The US commercial real estate market is causing turmoil for US banks. Rainer Skierka, an experienced banking analyst, tells finews.com how he assesses the risk of contagion for the Swiss financial sector.

*Rainer Skierka, last year, US regional banks such as the Silicon Valley Bank were in deep trouble, creating turbulence in the financial system which accelerated Credit Suisse’s demise in Switzerland. Now, the difficult situation of the commercial real estate market is once again causing issues for American institutions such as the New York Community. How would you assess the risk of infection this time around?*

As a matter of principle, banks always claim that there is never a risk of contagion, although one can speak of systemic contagion risks. There are no longer isolated ways of looking at things, as was also seen with the private bank Julius Baer and the Signa debacle.
Currently, at least, the risk of contagion is lower than it was during the financial crisis. On the other hand, this crisis has emerged in a very regulated area, more specifically in the New York real estate market, where such risks could develop exponentially.

**How big would the US exposure of the Swiss financial industry be if the turbulence spreads to other sectors of the economy?**

Apparently, UBS’s US subsidiary has billions of francs in loans outstanding in the US commercial real estate market.

«Even as an optimist, you have to take the real risks into account»

However, these would be covered by appropriate collateral. It will be interesting to see whether this will lead to mergers, such as the takeover of the American First Republic Bank by the major bank J.P. Morgan last year.

**As a banking analyst, you have experienced numerous crises. Are there parallels between the current state of the US commercial real estate market and the subprime mortgages that led to the financial crisis in 2008?**

There are only a few parallels to the global financial crisis of 2008. The interest rate situation, even though interest rates have risen, is much better than it was 15 years ago. What could be playing a subtle role currently are geopolitical risks.

That's why I wouldn't rule out a ‘black swan’ in this case either: Wherever you don't expect it, a major risk arises. Even as an optimist, you must consider the real risks. The economy is still running. But how long can it last in this state?

**How is the Swiss financial sector positioned this time?**

The Swiss financial industry is in an excellent position after the 2023 financial statements. Nevertheless, recessionary tendencies are noticeable, not only in the real estate market but also in the firm's financial statements for 2024 and 2025. Additionally, the local financial industry is certainly vulnerable.
The core business of a cantonal bank is far removed from international financing. Nevertheless, this strange situation has arisen, and Julius Baer, in particular, has damaged its reputation and the nimbus of a purely private bank. In the Signa debacle, various cantonal banks claimed that they were not allowed to disclose details of existing customer relationships due to various legal considerations. This didn't help investors either.

Several Swiss banks have also been affected by the Signa insolvencies, first and foremost Julius Baer, but also small cantonal banks such as WKB and OKB. Are local domestic banks now more internationally oriented with their financing than would be expected?

I think we need to open a separate chapter for Germany in the meantime. The country has many home-grown problems that it doesn't need. Politically, they have done everything they can to prevent everything, including introducing rent caps. This does not promote the situation.

The German commercial real estate market, for example, is also currently dealing with challenges. In the end, will these outweigh the turbulence in the distant US?

Rainer Skierka has been working in the international financial industry for over 30 years. He worked as a financial analyst at the private bank J. Safra Sarasin for 9 years. In his «active retirement», he continues to work as an analyst at Research Partners and is responsible for the financial services sector. He studied economics at the University of Basel and completed further education at Northwestern University (Kellogg School) in Chicago.