction in  
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