

Real estate, infrastructure and venture capital

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Swiss real estate occupies a central place in pension fund portfolios. Through direct holdings, investment foundations and listed or unlisted real estate funds, pension funds are among the largest owners of rental housing in the country. The share of real estate in their total assets has risen to around a quarter, with direct holdings concentrated in urban regions where demand is strong. In Basel-Stadt, the PKBS, the corporate funds and several collective foundations own apartment buildings in many neighbourhoods.¹ Their investment decisions influence the supply of housing, the level of rents and the pace of renovation in the city.

This influence has political consequences. In November 2021, the voters of Basel-Stadt accepted a popular initiative for housing protection, which introduced controls on rent increases after renovations and demolitions in times of housing shortage. Institutional owners, among them pension funds, criticised the rules as an obstacle to investment and energy-efficient renovation, while tenants' associations defended them as a protection against displacement.² The debate illustrates the dual role of pension funds as long-term investors with a duty to their insured persons and as landlords whose decisions affect the residents of the city.

Infrastructure investments have gained importance since the separate category was introduced in 2020. Pension funds invest in Swiss and foreign energy networks, renewable energy, telecommunications and transport, usually through investment foundations or specialised funds. Several Swiss investment foundations offer infrastructure groups focused on domestic assets. Such assets offer returns with limited exposure to market fluctuations and a long duration that matches the liabilities of a pension fund.³

Venture capital remains a small allocation in most Swiss pension fund portfolios. Part G discussed the Swiss venture capital gap and the Zukunftsfonds Schweiz, which seeks to channel a modest share of pension

assets into domestic start-ups and growth companies through a fund-of-funds structure. Its proponents argue that the Basel life sciences cluster would benefit from domestic capital, since Swiss biotech firms frequently raise their larger financing rounds in the United States.⁴ Critics warn that pension funds should not be used as an instrument of industrial policy. Whether pension capital will flow more strongly into the domestic innovation economy depends on the expected returns, which every board must assess independently.

1 Notes

1. On the share of real estate in Swiss pension fund portfolios and the importance of pension funds as owners of rental housing, see the FSO pension fund statistics, the OAK BV reports and the studies of real estate consultants. Figures to be verified. ↩
2. On the cantonal popular initiative "Ja zum echten Wohnschutz" accepted in Basel-Stadt in November 2021, the implementing legislation on housing protection and the reactions of institutional investors, see the cantonal legislation and the reports of the cantonal statistical office. Status to be verified. ↩
3. On infrastructure investments by Swiss pension funds and the infrastructure investment groups of Swiss investment foundations, see the KGAST statistics and the publications of the providers. To be verified. ↩
4. On the Zukunftsfonds Schweiz, pension fund investments in Swiss venture capital and the financing of Basel life sciences companies, see Part G, chapter IV, of this book and the publications of the initiative. Status to be verified. ↩

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